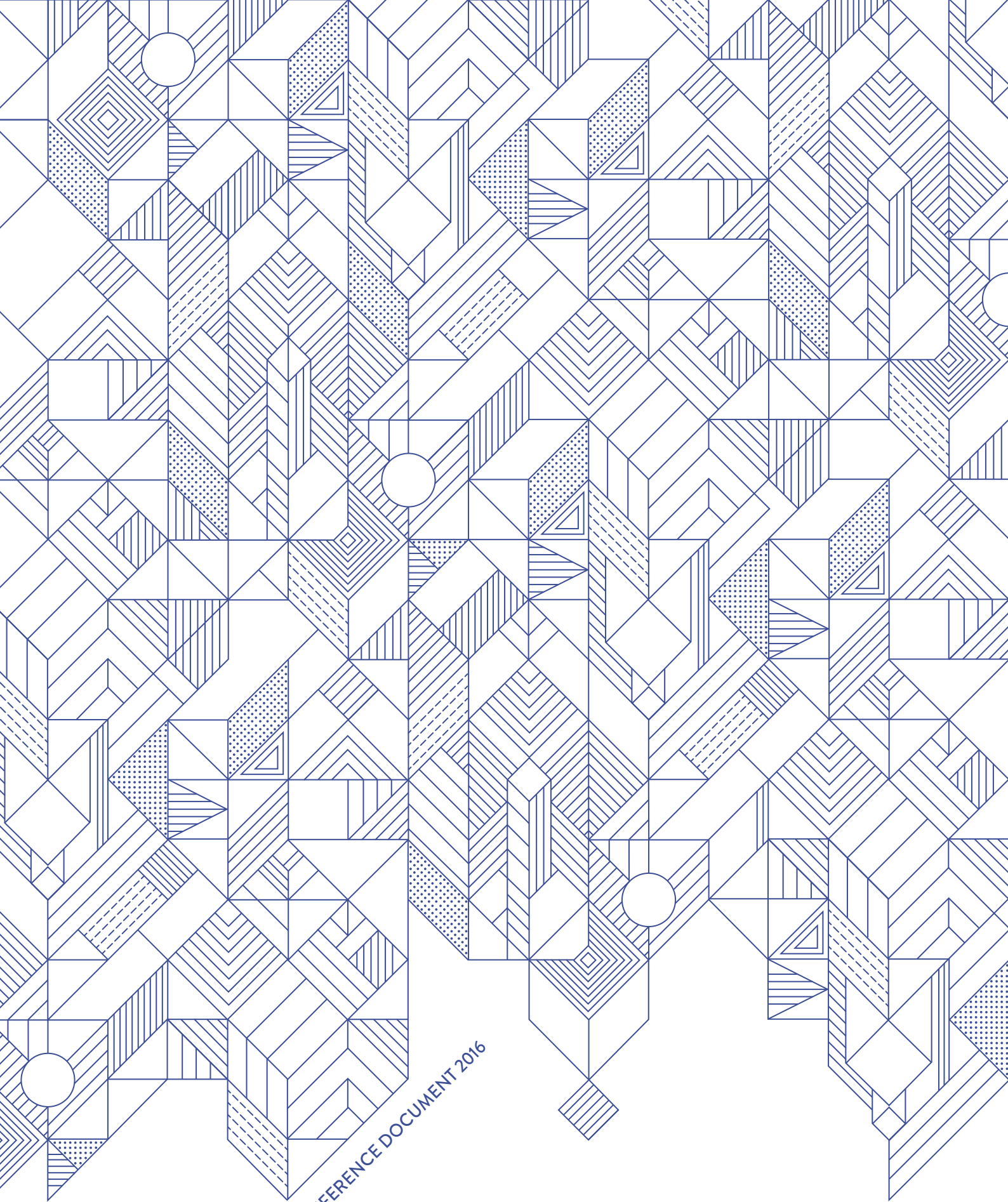




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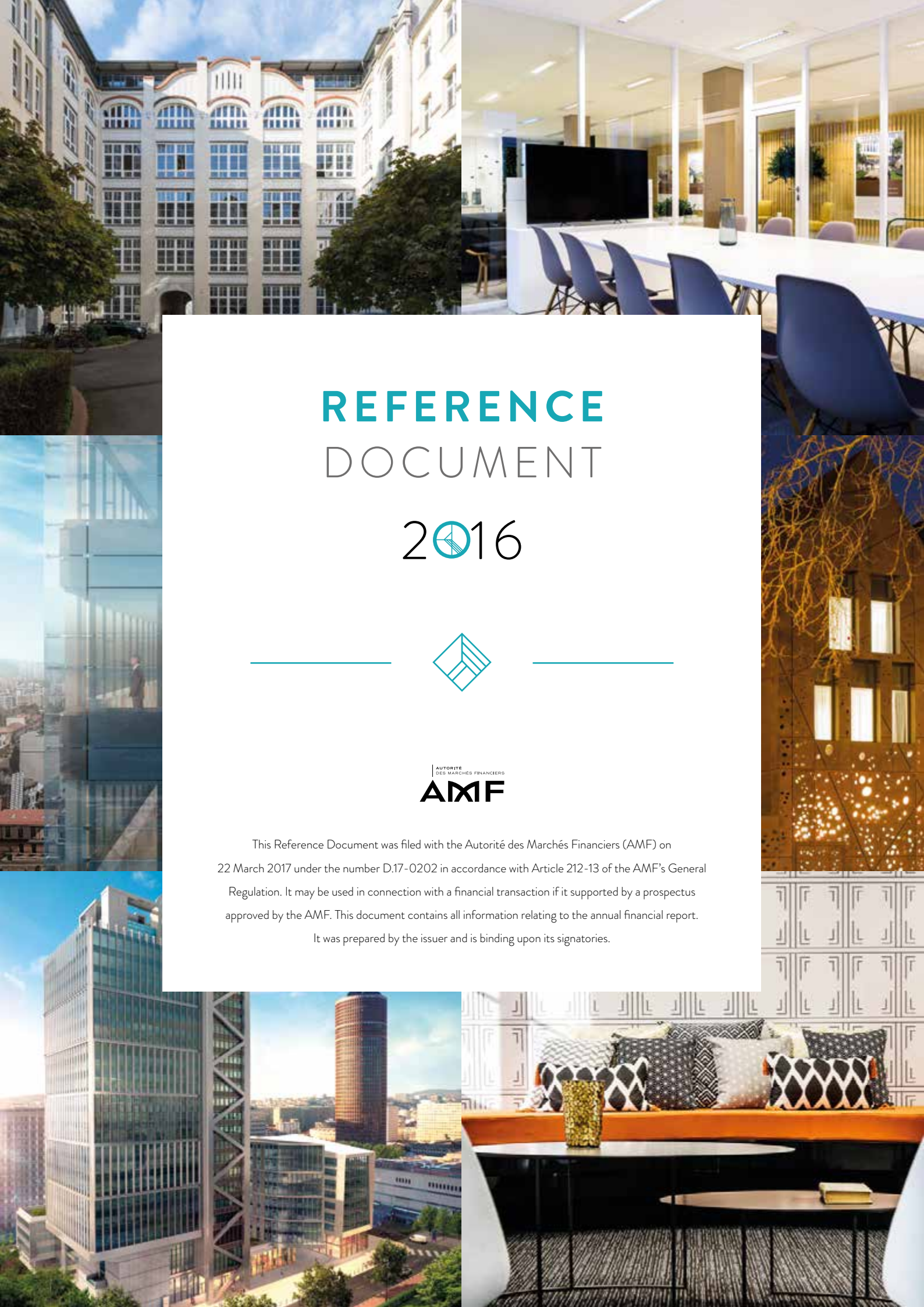
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AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

This Reference Document was filed with the Autorité des Marchés Financiers (AMF) on 22 March 2017 under the number D.17-0202 in accordance with Article 212-13 of the AMF's General Regulation. It may be used in connection with a financial transaction if it supported by a prospectus approved by the AMF. This document contains all information relating to the annual financial report.

It was prepared by the issuer and is binding upon its signatories.

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PROFILE

A € **19** BILLION
PORTFOLIO

SUCCESS OF THE EUROPEAN INTEGRATED MODEL

Foncière des Régions owns a **€19 billion** portfolio 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%).

Leveraging its recognised expertise in each of its asset classes, Foncière des Régions recorded a dynamic year with €2.0 billion 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.

The financial indicators display a strong growth: Recurring Net Income increased by 7%, at €356 million, EPRA NAV at €6 billion (+13%), proposed dividend per share at 4.40 €/share, a 2.3% increase. Foncière des Régions is ideally placed to generate more growth and sets a Recurring Net Income growth target of more than 5% in 2017.

KEY FIGURES 2016

€356^M

RECURRING NET INCOME
+7% VS 2015
OR 5.27€/SHARE

4.4 €/SHARE*

DIVIDEND 2016
*PROPOSED AT THE GENERAL
MEETING OF SHAREHOLDERS
ON 26/04/2017

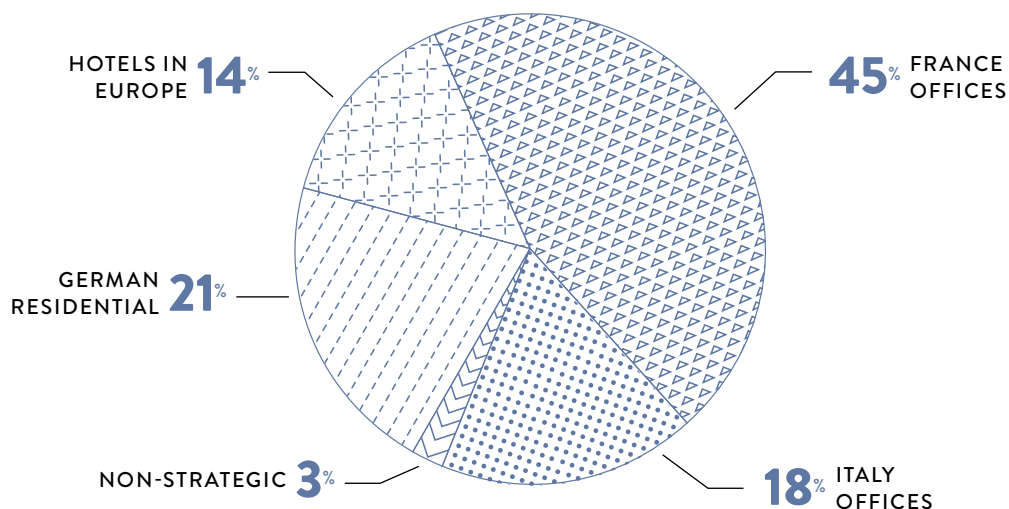
€6^{BN}

EPRA NAV
OR €86.7/SHARE

44.6%

LOAD TO VALUE
(LTV)

A EUROPEAN REIT



A GROWING REIT

€2^{BN}

INVESTED IN 2016,
MAINLY IN BERLIN,
PARIS AND MILAN

119,000^{M²}

OF NEW LEASES
IN FRANCE
AND ITALY OFFICES

€4^{BN}

OF DEVELOPMENT PROJECTS
IN EUROPE, INCLUDING €1.1 BN
OF COMMITTED PROJECTS

A PREFERENCE REIT

96.7%

OCCUPANCY
RATE

65%

OF GREEN ASSETS
IN THE FRANCE OFFICES
PORTFOLIO

7.2 YEARS

OF REMAINING
FIRM LEASE TERM

€19^{BN}

TOTAL
PORTFOLIO

€12^{BN}

GROUP
SHARE PORTFOLIO (GS)

€574^M

RENTAL INCOME
GROUP SHARE
+5% VS 2015

ACCELERATION OF OUR EUROPEAN DEVELOPMENT

With more than 800 employees and teams spread across France, Italy and Germany, Foncière des Régions has the in-house expertise and skills necessary to realize real estate projects, with the customers satisfaction as an objective.

Relying on its European expertise, its integrated teams and its €4 billion development pipeline, doubled in one year, Foncière des Régions will reinforce its position as lead integrated operator in the largest European cities in 2017.




MARSEILLE
Euromed Center

FRANCE OFFICES




PARIS
Art&Co




LYON
Silex¹ and Silex²

GERMAN RESIDENTIAL




BERLIN
Residential Berlin



ITALY OFFICES



MILAN
Principe Amadeo

MILAN
Via Cernaia



MILAN
Symbiosis

HOTELS IN EUROPE



PARIS, BERLIN, LYON
B&B Hotels

MUNICH, PARIS, MILAN
Meininger

PARIS
Motel One



THE 4TH LARGEST REIT IN EUROPE

2016 HIGHLIGHTS



€6.2 BILLION

OF FRANCE OFFICES
PORTFOLIO

1.9 MILLION
M²

GERMAN RESIDENTIAL

- ♦ €406 million of acquisitions realized, of which 70% in Berlin
- ♦ Accelerated growth in rental income at 3.6% on a like-for-like scope, of which 4.6% in Berlin
- ♦ New development pipeline of €200 million: 1,100 units and 70,000 m² in Berlin, of which 1/3 launched in 2017

FRANCE OFFICES

- ♦ 6 new buildings delivered in 2016 for 46,700 m², already pre-let at 94% for 9 years firm
- ♦ 43,000 m² of new leases signed on new assets or assets under development, including the EDO building in Issy-les-Moulineaux, fully let to the Transdev group
- ♦ 450,000 m² of leases renewed, including two major lease renegotiations with our partners Orange and EDF
- ♦ €160 million of acquisitions in Greater Paris at a 7.8% yield and with a large redevelopment potential
- ♦ Share of green assets at 65%



€4 BILLION

OF GERMAN RESIDENTIAL
PORTFOLIO

40,743
UNITS



Torre Garibaldi, Milan

ITALY OFFICES

- ◆ sharpening the focus on Milan, with an improvement in portfolio quality through the acquisition of 41,000 m² for €111 million
- ◆ Strong leasing activity with 62,000 m² signed, including the 1st lease agreement on Symbiosis with Fastweb
- ◆ diversification of the rental base: sharing 40% of the Telecom Italia portfolio representing €1.6 billion

€4.1 BILLION

OF ITALY OFFICES
PORTFOLIO

1.9 MILLION
M²



LinkedIn, Milan

€4.4 BILLION

OF HOTEL PORTFOLIO
IN EUROPE

40,000
ROOMS



The Westin Grand Hotel, Berlin

HOTELS IN EUROPE

- ◆ Reinforced exposure to the major European cities: €1.2 billion invested in investment and operating hotel properties
 - ◆ Doubling the development pipeline at €261 million, or 2,030 rooms, with historic partners (B&B Hôtels) or recent partners (Meininger, Motel One) and in strategic locations (Paris, Lyon, Berlin, Munich, etc.)
 - ◆ 17 hotel operators as partners: tripled since 2014



Eurostars Grand Marina, Barcelone

OTHER 2016 HIGHLIGHTS

- ◆ Appointment of two new Directors in the Board of Directors, raising the percentage of women at 40% one year before the legal deadline
- ◆ Creation of an Innovation department and announcement of a partnership with the start-up incubator Immowell Lab
- ◆ Success of the first Green Bond issue of €500 million with a 10-year maturity
- ◆ Carré Suffren: 1st operating property labeled BiodiverCity®
- ◆ Global Compact: Trophy for the Best Communication on Progress (COP).

1.3. RECORD RESULTS IN 2016: SUCCESS OF THE EUROPEAN INTEGRATED MODEL

1.3.1. €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.

1.3.2. 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%.

(€M)	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
Of which Telecom Italia offices	98.8	50.8	-5.3%	-1.9%	100.0%	13.8
Of which offices 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%	100.0%	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

1.3.2.1. 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 Silex¹ 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.

1.3.2.2. 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.

BUSINESS ACTIVITY IN 2016

Record results in 2016: success of the European integrated model

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.

1.3.2.3. 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%).

1.3.2.4. 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.

1.3.3. Strong growth in 2016 financial results

1.3.3.1. 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%.

1.3.3.2. 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.

1.3.3.3. 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.

1.3.3.4. 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%).

1.3.4. 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.

1.4. 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%.

1.4.1. Recognised rental income: 4.5% growth

(€M)	100%			Group Share				
	2015	2016	Change (%)	2015	2016	Change (%)	Change (%) LfL ⁽¹⁾	% 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	82%	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⁽²⁾	885.2	893.3	0.9%	549.4	574.4	4.5%	0.2%	100%

(1) LfL: Like-for-Like.

(2) Excl. Logistics (€15.9 million in 2015 – €3.4 million 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.

1.4.2. Lease expirations and occupancy rates

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

(years)	By lease end date (1 st break)		By lease end date	
Group Share	2015	2016	2015	2016
France	5.4	5.6	6.4	6.2
Italy	9.7	9	15.3	14.6
Hotels & Service	10.7	10.4	11	10.7
TOTAL	7.3	7.2	9.3	9

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.

(€M) ⁽¹⁾	By lease end date (1 st break)	% of total	By lease end date	% of total
Group Share				
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%

(1) 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.

1.4.2.2. 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.

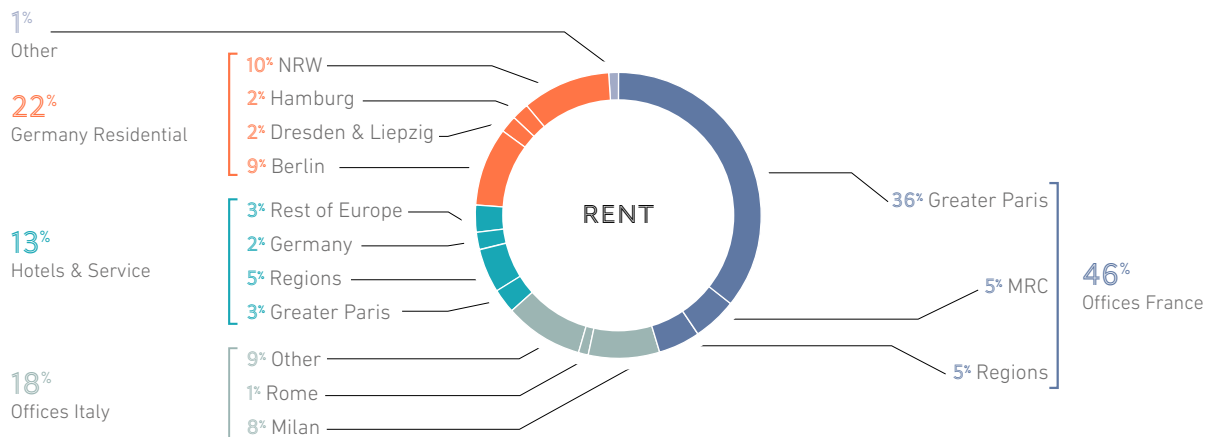
1.4.3. Breakdown of rental income – Group Share

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

(€M)		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 million		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.).

1.4.3.2. 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.

1.4.4. 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.

1.4.5. Disposals and disposal agreements: €906 million Group Share

(€M)		Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close	New disposals 2016 (II)	New agreements 2016 (III)	Total 2016 = (II + III)	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
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
	GS	29	2	4	363	366	1.5%	6.0%	32
Residential – Germany	100%	126	2	227	21	249	10.8%	6.7%	353
	GS	77	1	139	13	152	10.8%	6.7%	215
Hotels & Service sector	100%	367	3	296	10	305	26.3%	4.9%	662
	GS	183	2	148	5	152	26.3%	4.9%	331
Other	100%	258	0	173	50	223	4.3%	1.2%	431
	GS	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 under-performing hotels in France.

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

1.4.6. Asset acquisitions: €1.4 billion in secured acquisitions Group Share

(€M, Including Duties)	Acquisitions 2016			Acquisitions 2017 (signed in 2016)		
	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%			
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% ⁽¹⁾			
Reinforcement FDM	0	217	5.9%			
TOTAL	1,691	1,054	6.3%	762	390	5.5%

(1) 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.

1.4.7. 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.

1.4.7.1. 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.

1.4.7.2. 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 ⁽¹⁾ (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total Budget ⁽²⁾ (M€)	Target Yield ⁽³⁾	Progress	Capex to be invested
Offices France									
Silex I	Lyon	Construction	10,700	280	86%	47	6.5%	85%	5
Euromed Center – Offices Hermione (FdR share 50%)	Marseille	Construction	10,400	265	0%	14	> 7%	85%	2
Thaïs	Levallois – Greater Paris	Construction	5,500	480	0%	40	6.2%	80%	4
Euromed Center – Offices Floreal (FdR share 50%)	Marseille	Construction	13,400	265	0%	18	> 7%	70%	5
O'rigin	Nancy	Construction	6,300	195	81%	20	6.2%	55%	7
Edo	Issy-les- Moulineaux – Greater Paris	Regeneration- Extension	10,800	430	100%	83	6.0%	55%	19
ENEDIS – New Saint Charles	Reims	Construction	10,300	141	100%	19	> 7%	20%	13
Art&Co	Paris	Régénération	13,500	520	5%	130	5.0%	20%	20
Total deliveries 2017			80,900	407	44%	372	6.0%	49%	75
Hélios	Lille	Construction	8,700	160	0%	21	> 7%	10%	16
Riverside	Toulouse	Construction	11,000	195	0%	32	7.0%	20%	23
Îlot Armagnac (FdR share 35%)	Bordeaux	Construction	31,700	200	29%	35	6.5%	5%	33
Total deliveries 2018			51,400	189	11,6%	89	6.8%	12%	72
TOTAL OFFICES FRANCE			132,300	365	38%	460	6.1%	42%	147

BUSINESS ACTIVITY IN 2016

Business analysis

Projects in Group Share	Location	Project	Surface ⁽¹⁾ (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total Budget ⁽²⁾ (M€)	Target Yield ⁽³⁾	Progress	Capex to be invested
Offices Italy									
Via Colonna	Milan	Regeneration	3,500	260	0%	8	5.1%	9%	2
Via Cernaia	Milan	Regeneration	8,300	420	0%	30	5.2%	21%	6
Corso Ferrucci	Turin	Regeneration	45,600	130	22%	46	5.7%	26%	13
Total deliveries 2017			57,400	246	12%	84	5.5%	22%	21
Milan, P. Amedeo	Milan	Regeneration	7,000	460	0%	30	5.1%	0%	7
Milan, Piazza Monte Titano	Milan	Regeneration	6,000	190	100%	12	5.0%	9%	4
Symbiosis A+B	Milan	Construction	19,000	300	80%	45	6.8%	24%	21
Total deliveries 2018			32,000	340	55%	86	6.0%	14%	33
TOTAL OFFICES ITALIE			89,400	294	34%	170	5.7%	18%	54
Hotels & Service									
B&B Lyon	Lyon – France	Construction	113 rooms	N/A	100%	2	5.5%	33%	1
Club Med Samoëns	France	Construction	420 rooms	N/A	100%	12	5.9%	60%	5
B&B Berlin	Berlin – Germany	Construction	140 rooms	N/A	100%	6	7.0%	34%	4
Total deliveries 2017			673 rooms	N/A	100%	20	6.2%	50%	10
B&B Chatenay Malabry	Châtenay- Malabry – Greater Paris	Construction	255 rooms	N/A	100%	2	6.3%	23%	2
B&B Nanterre	Nanterre – Greater Paris	Construction	150 rooms	N/A	100%	3	6.2%	70%	1
Motel One Porte Dorée	Paris	Construction	173 rooms	N/A	100%	9	6.2%	66%	3
MEININGER Munich	Munich – Germany	Construction	420 rooms	N/A	100%	15	6.0%	55%	7
Total deliveries 2018			998 rooms	N/A	100%	29	6.1%	58%	12
MEININGER Porte de Vincennes	Paris	Construction	249 rooms	N/A	100%	23	6.2%	35%	15
B&B Bagnolet	Paris	Construction	108 rooms	N/A	100%	2	6.3%	16%	2
Total deliveries 2019 and beyond			357 rooms	N/A	100%	25	6.2%	34%	17
TOTAL HOTELS & SERVICE			2,028 ROOMS	N/A	100%	75	6.2%	47%	39
TOTAL			221,700 m²	N/A	44%	705	6.0%	37%	240

(1) Surface 100%.

(2) Including land cost and financial cost.

(3) Yield on total rents including parkings, restaurants, etc.

1.4.7.3. Managed projects: €2.3 billion Group Share

Projects	Location	Project	Surface ⁽¹⁾ (m²)	Delivery timeframe
Offices France				
Cité Numérique	Bordeaux	Regeneration-Extension	18,600	2018
Opale	Meudon – Greater Paris	Construction	30,000	2019
Campus New Vélizy Extension (QP FdR 50%)	Vélizy – Greater Paris	Construction	14,000	2019
ENEDIS Angers	Angers	Construction	4,700	2019
Silex II	Lyon	Regeneration-Extension	30,900	2020
Canopée	Meudon – Greater Paris	Construction	47,000	2020
Avenue de la Marne	Montrouge – Greater Paris	Construction	21,200	2020
Montpellier Majoria	Montpellier	Construction	64,000	2018-2020
Philippe Auguste	Paris	Regeneration	13,200	> 2020
Cap 18	Paris	Construction	50,000	> 2020
Rueil Vinci	Rueil-Malmaison – Greater Paris	Regeneration-Extension	43,000	> 2020
Omega	Levallois-Perret – Greater Paris	Regeneration-Extension	21,500	> 2020
Citroën PSA – Arago	Paris	Regeneration	19,500	> 2020
Anjou	Paris	Regeneration	11,000	> 2020
Orange Gobelins	Paris	Regeneration	4,100	> 2020
DS Campus Extension 2 (QP FdR 50%)	Vélizy – Greater Paris	Construction	11,000	> 2020
Total Offices – France			403,700	
Offices Italy				
Via Schievano	Milan	Regeneration	31,800	2019
Symbiosis (autres blocs)	Milan	Construction	101,500	2022
Total Offices – Italy			133,300	
TOTAL			537,000	

(1) 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.

1.4.8. Portfolio

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

(€/M, Excluding Duties)	Value 2015 100%	Value 2016 100%	Value 2016 Group Share	LFL ⁽¹⁾ 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 – GS	10,992	11,967					

(1) LFL: Like-for-Like.

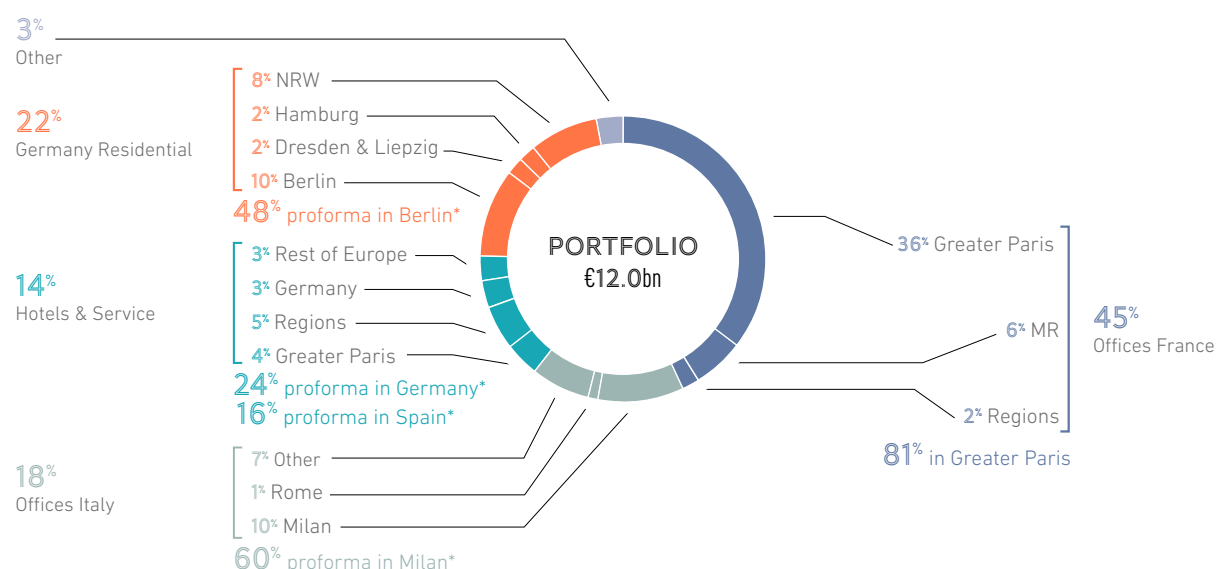
BUSINESS ACTIVITY IN 2016

Business analysis

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.

1.4.8.2. Geographic breakdown



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

60% in Paris, Berlin, Milan

75% in large European cities

1.4.9. List of major assets

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

Top 10 Assets ⁽¹⁾	Location	Tenants	Surface (m ²)	FdR share
Tour CB 21	La Défense (Greater Paris)	SUEZ Environnement, AIG Europe, Nokia, Groupon	68,077	75%
Carré Suffren	Paris 15 th	AON, Institut Français, Ministère Éducation	24,864	60%
Dassault Campus	Vélizy-Villacoublay (Greater Paris)	Dassault Systèmes	56,554	50%
New Vélizy	Vélizy-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 th	Orange	11,182	100.0%
Green Corner	Saint-Denis	HAS et Sysstra	20,817	100.0%
Anjou	Paris 8 th	Orange	10,067	100.0%
Percier	Paris 8 th	Chloe	8,781	100.0%

(1) Excluded assets under commitments.

1.5. BUSINESS ANALYSIS BY SEGMENT

France's Offices indicators are presented at 100% and as Group Share (GS).

1.5.1. France Offices

1.5.1.1. 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.

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).

(1) Source: Immostat, CBRE, JLL.

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

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

(€M)	Surface (m ²)	Number of assets	Rental income 2015 100%	Rental income 2015 GS	Rental income 2016 100%	Rental income 2016 GS	Change GS (%)	Change GS (%) LFL ⁽¹⁾	% 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%

(1) 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.

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

1.5.1.3.1. Breakdown by major tenants

(€/M) GS	Surface (m ²)	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%
Thales	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.

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

(€/M) GS	Surface (m ²)	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.

1.5.1.4. 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.

1.5.1.5. Rental activity

(€M) GS	Surface (m ²)	Annualised rental income 2016	Annualised rental income (€/m ²)
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)
- ◆ Thales: 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.

1.5.1.6. Lease expirations and occupancy rates

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

(€M)	By lease end date (1 st 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.

1.5.1.6.2. 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.

1.5.1.7. Reserves for unpaid rent

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

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

(€M)	Disposals Agreements (agreements as of end of 2015 closed) (I)	as of end of 2015 to close	New disposals 2016 (II)	New agreements 2016	Total 2016	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
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.

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

(€M, Including Duties)	Surface (m ²)	Location	Tenants	Acquisition Price	Yield
Rueil Lesseps	38,000	Rueil-Malmaison	Vinci	129	7.8%
VPJ Orange	1,973	/	Orange	6	9.0%
Cap 18 – Cicobail share (14,29%)	/	Paris	/	5	7.1%
Saint-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.

1.5.1.10. 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.

1.5.1.10.1. 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).

1.5.1.10.2. Committed projects: €460 million Group Share

Projects at 100%	Location	Project	Surface (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total Budget ⁽¹⁾ (M€)	Target Yield ⁽²⁾	Progress	Capex to be invested
Silex I	Lyon	Construction	10 700	280	86%	47	6.5%	85%	5
Euromed Center – Bureaux Hermione	Marseille	Construction	10,400	265	0%	29	> 7%	85%	3
Thaïs	Levallois – Greater Paris	Construction	5,500	480	0%	40	6.2%	80%	4
Euromed Center – Bureaux Floreal	Marseille	Construction	13,400	265	0%	36	> 7%	70%	10
O'origin	Nancy	Construction	6,300	195	81%	20	6.2%	55%	7
Edo	Issy-les- Moulineaux – Greater Paris	Regeneration- Extension	10,800	430	100%	83	6.0%	55%	19
ENEDIS – New Saint Charles	Reims	Construction	10,300	141	100%	19	> 7%	20%	13
Art&Co	Paris	Restructuration	13,500	520	5%	130	5.0%	20%	20
Total deliveries 2017			80,900	395	41%	404	6.1%	52%	82
Riverside	Toulouse	Construction	11,000	195	0%	32	7.0%	20%	23
Hélios	Lille	Construction	8,700	160	0%	21	> 7%	10%	16
Îlot Armagnac	Bordeaux	Construction	31,700	200	29%	102	6.5%	5%	95
Total deliveries 2018			51,400	194	19%	155	6.7%	9%	133
TOTAL			132,300	339	35%	559	6.3%	40%	215
TOTAL GROUP SHARE				365	38%	460	6.1%	42%	147

(1) Including land and financial costs.

(2) 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'rig'in' (Nancy) and Edo (Issy) buildings, with deliveries scheduled for 2017.

1.5.1.10.3. Managed projects: €2.0 billion pipeline Group Share, almost tripling in one year

Around 400,000 m² are managed by Foncière des Régions for new developments and future redevelopments.

Projects	Location	Project	Surface ⁽¹⁾ (m ²)	Delivery timeframe
Cité Numérique	Bordeaux	Regeneration-Extension	18,600	2018
Opale	Meudon – Greater Paris	Construction	30,000	2019
Campus New Vélizy Extension (QP FdR 50%)	Vélizy – Greater Paris	Construction	14,000	2019
ENEDIS Angers	Angers	Construction	4,700	2019
Silex II	Lyon	Regeneration-Extension	30,900	2020
Canopée	Meudon – Greater Paris	Construction	47,000	2020
Avenue de la Marne	Montrouge – Greater Paris	Construction	21,200	2020
Montpellier Majoria	Montpellier	Construction	64,000	2018-2020
Philippe Auguste	Paris	Regeneration	13,200	> 2020
Cap 18	Paris	Construction	50,000	> 2020
Rueil Vinci	Rueil-Malmaison – Greater Paris	Regeneration-Extension	43,000	> 2020
Omega	Levallois-Perret – Greater Paris	Regeneration-Extension	21,500	> 2020
Citroën PSA – Arago	Paris	Regeneration	19,500	> 2020
Anjou	Paris	Regeneration	11,000	> 2020
Orange Gobelins	Paris	Regeneration	4,100	> 2020
DS Campus Extension 2 (QP FdR 50%)	Vélizy – Greater Paris	Construction	11,000	> 2020
TOTAL			403,700	

(1) 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).

1.5.1.11. Portfolio values

1.5.1.11.1. Change in portfolio values: increase of €494 million (+10%) in Group Share in 2016

(€/M, Excluding Duties) GS	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

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

(€/M, Excluding Duties)	Value 2015 100%	Value 2016 100%	Value 2016 GS	LFL ⁽¹⁾ 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%

(1) LFL: Like-for-Like.

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.

1.5.1.12. 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 (€/M)	4,232	485	601	5,318
Annualised rental income	224	0	52	275
Yield	5.3%	N/A	8.6%	5.7% ⁽¹⁾
Residual firm duration of leases (years)	5.9	N/A	4.2	5.6
Occupancy rate	97.1%	N/A	89.5%	95.6%

(1) 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.

1.5.2. 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.

1.5.2.1. Milan: a growing market⁽¹⁾

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.

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

(€M, 100% and Group Share)	Surface (m ²)	Number of assets	Rental income 2015 100%	Rental income 2015 GS FdR	Rental income 2016 100%	Rental income 2016 GS FdR	Change (%)	Change (%) LFL ⁽¹⁾	% 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%
Development 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%

(1) 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.

(1) Source CBRE, JLL, C&W.

1.5.2.3. Annualised rental income: €110.6 million in Group Share

1.5.2.3.1. Breakdown by portfolio

(€M, Group Share)	Surface (m ²)	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%
Development 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%.

1.5.2.3.2. Geographic breakdown

(€M, Group Share)	Surface (m ²)	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).

1.5.2.4. 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.

1.5.2.5. Rental activity

(€M, Group Share)	Surface (m ²)	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).

1.5.2.6. Lease expirations and occupancy rates

1.5.2.6.1. Lease expirations: residual lease term of 9.0 years firm

(€M Group Share)	By lease end date (1 st 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).

1.5.2.6.2. 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.

1.5.2.7. Reserves for unpaid rent

(€M)	2015	2016
As % of rental income	0.9%	1.0%
In value ⁽¹⁾	0.9	1.0

(1) Net provision/reversals of provision.

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%.

1.5.2.8. Disposals and disposal agreements: €701 million (€366 million in Group Share)

(€M, 100%)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close	New disposals 2016 (II)	New agreements 2016 (III)	Total 2016 = (II + III)	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
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.

1.5.2.9. Acquisitions: €111 million in 2016 and 2017 in Milan (€58 million in Group Share)

(€M, Including Duties, 100% and Group Share)	Location	Acquisitions 2016			Acquisitions 2017 (signed in 2016)		
		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.

1.5.2.10. Development projects: a €790 million pipeline

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

Projects at 100%	Location	Project	Surface (m ²)	Delivery	Target offices rent (€/m ² /year)	Pre-let (%)	Total Budget (€m) ⁽¹⁾	Target Yield ⁽²⁾	Progress	Capex to be invested
Corso Ferrucci	Turin	Regeneration	45,600	2017-19	130	22%	87	5.7%	26%	25
Via Colonna	Milan	Regeneration	3,500	2017	260	0%	16	5.1%	9%	4
Via Cernaia	Milan	Regeneration	8,300	2017	420	0%	57	5.2%	21%	11
Piazza Monte Titano	Milan	Regeneration	6,000	2018	190	100%	22	5.0%	9%	8
Symbiosis A+B	Milan	Construction	19,000	2018	300	80%	86	6.8%	24%	40
P. Amedeo	Milan	Regeneration	7,000	2018	460	0%	56	5.1%	0%	14
TOTAL			89,400		294	34%	325	5.7%	18%	103
TOTAL GS					294	34%	170	5.7%	18%	54

(1) Including land and financial costs.

(2) 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.

1.5.2.10.2. Managed projects: €465 million of projects in Milan

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

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.

1.5.2.11. Portfolio values

1.5.2.11.1. Change in portfolio values

(€M, 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.

1.5.2.11.2. Like-for-like change: +1.8%

(€M, Excluding Duties, 100% and Group Share)	Value 2015 GS FdR	Value 2016 100%	Value 2016 GS FdR	LfL ⁽¹⁾ 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%

(1) 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.

(€M, Excluding Duties)	Value 2015 GS FdR	Value 2016 100%	Value 2016 GS FdR	LfL ⁽¹⁾ 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%

(1) LfL: Like-for-Like.

1.5.3. 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%.

1.5.3.1. A growing European market with varying performances⁽¹⁾

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.

1.5.3.2. 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.

1.5.3.2.1. Breakdown by business sector

(€M 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 ⁽¹⁾ 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				

(1) LFL: Like-for-Like.

(1) Source: MKG, BNP Real Estate.

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.

1.5.3.3. Annualised rental income: €75.5 million in Group Share

1.5.3.3.1. Breakdown by business sector

(€/M, 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%.

1.5.3.3.2. Breakdown by tenant

(€/M, 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.

1.5.3.3.3. Geographic breakdown

(€M, 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.

1.5.3.4. 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.

1.5.3.5. Lease expirations and occupancy rates

(€M, Group Share)	By lease end date (1 st 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%.

1.5.3.6. Reserves for unpaid rent

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

1.5.3.7. Disposals and disposal agreements: portfolio quality improvements

(€M, 100%)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close	New disposals 2016 (II)	New agreements 2016 (III)	Total 2016 = (II + III)	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
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.

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

(€M, Including Duties 100% and Group Share)	Number of rooms	Location	Tenants	Acquisitions 2016			Acquisitions 2017 (signed in 2016)		
				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% ⁽¹⁾			
Hermitage	648	France & International	Multi-tenant	125	25	7.6% ⁽¹⁾			
Crowne Plaza Brussels Airport	315	Belgium	IHG	52	11	6.0% ⁽¹⁾			
TOTAL ACQUISITIONS OPERATING PROPERTIES	5,094			988	192	7.6%⁽¹⁾	N/A	N/A	N/A

(1) 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).

BUSINESS ACTIVITY IN 2016

Business analysis by segment | Hotels & Service Sector

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

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

Projects 100%	Location	Project	Number of rooms	Pre-let (%)	Total Budget ⁽¹⁾ (€M)	Yield ⁽²⁾	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

(1) Including land and financial costs.

(2) 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 pursuing 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.

1.5.3.10. Portfolio values

1.5.3.10.1. Change in portfolio values

(€M, Excluding Duties)	Value 2015	Rate Change	Value adjustment	Acquisitions	Disposals	Invest.	Value creation on Acquis./Disposals	Others	Value 2016
Assets in operation	1,372	215	17	15	-297	11	0	13	1,346
Assets under development ⁽¹⁾	15	2	4	0	0	30	0	-13	39
Total Hotel investment properties	1,387	217	21	15	-297	41	0	0	1,385
Hotel operating properties	24	0	2	192	0	0	24	4	245
TOTAL	1,411	217	23	208	-297	41	24	4	1,631

(1) 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.

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

(€/M, Excluding Duties)	Value 2015 Group Share	Value 2016 100%	Value 2016 Group Share	LfL ⁽¹⁾ 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 ⁽²⁾	15	139	39	16.7%	N/A	N/A	3%
Total Hotel investment properties	1,387	3,158	1,385	1.6%	5.9%	5.6%	72%
Hotel Operating properties ⁽³⁾	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%

(1) LfL: Like-for-Like.

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

(3) 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.

(€/M, Excluding Duties)	Value 2015 Group Share	Value 2016 100%	Value 2016 Group Share	LfL ⁽¹⁾ 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⁽²⁾	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 Hotel investment properties	1,387	3,158	1,385	1.6%	5.9%	5.6%	85%
France ⁽³⁾	11	210	43	0.0%	N/A	5.8%	3%
Germany ⁽³⁾	10	968	187	13.4%	7.2%	6.7%	11%
Belgium ⁽³⁾	3	77	16	3.0%	7.4%	6.4%	1%
Hotel operating properties⁽³⁾	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%

(1) LfL: Like-for-Like.

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

(3) 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.

1.5.3.10.3. Operating hotel properties – value per room

(€K)	Number of rooms 2016	Value per room 2015	Value per room 2016	Var. (%)
France	880	206	239	15.9%
Germany	4,881	74	153	106.3%
Belgium	521	132	148	12.2%
TOTAL	6,282	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.

1.5.4. 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.

1.5.4.1. The Germany residential market is booming⁽¹⁾

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.

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

1.5.4.2.1. Geographic breakdown

(€M)	Surface (m ²)	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 ⁽¹⁾	% 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%

(1) 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.

(1) Source: JLL, BBSR, CBRE.

1.5.4.3. Annualised rental income: €133 million Group Share

1.5.4.3.1. Geographic breakdown

(€M, Group Share)	Surface (m ²)	Number of units	Annualised rental income 2015	Annualised rental income 2016	Change (%)	Average rent (€/m ² /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).

1.5.4.4. 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.

1.5.4.5. 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 pt).

1.5.4.6. Reserves for unpaid rent

(€M)	2015	2016
As % of rental income	1.4%	1.0%
In value ⁽¹⁾	1.6	1.3

(1) Net provision/reversals of provision.

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

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

(€M, 100%)	Disposals (agreements as of end of 2015 closed (I))	Agreements as of end of 2015 to close	New disposals 2016 (II)	New agreements 2016	Total 2016 = (II + III)	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
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 GS	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).

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

(€M, Including Duties)	Surface (m ²)	Number of units	Acquisitions 2016			Acquisitions 2017 (signed in 2016)		
			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.

1.5.4.9. Portfolio values

1.5.4.9.1. Change in portfolio value: 10% growth

(€M, 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	2,175	196	277	-213	16	25	2,477

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%).

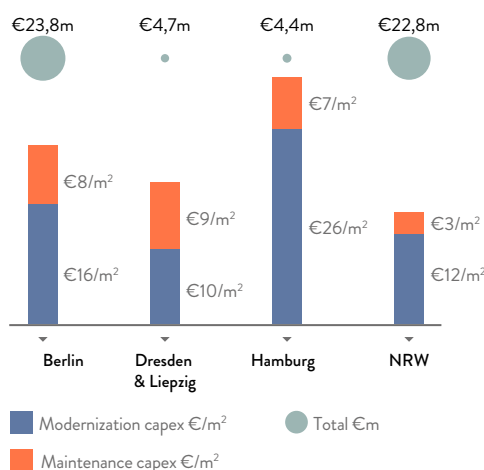
1.5.4.9.2. Like-for-like change: +8.4%, including +12.4% in Berlin

(€M, Excluding Duties)	Value 2015 100%	Value 2015 GS FDR	Value 2016 100% Immeo	Value 2016 GS FDR	LFL ⁽¹⁾ 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%

(1) 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%).

1.5.4.10. 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.

1.5.5. 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.

1.5.5.1. Recognised rental income

(€M, 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).

1.5.5.2. Annualised rental income

(€M, 100%)	Annualised rental income 2015	Annualised rental income 2016	Change (%)	% of rental income
Paris and Neuilly	6.8	4.8	-30%	40%
Greater Paris Excl. 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.

1.5.5.3. Indexation

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

1.5.5.4. Disposals and disposal agreements: €200 million

(€M, 100%)	Disposals (agreements as of end of 2015 closed) (I)	Agreements as of end of 2015 to close	New disposals 2016 (II)	New agreements 2016 (III)	Total 2016 = (II + III)	Margin vs 2015 value	Yield	Total Realized Disposals = (I + II)
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.

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

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.

(€M, Excluding Duties, 100%)	Value 2015 100%	Value 2016 100%	LfL ⁽¹⁾ change 12 months	Yield 2015	Yield 2016
Total	609.0	427.9	0.7%	2.8%	2.8%

(1) LfL: Like-for-Like.

1.6. 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.

1.6.1. 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%
Fédérismo (Carré Suffren)	60.0%	60.0%
SCI Latécoère (DS Campus)	50.1%	50.1%
SCI 11, Place de l'Europe (Campus Eiffage)	50.1%	50.1%

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.

1.6.2. 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.

1.6.3. Simplified income statements Group Share

GS (€M)	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%
<i>in % of net rental income</i>	<i>- 11.4%</i>	<i>- 11.8%</i>		
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%
<i>in % of net rental income</i>	<i>85.4%</i>	<i>87.9%</i>		
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.

1.6.3.1. 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:

GS (€M)	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.

1.6.3.2. 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.

1.6.3.3. 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.

1.6.3.4. 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.

1.6.3.7. 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 Vélizy)	50.10%	36.0	7.5	59.6	65.6%
Euromed	50.00%	27.5	13.7	41.2	49.8%
SCI Latécoère 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 Latécoère 2 has a positive impact on its contribution to earnings for +€2.4 million.

1.6.3.5. 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.

1.6.3.6. 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).

RECURRING NET INCOME OF AFFILIATES

GS FdR (€M)	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

1.6.3.8. 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.

1.6.3.9. 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.

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RECURRING NET INCOME BY ACTIVITY

GS FdR (€M)	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

1.6.4. Simplified consolidated income statement

100% (€M)	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	-

1.6.4.1. 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:

100% (€M)	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%

1.6.5. Simplified consolidated balance sheet Group Share

GS (€M)	2015	2016	Liabilities	2015	2016
Assets					
Investment properties	9,352	10,260			
Investment properties under development	463	653			
Other fixed assets	91	116			
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

1.6.5.1. Fixed assets

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

GS (€M)	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).

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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.

1.6.5.2. 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).

1.6.5.3. 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).

1.6.5.4. 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.

1.6.5.5. 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).

1.6.6. Simplified consolidated balance sheet

100% (€M)					
Assets	2015	2016	Liabilities	2015	2016
Investment properties	15,136	15,859			
Investment properties under development	593	904			
Other fixed assets	127	177	Shareholders' equity	4,639	5,302
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

1.6.6.1. 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.

1.6.6.2. 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).

1.6.6.3. 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.

1.6.6.4. 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.

1.6.6.5. Other assets

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

1.6.6.6. 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).

1.6.7. Financial indicators of the main activities

	Foncière des Murs			Beni Stabili		
	2015	2016	Var. (%)	2015	2016	Var. (%)
Recurring net income (€M)	133.0	137.9	3.7%	99.4	106.0	6.6%
EPRA NAV (€M)	1,965.0	2,097.2	6.8%	1,870.00	1,924.30	2.9%
EPRA NNNNAV (€M)	1,765.0	1,872.5	6.1%	1,715.00	1,834.81	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 (€M)	86.2	102.1	18.4%
EPRA NAV (€M)	1,657.0	2,020.0	21.9%
EPRA NNNNAV (€M)	1,314.0	1,640.0	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

1.7. FINANCIAL RESOURCES

1.7.1. Main debt characteristics

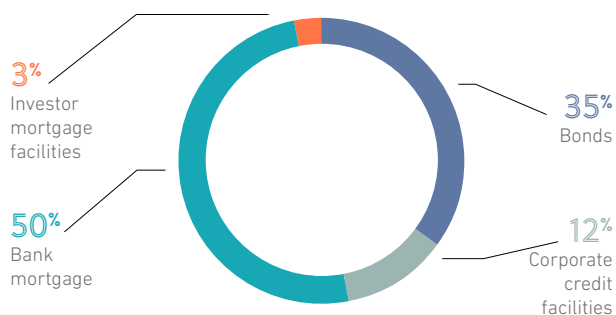
Group Share	2015	2016
Net debt, Group Share (€M)	5,536	5,888
Average annual rate of debt	2.80%	2.21%
Average maturity of debt (in years)	5.0	5.7
Debt active hedging spot rate	88%	81%
Average maturity of hedging	5.4	5.7
LTV Including Duties	45.4%	44.6%
ICR	3.02	3.60

1.7.2. Debt by type

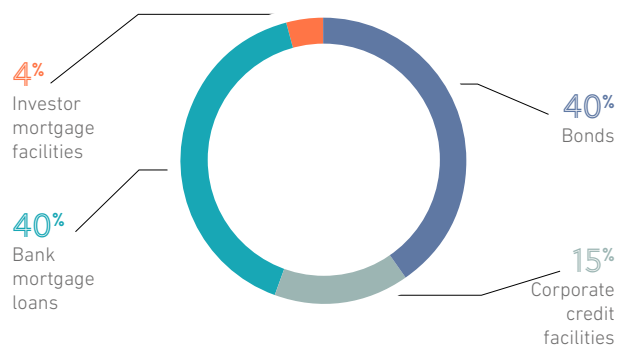
The net debt (Group Share) of Foncière des Régions amounted to €5.9 billion at 31 December 2016 (€8.7 billion on a consolidated basis). As a share of total debt, the corporate debt remains the highest at 56% at 31 December 2016.

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.

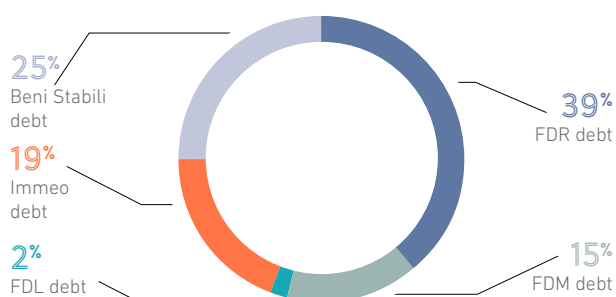
COMMITMENTS (100%)



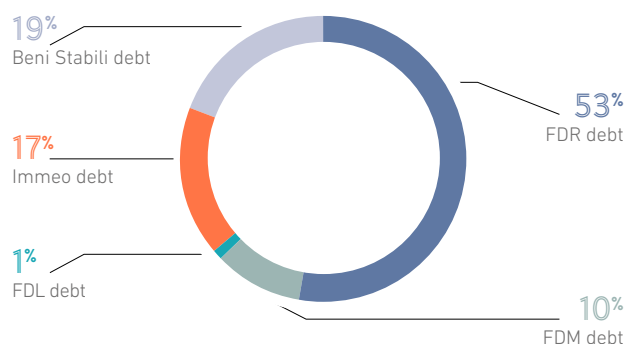
COMMITMENTS (GROUP SHARE)



COMMITMENTS PER COMPANY (100%)



COMMITMENTS PER COMPANY (GROUP SHARE)

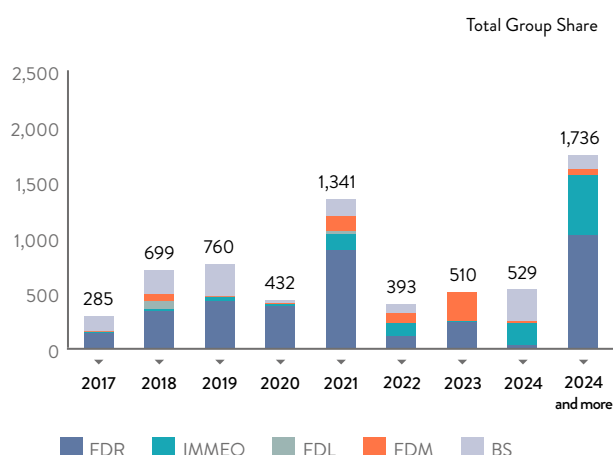


1.7.3. Debt maturities

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).

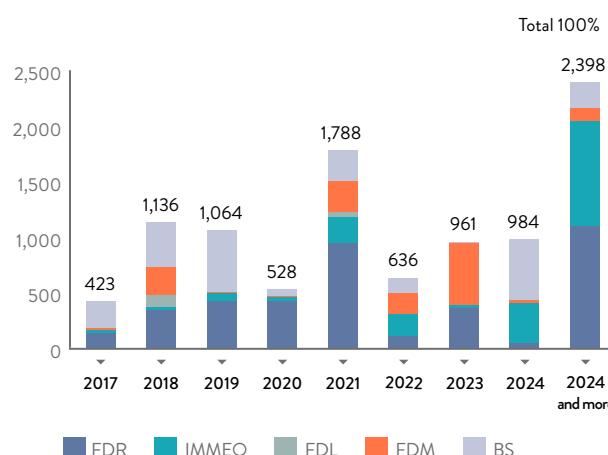
DEBT AMORTISATION SCHEDULE BY COMPANY

(Group Share)



DEBT AMORTISATION SCHEDULE BY COMPANY

(On a consolidated basis)



1.7.4. 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.

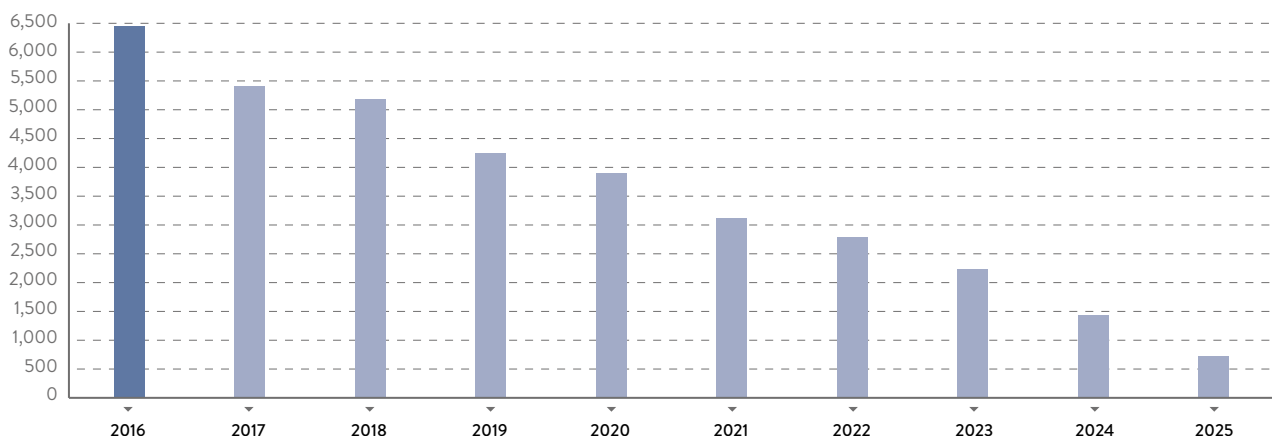
- ♦ Italy Offices (Beni Stabili): €810 million raised (€423 million in Group Share)
 - ♦ €810 million in mortgage financing over an eight-year term, secured against the Telecom Italia portfolio and refinancing existing debts, was set up at year-end.

- ♦ 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.

1.7.5. 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).



1.7.6. 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.

1.7.6.1. 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%	360%
Secured debt ratio ⁽¹⁾	25.0%	7.3%

(1) 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 ⁽¹⁾	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)(2)	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%

(1) Adjusted for changes in fair value of convertible bond (+€5,6 million).

(2) ID: Including Duties.

1.7.7. Reconciliation with consolidated accounts

1.7.7.1. Net debt

(€M)	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

1.7.7.2. Portfolio

(€M)	Consolidated accounts data	Portfolio of companies under equity method	Fair value of investment properties	Discontinued activities	Fair value of trading activities	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 including duties			12,582
				(-) share of companies under equity method			-559
				(+) Tangible and intangible fixed assets ⁽¹⁾			36
				PORTFOLIO LTV			12,059

(1) Including €28 million of purchasing options

1.7.7.3. ICR

	Data 100%	Minority interests	Group Share data (from RNI)
EBE (Net rents (-) operating expenses (+) results of other activities)	= 846 (-) 97 (+) 12.3 = 730.1	-246.9	483.2
Cost of debt	-195.2	(-) -61	-134.2
ICR			X 3.60

1.8. EPRA REPORTING

EPRA data reporting is presented only for ongoing operations.

1.8.1. Change in net rental income (Group Share)

(€M)	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

1.8.1.1. Reconciliation with financial data

(€M)	2016
Total from the table of changes in Net rental Income (GS)	526
Ajustements	0
TOTAL NET RENTAL INCOME (FINANCIAL DATA § 1.6.3)	526
To minority interests	289
TOTAL NET RENTAL INCOME 100% (FINANCIAL DATA § 1.6.4)	815

1.8.2. 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:

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

(€M, Group Share)	Gross rental income	Net rental income	Annualised rental income	Floor area to lease (m ²)	Average rent (€/m ²)	Vacancy rate at year end	EPRA vacancy rate at year end
France Offices	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%

1.8.3. Investment assets – Asset values

- ♦ The EPRA net initial yield is the ratio of:

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

Assets in operation including duties

GS (€M)	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 ⁽¹⁾	296	-1	16	1.6%
TOTAL 2016 EXCL. DISCONTINUED ACTIVITIES	11,860	465	650	4.6%

(1) The yield is presented on France Residential only.

Reconciliation with financial data

(€M)	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 § 1.6.5)	11,258⁽¹⁾
To minority interests	5,980
INVESTMENT ASSETS 100% (FINANCIAL DATA § 1.6.6)	17,238

(1) Investment properties + Investment properties under development + other fixed assets + assets held for sale.

(€M)	2016
Change in fair value over the year (Group Share)	465
Others	0
INCOME FROM FAIR VALUE ADJUSTMENTS (FINANCIAL DATA § 1.6.3)	465
To minority interests	180
INCOME FROM FAIR VALUE ADJUSTMENTS 100% (FINANCIAL DATA § 1.6.4)	645

1.8.4. 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:

(€M)	Ownership type	% of holding (Group Share)	Fair value 31/12/2016	Capitalized financial expenses over the year	Forecast total cost including financial cost ⁽¹⁾	%progress	Expected completion date	Floor area to lease (m ²)	Pre-leasing	Expected rate of return upon completion
Silex I	FC ⁽²⁾	100%		1.1	47.2	85%	2017	10 700	86%	7%
Thaïs	FC	100%		0.9	40.3	80%	2017	5,500	0%	6%
Nancy O'rFCin	FC	100%		0.4	19.9	55%	2017	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			76,800	42%	
Turin, Corso Ferrucci 112	FC	52%		1.4	45.6	26%	2017	45,600	22%	6%
Milan, Via Colonna	FC	52%		0.0	8.5	9%	2017	3,500	0%	5%
Milan, Via Cernaia	FC	52%		0.7	29.9	21%	2017	8,300	0%	5%
Milan, Via Monte Titano	FC	52%		0.3	11.6	9%	2018	6,000	100%	5%
Symbiosis – Phase A+B	FC	52%		4.9	44.8	24%	2018	19,000	80%	7%
Milan, Principe Amadeo	FC	52%		0.0	29.5	0%	2018	7,000	0%	5%
Total Offices Italy			169	7.2	170.0			89,400	34%	
B&B Lyon	FC	25%		0.0	2.2	33%	2017	N/A	100%	6%
B&B Chatenay Malabry	FC	25%		0.0	2.2	23%	2017	N/A	100%	6%
Club Med Samoëns	FC	13%		0.1	12.5	60%	2017	N/A	100%	6%
B&B Berlin	FC	50%		0.0	5.6	34%	2017	N/A	100%	7%
MEININGER Munich	FC	50%		0.0	14.6	55%	2018	N/A	100%	6%
MEININGER Porte de Vincennes	FC	50%		0.0	23.5	35%	2019	N/A	100%	6%
B&B Nanterre	FC	25%		0.0	2.8	70%	2018	N/A	100%	6%
B&B Bagnolet	FC	25%		0.0	2.0	16%	2020	N/A	100%	6%
Total Hotels & Service		-	33	0.1	65.4			N/A	100%	
TOTAL			531	17.2	628.0			166,200	46%	

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

Forecast total cost including committed projects and equity affiliates is therefore €705 million (cf. 1.4.7 Development projects).

(2) Fully consolidated

Reconciliation 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 § 1.6.5)	653
To minority interests	251
ASSETS UNDER DEVELOPMENT 100% (FINANCIAL DATA § 1.6.5)	904

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, Îlot Armagnac, Motel One Porte Dorée), equivalent to €55 million in Group Share at 31 December 2016, are not included in the above tables.

1.8.5. Information on leases

(€M)	Firm residual term of leases	Residual term leases	Lease expiration by date of 1 st exit option Annualised rental income of leases expiring				Total %	Total (€m)	Section
			N+1	N+2	N+3 à 5	Beyond			
France Offices	5.6	6.2	6%	12%	28%	54%	100%	275	1.5.1.6
Italy Offices	9.0	14.6	3%	4%	25%	68%	100%	111	1.5.2.6.1
Hotels & Service	10.4	10.7	1%	4%	12%	83%	100%	75	1.5.3.5
TOTAL	7.2	9.0	5%	9%	25%	62%	100%	461	1.4.2.1

1.8.6. 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 ⁽¹⁾ 2015	France Offices	Italy Offices	Germany residential	Hotels & Service	France Residential	Total ⁽¹⁾ 2016
Investment, saleable and operating properties	10,666	5,318	2,139	2,477	1,631	262	11,827
Restatement of assets under development	-375	-330	-169		-33		-531
Restatement of undeveloped 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%
Transition from EPRA topped-up NIY to Foncière des Régions yields							
Impact of adjustments 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(1)	5.8%	5.7%	5.7%	5.4%	5.6%	2.8%	5.5%

(1) The total yield rate includes Logistics.

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

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

Assets in operation including duties

♦ EPRA net initial yield is the ratio of:

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

Assets in operation including duties

1.8.7. EPRA cost ratio

GS (€K)	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.

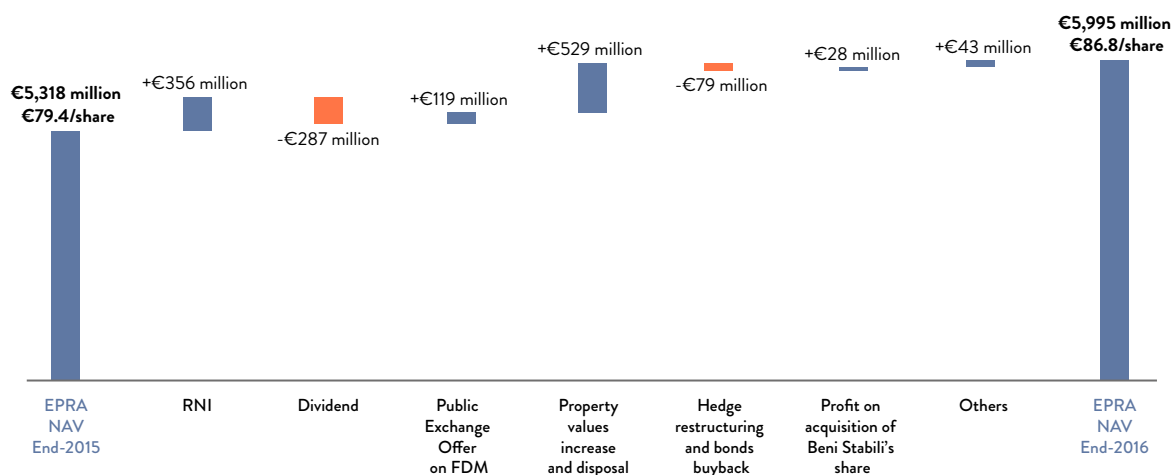
The higher ratio is mainly due to the increase in expenses outstripping the rise in rental income as a result of France Offices developments. A record number of deliveries will take place in 2017, such as the Art&Co projects in the 12th arrondissement of Paris and EDO in Issy-les-Moulineaux, both of 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.

1.8.8. EPRA earnings

	2015	2016
Net income Group Share (Financial data § 1.6.3)	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 § 1.6.3)	332.8	356.2

1.8.9. 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.

1.8.10. Capex statement

(€M)	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.

1.8.11. EPRA performance indicator reference table

EPRA information	Section	Amount (in %)	Amount (in €)	Amount (in €/share)
EPRA Earnings	1.8.8		328.4	4.9
EPRA NAV	1.8.9		5,994.8	86.8
EPRA NNNAV	1.8.9		5,331.9	77.2
EPRA NAV/IFRS NAV reconciliation	1.8.9			
EPRA net initial yield	1.8.6	4.6%		
EPRA topped-up net initial yield	1.8.6	4.8%		
EPRA vacancy rate at year-end	1.8.2	3.4%		
EPRA costs ratio (including vacancy costs)	1.8.7	19.1%		
EPRA costs ratio (excluding vacancy costs)	1.8.7	17.3%		
EPRA indicators of main subsidiaries	1.6.7			

1.9. REAL ESTATE APPRAISALS

1.9.1. Introduction

Foncière des Régions consolidates the activities of its three listed subsidiaries: Foncière des Murs, Foncière Développement Logements and Beni Stabili. Thus, the section on the appraisals of assets in the Hotels and Service Sector, France Residential and Italy Offices can be consulted directly in the subsidiaries' Reference Documents, namely:

♦ Foncière des Murs for the Hotels and Service Sector

♦ Foncière Développement Logements for France Residential
♦ Beni Stabili for Italy Offices.

A summary of the expert appraisals of the Logistics assets, held by Foncière Europe Logistique and the German Residential portfolio, held by Immeo SE, is detailed below.

1.9.2. Market context

1.9.2.1. The office market in the Paris region – 2016 review

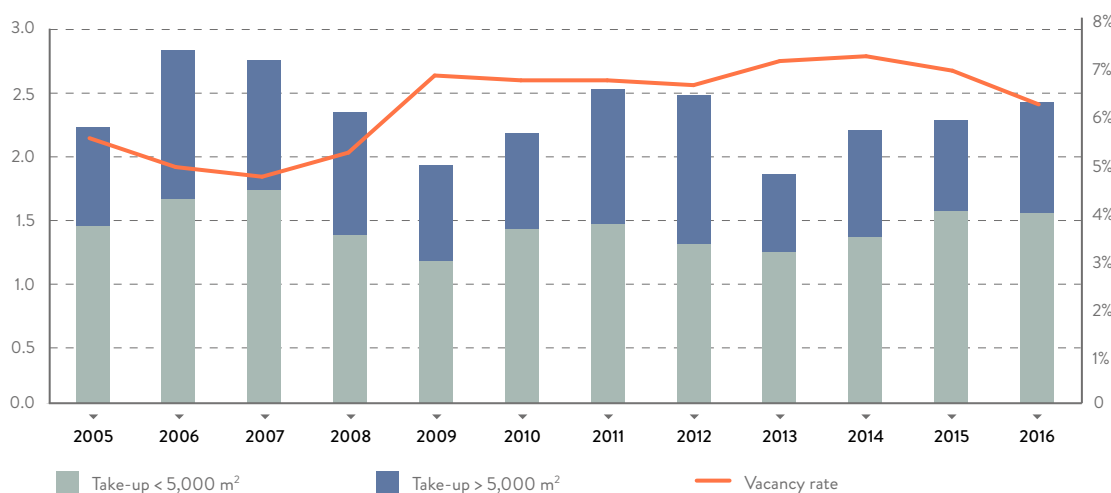
1.9.2.1.1. Paris region

1.9.2.1.1.1. A strong level of take-up

2.4 million m² were taken up in 2016, representing an increase in volume of **7% over a year** and of 4% with respect to the average of the last ten years. 2016 was marked by an increase in activity in the market for surfaces over 5,000 m² while the dynamic appeared very variable depending on location. Paris proper and La Défense outperformed. The Western Crescent had a mixed year, while the inner and outer suburbs experienced an overall decline in activity.

CHANGE IN TAKE-UP AND IN VACANCY RATE IN THE PARIS REGION

(in millions of m²)



Source: CBRE and Immostat.

1.9.2.1.1.2. The quality of the supply is decreasing

In 2016, **immediate supply** progressively declined to a little more than **3.5 million m²** at year end, or a 10% decrease in inventory in one year. The **vacancy rate in the Paris region fell to 6.2%**. The share of new or restructured premises represented only 15% of inventory. The geographic disparities remain significant

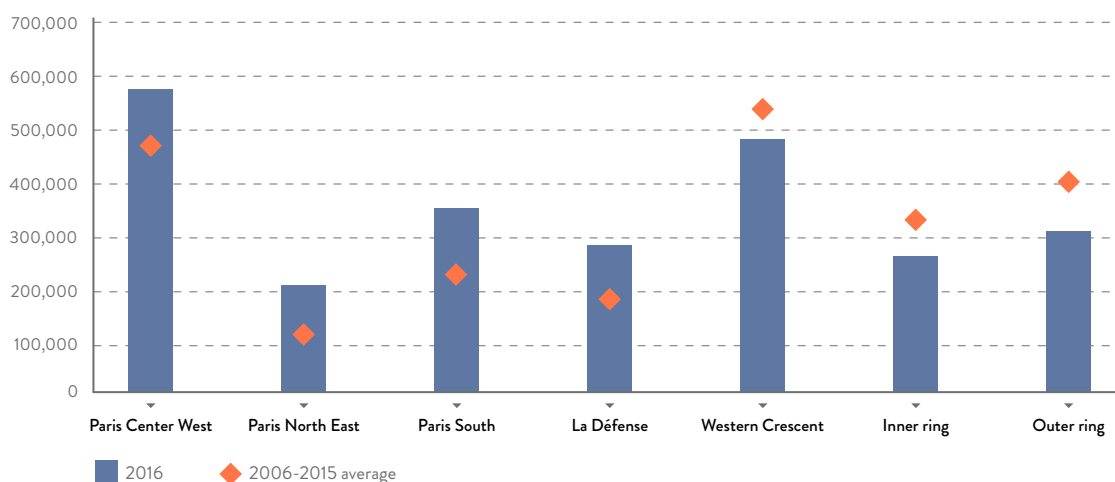
between a tight Parisian market (3.1% vacancy rate) and the West (La Défense and the Western Crescent) with vacancy rates of approximately 10%. **On-spec launches** were more numerous in **2016, with 34 transactions over 5,000 m² launched** (compared with 27 in 2015 and 14 in 2014). However, the renewal of the quality of the supply appeared relatively moderate in view of the current level of the quality of supply immediately available.

BUSINESS ACTIVITY IN 2016

Real estate appraisals

TAKE-UP BY GEOGRAPHICAL AREA

(in m²)

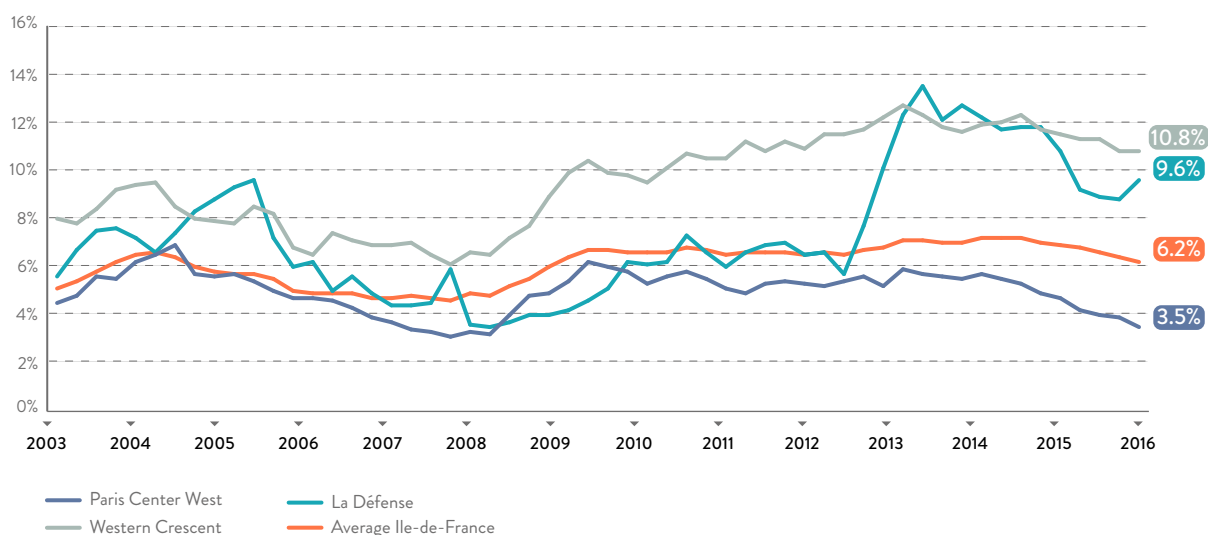


Source: CBRE and Immostat.

1.9.2.1.3. Increase in nominal property values within Paris proper

The progressive decline in the vacancy rates in the central markets led to increased pressure on rental values following several years of decline. With the exception of the central locations, headline rents remained stable in 2016. **Incentives** were relatively high, representing on average **21.5 % of the headline rents in the Paris region for leases over 1,000 m² in the fourth quarter of 2016**, with some disparities between Paris Centre West (17.4%) and the La Défense – Western Crescent area (23.2%).

CHANGE IN VACANCY RATE BY GEOGRAPHICAL AREA



Source: CBRE and Immostat.

1.9.2.1.2. Regions

A limited quality of supply to respond to the needs of users

1.4 million m² of offices were **leased** during 2016 in the twelve main major regional cities^(*). Take-up reached its highest level since 2006, and increased by **18%** as compared with the average of the ten preceding years. This dynamism is driven in particular by pre-letting.

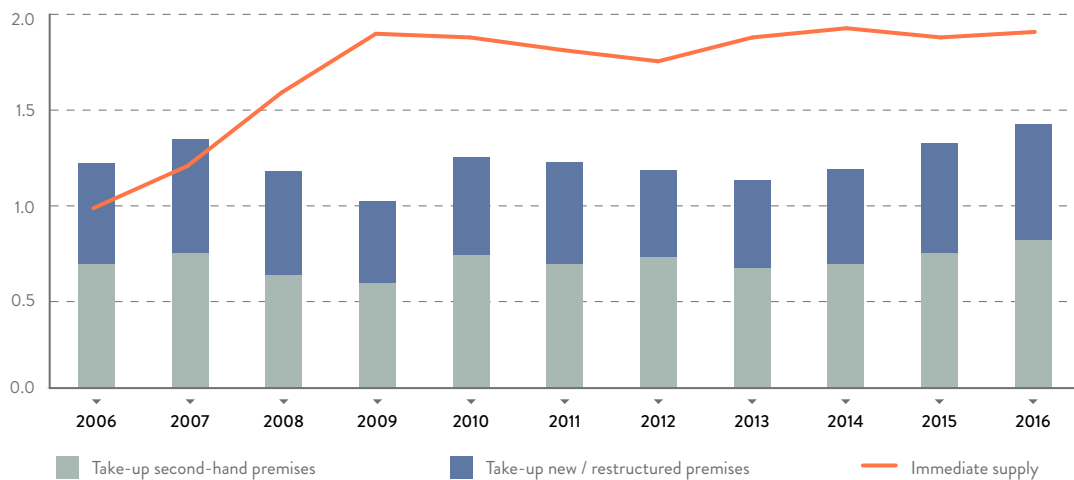
Since 2009, the immediate inventory has remained relatively stable. It stood at **1.9 million m²** at the end of 2016 with only **13%** new/restructured premises. A large part of the inventory consisted of second-hand assets that no longer met the needs of users.

The **headline rents** were relatively **stable** with prime rents at €280 in Lyon and €265 in Marseille.

(*) 12 primary major regional cities: Aix-en-Provence/Marseille, Bordeaux, Grenoble, Lille, Lyon, Montpellier, Nantes, Nice-Sophia Antipolis, Rennes, Rouen, Strasbourg and Toulouse.

CHANGE IN TAKE-UP AND IMMEDIATE SUPPLY IN THE 12 PRIMARY MAJOR REGIONAL CITIES

(in millions of m²)



Source: CBRE.

1.9.2.1.3. Investments

Outstanding performance by France

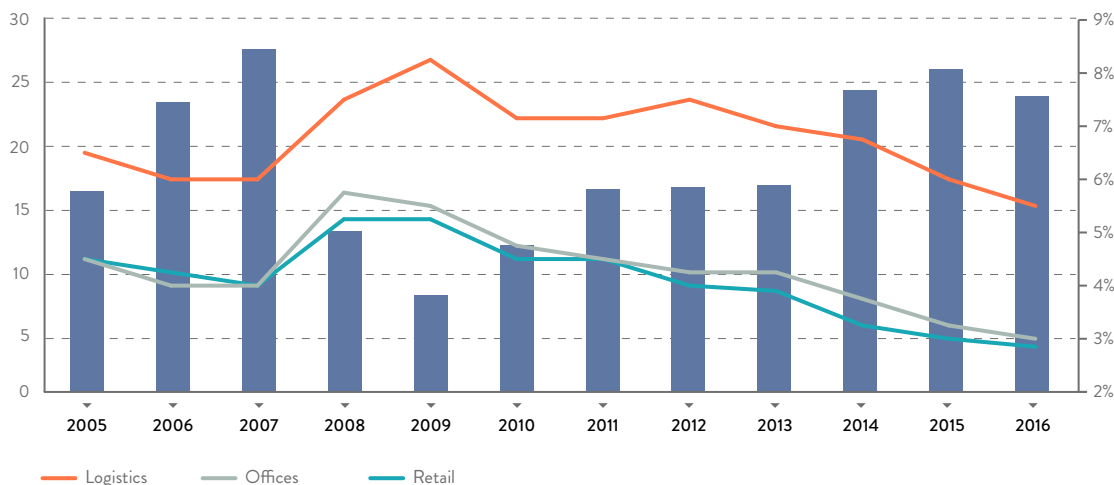
Thanks to a particularly active end of the year, **2016 should match 2015**, with a **preliminary volume** of commitments of **€23.6 billion**.

If **investors** focused for the most part on the Paris – Near West sector, others were forced to soften their reading of rental risk due to the **pressure on rates** recorded for **prime** assets, thereby leading to a **significant push in core+** investments.

The **office** market **performed well** (73% of trades) and the **Industrial/Logistics** sector had its **highest level of activity since 2007** (11%). In contrast, the Retail segment (15%) was penalised by a **shopping centres market** that was at a near **standstill**.

INVESTMENTS IN CORPORATE REAL ESTATE HAVE BECOME WIDESPREAD AND PRIME YIELD RATE IN FRANCE

(€bn at period end)



Source: CBRE and Immostat.

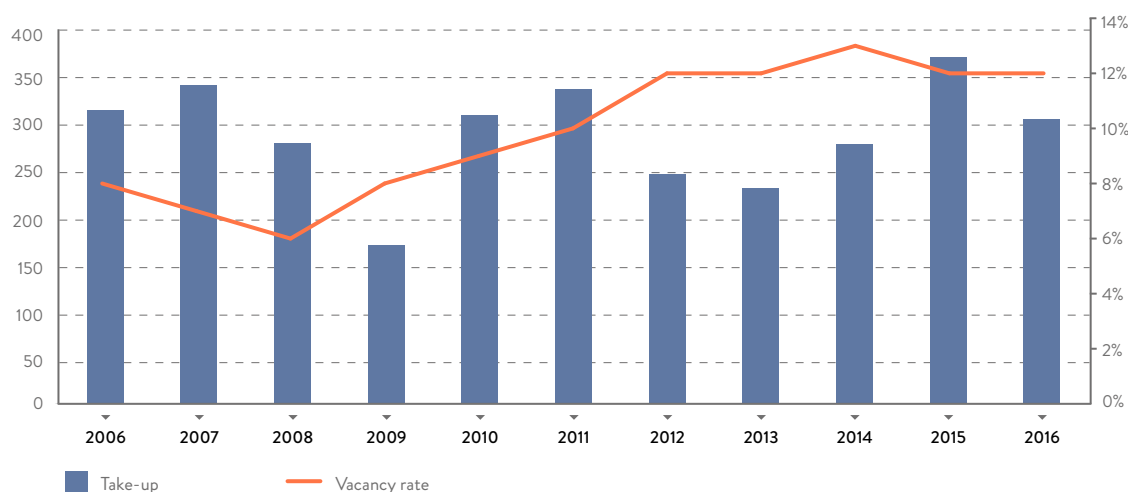
1.9.2.2. The office market in Italy – 2016 review

1.9.2.2.1. Milan: an increase in the proportion of domestic investors and a slight decrease in prime rates

In 2016, the take-up amounted to **304,200 m²**, showing a lower level than the record level in 2015, but higher than the decade average. The year was marked by numerous transactions by international groups regarding surfaces over 10,000 m², reflecting the city's strong appeal. The **prime rents** (€500 excl. tax ch/m²/year in the CBD and Porta Nuova BD) and average **vacancy rate** (12%) remained **stable** in 2016.

CHANGE IN TAKE-UP AND VACANCY RATE IN MILAN

(in thousands of m²)

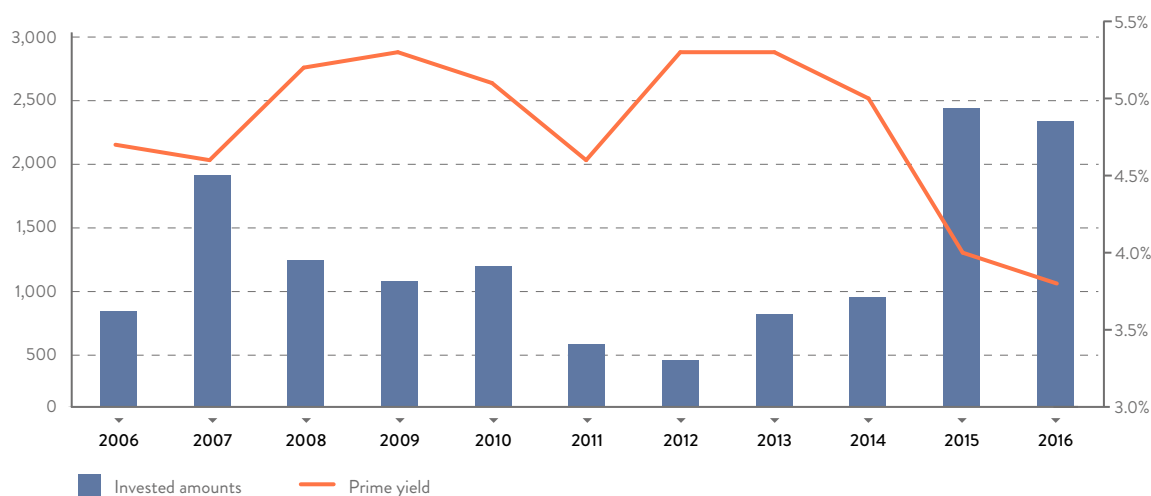


Source: CBRE.

The outcome of the referendum at the end of the year did not slow investors. More than €900 million were committed during the last quarter of 2016, for a total close to **€2.3 billion over the year**. Two important transactions should be highlighted: the acquisition of Banca di Roma (€200 million) and the sale of an asset located at Corso Europa (15,000 m²). The strong competition for the few available products led to a compression in the prime **yield rate to 3.75%**.

INVESTED AMOUNTS AND PRIME YIELD RATE IN MILAN

(in M€)



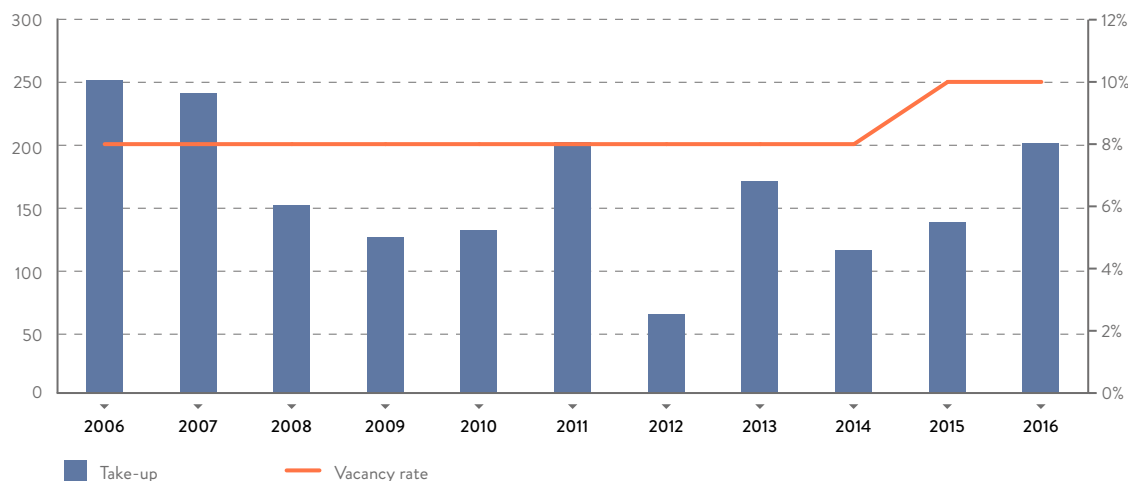
Source: CBRE

1.9.2.2.2. Rome: demand improves; prime rents increase in the EUR district

In 2016, take-up reached **150,300 m²**, showing an increase of more than 43% in a year and an average unit surface of approximately 1,460 m². Three transactions, completed at the end of the year, are the source of this increase: the leasing of 10,000 m² by an Italian energy company in the Laurentina EUR district, and two leaseings in the central district of the EUR. While the **prime rents** remained stable at **€400 excl. tax ch/m²/year** in the CBD, it increased in the EUR to **€330 excl. tax ch/m²/year**. As at the end of 2015, the vacancy rate at the end of 2016 was 9%.

CHANGE IN TAKE-UP AND VACANCY RATE IN ROME

(in thousands of m²)

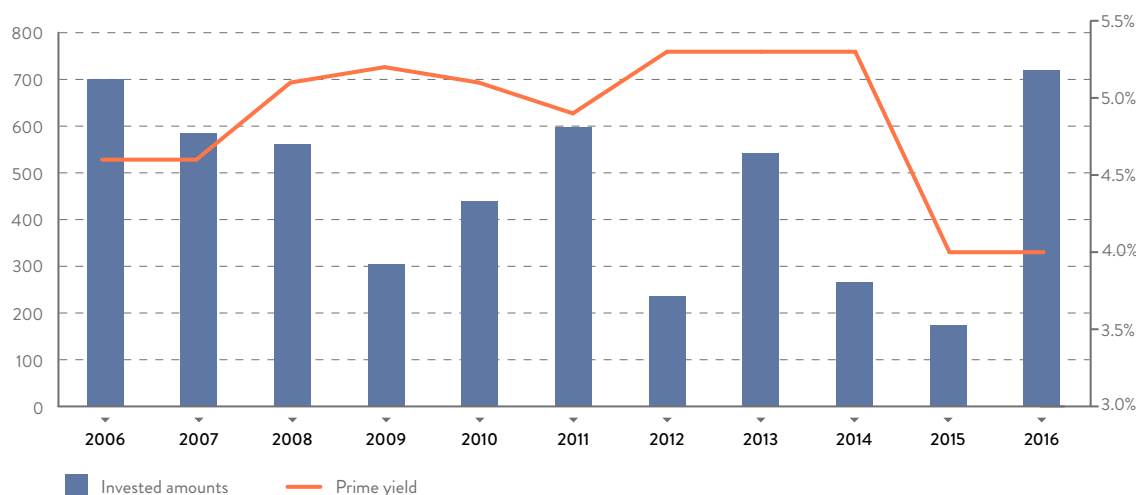


Source: CBRE.

€720 million were invested in 2016, including **€200 million during the fourth quarter**. This result is noteworthy compared to the previous year (€173 million in 2015) and greater than 90% of the 2007-2016 average. The **prime rate was 4%** and was stable over one year.

INVESTED AMOUNTS AND PRIME YIELD RATE IN ROME

(in M€)



Source: CBRE.

1.9.2.3. German Residential market

Germany, the leading economy in Europe, has solid macroeconomic fundamentals. The growth in GDP in 2016 was more than 1.9%, and greater than predicted. Household consumption confirmed its role as primary contributor and was supported by a continued increase in employment. Germany has more than 43.5 million employees – the largest number recorded. The unemployment rate, which has decreased continuously since 2009, reached a historically low level of 3.9%.

As the largest European population, with 82.5 million inhabitants, Germany nevertheless experienced a slight demographic decrease which was partially offset by immigration. With the recent migratory movement, a new trend emerged with an increase of 1.1 million in the migratory balance in 2015.

Berlin, with approximately 3.5 million residents (4.4 million including the entire metropolitan area), is the largest city in Germany. The capital is now a very popular destination for international companies to set up their headquarters. Berlin is enjoying positive demographic growth, and as a consequence, is a highly dynamic real estate centre. Although Berlin has attracted institutional investors, the private real estate market is also very active for good quality housing located in small, well-placed real estate complexes. Given a property ownership rate that is among

the weakest in Germany (approximately 15% as compared with 50% for the rest of the country), the outlook for development of home ownership appears, with time, to be significant.

Alongside Berlin, other cities in East Germany, such as Dresden, Leipzig and Potsdam, have gained in attractiveness. Due to an economic climate that generates higher growth than the average in Germany, these regions have reaped the advantages of innovative companies in new technologies and health setting up operations there. These factors have all contributed to the increase in real estate demand, primarily in town centres.

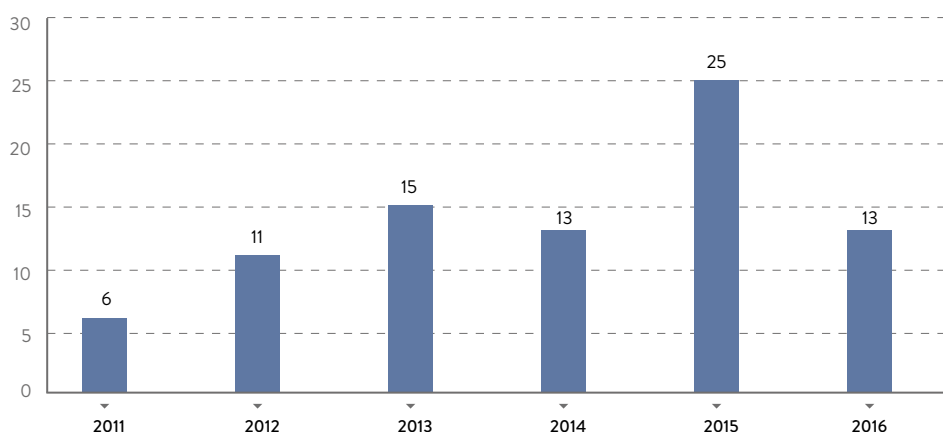
With 1.7 million residents, Hamburg is the second largest city in Germany in terms of population. As the third largest European port, it is particularly attractive from an economic perspective and enjoys a per capita GDP above the German average. Due to very strong population growth, the outlook for changes in housing demand is positive.

1.9.2.3.1. The investment market in 2016

Following a record year in 2015 that was marked by consolidation of the sector, the residential investment market returned to a level comparable to 2014 with €13.7 billion in transactions completed.

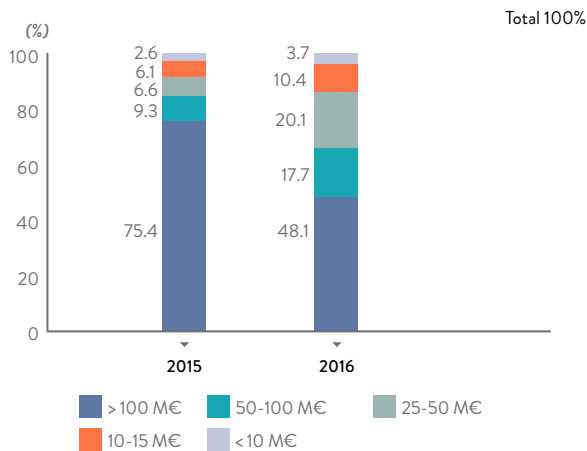
CHANGE IN VOLUME OF TRANSACTIONS

(in €bn)



Although in decline, large transactions (greater than €100 million), still represent close to half of the transactions completed.

TRANSACTION BY SURFACE

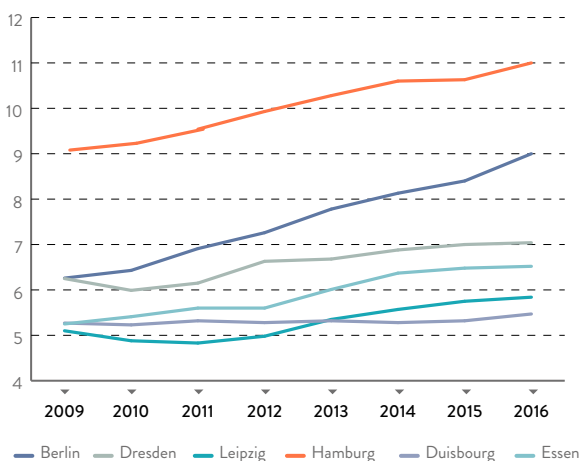


Berlin is still considered the city for residential investment in Germany with over €2.9 billion in transactions completed. Domestic investors in particular turned to the residential segment, where yields were perceived as an attractive alternative to bond interest rates.

1.9.2.3.2. Rental and home ownership market

The German real estate market shows considerable variation in prices and rents. Depending on cities, rental values have undergone very different changes in recent years. Rents in the major cities in Western Germany have increased, albeit moderately. In the East, except for Berlin, Dresden and other attractive cities like Leipzig, an abundance of properties have kept rents low. In the large towns, however, a shortage of supply continues to drive the market. In Berlin, prices and rents are on a clear uptrend, sustained by a rising number of residents and households in the city.

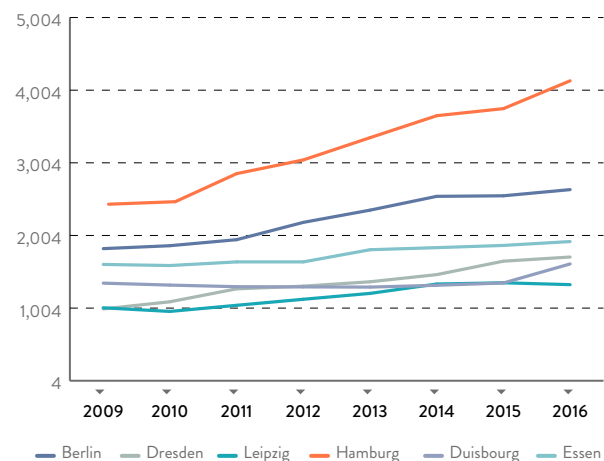
CHANGE IN AVERAGE RENT BY CITY: 2009 – 2016 (€/m²)



Source: IVD, BNPP REC. (All asset categories included).

For Dresden, Leipzig and Hamburg, the average annual increase in rents amounts to approximately 3%. With a 6% average annual increase since 2009, Berlin clearly outperforms the other large cities of the country. As a result of their location and quality, housing in Berlin posts rents ranging from €5.5 for old housing to €22 for new constructions.

CHANGE IN AVERAGE RENT BY CITY: 2009 – 2016 (€/m²)



Source: IVD, BNPP REC. (All asset categories included).

For Berlin, Dresden, Leipzig and Hamburg, flat prices have grown faster than rents over recent years, contributing to the decrease in yield rates.

The energy of cities such as Berlin and Hamburg is confirmed by average price increases of 6% and 8% respectively since 2009.

1.9.3. Asset valuation method

The overall portfolio is appraised by independent experts on a half-yearly basis (30 June and 31 December), and according to the calculation methods determined by an internal set of specifications based on the guidelines of the oversight bodies:

- ♦ recommendation of the *Autorité des Marchés Financiers* (AMF)
- ♦ instructions from the COB report of 3 February 2000 on real estate appraisals ("Report from the Working Group on expert

appraisals of the real estate portfolios of companies issuing public calls for savings" chaired by Georges Barthès de Reyter).

Foncière des Régions also abides by the Listed Real Estate Investment Company (SIIC) Code of Ethics applicable to FSIF (*Fédération des Sociétés Immobilières et Foncières*) member companies, particularly in terms of real estate appraisals.

Moreover, the real estate experts selected, namely BNP Real Estate, Cushman & Wakefield, Jones Lang LaSalle Expertise, CBRE Valuation and VIF Expertise, are all members of the AFREXIM (*Association Française des Experts Immobiliers* – French Association of Real Estate Appraisers), and are considered as such under the real estate appraisal charter approved by the AFREXIM. As a result of this, the experts adhere to the various French standards. Their valuation methods comply with the RISC and IVSC international codes of conduct.

Each asset is subject to a complete appraisal at the time of its acquisition, or when there is a change of appraiser. Updates to the file and sometimes asset inspections are performed during interim appraisals. Assets with an appraisal value of over €30 million⁽¹⁾ are subject to a complete appraisal every three years. The remainder are appraised every five years.

A complete appraisal consists of:

- ♦ preparation of a file including the legal, technical and financial documents required for an objective analysis of the factors that enhance or reduce the value of the assets in consideration
- ♦ an internal visit to the sites and their environment
- ♦ research and analysis of comparison factors
- ♦ drafting of a report in which the final appraisal must be consistent with aforementioned observations, and a relevant analysis of the category market in question.

1.9.3.1. Leasing revenue discount method

This approach involves recognising the revenues produced or capable of being produced by an asset and capitalising them at an appropriate rate. This rate is derived from the revenues recognised, the asset's features, and its foreseeable potential. It is based on the analysis of other rental properties and should be viewed as a whole from a general context of revenues expected from various investments in a given economic environment.

The main criteria for choosing rates of return are as follows:

- ♦ geographic location
- ♦ age and condition of the property complex
- ♦ possible convertibility of the property complex
- ♦ size and profitability of the establishment.

1.9.3.2. Discounted cash flow (DCF) method

This method takes into consideration future revenue, including recognised rental income, anticipated rental income, and work under contract for the lessor and residual gains from any sale at the end of the holding period. This method consists of discounting to present value of the flows generated by the asset and adding in the present exit value of the assets in the last year.

In the case of an asset that is under development meeting the IAS 40 standard and subject to an appraisal, Foncière des Régions integrates a disbursement for future works in its cash flow.

1.9.3.3. Unit value comparison method

This method consists in referring to the sale prices found on the market for equivalent assets. The comparison factors used derive specifically from internal databases in which each reference is analysed, classified by situation and by category, and expressed in gross surface units or weighted surface units.

It is more a method of cross-checking the two methods described above, than a principal method.

1.9.4. Appraiser remuneration at Foncière des Régions level

Appraisers (€ -100% – excl. tax)	Total 2016	(%)
CBRE	569,868	21%
DTZ	529,050	19%
JLL	535,400	20%
BNP Real Estate	581,110	21%
VIF	226,985	8%
YARD Valltech	190,000	7%
REAG	80,000	3%
MKG	6,050	0%
CFE	900	0%
TOTAL	2,719,363	100%

(1) Excluding residential portfolio.

1.9.5. Abridged experts report on the appraisal at the end of 2016 of the France offices/logistics and German residential portfolios

1.9.5.1. General background on the appraisals

1.9.5.1.1. General framework

Foncière des Régions and Foncière Europe Logistique requested, under the terms of appraisal contracts, that appraisals of the fair value of their portfolio assets be completed as part of the half-year valuation of the portfolio. These appraisals were conducted with complete independence.

The appraisal companies Cushman & Wakefield, CBRE Valuation, BNP Paribas Real Estate, Jones Lang LaSalle, Crédit Foncier Expertises and VIF Expertise have no capital ties with Foncière des Régions or Foncière Europe Logistique and certify that the appraisals were performed by, and under the responsibility, of qualified appraisers.

The annual fees billed to Foncière des Régions and to Foncière Europe Logistique are determined before the appraisal year. They account for less than 10% of the revenues of each appraisal company. The rotation of the appraisers is organised by the two companies. We have not identified any conflict of interest in this appraisal.

The assignment is in compliance with the AMF recommendation concerning the presentation of valuation of the real estate assets of listed companies published on 8 February 2010.

Immeo SE requested, under the terms of appraisal contracts or amendments, that BNP Paribas Real Estate appraise the fair value of the assets making up its portfolio in Germany. This request was part of the half-year valuation of its portfolio. The annual fees billed to Immeo SE are determined before the appraisal year. They account for less than 10% of the revenues of each appraisal company. The rotation of the appraisers is organised by Immeo SE.

1.9.5.1.2. Current appraisal

In France Offices and Logistics, the appraisal focused on the fair value of 336 assets in France Offices or Business premises and four Logistics assets. For this assignment, Foncière des Régions requested that initial appraisals or updates based on documentation be carried out when the assets were first appraised less than five years ago.

The assignment was to estimate the fair value with the occupancy rate announced at 31 December 2016.

The appraised assets are located in the national territory. These are investment assets that are either fully owned or under construction lease by Foncière des Régions and Foncière Europe Logistique. The assets are offices, business premises, logistics facilities or commercial real estate.

The assets in the various portfolios are leased to various tenants under commercial lease arrangements with (or without) firm 3-year, 6-year, 9-year or 12-year leases or exceptional leases.

It should be noted here that, when the Company is the tenant under the terms of a financial lease, the appraiser values only the assets underlying the contract, and not the financial lease contract itself. In the same way, when a real estate asset is held by a special purpose entity, its value was estimated on the assumption of the sale of the underlying real estate asset, and not the sale of the company.

In German Residential, the appraisers were tasked with assessing the fair value of 38,304 assets. For this assignment, Immeo SE asked the appraisers to carry out initial appraisals or updates based on documentation when the assets were first appraised less than five years ago. The appraisers' assignment was to estimate the fair value with the occupancy rate announced at 31 December 2016. The assets appraised are located in Germany. They are primarily assets that are wholly owned by Immeo SE or by its subsidiaries. They largely consist of residential assets. The assets are rented to many tenants, mainly under residential leases.

1.9.5.2. Conditions of performance

1.9.5.2.1. Documents examined

This assignment was conducted on the basis of the documents and information provided, all of this information being assumed to be accurate and to represent all of the information and documents in the possession of, or known to, the principal, which could have an impact on the fair value of the portfolio. Accordingly, title deeds and zoning certificates are not examined.

In German Residential, the appraisal work described above was done based on the documentation and information provided to the appraisers in October 2016.

1.9.5.2.2. Standards

The appraisals and valuations were completed in accordance with:

- ♦ the recommendations of the Barthès de Ruyter report on the valuation of real estate portfolios of listed/publicly traded companies, published in February 2000
- ♦ the Charter for Expert Appraisal in Real Estate Valuation
- ♦ the principles established in the Code of Ethics for Listed Real Estate Investment Companies (SIIC) and by the Royal Institution of Chartered Surveyors RED BOOK 2014
- ♦ the International Valuation Standards promoted by the International Valuation Standards Council (IVSC)
- ♦ the standards IAS/IFRS 40 and IFRS 13⁽¹⁾.

(1) In accordance with IFRS 13 applicable at the latest to periods starting as of 1 January 2013, the assets held by Foncière des Régions in France and in Germany were appraised at their fair value, which corresponds to the "price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date."

In addition, following the foregoing standard, a classification of the fair value of the assets held by the Company was performed. In order to increase the consistency and comparability of fair value appraisals and the related information to be provided, IFRS 13 outlines a hierarchy that it ranks according to three levels of importance of the inputs of the valuation techniques used to determine the fair value.

This hierarchy ranks listed prices (unadjusted) on active markets for identical assets or liabilities (level 1 inputs) at the highest level, and unobservable inputs (level 3 inputs) at the lowest level.

The fair value obtained is classified overall at the same hierarchical level as the lowest level of input that is significant for determining its overall fair value. Any significant appreciation of an input determined for the overall fair value requires the exercise of judgement and takes into account factors specific to the asset or the liability.

1.9.5.2.3. Methodology used

For the investment assets making up the various portfolios, the appraisers used the discounted cash flow method and the yield method (capitalisation of revenues), with cross-checking by direct comparison.

In German Residential, for the assets making up the various portfolios, i.e. investment assets, we used the discounted cash flow method.

1.9.5.3. Overview of the Offices/Logistics valuation of assets at year-end 2016

Foncière des Régions and Foncière Europe Logistique hold, on a consolidated basis, 366 assets at 2016 year-end (excluding less than 40% owned assets accounted for under the equity method). 337 assets were covered by a summary or detailed appraisal report in accordance with the type of valuation (update on components or plenary expertise).

		Offices		Logistics		Total		
		Appraised value	Fair Value	Appraised value	Fair Value	Appraised value	Fair Value	% Total
Paris	BNP Paribas Real Estate	134,500,000	134,500,000	0	0	134,500,000	134,500,000	7%
	Jones Lang LaSalle	142,910,000	142,910,000	0	0	142,910,000	142,910,000	7%
	Cushman & Wakefield	1,158,205,000	1,158,205,000	0	0	1,158,205,000	1,158,205,000	58%
	CBRE Valuation	187,340,000	187,340,000	0	0	187,340,000	187,340,000	9%
	Crédit Foncier Expertises	0	0	0	0	0	0	0%
	VIF Expertise	357,960,000	351,720,000	0	0	357,960,000	351,720,000	18%
	TOTAL PORTFOLIO APPRAISED	1,980,915,000	1,974,675,000	0	0	1,980,915,000	1,974,675,000	100%
	Assets under preliminary sale agreements	9,100,000		0		9,100,000		0%
	Assets valued internally	0		0		0		0%
	Acquisitions (< 2.5 months closing)	0		0		0		0%
	TOTAL PORTFOLIO	1,990,015,000	1,983,775,000	0	0	1,990,015,000	1,983,775,000	100%
Paris region – Other	BNP Paribas Real Estate	1,358,240,000	1,358,240,000	26,180,000	24,180,000	1,384,420,000	1,382,420,000	45%
	Jones Lang LaSalle	192,230,000	192,230,000	0	0	192,230,000	192,230,000	6%
	Cushman & Wakefield	719,345,000	719,345,000	0	0	719,345,000	719,345,000	23%
	CBRE Valuation	353,350,000	353,350,000	0	0	353,350,000	353,350,000	11%
	Crédit Foncier Expertises	0	0	0	0	0	0	0%
	VIF Expertise	341,920,000	341,920,000	0	0	341,920,000	341,920,000	11%
	TOTAL PORTFOLIO APPRAISED	2,965,085,000	2,965,085,000	26,180,000	24,180,000	2,991,265,000	2,989,265,000	96%
	Assets under preliminary sale agreements	14,213,312		0		25,213,312		0%
	Assets valued internally	70,210,151		0		70,210,151		0%
	Acquisitions (< 2.5 months closing)	18,091,931		0		18,091,931		0%
	TOTAL PORTFOLIO	3,067,600,394	3,067,600,394	26,180,000	24,180,000	3,093,900,394	3,102,780,394	100%

		Offices		Logistics		Total		% Total
		Appraised value	Fair Value	Appraised value	Fair Value	Appraised value	Fair Value	
Regions	BNP Paribas Real Estate	97,680,000	97,680,000	24,750,000	24,750,000	122,430,000	122,430,000	10%
	Jones Lang LaSalle	116,860,000	116,860,000	11,760,000	11,760,000	128,620,000	128,620,000	11%
	Cushman & Wakefield	511,157,000	511,417,000	0	0	511,157,000	511,417,000	44%
	CBRE Valuation	199,430,000	199,430,000	0	0	199,430,000	199,430,000	17%
	Crédit Foncier Expertises	110,000	110,000	0	0	110,000	110,000	0%
	VIF Expertise	93,295,000	93,335,000	0	0	93,295,000	93,335,000	8%
	TOTAL PORTFOLIO APPRAISED	1,018,532,000	1,018,832,000	36,510,000	36,510,000	1,055,042,000	1,055,342,000	90%
	Assets under preliminary sale agreements	38,890,900		0		38,890,900		0%
	Assets valued internally	73,782,499		0		73,782,499		0%
	Acquisitions (< 2.5 months closing)	0		0		0		0%
Total	TOTAL PORTFOLIO APPRAISED	1,131,205,399	1,131,505,399	36,510,000	36,510,000	1,167,715,399	1,168,015,399	100%
	BNP Paribas Real Estate	1,590,420,000	1,590,420,000	50,930,000	48,930,000	1,641,350,000	1,639,350,000	26%
	Jones Lang LaSalle	452,000,000	452,000,000	11,760,000	11,760,000	463,760,000	463,760,000	7%
	Cushman & Wakefield	2,388,707,000	2,388,967,000	0	0	2,388,707,000	2,388,967,000	38%
	CBRE Valuation	740,120,000	740,120,000	0	0	740,120,000	740,120,000	12%
	Crédit Foncier Expertises	110,000	110,000	0	0	110,000	110,000	0%
	VIF Expertise	793,175,000	786,975,000	0	0	793,175,000	786,975,000	13%
	TOTAL PORTFOLIO APPRAISED	5,964,532,000	5,958,592,000	62,690,000	60,690,000	6,027,222,000	6,019,282,000	96%
	Assets under preliminary sale agreements	62,204,212		0		62,204,212		0%
	Assets valued internally	143,992,650		0		143,992,650		0%
	Acquisitions (< 2.5 months closing)	18,091,931		0		18,091,931		0%
	TOTAL PORTFOLIO	6,188,820,793	6,182,880,793	62,690,000	60,690,000	6,251,510,793	6,243,570,793	100%

The differences between the value provided by the appraiser and the fair value stem primarily from the full or partial preliminary sales agreement in place at 31 December (the value used being that of the preliminary sales agreement).

1.9.5.3.1. Appraisers' summary

FRANCE OFFICES

Appraisers	Number of assets	100% Valuation Excluding Duties (€)	100% Fair value Excluding Duties (€)	Fair value (GS) Excluding Duties (€)
BNP Paribas Real Estate	30	1,590,420,000	1,590,420,000	1,222,886,563
Jones Lang LaSalle	49	452,000,000	452,000,000	452,000,000
Cushman & Wakefield	151	2,388,707,000	2,388,967,000	2,043,692,160
CBRE Valuation	45	799,320,000	804,180,000	756,135,000
Crédit Foncier Expertises	1	110,000	110,000	110,000
VIF Expertise	60	793,584,000	787,384,000	657,145,000
TOTAL	336	6,024,141,000	6,023,061,000	5,131,968,723

NB: This total of 336 assets includes the core asset Orly Askia, which was not presented in the consolidated data (EM < 40%) and takes into account two assets that were transferred after the exercise (appraised at €59,609,000 at 100%).

LOGISTICS

Appraisers	Number of assets	100% Valuation Excluding Duties (€)	100% Fair value Excluding Duties (€)	Fair value (GS) Excluding Duties (€)
BNP Paribas Real Estate	3	50,930,000	48,930,000	48,930,000
Jones Lang LaSalle	1	11,760,000	11,760,000	11,760,000
TOTAL	4	62,690,000	60,690,000	60,690,000

1.9.5.3.2. General comments

These values are understood as being based on the market remaining stable and on no significant changes occurring to the assets between the appraisal date and the value date.

This abridged report cannot be taken separately from all the work performed as part of the appraisals, especially the summarised or detailed reports associated with them.

Each of the appraisers confirms the values of the assets where they themselves performed the appraisal or update, without assuming responsibility for those performed by the other appraisal companies.

1.9.5.4. Summary of the valuation of the residential assets at end-2016

Geographic breakdown	Appraised Value	Fair Value	% Total
Berlin	1,912,090,000	1,927,771,380	48%
Dresden & Leipzig	294,660,000	307,415,631	4%
Hamburg	255,700,000	292,870,428	7%
RNW	1,408,461,000	1,476,219,773	37%
TOTAL	3,870,911,000	4,004,277,213	100%

The difference between the value provided by the appraisers and the fair value results from the impact of sales and preliminary sales agreements as well as acquisitions completed.

1.9.5.4.1. Appraisers' summary

Appraisers	Number of units	Value 100% Excluding duties	Fair value 100% Excluding duties	Fair value GS Excluding duties
BNP Paribas Real Estate	39,693	3,870,911,000	4,004,277,213	3,821,562,406

BNP Paribas Real Estate appraised 39,693 units owned by Immeo SE including 38,304 housing units.

1.9.5.4.2. General observations

The values presented by the appraisers are understood as being based on the market remaining stable and on no significant changes occurring to the assets between the appraisal date and the value date.

1.10. RISK FACTORS

The activities and growth of Foncière des Régions involve achieving objectives the Company has set for itself. To reach its objectives Foncière des Régions constantly evaluates its risk-taking. The Company has reviewed its risks and considers that there are no other significant risks than those presented hereunder, the occurrence of which may have a significant impact on its financial position or its results. Investors should be aware that other risks, likely to have a significant adverse impact may exist, even though they have not yet been identified or their occurrence had not been considered plausible at the date of preparation of this document. In addition, as Foncière des Régions has significant holdings in the listed companies Foncière Développement Logements, Foncière des Murs and Beni Stabili, it encourages readers to obtain an understanding of the developments regarding the risk factors presented in the Reference Documents of each of these companies. Certain specific information on the risk factors related to the German Residential portfolio held by Immeo SE is provided below, as this company does not publish a Reference Document.

1.10.1. Risks linked to the environment in which Foncière des Régions operates

Risks	Prevention system – Sensitivity impact
Risks linked to the economic environment	
Changes in domestic or international economic conditions (economic growth, interest rates, unemployment rate, calculation, method for rent indexation, changes in various indices, etc.) may have a significant negative impact on the business of Foncière des Régions and its financial results. Foncière des Régions could experience a downturn in demand for corporate real estate projects, a drop in the occupancy rate and in the leasing or re-leasing price of its real estate properties, and a decline in the valuation of its portfolio.	Foncière des Régions is largely protected against these risks thanks to its solid partnerships, the high residual term of its leases and the prudential standards applied to the launching of development operations (monitoring of the pre-leasing rate on assets under development, the limits on equity exposed to vacancy risk, etc.). A sensitivity analysis on the impact on France Offices of a decrease in indexation is provided in paragraph 3.2.1.5.3 of this document.
Risks linked to changes in the real estate market	
The Company operates primarily in the office property sector in France and Italy, the residential sector in Germany and the hotel sector in Europe. The value of the Company's portfolio depends on developments in the real estate markets in which Foncière des Régions operates. They may fluctuate, particularly with respect to rental income and property values in light of the supply/demand balance and the overall economic situation. Foncière des Régions may not always be in a position to carry out its rental or leasing strategy, its investments and, where applicable, its disposals at a favourable time or under favourable market conditions. It may be forced to defer such strategy and investments depending on the fluctuations in the property market.	The rental strategy implemented by Foncière des Régions aims to limit the negative effects of these risks. The Company seeks to maintain a solid rental base with large tenants and long leases (firm residual duration of lease of 7.2 years), to achieve developments benefiting pre-let key accounts primarily prior to the launch or delivery and to improve the quality of its portfolio. The diverse countries and business sectors in which the Company operates mitigate the risk of the markets deteriorating simultaneously in each of the countries where it operates.
Competition risks	
Within the context of its development, the Company is in competition with numerous players that have a more significant financial basis that allows them to respond to financial terms that do not necessarily correspond with the investment criteria that Foncière des Régions has set for itself. The Company's rental activity is also subject to strong competitive pressure. As a whole, these factors could lead to uncertainty in relation to the Company's growth forecasts and have a negative impact on its business, its financial position and its results.	The management of these competition risks is properly ensured by the long-term partnership strategy pursued by Foncière des Régions as well as the continuous review of projects that are monitored from their earliest stages by dedicated teams. The professionalism of our teams and the soundness of the Company make us a key player who is well-known on the German, French and Italian markets.

1.10.2. Risks linked to the scope and type of business of Foncière des Régions

Risks	Prevention system – Sensitivity impact
Risks related to renewal of leases and letting of real estate assets	
Upon expiration of existing leases, the Company may not be in a position to renew them under equivalent terms or to lease the assets within a reasonable time frame, particularly due to macroeconomic and real estate market conditions. Foncière des Régions may fail to succeed in maintaining its occupancy rate and its rental income, which would have an adverse impact on its financial position and results.	For Foncière des Régions, managing these risks requires maintaining a high firm residual term of leases and the staggering of expiration dates, as well as ongoing discussions with its existing tenants. Thus at 31 December 2016 the firm residual duration of leases remained at 7.2 years, which was stable as compared to 31 December 2015. In German Residential, the presence of local agencies means that the search for tenants can be addressed immediately. General Management analyses vacancy reports every month.
Risks linked to tenants	
Foncière des Régions made a strategic decision to pursue rental partnerships with key accounts and large companies; its revenue may be affected by a change in these partner relationships.	The group is committed to diversifying its tenant portfolio. In 2016, the strategy of Foncière des Régions allowed it to significantly decrease the weight of some key account tenants such as Telecom Italia in Italy and Accor for its subsidiary Foncière des Murs. The three largest tenants of Foncière des Régions represented 26% of rental income in 2016, annualised over the Group. This was a decrease with respect to 2015 during which they represented 29%. The establishment of “Partnership committees”, allows Foncière des Régions to more closely monitor changes in the business activities of its partners.
Foncière des Régions and Immeo SE are also exposed to the risk that their tenants’ financial stability deteriorates or that they even become insolvent. Accordingly, insolvency risks may impact the Company’s earnings.	Rental guarantees, rental deposits and use of an external service provider make it possible to obtain targeted financial analyses on tenants, thereby allowing Foncière des Régions to forearm itself against the risk of insolvency. Bringing rental management in house in France and Germany provides responsiveness to and proximity with tenants which allows Foncière des Régions to improve control of this risk. General Management analyses a report on overdue payments on a monthly basis. For informational purposes, unpaid rent by tenants (the line item expense/unrecoverable receivables) represented 0.4% of total rent at 31 December 2016. The majority of rent in the German Residential portfolio is paid by automatic transfer. A national register of payment defaults that can be consulted by lessors and financial institutions is also a way to curtail the risk of unpaid rents.
Risks linked to asset valuation	
Foncière des Régions recognises its investment properties at fair value in accordance with the option offered by IAS 40. It is therefore exposed to the risk of a change in the value of the assets assessed by appraisers that may occur following an adjustment in the main assumptions used (yield rate, rental value, occupancy rate), and likely to affect the Foncière des Régions re-evaluated net asset.	The appraisal process is regularly audited under a review procedure. The Company has set very stringent rotation rules for the appraisers. The constant improvement in the quality of the Foncière des Régions portfolio, as well as in the firm residual duration of leases, ensures the resilience of the value of its assets during a crisis. A sensitivity analysis on the impact of changes in yield rates on asset value adjustments is provided in paragraph 3.2.2.6 of this document.

Risks	Prevention system – Sensitivity impact
Risks linked to development of new real estate assets	
Within the scope of its development activities on its own account and those on behalf of its subsidiaries, Foncière des Régions is exposed to certain risks: construction cost exceeding the evaluation prior to the project, construction period that is longer than forecast, technical difficulties or delays related to failure to obtain administrative authorisations, impossibility to obtain attractive financing, commercialisation risk, etc.	Foncière des Régions' development activities performed for its own account or on behalf of its subsidiaries are subject to a specific procedure intended to manage the risks associated with this activity. This specific procedure encompasses all of the studies to be carried out prior to the launch of any project, selection process for external service providers, monitoring of the period ranging from construction to the delivery of the asset and the market launch of "on-spec" projects. Deadlines and costs are therefore fully assimilated and tracked during the entire project. The strengthening, in recent years, of the team dedicated to development, which has experts particularly in the field of construction, helps to limit these risks. With respect to thresholds defined by management, developments are submitted to the Executive Committee, the Strategic and Investment Committee and the Board of Directors for validation. The risks, obstacles and opportunities are reviewed in detail during the validation procedure.
Acquisition risks	
The acquisition of real estate assets or companies that hold them is part of Foncière des Régions' growth strategy. This policy particularly includes the risk of overestimating the expected yield for an acquisition made at an overly high price. The purchased assets could also have latent defects, especially in terms of environmental compliance, or features not covered by the warranties negotiated in the purchase contract due to non-compliance.	The control of these risks is promoted by prior study of market cycles as well as analyses undertaken during exhaustive due diligence conducted prior to each acquisition, with the assistance of outside specialised consultants. These analyses are particularly intended to provide an understanding of the potential risks and to set up guarantees for Foncière des Régions as well as other precautions. With respect to thresholds defined by management, acquisitions are submitted to the Executive Committee, the Strategic and Investment Committee and the Board of Directors for validation. The risks, obstacles and opportunities are reviewed in detail during the validation procedure.
Risks linked to international exposure	
Foncière des Régions has significant investments in companies that are active in Italy and Germany, and to a lesser extent, in the Netherlands, Portugal, Luxembourg and Belgium. Some of these countries may have particular risk profiles, for example, an increased terrorist risk. The economic and political context may be less solid and less stable, and regulatory concerns and entry barriers less favourable. The country risk could have a negative effect on Foncière des Régions' operating income and financial position.	Foncière des Régions' international operations are limited to countries within the Eurozone. In both Italy and Germany, Foncière des Régions has investments in real estate companies that work with locally-based teams that are experts in their respective markets. This geographical diversification helps to pool the potential combined country risks. The performance monitoring broken down by activity and by country is provided in detail in part 1.5 of this document.

1.10.3. Risks associated to the financial markets and the financial position of Foncière des Régions

The management of financial risks as described below is discussed in further detail in part 1.7 this document.

Risks	Prevention system – Sensitivity impact
Liquidity risk	
To finance its investments and acquisitions and to refinance any debts that have reached maturity, Foncière des Régions must be in a position to raise significant financial resources. The Company runs the risk of experiencing a lack of liquidity if it is unable to raise the necessary resources in the form of equity or borrowing. Under the SIIC regime, Foncière des Régions is required to distribute a significant part of its profits. Therefore, it relies to a great extent on debt to finance its growth. This type of financing may sometimes not be available at advantageous terms. Foncière des Régions also incurs the risk of insufficient liquidity to service its debt. A shortage of cash could result in acceleration or prepayment, and if the debt is collateralised, enforcement of the guarantee and, where applicable, the seizure of assets. See part 1.7 of this document.	Foncière des Régions' policy of paying down debt, instituted several years ago, has minimised this risk. This risk is managed through tracking multi-year cash management plans and, in the short term, by using confirmed and undrawn lines of credit. Moreover, 18-month liquidity forecasts are analysed every month by the Finance Department and are submitted to General Management. Monitoring adherence to covenants is also a priority for the Company. The Investment <i>Grade BBB</i> rating from Standard & Poor's (stable outlook) upgraded in 2015 demonstrates that this risk is properly managed.
Risks linked to covenants and other undertakings stipulated in certain credit agreements	
Some credit contracts signed by Foncière des Régions contain commitments or covenants that the Company undertakes to respect, as further described in part 1.7 of this document. If Foncière des Régions were to breach one of its financial undertakings and fail to remedy such breach within the contractually stipulated time period, the lenders could demand early repayment of the debt and possibly seize any collateral backing the debt. Consequently, any failure to meet its financial undertakings could have an adverse impact on Foncière des Régions' financial situation, its results, and its flexibility in conducting business and pursuing its development.	Foncière des Régions and Immeo SE have set up a check and monitoring system on its covenants in order to contain these risks. The process was audited in 2016. The covenants are reviewed and analysed semi-annually by Foncière des Régions' Audit Committee and Board of Directors. Certifications of the debt ratios of the primary companies are issued annually by the Statutory Auditors. The Investment <i>Grade BBB</i> rating from Standard & Poor's (stable outlook) demonstrates that this risk is properly managed.
Interest rate risk	
The Company's use of debt exposes it to the risk of interest rate fluctuations that may lead to a significant increase in financial expenses if the rates were to rise dramatically.	Foncière des Régions and Immeo SE use derivative instruments to hedge against their interest rate risk, primarily cap and swap contracts. The companies have no market transactions for any purpose other than to hedge against interest rate risk. The sensitivities to a rise in interest rates are described in paragraph 3.2.2.3 of the present document.
Financial counterparty risk	
The use of lines of credit and of interest rate hedging contracts from financial institutions could expose Foncière des Régions to the risk of insolvency by the counterparties to such contracts, triggering payment delays or defaults, which could result in a negative impact on the income of Foncière des Régions. See paragraph 3.2.2.4 of this document.	Since Foncière des Régions and Immeo SE are structurally borrowers, counterparty risk is limited mainly to investments made by the Group. Foncière des Régions and Immeo SE make it a priority to work with diversified, first-rate institutions in order to reduce this risk. IFRS 13 explicitly provides for counterparty risk assessment in the fair value measurement of liabilities. This measurement was conducted by a specialist organisation and recognised in Foncière des Régions' financial statements.

1.10.4. Legal, fiscal, regulatory, environmental and insurance risks of Foncière des Régions

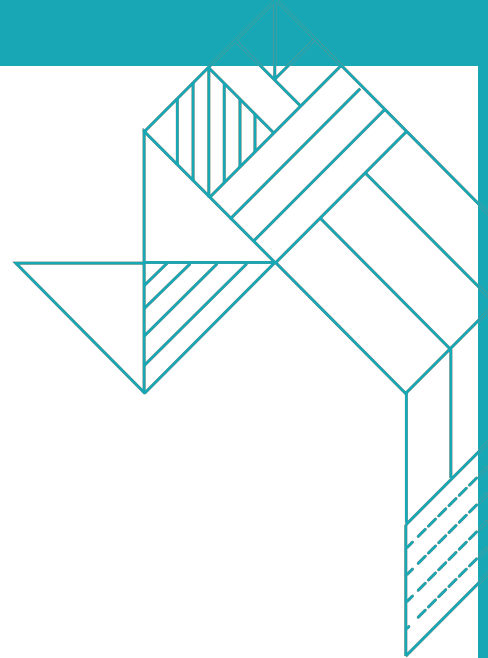
Risks	Prevention system – Sensitivity impact
Risks linked to lease regulations	
In France, regulations on commercial leases impose certain restrictions on the lessor. Changes in the regulations, especially with respect to term, rent indexation and caps could adversely impact the valuation of the Company's assets, results, business activity or financial position.	A regulatory watch has been set up to anticipate and analyse such risks. In Germany, leases are subject to local regulations on residential leases. Local teams specialised in residential portfolio management ensure that these regulations are applied.
Risks linked to the SIIC real estate trust status	
Foncière des Régions is subject to the Tax System for French listed real estate investment trusts (hereinafter SIIC), and as such, is not subject to corporate tax. Opting for the SIIC tax regime involves the immediate liability for an exit tax at the reduced rate of 19% on unrealised capital gains relating to assets and securities of entities not subject to corporation tax. In return for this exemption, the Company undertakes to pay 95% of earnings derived from the leasing of its real estate assets, 60% of capital gains from disposals and 100% of dividends received from SIIC-status subsidiaries. These provisions require that other conditions be satisfied upon opting for the regime and/or throughout the entire period covered by the regime.	The conditions of the SIIC regime exemption are subject to regular monitoring and analyses, both internally by the Group Tax Department and by the external tax consultants, which makes it possible to limit the occurrence of risks and to keep abreast of any potential changes in positions, whether administrative or legal.
Risks related to information systems and cyber crime	
Information systems have an essential role within the context of the Group's activities. A default, a system failure leading to a loss or deterioration of data could have adverse consequences on the Company's activities. Foncière des Régions may also be subject to cyber attacks or fraud attacks through clever engineering which may lead to theft, loss of information or business interruption. These interruptions, violations or defaults of the information systems could have adverse financial consequence or damage the Company's image.	Several measures are in place in order to reduce these risks: ♦ the existence of a back-up plan allows for mitigation of any physical or electronic attack on the information systems. Daily back-ups are stored outside the building in which the main servers operate. ♦ a business continuity plan is operational. This plan was drawn up jointly by teams from Foncière des Régions' Information Systems and Audit and Internal Control Departments, with the help of the global leader in business continuity solutions. The business continuity plan covers: ♦ a back-up centre, in the event of an IT incident that results in a computer dysfunction for employees. Tests are performed annually with the service provider to ensure the effectiveness of the system in place. ♦ a user help desk, in the event of an incident in the operating assets rendering employees unable to work at their stations. ♦ Foncière des Régions annually conducts a penetration test. This can give rise to recommendations that are then implemented by the Information Systems Department. ♦ to supplement the risk control system, training and sensitivity initiatives for all employees to remind them of the best practices and conduct to pursue, are regularly implemented.

Risks	Prevention system – Sensitivity impact
Health and environmental risks	
The health and environmental risks are fully described in Chapter 2 of this document. Changes in environmental regulations applicable to Foncière des Régions as a real estate owner and manager may lead to an increase in its costs, with subsequent repercussions on its results. In addition, Foncière des Régions' business activities expose it to potential risks such as health (asbestos, legionella) and environmental (particularly ground and subsoil contamination) risks that may tarnish the image and the reputation of the Company. These risks may generate significant remediation costs and long additional delays associated with the search for and removal of toxic substances or materials when engaging in development or asset renovation projects. They may also involve the civil and, potentially, the criminal liability of the Company.	Foncière des Régions' Department of Sustainable Development is responsible for tracking any changes in environmental regulations. It manages and disseminates any information required by the Foncière des Régions teams to implement objectives and associated actions plans needed to anticipate future regulations. Reg prevention of health and environmental risks, the Real Estate Engineering Department in charge of these risks applies a strict policy, specifically by carrying out the systematic replacement of cooling towers and by entrusting to its consultant, Provexi, the management of the asbestos and ground contamination risks of its assets.
Risks related to the costs and availability of appropriate insurance cover	
The Company could face an increase in its insurance policy premiums due to a claim rate deemed significant by its insurers over a given period or sustain losses that may not be fully covered by the insurance in place. The valuation of assets, the business, the financial position and the Company's results could be impacted.	The Insurance & Risk Management Department under the Audit and Internal Control Division, controls these risks by challenging the various insurance companies with which they work, particularly through the intervention of its broker, by planning at a very early stage for insurance policy renewals, by regularly analysing the covered guarantees as well as their amounts. In accordance with its diversification goals Foncière des Régions carries insurance policies with several insurers.

2

SUSTAINABLE DEVELOPMENT

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FOREWORD

Each year, Chapter 2 of this Reference Document consistently reports on the Sustainable Development Policy adopted by Foncière des Régions, as well as its goals and achievements in this area.

Since 2001 and the enactment of the NRE⁽¹⁾ Law, all of the Group’s business activities, described on pages 4 to 9, have gradually incorporated all aspects of sustainable development. Chapter 2 has been written in accordance with the Decree of 24 April 2012 on CSR transparency and in line with the EU directive of 15 April 2014 on the disclosure of non-financial and diversity information. It discusses the related issues and presents the CSR action plans put in place by Foncière des Régions, particularly with regard to climate risk reporting obligations (Article 173 of the Energy Transition for Green Growth Act of 17 August 2015 (LTECV), implemented by the Decree of 29 December 2015), and is in keeping with the seventeen Sustainable Development Goals (SDG) adopted by the United Nations.

Foncière des Régions’ non-financial reporting has complied with the GRI G4⁽²⁾ Guidelines as well as its sector-specific supplement, the CRES (Construction and Real Estate Sector Disclosures), since the publication of the 2014 Reference Document. This approach is based on a materiality assessment focusing on indicators that are central to the Company’s CSR strategy. As was the case last year, this set of indicators meets the GRI G4 level, thus demonstrating the extent to which Foncière des Régions’ focus on quantitative and qualitative measurables in the implementation of its CSR policy aligns with its overall strategy.

Furthermore, in preparing the Reference Document, Foncière des Régions applies the IIRC’s⁽³⁾ guiding principles encouraging more integrated reporting as well as the ERPA’s⁽⁴⁾ Sustainability Best Practice Recommendations.

Chapter 2 has been audited by an independent third party each year since 2010 (see section 2.11) and results in the publication of a Sustainable Development Report on the date of the General Meeting, which will be held on 26 April in 2017. These publications are available at www.en.fonciere-des-regions.fr.

2.1. EDITORIAL BY CHRISTOPHE KULLMANN: “CO-INVENTING TOMORROW’S CITIES TODAY”

More than ever, sustainability and innovation are at the heart of Foncière des Régions’ business model. All of our business activities are evolving to anticipate technological breakthroughs and support the transformation of companies and business lines toward a carbon-free economy. Foncière des Régions has set itself a number of ambitious goals for the reduction of its environmental footprint, in anticipation of future regulations. For the France Offices portfolio, the reduction targets relating to energy (40% lower energy consumption by 2020 compared with 2008) and carbon emissions (a 20% decline by 2020) rank us among Europe’s most proactive REITs. At present, 65% of the assets in our portfolio (by value) have already been certified and we aim to reach 100% by the end of 2020. We have set this same environmental performance objective for 50% of our offices in Italy and 66% of our hotels in Europe by 2020.

Beyond measures to address climate change and energy efficiency, Foncière des Régions’ Sustainable Development Policy takes a comprehensive perspective covering all environmental, workforce-related, social, economic, cultural and governance

issues. The high standards set by our goals and achievements in these areas, described on the following pages, are regularly lauded by non-financial rating agencies. We also reaffirmed our CSR policy in May 2016 with the launch of our first green bond issue, subscribed five times by investors, thus raising €500 million.

Among other highlights of 2016, we worked on introducing new services to better meet the expectations and needs of our clients whose occupancy requirements are evolving. In close collaboration with its partners, Foncière des Régions is reaching out to users even more than previously, to better understand their needs and offer them tailor-made solutions such as co-working spaces; desk sharing; innovative services, etc. At the same time, the full effects of the digital revolution are changing the way buildings are conceived, developed and operated. Foncière des Régions is playing a pioneering role in the advent of Building Information Modelling (BIM), bringing digitalisation to our industry, thus improving comfort levels and facilitating the management of our assets.

Foncière des Régions is Europe’s fourth-largest REIT, with a portfolio valued at €19.3 billion

The success of our green bond issue attests to the quality of our real estate portfolio, which is the focus of constant improvements, as well as the confidence of analysts and investors in Foncière des Régions’ long-term strategy. As the owner of a

real estate portfolio with a total value of €19.3 billion, and an average firm residual lease term of seven years, Foncière des Régions continues to grow at a strong pace in particular owing to

(1) NRE: New Economic Regulations.

(2) GRI: Global Reporting Initiative.

(3) IIRC: International Integrated Reporting Council.

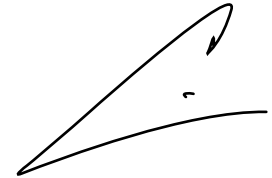
(4) EPRA: European Public Real Estate Association.

a development pipeline amounting to more than €4 billion and qualitative investments for each of its business activities.

Over €2 billion in investments and €1.6 billion in disposals were carried out in 2016. During the year, our investment strategy in France and in Italy targeted office development projects. We also continued our expansion in Germany, chiefly in Berlin, in the residential sector, and in Europe in the hotels sector. These investments have allowed us to step up our efforts to focus on our four strategic business activities, and to markedly improve the quality of our portfolio.

Sustainable development transforms and adds value to each business line, rallying teams at all levels of our organisation, inspiring and engaging them to move forward together, through internal initiatives, and also external ones, as evidenced by the publication in 2015 of Foncière des Régions' White Paper on Supplier Relations and the signing of the Responsible Supplier Relations Charter.

Foncière des Régions' business model, which has always been based on partnership, is proving its agility and its ability to facilitate the co-creation of tomorrow's innovative real estate, together with all its stakeholders. Moreover, this is in keeping with the COP 21⁽¹⁾ goal of maintaining global warming below two degrees Celsius, so as to create a genuine space for living, exchanges and creativity, offering tenants a unique setting for experiences, fulfilment and the creation of shared value.



Christophe Kullmann
Chief Executive Officer

Since 2007, Foncière des Régions has diversified its approach, with a presence in several countries and in several products. In 2016, Foncière des Régions ramped up its strategic focus on France Offices, Italy Offices, Germany Residential and Hotels in Europe, products and countries for which it has reached critical size and boasts proven know-how. Asset replacements are gradually being pursued for all non-strategic activities (logistics, parking facilities, etc.) in favour of structuring investments and the development of new partnerships. Foncière des Régions' portfolio management strategy, based on partnerships, embraces both CSR and innovation as key drivers, contributing to the long-term vision and success of its business model.

2.2. EXPERTISE IN TUNE WITH MARKETS AND CLIENTS

Foncière des Régions occupies a unique position among major REITs owing to its asset allocation across European geographies and its range of products. Thanks to its integrated expertise, Foncière des Régions is able to control the entire value creation chain: development and management (asset and property management, renovation, building work, negotiations, etc.). In the last two years, a number of new business activities have been launched to better meet the needs of clients, such as FDM Management (see section 2.4).

In addition, the quality of the partnerships that Foncière des Régions has built up with its Key Account tenants (including

Orange, Suez Environnement, EDF, Dassault Systèmes, Thales, Eiffage, AccorHotels, B&B Hôtels and Telecom Italia), combined with long-term leases, sets it apart from its peers.

In 2017, Foncière des Régions plans to further strengthen its activities in its four strategic business segments, while continuing to improve the quality of its portfolio. It also intends to expand its areas of expertise, to consolidate its position as an end-to-end real estate operator, in particular by launching property management activities in Italy and by introducing a "third space" offering at some of its office buildings in France (see section 2.2.1.2).

2.2.1. A resilient business model

Since its creation, Foncière des Régions has shown its pioneering spirit in its approach to its business, by forging strong partnerships with companies and regions to help them meet their strategic real estate objectives (outsourcing, concentration, development,

etc.) and through the tireless pursuit of innovation in the two key areas of expertise it has brought together so successfully: real estate and finance.

(1) Twenty-first Conference of the Parties to the UN Framework Convention on Climate Change, which was held in Paris at the end of 2015.

2.2.1.1. A long-term perspective on cash flow

With an average occupancy rate of 96.7% for the Group as a whole, and 100% for the Hotels business, Foncière des Régions takes full advantage of an investment strategy that favours single tenant sites, without any structural vacancy or non-payments. It therefore has excellent visibility into its cash flow in the coming years, with an average firm residual lease term of 7.2 years at the end of 2016.

The Group's strategy is based on a lasting pattern of value creation for all of its business activities and all of its stakeholders. Foncière des Régions strives to include new and innovative real estate solutions within its offerings, so as to remain proactive in meeting changing needs.

In a low interest rate environment, the returns offered by real estate are continuing to attract substantial capital flows. Offering strong returns of more than 5%, Foncière des Régions share price performance has exceeded the average for its sector in Europe. The Company enjoys a high level of confidence among its tenants, Key Accounts, banks and shareholders, as evidenced in particular by Foncière des Régions' successful €400 million capital increase in January 2017.

2.2.1.2. Ramping up know-how through innovation

Innovation has played an important part in the success of Foncière des Régions since its inception, whether in relation to the ability to co-construct real estate solutions with its tenants or its use of new technologies and know-how: BIM, LCA, C2C, environmental annexes, etc.).

In full awareness of the trends observed in its markets (digital revolution, urbanisation, resource constraints, new ways of working, travelling and living, and new approaches to real estate), Foncière des Régions has strengthened its focus on innovations around the four priorities presented below.

1. Reinforcing integration within innovation ecosystems tied to changes in the real estate industry

In our constantly changing world, the dynamic management of interactions with innovation ecosystems, also known as "open innovation", has become an essential innovation component. The partnership forged by Foncière des Régions with Immowell-Lab, a specialised incubator, is offering new growth opportunities with start-ups that are developing innovative solutions in areas as varied as well-being, construction and building energy management. Beyond this partnership involving companies in the new economy, Foncière des Régions has also expanded its initiatives with a number of organisations bringing together real estate players interested in developing innovative solutions, such as the Smart Building Alliance (SBA), whose aim is to help shape the ecosystem for smart buildings.

2. Developing new, more flexible real estate offerings

Constantly working to meet its clients' needs, Foncière des Régions has set itself the goal of moving its real estate offerings forward by integrating new business lines, such as the creation and direct operation of "third spaces". Given today's rapidly changing working methods (flex office, co-working, etc.), its corporate tenants must adapt and find solutions to meet the new demands of their employees. In 2017, Foncière des Régions will launch an innovative "third space" solution, able to meet very specific needs for workplace flexibility.

3. Leveraging innovation to boost operational excellence

With a focus on the client experience and client satisfaction, the Innovation Department, created in 2016, is pursuing a number of initiatives focusing on operational issues, such as new services to clients, improvement of client relations and giving shape to the buildings of tomorrow. These crosscutting innovation projects are closely intertwined with operational activities to facilitate the development of new solutions and offerings and then make them available to clients.

4. Promoting a culture of innovation among all employees

The Innovation Department's responsibilities also relate to the Company's employees. Many initiatives are undertaken along these lines (in-house conferences, site visits, etc.) with the aim of better acquainting staff with the issues raised by Foncière des Régions' managerial and digital transformation.

2.2.1.3. A first green bond issue combining financial and CSR performance

Foncière des Régions' first green bond issue in 2016 marked the genuine recognition of its CSR strategy. This issue's success attests to the very strong attraction for analysts and investors of a model combining high levels of both financial and non-financial performance. Paying tribute to the cohesiveness of its sustainable development strategy, this financing via a green bond issue offered an opportunity for Foncière des Régions to apply its strategy for the diversification of its financing sources, while lowering the cost of debt and extending its maturity. This operation is described in section 2.3.2.

2.2.1.4. Committing to a more circular economy

In 2016, Foncière des Régions continued its impact assessment examining the rise of the circular economy and its potential consequences for the Group's business lines. Several structuring studies were launched, with the conviction that the choice of materials plays a major role in reducing its environmental footprint, particularly with respect to areas such as biodiversity (both when raw materials are extracted and when these raw materials are subjected to further processing) and greenhouse gas emissions at all building life cycle stages. In order to conserve natural resources, it is important to devote serious efforts to the reuse of materials and the ways in which recycling channels might be created for buildings, on the model of what is being done

for motor vehicles, for example. This "cradle to cradle" (C2C) approach is being considered, at the initiative of Foncière des Régions, for two of its sites currently under construction: an office building and the Motel One property at Porte Dorée in Paris. These studies go beyond the confines of Life Cycle Analysis (LCA, see section 2.3.3.4) in order to better appreciate the gaps between current construction practices and the mechanisms to be put in place in line with the circular economy. Apart from these studies focusing on projects in progress, a white paper on this subject is being prepared by a group of Sorbonne students, under the guidance of their professor, Adrien Sanchez, which aims to offer a broader explanation of the potential impacts of the circular economy transition for the building sector, and the steps a European REIT like Foncière des Régions can take along these lines.

2.2.2. Identifying risks and seizing opportunities

Section 1.10 of this 2016 Reference Document details the risk factors that could have a significant effect on Foncière des Régions' financial and non-financial position or on its earnings.

The risk mapping exercises completed in 2006, 2009, 2012 and 2014 allowed for the ranking of major risks and led to the implementation of action plans to prevent or limit the potential consequences on the life of the Company, its cash position or its valuation. The methodology used for these updates and their findings are presented in greater detail in the Report of the Chairman of the Board of Directors on corporate governance and internal control (see section 4.3). The CSR risks identified range from asset obsolescence to business interruption in the event of exceptional circumstances (fire, pandemic, etc.). The corresponding action plans are periodically followed up on by General Management and the Audit Committee. In 2016, the Audit and Internal Control Department also carried out an audit on the certification procedures for building construction and operations (HQE and BREEAM). In its findings, this audit noted the completeness of the various applications submitted and their compliance with reporting methods.

2.2.2.1. Anticipating and adapting to the consequences of climate change

After COP21, the issues surrounding carbon emissions have taken centre stage, with the aim of keeping global warming below two degrees Celsius between now and the end of the twenty-first century. In 2015, France had already adopted the Energy Transition for Green Growth Act as well as a National

Low-Carbon Strategy, with targets to be achieved by 2030 and 2050. Foncière des Régions' own targets for reducing energy consumption and carbon emissions are consistent with, and in some cases exceed, those set by these texts. They are also in line with the goal of keeping global warming below two degrees Celsius and are shared with the Carbon Disclosure Project (CDP), and with the UN Global Compact, two of the organisations behind the Science Based Targets initiative.

The objectives and actions pursued by Foncière des Régions to reduce energy consumption, thus automatically lowering greenhouse gas emissions, are presented in section 2.10.1 of this document. Furthermore, Foncière des Régions is committed to reducing its carbon footprint through initiatives ranging from LCA to C2C research, experimentation with new certifications (BBCA and soon E+C, see section 2.3.3.4), and work on the circular economy (see section 2.4.5).

As a signatory of the Paris Climate Action Charter in 2016 (see section 2.9.6.5), Foncière des Régions is working on improving the design of its buildings in order to limit global warming, but also to withstand more frequent extreme climate events: heat waves, storms, torrential rainfall, rising sea levels, etc. A study of Foncière des Régions' France Offices portfolio conducted in 2015 showed that a one-metre rise in sea levels by the end of the twenty-first century (hypothesis put forward by the IPCC) would affect only two of the assets in the portfolio, thus less than 1% of its total value. Specific follow-up and safety measures have been put in place for these two assets, even though the potential risk is remote.

2.2.2.2. Mitigating risks related to buildings

On average, Europeans spend over 80% of their lives in buildings. But, in today's world, lifestyles, ways of working and consumer habits are undergoing rapid change, with repercussions for buildings, mobility and life in our cities. CSR and innovation are central to these transformations, which are being accelerated by the digital revolution. The latter is affecting the organisation and activity of tenants as much as approaches to designing, building and managing assets with the help of new tools like BIM, remote supervision and smart grids.

In addition to the risks of obsolescence associated with environmental and social issues, the market and regulations, there are also those relating to digital connectivity and the flexibility of space changing lifestyles and ways of working incorporating more flexible work practices (co-working spaces, remote working, etc.) and eco-friendly mobility. Foncière des Régions works to transform these risks into opportunities for value creation, by offering connected sites that may be easily adapted for various purposes (see under "Ready to service" in section 2.2.1.2).

Similarly, Foncière des Régions aims to manage all building risks, at all stages in the life cycle: design, construction, management and deconstruction. This involves risks relating to the environment and building users – installations classified for environmental protection (known as ICPE sites in France), ground contamination, asbestos, etc.) – are analysed when the assets are acquired and then monitored for as long as they are held. It also encompasses those sites affected by changes in regulations in areas such as energy performance (thermal regulations), accessibility by people with reduced mobility (PRM), biodiversity legislation, etc.

2.2.2.3. Managing market risks

A geographically diverse portfolio with operations in three business segments with different economic cycles limits market risks. The portfolio strategy pursued by Foncière des Régions has led it to focus increasingly on the most dynamic regions. Its France Offices segment favours the Greater Paris area and major regional cities such as Lyon and Marseille; its Italy Offices segment targets Milan; its Germany Residential segment concentrates on Berlin, and its Hotels segment is active in Europe's largest cities, including Berlin, Amsterdam, Madrid and Barcelona.

Foncière des Régions' ability to retain and develop talent is key in a rapidly changing competitive environment. Having an in-depth understanding of markets; players, and changes in real estate and financial trends in Europe is an essential factor in the Company's sustainability.

The financial strength rating assigned to Foncière des Régions by Standard & Poor's, BBB with a stable outlook, recognises the quality of its portfolio, the continuous reinforcement of cash flow and its healthy balance sheet. The success of its first green bond issue also sets Foncière des Régions apart, demonstrating its ability to anticipate trends as well as regulations.

2.2.3. A fruitful dialogue with stakeholders

The Group constantly engages with and listens to its stakeholders and the market, analysing and anticipating changes in expectations. To better understand and integrate its CSR issues, and those of its stakeholders, Foncière des Régions has conducted materiality analyses each year since 2012. This process is led by the Group's Sustainable Development Department and consists of two phases.

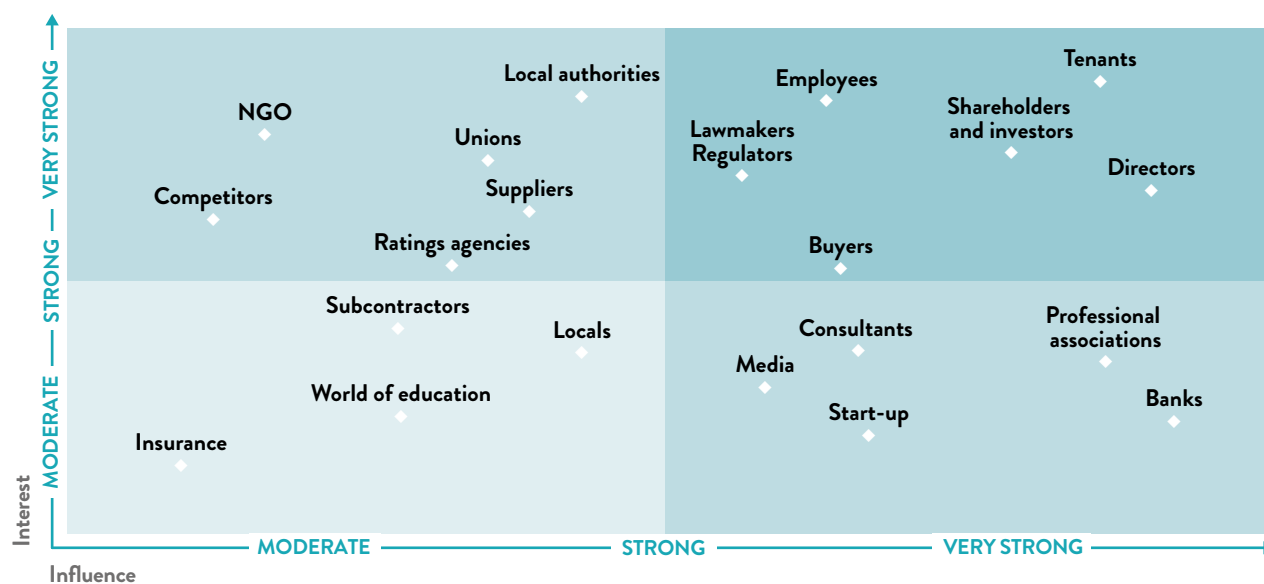
2.2.3.1. Key stakeholders of Foncière des Régions (G4-24, G4-25, G4-26 and G4-27)

Interviews with internal stakeholders have made it possible to identify and characterise Foncière des Régions' primary external stakeholders. Interviews were conducted during the year with around fifteen of these external stakeholders, in order to better identify their needs, expectations and constraints with respect to CSR issues.



These stakeholder groups were then ranked according to their interest and impact on the Company's business, resulting in the mapping shown below as well as the introduction of appropriate tools for dialogue.

MAPPING OF FONCIÈRE DES RÉGIONS' MAIN STAKEHOLDERS



2.2.3.2. Expectations of stakeholders

Foncière des Régions has specific communication media for its main stakeholders:

Main stakeholders	Expectations of stakeholders	Communication method	Chapters
Tenants	Co-construction of innovative solutions in line with their real estate strategies	Partnership Committees and Sustainable Development Committees	2.2.3.3
Shareholders	Visibility into the lasting nature of the business model and its profitability	Annual letter to the shareholders, press releases, financial press releases, road shows, <i>website</i> , etc.	2.9.5
Ratings agencies	Transparency of financial and non-financial communications	Reference document and Sustainable Development Report	2.2.6
Employees	Follow-up support for professional development, training	Intranet site, internal communications tools	2.8
Local authorities and non-profit organisations	Awareness of their socio-economic challenges	Reference document and Sustainable Development Report	2.7.1
Suppliers	Fair business practices	White Paper and Charter	2.7.3

Innovative communications methods

Foncière des Régions remains in constant touch with its stakeholders (e.g., via Twitter, LinkedIn, Yammer, Office 365...), through both internal and external communications. At the same time, the Group provides a number of opportunities to meet in person each year, particularly with investors (road shows, investor days, etc.) in order to enrich and supplement these exchanges.

2.2.3.3. A long-term strategy based on partnerships

The success of Foncière des Régions is in large part due to its strategy of forming long-term partnerships with all its stakeholders: tenants, shareholders, employees, suppliers, local authorities and non-profit organisations, etc.

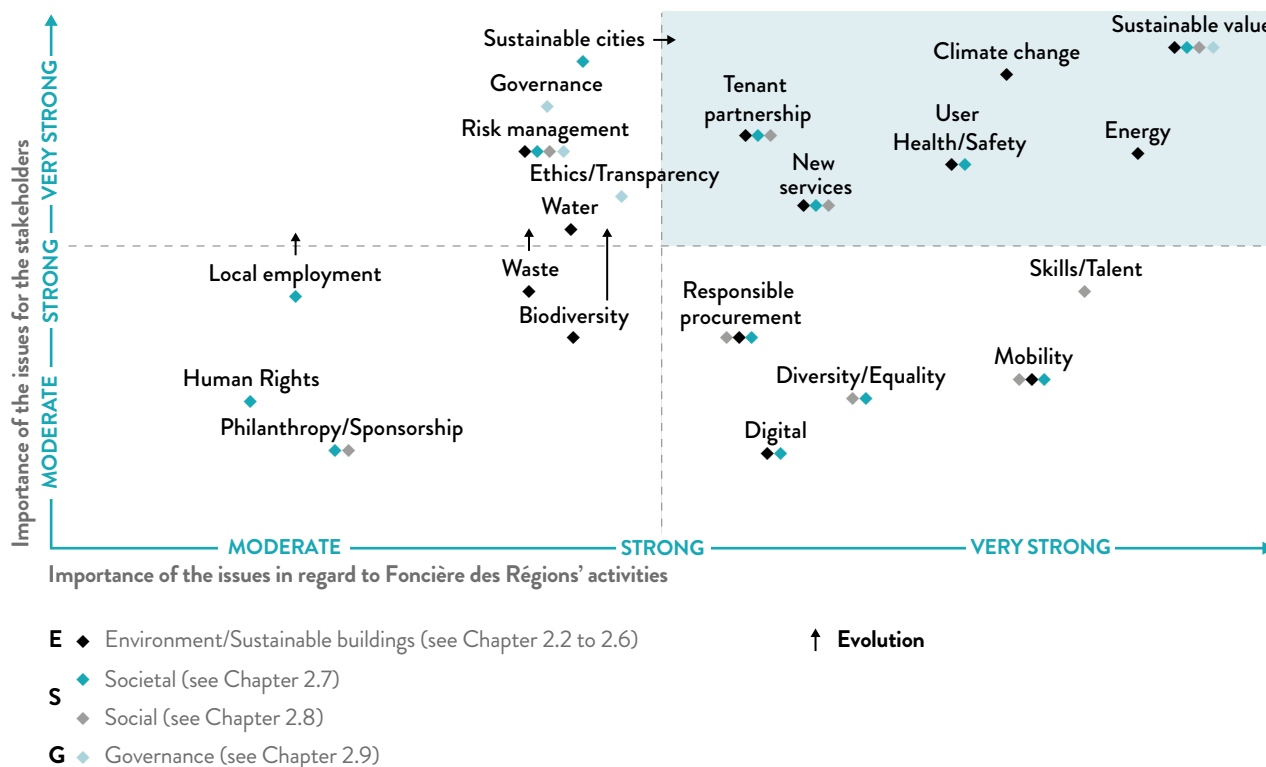
In its relations with tenants, and especially its Key Accounts, Partnership Committees are regularly established, supplemented since 2010 by Sustainable Development Committees. These in turn which have contributed to the inclusion of environmental annexes in all leases for offices and retail premises exceeding 2,000 m² in France. Conceived by Foncière des Régions as a progress tool to encourage the definition of shared goals, these annexes set out the various elements of information that the parties must exchange with each other, relating to several areas: energy, water, waste, transport, biodiversity, etc. They facilitate the preparation of CSR reports and are helpful in obtaining in-use certification (HQE Exploitation or BREEAM In-Use), with the particular certification scheme selected in coordination with tenants.

2.2.3.4. Material CSR issues for Foncière des Régions (G4-18, G4-22 and G4-23)

The CSR issues identified by external stakeholders were ranked and cross-referenced with those of Foncière des Régions, to create the materiality matrix shown below. Reassessed each year to ensure that results remain relevant over time, this study enables Foncière des Régions to channel resources into the most important challenges, namely the most significant challenges for Foncière des Régions and its main stakeholders. The scope of the study includes the Group's business in France and Germany. Beni Stabili carried out a similar study in Italy, which can be found in its 2013 Sustainable Development Report (<http://www.benisstabili.it>). CSR issues are prioritised to continuously improve the responses proposed to stakeholders and to implement policies and relevant monitoring indicators based on GRI G4 and IIRC guidelines in particular.

FONCIÈRE DES RÉGIONS MATERIALITY MATRIX

The cross-references between the issues included in this matrix and the nomenclature used in the GRI G4 framework are detailed in Annexe 1 in section 2.10.5.



SUBJECTS COVERED BY THIS MATRIX

Responsible procurements	2.7.3
Biodiversity	2.3.6
Climate change	2.2.2.1
Skills and talent	2.8.1.2
Waste	2.10.1
Human Rights	2.8.4
Diversity and equality	2.8.4
Water	2.10.1
Local development	2.7.2
Energy	2.10.1
Ethics and transparency	2.9.6
Risk management	2.2.2
Governance	2.9
Tenants	2.7.1.1
Philanthropy and sponsorship	2.7.5
User healthcare	2.3.7
Sustainable value	2.2.4.1
Sustainable cities	2.7.1

Gradual changes to this matrix are to be expected with the rise of services and new issues relating to areas such as the digital transformation, sustainable cities and the circular economy. The distribution of topics within the materiality matrix shows that the most significant issues for Foncière des Régions' stakeholders have a prominent place in the CSR policy explained in section 2.2.5.

Foncière des Régions is present in countries with laws guaranteeing very strong protections for human rights. This issue is therefore only of moderate importance for the exercise of its business activities. Furthermore, Foncière des Régions has a proactive philanthropy and skills-based sponsorship policy (see section 2.7.5). Each year, these topics are discussed in Foncière des Régions' Communication on Progress (COP) submitted to the UN Global Compact (see section 2.9.6).

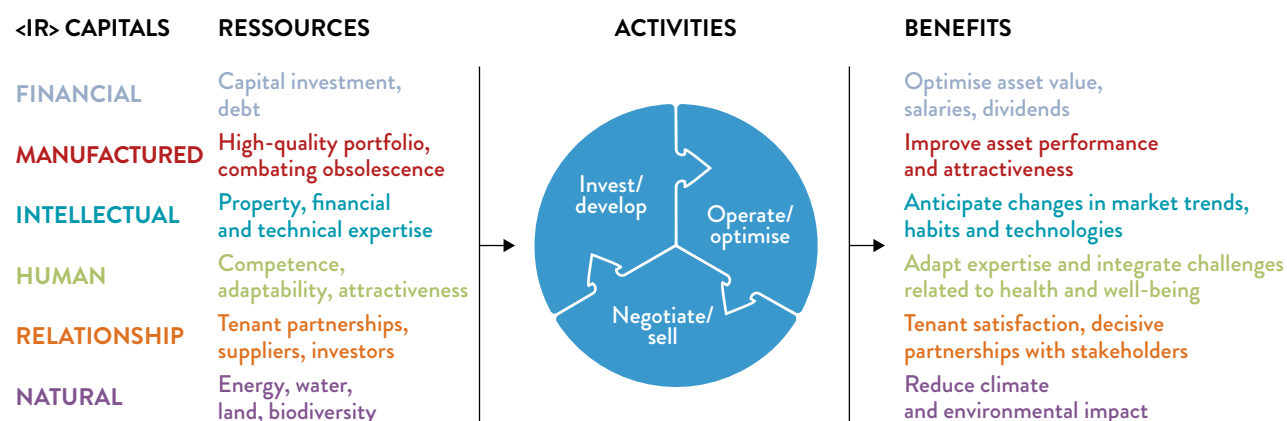
2.2.4. A business model integrating CSR and innovation

The strategy adopted by Foncière des Régions to promote sustainable development is a key component of its overall strategy. It is based on a long-term vision built around a qualitative approach to the portfolio, providing for gradual renewal in favour of assets that perform strongly in the following areas: environment, energy, location, finance, etc.

2.2.4.1. Foncière des Régions' value creation model

Foncière des Régions manages every facet of the real estate business, enabling it to seize and optimise value creation at each stage of its business cycle. In 2016, the Group made over €2 billion in investments, delivered more than 120,000 m² of space; sold nearly €1.6 billion in assets and managed a portfolio valued at €19.3 billion. Foncière des Régions' sustainable development policy is at the heart of its business model and is deployed so as to foster value creation at every stage: acquisition, renovation, management, disposal, etc. The chart below summarises Foncière des Régions' value creation model, drawing on the Integrated Reporting (IR) analytical framework, which distinguishes six types of capital.

FONCIÈRE DES RÉGIONS' VALUE CREATION MODEL



2.2.4.2. Moving from green value to sustainable value

Over the past few years, a number of studies have been carried out in an attempt to quantify the “green value” of a real estate asset, *i.e.* the additional net value generated by its energy and environmental performance. For Foncière des Régions, this additional net value takes into account the cohesiveness of the project as well as all CSR aspects: apart from building performance (energy efficiency, environmental protection and other factors), green value includes social dimensions (comfort, well-being, services) as well as societal ones (culture, accessibility, etc.). All of these issues have an impact on the well-being, mental concentration; creativity and ultimately on the health and productivity of end users. This economic dimension is considered as use value, or immaterial value.

Beyond the net asset value (for the owner) and the use value (for the tenant), it is the Company’s business model, based on a long-term strategy including an ambitious CSR policy, which ultimately ensures sustainable value creation.

Green value: related to the value of the building, and not currently singled out by real estate appraisers. However, appraisal values have implicitly factored it in for a number of years:

- ♦ in the context of the valuation method based on discounted cash flows: the green value reflects in particular the rent level, the reduction in time to let, lower rent waivers, lower costs for maintenance and service activities, compliance with standards, etc., all having a positive impact on cash flows
- ♦ in the context of the income capitalisation method: green assets have a lower risk premium, notably to reflect reduced obsolescence and greater liquidity.

Immaterial value: in addition to building performance and control of occupancy costs, immaterial value takes into account the level of comfort and well-being of employees, which is of utmost importance to the tenant, as well as the related issues in terms of image, health and productivity.

Use value: this is the immaterial value applied to a specific asset, taking into account its specific characteristics.

Sustainable value: this value incorporates all dimensions of CSR and innovation. It is at the heart of Foncière des Régions’ business model, which aims to promote responsible real estate; anticipate changes in regulations and limit the risk of obsolescence for its portfolio assets by applying virtuous policies with respect both to its employees and the wider society. This demonstrates strong involvement in civic life, and sets high standards for governance. Deployed in this way, the business model adopted by Foncière des Régions supports sustainable value creation.

Foncière des Régions is involved in several innovative projects aiming to measure the economic and social impacts of its sustainability initiatives.

In 2014, it conducted a first study, in collaboration with Bouygues Construction, to investigate the use value of the Green Corner asset in Saint-Denis. The method developed by Bouygues Construction, together with a team of consultants at Goodwill Management, to characterise and quantify the impact of a building on the productivity of occupants produced an initial appraisal (ratings and weightings), which was communicated as a performance assessment in euros for the occupant. This assessment includes the gains and losses relating to the building’s direct costs and the gains and losses relating to the performance of occupants (see 2014 Reference Document, section 2.2.2.2.2).

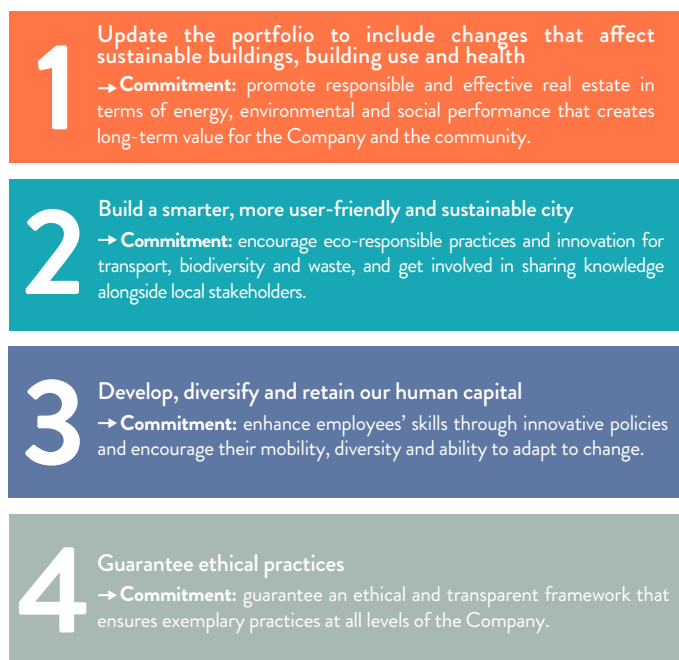
Subsequently, in 2015/2016, Foncière des Régions partnered with Thales (tenant of its Hélios building in Vélizy-Villacoublay), Bouygues, EDF, Gecina, Sanofi and Technip to carry out a more in-depth study in collaboration with Goodwill Management. The goal of this study was to identify the most relevant elements and solutions to optimise use value. Its findings were presented at a conference held in Paris in September 2016.

A second phase of this study was initiated in 2017. Foncière des Régions, Bouygues, EDF and Gecina have been joined by BNP Paribas Real Estate, Engie, Ivanhoé Cambridge, Saint-Gobain and Sercib to carry out an analysis of the correlations between new areas of interest, such as biodiversity and the furnishings, fittings and equipment used in its assets, and productivity.

2.2.4.3. A comprehensive strategy for sustainable development

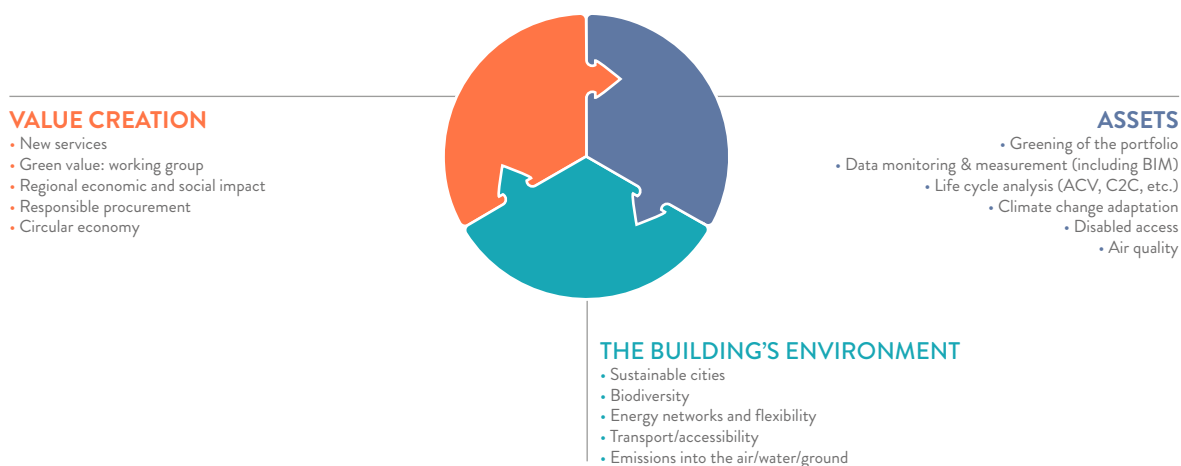
In full awareness of its CSR issues and impacts and its leadership role, Foncière des Régions has a comprehensive environmental policy, which means that it constantly strives to reduce the environmental footprint of the assets it develops, renovates and operates, as well as that of the offices where its teams work.

By regularly analysing the risks and opportunities posed by the environment for its business activities and by cross-referencing its CSR issues with those of its main stakeholders, Foncière des Régions continually refines its sustainable development strategy. This strategy is built around the standard three issues – Environmental/Economic/Social – and is structured into four focus areas: sustainable buildings, society, social issues and governance. The numerical targets (see section 2.2.5) were adopted to meet the commitments indicated below.



R&D IN SUPPORT OF STRATEGY IMPLEMENTATION

Since its creation, Foncière des Régions has played a pioneering role, evident as much in its business model as in its approach to conceptualising and managing its assets. As part of its sustainable development policy, the research and studies conducted by Foncière des Régions allow it to keep its teams abreast of new approaches and know-how as well as to anticipate changes in regulations. Foncière des Régions develops innovations at each stage in the life cycle of assets, in three main areas (see chart below). The topics covered by this chart are discussed in the following pages.



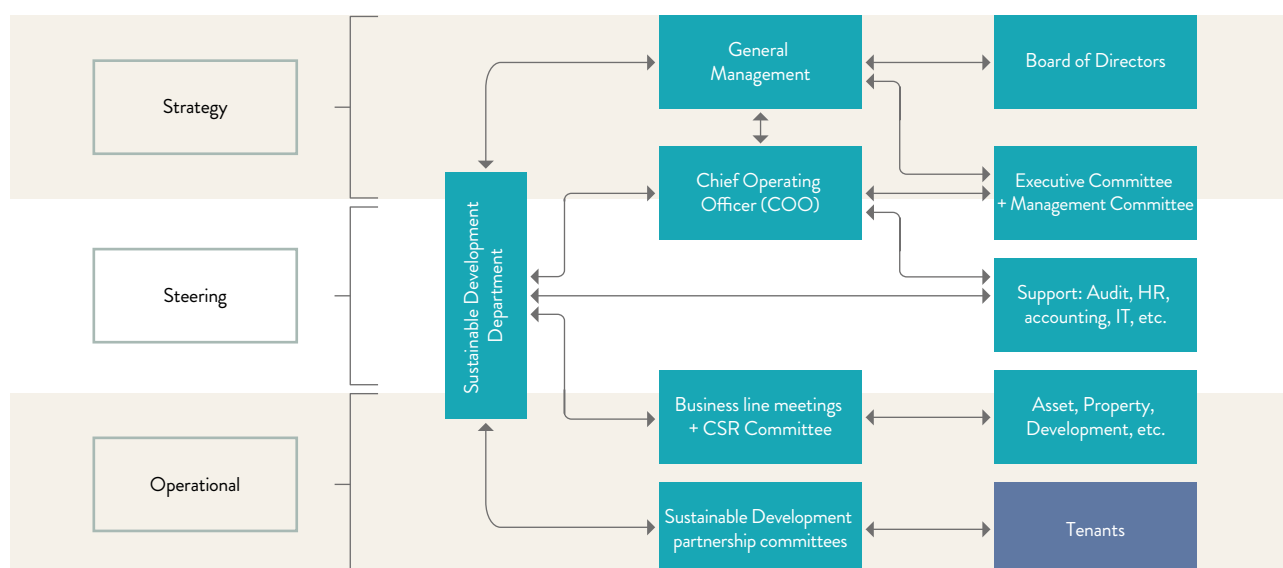
2.2.4.4. Planning and coordination of Foncière des Régions' CSR strategy

The Sustainable Development Department proposes and coordinates initiatives across the Group's various business activities, with the support of General Management. This dedicated, interdisciplinary team engages with all of the Group's business lines, providing technical expertise to their various departments, and plays an instrumental role in terms of innovation, raising awareness and reporting.

Sustainable development is incorporated into all levels of governance within the Group and its activities. The chart below shows the involvement of the Board of Directors and of Jean Laurent, its Chairman, who pay close attention to these matters and are regularly updated on progress made. Christophe Kullmann, Chief Executive Officer, and Olivier Estève, Deputy General Manager, both report on CSR subjects to the Board of Directors, which is informed of and approves the main initiatives in this area. In addition, Patricia Savin, an attorney specialising in environmental issues and Chairwoman of the non-profit organisation Orée, who was appointed to the Board of Directors in early 2016, provides the Board with the benefit of her expertise in CSR matters.

The Group's sustainable development policy is deployed at every level of the organisation, supported by the work of four committees: The **Sustainable Development Steering Committee** meets monthly and includes the Chief Executive Officer Christophe Kullmann and the Chief Operating Officer Yves Marque, who relay CSR subjects to the Management Committee and the Executive Committee, as well as Sustainable Development Director Jean-Éric Fournier. The latter organises the **Sustainable Development and Environmental Safety Committee (DDSE)** meeting every two months, which brings together twenty representatives from across each of the activities and subsidiaries, and participates in business meetings with operational staff to share initiatives in France, Germany and Italy. The success of these efforts requires involvement at all levels of the organisation. This is facilitated by the network of contacts in the business lines, the **Project Steering Committees** (responsible purchasing, biodiversity, etc.), the Group intranet site and monthly awareness and information meetings (FDR Meetings). In connection with the environmental annexes, the Sustainable Development Director jointly chairs the **Sustainable Development Partnership Committees** along with the relevant asset manager and technical manager, as well as tenant representatives for the Key Accounts concerned.

MANAGING SUSTAINABLE DEVELOPMENT AT FONCIÈRE DES RÉGIONS



2.2.5. Ambitious CSR targets for 2020

Foncière des Régions' first CSR action plan (2010 - 2015) was a success that met, and even surpassed, almost all of the quantitative and qualitative targets set. Hence the Group began drafting a new action plan for 2020 in 2014 which expands upon ongoing efforts to improve the Group's performance in each of the four areas of its sustainable development policy. It illustrates the Group's high CSR ambition and pre-empt energy and carbon trajectories in the energy transition and low-carbon strategy law published in 2015.

The various multi-year targets are regularly monitored at different corporate governance levels, especially with respect to improving the environmental performance of assets, energy and low-carbon trajectories, etc. The decisions adopted by the Group, particularly in relation to investments, are in keeping with the Sustainable Development Goals (SDG) included in the 2030 Agenda. These seventeen SDGs were announced in June 2016 by Secretary-General Ban Ki-moon at the annual UN Global Compact Leaders Summit. Associated with 169 specific targets, these SDGs comprise a genuine action plan for humanity, the planet, peace and prosperity. The CSR policy pursued by Foncière des Régions is in keeping with this focus, as shown by the GRI G4 Content Index and CRESO sector-specific supplement (see section 2.11.6) as well as the action plan presented in the following table:

2.2.5.1. Overview of CSR goals and indicators

 Met or exceeded
  On track
  Needs improvement

Commitment	Objectives	Company Scope	Deadline	
AREA 1: REDUCING PROPERTIES' ENVIRONMENTAL FOOTPRINT, MAINTAINING THEIR ATTRACTIVENESS AND RETAINING THEIR VALUE				
Improve the portfolio's environmental performance	66% green assets by 2017 100% green assets by 2020	France Offices	2017	
			2020	
	100% "green" developments and renovation	France Offices	Ongoing	
Improve energy performance and reduce CO ₂ emissions	40% decline in energy consumption between 2008 and 2020 (i.e. 295 kWhpe/m ² GIA/year)	France Offices	2020	
	Carry out pilot tests relating to the introduction of systems for the remote monitoring of consumption (smart metering)	France Offices	2017	
	Cut carbon emissions by 20% between 2008 and 2020 Target: 20 kgCO ₂ e/m ² GIA/year	France Offices	2020	
Lead the eco-transition	Water consumption no higher than 0.5 m ³ /m ² /year	France Offices	2020	
	Cut waste production and promote recycling across 100% of the portfolio and 100% of development and renovation projects	France Offices	2020	
	Turn each site into a biodiversity driver	France Offices	Ongoing	
Control Health and Safety related risks	Control health care and environmental risks	Group	Ongoing	
Improve accessibility	Have 80% of assets accessible to people with reduced mobility	France Offices	2020	
	90% of Offices assets located within a 10-minute walk from a public transport node	France Offices	2020	

Achievements in 2016		Progress	Chapter
	65% green assets	 	2.3.1
	100% certified deliveries - Six green assets delivered in 2016		2.3.2
	354 kWhpe/m²GIA/year 27.75% decline since 2008		2.3.5.1
	Draft specifications for an “open source” BMS (to avoid “proprietary” technologies)		2.2.1.2
	21 kWhpe/m²GIA/year 16% decline since 2008		2.3.5.2
	0.31 m³/m²/year 26.2% decline since 2008		2.3.5.4
	A decrease of 2% for properties whose waste is weighed		2.3.5.5
	Carré Suffren, the first operational site obtaining the BiodiverCity label	Ongoing	2.3.6
	Establishment of a collaborative tool for monitoring polluted sites and ground in 2016	Ongoing	2.3.7
	Ensured compliance with standards as part of every restructuring project		
	98% (in value terms) of offices located within a 10-minute walk from a public transport node		2.3.5.3

 Met or exceeded
  On track
  Needs improvement

Commitment	Objectives	Company Scope	Deadline	
AREA 2 – CONTRIBUTING TO THE DISSEMINATION OF ECO-FRIENDLY PRACTICES AND TAKING AN ACTIVE ROLE IN CITY LIFE IN PARTNERSHIP WITH STAKEHOLDERS				
Act for sustainable cities	Partner with our stakeholders to build a coherent and collaborative urban space	Group	Ongoing	
	Develop innovation and undertake forward-looking studies with a view to value creation		Ongoing	
	Participate in initiatives to boost the regions	Group	Ongoing	
	Promote human rights		Ongoing	
Exchange with suppliers and clients	Innovate with our suppliers on Group values	Corporate, Offices	Ongoing	
AREA 3 – ENHANCING EMPLOYEES' SKILLS, MOBILITY, DIVERSITY AND CAPACITY TO ADAPT TO A CHANGING ENVIRONMENT BY ADOPTING INNOVATIVE POLICIES				
Develop our human capital	Attract, develop and retain talent	FDR ESU	Ongoing	
	Promote diversity and equality		Ongoing	
	Improve the quality of life at work and find a work-life balance		Ongoing	
Be exemplary in the application of our CSR values	Cut our CO ₂ emissions per employee by 25% over the 2010/2020 period	FDR ESU (Metz & Paris)	2020	
	Make every employee a player in sustainable development	FDR ESU	Ongoing	
AREA 4 – GUARANTEEING AN ETHICAL AND TRANSPARENT FRAMEWORK ENSURING EXEMPLARY PRACTICES AT ALL LEVELS OF THE COMPANY				
Conduct effective governance	Optimise the performance of the Board of Directors	Group	Ongoing	
	Remain the leader in terms of the transparency of our business activities reporting		Ongoing	
	40% women on the Board of Directors		2016	
Promote ethical values	45% independents on the Board of Directors		Ongoing	
	Disseminate and share ethical/anti-corruption best practices with all employees		Ongoing	

Achievements in 2016		Progress	Chapter
	- Partnership with Institut Palladio - Making our projects (Euromed Center, Silex1 and Silex2) genuinely self-sufficient city districts offering a range of urban amenities: co-working spaces, smart networks, etc.		2.7.1.2
	Use value, LCA, BIM, C2C, biodiversity with the non-profit organisations Orée, HQE-France GBC, RICS, etc. Studies on the circular economy		2.2.4.2
	- Socio-economic research - Partnership with the association Le Pic Vert to act on <i>ex situ</i> biodiversity		2.7
	Award from Global Compact France for the best COP in 2016		2.9.6
	342 suppliers evaluated - Over 80% of strategic expenses covered by this measure (risk categories)		2.7.3
	- Campus Programme (2015/2016) - Training programmes and annual interviews		2.8.2
	Signing of six collective bargaining agreements, relating to incentive plans, two profit-sharing plans and employee savings plans, electronic voting for employee elections and the generation contract		2.8.5
	Quality of Life at Work agreement and employee satisfaction survey		2.8.3
	The average carbon emissions per employee dropped from 2.8 tCO₂e in 2010 to 1.71 tCO₂e in 2016, or a drop of 39%		2.8.6.1
	Many awareness initiatives: Sustainable Development Week, visits to exceptional sites, meetings with experts, etc.		2.8.6.3
	Annual evaluation of the members of the Board of Directors, plus a formal assessment of the Board every three years		2.9.2.4
	Compliance with the best standards: EPRA, Afep-Medef, GRI, etc.		2.9.1
	40% women on the Board of Directors		2.9.2.3
	60% independents on the Board of Directors		2.9.2.2
	- At the end of 2016: 146 employees trained in sessions known as "Process Mornings" - Distribution of the Ethical Charter to all employees		2.9.6

2.2.6. CSR ratings

The CSR policy adopted by Foncière des Régions, its action plans and its concrete results were lauded once again in 2016 by non-financial ratings agencies, resulting in higher scores. The green bond issue (see section 2.3.2), which raised €500 million in May 2016, affirmed the relevance of Foncière des Régions' sustainable development approach and was buoyed by the non-financial and financial ratings it received from agencies.

Among these distinctions, Foncière des Régions is recognised as an "Industry Leader" in the Euronext-Vigeo France 20, Europe 120, Eurozone 120 and World 120 indices, has retained its Green Star status in the GRESB ranking and has obtained a score of A- from the CDP using its new methodology. In France and the Benelux countries, only thirty-eight companies (across all industry sectors) have been awarded scores in the "A" category (with twenty-one ranked A and seventeen ranked A-), and the 404 companies having submitted information on their climate change policies earned an average score of C. Foncière des Régions has been selected as a member of the DJSI Europe, DJSI World, FTSE4Good, Stoxx® Global ESG Leaders, and Gaia (Ethifinance) indices and has been awarded Prime status by Oekom Research. In addition, Foncière des Régions takes part in studies conducted by Képler-Cheuvreux, Sustainalytics, and other firms each year. Furthermore, the Group was the recipient of several awards in 2016, recognising a range of initiatives. Foncière des Régions thus earned its third consecutive EPRA Gold Award for its Sustainable Development Report and its fourth for the financial portion of its Reference Document, a Cube 2020 prize for its energy performance policy and the results obtained by its Carré Suffren asset, the award for the best Communication on Progress (for companies with less than 500 employees) from Global Compact France, and the Agefi Silver Prize in the "Governance Process" category.

NON-FINANCIAL RATING AGENCIES AND RESEARCH BODIES ASSESSING FONCIÈRE DES RÉGIONS

Each agency or research body applies its own methodology and rating criteria.

CDP: formerly known as the Carbon Disclosure Project, this organisation was created about fifteen years ago to help investors make better-informed decisions. The CDP runs a global disclosure system that enables companies and organisations to

comprehensively measure and manage their risks and opportunities relating to climate change. Scores of 99A in 2015 and A- in 2016 (using different methodologies).

DJSI: the Dow Jones Sustainability Indices are based on annual analyses done by RobecoSAM for the Robeco bank. Foncière des Régions has been selected for the DJSI World Index since 2013, with slight advances in its score each year (from 69/100 in 2013 to 72/100 in 2016).

EPRA: the European Public Real Estate Association has awarded prizes each year since 2012 to real estate companies that implement EPRA best practices and key indicators in their financial and non-financial reporting (Best Practice Recommendations).

Ethibel: the Ethibel Forum is a non-profit organisation. Having earned a B rating, Foncière des Régions has been selected since 2013 for the 370-company Ethibel Excellence Investment Register index as well as the Ethibel Pioneer best-in-class index.

FTSE4Good: a CSR index developed by FTSE Russell, part of London Stock Exchange Group, known for its categories of stock market indices. Foncière des Régions has been selected for the FTSE4Good index since 2010.

GRESB: the Global Real Estate Sustainability Benchmark, which merged with the Green Building Certification Institute (GBCI) in late 2014, carries out an annual survey of the industry to evaluate portfolios on the basis of ESG criteria. Foncière des Régions has enjoyed "Green Star" status in this survey since 2013.

NYSE Euronext Vigeo: since its creation in 2014, Foncière des Régions has been selected to be listed in the "NYSE Euronext Vigeo France 20", "Europe 120", "Eurozone 120" and "World 120" indices.

Oekom Research AG: this agency rates more than 3,500 companies throughout the world every year, assigning scores ranging from D- to A+. Foncière des Régions has been awarded Prime status with a score of C (most companies in the real estate sector have received scores between D+ and D-).

Stoxx: Foncière des Régions has been selected as a member of the Stoxx® Global ESG Leaders index since 2016. The constituents of this index are leading global companies having received the best scores on the basis of ESG indicators provided by Sustainalytics.

2.2.7. Reliable performance in line with international standards

The tables presented in section 2.10 provide an overview of the indicators used by Foncière des Régions to measure its environmental and social performance, particularly with respect to the targets that have been set. These indicators have been chosen based on international standards: the GRI G4 Guidelines and its sector-specific supplement CRESO, the EPRA's Sustainability Best Practice Recommendations (sBPR) as well as annual studies such as the CDP and the Global Real Estate Sustainability Benchmark (GRESB).

Foncière des Régions' CSR reporting has been audited by an independent third party (Ernst & Young) since the report of 2011. The purpose of this audit is to ensure compliance with the provisions of the Decree of 24 April 2012 on CSR transparency,

implementing Article 225 of the Grenelle 2 Environment Act, in the interest of verifying the reliability of reporting. The reporting scope for each business activity is detailed in section 2.10.

In addition, the audit verifies the application of the EPRA's Sustainability Best Practice Recommendations (BPR) as well as Core level compliance under the GRI G4 Guidelines and its sector-specific supplement CRESO. The independent third party's assurance report is included in section 2.11.

Application of GRI - G4 - CRESO	Comprehensive	Core
Self-declaration		✓
External opinion Ernst & Young		✓

2.3. TOWARDS 100% GREEN ASSETS

With a portfolio of 1.9 million m² in France, Foncière des Régions sets a benchmark standard for the development, ownership and management of office space. At 31 December 2016, the value of the France Offices portfolio stood at €6.2 billion (€5.3 billion Group share), *i.e.* 45% of Foncière des Régions' portfolio.

Since its creation, Foncière des Régions has grown rapidly through the acquisition of portfolios of outsourced assets. Since the early 2000s it has also acquired assets from large user companies: EDF, Orange, Eiffage etc. This growth has continued with the acquisition of operating properties and the development of new operations. Foncière des Régions oversees the whole value creation chain and ensures that its buildings meet client expectations in terms of quality.

Foncière des Régions is carrying out substantial renovation and modernisation work on its Offices portfolio in France in line with the strictest international standards (HQE, BREEAM, etc.). These works, alongside asset disposals (€124 million sold in 2016) and targeted acquisitions, are enabling the Company to accelerate improvements to the environmental performance and attractiveness of its portfolio with a target of 100% green assets by the end of 2020 (see section 2.3.1).

2.3.1. Over 65% green assets at the end of 2016

Foncière des Régions adopted the target of 50% green assets in its portfolio by the end of 2015, 66% by the end of 2017 and 100% by 2020. The targets for 2015 and 2017 were not only met but exceeded. According to joint EPRA-IPD criteria, "Green" buildings 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-Effinergie®, HPE, THPE or RT Global certifications. Increasingly, properties developed or refurbished by Foncière des Régions have dual HQE and BREEAM certification, particularly in the case of those located in the Paris region. The greening rate for the "Core" asset portfolio, *i.e.* assets intended to remain in the portfolio long-term, reached 73.6% at the end of 2016.

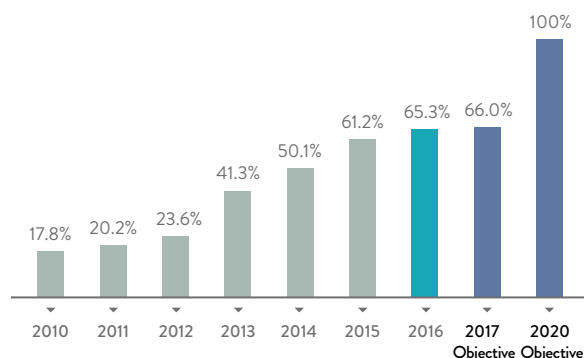
In 2010, Foncière des Régions set a target of 100% green developments and renovations, thus anticipating changes in legislation. Energy and environmental performance has become a prerequisite for its clients.

Moreover, for users, new issues affecting the well-being of their employees are a significant factor in their choice of location: disabled access, public transport links, low-carbon transport, innovative services (reception centres, etc.). Foncière des Régions is mindful of these new expectations.

The reliance on quality indicators (certifications and labels) meets a dual requirement of transparency and accountability. The graph below represents the proportion of certified properties in this portfolio since 2010. In terms of rent, at 31 December 2016, green assets accounted for 56,8% (Group Share) of revenues from Foncière des Régions' France Offices portfolio.

PROPORTION OF GREEN BUILDINGS IN THE FRANCE OFFICES PORTFOLIO

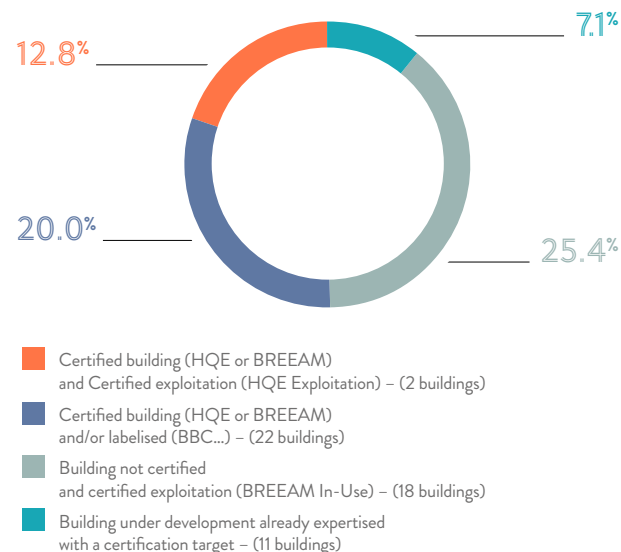
(% in asset value)



This growth in certification is not limited to new developments and restructuring operations. It also concerns existing buildings with in-use certification. Two properties have “NF HQE™ commercial building in use” certification (Tour CB 21 – Paris-La Défense and Carré Suffren – Paris 15th) and 18 have BREEAM In-Use certification. These in-use certifications have been implemented on the basis of the environmental annexes pioneered by Foncière des Régions from 2010, as well as other initiatives. The choice of certification is made jointly with the tenant.

BREAKDOWN OF CERTIFICATIONS OBTAINED AT 31 DECEMBER, 2016

(in asset value)



The greening indicator is monitored as part of the monthly internal CSR report and plays a decisive role in the Group's development, works and asset replacement policy.

2.3.2. An initial Green Bond of €500 million

On 9 May 2016, Foncière des Régions launched 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 five times oversubscribed from a panel of international investors.

Having received excellent ratings from the ratings agencies, it has also helped Foncière des Régions diversify its sources of funding. Its success reflects the recognition of Foncière des Régions' CSR policy, lauded by analysts.

The selection of Green Assets funded by the *Green Bond* was based on criteria relating to the certification obtained by the buildings, HQE and/or BREEAM and/or LEED.

Their performance has been analysed in terms of construction and operations. Other than energy and carbon, several technical

aspects were taken into account for the selection: water and waste management and sharing of best practices with tenants through the environmental annexes. A detailed analysis of the assets brings out, in particular, building accessibility, regional foothold (see section 2.7.2) and Foncière des Régions' responsible purchasing policy (2.7.3). The reporting items are presented in Foncière des Régions' 2016 Sustainable Development Report.

An independent third party, EY, carried out checks against various criteria under three headings: fund allocation (material criteria, financing/refinancing share), environmental benefits (energy and carbon footprints etc.) and responsible management (water, waste, accessibility etc.). The report by EY is reproduced in Foncière des Régions' Sustainable Development Report, published on the day of the 2017 General Meeting.

2.3.3. A changing portfolio

The development and renovation policies adopted by Foncière des Régions have accelerated a shift in the portfolio towards low-carbon real estate, taking into account emerging issues: new energies, digital technology, biodiversity, soft mobility, sustainable cities, circular economy, etc.

2.3.3.1. Beyond construction standards

The four buildings delivered in 2016 are an illustration of Foncière des Régions' real estate policy in terms of geographical diversity. Two of these are in Greater Paris, at Saint-Germain-en-Laye (5,057 m²) and Vélizy-Villacoublay (13,203 m²), and two in major regional cities, in Marseille – Euromed Center (first tranche 9,759 m²) and Montpellier (3,379 m²). With HQE and BREEAM certifications, these properties are leading the way in taking into account the quality of spaces and the well-being of occupants.

In offering a particularly pleasant green space, the Montpellier building contributed to the renewal of the Parc de la Pompiègne. The densification of this park, with new constructions, often with a footprint of under 5,000 m², is a response to the concern for combating urban sprawl and prioritising occupants' expectations in terms of being close to the natural world⁽¹⁾.

In Marseille, the Euromed Center, a Foncière des Régions and Crédit Agricole Assurances development in the heart of the Euroméditerranée business district, opted for an innovative solution in the form of marine geothermal energy. Four buildings will be connected to one of Europe's biggest marine geothermal power plants, "Thassalia". It will pump seawater from the Grand Port of Marseille (GPMM) to produce either heat or refrigeration to meet demand for both heating and cooling systems in the buildings. Compared with a traditional system, this system reduces electricity consumption by 40%, CO₂ emissions by 70% and refrigerants by 90%. The use of this renewable energy will reduce water consumption by 65% and the use of chemicals by 80% (Source: Cofely).

2.3.3.2. Designing new living spaces

In order to achieve real estate based on greater user-friendliness and flexibility, the building of tomorrow must adapt to new working styles (agile working, co-working, desk sharing, etc.) and meet the new expectations of businesses and their employees.

It is with this in mind that Foncière des Régions decided to launch a new range of "third places".

An initial site will open in Marseille in 2017 with 10 to 15 spaces in the pipeline for 2020. Each site will combine flexible spaces, coworking premises, creative spaces and a wide range of services for occupants.

2.3.3.3. The digital transition

Buildings of today are undergoing a digital revolution. Digital technology is transforming the needs and behaviour of our tenants and their employees, the organisation and management of businesses, transport, services etc. It is also transforming the tools used for designing and operating properties with the onset of new technologies: Building Information Modelling (BIM), Light Fidelity (LiFi)⁽²⁾, operating facilities remotely etc. Buildings will become part of the energy grid. As both generators and consumers of energy, smart buildings will form an integral part of smart grids, managed at the neighbourhood level, with towns themselves becoming part of larger networks. Foncière des Régions is actively involved in studies on energy flexibility so as to lay the groundwork for the smart city of tomorrow.

Foncière des Régions is also leading the way in the use of new tools for designing, building and managing properties. Its experience in terms of Building Information Modelling (BIM) is one example of this. The Pierre Berger Campus (Eiffage) and Hélios Campus (Thales), in Vélizy-Villacoublay near Paris, are among the first French buildings to be constructed using BIM. They were both awarded the "BIM d'Or" prize by the *Le Moniteur* magazine, in 2014 and 2016 respectively. BIM builds and sustains a comprehensive and coherent 3D building database throughout the life of the project: design, completion, operation, deconstruction. This collaborative and interconnected platform is also useful for addressing "cleantech" challenges (smart grids, waste treatment, transport, etc.). BIM improves operational management by facilitating the design of fixtures, fittings and spaces and the access to facilities (geolocation of facilities) etc.

2.3.3.4. Towards a circular economy

The construction and management of buildings are central issues in the circular economy. Its aim⁽³⁾ is to create innovative products, services, business models and public policies to ensure that economic growth does not lead to the depletion of natural resources. According to *l'Institut de l'économie circulaire*, "it is about, for example, extending the flow of materials (re-using, recycling) and products (ecodesign without in-built obsolescence) throughout the life of a product or service. This model is based on new types of design, production and consumption, extending the period of use of products, using rather than owning goods, re-using and recycling component parts." As such, this model means rethinking the ways of designing, constructing and managing a property, by promoting cross-disciplinarity and a holistic approach.

From 2010, Foncière des Régions has carried out Life Cycle Analysis (LCA) in order to quantify the environmental impacts of transactions at each stage of the asset life cycle (extraction and manufacture of materials, operating the property and ultimately deconstruction). In line with the HQE Performance programme of study, this LCA is based on six modules (materials, energy, water, travel, building site and waste). In 2013, Foncière des Régions commissioned France's first LCA of a property renovation (Steel, headquarters of the OnePoint Group – Paris 16th district) and, in 2014, France's first LCA of a hotel. All of these studies were added to the HQE Performance programme and thereby contributed to the construction of a database used for purposes such as BBKA (low carbon building) certification.

In order to continue on the road towards the circular economy, Foncière des Régions is working with NGOs (Orée, C3D, etc.) and the university sector (see section 2.2.1.4). At the end of 2016 two studies were launched on operational assets; one office building and one hotel; focusing on Cradle-to-Cradle (C2C) eco-design. The results are expected in 2017.

(1) Man's innate affinity for all things living.

(2) LiFi (or Light Fidelity) is a wireless communication technology based on the use of the visible (optical) part of the electromagnetic spectrum.

(3) http://www.institut-economie-circulaire.fr/Qu-est-ce-que-l-economie-circulaire_a361.html

Moreover, Foncière des Régions is delivering the Noé project in Bordeaux, part of the “Quai Îlot 8.2”, in partnership with ANF Immobilier and Vinci Immobilier. The use of an innovative work site platform is intended to minimise the inconvenience of work

sites and ensure traffic flows freely whilst work is taking place, in particular through the introduction of a waste collection site and a digital information processing platform.

2.3.4. A pipeline of €2.46 billion (Group share)

Foncière des Régions currently has a pipeline of projects under development totalling €2.46 billion (Group share), including €460 million already launched. These transactions are part and parcel of the renewal of the Foncière des Régions portfolio and are evidence of the ambition presented in section 2.3.1.

ONGOING PORTFOLIO ADJUSTMENT

France Offices projects in 2016 – Group share	Number of projects	Surface* (m ²)	Target rent (€/m ² /year)	Pre-leased (%)	Total budget**	Target yield***	Progress
Committed projects	11	132,300	365	38%	€460 million	6.1%	42%
Managed projects	16	403,700			€2.0 billion		
Total	27	536,000			€2.5 billion		

* Surfaces at 100%.

** Including land cost and financial cost.

*** Return on rental income including parking facilities, restaurants, etc.

2.3.5. Improving the portfolio's environmental performance

The energy and environmental mapping exercise carried out on the portfolio with CSTB in 2009/2010 contributed in particular to the definition of Foncière des Régions' objectives in terms of the energy and carbon performance of its portfolio (see section 2.2.5). The baseline year for the calculation of energy and carbon trajectories is 2008. In order to meet its objectives, Foncière des Régions makes use of all available options: the development and renovation of green assets; asset replacement and reinvesting in better-performing assets; streamlining site maintenance and multi-year work plans. Low-energy consuming equipment is used in all replacements of heating systems, air-conditioning systems and lighting. Insulation criteria are taken into consideration in terrace waterproofing renovations, etc. All these initiatives reduce energy consumption and carbon emissions “mechanically”.

2.3.5.1. Energy trajectory

Foncière des Régions has the target of reducing the average primary energy consumption per m² of its France Offices portfolio by 40% between 2008 and the end of 2020, i.e. a 25% reduction over the 2008-2015 period and a 15% reduction between 2016 and the end of 2020. This means that primary energy consumption will not exceed 295 kWhpe/m² per year at the end of 2020. This target exceeds the requirements of the Energy Transition for Green Growth Act adopted on 17 August 2015. This law provides for a 30% nation-wide reduction in fossil-fuel based primary energy consumption between 2012 and 2030 and a 50% reduction in the final energy consumption between 2012 and 2050 (with a 20% reduction between 2012 and 2030).

In addition to its various initiatives to reduce the energy intensity of real estate, Foncière des Régions is active in raising awareness among its tenants, particularly through the use of the environmental annexes. In 2016, Foncière des Régions was a candidate for the Trophée Cube 2020, a challenge organised by *Institut Français pour la Performance du Bâtiment* (IFPEB) with the support of ADEME and the Ministries for energy and housing. Foncière des Régions' Carré Suffren property won the Cube d'Argent in the category “Certified office buildings” in acknowledgment of its 18.5%-reduction in primary energy consumption over the twelve months of the competition. This award was achieved as a result of the efforts made by Foncière des Régions staff in conjunction with the facility manager and its tenants who were already committed to securing HQE Exploitation certification. It also showcases the streamlined management of the property and the completion of works (additional meters fitted on the BMS; clocks on the lighting; LEDs in meeting rooms, etc.).

2.3.5.1.1. Changes to the primary energy consumption ratio

Foncière des Régions strives to have a precise vision of the environmental footprint of its sites, based on the invoices paid by the Company or by its tenants. As a signatory of the French Charter for commercial and public building energy efficiency, Foncière des Régions communicates its energy consumption to the *Sustainable Building Plan* as part of an annual follow-up for the Charter⁽¹⁾ and is a member of the Charter Steering Committee.

(1) Third report of the French Charter for energy efficiency in public and private office buildings: http://www.planbatimentdurable.fr/IMG/pdf/Plan_Batiment_Durable_Rapport_charte_tertiaire_2016_VF.pdf

The primary energy consumption collection rate is 100% for the common areas of buildings (multi-tenants) directly managed by Foncière des Régions property management teams. In 2016, this collection rate stood at 56% (in surface area) of the entire reporting scope (see section 2.10.1.1), including tenant areas of multi-tenant buildings and single-tenant buildings, *versus* 61% in 2015.

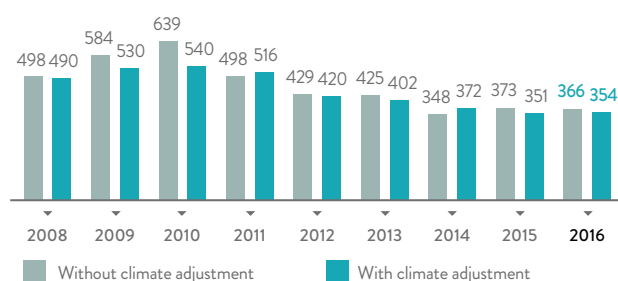
The level of energy consumption in France Offices, adjusted for climatic variations, fell between 2008 and 2015 from 220 to

169 kWhfe/m²GIA/year, and from 490 to 354 kWhpe/m²GIA/year, representing a drop of 23.2% and 27.75% respectively. This is in line with the improvement of the portfolio's environmental quality, making it possible to achieve and even exceed the target of a 40% reduction in primary energy by the end of 2020. The reduction recorded was due to efforts to reduce the portfolio's energy footprint as well as changes in the composition of the portfolio.

The two charts below show the results with and without climate adjustments (summer and winter), as calculated by CSTB, so as to make consumption comparable since 2008, the benchmark year.

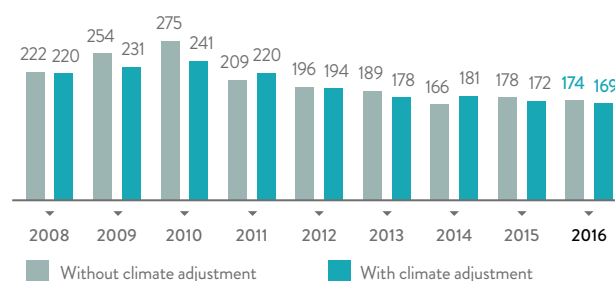
CHANGE IN PRIMARY ENERGY RATIO

(kWhpe/m²/year)



CHANGE IN FINAL ENERGY RATIO

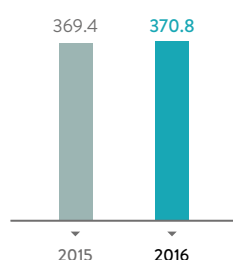
(kWhfe/m²/year)



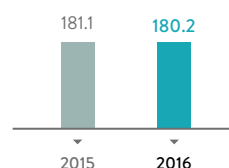
On a like-for-like basis, primary energy consumption (adjusted for weather variations) was stable between 2015 and 2016, in terms of primary energy (raw energy before transformation) and final energy (see section 2.10.1.1).

LIKE-FOR-LIKE BUILDING ENERGY INTENSITY (WITH WEATHER ADJUSTMENT)

(kWhpe/m²/year)



(kWhfe/m²/year)



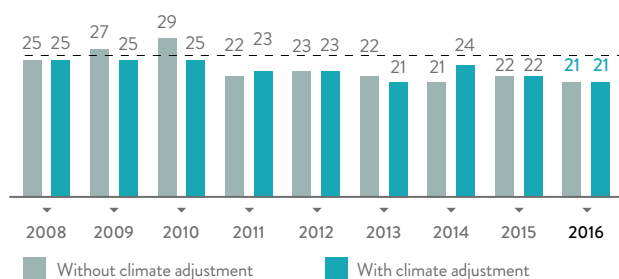
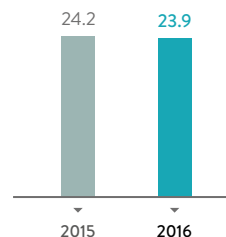
2.3.5.2. Carbon trajectory

In November 2015, France adopted a national low-carbon climate strategy (SNBC), anticipating measures adopted at the COP 21 which took place in Paris at the end of 2015. The SNBC sets a downward trajectory through the introduction of various tiers called "carbon budgets". These tiers are broken down by major types of activity transport, housing, industry, agriculture, energy and waste. For the building segment, the drop in emissions has been set at 54% between 2013 and 2028, and 87% between 2013 and 2050.

In this context, as well as against the backdrop of the European Union's Climate Plan 2020, the so-called "Climate and Energy Package", Foncière des Régions set itself the target of a 20% reduction in its carbon emissions between 2008 and the end of 2020.

The carbon footprint, adjusted for weather variations, fell from 25 kgCO₂e/m²GIA/year on average for this portfolio in 2008, to 21 kgCO₂e/m²GIA/year in 2016, equal to a reduction of 16%. Over the 2015-2016 period, the observed decrease was 1.3% on a like-for-like basis.

The calculations were produced by CSTB, based on the invoice data collected and analysed for the energy report (see section 2.3.5.1).

CARBON INTENSITY OF THE OFFICES PORTFOLIO*(kgCO₂e/m² GIA/year)***CARBON INTENSITY LIKE-FOR-LIKE***(kgCO₂e/m² GIA/year)*

This data is detailed in section 2.10.1.1.

The ratios of the like-for-like analysis are broken down by type of greenhouse gas in the table below.

GHG EMISSIONS LIKE-FOR-LIKE

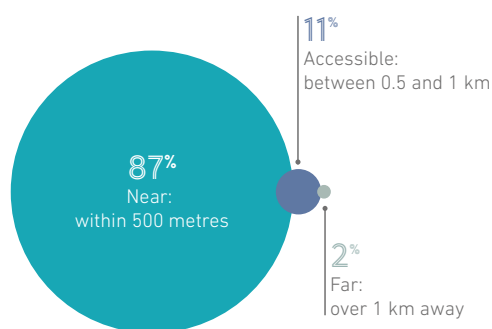
	CO ₂	CH	NO ₂	HFCs	PFCs	SF66	NF3	Other	Total emissions <i>(kgCO₂e/m²/year)</i>
2016	21.967	0.0015	0.298	0.000	0.011	0.100	0.000	1.460	23.9
2015	21.813	0.014	0.272	0.000	0.010	0.089	0.000	1.519	23.7
2014	23.326	0.015	0.299	0.000	0.011	0.098	0.000	1.612	25.4

The portfolio's carbon footprint continued to decline in 2016, thanks to a more favourable energy mix and good control of primary energy consumption.

2.3.5.3. Transport and accessibility

Reducing the carbon footprint also involves choosing sites that promote public transport and environmentally-friendly commuting (walking, cycling, etc.) for employees and clients.

Foncière des Régions has set itself the objective for at least 90% of its offices assets to be located within a 10-minute walk (1 km) of public transport (train, RER, metro, bus, tramway, etc.). This objective, in value terms, covers all the office buildings held in France. It has now been reached and even exceeded, since in 2016 nearly 98% of the Group's office buildings met this requirement.

OFFICE ACCESSIBILITY RATIO AT 31/12/2016*(in asset value)*

2.3.5.4. Water trajectory

A building consumes water during its construction (concrete, cleaning, etc.) and during its operation (occupants, housekeeping, watering, company restaurant, etc.). Within the portfolio, the water footprint is reduced through the systematic use of water-saving systems and by closely monitoring consumption. New operations developed by Foncière des Régions usually rely on recovering rain water and reusing it for irrigation, thus helping to replenish ground water and preventing it from being sent via pipe networks into rivers and then to the sea.

Foncière des Régions has adopted the target of maintaining average water consumption at under 0.5 m³/m²/year for its

France Offices operating assets and of monitoring the volumes consumed during development and renovation projects.

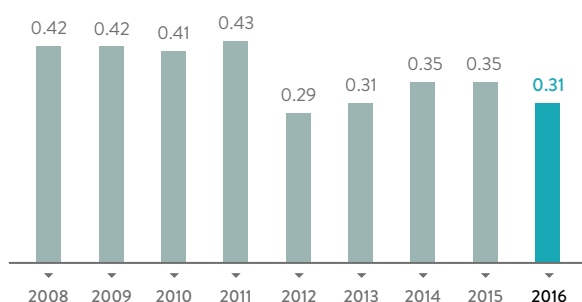
Water is distributed by a large number of stakeholders, which complicates the collection of billing information. The water consumption data collection rate was 96% in 2016 for properties under “operational control” (multi-tenants) under the direct management of Foncière des Régions.

From 2008 to 2016, average water consumption decreased from 0.42 to 0.31 m³/m²GIA/year, a fall of 26%. The chart below shows the historic consumption ratios.

The consolidated data shows stable water consumption on a like-for-like basis.

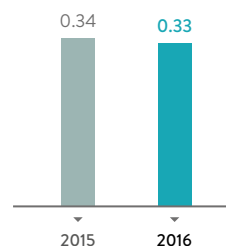
WATER INTENSITY OF THE PORTFOLIO

(m³/m²GIA/year)



WATER INTENSITY OF THE PORTFOLIO, LIKE-FOR-LIKE

(m³/m²GIA/year)



2.3.5.5. Waste trajectory

In France, the municipalities manage waste removal in almost all of the assets owned by Foncière des Régions. They do not provide any information on the amounts of waste collected. The only information which can be obtained concerns the selective nature (or not) of the collection. Out of the entire portfolio of assets owned by Foncière des Régions as at 31 December 2016, 100% benefit from selective collection.

On a few sites, private companies are responsible for waste removal, which enables us to monitor waste tonnage by type and the percentage of waste recycled for the 2008/2016 period (see section 2.10.1.1). This is also the case in Foncière des Régions' Paris and Metz premises, where all paper and cardboard is recycled.

Other initiatives have also been launched by the Group, particularly in terms of the circular economy (see section 2.2.1.4) of combating food waste (2.4.5).

Finally, development transactions and renovations are also monitored closely and are subject to strict compliance with regulations.

2.3.6. Turning each site into a biodiversity promoter

Biodiversity has been a strong focus of Foncière des Régions' sustainable development policy for several years. The Group's biodiversity policy is set out in section 2.8.4. As a pioneer in this field, the Group is involved in the development of ground-breaking projects taking biodiversity into consideration. The landscaping of the gardens and vegetated terraces of the Carré Suffren building in Paris, developed with an ecologist, obtained BiodiverCity® accreditation, a first for an operating property. The aim of this accreditation is to promote ecologically mindful constructions which take living systems into consideration and improve the living environment without increasing operating expenses. The tenants were consulted at different stages of the project and a photography exhibition was organised in 2016 to raise awareness among occupants of biodiversity in urban settings. Indeed, the site Actu-environnement.com dedicated a report to this site: <http://www.actu-environnement.com/ae/news/label-biodivercity-batiments-biodiversite-27818.php4>

Construction activities and the operation of the buildings have indirect impacts on:

- ◆ biodiversity: use of space, destruction and fragmentation of natural habitats, artificialisation of environments, soil sealing, and impacts on rainwater infiltration
- ◆ the “*ex situ* biodiversity”, i.e. the impact of the extraction of raw materials and the manufacture and use of construction materials on biodiversity.

Foncière des Régions has adopted two biodiversity charters: one for construction or renovation, the other for sites in operation as well as a reporting template that complies with version G4 of the Global Reporting Initiative (GRI).

Four indicators for the performance of organisations in terms of biodiversity are proposed. In 2015, analyses were carried out on 16 office sites owned and managed by Foncière des Régions to assess their performance with respect to the GRI indicators.

- ◆ **Sensitivity of site location in relation to areas of high biodiversity value (EN11):**
 - ◆ this indicator aims to describe the location and size of the land owned, leased or managed by the organisations in, or adjacent to, protected areas and areas of high biodiversity value
 - ◆ map analyses were carried out on all protected areas (Natura 2000, Decrees for the Protection of Biotopes). Areas of high biodiversity value (natural areas of ecological, faunistic and floristic interest, i.e. ZNIEFF areas) were identified within radii of 1, 2 and 5 km of the sites concerned. The analyses carried out in 2015 showed that no site was located in an area of high biodiversity value as defined by the GRI. For 6% of the sites, there was no area of high biodiversity value within a 5 km radius, while most of the sites (69%) were within 5 km of a ZNIEFF area or within 2 km of a Natura 2000 area. Only 25% of the sites were found to be

“sensitive” as they are located within 5 km of several areas of interest such as ZNIEFF areas, protected zones such as Natura 2000 areas or areas governed by biotope protection decrees

- ◆ given the size of the sites and the layout of their landscaped areas, their impact on these areas can be considered low
- ◆ **Conclusion: with respect to the EN11 criteria, Foncière des Régions' activities can be considered as having a “Good” performance level.**
- ◆ **Impact of sites on areas of high biodiversity value (EN12):**
 - ◆ this indicator sheds light on the direct or indirect impacts of organisations' activities on the biodiversity present on sites of high biodiversity value
 - ◆ environmental inventories have shown that none of Foncière des Régions' buildings have been built in protected or restored habitats and that no red-listed species have been identified on the sites
 - ◆ the use of building materials may have impacts on “*ex situ* biodiversity” i.e. the biodiversity affected by the extraction of raw materials and the production and use of building materials. The operating impacts mainly relate to the design and management of the buildings and green areas.
 - ◆ **Conclusion: with respect to the EN12 criteria, Foncière des Régions' activities can be considered as having a “Fairly Good” performance level.**
- ◆ **Presence of sites on protected or restored habitats (EN13):**
 - ◆ this indicator is used to measure the surface area and location of protected or restored habitats on the sites of an organisation's activities
 - ◆ out of all the habitats present on Foncière des Régions' sites that underwent analysis and ecological visits in 2015, none were in protected or restored habitats. Therefore, these sites have no impact on protected or restored habitats.
 - ◆ **Conclusion: with respect to the EN13 criteria, Foncière des Régions' activities can be considered as having a Very Good performance level.**
- ◆ **Impact of sites on species appearing on the IUCN's red lists (EN14):**
 - ◆ this indicator assesses the total number of Red List species and National Conservation List species with habitats in areas affected by an organisation's operations, by level of extinction risk
 - ◆ the ecological diagnostic tests performed under the BREEAM In-Use certifications obtained did not reveal any animal species appearing on the IUCN's red lists. Therefore, there was no impact.
 - ◆ **Conclusion: with respect to the EN14 criteria, Foncière des Régions' activities can be considered as having a “Very Good” performance level.**

2.3.7. Environmental safety and consumer health

There are several factors related to the quality of the work environment that influence employee comfort and well-being, and by extension as their overall health and performance. These include acoustics; air quality; lighting, etc.

2.3.7.1. Limiting noise pollution

Noise is detrimental to concentration, creativity and productivity. It induces stress and has a negative impact on working conditions. User comfort and well-being is a central concern for Foncière des Régions and we strive to deliver properties that optimise the acoustic conditions for occupants, in a context of an increasing demand for open-space and flexible premises. In its developments and renovations, Foncière des Régions strives to reduce the occupants' exposure to outdoor noise, and to reduce the buildings' noise pollution (rooftop equipment, etc.) for its neighbours.

2.3.7.2. Indoor air quality, a health issue

The fine particle PM10 air pollution episode experienced by the Paris region in early December 2016 led to the implementation of road space rationing and free transport on peak pollution days. Air pollution has gradually risen up the agenda in France, with the cost to the country being calculated for the first time in 2015. The Senate committee's report published on 15 July 2015, puts the figure at €101.3 billion⁽¹⁾. As such regulations are to be tightened, particularly in respect of transport and buildings.

Indoor air quality in office buildings depends on a range of factors:

- ♦ decorative materials used: carpeting, paint, suspended ceiling materials, etc.
- ♦ equipment present in the premises: printers, etc.
- ♦ proper maintenance of gas and air-conditioning systems
- ♦ road traffic and the external environment.

In order to better identify potential options for air quality improvement, Foncière des Régions took part in the European research project Officair in conjunction with CSTB, which is in charge of the French indoor air quality observatory (OQAI). The two properties of its Paris headquarters were among 20 French sites involved in the study. By carrying out measurements against a range of parameters (volatile organic compounds; ozone; nitrogen dioxide; particles, etc.), this project led to the creation of the first database on air quality inside office buildings in France.

Reproduced during two contrasting seasons (summer/winter) and under various configurations, (including different floors of a building), these measurements helped us to understand the effect of parameters like distance from roads, impact of temperature, use of cleaning products, etc. on air quality.

In particular, the conclusions of this study revealed the extent of the contribution of the emissions of volatile organic compounds from floor cleaning products and printers. This resulted in a change in Foncière des Régions' contract with its cleaning company.

Foncière des Régions is open to all possibilities for improving air quality, favouring low-emission materials and products (such as paint, carpets, etc.) and materials rated class A+ with respect to volatile organic compounds to maintain the comfort and health of occupants.

2.3.7.3. Land use

Foncière des Régions strives to limit urban sprawl by integrating its developments within redevelopment projects that encourage "rebuilding the city on top of the city". The economical use of land reflects the Group's determination to limit land sealing, avoid the use of agricultural land for new buildings, and take flood risks into consideration. The Cœur d'Orly, Respiro (Nanterre), Hélios (Vélizy-Villacoublay) and Euromed Center (Marseille) operations illustrate this approach. They make use of urbanised land or existing buildings, thereby helping to preserve greenfield sites with a strong biodiversity potential.

In 2016, Foncière des Régions was not subject to any decontamination or clean-up orders for any of its sites in operation.

2.3.7.4. Adapting to the consequences of climate change

Beyond compliance with regulations under the Flood Risk Prevention Plan (PPRI) and the Natural Risk Prevention Plans (PPRN), Foncière des Régions identified the main hazards that may have an impact on its activities and introduced prevention and adjustment measures to:

- ♦ ensure the comfort of occupants during periods of hot weather by enhancing the summer comfort requirements in buildings
- ♦ analyse the risks of temporary or permanent river or sea flooding and flooding from storms
- ♦ study land quality and its vulnerability to flooding prior to any acquisition, and adapt building foundations to ground instability (shrinking and swelling of clay-based soils)
- ♦ carry out detailed reporting on the various risks considered as relevant to its business activities.

(1) http://www.lemonde.fr/planete/article/2015/07/15/la-pollution-de-l-air-coute-chaque-annee-101-3-milliards-d-euros-a-la-france_4683432_3244.html#xEqFwXBGfcARevKe.99

Foncière des Régions monitors risks to its assets through the management tool implemented by Provexi. In particular, the Foncière des Régions Environment Department is responsible for monitoring the risks deemed to be relevant to its activities:

Risks	Number of sites concerned		
	2014	2015	2016
Subsidence	46	44	46
Earthquake	2	1	1
Flood	75	81	81
Thermal effect	3	3	3
“Storm surge”	3	3	3
Toxic effect	2	2	2
Drought	10	8	8
Avalanche	0	0	0
Forest fires	10	8	10
Torrential rain	0	0	0
Cyclone	0	0	0
Rise in groundwater level	2	2	1
Volcano	0	0	0
Mining	0	0	0
Other mining risks	1	1	2
Other natural risks	30	30	29
TOTAL	184	183	186

2.3.7.5. Controlling health and climate risks

Property acquisition and management require the performance of a number of investigations which may be mandatory depending on the date of construction of the building: these include asbestos; pest report depending on the municipality (termites); mining and technological risks report (risks of flood; subsidence; coastal submersion; Seveso risks, etc.), energy performance certificate and other investigations, such as lead, electricity and gas in the case of housing.

With attention to the specific requirements for ICPE sites (i.e. establishment classified for environmental protection), Foncière des Régions strives to control the health and environmental risks of all its office assets. These risks may be subjected to additional investigations (ground contamination, etc.), periodic monitoring (asbestos, for example) or specific analysis (legionella, etc.).

Each asset undergoes all regulatory investigations. To this effect, Foncière des Régions relies on a dedicated team in charge of these environmental safety issues. It is involved in the analysis of acquisitions, during the management period, up to the creation of data rooms for sale.

At 31 December 2016, the main risks to Foncière des Régions' Offices portfolio, relating to 348 sites (versus 355 at the end of 2015⁽¹⁾), were as follows:

Area	Diagnostic procedures in place					
	2014		2015		2016	
Technological and natural risks – number of cases surveyed	375 ⁽¹⁾	100%	355	100%	348	100%
Cooling towers – number of sites concerned	2 ⁽²⁾	100%	2	100%	1	100%

(1) Status of risk surveys in place.

(2) Sites where the operator of the tower is the owner.

This year once again, Foncière des Régions has not had a conviction or judgement rendered against it for not complying with environmental regulations and has never had to book provisions or provide guarantees for environmental contingencies.

(1) The difference can be accounted for by disposals.

2.4. A DIVERSE, EUROPE-WIDE PORTFOLIO OF HOTELS

Foncière des Murs, the Group's 49.9%-owned subsidiary, is controlled through a partnership structure. It is one of Europe's biggest owners of hotel assets, with 354 hotels owned at 31 December 2016. The subsidiary is also a partner of key players in the leisure and restaurants sectors.

At 31 December 2016, Foncière des Régions' Hotels and Service sector portfolio was worth €4.4 billion (of which FDM Management accounted for €1.3 billion). The sustainable development report set out in the following pages covers the scope for which consolidated accounts have been produced (excluding FDM Management and Foncière Développement Tourisme) in accordance with the Decree of 24 April 2012.

The Hotels and Service sector staff belong to the Foncière des Régions Economic and Social Unit⁽¹⁾.

2.4.1. A partnership strategy that adds value

Foncière des Régions has renowned expertise in acquiring and adding value to real estate portfolios outsourced by leading players in various sectors including hotels (AccorHotels, B&B Hôtels, etc.), leisure (Club Med, Sunparks), restaurants (Courtepaillie, Quick) and retail (Jardiland).

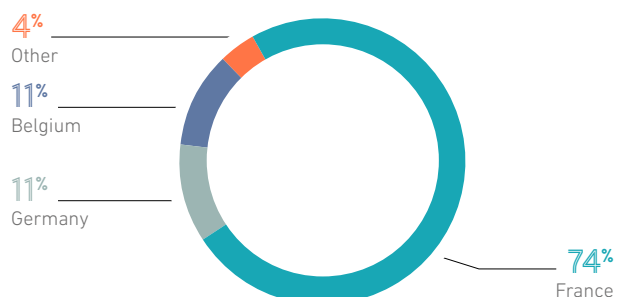
In addition to these long-standing clients, Foncière des Régions has developed new partnerships with Motel One, NH Hotel Group, and MEININGER, which has enabled us to diversify the type of hotels in our portfolio as well as their location. The Company's European exposure in the buoyant growth markets of Germany, Spain, Portugal and the Netherlands is helping to secure its revenues.

For its consolidated portfolio, a total area of 1.3 million m² (excluding FDM Management), the asset occupancy rate remained at 100% at the end of 2016, with an average of 10.4 years remaining on long-term leases (versus 10.7 years at the end of 2015).

Always looking to innovate and support its partners, Foncière des Régions decided to create FDM Management in 2014 to enhance its reputation in the service sector alongside major hotel brands in Europe. Overseen by hotel management professionals, in 2016 FDM Management continued its European expansion with the acquisition of 19 hotels in Germany, France and Belgium, for a total of €988 million. In 2016, the creation of Foncière Développement Tourisme in partnership with Caisse des Dépôts reflected the drive to support new types of projects. This included the financing of a new site for Club Med, a long-standing partner of Foncière des Murs, in Samoëns. This new REITS, dedicated to the development and modernisation of tourist accommodation, falls within the scope of the France Tourism Development platform announced by Caisse des Dépôts on 8 October 2015.

GEOGRAPHIC BREAKDOWN OF THE PORTFOLIO FDM

(outside of FDM Management) (in value)



(1) The FDM Management structure is not included in this Economic and Social Unit (ESU).

2.4.2. Accelerating the environmental adaptation of the portfolio

Foncière des Régions shares its sustainable development strategy and action plan set out in section 2.2.5 with all of its businesses. Its objectives in terms of the environmental performance of its Hotels and Service sector assets are set out in the table below:

Subject	2015/2020 objectives	31/12/2016 results	Deadlines	Chapters
Improve the portfolio's environmental performance	Two-thirds of assets certified according to HQE or BREEAM and according to Planet 21 or Green Globe, with at least half of these being HQE or BREEAM certified	26.8% certified green buildings at 31/12/2016	2020	2.4.3
	100% "green" developments and renovations	6 operations launched in 2016	Ongoing	2.4.3
Improve energy performance	Cut energy consumption by 40% between 2008 and 2020 Target: 415 kWhpe/m ² GIA/year	(-) 33.8% from 2008 to end 2015 457 kWhpe/m ² GIA/year in 2015 vs. 690 kWhpe/m ² GIA/year in 2008	2020	2.4.4.1
	Cut CO ₂ emissions by 40% between 2008 and 2020 Target: 33.6 kgCO ₂ /m ² GIA/year	(-) 42.1% from 2008 to end 2015; 33 kgCO ₂ /m ² GIA/year in 2015 vs. 57 kgCO ₂ /m ² GIA/year in 2008	2020	2.4.4.2
Lead the eco-transition	Keep water consumption under 2 m ³ /m ² GIA/year	(-) 28.3% from 2008 to end 2015 1.65 m ³ /m ² /year in 2015 versus 2.3 m ³ /m ² /year in 2008	2020	2.4.4.3
Control health and safety related risks	Control health and safety related risks	Opening up of the Provexi tool to all employees	Ongoing	2.4.6
Promote clean transport	Ensure that 80% of hotels owned are accessible by public transport	96% (in value) at less than 10 minutes' walking distance (1 km) from public transport	2020	2.4.4.2

The tenants of the Foncière des Régions Hotels and Service sector activities have ambitious CSR policies and have given very positive feedback on the Group's sustainable development strategy. In 2016, the Courtepaille brand was awarded "Generali Performance Globale" accreditation for its commitments and performance in terms of risk prevention and CSR. This is the first time the accreditation has been awarded to a chain following an audit of all company processes (management, human resources, production, supply chain, etc.).

2.4.3. Towards 66% green assets

Foncière des Régions has adopted the target of 66%⁽¹⁾ green Hotels and Service sector assets by 2020. This key target is contributing to improving the environmental performance of its portfolio and reducing its carbon footprint.

The action plan set out above includes ambitious pathways for improvement in terms of improving the environmental performance of the portfolio through three approaches:

- a) buildings:** Certified buildings (HQE, BREEAM or equivalent) and/or energy performance certification (BBC, ISO 50001, etc.)
- b) maintenance/operation:** a growing number of sites are managed according to the principles of BREEAM In-Use certification or an environmental management framework such as ISO 14001, Planet 21, Green Globe or equivalent
- c) use and mode of occupancy:** in the hotel sector, operating expenses are often the second biggest expenditure after pay,

so tenants are particularly aware of issues around energy or water consumption.

For Foncière des Régions, certification makes performance easier to understand, compare and rate. In the Hotels and Service sector, this is still a ground-breaking approach. Quality indicators are chosen in coordination with tenants based on industry specifics. Other than HQE and BREEAM (for construction and/or operation), some tenants use quality indicators chosen on the basis of restrictions specific to their activities or organisational structure. In 2016, AccorHotels opted to make changes to its Planet 21 environmental ratings system across its whole portfolio. This scheme, launched several years ago, is increasingly stringent to the point that it has now come to replace ISO 14001 used by Ibis and Novotel until 2016. Moreover, Club Med secured Green Globe certification for its management of the Da Balaia site, a Foncière des Régions asset in Portugal. This certification

(1) In value – Group share.

is particularly suited to holiday centres. At the end of 2016 none of the tenants were using ISO 50001.

In 2015 and 2016, BREEAM In-Use certification was tested on a number of pilot properties. Following Courtepaille in Guyancourt, the world's first BREEAM In-Use certified restaurant (2015), six hotels (B&B Hotels, AccorHotels and NH Hotel Group) in the Foncière des Régions portfolio were awarded this certifica-

tion in 2015/2016, four in France and two in Germany. These initiatives, undertaken in conjunction with the tenants, reward stakeholder commitment to improving energy and environmental performance.

At 31 December 2016, 26.8% of Hotels and Service sector properties in Foncière des Régions' European portfolio were "green" according to the above criteria.

2.4.4. Reducing the portfolio's environmental footprint

In 2009-2010, the Group undertook portfolio environmental performance mapping with CSTB. This provided details of the portfolio's performance in relation to 20 indicators (covering energy, carbon, water, etc.) and identified the best opportunities for improvement. The study has been updated each year and forms the basis of a report, which has been updated each year since 2008, the baseline year for Foncière des Régions' monitoring of energy and water consumption and carbon emissions. The entire reporting scope is detailed in section 2.10.1.2.

2.4.4.1. Energy trajectory

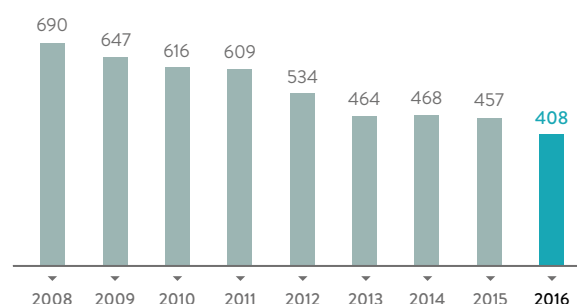
In particular, the 2015/2020 action plan sets a target for reducing primary energy consumption by 40% between 2008 and 2020, to achieve average portfolio energy consumption levels of 415 kWhpe/m²GIA/year.

The energy consumption figures are collected from tenants and based on invoices. The two charts below show the results with and without weather adjustments (summer and winter), as calculated by CSTB, in order to render them more comparable to 2008, the baseline year for Foncière des Régions' energy consumption. The tables in section 2.11.3.2. show details on consumption for 2015 and 2016.

Primary energy consumption declined by 33.8% during the 2008/2016 period, correlating to a set of initiatives pertaining to building use; raising users' awareness and implementing less energy-intensive equipment (lighting, heating, etc.). The following charts show a substantial decrease from 2008 to 2013, then a period of stability in 2014 and 2015, followed by another substantial decline in 2016.

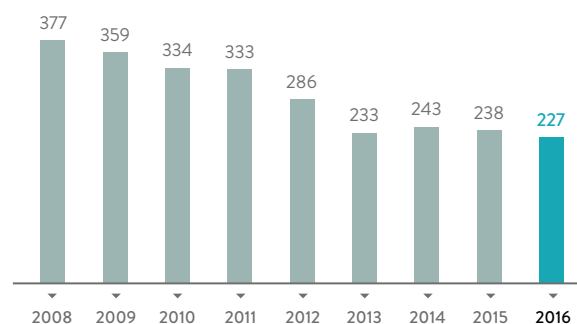
PRIMARY ENERGY INTENSITY

(kWhpe/m²GIA/year)

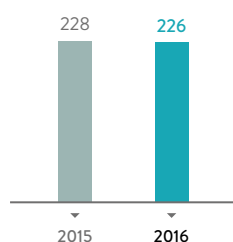


FINAL ENERGY INTENSITY

(kWhfe/m²GIA/year)



ENERGY INTENSITY OF THE PORTFOLIO, LIKE-FOR-LIKE

(kWh/m² GIA/year)

On a like-for-like basis, the final energy consumptions remained stable between 2015 and 2016.

100% of Foncière des Régions' operating Hotels and Service sector assets are single-let buildings. Most of the leases are so-called "triple net" leases, meaning that the tenant is responsible for ongoing maintenance; the major works in Article 606 of the French Civil Code as well as taxation. Ultimately, the tenants always manage the assets, subscriptions and invoices related to energy. Therefore it is the tenants who are required to undergo the energy audits arising from the Decree of 24 November 2014.

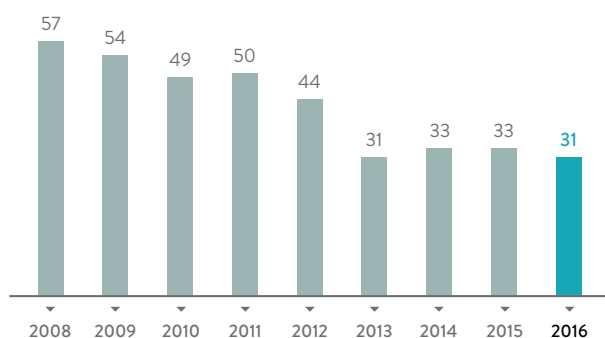
2.4.4.2. Carbon trajectory

The carbon footprint is calculated by CSTB using energy consumption data collected from tenants and based on invoices. The table in section 2.11.3.2. details the results of these calculations for 2015 and 2016.

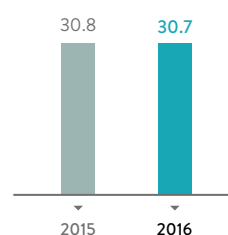
For the 2015/2020 period, the objective is to cut CO₂ emissions by 40% between 2008 and 2020 to reach an average of 33 kgCO₂/m²GIA/year for the portfolio.

Since 2008, the portfolio's greenhouse gas emissions fell from 57 kgCO₂/m²GIA/year in 2008, the baseline year, to 31 kgCO₂/m²GIA/year in 2016, i.e. down by 45.6%. The CO₂ emissions ratio remained the same between 2014 and 2015, decreasing from 33.3 to 33 kgCO₂/m²GIA/year, as shown in the graphs below.

CARBON INTENSITY OF THE PORTFOLIO

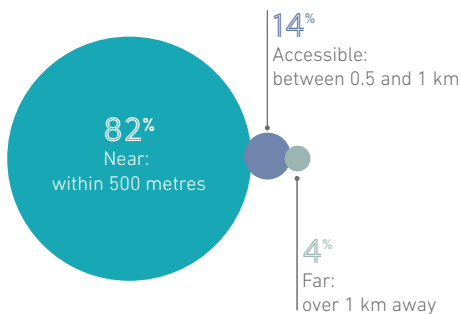
(kgCO₂/m² GIA/year)

CARBON INTENSITY OF THE PORTFOLIO, LIKE-FOR-LIKE

(kgCO₂/m² GIA/year)

The carbon footprint is also reduced by choosing locations that promote public transport and eco-friendly transport for employees and customers. Foncière des Régions has been studying the distance to and from public transport options for each of its sites in the French office and hotels portfolio options since 2011. The 2015/2020 objective in this area is to continue holding at least 80% of hotels that can be reached by public transport. At the end of 2016, 96% of the hotels in the portfolio (versus 93% at the end of 2015) were located less than 10 minutes' walking distance (1 km) from public transport.

HOTEL ACCESSIBILITY AT 31 DECEMBER 2016 (in asset value)



For Foncière des Régions and our Hotels and Service sector, Life Cycle Analysis (LCA) is a useful tool for measuring and analysing a project's various impacts: energy and *ex situ* energy, carbon, materials, water, waste, etc. The B&B Hotels construction in Porte des Lilas led to the first LCA conducted on a hotel in France. The study, which was modelled over 50 years, covered 11 HQE Performance programme indicators. This LCA in particular showed that the Heliopac system could reduce the impact of the Energy Module by 33% and save 118 kWh/m²GIA/year, thus preventing 2.5 tonnes of radioactive waste from being produced through the life of the building, modelled over 50 years. It was reported to CSTB as part of the HQE Performance Charter, of which the Group is a partner.

2.4.4.3. Water trajectory

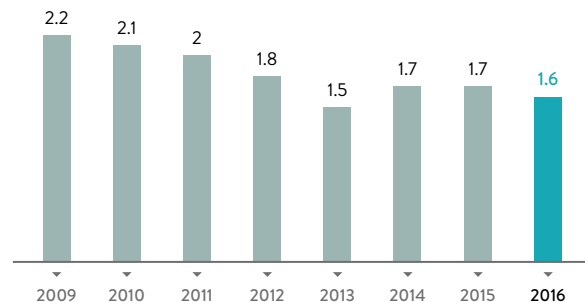
For a number of years, tenants of the Hotels and Service sector portfolio of Foncière des Régions have implemented water usage reduction programmes, which have delivered results. These initiatives are based on awareness-raising measures aimed at staff and clients.

In 2016, average consumption was 1.63 m³/m²GIA/year, vs. 1.65 in 2015, showing a 28.3% drop in average water consumption since 2008, Foncière des Régions' baseline year for monitoring water consumption. Efforts made since 2008 showed considerable results; however, it seems that once a certain threshold is met (around 1.7 m³/m²SHON/year), it is difficult to continue reducing consumption. The 2020 objective concerning average water consumption will be to remain below 2 m³/m²SHON/year on average for the entire portfolio in use.

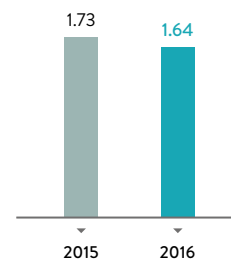
2.4.5. Circular economy

In France, food waste (Law of 11 February 2016 and Decree of 19 August 2016) represents 29 kg per year and per inhabitant, of which 7 kg is still in its packaging, totalling 10 million tonnes per year and 18 billion meals discarded (ADEME figures). As such, 30% of the food produced is wasted. The AccorHotels Group has been tackling food waste for a number of years, as restaurants account for one quarter of its revenues and 90% of its ecological footprint. It reduced food waste by rethinking its supply chain

WATER INTENSITY FOR THE PORTFOLIO (m³/m²GIA/year)



WATER INTENSITY FOR THE PORTFOLIO, LIFE-FOR-LIKE (m³/m²GIA/year)



2.4.4.4. Waste monitoring

Strict regulations govern the removal of food waste (requirement to install grease traps, etc.); these provisions apply to hotel tenants (Accor Hotels, B&B Hôtels, etc.) and restaurant tenants (Courtepaille, Quick), in the same way as consumer health and safety issues.

At the same time, in France other so-called "non-hazardous" waste is generally collected by local authorities, which do not provide information on the volumes or tonnages collected. Municipalities are moving towards widespread waste sorting: at the end of 2016, of the 63% of the properties for which information is available (versus 73% at the end of 2015) 100% benefit from waste sorting.

and cold chain, the conditions in which buffet food was kept at temperature, reusing (e.g. orange peel used to make marmalade, etc.), or indeed by making donations to charities or employees where permitted under local legislation.

Aware of the need to take action towards reducing its environmental footprint at each stage of a building's life cycle, Foncière des Régions is supporting the NGO Le Pic Vert's project aimed

at offsetting the impact on biodiversity of the manufacture of construction materials. This initiative is detailed under section 2.8.4.2.

With the advent of the circular economy, recycling and the reuse of materials will become an increasingly hot topic. Foncière des Régions is getting ready for this, in particular through one of the first Cradle-to-Cradle (C2C) studies carried out for the construction of a hotel, begun in 2016. Its subject is the Motel One Porte Dorée. The concept of “cradle-to-cradle” underlies the idea that in the future, raw materials used in the construc-

tion of new buildings will be largely taken from deconstructed buildings. The “C2C” approach also focuses on the health and well-being of the end user (healthy nature of materials chosen, etc.). In terms of the construction of the Motel One Porte Dorée hotel, the current analysis is intended to identify the potential for implementing circular economy principles and generating positive impacts for occupants. The objective is to measure the discrepancies between the planned construction and a hypothetical construction using alternative solutions (in terms of design, technical issues, materials, etc.).

2.4.6. Controlling health risks

The leases of the Hotels and Service sector of Foncière des Régions systematically stipulate that the tenant retains control of and responsibility for environmental risks, and that the user or the site manager is responsible for the premises for the purposes of regulations governing environmental risks. However, investigations covering asbestos, ground pollution, etc. are carried out when an asset is either purchased or sold. Environmental health and safety risks are monitored within Foncière des Régions’ Environment Department in the Technical Department.

In 2016, Foncière des Régions’ Hotels and Service sector portfolio did not have any convictions or judgements rendered against it for not complying with environmental regulations nor had to book provisions or provide guarantees for environmental contingencies. No land held has been under an obligation to be remediated or cleared to allow its legal use.

2.5. PROACTIVELY MANAGING THE RESIDENTIAL PORTFOLIO

In 2016, Foncière des Régions continued to strengthen its positioning in the residential sector in Germany via its subsidiary Immeo SE with the purchase of nearly 2,500 buildings located mainly in Berlin, Dresden, Leipzig and Hamburg, increasing its portfolio to 40,743 housing units. In France, Foncière des Régions holds 61.3% of Foncière Développement Logements, which owns 1,213 units. The following section discusses these two subsidiaries’ environmental objectives and performance.

2.5.1. Environmental challenges in the European residential sector

French and German energy and environmental policies are based on the 2001 EU Sustainable Development Strategy (EU SDS) and on related European directives that have since ensued, such as the European Energy Efficiency Directive (2012/27/EU). At end-2015, COP21 provided new impetus to evolve towards a low-carbon society: each government made commitments to help reduce greenhouse gas emissions. Laws are gradually becoming stricter, in particular regarding the construction and renovation of buildings, with a view to better taking into account energy and water consumption. These measures pose several challenges for the residential sector: reducing the environmental

impact and energy dependence of governments on the one hand, and ensuring better cost control for individuals (taking into account the issue of household solvency) on the other.

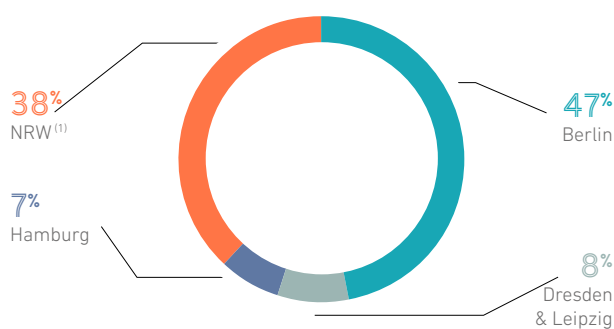
Moreover, in both Germany and France, residential has a strong social component and is intrinsically linked to urban planning; the urban-social mix; the rationalisation of urban spaces, accessibility and transportation. This sector is also subject to specific regulations (concerning aspects such as lead, health safety requirements, compliance of gas facilities, electricity, etc.). The EU SDS targets five major long-term themes: climate change, transportation, health, natural resources and social exclusion.

2.5.2. Immeo SE, a German model of integrated CSR

In 2016, Immeo SE continued its geographic diversification focusing on vibrant cities, with the acquisition of 1,394 housing units in Berlin, 63 units in Dresden and Leipzig, 290 units in Hamburg and 717 units in North Rhine-Westphalia for a total of €360 million (Group share). These investments in attractive markets, as well as upgrades to buildings, help add long-term value to the portfolio.

GEOGRAPHIC BREAKDOWN OF PORTFOLIO AT 31.12.16

(in value terms)



* North Rhine-Westphalia.

2.5.2.1. Energy trajectory

The Integrated Energy and Climate Plan adopted in August 2008 by the German government set a greenhouse gas (GHG) emissions reduction target of 40% by 2020, compared to 1990 levels. The proportion of nuclear energy in the country's energy mix fell from 28% in 1990 to 16% in 2014. This nuclear phase-out will be accelerated in the coming years, to be accompanied by the increasing deployment of renewable energies, in particular wind, geothermal and solar. Nevertheless, 43% of the electricity generated in Germany was from coal in 2014.

Beginning in 2021, all building permits filed in Germany will need to relate exclusively to the construction of passive buildings, in line with the European Energy Performance of Buildings Directive (EPBD), which requires "nearly net zero energy" performance for all new construction by this date. The transposition of this European directive into German law gave rise to federal regulations mandating energy efficiency for buildings, known as EnEV (*EnergieEinsparVerordnung*) in 2007, 2009 and 2014. EnEV 2014 includes the requirement to improve building energy performance by 12.5% compared with EnEV 2009, and calls for a 30% improvement in energy efficiency after renovation work on existing properties.

Fully mindful of these developments as well as its tenants' concerns, Immeo SE carries out renovation work on an ongoing basis to reduce the energy consumption of its assets. This work includes installing double or triple glazing (at more than 85% of its properties), replacing boilers with more efficient models, and even insulating exterior walls from the outside in some cases, as part of a multi-year renovation plan.

In 2016, 2,800 housing units held by Foncière des Régions in Germany were renovated and upgraded in order to improve their rental potential and increase their value. Two major projects in 2015/2016 are especially worthy of mention: Gallwitzallee and Goldammerstrasse in Berlin, where 519 units were renovated to improve their thermal performance. In addition, 640 units received replacement windows with PVC double glazing. Moreover, 2,600 m² of ceilings were insulated in upper floors and 22,000 m² of outside walls were insulated externally. Boiler systems are also regularly upgraded: in 2016, 130 condensation boilers were installed to replace less efficient systems.

A SUCCESS STORY IN ENERGY EFFICIENCY: RENOVATION OF 529 HOUSING UNITS IN BERLIN – GALLWITZALLEE BLOCKS I AND II

This operation consisted of fitting efficient insulation on the external walls and in the roofs of the buildings concerned, along with a new ventilation system, in order to improve the buildings' thermal comfort and overall performance.

Budget: €5,800,000

Result: 42% reduction in energy consumption for heating, an improvement well in excess of the 30% EnEV requirement

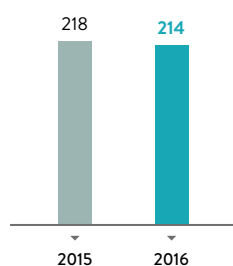
Performance: Before the work: 190.5 kWh/m²/year – After the work: 110.3 kWh/m²/year

The findings of the energy and environmental mapping study conducted in 2009/2010 with the Building Scientific and Technical Centre (CSTB), based on some 20 indicators, had made clear the already high level of environmental performance achieved by the portfolio. Given the number of housing units held, it was decided in 2014 to monitor changes in energy consumption on the basis of a representative sample of buildings, selected by CSTB. Each year, the reporting sample has been monitored and expanded to better understand the portfolio's performance.

The measurement of Immeo SE's portfolio energy performance is based on two types of information collected:

1. For the **representative sample**, increased to 156 buildings in 2016 to take account of changes in the composition of the portfolio: monitoring of changes in energy consumption paid by Immeo SE in connection with the management of shared equipment and common areas of the buildings. The monitoring scope therefore comprises only assets over which Immeo SE has operational control, thus excluding properties in joint ownership. On a like-for-like scope, consumption was reduced by 1.9%.

ENERGY CONSUMPTION LIKE-FOR-LIKE

(kWh/m²/year)

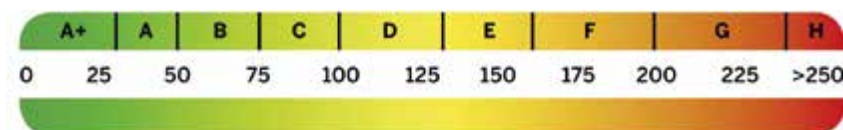
2. Relating to the *Energieausweis* (energy efficiency certificates for buildings) obtained across the portfolio of housing units: these certificates must be obtained each time a property is leased or sold. They are also updated at each renovation in order to provide an updated perspective on portfolio performance. The *Energieausweis* use a different calculation method (see box) to the French EPC. In addition, these calculations multiply surface areas by a regulatory factor of 1.2 in order to take common areas, etc. into account.

Energieausweis are energy certificates that have been made compulsory since January 2009 in Germany in accordance with the European Energy Performance of Buildings Directive. These certificates must be drawn up when new buildings are delivered (residential or service sector) and each time a landlord leases premises or sells an asset. They only take a portion of consumption into account, primarily heating and domestic hot water, and specifically exclude lighting and household appliances.

German law provides for two kinds of certificates, depending on the landlord's choice:

- ♦ a certificate based on the building's energy requirements – *Bedarfsausweis* – which must be drawn up by approved consultancies according to a standardised calculation method. This is the option mainly selected by Immeo SE, where the qualifications held by some engineers enable it to perform these assessments
- ♦ a certificate based on energy consumption – *Verbrauchsausweis* – which is drawn up by reading the previous occupants' meters (more similar to the French EPCs).

ENERGIEAUSWEIS ENERGY CERTIFICATES HAVE BEEN OBTAINED FOR 93.7% OF PORTFOLIO ASSETS

RATINGS (*Energieausweis*)CLASSES OF ENERGY CERTIFICATES OBTAINED FOR HOUSING UNITS (*Energieausweis*)

Class	At 31/12/2015			At 31/12/2016		
	Number	%	% of total portfolio	Number	%	% of total portfolio
A+	-	-	-	-	-	-
A	10	0.02%	0.02%	-	-	-
B	1,596	3.9%	3.8%	1,637	4.3%	4.0%
C	5,580	13.5%	13.2%	5,893	15%	14.5%
D	11,719	28.4%	27.8%	11,396	30%	28.0%
E	10,673	25.9%	25.2%	9,264	24%	22.7%
F	-	-	-	893	2%	2.2%
G	10,298	25 %	24.4%	7,899	21%	19.4%
H	1,338	3.3%	3.2%	1,192	3%	2.9%
TOTAL	41,214	100%	97.6%	38,174	100%	93.7%
Assessment remaining to be performed	1,007	2%	2.4%	2,569	100%	6.3%
TOTAL	42,221		100%	40,743	100%	100.0%

The number of units with an assessment dropped slightly between 2015 and 2016 due to disposals and recent acquisitions for which assessments remain to be done.

2.5.2.2. Carbon trajectory

Germany's energy mix has a dominant fossil fuel component, particularly coal, which has a significant impact on greenhouse gas (GHG) emissions.

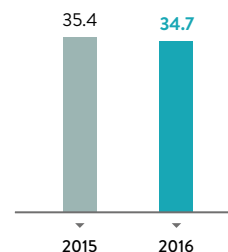
At Immeo SE, GHG emissions have been reduced through various initiatives, primarily consisting of insulating exterior walls and replacing gas boilers with gas condensation boilers. In 2016, 130 boilers were replaced, thus reducing the carbon footprint of the buildings concerned. Since 2014, six buildings in Oberhausen and Mülheim have had their night accumulation heating replaced by a connection to the urban heat co-generation network.

Carbon emissions are monitored on the basis of energy consumption by a representative sample of assets. The German *Energieausweis* energy certificates do not include a carbon footprint rating, unlike the French EPCs which do include that information. The monitoring scope is thus identical to the one mentioned above in section 2.5.2.1.

Based on the same parameters, carbon emission decreased by 2% between 2015 and 2016.

CARBON INTENSITY LIKE-FOR-LIKE

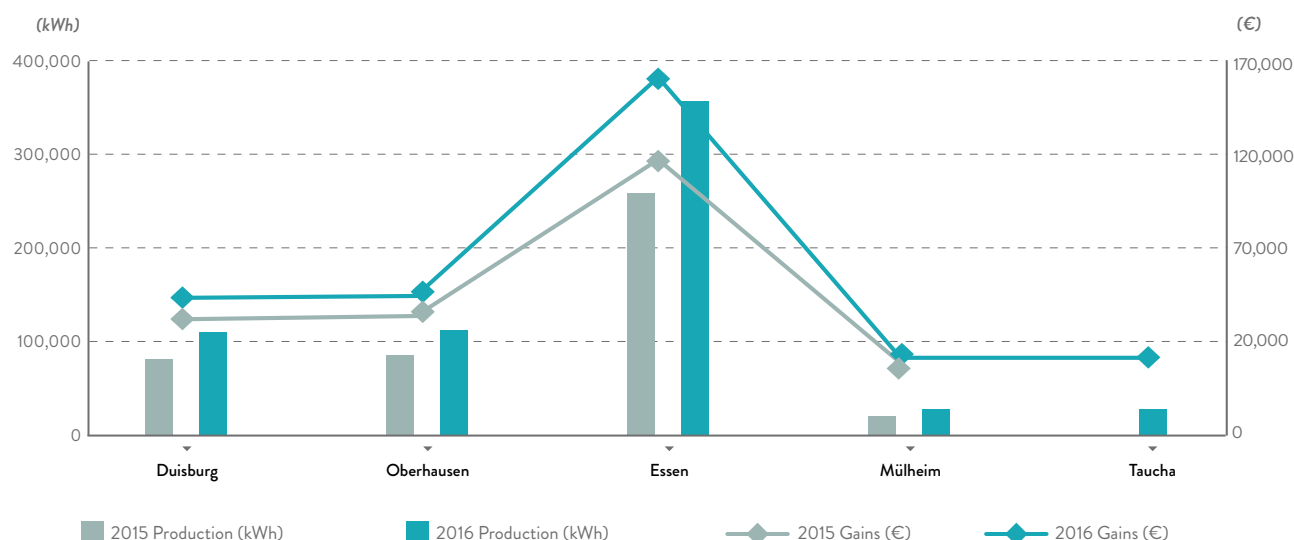
(kgCO₂e/m²SHON/year)



Immeo SE uses renewable energy systems to reduce its carbon footprint.

Photovoltaic facilities have been installed in six assets located mainly in the west of the country. The power from them, as detailed below, slightly exceeds the estimates provided by feasibility studies. The solar panels installed on the (sloping) roofs of residences provide an additional income stream to Immeo SE. The equipment depreciates over nine years. As a long-term player, Immeo SE has opted to own the equipment to capture all of the revenues generated by electricity production and to develop new know-how, with the aim of having passive buildings by 2020.

IMMEO PHOTOVOLTAIC PRODUCTION AND GAINS IN 2015/2016



KEY FIGURES: RENEWABLE ENERGY PRODUCTION



5,200 m² of solar panels across six sites in Essen, Duisburg, Oberhausen, Mülheim and Taucha (new in 2016)

609,218 kWh produced in 2016, compared with 621,563 kWh in 2015 (on a like-for-like scope)

€256,000 generated (on a like-for-like scope) in 2016 (vs. €268,000 in 2015), i.e. €49.20 excl. VAT per m² (vs. €51.50 excl. VAT per m² in 2015)

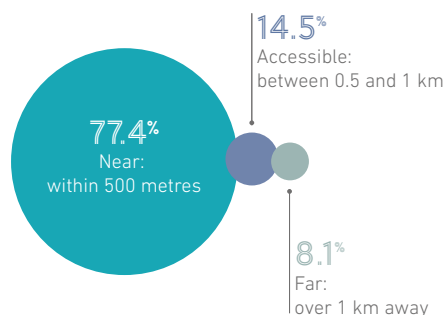
Average investment: €436 excl. VAT per m²

Return on investment: 9 years on average (20 years of estimated useful life for the panels)

Another way of reducing the carbon footprint is through high-quality locations with good access to public transport.

DISTANCE TO PUBLIC TRANSPORT FACILITIES

(housing units)



2.5.2.3. Water trajectory

Water consumption is monitored carefully for the reduction of the ecological footprint and control of expenses. In addition to raising tenant and employee awareness, efficient systems are routinely installed during renovations to reduce water consumption (dual flush buttons, flow reduction, etc.).

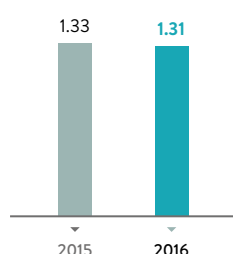
Reporting on water consumption is conducted on the basis of a representative sample using a single meter, which measures consumption in common areas (for cleaning, green spaces, etc.) as well as private areas (tenant consumption). Consumption is increasingly distributed through individual meters by housing unit, thus helping to raise tenant awareness and increase fairness.

Note that, while the historical assets based in North Rhine-Westphalia have numerous green areas, the buildings acquired since 2011, especially in Berlin, are mainly located in city-centre areas, on smaller plots of land.

Like-for-like, water consumption has stabilised at around 1.3 m³/m²/year.

WATER CONSUMPTION IN CUBIC METRES, LIKE-FOR-LIKE

(m³/m²/year)



2.5.2.4. Waste monitoring

Since waste removal is performed by municipal services that do not produce any information as to the tonnage removed, it is not possible to conduct exhaustive monitoring. Nevertheless, in each building, waste sorting has been organised in connection with the city, with the setting up of containers of various colours.

Municipalities apply penalties if the waste is not disposed of in the correct containers. Tenants have been made aware of waste sorting by a service provider, which is paid according to the decrease in the penalty amount.

Like-for-like (99% of the representative panel), 100% of assets have selective collection.

2.5.2.5. Management of health risks

Immeo SE pays very particular attention to health and environmental risks: water, air or soil pollution, natural and technological risks (flooding, etc.). Out of concern for the safety of the occupants and their property, assessments are performed before each acquisition and buildings are frequently monitored by specialised staff.

Back in 2012, Immeo SE launched a campaign to install monitoring devices on the collective domestic hot water equipment to prevent legionnaire's disease in residential and commercial buildings, thus anticipating by a year the drinking water legislation that has applied in Germany since December 2013.

Lastly, in 2015, four incidents of soil pollution were discovered and treated. A provision for environmental risk in the amount of €25,000 was set aside in connection with these incidents.

In 2016, Immeo SE did not have any conviction or judgement rendered against it for not complying with environmental regulations, and did not need to book provisions or provide guarantees for environmental contingencies.

2.5.2.6. Social and societal dynamics

Even though Immeo SE has been part of the Foncière des Régions group since 2006, it remains subject to German labour law, has its own Human Resources (HR) policy, and is not part of the Foncière des Régions economic and social unit – ESU (see Chapter 2.10.2.2). The workforce has historically been based at Oberhausen in North Rhine-Westphalia. Branches were progressively opened in Berlin, Dresden, Leipzig and Hamburg to support development in these locations. In addition to the management and development of the residential portfolio, technical teams take part in acquisitions and new operations in the hotel segment.

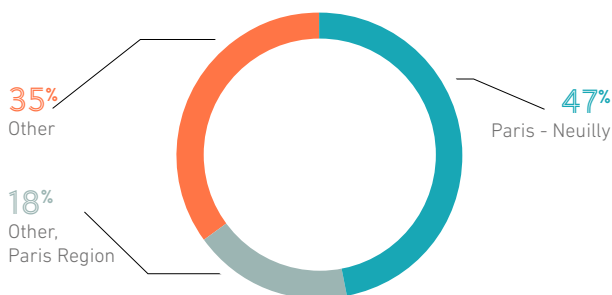
Immeo SE is very active in terms of societal issues, particularly with regard to specially adapted housing for the elderly and/or people with disabilities. Several initiatives have been put in place since 2009, notably to customise dozens of apartments to meet disabled people's needs (in Essen, Duisburg, and Oberhausen). The *Probewohnen* project, launched in 2015, offers mentally disabled people the possibility to test out their own autonomy in suitable housing.

Being very involved in the neighbourhoods in which it is located, Immeo SE has also created the *Wohnen im Pott* project, which consists of opening a local office in Oberhausen for people with disabilities to come to learn about the rights and solutions they can take advantage of with respect to housing. This multi-purpose room is open to all inhabitants and encourages inhabitants of the same neighbourhood to socialise with one another. Immeo SE also set up specific neighbourhoods for children and their parents.

2.5.3. Transition of the French residential sector towards environmental sustainability

Foncière Développement Logements, a subsidiary of Foncière des Régions that specialises in holding residential assets in France, had a portfolio of 1,213 units valued at €287 million as at 31 December 2016. In 2016, this listed subsidiary continued its real estate strategy focused on the active rotation of portfolio assets and on works to increase value.

GEOGRAPHIC BREAKDOWN OF PORTFOLIO AT 31.12.16
(in terms of value)



Foncière Développement Logements staff are part of the Foncière des Régions ESU (see section 2.7).

2.5.3.1. Energy trajectory

The built environment accounts for 43% of energy consumption in France; with the residential sector being responsible for two-thirds of this consumption, *versus* one-third for the service sector. The residential sector is thus central to the provisions of the Grenelle 1 and 2 Laws (of 2009 and 2010) and the August 2015 Energy Transition Law.

Work that improves the performance of the portfolio, in terms of both energy and carbon, mainly involves:

- ♦ renovation of vacated housing: in this case, renovation is carried out on all equipment (energy-efficient heaters, installation of double-glazing, high-efficiency water fixtures, etc.)
- ♦ building renovation or the replacement of equipment to enhance the performance of the asset (boiler replacement, low-consumption lighting, etc.). For example, for the asset in rue Marcadet in Paris, the replacement of the air handling unit with a heat pump in 2012 led to a reduction in energy consumption of almost 40% in 2014 compared with 2011. This decrease is all the more remarkable given that the new equipment produces not only heating, like the previous one, but also provides cooling during the summer.

Considering the reduced proportion of French housing in Foncière des Régions' portfolio and its non-strategic nature, CSR reporting has been cut back this year and focuses exclusively on energy performance monitoring based on Energy Performance Certificates (EPCs). EPCs are compulsory for any sale or rental as per European directives. This document provides an initial level of information on energy consumption levels and carbon emissions from housing.

As at 31 December 2016, 1,053 EPCs had been completed (vs. 1,372 at the end of 2015), covering 87% of the housing units held by Foncière Développement Logements. Of all the EPCs completed in 2016, 5.6% were blank due to a lack of invoice history available for rating (5.5% in 2015). The table below breaks down the housing units by energy label.

2016 – EPC PROFILE OF HOUSING UNITS

Energy label (kWh/m ² effective floor area/year)	Energy label	2015	2016
A	A	0.1%	0.1%
B	B	0.3%	0.3%
C	C	6.4%	8.5%
D	D	40.8%	39.5%
E	E	32.2%	33.1%
F	F	11.4%	11.7%
G	G	3.3%	1.2%
Blank EPCs		5.5%	5.6%
Assessments		1,372	1,053

Following the disposals completed in 2016, the number of housing units with F & G labels decreased compared with 2016; they accounted for only 13% of all units as at 31 December 2016.

2.5.3.2. Carbon trajectory

As with energy consumption, carbon emissions are monitored using EPCs, created based on energy invoices (electricity, gas, etc.).

Accordingly, the scope covered is identical to the one explained for energy, i.e. 1,053 housing units as at 31 December 2016. Of all the EPCs completed in 2016, 5.6% were blank due to a lack of invoice history available for rating (5.5% in 2015).

The table below shows that as at 31 December 2016, 51.8% of EPC climate labels range from A to D (vs. 48.5% at the end of 2015).

2016 – EPC PROFILE OF HOUSING UNITS

Climate label (kgCO ₂ eq. /m ² effective floor area/year)	Climate label	2015	2016
 A	A	0.4%	0.5%
 B	B	13.8%	13.8%
 C	C	18.4%	19.8%
 D	D	15.9%	17.7%
 E	E	27.3%	23.5%
 F	F	12.5%	14.5%
 G	G	6.3%	4.8%
	Blank EPCs	5.5%	5.6%
Assessments		1,372	1,053

2.5.3.3. Water trajectory

The ongoing renewal of the portfolio significantly changes the proportion of assets with green spaces and more or less large common areas every year (entrance hall, landings, etc.) as well as tenant numbers (size of the housing units, occupancy density, etc.). Moreover, the number of buildings under full ownership is very low, such that water consumption comparisons cannot legitimately be reported.

MONITORING HEALTH RISKS

	% of assets with an assessment as at 31/12/2016	Number of assets concerned as at 31/12/2015	Number of assets concerned as at 31/12/2016
Technical Asbestos Assessment (DTA)	100%	5	4*
Lead Assessment	100%	8	8
Lead confinement (D3)	/	5	1**

* Buildings under full ownership, NB: unions manage DTAs.

** All of the five housing units of 2015 are located in the same building. Four were sold in 2016.

2.5.3.4. Waste monitoring

Almost all of Foncière Développement Logements' housing units are located in assets that receive selective collection: this measure is being rolled out throughout most French cities. In France, municipal services or local authorities collect waste, and these service providers do not have systems that enable them to quantify the weight of waste collected.

2.5.3.5. Health risks

In France, many diagnostics have to be performed for a sale or a rental. Moreover, Foncière Développement Logements pays especially close attention to health and environmental throughout the acquisition and holding periods, with precise monitoring for each asset. More than 20 risks are monitored: asbestos, lead, soil pollution, technological and natural risks (flood, etc.), and more. Gas boiler installations are covered by maintenance agreements and there is strict follow-up to ensure tenancy comfort and satisfaction and facility longevity, as well as for safety reasons (avoiding carbon monoxide emissions).

To 2016, Foncière Développement Logements has never had a conviction or judgement rendered against it for not complying with environmental regulations and has never had to book provisions or provide guarantees for environmental contingencies.

Lastly, no land held by Foncière Développement Logements is under an obligation to be remediated or cleared to allow its legal use.

2.6. BENI STABILI, A CSR LEADER IN ITALY

With a portfolio totalling €4.1 billion, Beni Stabili is one of the leading REITs in Italy. A 52%-held subsidiary of Foncière des Régions since 2008, its new-builds and renovations embody an ambitious, high-quality real estate offering, particularly in terms of comfort, services and sustainable development.

Beni Stabili develops and renovates buildings; it also buys assets already under operation for which it provides asset management services. Beni Stabili's teams are divided between Milan and Rome. The Company is listed on the Milan and Paris stock exchanges and benefits from the SIIC tax status.

In 2016, Beni Stabili stepped up its efforts to enhance the value of its portfolio and launched a programme of major works and development (€790 million); acquisitions (€111 million) and disposals (€83 million).

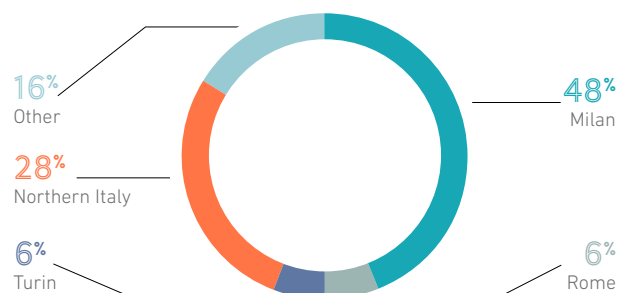
At end-2016, the portfolio represented a total GLA⁽¹⁾ of 1,914,561 m², mainly composed of office buildings (90%). These assets are mainly located in the centre of major cities in northern and central Italy, particularly in Milan. The tenants are mainly large corporations, with whom Beni Stabili has entered into long-term partnerships, thereby enhancing the reputation of Foncière des Régions. Beni Stabili's major tenants include: Maire Tecnimont, Telecom Italia, Auchan, Coin, the Italian government, Intesa San Paolo, Fastweb, and others.

In 2016, a new partnership agreement was signed with Crédit Agricole Assurances and EDF Invest for the sharing of 40% of the Telecom Italia portfolio, let for a firm 14-year term to Telecom Italia, representing €1.5 billion. Beni Stabili will keep 60% of the portfolio's capital. This transaction is due to be completed in early 2017. It will increase the solidity of the Italian portfolio and provide

a better balance between assets generating secure long-term cash flows (Telecom Italia, etc.) and prime office space, mainly in Milan. On the completion of the transaction, Milan-based assets will account for 58% of Beni Stabili's portfolio, versus 51% at end-2016. This increase is in line with the Company's objective of 80% at end-2020.

The transformation of the portfolio targets new and renovated buildings meeting the highest international standards, and rests on a project pipeline of €790 million, 90% based in Milan.

GEOGRAPHIC BREAKDOWN OF BENI STABILI PORTFOLIO ASSETS AT 31 DECEMBER 2016



2.6.1. Environmental performance – a core component of each project

To improve the environmental performance of its real estate portfolio, Beni Stabili uses various approaches: eco-design of new developments, improvement of leased and leasable property through lease terms and renovation work, etc.

In order to make its environmental performance more transparent and comparable, Beni Stabili uses certifications (LEED, ITACA, etc.) and shared rating systems (BRaVE, Green Rating™, etc.) as benchmarks and tools to measure progress.

Beni Stabili organises and takes part in a certain number of initiatives to improve the environmental performance of its buildings. They concern topics such as the choice of materials, of which the implications are numerous in terms of impacts (raw materials, energy, water, carbon, waste, etc.). Since 2014, Beni Stabili has been developing a database of sustainable construction materials in cooperation with the Politecnico di Milano University. Available on the company's intranet, the database is continuously updated with materials used for the buildings, in order to identify more sustainable materials.

Beni Stabili also makes the most of its close relationship with its tenants to increase its portfolio's environmental performance. Even though no environmental clauses are required under Italian regulations (unlike in France where they have been required since 2012), Beni Stabili has entered into agreements with its tenants which promote the improvement of its portfolio's environmental performance. For example, in 2015, it signed a framework agreement with Telecom Italia for a vast programme of works on core city-centre assets.

In addition, to ensure closer management of its relationship with its tenants and suppliers, Beni Stabili decided to internalise Property Management functions in 2017.

Beni Stabili publishes an annual sustainable development report, available on its website (www.benistabili.it).

(1) Gross Leasing Area.

In keeping with GRI- G4 standards, this document covers all of its CSR initiatives and is audited by an independent body. The primary objectives are indicated in the following table.

In 2016, Beni Stabili received its third EPRA Gold Award for its non-financial reporting. Its Global Real Estate Sustainability Benchmark (GRESB) ratings once again improved significantly.

MONITORING OF PRIMARY OBJECTIVES

Areas	Objectives	Progress	Chapters
Sustainable buildings	Own 50% “green” certified assets by the end of 2020	31.9% at 31/12/2016	2.6.2
	Develop 100% “green” certified assets	6 operations launched in 2016	2.6.2
	Use 100% green electricity	On 01/12/2015, a green energy supply contract was signed for the entire portfolio of buildings under direct management	2.6.2.2
	Develop a database on construction materials	Work conducted with the Politecnico di Milano University	2.6.2
Tenant satisfaction	Carry out tenant satisfaction surveys	Study conducted in 2015. 86% of tenants are satisfied with the services offered by Beni Stabili and its buildings	
Sustainable city	Promote the use of electric cars	8 charging stations installed in the Milan buildings in coordination with local players	
	Promote the use of local know-how	In 2016, Beni Stabili worked with its suppliers to increase the use of local firms and materials	
Developing Human Capital	Attract and develop talent	Beni Stabili had 14 work-study students working for the Company since 2014, and 3 of them were hired under open-ended contracts.	2.10.2.3

2.6.2. Aiming for 50% “green” assets by the end of 2020

Foncière des Régions strives to optimise the quality of its new buildings and renovations and to measure the environmental performance of its portfolio (energy, carbon, water, waste, health and safety, etc.).

Beni Stabili has set itself the objective of having 50% “green” offices by 2020; this means meeting environmental performance standards for the construction and/or operation of buildings. These standards mainly consist of LEED, ITACA and BRaVE (Building Rating Value). The LEED American certification and the ITACA Italian certification are equivalents of the HQE and BREEAM certifications.

The Symbiosis project (see insert) fits into this approach and will be LEED certified. At the same time, Beni Stabili uses the BRaVe rating system for a certain number of assets (new or renovated) with the aim of achieving an AA rating. This system was developed by *Politecnico di Milano* in coordination with partner operators including Beni Stabili, Generali RE, and Pirelli RE. In 2008, following an analysis of the world’s main existing building certifications, these partners decided to create the BRaVe rating system. This system integrates building performance and best operating practices into a single evaluation system. BRaVe takes into account energy and environmental performances, equipment features and their management, safety criteria, and dialogue with tenants. All of this assists in obtaining certification. The 14 targets involve 220 criteria (which can be viewed at <http://www.braverating.com>).

Beni Stabili’s new developments and renovations meet the top international standards in terms of environment and end-user comfort. They anticipate market expectations in terms of fixtures and fittings, by using innovative solutions and services which facilitate cross-functionality: co-working areas, improved access to digital technologies, etc. The Symbiosis project is a concrete example of this pioneering real-estate concept.

Upon completion of the transformation of the Ripamonti brownfield area, Symbiosis will offer 119,000 m² of prime office space. The project, designed by architects Citterio & Partners, will lead to the construction of ten new modular buildings combining offices and commercial space. It aims to achieve LEED Gold certification and an A energy rating from the Italian energy rating agency (ACE – *Attestato di Certificazione Energetica*). The technologies used include: earthquake-proof walls; sound-proofing materials made from vegetable fibre; CO₂-absorbing cement, as well as vegetable fibre flooring materials. The construction of the project’s first building, with a GLA of 19295.82 m² of office space, was launched in 2016. Adjacent to the Prada Foundation, the Symbiosis site is set to become a creative cluster.

In its various projects, Beni Stabili strives to protect and promote biodiversity. Thus, for the development of Milan – Piazza Cardona, rooftop gardens cover part of the roofs, providing

several environmental benefits: enhancement of biodiversity in the city centre; control of carbon dioxide; absorption of heat, and management of storm water. In addition, biodiversity means economic gains (reducing the building’s surface temperature by 1°C results in a 5% reduction in electricity consumption for air conditioning); greater comfort (convivial relaxation area), and improved thermal and sound insulation.

2.6.2.1. Energy trajectory

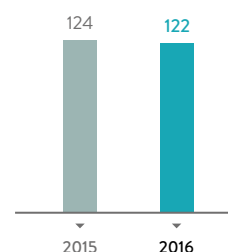
In Italy, the “National Plan for Energy Efficiency”, updated in 2014 for the 2014-2020 period, set a target for reducing primary energy consumption by 25% by 2020. Italy thus aspires to surpass the European targets, set at 20% for the same period. These measures affect both new projects and existing assets through thermal regulations, energy performance certificates, ACEs (*Attestato di Certificazione Energetica*), etc. ACEs involve a range of labels going from green to red, rated A to G. ACEs are not based on the same calculation methodology as Energy Performance Certificates (EPCs), making their comparison largely insignificant. In addition, they do not cover climate change labels (CO₂ emissions).

Beni Stabili has established environmental reporting that covers the 29 assets under full management (EPRA scope). Its works policy takes account of the energy mapping done in 2009 on the portfolio’s most significant assets and the studies conducted with *Politecnico di Milano*.

The energy performance of assets is measured on the basis of energy bills. The monitoring and analysis are conducted on the portfolio’s multi-let buildings that are directly managed by Beni Stabili, which is responsible for energy bills. The figures below are presented with climate adjustments. section 2.10.1.5 presents the results in detail.

The like-for-like results show a stability in the finale average energy consumption.

ENERGY INTENSITY OF THE PORTFOLIO, LIKE-FOR-LIKE (kWh/m² GLA/year)



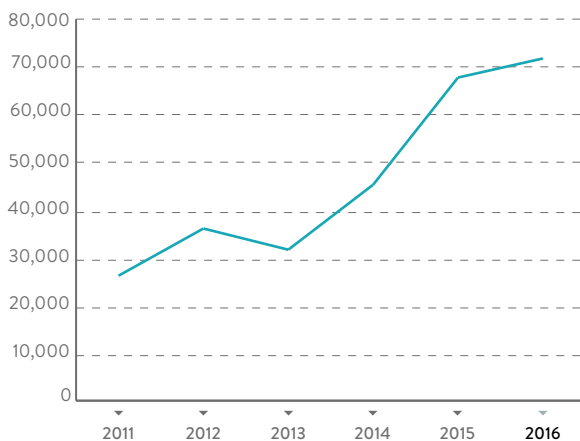
2.6.2.2. Carbon trajectory

The national action plan for energy efficiency aims to reduce CO₂ emissions and the import of fossil fuels (fuel oil, gas, coal, etc.). It also strives to promote renewable energy and low GHG emission solutions. Beni Stabili upholds these challenges *via* its policies concerning its works, investments, transport, etc.

To reduce its climate footprint, several concrete actions have been undertaken. A “green” electricity supply contract was signed on 1 December 2015 for all assets under direct management. This electricity is called “green” because it stems from renewable sources, in this case hydroelectric dams. Moreover, many multi-tenant buildings directly managed by Beni Stabili in Milan have a charging station for electric vehicles. In addition, three electric vehicles are available to Beni Stabili employees for their business travel.

In the case of the Garibaldi Towers held in Milan, the 2011 renovation made it possible to optimise energy efficiency through innovations such as bio-climatic architecture and an outdoor air pre-cooling system using geothermal technologies. Green electricity will be generated by 804 m² of solar panels:

ELECTRICITY PRODUCTION IN KWH



2.6.2.3. Water trajectory

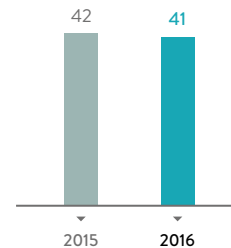
Numerous water supply companies issue water bills on the basis of estimates, making reporting difficult. The reporting scope for water consumption is the same as for energy and carbon; it covers the 19 buildings under direct management.

The water consumption remained stable between 2015 and 2016, with a slight decrease at constant perimeter.

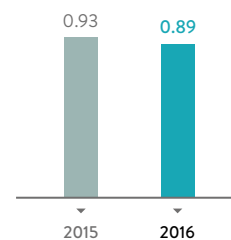
Carbon emissions are monitored across the same scope used for energy reporting.

At constant perimeter, we observe a slight decrease of 3,2%, as shown in the graph below:

CARBON INTENSITY LIKE-FOR-LIKE (kgCO₂e/m²GLA/year)



WATER INTENSITY OF THE PORTFOLIO, ON A LIKE-FOR-LIKE BASIS (m³/m²GLA/year)



2.6.2.4. Waste monitoring

The reporting concerning waste is done using estimates based on the volume of the waste containers and the frequency of their collection.

60% of the buildings in the scope benefit from sorted waste collection.

2.6.3. Beni Stabili, playing an active role in urban renewal

Beni Stabili's developments and renovations are helping to steer the city of Milan towards a low-carbon model. Beni Stabili actively shares Milan's ambition of becoming an international benchmark for innovation, the entrepreneurial spirit and sustainability. With Symbiosis, Beni Stabili has supported Milan's application for the financing of smart cities, within the framework of the European Union's "EC Horizon 2020 Lighthouse cities" project. Symbiosis is a key component of the transformation of the Ripamonti brownfield area into a modern, pleasant business environment focused on creative activities. The project involves highly innovative solutions: smart traffic management; smart lighting; electric vehicle charging stations; digital signage; interactive e-wall technology and information displays (energy consumption; air quality; parking; traffic; public transport; local events; etc.).

The urban renewal project, of which Symbiosis is part, aims to develop a portfolio of assets in the former railway area of Porta Romana, on the city's southeast side. This initiative combines environmental protection, promotion of qualitative urban design and conservation of biodiversity. It also includes "eco-friendly transportation methods" with the development of land occupied by abandoned railways (Porta Romana Railway Yard) to include the latest generation tram system, a cycling path and a foot-path. This re-appropriation of urban space has a strong societal dimension, with the redevelopment of an old district, *Ripamonti*,

in the heart of which the Symbiosis project is developed. The economic revival that the site will offer combines commercial activities (offices and retail premises), cultural activities (Prada Foundation, etc.), and an updated living space.

Perfectly in sync with the expectations of innovative companies looking for sustainable buildings, Symbiosis combines flexibility, sustainability, performance and well-being for all users. This operation illustrates the "Smart Working" concept developed by Beni Stabili, combining the latest innovations in design and construction with an exceptional user experience (common areas, outdoor areas, etc.). Built on a vast plot of land, Symbiosis provides for the gradual development of some ten office and service buildings, to be launched in keeping with market requirements. Furthermore, within the scope of an ambitious certification process, the project will be LEED Gold certified (Core & Shell).

Fastweb, one of Italy's major telephone operators, has chosen Symbiosis for its new headquarters, to be set up in an innovative, high-performance building. The operator will occupy 16,000 m² of office and service space, and has planned for the possibility of a 3,000 m² extension in the same building (which will henceforth be fully leased to Fastweb). The delivery of this first Symbiosis building, developed by the Italy-based teams of Foncière des Régions, is scheduled for October 2018.

2.6.4. Exemplary governance

Beni Stabili's governance is based on transparency and the principles of equality and independence. Indeed, 55% of the members of the Board of Directors are independent and, at the end of 2016, 33% of them were women. Moreover, every year the performance of the Board is assessed.

The Ethical Charter, signed by all employees and updated in 2016, also promotes exemplary behaviour on the part of everyone.

2.6.5. A proactive social policy

The regulatory framework in Italy is based on national industry agreements, which take the form of collective bargaining agreements negotiated by representatives of staff affiliated with representative unions, within each company. Section 2.9 of this reference document concerning the personnel of the Foncière des Régions ESU does not apply to Beni Stabili. Information relating to Beni Stabili employee relations is set out in section 2.10.2.3.

2.7. INCREASING OUR REGIONAL FOOTPRINT

By 2050, 6.3 billion individuals, or 66% of the world's population, will live in cities, compared to 3.6 billion today.

Cities are facing major problems in this context – climate change, mobility, diversity, biodiversity, urban spread, etc. – and buildings are at the heart of this changing situation. Foncière des Régions aspires to play a leading role in the real estate sector in view of this strong urban development environment.

2.7.1. Emphasising regional transformation

Foncière des Régions' investment policy targets the major regional cities in France and in other European countries (Germany, Italy, Netherlands, Spain, etc.), to develop or renovate new urban complexes hosting numerous stakeholders.

2.7.1.1. Closer cooperation with all our stakeholders

As centres for economic, social and cultural exchanges, cities are constantly reinventing themselves, particularly as they address evolving environmental, climatic and digital challenges, among others. As a real estate company serving these cities, Foncière des Régions incorporates solutions to these new urban challenges in all its buildings, while also ensuring that they blend harmoniously into the urban fabric particularly in terms of accessibility, mobility and biodiversity criteria.

The close contact and the quality of communication with local stakeholders, be they tenants, local authorities or associations, demonstrate this desire to be a partner to cities. In this regard, the presence of offices in three major regional cities (Lille, Lyon and Marseille) has enabled Foncière des Régions to strengthen its long-standing operations in Metz and Paris. In Germany, offices were opened in Berlin and Dresden to support the teams traditionally located in Oberhausen and to continue the development of the Company. In Italy, the Beni Stabili teams are based in Rome and Milan.

Numerous public relations events were organised during 2016, which contributed to the expansion of operations and regional footholds: In Marseille, over 200 decision-makers in regional real estate participated in the tenth Real Estate Day organised by the Marseille-Provence Real Estate Club, with immersive visits focused around the main topic of innovation. Foncière des Régions participated in this event as a member of the Club.

In Lyon, Silex1 hosted several events bringing together business executives and decision-makers from the public sector: The Lyon Part-Dieu Rotary Club, the Cercle Vendôme and the RICS, as well as the Part-Dieu Business Club co-organised visits to the operation's work sites with Foncière des Régions. Silex1 was used as the starting point for the annual day dedicated to visits of Lyon's construction sites organised by the Mayor and the city teams, in the presence of some fifty journalists.

2.7.1.2. Anticipating what the city and the buildings of the future will look like

The city of the future will be low-carbon and interconnected, and will play an important role in the circular economy. Moreover, in order to limit the need for commuting and to provide more user-friendly living spaces, the buildings of the future will need to take into account the challenges associated with mixed-use; namely enabling city-dwellers to use these city-connected areas for everyday-life, work and relaxation. Accordingly, in several of the programmes developed by Foncière des Régions (Euromed Center, Silex1 & Silex2, etc.), the emphasis has been placed on mixed-use: offices, ground-floor retail spaces and hotels. Along these lines, Foncière des Régions decided to convert the ground floor of one of its Euromed Center buildings into a "third space" accessible to hotel customers, suppliers and subcontractors as well as the clients of its office tenants.

Beyond being flexible to meet its customers' new requirements, the design of Foncière des Régions properties incorporates a greater flexibility that makes it possible to anticipate future changes to the building for other uses. Foncière des Régions is also intent on increasing mixed-use by designing living spaces that include a combination of offices, services, retail, green spaces, cultural or event spaces, and other features intended to improve the user experience. Foncière des Régions' "Quai 8.2" project in Bordeaux provides an illustration of this concept. It entails 29,500 m² in office space, 3,000 m² in retail space, two hotels totalling 237 rooms and a student residence with 125 units, over a total surface area of 43,000 m².

The issue of urban renewal does not just mean the construction of new buildings but also involves the renovation and day-to-day management of the portfolio in order to render it better performing in terms of well-being, services, ecology, the circular and collaborative economies and the optimisation of surfaces.

2.7.1.3. Obtaining insights needed to reinvent the regions

As a leader in the construction of the city of the future, Foncière des Régions regularly conducts studies, surveys and polls that enable its teams, customers and stakeholders to better understand the challenges of the sustainable city and its new uses.

The study conducted by OpinionWay in 2014 on behalf of Foncière des Régions on the appeal of major cities sparked much interest. It confirmed the importance of the regional culture; attractiveness; economic dynamism and quality of life factors. The lessons learned from this study have enriched Foncière des Régions' perspective and its projects in major cities by enabling it to intensify its communication with the regions. This study is available on the website: www.foncieredesregions.fr.

In 2015, another study entitled "The Sharing Economy and Working Space from the viewpoint of European employees" made it possible to prepare a list of possible places for the sharing economy and test out respondents' inclination to contemplate this concept in the workplace.

http://www.foncieredesregions.fr/media/actualites_etude_simi_2015

Finally, in November 2016, Foncière des Régions published a European study "What if offices were to make work attractive again?" The core idea of this study, presented during the 2016 SIMI, is that quality of life is closely connected to the workplace. This topic is becoming a very real issue for companies of all types, as are issues related to employee comfort and building and office space design. Quality of life at the office has gradually become a crucial component in the recruitment and retention of top talent and is now subject to fierce competition among companies.

Foncière des Régions initiated a partnership with the incubator Immowell-Lab (see section 2.9.6.5) in order to continue its progress in the realm of real estate focused on the well-being of its occupants. From an innovation perspective, the goals of this partnership are to support innovative start-ups specialising in fields connected with the quality of life at work and to be on the leading edge of new ideas and techniques that make it possible to conceive and design the commercial real estate and the city of the future. Foncière des Régions also joined the Open Innovation Alliance, a community created by the Ministry for the Economy and Finance for the purpose of promoting innovation by defining a framework of best practices between large businesses and start-ups or SMEs.

Finally, it must be kept in mind that the transition to the city of the future also involves the combination of a certain number of spaces and services connected to mobility and energy-related issues (smart grids). Foncière des Régions already foresees these changes and is incorporating their implications in its prospective studies, as exemplified by its participation in the work done by the French Institute for Building Efficiency (IFPEB) in the context of its "Energy flexibility and Smart-ready buildings" project. Each participant selected a pilot building (Riverside in Toulouse for Foncière des Régions) on which a number of calculations were performed simulating production and demand-response assumptions in the regulatory and tariff environments of the future.

2.7.2. Regional economic and social footprint

The various activities led by Foncière des Régions throughout the regions have significant local socio-economic impacts. Foncière des Régions has endeavoured to characterize and quantify the socio-economic impact of its France Offices and Italy Offices activities starting in 2014 and 2016 respectively. These studies are performed with the company Utopies according to the LOCAL FOOTPRINT® methodology.

In France, the analysis presented below involved Foncière des Régions office assets under management and under development in 77 French departments, representing a surface area of over 1.2 million m². It is based on data collected for the period ranging from 1 January 2016 to 31 December 2016.

The main results were as follows:

Direct impacts: Foncière des Régions directly spent⁽¹⁾ €262 million (suppliers and taxes). The Yvelines and Hauts-de-Seine French departments by themselves accounted for 42% of the total amount spent. Most of this spending was made in the construction sector (67%).

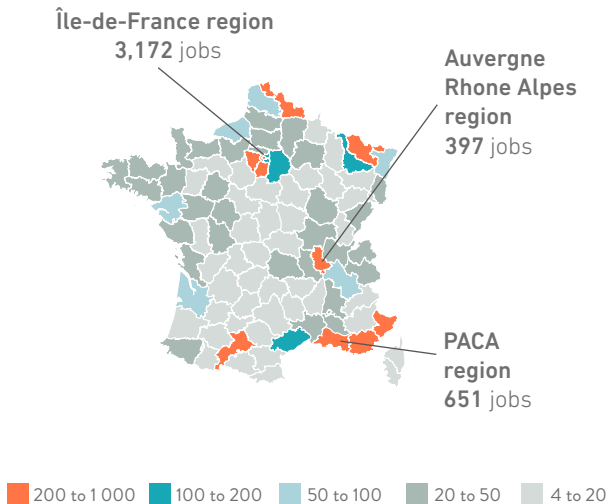
Indirect impacts: Foncière des Régions supports approximately 2,643 jobs in France through our purchases and their knock-on effects throughout the entire supply chain. This impact on employment breaks down as follows: 1,460 (55%) among suppliers (dubbed Tier 1 suppliers, i.e. excluding subcontractors) and 1,183 (45%) among Tier 2 suppliers and others (subcontractors).

Induced impacts: The operating expenses for public administrations (generated by the taxes paid by Foncière des Régions and parties in the supply chain) supported approximately 1,439 jobs in France. Furthermore, household consumption, supported by employees indirectly paid by parties in its supply chain, helped maintain or create an additional 1,142 jobs in France.

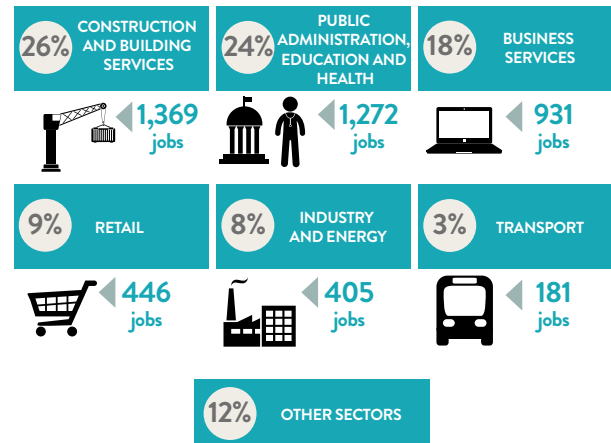
Total impact: corresponds to the sum of direct, indirect and induced impacts. Overall, Foncière des Régions supports **5,224 full-time jobs** in France and generates **€342 million in GDP**. The majority of these jobs are located in the Yvelines (16%), Hauts-de-Seine (15%) and Paris (14%) departments.

(1) Employee remuneration expenses were not taken into account in this study.

GEOGRAPHIC AND INDUSTRY BREAKDOWN OF THE TOTAL IMPACT ON EMPLOYMENT (DIRECT, INDIRECT AND INDUCED)



Source: Utopies



CATALYTIC IMPACTS

Foncière des Régions has also started assessing the gross economic impact of our office occupants, i.e. the direct, indirect and induced impact related to the operations of the companies that occupy our buildings. It is estimated that these tenant companies contribute to the economy (in a direct, indirect and induced manner) a total of 155,000 jobs in France, primarily in the regions where the offices are located. However, since this contribution is not directly attributed to Foncière des Régions, but rather to its tenants, it has not been added to or compared with the socio-economic benefits from the Offices business.

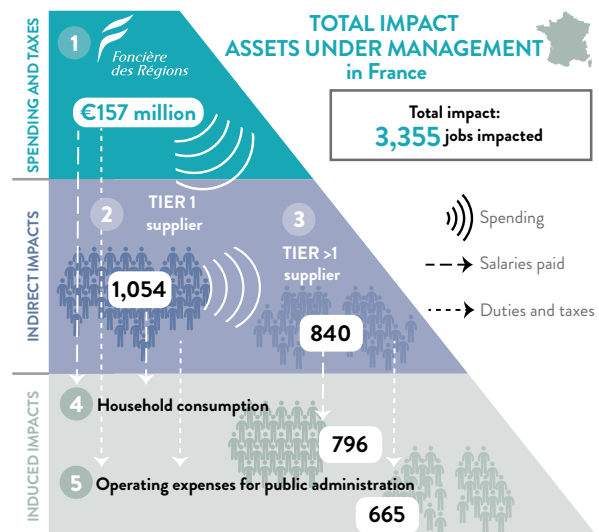
THE LOCAL FOOTPRINT® MODEL

The LOCAL FOOTPRINT® model is based on national trade statistics tables of exchanges between industries, in particular from Input-Output Eurostat tables and research on regional economics from the University of Bristol. Based on real purchasing data, payroll and corporate taxes, LOCAL FOOTPRINT® simulates the economic benefits of a company on a given region.

2.7.2.1. Focus on Development and Management activities

This study was conducted on forty-one buildings undergoing development, renovation or large-scale work performed by Foncière des Régions in France. According to the LOCAL FOOTPRINT® model, it is estimated that €157 million spent as part of these developments (suppliers, taxes, urban planning tax, etc.) supported 3,355 jobs in France and generated €213 million in GDP. These results vary depending on the number of projects started and the deliveries.

BREAKDOWN OF THE IMPACT ON EMPLOYMENT FROM DEVELOPMENT OPERATIONS

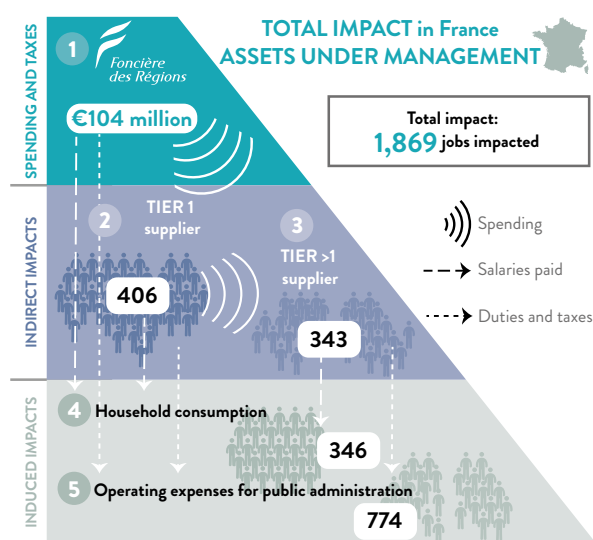


Source: Utopies.

At the time of the study, Foncière des Régions managed 437 Office buildings in 77 regional departments in France. The €104 million in spending (suppliers, local taxes, property taxes, etc.) related to its management operations supported (created or maintained) 1,869 jobs in France, and generated €129 million in GDP.

When compared to the study conducted two years ago, the drop in the number of jobs supported is primarily due to the rotation of the portfolio. The total surface area of the developed or renovated assets is lower than that of the assets sold in the regions. This decrease is nevertheless not proportional to the reduction in surface areas since the level of services offered in the new buildings is increasingly higher.

BREAKDOWN OF THE IMPACT ON EMPLOYMENT FROM MANAGEMENT OPERATIONS



Source: Utopies.

2.7.3. Responsible purchasing policy

In order to share its CSR commitments with its suppliers and to wield a positive influence on their commitment to sustainable development, Foncière des Régions adopted a responsible purchasing policy as early as 2011, thereby becoming one of the first European REITs to take action in this field. This approach was deployed throughout the entire supply chain of the France Offices activities (development and management) and applied to the operating expenses of the Company. It does not apply to the Hotels and Residential businesses because the tenant and external property manager are responsible for management and work.

2.7.3.1. A constantly-evolving system

From its launch, Foncière des Régions' responsible purchasing policy was rolled out using three tools:

- ♦ a survey form: sent to all suppliers receiving more than €200,000 excluding tax in orders one or more times over a consecutive twelve-month period, except for orders relating to insurance, banking, joint-ownership, tenants, duties, taxes and royalties. A rating is calculated based on the responses received and weighted according to the number of employees and revenues

2.7.2.2. Optimising its socio-economic impact

A socio-economic footprint assessment is a tool that helps provide a better understanding of the broad impact of a business, and helps identify potential opportunities to optimise the economic benefits for the regions in which Foncière des Régions is located. This optimisation may happen by increasing the quantity of impacts on the one hand (notably the number of local jobs supported), and by improving the quality of the impacts (nature and types of jobs supported, working conditions, etc.) on the other.

Accordingly, Foncière des Régions identified two main approaches to maximise the local impact of its businesses and we intend to increase our focus on those going forwards:

- ♦ the "Employment" approach: using local organisations that hire disabled people (protected workers sector) or the long-term unemployed (insertion companies)
- ♦ the "Procurement" approach: promoting local suppliers and subcontractors in the supply chain.

- ♦ as part of new contracts, five contractual clauses relate to suppliers' CSR commitments
- ♦ the Responsible Procurement Charter prepared by Foncière des Régions promotes the principles of the Global Compact, the Diversity Charter and the ILO as well as those of its own Ethical Charter (to avoid economic dependency; monitor late payments; fight against corruption and money laundering, prevent conflicts of interest, fights against anti-competitive practices, etc.).

In 2015, Foncière des Régions signed the Responsible Supplier Relations Charter (RFR – a national initiative sponsored by the French government) representing the culmination of this work. This signature is a step in improving relations between customers and suppliers and promotes the dissemination of ethical purchasing practices in relation to suppliers. An internal mediator, the Sustainable Development Director, was appointed in the Group to manage any potential disputes with suppliers. Foncière des Régions also published its White Paper on supplier relations in 2015. This document explains the changes in the responsible purchasing policy, the initiatives carried out under the policy, and the benefits to the Company. It includes an assessment and new areas for improvement. It can be found online on Foncière des Régions' website (www.foncieredesregions.fr/media/publications).

2.7.3.2. Over 80% of expenditures are covered by the Charter

At the end of 2016, over 340 suppliers had signed Foncière des Régions' Responsible Procurement Charter, thereby demonstrating their commitment to share in these values. A 2016 analysis showed that 89% of 2015 expenditures involved suppliers who are signatories of this charter. Each response to the survey resulted in a rating weighted in relation to the supplier's net revenues and number of employees. In 2017, new awareness-raising materials will be provided to the suppliers with the lowest ratings. There is a wide range in the level of maturity regarding CSR topics, with an average rating of 10.7 out of 20 at the end of 2016.

The responses to the questionnaires make it possible to assess potential risks (compliance with labour laws, etc.). In addition,

an annual audit is performed by a specialised, independent third party involving a diversified panel of ten suppliers. To date, no serious anomaly has been recorded and no supplier has been removed from the list of approved suppliers, as shown in the table below. This audit is also an opportunity to ask suppliers questions, particularly regarding their practices in terms of subcontracting (conditions, monitoring, etc.) and their initial efforts to measure their impacts in the regions from an economic and social standpoint.

Foncière des Régions does not intend to conduct or initiate audits at sites, since on-site inspections are performed by Health and Safety Coordinators in France (*Coordonnateur SPS*) or by the Labour Inspectorate (French government body) for worker registration, working conditions, etc. In addition, suppliers have conducted a certain number of internal audits.

SUPPLIER STATISTICS AT 31 DECEMBER 2016

Number of suppliers:	Queried	Evaluated	Average rating	Response rate	Verified (combined)	Verification rate	Received recommendations (combined)	Suppliers removed from list of approved suppliers
Total at 31/12/2016	481	342	10.7	71%	49	14%	42	0
Total at 31/12/2015	434	302	11.1	70%	40	13%	33	0
Total at 31/12/2014	377	245	11.2	65%	30	12%	23	0
Total at 31/12/2013	327	207	11.3	63%	20	10%	14	0
Total at 31/12/2012	159	107	ND	67%	10	9%	4	0
2015/2016 CHANGE	5	+13%	-0.4 point	+1 point	22%	+1 point	27%	
GRI 4 Indicators	G4-EN32						G4-LA15	
	G4-LA14						G4-SO10	
	G4-SO9						G4-EN33	

2.7.3.3. Paying special attention to subcontracting

During the audits conducted in 2016, suppliers paid particular attention to the control of their environmental impacts. Nevertheless, suppliers remain at different levels of maturity. Although some established strong requirements and developed best practices (e.g. recycling platform), others only did so in a limited manner.

From the perspective of employee relations, safety issues pose a well-established concern for the suppliers surveyed; they have all implemented initiatives (training, wearing of personal safety protective equipment – PPE) aimed at ensuring the safety of their teams. The issue of hiring disabled individuals and seniors is also handled differently by the various suppliers surveyed. Although some have established serious measures aimed at hiring disabled workers such as the use of Work Integration Social Enterprises or the promotion of the employment of seniors, others are not yet taking these issues into account.

At the same time, most suppliers are implementing dedicated initiatives to take into account the environmental, social and safety policies of their own suppliers and subcontractors, with these initiatives being properly formalised for large-scale suppliers in particular. The measurement of the local and business

footprint of companies is currently assessed at the holdings level but not yet at the subsidiary level. Finally, Foncière des Régions uses the services of many SMEs that are currently involved in social, environmental or sustainable development issues. Some of these companies even benefit from the larger-scale work done by the large groups to which they belong or with which they have commercial relations.

The audits performed in 2016 once again recorded that suppliers are implementing specific initiatives concerning health, safety and security for both employees and subcontractors. Foncière des Régions carefully monitors its suppliers' use of subcontractors (work, maintenance, consulting, etc.) and contractually reserves the right to approve any potential subcontractors based on documents detailing their skills and practices. The policies developed and applied internally by the suppliers must also be distributed to their subcontractors (called "tier 2") to ensure the long-term viability and consistency of the process.

Although not directly affected by the Law on the duty to monitor subcontractors aimed at companies that employ a minimum of 5,000 employees (this is in France and those with over 10,000 employees worldwide), Foncière des Régions complies with the principles of the law. It has very few suppliers and subcontractors located outside the countries where its subsidiaries place orders.

2.7.4. Biodiversity

Biodiversity may be defined as “all interacting living things, including microorganisms and services provided by ecosystems”⁽¹⁾; biodiversity is the foundation of life and carries major global challenges. It poses a challenge in the construction and management of buildings, and prior to this, on the sites where raw materials are extracted as well as in the manufacturing sites of the materials and equipment used in the buildings.

2.7.4.1. A comprehensive policy on biodiversity

The biodiversity policy that Foncière des Régions initiated in 2010 incorporates the different issues listed below at each stage of the life cycle of an asset:

- ♦ eco-design of developments and renovations by taking biodiversity into account upstream through eco-friendly corridors, stakeholders' expectations and material selection
- ♦ planting native plant species; limiting the need for watering and preserving butterflies and birds
- ♦ enhancing the functions of green spaces for building users
- ♦ adapting the upkeep of green spaces to meet eco-responsible criteria (modifying lawn-maintenance schedules, limiting the use of plant protection products, etc.)
- ♦ participation in research and innovation (see section 2.3.6).

Two internal charters were drafted in 2014 to ensure that challenges related to biodiversity are taken into account and labels are obtained in this area. They implement a well thought-out maintenance and attentive management plan of grounds and green waste:

- ♦ one involves the creation of green spaces, intended for development projects or the complete renovation of green spaces; it facilitates the acquisition of labels such as BiodiverCity™

- ♦ the other involves the management of green spaces, aimed at properties under development; it facilitates the acquisition of labels such as Eve or EcoJardin.

2.7.4.2. Exploring new avenues

The preservation of biodiversity may consist in developing landscaped terraces in urban areas. These make it possible to reduce heat islands in the summer and manage rainwater from major storms, while improving the thermal insulation and visual comfort for locals with views over these roofs. Foncière des Régions is mindful of these various issues and strives to turn each site into a biodiversity promoter (see section 2.3.6). Ultimately, the impacts on biodiversity are often more significant prior to the construction cycle than during the development and renovation of sites. Foncière des Régions is eager to reduce these impacts on “embodied” or “ex situ” biodiversity and has specifically launched various initiatives regarding the selection of materials and the circular economy (see section 2.2.1.4).

In this context, since 2015, it supports the work of the association Le Pic Vert aimed at the social and environmental conversion of the old CARBIEV quarry in the Bièvre plain reserve (French department 38) to add value for the public. Foncière des Régions has contributed financially to projects: arranging bird observation huts and creating water plans to help welcome wildlife and attract newts (amphibians that tend to disappear in the region). A birdhouse building built to house bank swallows, which is the first of its kind in France. The project has two purposes: restoring a 117 ha ecological site and opening it up to members of the association, to scientists as well as to the public (academics in particular). In 2017, Foncière des Régions will participate in the financing of the wetland restoration recover its populations of pioneer animal species.

2.7.5. Disseminating and sharing knowledge

Since 2008, Foncière des Régions has developed a collaborative partnership policy with academia centred on applied research and skills sponsorship.

2.7.5.1. Training future industry decision-makers

The Palladio Foundation was created in 2008, by real estate players, including Foncière des Régions, under the aegis of Fondation de France.. This Foundation seeks to include economic, technological, environmental, demographic and anthropological changes that affect city construction into our businesses. It provides a forum where political decision-makers, city supporters, thinkers and investors get together to discuss and think about the city of the future, the Foundation supports

applied research, notably thanks to Palladio grants, and leads educational initiatives with future industry decision-makers. In 2016, the fourth Palladio Institute research programme focused on “The city of the future in the era of social responsibility” with the Mayor of Paris, Anne Hidalgo, serving as its sponsor. More than fifteen Foncière des Régions employees have already been involved in initiatives and governance for the Foundation in 2016.

For the past four years, Foncière des Régions has also participated in the Real Estate Industry Business Forum (FMI) in Paris to showcase our businesses and expertise, share company values and identify candidates for future jobs. This Forum is an occasion to have dynamic and valuable discussions between candidates and employers. Foncière des Régions also participates in the Forums organised by *École des Hautes Études Commerciales de Paris* (HEC), *ESSEC Business School* and *ESCP Europe*.

(1) In 2015, Foncière des Régions participated in the work of Plan Bâtiment Durable resulting in the publication of the report “Buildings and Biodiversity” <http://www.planbatimentdurable.fr/publication-du-rapport-batiment-et-biodiversite-a943.html>.

2.7.5.2. Investing in urban life

Foncière des Régions has partnered with *Association des Directeurs Immobiliers* (ADI) and works with it on development and research areas, in particular to draft “White Papers”. A *White Paper on rehabilitating urban and industrial brownfield areas* was published in November 2015. In 2016, Foncière des Régions became involved with the Work Group on the workplace and shared its success stories regarding new practices and work methods. A White Paper on the subject will be published in 2017. Furthermore, the partnership with ADI provides an opportunity to highlight local representation thanks to events and conferences in the regions in which Foncière des Régions plays an active role.

Foncière des Régions is also working with EPA Bordeaux Euratlantique, the organisation responsible for implementing the “Bordeaux 2030” modernisation programme, which aims to enhance Bordeaux’s standing in Europe. Bordeaux-Euratlantique synchronises the various development operations (business centres, modernisation and layout of a district) within the

context of a sustainable urban programme of European reach (see section 2.7.1.2).

In addition, Foncière des Régions is developing a partnership with Pavillon de l’Arsenal, which aims to help influence and disseminate knowledge to the public at large about urban planning and the Paris and Greater Paris area’s architectural heritage.

Since 2008, Foncière des Régions employees have also been invited to participate in the real estate sporting events organised by students from Paris-Dauphine University’s “Real Estate Management” Master 246 programme. In 2016, Foncière des Régions brought together sixty-five runners from its European workforce, representing the largest participation from any company during this event. All proceeds from this annual sporting event for real estate professionals, of which Foncière des Régions is one of the sponsors, go to the Abbé-Pierre Foundation to help provide housing to people in need. Lastly, Foncière des Régions backs the Perce Neige association to support the mentally disabled on this occasion.

2.8. HUMAN CAPITAL

The human resources policy of Foncière des Régions is based on four pillars, defined in 2012, which form part of the strategic 2015-2020 targets set out in section 2.2.5, namely:

- ♦ raising levels of professionalism and seeking excellence at every level
- ♦ fair remuneration policy, directly related to performance and achievement
- ♦ transparent and exemplary management at the local team level
- ♦ a transparent and constructive social climate.

2.8.1. A human resources policy that supports the Group strategy

In order to successfully implement its strategy, Foncière des Régions places the management of its human capital at the core of its ambitions. This translates into the implementation of initiatives to develop resources, listening to employees’ needs and mobilise management.

2.8.1.1. A stable workforce

In 2016, the headcount of the Economic and Social Unit (ESU) of Foncière des Régions remained stable in relation to 2015, with 268 employees at 31 December 2016, versus 269 at the end of 2015. The number of positions to be filled at the end of 2016 was significant, with strong job-creation momentum. Six employees already joined the Group in January 2017.

The regional distribution of the teams remained stable, with 71% of employees in Paris and nearly one quarter of them in Metz. Likewise, the breakdown by socio-professional category remained stable with higher-level staff exceeding three quarters of the workforce. The building caretaker category was no longer part of the headcount at 31 December 2016, following disposals in the France residential sector. These departures did not involve the elimination of jobs since they were primarily due to asset disposals with the transfer of employment contracts; the remaining departures consisted of retirements. The turnover rate for retiring employees in the building caretaker category was 7.5%.

Fixed-term contracts continued to represent a small portion of the headcount (3%), which nevertheless represents an increase (1.1% in 2015). A third of fixed-term contracts involved replacements of employees on maternity or parental leave and half involved increases in activity primarily due to real estate developments in the completion or delivery phase. In 50% of cases, these fixed-term contracts were awarded to employees already known to the Group from their apprenticeships, thereby enabling them to begin to establish a professional career possibly leading to a permanent position. In 2016, 15% of open-ended contract hires were converted fixed-term contracts.

The proportion of apprenticeship contracts remained high (5.2%) with fourteen apprentices at 31 December 2016. These students are systematically assigned a tutor – a recognised professional in their particular field – within the Company, and are monitored throughout the year by the Human Resources Department. In 2016, all tutors were offered a full day of training regarding their role. In addition, the Human Resources Department ensures the proper progress of apprenticeships in terms of the tasks assigned, integration into the Company and workload through a mid-year interview with each apprentice.

The Company's support for the employment of young people is also reflected in the seasonal recruitment of students, 50% of whom are recruited as part of the "Passerelle" partnership on the Paris and Metz sites, welcoming young people from two schools, namely Louise Michel (Bobigny) and Blaise Pascal (Forbach), and a graduate from the Lycée Blaise Pascal was hired on an open-ended contract in 2016, as was the case the preceding year.

2.8.1.2. An active long-term recruitment policy

The number of employees hired on open-ended contracts remained high. In 60% of cases, new jobs were created to fill the need for very specific skills requirements such as real estate development and the hotel sector, or to support the Group's objectives regarding company-wide issues such as innovation or training. The requirements in terms of the candidates' trade skills and professionalism have led Foncière des Régions to set up a comprehensive recruitment process. Through a minimum of four interviews taking place in the form of discussions, the candidates get to meet the entire management line for the position to be filled, giving them a practical overview of the Company and its strategic challenges. An interview with the General Management concludes the recruitment process, acting as the first stage of a real work partnership.

With its long-standing focus on developing talents, Foncière des Régions continues to implement an "incubator" policy through the recruitment of young people under open-ended contracts (55% of hires) and in apprenticeships. In 2016, Foncière des Régions strengthened its relationships with schools through its participation in three Student Forums (ESCP Europe, ESSEC and HEC) as well as a Real Estate Professions Forum.

The Group also allowed one of its apprentices to complete schooling requirements through the V.I.E. programme (International internship programme) in Italy, prior to being hired under an open-ended contract. Foncière des Régions intends to pursue this international momentum in 2017. The implementation of an English test during the hiring process as well as the work done to provide linguistic training are steps in this direction.

INTEGRATION PROGRAMME

Foncière des Régions takes particular care in integrating its new employees into the Company. In 2016, the integration programme was reorganized to include an entire day promoting the idea of a "class spirit" among the new Group hires in a given half-year period. During the course of this day, the Human Resources, Sustainable Development, Audit and Internal Control Departments as well as the operational departments (Asset Management, Finance, Property Management, etc.) participate in sharing the vital aspects of their missions. The programme ends with each new arrival providing a discovery report to two members of the Management Committee, followed by a breakfast for discussions with the Chief Executive Officer.

To increase the diversity of profiles at Foncière des Régions and take practical measures to promote equal opportunities, the Group entered into a partnership with Frateli, an association that provides support to high-potential students from diverse backgrounds.

2.8.1.3. Developing collective intelligence

Foncière des Régions' Social Barometer, a survey conducted among employees by TNS Sofres in 2015, provided very positive results regarding employees' confidence in management, the quality of life in the workplace, and support for the Company's strategy and commitment. It also highlighted expectations in terms of innovation and company-wide collaboration.

Accordingly, in 2016, Foncière des Régions initiated a transformation of its modes of operation, beginning with the creation of an Innovation Department, which held business workshops involving some thirty employees on topics such as customer relations and "the building of the future", thereby introducing a participatory momentum in the Company's practices.

A programme regarding innovation in human resources and management practices has also been set up: some recommendations from this programme will be implemented in early 2017, such as telecommuting and the creation of a shared employee relaxation space at headquarters facilitating greater informal communication.

Collaborative tools have also been deployed within the Group such as an enterprise social network and a shared document platform that provides greater convenience in collective work.

The Commitment Barometer is expected to be updated every two years and this will be done in 2017, thereby making it possible to measure Foncière des Régions' progress on these topics.

2.8.2. Ensuring the development of skills and rewarding the performance of each employee

Foncière des Régions considers the development of individual and collective skills to be of major importance in providing the best possible service to its customers and partners and in ensuring a suitable and motivating career path for each employee.

2.8.2.1. Ambitious training policy

Foncière des Régions devotes special attention to the development of employee skills: overall, 70% of employees received training in 2016, either in-house or externally, individually or in groups. This percentage, which is lower than the preceding year, is the result of company-wide mandatory programmes deployed in 2015 throughout the entire ESU regarding the prevention of social risks and management development. *Training Week*, which takes place every two years, will return in 2017 and will involve a very large portion of the workforce.



3.65% OF TOTAL PAYROLL IS DEDICATED TO TRAINING



In 2016, the training policy prioritised job-specific training (30% of training) and tools (24%). Accordingly, 61 employees were trained in administrative software applications, asset management and accounting. Personnel development activities dedicated to “behavioural” skills that are vital to the proper performance of real estate jobs (team management, negotiation training, etc.) still retain great importance (22% of training).

English language courses are part of the Group’s international development strategy: 16% of managers took part in a programme with an individual online teacher. These courses accounted for 13% of the training provided in 2016.

On average, each trained employee received nearly twenty-four hours of training (i.e. more than three days), a 7% increase compared to 2015.

2.8.2.2. Digital development

Foncière des Régions dramatically accelerated the adaptation of its HR offering to the digital context in 2016. The first step was the establishment of a collaborative HR portal open to all Group employees that provides access to their personal data and associated services (certifications; copies of pay slips; etc.) and facilitates the monitoring of all their training requests. This tool also enables managers to monitor the training and the evaluation of their employees and to access real-time indicators regarding the skills development activities of their teams.

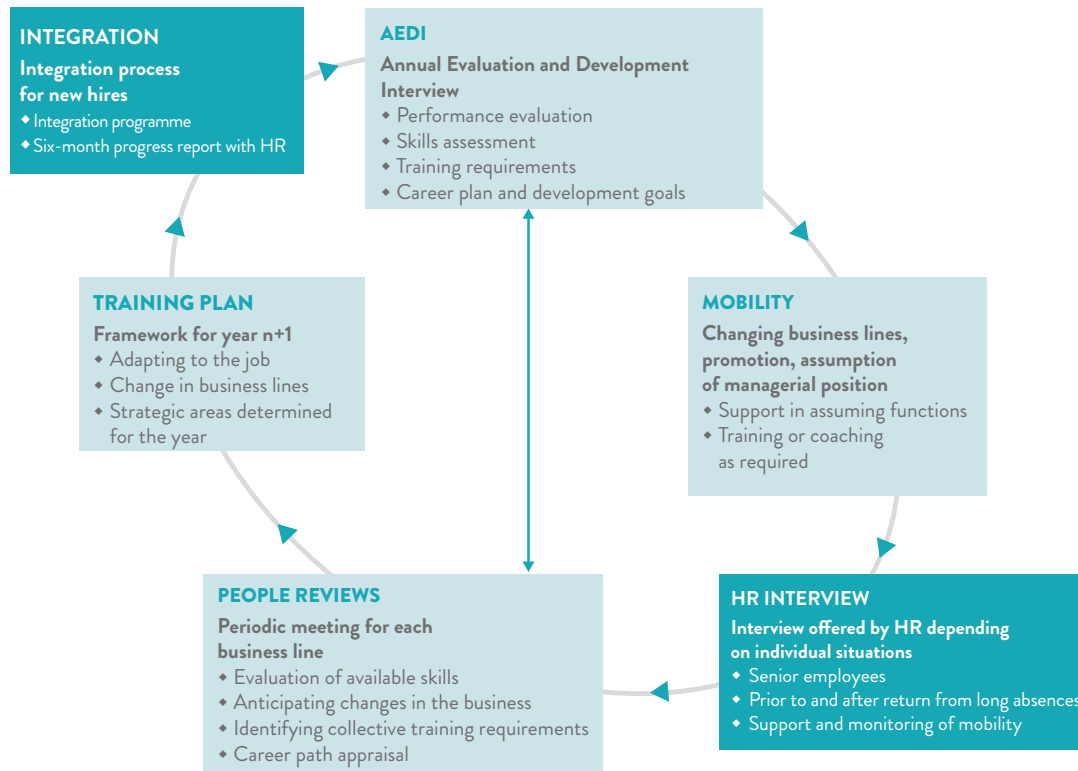
In 2016, Foncière des Régions acquired an e-learning platform on which it will deploy training materials throughout 2017 to support and reinforce face-to-face training sessions as part of “mixed” training programmes. The “FDR Learning” platform will become a fully-fledged training component in 2017 and will provide greater flexibility in training with 24/7 remote access facilitating greater continuity and customisation to individual needs, as a supplement to face-to-face training sessions.

2.8.2.3. Integrated and dynamic career management

The annual appraisal meetings between employees and their managers, along with the various interviews conducted by the Human Resources Department, lie at the heart of Foncière des Régions’ career development programme.

In 2016, 99% of employees present had their annual appraisal meeting with their manager backed by a new computer application which was fully developed in-house in close keeping with user needs. The interviews are based on two separate aspects of equal importance: a first part dedicated to performance which assesses the achievement of personal objectives, measures the employee’s main results, in terms of both quantity and quality, and sets the following year’s objectives; the second part is fully dedicated to the development of skills and career management, which form the cornerstone of the new compulsory employee appraisal since the French Professional Training Reform came into force. If mobility is requested in the short term (1 year) or medium term (3 years) during this interview, an additional exploratory interview is scheduled with the Human Resources team to search for possibilities of internal postings.

CAREER MANAGEMENT DIAGRAM



From a collective point of view, *People Reviews* provide an overview of a business line's talent pool and the keys to employee retention, development and recruitment, according to the business line's development, objectives, and associated job market.



MOBILITY AND PROMOTION FROM WITHIN



Foncière des Régions favours voluntary mobility (change in position, department or site) and promotion from within. Available positions are published internally prior to any external search and candidate applications are systematically reviewed by the Human Resources Department and the relevant operational department. Over 6% of the average workforce benefited from these types of movements in 2016. One third of these movements were promotions, which enabled Foncière des Régions to build its internal talent pool of managers and directors. In 2016, six new managers from existing teams were appointed, and only three were recruited from outside the Group.

2.8.2.4. Compensating performance

The bonus-pay policy for remuneration is incorporated into the concept of individual performance, based on the extent to which the business objectives determined during the annual appraisal meeting were achieved. The challenge is to make this measurement of an employee's contribution to the Group more objective and more transparent to our employees. Hence 64% of the individual bonuses awarded in 2016 varied compared with 2015.

Employee investments, profit-sharing schemes and savings agreements have been rolled out within the Group as part of the agreements re-negotiated and signed in 2016. An average incentive of 9.91% of annual salary averages was paid to employees in 2016 based on their performance in 2015. 89% of the beneficiaries opted to invest all or part of their awards in the Group Savings Plan. 74% of the beneficiaries chose to invest in Foncière des Régions shares; as such an investment leads to an additional contribution from the Group in order to encourage employee shareholding. This system has met with increasing success as evidenced by the fact that 64% of the beneficiaries made this choice in 2015.

Since 2013, the bonus criteria of senior executives have included a CSR component, particularly in terms of improvement in portfolio quality and in the percentage of "green" assets achieved.

2.8.3. Act for Quality of Life at Work

Foncière des Régions remains committed to Quality of Life at Work, in particular on the basis of the Quality of Life at Work agreement signed on 19 December 2014, which laid down the framework for the deployment of numerous tools.

In 2015, 90% of the workforce was trained in the prevention of psychosocial risks aimed at raising awareness of these risks as well as providing clues for the detection of high-risk situations and enabling individuals to take appropriate, timely action. All new hires were trained during subject-specific sessions in 2016 and this will continue in 2017.

Many tools and actors affect the Quality of Life at Work: *ad hoc* commission composed of CHCST elected representatives; trade union representatives; management representatives; whistle-blowing procedure covering possible cases of harassment; external and confidential telephone counselling by qualified psychologists available twenty-four hours/seven days a week via a Freephone number. In 2016, all new hires were informed of these measures.

In 2016, the Quality of Life at Work Commission met twice to establish an action plan regarding absenteeism and to define the *ad hoc* measures to be implemented in situations that may include potential risks of deterioration.

2.8.4. Promoting diversity and equality

Having signed the Diversity Charter in 2010 and the Global Compact in 2011, in 2014 Foncière des Régions renewed the Professional Equality and Diversity agreement of 21 December 2011. In 2015, this agreement was revised through a rider, involving the systematic in-depth analysis of wage differences among people performing the same job, starting at a positioning below 5% of the median (vs. 10% in the previous agreement). Following this analysis, the salaries of four people were adjusted in 2016.

Although the gender breakdown of the workforce has experienced a slight increase in its share of men (45% vs. 43% at the end of 2015), the percentage of female managers has increased. The Group's managerial population was 44% female at 31 December 2016 (vs. 42% at the end of 2015). In 2016, two women joined the Management Committee, France, and the proportion of women within this entity reached 36%.

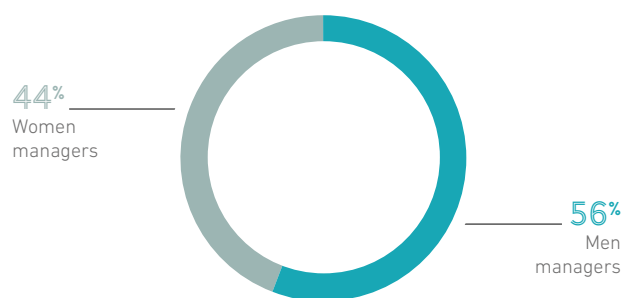
In terms of recruitment, the review of candidacies and invitations for job interviews has been under analysis since 2013 to ensure diversity amongst the profiles of those being considered for each job. Every year, the Human Resources Department presents a report to the members of the Equality Diversity Commission (staff representatives) regarding the number of candidacies processed by gender, age and disability, at each stage of the recruitment process (sorting through CVs, feedback following the job interview, final decision).

INTERVIEWS TO MONITOR WORKLOAD

The mid-year interviews, introduced by the agreement of 25 November 2014 on the reorganisation and reduction of working time, are an effective means of raising the alarm in the event of work overload, in line with the measures laid down for the prevention of stress and psychosocial risks. Where required, formal actions plans are created and monitored throughout the year. The Human Resources Department gives the personnel representatives within the Quality of Life at Work Commission a summary of the alerts received, their seriousness and the actions plans implemented.

In terms of work safety, Foncière des Régions is committed beyond statutory regulations, with 10% of employees holding first-aid rescue worker (SST) certificates. The prevention of electrical risks is also taken into account through the HO-BO⁽¹⁾ accreditation of all employees confronted with this type of risk within the Real Estate Engineering and IT Departments. The workplace accident rate remains very low at 1.2% and primarily involves commuting accidents.

MANAGERS REPARTITION



Concerning the support provided to senior employees, Foncière des Régions introduced a systematic interview with the Human Resources Department in the year of each employee's 55th birthday. This interview, which can be renewed annually for employees at their request, examines issues relating to the work-tation, transfer requests, and measures to be set up in terms of ergonomics, etc. In 2016, all senior employees were invited to this interview and 64% of them accepted the invitation. In addition, the Group allows employees over 55 to work part-time while maintaining their retirement contributions based on full-time employment. In 2016, four employees took advantage of this provision, i.e. nearly 15% of the eligible senior employees.

(1) The HO-BO electrical accreditation concerns all activities performed in electrical rooms and all electrical work carried out on a professional basis.

**FONCIÈRE DES RÉGIONS APPLIES ILO CONVENTIONS**

Foncière des Régions applies the eight conventions of the International Labour Organization (ILO) concerning: freedom of association; effective recognition of the right to collective bargaining; the abolition of all forms of forced labour, the abolition of child labour and the abolition of discrimination in employment, remuneration and professions.

2.8.5. Guaranteeing transparent social dialogue

During the two Works Council meetings held in 2016, the employee representatives were informed and consulted regarding the Group's social policy as well as regarding its strategic priorities and their social impact (changes in jobs and skills in particular).

The social dialogue was also enriched by the implementation of an experiment involving telecommuting. The Works Council was included and consulted regarding the rollout of an experimentation charter that will be implemented as of February 2017.

Six collective bargaining agreements were signed to follow-up on the collective agreements from the previous years regarding

incentives, profit-sharing and employee savings plans, electronic voting in professional elections and the generation contract.

In addition, for the past few years, Foncière des Régions has obtained the agreement of the union representatives regarding salaries as part of the mandatory annual negotiations. In 2016, several measures were renewed under this process, including the allocation of bonus shares in particular. Under the terms of a more comprehensive sustainable development policy, the Group now reimburses 80% of the cost of public transport to employees (rather than the mandatory 50%) since 1 January 2017.

2.8.6. The virtues of being exemplary

Foncière des Régions strives to be exemplary in its daily operations by applying the best practices to reduce the environmental footprint of its own premises. This stance is part of the Group's Sustainable Development Policy and relies on the commitment of all employees.

2.8.6.1. Annual assessment of greenhouse gas emissions

Every year, Foncière des Régions assesses the greenhouse gas emissions on its three sites: two in Paris and one in Metz (two floors of the seven-storey Le Divo building). In 2016, this scope covered 95% of the workforce of the Foncière des Régions ESU (same as in 2014). The measurements are monitored by an independent third party, Ernst & Young, as part of its assignment to verify the CSR information.

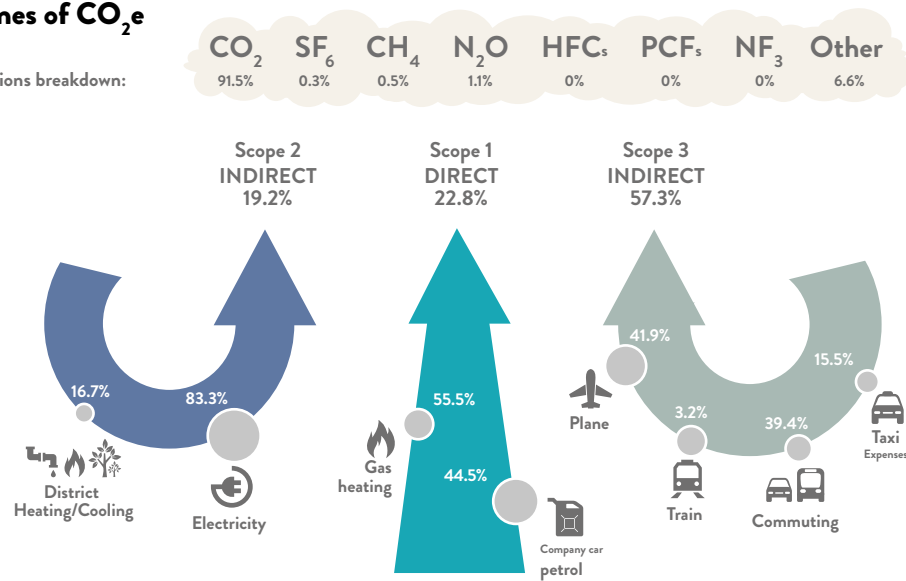
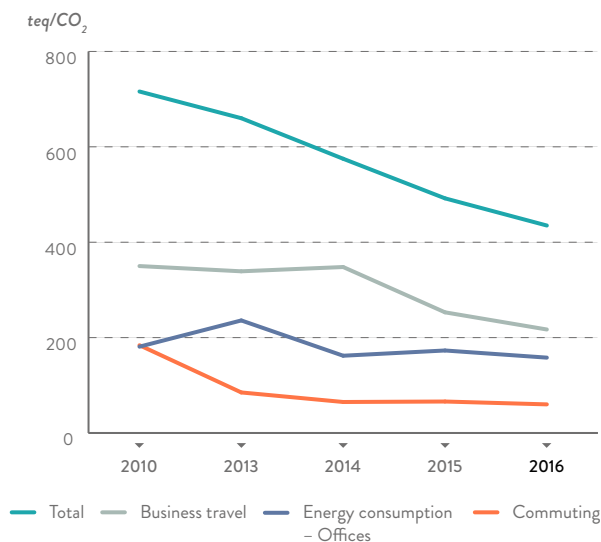
The greenhouse gas footprint is calculated based on the ADEME V6 carbon footprint table. The results are presented according to the three emission scopes defined by the GHG Protocol, a recognised international standard:

- ♦ scope 1 – direct emissions: this involves direct emissions related to the burning of fossil fuels in buildings or company vehicles. For Foncière des Régions, this corresponds to the consumption of natural gas (74 tCO₂e/year) and fuel in service vehicles and company cars (79 tCO₂e/year)

- ♦ scope 2 – indirect emissions from purchased electricity, heating, and cooling: for Foncière des Régions, this corresponds to the consumption of electricity (85 tCO₂e/year) and district heating and cooling (14 tCO₂e/year)
- ♦ scope 3 – other indirect emissions: all other indirect emissions, including passenger transport. For Foncière des Régions, other indirect emissions come primarily from transport inherent to the business (253 tCO₂e/year), as well as commuting to work (66 tCO₂e/year). Commuting emissions take account of the mode of transport of each employee, the type of energy of all motor vehicles used, as well as their precise mileage.

Total: 483 tonnes of CO₂e

Foncière des Régions breakdown:

**CARBON FOOTPRINT (2010/2016 EVOLUTION)**

In 2016, the average emissions per employee was 1.71 tCO₂e vs. 1.93 in 2015, 2.2 in 2014 and 2.8 in 2010. The 20% reduction compared to 2010 is attributable to the various measures implemented under the carbon policy (renovation of the heating system at 30 Kléber, etc.) as well as to the move of the Metz teams from two low-performance buildings to a single site, the Le Divo building.

**A VIRTUOUS TRAVEL POLICY**

Employees are encouraged to use public transport. For business trips, air travel is restricted to trips that would take more than three hours by train. For Paris and its region, the Autolib' solution is offered as an alternative to taxi travel, and 80% of public transport costs are paid for by the Company.

2.8.6.2. Exemplary premises

The Company's commitment to sustainable development relies on the active involvement of all employees, both in their work and through environmentally-conscious action which is gradually becoming essential in everyday life. Employees are demanding more and more practical efforts from the Company in favour of the environment. Initiatives taken in this area contribute to their pride in working for the Company. Such initiatives are numerous:

- ♦ HQE certification for the Le Divo building in Metz and BREEAM In-Use certification for the assets at 30 and 10 avenue Kléber in Paris (16th district)
- ♦ renovation work to improve the buildings' energy performance: efficient heating and cooling systems, LED lighting, motion detectors in common areas, etc.
- ♦ waste sorting and recycling of all paper and cardboard (around 80% of office waste). In 2016, 15.9 tonnes of paper waste were collected at the two sites in Paris (versus 18 in 2015)
- ♦ collecting of printer toners, batteries and plastic caps for their recycling
- ♦ water savings thanks to the introduction of motion-detector taps, and dual-flush toilets allowing significant reductions in water consumption
- ♦ installation of a waste compactor, which is used to collect aluminium cans, water cups and bottles, with an incentive system enabling users to make donations towards tree-planting projects (thirteen trees planted to date).

2.8.6.3. Committed employees

The process of change is backed by a comprehensive set of measures. These include the regular publication of awareness-raising articles via the Group's intranet, monthly Green Meetings wherein experts (lawyers, building engineers, etc.) provide information to employees on CSR issues (BIM, wooden constructions, biodiversity, etc.), along with tours of remarkable "green" buildings.

In line with the paper policy launched in 2013, all paper used in Foncière des Régions' printers is PEFC⁽¹⁾ certified (paper stemming from sustainably managed forests), and bears the European Ecolabel (taking into account the product's entire life cycle, its quality and its use). This paper policy applies to all printouts and external publications related to administration (reports, etc.) and marketing (brochures, etc.).

2.8.6.4. Exemplary IT solutions

By firmly shifting its IT developments towards cloud computing, mobility and collaborative tools, Foncière des Régions has confirmed its commitment to sustainable development and innovation.

By managing its own infrastructures and deploying increasingly advanced tools, particularly in terms of consumption (electricity, data, etc.), Foncière des Régions is improving its carbon footprint.

In terms of security, sensitive business data is managed and secured within a dedicated data centre. A business continuity plan has been rolled out and is tested periodically.

2.9. OPEN AND TRANSPARENT GOVERNANCE

Foncière des Régions is continuing to adapt its governance to the principles and recommendations consolidated in the Afep-Medef Code, last revised in November 2016, in order to ensure the efficient operation of its governance bodies. In 2011, Foncière des Régions opted to separate the functions of Chairman and Chief Executive Officer and in 2012 appointed the Chief Executive Officer as a Director. This separation enables the Chief Executive Officer to fully concentrate on his executive role while remaining

involved, in the same measure as any Director, in the definition and decisions relating to the Company's strategy. The Chairman of the Board of Directors, who is also an independent Director, ensures that the governance bodies are transparent and effective. His discussions with the Chief Executive Officer prior to Board meetings help to bolster the operations of the Board and the efficiency of its meetings.

2.9.1. A governance structure that adheres to the requirements of the Afep-Medef Code and ensures its effectiveness

Foncière des Régions adopted the Afep-Medef Code as a reference point for corporate governance in November 2008. Foncière des Régions currently refers to the revised version of that code, which was published on 24 November 2016, and relies on the work of the High Committee on Corporate Governance, on the recommendations of the *Autorité des Marchés Financiers* (AMF) and EPRA, and on the Ethical Charter of the *Fédération des Sociétés Immobilières et Foncières* (FSIF).

In 2016, Foncière des Régions continued to increase the percentage of independent Directors and the number of female Board members while ensuring greater knowledge within the Board regarding legal, environmental and financial matters.

These improvements have enabled Foncière des Régions to adopt an open, transparent, ethical and efficient governance system suited to its mode of operation and shareholding structure and to maintain the orientation of this governance toward serving the long-term interests of the Company, its shareholders, its tenants, its stakeholders and its employees.

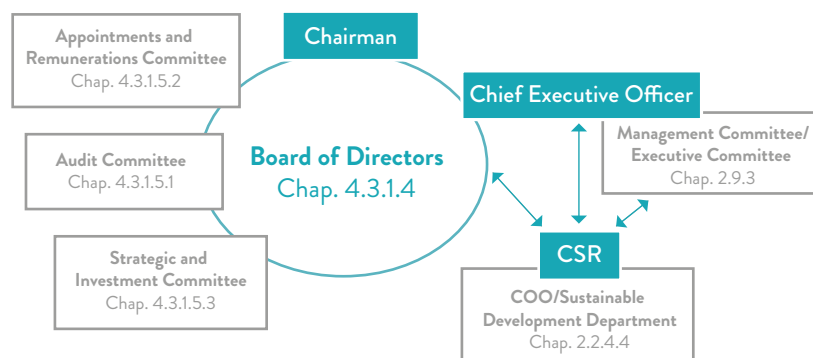
These efforts were applauded by analysts and rating agencies, and notably recompensed with a Bronze medal in the AGEFI Governance Process Competition for Dynamic Governance.

(1) Programme for the Endorsement of Forest Certification.

2.9.2. Corporate governance around the Board of Directors

2.9.2.1. Composition and operation of the Board of Directors and its committees

The governance of Foncière des Régions is based on a Board of Directors structure that has opted to separate the functions of Chairman of the Board and Chief Executive Officer.



The following table summarises some of the corporate governance best practices adopted by Foncière des Régions regarding the recommendations of the Afep-Medef Code:

	Board of Directors	Audit Committee	Appointments and Remunerations Committee	Strategic and Investment Committee
Independent/total members	9/15 (60%) ⁽¹⁾	4/5 (80%)	2/3 (67%)	1/6 (17%)
Chairman	Independent Director	Independent Director	Independent Director	Non-independent Director
Term of office	4 years, staggered	N/A	N/A	N/A
Proportion of women	40% ⁽²⁾	40%	0%	17%
Average age of Board members	57 years	53 years	59 years	61 years
Percentage of international Directors	27%	60%	33%	33%
Performance review	Annually	Annually	Annually	Annually
Number of meetings in 2016	5	3	2	3
Participation rate in 2016	75%	87%	100%	52%

(1) Vs 57% in 2015.

(2) Vs 36% in 2015.

N/A: Not applicable.

The composition of the Board of Directors and its committees is detailed in section 4.4.3 of the Reference Document and the list of offices held by each Director is detailed in section 5.5.3.

2.9.2.2. A mostly independent Board of Directors

Based on recommendations from the Appointments and Remunerations Committee, the Board of Directors analyses the independence of the serving Directors on an annual basis. On 15 February 2017, the Board of Directors performed its annual review and decided, upon the recommendation of the Appointments and Remunerations Committee, to maintain the

independent classification of Delphine Benchetrit, Jean-Luc Biamonti, Sigrid Duhamel, Bertrand de Feydeau, Jean Laurent, Sylvie Ouziel, Patricia Savin, Catherine Soubie and Pierre Vaquier for 2017, representing 60% of the Directors in office. To perform this analysis, the Board applied the Afep-Medef Code criteria and assessed them on a case-by-case basis. It also sought to establish whether any Directors, who may be considered independent with regard to the Afep-Medef Code, have any other types of relationships that may compromise their freedom of analysis and decision, or, if a Director, who could be considered non-independent according to the criteria established by the code, may nevertheless be free from any constraints, since the criterion in question does not lead to any loss of independence in the case at hand in relation to the Company's particular situation (4.3.1.4.3).

2.9.2.3. Greater gender balance

At the end of the General Meeting of 27 April 2016, the Board of Directors' composition attained a percentage of 40% women, thereby achieving compliance with the legal deadline set for April 2017 a year in advance.

2.9.2.4. An efficient Board of Directors

After producing several internal assessments, the Company undertook an initial independent evaluation at the end of 2013, performed by the specialised agency Egon Zehnder, to review the capacity of the Board of Directors to meet the expectations of shareholders and assess the contribution of each member through a review of its organisational structure and its functioning. Since then, the Chairman of the Board of Directors has been striving to implement all recommendations from this evaluation. As evidence of this, in 2014, the Board strengthened its international and real estate expertise, improved the integration process for new Directors, systematised the monitoring of Board decisions and the implementation of post-mortem practices for investments, and extended risk management consultation through widespread sharing of the work of the Audit Committee on the subject.

In 2016, the Company's Board of Directors also endeavoured to continue to implement the recommendations of the independent evaluation of the Board's operations, including those concerning the development of interactions between Directors, and the sharing of risk and strategy analyses. These initiatives are part of a relentless drive to consolidate a form of governance that aspires to openness, transparency, efficiency and pragmatism, in order to serve the long-term interests of the Company, its shareholders, tenants, employees and all of its stakeholders.

At the end of the 2016 financial year, the Company once again formally evaluated the work of the Board of Directors. The results of this evaluation were presented to the Board of Directors of 15 February 2017. It highlighted the fact that the Board of Directors is now balanced and efficient and has all the tools needed to properly perform its duties. The members of the Board have diversified profiles and skills, suitable to the challenges of this business sector. The increased attendance of managers from the various Group departments at meetings is appreciated since it sheds greater light on operations. Finally, the strategic seminars held every two years make it possible to analyse new challenges and to adapt the Company's strategy.

Areas for improvement were recommended by the Directors, particularly regarding obtaining better information regarding the status of competition and the strategy of its peers.

An induction programme for new Directors has been in place since 2012. It helps new Directors to increase their knowledge of the Company and its sector of activity, particularly through meetings with management.

In compensation for their work with the Board, the Directors and the non-voting member receive attendance fees, the value of which is determined by the Board of Directors based on an

overall amount for all Directors that is approved by the General Meeting of Shareholders. The attendance fees include a fixed rate and a variable portion linked to attendance at meetings and effective contribution to the work of the Board and its committees. The remuneration of the Directors and that of the non-voting member of the Board are set out in section 5.5.2. of the Reference Document.

The Works Council appoints three of its members as representatives at meetings of the Board of Directors. These members attend all of the Board's meetings in a consultative capacity and receive the same documents as those issued to Directors.

The Board's Internal Regulations provide a mechanism to prevent conflicts of interest arising when investment projects are submitted to the Board and/or the Strategy and Investment Committee. More specifically, it states that all Directors have the obligation to do their best to determine in good faith whether or not a conflict of interest exists and to report it to the Chairman as soon as they are aware of any situation that may constitute such a conflict between the Company and themselves or the company they represent, or any company of which they are employees or corporate officers.

This applies in particular when, for any transaction being considered or undertaken by the Company, a member of the Board or a company of which a Director is an employee or corporate officer might have competing interests or interests opposed to those of the Company or the companies within its Group. In this case, the relevant Board member must refrain from participating in the deliberations of the Board or any committee relating to the transaction, and more generally observe a strict duty of confidentiality.

2.9.2.5. A Board of Directors attentive to CSR challenges

Given the importance of the challenges posed by sustainable development for Foncière des Régions and its stakeholders, the Board is regularly consulted on CSR matters, so that they may be integrated into the Company's strategic focus. The actions undertaken by the Company in this area are presented annually and directly to the Board of Directors. The Board then reviews the Company's environmental and CSR performance, monitors the progress made in relation to the set objectives, confirms the major opportunities for improving CSR performance and compares the Company's progress and results with those of other companies in the real estate sector.

The Board of Directors also examines the Company's social policy, as well as the non-financial information it publishes, particularly in corporate and environmental areas. Moreover, it analyses the ratings awarded by non-financial rating agencies. Lastly, it ensures that the ethical rules set out by the Group are applied and evaluates sponsoring policies and philanthropic activities that have been implemented. In April 2016, the state of progress with regard to the four lines of Foncière des Régions' Sustainable Development Policy was presented to the Board of Directors.

2.9.3. An Executive Committee interested in CSR performance

The Executive Committee is the management body consulted for each major decision or transaction of Foncière des Régions concerning governance, monitoring of subsidiaries/holdings and financial/asset turnover policies. It is made up of:

- ♦ Christophe Kullmann – Chief Executive Officer
- ♦ Olivier Estève – Deputy General Manager
- ♦ Yves Marque – Chief Operating Officer
- ♦ Tugdual Millet – Chief Financial Officer.

Each member of the Executive Committee is in charge of implementing the CSR objectives of the Group within their particular area of responsibility in coordination with the Sustainable Development Department. The results achieved in this domain are now systematically incorporated into the criteria for determining the variable portion of their remuneration.

2.9.4. General Meetings

Since 2013, Foncière des Régions provides an online tool to its shareholders enabling them to receive their notification of the Meeting, obtain information regarding the General Meeting and to enter voting instructions prior to the General Meeting directly through the Internet. Accordingly, shareholders can now vote online prior to the General Meeting.

At the close of its General Meeting of 17 April 2015, Foncière des Régions maintained the principle of “one share = one vote”. This was approved by the shareholders who waived the automatic assignment of double voting rights provided by the Florange Law of 29 March 2014.

The results of the votes at General Meetings are published on the Company’s website within two business days of the meeting.

In accordance with applicable regulatory provisions and based on the Company’s share capital as at 31 December 2016, the shareholders wishing to submit items or draft resolutions must show equity holdings of €1,200,118, representing around 0.58% of the Company’s share capital.

2.9.4.1. Minutes of the General Meeting of 27 April 2016

In addition to the financial authorisations, the main resolutions submitted to the shareholders’ vote in 2016 concerned the approval of the Company’s separate and consolidated financial statements; the allocation of net income; the distribution of dividends; the approval of related-party agreements; the advisory opinion on the components of remuneration payable to executive officers; decisions regarding the appointment and renewal of Directors, and the setting of the annual amount of attendance fees.

The 2016 General Meeting provided the opportunity to respond to shareholders’ questions, particularly regarding dividends and related taxation; portfolio strategy; the “Commitment Barometer” survey carried out within the Company; the launch of the Foncière Développement Tourisme business line; the impact of the development of Airbnb on the hotel sector; the exposure in the international hotel sector; the returns of the Offices business sector; the leasing trends in the German residential market, and the allocation of bonus shares to increase shareholder loyalty.

GENERAL MEETING STATISTICS

	Combined General Meeting of 17 April 2015		Combined General Meeting of 27 April 2016		2015/2016 change	
	Ordinary resolutions	Extraordinary resolutions	Ordinary resolutions	Extraordinary resolutions	Ordinary resolutions	Extraordinary resolutions
Number of shareholders present, represented or having a postal vote	1,710	1,707	1,379	1,381	-24.00%	-23.60%
Number of shares that voted	52,655,203	52,630,966	54,712,228	54,688,580	+3.91%	+3.91%
Attendance rate	79.11%	79.07%	82.12%	82.09%	+3.01 points	+3.02 points
Rate of approval of resolutions	95.48%	98.82%	96.16%	93.22%	+0.68 points	-5.6 points

2.9.4.2. Consultation of the shareholders regarding “say on pay”

In application of Article 24.3 of the Afep-Medef Code, shareholders attending the 27 April 2016 General Meeting were consulted about individual remuneration through the “say on pay” scheme due for the year ended 31 December 2015 and pertaining to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy General Managers. The shareholders had a very favourable response to these resolutions with an average approval rate of 93.20%, thereby acknowledging the work achieved on transparency and the remuneration policy.

		Percentage of Votes for:
Jean Laurent	Chairman of the Board of Directors	99.66%
Christophe Kullmann	Chief Executive Officer	98.63%
Olivier Estève	Deputy General Manager	89.33%

2.9.5. Addressing shareholder concerns and ensuring transparency of financial information

Foncière des Régions does its utmost to provide institutional investors and individual shareholders with quality information regarding its business and strategy. It is conducting substantive work to consolidate its long-term relationship of trust with the financial community and to develop its market transparency.

The Company is also helping to raise the level of professionalism within the industry and to issue high-quality information by means of its active involvement with the IEIF (Real Estate Savings Institution), the FSIF (*Fédération des Sociétés Immobilières et Foncières*), and EPRA (European Public Real Estate Association). Every year, Foncière des Régions participates in some ten conferences aimed at international investors, organised by renowned brokerage firms (J.P. Morgan, Merrill Lynch, etc.).

Foncière des Régions also takes a proactive attitude in dealings with institutional investors. As such, management holds some 400 meetings every year with their main representatives, particularly when the annual and semi-annual results are released in the major European and US markets, and sets up some fifteen site visits of representative assets in its portfolio for these groups.

This specific multimedia-type communication, which is available on a permanent basis, enables Foncière des Régions to answer its shareholders' questions more efficiently.

Foncière des Régions has also been a partner of FFCI (*Fédération Française des Clubs d'Investissement* – French Federation of Investment Clubs) since 2010.

2.9.5.2. A policy recognised by the 2016 EPRA Awards

The quality and transparency of Foncière des Régions' financial and non-financial reporting were recognised at the EPRA Annual Conference of 2016 with two EPRA Gold Awards, for the third year running. The first award was for the financial portion of the 2015 Reference Document, and the second was for the quality of the non-financial portion of the same document, as well as the 2015 Sustainable Development Report.

2.9.5.1. Foncière des Régions listening to individual shareholders

Foncière des Régions posts an annual letter to its 12,100 individual shareholders. Foncière des Régions provides them with a dedicated section on the Company's website, a documentation service as well as a shareholders' freephone number (0 805 400 865).

2.9.6. Promoting fair and ethical practices

Foncière des Régions has been signatory of the Diversity Charter since 2010 and has been a member of the (Global Compact) since 2011. In 2016, Foncière des Régions received the Trophy for best Communication On Progress 2015 (COP), category: businesses with less than 500 employees, awarded by Global Compact France. In June 2016, Ban Ki-moon, the United Nations Secretary-General, called on businesses and the private sector to align their investment and infrastructure decisions with the seventeen Sustainable Development Goals (SDG) of the Programme by 2030 with the aim of maintaining global warming below 2 degrees, or even 1.5 degrees Celsius⁽¹⁾. The table in section 2.10.4 as well as the COP 2016 of Foncière des Régions expressly refer to this by aligning its various CSR initiatives to each of the seventeen SDGs.

Foncière des Régions incorporates the ten principles of the Global Compact into its strategy and its practices and promotes them to its stakeholders; particularly to its suppliers through its Responsible Procurement Charter.

The various COP of Foncière des Régions are published on the Group's website: <http://www.foncieredesregions.fr/Responsabilite/Politique-RSE> and on the Global Compact website: <http://www.unglobalcompact.org/participant/15495-Fonciere-des-Regions>.

2.9.6.1. An Ethical Charter for greater responsibility

As the cornerstone of Foncière des Régions' ethics and compliance strategy, the Ethical Charter is now shared with all Group employees following its translation for the German and Italian teams. It can be consulted on Foncière des Régions' website (<http://www.foncieredesregions.fr>) in both French and English.

The Ethical Charter defines the ethical principles that all Foncière des Régions employees must apply to their professional practices and behaviour with respect to all of their outside contacts. The Ethical Charter describes ethical governance, as implemented in the Company's various business lines. The basic principles contained in this Ethical Charter are:

- ♦ compliance with laws and regulations
- ♦ respect for individuals (health and safety at work, prevention of discrimination, respect for third parties)
- ♦ respect for the environment
- ♦ compliance with rules concerning insider dealing
- ♦ prevention of conflicts of interest (links with competitors, clients, suppliers, compliance with anti-corruption rules)
- ♦ protection of Foncière des Régions' assets (protection of information, assets and resources)
- ♦ transparency and integrity of information.

The Ethical Charter was revised in 2015 to include the latest ethical measures introduced (such as whistle-blowing) and to reinforce and clarify recommendations to employees concerning required behaviours regarding conflicts of interest.

The Audit and Internal Control Department ensures that the Ethical Charter is distributed to all employees of Foncière des Régions. Each new employee is given a copy of the charter upon being hired by the Group. In addition, every two to three years, every employee is given a refresher on the main principles of the Ethical Charter and the ethics officer's role during the "Process Morning" training sessions on procedures (see section 4.1.2.2.1.3 of the Reference Document). The Chief Operating Officer was appointed as the ethics officer. The Chief Operating Officer is involved in determining rules and duties in terms of professional ethics and ensures compliance across the Company. He provides assistance and advice on ethics to any employee who asks for it and helps in adopting and implementing the Ethical Charter. In 2016, he was consulted eight times in this capacity, mainly by employees wishing to avoid any risk of a potential conflict of interest in real estate investments; employees reporting invitations received from partners or requesting permission for transactions involving Foncière des Régions securities; or even to shed light on potential conflict of interest situations associated with a related business.

2.9.6.2. Preventing the risk of fraud and corruption with the establishment of a whistle-blowing system

In compliance with the tenth principle of the Global Compact, which urges companies to act against corruption in all its forms, including the extortion of funds and bribes, Foncière des Régions has increased its vigilance on these matters.

In view of the findings of the updated risk mapping process, the Board of Directors deemed that, given its business activities and organisation, the potential risks of fraud and corruption were adequately managed. Transactions that are deemed sensitive, such as sales of assets or companies, major construction or renovation works or calls for tenders are guided by stringent procedures, especially regarding links with intermediaries. Moreover, the separation between orders and payments reduces the risk of fraud.

During the "Process Morning" sessions, the Company makes employees who handle transactions aware of fraud risks. Anti-fraud audits are carried out regularly within the Group and have revealed no significant dysfunctions.

(1) <http://www.un.org/apps/newsFr/storyF.asp?NewsID=37518#.V3jsleRHY4A>

In order to strengthen its risk prevention tools, Foncière des Régions established a warning system in late 2014. It is restricted to specific cases of serious and intentional acts that may affect the Company exclusively in the following areas: accounting; banking; finance; fighting corruption; unfair competition; fighting discrimination and harassment in the workplace, and protection of the environment.

In this way, any Group employee can report a risk that he or she has identified in these areas by contacting the compliance officer by any convenient means, including via a dedicated e-mail address. The reporting process is described in greater detail in Foncière des Régions' Ethical Charter.

2.9.6.3. Guaranteeing fair competition

Foncière des Régions, in its business and more specifically in its sales, acquisition and construction work, complies with the provision of Articles L. 410-1 *et seq.* of the French Commercial Code relating to competition. The Company has therefore implemented procedures to address this risk: a competitive bidding process is mandatory above a certain threshold and the procedures put in place and validated by General Management set the bidding conditions.

The relevant employees have been briefed on this risk during the "Process Morning" sessions. The major control and validation principles are reiterated, notably the obligation of setting up bidding procedures for work; procurement; markets and also for the sale of assets. In this way, depending on the amounts and type of transaction, bids from one, two or three companies must be accepted and reviewed prior to awarding a job to the best one. In the same manner, the Company uses a procedure for opening bids involving a minimum of two employees and the drafting of a record of the opening of bids for some tender processes in order to ensure the widest degree of transparency and fair competition possible. Audits are performed each year on certain development operations in order to ensure proper compliance with the call for tender procedures. These audits revealed no significant issues.

The risk of anti-trust behaviour is limited within the framework of Group activities as there are many owners of small real estate assets.

2.9.6.4. Combating money laundering

In 2010, Foncière des Régions and its subsidiaries introduced a system for combating money laundering and the financing of terrorism (LAB/LFT), in the form of a procedure that lists and describes actions to be taken by the employees concerned. The procedure was reviewed in 2012 to clarify its scope of application. The Audit and Internal Control Director is the designated LAB/LFT Manager, while a Tracfin Correspondent and Registrant was appointed in the Legal Department.

This system is based on a vigilant stance adopted when third-party contracts are initiated, in all cases in which a company of the Group is involved as an intermediary for a third party and as a part of the sale or purchase of an asset, securities or stakes in real estate companies.

The implementation of the LAB mechanism was supported by an extensive training campaign that was initiated in 2010, involving some sixty employees via a dedicated training module set up by the Legal Department, which contributes to continued adjustments to the system. Training more specifically for asset managers took place in 2012 and a refresher during "Process Mornings" was carried out in 2014 and 2015.

2.9.6.5. Association with, or membership of, domestic or international organisations

Foncière des Régions undertakes no direct lobbying activity. However, the Company contributes to French government building policy through a strong commitment in working groups and professional associations. Foncière des Régions is a member of the Sustainable Development commissions of EPRA, the *Fédération des Sociétés Immobilières et Foncières* (FSIF), of which Christophe Kullmann, Chief Executive Officer of Foncière des Régions, has been the Chairman since 2011. Jean-Éric Fournier, Director of Sustainable Development at Foncière des Régions is the Vice-President of Alliance HQE-GBC France, a member of *Bureau du Plan Bâtiment Durable* and a facilitator for the Sustainable Development Professional Group of RICS France. Through involvement in these entities, Foncière des Régions plays a major role in promoting awareness of the environment and CSR. Its commitments to working groups (Orée, Valeur Immatérielle, Smart Building Alliance (SBA), etc.), in the Immowell Lab start-up incubator, its participation in national (Palladio, IFPEB, etc.) or European (RICS, EPRA, etc.) studies and its commitment as a signatory of the Paris Climate Partnership Agreement bear witness to its desire to contribute to the debate on sustainable real estate.

Foncière des Régions and its subsidiaries contribute no funds and provide no services to any political party whatsoever, nor to any holder or candidate for any public position. Notwithstanding, the Company acknowledges the commitments of those of its staff who participate or wish to participate in public life in the capacity of private citizens.

2.10. CSR PERFORMANCE

2.10.1. Environmental indicators

In accordance with the provisions of the Decree of 24 April 2012, it should be noted that the non-financial reporting scope is based on the consolidated financial reporting scope for Foncière des Régions. The information provided below relates to the following strategic activities: France Offices, France Hotels & Service Sector, Germany Residential (Immeo SE), and Italy Offices (Beni Stabili). In order to follow Foncière des Régions' financial approach, assets under construction or renovation are excluded from the reporting scope, as are assets acquired or sold during the year.

Processing and analysis of consumption data by CSTB

Once consumption figures are collected and consolidated by the Sustainable Development Department of Foncière des Régions, they are then processed by CSTB (Scientific and technical centre for building), a French public organisation for innovation in buildings, which acts on two levels:

- ♦ winter and summer climate adjustment calculations applied to energy consumption data. This method adjusts the consumption levels of a given year under baseline weather conditions (for example, statistics for each of the three major weather zones in mainland France over a thirty-year period). This adjustment is made for consumption related to both heating and cooling. It is not applied to other consumption (lighting, etc.) and allows meaningful comparison of results from year to year:
 - ♦ by extrapolating a number of data to the complete portfolio, based on intensity ratios per m² based on actual consumption. These extrapolations are calculated outside EPRA recommendations for reference purposes only and are indicated to the reader.

Reporting tables and compliance with EPRA recommendations

As a member of the EPRA Sustainable Development Commission, Foncière des Régions helps promote good practices in sustainable reporting for the real estate sector. Since their publication, Foncière des Régions has included EPRA recommendations in its internal and external reporting.

In order to simplify the reading of Foncière des Régions' environmental performance, the indicators were grouped using the following colour code:

- ♦ **green background: this is the scope covered by the EPRA recommendations.** It corresponds to the multi-let buildings over which the Foncière des Régions, Beni Stabili or Immeo SE teams have “operational control” and therefore manage directly. The environmental information relating to common parts areas and common facilities is managed by internal or external property managers on behalf of the owner
- ♦ **white background:** this involves buildings or parts of buildings over which Foncière des Régions or its subsidiaries do not have “operational control” as they are managed directly by tenants. Information on water and energy consumption, and on waste volumes (if available), is therefore collected from the tenants. This refers to either:
 - ♦ the tenant areas of multi-let buildings
 - ♦ single-let buildings: most of the office assets held in France and all Hotels and Service Sector assets fall within this category.

The types of surface areas used to calculate the ratio is identical to those in the portfolios for each business activity: m² GIA in France – m² GIA in Italy – m² Nütz in Germany.

In order to ensure maximum accuracy and transparency, where consumption data is unavailable for any utility, it is not estimated and thus impacts the portfolio's coverage rate. However, if an estimate or extrapolation is calculated, it is explained in the comments accompanying the reporting table concerned.

The table below presents an overview of the methodology and reporting process implemented by Foncière des Régions, in line with the performance measures and overarching recommendations of the EPRA's Sustainability Best Practice Recommendations (BPR), in order to achieve the highest level of compliance.

COMPLIANCE WITH EPRA RECOMMENDATIONS (2014 EPRA GUIDELINES)

 Full compliance
  Partial compliance
  Non-compliance

EPRA Performance Indicators	Self-assessment of compliance	The Foncière des Régions approach
Total electricity consumption (annual kWh)		Elec-Abs – Foncière des Régions reports its electricity consumption taking into account renewable energy production. The annual total energy consumption data is gathered based on the invoice statements using the process described above. The consumption is presented in terms of final energy. The total is expressed as final energy as well as primary energy.
Total energy consumption from district heating and cooling (annual kWh)		DH&C-Abs – Foncière des Régions reports its energy consumption from district heating and cooling, collected based on the invoice statements using the process described above. The consumption is presented in terms of final energy. The total is expressed as final energy as well as primary energy.
Total energy consumption from fuels (annual kWh)		Fuel-Abs – Foncière des Régions reports its total energy consumption from fuels (natural gas, fuel oil and wood), collected based on the invoice statements using the process described above. The consumption information and totals are expressed in both final and primary energy.
Energy intensity of buildings (kWh/m ² /year)		Energy-Int – Foncière des Régions reports its energy intensity ratios calculated per m ² on the basis of the invoiced amounts (meter readings): energy (kWh) divided by the corresponding internal area occupied (in m ² GIA). The consumption ratios are presented in terms of final energy and primary energy.
Total direct GHG emissions (annual tCO ₂ e)		GHG-Dir-Abs – Foncière des Régions reports on all of its carbon emissions in tonnes of CO ₂ equivalent per year (CO ₂ e/year) based on the energy bills (natural gas, fuel oil and wood). These are Scope 1 emissions as described in the <i>GHG Protocol</i> .
Total indirect GHG emissions (annual tCO ₂ e)		GHG-Indir-Abs – This data is reported in tonnes of CO ₂ equivalent per year (tCO ₂ e/year) based on the energy invoices for electricity and district heating and cooling. These are Scope 2 emissions as described in the <i>GHG Protocol</i> .
Carbon intensity of buildings (kgCO ₂ e/m ² /year)		GHG-Int – Foncière des Régions reports its intensity ratios calculated per m ² directly from the invoice statements divided by the corresponding occupied surface areas (in m ² GIA).
Total water withdrawal by source (annual m ³)		Water-Abs – Foncière des Régions reports its total annual water consumption in m ³ for all of its portfolios in operation and the headquarters buildings occupied by its teams. The annual total water consumption data is gathered on the basis of the invoiced amounts (meter readings) using the process described above.
Building water intensity (litres/person/year or m ³ /m ² /year)		Water-Int – Data is reported in m ³ /m ² GIA/year. The intensity ratios per m ² are calculated by comparing the volumes collected to the corresponding surface areas occupied (in m ² GIA).
Total weight of waste by disposal method (annual tonnes)		Waste-Abs – Waste is collected by public organisations directly linked to the municipalities. Foncière des Régions then pays for this service through local taxes. It is not possible to establish monitoring procedures in terms of total mass, except for assets with private waste contractors (specified in the comments accompanying the waste reporting tables). The proportion of waste by disposal method (% of total waste) is indicated when it can be monitored by the service providers.

EPRA Overarching Recommendations	Compliance self-assessment	EPRA BPRs and methodology references
Organisational boundaries	●	As in previous years, reporting is based on what is known as “Operational Control”, which corresponds to the scope within which Foncière des Régions, its subsidiaries and investments directly manage energy, water and waste. The results for this scope are given on a green background in the tables in section 2.11.3. This environmental reporting is based on the consolidated financial reporting scope to ensure consistency with the other chapters of the management report and in line with the provisions of the Decree of 24 April 2012. The reporting scope therefore includes the following strategic activities: France Offices, Hotels & Service Sector, Germany Residential (Immeo SE), and Italy Offices (Beni Stabili). The reporting scope for year N includes all assets owned at 31/12/N. Assets under construction, in redevelopment, vacant and acquired or sold during the year are not included. If an asset is sold during the year, the tenant will not necessarily provide consumption data if no legal connection exists with the former owner of the asset. The environmental reporting period corresponds to the period from 1 January to 31 December, except for Germany Residential, for which the period from 1 October to 30 September is used.
Breakdown of owner and tenant consumption	●	Foncière des Régions’ reporting is separated into three levels of data collection and analysis: ♦ “corporate” scope: this includes headquarters buildings; ♦ “operational control” scope: this includes buildings under full management over which the teams of Foncière des Régions, Beni Stabili or Immeo SE control the management of shared equipment (i.e. equipment located in common parts areas of the building) and the consumption of water and energy (e.g. lighting, collective heating, etc.). These are Scope 1 and 2 emissions as described in the <i>GHG Protocol</i>. The reporting is based on invoices, with no estimates; ♦ “tenant areas” scope: this relates to the tenant areas of multi-let buildings (where Foncière des Régions has “operational control” over the building’s common parts areas, while tenants are responsible for individual energy consumption and water use) and of single-let buildings (where users are wholly responsible for managing building facilities as well as the building’s energy and water consumption). The reliability of this information depends on the quality of the internal and external controls put in place by the tenants. Foncière des Régions does not rebill its tenants for energy, with the exception of energy used in the common parts areas of multi-let buildings, rebilled under operating expenses. Estimates are not made. However, data may be extrapolated based on the intensity ratios, thus permitting the assessment of the environmental footprint for the portfolio as a whole. Performance measures involving extrapolated data are clearly indicated in the presentation (white background, outside EPRA scope).
Consumption reporting – headquarters buildings	●	As previously indicated, Foncière des Régions reports the consumption for the assets occupied by its teams. The results are presented in section 2.11.3.4 under the Headquarters heading.
Intensity normalisation	●	The Intensity ratios by m² are calculated by comparing the environmental data for a year N concerning energy, water and carbon with the corresponding occupied areas, expressed in terms of m² GIA. These calculations are used to measure the efficiency for each indicator. In France, a distinction is drawn between final energy (<i>fe</i>), which is consumed and invoiced, and primary energy (<i>pe</i>), which is required to produce final energy.
Year-on-year like-for-like comparison	●	<i>Elec-LfL, DH&C-LfL, Fuels-LfL, GHG-Dir-LfL, GHG-Indir-LfL, Water-LfL, Waste-LfL</i> – The data is calculated on a like-for-like basis for energy, greenhouse gas emissions, water and waste and is used to assess changes from one year to the next for assets owned over the last 24 months whose consumption is known for that period. Example: ♦ in year N-1, consumption data was collected on 70 assets, with a possible reporting scope of 90 assets ♦ in year N, consumption data was collected on 95 assets, with a possible reporting scope of 100 assets ♦ of these, data was collected on 65 assets in N-1 and N, while 93 assets were held in N-1 and N. → The like-for-like basis therefore relates to 65 of 93 assets.

EPRA Overarching Recommendations	Compliance self-assessment	EPRA BPRs and methodology references
Segmental analysis	●	Foncière des Régions has structured its analysis by segment and by business type: France Offices, Hotels & Service Sector, and Germany Residential, as well as the Urbis Parks (Car Parks) and Beni Stabili (Italy Offices) investments.
Coverage ratio of data collection	●	The coverage ratio is indicated by segment and business type in each reporting table (energy, carbon, water and waste). For each indicator, this coverage ratio is calculated as an area (% of m ² GIA) and as a number of assets.
Narrative on performance	●	Foncière des Régions provides comments and explanations on environmental performance trends and data: ♦ in Sections 2.3 to 2.7 ♦ in the section containing data relative to assessing performance for each business (see section 2.11.3).
Assurance – external verification by an independent third party	●	Since the report for the 2011 fiscal year, the environmental, social, and societal data is verified by an independent third party. The EPRA indicators and compliance with its methodology are verified as part of the process, as are compliance with GRI 4 CRESO and the GHG emissions report. The independent third party's statement is included in Foncière des Régions' annual Reference Document and its sustainability report. You will find these documents in both English and French on the Foncière des Régions website (www.fonciere-des-regions.fr).
Location of EPRA Sustainability Performance Measurements	●	The EPRA performance measurements and correspondence to principles are disclosed and reported annually in the Foncière des Régions sustainability report and in its Reference Document. You will find these documents in both English and French on the Foncière des Régions website (www.en.fonciere-des-regions.fr).
Type and number of assets certified	●	Cert-Tot – This indicator is expressed by dividing the value of the assets with certification at 31 December 2016 by the value of the total portfolio held by a business on the same date.

2.10.1.1. France Offices

At 31 December 2016, the France Offices reporting scope pertained to 228 sites of the 363 comprising the financial scope. Assets under construction or under renovation, acquired or sold during the year, as well as the buildings located in the ASL (*Associations Syndicales Libres*), are excluded from the reporting scope. A portfolio of 84 non-core assets representing 1.2% of the value of the total portfolio was not included within the scope, since portfolio energy and environmental mapping has not yet been performed.

All consumption data is taken from invoice statements, with no estimates used at all. The ratios are calculated for single-let buildings by comparing the consumption collected for all of the building's floor areas and for multi-let buildings with respect to the common parts areas or proportional share of tenant areas for which data have been collected. The occupancy rate has an impact on the asset's overall consumption as well as on the ratios calculated. As an exception to the "process included" principle of energy consumption, the energy consumed by telephone equipment in the buildings rented to Orange is not included in the calculations based on an assessment performed by CSTB.

The results are presented below with climate adjustment (winter and summer). Weather-related adjustments are calculated by CSTB in order to make like-for-like performances more comparable; energy and carbon results are presented in the charts in Section 2.3.5.

TYPE AND NUMBER OF SUSTAINABLY CERTIFIED ASSETS (CERT-TOT) (SEE SECTION 2.3.1)

At 31 December 2016, 65.3% (in value) of the Office assets owned by Foncière des Régions had HQE and/or BREEAM certification (construction and/or operation) and/or were certified as low energy consumption buildings (BBC) or RT Globale. This percentage is expressed relative to all the assets held on this date, including both assets under construction and in operation.

The rate rose to 71.1% at the end of 2016 if we take the ratio of certified and/or accredited buildings to the total core portfolio, i.e. those intended to remain in the portfolio in the long term.

ENERGY – DIRECT AND INDIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE AND ENERGY INTENSITY RATIO FOR BUILDINGS IN USE

The results are presented with climate adjustment.

The consumption values reported below are based on the data collected according to two scopes:

- ♦ “operational control” scope: assets managed by Foncière des Régions’ teams (multi-let buildings). The reporting is done from invoices, with no estimates. This is the scope from the EPRA BPRs
- ♦ “excluding operational control” scope: reporting based on energy invoices communicated by the tenants and which concern:
 - ♦ the tenant areas of multi-let buildings
 - ♦ all energy consumption in single-let buildings.

Within the “operational control” scope, the coverage ratio of the data collected is 91% of the area.

Total energy consumption (Abs)			Multi-let buildings				Single-let buildings		Portfolio total	
			“Operational control” scope		“Tenant areas” scope					
GRI G4	EPRA BPRs	2015	2016	2015	2016	2015	2016	2015	2016	
Coverage of reporting scope in area (m² GIA)			158,115	175,862	118,155	100,391	641,281	621,192	799,396	797,053
Coverage of reporting scope in area (%)			94%	91%	83%	70%	56%	50%	61%	56%
Number of applicable properties			12/14	13/16	9/14	6/12	114/199	101/212	160/211	114/228
Proportion of estimated data			0%	0%	0%	0%	0%	0%	0%	0%
Intensity (kWhfe/m² GIA/year)	CRE1	Energy-Int	187	177	85	89	150	149	170	169
Intensity (kWhpe/m² GIA/year)			291	274	219	229	320	329	347	354
Total direct energy (kWhfe)	G4-EN3	Fuels-Abs	7,289,612	7,328,337	0	0	25,257,792	16,852,303	32,547,404	24,180,640
Natural gas (direct energy)	G4-EN3	Fuels-Abs	7,289,612	7,328,337	0	0	22,663,241	14,609,599	29,952,853	21,937,936
Fuel oil (direct energy)	G4-EN3	Fuels-Abs	0	0	0	0	2,391,354	2,125,954	2,391,354	2,125,954
Wood (direct energy)	G4-EN3	Fuels-Abs	0	0	0	0	203,197	116,750	203,197	116,750
Total indirect energy (kWhfe)	G4-EN3	Elec-Abs	22,350,738	23,768,692	10,035,768	8,925,117	70,865,980	75,474,639	103,252,486	110,793,441
Electricity (indirect energy)	G4-EN3	Elec-Abs	10,407,678	10,804,482	10,035,768	8,925,117	69,082,230	70,773,124	89,525,677	93,127,715
Renewable energy production	G4-EN3	Elec-Abs	0	0	0	0	128,480	119,872	128,480	119,872
of which solar			0	0	0	0	0	0	0	0
District heating and cooling (indirect energy)	G4-EN3	DH&C-Abs	11,943,060	12,964,210	0	0	1,912,229	4,821,387	13,855,289	17,785,598
Total energy consumption (kWhfe)			29,640,350	31,097,030	10,035,768	8,925,117	96,123,772	92,326,942	135,799,890	134,974,081
Total energy (GJ)			106,705	111,949	36,129	32,130	346,046	332,377	488,880	485,907
Total energy consumption (kWhpe)			46,084,482	48,168,111	25,892,282	23,026,801	205,320,897	204,221,650	277,297,661	282,189,043
Estimated consumption for vacant space (kWhpe)			0	0	0	0	0	0	0	0
Estimated consumption for occupied areas where no data is available (kWhpe)			2,925,981	4,808,274	5,448,654	9,747,128	166,864,879	213,215,515	174,784,985	223,208,537
Total measured + extrapolated energy consumption (kWhpe)			49,010,463	52,976,385	31,340,936	32,773,929	372,185,776	418,037,165	452,082,646	505,397,580

The table below details the energy consumption paid for by the owner and re-invoiced for shared facilities and common parts areas in buildings. The landlord does not invoice tenants for private energy consumption. The energy consumption that the owner is responsible for concerns common facilities such as lighting, elevators, etc., even when they are shared – e.g., heating, cooling, etc. – the corresponding costs are then divided up among the tenants.

		Total consumption (Abs) “Operational control” scope			Like-for-like (LfL) “Operational control” scope			Like-for-like (LfL) Total portfolio				
		2015	2016	Change			2015	2016	Change	2015	2016	Change
Number of applicable properties	EPRA BPRs	12/14	13/16		EPRA BPRs	10/13			81/212			
Coverage of reporting scope in area (m² GIA)		158,115	175,862			144,942			541,580			
Coverage of reporting scope in area (%)		94%	91%			91%			43%			
Proportion of estimated data		0%	0%			0%			0%			
Paid by the owner				Change	Change				Of which paid by the owner		Change	
Total Electricity (kWh)	Elec-Abs	10,407,678	10,804,482	4%	Elec-LfL	9,528,032	9,053,844	-5%	64,553,453	65,346,236	1%	
of which tenant areas		0	0			0	0		0	0		
of which shared services		10,407,678	10,804,482	4%		9,528,032	9,053,844	-5%	64,553,453	65,346,236	1%	
Total District heating and cooling (kWh)	DH&C-Abs	11,943,060	12,964,210	9%	DH&C-LfL	11,721,646	11,581,324	-1%	13,367,318	12,881,864	-4%	
of which tenant areas		0	0			0	0		0	0		
of which shared services		11,943,060	12,964,210	9%		11,721,646	11,581,324	-1%	13,367,318	12,881,864	-4%	
Total Gas-Fuel oil-Wood (kWh)	Fuels-Abs	7,289,612	7,328,337	1%	Fuels-LfL	7,299,015	7,323,491	0%	20,163,969	19,375,982	-4%	
of which tenant areas		0	0			0	0		0	0		
of which shared services		7,289,612	7,328,337	1%		7,299,015	7,323,491	0%	20,163,969	19,375,982	-4%	
INTENSITY (kWhfe/m²/year)						197.0	192.9	-2%	181.1	180.2	-1%	

CARBON – TOTAL DIRECT AND INDIRECT GHG EMISSIONS AND CARBON INTENSITY RATIO FOR BUILDINGS IN USE

The data is calculated by the Building Scientific and Technical Centre (CSTB) based on the invoice statements, as detailed above. The scopes covered are identical.

Within the “operational control” scope, in accordance with EPRA recommendations, the coverage ratio of the data collected is 91% of the area.

		Multi-let buildings									
		“Operational control” scope		“Tenant areas” scope		Single-let buildings		Portfolio total			
		GHG Protocol		Scopes 1 & 2		Scope 3		Scope 3		Scopes 1, 2 and 3	
Total carbon emissions (Abs)	GRI G4	EPRA BPRs	2015	2016	2015	2016	2015	2016	2015	2016	2016
Coverage of reporting scope in area (m ² GIA)			158,115	175,862	118,155	100,391	641,281	610,707	799,396	786,568	
Coverage of reporting scope in area (%)			94%	91%	83%	70%	56%	49%	61%	55%	
Number of applicable properties			12/14	13/16	9/14	6/12	114/199	100/212	160/211	113/228	
Proportion of estimated data			0%	0%	0%	0%	0%	0%	0%	0%	
Carbon intensity (kgCO ₂ e/m ² GIA/year)	CRE3	GHG-Int	30.7	28.9	7.1	7.5	19.0	17.7	22.4	21.1	
Total emissions (tCO₂e)			4,849	5,086	843	750	12,189	10,783	17,882	16,618	
of which direct emissions (tCO ₂ e)	G4-EN15	GHG-Dir-Abs	1,706	1,715	0	0	6,023	4,057	7,729	5,771	
of which indirect emissions (tCO ₂ e)	G4-EN16	GHG-Indir-Abs	3,143	3,371	843	750	6,166	6,726	10,153	10,847	
Estimated emissions for vacant space (tCO ₂ e)			0	0	0	0	0	0	0	0	
Estimated emissions for occupied areas where no data is available (tCO ₂ e)			308	508	177	317	9,387	11,007	11,271	13,541	
Total extrapolated carbon emissions (tCO ₂ e)			5,157	5,593	1,020	1,067	21,576	21,789	29,153	30,160	

The results show a like-for-like reduction of 1.3% for the “operational control” scope and of 1.6% for the portfolio as a whole.

		Total emissions (Abs) – “Operational control” scope			Emissions like-for-Like (LfL) – “Operational control” scope			Like-for-like (LfL) – total portfolio				
	GRI G4	EPRA BPRs	2015	2016	Change		2015	2016	Change	2015	2016	Change
Number of applicable properties			12/14	13/16		10/13				81/212		
Coverage of reporting scope in area (<i>m² GIA</i>)			158,115	175,862		144,942				541,580		
Coverage of reporting scope in area (%)			94%	91%		91%				43%		
Proportion of estimated data			0%	0%		0%				0%		
Carbon intensity <i>(kgCO₂e/m²GIA/year)</i>												
	CRE3	GHG-Int	30.7	28.9	-6%		32.7	32.3	-1.3%	23.5	23.1	-1.7%
GHG Protocol						EPRA BPRs						
Scope 1 – Total direct emissions (tCO ₂ e)	G4-EN15	GHG-Dir-Abs	1,706	1,715	1%	GHG-Dir-LfL	1,708	1,714	0%	4,787	4,599	-4%
Scope 2 – Total indirect emissions (tCO ₂ e)	G4-EN16	GHG-Indir-Abs	3,143	3,371	7%	GHG-Indir-LfL	3,027	2,961	-2%	7,962	7,937	0%
Scope 3 – Other emissions (tCO ₂ e)		GHG-Indir-Abs	0	0		GHG-Indir-LfL	0	0		0	0	
Total emissions (tCO₂e/year)			4,849	5,086		4,735			4,675	12,749	12,536	
CHANGE IN CARBON EMISSIONS 2016/2015			4.9%			-1.3%				-1.7%		

WATER – TOTAL WATER CONSUMPTION AND WATER INTENSITY FOR BUILDINGS IN USE

The water used in the portfolio comes from a single source: municipal water supplies.

Multi-let buildings: the landlord receives the invoices; tenants do not have individual contracts.

Single-let buildings: the tenant has an individual contract with the water supply company. All the elements reported below originate with invoices.

In 2016, data was consolidated for 96% of the “operational control” scope based on the information collected, corresponding to the EPRA BPRs.

The consolidated data shows stable water consumption.

Multi-let buildings										
“Operational control” scope					“Tenant areas” scope		Single-let buildings		Portfolio total	
Total water consumption (Abs)	GRI G4	EPRA BPRs	2015	2016	2015	2016	2015	2016	2015	2016
Coverage of reporting scope in area (m² G/A)			160,868	186,131	Not applicable		338,808	330,189	499,676	516,319
Coverage of reporting scope in area (%)			96%	96%			30%	27%	38%	36%
Number of applicable properties			13/14	15/16			26/199	21/212	39/213	36/228
WATER INTENSITY (m³/m²G/A/year)	CRE2	WATER-INT	0.45	0.39			0.30	0.27	0.35	0.31
Total water consumption (m³)	G4-EN8	Water-Abs	73,137	72,499			100,984	88,909	174,121	161,408
Estimated water consumption in vacant space (m³)			0	0			0	0	0	0
Estimated consumption in occupied areas for which data is not available (m³)			3,312	2,838			237,344	243,394	280,025	284,852
Total extrapolated water consumption (m³)			76,449	75,337			338,328	332,303	454,145	446,260
Water consumption – Like-for-like (LfL)										
Number of applicable properties			11/13		Not applicable		17/189		28/202	
Coverage of reporting scope (m² G/A)			150,462				179,026		329,488	
Coverage of reporting scope in area (%)			95%				16%		26%	
Proportion of estimated data			0%				0%		0%	
WATER INTENSITY (m³/m²G/A/year)			0.47	0.41			0.23	0.25	0.34	0.33
Like-for-like water consumption (m³)	G4-EN8	Water-LfL	70,397	61,682			41,625	45,587	112,022	107,269
CHANGE IN WATER INTENSITY 2016/2015			-12%				10%		-4%	

WASTE – TOTAL WEIGHT OF WASTE IN TONNES BY TYPE AND BY DISPOSAL METHOD

In France, waste is collected by municipal services that do not weigh the waste or provide monitoring data. Recording tonnage data is possible only where waste is managed by private waste contractors, which is the case for four assets. These data tonnages were collected for the four assets, i.e. 100% of the multi-let buildings with private waste contractors, who helped to obtain the information presented below.

			Multi-let buildings			
			“Operational control” scope		“Tenant areas” scope	
Total waste production (Abs)	GRI G4	EPRA BPRs	2015	2016	2015	2016
Coverage of reporting scope in area (m ² GIA)			118,429	110,090		
Coverage of scope (%)			100%	57%		
Number of applicable properties			5/5	4/4		
Proportion of estimated data			0%	0%		
Total waste (tonnes)	G4-EN23	Waste-Abs	1,084	483		
of which recycled, re-used or composted waste	G4-EN23	Waste-Abs	311	177	Not applicable	
or as a %			29%	37%		
of which incinerated (including with energy recovery)	G4-EN23	Waste-Abs	N/A	N/A		
of which landfill	G4-EN23	Waste-Abs	N/A	N/A		
of which other disposal methods	G4-EN23	Waste-Abs	N/A	N/A		
Rate of selective collection			100%	100%		
Total extrapolated production of waste (tonnes)			0	0		
Production of waste – Like-for-like (LfL)						
Number of applicable properties			4/4			
Coverage of scope (m ² GIA)			110,090			
Coverage of scope (%)			79%			
Proportion of estimated data			0%			
Rate of selective collection			100%	100%		
Total waste (tonnes)	G4-EN23	Waste-LfL	493	483	Not applicable	
of which recycled, re-used or composted waste			104	177		
or as a %			21%	37%		
of which incinerated (including with energy recovery)			N/A	N/A		
of which landfill			N/A	N/A		
of which other disposal methods			N/A	N/A		
CHANGE IN TOTAL WASTE PRODUCTION 2016/2015			-2.0%			

2.10.1.2. Hotels and Service sector

The Hotels and Service sector portfolio of Foncière des Régions is made up entirely of single let buildings. The tenants are responsible for the operation and management of energy, water and waste for each asset. As such, Foncière des Régions does not have “operational control” of the assets and is thus exempted from environmental reporting in light of the EPRA recommendations.

Nonetheless, Foncière des Régions is determined to monitor and reduce the environmental footprint of its portfolio and organises reporting with its tenants, who provide their data on waste production, energy and water consumption each year.

The scope of environmental reporting is based on the consolidated financial reporting scope for Foncière des Murs. Any assets excluded from this scope are detailed below. The reporting scope

includes portfolios in operation in France, excluding the assets purchased in advance for future completion. The reporting scope includes the portfolios AccorHotels, B&B Hotels, Courtepaille, Jardiland, Korian and Quick (excluding franchised establishments), accounting for 73% of the total portfolio floor area at 31 December 2016. The following 2016 assets are excluded from the reporting scope: the NH hotels, one Club Med site in Portugal, the SunParks sites, the Motel One and B&B hotels located in Germany, as well as the Accor hotels in Belgium.

TYPE AND NUMBER OF SUSTAINABLY CERTIFIED ASSETS (CERT-TOT)

At 31 December 2016, 26.8% of the reporting scope (in value terms, Group share) had obtained HQE, BREEAM, Planet 21 or Green Globe certification.

ENERGY – DIRECT AND INDIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE AND ENERGY INTENSITY RATIO FOR BUILDINGS IN USE

The reporting scope coverage rate is high (89% for energy), which allows for like-for-like comparison, making the results directly comparable from one year to the next. The figures presented below correspond to Scope 3 emissions as described in the GHG protocol, since none of this consumption is managed or paid for by the owner (“operational control”). All data is based on energy invoices paid by the tenants, giving the volume consumed (kWh).

	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m^2 GIA)			961,520	723,995
Coverage of reporting scope in area (%)			88%	89%
Number of applicable properties			367/424	319/362
Proportion of estimated data			0%	0%
Intensity (kWh/m^2 GIA/year)	CRE1	Energy-Int	238	227
Intensity (kWh/m^2 GIA/year)			457	408
Total direct energy (kWh)	G4-EN3	Fuels-Abs	81,994,795	59,712,644
Natural gas (direct energy)	G4-EN3	Fuels-Abs	74,826,084	54,357,075
Fuel oil (direct energy)	G4-EN3	Fuels-Abs	1,528,027	159,328
Wood (direct energy)	G4-EN3	Fuels-Abs	5,640,684	5,196,240
Total indirect energy (kWh)	G4-EN3	Elec-Abs	146,374,248	104,933,987
Electricity (indirect energy)	G4-EN3	Elec-Abs	134,789,920	96,732,748
Renewable energy production	G4-EN3	Elec-Abs	124,461	143,805
of which solar			124,461	143,805
District heating and cooling (indirect energy)	G4-EN3	DH&C-Abs	11,708,789	8,345,044
Total energy consumption (kWh)			228,369,043	164,646,631
Total energy (GJ)			822,129	592,728
Total energy consumption (kWh)			439,205,304	295,664,682
Estimated consumption for vacant space (kWh)			0	0
Estimated consumption for occupied areas where no data is available (kWh)			62,375,202	36,420,708
Total measured + extrapolated energy consumption (kWh)			501,580,507	332,085,390

Total consumption (Abs)					Like-for-like (LFL)			
		2015	2016		2015	2016		
Number of applicable properties	EPRA BPRs	367/424	319/362		EPRA BPRs	286/354		
Coverage of reporting scope in area (m ² GIA)		961,520	723,995			662,718		
Coverage of reporting scope in area (%)		88%	89%			85%		
Proportion of estimated data		0%	0%			0%		
Managed and paid by the tenant		Change				Change		
Total Electricity (kWh)	Elec-Abs	134,789,920	96,732,748	-28%	Elec-LFL	89,872,707	89,184,185	-1%
of which tenant areas								
of which shared services		134,789,920	96,732,748			89,872,707	89,184,185	
Total District heating and cooling (kWh)	DH&C-Abs	11,708,789	8,345,044	-29%	DH&C-LFL	8,621,574	8,345,044	-3%
of which tenant areas								
of which shared services		11,708,789	8,345,044			8,621,574	8,345,044	
Total Gas-Fuel oil-Wood (kWh)	Fuels-Abs	81,994,795	59,712,644	-27%	Fuels-LFL	52,428,441	52,236,373	-0.4%
of which tenant areas								
of which shared services		81,994,795	59,712,644			52,428,441	52,236,373	
INTENSITY (kWhfe/m ² /year)					227.7	226.0	-0.8%	

CARBON – TOTAL DIRECT AND INDIRECT GHG EMISSIONS AND CARBON INTENSITY RATIO FOR BUILDINGS IN USE

The carbon emissions are calculated according to the provisions of the Decree of 15 September 2006. The reduction in emissions since 2008 is significant in terms of intensity. This improvement is due to a combination of the Group's carbon policy, the acquisition of energy-efficient assets and changes to the energy mix to less carbon-intensive energy products. The coverage of the reporting scope for carbon emissions is also 89%, since it is based on energy invoices. The reporting scope coverage is 85% from one year to another on a like-for-like basis.

GR GI4	EPRA BPRs	2015	2016	Change		2015	2016	Change	
Number of applicable properties		367/424	319/362			286/354			
Coverage of reporting scope in area (m² GIA)		961,520	723,995			662,718			
Coverage of reporting scope in area (%)		88%	89%			85%			
Proportion of estimated data		0%	0%			0%			
Carbon intensity									
(kgCO ₂ e/m²GIA/year)									
CRE3	GHG-Int	33	31	-5%		31	31	-1%	
GHG Protocol						EPRA BPRs			
Scope 1 – Total direct emissions (tCO ₂ e)									
G4-EN15	GHG-Dir-Abs	0	0			GHG-Dir-LfL	0	0	
Scope 2 – Total indirect emissions (tCO ₂ e)									
G4-EN16	GHG-Indir-Abs	0	0			GHG-Indir-LfL	0	0	
Scope 3 – Other emissions (tCO ₂ e)									
	GHG-Indir-Abs	31,588	22,546	-28%		GHG-Indir-LfL	20,437	20,322	-1%
Total emissions (tCO ₂ e/year)		31,588	22,546			20,437	20,322		
CHANGE IN CARBON EMISSIONS 2016/2015		-28.6%				-0.6%			

WATER – TOTAL WATER CONSUMPTION AND WATER INTENSITY FOR BUILDINGS IN USE

The water used in the portfolio comes from a single source: municipal water supplies. Missing consumption figures were not included in the evaluation. On a like-for-like basis, the decline observed between 2015 and 2016 was 5.1%.

Total water consumption (Abs)	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m^2 GIA)			950,777	685,433
Coverage of reporting scope in area (%)			87%	84%
Number of applicable properties			357/424	300/362
Water intensity (m^3/m^2 GIA/year)	CRE2	Water-Int	1.65	1.63
Total water consumption (m^3)	G4-EN8	Water-Abs	1,565,714	1,117,205
Estimated water consumption in vacant space (m^3)			0	0
Estimated consumption in occupied areas for which data is not available (m^3)			242,564	208,215
Total extrapolated water consumption (m^3)			1,808,278	1,325,420
Water consumption – Like-for-like (LfL)				
Number of applicable properties			278/354	
Coverage of reporting scope (m^2 GIA)			638,583	
Coverage of reporting scope in area (%)			82%	
Proportion of estimated data			0%	
Water intensity (m^3/m^2 GIA/year)			1.73	1.64
Like-for-like water consumption (m^3)	G4-EN8	Water-LfL	1,101,803	1,045,692
CHANGE IN WATER INTENSITY 2016/2015				-5.1%

WASTE – TOTAL WEIGHT OF WASTE IN TONNES BY TYPE AND BY DISPOSAL METHOD

In France, the municipalities provide waste removal services. They provide no data with regard to the weight or exact disposal route. Foncière des Régions is looking to identify the proportion of assets with selective waste collection.

Total waste production (Abs)	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m^2 GIA and %)			806,643	515,152
Coverage of scope (%)			73%	63%
Number of applicable properties			252/424	190/362
Proportion of estimated data			0%	0%
Total waste (tonnes)	G4-EN23	Waste-Abs	11,035	14,071
of which recycled, re-used or composted waste	G4-EN23	Waste-Abs	252.1	582.0
or as a %			2%	4%
of which incinerated (including with energy recovery)	G4-EN23	Waste-Abs	NC	NC
of which landfill	G4-EN23	Waste-Abs	NC	NC
of which other disposal methods	G4-EN23	Waste-Abs	NC	NC
Rate of selective collection			100%	100%
Total extrapolated production of waste (tonnes)			0	0
Waste production – Like-for-like (LfL)				
Number of applicable properties			176/354	
Coverage of scope (m^2 GIA)			470,940	
Coverage of scope (%)			57%	
Proportion of estimated data			0%	
Rate of selective collection			98%	100%
Total waste (tonnes)	G4-EN23	Waste-LfL	9,583	9,472
of which recycled, re-used or composted waste			207	582
or as a %			2%	6%
CHANGE IN TOTAL WASTE PRODUCTION 2016/2015				-1.2%

2.10.1.3. Germany Residential

In 2014, the Group decided to monitor energy consumption and waste production for a representative sample of the residential portfolio owned by Immeo SE. This sample was updated and supplemented in 2016 by CSTB to take into account changes in the portfolio. It now includes 156 assets accounting for 3% of the portfolio assets (in number). The coverage rate is based on this sample, which used the following representative criteria:

- ♦ twelve geographic areas: Berlin, Duisburg, Essen, Oberhausen, Müllheim, Dresden, Hamburg, Datteln, Dinslaken, Eckenforde, Leipzig, Düsseldorf and other
- ♦ four construction periods: before 1945, 1945-1974, 1974-2000, after 2000
- ♦ two types of heat generation: urban heating systems, district heating furnaces.

Section 2.5.2 describes this approach. All reported consumption relates to the “operational control” scope.

TYPE AND NUMBER OF SUSTAINABLY CERTIFIED ASSETS (CERT-TOT)

The residential assets in Germany were purchased in operation and without certifications.

ENERGY – DIRECT AND INDIRECT ENERGY CONSUMPTION BY PRIMARY ENERGY SOURCE AND ENERGY INTENSITY RATIO FOR BUILDINGS IN USE (“OPERATIONAL CONTROL” SCOPE)

The data relates to the owner scope and is based on invoices with no estimates.

Tenants do not provide data relating to tenant areas.

The results are presented with climate adjustment (see section 2.5.2.1).

	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m^2 Nutz)			135,233	136,112
Coverage of reporting scope in area (%)			93%	94%
Number of applicable properties			141/156	143/156
Proportion of estimated data			0%	0%
Intensity (kWh_{fe}/m^2Nutz/year)	CRE1	Energy-Int	218	215
Intensity (kWh_{pe}/m^2Nutz/year)			234	231
Total direct energy (kWh_{fe})	G4-EN3	Fuels-Abs	9,774,724	9,572,683
Natural gas (direct energy)	G4-EN3	Fuels-Abs	9,774,724	9,572,683
Fuel oil (direct energy)	G4-EN3	Fuels-Abs	0	0
Wood (direct energy)	G4-EN3	Fuels-Abs	0	0
Total indirect energy (kWh_{fe})	G4-EN3	Elec-Abs	19,712,053	19,641,234
Electricity (indirect energy)	G4-EN3	Elec-Abs	293,506	283,047
Renewable energy production	G4-EN3	Elec-Abs	61,078	59,417
of which solar			61,078	59,417
District heating and cooling (indirect energy)	G4-EN3	DH&C-Abs	19,479,625	19,417,604
Total energy consumption (kWh_{fe})			29,486,777	29,213,918
Total energy (GJ)			106,152	105,170
Total energy consumption (kWh_{pe})			31,681,496	31,381,516
Estimated consumption for vacant space (kWh_{pe})			0	0
Estimated consumption for occupied areas where no data is available (kWh_{pe})			2,351,512	2,111,521
Total measured + extrapolated energy consumption (kWh_{pe})			34,033,009	33,493,037

Within the reporting sample, a large portion of the consumption relates to district heating usage (> 50%). There was a 1.9% decrease in energy intensity on a like-for-like basis from 2015 to 2016.

Total consumption (Abs)					Like-for-like (LfL)			
		2015	2016		2015	2016		
Number of applicable properties	EPRA BPRs	141/156	143/156		EPRA BPRs	141/156		
Coverage of reporting scope in area (<i>m² Nutz</i>)		135,233	136,112			135,233		
Coverage of reporting scope in area (%)		93%	94%			93%		
Proportion of estimated data		0%	0%			0%		
Paid by the owner		Change			Change			
Total Electricity (<i>kWh</i>)	Elec-Abs	293,506	283,047	-4%	Elec-LfL	293,506	282,275	-4%
of which tenant areas		0	0			0	0	
of which shared services		293,506	283,047	-4%		293,506	282,275	-4%
Total District heating and cooling (<i>kWh</i>)	DH&C-Abs	19,479,625	19,417,604	0%	DH&C-LfL	19,479,625	19,132,632	-2%
of which tenant areas		0	0			0	0	
of which shared services		19,479,625	19,417,604	0%		19,479,625	19,132,632	-2%
Total Gas-Fuel oil-Wood (<i>kWh</i>)	Fuels-Abs	9,774,724	9,572,683	-2%	Fuels-LfL	9,774,724	9,572,683	-2%
of which tenant areas		0	0			0	0	
of which shared services		9,774,724	9,572,683	-2%		9,774,724	9,572,683	-2%
INTENSITY (<i>kWhfe/m²Nutz/year</i>)						218	214	-1.9%

CARBON – TOTAL DIRECT AND INDIRECT GHG EMISSIONS AND CARBON INTENSITY RATIO FOR BUILDINGS IN USE (“OPERATIONAL CONTROL” SCOPE)

The carbon emissions are calculated by CSTB using energy bills (see section 2.6.2.2).

District heating has a lower carbon impact than that of other energy sources. Emissions decreased by 2% over the period on a like-for-like basis, in line with the decrease in consumption reported previously.

Total emissions (Abs)						Emissions like-for-like (LFL)			
Total carbon emission (Abs)	GRI G4	EPRA BPRs	2015	2016	Change	2015	2016	Change	
Number of applicable properties			141/156	143/156		141/156			
Coverage of reporting scope in area (<i>m² Nutz</i>)			135,233	136,112		135,233			
Coverage of reporting scope in area (%)			93%	94%		93%			
Proportion of estimated data			0%	0%		0%			
Carbon intensity (<i>kgCO₂e/m² Nutz/year</i>)	CRE3	GHG-Int	35.4	34.7	-2%	35.4	34.7	-2.0%	
GHG Protocol						EPRA BPRs			
Scope 1 – Total direct emissions (<i>tCO₂e</i>)	G4-EN15	GHG-Dir-Abs	2,287	2,240	-2%	GHG-Dir-LFL	2,287	2,240	-2%
Scope 2 – Total indirect emissions (<i>tCO₂e</i>)	G4-EN16	GHG-Indir-Abs	2,504	2,490	-1%	GHG-Indir-LFL	2,504	2,455	-2%
Scope 3 – Other emissions (<i>tCO₂e</i>)		GHG-Indir-Abs	0	0		GHG-Indir-LFL	0	0	
Total emissions (<i>tCO₂e/year</i>)			4,791	4,730		4,791	4,695		
CHANGE IN CARBON EMISSIONS 2016/2015			-1.3%			-2.0%			

WATER – TOTAL WATER CONSUMPTION AND WATER INTENSITY FOR BUILDINGS IN USE ("OPERATIONAL CONTROL" SCOPE)

The water used in the portfolio comes from a single source: municipal water supplies.

Like energy usage, water usage is linked to the practices of tenants and can vary depending on daily routines, but also on the presence or absence of green spaces. Consumption in cubic metres per square metre remained relatively stable between 2015 and 2016, although there was a slight decline of 1.3%.

Total water consumption (Abs)	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m^2 Nutz)			141,439	141,439
Coverage of reporting scope in area (%)			97%	97%
Number of applicable properties			151/156	151/156
Water intensity (m^3/m^2Nutz/year)	CRE2	Water-Int	1.33	1.31
Total water consumption (m^3)	G4-EN8	Water-Abs	188,101	185,740
Estimated water consumption in vacant space (m^3)			0	0
Estimated consumption in occupied areas for which data is not available (m^3)			5,096	5,032
Total extrapolated water consumption (m^3)			193,197	190,772
Water consumption – Like-for-like (LfL)				
Number of applicable properties			151/156	
Coverage of reporting scope (m^2 Nutz)			141,439	
Coverage of reporting scope in area (%)			97%	
Proportion of estimated data			0%	
Water intensity (m^3/m^2Nutz/year)			1.33	1.31
Like-for-like water consumption (m^3)	G4-EN8	Water-LfL	188,101	185,740
CHANGE IN WATER INTENSITY 2016/2015			-1.3%	

WASTE – TOTAL WEIGHT OF WASTE IN TONNES BY TYPE AND BY DISPOSAL METHOD ("OPERATIONAL CONTROL" SCOPE)

The waste data is estimated in volume (litres) and converted to m^3 in the table below.

Selective collection is in operation for all of the assets in the reporting sample.

Waste data is reported in volume (litres), based on estimates made by governmental bodies, and converted to cubic metres in the table below. In France, local authorities do not monitor the tonnages of waste collected. However, selective collection is in operation for all of the assets in the reporting sample.

Total waste production (Abs)	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m^2 Nutz)			144,279	144,279
Coverage of scope (%)			99%	99%
Number of applicable properties			154/156	154/156
Proportion of estimated data			0%	0%
Total waste (m^3)	G4-EN23	Waste-Abs	16,477	16,477
of which recycled, re-used or composted waste	G4-EN23	Waste-Abs	N/A	N/A
or as a %			N/A	N/A
of which incinerated (including with energy recovery)	G4-EN23	Waste-Abs	N/A	N/A
of which landfill	G4-EN23	Waste-Abs	N/A	N/A
of which other disposal methods	G4-EN23	Waste-Abs	N/A	N/A
Rate of selective collection			100%	100%
Total extrapolated production of waste (tonnes)			16,590	16,590
Production of waste – Like-for-like (LfL)				
Number of applicable properties			154/156	
Coverage of scope (m^2 Nutz)			144,279	
Coverage of scope (%)			99%	
Proportion of estimated data			0%	
Rate of selective collection			100%	100%
Total waste (m^3)	G4-EN23	Waste-LfL	16,477	16,477
of which recycled, re-used or composted waste			N/A	N/A
or as a %			N/A	N/A
of which incinerated (including with energy recovery)			N/A	N/A
of which landfill			N/A	N/A
of which other disposal methods			N/A	N/A
CHANGE IN TOTAL WASTE PRODUCTION 2016/2015			0.0%	

2.10.1.4. Headquarters buildings

TYPE AND NUMBER OF SUSTAINABLY CERTIFIED ASSETS (CERT-TOT): 100%

The three buildings occupied in France by Foncière des Régions' teams are certified: HQE for Divo in Metz and BREEAM In-Use for the 10 and 30 Kléber assets in Paris, bringing the number of certified corporate assets to 100%.

ENERGY – DIRECT AND INDIRECT ENERGY CONSUMPTION BY SOURCE AND ENERGY INTENSITY RATIO FOR “CORPORATE” BUILDINGS IN USE BY FONCIÈRE DES RÉGIONS TEAMS (“OPERATIONAL CONTROL” SCOPE)

The consumption data is based on actual invoices obtained from the property management company or energy supply companies. No estimates were made. The results are presented with climate adjustment and show stability, with a like-for-like reduction of 1% in consumption between 2015 and 2016.

Total energy consumption (Abs)	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m ² GIA)			7,196	7,196
Coverage of reporting scope in area (%)			100%	100%
Number of applicable properties			3/3	3/3
Proportion of estimated data			0%	0%
Intensity (kWhfe/m ² GIA/year)	CRE1	Energy-Int	222	219
Intensity (kWhpe/m ² GIA/year)			418	431
Total direct energy (kWhfe)	G4-EN3	Fuels-Abs	394,501	280,262
Natural gas (direct energy)	G4-EN3	Fuels-Abs	394,501	280,262
Fuel oil (direct energy)	G4-EN3	Fuels-Abs	0	0
Wood (direct energy)	G4-EN3	Fuels-Abs	0	0
Total indirect energy (kWhfe)	G4-EN3	Elec-Abs	1,204,396	1,294,818
Electricity (indirect energy)	G4-EN3	Elec-Abs	893,592	965,337
Renewable energy production	G4-EN3	Elec-Abs	0	0
District heating and cooling (indirect energy)	G4-EN3	DH&C-Abs	310,804	329,481
Total energy consumption (kWhfe)			1,598,898	1,575,079
Total energy (GJ)			5,756	5,670
Total energy consumption (kWhpe)			3,010,774	3,100,312
Estimated consumption for vacant space (kWhpe)			0	0
Estimated consumption for occupied areas where no data is available (kWhpe)			0	0
Total measured + extrapolated energy consumption (kWhpe)			3,010,774	3,100,312

Total consumption (Abs)					Like-for-like (LFL)			
		2015	2016	Change		2015	2016	Change
Number of applicable properties	EPRA BPRs	3/3	3/3		EPRA BPRs	3/3		
Coverage of reporting scope in area (m² GIA)		7,196	7,196			7,196		
Coverage of reporting scope in area (%)		100%	100%			100%		
Proportion of estimated data		0%	0%			0%		
Paid by the owner								
Total Electricity (kWh)	Elec-Abs	893,592	965,337	8%	Elec-LFL	893,592	965,337	8%
of which tenant areas		0	0			0	0	
of which shared services		893,592	965,337	8%		893,592	965,337	8%
Total District heating and cooling (kWh)	DH&C-Abs	310,804	329,481	6%	DH&C-LFL	310,804	329,481	6%
of which tenant areas		0	0			0	0	
of which shared services		310,804	329,481	6%		310,804	329,481	6%
Total Gas-fuel oil-wood (kWh)	Fuels-Abs	394,501	280,262	-29%	Fuels-LFL	394,501	280,262	-29%
of which tenant areas		0	0			0	0	
of which shared services		394,501	280,262	-29%		394,501	280,262	-29%
INTENSITY (kWhfe/m²/year)						222	219	-1%

CARBON – TOTAL DIRECT AND INDIRECT GHG EMISSIONS AND CARBON INTENSITY RATIO FOR “CORPORATE” BUILDINGS (“OPERATIONAL CONTROL” SCOPE)

Although energy consumption remained stable overall between 2015 and 2016, the energy mix shifted, with a drop in natural gas consumption and a rise in electricity consumption, resulting in a 7.6% decline in carbon emissions.

Total emissions (Abs)						Emissions like-for-like (LfL)			
	GRI G4	EPRA BPRs	2015	2016	Change		2015	2016	Change
Number of applicable properties			3/3	3/3		3/3			
Coverage of reporting scope in area (<i>m² GIA</i>)			7,196	7,196		7,196			
Coverage of reporting scope in area (%)			100%	100%		100%			
Proportion of estimated data			0%	0%		0%			
Carbon intensity (<i>kgco₂e/m²GIA/year</i>)	CRE3	GHG-Int	31	29	-8%		31	29	-7.6%
GHG Protocol						EPRA BPRs			
Scope 1 – Total direct emissions (<i>tCO₂e</i>)	G4-EN15	GHG-Dir-Abs	92	66	-29%	GHG-Dir-LfL	92	66	-29%
Scope 2 – Total indirect emissions (<i>tCO₂e</i>)	G4-EN16	GHG-Indir-Abs	134	144	7%	GHG-Indir-LfL	134	144	7%
Scope 3 – Other emissions (<i>tCO₂e</i>)		GHG-Indir-Abs	0	0		GHG-Indir-LfL	0	0	
Total emissions (<i>tCO₂e/year</i>)			226	209		226			209
CHANGE IN CARBON EMISSIONS 2016/2015			-7.6%			-7.6%			

**WATER – TOTAL WATER CONSUMPTION AND WATER INTENSITY FOR “CORPORATE” BUILDINGS
 (“OPERATIONAL CONTROL” SCOPE)**

The water used in the portfolio comes from a single source: municipal water supplies.

In 2016, water consumption was collected for the three Foncière des Régions locations, with a 5% drop in the ratio, from 0.26 m³/m²GIA/year to 0.25 m³/m²GIA/year. The water supply companies do not always bill based on the meter reading and regularly use consumption estimates, which could have an impact on the monitoring of them.

Total water consumption (Abs)	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m ² GIA)			7,196	7,196
Coverage of reporting scope in area (%)			100%	100%
Number of applicable properties			3/3	3/3
Water intensity (m³/m²GIA/year)	CRE2	WATER-INT	0.26	0.25
Total water consumption (m³)	G4-EN8	Water-Abs	1,898	1,795
Estimated water consumption in vacant space (m ³)			0	0
Estimated consumption in occupied areas for which data is not available (m ³)			0	0
Total extrapolated water consumption (m ³)			1,898	1,795
Water consumption – Like-for-like (LFL)				
Number of applicable properties			3/3	
Coverage of reporting scope (m ² GIA)			7,196	
Coverage of reporting scope in area (%)			100%	
Proportion of estimated data			0%	
Water intensity (m³/m²GIA/year)			0.26	0.25
Like-for-like water consumption (m ³)	G4-EN8	Water-LFL	1,898	1,795
CHANGE IN WATER INTENSITY 2016/2015			-5%	

WASTE – TOTAL WEIGHT OF WASTE IN TONNES BY TYPE AND BY DISPOSAL METHOD FOR “CORPORATE” BUILDINGS (“OPERATIONAL CONTROL” SCOPE)

The tonnage of waste produced by the three assets is monitored monthly, as well as the total paper and cardboard (100% recycled). The volumes recorded in 2016 dropped significantly (down 54%), mainly as a result of the implementation of individual tenant monitoring at the Le Divo asset, a multi-let building.

Total waste production (Abs)	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (<i>m² GIA</i>)			7,196	7,196
Coverage of scope (%)			100%	100%
Number of applicable properties			3/3	3/3
Proportion of estimated data			0%	0%
Total waste (tonnes)	G4-EN23	Waste-Abs	126	58
of which recycled, re-used or composted waste	G4-EN23	Waste-Abs	53	41
or as a %			42%	72%
of which incinerated (including with energy recovery)	G4-EN23	Waste-Abs	N/A	N/A
of which landfill	G4-EN23	Waste-Abs	N/A	N/A
of which other disposal methods	G4-EN23	Waste-Abs	N/A	N/A
Rate of selective collection			100%	100%
Total extrapolated production of waste (tonnes)			0	0
Production of waste – Like-for-like (LfL)				
Number of applicable properties			3/3	
Coverage of scope (<i>m² GIA</i>)			7,196	
Coverage of scope (%)			100%	
Proportion of estimated data			0%	
Rate of selective collection			100%	100%
Total waste (tonnes)	G4-EN23	Waste-LfL	126	58
of which recycled, re-used or composted waste			53	41
or as a %			42%	72%
of which incinerated (including with energy recovery)			N/A	N/A
of which landfill			N/A	N/A
of which other disposal methods			N/A	N/A
CHANGE IN TOTAL WASTE PRODUCTION 2016/2015			-54.0%	

2.10.1.5. Beni Stabili

The data presented cover consumption related to the common parts areas of the assets. Data is not available for the private energy consumption at these buildings, for which tenants are individually responsible.

Since 2016, a climate adjustment has been applied for the Beni Stabili portfolio. As is the case for the assets already subject to this type of adjustment, the methodology used was developed and validated by CSTB.

TYPE AND NUMBER OF SUSTAINABLY CERTIFIED ASSETS (CERT-TOT)

As of 31 December 2016, the percentage of “green” assets in Beni Stabili’s portfolio is 31.9%.

The rate of building certification for the EPRA Cert-Tot indicator is detailed in the Beni Stabili sustainable development report.

ENERGY – DIRECT AND INDIRECT ENERGY CONSUMPTION BY SOURCE AND ENERGY INTENSITY RATIO FOR BUILDINGS IN USE (“OPERATIONAL CONTROL” SCOPE)

Consumption data is based on actual invoices obtained from the property management company or energy supply companies. The results are presented with climate adjustment.

Total energy consumption (Abs)	GRI G4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m^2 GLA)			137,836	173,554
Coverage of reporting scope in area (%)			86%	96%
Number of applicable properties			15/17	18/19
Proportion of estimated data			0%	0%
Intensity ($kWhfe/m^2$ GLA/year)	CRE1	Energy-Int	123	106
Intensity ($kWhpe/m^2$ GLA/year)			196	173
Total direct energy ($kWhfe$)	G4-EN3	Fuels-Abs	8,295,452	8,393,276
Natural gas (direct energy)	G4-EN3	Fuels-Abs	7,752,575	8,393,276
Fuel oil (direct energy)	G4-EN3	Fuels-Abs	542,877	0
Wood (direct energy)	G4-EN3	Fuels-Abs	0	0
Total indirect energy ($kWhfe$)	G4-EN3	Elec-Abs	8,614,935	9,942,592
Electricity (indirect energy)	G4-EN3	Elec-Abs	8,614,935	9,942,592
Renewable energy production	G4-EN3	Elec-Abs	0	0
District heating and cooling (indirect energy)	G4-EN3	DH&C-Abs	0	0
Total energy consumption ($kWhfe$)			16,910,386	18,335,868
Total energy (GJ)			60,877	66,009
Total energy consumption ($kWhpe$)			27,076,010	30,068,127
Estimated consumption for vacant space ($kWhpe$)			0	0
Estimated consumption for occupied areas where no data is available ($kWhpe$)			4,355,582	1,239,948
Total measured + extrapolated energy consumption ($kWhpe$)			31,431,592	31,308,074

There was a 1.2% decrease in intensity per square metre on a like-for-like basis from 2015 to 2016, despite the 4% increase in natural gas consumption. This reduction was made possible by the 6% decline in electricity consumption as part of the total energy footprint.

Total consumption (Abs) “Operational control” scope					Like-for-like (LFL) “Operational control” scope			
2015					2016			
Number of applicable properties	EPRA BPRs	15/17	18/19		EPRA BPRs	14/17		
Coverage of reporting scope in area (<i>m² GLA</i>)		137,836	173,554			130,679		
Coverage of reporting scope in area (%)		86%	96%			82%		
Proportion of estimated data		0%	0%			0%		
Paid by the owner					Change			
Total Electricity (<i>kWh</i>)	Elec-Abs	8,614,935	9,942,592	15%	Elec-LFL	8,268,523	7,780,564	-5.9%
of which tenant areas		0	0	0%		0	0	0%
of which shared services		8,614,935	9,942,592	0%		8,268,523	7,780,564	0%
Total District heating and cooling (<i>kWh</i>)	DH&C-Abs	0	0	0%	DH&C-LFL	0	0	0%
of which tenant areas		0	0	0%		0	0	0%
of which shared services		0	0	0%		0	0	0%
Total Gas-Fuel oil-Wood (<i>kWh</i>)	Fuels-Abs	8,295,452	8,393,276	1%	Fuels-LFL	7,918,613	8,219,352	3.8%
of which tenant areas		0	0	0%		0	0	0%
of which shared services		8,295,452	8,393,276	0%		7,918,613	8,219,352	0%
INTENSITY (<i>kWhfe/m²/year</i>)						124	122	-1.2%

CARBON – TOTAL GHG EMISSIONS AND CARBON INTENSITY RATIO FOR FULLY OWNED ASSETS ("OPERATIONAL CONTROL" SCOPE)

Like-for-like carbon emissions, calculated on the basis of energy invoices, decreased by 3.2%, directly correlated with the decrease in indirect emissions.

Total emissions (Abs)						Emissions like-for-like (LfL)			
	GRI G4	EPRA BPRs	2015	2016	Change		2015	2016	Change
Number of applicable properties			15/17	18/19		14/17			
Coverage of reporting scope in area (<i>m² GLA</i>)			137,836	173,554		130,679			
Coverage of reporting scope in area (%)			86%	96%		82%			
Proportion of estimated data			0%	0%		0%			
Carbon intensity (<i>kgCO₂e/m² GLA/year</i>)	CRE3	GHG-Int	41	36	-13%		42	41	-3.2%
<i>GHG Protocol</i>						EPRA BPRs			
Scope 1 – Total direct emissions (<i>tCO₂e</i>)	G4-EN15	GHG-Dir-Abs	1,977	1,964	-1%	GHG-Dir-LfL	1,889	1,923	2%
Scope 2 – Total indirect emissions (<i>tCO₂e</i>)	G4-EN16	GHG-Indir-Abs	3,732	4,307	15%	GHG-Indir-LfL	3,582	3,371	-6%
Scope 3 – Other emissions (<i>tCO₂e</i>)		GHG-Indir-Abs	0	0		GHG-Indir-LfL	0	0	
Total emissions (<i>tCO₂e/year</i>)			5,709	6,271		5,471			5,294
CHANGE IN CARBON EMISSIONS 2016/2015			9.8%			-3.2%			

**WATER – TOTAL WATER CONSUMPTION AND WATER INTENSITY RATIO FOR FULLY OWNED BUILDINGS
("OPERATIONAL CONTROL" SCOPE)**

Water used in the portfolio comes from a single source: municipal water supplies. Consumption decreased by 4.2% on a like-for-like basis between 2015 and 2016, falling from 0.93 to 0.89 m³/m²GLA/year.

Total water consumption (Abs)	GRI4	EPRA BPRs	2015	2016
Coverage of reporting scope in area (m ² GLA)			137,103	149,742
Coverage of reporting scope in area (%)			86%	83%
Number of applicable properties			13/17	16/19
Water intensity (m³/m²GLA/year)	CRE2	WATER-Int	0.93	1.06
Total water consumption (m³)	G4-EN8	Water-Abs	127,051	159,256
Estimated water consumption in vacant space (m ³)			0	0
Estimated consumption in occupied areas for which data is not available (m ³)			0%	0%
Total extrapolated water consumption (m ³)			0	0
Water consumption – Like-for-like (LFL)				
Number of applicable properties			12/17	
Coverage of reporting scope (m ² GLA)			130,703	
Coverage of reporting scope in area (%)			82%	
Proportion of estimated data			0%	
Water intensity (m³/m²GLA/year)			0.93	0.89
Like-for-like water consumption (m ³)	G4-EN8	Water-LfL	121,308	116,178
CHANGE IN WATER INTENSITY 2016/2015			-4.2%	

WASTE – TOTAL WEIGHT OF WASTE IN TONNES BY TYPE AND BY DISPOSAL METHOD

60% of the assets under full management (operational control) participated in selective collection to recycle waste.

2.10.2. Social indicators

2.11.2.1. ESU Foncière des Régions

			2014	2015	2016
	G4 Protocol	Numbers of employees	277	269	268
Total workforce by type of employment contract broken down by gender		Open-ended contract	92.1%	93.7%	91.8%
		Men	45%	44%	47%
		Women	55%	56%	53%
		Fixed-term contracts	1.8%	1.1%	3.0%
		Men	20%	33%	13%
		Women	80%	67%	88%
		CAP	6.1%	5.2%	5.2%
		Men	18%	14%	29%
		Women	82%	86%	71%
Total workforce by type of job broken down by gender		Full-time	90%	89%	91%
		Men	47%	47%	48%
		Women	53%	53%	52%
		Part-time	10%	11%	8%
		Men	10%	10%	14%
		Women	90%	90%	86%
Distribution of workforce by geographic area and broken down by gender	G4-10	Paris	71%	72%	71%
		Men	44%	43%	46%
		Women	56%	57%	54%
		Metz	23%	23%	24%
		Men	43%	44%	44%
		Women	57%	56%	56%
		Regional offices	5%	5%	5%
		Men	40%	36%	36%
		Women	60%	64%	64%
Breakdown of workforce by professional category		Managers	73%	75%	76%
		Men	51%	49%	51%
		Women	49%	51%	50%
		Supervisors	16%	14%	16%
		Men	23%	26%	26%
		Women	77%	74%	74%
		Employees	9%	8%	8%
		Men	20%	18%	27%
		Women	80%	82%	73%
		Building caretakers	3%	2%	0%
		Men	25%	17%	0%
		Women	75%	83%	0%

			2014	2015	2016
Breakdown of workforce by gender	G4-LA12	Men	43%	43%	45%
		Women	57%	57%	55%
Breakdown of managerial staff		Men managers	58%	58%	56%
		Women managers	42%	42%	44%
Composition of the governance bodies (committee or board in charge of strategic leadership, control, management)		Men in governance bodies	see section 2.9.2.3		
		Women in governance bodies			
Breakdown of workforce by age group		< 30 years old	19%	16%	16%
		30-50 years old	58%	62%	62%
		> 50 years old	23%	22%	22%
Employee turnover M/W	G4-LA1	Total open-ended contract departures	36	17	19
		Rate of open-ended contract departure turnover	8.5%	6.7%	7.5%⁽¹⁾
		Men	5.5%	2.7%	3.6%
		Women	7.8%	3.9%	4%
Turnover by age group		< 30 years old	2%	2%	1.6%
		30-50 years old	7%	2.4%	4%
		> 50 years old	4%	2.4%	2%
Turnover by geographic area		Paris	9%	5%	7%
		Metz	1%	2%	4%
		Regional offices	3%	0%	0%
Turnover rate for less than 2 years		Rate of open-ended contract departure turnover after less than two years	17.6%	3.0%	8.8%
Level of incoming staff by contract type		Total entries (first contract for staff position excluding replacement caretaker staff)	57	34	53
		Total recruitment under open-ended contracts	21	15	20
		Of which conversion to open-ended contract	6	1	3
		Of which Youth Policy (summer jobs or apprentices)	26	17	24
		Of which medium fixed-term and temporary replacement contracts	10	6	12
Average number of hours of training per employee by gender and professional category	G4-LA9	Per employee	20	22.4	23.9
		Per man	23	23.9	23
		Per woman	18	21.2	25
		Per manager	21	24	24
		Per supervisor	20	21	24
		Per employee	10	8	21
Percentage of employees receiving regular performance and career development reviews, by gender and professional category	G4-LA11	TOTAL	98%	98%	99%
		Per man	44%	43%	44%
		Per woman	55%	55%	55%

			2014	2015	2016
Rate of absenteeism by geographic area and by gender	G4-LA6	TOTAL	2.6%	4.1%	3.9% ⁽²⁾
		Men	1.9%	3.6%	3.7%
		Women	3.2%	4.5%	3.9%
		Paris	2.1%	3.7%	3%
		Metz	2.5%	2%	6.2%
		Regional offices	10.2%	19.8%	5.1%
Work accident rate by geographic area and by gender		TOTAL	0.72%	1.57%	1.20%
		SEVERITY RATE	0.05	0.45	0.05
		FREQUENCY RATE	2.36	9.80	7.58
		Men	0.4%	0.52%	0.80%
		Women	0.4%	1.05%	0.40%
		Paris	0.7%	1.57%	1.20%
		Metz	0%	0%	0%
		Regional offices	0%	0%	0%
Occupational illness rate by geographic area and by gender		TOTAL	0%	0%	0%
		Men	0%	0%	0%
		Women	0%	0%	0%
		Paris	0%	0%	0%
		Metz	0%	0%	0%
		Regional offices	0%	0%	0%
Percentage of all employees covered by collective bargaining agreements	G4-11		100%	100%	100%
Ratio between base salary and remuneration for women compared with the ratio for men, by professional category and for each main operating site	G4-LA13	Base salary for men (average) (excluding vocational training certificate contracts [CAP] and suspension)	64,727	67,711	68,517
		Base salary for women (average) (excluding vocational training certificate contracts [CAP] and suspension)	47,517	49,951	50,897
		M/W ratio (excluding vocational training certificate contracts and suspension of contract)	0.73	0.74	0.74
		Base salary, men, managers	69,204	72,250	73,071
		Base salary, women, managers	55,525	57,533	58,896
		M/W ratio, managers	0.80	0.80	0.81
		Average base salary, men, supervisors	33,848	34,645	33,929
		Average base salary, women, supervisors	31,971	32,520	31,078
		M/W ratio, supervisors	0.94	0.94	0.92
		Base salary, men, office staff	26,064	26,396	24,241
		Base salary, women, office staff	24,635	24,645	18,657
		M/W ratio, office staff	0.95	0.93	0.77
		Average base salary, men, building caretakers	29,495	27,212	N/A
		Average base salary, women, building caretakers	25,097	24,773	N/A
		M/W ratio, building caretakers	0.85	0.91	N/A

			2014	2015	2016
Return to work and retention rates after parental leave, by gender	G4-LA3	Number of employees with right to parental leave (with children younger than three years)	17%	20%	18%
		Women	9%	12%	9%
		Men	7%	8%	9%
		Employees who took parental leave (part-time or full-time)	44%	15%	9%
		Women	55%	100%	75%
		Men	29%	0%	25%
		Employees who have returned to work at the Company after parental leave (for full-time departures only)	100%	100%	N/A
		Women	100%	N/A	N/A
		Men	100%	100%	N/A
		Employees who have returned to work for the Company after parental leave (for full-time departures only) and are still employed 12 months later	N/A	100%	100%
		Women	N/A	100%	100%
		Men	N/A	100%	N/A
Percentage of total workforce represented in mixed Management-employee committees for Health and Safety at work monitoring and submitting opinions on the Health and Safety at Work (HSW) programme	G4-LA5		100%	100%	100%
Percentage of employees having received training	FDR indicator		95%	97%	70%
% of payroll dedicated to training	FDR indicator		3.48%	4.34%	3.65%
Internal mobility	FDR indicator		14	7	17
Loans to personnel (percentage of employees who took out loans compared to total staff)	FDR indicator		3%	1.1%	0.4%
Works Council subsidies (percentage of payroll)	FDR indicator		2%	2%	2%

(1) Restated for six departures by caretakers in 2016.

(2) Restated for two long absences in 2016: 3%.

2.10.2.2. Immeo SE

As Immeo SE is not a member of the Foncière des Régions economic and social unit (ESU), it has its own human resources policy. This policy is partly focused on supporting the geographic development of the portfolio. Indeed, some assets from the historical portfolio based in North Rhine-Westphalia have been sold over recent years, while numerous acquisitions have been made in Berlin, Dresden, Leipzig and Hamburg. A rebalancing of the workforce has been taking place, with the creation of sales agencies in these new locations, and fewer new hires at the Oberhausen headquarters.

G4-10 AND G4-LA12: TOTAL WORKFORCE BY TYPE OF EMPLOYMENT CONTRACT, BY PROFESSIONAL CATEGORY AND TYPE OF JOB, AND BREAKDOWN OF WORKFORCE BY GENDER AND AGE GROUP

At the end of 2016, most of Immeo SE's 400 employees were based at Oberhausen. The total headcount remained practically stable year on year, with a larger proportion of open-ended contracts in 2016, reaching 79% at 31 December.

			2014	2015	2016
	GRI G4	Numbers of employees	388	409	400
Total workforce by type of employment contract broken down by gender	G4-10	Open-ended contract	74%	77%	79%
		Men	57%	56%	56%
		Women	43%	44%	44%
		Fixed-term contracts	23%	21%	19%
		Men	40%	33%	29%
		Women	60%	67%	71%
		CAP	2%	2%	2%
		Men	10%	30%	33%
		Women	90%	70%	67%
Total workforce by type of job broken down by gender		Full-time	90%	86%	85%
		Men	59%	57%	58%
		Women	41%	43%	42%
		Part-time	10%	12%	15%
		Men	20%	6%	8%
		Women	80%	94%	92%
Total workforce by professional category divided by gender		Managers	41%	42%	44%
		Men	66%	63%	63%
		Women	34%	37%	37%
		Supervisors	37%	39%	42%
		Men	35%	36%	34%
		Women	65%	64%	66%
		Employees	11%	9%	6%
		Men	22%	14%	21%
		Women	78%	86%	79%
		Building caretakers	11%	10%	8%
		Men	92%	88%	91%
		Women	8%	12%	9%
Breakdown of workforce by gender	G4-LA12	Men	52%	50.6%	50.5%
Women		48%	49.4%	49.5%	
Breakdown of workforce by age group		Age < 30	12%	13.7%	10.5%
		30-50 years old	56%	54.0%	53.8%
		Age > 50	32%	32.3%	35.8%

G4-LA1: EMPLOYEE TURNOVER BY GENDER AND AGE GROUP, AND LEVEL OF INCOMING STAFF

In 2015, extra staff were hired for the local agencies opened following the acquisitions made. In 2016, new hires remained at a high level, with forty-five recruitments, *versus* fifty-one the previous year. At the same time, the number of employees at the Oberhausen headquarters changed in line with the geographic relocation of the portfolio, and was affected by several factors; in particular a slightly higher number of retirements this year (+4) and the non-renewal of certain fixed-term contracts. Moreover,

the co-ownership management business based in Oberhausen was sold in November 2016. The jobs of this entity's seven employees were preserved, as they joined the buyer's workforce. A total of fifty-four employees left the Company in 2016. The work done by Immeo's Human Resources Department in support of its expansion also involves the implementation of internal transfers. In 2016, forty employees (10% of the workforce) benefited from such transfers.

		2014	2015	2016	
Employee turnover	G4-LA1	Total departures	36	30	45
		Total open-ended contract departures	15	15	26
		Open-ended contract turnover rate	5.4%	5%	8%
		Men	1.1%	3%	4%
		Women	4.3%	2%	4%
Turnover by age group		Age < 30	0%	0%	1%
		30-50 years old	2.2%	2%	3%
		Age > 50	3.2%	3%	4%
Level of incoming staff by gender and age groups		Total incoming staff	48	51	45
		Total incoming staff with open-ended contracts	7	15	14
		Recruitment rate, open-ended contracts	2.5%	5%	4%
		Men	2.5%	2%	3%
		Women	0%	3%	1%
		Age < 30	0%	4%	1%
		30-50 years old	1.4%	7%	2%
		Age > 50	1.1%	2%	1%

G4-LA6: ABSENTEEISM RATE, WORKPLACE ACCIDENT RATE AND OCCUPATIONAL ILLNESS RATE, BY GENDER

The increase in the absenteeism rate observed in 2016 was mainly due to an exceptional flu epidemic.

No cases of occupational illness were reported. There were four workplace accidents in 2016, compared with⁽¹⁾ ten in 2015.

			2014	2015	2016
Rate of absenteeism by gender	G4-LA6	Total	1.6%	1.4%	4.1%
		Men	0.7%	0.6%	1.9%
		Women	0.9%	0.8%	2.2%

(1) Under German law, in order for an incident to be considered a workplace accident, it must result in more than three consecutive lost days.

G4-LA9: AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE BY GENDER AND PROFESSIONAL CATEGORY

In 2016, the training programme was opened up to a vast number of employees. The employee training rate thus increased from 43% to 91%. Over the two previous years, long-term courses had been organised for technical management teams: building design, energy efficiency, renewable energies (solar panels, etc.). In 2016, the courses were focused on more general themes: ethics and the Internal Charter, legal training, office automation tools, first aid, etc. This year's drop in the number of training hours per employee was offset by an increase in the number of employees trained.

Alongside these courses, a certain number of awareness-raising actions are conducted: e.g., help for employees wanting to give up smoking, and nutritional advice provided by a member of the Nutrition Institute. Employee health and well-being are central to Immeo's HR policy. This is confirmed every year by a variety of actions, from the gradual deployment of ergonomic office chairs, to the roll out of vaccination campaigns (flu, etc.) within the company, and the granting of aid to promote sporting activities (free tennis, etc.).

		2014	2015	2016
Employee training rate		ND	43%	91%
Average number of hours of training per employee by gender and professional category	Total	18	13.5	4.9
	Per man	10	6.2	2.9
	Per woman	8	7.3	2
	Per manager	8.4	3.9	2.5
	Per supervisor	8.6	7.9	2.2
	Per employee	1	1.7	0.2
	Per building caretakers	0	0	0

G4-LA13: RATIO BETWEEN BASE SALARY AND REMUNERATION FOR WOMEN COMPARED WITH THE RATIO FOR MEN, BY PROFESSIONAL CATEGORY

Immeo's remuneration policy is based on strict gender equality: equal pay for equal work. This is an important aspect of German labour law, laid down in the AGG⁽¹⁾ and included in the collective bargaining agreement. Of the 15% of employees benefiting from part-time employment, 92% are women (G4-10) who benefit from flexible hours, especially after the birth of a child. Moreover, 63% of managers are men (G4-10), who also have a higher number of years of service. These factors largely explain the difference between the annual average salary of men (€54,414) and that of women (€38,400).

G4-11: PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

At the end of 2016, 75.8% of Immeo SE staff were covered by the real estate management industry's collective bargaining agreements. The employees are regularly informed of new industrial agreements, most notably through information meetings. The remaining 24.2% are mainly managers who benefit from variable remuneration based on performance clauses.

(1) National Directive on Equal Treatment.

2.10.2.3. Beni Stabili

The workforce of Beni Stabili, the Italian subsidiary of Foncière des Régions, is divided evenly between Milan and Rome, with an overall total of sixty employees as at 31 December 2016. Beni Stabili has its own management team and human resources strategy. Its employees are not part of the Foncière des Régions ESU.

In December 2016, Beni Stabili became the sole shareholder of Revalo, a property management company employing seventy-six people in Italy. These employees are not covered by the 2016 report, but will be included in Beni Stabili's workforce in 2017.

Beni Stabili's human resources policy is based on compliance with the national collective bargaining agreements covering the

real estate professions. Three employee representatives were appointed within the group. The main focuses of its policy are the following: remuneration in line with each person's performance, ambitious career development plans, respect for work-life balance, business ethics disseminated to each employee via a specific ethical charter (signed by each employee), and an appropriate health and safety policy (in 2016, all employees were represented by a health and safety committee).

As part of its sustainable development policy, Beni Stabili launched a training programme in 2016, covering all employees. This policy, which includes language training, will be further extended in 2017.

Governed by Italian law, Beni Stabili complies with the fundamental International Labour Organization (ILO) conventions.

G4-10 AND G4-LA12: BREAKDOWN OF WORKFORCE BY TYPE OF EMPLOYMENT CONTRACT, GENDER AND AGE

			2014	2015	2016
	GRI G4	Numbers of employees	59	61	60
Total workforce by type of employment contract broken down by gender	G4-10	Open-ended contract	92%	97%	97%
		Men	44%	51%	52%
		Women	56%	49%	48%
		Fixed-term contracts	8%	3%	3%
		Men	60%	2%	100%
		Women	40%	2%	0%
		Total workforce by type of job broken down by gender		Full-time	100%
Men	46%			52%	55%
Women	54%			48%	45%
Part-time	0%			2%	3%
Men	0%			0%	0%
Women	0%			100%	100%
Breakdown of workforce by gender	G4-LA12	Men	45.8%	51%	53%
Women		54.2%	49%	47%	
Breakdown of workforce by age group		Age < 30	14%	8%	10%
		30-50 years old	72%	69%	72%
		Age > 50	14%	22%	18%

The figures presented for 2015 take account of the two students on work-study contracts. In 2016, students were not included in the total workforce. The workforce excluding students thus increased from fifty-nine to sixty employees.

Beni Stabili has enabled fourteen students to gain work experience at the company since 2014, three of whom were subsequently hired under open-ended contracts.

Within the company, there is a balance between male and female employees. At 31 December 2016, 97% of Beni Stabili employees worked full time.

G4-LA1: EMPLOYEE TURNOVER AND LEVEL OF INCOMING STAFF

		2014	2015	2016	
Employee turnover	G4-LA1	Total open-ended contract departures	6	8	8
		Rate of open-ended contract departure turnover	11%	13.1%	13.3%
		Men	4%	7%	10%
		Women	7%	7%	3.3%
Turnover by age group		Age < 30	2%	3%	2%
		30-50 years old	7%	8%	8%
		Age > 50	2%	2%	3%
Level of incoming staff		Total incoming staff with open-ended contracts	2	9	9

The absenteeism rate was 2% in 2016. It does not solely reflect sick leave, but also absences for personal reasons, provided for under Italian labour law allowing absences in cases of major family events. In 2016, no workplace accidents or cases of work-related illness were reported.

G4-LA13: RATIO BETWEEN BASE SALARY AND REMUNERATION FOR WOMEN COMPARED WITH THE RATIO FOR MEN, BY PROFESSIONAL CATEGORY

Beni Stabili's remuneration policy is based on fixed remuneration as well as variable remuneration, which reflects individual and collective results, thus helping to align employees with Beni Stabili's objectives.

In addition, a staff retention plan provides for awards of free Foncière des Régions shares to certain Beni Stabili employees, thereby contributing to European integration within the Foncière des Régions group.

2.10.3. Article 225 of the Grenelle 2 Law Concordance Table

Topics and sub-topics arising from the order of Article 225	Foncière des Régions (Offices France)	Foncière des Murs (Hotels and Service Sector)	Immeo SE (Residential Germany)	Foncière Développement Logements (Residential France)	Beni Stabili (Italy Offices)
Employment					
The total workforce and breakdown of employees by gender, age and geographic area	2.10.2.1	2.10.2.1	2.10.2.2	2.10.2.1	2.10.2.3
New hires and redundancies	2.10.2.1	2.10.2.1	2.10.2.2	2.10.2.1	2.10.2.3
Remuneration and changes in remuneration	2.10.2.1	2.10.2.1	2.10.2.2	2.10.2.1	2.10.2.3
Organisation of work					
Organisation of working hours	2.10.2.1	2.10.2.1	2.10.2.2	2.10.2.1	2.10.2.3
Absenteeism	2.10.2.1	2.10.2.1	2.10.2.2	2.10.2.1	2.10.2.3
Labour/management relations					
Organisation of staff dialogue, specifically information, employee consultation and employee negotiation procedures	2.8.5	2.8.5	2.10.2.2	2.8.5	2.10.2.3
Analysis of collective labour agreements	2.8.5	2.8.5	2.10.2.2	2.8.5	2.10.2.3
Health and safety					
Workplace health and safety conditions	2.8.3	2.8.3	2.10.2.2	2.8.3	2.10.2.3
Analysis of workplace health and safety agreements signed with trade union organisations or employee representatives	2.8.3	2.8.3	2.10.2.2	2.8.3	2.10.2.3
Workplace accidents, specifically their frequency and severity, and occupational illnesses	2.10.2.1	2.10.2.1	2.10.2.2	2.10.2.1	2.10.2.3
Training					
Training policies implemented	2.8.2	2.8.2	2.10.2.2	2.8.2	2.10.2.3
Total number of hours of training	2.10.2.1	2.10.2.1	2.10.2.2	2.10.2.1	2.10.2.3
Diversity and equal opportunities/equal treatment					
Policy implemented and steps taken to promote gender equality	2.8.4	2.8.4	2.10.2.2	2.8.4	2.10.2.3
Policy implemented and steps taken to promote hiring and integration of the disabled	2.8.4	2.8.4	2.10.2.2	2.8.4	2.10.2.3
Policy implemented and steps taken in the area of anti-discrimination	2.8.4	2.8.4	2.5.2.6	2.8.4	2.10.2.3
Promotion of and compliance with the provisions of basic ILO agreements					
Freedom of association and the right to bargain collectively	2.8.5	2.8.5	2.10.3	2.8.5	2.10.3
The elimination of discrimination in respect of employment and occupation	2.8.5	2.8.5	2.10.3	2.8.5	2.10.3
The elimination of forced or compulsory labour	2.8.5	2.8.5	2.10.3	2.8.5	2.10.3
The effective abolition of child labour	2.8.5	2.8.5	2.10.3	2.8.5	2.10.3
General environmental policy					
Company organisation to take environmental issues into account and, as necessary, environmental evaluation and certification processes	2.2.4	2.2.4	2.5.1	2.2.4	2.6.1
Employee environmental protection training and information	2.8.6.3	2.8.6.3	2.10.2.2	2.8.6.3	2.10.2.2
Resources dedicated to preventing environmental and pollution risks	2.3.7	2.4.6	2.5.2.5	2.5.3.5	2.6.2
The amount of provisions and insurance for environmental risks, except if the nature of this information would cause serious harm to the Company in connection with on-going litigation	2.3.7	2.4.6	2.5.2.5	2.5.3.5	

Topics and sub-topics arising from the order of Article 225	Foncière des Régions (Offices France)	Foncière des Murs (Hotels and Service Sector)	Immeo SE (Residential Germany)	Foncière Développement Logements (Residential France)	Beni Stabili (Italy Offices)
Pollution and waste management					
Measures to prevent, reduce or remedy discharges into the water, air and soil that have serious environmental effects	2.3.7.5	2.4.6	2.5.2.5	2.5.3.5	2.6.2
Measures to prevent, recycle and eliminate waste	2.3.5.5	2.4.4.4	2.5.2.4	2.5.3.4	2.6.2.4
Consideration of noise and other forms of pollution specific to a particular activity	2.3.7.1	2.4.3	2.5.2.5	2.5.3.5	2.6.2
Sustainable use of resources					
Water consumption and water supplies based on local constraints	2.3.5.4	2.4.4.3	2.5.2.3	2.5.3.3	2.6.2.3
Consumption of raw materials and steps taken to improve efficiency of use	2.3.3.4	2.4.3	2.5.2.1	2.5.3.1	2.6.1
Energy consumption, steps taken to improve energy efficiency and use of renewable energy	2.3.5.1	2.4.4.1	2.5.2.1	2.5.3.1	2.6.1
Land use	2.3.5.4	2.4.4.3	2.5.2.3	2.5.3.3	2.6.2.3
Climate change					
Greenhouse gas emissions	2.3.5.2	2.4.4.2	2.5.2.2	2.5.3.2	2.6.2.2
Adaptation to climate change impacts	2.3.7.4	2.4.4.2	2.5.2.2	2.5.3.2	2.6.2.2
Protection of biodiversity					
Steps taken to develop biodiversity	2.3.6	2.7.4	2.7.4	2.7.4	2.7.4
Territorial, economic and social impact of the Company's operations					
On employment and regional development	2.7.2	2.7.2	2.5.2.6	2.7.2	2.6.3
On neighbouring and local populations	2.7.2	2.7.2	2.5.2.6	2.7.2	2.6.3
Conditions for dialogue with these individuals or organisations	2.2.3.1	2.2.3.1	2.5.2.6	2.2.3.1	2.6.1
Partnership and sponsorship activities	2.7.5	2.7.5	2.5.2.6	2.7.5	2.6.1
Sub-contracting and suppliers					
Consideration of social and environmental issues in the Company's purchasing policy	2.7.3	2.7.3	2.7.3	2.7.3	2.7.3
Significance of sub-contracting and consideration, in relationships with sub-contractors and suppliers, of their social and environmental responsibility	2.7.3	2.7.3	2.7.3	2.7.3	2.7.3
Fair business practices					
Actions taken to prevent corruption	2.9.6	2.9.6	2.9.6	2.9.6	2.6.4
Steps taken to ensure consumer health and safety	2.3.7	2.4.6	2.5.2.5	2.5.3.5	2.6.2
Human Rights					
Steps taken to support human rights	2.8.4	2.8.4	2.10.3	2.8.4	2.10.3

Promotion of and compliance with the provisions of the fundamental ILO conventions

The fundamental goal of the ILO is that each woman and man has access to decent and productive work in conditions of freedom, equality, safety and dignity. Foncière des Régions and its subsidiaries apply all ILO conventions (see section 2.9.5). In addition, the countries in which they operate their business have adopted legislation that is motivated and guided by the conventions adopted by the ILO.

2.10.4. Content index for the GRI G4 Guidelines, its sector-specific supplement CRESO and the UN SDGs

The table below provides the indicators which Foncière des Régions has chosen to report in order to comply with GRI G4 Guidelines (Core level) and its sector-specific supplement CRESO*. The table in the annex in section 2.11.7 compares the topics emerging from the materiality analysis conducted by Foncière des Régions on the material aspects and the indicators proposed by GRI 4.

Accordingly, the list presented hereafter does not include all the indicators in the framework in order to concentrate on those deemed material in 2014, with respect to the issues identified for the Group (see section 2.2.4.2). Foncière des Régions opted for compliance with the “essential criteria” of GRI G4 and has achieved GRI G4 Core level compliance.

◆ = examination as part of the external verification

◆ = in-depth examination as part of the external verification (independent third party's statement: section 2.11)

* This table also includes cross-references with the UN's 17 Sustainable Development Goals (SDGs). A presentation of the 17 SDGs follows this table.

General information	Indicator content	Chapters	External verification	Corresponding SDGs
Strategy and analysis				
G4-1	Statement from the most senior decision-maker of the organisation	2.1	◆	
G4-2	Description of key impacts, risks, and opportunities	2.2.2	◆	
Organisational profile				
G4-3	Name of the organisation	2.1	◆	
G4-4	Primary brands, products and services	2.2	◆	
G4-5	Location of the organisation's headquarters	Back cover	◆	
G4-6	Number of countries where the organisation operates, and names of countries that are specifically relevant to the sustainability topics covered in the report	2.2	◆	
G4-7	Nature of ownership and legal form	2.2	◆	
G4-8	Markets served	2.2	◆	
G4-9	Scale of the reporting organisation	2.10.2	◆	
G4-10	Total workforce by gender, employment contract, geographic breakdown, and change, where necessary	2.10.2	◆	
G4-11	Percentage of all employees covered by collective bargaining agreements	2.10.2	◆	
G4-12	Organisation's supply chain	2.7.3	◆	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	2.2	◆	
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	2.3.7		
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives	2.7.3		
G4-16	Memberships of associations and national or international organisations	2.9.6.5		
Material aspects and scopes identified				
G4-17	Entities included in the organisation's consolidated financial statements	3.2.3	◆	
G4-18	Definition of the report content and the aspect boundaries, and implementation of the reporting principles for defining the report content	2.2.3	◆	
G4-19	Material aspects identified in the process for defining report content	2.10.5	◆	
G4-20	Aspect boundary within the organisation for the material aspects	2.10.5	◆	
G4-21	Aspect boundary outside the organisation for each material aspect	2.10.5	◆	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	2.10.11 ; 2.10.12 ; 2.10.1	◆	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	2.10.5	◆	

General information	Indicator content	Chapters	External verification	Corresponding SDGs	
Prioritisation of stakeholders					
G4-24	List of stakeholder groups engaged by the organisation	2.2.3.1	◆		
G4-25	Criteria for identification and selection of stakeholders with whom to engage	2.2.3.1	◆		
G4-26	Organisation's approach to stakeholder engagement	2.2.3.1	◆		
G4-27	Key subjects and concerns raised during dialogue with stakeholders	2.2.3.2	◆		
Report profile					
G4-28	Reporting period	2.10.1	◆		
G4-29	Date of most recent report published	2016	◆		
G4-30	Reporting cycle	2.10.1	◆		
G4-31	Person to contact for questions regarding the report or its content	Back cover	◆		
G4-32	Compliance option chosen, GRI Index, reference to the External Verification Report	2.2.7	◆		
G4-33	External verification policy	2.2.7; 2.11	◆		
Governance					
G4-34	Governance structure of the organisation	2.9.2	◆		
G4-38	Composition of the highest governance body and its committees	2.9.2	◆	 	
G4-39	Independence of the Chairman and the highest governance body from management	2.9.2	◆		
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	2.9.2.4	◆		
G4-42	Highest governance body's and senior executives' roles in CSR policy	2.9.2.5	◆		
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of the organisation's CSR policy	2.9.2.5	◆		
G4-49	Process for informing the highest governance body about critical concerns	2.9.4.1	◆		
G4-53	How stakeholders' views are sought and taken into account regarding remuneration of the members of the highest governance bodies	2.9.4.1	◆		
Ethics and integrity					
G4-56	The organisation's values, principles, standards and norms of behaviour	2.9.6.1	◆		
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity	2.9.6.1	◆		
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity	2.9.6.2	◆		

SPECIFIC STANDARD DISCLOSURES

Material aspects	Indicator content	Chapters	External verification	Corresponding SDGs
CATEGORY: ECONOMIC				
Material aspect: indirect economic impact				
G4-DMA	Managerial approach	2.7.2		
G4-EC7	Development and impact of infrastructure investments and services supported	2.7.2	◆	   
Material aspect: purchasing practices				
G4-DMA	Managerial approach	2.7.3		
G4-EC9	Proportion of spending on local suppliers at significant operating locations	2.7.3	◆	 
CATEGORY: ENVIRONMENT				
Material aspect: energy				
G4-DMA	Managerial approach	2.3.5		
G4-EN3	Energy consumption within the organisation	2.10.1	◆	
G4-EN5	Energy intensity	2.10.1	◆	   
CRE1	Energy intensity of buildings in operation	2.10.1	◆	
Material aspect: water				
G4-DMA	Managerial approach	2.3.5.3		
G4-EN8	Total water withdrawal by source	2.10.1	◆	
CRE2	Water intensity of buildings in operation	2.10.1	◆	  
Material aspect: biodiversity				
G4-DMA	Managerial approach	2.3.6		
G4-EN11	Operational sites held, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	2.3.6	◆	
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	2.3.6	◆	
G4-EN13	Habitats protected or restored	2.3.6	◆	  
G4-EN14	Total number of IUCN Red List species and National Conservation List species with habitats in areas affected by operations, by level of extinction risk	2.3.6	◆	
Material aspect: emissions				
G4-DMA	Managerial approach	2.3.5.2		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	2.10.1	◆	
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2) related to energy	2.10.1	◆	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	2.10.1	◆	
G4-EN18	Greenhouse gas (GHG) emissions intensity	2.10.1	◆	   
G4-EN21	NOx, SOx, and other significant air emissions	2.3.5.2		
CRE3	Carbon intensity of buildings in operation	2.10.1	◆	
CRE4	Greenhouse gas intensity from buildings in construction or renovation	2.10.1		

Material aspects	Indicator content	Chapters	External verification	Corresponding SDGs
Material aspect: waste				
G4-DMA	Managerial approach	2.3.5.5		
G4-EN23	Total weight of waste by type and disposal method	2.10.1	◆	
Material aspect: compliance				
G4-DMA	Managerial approach	2.3.7.5		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	2.3.7.5		
Material aspect: environmental assessment of suppliers				
G4-DMA	Managerial approach	2.7.3		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	2.7.3		
CATEGORY: SOCIAL				
Sub-category: labour practices and decent work				
Material aspect: employment				
G4-DMA	Managerial approach	2.8.1		
G4-LA1	Total number and percentage of new employee hires and employee turnover by age group, gender and geographic area	2.10.2	◆	
G4-LA3	Return to work and retention rates after parental leave, by gender	2.10.2	◆	
Material aspect: labour/management relations				
G4-DMA	Managerial approach	2.8.1		
G4-LA4	Minimum notice periods regarding operational changes including whether they are specified in collective agreements	2.8.1		
Material aspect: Health and Safety at work				
G4-DMA	Managerial approach	2.8.3		
G4-LA5	Percentage of total workforce represented in mixed committees for Health and Safety at Work monitoring and submitting opinions on the Health and Safety at Work (HSW) programme	2.10.2	◆	
G4-LA6	Type of injury and rates of injury, occupational diseases, absenteeism, lost days, and total work-related fatalities, by geographic area and by gender	2.10.2	◆	
G4-LA8	Health and Safety topics covered in formal agreements with trade unions	2.8.3	◆	
CRE6	Percentage of the organisation operating under a certified Health and Safety management system	2.10.2		
Material aspect: training and education				
G4-DMA	Managerial approach	2.8.2		
G4-LA9	Average hours of training per year per employee by gender and by professional category	2.10.2	◆	
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	2.8.2	◆	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and professional category	2.10.2	◆	

Material aspects	Indicator content	Chapters	External verification	Corresponding SDGs
Material aspect: diversity and equal opportunity				
G4-DMA	Managerial approach	2.8.4		
G4-LA12	Composition of governance bodies and breakdown of employees by professional category according to gender, age group, minority group membership, and other indicators of diversity	2.9.2.1	◆	
Material aspect: equal remuneration for women and men				
G4-DMA	Managerial approach	2.8.4		
G4-LA13	Ratio between the base salary and remuneration for women compared with the ratio for men, by professional category and for each main operating site	2.10.2		
Material aspect: supplier assessment for labour practices				
G4-DMA	Managerial approach	2.7.3		
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	2.7.3		
Sub-category: human rights				
Material aspect: non-discrimination				
G4-DMA	Managerial approach	2.8.4		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	2.8.4		
Material aspect: supplier human rights assessment				
G4-DMA	Managerial approach	2.7.3		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	2.7.3	◆	
Sub-category: society				
Material aspect: anti-corruption				
G4-DMA	Managerial approach	2.9.6.1		
G4-SO4	Communication and training on anti-corruption policies and procedures	2.9.6.1		
Material aspect: public policy				
G4-DMA	Managerial approach	2.9.6.5		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	2.9.6.5		
Material aspect: compliance				
G4-DMA	Managerial approach			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No fines or sanctions in 2016		
Material aspect: assessment of suppliers' impact on society				
G4-DMA	Managerial approach	2.7.3		
G4-SO9	Percentage of new suppliers that were screened using criteria relating to impacts on society	2.7.3	◆	

Material aspects	Indicator content	Chapters	External verification	Corresponding SDGs
Sub-category: product responsibility				
Material aspect: customer health and safety				
G4-DMA	Managerial approach			
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the Health and Safety impacts of products and services during the life cycle, by type of outcome	No incident of this type		 
CRE5	Land and other assets remediated or in need of remediation for the existing or intended land use according to applicable legal designations	2.3.7.5		    
CRE7	Number of people voluntarily or involuntarily displaced and/or rehoused as part of development projects, by project	Nobody was displaced		 
Material aspect: product and service labelling				
G4-DMA	Managerial approach			
CRE8	Type and number of certifications and accreditations for new buildings, operations, and renovation	2.3.1	◆	    
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome	No incident		

THE UN'S 17 SUSTAINABLE DEVELOPMENT GOALS (SDGs)



2.10.5. Annex: Cross-reference table between Foncière des Régions' materiality matrix and the GRI G4 indicators

Foncière des Régions' topics	GRI G4 aspects	Scope of aspects (G4-20 and G4-21)	Related GRI 4 indicators
Responsible procurements	Purchasing practices/ Environmental assessment/Human rights/Suppliers' employment practices	France Offices, Logistics, Urbis Park Corporate France (Int Imp + Ext Imp)(1)	G4-EN32 – Percentage of new suppliers that were screened using environmental criteria – see section 2.8.2. G4-SO9/G4-LA14/G4-HR10
Biodiversity	Biodiversity	All portfolios (Int Imp + Ext Imp)	G4-EN13 – Habitats protected or restored. G4-EN11/G4-EN12/G4-EN14 – see section 2.3.6.2
Climate change	Emissions	All portfolios (Int Imp + Ext Imp)	G4-EN15 – Direct greenhouse gas emissions (Scope 1) – see GHG data for each business provided in section 2.11.3. Other G4 indicators: G4-EN16, G4-EN21
Skills and talent	Employment Training and education	ESU Foncière des Régions, Beni Stabili, Immeo SE (Int Imp)	G4-LA9 – Average number of training hours per employee per year, by gender and by professional category – see section 2.11.4
Waste	Effluents and waste	All portfolios (Int Imp + Ext Imp)	G4-EN23 – Total weight of waste by type and disposal method – see Waste data for each business provided in section 2.11.3
Diversity and equality	Diversity and equal opportunity Equal remuneration for Men and Women Labour/management relations	ESU Foncière des Régions, Beni Stabili, Immeo SE, Urbis Park (Int Imp)	G4-LA1 – Total number and percentage of new employee hires and employee turnover by age group, gender and geographic area. G4-LA3/G4-LA4/G4-LA5/G4-LA13 – see section 2.11.4
Human Rights	Non-discrimination	ESU Foncière des Régions, Beni Stabili, Immeo SE, Urbis Park (Int Imp + Ext Imp)	G4-HR3 – Total number of incidents of discrimination and corrective actions taken – see section 2.9.4. G4-HR1/G4-HR6/G4-HR10
Water	Water	All portfolios (Int Imp + Ext Imp)	G4-EN8 – Total water withdrawal by source. CRE-2 – Water intensity of buildings in operation – see Water data for each business provided in section 2.11.3
Local employment	Indirect economic impact	France Offices (Ext Imp)	G4-EC7 – Development and impact of infrastructure investments and services supported – see section 2.8.3
Energy	Energy	All portfolios (Int Imp + Ext Imp)	G4-EN3 – Energy consumption within the organisation. Other indicators: G4-EN5; CRE1 – see Energy data for each business provided in section 2.11.3
Ethics and transparency	Ethics and integrity, fighting corruption and compliance	Foncière des Régions Beni Stabili (Int Imp)	G4-SO4 – Communication and training on anti-corruption policies and procedures – see section 2.10.6. G4-56 – The organisation's values, principles, standards and norms of behaviour – see section 2.10.6.1
Risk management	Consumer Health and Safety	All portfolios (Int Imp + Ext Imp)	G4-PR2 – Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during the life cycle, by type of outcome – CRE-5 – Land and other assets remediated and in need of remediation for existing or intended land use according to applicable legal designations – see section 2.3.7
Governance	General information Ethics and integrity, combating corruption	Foncière des Régions (Int Imp)	G4-34 – Governance structure of the organisation – see section 2.10.2. G4-56/G4-SO4 – Communication and training on anti-corruption policies and procedures – see section 2.10.6.2

Foncière des Régions' topics	GRI G4 aspects	Scope of aspects (G4-20 and G4-21)	Related GRI 4 indicators
Tenant partnership	Non-GRI 4 definition (See section 2.Xs 3 to 5)	All portfolios (Int Imp + Ext Imp)	N/A
Philanthropy and sponsorship	Non-GRI 4 definition	ESU Foncière des Régions, Immeo SE (Int Imp)	N/A
User Health and Safety	Customer Health and Safety	All portfolios (Int Imp + Ext Imp)	G4-PR2 – Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during the life cycle, by type of outcome – see section 2.3.7.5
Sustainable value	Non-GRI 4 definition	All portfolios	N/A
Mobility			
Digital	Non-GRI 4	All portfolios	N/A
Sustainable city	Indirect economic impact	All portfolios (Int Imp + Ext Imp)	G4-EC7 – Development and impact of infrastructure investments and services supported – see section 2.8.3. CRE7 – Number of people voluntarily or involuntarily displaced and/or rehoused by development projects, detailed by project

(1) Int Imp = Internal Impact/Ext Imp= External Impact.

2.11. VERIFICATION BY AN INDEPENDENT THIRD PARTY AUDITOR

Year ended 31 December 2016

Independent verifier's report on the consolidated social, environmental and societal information presented in the management report

To the Shareholders,

In our capacity as an independent verifier accredited by COFRAC⁽¹⁾ under number 3-1050, and as a member of the network of one of the Statutory Auditors of Foncière des Régions, we hereby report to you on the consolidated social, environmental and societal information for the year ended 31 December 2016, presented in Chapter 2 of the management report, hereinafter the "CSR Information", pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

Responsibility of the company

It is the responsibility of the Board of Directors to prepare a management report including the CSR Information required by Article R. 225-105-1 of the French Commercial Code, in accordance with the reporting protocols used by the Company (hereafter the "Criteria"), which are summarised in Chapter 2 of the management report and available on request at the Company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in Article L. 822-11 of the French Commercial code. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- ♦ to attest that the required CSR Information is included in the management report or, in the case of non-disclosure of any portion of this information, that an appropriate explanation has been provided, in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information)
- ♦ to express a limited assurance conclusion that the CSR Information taken as a whole is, in all material aspects, fairly presented in accordance with the Criteria (Conclusion on the fair presentation of CSR Information).

Our verification work was undertaken by a team of four people between October 2016 and March 2017 for a total duration of approximately nine weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000⁽²⁾.

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in Article R. 225-105-1 of the French Commercial code.

(1) Scope of accreditation available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105, paragraph 3, of the French Commercial code.

We verified that the CSR Information covers the scope of consolidation, *i.e.* the Company and its subsidiaries as defined by Article L. 233-1 of the French Commercial Code, and the entities it controls as defined by Article L. 233-3 of the same code, within the limitations set out in the methodological note presented in Chapter 2 of the management report.

In addition, and in response to a specific request, we designated with the [◊] sign in section 2.10.4 of the management report our verification of the inclusion of the consolidated social, environmental and societal information recommended by the G4 Guidelines of the GRI (Global Reporting Initiative) in accordance with its Essential Criteria option, as well as sector-specific information in accordance with the Construction and Real Estate Sector Disclosures (CRESD) supplement also issued by the GRI.

Conclusion

Based on this work, and given the limitations mentioned above, we confirm the presence in the management report of the required CSR Information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook nine interviews with the people responsible for the preparation of the CSR Information in the different departments in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- ◆ assess the suitability of the Criteria in terms of their relevance, completeness, reliability, neutrality, and understandability, taking into account industry best practices where appropriate
- ◆ verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

Concerning the CSR Information that we deemed to be the most important⁽³⁾:

- ◆ we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information included in the management report
- ◆ we undertook interviews to verify the correct application of the procedures and to identify potential omissions and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation.

For the other consolidated CSR Information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgement allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

⁽³⁾ **Environmental and societal information:** the overall environment policy (the company's organisation to take into account environmental issues and the environmental assessment approaches or certifications), sustainable use of resources and climate change (energy consumption and greenhouse gas emissions of the portfolio, measures taken to improve energy efficiency and use of renewable energy), relations with stakeholders (dialogue conditions with stakeholders, including environmental schedules) and taking into account social and environmental issues in responsible purchasing.

Social information: employment (total number of employees and breakdown by gender, by age and by geographic area), absenteeism and total number of training hours per employee.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented in compliance with the Criteria.

Paris-La Défense, 15 March 2017



The Independent Verifier
Ernst & Young et Associés

Éric Duvaud
Partner Cleantech and Sustainability

Bruno Perrin
Partner

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3.1. CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

3.1.1. Statement of financial position

ASSETS

(€K)	Note	31/12/2016	31/12/2015
INTANGIBLE FIXED ASSETS	3.2.5.1.2		
Goodwill		1,572	8,194
Other intangible fixed assets		24,410	29,712
TANGIBLE FIXED ASSETS	3.2.5.1.2		
Operating properties		66,810	65,896
Other tangible fixed assets		8,970	7,760
Fixed assets in progress		74,761	15,171
Investment properties	3.2.5.1.3	16,763,445	15,728,453
Non-current financial assets	3.2.5.2.2	255,092	210,790
Investments in equity affiliates	3.2.5.3.2	345,392	179,376
Deferred tax assets	3.2.5.4	10,990	19,376
Long-term derivatives	3.2.5.11.5	24,322	29,419
Total non-current assets		17,575,764	16,294,148
Assets held for sale	3.2.5.1.3 & 3.2.5.1.5	297,894	956,314
Loans and finance lease receivables	3.2.5.5	17,851	6,370
Inventories and work-in-progress	3.2.5.6	34,683	42,663
Short-term derivatives	3.2.5.11.5	16,370	24,656
Trade receivables	3.2.5.7	270,596	266,657
Tax receivables		5,098	4,762
Other receivables	3.2.5.8	117,841	79,355
Accrued expenses		12,148	14,044
Cash and cash equivalents	3.2.5.9	1,082,793	949,684
Discontinued operations ⁽¹⁾	3.2.4.6.2	69,391	174,215
Total current assets		1,924,665	2,518,720
TOTAL ASSETS		19,500,429	18,812,868

(1) Following its divestment of the Logistics segment, this segment has been presented under "Discontinued operations" since 1 January 2014. The change during the fiscal year is due to the disposal of a portfolio of two directly owned assets and three asset-holding companies.

LIABILITIES

(€K)	Note	31/12/2016	31/12/2015
Share capital		206,274	199,889
Share premium account		2,480,609	2,449,065
Treasury shares		-7,496	-4,264
Consolidated reserves		1,840,211	1,513,162
Net income		782,774	481,472
Total shareholders' equity, group share	3.2.5.10	5,302,372	4,639,323
Non-controlling interests		3,165,604	3,088,884
Total shareholders' equity		8,467,976	7,728,208
Long-term borrowings	3.2.5.11.3	8,384,176	8,408,151
Long-term derivatives	3.2.5.11.5	361,037	514,316
Deferred tax liabilities	3.2.5.4	410,044	356,948
Pension and other liabilities	3.2.5.12.2	49,597	45,229
Other long-term liabilities		8,943	7,494
Total non-current liabilities		9,213,797	9,332,138
Liabilities held for sale		0	53,677
Trade payables		114,100	111,103
Short-term borrowings	3.2.5.11.3	1,353,105	1,083,473
Short-term derivatives	3.2.5.11.5	67,833	83,068
Guarantee deposits		5,074	5,397
Advances and pre-payments		159,329	149,554
Short-term provisions	3.2.5.12.2	9,599	60,701
Current tax		14,374	7,785
Other short-term liabilities	3.2.5.13	53,035	144,226
Pre-booked income		14,819	18,617
Discontinued operations		27,388	34,921
Total current liabilities		1,818,656	1,752,522
TOTAL LIABILITIES		19,500,429	18,812,868

3.1.2. Statement of net income

(€K)	Note	31/12/2016 before reclassification of Car Parks to discontinued operations	Discontinued operations – Car Parks	31/12/2016	31/12/2015
Rental income	3.2.6.2.1	892,734	0	892,734	885,141
Unrecovered rental costs	3.2.6.2.2	-42,071	0	-42,071	-40,952
Expenses on properties	3.2.6.2.2	-31,128	0	-31,128	-28,447
Net losses on unrecoverable receivables	3.2.6.2.2	-4,112	0	-4,112	-5,663
Net rental income		815,423	0	815,423	810,079
Management and administration income		16,904	0	16,904	15,660
Business expenses		-5,964	0	-5,964	-4,669
Overhead		-103,478	0	-103,478	-99,385
Development costs (not capitalised)		-1,038	0	-1,038	-1,077
Net cost of operations	3.2.6.2.3	-93,576	0	-93,576	-89,471
Income from other activities		52,445	26,552	25,893	57,885
Expenses of other activities		-34,560	-21,748	-12,812	-34,129
Income from other activities	3.2.6.2.4	17,885	4,804	13,081	23,756
Depreciation of operating assets		-14,386	-5,840	-8,546	-14,819
Net allowances to provisions and other	3.2.5.12.2	-6,309	2,827	-9,136	-53,300
CURRENT OPERATING INCOME		719,037	1,791	717,246	676,245
Proceeds from disposals of trading properties		5,405	0	5,405	5,449
Exit value and/or amortisations of trading properties		-11,031	-59	-10,972	-11,868
Net income from inventory properties		-5,626	-59	-5,567	-6,419
Income from asset disposals		1,258,782	0	1,258,782	655,324
Carrying value of investment properties sold		-1,186,366	-4	-1,186,362	-652,589
Income from asset disposals		72,416	-4	72,420	2,735
Gains in value of investment properties		777,819	0	777,819	629,062
Losses in value of investment properties		-133,272	0	-133,272	-184,055
Net valuation gains and losses	3.2.6.3	644,547	0	644,547	445,007
Income from disposal of securities		17,748	0	17,748	46
Income from changes in scope	3.2.6.4	-17,553	0	-17,553	-10,032
OPERATING INCOME (LOSS)		1,430,569	1,728	1,428,841	1,107,582
Income from non-consolidated companies		-1	0	-1	197
Cost of net financial debt	3.2.6.5	-236,921	-651	-236,270	-265,477
Fair value adjustment on derivatives	3.2.6.6	27,293	-50	27,343	-141,596
Discounting of liabilities and receivables	3.2.6.6	-3,619	0	-3,619	-4,610
Net change in financial and other provisions	3.2.6.6	-53,114	-313	-52,801	-33,543
Share in income of equity affiliates	3.2.5.3.2	27,374	0	27,374	47,376
PRE-TAX NET INCOME		1,191,581	714	1,190,867	709,929
Deferred tax liabilities	3.2.6.7.2	-57,246	-378	-56,868	-34,369
Corporate income tax	3.2.6.7.2	-10,759	-11	-10,748	-8,265
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		1,123,576	0	1,123,251	667,295
Profit (loss) after tax of discontinued operations		-4,522	325	-4,197	-12,983
Net income from discontinued operations		-4,522	325	-4,197	-12,983
NET INCOME (LOSS) FOR THE PERIOD				1,119,054	654,312
Net income from non-controlling interests				-336,280	-172,840
NET INCOME (LOSS) FOR THE PERIOD – GROUP SHARE				782,774	481,472
Group net income (loss) per share (€)	3.2.7.2			11.57	7.33
Group diluted net income (loss) per share (€)	3.2.7.2			11.50	7.29

As of 1 January 2016, all income statement lines of divested car park companies have been regrouped on the line “Net income from discontinued operations” together with the income from the logistics business, which has been classed under discontinued operations since 2014.

3.1.3. Statement of comprehensive income

(€K)	31/12/2016 before reclassification of Car Parks to discontinued operations	Discontinued operations – Car Parks	31/12/2016	31/12/2015
NET INCOME (LOSS) FOR THE PERIOD			1,119,054	654,312
Other items in the comprehensive income statement recognised directly in shareholders' equity and:				
Destined for subsequent reclassification in the "Net income" section of the income statement				
Actuarial losses on employee benefits			-3,829	-1,989
Effective portion of gains or losses on hedging instruments			12,523	19,690
Tax on other items of comprehensive income			3,060	296
Not destined for subsequent reclassification in the "Net income" section			0	0
Other items of comprehensive income			11,754	17,997
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			1,130,808	672,309
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE				
To the owners of the parent company			788,879	493,597
To non-controlling interests			341,929	178,712
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			1,130,808	672,309
Group net income (loss) per share			11.66	7.52
Group diluted net income (loss) per share			11.59	7.47

3.1.4. Statement of changes in shareholders' equity

(€K)	Share capital	Share premium account	Treasury shares	Non distributed reserves and income	Gains and losses recognised directly in shareholders' equity	Group share of total shareholders' equity	Non-controlling interests	Total shareholders' equity
Position as at 31 December 2014	188,051	2,291,130	-3,632	1,725,159	-42,700	4,158,007	3,141,678	7,299,685
Securities transactions	85	-85				0		0
Distribution of dividends		-81,772		-187,585		-269,357	-159,559	-428,916
Capital increase	11,753	240,874		-253		252,374	4,686	257,060
Allocation to the legal reserve		-1,081		1,081		0		0
Other			-632	-440		-1,072	-7,010	-8,082
Total comprehensive income for the period				481,472	12,125	493,597	178,712	672,309
<i>Of which actuarial gains and losses on employee benefits (IAS 19 revised)</i>					-1,040	-1,040	-653	-1,693
<i>Of which effective portion of gains or losses on hedging instruments</i>					13,165	13,165	6,525	19,690
<i>Of which net income</i>				481,472		481,472	172,840	654,312
Impact of change in shareholding/ Capital increase				1,337		1,337	-69,633	-68,296
Shared-based payments				4,437		4,437	10	4,447
Position as at 31 December 2015	199,889	2,449,065	-4,264	2,025,208	-30,575	4,639,323	3,088,884	7,728,207
Securities transactions						0		0
Distribution of dividends		-80,311		-206,255		-286,566	-151,712	-438,278
Capital increase	6,385	112,472				118,857		118,857
Allocation to the legal reserve		-617		617		0		0
Other			-3,232			-3,232	4	-3,228
Total comprehensive income for the period				782,774	6,105	788,879	341,929	1,130,808
<i>Of which actuarial gains and losses on employee benefits (IAS 19 revised)</i>					-469	-469	-297	-766
<i>Of which effective portion of gains or losses on hedging instruments</i>					6,574	6,574	5,949	12,523
<i>Of which net income</i>				782,774		782,774	336,277	1,119,051
Impact of change in shareholding/ Capital increase				10,800		10,800	-113,501	-102,701
Impact of conversion of ORNANE-type bonds				29,253		29,253		29,253
Shared-based payments				5,058		5,058		5,058
POSITION AS AT 31 DECEMBER 2016	206,274	2,480,609	-7,496	2,647,455	-24,470	5,302,372	3,165,604	8,467,976

Dividends paid in cash during the year amounted to €286.6 million, including €80.3 million applied to the share premium and merger accounts and €206.3 million to net income and retained earnings.

During 2016, Foncière des Régions increased its capital by €119.6 million (€118.8 million net of costs) in compensation for the Foncière des Murs shares tendered and the public exchange offer that followed (1,669,439 Foncière des Régions shares), share grants for the exercise of rights by the holders of 3,594,335 2011 ORNANE-type bonds (370,273 Foncière des Régions shares), and the final award of 70,404 bonus shares and 18,004 shares under the incentive plan.

3.1.5. Statement of cash flows

(€K)	Note	31/12/2016	31/12/2015
Total consolidated net income of continuing operations		1,123,251	667,295
Total consolidated net income of discontinued operations		-4,197	-12,983
Net consolidated income (including minority interests)		1,119,054	654,312
Net amortisation, depreciation and provisions – (excluding provisions relating to current assets)		25,801	80,447
Unrealised gains and losses relating to changes in fair value	3.2.5.11.5 & 3.2.6.3	-670,248	-303,411
Income and expenses calculated on stock options and related share-based payments		5,457	4,447
Other calculated income and expenses		33,658	23,791
Gains or losses on disposals		-92,240	-5,978
Gains or losses from dilution and accretion		-19	-3,900
Share of income from companies accounted for under the equity method		-27,374	-47,376
Dividends (non-consolidated securities)		0	-197
Cash flow from continuing operations after tax and cost of net financial debt		398,286	415,118
Cash flow from discontinued operations after tax and cost of net financial debt		4,788	7,260
Cash flow after tax and cost of net financial debt		403,074	422,378
Cost of net financial debt	3.2.6.5	236,270	265,155
Income tax expense (including deferred taxes)	3.2.6.7.2	67,616	42,634
Cash flow from continuing operations before tax and cost of net financial debt		702,172	722,907
Cash flow from discontinued operations before tax and cost of net financial debt		10,175	9,988
Cash flow before tax and cost of net financial debt		712,347	732,895
Taxes paid		-63,705	-28,751
Change in working capital requirements on continuing operations (including employee benefits liabilities)		-17,478	56,020
Net cash flow provided by operating activities of continuing operations		620,989	750,176
Net cash flow provided by operating activities of discontinued operations		62,849	-43,346
Net cash flow provided by operating activities		683,838	706,830
Impact of changes in the scope of consolidation ⁽¹⁾		-223,158	-464,707
Disbursements related to acquisition of tangible and intangible fixed assets	3.2.5.1.2	-845,178	-469,743
Proceeds relating to the disposal of tangible and intangible fixed assets	3.2.5.1.2	1,246,888	687,876
Disbursements relating to acquisition of financial assets (non-consolidated securities)		-140	-28,147
Proceeds relating to the disposal of financial assets (non-consolidated securities)		5,191	23,085
Dividends received (companies accounted for under the equity method, non-consolidated securities)		109,004	64,123
Change in loans and advances granted		-39,642	-42,644
Investment grants received		0	0
Other cash flow from investment activities		-1,803	2,771
Net cash flow from investing activities of continuing operations		251,162	-227,386
Net cash flow from investing activities of discontinued operations		61,841	105,795
Net cash flow from investment activities		313,003	-121,591

(€K)	Note	31/12/2016	31/12/2015
Impact of changes in the scope of consolidation ⁽²⁾		-191,820	0
Amounts received from shareholders in connection with capital increases:			
Paid by parent company shareholders		178,659	315,305
Paid by minority shareholders of consolidated companies		0	0
Purchases and sales of treasury shares		-3,182	-1,049
Dividends paid during the fiscal year:			
Dividends paid to parent company shareholders	3.1.4	-286,566	-269,357
Dividends paid to non-controlling interests of consolidated companies	3.1.4	-151,712	-159,559
Proceeds related to new borrowings	3.2.5.11.2	3,257,344	3,035,985
Repayments of borrowings (including finance lease agreements)	3.2.5.11.2	-3,167,474	-3,072,554
Net interest paid (including finance lease agreements)		-244,239	-266,097
Other cash flow from financing activities		-89,923	-139,339
Net cash flow from financing activities of continuing operations		-698,913	-556,665
Net cash flow from financing activities of discontinued operations		-128,335	-64,532
Net cash flow from financing activities		-827,248	-621,197
Impact of changes in accounting policies		0	0
Change in net cash of continuing operations		173,238	-33,875
Change in net cash of discontinued operations		-3,645	-2,083
CHANGE IN NET CASH		169,593	-35,958
Opening cash position		890,544	926,502
Closing cash position		1,060,137	890,544
CHANGE IN CASH AND CASH EQUIVALENTS		169,593	-35,958

(€K)		31/12/2016	31/12/2015
Gross cash flow from continuing operations (a) ⁽³⁾	3.2.5.9.2	1,082,793	946,090
Gross cash flow from discontinued operations (a) ⁽³⁾		55	3,650
Debit balances and bank overdrafts from continuing operations (b)	3.2.5.11.2	-15,797	-54,135
Debit balances and bank overdrafts from discontinued operations (b)		-54	-4
Net cash and cash equivalents (c) = (a) - (b)		1,066,997	895,601
Of which available net cash of continuing operations		1,060,136	886,898
Of which available net cash of discontinued operations		1	3,646
Of which unavailable net cash and cash equivalents		6,860	5,057
Gross debt (d)	3.2.5.11.2	9,788,444	9,511,194
Amortisation of financing costs (e)	3.2.5.11.2	-66,960	-73,705
NET DEBT (D) - (C) + (E)		8,654,487	8,541,888

- (1) The -€223.2 million impact of the changes in the scope of consolidation related to investment activities (§39 of the standard IAS7) primarily corresponds to:
- disbursements related to the acquisition of companies in the Germany Residential (-€169 million), Hotels and Service (-€128.3 million), and Italy Offices (-€2.1 million) segments
 - proceeds from the disposal of companies in the Car Parks (+€65.5 million) and France Residential (+€11 million) segments.
- (2) The -€191.8 million impact of changes in the scope of consolidation related to financing activities (§42A of the standard IAS7) primarily corresponds to:
- disbursements related to the acquisition of additional stakes in Foncière des Murs (-€118.3 million) and Beni Stabili (-€52.2 million)
 - disbursements related to the acquisition of minority interests in companies in the Germany Residential (-€24.8 million) and Italy Offices (-€6.5 million) segments
 - proceeds from the disposal of minority interests in companies in the Germany Residential segment (+€10 million).
- (3) Taking into account the Group's disengagement from the Car Parks operating segment, €3,594 thousand in cash flow of companies disposed of has been transferred from "Gross cash flow from continuing operations" to "Gross cash flow from discontinued operations" as at 31 December 2015.

3.2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2.1. General principles

3.2.1.1. Accounting standards

The consolidated financial statements of the Foncière des Régions group at 31 December 2016 were prepared in compliance with the international accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union as of the preparation date. These standards comprise International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as their interpretations.

The statements were approved by the Board of Directors on 15 February 2017.

3.2.1.1.1. Accounting principles and methods used

The accounting principles applied to the consolidated financial statements as at 31 December 2016 are identical to those used for the consolidated financial statements as at 31 December 2015, with the exception of new standards and amendments whose application is mandatory as from 1 January 2016 and which were not applied early by the Group.

The new standards for which application is mandatory on or after 1 January 2016 include:

- ◆ amendments to IAS 19 “Defined-Benefit Plans – Employee contributions” published on 9 January 2015; These limited amendments apply to employee contributions to defined benefit plans. The purpose of the amendments is to clarify and simplify the recognition of contributions that are not linked to the number of years of service of employees, for example employee contributions calculated on the basis of a fixed percentage of salary. These contributions can be recognised as a reduction in the cost of service in the period in which the service is rendered, rather than being allocated to the service periods
- ◆ annual improvements to IFRS (2010-2012 cycle), adopted by the European Union on 9 January 2015; The IASB uses this process to make changes deemed necessary, but not urgent, to its standards, when they are not already included in another project
- ◆ amendments to IFRS 11 “Amendments: accounting for Acquisitions of Interests in Joint Operations”, adopted by the European Union on 24 November 2015. This amendment specifies that the acquisition of an interest in a joint operation, which constitutes a business under IFRS 3, must be recognised according to IFRS 3, unless otherwise specified
- ◆ amendments to IAS 16 and IAS 38 “Amendments: clarification of Acceptable Methods of Depreciation and Amortisation”, adopted by the European Union on 2 December 2015. For tangible assets, this amendment specifies that the use of amortisation methods based on the revenue generated by the use of the asset is inappropriate
- ◆ annual improvements to IFRS (2012-2014 cycle) adopted by the European Union on 15 December 2015; These amendments concern IFRS 5, IFRS 7, IAS 19 and IAS 34
- ◆ amendments to IAS 1 “Presentation of Financial Statements” adopted by the European Union on 18 December 2015. The purpose of these amendments is to encourage companies to use their professional judgement and take account of materiality in determining which information to disclose in their financial statements pursuant to IAS 1.

The new amendments and standards adopted by the European Union for which application was not mandatory at 1 January 2016 and which are not being applied early by the Foncière des Régions group are:

- ◆ IFRS 15 “Revenue from Contracts with Customers”, adopted by the European Union on 22 September 2016; according to the IASB, the amendments should come into force on 1 January 2018. In May 2014, the IASB and the FASB published IFRS 15, which changes how revenue is recognised and supersedes IAS 18 “Revenue” and IAS 11 “Construction Contracts”. IFRS 15 establishes a fundamental principle that requires revenues from contracts with customers to be recognised in a way that reflects the amount to which a seller expects to be entitled when transferring control of a good or service to a customer.
- ◆ IFRS 9 “Financial Instruments: Hedge Accounting”, adopted by the European Union on 22 November 2016; according to the IASB, the standard should come into force on 1 January 2018. This standard will replace IAS 39 “Financial Instruments” and should have only a limited impact on the financial statements.

IFRS standards and amendments published by the IASB but not adopted by the European Union, not yet mandatory for fiscal years beginning on or after 1 January 2016:

- ◆ amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses”, published on 19 January 2016; according to the IASB, the amendments should come into force on 1 January 2017. Its adoption by the European Union is expected in 2017. The amendment provides clarification on how to estimate the existence of future taxable profit
- ◆ amendments to IAS 7 “Disclosure Initiative”; according to the IASB, the amendments should come into force on 1 January 2017. Its adoption by the European Union is expected in 2017. As part of its overall reflection on the presentation of financial statements, the IASB published amendments to IAS 7 “Statement of Cash Flows” on 29 January 2016. Under these amendments, entities must provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, whether or not these changes stem from cash flows

- ♦ amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”, published on 20 June 2016; according to the IASB, the amendments should come into force on 1 January 2018. Its adoption by the European Union is expected in 2017. This amendment covers three aspects that concern the following: the effects of vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled
- ♦ amendments to IFRS 15, published on 12 April 2016; according to the IASB, the amendments should come into force on 1 January 2018. Its adoption by the European Union is expected in the first quarter of 2017. Clarifications have been made to IFRS 15 concerning the following: identification of performance obligations, principal versus agent application, licenses, and transitory provisions
- ♦ IFRS 16 “Leases”; according to the IASB, the standard should come into force on 1 January 2019. Its adoption by the European Union is expected in 2017. On 13 January 2016, the IASB published IFRS 16, which will supersede IAS 17 “Leases”, as well as the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27). The most significant change is that all the leases concerned will be recognised on the tenant’s balance sheet, providing better visibility on their assets and liabilities. An analysis of the impacts for the Group is under way
- ♦ annual improvements to IFRS (2014-2016 cycle), published on 8 December 2016; according to the IASB, the improvements should come into force on 1 January 2017 or 1 January 2018. Its adoption by the European Union is expected in the second half of 2017
- ♦ amendments to IAS 40 “Transfers of Investment Property”, published on 8 December 2016; according to the IASB, the amendments should come into force on 1 January 2018. Its adoption by the European Union is expected in the second half of 2017.

3.2.1.2. Estimates and judgements

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

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

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

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

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

3.2.1.3. Operating segments

The Foncière des Régions group holds a wide range of real estate assets to collect rental income and benefit from appreciation in the assets held. Segment reporting is organised by asset type.

The operating segments are as follows:

- ♦ France Offices: office real estate assets located in France
- ♦ Italy Offices: office real estate assets located in Italy held by Beni Stabili
- ♦ Hotels and Service: commercial buildings in the hotel, retail and health sectors held by Foncière des Murs
- ♦ Germany Residential: residential real estate assets in Germany held by Foncière des Régions through its subsidiary Immeo SE
- ♦ France Residential: residential real estate assets in France held by Foncière Dévelowent Logements.

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

Since 1 January 2014, Logistics no longer appears under operating segments. In accordance with the application of IFRS 5, the Logistics business activity, which is being sold, is presented in the financial statements as discontinued operations.

As of 1 January 2016, following the disposal of ten car park companies on 20 December 2016, Car Parks is no longer a separate operating segment. The remaining companies, which are not material for the Group, are no longer assigned to this segment.

On 1 January 2016, the sold car park companies were transferred to discontinued operations in the summary financial statements.

The summary financial statements are presented after adjustment for discontinued operations.

3.2.1.4. IFRS 7 – Reference table

♦ Liquidity risk	§ 3.2.2.2
♦ Financial expense sensitivity	§ 3.2.2.3
♦ Credit risk	§ 3.2.2.4
♦ Market risk	§ 3.2.2.6
♦ Sensitivity of the fair value of investment properties	§ 3.2.5.1.3
♦ Covenants	§ 3.2.5.11.6

3.2.2. Financial risk management

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

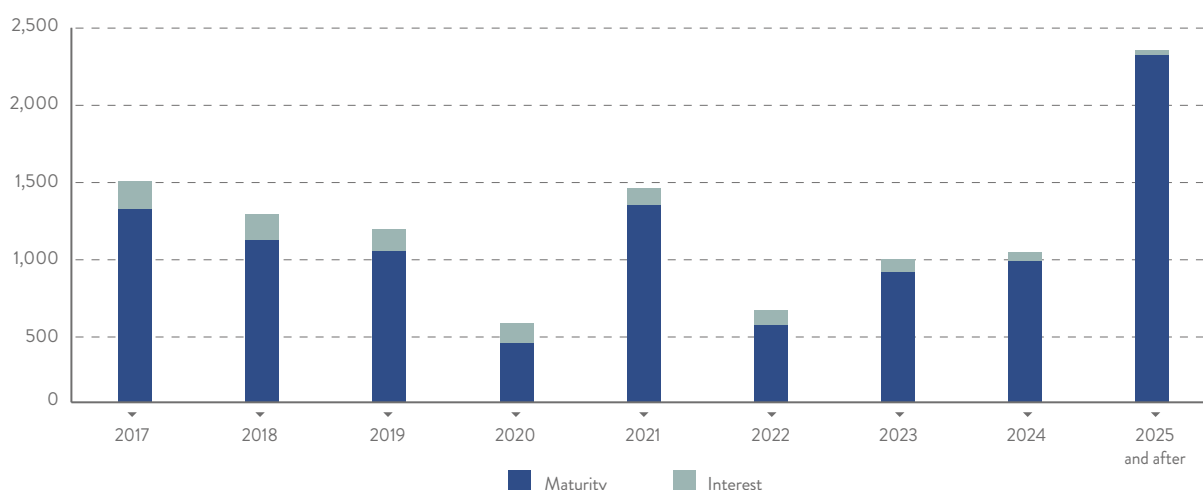
3.2.2.1. Marketing risk for properties under development

The Group is involved in property development. As such, it is exposed to a number of different risks, particularly risks associated with construction costs, completion delays and the marketing of the assets. These risks can be assessed in light of the schedule of properties under development (§ 3.2.5.1.4).

3.2.2.2. Liquidity risk

Liquidity risk is managed in the medium and long term with multi-year cash management plans and, in the short term, by using confirmed and undrawn lines of credit. At the end of December 2016, Foncière des Régions' available cash and cash equivalents amounted to €2,375 million, including €1,078 million in usable unconditional credit lines, €1,083 million in investments and €214 million in unused overdraft facilities.

The graph below summarises the maturities of the borrowings (in €M), including treasury bills existing as at 31 December 2016:



2017 maturities include €1,002 million in treasury bills.

The amount of interest payable up to the maturity of the debt, estimated on the basis of the outstanding amount at 31 December 2016 and the average interest rate on the debt, totaled €1,053 million.

Details concerning the debt maturities are provided in Note 3.2.5.11.3, and a description of the banking covenants and accelerated payment clauses included in the loan agreements is presented in Note 3.2.5.11.6.

The Group set up or negotiated financing facilities in 2016 to cover liquidity risk. These renegotiations brought about an extension of the maturities and optimisation of the financial terms and conditions of these loans.

♦ France Offices

During 2016, Foncière des Régions continued the process of renegotiating its corporate credit facilities to optimise their financial conditions and extend their maturities. €300 million was refinanced over an average term in excess of five years.

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

In May 2016, Foncière des Régions launched its first Green Bond issue for €500 million, maturing in 2026, with a fixed coupon of 1.875%. 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%.

♦ Italy Offices

Beni Stabili raised €810 million in mortgage debt maturing in eight years, backed by the Telecom Italia portfolio, to refinance existing debt.

♦ Hotels and Service sector

In 2016, Foncière des Murs raised €120 million in mortgage debt maturing in seven years on average to acquire Motel One hotels in Germany, B&B hotels in France, and to build a Club Med in Samoëns.

◆ Germany Residential

During 2016, Immeo SE obtained 10-year and 7.8-year refinancing of mortgages in the amount of €341 million and €165 million, respectively.

Immeo SE also raised €221 million in new financing with an average maturity of ten years for acquisitions in the Berlin, Potsdam, Leipzig, Düsseldorf and Hamburg areas.

3.2.2.3. Interest rate risk

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

To the extent possible, bank debt is for the most part hedged via financial instruments (see 3.2.5.11.5). At 31 December 2016, after taking interest rate swaps into account, approximately 75% of the Group's debt was hedged, and the bulk of the remainder was covered by interest rate caps, which resulted in the following sensitivity to changes in interest rates:

The impact of a 100 bps rate increase as at 31 December 2016 is a loss of €3,767 thousand on the 2017 recurring net income, Group share

The impact of a 50 bps rate increase as at 31 December 2016 is a loss of €1,348 thousand on the 2017 recurring net income, Group share

The impact of a 50 bps rate reduction as at 31 December 2016 is an increase of €304 thousand on the 2017 recurring net income, Group share.

3.2.2.4. Financial counterparty risk

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

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

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

Counterparty risk is included in the measurement of cash instruments. It totaled €8,562 thousand in fiscal 2016.

3.2.2.5. Lease counterparty risk

Foncière des Régions' rental income is subject to a certain degree of concentration, to the extent that the principal tenants (Orange, Telecom Italia, AccorHotels, Suez Environnement, EDF and B&B) generate the main part of the annual rental income.

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

The Group has not recorded any significant overdue payments.

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

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

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

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

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

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

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

Economic growth generally increases demand for leased space and paves the way for rent levels to rise, particularly in the office sector. These two consequences lead to an increase in the price of real estate assets. Nevertheless, in the medium term, economic growth generally leads to an increase in inflation and then an increase in interest rates, expanding the availability of profitable alternative investments. Such factors exert downward pressure on property values.

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

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

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

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

The sensitivity of the fair value of investment properties to changes in capitalisation rates is analysed in § 3.2.5.1.3.

3.2.2.7. Exchange rate risk

The Company operates in the Euro zone. It is therefore not exposed to exchange rate risk.

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

The Group is exposed to risks for two classes of shares (see § 3.2.5.2.2).

This risk primarily involves listed securities in companies consolidated using the equity method, which are valued according to their value in use. Value in use is determined based on independent assessments of the real estate assets and financial instruments.

In addition, Foncière des Régions and Beni Stabili issued bonds (ORNANE) valued at their fair value in the income statement at each closing. The fair value corresponds to the monthly closing price of the bond, exposing the Group to changes in the value of the bond. The specific features of the ORNANE are described in Note 3.2.5.11.4.

3.2.2.9. Tax environment

3.2.2.9.1. Changes in the French tax environment

The changes in the French tax environment affect the Group's tax situation, particularly with regard to registration fees, as of 1 January 2016:

- (i) the introduction of an additional 0.6% tax on conveyancing of office, commercial and storage buildings in the Paris region and completed more than five years ago
- (ii) the 0.7% increase in registration fees in Paris.

3.2.2.9.2. Changes in the Italian tax environment

The changes in the Italian tax environment concern the corporation tax rate (IRES by the Italian acronym), which is lowered from 27.5% to 24% as of fiscal years ending in 2017.

3.2.2.9.3. Changes in the German tax environment

The Group has not observed any significant change in the German tax environment.

3.2.2.9.4. Tax risks

Given the ongoing changes to tax legislation, the Group is likely to be subject to reassessment proposals from the tax administration. If our counsel believes that an adjustment presents a risk of reassessment, a provision is made. The list of the main ongoing proceedings includes the following:

- ♦ Foncière des Régions tax inspection
Foncière des Régions' accounts were audited for the 2012 and 2013 fiscal years, which resulted in a reassessment proposal in December 2015 for corporate value added tax (CVAE) and corporate tax generating:
 - ♦ a €9.7 million tax impact on the principal, relating to (i) the corporation tax, with a correlative increase in deficits on the taxable segment in the amount of €36.6 million and (ii) to the CVAE. The Group is disputing this reassessment and, based on the analysis by the Company's legal counsel, it has not been provisioned as at 31 December 2016. The reassessment proposal concerning a reduction in deficits in the taxable segment of €1 million on a total of €240 million was accepted
 - ♦ a new reassessment proposal concerning the 2014 corporation tax was received as a follow-up to the reassessment made for 2012 and 2013, generating a financial impact of €3.9 million in principal. On the same basis as for the 2012 and 2013 fiscal years, this reassessment proposal is being contested and, based on the analysis by the Company's legal counsels, no provision was recorded to that effect as at 31 December 2016.

- ♦ Foncière Europe Logistique tax audit

A corporate income tax reassessment proposal was received by Foncière Europe Logistique amounting to €3.2 million for fiscal years 2007 and 2008, followed by a tax collection procedure and a payment during the first half of 2012. Foncière Europe Logistique is nonetheless contesting this reassessment and filed a claim against it. The Tax Administration rejected the claim on the merits but nevertheless granted an abatement of €2.4 million in principal and interest to take into account the fact that the financial consequences were spread out over 2008, 2009, 2010 and 2011. Since 2009 was prescribed, a final abatement of €0.8 million was obtained.

The case was referred to the Administrative Court, which rejected Foncière Europe Logistique's application in December 2015. Foncière Europe Logistique maintains its position and

has submitted an appeal to the Paris Administrative Appeals Court. Based on the analysis by legal counsel, this dispute has not been provisioned as at 31 December 2016.

An accounting audit pertaining to the 2010 and 2011 fiscal years took place during the 2013 fiscal year, which ended in a reassessment proposal on the corporate tax for €3.5 million on the same grounds as the previous reassessment proposal for 2007 and 2008. This reassessment was followed by a tax collection procedure and payment. The case was referred to the Administrative Court, which rejected Foncière Europe Logistique's request in June 2016. Foncière Europe Logistique maintains its position and has submitted an appeal to the Paris Administrative Appeals Court.

Based on the analysis by legal counsel, this dispute has not been provisioned as at 31 December 2016.

An audit of Foncière Europe Logistique's accounts was conducted covering the 2012 and 2013 fiscal years, and culminated in a proposed corporate tax reassessment amounting to €1.3 million, on the same grounds as the previous reassessment proposal for 2007 to 2011. The case has been referred to the Administrative Court. Based on the analysis by legal counsel, this dispute has not been provisioned as at 31 December 2016.

◆ Foncière des Murs tax audit

Foncière des Murs underwent an accounting audit for the 2010 and 2011 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €2.4 million. This reassessment proposal was confirmed in April 2015 following administrative reviews. It gave rise to a tax collection procedure and payment in the first half of 2016. The proposal is being contested in its entirety, and, based on the analysis by the Company's legal counsel, it has not been provisioned as at 31 December 2016.

Foncière des Murs' accounts were also audited for the 2012, 2013 and 2014 fiscal years, which resulted in a reassessment proposal in December 2015 for corporate value added tax (CVAE) in the amount of €2 million, on the same grounds as the previous reassessment proposal for 2010 and 2011. This reassessment proposal was confirmed in May 2016 following administrative reviews. It gave rise to a tax collection procedure and payment in the second half of 2016. The proposal is being contested in its entirety, and, based on the analysis by the Company's legal counsel, it has not been provisioned as at 31 December 2016.

◆ SNC Otello (Foncière des Murs subsidiary) tax audit

SNC Otello's accounts were audited for the 2011, 2012 and 2013 fiscal years, which resulted in a reassessment proposal for the CVAE in the amount of €0.5 million. This reassessment proposal was confirmed in April 2015 following administrative reviews. It gave rise to a tax collection procedure and payment in the first half of 2016. This proposal is being contested in its entirety, and, based on the analysis by the Company's legal counsel, it has not been provisioned as at 31 December 2016.

◆ République tax audit

République had a tax audit for the 2008, 2009 and 2010 fiscal years. A tax reassessment proposal for 2008, which has no impact on the corporate income tax owed, was received at the end of December 2011. Claims have been filed in this matter.

◆ Tax audits of the Germany Residential segment

Immeo and all its subsidiaries had a tax audit for the 2011, 2012 and 2013 fiscal years. These audits are ongoing. No provision has been set aside for these audits as at 31 December 2016.

◆ Tax audits of the Italy Offices segment:

◆ Comit Fund tax dispute – Beni Stabili

On 17 April 2012, following a court decision, the Italian tax administration refunded the debt borne by Beni Stabili for the Comit Fund dispute (principal: €58.2 million and interest: €2.3 million). In April 2012, the tax administration appealed this decision. The Court of Appeal ruled in favour of the tax administration on 18 December 2015.

The dispute with the tax administration was settled with the payment of €55 million. The €56.2 million provision set aside in 2015 was reversed as at 31 December 2016.

However, Comit Fund and Beni Stabili have not entered a joint agreement to definitely ratify that they each will pay an equal share of this adjustment. If there is a dispute between the two parties, the matter will be referred to civil arbitration proceedings. No procedure has commenced to date and therefore no provision has been set aside.

◆ Tax audits

Beni Stabili had a tax audit for the 2008, 2009, 2010 and 2011 fiscal years. The tax administration issued reassessments in the amount of €9.8 million for the principal, which is disputed by the Company in its entirety. The dispute was ongoing at 31 December 2016 and the adjustment has not been provisioned.

3.2.2.9.5. Deferred tax liabilities

Most of the Group's property companies have opted for the SIIC regime in France or for the SIIC regime in Italy. The impact of deferred tax liabilities is therefore essentially related to the Germany Residential segment and to investments in the Hotels and Service sector for which the SIIC regime is not applicable (Germany, Belgium, Netherlands and Portugal).

3.2.3. Scope of consolidation

3.2.3.1. Accounting principles applicable to the scope of consolidation

3.2.3.1.1. Consolidated subsidiaries and structured entities – IFRS 10

These financial statements include the financial statements of Foncière des Régions and the financial statements of the entities (including structured entities) that it controls and its subsidiaries.

The Foncière des Régions group has control when it:

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

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

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

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

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

Subsidiaries and structured entities are fully consolidated.

3.2.3.1.2. Equity affiliates – IAS 28

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

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

3.2.3.1.3. Partnerships (joint control) – IFRS 11

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

3.2.3.1.3.1. Joint ventures

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

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

3.2.3.1.3.2. Joint operations

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

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

- ◆ its assets, including its proportionate share of assets held jointly, where applicable
- ◆ its liabilities, including its proportionate share of liabilities assumed jointly, where applicable
- ◆ the income that it made from the sale of its proportionate share in the yield generated by the joint operation
- ◆ its proportionate share of income from the sale of the yield generated by the joint operation
- ◆ the expenses that it has committed, including its proportionate share of expenses committed jointly, where applicable.

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

No Group company is considered to constitute a joint operation.

3.2.3.2. Additions to the scope of consolidation

Additions to the scope of consolidation for each business are presented in the scope reporting table detailed by company at the start of each segment. The segments concerned are France Offices, Hotels and Service, and Germany Residential.

3.2.3.3. Removals from the scope of consolidation

Removals from the scope of consolidation for each business are presented in the scope reporting table detailed by company at the start of each segment. The segments concerned are Germany Residential and France Residential.

3.2.3.4. Internal restructuring

3.2.3.4.1. France Offices segment

Full transfer of the portfolio of SCI du 2 rue de Verdun to Foncière des Régions.

Full transfer of the portfolio of SCI 57/59 rue du commandant Mouchotte to Foncière des Régions.

Merger of Foncière Europe Logistique with Foncière des Régions.

3.2.3.4.2. Hotels and Service sector

Full transfer of the portfolio of Actifoncier to Foncière des Murs.

Full transfer of the portfolio of SCI Les Mimosas to Foncière des Murs.

Liquidation of SCI Le Chesnay and SCI Marcq en Baroeul at 31 December 2016.

3.2.3.4.3. Germany Residential segment

Full transfer of the portfolio of Immeo Property Service GmbH to Immeo GFR.

3.2.3.5. Change in holding and/or in consolidation method

3.2.3.5.1. Acquisition of Beni Stabili shares – Impact on the percentage held

Foncière des Régions acquired 85,197,610 Beni Stabili shares for a total of €52.2 million. The average acquisition price comes to €0.61 per share. At 31 December 2016, Foncière des Régions held a 52.24% stake in Beni Stabili *versus* 48.49% at 31 December 2015.

3.2.3.5.2. Share exchange takeover bid on Foncière des Murs – Impact on the percentage held

In keeping with the decisions made by the Board of Directors on 17 February 2016, Foncière des Régions resolved to increase its stake in Foncière des Murs. To this effect, contribution-in-kind agreements were signed with Assurances Crédit Mutuel (ACM Vie) and BMO Global Asset Management concerning respectively 2,473,242 and 745,527 Foncière des Murs shares.

On completion of these contributions in kind on 27 April 2016, Foncière des Régions' stake in Foncière des Murs rose to 47.45%, compared to 43.15% at 31 December 2015.

Following Foncière des Régions' two share exchange takeover bids targeting 2.1% and 0.28% of the share capital of Foncière des Murs on 28 June and 22 July 2016, Foncière des Régions held 36,982,437 Foncière des Murs shares, *i.e.* 49.91% of its share capital.

1,669,439 Foncière des Régions shares were issued in compensation for the tendering of Foncière des Murs shares and the public exchange offer that followed.

3.2.3.6. List of consolidated companies

87 companies in the France Offices segment	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Foncière des Régions	France	Parent company		
SCI Rueil B2	France	FC	100.00	-
SCI Rueil B3 B4	France	FC	100.00	-
SCI Factor E	France	EM/EA	34.69	-
SCI Orianz	France	EM/EA	34.69	-
Latepromo	France	FC	100.00	100.00
SNC Promomurs	France	FC	100.00	100.00
FDR Participation	France	FC	100.00	100.00
SCI Avenue de la Marne	France	FC	100.00	100.00
Omega B	France	FC	100.00	100.00
SCI Euromarseille 3	France	EM/JV	50.00	50.00
GFR Ravinelle	France	FC	100.00	100.00
SCI du 288 rue Duguesclin	France	FC	100.00	100.00
SCI du 15 rue des Cuirassiers	France	FC	100.00	100.00
SCI Fédérismo	France	FC	60.00	60.00
Iméfa 127	France	FC	100.00	100.00
SCI Atlantis	France	FC	100.00	100.00
EURL Fédération	France	FC	100.00	100.00
SCI Raphaël	France	FC	100.00	100.00
SARL Foncière Margaux	France	FC	100.00	100.00
SCI du 32 avenue P Grenier	France	FC	100.00	100.00
SCI du 40 rue JJ Rousseau	France	FC	100.00	100.00
SCI du 3 place A Chaussy	France	FC	100.00	100.00
SARL BGA Transactions	France	FC	100.00	100.00
SCI du 9 rue des Cuirassiers	France	FC	100.00	100.00
SCI 35/37 rue Louis Guérin	France	FC	100.00	100.00
SARL du 25-27 quai Félix Faure	France	FC	100.00	100.00
SCI du 10B et 11 A 13 allée des Tanneurs	France	FC	100.00	100.00
SCI du 125 avenue du Brancolar	France	FC	100.00	100.00
SCI du 11 avenue de Sully	France	FC	100.00	100.00
SCI du 8 rue M Paul	France	FC	100.00	100.00
SCI du 1 rue de Chateaudun	France	FC	100.00	100.00
SCI du 1630 avenue de la Croix Rouge	France	FC	100.00	100.00
SCI du 682 cours de la Libération	France	FC	100.00	100.00
SARL du 106-110 rue des Troènes	France	FC	100.00	100.00
SARL du 11 rue Victor Leroy	France	FC	100.00	100.00
SCI du 2 rue de L'III	France	FC	100.00	100.00
SCI du 20 avenue Victor Hugo	France	FC	100.00	100.00
SARL du 2 rue Saint Charles	France	FC	100.00	100.00
SNC Télimob Paris	France	FC	100.00	100.00
SNC Télimob Nord	France	FC	100.00	100.00
SNC Télimob Rhône Alpes	France	FC	100.00	100.00
SNC Télimob Sud Ouest	France	FC	100.00	100.00
SNC Télimob Est	France	FC	100.00	100.00
SNC Télimob Paca	France	FC	100.00	100.00
SNC Télimob Ouest	France	FC	100.00	100.00
SARL Télimob Paris	France	FC	100.00	100.00
SNC Latécoère	France	FC	50.10	50.10

87 companies in the France Offices segment	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Palmer Transactions SNC	France	FC	100.00	100.00
Foncière Palmer SNC	France	FC	100.00	100.00
Palmer Plage SNC	France	FC	100.00	100.00
SCI Palmer Montpellier	France	FC	100.00	100.00
SCI Dual Center	France	FC	100.00	100.00
SAS Cœur d'Orly Promotion	France	EM/EA	50.00	50.00
FDR2	France	FC	100.00	100.00
SCI bureaux Cœur d'Orly	France	EM/EA	25.00	25.00
SNC hld Bureaux Cœur d'Orly	France	EM/EA	50.00	50.00
SNC Commerces Cœur d'Orly	France	EM/EA	25.00	25.00
SNC hld Commerces Cœur d'Orly	France	EM/EA	50.00	50.00
FDR 4	France	FC	75.00	75.00
SCI Euromarseille 1	France	EM/JV	50.00	50.00
SCI Euromarseille 2	France	EM/JV	50.00	50.00
SCI Euromarseille BI	France	EM/JV	50.00	50.00
SCI Euromarseille BH	France	EM/JV	50.00	50.00
SCI Euromarseille BL	France	EM/JV	50.00	50.00
SCI Euromarseille M	France	EM/JV	50.00	50.00
SCI Euromarseille PK	France	EM/JV	50.00	50.00
SCI Euromarseille Invest	France	EM/JV	50.00	50.00
SCI Euromarseille H	France	EM/JV	50.00	50.00
SCI Euromarseille BH2	France	EM/JV	50.00	50.00
FDR 7	France	FC	100.00	100.00
SNC Sup 3	France	FC	100.00	100.00
Technical	France	FC	100.00	100.00
GFR Kléber	France	FC	100.00	100.00
Oméga A	France	FC	100.00	100.00
Oméga C	France	FC	100.00	100.00
Le Ponant 1986	France	FC	100.00	100.00
Ruhl Côte d'Azur	France	FC	100.00	100.00
SCI Pompidou	France	FC	100.00	100.00
OPCI Office CB21	France	FC	75.00	75.00
SCI 11 place de l'Europe	France	FC	50.09	50.10
EURL Languedoc 34	France	FC	100.00	100.00
SCI Lenovilla	France	EM/JV	50.10	50.09
SNC Lenopromo	France	FC	100.00	100.00
SCI Latécoère 2	France	EM/JV	50.10	50.10
SCI Meudon Saulnier	France	FC	100.00	100.00
SCI Charenton	France	FC	100.00	100.00
SCI du 57/59 rue du Cdt R Mouchotte	France	Merger	-	100.00
SCI du 2 rue de Verdun	France	Merger	-	100.00

The registered office of the parent company Foncière des Régions is at 18 avenue François Mitterrand, 57000 Metz. The other fully consolidated subsidiaries in the France Offices segment have their registered office at 30 avenue Kléber, 75116 Paris.

20 companies in the Italy Offices segment	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Beni Stabili S.p.A. SIIQ (parent company) 100% controlled	Italy	FC	52.24	48.49
Revalo S.p.A.	Italy	FC	52.24	17.94
Beni Stabili Development Milano Greenway S.p.A.	Italy	FC	52.24	38.79
Investire S.p.A. SGR	Italy	EM	9.35	8.68
RGD Ferrara 2013 Srl	Italy	EM	26.12	24.24
Real Estate Solution & Technology S.r.L.	Italy	EM	15.67	14.55
Beni Stabili 7 S.p.A.	Italy	FC	52.24	48.49
Beni Stabili Development S.p.A.	Italy	FC	52.24	48.49
B.S. Attività commercial 1 S.r.L.	Italy	FC	52.24	48.49
B.S. Attività commercial 2 S.r.L.	Italy	FC	52.24	48.49
B.S. Attività commercial 3 S.r.L.	Italy	FC	52.24	48.49
B.S. Immobiliare 9 SINQ S.p.A.	Italy	FC	52.24	48.49
RGD Gestioni S.r.L.	Italy	FC	52.24	48.49
Beni Stabili Retail S.r.l.	Italy	FC	28.73	26.67
Beni Stabili Real Estate Advisory S.r.L.	Italy	FC	52.24	48.49
Sviluppo Ripamonti S.r.L.	Italy	FC	52.24	48.49
B.S. Immobiliare 5 S.r.L.	Italy	FC	52.24	48.49
B.S. Engineering S.r.l.	Italy	FC	52.24	48.49
Imser Securitisation S.r.L.	Italy	FC	52.24	48.49
Imser Securitisation 2 S.r.L.	Italy	FC	52.24	48.49

The registered office of the parent company Beni Stabili is at 38 Via Piemonte, 00187 Rome.

116 Hotels and Service sector companies	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
SCA Foncière des Murs (Parent company) 100% controlled	France	FC	49.91	43.15
Airport Garden Hotel NV	Belgium	EM/EA	20.31	-
H Invest Lux	Luxembourg	FC	49.91	-
Samoens SAS	France	FC	12.53	-
Foncière B4 Hôtel Invest	France	FC	25.05	-
Murdespagne SLU	Spain	FC	49.91	-
B&B Invest Espagne SLU	Spain	FC	49.91	-
Rock-Lux	Luxembourg	EM/EA	20.31	-
Société Liloise Investissement Immobilier Hôtelier SA	France	EM/EA	20.31	-
Spiegelrei HLD SA	Belgium	EM/EA	20.31	-
Alliance et Compagnie SAS	France	EM/EA	20.31	-
Spiegelrei SA M&F	Belgium	EM/EA	20.31	-
Résidence Cour Saint Georges SA	Belgium	EM/EA	20.31	-
Hermitage Holdco	France	EM/EA	20.31	-
Berlin I (Propco Westin Grand Berlin)	Germany	EM/EA	19.28	-
Opco Grand Hôtel Berlin Betriebs (Westin berlin)	Germany	EM/EA	19.28	-
Berlin II (Propco Park Inn Alexanderplatz)	Germany	EM/EA	19.28	-
Opco Hôtel Stadt Berlin Betriebs (Park-Inn)	Germany	EM/EA	19.28	-
Berlin III (Propco Mercure Potsdam)	Germany	EM/EA	19.28	-
Opco Hôtel Potsdam Betriebs (Mercure Potsdam)	Germany	EM/EA	19.28	-

116 Hotels and Service sector companies	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Dresden I (Propco Westin Bellevue)	Germany	EM/EA	19.28	-
Opco Hôtel Bellevue Dresden Betriebs (Westin Bellevue)	Germany	EM/EA	19.28	-
Dresden II (Propco Ibis Hôtel Dresden)	Germany	EM/EA	19.28	-
Dresden III (Propco Ibis Hôtel Dresden)	Germany	EM/EA	19.28	-
Dresden IV (Propco Ibis Hôtel Dresden)	Germany	EM/EA	19.28	-
Opco BKL Hotelbetriebsgesellschaft (Dresden II to IV)	Germany	EM/EA	19.28	-
Dresden V (Propco Pullman Nawa Dresden)	Germany	EM/EA	19.28	-
Opco Hôtel Nawa Dresden Betriebs (Pullman)	Germany	EM/EA	19.28	-
Leipzig I (Propco Westin Leipzig)	Germany	EM/EA	19.28	-
Opco HotelgesellschaftGeberst, Betriebs (Westin Leipzig)	Germany	EM/EA	19.28	-
Leipzig II (Propco Radisson Blu Leipzig)	Germany	EM/EA	19.28	-
Opco Hôtel Deutschland Leipzig Betriebs (Radisson Blu)	Germany	EM/EA	19.28	-
Erfurt I (Propco Radisson Blu Erfurt)	Germany	EM/EA	19.28	-
Opco Hôtel Kosmos Erfurt (Radisson Blu)	Germany	EM/EA	19.28	-
Foncière Développement Tourisme	France	FC	25.00	-
FDM Management	France	EM/EA	20.31	17.63
LHM Holding Lux SARL	Luxembourg	EM/EA	20.31	17.63
LHM ProCo Lux SARL	Germany	EM/EA	20.31	17.63
SCI Rosace	France	EM/EA	20.31	17.63
Mo First Five	Germany	EM/EA	19.09	16.57
Star Budget Hôtel GmbH	Germany	EM/EA	20.31	17.63
Financière Hope SAS	France	EM/EA	20.31	17.63
SCI Hôtel Porte Dorée	France	EM/JV	24.95	43.15
FDM M Lux	Luxembourg	EM/EA	20.31	17.63
OPCO Rosace	France	EM/EA	20.31	17.63
Exco Hôtel	Belgium	EM/EA	20.31	17.63
Invest Hôtel	Belgium	EM/EA	20.31	17.63
Mo Lux 1 Sarl	Luxembourg	FC	49.91	43.15
Mo Dreinden, Niederrad	Germany	FC	46.91	40.56
Mo Berlin et Koln	Germany	FC	46.91	40.56
Ringer	Germany	FC	49.91	43.15
B&B Invest Lux 5	Germany	FC	46.41	40.13
B&B Invest Lux 6	Germany	FC	46.41	40.13
SARL Loire	France	FC	49.91	43.15
Foncière Otello	France	FC	49.91	43.15
SNC Hôtel René Clair	France	FC	49.91	43.15
Foncière Manon	France	FC	49.91	43.15
Foncière Ulysse	France	FC	49.91	43.15
Ulysse Belgium	Belgium	FC	49.91	43.15
Ulysse Trefonds	Belgium	FC	49.91	43.15
Foncière No Bruxelles Grand Place	Belgium	FC	49.91	43.15
Foncière No Bruxelles Aéroport	Belgium	FC	49.91	43.15
Foncière No Bruges Centre	Belgium	FC	49.91	43.15
Foncière Gand Centre	Belgium	FC	49.91	43.15
Foncière Gand Opéra	Belgium	FC	49.91	43.15
Foncière IB Bruxelles Grand-Place	Belgium	FC	49.91	43.15
Foncière IB Bruxelles Aéroport	Belgium	FC	49.91	43.15
Foncière IB Bruges Centre	Belgium	FC	49.91	43.15

116 Hotels and Service sector companies	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Foncière Antwerp Centre	Belgium	FC	49.91	43.15
Foncière Bruxelles Expo Atomium	Belgium	FC	49.91	43.15
Murdelux SARL	Luxembourg	FC	49.91	43.15
Portmurs	Portugal	FC	49.91	43.15
Beni Stabili Hôtel	Luxembourg	FC	50.38	44.22
Sunparks de Haan	Belgium	FC	49.91	43.15
Sunparks Oostduinkerke	Belgium	FC	49.91	43.15
Foncière Vielsam	Belgium	FC	49.91	43.15
Sunparks Trefonds	Belgium	FC	49.91	43.15
Foncière Kempense Meren	Belgium	FC	49.91	43.15
FDM Gestion Immobilière	France	FC	49.91	43.15
Iris Holding France	France	EM/EA	9.93	8.59
OPCI Iris Invest 2010	France	EM/EA	9.93	8.59
Foncière Iris SAS	France	EM/EA	9.93	8.59
Sables d'Olonne SAS	France	EM/EA	9.93	8.59
Iris investor Holding GmbH	Germany	EM/EA	9.93	8.59
Iris General Partner GmbH	Germany	EM/EA	4.99	4.31
Iris Berlin GmbH	Germany	EM/EA	9.93	8.59
Iris Bochum & Essen GmbH	Germany	EM/EA	9.93	8.59
Iris Frankfurt GmbH	Germany	EM/EA	9.93	8.59
Iris Verwaltungs GmbH & co KG	Germany	EM/EA	9.93	8.59
Iris Nurnberg GmbH	Germany	EM/EA	9.93	8.59
Iris Stuttgart GmbH	Germany	EM/EA	9.93	8.59
Narcisse Holding Belgium – Belgique	Belgium	EM/EA	9.93	8.59
Foncière B3 Hôtel Invest	France	FC	25.05	21.66
B&B Invest Lux 4	Germany	FC	49.91	43.15
NH Amsterdam Center Hotel HLD	Netherlands	FC	49.91	43.15
Stadhouderskade Amsterdam BV	Netherlands	FC	49.91	43.15
Foncière Bruxelles Tour Noire	Belgium	EM/EA	9.93	5.66
Foncière Louvain	Belgium	EM/EA	9.93	5.66
Foncière Malines	Belgium	EM/EA	9.93	5.66
Foncière Bruxelles Centre Gare	Belgium	EM/EA	9.93	5.66
Foncière Namur	Belgium	EM/EA	9.93	5.66
Tulipe Holding Belgium	Belgium	EM/EA	9.93	8.59
Iris Tréfonds	Belgium	EM/EA	9.93	5.66
Foncière Louvain Centre	Belgium	EM/EA	9.93	5.66
Foncière Liège	Belgium	EM/EA	9.93	5.66
Foncière Bruxelles Aéroport	Belgium	EM/EA	9.93	5.66
Foncière Bruxelles Sud	Belgium	EM/EA	9.93	5.66
Foncière Bruge Station	Belgium	EM/EA	9.93	5.66
B&B Lux 1	Germany	FC	49.91	43.15
B&B Lux 2	Germany	FC	49.91	43.15
B&B Lux 3	Germany	FC	49.91	43.15
OPCI Camp Invest	France	EM/EA	9.93	8.59
SAS Campeli	France	EM/EA	9.93	8.59
SCI Dahlia	France	EM/EA	9.98	8.63
Foncière B2 Hôtel Invest	France	FC	25.05	21.66
OPCI B2 Hôtel Invest	France	FC	25.05	21.66

116 Hotels and Service sector companies	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
SCI Le Chesnay	France	Liquidated	-	42.53
SCI Marq en Baroeul	France	Liquidated	-	43.00
SCI Actifoncier	France	Merger	-	43.15
SCI Les Mimosas	France	Merger	-	43.15

The registered office of the parent company Foncière des Murs and of all of its fully consolidated French subsidiaries is at 30 avenue Kléber, 75116 Paris.

74 companies in the Germany Residential segment	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Immeo SE (parent company) 99.74% controlled	Germany	FC	60.98	61.04
FDR Lux	Luxembourg	FC	100.00	-
Immeo Berolina Verwaltungs GmbH	Germany	FC	62.98	-
Residenz Berolina GmbH & Co KG	Germany	FC	64.87	-
Immeo Quadriga IV GmbH	Germany	FC	62.97	-
Immeo Quadriga IV Verwaltungs GmbH	Germany	FC	62.97	-
Immeo Quadriga 15 GmbH	Germany	FC	64.86	-
Immeo Quadriga 45 GmbH	Germany	FC	64.86	-
Immeo Quadriga 36 GmbH	Germany	FC	64.86	-
Immeo Quadriga 46 GmbH	Germany	FC	64.86	-
Immeo Quadriga 40 GmbH	Germany	FC	64.86	-
Immeo Quadriga 47 GmbH	Germany	FC	64.86	-
Immeo Quadriga 48 GmbH	Germany	FC	64.86	-
Immeo Fischerinsel GmbH	Germany	FC	64.93	-
Immeo Berlin Home GmbH	Germany	FC	64.93	-
Immeo Berolina Fischeninsel GmbH & Co KG	Germany	FC	65.93	-
Amber Properties SarL	Germany	FC	64.89	-
Immeo Gettmore	Germany	FC	64.89	-
Saturn Properties SarL	Germany	FC	64.89	-
Venus Properties SarL	Germany	FC	64.89	-
Immeo Vinetree	Germany	FC	64.89	-
Acopio Facility GmbH & Co KG	Germany	FC	64.89	-
Immeo Planungs- und Projektsteuergesellschaft mbH	Germany	FC	31.10	-
Immeo Berlin Prime SarL	Germany	FC	48.42	57.93
Berlin Prime Commercial SarL	Germany	FC	57.87	57.93
IW Verwaltungs GmbH	Germany	FC	100.00	80.88
RRW Verwaltungs GmbH	Germany	FC	100.00	94.00
Acopio GmbH	Germany	FC	100.00	100.00
Immeo Hambourg Holding ApS	Denmark	FC	64.93	63.05
Immeo Hambourg 1 ApS	Germany	FC	64.93	63.05
Immeo Hambourg 2 ApS	Germany	FC	64.93	63.05
Immeo Hambourg 3 ApS	Germany	FC	64.93	63.05
Immeo Hambourg 4 ApS	Germany	FC	64.93	63.05
Immeo North ApS	Germany	FC	64.93	63.05
Immeo Arian UG	Germany	FC	64.89	63.03
Immeo Bennet UG	Germany	FC	64.89	63.03

74 companies in the Germany Residential segment	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Immeo Marien-Carré GmbH	Germany	FC	64.93	63.05
Immeo Berlin IV ApS	Germany	FC	60.98	61.04
Imméo Wohnen Verwaltungs GmbH	Germany	FC	60.98	61.04
Imméo Grundstücks GmbH	Germany	FC	60.98	61.04
Imméo Grundvermögen GmbH	Germany	FC	60.98	61.04
Imméo Wohnen Service GmbH	Germany	FC	60.98	61.04
Immeo SE & CO KG 1	Germany	FC	60.98	61.04
Immeo SE & CO KG 2	Germany	FC	60.98	61.04
Immeo SE & CO KG 3	Germany	FC	60.98	61.04
Immeo SE & CO KG 4	Germany	FC	60.98	61.04
FDL Wohnen GmbH	Germany	FC	60.98	61.04
RRW FDL Wohnen GmbH	Germany	FC	63.33	63.02
Immeo Gesellschaft für Wohnen Datteln mbH	Germany	FC	61.13	61.16
Immeo Stadthaus GmbH	Germany	FC	61.13	61.16
Immeo Stadtwohnung GmbH	Germany	FC	60.98	61.04
Imméo Wohnbau GmbH	Germany	FC	61.36	61.14
Imméo Wohnungsgesellechaft GmbH Dümpten	Germany	FC	61.36	61.14
Immeo GFR GmbH	Germany	FC	60.98	61.04
Immeo Lux	Germany	FC	61.10	61.14
Berolinum 1	Germany	FC	61.10	61.14
Berolinum 2	Germany	FC	61.10	61.14
Berolinum 3	Germany	FC	61.10	61.14
FDR Remscheid	Germany	FC	61.10	61.14
Valore 4	Germany	FC	61.11	61.15
Valore 6	Germany	FC	61.11	61.15
Immeo SE&Co Residential KG	Germany	FC	60.98	61.04
Immeo Berlin 67 GmbH	Germany	FC	63.33	57.38
Immeo Berlin 78 GmbH	Germany	FC	63.33	57.38
Immeo Berlin 79 GmbH	Germany	FC	63.33	57.38
Immeo Dresden GmbH	Germany	FC	62.98	57.92
Immeo Berlin I SARL	Germany	FC	62.97	57.93
Immeo Berlin V SARL	Germany	FC	63.17	57.62
Immeo Berlin C GmbH	Germany	FC	62.97	57.93
Immeo Dansk Holding ApS	Denmark	FC	60.98	61.04
Immeo Dansk L ApS	Germany	FC	62.97	62.05
Immeo Rewo Holding GmbH	Germany	FC	100.00	100.00
FDR Zehnte GmbH	Germany	FC	98.02	98.02
IW-FDL Beteiligungs GmbH & Co KG	Germany	FC	98.12	97.15
Immeo Property Service GmbH	Germany	Merger	-	63.05
Luna Immobilienbeteiligungs GmbH	Germany	sold	-	61.04
Johanismarkt Grundstücksgesellschaft mbH	Germany	sold	-	61.04
Rheinweg Zweite Grundstücksgesellschaft mbH	Germany	sold	-	61.04

The registered office of the parent company Immeo SE is at Kleplerstrasse 110-112, 45147 Essen.

21 companies in the France Residential segment	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Foncière Développement Logements (Parent company) 100% controlled	France	FC	61.25	61.25
Iméfa 97	France	FC	61.25	61.25
Bagatelle Courbevoie	France	FC	61.25	61.25
Iméfa 65	France	FC	61.25	61.25
Iméfa 71	France	FC	61.25	61.25
Iméfa 93	France	FC	61.25	61.25
Iméfa 88	France	FC	61.25	61.25
Iméfa 46	France	FC	61.25	61.25
Iméfa 95	France	FC	61.25	61.25
Suresnes 2	France	FC	61.25	61.25
25 rue Abbé Carton	France	FC	61.25	61.25
40 rue Abbé Groult	France	FC	61.25	61.25
24-26 rue Duranton	France	FC	61.25	61.25
25 rue Gutenberg	France	FC	61.25	61.25
Montrouge 3	France	FC	61.25	61.25
SCI Le Chesnay 1	France	FC	61.25	61.25
Rueil 1	France	FC	61.25	61.25
Saint Maurice 2	France	FC	61.25	61.25
SCI Dulud	France	FC	61.25	61.25
Batisica	Luxembourg	FC	61.25	61.25
SCI Saint Jacques	France	FC	61.25	61.25
SARL Goethe Immo	Luxembourg	sold	-	61.25

The registered office of the parent company Foncière Développement Logements and of all its fully consolidated French subsidiaries is at 30 Avenue Kléber, 75116 Paris.

10 other companies (Car Parks, Services)	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
6 Car Park companies:				
SAS Republique (Parent company) 100% controlled	France	FC	59.50	59.50
SNC Comédie	France	FC	59.54	59.54
SNC Gare	France	FC	30.23	30.23
SCI Esplanade Belvédère II	France	FC	100.00	100.00
SCI Gespar	France	FC	50.00	50.00
Trinité	France	FC	59.50	59.50
4 Services companies:				
FDM Gestion	France	FC	100.00	100.00
FDR Property SNC	France	FC	100.00	100.00
FDR Développement	France	FC	100.00	100.00
Foncière des Régions SGP	France	FC	100.00	100.00

0 Logistics companies (discontinued operation)	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
Foncière Europe Logistique (Parent company) 100% controlled	France	Merged	-	100.00
SCI Bollène Logistique	France	sold	-	100.00
SCI Immopora	France	sold	-	100.00
SCI Bollène Logistique T4	France	sold	-	100.00

0 Car Park companies, disposals, (discontinued operations)	Country	Consolidation method in 2016	Percentage held in 2016	Percentage held in 2015
BP 3000	France	sold	-	59.50
Urbis Park Services	France	sold	-	59.50
Société du Parking du boulevard de la Reine	France	sold	-	59.50
SEVM	France	sold	-	59.50
SAS SPHVA	France	sold	-	59.50
Médipark	France	sold	-	59.50
Laval Urbis Park	France	sold	-	59.50
Rambouillet Urbis Park	France	sold	-	59.50

FC: Full Consolidation.

EM/EA: Equity Method – Associates.

EM-JV: Equity Method – Joint Ventures.

N.C. Not Consolidated.

PC: Proportionate Consolidation.

There are 328 companies in the Group, including 237 fully consolidated companies and 91 equity consolidated companies.

3.2.3.7. Evaluation of control

3.2.3.7.1. SCI 11 place de l'Europe (consolidated structured entity)

As at 31 December 2016, SCI 11 place de l'Europe was 50.1% owned by Foncière des Régions and fully consolidated. The partnership with the Crédit Agricole Assurances group (49.9%) was established as of 18 December 2013 as part of the Campus Eiffage project. Considering the rules of governance that confer on Foncière des Régions powers that give it the ability to affect asset yields, the Company is fully consolidated.

3.2.3.7.2. Lenovilla (joint venture)

As at 31 December 2016, Lenovilla was 50.09% owned by Foncière des Régions and is consolidated using the equity method. The partnership with the Crédit Agricole Assurances group (49.91%) was established in January 2013 as part of the New Vélizy (Campus Thalès) project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method.

3.2.3.7.3. Latécoère 2 (joint venture)

At 31 December 2016, Latécoère 2 was 50.10% owned by Foncière des Régions and is consolidated using the equity method. The partnership with the Crédit Agricole Assurances group (49.90%) was established starting in June 2015 as part of the Extension Dassault project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method.

3.2.3.7.4. SAS FDM Management (equity affiliate)

FDM Management was 40.7% owned by SCA Foncière des Murs at 31 December 2016 and is consolidated using the equity method.

Strategic decisions are adopted by a two-thirds majority, and major decisions are made by a three-quarters majority.

3.2.3.7.5. SCI Porte Dorée (joint venture)

SCI Porte Dorée was 50% owned by Foncière des Murs at 31 December 2016 and is consolidated using the equity method. The partnership with the Caisse des Dépôts et Consignations group (50%) was established starting in December 2015 as

part of the Motel One development project. The shareholder agreement stipulates that decisions be made unanimously. The parties that exercise joint control have rights to the net assets of the partnership arrangement. The partnership meets the criteria for joint ventures and is consolidated using the equity method.

3.2.3.7.6. SAS Samoëns (structured consolidated entity) and Foncière Développement Tourisme

SAS Samoëns was 25.10% held by Foncière des Murs at 31 December 2016 and is fully consolidated. The partnership with

OPCI Lagune (49.9%) and Foncière Développement Tourisme (50.1%) was established as of October 2016 as part of the project to develop a Club Med hotel in Samoëns.

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

3.2.4. Significant events of the period

In addition to the increase in Foncière des Régions' stake in Foncière des Murs, which rose from 43.15% to 49.91%, and its stake in Beni Stabili, which rose from 48.49% to 52.24% (§3.2.3.5), the significant events of the period by segment are as follows:

3.2.4.1. France Offices segment

3.2.4.1.1. Disposals and assets under preliminary agreement

During 2016, Foncière des Régions sold €124 million in assets, including the Orange technical premises (€46.7 million), the Saint-Mandé Clinic asset (€31.6 million) and Fontenay Carnot (€29 million).

As at 31 December 2016, assets under preliminary agreement amounted to €94.2 million.

3.2.4.1.2. Acquisitions

Foncière des Régions acquired 14.29% of the CAP 18 tenancy in common for €5 million, increasing its holding to 100% at 31 December 2016.

In April 2016, the Group acquired the headquarters of the Vinci Group at Rueil-Malmaison (38,000 m²) in a deal worth €129 million including duties. The real estate complex consists of three independent buildings ideally located in the heart of Rueil-sur-Seine. The investment will generate secure rental income for four years for Foncière des Régions, which will use this period to plan the redevelopment of the site for Vinci.

The Group also acquired a 1,400 m² building in Parc Victor Hugo in Saint-Ouen (€2.9 million). Foncière des Régions now owns 100% of the buildings in the park.

The Orange technical premises were acquired during 2016 for €5.6 million.

In December 2016, a commercial office development located at 175 Pleyel in Saint-Denis (11,600 m²) was acquired for €18.1 million including duties.

3.2.4.1.3. Assets under development

2016 saw the delivery of six projects in the pipeline: 36,450 m², 93% let:

- ♦ Bose's head office in Saint-Germain-en-Laye was delivered in January 2016, 5,057 m² building. This office building comprises communal spaces and service areas (138 parking spaces and 250 m² of accessible terraces)
- ♦ the office building designed for Schlumberger in Montpellier, with usable floor space of 3,133 m², was delivered in February 2016
- ♦ in Marseille, the Calypso office building (9,627 m² over six floors) and the Golden Tulip Marseille Euromed hotel (210 rooms and suites spanning 9,929 m²) were delivered in April 2016. This delivery is a milestone in the Euromed Center project that confirms its appeal and illustrates its role in the transformation of the Marseille urban landscape. These assets belong to companies consolidated using the equity method
- ♦ the 12,743 m² extension to the Dassault Système campus was delivered in Vélizy in November 2016.

The asset development programme continued in 2016 with the launch of three new projects in France presented in Note 3.2.5.1.4.

3.2.4.1.4. Refinancing

In January and February 2016, Foncière des Régions set up two new corporate credit facilities for €225 million to replace two former facilities.

In February 2016, Technical refinanced its 10-year debt of €300 million.

In May 2016, Foncière des Régions placed its first Green Bond issue of €500 million with interest of 1.875% and maturing in 2026. This issue was used for the redemption of a bond issue of €233.6 million.

3.2.4.2. Italy Offices segment

3.2.4.2.1. Disposals and assets under preliminary agreement

Disposals were made in 2016 for a total sale price of €62 million, including an asset located in Rome (Tor Pagnotta, Telecom Italia) for €50.2 million.

As at 31 December 2016, assets under preliminary agreement amounted to €76.6 million.

3.2.4.2.2. Acquisitions

In 2016, three assets in Milan were acquired for €120.6 million (including Corso Italia for €38.8 million, after deduction of the €5 million deposit paid in 2015, the Scarcellini assets for €59.6 million, and Via Messina for €27 million).

Note that a preliminary sale/purchase agreement was signed in 2015 for a €41 million asset located in Milan (Principe Amadeo). The property transfer has not yet been completed and only the €5 million deposit paid in 2015 has been recognised as an asset in the balance sheet.

3.2.4.2.3. Buyback of Revalo shares in Italy

Beni Stabili took control of Revalo, a real estate portfolio management specialist. Revalo already managed this service for Beni Stabili at 31 December 2015, and Beni Stabili previously held a 37% stake in the company.

3.2.4.3. Hotels and Service sector

3.2.4.3.1. Disposals and assets under preliminary agreement

The Group disposed of hotels for a total of €362 million in 2016. The disposals concerned 45 hotels operated by AccorHotels, in regional locations for the most part. The transaction is part of the process of concentrating the business in major European metropolitan areas.

Continuing to refocus on strategic activities, Foncière des Régions disposed of its Healthcare portfolio to Primonial Reim for €296 million in the third quarter of 2016. The Healthcare portfolio included 25 facilities in Île-de-France and the regions. The proceeds net of costs amounted to a gain of €60 million.

As at 31 December 2016, €12.5 million in preliminary sale agreements had been signed.

3.2.4.3.2. Acquisitions

Foncière des Régions increased its exposure to the German hotel market with the acquisition of purchase options on five 4* hotels let to NH. These options were secured in 2016 for €54.4 million (€58 million in discounted value). Transfer of property of the hotels in Düsseldorf, Frankfurt, Nuremberg, Oberhausen and

Stuttgart is due between February 2017 and February 2018. The finalised acquisitions will amount to a total investment of €125 million. The hotels will have firm 20-year leases at variable rent, with a guaranteed minimum.

A building located in Munich was acquired for €14.7 million (Meininger hotel project).

In Spain, the Company acquired four B&B hotels in April 2016 for €11.3 million including duties.

In France, eight B&B hotels were acquired in July and December for €38.9 million including duties.

In December, a real estate development contract was signed for the development of a Meininger hotel at Porte de Vincennes in Paris (for a total project cost of €47 million).

Foncière des Régions and Assurances du Crédit Mutuel signed a lease and a real estate development contract in July with Club Med for a new village in Samoëns-Morillon. Through its subsidiary Foncière des Murs, Foncière des Régions and Assurances du Crédit Mutuel (50% joint investor) continue to boost their long-standing partnership with Club Med, which will operate the Village under a 12-year firm lease at a fixed rent.

Through its independent subsidiary FDM Management, Foncière des Régions is continuing its expansion in high-growth markets. In the third quarter, FDM Management demonstrated its growth potential with the acquisition of the business and premises of nine hotels in Germany (€811 million) and of eight hotels in France and Belgium (€176 million). Note that FDM Management is an independent subsidiary, owned 20.31% by Foncière des Régions and consolidated under the equity method.

3.2.4.4. Germany Residential segment

3.2.4.4.1. Asset disposals

€222 million in asset disposals took place in the 2016 fiscal year (including the €95 million deposit received at the end of December 2015), continuing our strategy of reducing exposure to residential units in North Rhine-Westphalia.

At 31 December 2016, the amount of assets under agreement totalled €23.7 million (net of costs).

3.2.4.4.2. Acquisitions

In 2016, Immeo SE acquired several companies holding assets in the centre of Berlin and in the dynamic cities of Hamburg, Düsseldorf and Cologne for a total of €366 million.

Other acquisitions included a directly held portfolio of assets in Berlin for €29.5 million, after deduction of the €2.8 million deposit paid in 2015.

Immeo SE paid a €9 million deposit on a portfolio in Berlin, and €13.4 million on share acquisitions.

3.2.4.5. France Residential segment

3.2.4.5.1. Asset disposals

In France, Foncière Développement Logements continued its sales plan and made disposals for a sale price of €173.5 million (net of costs).

On 18 October 2016 in Luxembourg, Foncière Développement Logements' subsidiary Batisica disposed of all the shares in Goethe SarL for a total of €11.6 million. Goethe SarL held a 2,160 m² property in Luxembourg.

At 31 December 2016, the amount of assets under agreement totalled €38 million (net of costs).

3.2.4.6. Discontinued operations

3.2.4.6.1. Disposal of Car Park assets

On 20 December 2016, Urbis Park Service (which was the holding company for the car park business workforce) and seven car park companies were sold to Mirova and Transdev. The consolidated shares were sold for €68.8 million, and the proceeds amounted to €16.6 million.

3.2.4.6.2. Disposal of Logistics assets

On 31 March 2016, a portfolio of two logistics platforms and three asset-holding companies was sold for €101 million.

3.2.5. Notes to the statement of financial position

3.2.5.1. Portfolio

3.2.5.1.1. Accounting principles applicable to tangible and intangible fixed assets

3.2.5.1.1.1. Intangible fixed assets

Identifiable intangible fixed assets are amortised on a straight-line basis over their expected useful lives. Intangible fixed assets acquired appear on the balance sheet at acquisition cost. They primarily include entry fees (long-term leases conferring ad rem rights and occupancy rights for car parks) and computer software.

Intangible fixed assets are amortised on a straight-line basis, as follows:

- ♦ Software: over a period of 1 to 3 years
- ♦ Occupancy rights: 30 years.

Fixed assets in the concession segment – Concession activity

The Foncière des Régions group has applied IFRIC 12 to the consolidated financial statements since 1 January 2008. An analysis of the Group's concession agreements results in classifying agreements as intangible assets as the Group is paid directly by users for all car parks operated without a subsidy from public authorities. These concession assets are assessed at historical cost less accumulated depreciation and any impairment. Note that the Group no longer has wholly owned car parks; accordingly it has no "Car Parks" tangible assets other than equipment.

3.2.5.1.1.2. Business combinations (IFRS 3)

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

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

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

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

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

3.2.5.1.1.3. Investment properties (IAS 40)

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

Investment properties represent the majority of the Group's portfolio. Assets occupied by the Foncière des Régions group are accounted for under tangible fixed assets.

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

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, the international plan in accordance with the European TEGoVA standards and those of the Red Book of the Royal Institution of Chartered Surveyors (RICS).

The real estate portfolio directly held by the Group was appraised in full on 31 December 2016 by independent real estate experts such as BNP Real Estate, JLL, DTZ, CBRE, Yard Valltech, CFE, MKG, VIF and REAG.

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

The assets are accounted for at their net market value.

- ♦ For France Offices, Italy Offices and Logistics, the valuations are performed *via* two methods:

- ♦ the yield (or income capitalisation) method:

This approach consists of capitalising an annual income, which, in general, is rental income from occupied assets, with the possible impact of a reversion potential, and market rent for vacant assets, taking into account the time needed to find new tenants, any renovation work and other costs

- ♦ the discounted cash flow (DCF) method:

This method consists of determining the useful value of an asset by discounting the forecast cash flows that it is likely to generate over a given time frame. The discount rate is determined on the basis of the risk-free rate plus a risk premium associated with the asset and defined by comparison with the discount rates applied to cash flows generated by similar assets.

- ♦ For the Hotels and Service sector, the methodology changes according to the type of asset:

- ♦ the rent capitalisation method is used for restaurants, garden centres and Club Méditerranée holiday villages
 - ♦ the DCF method is used for hotels (including the revenue forecasts determined by the appraiser) and Sunparks holiday villages.

- ♦ For the Residential segment, the methodology changes according to the type of asset:

the assets are accounted for at their net fair value. The fair value is determined based on:

- ♦ a block value for assets for which no sales strategy has been developed or which have not been marketed
 - ♦ an occupied retail value for assets on which at least one offer has been made before the closing date.

The following valuation methods were used:

- ♦ for assets located in France: the leasing revenue discount method and the comparison method
- ♦ for assets located in Germany: the discounted cash flow method.

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

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

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

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

3.2.5.1.1.4. Assets under development (revised IAS 40)

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

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

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

3.2.5.1.1.5. Tangible fixed assets (IAS 16)

Pursuant to the preferred method proposed by IAS 16, operating assets and wholly-owned car parks are valued at historical cost less accumulated depreciation and any potential impairment.

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

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

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

For the Foncière des Régions group, only assets corresponding to the above criteria and included in a planned sales programme drawn up by the Board of Directors are classified as non-current assets held for sale.

The conditions for valuing these assets are identical to those expressed above for investment properties if no sale commitment has been signed. If a sale commitment exists on the account closing date, the price of the commitment net of expenses constitutes the fair value of the asset held for sale.

3.2.5.1.2. Table of changes in fixed assets

(€K)	31/12/2015	Change in scope and interest rates	Increase/Allocation	Disposal/Recovery	Change in fair value	Transfers	31/12/2016
Goodwill	8,194	1,572⁽¹⁾	-0	0	0	-8,194	1,572
Intangible fixed assets	29,712	408	-2,727	-2	0	-2,981	24,410⁽²⁾
Gross amounts	100,289	717	2,061	-5	0	-5,983	97,079
Depreciation	-70,577	-309	-4,788	3	0	3,002	-72,669
Tangible fixed assets	88,827	352	68,204	-292	0	-6,550	150,541
Operating properties	65,896	0	-1,791	90	0	2,615	66,810
Gross amounts	81,839	0	180	-18	0	2,713	84,714
Depreciation	-15,943	0	-1,971	108	0	-98	-17,904
Other tangible fixed assets	7,760	800	456	-221	0	175	8,970
Gross amounts	19,444	1,130	2,329	-515	0	-224	22,164
Depreciation	-11,684	-330	-1,873	294	0	399	-13,194
Fixed assets in progress	15,171	-448	69,539	-161	0	-9,340	74,761
Gross amounts	15,171	-448	69,539 ⁽³⁾	-161	0	-9,340	74,761
Depreciation	0	0	0	0	0	0	0
Investment properties	15,728,453	256,789	731,241	-32,677	637,623	-557,984	16,763,445
Operating properties	15,135,857	256,789 ⁽⁴⁾	485,631 ⁽⁵⁾	-1,285	574,946	-592,301	15,859,637
Properties under development	592,596	0	245,610	-31,392	62,677	34,317	903,808
Assets held for sale	956,314	0	3,144	-1,128,174	6,924	459,686	297,894
Assets held for sale	956,314	0	3,144	-1,128,174 ⁽⁶⁾	6,924	459,686	297,894
TOTAL	16,811,500	259,121	799,862	-1,161,145	644,547	-116,023	17,237,862

(1) This is goodwill relating to the property management business on behalf of third parties carried out by Revalo in Italy.

(2) The "intangible fixed assets" line includes €21.8 million in car park assets held under concession.

(3) Of which €58.1 million for the acquisition of purchase options on five NH hotels and a €9 million deposit paid for the acquisition of buildings in Germany.

(4) Corresponds to "Share deals" transactions, including:

- the acquisition of asset-holding companies in Berlin for €366 million (Fischer Island portfolio for €74 million, Home portfolio for €18 million, Berolina portfolio for €133 million and Firefly portfolio for €141 million);
- transfer of property of assets held by the LEG III companies on 1 January 2016 (-€98.5 million);
- the disposal of the shares in Goethe, which holds an asset in Luxembourg (-€10.7 million);

(5) The acquisitions in "asset deals" are detailed in §3.2.5.1.3 Investment properties.

(6) The decreases are detailed in §3.2.5.1.3 Investment properties.

The amount of the "Disbursements related to acquisitions of tangible and intangible assets" line item in the Statement of Cash Flows totaled €845.2 million. It corresponds to increases in the table of changes in the portfolio excluding the effect of depreciation for €808.5 million, to changes in inventories of the property dealer for €1.4 million and adjusted for change in trade payables for fixed assets for €35.3 million.

The "Proceeds relating to the disposal of tangible and intangible fixed assets" line item in the Statement of Cash Flows (€1,246.9 million) primarily corresponds to income from disposals as presented in the net income statement (€1,258.8 million), proceeds from the disposal of assets in inventory (€5.4 million), less asset disposal costs (-€24.7 million), and restated for the reduction from receivables from asset disposals (€9.4 million).

3.2.5.1.3. Investment properties

(€K)	31/12/2015	Change in scope and interest rates	Increase	Disposal	Change in fair value	Transfers	31/12/2016
Investment properties	15,728,453	256,789	731,241	-32,677	637,623	-557,984	16,763,445
Operating properties	15,135,857	256,789	485,631	-1,285	574,946	-592,301	15,859,637
France Offices	4,525,730	0	197,261 ⁽¹⁾	0	237,069	-68,670	4,891,390
Italy Offices	3,470,730	0	143,988 ⁽²⁾	-1,285	59,434	-60,616	3,612,251
Hotels and Service sector	3,100,133	0	57,878 ⁽³⁾	0	24,651	-183,070	2,999,592
Germany Residential	3,462,631	267,489	83,546 ⁽⁴⁾	0	254,883	-99,759	3,968,790
France Residential	576,633	-10,700	2,958	0	-1,091	-180,186	387,614
Properties under development	592,596	0	245,610	-31,392	62,677	34,317	903,808
France Offices	344,575	0	94,465	-31,392	44,675	-17,464	434,859
Italy Offices	219,390	0	33,989	0	5,142	96,849	355,370
Hotels and Service sector	28,631	0	117,156	0	12,860	-45,068	113,579
Germany Residential	0	0	0	0	0	0	0
France Residential	0	0	0	0	0	0	0
Assets held for sale	956,314	0	3,144	-1,128,174	6,924	459,686	297,894
Assets held for sale	956,314	0	3,144	-1,128,174	6,924	459,686	297,894
France Offices	147,905	0	606	-90,280	-4,255	86,134	140,110
Italy Offices	161,345	0	20	-60,558 ⁽⁵⁾	9,716	-33,922	76,601
Hotels and Service sector	386,172	0	2,518	-595,460 ⁽⁶⁾	-2,673	228,860	19,417
Germany Residential	129,604	0	0	-210,566	4,136	100,575	23,749
France Residential	29,141	0	0	-171,310	0	180,186	38,017
Car Parks	102,147	0	0	0	0	-102,147	0
TOTAL	16,684,767	256,789	734,385	-1,160,851	644,547	-98,298	17,061,339

(1) Corresponds to acquisitions of office assets for €160.6 million (including three properties in Rueil-Malmaison for €129 million, one in Saint-Denis-Pleyel for €18.1 million, the Orange technical premises for €5.6 million, 10% of the CAP 18 tenancy in common for €5 million and an asset in Saint-Ouen for €2.9 million) and building works in the amount of €36.4 million.

(2) Acquisition of three assets in Milan, a commercial unit for €120.6 million and building works for €23.4 million.

(3) Acquisition of eight B&B hotels in France for €38.9 million, four B&B hotels in Spain for €11.3 million and building works amounting to €7.6 million over the period.

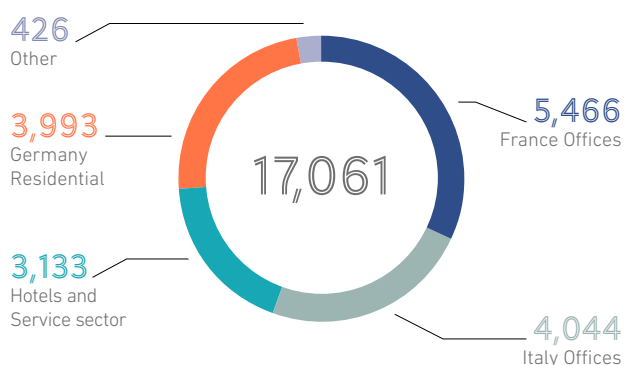
(4) Acquisition of assets in Berlin (Lotte and Ruhlebener portfolio) for €27.9 million and building works during the period totaling €55.6 million.

(5) Of which, disposal of Tor Pagnotta in Rome (€50.2 million).

(6) Of which, disposal of AccorHotels assets (€361.5 million) and Korian (€231 million).

The amounts in the “Disposals” column correspond to the appraisal figures published on 31 December 2015.

CONSOLIDATED PORTFOLIO OF ASSETS AT 31 DECEMBER 2016 BY BUSINESS SEGMENT IN €M



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

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

FRANCE OFFICES, ITALY OFFICES AND HOTELS AND SERVICE

Grouping of similar assets	Level	Portfolio (€M)	Yield rate (excluding duties, min.-max.)	Yield rate (excluding duties, weighted average)	Discount rate
Paris Centre West	Level 3	856	2.4% – 8.0%	4.5%	4.3% – 7.0%
Paris North East	Level 3	350	3.8% – 8.2%	5.5%	4.5% – 6.8%
Paris South	Level 3	691	2.7% – 5.9%	3.9%	4.0% – 6.5%
Western Crescent	Level 3	1,528	5.0% – 7.8%	5.2%	4.5% – 8.5%
Inner suburbs	Level 3	1,048	4.4% – 7.0%	5.5%	4.5% – 8.0%
Outer suburbs	Level 3	144	5.9% – 9.9%	7.7%	4.5% – 11.8%
Total Paris region		4,619	2.4% – 9.9%		4.0% – 11.8%
MRC	Level 3	546	4.6% – 8.3%	5.5%	4.5% – 10.3%
Regions	Level 3	302	7.2% – 8.7%	9.1%	4.5% – 12.5%
Total Regions		848	4.6% – 8.7%		4.5% – 12.5%
TOTAL FRANCE OFFICES		5,466	2.4% – 9.9%		4.0% – 12.5%
Milan	Level 2	372	3.2% – 5.7%	4.8%	4.6% – 5.6%
Milan	Level 3	1,391	2.3% – 7.9%	4.4%	4.6% – 6.6%
Rome	Level 3	219	3.2% – 17.7%	5.4%	3.8% – 7.8%
Other	Level 2	157	3.7% – 9.2%	5.6%	6.0% – 6.4%
Other	Level 3	1,550	2.1% – 14.4%	6.7%	3.0% – 15.7%
Total in operation		3,689	2.1% – 17.7%		3.0% – 15.7%
Assets under development	Level 3	355			5.6% – 6.5%
TOTAL ITALY OFFICES		4,044			3.0% – 15.7%
Hotels	Level 3	2,448	4.7% – 7.2%	5.5%	5.5% – 7.7%
Retail premises	Level 3	569	5.4% – 6.8%	6.5%	6.2% – 7.8%
Healthcare	Level 3	2	N/A	N/A	N/A
Total in operation		3,019	4.7% – 7.2%		5.5% – 7.8%
Assets under development	Level 3	114			5.3% – 6.9%
TOTAL HOTELS AND SERVICE SECTOR		3,133			5.3% – 7.8%

GERMANY RESIDENTIAL AND FRANCE RESIDENTIAL

Grouping of similar assets	Level	Portfolio (€M)	Yield rate ⁽¹⁾		Discount rate	Average value (€/m ²)
			Total portfolio	Block valued properties		
Great East	Level 3	6	5.0% – 6.5%	N/A	N/A	1,519
Provence-Alpes-Côte d'Azur region	Level 3	85	3.5% – 7.0%	3.5% – 5.5%	N/A	2,376
Paris-Neuilly	Level 3	204	1.7% – 4.5%	1.7%	N/A	8,103
Rest of Paris region	Level 3	84	3.0% – 5.5%	N/A	N/A	5,071
Rhône-Alpes region	Level 3	32	3.5% – 5.0%	N/A	N/A	3,196
South West – Great West	Level 3	15	3.0% – 7.5%	N/A	N/A	2,201
TOTAL FRANCE RESIDENTIAL		426	1.7% – 7.5%	1.7% – 5.5%	N/A	4,311
Duisburg	Level 3	306	4.3% – 6.5%	4.3% – 6.5%	4.9% – 10.0%	950
Essen	Level 3	469	3.8% – 6.8%	3.8% – 6.8%	4.1% – 7.9%	1,172
Mülheim	Level 3	175	4.0% – 6.3%	4.0% – 6.3%	2.1% – 8.6%	1,099
Oberhausen	Level 3	144	4.5% – 6.5%	4.5% – 6.5%	5.2% – 8.0%	903
Datteln	Level 3	114	3.5% – 5.8%	3.5% – 5.8%	1.9% – 7.9%	835
Berlin	Level 3	1,928	3.0% – 5.8%	3.0% – 5.8%	2.7% – 7.5%	1,904
Düsseldorf	Level 3	87	3.5% – 5.0%	3.5% – 5.0%	3.8% – 5.8%	1,626
Dresden	Level 3	245	4.3% – 6.8%	4.3% – 6.8%	5.0% – 8.1%	1,235
Leipzig	Level 3	62	4.5% – 6.3%	4.5% – 6.3%	5.2% – 7.7%	1,017
Hamburg	Level 3	293	3.8% – 5.3%	3.8% – 5.3%	4.2% – 6.3%	2,018
Other	Level 3	168	4.3% – 6.3%	4.3% – 6.3%	1.9% – 9.2%	1,184
TOTAL GERMANY RESIDENTIAL		3,993	3.0% – 6.8%	3.0% – 6.8%	1.9% – 10.0%	1,414

(1) Yield rate:

France Residential: Potential yield rate excluding taxes (potential rents calculated by the appraiser/appraisal values excluding taxes determined by the appraiser).

Germany Residential: Potential yield rate assumed excluding taxes (actual rents/appraisal values excluding taxes).

IMPACT OF CHANGES IN THE YIELD RATE ON CHANGES IN THE FAIR VALUE OF REAL ESTATE ASSETS, BY OPERATING SEGMENT

(€M)	Yield ⁽²⁾	Yield rate -50 bps	Yield rate +50 bps
France Offices ⁽¹⁾	5.7%	484.3	-406.1
Italy Offices	5.7%	354.7	-297.5
Hotels and Service sector ⁽¹⁾	5.6%	298.9	-249.2
Germany Residential	5.4%	409.1	-339.5
France Residential	2.8%	92.5	-64.5
TOTAL⁽¹⁾	5.5%	1,639.5	-1,356.8

(1) Including assets held by equity affiliates (excluding FDM Management).

(2) Return on operating portfolio – excluding duties.

- ♦ If the yield rate excluding taxes drops 50 bps (-0.5 point), the market value excluding taxes of the real estate assets will increase by €1,639.5 million.
- ♦ If the yield rate excluding taxes increases 50 bps (+0.5 point), the market value excluding taxes of the real estate assets will decrease by €1,356.8 million.

3.2.5.1.4. Properties under development

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

(€K)	31/12/2015	Works	Capitalised interest	Change in fair value	Transfers and disposals	31/12/2016
France Offices	344,575	82,729	11,736	44,675	-48,856 ⁽¹⁾	434,859
Italy Offices	219,390	20,110	13,879	5,142	96,849 ⁽²⁾	355,370
Hotels and Service sector	28,631	116,117 ⁽⁴⁾	1,039	12,860	-45,068 ⁽³⁾	113,579
TOTAL	592,596	218,956	26,654	62,677	2,925	903,808

(1) The Majoria Schlumberger asset in Montpellier and the Bose asset in Saint-Germain-en-Laye were delivered (-€31.6 million), the Saint-Mandé clinical asset was disposed of (-€31.4 million), and a new development project (Montrouge) generates a transfer (+€14.1 million).

(2) Including four new projects under development in Milan (+€98.8 million) and reclassification of the Company's share of a rented asset as investment property (-€1.9 million).

(3) Delivery of the Torcy B&B hotel (-€8.9 million) and four B&B hotels in Germany (-€36.9 million).

A new project under development in Munich for the construction of a hotel generated a transfer (+€0.7 million).

(4) Corresponds to the following disbursements:

- €12.8 million concerning four new B&B projects in France (B&B Lyon, B&B Chatenay, B&B Bagnolet, and B&B Nanterre)
- €32.5 million concerning two new MEININGER projects in France and Germany (MEININGER Porte de Vincennes and MEININGER Munich)
- €55.9 million concerning the construction of a Club Med in Samoëns
- building work concerning the delivered Torcy B&B hotel (€1 million)
- building work on the five development projects in Germany (€13.9 million).

3.2.5.1.5. Assets and liabilities held for sale

The buildings held for sale amounted to €298 million at 31 December 2016 from €854 million one year earlier.

In June 2015, a preliminary sale agreement for four car park companies was signed.

In accordance with IFRS 5, all of the recorded assets and liabilities of these companies as at 31 December 2015 are presented on a single line (assets or liabilities held for sale).

The scope of the disposal was expanded in 2016 to include nine companies, including one dedicated car park asset-holding company. The sale took place on 20 December 2016 for €68.8 million.

Following its divestment of the Car Parks operating segment, the car parks business of the companies sold is classed under discontinued operations as of 1 January 2016.

3.2.5.2. Financial assets

3.2.5.2.1. Accounting principles

3.2.5.2.1.1. Other financial assets

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

These securities are accounted for upon acquisition at acquisition cost plus transaction costs. They are then valued at fair value in the income statement on the closing date. The fair value is arrived at on the basis of recognised valuation techniques (reference to recent transactions, discounted cash flows, etc.). Some securities that cannot be reliably valued at fair value are valued at acquisition cost.

Securities available for sale of public and private companies are recorded at their stock-market price with an offsetting entry in shareholders' equity in accordance with IAS 39.

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

3.2.5.2.1.2. Loans

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

3.2.5.2.2. Table of financial assets

(€K)	31/12/2015	Increase	Decrease	Change in fair value	Change in scope	Transfers	31/12/2016
Ordinary loans ⁽¹⁾	177,079	83,791	-40,391	0	-3,000	-24,826	192,653
Current accounts	0	0	0	0	0	0	0
Total loans and current accounts	177,079	83,791	-40,391	0	-3,000	-24,826	192,653
Securities at fair value through net income	674	0	-668	-6	0	0	0
Securities at historic cost	43,874	13,427	-278	0	0	531	57,554
Dividend to be distributed	0	0	0	0	0	0	0
Subscribed capital not paid up	0	20,160	0	0	0	0	20,160
Total other financial assets⁽²⁾	44,548	33,587	-946	-6	0	531	77,714
Outstanding amount of leases (LT)	2,041	0	-232	0	0	-1,807	2
Total finance-lease receivables	2,041	0	-232	0	0	-1,807	2
Receivables on financial assets	12,278	0	1,487	0	0	0	13,765
Total receivables on financial assets	12,278	0	1,487	0	0	0	13,765
TOTAL	235,946	117,378	-40,082	-6	-3,000	-26,102	284,134
Depreciation and amortisation ⁽³⁾	-25,156	-3,522	0	0	0	-364	-29,042
NET TOTAL	210,790	113,856	-40,082	-6	-3,000	-26,466	255,092

(1) Ordinary loans include specifically:

- receivables from equity investments held in equity-accounted companies. The change in the period was -€58.7 million, including -€18 million from share capital by cancelling a loan and -€6.7 million from reclassifying a short-term loan;
- the €59.1 million debenture loan to finance FDM Management (new subscription for the period: €50 million).

(2) Total other financial assets are broken down as follows:

- Securities at fair value through net income: until 31 December 2015, the securities from the OPCl Technical Fund were accounted for on the balance sheet at the OPCl's net asset value as an offset to the income statement. The OPCl was dissolved in June 2016.

- Securities at historic cost:

The investments held by Beni Stabili in property funds are valued at their historical cost. Potential impairments are accounted for in the income statement.

This line also includes the advance payment on the acquisition of securities of a non-consolidated company in Germany (+€13.4 million).

Share capital of Foncière Développement Tourisme subscribed by the Caisse des Dépôts et Consignations and not paid up.

(3) Including impairments on securities at historic cost (€24.4 million) and on financial asset receivables (€4.6 million).

3.2.5.3. Investments in equity affiliates and joint ventures

3.2.5.3.1. Accounting principles

Investments in equity affiliates and joint ventures are accounted for by the equity method. According to this method, the Group's investment in the equity affiliate or the joint venture is initially accounted for at cost, increased or reduced by the changes, subsequent to the acquisition, in the share of the net assets of

the affiliate. The goodwill related to an equity affiliate or joint venture is included in the book value of the investment, if it is not impaired. The share in the earnings for the period is shown in the line item "Share in income of equity affiliates".

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

3.2.5.3.2. Investments in equity affiliates and joint ventures

(€K)	% held	Operating segment	Country	31/12/2015	31/12/2016	Changes	Of which share of net income	Of which distribution and change in scope
Latécoère 2 (DS Campus extension)	50.10%	France Offices (Properties under development)	France	-945	1,528	2,473	2,473	0
SCI Factor E and SCI Orianz	34.69%	France Offices (Properties under development)	France	0	2,073	2,073	1,552	521
Lenovilla (New Vélizy)	50.09%	France Offices	France	35,999	59,579	23,580	7,508	16,072
Euromarseille (Euromed)	50.00%	France Offices	France	27,490	41,219	13,729	13,729	0
Cœur d'Orly (Askia)	25.00%	France Offices	France	1,739	-597	-2,336	-3,220	884
Investire Immobiliare et autres		Italy Offices	Italy	20,322	19,042	-1,280	1,665	-2,945
Iris Holding France	19.90%	Hotels and Service sector	Belgium, Germany	10,717	11,933	1,217	1,503	-286
OPCI IRIS Invest 2010	19.90%	Hotels and Service sector	France	27,120	27,423	303	1,670	-1,368
OPCI Camp Invest	19.90%	Hotels and Service sector	France	18,353	18,919	566	1,682	-1,116
Dahlia	20.00%	Hotels and Service sector	France	16,739	15,842	-897	552	-1,449
SCI Porte Dorée	50.00%	Hotels and Service sector	France	4,446	5,933	1,487	1,487	0
FDM Management	40.70%	Hotels and Service sector	France and Germany	17,397	142,498	125,101	-3,227	128,328
TOTAL				179,376	345,392	166,016	27,374	138,641

The investments in equity affiliates as at 31 December 2016 amounted to €345.4 million, compared with €179.4 million as at 31 December 2015. The change in the period involved the following:

- ♦ SCI Factor E and SCI Orianz: 34.69% interest held by Foncière des Régions in partnership with the ANF group (65.31%). The shareholders' agreement was signed on 1 July 2016 as part of the off-plan acquisition of a real estate complex due to be delivered in 2018. This real estate project comprises 29,500 m² of offices, 3,000 m² of retail, two hotels and a student accommodation complex
- ♦ Investire Immobiliare and others: The Investire Immobiliare securities accounted for €19.6 million at 31 December 2016. The -€1.3 million change includes €1.7 million in net income, -€1.1 million in dividend distributions and the takeover of control of Revalo S.P.A, which was 37% owned at 31 December 2015, for -€1.8 million

- ♦ SCI Porte Dorée (Motel One Porte Dorée): 50% interest held by Foncière des Murs in partnership with the Caisse des Dépôts et Consignations. The shareholders' agreement was signed on 23 December 2015 under the Motel One Porte Dorée project. Net income for the period was affected by the change in the fair value of the asset

- ♦ FDM Management: 40.70% interest held by Foncière des Murs and in partnership with Cardif, ACM, Crédit Agricole Assurances, Sogecap, Caisse des Dépôts et Consignations and Marolux. FDM Management's business consists of acquiring hotels, services and funds. The +€125.1 million change corresponds to the €128.3 million investment and to the -€3.2 million in net income.

Note that this company had invested a total of close to €1 billion at 31 December 2016.

3.2.5.3.3. Breakdown of shareholdings in the main equity affiliates and joint ventures

Holding as at 31 December 2016	Cœur d'Orly	Euromed Group	Latécoère 2 (DS Campus extension)	SCI Lenovilla (New Vélizy)	SCI Factor E/ SCI Orianz (Bordeaux Armagnac)
Foncière des Régions	25%	50%	50.10%	50.09%	34.69%
Non-group third parties	75%	50%	49.90%	49.91%	65.31%
Altaréa	25%				
Crédit Agricole Assurances		50%	49.90%	49.91%	
Aéroport de Paris	50%				
ANF Immobilier					65.31%
TOTAL	100%	100%	100%	100%	100%

Indirect holding as at 31 December 2016	Iris Holding France	OPCI Iris Invest 2010	OPCI Campinvest	SCI Dahlia	FDM Management	SCI Porte Dorée
Foncière des Murs	19.9%	19.9%	19.9%	20.0%	40.70%	50.00%
Non-group third parties	80.1%	80.1%	80.1%	80.0%	59.30%	50.00%
Crédit Agricole Assurances	80.1%	80.1%	68.8%	80.0%	11.63%	
Pacifica			11.3%			
Cardif Assurance Vie					11.63%	
Assurances du Crédit Mutuel Vie					11.63%	
SOGECAP					11.63%	
Caisse des Dépôts et Consignations					11.63%	50.00%
Maro Lux					1.15%	
TOTAL	100%	100%	100%	100%	100%	100%

3.2.5.3.4. Key financial information on equity affiliates and joint ventures

(€K)	Asset name	Total balance sheet	Total non-current assets	Cash	Total non-current liabilities excluding financial debt	Total current liabilities excluding financial debt	Financial debt	Rental income	Cost of net financial debt	Consolidated net income
Cœur d'Orly (Askia)	Cœur d'Orly	102,626	83,957	16,415	580	12,801	83,420	2,130	-1,848	-11,662
Latécoère 2 (DS Campus extension)	Dassault extension	88,589	84,436	2,049	0	4,210	81,329	349	-110	4,937
Lenovilla (New Vélizy)	New Vélizy and extension	282,216	261,040	541	0	5,104	158,182	11,399	-2,877	14,987
Euromarseille (Euromed)	Euromed Center	265,434	245,494	10,026	846	10,015	175,135	3,386	-96	27,458
SCI Factor E and SCI Orianz	Bordeaux Armagnac	34,917	33,565	920	0	1,189	27,751	0	0	4,475
Iris Holding France	Hotels AccorHotels	180,953	177,189	3,027	12,992	4,074	103,851	11,658	-2,952	7,552
OPCI IRIS Invest 2010	Hotels AccorHotels	251,935	240,446	10,938	3,905	987	109,240	15,280	-3,970	8,394
OPCI Camp Invest	Campanile Hotels	177,046	166,951	8,482	0	256	81,719	11,407	-3,169	8,450
Dahlia	Hotels AccorHotels	163,547	158,894	4,157	0	1,639	82,699	7,151	-1,611	2,760
FDM Management	Hotels and Service segment	1,265,853	1,169,904	66,057	107,221	65,001	730,080	119,877	-10,360	-7,929
SCI Porte Dorée	Motel One Porte Dorée hotel	27,385	26,178	493	0	7	15,513	0	-167	2,973

3.2.5.4. Deferred tax liabilities on the reporting date

(€K)	Balance sheet at 31/12/2015	Increases				Other changes and transfers	Decreases			Balance sheet at 31/12/2016
		First time consolidations	Net income for the year	Shareholder's equity	Net income for the year		Shareholder's equity	Transfer to discontinued operations		
DTA										
Losses carried forward	31,465	3,379	17,619					-4,159		48,304
Fair value of properties	1,309		381			-66				1,624
Derivatives	11,720		4,210			-5,110		-148		10,672
Temporary differences	22,621	701	6,182	3,060	-1,476	-4,002		-575		26,511
	67,115									87,111
DTA/DTL offset	-47,739									-76,121
TOTAL DTA	19,376	4,080	28,392	3,060	-1,476	-9,178	0	-4,882		10,990

(€K)	Balance sheet at 31/12/2015	Increases				Other changes and transfers	Decreases			Balance sheet at 31/12/2016
		First time consolidations	Net income for the year	Shareholder's equity	Net income for the year		Shareholder's equity	Transfer to discontinued operations		
DTL										
Fair value of properties	392,382	12,207	79,004		-10,392	-2,962		-4,405		465,834
Derivatives	573					-119				454
Temporary differences	11,732	-47	366		8,113	-207		-80		19,877
	404,687									486,165
DTA/DTL offset	-47,739									-76,121
Total DTL	356,948	12,160	79,370	0	-2,279	-3,288	0	-4,485		410,044
NET TOTAL	-337,572	-8,080	-50,978	3,060	803	-5,890	0	-397		-399,054
TOTAL IMPACT ON THE INCOME STATEMENT:					-56,868					

At 31 December 2016, the consolidated deferred tax position showed a deferred tax asset of €11 million (*versus* €19 million as at 31 December 2015) and a deferred tax liability of €410 million (*versus* €357 million as at 31 December 2015).

The primary contributors to the balance of deferred tax liabilities are:

- ♦ Germany Residential: €300 million
- ♦ Hotels and Service sector: €96 million
- ♦ Italy Offices: €13 million.

The impact on net income is detailed in 3.2.6.7.2.

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

The non-recognised tax loss carryforwards, calculated at the standard rate, amounted to €871 million, as detailed below:

(€K)	Non-recognised DTA	Non-recognised tax loss carryforwards
France Offices	91,468	265,640
Italy Offices	13,648	56,867
Hotels and Service sector	26,137	75,908
Germany Residential	15,000	94,786
France Residential	118,484	364,161
Car Parks	4,792	13,917
TOTAL FOR CONTINUING OPERATIONS	269,529	871,279

3.2.5.5. Short-term loans and finance lease receivables – current portion

(€K)	31/12/2015	Change in scope	Increase	Decrease	Transfers ⁽¹⁾	31/12/2016
Short-term loans	6,121	0	8,946	-6,056	6,784	15,795
Finance-lease receivables	262	0	0	0	1,807	2,069
TOTAL	6,383	0	8,946	-6,056	8,591	17,864
Amortisations and provisions	-13	0	0	0	0	-13
NET TOTAL	6,370	0	8,946	-6,056	8,591	17,851

(1) The "Transfer" column shows the current and non-current portion of reclassifications.

3.2.5.6. Inventories

3.2.5.6.1. Accounting principles applicable to inventories

The inventories held by the Foncière des Régions group relate mainly to Beni Stabili's "Trading portfolio" and the Germany Residential segment. They are intended to be sold during the normal course of business. They are recorded at acquisition price and, as applicable, are depreciated in relation to the sale value (independent appraisal value).

3.2.5.6.2. Inventories as at 31 December 2016

The "Inventories and work-in-progress" line on the balance sheet primarily consists of trading business inventories in the Italy Offices segment (€27.5 million). This line also consists of assets dedicated to trading business and real estate development in the Germany Residential segment (€4.8 million), the trading business in the France Residential segment (€1.8 million) and land in Orléans (€0.6 million).

3.2.5.7. Trade receivables

3.2.5.7.1. Accounting principles applicable to trade receivables

Trade receivables consist mainly of operating and finance lease receivables. These items are valued at amortised cost. In the event that the recoverable value is lower than the net book value, the Group may be required to account for an impairment charge through profit or loss.

3.2.5.7.1.1. Receivables from operating lease transactions

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

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

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

3.2.5.7.1.2. Finance lease receivables

The receivables are accounted for at their amortised value. When the financial position of the debtor gives grounds for the likelihood of non-recovery, a provision is made.

Provisions for doubtful unpaid receivables in relation to financial contracts are made for at least the interest billed according to the terms of the contract.

Termination fees are accounted for when invoiced. Given the significant possibility of non-recovery, these revenues are generally depreciated by an identical amount.

Moreover, finance-lease assets related to doubtful contracts manifesting termination risks that are considered significant are independently appraised at market value. When these valuations, net of transfer taxes, and line-by-line, are lower than the net financial value, an impairment provision equal to the difference is recognised.

3.2.5.7.2. Trade receivables

(€K)	31/12/2016	31/12/2015	Change
Trade receivables	298,339	298,109	230
Impairment of receivables	-27,743	-31,452	3,709
NET TOTAL TRADE RECEIVABLES	270,596	266,657	3,939

The balance of net trade receivables includes mainly expenses to be invoiced to tenants for €126.6 million, net trade receivables for €27.0 million and receivables related to the linearisation of relief granted on rent for €117 million.

3.2.5.8. Other receivables

(€K)	31/12/2016	31/12/2015	Change
Government receivables	67,822	42,614	25,208
Other receivables	15,791	11,459	4,332
Security deposits received	29,800	22,492	7,308
Current accounts	4,428	2,790	1,638
TOTAL	117,841	79,355	38,486

- ♦ €67.8 million in government receivables comprise €29.2 million for France Offices, €17.7 million for Italy Offices, €18.4 million for Hotels and Service and €1.9 million for Corporate. The receivables are mainly VAT and government receivables following the payment of tax adjustments recognised and not provisioned (€20 million)
- ♦ The change in receivables on disposals breaks down as follows:
+€10 million for France Residential, -€5 million for Germany Residential, and +€2 million for France Offices.

3.2.5.9. Cash and cash equivalents

3.2.5.9.1. Accounting principles applicable to cash and cash equivalents

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

3.2.5.9.2. Cash and cash equivalents

(€K)	31/12/2016	31/12/2015
Money-market securities available for sale	875,790	736,465
Cash at bank	207,003	213,219
TOTAL	1,082,793	949,684

At 31 December 2016, the portfolio of money market securities available for sale consisted mainly of traditional money market funds (Level 2).

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

Foncière des Régions holds no investments subject to capital risk.

3.2.5.10. Shareholders' equity

3.2.5.10.1. Accounting principles applicable to equity

3.2.5.10.1.1. Treasury shares

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

3.2.5.10.2. Statement of changes in shareholders' equity

The capital of Foncière des Régions totaled €206.3 million as at 31 December 2016.

During 2016, Foncière des Régions carried out a number of capital increases and raised its capital to €119.6 million (€118.8 million net of costs) by the issue of 2,128,120 new shares, including 1,669,439 shares in compensation for the Foncière des Murs shares tendered and the public exchange offer that followed, share grants for the exercise of rights by the holders of 3,594,335 ORNANE-type bonds (370,273 Foncière des Régions shares), and the final award of 70,404 bonus shares and 18,004 shares under the incentive plan.

Reserves correspond to parent company retained earnings and reserves, together with reserves from consolidation.

As at 31 December 2016, the share capital broke down as follows:

Number of authorised shares	68,757,852
Number of shares issued and fully paid up	68,757,852
Number of shares issued and not fully paid up	0
Par value of the shares	€3.00
Share classes	none
Restriction on payment of dividends	none
Shares held by the Company or its subsidiaries	96,809

CHANGES IN THE NUMBER OF SHARES DURING THE PERIOD

Date	Transaction	Shares issued	Treasury shares	Shares outstanding
31/12/2015		66,629,732	52,319	66,577,413
	Capital Increase – delivery of bonus share plan	70,404		
	Capital Increase – following FDM public exchange offer	1,669,439		
	Capital increase reserved for employees – PEE	18,004		
	Capital increase – conversion of ORNANE-type bonds	370,273		
	Treasury shares – liquidity agreement		-4,111	
	Treasury shares – employee award		48,601	
	Treasury shares – awaiting allocation			
31/12/2016		68,757,852	96,809	68,661,043

The statement of changes in shareholders' equity is presented in Note 3.1.4.

3.2.5.11. Statement of changes in debt

3.2.5.11.1. Accounting principles applicable to debt

Financial liabilities include borrowings and other interest-bearing debt.

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

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

Convertible bonds (ORNANE-type) issued by the Foncière des Régions group are either (i) accounted for at fair value in the income statement or (ii) accounted for separately as a financial liability at amortised cost and an embedded derivative measured at fair value in the income statement.

For Foncière des Régions, the fair value is determined according to the closing bond price.

In the case of financial liabilities resulting from the recognition of finance lease agreements, the financial liability recognised

against the tangible fixed asset is initially accounted for at the leased asset's fair value, or if lower, at the discounted value of the minimum lease payments.

3.2.5.11.1.1. Tenants' guarantee deposits

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

3.2.5.11.1.2. Derivatives and hedging instruments

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

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

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

The majority of the financial instruments in the Italy Offices segment qualify for hedge accounting as defined by IAS 39.

In this case, changes in the fair value of the effective portion of the hedge are accounted for net of tax in shareholders' equity until the hedged transaction occurs. The ineffective portion is recorded in the income statement.

Only Beni Stabili used hedge accounting as at 31 December 2016.

In other cases, given the characteristics of its debt, as of 1 January 2007 the Foncière des Régions Group no longer qualifies for hedge accounting under IAS 39. All derivative instruments are therefore accounted for at their fair value, and changes are reflected in the income statement. The revaluation reserve for the financial instruments recorded in shareholders' equity until 31 December 2006 is amortised over the remaining maturity of the hedges.

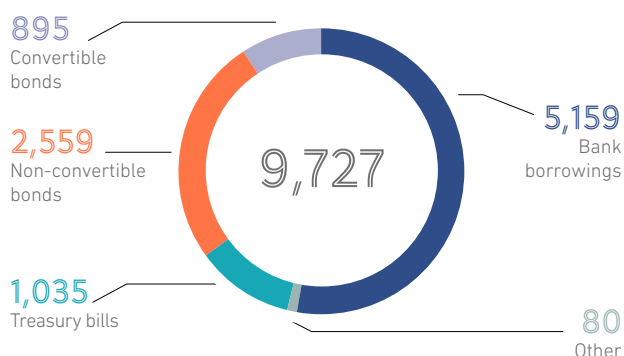
3.2.5.11.2. Debt

(€K)	31/12/2015	Increase	Decrease	Change in scope	Other changes	31/12/2016
Bank borrowings	4,970,181	2,515,928	-2,363,870	36,338	0	5,158,577
Other borrowing	53,909	38,450	-147,808	141,146	-9,982	75,715
Treasury bills	805,000	230,400	0	0	0	1,035,400
Securitised loans	3,978	0	0	0	0	3,978
Non-convertible bonds ⁽¹⁾	2,343,229	500,307	-284,407	0	0	2,559,129
Convertible bonds	1,266,084	0	-371,389	0	0	894,695
Subtotal interest-bearing loans	9,442,381	3,285,085	-3,167,474	177,484	-9,982	9,727,494
Accrued interest	68,813	81,347	-89,210	0	0	60,950
Deferral of loan expenses	-73,705	34,483	-27,741	0	3	-66,960
Creditor banks	54,135	0	0	0	-38,338	15,797
Total loans (LT/ST) excl. JV of ORNANE-type bonds	9,491,624	3,400,915	-3,284,425	177,484	-48,317	9,737,281
of which Long-term	8,408,151					8,384,176
of which Short-term	1,083,473					1,353,105
Valuation of financial instruments	363,656	0	0	0	-23,496	340,160
Convertible bond derivatives	179,653	0	0	0	-131,635	48,018
Total derivatives	543,309	0	0	0	-155,131	388,178
of which Assets	-54,075					-40,692
of which Liabilities	597,384					428,870
TOTAL BANK DEBT	10,034,933	3,400,915	-3,284,425	177,484	-203,448	10,125,459

(1) Convertible bond movements are presented in 3.2.5.11.4 Converting bonds.

The new financing taken out during the year is presented in 3.2.2.2 – Liquidity risk and in 3.2.5.11.3 – Bank borrowings.

DEBT BY TYPE AS AT 31 DECEMBER 2016 IN €M



The “Receipts relating to new borrowings” line of the cash flow statement (+€3,257.4 million) corresponds to:

- ◆ increases in interest-bearing borrowings (+€3,285.1 million)
- ◆ less new debt issuance costs (-€27.7 million).

The “Repayments of borrowings” line of the cash flow statement (-€3,167.5 million) corresponds to decreases in interest-bearing borrowings.

3.2.5.11.3. Bank borrowings

The table below outlines the characteristics of the borrowings taken out by Foncière des Régions and the amount of associated guarantees (principal amount over €100 million):

(€K)	Debt balance (> or < €100 M)	Debt	Total "Block" appraisal value 31 Dec.-2016 ⁽¹⁾	Outstanding debt 31/12/2016	Date of signature	Initial amount of debt	Maturity
France offices	> €100 M	€280 M (2015) and €145 M (2015) – Tour CB21 and Carré Suffren		420,050	29/07/2015 and 01/12/2015	280,000 and 145,000	29/07/2025 and 30/11/2023
	> €100 M	€167.5 M (2015) – DS Campus		164,988	23/03/2015	167,500	20/04/2023
		€300 M (2016) – Orange		300,000	18/02/2016	300,000	18/02/2026
	> €100 M		2,103,883	885,038			
	< €100 M		218,660	87,697			
		Total France Offices	2,322,543	972,735			
Italy Offices	> €100 M	€252 M (2015) – Europe		252,243	09/06/2015	255,000	09/06/2025
		€760 M (2016) – Central		760,000	20/09/2016	760,000	14/09/2024
	> €100 M		2,037,120	1,012,243			
	< €100 M		28,480	16,820			
		Total Italy Offices	2,065,600	1,029,063			
Hotels and Service sector	> €100 M	€447 M (2013)	605,386	263,537	25/10/2013	447,000	31/01/2203
	> €100 M	€255 M (2012) – Covered bonds	435,165	189,169	14/11/2012	255,000	16/11/2021
	> €100 M	€235 M (2013) – OPCI B2 HI (B&B)	563,160	235,000	20/12/2013	235,000	20/12/2018
	> €100 M	€350 M (2013)	371,317	112,295	15/07/2013	350,000	31/07/2022
	> €100 M		1,975,027	800,002			
	< €100 M		666,276	275,471			
		Total Hotels and Service sector	2,641,303	1,075,473			
France Residential	> €100 M	€350 M (2014)	293,425	79,626	15/01/2014	350,000	31/10/2018
	> €100 M		293,425	79,626			
		Total France Residential	293,425	79,626			
Germany Residential	> €100 M	Lyndon Immeo 01	225,143	114,451	12/12/2011	184,720	12/12/2021
	> €100 M	Lyndon Immeo 04	496,807	201,214	09/03/2012	485,000	14/03/2022
	> €100 M	Lego	307,029	138,281	01/10/2014	145,000	30/09/2024
	> €100 M	Refinancing Wohnbau/Dümpfen/Aurélia/Duomo	277,398	136,350	20/01/2015	177,000	30/01/2025
	> €100 M	Refinancing Amadeus/Herbstlaub/Valore/Valartis/Sunflower	359,827	158,803	28/10/2015	167,000	30/04/2026
	> €100 M	Cornerstone	262,800	148,364	16/06/2015	148,589	30/06/2025
	> €100 M	Quadriga	373,620	213,082	23/03/2016	220,000	31/01/2024
	> €100 M	Refinancing LBBW	376,581	163,971	30/06/2016	165,892	31/03/2024
	> €100 M		2,679,205	1,274,517			
	< €100 M		1,238,501	594,394			
		Total Germany Residential	3,917,706	1,868,911			
		Total Residential	4,211,131	1,948,536			
Car Parks	< €100 M	Total Car Parks		0			
Total collateralised			11,240,577	5,025,807			

(€K)	Debt balance (> or < €100 M)	Debt	Total "Block" appraisal value 31 Dec.-2016 ⁽¹⁾	Outstanding debt 31/12/2016	Date of signature	Initial amount of debt	Maturity
France Offices		€550 M (2011) – ORNANE		79,695	24/05/2011	550,000	02/01/2017
		€345 M (2013) – ORNANE		345,000	20/11/2013	345,000	01/04/2019
		€500 M (2012) – Bonds		266,400	16/10/2012	500,000	16/01/2018
		Treasury bills BT/BMTN		1,035,400			
		€180 M (2013) – Private placement		180,000	28/03/2013	180,000	30/04/2020
		€500 M (2014) – Bonds		498,560	10/09/2014	500,000	30/09/2021
		€500 M (2016) – Green Bond		500,000	20/05/2016	500,000	20/05/2026
	> €100 M			2,905,055			
	< €100 M			234,000			
		Total France Offices	3,234,294	3,139,055			
Italy Offices		€270 M (2013) – Convertible bonds		270,000	17/10/2013	270,000	17/04/2019
		€350 M (2014) – Bonds		350,000	22/01/2014	350,000	22/01/2018
		€250 M (2014) – Bonds		250,000	31/03/2014	250,000	01/04/2019
		€125 M (2015) – Bonds		125,000	30/03/2015	125,000	30/03/2022
		€200 M (2015) – Convertible Bonds		200,000	03/08/2015	200,000	31/01/2021
	> €100 M			1,195,000			
	< €100 M			53,978			
		Total Italy Offices	2,028,233	1,248,978			
Hotels and Service sector	> €100 M	€200 M (2015) – Private placement		200,000	29/05/2015	200,000	29/05/2023
		Total Hotels and Service sector	491,287	200,000			
France Residential	< €100 M	Total France Residential	134,439	40,000			
Germany Residential	< €100 M	Total Germany Residential	86,572				
Car Parks		Total Car Parks	55,600	0			
Total unencumbered			6,030,425	4,628,033			
		Other liabilities		73,654			
TOTAL			17,271,002	9,727,494			

(1) The portfolio includes the fair value of occupied assets and inventories of the trading activity

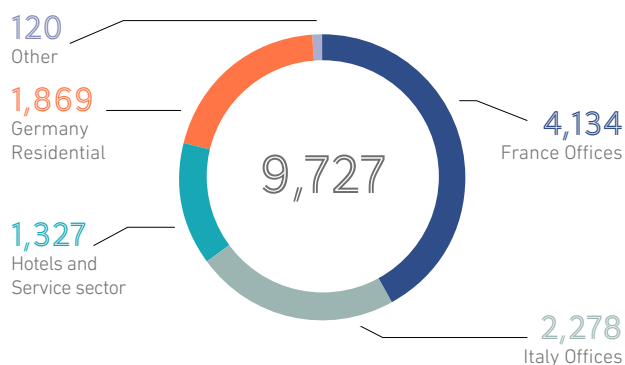
The borrowings are valued after their initial recognition at cost, amortised based on the effective interest rate. The average interest rate on the consolidated debt for Foncière des Régions was 2.21% in 2016.

**BREAKDOWN OF BORROWINGS AT THEIR FACE VALUE ACCORDING TO TIME LEFT TO MATURITY
AND BY INTEREST-RATE TYPE**

(€K)	Balance as at 31 December 2016	Maturity in < 1 year	Balance as at 31 December 2017	Maturity from 2 to 5 years	Balance as at 31 December 2021	Maturity in > 5 years
Fixed-rate long-term financial liabilities	5,319,176	1,035,379	4,283,797	2,856,356	1,427,441	1,427,441
France Offices – Bank borrowings	150,963	1,281	149,682	6,919	142,763	142,763
France Offices – ORNANE ⁽¹⁾	424,695	79,695	345,000	345,000	0	0
France Offices – Other	22,455	0	22,455	22,455	0	0
Italy Offices – Convertible bonds ⁽¹⁾	470,000	0	470,000	470,000	0	0
Hotels and Service sector – Bank borrowings	20,000	0	20,000	20,000	0	0
Hotels and Service sector – Other	51,198	0	51,198	18,427	32,771	32,771
Germany Residential – Bank borrowings	674,296	9,755	664,541	237,806	426,735	426,735
Germany Residential – Other	2,062	270	1,792	1,620	172	172
Total borrowings and convertible bonds	1,815,669	91,001	1,724,668	1,122,227	602,441	602,441
France Offices – Bonds	1,444,960	0	1,444,960	944,960	500,000	500,000
France Offices – Treasury bills	940,400	940,400	0	0	0	0
Italy Offices – Bonds	725,000	0	725,000	600,000	125,000	125,000
Italy Offices – Securitisation	3,978	3,978	0	0	0	0
Hotels and Service sector – Bonds	389,169	0	389,169	189,169	200,000	200,000
Total debts represented by securities	3,503,507	944,378	2,559,129	1,734,129	825,000	825,000
Floating-rate financial debt	4,408,318	251,406	4,156,912	941,516	3,215,396	3,215,396
France Offices – Bank borrowings	1,055,772	55,835	999,937	172,312	827,625	827,625
Italy Offices – Bank borrowings	1,079,063	75,562	1,003,501	187,186	816,315	816,315
Hotels and Service sector – Bank borrowings	866,304	41,039	825,265	305,755	519,510	519,510
France Residential – Bank borrowings	119,627	0	119,627	119,627	0	0
Germany Residential – Bank borrowings	1,192,552	16,970	1,175,582	123,636	1,051,946	1,051,946
Total borrowings and convertible bonds	4,313,318	189,406	4,123,912	908,516	3,215,396	3,215,396
France Offices – Treasury bills	95,000	62,000	33,000	33,000	0	0
Total debts represented by securities	95,000	62,000	33,000	33,000	0	0
TOTAL	9,727,494	1,286,785	8,440,709	3,797,872	4,642,837	4,642,837

(1) The ORNANE bonds are presented at face value.

DEBT BY OPERATING SEGMENT AS AT 31 DECEMBER 2016 IN €M



3.2.5.11.4. Convertible bonds**3.2.5.11.4.1. France Offices**

The characteristic features of the bonds are as follows:

Features	ORNANE-type bonds – France Offices	ORNANE-type bonds – France Offices
Issue date	24/05/2011	20/11/2013
Issue amount (€M)	550	345
Issue price (€)	85.86	84.73
Conversion rate	1.18	1.09
Nominal rate	3.34%	0.88%
Maturity	01/01/2017	01/04/2019
Number of convertible bonds issued	6,405,776	4,071,757
Number of convertible bonds as at 31 December 2015	5,253,714	4,071,757
Number of bonds redeemed	-730,000	
Number of bonds converted to treasury shares	-1,182	
Number of securities converted to FDR shares	-3,594,335	
Number of convertible bonds as at 31 December 2016	928,197	4,071,757
Number of potential shares (maximum)		4,438,215
Amount of the issue after redemption and conversion (€M)	80	345

During 2016, Foncière des Régions bought back 730,000 of ORNANE bonds issued in 2011 for €64.2 million with a view to cancelling them, 3,594,335 bonds were converted into new shares (370,273 shares with an impact on shareholders' equity of €29.2 million and a payment totaling €308.6 million), 1,182 bonds were converted into Treasury shares and a payment on maturity was made on the remaining 928,197 bonds in the amount of €79.7 million on 2 January 2017.

The interest is payable half-yearly on 1 April and 1 October for the ORNANE-type bonds issued in 2013.

Based on the quoted price on 31 December 2016, the fair value of the 2013 ORNANE bonds is €99.17, giving a fair value of €403.8 million at 31 December 2016 (4,071,757 bonds).

Bond holders will have the option to convert their bonds either into cash and existing and/or new shares, or only into shares, based on the stock market prices over a determined period, at the Company's discretion.

3.2.5.11.4.2. Italy Offices

In accordance with paragraph 11A of IAS 39, the Italy Offices ORNANE bonds are hybrid instruments and are accounted for as a Host contract (debt at amortised cost) and as an embedded derivative (financial instrument at fair value through the income statement).

At 31 December 2016, the ORNANE derivatives of Beni Stabili convertible bonds were valued at €15.5 million.

The characteristic features of these convertible bonds are as follows:

Features	ORNANE-type bonds – Italy Offices	ORNANE-type bonds – Italy Offices
Issue date	October 2013	August 2015
Issue amount (€M)	270	200
Issue price (€)	100	100
Conversion rate	151.722	99.990
Nominal rate	2.625%	0.875%
Maturity	March 2019	February 2021
Number of convertible bonds issued	2,700,000	2,000,000
Number of convertible bonds as at 31 December 2015	2,700,000	2,000,000
Number of convertible bonds as at 31 December 2016	2,700,000	2,000,000
Number of potential shares	409,649,522	199,980,002

3.2.5.11.5. Derivatives

Derivative instruments consist mainly of rate hedging instruments put in place as part of the Group's interest rate hedging policy.

Fair value of net derivative instruments:

(€K)	31/12/2016 Net	31/12/2015 Net
France Offices	175,618	160,166
Italy Offices	28,913	30,408
Hotels and Service sector	80,816	109,146
Germany Residential	47,391	46,984
France Residential	7,422	7,463
Car Parks	0	9,489
Total financial instruments	340,160	363,656
France Offices	58,795	140,694
Italy Offices	-10,777	38,959
Total derivatives of convertible borrowing	48,018	179,653
TOTAL	388,178	543,309
OF WHICH COUNTERPARTY RISK	8,562	11,895

The total impact of the value adjustments on the derivatives on the income statement was €27.3 million. It primarily consists of changes in the value of the cash instruments (-€76.7 million), and the change in the value of the ORNANE bonds (+€104 million). In accordance with IFRS 13, the fair values include the counterparty default risk (€8,562 thousand).

The line "Unrealised gains and losses relating to changes in fair value" in the cash flow statement (-€670.2 million), which makes it possible to calculate cash flows from operating activities, chiefly incorporates the impact of changes in the value of cash instruments (+€76.7 million), the change in the value of the ORNANE bonds (-€104 million) and the change in the value of the portfolio (-€644.5 million).

BREAKDOWN OF HEDGING INSTRUMENTS BY MATURITY OF NOTIONALS

(€K)	At 31/12/2016	less than 1 year	1 to 5 years	over 5 years
FIXED HEDGE				
Fixed rate payer swap	1,479,000	100,000	995,000	384,000
Fixed rate receiver swap	3,968,400	-258,476	1,308,690	2,918,186
Total swaps	2,489,400	-358,476	313,690	2,534,186
OPTIONAL HEDGE				
ORNANE-type bonds	0	-175,000	-170,000	345,000
Sale of fixed rate borrower swaption	0	-200,000	-395,000	595,000
Cap purchase	1,301,882	472,321	401,799	427,762
Floor purchase	248,090	520	227,080	20,490
Floor sale	30,000	-10,000	0	40,000
TOTAL	7,027,372	-70,635	2,367,569	4,730,438

BALANCE AS AT 31 DECEMBER 2016

(€K)	Fixed rate	Floating rate
Gross borrowings and financial debt (including creditor banks)	5,319,176	4,424,115
NET FINANCIAL LIABILITIES BEFORE HEDGING	5,319,176	4,424,115
Swaps		-2,489,400
Caps		-1,301,882
TOTAL HEDGES		-3,791,282

3.2.5.11.6. Bank covenants

Excluding debts raised without recourse to the Group's property companies, the debts of Foncière des Régions and its subsidiaries generally include bank covenants (interest coverage ratio [ICR] and loan to value [LTV]), applying to the borrower's consolidated financial statements. If these covenants are breached, early debt repayment may be triggered. These covenants were established in Group share for Foncière des Régions and for Foncière des Murs (regarding refinance loans for historical borrowings) and on a consolidated basis for Foncière Développement Logements and Beni Stabili (if their debts include them).

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

The most restrictive consolidated LTV covenants at 31 December 2016 were 60% for Foncière des Régions, Foncière des Murs and Foncière Développement Logements. Lastly, a limited portion of Beni Stabili financing included a consolidated LTV covenant (Beni Stabili scope), the most restrictive level of which was also 60%.

The threshold for the 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. Lastly, only a portion of the Beni Stabili loans has a consolidated ICR covenant.

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

- ♦ for Foncière des Régions: 200%
- ♦ for Foncière des Murs: 200%
- ♦ for Foncière Développement Logements: 150%
- ♦ for Beni Stabili: 150%.

All these LTV or ICR covenants were in strict compliance as at 31 December 2016.

Concerning Foncière des Régions, the bank consolidated leverage ratios at 31 December 2016 were 49.5% for the LTV in Group share and 360% for the ICR in Group share (compared to 50.9% and 302% respectively at the end of 2015).

Another type of covenant was added to the consolidated LTV and ICR Group share covenants of Foncière des Régions as part of the corporate loans taken out by Foncière des Régions: an asset-secured debt covenant (100% scope), the cap on which is set at 25% (excluding a €75 million credit facility where the covenant is set at 22.5%) and which measures the ratio of secured debt (or debt with guarantees of any nature) to asset value.

This covenant is fully respected at 31 December 2016 and is at a very comfortable level.

No loan has an accelerated payment clause contingent on a rating of Foncière des Régions.

Consolidated LTV	Company	Company Scope	Covenant threshold	Ratio
€300 M (2016) – Orange	Foncière des Régions	France Offices	≤ 60%	In compliance
€350 M (2013)	Foncière des Murs	Hotels and Service sector	≤ 60%	In compliance
€447 M (2013)	Foncière des Murs	Hotels and Service sector	< 60%	In compliance
€208 M (2014)	Foncière des Murs	Hotels and Service sector	< 60%	In compliance
€255 M (2012) – Covered bonds	Foncière des Murs	Hotels and Service sector	≤ 65%	In compliance
€200 M (2015) – Private placement	Foncière des Murs	Hotels and Service sector	≤ 60%	In compliance
€350 M (2014)	Foncière Développement Logements	France Residential	≤ 60%	In compliance
€266 M (2014) – Refi 2 Babel	Beni Stabili	Italy Offices	≤ 60%	In compliance
€110 M (2014) – Faithful 2	Beni Stabili	Italy Offices	≤ 60%	In compliance
€254 M (2015) – Europe	Beni Stabili	Italy Offices	≤ 60%	In compliance

Consolidated ICR	Company	Company Scope	Covenant threshold	Ratio
€300 M (2016) – Orange	Foncière des Régions	France Offices	≥ 200%	In compliance
€350 M (2013)	Foncière des Murs	Hotels and Service sector	> 200%	In compliance
€447 M (2013)	Foncière des Murs	Hotels and Service sector	> 200%	In compliance
€208 M (2014)	Foncière des Murs	Hotels and Service sector	> 200%	In compliance
€255 M (2012) – Covered bonds	Foncière des Murs	Hotels and Service sector	≥ 200%	In compliance
€200 M (2015) – Private placement	Foncière des Murs	Hotels and Service sector	≥ 200%	In compliance
€350 M (2014)	Foncière Développement Logements	France Residential	≥ 150%	In compliance
€266 M (2014) – Refi 2 Babel	Beni Stabili	Italy Offices	> 140%	In compliance
€110 M (2014) – Faithful 2	Beni Stabili	Italy Offices	> 140%	In compliance
€254 M (2015) – Europe	Beni Stabili	Italy Offices	> 150%	In compliance

These covenants, which are based on the Company and consolidated financial statements, most often include specific covenants for the scopes financed. These “Scope” covenants, or to a lesser extent the interest coverage ratios, usually have less restrictive thresholds for the Group’s companies than consolidated covenant thresholds. Their purpose is mainly to supervise the use of financing by correlating it with the value of the underlying assets provided as collateral.

3.2.5.12. Provisions for contingencies and losses

3.2.5.12.1. Accounting principles applicable to provisions for contingencies and losses

3.2.5.12.1.1. Retirement commitments

The retirement commitments are accounted for in accordance with revised IAS 19. The liabilities arising from defined-benefits pension schemes are provisioned on the balance sheet for existing staff at the closing date. They are calculated according to the projected credit units method based on valuations made at each

year-end. The past service cost corresponds to the benefits granted, either when the company adopts a new defined-benefits scheme, or when it changes the level of benefits of an existing scheme. When new benefits are granted upon adoption of a new scheme or change in an existing scheme, the past service cost is immediately accounted for in the income statement.

Conversely, when the adoption of a new scheme or change in an existing scheme gives rise to the vesting of benefits after its implementation date, the past service cost is accounted for as an expense on a straight-line basis over the average remaining period until the benefits become fully vested. Actuarial gains and losses result from the effects of changes in actuarial assumptions and experience adjustments (differences between actuarial assumptions and what has actually occurred). The change in these actuarial gains and losses is accounted for in Other items of comprehensive income. The expense recognised in operating income includes the cost of the services rendered during the year, amortisation of past service costs and the effects of any reduction or liquidation of the scheme; the cost of discounting is accounted for in net financial income. The valuations are made taking into account the Collective Agreements applicable in each country and in keeping with the various local regulations. For each employee, the retirement age is the social security eligibility age.

3.2.5.12.2. Provisions

(€K)	31/12/2015	Change in scope	Charges	Transfer	Change in actuarial gains and losses	Reversal of provision		31/12/2016
						Used	Unused	
Other provisions for litigation	1,720	0	2,287	-275		-50	0	3,682
Provisions for guarantees	0	0	0			0	0	0
Provisions for taxes	56,735	0	0	0		-55,163	-362	1,210
Provisions for sustainable development	345	0	0			0	0	345
Other provisions	1,901	0	3,395	-5		-929		4,362
Provision subtotal – current liabilities	60,701	0	5,682	-280	0	-56,142	-362	9,599
Provisions for retirement benefit obligations	44,519	443	2,282	-26	3,824	-2,641	-37	48,364
Provisions for long-service awards	710	0	543			-6	-14	1,233
Provision subtotal – non-current liabilities	45,229	443	2,825	-26	3,824	-2,647	-51	49,597
TOTAL PROVISIONS	105,930	443	8,507	-306	3,824	-58,789	-413	59,196

The provisions for litigation are broken down into €2.9 million for France Offices, €0.4 million for Italy Offices and €0.3 million for France Residential.

The provisions for taxes solely concern the Italy Offices segment in the amount of €1.2 million, €55 million of which relates to provision reversal on the Comit Fund dispute. The payment relating to this dispute was made at the end of 2016 for €55 million and is explained in 3.2.2.9.4.

Other provisions consist primarily of the following:

- ♦ other provisions for contingencies and losses: €3.7 million
- ♦ provisions relating to grantor rights (Car Parks): €0.2 million
- ♦ other provisions for losses: €0.4 million.

The provision for retirement benefits totalled €48.4 million at 31 December 2016 (including €45.6 million for the Germany Residential segment).

The main actuarial assumptions used to estimate the commitments of Foncière des Régions in France were as follows:

- ♦ rate of pay increase: managers 4%, non-managers 3%
- ♦ discounting rate: 1.15% (TEC 10 n +50 bps).

The main actuarial assumptions used to estimate the commitments in Germany were as follows:

Assumptions used in calculating provisions for retirement benefit obligations in Germany	31/12/2016	31/12/2015
Discount rate	1.9%	2.5%
Annual wage growth	2.5%	2.5%
Rate of social security charges	1.0%	1.0%
Impact of provisions for retirement benefits on the income statement (in €K)		
Cost of services rendered during the year	-623	-546
Financial cost	-1,031	-995
Effects of plan curtailments/settlements		
TOTAL IMPACT ON THE INCOME STATEMENT	-1,654	-1,541

3.2.5.13. Other short-term liabilities

(€K)	31/12/2016	31/12/2015	Change
Social debt	19,660	19,282	378
Tax debt	15,172	14,691	481
Current accounts – liabilities	3,230	721	2,509
Dividends to be paid	0	0	0
Other liabilities	14,973	109,532	-94,559
TOTAL	53,035	144,226	-91,191

The change in other liabilities was -€94.6 million and is related to completion of the payment of the deposit (-€98 million) received in 2015 on the disposal of a portfolio of assets in the Germany Residential segment (Leg III).

3.2.5.14. Recognition of financial assets and liabilities

IAS 39 categories	Line item in statement of financial position	31/12/2016 Net (€K)	Amount shown in the statement of financial position measured at:			
			Amortised cost	Fair value through shareholders' equity	Fair value through profit or loss	Fair value (€K)
Assets at amortised cost	Non-current financial assets	33,145	33,145			33,145
Loans and receivables	Non-current financial assets	201,787	201,787			201,787
Subscribed capital not paid up	Non-current financial assets	20,160	20,160			0
Total non-current financial assets		255,092				255,092
Loans and receivables	Trade receivables ⁽¹⁾	153,524	153,524			153,524
Assets at fair value through profit or loss	Derivatives at fair value through profit or loss	40,692			40,692	40,692
Assets at fair value through profit or loss	Cash and cash equivalents	875,790			875,790	875,790
TOTAL FINANCIAL ASSETS		1,325,098	408,616	0	916,482	1,325,098
Liabilities at fair value through profit or loss	ORNANE-type bonds	863,018	443,715		419,303	883,071
Liabilities at amortised cost	Financial debt	8,912,494	8,912,494			9,021,126 ⁽²⁾
Liabilities at fair value through profit or loss	Financial instruments (excluding ORNANE)	380,852		12,779	368,073	380,852
Liabilities at amortised cost	Security deposits	12,962	12,962			12,962
Liabilities at amortised cost	Trade payables	114,100	114,100			114,100
TOTAL FINANCIAL LIABILITIES		10,283,426	9,483,271	12,779	787,376	10,412,111

(1) Excluding rent exemptions.

(2) The difference between the net book value and the fair value of the fixed rate debt is €108,632 thousand.

3.2.5.14.1. Breakdown of financial assets and liabilities at fair value

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

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

(€K)	Level 1	Level 2	Level 3	Total
Derivatives at fair value through profit or loss		40,692		40,692
Money-market securities available for sale		875,790		875,790
Total financial assets	0	916,482	0	916,482
ORNANE-type bonds	883,071			883,071
Derivatives at fair value through profit or loss		380,852		380,852
Total financial liabilities	883,071	380,852	0	1,263,923

3.2.6. Notes to the statement of net income

3.2.6.1. Accounting principles

3.2.6.1.1. Rental income

According to the presentation of the income statement, rental income is treated as revenues. Car park receipts, disposals of assets in inventory and service charges are now shown in specific lines of the income statement below net rental income.

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

3.2.6.2. Operating income

3.2.6.2.1. Rental income

(€K)	31/12/2016	31/12/2015	Change (€K)	Change (%)	Change at like-for-like scope
France Offices	274,847	258,897	15,950	6.2%	0.0%
Italy Offices	199,651	210,615	-10,964	-5.2%	0.2%
Total Offices rental income	474,498	469,512	4,986	1.1%	0.1%
Hotels and Service sector	190,548	203,564	-13,016	-6.4%	-2.6%
Germany Residential	212,501	190,301	22,200	11.7%	3.6%
France Residential	15,187	21,764	-6,577	-30.2%	N/A
TOTAL RENTAL INCOME	892,734	885,141	7,593	0.9%	0.3%

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

The rental income amounted to €892.7 million at 31 December 2016, versus €885.1 million at 31 December 2015, up by €7.6 million.

The changes by type of asset break down as follows:

- ♦ a 6.2% increase in rental income from France Offices stemming primarily from the delivery of assets under development (+€16.3 million) and acquisitions (+€10.1 million), less asset disposals (-€7.5 million) and assets vacated for their redevelopment (-€6.9 million)
- ♦ a 5.2% decrease in rental income from Italy Offices due to disposals (-€13 million) and rent reductions on new leases (-€7.6 million, including the impact of the Telecom Italia agreement). These impacts were partially offset by new tenants (+€5.5 million) and acquisitions (+€4.2 million).

3.2.6.1.2. Share-based payments (IFRS 2)

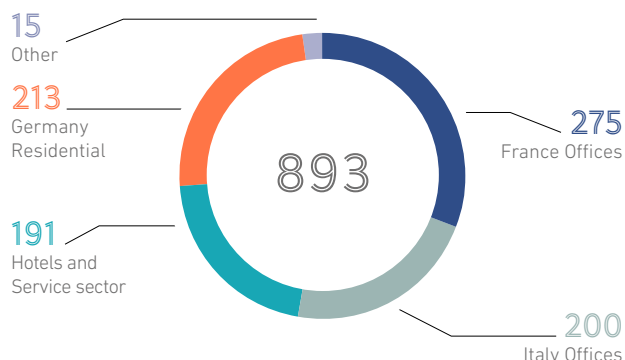
The application of IFRS 2 has resulted in the recognition of an expense for benefits granted to employees as share-based payments. This expense is recorded in income for the year.

Bonus shares are valued by Foncière des Régions at the date of their award according to a binomial valuation model. This model takes into account the features of the plan (price and exercise period), market data upon award (risk free rate, share price, volatility and expected dividends), and assumptions of beneficiary behaviour. The benefits thus granted are accounted for as expenses over the vesting period, and offset by an increase in the consolidated reserves.

- ♦ a 6.4% decrease in rental income from the Hotels and Service sector due in particular to the impact of disposals in the hotel segment (-€12 million), disposals in the health segment (-€5.5 million), the drop in AccorHotels rents (-€4.2 million), less the impact of acquisitions (+€5 million) and deliveries of hotels (+€3.1 million) in France, Germany and Spain
- ♦ an increase in rental income from the Germany Residential segment following acquisitions (+€38.3 million), rent indexing (+€4.6 million), less the impact of disposals (-€20.6 million)
- ♦ a 30.2% decrease in the France Residential segment due to sales and assets made vacant for their disposal.

A single tenant accounted for more than 10% of total revenues in the Italy Offices operating segment: Telecom Italia (€98.8 million).

2016 RENTAL INCOME BY OPERATING SEGMENT IN €M



3.2.6.2.2. Real estate expenses

(€K)	31/12/2016	31/12/2015	Change (€K)	Change (%)
Rental income	892,734	885,141	7,593	0.9%
Unrecovered rental costs	-42,071	-40,952	-1,119	2.7%
Expenses on properties	-31,128	-28,447	-2,681	9.4%
Net losses on unrecoverable receivables	-4,112	-5,663	1,551	-27.4%
NET RENTAL INCOME	815,423	810,079	5,344	0.7%
Rate for property expenses	-8.7%	-8.5%		

- ♦ Unrecovered rental costs: These expenses are net of re-invoicing to tenants, and basically correspond to charges on vacant premises.
- ♦ Expenses on properties: These consist of rental expenses that are borne by the owner, expenses related to works and expenses related to property management.

- ♦ Net losses on unrecoverable receivables: These consist of losses on unrecoverable receivables and net provisions on doubtful receivables. As at 31 December 2016, the charges essentially stem from the Germany Residential segment (-€2 million) and the Italy Offices segment (-€2 million).

3.2.6.2.3. Net operating costs

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

(€K)	31/12/2016	31/12/2015	Change (€K)	Change (%)
Management and administration income	16,904	15,660	1,244	7.9%
Business expenses	-5,964	-4,669	-1,295	27.7%
Overhead	-103,478	-99,385	-4,093	4.1%
Development costs (not capitalised)	-1,038	-1,077	39	N/A
TOTAL NET OPERATING COSTS	-93,576	-89,471	-4,105	4.6%

Management and administration income was up €1.2 million. This includes a €2 million commission on new business on the acquisition of a portfolio of hotels in Germany managed in Business & Premises by the subsidiary FDM Management (equity affiliate).

Business expenses increased slightly. They consist primarily of appraisal expenses totalling €2.7 million, asset management fees

totalling €2.0 million, as well as expenses related to inspections totalling €0.7 million.

Overheads rose by €4 million, particularly for payroll following the increase in headcount in France and Germany.

3.2.6.2.4. Income from other activities

The net income from other activities declined by €10.7 million. It includes in particular:

- ♦ €5.5 million in income from the real estate development business in the France Offices segment at 31 December 2016 (versus €10.8 million at 31 December 2015) recognised by reference to the stage of completion, in accordance with IAS 11 – Construction Contracts
- ♦ net income (excluding depreciation and financial net income) for the remaining car parks of €7.1 million at 31 December 2016, versus €12.9 million at 31 December 2015, following the reclassification of disposals under discontinued operations.

3.2.6.3. Change in the fair value of assets

(€K)	31/12/2016	31/12/2015	Change (€K)
France Offices	277,489	274,589	2,900
Italy Offices	74,292	-11,688	85,980
Hotels and Service sector	34,838	93,190	-58,352
Germany Residential	259,019	85,231	173,788
France Residential	-1,091	3,685	-4,776
TOTAL CHANGE IN FAIR VALUE OF PROPERTIES	644,547	445,007	199,540

3.2.6.4. Income from changes in scope

A loss of €17.6 million was recognised under income from changes in consolidation scope, primarily due to the acquisition costs for shares in the Germany Residential (-€12.6 million), Italy Offices (-€3 million) and France Offices (-€1.2 million) segments, which, in accordance with IFRS 3R, must be recognised in profit or loss.

3.2.6.5. Net cost of financial debt

(€K)	31/12/2016	31/12/2015	Change (€K)	Change (%)
Interest income on cash transactions	13,255	13,549	-294	-2.2%
Interest expense on financing operations	-198,051	-220,630	22,579	-10.2%
Net expenses on hedges	-51,474	-58,396	6,922	-11.9%
NET FINANCING COST	-236,270	-265,477	29,207	-11.0%

The cost of net financial debt improved by €29.2 million due to refinancing and the restructuring of hedges.

3.2.6.6. Net financial income

(€K)	31/12/2016	31/12/2015	Change (€K)	Change (%)
Cost of net financial debt	-236,270	-265,477	29,207	-11.0%
Positive changes in the fair value of financial instruments	122,566	42,362	80,204	
Negative changes in the fair value of financial instruments	-95,223	-183,958	88,735	
Changes in the fair value of financial instruments	27,343	-141,596	168,939	-119.3%
Financial income from discounting	2,216	40	2,176	
Financial expenses from discounting	-5,835	-4,650	-1,185	
Discounting	-3,619	-4,610	991	-21.5%
Impact of discounting and changes in fair value	23,724	-146,206	169,930	-116.2%
Expenses net of financial provisions and other	-52,801	-33,543	-19,258	57.4%
TOTAL NET FINANCIAL INCOME	-265,347	-445,226	179,879	-40.4%

In 2016, the expenses net of financial and other provisions mainly consisted of the redemption penalties for a bond issue in the France Offices segment (-€16.7 million). They also included deferred debt issue costs (-€34.6 million of which -€18.7 million in exceptional amortisation as a result of refinancing).

3.2.6.7. Current taxation and deferred taxes (including the Exit Tax)

3.2.6.7.1. Accounting principles applicable to current and deferred taxes

3.2.6.7.1.1. SIIC tax regime (French companies)

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

(1) Exemption of SIIC revenues

The revenues of the SIIC are exempt from taxes concerning:

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

(2) Distribution obligations

The distribution obligations associated with exemption profits are the following:

- ♦ 95% of the earnings derived from asset leasing
- ♦ 60% of the capital gains from disposals of assets and shares in subsidiaries having opted for the tax treatment or subsidiaries not subject to corporation tax with a SIIC corporate purpose for two years
- ♦ 100% of dividends from subsidiaries that have opted for the tax treatment.

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

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

3.2.6.7.1.2. Ordinary law regime and deferred taxes

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

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

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

3.2.6.7.1.3. SIIQ tax regime (Italian companies)

Opting for the SIIQ tax treatment triggers immediate liability for exit tax at a reduced 20% tax rate on the unrealised capital gains relating to the assets eligible for SIIQ tax treatment. The exit tax is payable over a maximum of five years.

Note that in 2014, a new decree was enacted (Law Decree No. 133/2014). Previously, the Company was exempted from tax on the SIIQ revenues ("rental" asset rental income and dividends of subsidiaries subject to the tax treatment) on condition of an 85% distribution ceiling. This ceiling has now been lowered to 70%.

Moreover, the decree requires that 50% of the capital gains on the disposal of assets eligible for the SIIQ regime be distributed within two years following their recognition.

In compensation, no tax is payable on capital gains from asset disposals and earnings from this business activity.

3.2.6.7.2. Taxes and theoretical tax rate by geographical area

(€K)	Taxes payable	Deferred tax liabilities	Total	Tax rate
France	-77	940	863	34.43%
Italy	-3,348	-2,781	-6,129	31.40%
Germany	-5,243	-43,997	-49,240	15.83%
Belgium	-1,265	-3,833	-5,098	33.99%
Luxembourg	-149	414	265	30.00%
Netherlands	-421	-6,206	-6,627	25.00%
Portugal	-257	-1,283	-1,540	23.00%
Spain	12	-122	-110	25.00%
TOTAL	-10,748	-56,868	-67,616	

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

Taxes payable in Italy (-€3 million) mainly relate to the increase in the value of the ORNANE bond.

IMPACT OF DEFERRED TAXES ON INCOME

(€K)	31/12/2016	31/12/2015	Change
France Offices	500	0	500
Italy Offices	-2,781	851	-3,632
Hotels and Service sector	-17,328	-8,242	-9,086
Germany Residential	-37,699	-26,978	-10,721
Corporate and not chargeable	440	0	440
TOTAL	-56,868	-34,369	-22,499

- ♦ The deferred tax expense of the Hotels and Service sector mainly relates to increases in the value of assets in the Netherlands, Belgium and Germany.
- ♦ The deferred tax expense of the Germany Residential segment mainly relates to an increase in the value of assets.
- ♦ The deferred tax expense of the Italy Offices segment for the 2016 fiscal year is mainly due to a decrease in deferred tax assets following the use of tax credits.

3.2.6.7.3. Tax proof

The management companies that opted for the SIIC/SIIQ tax regime in previous years do not pay corporate income tax, except for those that also have a taxable business activity.

Net income before taxes and before income of equity affiliates is neutralised, including for their taxable activities and their transparent taxable subsidiaries.

Accordingly, the tax proof is required solely for taxable French and international companies.

Breakdown of tax by taxable segment (€K)	France (SIIC) Italy (SIIQ)	France Common law	Outside France Common law	31/12/2016
Net income before tax, before income of equity affiliates	746,169	13,719	403,605	1,163,493
Income tax expense recorded	-5,716	450	-62,350	-67,616

TAX PROOF

(€K)	31/12/2016
Net income before tax	1,190,867
Share of income from equity affiliates	-27,374
Goodwill	0
Net income before tax, before income of equity affiliates	1,163,493
of which SIIC/SIIQ companies	746,169
of which companies subject to tax	417,324
Theoretical tax rate of 34.43%	(A) -143,700
Impact of rate differentials	80,031
Impact of tax credits and fixed tax rates	-234
Impact of permanent differences	18,183
Charged to prior year losses without DTA	3,739
Tax losses for the year without DTA	-11,940
Total tax impacts for the period	(B) 89,779
Impact of tax audits and taxes on prior years	(C) -7,980
INCOME TAX EXPENSE RECORDED	(A) + (B) + (C) -61,900
Overall effective tax rate	14.83%

The actual income tax expense recognised relates mainly to the Germany Residential segment.

3.2.7. Other information

3.2.7.1. Personnel remuneration and benefits

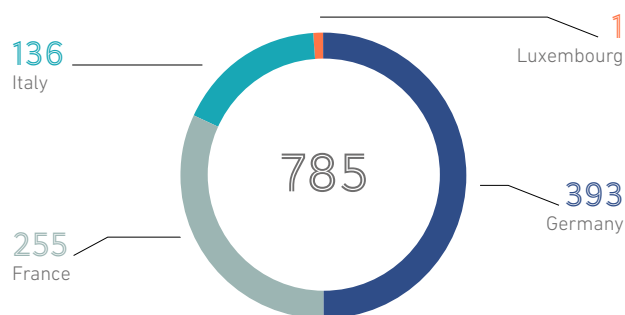
3.2.7.1.1. Personnel expenses

At 31 December 2016, personnel expenses amounted to €63.9 million, compared with €70.2 million at 31 December 2015. This fall mainly came about as a result of the transfer of car park companies disposed of to Discontinued operations (€10.5 million in personnel expenses included in "Expenses of other activities" at 31 December 2015).

3.2.7.1.1.1. Workforce

At 31 December 2016, the headcount of fully consolidated companies was 785.

HEADCOUNT BY COUNTRY IN NUMBER OF EMPLOYEES



The average headcount for 2016 was 716.2 employees.

3.2.7.1.2. Description of share-based payments

Foncière des Régions awarded bonus shares in 2016. The following fair-value assumptions were made for the bonus shares:

April 2016 Plan	France without performance condition	France with performance condition	France with performance condition – internal objectives	Germany, Italy without performance condition
Date awarded	27/04/2016	27/04/2016	27/04/2016	27/04/2016
Number of shares awarded	50,306	11,725	11,725	15,300
Share price on the date awarded	€82.67	€82.67	€82.67	€82.67
Exercise period for rights	3 years	3 years	3 years	3 years
Cost of non-collection of dividends	-€13.7	-€13.7	-€13,7	-€13.7
Actuarial value of the share net of dividends not collected during the vesting period	€69.0	€69.0	€69,0	€69.0
Forward price method – non-transferability discount	€0.0	€0.5	€0,3	€0.0
Actuarial value of the share net of dividends not collected during the vesting period and non-transferability discount	€69.0	€68.5	€68,5	€69.0
Actuarial value of the share net of dividends not collected during the vesting period, non-transferability discount, turnover rate and any performance conditions	€59.2	€41.1	€44.04	€59.2

April 2016 Plan	France, Italy, Germany with performance condition – performance scenario	France, Italy, Germany with performance condition – FDR internal objective	Germany with performance condition – internal objective
Date awarded	27/04/2016	27/04/2016	27/04/2016
Number of shares awarded	23,750	23,750	15,000
Share price on the date awarded	€82,67	€82,67	€82,67
Exercise period for rights	4 years	4 years	3 years
Cost of non-collection of dividends	-€18.4	-€18.4	-€13.7
Actuarial value of the share net of dividends not collected during the vesting period	€64.3	€64,3	€69.0
Forward price method – non-transferability discount	€0.0	€0,0	€0.0
Actuarial value of the share net of dividends not collected during the vesting period and non-transferability discount	€64.3	€64,3	€69.0
Actuarial value of the share net of dividends not collected during the vesting period, non-transferability discount, turnover rate and any performance conditions	€33.7	€36.1	€41.6

November 2016 Plan	France without performance condition	Italy without performance condition	Germany without performance condition
Date awarded	23/11/2016	23/11/2016	23/11/2016
Number of shares awarded	44,025	6,350	9,500
Share price on the date awarded	€74.1	€74.1	€74.1
Exercise period for rights	3 years	3 years	3 years
Cost of non-collection of dividends	-€13.8	-€13.8	-€13.8
Actuarial value of the share net of dividends not collected during the vesting period	€60.3	€60.3	€60.3
Forward price method – non-transferability discount	€0.0	€0.0	€0.0
Actuarial value of the share net of dividends not collected during the vesting period and non-transferability discount	€60.34	€60.34	€60.34
Actuarial value of the share net of dividends not collected during the vesting period, non-transferability discount, turnover rate and any performance conditions	€48.5	€48.5	€48.5

In 2016, a total of 211,431 bonus shares were awarded to certain categories of employees. This expense is recorded under net financial income for the period.

The cost of the bonus share awards recognised at 31 December 2016 amounted to €5,058 thousand while the related employer contribution was €399 thousand. They are presented in the income statement on the “Discounting of liabilities and receivables” line.

The cost of the bonus share awards includes the impact of the 2012 plan (Germany – Italy) for €69 thousand the 2013 plan for €524 thousand the 2014 plan for €2,073 thousand the 2015 plan for €1,535 thousand and the 2016 plan for €857 thousand.

3.2.7.2. Earnings per share and diluted earnings per share

3.2.7.2.1. Earnings per share (IAS 33)

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

In accordance with the rules set out in IAS 33, when shares are issued with preferential subscription rights, the number of ordinary shares to take into account when calculating basic and diluted earnings per share for all periods prior to the rights issue is the number of ordinary shares outstanding before the issue, multiplied by the following factor:

Fair value per share immediately prior to exercise of the right/
Theoretical fair value per share ex-right.

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

dilutive potential ordinary shares, including bonus shares being vested and convertible bonds (ORNANE-type).

The impact of the dilution is only taken into account if it is dilutive.

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

- ♦ all dividends or other items under dilutive potential ordinary shares that were deducted to arrive at the income attributable to the holders of ordinary shares
- ♦ interest accounted for during the fiscal year to the dilutive potential ordinary shares
- ♦ any change in the income and expenses resulting from the conversion of the dilutive potential ordinary shares.

To meet the requirements of IAS 33 § 9, the earnings per share is also calculated based on the net income from continuing operations, Group Share.

	Net income	Net income from continuing operations
GROUP SHARE (€K)	782,774	786,971
Interest on ORNANE-type bonds	3,023	3,023
Change in fair value of ORNANE-type bonds	0	0
GROUP SHARE AFTER CONVERSION OF ORNANE-TYPE BONDS (€K)	785,797	789,994
Average number of undiluted shares	67,633,972	67,633,972
Impact of dilution – bonus shares	438,544	438,544
<i>Number of bonus shares⁽¹⁾</i>	<i>438,544</i>	<i>438,544</i>
Average number of shares diluted by bonus shares	68,072,516	68,072,516
Dilution impact of conversion of France 2019 ORNANE-type bonds	4,438,215	4,438,215
<i>Conversion of ORNANE-type bonds</i>	<i>4,438,215</i>	<i>4,438,215</i>
Average number of fully diluted shares after conversion of ORNANE-type bonds	72,510,731	72,510,731
Net profit (loss) per non-diluted share (€)	11.57	11.64
Impact of dilution – bonus shares (€)	-0.07	-0.07
DILUTED EARNINGS PER SHARE OF BONUS SHARES (€)	11.50	11.56
DILUTED EARNINGS PER SHARE OF BONUS SHARES AND ORNANE-TYPE BONDS (€)	10.84	10.89

(1) The number of shares being vested is broken down according to the following plans:

2013 Plan	12,550
2014 Plan	180,992
2015 Plan	33,571
2016 Plan	211,431
Total	438,544

In accordance with IAS 33 §49 “Earnings per share”, the impact from the dilution related to the conversion of the France ORNANE maturing in 2019 as at 1 January 2016 is taken into account, because the latter is dilutive.

3.2.7.3. Off-balance sheet commitments

3.2.7.3.1. Commitments given

The financial guarantees given are detailed in Note 3.2.5.11.3.

3.2.7.3.1.1. Fully consolidated companies

Off-balance sheet commitments given (€/M)	Maturity	31/12/2016	31/12/2015
Commitments related to consolidated companies		175.3	156.2
Investment commitments ⁽¹⁾		138.0	0.0
Commitments relating to <i>ad hoc</i> non-consolidated entities likely to have significant impacts on the financial statements		0.0	0.0
Commitments given for specific transactions ⁽²⁾	2017/2018	8.4	40.6
Commitments given for disposal of equity interests – Liabilities guarantees ⁽³⁾	31/12/2018	28.9	14.7
Conservation commitments (Article 210 E) – Appraisal value of assets concerned	2016	0.0	94.9
Other		0.0	6.0
Commitments related to financing		3,158.7	5,254.5
Financial guarantees given (CRD of pledged debt)		3,158.7	5,254.5
Commitments related to operating activities		1,733.0	1,212.1
Financial instruments contracted for the purpose of receipt or delivery of a non-financial item (own use contracts)		0.0	0.0
Commitments given related to business development		735.0	166.8
Work commitments outstanding on assets under development ⁽⁴⁾		273.3	165.6
Purchase commitments ⁽¹⁾		421.7	0.0
Compensation commitment on acquisition/construction works project		0.0	1.2
Bank guarantees and other guarantees given		40.0	0.0
Commitments related to the implementation of operating contracts		117.1	134.9
Work commitments outstanding on investment properties ⁽⁵⁾		117.1	134.9
Management fee guarantee		0.0	0.0
Commitments related to asset disposals		880.9	910.4
Rental guarantees on assets sold		0.0	0.0
Preliminary sale agreements given		880.9	910.4

(1) Foncière des Régions is committed to acquiring the following, through its subsidiary Foncière des Murs:

- a portfolio of 19 hotels located primarily in Barcelona and Madrid from Merlin Properties. This acquisition will be conducted by acquiring companies and assets directly
- five NH hotels in Germany in 2017-2018 from LHI for which a €54.5 million deposit was paid in 2016.

(2) Through its subsidiary Foncière des Murs, Foncière des Régions is committed to contributing to financing acquisitions by its subsidiary FDM Management (equity affiliate), by means of a capital increase of up to €8.4 million.

(3) Foncière des Régions has guaranteed liabilities in the context of asset disposals:

- Logistics (instead of Foncière Europe Logistique), in the amount of €15.5 million maturing in 2018 and 2020
- Car parks, in the amount of €13.4 million maturing at the end of 2018.

(4) Commitments relating to work on assets under development:

(€M)	Cost of works budgets signed ⁽¹⁾	Amounts of works accounted for	Amounts for works commitments outstanding	Delivery date
Montrouge	22.9	15.4	7.5	2019
Nancy O'origin	18.8	11.8	7.0	Q2-2017
Issy Grenelle	41.0	21.9	19.1	Q2-2017
Meudon Canopée	11.2	10.2	0.9	
Toulouse Riverside – Marquette 2	27.7	5.1	22.6	Q1-2018
Lezennes – Helios	19.7	3.7	16.0	2018
Meudon Opale	13.9	13.4	0.5	2019
Lyon Silex 2 nd tranche	14.5	11.4	3.1	2020
Montpellier Pompignane	2.8	2.0	0.8	2018
Reims New Saint Charles	16.3	3.6	12.7	2018
Lyon Silex 1 st tranche	33.1	28.6	4.5	Q1-2017
Paris Traversière – Art&Co	25.3	5.3	20.0	Q4-2017
Levallois Anatole France (Thais)	21.3	16.8	4.5	Q1-2017
Total France Offices	268.4	149.2	119.1	
Milano	22.9	2.3	20.6	
Ferrucci	29.3	6.2	23.1	
Total Italy Offices	52.2	8.5	43.7	
B&B Nanterre	11.0	7.7	3.3	
B&B Chatenay Malabry	8.7	1.9	6.8	Q4-2017
B&B Lyon Berthelot	8.7	2.8	5.9	
B&B Bagnolet	7.5	0.9	6.6	
B&B Berlin	10.8	3.4	7.4	Q1-2017
Club Med Samoens	97.0	57.1	39.9	Q4-2017
Meininger Porte de Vincennes	44.5	17.1	27.4	Q1-2019
Meininger Munich	29.3	16.1	13.2	2017
Total Hotels and Service sector	217.5	107.0	110.5	
TOTAL	538.1	264.7	273.3	

(1) The budgets for building works signed are monitored and updated regularly.

(5) Commitments relating to work on investment properties:

(€M)	Cost of works budgets signed *	Amounts of works accounted for	Amounts for works commitments outstanding	Maturity
Commitment to works on lease or lease renewal	17.2	2.9	14.3	
Lift upgrade works	11.0	3.4	7.6	2017-2020
Schievano	54.8	5.4	49.4	
Telecom Italia	37.8	3.4	34.4	
Total France and Italy Offices	120.8	15.1	105.7	
Accor Hotels	10.4	0.0	10.4	2017-2019
Jardiland **	1.0	0.0	1.0	
Total Hotels and Service sector	11.4	0.0	11.4	
TOTAL	132.2	15.1	117.1	

* The budgets for building works signed are monitored and updated regularly.

** Given the prospects of the sale of the Jardiland portfolio, depending on the sale price, additional financing of works will be paid up to a limit of €2 million.

3.2.7.3.1.2. Other commitments given related to consolidated companies

Other commitments:

- Under its SIIC status, the Group has specific obligations, as set out in Note 3.2.1.6.7.1.
- Under the bonus share plans awarded (see 3.2.7.2), Foncière des Régions has undertaken to deliver (through acquisition or issue) 438,544 shares to the beneficiaries present at the end of the vesting period.
- The projected disposal of 50% of the cottages of the Sunparks Vielsalm asset (owned by a Foncière des Murs subsidiary) by the end of 2017 is included in the preliminary sale agreements given. On completion of this disposal, Pierre et Vacances undertakes to purchase the remainder of the cottages at the end of a two-year period. There is also a preliminary contribution agreement on the Central Facility by a joint venture (FDM 36%) with the option for Foncière des Murs to exercise a sale option at the end of the tenth year.

- Under an investment agreement for the construction of a real estate complex leased to Eiffage, Foncière des Régions granted a yield guarantee to its partner Crédit Agricole Assurances (Predica). This guarantee could be exercised by the partner if the dividends received from the SCI 11, place de l'Europe prove insufficient to cover a minimum yield of 4% per year of the funds contributed by Crédit Agricole Assurances to the Eiffage Campus project. This guarantee is open as of the start of the work and until the end of the incentive period granted to the tenant, i.e. until September 2017.
- As part of the Dassault Systems extension project managed by SCI Latécoère 2, Foncière des Régions granted a yield guarantee to SCI DS Campus on 18 June 2015 subject to the following terms:
 - 3.5% per annum on amounts invested during the 18-month period beginning on 1 December 2016
 - 7% per annum during the period commencing on 1 June 2018 and ending on the date of the first rent receipt.

3.2.7.3.1.3. Companies consolidated using the equity method

Information as at 31 December 2016 is presented for the share belonging to the Group.

Off-balance sheet commitments given (€M)	Maturity	31/12/2016	31/12/2015
Commitments related to consolidated companies		12.7	50.7
Investment commitments		4.2	
Commitments given for specific transactions		8.5	17.5
Conservation commitments (Article 210 E) – Appraisal value of assets concerned		0.0	33.2
Commitments related to financing		251.6	218.7
Financial guarantees given		251.6	218.7
Commitments related to operating activities		35.0	43.6
Financial instruments contracted for the purpose of receipt or delivery of a non-financial item (own use contracts)			
Commitments given related to business development		31.4	43.0
Work commitments outstanding on assets under development ⁽¹⁾		27.6	43.0
Claw back clause		3.8	
Commitments related to the implementation of operating contracts		3.6	0.6
Work commitments outstanding on investment properties ⁽²⁾		0.6	0.6
Exercise of finance lease options		3.0	0.0

(1) Commitments relating to work on assets under development:

(€M)	Cost of works budgets signed	Amounts of works accounted for	Amounts for works commitments outstanding	Delivery date
Factor E – Bordeaux Armagnac	5.8	3.3	2.5	Q3-2018
Orianz – Bordeaux Armagnac	21.9	6.5	15.4	Q3-2018
Euromed BH2 – Offices (Floréal)	17.5	12.6	4.9	Q4-2017
Euromed L – Offices (Hermione)	13.2	11.5	1.7	Q2-2017
Total France Offices	58.4	33.9	24.5	
Motel One Porte Dorée – VEFA VINCI	8.9	5.9	3.1	Q4-2017
Total Hotels and Service sector	8.9	5.9	3.1	
TOTAL	67.4	39.8	27.6	

(2) Commitments relating to work on investment properties:

(€/M)	Cost of works budgets signed *	Amounts of works accounted for	Amounts for works commitments outstanding	Delivery date
Euromed – Building I (Calypso)	0.2	0.0	0.2	
Lenovilla – New Vélizy extension	2.4	2.0	0.4	2018
Total France Offices	2.6	2.0	0.6	
TOTAL	2.6	2.0	0.6	

3.2.7.3.2. Commitments received

3.2.7.3.2.1. Fully consolidated companies

Off-balance sheet commitments received (€/M)	Maturity	31/12/2016	31/12/2015
Commitments related to consolidated companies		8.5	42.6
Commitments received on specific transactions		0.0	40.6
Other ⁽¹⁾		8.5	2.0
Commitments related to financing		1,137.7	1,249.4
Commitments related to financing not specifically required by IFRS 7		0.0	0.0
Financial guarantees received (authorised lines of credit not used)		1,137.7	1,249.4
Commitments related to operating activities		4,605.1	1,610.8
Financial instruments contracted for the purpose of receipt or delivery of a non-financial item (own use contracts)		0.0	0.0
Other contractual commitments received related to “rental income due” activities		2,486.5	0.0
Compensation commitment on proposed disposal		0.0	2.5
Assets received in pledge, mortgage or collateral, as well as guarantees received		287.5	397.4
Preliminary sale agreements received		880.9	910.4
Works committed outstanding (fixed assets) = (4) + (5) commitments given		390.5	300.5
Purchase commitments (fixed assets) = (1) commitments given		559.7	0.0

(1) Car park disposals include earn-out payment for Foncière des Régions:

- Verdi transaction: performance-based earn-out payment equal to 10% of the difference between the actual 2018 revenue and the benchmark revenue up to a maximum of €2 million, terminating on 30 June 2019

- Vivaldi transaction: the earn-out payments are subject to conditions, with a maximum of €6.5 million.

3.2.7.3.2.2. Companies consolidated using the equity method

Information as at 31 December 2016 is presented for the share belonging to the Group.

Off-balance sheet commitments received (€/M)	Maturity	31/12/2016	31/12/2015
Commitments related to consolidated companies		12.7	17.5
Commitments received on specific transactions		12.7	17.5
Commitments related to financing		5.1	16.0
Commitments related to financing not specifically required by IFRS 7			
Financial guarantees received (authorised lines of credit not used)		5.1	16.0
Commitments related to operating activities		28.2	43.6
Financial instruments contracted for the purpose of receipt or delivery of a non-financial item (own use contracts)		0.0	0.0
Other contractual commitments received related to business activities		0.0	0.0
Assets received in pledge, mortgage or collateral, as well as guarantees received		0.0	0.0
Works committed outstanding (fixed assets) = (1) + (2) commitments given		28.2	43.6

3.2.7.3.2.3. Commitments on operating leases

General overview of the main provisions of simple operating lease agreements:

FRANCE OFFICES

Types of leases	Office	
	Orange	Other offices
Conditions for renewal or purchase options	Proposal for renewal 6 or 12 months before the expiration of the lease (according to lease)	Proposal for renewal 6 or 12 months before the expiration of the lease (according to lease)
Indexing clauses	ILAT	ICC/ILAT
Term	3-6-9-12 years	3-6-9-12 years

The firm residual duration of leases of France Offices was 5.6 years, *versus* 5.4 years as at 31 December 2015.

HOTELS AND SERVICE SECTOR

Types of leases	Retirement homes	Accor Hotels	Club Med
Conditions for renewal or purchase options	Proposal for renewal 6 months before the expiration of the lease	Proposal for renewal 18 months before the expiration of the lease The tenant has 6 months to accept or refuse the renewal	Proposal for renewal 9 months before the expiration of the term of validity. Renewal on the same terms as the existing lease – 15 years, of which 8 are fixed and irrevocable
Indexing clauses	In line with the change in the rental reference index (IRL)	Based on Hotel revenues	In line with the value of the Eurostat CPI index
Term	12 years firm	12 years firm	15 years firm

Types of leases	Courtepaille restaurants	Jardiland	Quick restaurants
Conditions for renewal or purchase options	Renewal at the end of the lease with the same conditions and charges as the initial lease	Renewable for a period of 9 years For the first renewal, the tenant commits to a fixed and irreducible term of 6 years From the second renewal the tenant may cancel after each 3-year period	Renewal at the end of the lease with the same conditions and charges as the initial lease
Indexing clauses	In line with the change in the commercial rent index (ILC)	In line with the change in the commercial rent index (ILC)	In line with the change in the commercial rent index (ILC)
Term	12 years firm	Leases for 6-12 years, 6-9-12 years or 12 years firm	12 years firm

Types of leases	Sunparks	B&B Hotels France	B&B Hotels Germany
Conditions for renewal or purchase options	Proposal for renewal 15 months before lease expiry for a 10-year term	Renewable twice for 12 years, then once for 9 years (with the option to terminate every 3 years)	Two renewal options for 5 years under the same conditions and charges
Indexing clauses	In line with the change in the healthcare index published by Moniteur Belge	In line with the change in the commercial rent index (ILC)	In line with the change in the German consumer price index (VPI)
Term	15 years firm	12 years firm	20 years firm

Types of leases	NH Hotel	Motel One Hotels	B&B Hotels Germany 2
Conditions for renewal or purchase options	Renewal on lease expiry 4 renewal options for 10 years	Two renewal options for 5 years under the same conditions and charges	Two 5-year extensions possible on the tenant's request
Indexing clauses	In line with the change in the consumer price index (CPI)	In line with the change in the German consumer price index (VPI)	100% of the German CPI
Term	20 years firm	20 years firm	20 years firm

Types of leases	B&B Hotels Spain
Conditions for renewal or purchase options	Renewable twice for 15 years on the tenant's request
Indexing clauses	100% of the Spanish CPI
Term	15 years firm

The firm residual duration of leases of Hotels and Service was 10.4 years, versus 10.7 years at 31 December 2015.

3.2.7.3.2.4. Minimum payments to be received for non-cancellable operating leases

(€/M)	France Offices	Hotels and Service sector
less than 1 year	258.5	98.8
1 to 5 years	862.4	430.4
over 5 years	331.6	504.8
TOTAL	1,452.5	1,034.0

3.2.7.4. Related-party transactions

The information mentioned below concerns the main related-parties, namely equity affiliates.

DETAILS OF RELATED-PARTY TRANSACTIONS (IN €K)

Partner	Type of partner	Operating income	Net financial income	Balance sheet	Comments
Cœur d'Orly	Equity affiliates	49	238	16,495	Monitoring of projects and investments, Loans
Euromed	Equity affiliates	648	4	60,440	Monitoring of projects and investments, Loans, Asset and property fees
Lenovilla	Equity affiliates	354	498	26,604	Monitoring of projects and investments, Loans, Asset and property fees
Latécoère 2	Equity affiliates	5,514	0	19,398	Monitoring of projects and investments, Loans
SCI Factor E and SCI Orianz	Equity affiliates	0	26	5,186	Monitoring of projects and investments, Loans

3.2.7.5. Remuneration of executive officers

(€K)	31/12/2016	31/12/2015
MANAGEMENT		
Short-term benefits (fixed/variable)	2,312	3,096
Post-retirement benefits		
Long-term benefits		
Benefits in kind	83	140
Compensation for termination of contract		
TOTAL	2,395	3,236
DIRECTORS		
Attendance fees	383	353

The variable portion doesn't include the shares awarded in 2016. Moreover, 26,491 shares were awarded to the senior executives in 2016 (including 23,450 shares awarded subject to performance conditions) and will vest in 2019.

In case of involuntary departure, an indemnity will be awarded to the following senior executives:

♦ Christophe Kullmann (General Manager):

The indemnity will be equal to 12 months' salary (fixed and variable) increased by one month for each year of service, limited in total to 24 months' salary.

♦ Olivier Estève (Deputy General Manager):

The indemnity will be equal to 12 months' salary (fixed and variable) increased by one month for each year of service, limited in total to 24 months' salary.

3.2.7.6. Statutory Auditors' fees

(€K)	Mazars				Ernst & Young and others				Other			
	Amount		%		Amount		%		Amount		%	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Statutory Auditors, certification, review of individual and consolidated financial statements	1,483	1,801	46%	64%	1,651	939	51%	33%	89	64	3%	2%
Issuer	349	342	50%	50%	349	342	50%	50%				
Fully consolidated affiliates	1,058	1,431	63%	80%	594	362	35%	20%	37		2%	
Equity affiliates	76	28	9%	9%	708	235	85%	72%	52	64	6%	20%
Other verifications and procedures directly linked to the Statutory Auditors' mission	48	13	43%	25%	63	38	57%	75%				
Issuer	48		43%		63	28	57%	100%				
Fully consolidated affiliates		13		57%		10		43%				
Subtotal	1,530	1,814	46%	64%	1,713	977	51%	34%	89	64	3%	2%
Other services provided to subsidiaries by the networks (legal, fiscal and appraisal)	519	40	51%	11%	508	334	49%	89%				
Issuer		36		51%	46	35	100%	49%				
Fully consolidated affiliates	19	4	6%	3%	300	124	94%	97%				
Equity affiliates	500		76%		162	175	24%	100%				
TOTAL	2,049	1,853	47%	57%	2,221	1,310	51%	41%	89	64	2%	2%

3.2.8. Segment reporting

Based on the internal organisation of the Group, and in accordance with the requirements of IFRS 8, the operating segments of Foncière des Régions are:

- ♦ France Offices
- ♦ Italy Offices
- ♦ Hotels and Service sector
- ♦ Germany Residential
- ♦ France Residential.

The financial data presented for the segment-based information follows the same accounting rules as for the consolidated financial statements.

3.2.8.1. Intangible fixed assets

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Concessions and other fixed assets	1,564	2,142	0	433	1	21,842	25,982
NET	1,564	2,142	0	433	1	21,842	25,982

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Car Parks	Total
Concessions and other fixed assets	1,382	168	0	461	0	35,895	37,906
Net	1,382	168	0	461	0	35,895	37,906

The “Corporate and not chargeable” column includes the intangible fixed assets of the remaining car park companies. Since this business is not material for the Group as a whole (€23.5 million out of a total of €17,238 million in fixed assets), it is no longer presented as a separate operating segment.

3.2.8.2. Tangible fixed assets

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Operating properties	42,037	19,348	2	5,371	0	52	66,810
Other fixed assets	1,230	3,188	442	3,066	18	1,026	8,970
Fixed assets in progress	1,562	5,000	58,054	9,365	0	780	74,761
NET	44,829	27,536	58,498	17,802	18	1,858	150,541

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Car Parks	Total
Operating properties	43,164	17,094	1	5,580	0	57	65,896
Other tangible fixed assets	1,539	2,208	458	2,243	25	1,287	7,760
Fixed assets in progress	413	10,000	722	3,305	0	731	15,171
Net	45,116	29,302	1,181	11,128	25	2,075	88,827

In the Hotels and Service sector, tangible fixed assets increased by €57.3 million following the acquisition of five NH hotels in Germany.

3.2.8.3. Investment properties/Assets held for sale

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Investment properties	4,891,390	3,612,251	2,999,592	3,968,790	387,614	0	15,859,637
Operating assets held for sale	140,110	76,601	19,417	23,749	38,017	0	297,894
Properties under development	434,859	355,370	113,579	0	0	0	903,808
TOTAL	5,466,359	4,044,222	3,132,588	3,992,539	425,631	0	17,061,339

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Car Parks	Total
Investment properties	4,525,730	3,470,730	3,100,133	3,462,631	576,633	0	15,135,857
Operating assets held for sale	147,905	161,345	386,172	129,604	29,141	102,147	956,314
Properties under development	344,575	219,390	28,631	0	0	0	592,596
Total	5,018,210	3,851,465	3,514,936	3,592,235	605,774	102,147	16,684,767

The total for investment properties increased significantly in the France Offices segment (+€365 million), due mainly to the impact of acquisitions during the year (€160.6 million) and building works (€36.4 million). The same applies to the Germany Residential segment (+€506 million), an increase due primarily to acquisitions of asset-holding companies (€267.5 million), acquisitions of assets (€27.9 million) and building work (€55.6 million). The increase in the Italy Offices segment (€3,612 million in 2016 as against €3,470 million in 2015) was due to asset acquisitions (€120.6 million) and building works (€23.4 million).

The decline in the Hotels and Service sector and the France Residential segment was mainly due to disposals in 2016 for -€595 million in the Hotels and Service sector and -€171 million in the France Residential segment.

3.2.8.4. Long-term investments

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Loans	128,466	0	63,945	4	144	94	192,653
Current accounts	0	0	0	0	0	0	0
Other financial assets	651	7,746	20,161	24,743	2	2	53,305
Finance lease receivables	0	0	0	0	0	2	2
Receivables on financial assets	0	8,667	0	465	0	0	9,132
Investments in equity affiliates	103,803	19,042	222,547	0	0	0	345,392
NET	232,920	35,455	306,653	25,212	146	98	600,484

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate	Car Parks	Total
Loans	154,594	0	19,204	3,004	244	0	33	177,079
Current accounts	0	0	0	0	0	0	0	0
Other financial assets	743	10,602	13	10,807	2	674	22	22,863
Finance lease receivables	0	0	0	0	0	2,041	0	2,041
Receivables on financial assets	0	8,221	0	586	0	0	0	8,807
Investments in equity affiliates	64,283	20,322	94,772	0	0	0	0	179,376
Net	219,620	39,145	113,989	14,397	246	2,715	55	390,166

The increase in long-term investments in the Hotels and Service sector was mainly due to the capital contributions (€128.3 million) and the new bond subscription (€50 million) in FDM Management.

3.2.8.5. Inventories and work-in-progress

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Inventories and work-in-progress	631	27,465	0	4,765	1,822	0	34,683
TOTAL	631	27,465	0	4,765	1,822	0	34,683

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Car Parks	Total
Inventories and work-in-progress	1,055	34,075	0	4,510	2,920	103	42,663
Total	1,055	34,075	0	4,510	2,920	103	42,663

3.2.8.6. Contribution to shareholders' equity

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Discontinued operations	Total
Group shareholders' equity before elimination of securities	5,403,809	966,105	926,584	1,069,877	265,422	857,247	163,475	9,652,519
Elimination of securities	0	-1,242,708	-760,954	-891,433	-166,868	-856,014	-432,170	-4,350,147
Shareholders' equity GS	5,403,809	-276,603	165,630	178,444	98,554	1,233	-268,695	5,302,372
Minority interests	300,638	899,354	1,134,720	656,568	144,742	29,582		3,165,604
SHAREHOLDERS' EQUITY	5,704,447	622,751	1,300,350	835,012	243,296	30,815	-268,695	8,467,976

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate	Discontinued operations	Car Parks	Total
Group shareholders' equity before elimination of securities	4,884,785	840,287	762,696	851,090	291,930	2,160	292,333	32,218	7,957,499
Elimination of securities	0	-1,190,516	-642,614	-831,189	-166,868	-4,132	-432,170	-50,687	-3,318,176
Shareholders' equity GS	4,884,785	-350,229	120,082	19,901	125,062	-1,972	-139,837	-18,469	4,639,323
Minority interests	265,876	914,723	1,179,084	543,762	161,509	0	0	23,930	3,088,884
Shareholders' equity	5,150,661	564,494	1,299,166	563,663	286,571	-1,972	-139,837	5,461	7,728,207

3.2.8.7. Financial liabilities

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Total interest-bearing loans	979,305	2,179,732	1,273,103	1,832,476	119,230	2,000,330	8,384,176
Total short-term interest-bearing loans	10,301	106,255	45,510	25,499	-478	1,166,018	1,353,105
TOTAL LT AND ST LOANS	989,606	2,285,987	1,318,613	1,857,975	118,752	3,166,348	9,737,281

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate	Car Parks	Total
Total interest-bearing loans	922,812	2,140,296	1,484,327	1,585,698	225,259	2,026,241	23,518	8,408,151
Total short-term interest-bearing loans	18,881	39,083	32,717	176,521	16,312	798,227	1,732	1,083,473
Total LT and ST Loans	941,693	2,179,379	1,517,044	1,762,219	241,571	2,824,468	25,250	9,491,624

3.2.8.8. Derivatives

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Total
Financial instruments – assets	514	0	7,523	3,336	16	29,303	40,692
Financial instruments – liabilities	19,648	18,136	88,339	50,727	7,438	244,582	428,870
NET FINANCIAL INSTRUMENTS	19,134	18,136	80,816	47,391	7,422	215,279	388,178

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate	Car Parks	Total
Financial instruments – assets	955	0	9,168	4,246	58	39,640	8	54,075
Financial instruments – liabilities	18,724	69,367	118,314	51,230	7,521	322,731	9,497	597,384
Net financial instruments	17,769	69,367	109,146	46,984	7,463	283,091	9,489	543,309

3.2.8.9. Net income by operating segment

In accordance with IFRS 12, paragraph B11, inter-segment transactions (in particular management fees) are indicated separately in this presentation.

2016 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Corporate and not chargeable	Intercos InterSector	31/12/2016
Rental income	276,036	199,651	190,548	212,501	15,187	0	-1,189	892,734
Unrecovered rental costs	-7,669	-24,407	-22	-6,090	-3,890	-179	186	-42,071
Expenses on properties	-9,049	-9,031	-2,825	-16,674	-1,975	-308	8,734	-31,128
Net losses on unrecoverable receivables	211	-2,023	12	-2,045	-267	0	0	-4,112
Net rental income	259,529	164,190	187,713	187,692	9,055	-487	7,731	815,423
Management and administration income	3,251	597	9,679	5,242	132	21,278	-23,275	16,904
Business expenses	-2,393	-837	-6,112	-803	-379	-16	4,576	-5,964
Overhead	-19,313	-17,785	-10,808	-39,346	-2,500	-23,244	9,518	-103,478
Development expenses	-924	0	-499	0	3	0	382	-1,038
Net cost of operations	-19,379	-18,025	-7,740	-34,907	-2,744	-1,982	-8,799	-93,576
Income from other activities	5,535	0	0	1,379	0	18,995	-16	25,893
Expenses of other activities	120	-10	0	-1,052	0	-11,870	0	-12,812
Income from other activities	5,655	-10	0	327	0	7,125	-16	13,081
Depreciation of operating assets	-2,290	-1,235	-17	-1,310	-8	-3,686	0	-8,546
Net allowances to provisions and other	-1,370	-5,024	-1,400	233	-266	-2,393	1,084	-9,136
CURRENT OPERATING INCOME	242,145	139,896	178,556	152,035	6,037	-1,423	0	717,246
Proceeds from disposals of trading properties	43	0	0	4,514	848	0	0	5,405
Net change in trading properties	-229	-6,836	0	-2,809	-1,098	0	0	-10,972
Net income from inventory properties	-186	-6,836	0	1,705	-250	0	0	-5,567
Income from asset disposals	124,138	62,235	662,643	231,026	178,700	40	0	1,258,782
Carrying value of investment properties sold	-124,512	-62,809	-603,183	-218,478	-177,302	-78	0	-1,186,362
Income from asset disposals	-374	-574	59,460	12,548	1,398	-38	0	72,420
Gains in value of investment properties	331,629	110,267	67,386	268,228	309	0	0	777,819
Losses in value of investment properties	-54,140	-35,975	-32,548	-9,209	-1,400	0	0	-133,272
Net valuation gains and losses	277,489	74,292	34,838	259,019	-1,091	0	0	644,547
Income from disposal of securities	1,708	0	-24	578	189	15,297	0	17,748
Income from changes in scope	-1,221	-3,000	-152	-12,547	0	-633	0	-17,553
OPERATING INCOME (LOSS)	519,561	203,778	272,678	413,338	6,283	13,203	0	1,428,841
Income from non-consolidated companies	-1	0	0	0	0	0	0	-1
Cost of net financial debt	-34,219	-45,467	-43,163	-61,596	-4,985	-46,840	0	-236,270
Fair value adjustment on derivatives	-12,277	17,325	-11,813	-6,839	300	40,647	0	27,343
Discounting of liabilities and receivables	-5,521	0	1,931	0	-9	-20	0	-3,619
Net change in financial and other provisions	-27,845	-11,868	-6,181	-4,855	-1,889	-163	0	-52,801
Share in income of equity affiliates	22,043	1,665	3,666	0	0	0	0	27,374
PRE-TAX NET INCOME	461,741	165,433	217,118	340,048	-300	6,827	0	1,190,867
Deferred tax liabilities	500	-2,781	-17,328	-37,699	0	440	0	-56,868
Corporate income tax	-103	-3,348	-2,686	-4,558	-79	26	0	-10,748
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	462,138	159,304	197,104	297,791	-379	7,293	0	1,123,251
Net income from discontinued operations								-4,197
NET INCOME (LOSS) FOR THE PERIOD	462,138	159,304	197,104	297,791	-379	7,293	0	1,119,054
Minority interest	-31,926	-79,110	-105,215	-114,476	147	-5,701	0	-336,280
NET INCOME (LOSS) FOR THE PERIOD – GROUP SHARE	430,212	80,194	91,890	183,315	-232	1,592	0	782,774

The four remaining car park companies are included in the segment analysis in the column “Corporate and not chargeable”.

2015 (€K)	France Offices	Italy Offices	Hotels and Service sector	Germany Residential	France Residential	Car Parks	Corporate	Intercos InterSector	31/12/2015
Rental income	260,091	210,615	203,564	190,301	21,764	0	0	-1,194	885,141
Unrecovered rental costs	-5,843	-25,062	-225	-4,984	-4,821	-166	-19	168	-40,952
Expenses on properties	-6,450	-8,988	-2,940	-15,122	-2,283	-347	-20	7,703	-28,447
Net losses on unrecoverable receivables	-439	-1,943	-35	-3,066	-180	0	0	0	-5,663
Net rental income	247,359	174,622	200,364	167,129	14,480	-513	-39	6,677	810,079
Management and administration income	15,259	-418	7,185	5,211	96	0	9,479	-21,152	15,660
Business expenses	-2,590	0	-5,320	-236	-440	0	0	3,917	-4,669
Overhead	-13,994	-18,288	-10,339	-36,961	-3,729	-14	-25,517	9,457	-99,385
Development expenses	-559	0	-504	0	-13	0	-1	0	-1,077
Net cost of operations	-1,884	-18,706	-8,978	-31,986	-4,086	-14	-16,039	-7,778	-89,471
Income from other activities	10,796	0	0	4,858	0	41,601	644	-14	57,885
Expenses of other activities	0	-733	0	-4,855	0	-28,737	196	0	-34,129
Income from other activities	10,796	-733	0	3	0	12,864	840	-14	23,756
Depreciation of operating assets	-2,405	-1,063	114	-1,077	-5	-10,375	-8	0	-14,819
Net allowances to provisions and other	-468	-53,359	-146	-34	139	-791	244	1,115	-53,300
CURRENT OPERATING INCOME	253,398	100,761	191,354	134,035	10,528	1,171	-15,002	0	676,245
Proceeds from disposals of trading properties	0	1,230	0	3,910	309	0	0	0	5,449
Net change in trading properties	0	-7,720	0	-3,831	-289	-28	0	0	-11,868
Net income from inventory properties	0	-6,490	0	79	20	-28	0	0	-6,419
Income from asset disposals	93,911	203,245	71,848	69,302	217,017	1	0	0	655,324
Carrying value of investment properties sold	-91,393	-204,204	-75,158	-64,069	-217,754	-1	-10	0	-652,589
Income from asset disposals	2,518	-959	-3,310	5,233	-737	0	-10	0	2,735
Gains in value of investment properties	313,795	99,353	112,521	93,886	9,507	0	0	0	629,062
Losses in value of investment properties	-39,206	-111,041	-19,331	-8,655	-5,822	0	0	0	-184,055
Net valuation gains and losses	274,589	-11,688	93,190	85,231	3,685	0	0	0	445,007
Income from disposal of securities	57	0	-11	0	0	0	0	0	46
Income from changes in scope	-1,470	3,900	-1,982	-10,480	0	0	0	0	-10,032
OPERATING INCOME (LOSS)	529,092	85,524	279,241	214,098	13,496	1,143	-15,012	0	1,107,582
Income from non-consolidated companies	197	0	0	0	0	0	0	0	197
Cost of net financial debt	-26,015	-64,551	-49,141	-61,033	-6,118	-2,733	-55,886	0	-265,477
Fair value adjustment on derivatives	-77,129	-81,454	8,794	6,214	742	1,237	0	0	-141,596
Discounting of liabilities and receivables	-4,579	0	-31	0	0	0	0	0	-4,610
Net change in financial and other provisions	-9,003	-9,725	-8,413	-4,751	-1,503	-148	0	0	-33,543
Share in income of equity affiliates	39,928	2,587	4,861	0	0	0	0	0	47,376
PRE-TAX NET INCOME	452,491	-67,619	235,311	154,528	6,617	-501	-70,898	0	709,929
Deferred tax liabilities	0	851	-8,242	-26,978	0	0	0	0	-34,369
Corporate income tax	-256	-419	-2,262	-5,263	-366	301	0	0	-8,265
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	452,235	-67,187	224,807	122,287	6,251	-200	-70,898	0	667,295
Net income from discontinued operations									-12,983
NET INCOME (LOSS) FOR THE PERIOD	452,235	-67,187	224,807	122,287	6,251	-200	-70,898	0	654,312
Minority interest	-19,845	34,512	-136,208	-48,845	-2,422	-32	0	0	-172,840
NET INCOME (LOSS) FOR THE PERIOD – GROUP SHARE	432,390	-32,675	88,599	73,442	3,829	-232	-70,898	0	481,472

3.2.9. Subsequent events

♦ **France Offices segment:** Foncière des Régions conducted a capital increase on 17 January 2017 with waiver of shareholders' preferential right of subscription for a total of €400 million. The capital increase resulted in the issue of 5,076,786 new shares.

♦ **Hotels and Service sector:** Through its subsidiary Foncière des Murs, Foncière des Régions signed an agreement for the acquisition of a hotel portfolio in Spain. This agreement with Merlin Properties covers 19 hotels mainly in Barcelona and Madrid for an investment of €542 million.

An agreement was signed on 6 February 2017 between the REITs B2HI, B3HI and B4HI and B&B relating to building works on a portfolio of 160 assets for a total of €57.5 million.

♦ **Italy Offices segment:** Through its Italian subsidiary Beni Stabili, Foncière des Régions signed a partnership agreement with Crédit Agricole Assurances and EDF Invest to share 40% of the Telecom Italia portfolio. The transaction covering assets worth €1.5 billion should be finalised during the first quarter of 2017. It will reduce the Group's exposure to Telecom Italia to 20% of the Group's assets in Italy. The deal will also strengthen its balance sheet through the disposal of the equivalent of €620 million in Telecom Italia assets and will increase the Group's exposure to offices in Milan to 58% of its assets in Italy.

3.3. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

To the Shareholders,

In accordance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the year ended 31 December 2016, on:

- ♦ the audit of the accompanying consolidated financial statements of Foncière des Régions
- ♦ the justification for our assessments
- ♦ the specific verifications provided by law.

These consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit consists of verifying by sampling or other selection methods data justifying the amounts and information appearing in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe the information we have collected to be sufficient and appropriate to form an opinion.

We certify that the consolidated financial statements give a true and fair view of the portfolio and of the financial position of the Group as well as of the results of its operations for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessment, we bring to your attention the following matters:

- ♦ Note 3.2.5.1.1 "investment properties (IAS 40)" on the evaluation rules and methods specifies that the portfolio of your company are subject to evaluation procedures performed by independent real estate appraisers to estimate the fair value of the assets. Our work consisted in analysing the valuation method used by the appraisers and assuring us that the fair value of the assets was determined by reference to the appraisal values obtained on 31 December 2016
- ♦ Note 3.2.5.11.1 "Derivatives and hedging instruments" of the notes to the consolidated financial statements concern the valuation of certain financial instruments. As such, we have assessed the data and the assumptions on which these estimates are founded, and reviewed the calculations made by your Group.

These assessments were made as part of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of our opinion, which is expressed in the first part of this report.

III. Specific verification

As required by law and in accordance with the professional standards applicable in France, we have also carried out the specific verification of the information relating to the Group in the management report.

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

Paris-La Défense, 28 February 2017

The Statutory Auditors

MAZARS
Gilles Magnan

ERNST & YOUNG et Autres
Jean-Roch Varon

COMPANY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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3.4. COMPANY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

3.4.1. Balance sheet

ASSETS

(€K)	Note	31/12/2016 Gross	Amortisation, depreciation and provisions	Net	31/12/2015 Net
Intangible fixed assets:	3.5.3.1.1	17,792	16,228	1,565	23,553
Start-up costs		0	0	0	0
Software and similar rights		17,577	16,228	1,349	1,042
Goodwill ⁽¹⁾		0	0	0	22,181
Intangible assets in progress		215	0	215	331
Tangible fixed assets:	3.5.3.1.1	955,095	185,648	769,447	596,040
Land		223,579	14,518	209,062	174,390
Construction		634,265	168,077	466,188	372,072
Fixtures and fittings and technical equipment		0	0	0	0
Other		40,028	3,054	36,974	1,817
Tangible fixed assets in progress		57,223	0	57,223	47,761
Advances and pre-payments		0	0	0	0
Financial assets:		5,035,226	278,966	4,756,260	4,599,759
Equity affiliates	3.5.3.1.2	4,151,085	272,153	3,878,932	3,796,451
Investment-related receivables		0	0	0	0
Long-term investment securities for the portfolio business		0	0	0	0
Other securities	3.5.3.1.4	20,383	122	20,261	4,112
Loans	3.5.3.1.3	863,757	6,691	857,066	799,195
Other		1	0	1	1
Total I – Fixed assets	3.5.3.1	6,008,114	480,842	5,527,272	5,219,352
Inventories and work-in-progress		0	0	0	0
Advances and pre-payments		0	0	0	
Operating receivables:	3.5.3.2.1	172,047	6,280	165,767	113,307
Trade receivables and related accounts		16,264	1,942	14,322	7,332
Other		155,783	4,338	151,445	105,975
Marketable securities:	3.5.3.2.2	791,327	4	791,323	701,581
Treasury shares	3.5.3.1.4	3,949	4	3,945	154
Other securities		787,378	0	787,378	701,427
Cash and near cash		32,923	0	32,923	32,000
Accrued expenses	3.5.3.2.3	5,105	0	5,105	5,416
Treasury instruments	3.5.3.2.3	2,100	0	2,100	3,612
Total II – Current assets	3.5.3.2	1,003,503	6,284	997,219	855,916
Deferred expenses (III)	3.5.3.2.3	9,193	0	9,193	9,978
Bond redemption premiums (IV)		2,820	0	2,820	2,300
Currency translation gains (V)		0	0	0	0
TOTAL (I + II + III + IV + V)		7,023,630	487,126	6,536,504	6,087,546

(1) In accordance with ANC Regulation 2015-06, merger deficits have been reclassified to the entries for the underlying fixed assets.

BALANCE SHEET LIABILITIES

(€K)	Note	31/12/2016	31/12/2015
SHAREHOLDERS' EQUITY:		2,770,382	2,732,551
Capital [of which €206,274 thousand paid]		206,274	199,889
Issue premium, merger premium and additional paid-in capital		2,480,609	2,449,065
Revaluation gains/losses		83,499	83,597
Reserves and retained earnings:		20,781	20,714
Legal reserve		20,606	19,980
Statutory or contractual reserves		0	0
Revaluation reserves available for distribution		98	549
Other		0	0
Retained earnings		76	185
Earnings for the year		248,815	205,607
Investment subsidies		0	0
Regulated provisions		50,801	54,472
Total I – Shareholders' equity	3.5.3.3	3,090,779	3,013,344
Other shareholders' equity			
Proceeds from issue of participating shares			
Conditional advances			
Total I bis – Equity		0	0
Provisions for contingencies		72,792	47,631
Provisions for losses		2,446	2,225
Total II – Provisions for contingencies and losses	3.5.3.4	75,237	49,857
LIABILITIES			
Financial liabilities:	3.5.3.5	3,336,160	2,986,544
Convertible bonds	3.5.3.5.1	426,789	804,376
Other bonds		1,468,817	1,205,273
Borrowings and debt from credit institutions ⁽¹⁾		1,281,743	824,755
Others loans and borrowings		158,812	152,141
Advances and pre-payments received		4,248	7,210
Operating payables:		15,851	18,309
Trade payables and related accounts		3,891	6,141
Tax and social security liabilities		11,959	11,925
Taxes due (income tax)		0	242
Sundry liabilities:		13,874	12,282
Debt on fixed assets and related accounts		6,177	11,683
Other		7,697	599
Treasury instruments		0	0
Pre-booked income		355	0
Total III – Current liabilities	3.5.3.5	3,370,488	3,024,345
Currency translation losses (IV)		0	0
TOTAL (I + I BIS + II + III + IV)		6,536,504	6,087,546

(1) Of which current bank borrowings and bank overdraft.

10,988

18,535

3.4.2. Income statement

(€K)	Note	31/12/2016	31/12/2015
OPERATING INCOME			
Sales (goods and services)		73,203	67,946
Net revenues	3.5.4.1.1	73,203	67,946
Reversal of provisions (and depreciation) and transferred charges	3.5.4.1.2	7,929	7,616
Other income		1,645	9
Total I – Operating income		82,778	75,571
OPERATING EXPENSES			
Other purchases and external expenses		22,216	21,204
Duties, taxes and related payments		8,040	7,797
Salaries and wages		16,273	15,515
Payroll taxes		6,620	6,495
Allowance for depreciation and provisions:			
On fixed assets: amortisation charges		23,009	20,495
On fixed assets: depreciation charges		6,906	2,665
On current assets: depreciation charges		23	192
For contingencies and liabilities provisions		2,772	1,288
Other expenses		1,485	2,750
Total II – Operating expenses	3.5.4.1.3	87,344	78,402
1. Operating income (I - II)		-4,566	-2,831
FINANCIAL INCOME			
Share of income from joint operations			
Profit or loss transferred (III)		0	0
Losses or profit transferred (IV)		0	2
Financial income from investments	3.5.4.2.1	358,131	352,795
From other marketable securities and fixed asset receivables		7,758	3,446
Other interest and similar income		47,561	38,326
Merger premiums		7,134	940
Reversal of provisions and transferred expenses	3.5.4.2.3	77,666	26,240
Net income from disposal of marketable securities		0	3
Total V – Financial income	3.5.4.2	498,251	421,751
FINANCIAL EXPENSES			
Allowance for depreciation and provisions		13,827	106,892
Interest and similar expenses		100,259	105,401
Merger deficit		129,501	2,011
Net expenses from disposal of marketable securities		15	2,333
Total VI – Financial expenses	3.5.4.2	243,602	216,637
2. Net financial income (V - VI)	3.5.4.2	254,649	205,114
3. Net income from ordinary operations before tax (I - II + III - IV + V - VI)		250,083	202,283

(€K)	Note	31/12/2016	31/12/2015
NON-RECURRING INCOME			
On management transactions		126	1,084
On capital transactions		70,650	56,836
Reversal of provisions and transferred expenses		4,720	1,327
Total VII – Non-recurring income	3.5.4.3	75,496	59,247
NON-RECURRING EXPENSES			
On management transactions		1,042	128
On capital transactions		74,449	54,356
Allowance for depreciation and provisions		1,149	1,121
Total VIII – Non-recurring expenses	3.5.4.3	76,640	55,606
4. Net non-recurring income (VII - VIII)	3.5.4.3	-1,144	3,641
Employee profit-sharing (IX)		0	0
Corporate income tax (X)	3.5.4.4	124	315
Total income (I + III + V + VII)		656,524	556,569
Total expenses (II + IV + VI + VIII + IX + X)		407,709	350,962
NET INCOME		248,815	205,607

3.5. NOTES TO THE COMPANY FINANCIAL STATEMENTS

3.5.1. Significant events during the year

3.5.1.1. Acquisitions and construction work on developments

- ♦ Foncière des Régions acquired an asset of 11,600 m² in Saint-Denis for a total of €18,092 thousand on 20 December 2016. Please refer to Section 3.5.1.3. "Changes in equity investments" for information on indirect acquisitions.
- ♦ Foncière des Régions delivered a building of 5,081 m² in Saint-Germain-en-Laye

3.5.1.2. Disposals of real estate assets

Main assets sold over the year (excluding finance-lease business):

(€K)	Net book value	Disposal price	Capital gains or losses	Market value at 31/12/2016
Lille J. Maillotte	1,263,738	4,957,624	3,693,886	4,495,075
Carnot Fontenay/Bois	17,643,520	28,976,800	11,333,280	22,165,000
Sophia Antipolis	3,818,553	3,350,000	-468,553	3,250,000
TOTAL	22,725,811	37,284,424	14,558,613	29,910,075
NBV of change of component	300,413		-300,413	
Scrapping of structural assets			0	
Net capital gains	23,026,224	37,284,424	14,258,200	

3.5.1.3. Change in equity investments

Change in the ownership interest in subsidiaries

- ♦ On 27 April 2016, Foncière des Régions signed an in-kind contribution agreement with ACM Vie and BMO Global Asset Management covering Foncière des Murs securities and acquired 3,488,769 shares. For this transaction, Foncière des Régions issued 1,072,923 shares in consideration for the contribution.
A mandatory public exchange offer was made and allowed the Company to acquire 1,584,210 shares on 21 June 2016 and 205,334 shares on 22 July 2016; in exchange, 596,516 Foncière des Régions shares were created. The investment in Foncière des Murs thus increased by €118,580 thousand and the ownership percentage in Foncière des Murs went from 43.15% to 49.91%.
- ♦ Foncière des Régions acquired 85,197,610 shares of Beni Stabili for €52,192 thousand. The ownership rate went from 48.5% to 52.24%.

Other changes in equity interests

- ♦ On 28 January 2016, Foncière des Régions established FDR Lux, a company whose purpose is to finance housing in Germany.
- ♦ Foncière des Régions participated in the capital increase of Immeo ReWo Holding GmbH for the amount of €114.8 million, and it now fully owns the company.
- ♦ Foncière des Régions established on 1 April 2016 RUEIL B2 and SCI Rueil B3 B4, both asset holding companies of the offices acquired during the year (headquarters of Vinci in Rueil).
- ♦ On 1 April 2016, Foncière des Régions acquired GFCR, which held an asset in Saint-Ouen; this company was merged with and into Foncière des Régions on 30 June 2016.
- ♦ In addition, Foncière des Régions invested in the companies Factor E and Orianz, both of which hold assets under development.

3.5.1.4. Corporate structure simplification

Mergers with full transfer of assets and liabilities with a retroactive tax effect were carried out in 2016 to simplify the Group's corporate structure.

Subsidiary involved	Nature and date of the transaction	Corporate purpose
SCI 2 rue de Verdun	FTA on 27/05/2016	Société civile immobilière
SCI GFCR	FTA on 30/06/2016	Société civile immobilière
SCI 57/59 Rue Mouchotte	FTA on 30/11/2016	Société civile immobilière
SAS Foncière Europe Logistique	Merger on 30/12/2016	Acquisition, construction and operation of logistics buildings

3.5.1.5. Tax audits

Foncière des Régions' accounts were audited for the 2012 and 2013 fiscal years, which resulted in a reassessment proposal in December 2015 for Corporate Value Added Tax (CVAE) potentially generating:

- ♦ A €9.7 million tax impact on the principal, relating to the corporation tax, with a correlative increase in the deficits on the taxable segment in the amount of €36.6 million and to the CVAE. This reassessment is being disputed and, based on the analysis by the Company's legal counsel, it has not been provisioned as at 31 December 2016. The reassessment proposal concerning a reduction in deficits in the taxable segment of €1 million on a total of €240 million was accepted
- ♦ A new reassessment proposal concerning the 2014 corporation tax was received as a follow-up to the reassessment made for 2012 and 2013, generating a financial impact of €3.9 million in principal. On the same basis as for the 2012 and 2013 fiscal years, this reassessment proposal is being contested and, based on the analysis by the Company's legal counsel, no provision was recorded to that effect as at 31 December 2016.

Foncière Europe Logistique tax audit (merged with and into Foncière des Régions on 30 December 2016):

- ♦ A corporate income tax reassessment proposal was received by Foncière Europe Logistique amounting to €3.2 million for fiscal years 2007 and 2008, followed by a tax collection procedure and a payment during the first half of 2012. Foncière Europe Logistique is nonetheless contesting this reassessment and filed a claim against it. The Tax Administration rejected the claim on the merits but nevertheless granted an abatement of €2.4 million in principal and interest to take into account the fact that the financial consequences were spread out over 2008, 2009, 2010 and 2011. Since 2009 was prescribed, a final abatement of €0.8 million was obtained.

The case was referred to the Administrative Court, which rejected Foncière Europe Logistique's application in December 2015. Foncière Europe Logistique maintains its position and has submitted an appeal to the Paris Administrative Appeals Court. Based on the analysis by legal counsel, this dispute has not been provisioned as at 31 December 2016.

An accounting audit pertaining to the 2010 and 2011 fiscal years took place during the 2013 fiscal year, which ended in a reassessment proposal on the corporate tax for €3.5 million (including interest) on the same grounds as the previous reassessment proposal for 2007 and 2008. This rectification was followed by a tax collection procedure and payment. The case was referred to the Administrative Court, which rejected Foncière Europe Logistique's request in June 2016. Foncière Europe Logistique maintains its position and has submitted an appeal to the Paris Administrative Appeals Court. Based on the analysis by legal counsel, this dispute has not been provisioned as at 31 December 2016.

An audit of Foncière Europe Logistique's accounts was conducted covering the 2012 and 2013 fiscal years, and culminated in a proposed corporate tax reassessment amounting to €1.3 million, on the same grounds as the previous reassessment proposal for 2007 to 2011. The case has been referred to the Administrative Court. This reassessment was followed by a tax collection procedure and payment. Based on the analysis by legal counsel, this dispute has not been provisioned as at 31 December 2016.

3.5.1.6. Capital increase

During the year, the share capital changed as follows:

- ♦ creation of 1,669,439 shares for a nominal value of €5,008,317 used to increase the investment in the capital of Foncière des Murs
- ♦ creation of 70,404 shares for a nominal value of €211,212 in the context of grants under bonus share plans
- ♦ creation of 18,004 shares for a nominal value of €54,012 in the context of the incentive plan
- ♦ creation of 370,273 shares for a nominal value of €1,110,819 in the context of the conversion of ORNANE 2011 bonds.

The total capital as at 31 December 2016 stood at €206,273,566, up from €199,889,196 at 31 December 2015, an increase of €6,384,360. It comprises 68,757,852 shares, all of the same class, with a nominal value of €3, or €206,273,556.

At 31 December 2016, the Company held 96,809 treasury shares.

3.5.1.7. Diversification of financing and repayment of bank debt

Foncière des Régions took out credit lines in 2016 totalling €730,400 thousand and redeemed €604,989 thousand in borrowings.

3.5.2. Accounting principles and methods

Foncière des Régions is the parent company of the Foncière des Régions Group, and draws up its consolidated financial statements according to IFRS.

It is registered with the Metz Trade Registry under the number 364 800 060.

Its registered address is 18, avenue François Mitterrand – CS 10449 – 57017 Metz Cedex 01.

The consolidated accounts are available at that address.

Foncière des Régions is consolidated *via* the equity method by Delfin.

The balance sheet and income statement are drawn up in accordance with French legislation and generally accepted accounting principles in France.

The notes are prepared in accordance with ANC Regulation No. 2014-03 published by the Decree of 8 September 2014 *et seq.* currently in force.

General accounting conventions were applied, respecting the prudence principle, in accordance with the following basic assumptions:

- ♦ going concern
- ♦ consistency of accounting policies from one year to the next
- ♦ independent fiscal years

and in accordance with the rules for preparing and presenting annual financial statements pursuant to the French Law of 30 April 1983 and the Implementation Decree of 29 November 1983.

The basic method used for evaluating the items posted in the accounts is the historical cost method, with the exception of the accounting consequences of the regime for SIICs (real estate investment companies).

Tangible fixed assets have been recorded under the component method since 1 January 2005.

3.5.1.8. Main indicators

The main financial aggregates for the 2016 fiscal year are:

Balance sheet total	6,536,504
Revenues	73,203
Dividends received from subsidiaries	358,128
Financial expenses	243,602
Earnings for the year	248,815

3.5.2.1. Intangible fixed assets

Intangible fixed assets are valued at cost.

- ♦ Software is amortised on a straight-line basis over three years. Software acquired after moving the company headquarters to Divo is depreciated over ten years.
- ♦ Merger deficits were recorded as intangibles following the mergers of Foncière des Régions with Bail Investissement in 2006, with AKAMA in 2011, and with FR IMMO in 2013, based on the value of the assets contributed. At each sale of assets, a reversal of these deficits is made. Similarly, a provision is recorded on the merger deficit when an unrealised capital loss emerges between the appraised value and the net book value at each year-end.

The change in accounting treatment of merger deficits further to ANC Regulation No. 2015-06 modified the accounting rules applicable to merger deficits for fiscal years starting from 1 January 2016.

From now on, merger deficits are allocated to the assets contributed (underlying assets) in specific accounts for asset categories and they are amortised, depreciated and removed from the assets in accordance with the same methods as for the underlying assets:

- ♦ breakdown of merger deficit on intangible fixed assets
- ♦ breakdown of merger deficit on tangible fixed assets
- ♦ breakdown of merger deficit on financial assets
- ♦ breakdown of merger deficit on current assets.

3.5.2.2. Tangible fixed assets

Tangible fixed assets are valued at cost, which corresponds to the purchase price and related costs, or their contribution value.

The Company has not opted for borrowing costs to be capitalised in the acquisition cost of assets.

Tangible fixed assets are depreciated on a straight-line basis according to the expected useful life of the various components of the portfolio.

The breakdown by components is based on the professional grid recommended by the French Real estate and real estate management federation (FSIF), according to the type of asset in question.

Depreciation schedules for the various types of fixed assets (residential or office):

Breakdown of the buildings	Method	Term
Building structures	L	60 and 80 years
Facades and external joinery	L	30 and 40 years
General and technical facilities	L	20 and 25 years
Fittings	L	10 years

These periods are adjusted with obsolescence factors applied to each asset.

With respect to the merger deficits classified as to tangible fixed assets, since the 2016 fiscal year, the affected share of the underlying assets in Construction is now depreciable, and the depreciation period was set in relation to the residual depreciation of the underlying asset.

Breakdown of other tangible fixed assets	Method	Term
Miscellaneous fixtures and fittings	L	10 years
IT equipment	L	5 years
Office equipment	L	10 years

At each balance sheet date, the Company assesses if there are any indications that an asset has been materially impaired. In such cases, an impairment charge may be recorded in income or reversed, as appropriate.

The amount of any significant impairment is determined on an asset-by-asset basis in line with a comparison between the market value (excluding charges), calculated on the basis of independent appraisals, and the net book value.

In order to limit the impact of circumstantial variations on appraisal values, any impairment charges are recognised after taking into account a minimum threshold of €150 thousand, the period in which the book value of the asset is lower than its market value, and an evaluation of the relative nature of the impairment. An impairment charge is recognised when either of the following two conditions is met:

- ♦ if the negative difference between the appraisal value is greater than 10% of the net book value (reduced to 6% for properties appraised at more than €30 million) provided a threshold of €150 thousand is reached
- and/or
- ♦ the appraisal value is below the net book value for a continuous period of at least three years (with no percentage condition), regardless of whether a threshold of €150 thousand is reached.

Such impairments, which recognise the non-definitive and non-irreversible reduction in the value of certain portfolio assets in relation to their book value, are recognised in assets under "Depreciation and impairments".

The impairment is charged to each component on a pro rata basis.

The recording of an impairment results in a revision of the depreciable base and, if applicable, the depreciation schedule for the assets concerned.

Building works, major renovation works, and significant upgrading works, together with the restoration of apartments or premises upon re-letting, are capitalised.

Conversely, maintenance work, which ensures the optimum preservation of the real estate portfolio (renovation) and regular maintenance are recognised as expenses during the period in which they are carried out.

3.5.2.3. Financial assets

Financial assets are valued at cost or at their contribution value after deducting any provisions required to restore them to their value in use (if necessary). At year-end, the carrying value of investments is compared to their current value. The lowest of these is retained in the financials. The inventory value of the securities corresponds to their value in use for the Company.

When the investments are held for the long term, the value in use is determined on the basis of the net asset value and unrealised capital gains on the fixed assets. For the public subsidiaries, the Company uses the published net asset value.

The acquisition costs are incorporated in the cost price of financial assets and amortised over five years in the form of additional amortisation to benefit from tax incentives.

3.5.2.4. Trade receivables and related accounts

Receivables are stated at their par value. A provision for impairment is recorded when the recoverable value is lower than the book value.

A provision for impairment is recorded for each tenant with unpaid receivables, based on the risk incurred. The general criteria for establishing provisions, except in particular cases, are as follows:

- ♦ for current tenants:
 - ♦ no provision for tenants whose payables are less than three months overdue
 - ♦ 50% of the total amount of the receivable for tenants whose payables are between three and six months overdue

- ◆ 100% of the total amount of the receivable for tenants whose payables are more than six months overdue, or involving a vacated tenant
- ◆ for departed tenants:
 - ◆ no provision for tenants whose payables are less than three months overdue
 - ◆ 100% of the total amount of the receivable for tenants whose payables are more than three months overdue.

For commercial customers, receivables and theoretical provisions deriving from the above rules are examined case-by-case to take specific situations into consideration.

3.5.2.5. Derivatives

To conduct its hedging policy, the treasury department is authorised to use only simple, standard and liquid derivative instruments available on the markets, *i.e.* swaps, caps, tunnel options (cap purchase and floor sale).

The sole purpose of the financial instruments used is to hedge interest rate risks. Using swaps guarantees a fixed interest rate. These instruments are not recorded in the financial statements when they are concluded, but represent off-balance sheet commitments. However, the difference between the rate paid or received under these agreements is recognised as a financial income or expense for the year.

Any increase or decrease in the value of such instruments is recognised when the hedging transactions are unwound – *i.e.* if hedging commitments are terminated ahead of schedule or hedged loans are repaid.

The premiums paid or received under CAP and FLOOR agreements are spread out over the life of the agreements.

The equalisation payments made to cancel hedging instruments during their life (without cancelling the covered element) are spread out over the remaining life of the terminated instruments.

When a covered element is cancelled and the instrument is in an isolated open position (hedge) the equalisation payment made is directly recorded to the income statement.

When the hedge has a negative value, a provision for contingency is recorded.

3.5.2.6. Provisions for contingencies and losses

In accordance with Article 321-5 of ANC Regulation No. 2014-03 concerning liabilities, provisions are defined as liabilities whose occurrence or amount cannot be precisely determined. A liability is a bond issued to a third party, which is likely or certain to cause an outflow of resources to that third party, without at least an equivalent amount expected from that party.

A risk provision related to investments is established to cover the negative net equity of subsidiaries and when all of the subsidiary's shares and loans have been depreciated.

3.5.2.7. Retirement benefits

As from the 2013 fiscal year, Foncière des Régions applies recommendation No. 2013-02 of November 2013 issued by the French accounting standards authority (*Autorité des Normes Comptables* – “ANC”) regarding recognition and measurement of retirement commitments and similar benefits. This recommendation allows the evaluation of the provision for post-employment benefits in accordance with IAS 19R. Regarding the recognition of these retirement commitments, Foncière des Régions opted for the immediate and full recognition in profit or loss of the result of the recognition of actuarial gains and losses.

3.5.2.8. Provisions for financial contingencies and losses

Further to the reduction in interest rates over the end of the year, a provision for financial contingencies and losses on financial instruments (swaps, caps and floors) may be recorded at year-end where it corresponds to the valuation of over-hedging involving financial instruments with no symmetrical position and financial instruments hedging debts of subsidiaries with no re-invoicing agreement.

3.2.5.9. Borrowings, financial debt and bonds

Bank financing usually consists of four bond issues and medium- and long-term credit agreements with varying draw-down periods. Successive draw-downs are recognised in the financial statements at their par value. These agreements include covenant clauses, which are reported under off-balance-sheet commitments.

3.5.2.10. Deferred expenses

Deferred expenses correspond to the issue cost of borrowings and are amortised over the loan period. An exceptional impairment is booked if the borrowing is redeemed early.

3.5.2.11. Bond redemption premium

These are amortised over the life of the bond.

3.5.2.12. Revenues

Revenues mainly include income related to the following activities:

- ◆ rental income
- ◆ services income.

Rental income corresponds to rent and expenses charged to building tenants, which are recorded as the service advances.

As a general rule, invoicing is quarterly for in-kind goods (offices, etc.) and monthly for residential assets.

For services, revenues are recognised as the service progresses.

3.5.3. Explanation of balance sheet items

3.5.3.1. Fixed assets

3.5.3.1.1. Adjustment to gross values

(€K)	Note	Gross amounts at 31/12/2015	Increases			Decreases		Gross amounts at 31/12/2016
			FTA and Merger	Acquisitions and work	Transfers	Sales and other disposals	FTA and Merger	
Intangible fixed assets		39,135	0	838	-22,181	0	0	17,792
Concessions and software		16,623			954			17,577
Merger deficit		22,181			-22,181 ⁽²⁾			0
Fixed assets in progress		331		838 ⁽¹⁾	-954			215
Tangible fixed assets		693,571	242,120	46,949	3,214	30,759	0	955,095
Land		175,815	34,844		16,049 ⁽³⁾	5,340 ⁽⁴⁾		221,368
Land under finance leases		2,211						2,211
Buildings		459,734	170,563		25,492 ⁽³⁾	25,356 ⁽⁴⁾		630,433
Leased buildings		3,832						3,832
Other tangible fixed assets		4,218	32,455 ⁽⁵⁾		3,418 ⁽²⁾	63 ⁽⁵⁾		40,028
Fixed assets in progress		47,761	4,258	46,949 ⁽⁶⁾	-41,745 ⁽³⁾			57,223
Financial assets		5,142,531	0	481,844	19,016	106,873	501,291	5,035,227
Equity investments	3.5.3.1.2	4,334,551		243,436	74,205	4,460	496,647	4,151,085
Loans	3.5.3.1.3	803,847		206,685	-74,156	70,138	2,480	863,757
Long-term investment securities		2						2
Treasury shares	3.5.3.1.4	4,130		31,723		32,275		3,578
Other non-current financial assets					18,967 ⁽²⁾		2,164	16,803
Other		1						1
TOTAL FIXED ASSETS		5,875,237	242,120	529,631	49	137,632	501,291	6,008,114

(1) The increase in intangible fixed assets relates to the development of new modules for existing software.

(2) Allocation of merger deficit on tangible assets and other tangible fixed assets:

- BIF for €3,214 thousand.

Allocation of merger deficit on financial assets and other securities:

- AKAMA, merger deficit allocated to the Latécoère securities in the amount of €13,914 thousand

- FR IMMO allocated to the Palmer Plage, Palmer Montpellier and Dual Center securities for €2,889 thousand

- GFR Services allocated to Foncière Europe Logistique securities for €2,164 thousand.

(3) Impact of deliveries of projects in development.

(4) In addition to the disposals described under "Significant events", scrapping of components for a gross amount of €300 thousand was registered during the year.

(5) The increase in the line item "Other tangible fixed assets" corresponds to:

- allocation of merger deficit on assets:

♦ following the GFCR merger, the merger deficit of the V HUGO asset for €1,990 thousand

♦ following the FEL merger, the merger deficit on the CAP18 asset for a total of €29,820 thousand and the LISSES asset for a total of €645 thousand

- real estate acquisitions and development of our IT infrastructure for €204 thousand.

The decrease of €63 thousand relates to the scrapping of almost fully depreciated assets.

(6) Corresponds in particular to the work on the Meudon (€4,492 thousand), Issy Grenelle (€15,785 thousand), and Nancy Grand Cœur (€4,800 thousand) assets, acquisition of the Pleyel asset in Saint-Denis pour €18,092 thousand, and the land at Villeneuve d'Ascq Lezennes Hélios for €2,063 thousand.

(7) The rest of the fixed assets consists of assets in development or recently developed, mainly related to Issy Grenelle (€20,941 thousand), Nancy Grand Cœur (€11,697 thousand), Meudon (€10,153 thousand), Green Corner (€4,428 thousand), Corbas (€2,648 thousand), Lezennes Hélios (€1,603 thousand) and CAP18 (€1,090 thousand).

3.5.3.1.2. Change in equity investments

	Securities valuation (€K)
Amount at 31/12/2015	4,334,551
SECURITIES INCORPORATED IN THE COMPANY FOLLOWING THE FTAs	
Total increase relating to FTA	0
ACQUISITIONS OF SECURITIES AND OTHER ASSETS	
Foncière des Murs	118,580
Beni Stabili SPA	52,192
SCI Rueil B2	1
SCI Rueil B3 B4	1
SCI GFCR	2,571
Capital increase	
Immeo ReWo Holding GmbH	68,657
FDR Lux	63
SCI Factor E	486
SCI Orianz	885
Total increase relating to acquisitions	243,436
INCREASE IN SHARES THROUGH INCORPORATION OF A LOAN OR A CURRENT ACCOUNT	
SCI 11 place de l'Europe	10,018
SCI Lenovilla	18,038
Immeo ReWo Holding GmbH	46,100
SCI avenue de la Marne	49
Total increase in securities through incorporation of a loan	74,205
DECREASE	
Technical Property Fund 1	1,864
BPI France ex OSEO	91
Reduction of share capital	
Latécoère	2,505
Total decrease	4,460
SECURITIES RELEASED FROM THE COMPANY FOLLOWING FTAs	
SCI GFCR	2,571
SCI 2 rue de Verdun	89
SCI 57/59 Commandant Mouchotte	12,835
SAS Foncière Europe Logistique	481,152
Total decrease relating to FTA	496,647
AMOUNT AT 31/12/2016	4,151,085

3.5.3.1.3. Details on loans

The loans consist of:

Type of loan	(€K)
Loans to subsidiaries	854,132
Accrued interest on subordinated loans	3,454
Accrued interest on Swaps	5,912
Loans to personnel	166
Other loans	93
AT 31/12/2016	863,757

Capital to subsidiaries relate to financing for development operations, which primarily comprise the following loans as at 31 December 2016:

(€K)	Outstanding principal due	Accrued interest
SCI Charenton	147,047	0
SCI Rueil B2	89,909	0
Immeo Rewo Holding GmbH	60,000	7
SCI Rueil B3 B4	40,469	0
SNC Palmer Plage	31,700	0
SCI Atlantis	30,000	0
SCI Lenovilla	26,604	498
SCI Euromarseille 2	24,968	0
Fédération	24,000	1,063
SCI 11 Place de l'Europe	23,050	0
35/37 rue L. Guérin	21,800	0
SCI Latécoère 2	19,398	0
SCI Raphaël	19,000	0
32 AV P. Grenier	17,100	0
SCI Meudon Saulnier ⁽¹⁾	17,000	0
IW Verwaltungs GmbH	16,450	2
Oméga A	15,500	0
SCI avenue de la Marne ⁽²⁾	15,000	0
SCI Euromarseille BH2	13,232	4
Ruhl Côte d'Azur	13,000	0
Oméga C	11,200	0
SCI Euromarseille BL	11,131	4
SCI Euromarseille 1	11,109	0
Omega B	11,059	477
9 rue Cuirassiers	10,600	0
IW FDL Beteiligungs GmbH & Co KG	10,200	1
BGA Transaction	8,800	354
10/14 rue des Tanneurs	8,500	0
SCI du 288 rue Duguesclin	7,700	0
15 rue des Cuirassiers	7,500	0
Acopio Beteiligungs GmbH	6,900	1
GFR Kléber	6,800	273
40 rue J.J. Rousseau	6,400	0
125 Av Brancolar	6,400	0
SCI Pompidou	6,000	0
SNC Palmer Transaction ⁽³⁾	5,400	0
11 avenue Sully ⁽⁴⁾	3,700	0
SNC Palmer Montpellier ⁽⁵⁾	1,700	0
Other	47,805	770
TOTAL	854,132	3,454

(1) Subject to a €1,813 thousand provision (see 3.5.3.1.2).

(2) Subject to a €315 thousand provision (see 3.5.3.1.2).

(3) Subject to a €2,255 thousand provision (see 3.5.3.1.2).

(4) Subject to a €351 thousand provision (see 3.5.3.1.2).

(5) Subject to a €1,700 thousand provision (see 3.5.3.1.2).

Loans to subsidiaries are not covered by a repayment schedule. They are repaid based on each borrower's free cash flow. Nevertheless, a final repayment date, ranging from December 2017 at the earliest to April 2026 at the latest, is stipulated in the agreement.

3.5.3.1.4. Other securities

Treasury shares consist of

Treasury shares consist of:	Number of shares	€K
Shares held by the Company – liquidity agreement	46,471	3,578
Shares held by the Company – external growth	0	0
Shares held by the Company for allocation to employees	50,000	3,919
Shares held by the Company upon the exercise of rights attached to ORNANE-type bonds	338	31

Treasury shares related to the liquidity agreement and the ORNANE bonds were depreciated in the amount of €30 thousand on the basis of the average share price in December 2016.

Breakdown of merger deficit on financial assets

Breakdown of merger deficit among financial assets	Amount
Latécoère	13,914
Foncière Palmer	483
Palmer Plage	2,175
Palmer Montpellier	95
Dual Center	136

3.5.3.1.5. Change in amortisation and provisions

(€K)	Note	Amort. 31/12/2015	Increases		Decreases			Amort. 31/12/2016
			Charge	FTA and Merger	Reversal and disposal	Allocation of components	FTA and Merger	
Intangible fixed assets		15,580	648		0	0	0	16,228
Concessions and software		15,580	648					16,228
Merger deficit								0
Tangible fixed assets		97,532	24,952	74,324	11,159	0	0	185,649
Buildings		76,352	17,098	56,257	7,671			142,036
Leased buildings		2,204	138					2,342
Other tangible fixed assets		2,401	715		62			3,054
Provisions on land and buildings		15,009	6,907	18,067	3,426			36,557 ⁽¹⁾
Provisions on land and buildings under finance leases		1,566	94					1,660
Financial assets		542,771	5,692	0	77,572	0	191,925	278,966
Investments	3.5.3.1.2	538,099	761		77,206		189,501	272,153
Loans	3.5.3.1.3	4,652	4,829		366		2,424	6,691
Long-term investment securities			95					95
Treasury shares		20	7					27
TOTAL AMORTISATION AND DEPRECIATION		655,883	31,292	74,324	88,731	0	191,925	480,843

(1) Each year, the book value of the assets is compared against their estimated market value. An independent appraisal, carried out every half-year, is used as a benchmark for all real estate assets. Three assets were depreciated on 31 December 2016 pour €18,490 thousand: Meudon Canopée for €17,900 thousand, Nancy Grand Cœur pour €197 thousand, Jeanne Maillotte for €393 thousand and three assets, depreciated in Foncière Europe Logistique, were carried forward in the accounts following the merger, namely Saint-Martin-de-Crau pour €10,846 thousand, Corbas pour €2,792 thousand and Bussy-Saint-Georges for €4,429 thousand.

3.5.3.1.6. Breakdown of provisions for equity investments

When the investments are held for the long term, the value in use is determined on the basis of the net asset value and unrealised capital gains on the fixed assets. For the public subsidiaries, the Company uses the published net asset value.

(€K)	31/12/2015	Charge	FTA and Merger	Reversal of provisions	31/12/2016
Beni Stabili	340,849	0	0	74,600	266,249
FDR Développement ⁽¹⁾	1,852	0	0	0	1,852
FDR Property	1,520	116	0	0	1,636
FDR 2 ⁽¹⁾	927	0	0	0	927
SCI 11 avenue de Sully ⁽¹⁾	0	505	0	0	505
Palmer Transaction ⁽¹⁾	453	0	0	0	453
FDR SGP	452	0	0	256	196
GFR Ravinelle	136	0	0	32	104
EB2	61	36	0	0	96
Gespar ⁽¹⁾	28	28	0	0	56
SCI avenue de la Marne ⁽¹⁾	1	49	0	0	50
FDR LUX	0	26	0	0	26
FDR Participations ⁽¹⁾	1	0	0	0	1
SCI Meudon Saulnier ⁽¹⁾	0	1	0	0	1
SCI Euromarseille 3	0	1	0	0	1
Palmer Montpellier ⁽¹⁾	0	0	0	0	0
Foncière Europe Logistique	189,412	0	-189,412	0	0
Omega B	2,316	0	0	2,316	0
SCI 2 rue de Verdun	88	0	-88	0	0
SNC Promomur	1	0	0	1	0
SCI Latécoère 2	1	0	0	1	0
Comédie	1	0	0	1	0
TOTAL	538,099	761	-189,501	77,206	272,153

(1) As the impairment of the shares of FDR Développement, FDR2, SCI 11 avenue de Sully, Palmer Transaction, Gespar, SCI Avenue de la Marne, FDR Participations, SCI Meudon Saulnier, Palmer Montpellier was insufficient to cover their net negative positions, the associated current account loans or advances that had been granted to them were impaired for the amount of their net position.

Market prices and NAV of public subsidiaries

Name of public subsidiaries	Average share price of December 2016	EPRA triple net NAV at 31/12/2016
Foncière Développement Logements	7.50	5.29
Foncière des Murs	26.08	25.27
Beni Stabili	0.53	0.81

3.5.3.1.7. Details of provisions for loans and current accounts

Amortisations and provisions (€K)	Gross amounts of provisions at 31/12/2016	Amortisations and provisions at 31/12/2015	Charge	Reversal of provisions	Reversal of FTA and Merger	Amortisations and provisions at 31/12/2016
Palmer Transaction	5,400	1,862	393			2,255
Meudon Saulnier	17,000		1,813			1,813
Palmer Montpellier	1,700		1,700			1,700
SCI 11 avenue de Sully	3,700		351			351
SCI avenue de la Marne	15,000		315			315
FDR Développement	257		257			257
SCI 2 rue de Verdun		2,424			2,424	
Latécoère 2		366		366		
Loans	43,057	4,652	4,829	366	2,424	6,691
FDR 2	16,936	1,152	2,794			3,946
Palmer Montpellier	1,432	0	353			353
Promomurs	0	5		5		
FDR Participations	11	2	7			9
SCI avenue de la Marne	0	69		69		
Current accounts⁽¹⁾	18,379	1,228	3,154	74	0	4,308
Purchaser unpaid	0	8	6	0	16	30
Debtor accounts	0	8	6	0	16	30

(1) Provisions for current accounts are recorded taking into account the negative net equity of subsidiaries and provisions booked on other receivables.

3.5.3.2. Current assets

3.5.3.2.1. Breakdown of receivables by maturity

(€K)	Gross amount at 31/12/2016	Amount due in less than 1 year	Gross amount at 31/12/2015
Trade receivables and related accounts⁽¹⁾	16,264	16,264	9,083
Expenses that may be recovered from tenants ⁽²⁾	4,831	4,831	2,650
Invoice not yet submitted	7,804	7,804	1,859
Other receivables	155,783	155,783	107,212
Current accounts ⁽³⁾	128,367	128,367	103,377
Miscellaneous receivables	4,445	4,445	656
Tax receivable ⁽⁴⁾	20,874	20,874	
VAT	2,015	2,015	3,035
Principal's current account	82	82	144
TOTAL RECEIVABLES	172,047	172,047	116,295

(1) Application of the amortisation rules presented in the accounting rules and policies resulted in a provision for trade receivables during the year being recognised for an amount of €432 thousand. At 31 December 2016, total amortisations were €1,942 thousand compared with €1,752 thousand at 31 December 2015 and mostly related to finance lease receivables.

(2) These expenses result in pre-payment requests issued to tenants being recorded as liabilities on the balance sheet under "Advances and pre-payments" in the amount of €4,248 thousand (see paragraph 3.5.3.5 Financial debt).

(3) An impairment of €4,308 thousand was recorded to the current accounts of FDR2, Palmer Montpellier and FDR Participations due to their net negative position (see 3.5.3.1.7).

(4) Including €20,412 thousand of payables following payment of the tax assessment contested by the company (FDR: €14,760 thousand and FEL: €5,652 thousand).

3.5.3.2.2. Marketable securities

The realisable value of the marketable securities was €5,524 thousand as at 31 December 2016. There was no significant unrealised gain, as the Group states the unrealised gains in the last week of each fiscal year (sale/repurchase).

(€K)	Gross amount at 31/12/2015	Acquisitions	Disposals	Transfer	Gross amount at 31/12/2016
Term account	695,000	85,000			780,000
Marketable securities ⁽¹⁾	5,212	25,889	25,577		5,524
Accrued interest on investments	1,215	1,854	1,215		1,854
Shares held by the Company for allocation to employees ⁽²⁾	0	3,918			3,918
Treasury shares with rights attached – ORNANE-TYPE bonds ⁽²⁾	154		123		31
TOTAL	701,581	116,661	26,915	0	791,327

(1) As at 31 December 2016, the portfolio of marketable securities comprised traditional money market investment funds (SICAV). The Company does not make any speculative investments involving a capital risk.

(2) At 31 December 2016, 338 treasury shares were allocated within the context of the ORNANE conversions into FDR shares and 50,000 allocated to employees as part of the incentive plan.

3.5.3.2.3. Asset reclassification

(€K)	Gross amount at 31/12/2016	Gross amount at 31/12/2015
Accrued operating expenses ⁽¹⁾	771	1,073
Accrued financial expenses	4,334	4,343
Spreading of equalisation payments	4,334	4,343
Total prepaid expenses	5,105	5,416
Treasury instruments	2,100	3,612
CAP/FLOOR premiums	2,100	3,612
Total treasury instruments	2,100	3,612
Deferred expenses	9,193	9,978
Loan issue costs ⁽²⁾	9,193	9,978
TOTAL	16,398	19,006

(1) Accrued operating expenses are external charges relating to services to be rendered after 31 December 2016.

(2) Deferred expenses exclusively comprise the bond issue costs spread over the term of the bond.

3.5.3.3. Shareholders' equity

(€K)	31/12/2015	Increase		Decreases		31/12/2016
		Capital increase	Other changes during the year	Allocation of net income / Dividend	Line-by-line transfers	
Share capital ⁽¹⁾	199,889	6,384				206,273
Share premium account ⁽¹⁾	2,178,969	-243				2,178,726
Additional paid-in capital	269,843	112,831	-732	-80,058		301,884
Merger premiums	253			-253		0
Revaluation reserve ⁽²⁾	83,597				-98	83,499
Legal reserve	19,980	617		9		20,606
Other reserves	549			-549	98	98
Retained earnings ⁽³⁾	185			-109		76
Allocation of 2015 income ⁽⁴⁾	205,607			-205,607		0
Net income for fiscal year 2016			248,815			248,815
Regulated provisions	54,472		-3,671			50,801
SHAREHOLDERS' EQUITY	3,013,344	119,590	244,412	-286,568	0	3,090,779

(1) The capital increase concerned the creation of 1,669,439 shares in order to increase the investment in the equity of Foncière des Murs, of 70,404 shares to allocate as bonus shares, of 18,004 incentive shares and 370,273 shares in connection with the ORNANE conversion.

(2) Disposals of real estate assets and securities restated during the transition to the SIIC regime resulted in €98 thousand relating to disposals completed in 2016 being allocated to available reserves.

(3) The Ordinary and Extraordinary General Meeting on 27 April 2016 allocated income as described below and paid a dividend of €4.30 per share.

(4) Allocation of 2015 income:

(€K)	
Income for the year ended 31 December 2015	205,607
Additional paid-in capital	80,058
Merger premiums	253
Retained earnings	109
Distributable revaluation reserve	549
TOTAL TO BE ALLOCATED	286,576
Legal reserve	9
Dividends paid out	286,568
TOTAL ALLOCATED	286,576

3.5.3.4. Provisions

(€K)	Note	31/12/2015	Increase		Decrease		31/12/2016
			FTA and Merger	Charges	Reversals (amount used)	Reversals (amount not used)	
Provisions for contingencies		47,631	18,848	6,312	0	0	72,792
Portfolio-related litigation ⁽¹⁾		1,315		1,894			3,209
Provision for litigation		0					0
Provision for swap risks ⁽²⁾		45,604	18,848	3,347			67,799
Provisions relating to investments		712		820			1,532
Yield-guarantee provision		0					0
Provision FOR URSSAF AGA		0		251			251
Provisions for losses		2,225	0	627	407	0	2,445
End-of-career benefits	3.5.3.4.1	1,287		229			1,516
Provision for tax		0					0
Long service award		531		384			915
Provision for departure		407		14	407		14
TOTAL		49,857	18,848	6,939	407	0	75,237

(1) The provisions for contingencies and fixed asset expenses in 2016 came to €1,894 for FSB litigation (€1,674 thousand), on the Maine Montparnasse Tower Buildings A and B (€86 thousand) and Carnot (€134 thousand).

(2) The provision for over-hedging on swaps related to debt restructuring was updated for €3,347 thousand. The amount increased as a result of the FEL merger which had a hedging provision of €18,848 thousand.

3.5.3.4.1. End-of-career benefits

As from the 2013 fiscal year, Foncière des Régions applies recommendation No. 2013-02 of November 2013 issued by the French accounting standards authority (*Autorité des Normes Comptables* – “ANC”) regarding recognition and measurement of retirement commitments and similar benefits.

This recommendation allows the evaluation of the provision for post-employment benefits in accordance with IAS 19R. Regarding the recognition of these retirement commitments, Foncière des Régions opted for the immediate and full recognition in profit or loss of the result of the recognition of actuarial gains and losses.

Main assumptions used for end-of-career benefits and long-service awards

Parameters	31/12/2016	31/12/2015
Discount rate	1.15%	1.35%
Annual inflation		
Annual wage growth		
Managers	4%	4%
Non-managers	3%	3%
Payroll tax rate (IFC only)	47.86%	47.82%
Mortality rate	TGF05/TGH05	TGF05/TGH05
Turnover		
Up to 49	10.00%	12.17%
50 and over	0%	0%
Reason for retirement	100% voluntary	100% voluntary

3.5.3.5. Debt

(€K)	Note	31/12/2016	Amount due in less than 1 year	Amount due in 1 to 5 years	Amount due in over 5 years	31/12/2015
Convertible bonds	3.5.3.5.1	426,789	81,789	345,000	0	804,376
Bonds	3.5.3.5.1	1,468,817	22,417	946,400	500,000	1,205,273
Borrowings and debt from credit institutions ⁽¹⁾		1,281,743	1,064,743	97,000	120,000	824,755
Others loans and borrowings		158,812	158,812			152,141
Advances and pre-payments ⁽²⁾		4,248	4,248			7,210
Trade payables and related accounts ⁽³⁾		3,891	3,891			6,141
Debt on fixed assets and related accounts ⁽³⁾		6,177	6,177			11,683
Tax and social security liabilities ⁽⁴⁾		11,959	11,959			12,167
Other debt ⁽⁵⁾		7,697	7,697			599
TOTAL		3,370,133	1,361,733	1,388,400	620,000	3,024,345

(1) Breakdown of "Borrowings and debt from credit institutions":

- the outstanding payable due on the credit lines and treasury bills was €1,269,400 thousand
- accrued unpaid interest amounted to €1,328 thousand
- €10,988 thousand in bank overdrafts
- €27 thousand in bank charges.

The amount of borrowings taken out and credit lines drawn totalled €464,400 thousand.

(2) The breakdown of advances and pre-payments corresponds to the call for funds from tenants.

(3) Breakdown of trade payables and fixed asset suppliers.

(€K)	31/12/2016
Operating payables	3,891
Trade payables and related accounts	971
Suppliers – invoices not received	2,829
Not used commission payable	91
Debt on fixed assets and related accounts	6,177
Fixed asset suppliers and related accounts	641
Suppliers – hold-backs	124
Lease – works suppliers	11
Fixed asset suppliers – invoices not received	5,401
TOTAL TRADE PAYABLES AND FIXED ASSET SUPPLIERS	10,068

(4) Breakdown of tax and social security liabilities:

- €3,968 thousand in VAT
- €2,212 thousand in payroll and social security expenses
- €3,515 thousand in personnel expenses
- €1,502 thousand in provisions for profit-sharing and company contributions
- €81 thousand in Organic
- €681 thousand in tax liabilities.

(5) The line "Other debt" corresponds to the amount of the accounts managed by GENEFIM (finance lease business), client credit accounts for €4,897 and credit to be raised in the amount of €1,190 thousand.

3.5.3.5.1. Bonds

Foncière des Régions issued bonds with the following features:

Issue date	24/05/2011
Feature	Convertible ORNANE-type bonds
Issue amount (€M)	€550 million
Number of convertible bonds issued	6,405,776
Number of bonds redeemed	1,151,832
Number of securities converted to FDR shares	3,595,747
Number of bonds redeemed for cancellation	730,000
Number of bonds at 31/12/2016	928,197
Outstanding principal due at 31/12/2016	€79.7 million
Nominal rate	3.34%
Maturity	17/01/2017
Issue date	16/10/2012
Issue amount (€M)	€500 million
amount of bond redemption	€233.6 million
Repurchase date	18/05/2016
Outstanding principal due at 31/12/2016	€266.4 million
Nominal rate	3.875%
Maturity	16/01/2018
Issue date	28/03/2013
Issue amount (€M)	€180 million
Nominal rate	3.300%
Maturity	30/04/2020
Issue date	20/11/2013
Feature	Convertible ORNANE-type bonds
Issue amount (€M)	€345 million
Number of convertible bonds issued	4,071,757
Nominal rate	0.880%
Maturity	01/04/2019
Issue date	10/09/2014
Issue amount (€M)	€500 million
Nominal rate	1.750%
Maturity	10/09/2021
Issue date	20/05/2016
Issue amount (€M)	€500 million
Nominal rate	1.875%
Maturity	20/05/2026

The accrued interest on the bonds amounts to €24,511 thousand.

3.5.3.5.2. Bank covenants

As at 31 December 2016, the consolidated ICR and LTV Crédit Corporate bank covenants had all been met:

- ♦ LTV < 60% (with possibility to overrun in a half-year within the limit of 65%)
- ♦ ICR > 200%.

3.5.3.5.3. Accrued expenses

(€K)	31/12/2016	31/12/2015
Suppliers – invoices not received	2,829	4,796
Fixed asset suppliers – invoices not received	5,401	10,958
Paid leave	1,146	1,088
Other tax and social security liabilities	5,884	5,122
Other accrued expenses	0	0
Accrued bank interest – Charges	27	30
Accrued interest on borrowings	25,838	34,755
Unused commission to be paid	91	90
TOTAL	41,217	56,838

The accrued interest is from bank loans (€1,327 thousand) and bonds (€24,511 thousand).

3.5.4. Notes to the income statement

In 2016, the net income amounted to €248,815 thousand, compared with €205,607 thousand in 2015.

3.5.4.1. Current income

3.5.4.1.1. Revenues

(€K)	31/12/2016	31/12/2015
Rental income	46,969	41,765
Offices	45,486	39,695
Logistics	1,135	1,154
Finance leases	348	916
Provision of services	26,234	26,181
TOTAL	73,203	67,946

The increase in rental income of €5.2 million is primarily related to the letting of the Nanterre Respiro (+€2 million) and Green Corner (+€3 million) assets.

3.5.4.1.2. Reversal of provisions and transferred expenses

The reversals of provisions and transfers of operating expenses mainly consist of:

(€K)	31/12/2016
Reversals of provisions for operating contingencies and charges	407
Provision for employee departures	217
Provision for employment litigation	190
Reversal of provisions on tangible fixed assets	2,953
Reversal of provisions for bad debt	206
Transferred charges	4,363
Loan issue costs	4,103
Benefits in kind awarded to staff	128
Re-invoicing of company liabilities following a transfer	24
Batisica re-invoicing	13
Bonus for hiring apprentices	2
Repayment of Cardif Assurance Vie	93
TOTAL REVERSALS OF PROVISIONS, IMPAIRMENT, TRANSFERS OF CHARGES	7,929

3.5.4.1.3. Operating expenses

(€K)	31/12/2016	31/12/2015
Other purchases and external expenses ⁽¹⁾	22,216	21,204
Taxes and related payments	8,040	7,797
Personnel expenses	22,892	22,011
Depreciation, amortisation and provisions ⁽²⁾	32,710	24,640
Other operating expenses	1,485	2,750
TOTAL OPERATING EXPENSES	87,344	78,402

(1) The increase in "Other purchases and external expenses" of €1 million corresponds to marketing fees of €867 thousand (€729 thousand in fees related to the lease of the Transdev asset located in ISSY Grenelle and €138 thousand in leasing fees of the Green Corner asset).

(2) Breakdown of depreciation, amortisation and provisions.

(€K)	31/12/2016	31/12/2015
Amortisation of intangible assets	647	651
Depreciation of rental assets	16,763	14,663
Depreciation of furniture and equipment	472	511
Depreciation of merger deficit	243	
Deferred expenses	4,883	4,670
Sub-total for depreciation and amortisation	23,009	20,495
Provisions for trade receivables	23	192
Provisions for fixed assets	6,906	2,665
Provisions for contingencies and losses ⁽³⁾	2,772	1,288
Sub-total for provisions	9,701	4,145
TOTAL	32,710	24,640

(3) The breakdown of provisions for contingencies and liabilities is provided in 3.5.3.4.

3.5.4.2. Net financial income

(€K)	Note	31/12/2016	31/12/2015
Financial income from investments		358,131	352,795
Dividends received from subsidiaries and equity investments	3.5.4.2.1	358,128	352,791
Financial income on guarantees given		4	4
Other marketable securities and fixed asset receivables income		7,758	3,446
Income from loans to employees		3	4
Income from loans to subsidiaries		7,754	3,442
Other interest and similar income		54,695	39,266
Interest on group current accounts		1,036	1,744
Income from swaps		29,282	23,938
Income from TB		502	
Revenue from term accounts		7,511	7,454
Other income		493	1,463
Statutory interest		8,737	3,727
Merger premiums	3.5.4.2.2	7,134	940
Reversal of provisions and transferred expenses	3.5.4.2.3	77,666	26,240
Reversal of provisions for financial contingencies and charges		74	5,736
Reversal of provisions on financial assets	3.5.3.1.6	77,592	19,460
Transferred financial expenses ⁽¹⁾			1,044
Net income from disposal of marketable securities		0	3
Total financial income		498,251	421,750
Provisions for financial contingencies and losses		13,827	106,892
Provisions for financial contingencies		7,321	832
Provisions for treasury shares			0
Provisions on financial assets ⁽²⁾	3.5.3.1.6	5,620	105,483
Provisions for merger deficit on financial assets		95	
Other financial provisions		790	577
Interest and similar expenses		229,760	107,412
Interest on loans and swaps		91,633	96,399
Interest on group current accounts		1,809	1,712
Bank interest and financing operations		6,816	7,290
Merger deficit	3.5.4.2.2	129,501	2,011
Net expenses from disposal of marketable securities		15	2,333
Total financial expenses		243,602	216,637
NET FINANCIAL INCOME		254,649	205,113

(1) Personnel expenses in 2015 included the cost of awarding free shares to employees, which was €1,044 thousand, and was offset by a transfer of financial expenses in an equivalent amount.

(2) Corresponds to impairment of financial fixed assets for €5,590 thousand and on treasury shares for €360 thousand (liquidity agreement and pending the allocation of shares to employees as part of the incentive plan).

3.5.4.2.1. Breakdown of dividends

The dividends received from subsidiaries are as follows:

Companies distributing dividends (€K)	Dividends received in 2016	Dividends received in 2015
Foncière Europe Logistique	131,707	53,854
Technical SAS	63,474	74,610
Foncière des Murs SCA	49,560	49,560
Beni Stabili	27,289	24,121
Foncière développement logements	27,009	18,288
Télimob Paris	22,818	32,739
FDR 7	6,407	5,586
OPCI CB21	6,221	6,221
SCI Lenovilla	1,967	
SCI Raphaël	1,740	1,400
SCI du 288 rue de Duguesclin	1,700	
SCI 11 place de l'Europe	1,614	1,633
SCI Charenton	1,500	4,760
Omega A	1,500	1,240
Ruhl Côte d'Azur	1,500	
SCI du 125 avenue du Brancolar	1,125	1,280
SCI du 10/14 rue des Tanneurs	1,000	1,240
Latécoère	969	5,346
Le Ponant 1986	800	
SCI du 40 rue JJ Rousseau	760	730
SCI du 1 rue de Chateaudun	675	196
SCI du 20 avenue Victor Hugo	645	676
SCI du 2 rue de L'III	640	700
SCI du 682 cours de la Libération	635	695
SARL du 25-27 quai Félix Faure	580	629
SCI Pompidou	560	500
SARL du 2 rue Saint Charles	513	
Languedoc 34	500	433
Immeo Rewo Holding GmbH		30,000
SCI du 57/59 rue du Commandant Mouchotte		8,500
GFR Blériot		7,558
SCI Iméfa 127		6,908
SCI Atlantis		4,280
Omega C		900
Bga Transactions		732
Lenopromo		675
Technical Property Fund 1		197
Fédération	300	2,868
FDM Gestion	404	737
SCI du 11 avenue de Sully	365	575
SCI du 8 rue M. Paul	365	538
Other	1,286	1,886
TOTAL	358,128	352,791

3.5.4.2.2. Breakdown of merger premium and deficit for the fiscal year

Companies	Accounting treatment			
	Financial income (merger premium)	Financial expense (merger deficit)	Allocation to an intangible fixed asset (net technical merger loss)	Allocation to shareholders' equity (merger premium)
SCI 2 rue de Verdun		83		
SCI GFCR			1,990	
SCI 57/59 Rue Mouchotte	7,134			
SAS Foncière Europe Logistique		129,418	30,465	
TOTAL	7,134	129,501	32,456	0

3.5.4.2.3. Breakdown of reversals of provisions and transferred expenses

	31/12/2016
Reversal of provisions for financial contingencies and charges	77,666
Reversal of provisions on investments ⁽¹⁾	77,206
Reversal of provisions on treasury shares	386
<i>Technical Swap – FDR 4</i>	
Reversal of provisions for Latécoère contingencies and charges	
Reversal of provisions for contingencies and charges Current account	74
Transferred financial expenses	0
Costs for allocating shares to employees	
TOTAL	77,666

(1) Including reversal of provision on Beni Stabili shares of €74,600 thousand.

3.5.4.3. Net non-recurring income

Income (€K)	31/12/2016	31/12/2015	Expenses (€K)	31/12/2016	31/12/2015
Non-recurring income on management transactions	126	1,084	Non-recurring expenses on management transactions	1,042	128
Miscellaneous income	44	1,073	Miscellaneous expenses	2	3
Non-recurring income on finance leases	81	11	Expenses on finance leases	1	1
Delegated management			Discontinued operation	935	94
			Non-recurring expenses on operating leases	104	30
Income on capital transactions	70,650	56,836	Expenses on capital transactions	74,449	54,356
Non-recurring income on disposal of buildings	37,284	16,277	Book value of buildings sold off	23,652	12,026
Non-recurring income on exercise of finance lease purchase options			Net book value of other fixed assets sold	300	1,080
Income on disposals of treasury shares	32,327	22,220	NBV from exercise of finance lease purchase options ⁽²⁾	0	1,327
Income from disposal of securities ⁽¹⁾	989	18,237	NBV of intangible fixed assets	0	60
Miscellaneous non-recurring income	50	102	NBV of treasury shares sold	32,275	21,676
Reversal of provisions	4,720	1,327	Book value of securities sold ⁽¹⁾	1,955	18,179
Provisions for capital cost allowances	4,246		Loss on share repurchase ⁽³⁾	16,211	
Finance leases – Reversal of Art. 64 provisions ⁽²⁾	0	1,189	Miscellaneous expenses	56	8
Finance leases – Reversal of Art. 57 provisions ⁽²⁾	0	138	Depreciation and provisions	1,149	1,121
Reversals of construction provisions	473		Capital cost allowances	582	446
Non-recurring income	75,496	59,247	Finance leases – Art. 64 provisions	0	0
NET NON-RECURRING INCOME	-1,144	3,642	Finance leases – Art. 57 provisions	94	94
			Depreciation and amortisation charges	473	581
			Non-recurring expenses	76,640	55,605

(1) Income from disposal of securities and book values of securities disposed of.

(€K)	Disposal price	Net book value	Income (loss) from disposal of securities
BPI France securities ex-OSEO	321	90	230
OPCI Technical Property Fund securities	668	1,864	-1,196
TOTAL	989	1,955	-966

(2) The reversal of Art. 64 and Art. 57 provisions are proportional to the net book value of the exercise of lease purchase options.

(3) Corresponds to the repurchase costs of the 2018 redemption (€15,422 thousand) and the repurchase costs of 730,000 ORNANE 2011 bonds (€788 thousand).

3.5.4.4. Corporate income tax

Foncière des Régions is subject to the French listed real estate investment trust tax regime (SIIC); during 2016 there was no taxable income subject to the common law rate.

The SIIC regime allows the exemption of:

- ♦ income from the leasing of assets
- ♦ capital gains from the sale of assets to non-related companies
- ♦ dividends from subsidiaries are either subject to corporation tax and opting for the SIIC regime or not subject to corporation tax.

In return, the Company is subject to the following obligations concerning dividends:

- ♦ 95% of the taxable income from the leasing of assets must be distributed before the end of the year after the one in which said income was generated
- ♦ 60% of the capital gains from disposals of assets and shares in subsidiaries having opted for the tax treatment must be distributed before the end of the second fiscal year following the one in which they were realised
- ♦ 100% of the dividends from subsidiaries that have opted for the tax treatment must be distributed during the year after the year they are received.

The total distribution obligation is calculated by applying the appropriate distribution coefficient to each income category, limited to the taxable income from the entire exempt sector.

The tax credits amounted to €135,338 for fiscal year 2016.

The Group has opted to deduct the CICE (competitiveness and employment tax credit) tax credit from payroll, except for the tax credit arising from tax transparent companies.

The CICE tax credit is used to fund training and development at Foncière des Régions. It is not used to increase the Company's dividend.

3.5.4.5. Increase in and relief of future tax liabilities

As at 31 December 2015, the amount of Foncière des Régions' tax loss carryforwards was €217,630,430.

For the 2016 fiscal year, the net income was a loss of €22,005,624.

The tax loss carryforwards now amount to €239,636,054.

3.5.4.6. Non-tax-deductible expenses

In accordance with the provisions of Article 223 *quater* of the French General Tax Code, it should be noted that the financial statements for the past year include a total of €56,601 corresponding to non-tax-deductible expenses (depreciation and excess rent on leased vehicles).

During the past fiscal year, Foncière des Régions incurred no expenses subject to Articles 223 *quinquies* and 39-5 of the French General Tax Code.

3.5.5. Off-balance sheet commitments

3.5.5.1. Commitments given

Off-balance sheet commitments given

(€/M)	Maturity	31/12/2016	31/12/2015
Commitments related to consolidated companies		15.5	94.9
Investment commitments		0.0	0.0
Commitments relating to <i>ad hoc non-consolidated</i> entities likely to have significant impacts on the financial statements		0.0	0.0
Commitments given for specific transactions ⁽¹⁾	2018-2020	15.5	0.0
Conservation commitments (Article 210 E) – Appraisal value of the assets concerned		0.0	94.9
Other		0.0	0.0
Commitments related to financing		0.0	0.0
Financial guarantees given (CRD of pledged debt)		0.0	0.0
Commitments related to operating activities (A+B+C)		56.2	90.2
Financial instruments contracted for the purpose of receipt or delivery of a non-financial item (own use contracts)		0.0	0.0
A - Commitments given related to business development		43.1	54.5
Work commitments outstanding on assets under development ⁽²⁾		43.1	54.5
Purchase commitments		0.0	0.0
B - Commitments related to the implementation of operating contracts		1.9	2.2
Earn-out payments		0.0	0.0
Exercise of finance lease options		0.0	0.0
Work commitments outstanding on investment properties ⁽³⁾		1.9	2.2
Management fee guarantee		0.0	0.0
C - Commitments related to asset disposals		11.3	33.5
Rental guarantees on assets sold		0.0	0.0
Preliminary sale agreements given		11.3	33.5

(1) In connection with the transfer of the Logistics assets, Foncière des Régions (in place of Foncière Europe Logistique) agreed to guarantee liabilities amounting to €15.5 million which will mature in 2018 and 2020.

(2) Commitments relating to work on assets under development (2016).

(€/M)	Cost of budgets signed*	Amounts of works accounted for	Amounts for works commitments outstanding	Delivery date
Lezennes Helios	19.7	3.7	16.0	2018
Nancy Grand Cœur	18.8	11.8	7.0	Q2-2017
Issy Grenelle	41.0	21.9	19.1	Q2-2017
Meudon Canopée/Meudon	11.1	10.2	0.9	
TOTAL	90.6	47.6	43.1	

* The budgets for building works signed are monitored and updated regularly.

(3) Commitments relating to work on investment properties (2016).

(€/M)	Cost of budgets signed*	Amounts of works accounted for	Amounts for works commitments outstanding	Delivery date
Commitments to works on lease or lease renewal	2.0	0.0	1.9	
TOTAL	2.0	0.0	1.9	

* The budgets for building works signed are monitored and updated regularly.

- ◆ Under its SIIC status, the Foncière des Régions Group has specific obligations, as set out in Note 3.5.4.4.
- ◆ Under the bonus share plans awarded (see 3.5.6.5), Foncière des Régions has undertaken to deliver (through acquisition or creation) 438,544 shares to the beneficiaries present at the end of the vesting period.
- ◆ Under an investment agreement for the construction of a real estate complex leased to Eiffage, Foncière des Régions granted a yield guarantee to its partner Crédit Agricole Assurance (Predica). This guarantee could be exercised by the partner if the dividends received from the SCI 11, place de l'Europe prove insufficient to cover a minimum yield of 4% per year of the funds contributed by Crédit Agricole Assurance to the Eiffage Campus project. This guarantee is open as of the start of the work and until the end of the incentive period granted to the tenant, i.e. until September 2017.
- ◆ As part of the Dassault Systems extension project managed by SCI Latécoère 2, Foncière des Régions granted a yield guarantee to SCI DS Campus on 18 June 2015 subject to the following terms:
 - ◆ 3.5% per annum on amounts invested during the 18-month period beginning on 1 December 2016
 - ◆ 7% per annum during the period commencing on 1 June 2018 and ending on the date of the first rent receipt.

3.5.5.1.1. Swaps

As a variable-rate borrower, Foncière des Régions is subject to the risk of interest rates rising over time. The exposure to this risk is limited through hedging (swaps, caps and floors).

The acquisition of assets is generally financed through debt, primarily based on variable rates. The rate risk management policy involves systematically hedging variable-rate debt as soon as it is taken out in order to secure the financial flows. In principle, variable-rate debt is hedged over the planned term for holding the assets, a period at least longer than its maturity.

The real estate assets cannot be disposed of before the associated debt has been discharged. In the event of a disposal, the debt is repaid early. The hedging policy is flexible in order to prevent any risk of over-hedging in the event of assets being sold off.

Foncière des Régions' borrowings and debt with credit institutions have been covered by swap agreements.

The table below summarises the major features of these swap contracts:

Start date	End date	Ref	Bank	Rate type	Notional (€K)	Fair value
29/12/2006	31/12/2019	swaps	NATIXIS	3.78%	150,000	-18,296
31/12/2010	31/12/2018	swaps	NATIXIS	3.75%	75,000	-6,114
31/12/2010	31/12/2019	swaps	NATIXIS	3.75%	75,000	-9,080
30/11/2010	30/11/2020	swaps	HSBC	3.91%	150,000	-24,270
30/09/2011	31/12/2020	swaps	DEXIA	3.80%	100,000	-16,061
30/09/2011	31/12/2020	swaps	HSBC	3.86%	100,000	-16,325
20/01/2012	20/07/2020	swaps	CM CIC	3.14%	25,000	-3,004
16/10/2012	16/01/2018	swaps	NATIXIS	0.98%	250,000	2,897
28/03/2013	30/04/2020	swaps	NATIXIS	1.17%	170,000	7,804
18/09/2013	18/09/2020	swaps	HSBC	1.58%	200,000	13,293
31/12/2013	29/12/2023	swaps	PAL	2.00%	20,000	-2,592
28/11/2014	31/05/2023	swaps	SG	2.97%	125,000	-23,299
10/09/2014	10/09/2021	swaps	LCL	0.77%	150,000	4,996
31/12/2014	31/12/2024	swaps	CA	3.25%	200,000	-47,609
31/03/2016	31/12/2018	swaps	LCL	3.75%	75,000	6,114
18/02/2016	18/02/2026	swaps	CM CIC	0.50%	50,000	224
30/12/2016	31/12/2018	swaps	NATIXIS	4.25%	110,000	10,083
30/12/2016	31/12/2025	swaps	NATIXIS	1.56%	75,000	-11,426
20/05/2016	20/05/2026	swaps	CACIB	0.53%	200,000	-1,861
24/06/2016	31/12/2019	swaps	LCL	3.75%	35,000	4,237
TOTAL					2,335,000	-130,287

3.5.5.1.2. Caps and floors

Foncière des Régions' loans and debts with credit institutions are subject to a cap and floor contract.

The table below summarises the major features of these swap contracts:

Start date	End date	Ref	Bank	Rate type	Notional (€K)	Fair value
30/12/2011	31/12/2018	A – cap	BNP	3.25%	75,000	4
30/12/2011	31/12/2018	A – cap	BNP	3.25%	75,000	4
29/12/2017	29/12/2023	A – Call swaption	SG	3.00%	125,000	4
29/12/2017	29/12/2023	V – Put swaption	SG	1.80%	150,000	-14,246
31/12/2014	29/12/2017	A – cap	HSBC	2.00%	100,000	0
31/12/2014	29/12/2017	A – cap	CACIB	1.50%	50,000	0
31/12/2018	29/12/2028	A – Call swaption	LCL	3.15%	100,000	206
31/12/2018	29/12/2028	V – Put swaption	LCL	2.21%	100,000	-13,428
30/09/2016	29/06/2018	A – floor	CACIB	0.50%	150,000	1,789
29/06/2018	30/06/2026	V – Put swaption	CACIB	0.25%	150,000	-1,591
31/12/2019	31/12/2027	A – Call swaption	LCL	2.50%	70,000	608
31/12/2019	31/12/2027	V – Put swaption	LCL	1.39%	70,000	-4,085

3.5.5.2. Commitments received

Off-balance sheet commitments received

(€M)	Maturity	31/12/2016	31/12/2015
Commitments related to consolidated companies		0.0	0.0
Commitments received on specific transactions		0	0
Commitments related to financing		605.0	864.0
Commitments related to financing not specifically required by IFRS 7			
Financial guarantees received (authorised lines of credit not used)		605.0	864.0
Commitments related to operating activities		69.6	105.1
Financial instruments contracted for the purpose of receipt or delivery of a non-financial item (own use contracts)		0.0	0.0
Other contractual commitments received related to business activities		0.0	0.0
Assets received in pledge, mortgage or collateral, as well as guarantees received		13.4	15.0
Preliminary sale agreements received		11.3	33.5
Works committed outstanding (fixed assets)		45.0	56.7
Acquisition commitments (fixed assets)		0.0	0.0

3.5.6. Sundry information

3.5.6.1. Average headcount during the year and at the end of the period

	2016	2015
Managers	121	122
Supervisors	22	18
Employees	7	6
Building superintendents		
TOTAL EXCLUDING APPRENTICES	150	146
Apprentices	5	6
TOTAL	155	152

The average headcount for 2016 was 148.75.

3.5.6.2. Management and Directors' remuneration

3.5.6.2.1. Attendance fees

The attendance fees paid over the year by Foncière des Régions amounted to €383,000.

3.5.6.2.2. Remuneration of General Management

The members of the General Management and the Chairman of the Foncière des Régions Board of Directors received overall remuneration of €2,395 thousand for their roles, excluding the valuation of bonus shares.

The members of the General Management do not receive any post-retirement benefits, other than payment of the following compensation:

In the event of forced departure as a result of a change in control or strategy, the following Directors will receive compensation, provided that the performance conditions outlined in Section 1.14.1.2.6 are met:

- ♦ Christophe Kullmann (General Manager): the indemnity will be equal to 12 months' salary (fixed and variable) increased by one month for each year of service, limited in total to 24 months' salary.
- ♦ Olivier Estève (Deputy General Manager): the indemnity will be equal to 12 months' salary (fixed and variable) increased by one month for each year of service, limited in total to 24 months' salary.

3.5.6.3. Information regarding related-party transactions

All related-party transactions are concluded under normal market conditions.

As a reminder, the term "related parties" is broader than related companies, since it covers all consolidated businesses regardless of the consolidation method used. It also includes close family members of the primary executives.

3.5.6.4. Information on items with related companies

(€K)	Amount
Advances and pre-payments on fixed assets	0
Equity affiliates	4,151,080
Investment-related receivables	0
Loans	855,422
Trade receivables and related accounts	137,359
Other receivables	0
Other sundry long-term loans and borrowings	0
Other sundry short-term loans and borrowings	0
Advances and deposits received on orders in progress	0
Trade payables and related accounts	169,190
Debt on fixed assets and related accounts	0
Others	0
Income from investments	359,766
Other financial income	17,525
Financial expenses	-1,927

As a reminder, a company is considered to be "related" to another one when its likely to be included in consolidated accounts in a consolidated group. The list of fully consolidated companies can be found in Section 3.3.

3.5.6.5. Bonus shares

In 2016, bonus shares were distributed by Foncière des Régions. The following fair-value assumptions were made for the bonus shares:

	2016			
	France with performance conditions – performance scenario	France without performance conditions – internal FDR objective	France without performance conditions	Germany and Italy without performance conditions
Date awarded	27/04/2016	27/04/2016	27/04/2016	27/04/2016
Number of shares awarded	11,725	11,725	51,206	15,400
Share price on the date awarded	€82.67	€82.67	€82.67	€82.67
Acquisition period	3 years	3 years	3 years	3 years
Lock-up period	2 years	2 years		
2016 dividend per share	4.39	4.39	4.39	4.39
2017 dividend per share	4.55	4.55	4.55	4.55
2018 dividend per share	4.64	4.64	4.64	4.64
2019 dividend per share				
Value of bonus share	€69.00	€69.00	€69.00	€69.00
Value of the benefit	€41.10	€44.00	€59.20	€59.20

In 2016, a total of 212,501 bonus shares were awarded to certain categories of employees. This expense is recorded under net financial income for the period.

As at 31 December 2016, 438,544 bonus shares were granted but were not yet vested.

3.5.6.5. Subsidiaries and investments

SUBSIDIARIES AND EQUITY AFFILIATES AT 31 DECEMBER 2016 (ARTICLE L 233-15 OF THE FRENCH COMMERCIAL CODE)

Companies or groups of companies	Share capital	Reserves and retained earnings before allocation of income	Capital interest (%)	Book value of securities held	
				Gross	Net
I. DETAILED INFORMATION					
A. Subsidiaries (at least 50% of the capital held by the Company)					
1) Real estate					
a) Rental property					
SCI Esplanade Belvédère II	366	1	100.00	451	354
Foncière Développement Logements	116,742	50,690	61.25	190,489	190,489
Fédération	16,151	16,958	100.00	27,411	27,411
SCI Raphaël	9	8,000	100.00	8,004	8,004
Foncière Margaux	40	21	100.00	34	34
FDR7	4	46,957	100.00	45,513	45,513
Cœur d'Orly Promotion	37	0	50.00	19	19
SA Technical	105,543	155,349	100.00	382,583	382,583
GFR Kléber	6,001	23	100.00	6,001	6,001
SCI Omega A	13,606	1,410	100.00	14,163	14,163
SCI Omega C	7,447	3,017	100.00	8,843	8,843
SCI Le Ponant 1986	15	7,038	100.00	4,162	4,162

2016						
France – Germany – Italy Retention plan with performance condition – performance scenario	France – Germany – Italy Retention plan with performance conditions – FDR internal objective	France – Germany with performance conditions – internal objective	France without performance conditions	Germany without performance conditions	Italy without performance conditions	
27/04/2016	27/04/2016	27/04/2016	23/11/2016	23/11/2016	23/11/2016	
23,750	23,750	15,000	44,095	9,500	6,350	
€82.67	€82.67	€82.67	€74.10	€74.10	€74.10	
4 years	4 years	3 years	3 years	3 years	3 years	
4.39	4.39	4.39				
4.55	4.55	4.55	4.50	4.50	4.50	
4.64	4.64	4.64	4.50	4.50	4.50	
4.64	4.64		4.64	4.64	4.64	
€64.30	€64.30	€69.00	€60,34	€60,34	€60,34	
€33.70	€36.10	€41.60	€48.53	€48.53	€48.53	

Outstanding loans and advances granted by the Company & not reimbursed	Guarantees and sureties given by the Company	Revenues net of tax for the most recent year ended	Profit (loss) for the most recent year ended	Dividends received by the Company over the year	Comments
0		48	19	23	
0		12,455	75,388	27,009	
24,263		0	3,992	300	
19,000		2,515	1,703	1,740	
0		0	-11	0	
500		5,676	4,100	6,407	
4,421		330	300	0	
0		75,954	49,596	63,474	
6,800		935	168	138	
15,500		1,779	1,074	1,500	
13,083		1,458	906	0	
2,200		946	691	800	

Companies or groups of companies	Share capital	Reserves and retained earnings before allocation of income	Capital interest (%)	Book value of securities held	
				Gross	Net
SCI Atlantis	2	1,193	100.00	28,429	28,429
SCI Iméfa 127	81,788	6,035	100.00	103,476	103,476
SCI Ruhl Côte d'Azur	1	3,129	100.00	29,584	29,584
Foncière Europe Logistique (merged on 30/12/2016)	0	0		0	0
Latécoère	4,714	9,405	50.10	30,851	30,851
SCI du 32 avenue P Grenier	157	8,626	100.00	20,610	20,610
SCI du 57/59 rue du Cdt R Mouchotte (FTA on 30/11/2016)	92	9,654	100.00	0	0
SCI du 40 rue JJ Rousseau	24	1	100.00	12	12
SCI du 3 place A Chaussy	15	0	100.00	234	234
SARL BGA TranSActions	50	3,373	100.00	3,210	3,210
SCI du 288 rue Duguesclin	319	3,676	100.00	4,498	4,498
SCI du 9 rue des Cuirassiers	42	-1,367	100.00	5,693	5,693
SCI 35/37 rue Louis Guérin	34	-4,046	100.00	967	967
SCI du 15 rue des Cuirassiers	159	1,418	100.00	2,141	2,141
SARL du 25-27 quai Félix Faure	18	131	100.00	1,231	1,231
SCI du 10B ET 11A 13 allée des Tanneurs	32	13	100.00	1,441	1,441
SCI du 11 avenue de Sully	14	6	100.00	505	0
SCI du 8 rue M. Paul	11	3	100.00	285	285
SCI du 1 rue de Chateaudun	17	1,997	100.00	2,048	2,048
SCI du 1630 Avenue de la Croix Rouge	12	950	100.00	83	83
SCI du 2 rue de Verdun (FTA on 30/06/2016)	12	-2,435	100.00	0	0
SCI du 125 avenue du Brancolar	25	5	100.00	7	7
SCI du 682 cours de la Libération	15	2	100.00	644	644
SARL du 106-110 rue des Troènes	9	15	100.00	9	9
SARL du 11 rue Victor Leroy	13	0	100.00	2	2
SCI du 2 rue de l'Ill	14	0	100.00	198	198
SCI du 20 avenue Victor Hugo	12	0	100.00	3	3
SARL du 2 rue Saint Charles	16	140	100.00	7	7
SNC Palmer Transaction	4,356	-6,218	100.00	453	0
SNC Foncière Palmer	320	1,703	100.00	1,932	1,932
SNC Palmer Plage	4,605	-5,984	100.00	1,916	1,916
SCI Palmer Montpellier	292	78	100.00	0	0
SCI Dual Center	1,352	1,117	100.00	1,500	1,500
Beni Stabili	226,959	1,477,234	52.24	1,242,923	976,674
SCI Pompidou	966	4,038	100.00	5,000	5,000
SCI 11 Place de l'Europe	4	15,688	50.10	10,026	10,026
SCI Languedoc 34	11,241	77	100.00	11,241	11,241
Office CB 21	330,447	12,856	75.00	247,695	247,695
SCI Lenovilla	8	35,414	50.09	24,286	24,286
SCI Latécoère 2	2	-281	50.10	1	1
SCI Meudon Saulnier	1	-2,014	99.90	1	0
SCI Charenton	3,201	12,978	100.00	16,001	16,001
SCI avenue de la Marne	50	-27	100.00	50	0
SCI Euromarseille 3	1	-1	50.00	1	0
Omega B	5,963	5,339	100.00	15,977	15,977

Outstanding loans and advances granted by the Company & not reimbursed	Guarantees and sureties given by the Company	Revenues net of tax for the most recent year ended	Profit (loss) for the most recent year ended	Dividends received by the Company over the year	Comments
30,000		4,797	3,978	0	
0		3,589	1,224	0	
13,000		2,793	2,002	1,500	
0		11,625	1,498	131,707	
0		19,694	-10,397	969	
17,100		3,211	2,190	0	
0		163	10,220	0	
6,400		1,019	805	760	
4,400		903	526	424	
9,725		1,810	718	0	
8,555		1,756	1,305	1,700	
25,783		199	-611	0	
21,800		2,430	1,434	0	
24,465		0	-178	0	
4,200		1,090	680	580	
8,500		1,805	1,118	1,000	
3,700		759	-372	365	
2,765		702	534	365	
2,150		1,058	713	675	
9,555		769	64	0	
0		0	-86	0	
6,400		1,151	775	1,125	
3,400		780	422	635	
2,000		425	253	222	
2,600		763	528	465	
3,100		842	665	640	
2,850		839	614	645	
5,661		1,117	795	513	
5,400		6	-393	0	
1,841		868	740	0	
49,347		4,118	-450	0	
3,132		0	-2,423	0	
2,341		457	287	0	
0		200,248	158,835	27,289	
6,000		942	311	560	
23,050		3,303	-4,573	1,614	
0		904	497	500	
0		0	8,325	6,221	
26,604		4,670	-6,261	1,967	
19,398		2	-454	0	
29,016		0	-1,873	0	
147,047		10,597	5,152	1,500	
15,240		0	-466	0	
0		0	0	0	
11,059		1,128	-352	0	

Companies or groups of companies	Share capital	Reserves and retained earnings before allocation of income	Capital interest (%)	Book value of securities held	
				Gross	Net
FDR LUX	13	50	100.00	63	37
SCI Rueil B2	1	0	99.90	1	1
SCI Rueil B3 B4	1	0	99.90	1	1
b) Real estate trader					
SARL GFR Ravinelle	952	645	99.98	1,733	1,628
c) Real estate development					
Lenopromo	1	3,881	99.90	1	1
Latepromo	1	6,747	99.90	1	1
Promomurs	1	-6	100.00	1	1
2) Car parks					
République	6,450	66,171	59.50	50,145	50,145
Gespar	30	1	50.00	56	0
3) Services					
SNC FDR Property	2,037	-820	100.00	2,737	1,101
FDR Développement	200	-912	100.00	1,852	0
FDM Gestion	37	4	100.00	37	37
FDR2	927	-2,079	100.00	927	0
Euromarseille 1	3,501	3,347	50.00	3,587	3,587
Euromarseille 2	3,501	2,916	50.00	3,564	3,564
Foncière des Régions Sgp	592	351	100.00	1,395	1,199
Télimob Paris SARL	529	45,672	100.00	47,670	47,670
Immeo ReWo Holding GmbH	25	761,639	100.00	761,243	761,243
FDR Participations	1	-3	100.00	1	0

B. Investment (10% to 50% of capital held by the Company)**1) Real estate****a) Rental property**

Foncière des murs SCA	296,416	483,900	49.91	771,845	771,845
SCI Factor E	10	542	34.69	486	486
SCI Orianz	10	940	34.69	885	885

II. GENERAL INFORMATION ON OTHER HOLDINGS**A. Subsidiaries not included in Section 1**

a) French subsidiaries (total)

b) Foreign subsidiaries (total)

B. Investments not included in Section 1

a) In French companies

(Comédie/oseo/finantex/MRDIC/FNAIM)⁽¹⁾ 152 1,278 5 5

b) In foreign companies

III. GENERAL INFORMATION ON HOLDINGS**A. Subsidiaries I + II**

a) French subsidiaries (total)	735,162	532,116		1,373,691	1,367,786
b) Foreign subsidiaries (total)	226,984	2,238,873		2,004,166	1,737,917

B. Investments I + II

a) In French companies	69,629	-990,574		-469,702	-203,453
b) In foreign companies	226,959	1,477,234		1,242,923	976,674

(1) Information not available on closing date.

Outstanding loans and advances granted by the Company & not reimbursed	Guarantees and sureties given by the Company	Revenues net of tax for the most recent year ended	Profit (loss) for the most recent year ended	Dividends received by the Company over the year	Comments
2,987		0	-26	0	
89,909		5,394	1,957	0	
40,469		2,229	510	0	
0		47	32	0	
0		0	175	0	
0		0	5,368	0	
0		0	58	0	
0		15,056	-5,493	0	
0		48	30	13	
0		9,734	-116	0	
257		4,831	-1,076	0	
0		1,614	401	404	
16,936		0	-2,983	0	
11,109		0	29	0	
24,968		0	-6	0	
0		923	256	0	
0		0	31,509	22,818	
60,000		0	32,478	0	
11		0	-7	0	
0		108704	333,898	49,560	
1,665		0	-13	0	
3,521		0	-12	0	
0		1,162	557	0	
829,997	0	235,056	188,028	281,279	
60,000	0	200,248	191,313	27,289	
5,186	0	-199,086	175,595	22,271	
0	0	200,248	158,835	27,289	

3.5.6.7. Post-balance sheet events

On 17 January 2017, Foncière des Régions increased its capital by issuing 5,076,786 shares for a nominal value of €15,230,358.

3.5.6.8. Company earnings over the past five fiscal years

(€)	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016
I – Capital at year-end					
a. Share capital	173,690,076	188,049,264	188,050,671	199,889,196	206,273,556
b. Number of ordinary shares outstanding	57,896,692	62,683,088	62,683,557	66,629,732	68,757,852
c. Number of priority dividend shares (without voting rights) outstanding	0	0	0	0	0
d. Maximum number of future shares to be created	0	0	0	0	0
d1. Through conversion of bonds	0	0	0	0	0
d2. Through exercise of subscription rights	327,319	311,561	310,056	371,557	438,544
II – Operations and income for the fiscal year					
a. Revenues net of tax	73,716,015	72,992,648	74,203,034	67,946,138	73,203,471
b. Income before tax, employee profit sharing, depreciation and provisions	230,436,681	192,350,072	303,487,063	307,764,301	210,672,329
c. Corporate income tax	747,538	789,695	2,387,437	315,121	123,615
d. Employee profit-sharing due for the year					
e. Income after tax, employee profit-sharing, depreciation and provisions	142,109,966	180,571,839	186,513,137	205,606,731	248,815,409
f. Distributed income	243,166,106	263,268,970	263,270,939	286,507,848	302,534,549
III – Net income per share					
a. Income after tax and employee profit sharing, but before depreciation and provisions	3.97	3.06	4.80	4.61	3.06
b. Income after tax, employee profit-sharing, depreciation and provisions	2.45	2.88	2.98	3.09	3.62
c. Dividend per share	4.20	4.20	4.30	4.30	4.40
IV – Personnel					
a. Average salaried headcount over the fiscal year	145	141	156	152	149
b. Total payroll for the fiscal year	18,453,462	16,858,351	15,964,832	15,515,470	16,272,553
c. Amount paid in employee benefits for the fiscal year (social security, benefits, etc.)	6,396,840	6,457,459	7,264,791	6,495,142	6,619,556

3.5.6.9. Research and development activities

Foncière des Régions carried out no research and development activities during the past fiscal year.

3.5.6.10. Payment deadlines for suppliers

(€K)	Total	Balance not due	Overdue by less than 30 days	Overdue by 30-90 days	Overdue by more than 90 days
Trade payables ⁽¹⁾	10,068	8,787	990	268	23

(1) On the balance sheet corresponds to operating liabilities and debt on fixed assets and related accounts.

3.6. STATUTORY AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Year ended 31 December 2016

To the Shareholders,

In accordance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the year ended 31 December 2016, on:

- ♦ The audit of the accompanying annual financial statements of Foncière des Régions ;
- ♦ The justification for our assessments ;
- ♦ The specific verifications and information required by law.

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

I. Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit consists of verifying by sampling or other selection methods data justifying the amounts and information appearing in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe the information we have collected to be sufficient and appropriate to form an opinion.

In our opinion, the financial statements give a true and fair view of the portfolio and of the financial position of the company as at 31 December 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the matter set out in Note 3.5.2.1 to the financial statements, entitled "Intangible assets", regarding the change in accounting method relating to the allocation of losses on merger.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessment, we bring to your attention the following matters:

- ♦ At each closing, the real estate portfolio is subject to appraisals by independent real estate appraisers according to the policies described in Note 3.5.2.1 "Tangible fixed assets" of the notes to the financial statements. As indicated in this same note, your company may be required to establish provisions for impairment of its real estate portfolio when the inventory value determined by reference to the appraisal value, excluding transfer duties, is less than net book value. We have verified the correct application of this accounting treatment.
- ♦ As stated in the first section of this report, Note 3.5.2.1 to the financial statements, entitled "Intangible assets", describes the change in accounting method resulting from the application of the new accounting regulation concerning the allocation of losses on merger. Within the context of our assessment of the accounting policies adopted by your company, we verified that the change in accounting regulations had been correctly applied and presented in the accounts.
- ♦ Equity investments are evaluated under the conditions described in Note 3.5.2.3 "Long-term investments" of the notes to the financial statements. We assessed the approaches used by your company and, where applicable, verified the calculation of impairment charges.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific verifications and information

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

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

Concerning the information given in accordance with the requirements of Article L. 255-102-1 of the French Commercial Code (*Code de Commerce*) on remuneration and benefits received by corporate officers as well as the commitments granted to them, we have verified the consistency with the financial statements or with the data that was used to prepare these financial statements and, when necessary, with the elements collected by your company from the companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense, 28 February 2017

The Statutory Auditors

MAZARS

Gilles Magnan

ERNST & YOUNG et Autres

Jean-Roch Varon

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GENERAL MEETING AND CORPORATE GOVERNANCE

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4.1. AGENDA AND DRAFT RESOLUTIONS

Combined General Meeting of 26 April 2017

All shareholders of Foncière des Régions (hereinafter referred to as “**Foncière des Régions**” or as the “**Company**”) are invited to the Combined General Meeting on Wednesday 26 April 2017, at 2:30 pm in the Pavillon Kléber, 7 rue Cimarosa, Paris (75116) to deliberate on the following agenda items:

4.1.1. Agenda

4.1.1.1. Ordinary resolutions

- ◆ Approval of the Company’s financial statements for the year ended 31 December 2016.
- ◆ Approval of the consolidated financial statements for the year ended 31 December 2016.
- ◆ Allocation of income – Distribution of dividends.
- ◆ Approval of the Statutory Auditors’ special report prepared in accordance with Article L. 225-40 of the French Commercial Code and the regulated agreements covered by Article L. 225-38 of the French Commercial Code referred to therein.
- ◆ Approval of the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Jean Laurent as the Chairman of the Board of Directors.
- ◆ Opinion on the elements of remuneration due or attributable to Jean Laurent in his capacity as Chairman of the Board of Directors for the year ended 31 December 2016.
- ◆ Approval of the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Christophe Kullmann as the Chief Executive Officer.
- ◆ Opinion on the elements of remuneration due or attributable to Christophe Kullmann in his capacity as Chief Executive Officer for the year ended 31 December 2016.
- ◆ Approval of the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Olivier Estève as the Deputy General Manager.
- ◆ Opinion on the elements of remuneration due or attributable to Olivier Estève in his capacity as Deputy General Manager for the year ended 31 December 2016.
- ◆ Renewal of the mandate of Jean-Luc Biamonti as a Director.
- ◆ Renewal of the mandate of Sylvie Ouziel as a Director.
- ◆ Renewal of the mandate of the company Predica as a Director.
- ◆ Renewal of the mandate of Pierre Vaquier as a Director.
- ◆ Authorisation to be granted to the Board of Directors for the purposes of the Company’s purchase of its own shares.

4.1.1.2. Extraordinary resolutions

- ◆ Delegation of authority to the Board of Directors to increase the Company’s share capital through the capitalisation of reserves, profits or premiums.
- ◆ Authorisation to be granted to the Board of Directors to reduce the Company’s share capital through the cancellation of shares.
- ◆ Delegation of authority to the Board of Directors to issue shares and/or securities giving access to the Company’s share capital, maintaining the shareholders’ preferential right of subscription.
- ◆ Delegation of authority to the Board of Directors to issue, through public offering, Company shares and/or securities giving access to the Company’s share capital, with waiver of shareholders’ preferential subscription rights and a mandatory priority period for share issues.
- ◆ Delegation of authority to the Board of Directors to issue shares and/or securities giving access to the Company’s share capital, with waiver of shareholders’ preferential subscription rights, in the event of a public exchange offer initiated by the Company.
- ◆ Delegation of authority to the Board of Directors to issue shares and/or securities giving access to the Company’s share capital, in order to pay for the contributions in kind granted to the Company consisting of capital shares or transferable securities giving access to share capital, with waiver of shareholders’ preferential subscription rights.
- ◆ Delegation of authority to the Board of Directors to undertake capital increases reserved for employees of the Company and companies in the Foncière des Régions Group that are members of a company savings plan, with waiver of shareholders’ preferential subscription rights.
- ◆ Powers for formal recording requirements.

4.1.2. Text of the resolutions

4.1.2.1. Ordinary resolutions

Resolution 1

(Approval of the Company's financial statements for the year ended 31 December 2016)

Having reviewed the Company's financial statements for the year ended 31 December 2016 and the reports of the Board of Directors and Statutory Auditors on these annual financial statements, the General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, approves in full the report of the Board of Directors and the financial statements for the year ended 31 December 2016, including the balance sheet, income statement and notes, as presented, showing a profit of €248,815,409.33.

The General Meeting consequently approves the transactions posted to these accounts or summarised in these reports.

The General Meeting notes that there were no expenditure and expenses covered by Article 39-4 of the French General Tax Code, and observes that there is no corporate tax payable in this respect.

Resolution 2

(Approval of the consolidated financial statements for the year ended 31 December 2016)

Having reviewed the reports of the Board of Directors and Statutory Auditors on the consolidated financial statements, the General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, approves the consolidated financial statements for the year ended 31 December 2016, including the balance sheet, income statement and notes, as presented, as well as the transactions posted to these accounts or summarised in these reports.

The General Meeting notes that the consolidated net income of the Group as at 31 December 2016 was €782,774 thousand.

Resolution 3

(Allocation of income – Distribution of dividends)

On the Board of Directors' proposal, the General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, resolves to:

- ♦ allocate the earnings for the year, which amount to €248,815,409.33, as follows:
 - (i) €21,121.20 to the legal reserve, bringing the amount of the legal reserve to 10% of the share capital at the end of the fiscal year, i.e. €20,627,355.60
 - (ii) €248,794,288.13 to the distribution of dividends

- ♦ and distribute of €76,235,691.87, taken from:

- (i) the "Retained earnings" account, i.e. €76,144.40
 - (ii) the "Distributable revaluation reserve" account, i.e. €98,159.85
 - (iii) the "Additional paid-in capital" account, i.e. €76,061,387.62.
- Thus, each share will receive a dividend of €4.40.

Please note that in the event of changes to the number of shares giving the right to dividends, and in particular in the event of the conversion of any net share settled bonds convertible into new and/or existing shares ("ORNANE") and/or the definitive acquisition of bonus shares taking place before the payment date for the dividend, the overall amount of the dividend will be adjusted correspondingly through a withdrawal from the "Share premium" account.

The General Meeting resolves that, pursuant to the provisions of Article L. 225-210 of the French Commercial Code, the amount the shareholders may have waived, as well as the amount corresponding to treasury shares on the dividend payment date, which do not grant a right to dividends, will be allocated to the "Retained earnings" account.

The dividend will be paid out on 19 May 2017.

Based on the total number of shares comprising the share capital as at 15 February 2017, which is 73,870,450 shares, a total dividend of €325,029,980 will therefore be allocated. The portion of this dividend drawn from tax-exempt profits and awarded to physical persons who are subject French income tax does not grant a right to the 40% rebate, in accordance with Article 158-3 of the French General Tax Code. This tax rebate continues to apply, where applicable, in other cases (Article 158-3-2 of the French General Tax Code).

The balance of the dividend deducted in the amount of €76,061,387.62 from the "Additional paid-in capital" account is treated as a reimbursement of contribution within the meaning of Article 112-1 of the French General Tax Code.

The dividend drawn against the Company's profits exempt from corporation tax pursuant to Article 208 C of the French General Tax Code totals €211,180,420.40.

The dividend drawn against the Company's profits exempt from corporation tax pursuant to Article 208-3 *quater* of the French General Tax Code totals €0.

In accordance with the law, the General Meeting confirms that the dividends distributed for the previous three fiscal years were as follows:

Fiscal year	Type of dividend	Dividend paid per share	Amount of dividend eligible for the 40% rebate	Amount of dividend not eligible for the 40% rebate
2013	Current	€4.20	€0.11907	€4.08093
2014	Current	€4.30	-	€4.30
2015	Current	€4.30	€0.0329	€4.2671

Resolution 4

(Approval of the Statutory Auditors' special report prepared in accordance with Article L. 225-40 of the French Commercial Code and the regulated agreements covered by Article L. 225-38 of the French Commercial Code referred to therein)

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the special Statutory Auditors' report on the agreements covered under Article L. 225-38 of the French Commercial Code, approves this report and such agreements entered into or executed during the financial year ended 31 December 2016.

Resolution 5

(Approval of the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Jean Laurent as the Chairman of the Board of Directors)

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report attached to the report of the Board of Directors, drawn up pursuant to Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Jean Laurent as the Chairman of the Board of Directors, as described in the aforementioned report, presented in Section 4.2.1.3 of the Company's Reference Document.

Resolution 6

(Opinion on the elements of remuneration due or attributable to Jean Laurent in his capacity as Chairman of the Board of Directors for the year ended 31 December 2016)

The General Meeting, consulted pursuant to recommendation 26 of the Afep-Medef corporate governance code for listed companies, to which the Company refers, and ruling under the quorum and majority conditions required for Ordinary General Meetings, having taken note of the Board of Directors' report, approves the elements of remuneration due or attributable for the year ended 31 December 2016 to Jean Laurent in his capacity as Chairman of the Board of Directors, as described in Section 5.5.1.1 of the Company's Reference Document.

Resolution 7

(Approval of the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Christophe Kullmann as the Chief Executive Officer)

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report attached to the report of the Board of Directors, drawn up pursuant to Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Christophe Kullmann as the Chief Executive Officer, as described in the aforementioned report, presented in Section 4.2.1.3 of the Company's Reference Document.

Resolution 8**(Opinion on the elements of remuneration due or attributable to Christophe Kullmann in his capacity as Chief Executive Officer for the year ended 31 December 2016)**

The General Meeting, consulted pursuant to recommendation 26 of the Afep-Medef corporate governance code for listed companies, to which the Company refers, and ruling under the quorum and majority conditions required for Ordinary General Meetings, having taken note of the Board of Directors' report, approves the elements of remuneration due or attributable for the year ended 31 December 2016 to Christophe Kullmann in his capacity as Chief Executive Officer, as described in Section 5.5.1.2 of the Company's Reference Document.

Resolution 9**(Approval of the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Olivier Estève as the Deputy General Manager)**

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report attached to the report of the Board of Directors, drawn up pursuant to Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total remuneration and benefits of any kind that may be allocated to Olivier Estève in his capacity as the Deputy General Manager, as described in the aforementioned report, presented in Section 4.2.1.3 of the Company's Reference Document.

Resolution 10**(Opinion on the elements of remuneration due or attributable to Olivier Estève in his capacity as Deputy General Manager for the year ended 31 December 2016)**

The General Meeting, consulted pursuant to recommendation 26 of the Afep-Medef corporate governance code for listed companies, to which the Company refers, and ruling under the quorum and majority conditions required for Ordinary General Meetings, having taken note of the Board of Directors' report, approves the elements of remuneration due or attributable for the year ended 31 December 2016 to Olivier Estève in his capacity as the Deputy General Manager, as described in Section 5.5.1.2 of the Company's Reference Document.

Resolution 11**(Renewal of the mandate of Jean-Luc Biamonti as a Director)**

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report of the Board of Directors, and having noted that the term as Director of Jean-Luc Biamonti is ending during this General Meeting, hereby decides to renew the term as Director of Jean-Luc Biamonti from this day forward for a period of four (4) years, to expire at the end of the General Meeting of Shareholders convened in 2021 to approve the financial statements of the year ending on 31 December 2020.

Resolution 12**(Renewal of the mandate of Sylvie Ouziel as a Director)**

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report of the Board of Directors, and having noted that the term as Director of Sylvie Ouziel is ending during this General Meeting, hereby decides to renew the term as Director of Sylvie Ouziel from this day forward for a period of four (4) years, to expire at the end of the General Meeting of Shareholders convened in 2021 to approve the financial statements of the year ending on 31 December 2020.

Resolution 13**(Renewal of the mandate of the company Predica as a Director)**

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report of the Board of Directors, and having noted that the term as Director of the company Predica is ending during this General Meeting, hereby decides to renew the term as Director of Predica from this day forward for a period of four (4) years, to expire at the end of the General Meeting of Shareholders convened in 2021 to approve the financial statements of the year ending on 31 December 2020.

Resolution 14**(Renewal of the mandate of Pierre Vaquier as a Director)**

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report of the Board of Directors, and having noted that the term as Director of Pierre Vaquier is ending during this General Meeting, hereby decides to renew the term as Director of Pierre Vaquier from this day forward for a period of four (4) years, to expire at the end of the General Meeting of Shareholders convened in 2021 to approve the financial statements of the year ending on 31 December 2020.

Resolution 15

(Authorisation to be granted to the Board of Directors for the purposes of the Company's purchase of its own shares)

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report of the Board of Directors and pursuant to the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, EC Regulation No. 596/2014 of 16 April 2014 and the market practices allowed by the *Autorité des Marchés Financiers* (French Financial Markets Authority):

- ♦ terminates, effective immediately, for the unused portion, the authorisation given by the Combined General Meeting of 27 April 2016
- ♦ authorises the Board of Directors, which may further delegate such authority under the conditions provided for by legal and regulatory provisions, to purchase treasury shares or cause them to be purchased, all at once or in several instances at the time of its choosing
- ♦ decides that purchases of Company shares as described in the paragraph above may be for a number of shares such that the number of shares that the Company would purchase during the buyback program does not exceed 10% of the shares making up the share capital of the Company (at any time whatsoever, and this percentage applies to adjusted capital based on transactions that affect it after this Meeting). It is stipulated that (i) a maximum of 5% of the shares comprising the Company's share capital may be allocated for holding purposes and subsequent payment or exchange within the framework of a merger, split or contribution, and (ii) in the event of an acquisition within the context of a liquidity agreement, the number of shares taken into account for calculating the 10% limit on the total share capital mentioned above corresponds to the number of shares purchased less the number of shares resold during the term of this authorisation, and (iii) purchases made by the Company may not under any circumstances lead to it owning more than 10% of the share capital of the Company.

The maximum purchase price paid by the Company for its own shares must not exceed one hundred euros (€100) per share (excluding acquisition expenses). In the case of capital transactions, specifically through the incorporation of reserves and the awarding of bonus shares and/or the splitting or consolidation of shares, this price will be adjusted by a multiplier coefficient equal to the ratio between the number of shares comprising the share capital prior to the transaction and the same number after the transaction. To this end, in the event of a change in the share par value, a capital increase through the incorporation of reserves, the awarding of bonus shares, the splitting or consolidation of shares, the distribution of reserves or any other assets, the amortisation of capital or any other transaction affecting shareholders' equity, the General Meeting delegates to the Board of Directors the authority to adjust the aforementioned purchase price in order to take these transactions into consideration in the share value.

The maximum amount of funds reserved for the share buyback programme will be one hundred and fifty million euros (€150.000.000).

Transactions relating to purchases, disposals, exchanges or transfers may be executed by any means, *i.e.* on the market or over the counter, including by acquisition or sale of blocks, as well as by

recourse to financial instruments, specifically derivative financial instruments traded on a regulated or over-the-counter market, such as calls or puts or any combinations thereof, or by recourse to warrants, under the conditions authorised by the competent market authorities and at such times as the Company's Board of Directors deems fitting. The maximum portion of the share capital acquired or transferred in the form of blocks of shares may comprise up to the entire programme.

These transactions may take place at any time, subject to compliance with regulations in effect, unless a third party files a public offering for the shares of the Company, until the end of the offer period.

This authorisation is intended to allow the Company to pursue the following objectives, in fulfilment of the applicable legal and regulatory provisions:

- ♦ allocate shares to executive corporate officers or employees of the Company and/or of companies belonging to its group, in accordance with the terms and conditions set out in the applicable laws and regulations in the context of (i) sharing in the benefits due to the Company's growth, (ii) the stock option scheme provided for by Articles L. 225-177 *et seq.* of the French Commercial Code, (iii) the system for the awarding of bonus shares as provided for by Articles L. 225-197-1 *et seq.* of the French Commercial Code and (iv) any employee savings plan, as well as to engage in any hedging transaction under the conditions stipulated by the market authorities and at such times as the Board of Directors or the individual acting on behalf of the Board of Directors deems fitting
- ♦ remit the shares during the exercise of rights attached to securities giving the right, immediately or in the future, through redemption, conversion, exchange, presentation of a warrant or any other manner, to the allocation of Company shares, as well as to engage in any hedging transaction in relation to the issuance of such securities, under the conditions stipulated by the market authorities and at such times as the Board of Directors or the individual acting on behalf of the Board of Directors deems fitting
- ♦ keep the shares and remit them later as payment or in exchange in the context of potential transactions for external growth, merger, split or contribution
- ♦ cancel all or part of the shares through a reduction in the share capital (specifically with a view to optimising cash management, return on equity or income per share), subject to this General Meeting adopting Resolution 17 below
- ♦ facilitate the liquidity of transactions and consistency in the trading of the Company's shares or to prevent price swings not justified by market trends within the framework of a liquidity agreement entered into with an investment services provider operating in complete independence, under the conditions and in accordance with the methods set by regulation and recognised market practice and consistent with a code of ethics recognised by the *Autorité des Marchés Financiers*
- ♦ and also with a view to any other practice that could be recognised by the law or the *Autorité des Marchés Financiers* or any other purpose to be authorised by the law or regulations in effect in future. In such a case, the Company would inform its shareholders by sending out a notice.

This authorisation is given for eighteen (18) months as at the date of this General Meeting.

The General Meeting grants complete authority to the Board of Directors, which may further delegate such authority under the conditions stipulated by the applicable legal and regulatory provisions, for the purposes of implementing this authorisation, and specifically:

- ♦ to place all orders on the securities exchange or over the counter
- ♦ to enter into any agreements specifically with a view to maintaining records on the purchase and sale of shares
- ♦ to prepare any documents, specifically for information purposes
- ♦ to allocate or reallocate the shares acquired for the various purposes in question, under the applicable legal and regulatory conditions
- ♦ to prepare any statements and execute any recording requirements of the *Autorité des Marchés Financiers* or any other public authority and, in general, to take all necessary measures.

The General Meeting acknowledges that, in the event that the Board of Directors uses this authorisation, the Board of Directors must report on it pursuant to Article L. 225-100 of the French Commercial Code, in accordance with Article L. 225-211 of the French Commercial Code.

4.1.2.2. Extraordinary resolutions

Resolution 16

(Delegation of authority to the Board of Directors to increase the Company's share capital through the capitalisation of reserves, profits or premiums)

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings, having taken note of the report of the Board of Directors:

- ♦ terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016
- ♦ hereby fully authorises the Board of Directors, in accordance with the provisions of Articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code, which may further delegate such authority, to decide to increase the Company's share capital, on one or more occasions, in the proportions and at the times that it deems relevant, by incorporating all or part of the reserves, profits, premiums or any other sums that may be capitalised, to be executed through the issue of new bonus shares or an increase in the par value of the Company shares or a combination of these two procedures
- ♦ the above notwithstanding, resolves that the Board of Directors may not, unless with the prior authorisation of the General Meeting, use this delegation of authority as of the date of the filing by a third party of a proposed public takeover bid on the Company's shares, and until the end of the offer period
- ♦ resolves that the maximum nominal amount of the capital increases that may be performed under this delegation, immediately or in the future, may not exceed a total of twenty-two million euros (€22,000,000), plus, if applicable, the par value of the additional shares to be issued in order to protect the rights of the holders of securities giving access to the share capital as required by legal, regulatory and contractual stipulations; it being specified that this amount has been set independently and separately from the ceilings on

capital increases resulting from issues of shares or securities authorised by Resolutions 18 to 22

- ♦ resolves that this delegation is valid for a period of twenty-six (26) months from the date of this General Meeting
- ♦ resolves that the rights forming fractional shares will be neither tradable nor transferable and that the corresponding shares will be sold; the sums resulting from the sale will be awarded to the holders of the rights as provided for under the legislative and regulatory provisions applicable; and
- ♦ resolves that the Board of Directors, with sub-delegation authority under the conditions stipulated by the legal and regulatory provisions, will have all powers to implement this delegation, specifically for the purposes of:
 - (i) determining the terms and conditions of the operations authorised above, and more specifically determining in this respect the amount of sums to be capitalised and the shareholders' equity account or accounts against which they will be drawn
 - (ii) setting the amounts to be issued and the dividend entitlement date, applied retroactively or not, for the securities to be issued
 - (iii) making any adjustments in order to take into account the impact of operations on the Company's share capital
 - (iv) setting the terms and conditions under which the rights of holders of securities giving access to the share capital will be maintained, as relevant, in accordance with the legal and regulatory provisions in force and the conditions stipulated in any contracts in force
 - (v) performing, either on its own or through an agent, all acts and formalities to make definitive any capital increases that may be carried out as authorised under this resolution and
 - (vi) amending the Articles of Association accordingly and, in general, doing whatever is necessary.

Resolution 17

(Authorisation to be granted to the Board of Directors to reduce the Company's share capital through the cancellation of shares)

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having taken note of the Board of Directors' report and Statutory Auditors' special report, and in accordance with the provisions of Article L. 225-209 of the French Commercial Code:

- ♦ terminates, effective immediately, for the unused portion, the authorisation given by the Combined General Meeting of 27 April 2016
- ♦ authorises the Board of Directors, which may further delegate such authority, for a period of eighteen (18) months from the date of this General Meeting, to cancel, on one or more occasions and at the times it sees fit, the shares acquired by the Company under the authority of Resolution 15 or any other resolution with the same purpose and same legal basis, within the limit of 10% of the Company's share capital per period of twenty-four (24) months, and to reduce the share capital accordingly, with the understanding that this percentage applies to the adjusted capital taking into account the impact of transactions taking place after this General Meeting and

- ♦ authorises the Board of Directors to allocate the difference between the purchase value of the cancelled shares and their par value to the “Share premium” account or to any available reserves account, including legal reserves, to a maximum of 10% of the realised capital reduction.

The General Meeting grants all authority to the Board of Directors, with sub-delegation authority under the conditions stipulated by the legal and regulatory provisions, to undertake this (these) transaction(s) involving share cancellations and capital reductions, specifically to set the final value of the capital reduction, setting the conditions and confirming its fulfilment and undertaking the corresponding amendment of the Company’s Articles of Association, to take any formal recording measures, to make any efforts and statements to any public entities and, in general, to do anything necessary.

Resolution 18

(Delegation of authority to the Board of Directors to issue shares and/or securities giving access to the Company’s share capital, maintaining the shareholders’ preferential right of subscription)

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having taken note of the Board of Directors’ report and Statutory Auditors’ special report, and in accordance with the provisions of Articles L. 225-129, L. 225-129-2 and L. 228-91 *et seq.* of the French Commercial Code:

- ♦ terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016
- ♦ delegates the authority to the Board of Directors, which may further delegate said authority, for a period of twenty-six (26) months as from the date of this General Meeting, to decide, on one or more occasions, in the proportions and at the times it deems fit, both in France and abroad, on the issuance, in euros or in foreign currency, maintaining the shareholders’ preferential subscription rights, of Company shares and/or securities (including warrants to subscribe for new or existing shares), giving immediate or future access by any means to the Company’s share capital, whether issued free of charge or in return for payment. It is specified that this delegation may allow for the issue of transferable securities under the conditions set forth by Article L. 228-93 of the French Commercial Code
- ♦ the above notwithstanding, resolves that the Board of Directors may not, unless with the prior authorisation of the General Meeting, use this delegation of authority as of the date of the filing by a third party of a proposed public takeover bid on the Company’s shares, and until the end of the offer period
- ♦ resolves that the maximum nominal amount of the share capital increases that may be performed under this delegation, immediately or in the future, may not exceed a total of fifty-five million euros (€55,000,000), plus, if applicable, the par value of the additional shares to be issued in order to protect the rights of the holders of securities giving access to

the share capital as required by applicable legal, regulatory and contractual stipulations; it being specified that this amount has been set independently and separately from the ceilings on capital increases resulting from issues of shares and/or other securities authorised by Resolutions 16 and 19 to 22

- ♦ also resolves that the par value of securities representing receivables giving access to the Company’s share capital immediately and/or in the future that may be issued under this delegation may not exceed a total of seven hundred and fifty million euros (€750,000,000) or the equivalent of this on the date of this issuance decision in the case of an issuance in foreign currency or in a unit of account set by reference to several currencies. Please note that the nominal amount of the securities representing receivables giving access to the Company’s share capital immediately and/or in the future that may be issued under this delegation and Resolutions 19 to 21 may not exceed a total of seven hundred and fifty million euros (€750,000,000), the overall ceiling for all debt securities.

The subscription of shares or securities giving access the share capital may be subscribed for in cash or by offsetting receivables against the Company.

Shareholders have a preferential right, in proportion to the value of their shares, to subscribe the shares and securities issued under this resolution. The Board of Directors may establish, for shareholders, a subscription right on a reducible basis for the shares or securities issued, which will be issued in proportion to their subscription rights and up to the maximum of their orders.

Consequently, if subscriptions on an irreducible basis and, where applicable, on a reducible basis, have not absorbed the entire issue of shares or securities as defined above, the Board of Directors may use all or some of the options below in the order it deems appropriate:

- ♦ to restrict the issue to the amount of subscriptions, it being specified that in the event of a share issue, this limit may only be applied by the Board of Directors on condition that the subscriptions amount to at least three quarters (3/4) of the issue decided
- ♦ to freely distribute all or part of any securities not subscribed on an irreducible basis and, where relevant, on a reducible basis; and
- ♦ to offer to the public all or part of the non-subscribed shares on the French and/or international markets and/or abroad.

The General Meeting acknowledges that the authorisation implies, as applicable, in favor of the holders of such securities giving access to the Company’s share capital as may be issued under this delegation, automatic waiver by the shareholders of their preferential right of subscription to shares in connection with such securities.

The General Meeting resolves that Company stock warrants may be issued by subscription offer, as well as by bonus award to owners of old shares, and that, in the event of a bonus award of stock warrants, the Board of Directors will be entitled to resolve that fractional allocation rights will not be negotiable and that the corresponding securities must be sold.

The General Meeting grants all powers to the Board of Directors to implement this delegation, with a right of sub-delegation, under the conditions provided for by the legal and regulatory provisions, specifically for the purposes of:

- ♦ determining the dates, prices and other conditions of the issues as well as the form and features of the transferable securities to be created
- ♦ setting the amounts to be issued and the dividend entitlement date, applied retroactively or not, for the securities to be issued
- ♦ determining the method of release for the shares or other securities issued and, if applicable, the conditions for their purchase or exchange
- ♦ suspending, if applicable, the exercise of the share allocation rights attached to the securities to be issued, for a period not to exceed three (3) months
- ♦ setting the terms and conditions under which the rights of holders of securities giving access to the Company's share capital will be maintained, as relevant, in accordance with the legal and regulatory provisions in force and the conditions of any applicable contracts providing for other adjustments
- ♦ charging any amounts against the share premium as required, in particular the fees triggered by the issuance, to deduct from this amount the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase
- ♦ undertaking any formalities required for the listing for trading on a regulated market in France or abroad, of the rights, shares or securities issued, and recording both the capital increase or increases resulting from any issuance made through the use of this delegation and providing the financial services of the securities in question and exercise of the corresponding rights
- ♦ deciding, in the event of an issue of transferable securities representing claims giving access to the Company's share capital, subject to the conditions defined by law, whether or not they are subordinated, setting the interest rate and the currency, the maturity, which may be perpetual if applicable, the fixed or variable redemption price with or without premium, the conditions for amortisation based on market conditions, and the conditions under which these securities will give entitlement to shares of the Company and the other conditions for issue (including the act of granting guarantees or securities) and amortisation and
- ♦ in general, taking any measure that may be required, entering into any agreements, requesting any authorisations, performing any formalities, and doing whatever is necessary to ensure the successful outcome of the issues planned, or to postpone them, and specifically recording the capital increases resulting from any issue performed through the use of this delegation, and amending the Company's Articles of Association accordingly.

Resolution 19

(Delegation of authority to the Board of Directors to issue, through public offering, company shares and/or securities giving access to the Company's capital, with waiver of shareholders' preferential subscription rights and a mandatory priority period for share issues)

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having taken note of the Board of Directors' report and Statutory Auditors' special report, and in accordance with the provisions of Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136 and L. 228-91 *et seq.* of the French Commercial Code:

- ♦ terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016
- ♦ delegates to the Board of Directors, with the option to sub-delegate, for a period of twenty-six (26) months as from the date of this General Meeting, the power to decide, on one or more occasions, in the proportions and at the times it deems fit, on the issuance of Company shares and/or securities giving immediate or future access by any means to the Company's share capital, through public offering, in France or abroad, in euros or in foreign currency, with waiver of shareholders' preferential subscription rights. It is specified that this delegation of authority may allow for the issue of transferable securities under the conditions set forth by Article L. 228-93 of the French Commercial Code
- ♦ the above notwithstanding, resolves that the Board of Directors may not, unless with the prior authorisation of the General Meeting, use this delegation of authority as of the date of the filing by a third party of a proposed public takeover bid on the Company's shares, and until the end of the offer period
- ♦ resolves that the par value of all debt securities issued under this delegation may not exceed a total of seven hundred and fifty million euros (€750,000,000), the overall ceiling for debt securities provided for herein and in Resolutions 18, 20 and 21, or the equivalent of this amount on the date of the issuance decision in the case of issuance in foreign currency or in a unit of account set by reference to several currencies. This amount is independent of the amount of the debt securities for which issuance was decided or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code
- ♦ resolves that the maximum nominal value of increases in the Company's share capital that might be made immediately or in the future under this delegation may not exceed twenty-two million euros (€22,000,000). Added to this ceiling, as necessary, will be the additional par value of the shares or other equity instruments to be issued, in accordance with the applicable legal and regulatory provisions and any applicable contractual stipulations providing for other cases of adjustment, to preserve the rights of holders of securities representing receivables giving access to the share capital. Please note that this amount has been set independently and

separately from the ceilings on capital increases resulting from issues of shares or securities authorised under this delegation and by Resolutions 16, 18, and 20 to 22.

Issuances decided under this delegation will be completed through public offering.

This delegation of authority expressly excludes the issue of preference shares or marketable securities giving access by any means to preference shares either immediately or in the future.

The subscription of shares or securities giving access to the share capital may be subscribed for either in cash or by offsetting receivables against the Company.

The General Meeting resolves:

- ♦ to cancel the shareholders' preferential right of subscription to shares and other securities issued under this delegation
- ♦ to grant shareholders, in connection with share issues, a priority period of at least three (3) trading days for all share issues through public offering carried out by the Board of Directors in accordance with Articles L. 225-135, Par. 5 and R. 225-131 of the French Commercial Code
- ♦ to delegate to the Board of Directors the option of granting a similar priority period for other non-equity issues.

A priority subscription period that does not lead to the creation of negotiable rights must be exercised in proportion to the portion of equity owned by each shareholder and could potentially be topped up by a subscription on a reducible basis, in the understanding that unsubscribed shares will be sold to public investors in France or, where applicable, abroad.

In accordance with Article L. 225-136 of the French Commercial Code, the General Meeting resolves that:

- ♦ the issue price of the new shares will be at least equal to the weighted average market price quoted for Foncière des Régions shares on Euronext Paris over the last three trading days preceding its setting, less, where applicable, a maximum discount of 5% and
- ♦ the issue price of the securities giving, by any means, immediate or future access to the Company's share capital, that are likely to be issued under this delegation will be such that the sum immediately received by the Company, plus, if applicable, any amount it might receive subsequently, for each share or other equity security issued as a consequence of the issuance of these securities, will be at least equal to the minimum subscription price defined in the previous paragraph, after a possible adjustment of that amount to cover any difference in dividend eligibility dates.

If subscriptions have not absorbed the entire issue of shares or other securities as defined above, the Board of Directors may use all or some of the options below, as it chooses, and in the order it deems appropriate:

- ♦ limit the issuance to the amount subscribed, provided that this is equal to at least three quarters (3/4) of the agreed value of the issuance
- ♦ freely distribute all or part of the unsubscribed securities
- ♦ offer all or part of the unsubscribed securities to the public.

The General Meeting acknowledges that this delegation implies a waiver by the shareholders of their preferential right of subscription to the shares or other equity instruments of the Company to which the securities to be issued on the basis of this delegation may entitle them.

The General Meeting grants all powers to the Board of Directors to implement this delegation, with a right of sub-delegation, under the conditions provided for by the legal and regulatory provisions, specifically for the purposes of:

- ♦ determining the dates and conditions of the issues as well as the features of the transferable securities and shares to be created or associated with them
- ♦ setting the number of shares and/or other securities to be issued, as well as their terms and conditions, in particular their issue price and, as applicable, the amount of the premium
- ♦ determining the terms of payment for the shares and/or other securities issued
- ♦ setting the dividend entitlement date, with or without retroactive effect, of the securities to be issued and, as applicable, the conditions for their buy-back or exchange
- ♦ suspending, as applicable, exercise of the rights attached to the securities for a maximum of three (3) months under the limits stipulated by the applicable legal and regulatory provisions
- ♦ setting the conditions to ensure the preservation of the rights of holders of securities or other instruments giving access to the share capital, in accordance with applicable legal and regulatory provisions and, as necessary, the applicable contractual stipulations providing for other adjustments
- ♦ charging any amounts against the share premium as required, in particular the fees triggered by the issuance, to deduct from this amount the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase
- ♦ undertaking any formalities required for the listing for trading on a regulated market in France or abroad, of the rights, shares or securities issued, and ensuring both the capital increase or increases resulting from any issuance made through the use of this delegation and the providing the financial services of the securities in question and exercise of the corresponding rights
- ♦ deciding, in the event of the issue of transferable debt securities giving access to the Company's share capital as provided for under French law, whether these securities should be subordinated or not (and setting their subordination rank where applicable), setting their interest rate, currency, maturity (which may be perpetual), their fixed or variable redemption price (with or without premium), amortisation conditions based on market conditions, conditions under which these securities will entitle holders to Company shares, and other conditions concerning their issuance (including the act of granting guarantees or securities) and amortisation and
- ♦ in general, taking any measure that may be required, entering into any agreements, requesting any authorisations, performing any formalities, and doing whatever is necessary to ensure the successful outcome of the issues planned, or to postpone them, and specifically recording the capital increases resulting from any issue performed through the use of this delegation, and amending the Company's Articles of Association accordingly.

Resolution 20**(Delegation of authority to the Board of Directors to issue shares and/or securities giving access to the Company's capital, with waiver of shareholders' preferential subscription rights, in the event of a public exchange offer initiated by the Company)**

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having taken note of the Board of Directors' report and Statutory Auditors' special report, and in accordance with the provisions of Articles L. 225-129 *et seq.*, L. 225-148 and L. 228-91 *et seq.* of the French Commercial Code:

- ♦ delegates to the Board of Directors, with the option to sub-delegate, for a period of twenty-six (26) months as from the date of this General Meeting, the power to decide, on one or more occasions, in the proportions and at the times it deems fit, on the issuance of Company shares and/or securities giving immediate or future access by any means to the Company's share capital, through public exchange offering launched by the Company, in France or (depending on local criteria and regulations) abroad, for shares of another company whose securities are admitted for trading on a regulated market pursuant to Article L. 225-148 of the French Commercial Code
- ♦ the above notwithstanding, resolves that the Board of Directors may not, unless with the prior authorisation of the General Meeting, use this delegation of authority as of the date of the filing by a third party of a proposed public takeover bid on the Company's shares, and until the end of the offer period
- ♦ resolves to cancel, as required, the shareholders' preferential subscription right to the shares and/or securities issued under this delegation
- ♦ acknowledges that the authorisation implies, in favor of the holders of such securities giving access to the Company's share capital as may be issued under this delegation, automatic waiver by the shareholders of their preferential right of subscription to shares in connection with such securities
- ♦ resolves that the maximum nominal value of increases in the Company's share capital that might be made immediately or in the future under this delegation may not exceed 10% of the share capital of the Company (corresponding to its amount on the date of use of this delegation by the Board of Directors). Please note that the maximum nominal value of increases in the Company's share capital that may be made under this delegation and the delegation granted pursuant to Resolution 21 may not exceed 10% of the share capital of the Company, the overall ceiling for all capital increases, now or in future, provided for under this resolution and Resolution 21
- ♦ resolves that the par value of all debt securities issued under this delegation may not exceed a total of seven hundred and fifty million euros (€750,000,000), the overall ceiling for debt securities provided for herein and in Resolutions 18, 19 and 21, or the equivalent of this amount on the date of the issuance decision in the case of issuance in foreign currency or in a unit of account set by reference to several currencies. This amount is independent of the amount of the debt securities for which issuance was decided or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code.

The General Meeting grants all powers to the Board of Directors to implement this delegation, with a right of sub-delegation, under the conditions provided for by the legal and regulatory provisions, specifically for the purposes of:

- ♦ defining the terms, conditions and details of the operation, within the limits set by this resolution and applicable legal and regulatory provisions
- ♦ determining the exchange ratio as well as any amount payable in cash
- ♦ recording the number of securities tendered to the exchange offer
- ♦ determining the dates and issue conditions, in particular the price of the shares to be issued and their dividend entitlement date (possibly retroactive), or where applicable the dates and issue conditions of securities granting access, now or in future, to Company shares to be issued
- ♦ taking all required measures to protect the rights of holders of securities or other instruments giving access to the share capital, in accordance with applicable legal and regulatory provisions and any contractual stipulations providing for other adjustments
- ♦ recording the difference between the issue price of the new shares and their par value in the "Liabilities" section of the balance sheet under an "Additional paid-in capital" account which will cover the rights of all shareholders
- ♦ at its sole initiative, charging the fees for any issuance to the amount of the "Additional paid-in capital" and to deduct from this amount the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase
- ♦ performing all required formalities for the rights and shares issued to be listed on a regulated market in France or abroad, providing financial services of the securities in question and ensure the exercise of their attached rights and
- ♦ in general, taking any measure that may be required, entering into any agreements, requesting any authorisations, performing any formalities, and doing whatever is necessary to ensure the successful outcome of the issues planned, or to postpone them, and specifically recording the capital increases resulting from any issue performed through the use of this delegation, and amending the Company's Articles of Association accordingly.

Resolution 21

(Delegation of authority to the Board of Directors to issue shares and/or transferable securities giving access to the Company's capital, in order to pay for the contributions in kind granted to the Company consisting of capital shares or transferable securities giving access to equity, with waiver of shareholders' preferential subscription rights)

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having taken note of the Board of Directors' report and Statutory Auditors' special report, and in accordance with the provisions of Articles L. 225-129 *et seq.* of the French Commercial Code, in particular Article L. 225-147, Par. 6 of said code:

- ♦ delegates to the Board of Directors, with the option to sub-delegate, for a period of twenty-six (26) months as from the date of this General Meeting, the power to decide, based on the report of the contribution auditor(s) (*commissaire aux apports*) mentioned in Paragraphs 1 and 2 of Article L. 225-147 of the French Commercial Code, on the issuance of Company shares and/or securities giving immediate or future access by any means to the Company's share capital, current or future, pursuant to Articles L. 228-91 *et seq.* of the French Commercial Code, in order to pay for the contributions in kind granted to the Company consisting of capital shares or transferable securities giving access to equity, when the provisions of Article L. 225-148 of the French Commercial Code do not apply
- ♦ the above notwithstanding, resolves that the Board of Directors may not, unless with the prior authorisation of the General Meeting, use this delegation of authority as of the date of the filing by a third party of a proposed public takeover bid on the Company's shares, and until the end of the offer period
- ♦ resolves that the maximum nominal amount of the increases in the Company's share capital that may be performed under this delegation, immediately or in the future, will be set at 10% of the Company's share capital (as at the date of the Board of Directors' use of this delegation), the overall ceiling for capital increases now or in future set forth in this resolution and in Resolution 20
- ♦ resolves that the par value of all debt securities issued under this delegation may not exceed a total of seven hundred and fifty million euros (€750,000,000), the overall ceiling for debt securities provided for herein and in Resolutions 18 to 20, or the equivalent of this amount on the date of the issuance decision in the case of issuance in foreign currency or in a unit of account set by reference to several currencies. This amount is independent of the amount of the debt securities for which issuance was decided or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code

- ♦ resolves to cancel the preferential right of subscription of shareholders to the shares and securities issued under this delegation, as their purpose is solely to compensate contributions in kind
- ♦ acknowledges that the authorisation implies, in favor of the holders of such securities giving access to the Company's share capital as may be issued under this delegation, automatic waiver by the shareholders of their preferential right of subscription to shares in connection with such securities.

The General Meeting grants all powers to the Board of Directors to implement this delegation, with a right of sub-delegation, under the conditions provided for by the legal and regulatory provisions, specifically for the purposes of:

- ♦ ruling on the report of the contribution auditor(s) regarding the capital contributions
- ♦ defining the terms, conditions and details of the operation, within the limits set by this resolution and applicable legal and regulatory provisions
- ♦ determining the exchange ratio as well as any amount payable in cash
- ♦ recording the number of securities issued in remuneration for the contributions in kind
- ♦ determining the dates and issue conditions, in particular the price and the entitlement date (even retroactive) of the new shares or other equity securities and, if relevant, the securities giving immediate or future access to the Company's share capital, evaluating the contributions and any special benefits that may be granted, and reducing the evaluation of the contributions and any special benefits if agreed by the tenderers
- ♦ recording the difference between the issue price of the new shares and their par value in the "Liabilities" section of the balance sheet under an "Additional paid-in capital" account which will cover the rights of all shareholders
- ♦ at its sole initiative, charging the fees for any issuance to the amount of the "Additional paid-in capital" and to deduct from this amount the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase and
- ♦ in general, taking any measure that may be required, entering into any agreements (in particular to ensure the successful outcome of the issue), requesting any authorisations, performing any formalities, and doing whatever is necessary to ensure the successful outcome of the issues planned, or to postpone them, and specifically recording the capital increase(s) resulting from any issue carried out under this delegation, amending the Company's Articles of Association accordingly, requesting the listing on Euronext Paris of all securities issued under this delegation and ensuring the financial servicing of the securities in question and exercise of the corresponding rights.

Resolution 22**(Delegation of authority to the Board of Directors to undertake capital increases reserved for employees of the Company and companies in the Foncière des Régions Group that are members of a company savings plan, with waiver of shareholders' preferential subscription right)**

The General Meeting, ruling under the quorum and majority conditions required for Extraordinary General Meetings, having taken note of the Board of Directors' report and Statutory Auditors' special report, in order to perform a capital increase reserved for employees who belong to a company savings plan at a level that remains consistent with the amount of the share capital, and pursuant to the provisions of Articles L. 225-129-2, L. 225-129-6, L. 225-138 *et seq.* of the French Commercial Code, and L. 3331-1 *et seq.* of the French Labour Code:

- ♦ terminates, effective immediately, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016
- ♦ delegates to the Board of Directors, with sub-delegation authority, the authority to decide, on one or more occasions, in the proportions and at the times it deems appropriate, for 26 (twenty-six) months as from this General Meeting, the issuance of shares and/or securities giving access to the Company's share capital, up to a maximum par value of five hundred thousand euros (€500,000) reserved for participants in a savings scheme provided by the company and the companies and economic interest groups associated with the Company under the conditions set out in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code. However, this amount is set independently and separately from the capital increase ceilings resulting from issues of shares or other securities authorised under Resolutions 16 and 18 to 21
- ♦ resolves to waive, in favor of the said members, the shareholders' preferential right of subscription to the Company's shares or securities giving access to the Company's share capital issued under this delegation
- ♦ resolves, in accordance with the provisions of Articles L. 3332-18 to L. 3332-24 of the French Labour Code, that the discount offered may not exceed 20% of the average share price for the 20 trading days preceding the date of the decision to open the subscription period, and 30% of this same average when the retention period provided for in the plan is longer than or equal to 10 years; however, the General Meeting expressly authorises the Board of Directors to cancel or reduce the above-mentioned discount, if deemed necessary, to take into consideration, *inter alia*, the legal, accounting, tax and social systems applicable locally. The Board of Directors may also replace all or part of the discount through the allocation of shares or other securities pursuant to the aforementioned provisions and
- ♦ resolves that the Board of Directors may provide for the awarding of bonus shares or marketable securities giving access to the Company's share capital (other than preferred stock), it being understood that the total benefit resulting from this

allocation for the contribution or, where applicable, discount from the subscription price may not exceed the legal and regulatory limits, and the Company's shareholders waive all rights to the securities that may be issued free of charge by applying this resolution.

The General Meeting grants all powers to the Board of Directors to implement this delegation, with a right of sub-delegation, under the conditions provided for by the legal and regulatory provisions, specifically for the purposes of:

- ♦ determining, within the above-mentioned limits, the features, amount and conditions for any issue
- ♦ determining that the issues or allocations may be made directly to the beneficiaries or through an intermediate collective body
- ♦ conducting the capital increases resulting from this delegation, up to the cap set above
- ♦ setting the subscription price of the shares in cash pursuant to legal provisions
- ♦ providing, as needed, for the establishment of a Group savings plan or the modification of existing plans
- ♦ determining the list of the companies whose employees will be the beneficiaries of the issues conducted under this delegation, set the period for payment of the shares and, as applicable, the seniority required for employees to participate in the operations, within the legal limits
- ♦ making all adjustments in order to take into account the impact of operations on the Company's share capital, particularly in the case of a change in the par value of the share, a capital increase through capitalisation of reserves, a free allocation of shares, a stock split or reverse split, a distribution of reserves or any other assets, the amortisation of capital, or any other operation involving shareholders' equity
- ♦ as required, charging the fees incurred by the share capital increases to the amount of the related premiums and to deduct from these amounts the necessary amounts corresponding to 10% of the nominal value of each issue for the legal reserve after each increase
- ♦ undertaking any formalities necessary for the listing for trading on a regulated market of the rights, shares or securities issued, and ensuring the financial servicing of the securities issued under this delegation and the exercise of the corresponding rights
- ♦ performing, either on its own or through an agent, all acts and formalities to make definitive any capital increases that may be carried out as authorised under this resolution and
- ♦ amending the Articles of Association accordingly and, in general, doing whatever is necessary.

Resolution 23**(Powers for formal recording requirements)**

The General Meeting, ruling under the conditions of quorum and majority required by law, grants complete authority to the bearer of an original, a copy or an extract of these minutes recording its resolutions, in order to fulfil all legal or administrative requirements and to undertake any filings or notifications required by current law.

4.2. REPORT OF THE BOARD OF DIRECTORS ON THE DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF 26 APRIL 2017

Ladies and Gentlemen,

We have convened a Combined General Meeting for the purpose of submitting draft Resolutions to you. The purpose of this report is to provide you with comments on these drafts, the complete text of which will later be sent to you in the Company's Reference Document that will be submitted to the *Autorité des Marchés Financiers* and made available to you in accordance with the legal and regulatory requirements.

4.2.1. Ordinary resolutions

Resolutions 1 to 15 come under the remit of the Ordinary General Meeting.

4.2.1.1. Approval of the annual and consolidated financial statements, allocation of income and dividend (Resolutions 1, 2 and 3)

The drafts of **Resolutions 1 and 2** concern approval of the annual and consolidated financial statements for the fiscal year ending 31 December 2016, approved by the Board of Directors on 15 February 2017, in accordance with the provisions of Article L. 232-1 of the French Commercial Code.

In **Resolution 3**, it is proposed to you that an allocation be made of the income for the 2016 fiscal year in the amount of €248,815,409.33 and that a dividend be distributed in the unit amount of €4.40 per share.

The dividend for the 2016 fiscal year will be removed from the share on 17 May 2017 and will be paid out on 19 May 2017. Based on the number of shares comprising the share capital as at 15 February 2017, which is 73,870,450 shares, total dividends of €325,029,980 will therefore be allocated.

4.2.1.2. Approval of the undertakings referred to in Article L. 225-38 of the French Commercial Code (Resolution 4)

The purpose of **Resolution 4** is to approve (i) the Statutory Auditors' special report on the agreements described in Article L. 225-38 of the French Commercial Code, as well as (ii) the agreements entered into or executed by the Company during the fiscal year ended 31 December 2016. For more information, please refer to the Statutory Auditors' special report on related-party agreements, found in Section 4.5 of the Reference Document.

In 2016, the Company concluded a rider to the related-party agreement for the yield guarantee implemented for the benefit of SCI New Vélizy, a subsidiary of Predica, in the context of the New Vélizy shared transaction (building leased to Thalès). The terms of this rider, submitted to the General Meeting for approval and authorised by the Board of Directors on 17 February 2016, are listed below.

Under this yield guarantee, Foncière des Régions guarantees SCI New Vélizy certain returns on the total amount invested by the latter.

After the three-year extension to the lease initially concluded with Thalès in 2011, which led to an extension of the incentive period, the different ranges of earnings and dates of the yield guarantee were adjusted.

Because this is a rider to a related-party agreement, it should be approved in accordance with Article L. 225-38 of the French Commercial Code.

4.2.1.3. Approval of the policy for setting the remuneration for executive corporate officers (Resolutions 5, 7 and 9) and consultation with shareholders on the items making up the individual remuneration owing or allocated to executive corporate officers for the year ending on 31 December 2016 (Resolutions 6, 8 and 10).

Pursuant to the provisions of Articles 25.2 and 26 of the Afep-Medef Code reviewed in November 2016, and the guide for applying it drawn up by the High Committee on Corporate Governance, the Board of Directors now presents you with the policy for setting the remuneration for executive corporate officers and the items making up the individual remuneration owing or allocated to each executive corporate officer of the Company for the year ending on 31 December 2016.

By voting on **Resolutions 5, 7 and 9**, you are asked to approve the principles and criteria for determining, distributing, and allocating the fixed, variable and exceptional elements making up the total remuneration and benefits of any kind, described below, that may be allocated to the Chairman of the Board of Directors (**Resolution 5**), the Chief Executive Officer (**Resolution 7**) and the Deputy General Manager(s) (**Resolution 9**).

These principles and criteria for determining, distributing, and allocating this remuneration are described in the report attached to the report of the Board of Directors on **Resolutions 5, 7 and 9**, presented below:

Report attached to the report of the Board of Directors on resolutions 5, 7 and 9

Principles and criteria for determining, distributing, and allocating the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy General Manager(s)

Pursuant to the new provisions of Article L. 225-37-2 of the French Commercial Code introduced by the law on transparency, combating corruption, and the modernisation of the economy of 9 December 2016, known as the Sapin 2 Law, this report presents the principles and criteria for determining, distributing, and allocating the fixed, variable and exceptional elements, where applicable, making up the total remuneration and benefits of any kind (the “**Remuneration Policies**”) that may be allocated to (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer and (iii) the Deputy General Manager(s).

Pursuant to the new provisions of Article L. 225-37-2 of the French Commercial Code, the Remuneration Policies are submitted for your approval in Resolutions 5, 7 and 9 of this Annual General Meeting.

The amounts resulting from the implementation of these Remuneration Policies that are paid or allocated during the 2017 fiscal year will be submitted for the approval of shareholders during the Annual General Meeting to be called in 2018 for the approval of the accounts for the year ending on 31 December 2017, pursuant to Article L. 225-100 of the French Commercial Code; the elements making up the variable and exceptional remuneration may only be paid out after approval by the aforementioned General Meeting.

You are reminded that the Remuneration Policies and the elements of remuneration for the 2016 fiscal year for the executive corporate officers of Foncière des Régions are listed in Section 5.5.1 of the 2016 Reference Document.

1. Description of the principles and criteria used in determining the remuneration of the Chairman of the Board of Directors

The remuneration of the Chairman of the Board of Directors of Foncière des Régions is set by the Board for the duration of his four-year term.

This remuneration comprises only a fixed portion. There is no variable remuneration, performance bonus or remuneration paid in Company shares. This remuneration is not usually

reviewed during the course of the mandate. The Board ensures that the remuneration is consistent with the remuneration of non-executive Chairmen of the SBF 120.

The Chairman of the Board of Directors does not receive attendance fees from Foncière des Régions or its French subsidiaries. Where applicable, he may receive attendance fees from foreign subsidiaries of Foncière des Régions if he is performing an active oversight role.

The Chairman of the Board of Directors has no labour contract, severance payment or non-compete agreement.

2. Description of the principles and criteria for determining the remuneration of the Chief Executive Officer and the Deputy General Manager(s)

The policy for the remuneration of the Chief Executive Officer and Deputy General Manager(s) is set by the Board of Directors; based on the work and proposals of the Appointments and Remunerations Committee, it notably ensures the compliance of this policy with the principles set forth in the Afep-Medef Corporate Governance Code.

The committee and the Board are particularly keen to follow these guidelines:

- ♦ the remuneration is granted exhaustively via three main components: a fixed portion, a variable portion, and the allocation of bonus shares; in-kind benefits mainly consist of a company vehicle and covering the cost of job loss insurance.

The basic principles sought are:

- ♦ a balance between the various components, short term and long term, fixed and variable
- ♦ remuneration correctly situated in the market and designed to foster loyalty
- ♦ simple and transparent tools for the market and shareholders
- ♦ a strong link between remuneration and operational performance
- ♦ a variable portion based on objective quantifiable performance criteria that combine the interests of the organisation, its staff and its shareholders, at the same time providing an incentive for outperformance and a “circuit breaker” system to sanction any deterioration of key Company indicators

- ♦ a financial alignment with the long-term interests of shareholders.

The Committee and the Board use benchmarks, industry-based and general research studies simply to check that overall remuneration packages are in line with market rates.

a) Fixed portion

The Appointments and Remunerations Committee and the Board of Directors ensure, on a regular basis, that the amount of fixed remuneration paid to executive corporate officers is positioned correctly in relation to the market by using benchmarks relating to Directors of SBF80 companies and those companies with equivalent stock market capitalisation to that of Foncière des Régions, supplemented by French and European sector-based research. In principle, the Board only reviews this remuneration at regular set intervals, in line with any potential changes to responsibilities or events that have affected the Company.

b) Variable portion

For the variable portion of remuneration (bonus), the Appointments and Remunerations Committee evaluates executive corporate officers based on clear, specific, measurable and operational targets. These targets are determined every February, by the Board of Directors based on proposals put forward by the Appointments and Remunerations Committee. They are determined according to the strategic plan, the budget approved by the Board of Directors for the year under way, and the Company's priorities at the time.

The target bonus of the Chief Executive Officer and the Deputy General Manager(s) is 100% of their annual fixed salary.

In an effort to provide differentiation, motivation and an incentive to outperform, provision is made for an upside of as much as 50% of the target bonus to reward performance that goes beyond the targets set at the beginning of the year. In an effort to align this with the interests of shareholders, the upside portion of the bonus is paid, if any not in cash but in bonus shares, which are conditional on the beneficiary remaining in the Company's employment for three years after the award.

Finally, this "circuit breaker" system provides for bonuses to be withheld in the event of a significant deterioration in the Company's performance over the year.

c) Exceptional bonus

The variable remuneration scheme explained in b) is designed not to have any exceptional bonus paid out. As such, the Board of Directors has not paid any exceptional bonus to executive corporate officers since the variable portion of remuneration was implemented as described in section b).

The only way that the Board would consider paying any exceptional bonus is under exceptional circumstances:

- ♦ situations that do not fall within the framework of the annual strategic and operational goals determined at the beginning of the year
- ♦ situations that were not foreseeable at the time that the criteria were set for determining the annual variable portion
- ♦ situations that affect the Company in terms of its size, scope or strategy.

In all cases, this exceptional bonus would be determined so as not to exceed 50% of the target bonus of the Chief Executive Officer and the Deputy General Manager(s).

d) Long-term incentive plan

The principles used to allocate performance shares to the Chief Executive Officer and Deputy General Manager(s) are as follows:

- ♦ the allocation of shares, which is the third component of remuneration, is a long-term incentive plan, and is a top-up for the fixed and variable portion of salary
- ♦ LTI for year N is allocated after the financial statements are approved, at the beginning of year N + 1
- ♦ this lag, suggested by the Appointments and Remunerations Committee, makes it possible to award shares contingent on the achievement of operational results and the achievement of individual targets, and to record the performances in consideration of the closing of the financial statements for year N
- ♦ the Appointments and Remunerations Committee, in setting this annual allocation period for share awards, has made it possible to avoid any windfall effect through any share price volatility.

This long-term incentive plan has the following aims for the recipients of the shares:

- ♦ employee retention: shares are definitely allocated at the end of the vesting period, on the condition that beneficiaries are still employed by the Company
- ♦ motivation and involvement: long-term share values ultimately depend on the Company's performance in its sector, which is reflected in the share price
- ♦ aligning the interests of executive corporate officers with those of shareholders: shares are only definitively allocated when performance targets are achieved
- ♦ lastly, enabling executive corporate officers to create a pension scheme, given the lack of a supplementary pension scheme in the Company.

100% of share awards will be subject to the following performance conditions, each analysed over the three-year vesting period, given that the final number of shares awarded, subject to performance requirements, may not exceed the target number listed at the time of allocation:

50%	Presence conditions and market performance condition: ♦ overall performance on the stock market of Foncière des Régions compared with the “Eurozone” EPRA index, defined by the changes to the share price over the three-year benchmark, taking into consideration all dividends or advances on gross dividends ♦ the target number of shares will be allocated in the event of outperformance by two points compared with the index. An outperformance of 5 points will lead to an allocation representing 110% of the target (130% for 20 points). Performance equal to the index will lead to a 95% allocation of the target number of shares. An under-performance of 20 points will lead to the cancellation of 30% of the target shares, and an under-performance of 30 points will cancel all share allocations.
50%	Presence conditions and internal performance condition not affected by the market: ♦ the number of performance shares is weighted by a coefficient corresponding to the average rate of achievement of the bonus objectives between the year of allocation and the year preceding the acknowledgement of the achievement of the performance target ♦ this average performance rate will be applied to the target number of shares.

These conditions combine external and internal performances, thus providing shareholders with assurances that:

- ♦ executive corporate officers long-term remuneration is directly linked to Foncière des Régions’ stock market performance
- ♦ it is also linked to the Company’s operating performance: yearly bonuses are linked to targets in line with budgets, the roll-out of the strategy, the growth of indicators, the financial policy, etc.

The Chief Executive Officer and the Deputy General Manager(s) formally undertake to refrain from entering into any risk hedging transactions.

In the event of involuntary termination of office (excluding voluntary resignation), the Board reserves the ability to maintain all or part of the performance shares under the vesting period. This possibility would only be exercised in the event of “good leaver” departure, excluding in particular any departure related to misconduct. Furthermore, in such a situation, the Board would evaluate whether performance criteria had been achieved by the deadline, to determine the percentage of shares that would still be allocated.

For information purposes, the number of performance shares allocated to the Chief Executive Officer and Deputy General Manager represented 12.5% of all shares allocated for 2016 within the Group.

Since 2008, the Board of Directors, on the recommendation of the Appointments and Remunerations Committee, has put an end to schemes for allocation of stock options that were previously activated in parallel with the schemes for allocation of bonus shares.

e) Other benefits

The Chief Executive Officer and Deputy General Manager(s) also receive the following benefits:

- ♦ a company vehicle
- ♦ the same health and pension plan as employees of the Group in France, with the same employer contribution (insignificant)

- ♦ job loss insurance with GSC.

f) Compensation to be paid out upon termination of mandate

In exchange for waiving the right to receive severance benefits, the Board of Directors has implemented a termination benefit for the Chief Executive Officer and the Deputy General Manager(s). It was approved by the Board of Directors on 5 December 2014, and then by the shareholders during the General Meeting of 17 April 2015, by a vote on Resolutions 5 and 6.

This remuneration would only be paid out in the event of involuntary termination, which excludes cases where they would leave the Company of their own volition, change jobs within the Group or exercise their right to early retirement.

(i) Theoretical amount of the remuneration

Thus the theoretical remuneration amount would be equal to 12 months’ total remuneration including the fixed salary and the annual variable part, plus one month’s additional remuneration per year of employment at the Company regardless of positions held, it being understood that the current remuneration system does not include payment of an exceptional bonus.

(ii) Performance criteria

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code and the recommendations of the Afep-Medef Code, this remuneration is subject to demanding internal and external performance conditions:

- ♦ 50% of the theoretical remuneration amount is linked to changes in the NAV during the three fiscal years prior to the termination of office: if the Foncière des Régions EPRA NAV drops 25% below the average of real estate companies that make up the EPRA index, the fraction of the severance pay linked to this requirement will not be paid. Otherwise, the theoretical amount of this fraction of the remuneration will be adjusted by the variation in the NAV for the period considered

- ♦ 50% of the theoretical remuneration amount is linked to achieving target performance during the three years prior to the termination of office. The criteria for allocation of the target bonus are reviewed every year by the Appointments and Remunerations Committee, based on ambitious operational and strategic targets. Their achievement is assessed according to a table of pre-set criteria. If the average rate of fulfilment of the objectives over the last three years is less than 80%, the fraction of the severance pay linked to that criterion is not paid. Otherwise, the amount of the theoretical remuneration will be adjusted by the average of the coefficients of achievement of the last three variable portions

In any case, although the exceeding of one of the two fractions of the remuneration may compensate for a possible deduction from the other fraction, the total amount severance pay is capped at two years of total remuneration. This cap rule applies to all forms of severance pay and includes any other remuneration paid for any other reason at the end of a term of office, it being specified that the Chief Executive Officer and Deputy General Manager(s) will not receive any remuneration from Foncière des Régions other than that paid for their term of office.

As a result of the performance criteria listed above being set, the Board will be able, where appropriate, to reflect on the severance pay, the target and actual performance of the Chief Executive Officer and Deputy General Manager(s). Since the targets that are the conditions for payment of the variable portion are themselves linked to operational performance and implementing strategy, the remuneration paid can only be proportional to the results obtained, thus more fully meeting

the requirements of the recommendations made by the Afep-Medef Code.

g) Attendance fees

Neither the Chief Executive Officer nor the Deputy General Manager(s) receive any attendance fees related to their potential participation in any Board of Directors or Supervisory Board of the French subsidiaries of the Group. However, they can receive attendance fees if they participate in the Boards of foreign subsidiaries.

h) Supplementary pension scheme

Neither the Chief Executive Officer nor the Deputy General Manager(s) benefit from a specific defined benefits or defined contributions retirement scheme.

i) Employment contract

Neither the Chief Executive Officer nor the Deputy General Manager(s) has an employment contract.

j) Remuneration for non-compete clause

Neither the Chief Executive Officer nor the Deputy General Manager(s) receives any remuneration related to a non-compete clause.

k) Signing bonus (or “Welcome bonus” or “Golden hello”)

Foncière des Régions has never paid any signing bonus to a Chief Executive Officer or Deputy General Manager. If such a situation arose, the Board would ensure that the premium was calculated in such a way as to cover the losses caused by the recruitment of the officer due to having left his previous employment.

By voting on **Resolutions 6, 8 and 10**, you have the opportunity to approve the remuneration elements described below for the 2016 fiscal year:

- ♦ Jean Laurent (**Resolution 6**)
- ♦ Christophe Kullmann (**Resolution 8**) and
- ♦ Olivier Estève (**Resolution 10**).

4.2.1.3.1. Chairman of the Board of Directors’ remuneration for 2016

The role and tasks of the Chairman of the Board of Directors are described in Section 4.3.1 of the 2016 Reference Document.

On 17 April 2015, the Board set the remuneration for his new four-year term at an overall fixed amount of €400 thousand. There was no change in this remuneration from the previous term. It has therefore remained unchanged since 2011.

Such fixed remuneration is not accompanied by any variable remuneration, performance bonus or remuneration paid in Company shares. It is in line with the average remuneration for non-executive chairmen in the SBF 120.

In 2016, this €400 thousand remuneration broke down as follows:

- ♦ €392 thousand fixed remuneration
- ♦ €8 thousand benefits in kind (company car).

In 2016, Jean Laurent also received €48 thousand in attendance fees paid by Beni Stabili, an Italian subsidiary of Foncière des Régions, in which he has an oversight role.

4.2.1.3.2. Remuneration of the Chief Executive Officer and the Deputy General Manager for 2016

The principles governing the remuneration policy for the Chief Executive Officer and Deputy General Manager are listed in Section 5.5.1.2 of the 2016 Reference Document, as well as in the report attached to the report of the Board of Directors on **Resolutions 5, 7 and 9**. The manner in which these principles have been applied in 2016 is also described therein. This information is summarised in the tables below:

SUMMARY TABLE OF THE REMUNERATION OF CHRISTOPHE KULLMANN, CHIEF EXECUTIVE OFFICER, FOR 2016

Elements of remuneration due for the fiscal year ended	Amounts, or valuation for accounting purposes, subject to vote	Presentation
Fixed remuneration	€600 thousand paid in 2016	The fixed salary of the Chief Executive Officer for his new term was set at €600 thousand in January 2015. As such, his fixed remuneration remained unchanged in 2016.
Annual variable remuneration	€800 thousand allocated, of which €600 thousand was paid in 03/2017	The target variable remuneration equals 100% of the fixed annual salary. An upside, of as much as 50% of the target is provided for in the event of objectives being exceeded. Where applicable, it is paid in bonus shares, which are conditional on the beneficiary remaining in the Company's workforce for three years after the award. After examining performance in 2016 described in Section 5.5.1.2.2 of the 2016 Reference Document, the Board approved a bonus that represents 133% of the target. This variable remuneration of €600 thousand is paid in cash with the upside of €200 thousand being paid in Company shares definitively awarded at the end of the vesting period in 2020.
Deferred variable remuneration	€0	Not applicable
Multi-annual variable remuneration	€0	Not applicable
Extraordinary remuneration	€0	Not applicable
Share options	N/A	Not applicable
Performance shares	€599 thousand	The principles for the allocation of performance shares, as well as the performance conditions, are described in Section 5.5.1.2.3 of the 2016 Reference Document. This long-term incentive accounts for approximately one third of the overall remuneration.
Attendance fees	€49 thousand	The Chief Executive Officer is a Director of Beni Stabili, an Italian subsidiary of Foncière des Régions. As such, in 2016, he received €49 thousand in attendance fees for his directorship.
Valuation of benefits of any kind	€37 thousand	This amount comprises a company car and GSC unemployment insurance.

Elements of remuneration due or granted for the fiscal year ended which are subject, or have been subject, to a vote by the General Meeting under the related party agreements procedure

	Amount subject to a vote	Presentation
Severance pay (detailed in Section 5.5.1.2.6 of the 2016 Reference Document)	€0	The theoretical remuneration amount is equal to 12 months of total remuneration (fixed salary and the variable portion), plus one month of additional remuneration per year of employment with the Company. Receiving this remuneration is subject to achieving strict internal and external performance criteria: ♦ 50% of the theoretical remuneration amount is linked to changes in the NAV during the three fiscal years prior to the termination of office ♦ 50% of the theoretical remuneration amount is linked to achieving target performance during the three fiscal years prior to the termination of office. The potential remuneration described above would only be paid in the event of involuntary termination of office related to a change of control or strategy, which does not include cases where the Chief Executive Officer voluntarily leaves the Company, changes jobs within the Company or exercises his right to early retirement. It was approved by the Board of Directors on 5 December 2014, and then by the shareholders during the General Meeting of 17 April 2015 through a vote on Resolution 5.
Remuneration for non-compete clause	Not applicable	There is no non-compete clause.
Supplementary pension scheme	€0	No supplementary pension scheme is in place.
Employment contract	€0	There is no employment contract.

SUMMARY TABLE OF THE REMUNERATION OF OLIVIER ESTÈVE, DEPUTY GENERAL MANAGER, FOR 2016

Elements of remuneration due for the fiscal year ended	Amounts, or valuation for accounting purposes, subject to vote	Presentation
Fixed remuneration	€360 thousand paid in 2016	On 5 December 2014, the Board of Directors decided to renew the mandate of Olivier Estève for a term of four (4) years, setting his fixed remuneration to €360 thousand. As such, his fixed remuneration remained unchanged in 2016.
Annual variable remuneration	€454 thousand allocated, of which €360 thousand were paid in 03/2017	The target variable remuneration equals 100% of the fixed annual salary. An upside of as much as 50% of the target is provided for in the event of objectives being exceeded. With a view to aligning with the interests of shareholders, where applicable, it is paid in bonus shares, which are conditional on the recipient remaining in the Company's employ for three years after the award. After examining performance in 2016 described in Section 5.5.1.2.2 of the 2016 Reference Document, the Board approved a 2016 bonus that represents 126% of the target. This variable remuneration of €360 thousand is paid in cash with the upside of €94 thousand being paid in Company shares definitively awarded at the end of the vesting period in 2020.
Deferred variable remuneration	€0	Not applicable
Multi-annual variable remuneration	€0	Not applicable
Extraordinary remuneration	€0	Not applicable
Share options	N/A	Not applicable
Performance shares	€359 thousand	The principles for the allocation of performance shares, as well as the performance conditions, are described in Section 5.5.1.2.3 of the 2016 Reference Document. This long-term incentive accounts for approximately one third of the overall remuneration.
Attendance fees	€0	
Valuation of benefits of any kind	€37 thousand	This amount comprises a company car and GSC unemployment insurance.

Elements of remuneration due or granted for the fiscal year ended which are subject, or have been subject, to a vote by the General Meeting under the related party agreements and commitments procedure	Amount subject to a vote	Presentation
Severance pay	€0	This potential remuneration is granted under exactly the same conditions as those pertaining to the Chief Executive Officer, described above and in Section 5.5.1.2.6 of the 2016 Reference Document. It was approved by the Board of Directors on 5 December 2014 and then by the shareholders during the General Meeting of 17 April 2015, through a vote on Resolution 6.
Remuneration for non-compete clause	Not applicable	There is no non-compete clause.
Supplementary pension scheme	€0	No supplementary pension scheme is in place
Employment contract	€0	There is no employment contract.

4.2.1.4. Renewal of the mandate of Directors (Resolutions 11, 12, 13 and 14)

Because the mandates as Directors of Jean-Luc Biamonti (**Resolution 11**), Sylvie Ouziel (**Resolution 12**), Predica, represented by Jérôme Grivet (**Resolution 13**), and Pierre Vaquier (**Resolution 14**) expire at the end of the Combined General

Meeting of 26 April 2017, you will be invited, in **Resolutions 11 to 14**, to renew their mandates for a term of four (4) years, to expire at the end of the General Meeting of Shareholders convened in 2021 to approve the financial statements of the year ending on 31 December 2020.

Subject to the approval of **Resolution 13**, Predica will continue to be represented on the Board of Directors by Jérôme Grivet.

The average attendance rate of these Directors at Board of Directors meetings, established based on the duration of the term as Director, which is set at four years by the Articles of Association is presented below:

	Average attendance rates at meetings of the Board of Directors
Jean-Luc Biamonti	100%
Sylvie Ouziel	75%
Predica represented by Jérôme Grivet	85%
Pierre Vaquier	85%

A brief biography, list of all mandates and positions held over the course of the five previous fiscal years, and the number of shares owned as at 31 December 2016, are found in Section 5.5.3.2 of the 2016 Reference Document.

4.2.1.5. Authorisation to be granted to the Board of Directors for the Company to purchase treasury shares (Resolution 15)

In **Resolution 15**, it is proposed that you authorise a share buyback programme. The principal characteristics of this programme will be the following:

- ♦ the number of shares bought back may not exceed 10% of the Company's share capital
- ♦ the purchase price may not exceed €100 per share (excluding acquisition costs)
- ♦ the maximum amount of funds allocated to the buyback programme would be €150 million
- ♦ this programme may not be implemented during a public takeover bid.

The buyback by the Company of its treasury shares would result in:

- ♦ awarding shares to executive corporate officers or employees of the Company and/or of companies belonging to its group

- ♦ delivering shares upon the exercise of rights attached to securities entitled to the award of Company shares
- ♦ delivering as payment or exchange (up to a limit of 5% of the capital), specifically within the context of potential external growth, merger, spin-off or contribution operations
- ♦ cancelling shares in whole or in part, subject to the adoption of **Resolution 17**,
- ♦ setting up a liquidity agreement, noting that by law, in the event of acquisition under a liquidity agreement, the number of shares considered for calculation of the 10% limit of the share capital amount would match the number of shares purchased, deducting the number of shares resold during the authorisation granted by the General Meeting, and
- ♦ any other practice that may be recognized by the law or *the Autorité des Marchés Financiers* or any other purpose that could be authorised by the law or regulations in effect, in the understanding that in such a case, the Company would inform its shareholders by sending out a notice.

This authorisation would be given to the Board of Directors for a period of eighteen (18) months with effect from the date of the General Meeting of 26 April 2017 and would immediately terminate, for the unused portion, the authorisation given by the Combined General Meeting of 27 April 2016.

Prior to implementing it, the Company would publish a description of the programme in the form set out under Article 241-1 of the AMF Regulations.

4.2.2. Extraordinary resolutions

4.2.2.1. Financial authorisations to confer upon the Board of Directors (Resolution 16 to 22)

In the Extraordinary General Meeting, you will be asked to grant certain financial authorisations to your Board of Directors and to authorise it, within the limits and conditions that you will set, to decide on the issuance of shares and/or securities directly or indirectly providing access to the Company's share capital.

The Board of Directors wishes to continue having the means that enable it, if necessary, by calling upon the markets, to gather the financial resources needed for the development of your Company.

It is being proposed that you grant the Board of Directors the following financial authorisations:

- ♦ **Resolution 16:** capital increase through the incorporation of reserves, profits or premiums
- ♦ **Resolution 18:** issuance of shares and/or securities giving access to the Company's capital, maintaining shareholders' preferential subscription rights
- ♦ **Resolution 19:** issuance of shares and/or securities giving access to the Company's share capital, through public offering, with waiver of shareholders' preferential right of subscription and a mandatory priority period for share issues
- ♦ **Resolution 20:** issuance of shares and/or securities giving access to the Company's share capital, through a public exchange offer launched by the Company, with waiver of shareholders' preferential right of subscription
- ♦ **Resolution 21:** issuance of shares and/or securities giving access to the Company's capital, with a view to compensating in-kind contributions given to the Company made up of equity or securities giving access to capital, with waiver of shareholders' preferential right of subscription
- ♦ **Resolution 22:** capital increases reserved for employees of the Company and the companies of the Foncière des Régions Group covered by a company savings plan, with waiver of shareholders' preferential subscription right.

You will also be asked, in **Resolution 17**, to authorise the Board of Directors to reduce the Company's share capital by cancelling shares purchased within share buyback programmes adopted by the Company.

In proposing to you that you grant these authorisations, the Board of Directors seeks to clearly explain to you the impact of the corresponding resolutions submitted to your approval.

In accordance with the relevant applicable regulation, the Board of Directors will prepare a supplementary report relating to the use of this delegation mentioning, in particular, the following:

- (i) the impact of the issuance on the situation of holders of equity securities and securities giving access to the capital (especially as regards their portion of shareholders' equity), and
- (ii) the theoretical impact of the aforementioned issuance on the stock market value of the Company's shares.

The Statutory Auditors will prepare their own reports on the financial authorisations, which will be made available to you in accordance with the legal and regulatory conditions.

4.2.2.1.1. Delegation of authority to be granted to the Board of Directors to increase the share capital of the Company through the capitalisation of reserves, earnings or premiums (Resolution 16)

Under **Resolution 16**, you will be called upon to decide on the authorisation to be granted to the Board of Directors, which may further delegate its authority, to carry out a capital increase, through capitalisation of all or part of the reserves, earnings, premiums or other sums for which capitalisation would be permitted. This transaction would not necessarily translate into the issue of new shares.

This delegation of authority would allow your Board of Directors to decide to perform one or more capital increases, up to a maximum nominal amount of €22 million (excluding adjustments to protect holders of securities giving eventual access to shares), representing approximately 10% of the share capital. This cap would be set independently and separately from the capital increase ceilings resulting from share or security issues likely to be approved under **Resolutions 18 to 22**.

This delegation could not be used without your formal agreement during periods of public purchase or exchange offers on the Company's shares.

This delegation, given for a period of 26 months, would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016.

4.2.2.1.2. Authorisation to the Board of Directors to reduce the Company's share capital through the cancellation of shares (Resolution 17)

Concurrently with the authorisation given to the Company to conduct transactions in its own shares under **Resolution 15**, it is proposed in **Resolution 17**, that you should authorise the Board of Directors, who may sub-delegate this authority, to cancel shares acquired by the Company under the buyback programme authorisation submitted in **Resolution 15**, or in any resolution having the same purpose and the same legal basis.

As provided for under French law, shares may only be cancelled up to a limit of no more than 10% of the share capital per 24 month period.

Consequently, you will be asked to authorise the Board of Directors to reduce the share capital under the applicable legal conditions.

This authorisation, given for a period of 18 months, would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016.

4.2.2.1.3. Delegation of authority to be granted to the Board of Directors to issue shares and/or securities giving access to the Company's capital, maintaining shareholders' preferential subscription rights (Resolution 18)

In **Resolution 18**, it is proposed that you delegate to the Board of Directors, who may sub-delegate this authority, powers to issue shares in the Company and/or other securities (including warrants for new or existing shares), giving access by any means, immediately or in the future, to capital in the Company, in a subsidiary in which the Company holds more than 50% of the shares directly or indirectly, or in a company directly or indirectly holding more than 50% of the Company's shares, issued for free or against payment, maintaining shareholders' preferential subscription rights.

The Board of Directors may use this authority, in order to have the necessary funds available at the appropriate time to develop the Company's business.

In proportion to the value of their shares, shareholders would have preferential subscription rights to the shares and securities issued under this delegation.

In case of deferred access to shares of the Company, *i.e.* by transferable securities providing access to Company shares by any means, your decision would imply a waiver by the shareholders of their preferential right to subscribe for the shares to which these securities would be entitled.

The maximum nominal amount of the capital increases likely to be made would be set at €55 million, representing approximately 25% of the share capital. This amount would be set independently and separately from the capital increase ceilings resulting from share and/or security issues approved under **Resolutions 16 and 19 to 22**.

The nominal amount of the debt instruments providing access to the Company's share capital that are likely to be issued may not exceed a total amount of €750 million. This amount would also constitute an overall nominal ceiling for securities issues made under **Resolutions 18 to 21**.

The issue price of the securities providing access to the Company's share capital would be determined by the Board of Directors if and when it implements this delegation, complying with legal and regulatory provisions.

This delegation could not be used without your formal agreement during periods of public purchase or exchange offers on the Company's shares.

This delegation would be given to the Board of Directors for a period of 26 months with effect from the General Meeting of 26 April 2017 and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016.

4.2.2.1.4. Delegation of authority to the Board of Directors to issue, through public offering, Company shares and/or securities giving access to the Company's capital, with waiver of shareholders' preferential subscription rights and a mandatory priority period for share issues (Resolution 19)

The Board of Directors may, in the interest of the Company and its shareholders, in order to seize the opportunities offered by the financial markets, be led to issue such securities without preferential subscription rights.

You are also asked, through **Resolution 19**, to grant Board of Directors the power, with the option to sub-delegate, to issue by means of a public offering, without preferential subscription rights for shareholders, Company shares or debt securities providing access to existing or new Company shares, or shares in a subsidiary which is majority-held by the Company, whether directly or indirectly, or a company which directly or indirectly holds more than 50% of the Company's shares.

Your decision would imply a waiver of your preferential subscription right to the shares and other equity securities and securities that could be issued based on this delegation, in the understanding that this authorisation implies, in favor of the holders of such securities giving access to the Company's share capital as may be issued under this delegation of authority automatic waiver by the shareholders of their preferential right of subscription to shares in connection with such securities.

We would like to point out that the Board of Directors would be obliged to grant shareholders a priority subscription period of at least three (3) trading days, solely for issues of shares through public offering conducted by the Board of Directors, in accordance with Articles L. 225-135, Par. 5 and R. 225-131 of the French Commercial Code; this priority period is an option for the issuance of all securities other than shares.

The nominal amount of the total debt securities issued may not exceed €750 million, the overall ceiling for all debt instruments set by **Resolution 18**.

The maximum nominal amount of the capital increases likely to be carried out by the Company under this delegation may not exceed €22 million, representing around 10% of the share capital, and would be independent and separate from the caps for capital increases resulting from the issuance of shares and/or transferable securities authorised by **Resolutions 16, 18 and 20 to 22**.

The issue price of the shares and/or securities providing access to the Company's capital would be determined by the Board of Directors if and when it implements this delegation, complying with legal and regulatory provisions.

This delegation could not be used without your formal agreement during periods of public purchase or exchange offers on the Company's shares.

This delegation would be given to the Board of Directors for a period of 26 months with effect from the General Meeting of 26 April 2017 and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016.

4.2.2.1.5. Delegation of authority to the Board of Directors to issue shares and/or securities giving access to the Company's capital, with waiver of shareholders' preferential subscription rights, in the event of a public exchange offer initiated by the Company (Resolution 20)

In **Resolution 20**, you are asked to approve the delegation of authority granted to the Board of Directors, which may further delegate such authority, to proceed to issue shares and/or securities giving access to the Company's capital, on one or more occasions, in the event of a public exchange offer initiated by the Company.

This is a procedure which authorises the exchange of securities without the need for your Company to comply with the relevant formalities when a contribution in kind is made.

The corresponding capital increase would be carried out without giving effect to the shareholders' preferential subscription rights. You will therefore be expressly asked to waive your preferential subscription rights to the new shares and/or securities giving access to the capital of the Company that could be issued based on this delegation, in the understanding this authorisation implies, for the holders of such securities giving access to the Company's share capital as may be issued under this delegation of authority automatic waiver by the shareholders of their preferential right of subscription to shares in connection with such securities.

The maximum nominal value of increases in the Company's share capital that might be made immediately or in the future may not exceed 10% of the share capital of the Company (corresponding to its amount on the date of use of this delegation by the Board of Directors), in the understanding that the overall maximum nominal value of the capital increases to be made under **Resolutions 20 and 21** may not exceed 10% of the share capital of the Company, the overall cap for all capital increases that might be made immediately or in the future under **Resolutions 20 and 21**.

The nominal amount of the total debt securities issued may not exceed €750 million, the overall ceiling for all debt instruments set by **Resolution 18**.

For each individual offer, the Board of Directors would have to determine the nature and characteristics of the shares to be issued. The amount of the increase in share capital would depend

on the result of the offer and the number of securities tendered under the exchange offer, taking into account the exchange ratio and the shares issued.

This delegation could not be used without your formal agreement during periods of public purchase or exchange offers on the Company's shares.

It would be granted for a term of 26 months beginning from the date of the General Meeting of 26 April 2017, which you have been called to attend.

4.2.2.1.6. Delegation of authority to the Board of Directors to issue shares and/or transferable securities giving access to the Company's capital, in order to pay for the contributions in kind granted to the Company consisting of capital shares or transferable securities giving access to equity, with waiver of shareholders' preferential subscription rights (Resolution 21)

In accordance with the option offered by Article L. 225-147, Par. 6 of the French Commercial Code, you are asked, under **Resolution 21**, to authorise the Board of Directors, with the option to sub-delegate, to issue shares and/or transferable securities giving access to the Company's share capital, in consideration for the contributions in kind made to the Company consisting of shares or transferable securities giving access to equity, when Article L. 225-148 of the French Commercial Code is not applicable.

The maximum nominal amount of capital increases in the Company's share capital that may be performed under this delegation, immediately or in the future, will be set at 10% of the Company's share capital (existing at the date of the Board of Directors' use of this delegation), the overall cap for all capital increases that might be made immediately or in the future under **Resolutions 20 and 21**.

The nominal amount of the total debt securities issued may not exceed €750 million, the overall ceiling for all debt instruments set by **Resolution 18**.

You will be requested to expressly waive your shareholder's preferential subscription right to new shares and/or to securities giving access to the Company's share capital in favour of holders of shares or transferable securities forming the object of a contribution in kind, in the understanding this delegation of authority automatically entails that the shareholders waive, to the benefit of the holders of securities that may be issued and giving access to the Company's capital, their preferential subscription rights to the shares to which these securities give right.

This delegation could not be used without your formal agreement during periods of public purchase or exchange offers on the Company's shares.

The Board of Directors would, notably, be required to approve the report of the contribution auditor(s) to be appointed, set the exchange ratio and, if applicable the amount of the balance to be paid in cash, record the number of securities to be issued in remuneration for contributions, determine the dates and conditions of issues of shares and/or transferable securities giving immediate or future access to the Company's capital, and value the contributions.

This delegation would be granted for a term of 26 months beginning from the date of the General Meeting of 26 April 2017.

4.2.2.1.7. Delegation of authority to the Board of Directors to undertake capital increases reserved for employees of the Company and companies in the Foncière des Régions Group that are members of a company savings plan, with waiver of shareholders' preferential subscription rights (Resolution 22)

You will be asked, under **Resolution 22**, to authorise the Board of Directors, with the option of sub-delegation, to decide to increase the share capital under the provisions of the French Commercial Code and French Labour Code relating to the issuance of shares or securities giving access to existing Company shares or shares to be issued, for the benefit of employees covered by a company savings plan offered by the Company and/or its affiliates within the meaning of Article L. 225-180 of the French Commercial Code.

This delegation of authority would be granted for a maximum nominal amount if the capital increase immediately or in the future, resulting from the issues made pursuant to this delegation (including the capitalisation of reserves, earnings or premiums), of €500,000, representing 0.23% of the share capital, set irrespective of the par value of the shares that may be issued as a result of adjustments made to protect the holders of transferable securities giving future access to shares. This cap would be independent of any other authorisation granted by the General Meeting.

You will be requested to expressly waive your shareholder's preferential subscription right to new shares or to securities giving access to the Company's equity in favour of these employees.

The subscription price of the shares and the discount offered will be set by the Board of Directors on the understanding that the discount offered may not exceed 20% of the average share price for the twenty trading days preceding the date of the decision to open the subscription period, and 30% of this same average when the retention period provided for in the plan is greater than or equal to ten years, provided that the Board of Directors may also replace all or part of said discount by the allocation of shares or other securities.

The Board of Directors may likewise provide for the allocation of bonus shares or other securities giving access to the Company's share capital, it being understood that the total benefit resulting from this allocation as a company contribution or, where applicable, the discount on the subscription price, may not exceed the legal and regulatory limits and that the shareholders would waive all rights to shares or other securities giving access to the Company's capital that may be issued by virtue of this resolution.

This delegation would be given to the Board of Directors for a period of 26 months with effect from the General Meeting of 26 April 2017 and would immediately terminate, for the unused portion, the delegation granted by the Combined General Meeting of 27 April 2016.

4.2.2.2. Powers for formal recording requirements (Resolution 23)

Resolution 23 is a standard resolution concerning the granting of the powers required to make announcements and perform legal formalities relating to holding the General Meeting.

We believe that these transactions, under these conditions, are a timely measure and we ask you to approve the resolutions to be presented to you.

The Board of Directors

4.3. REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

Foncière des Régions carefully and continuously analyses the best practices in corporate governance as laid down in the Afep-Medef Code, revised in November 2016, and is committed to applying them. As such, pursuant to the undertakings made, for instance, in 2016 Foncière des Régions sought to increase the proportion of independent Directors and progress in the inclusion of more women on the Board, while continuing to strengthen the expertise of the Board on legal, environmental and financial matters. The Company's Board of Directors also endeavoured to continue to implement the recommendations of the independent evaluation of the Board's operations, including those concerning the development of interactions between Directors, and the sharing of risk and strategy analyses. These initiatives are part of a relentless drive to consolidate a form of governance that aspires to openness, transparency, efficiency and pragmatism, in order to serve the long-term interests of the Company, its shareholders, tenants, employees and all of its stakeholders.

This report, drawn up by the Chairman of the Board of Directors, provides an account to shareholders of the composition of the Board and the application of the principles of balanced gender representation on it, pursuant to the provisions of Articles L. 225-37 par. 6 *et seq.* of the French Commercial Code and on the conditions for preparing and organising its work and its internal monitoring and risk management procedures

implemented within Foncière des Régions, including those that apply to subsidiaries consolidated for tax purposes, especially procedures related to the creation and handling of financial and accounting information. This report also sets out (i) the limitations on the powers of the Chief Executive Officer and the Deputy General Manager(s), (ii) the general rules governing the establishment of the remuneration and benefits of all kinds granted to executive corporate officers, (iii) the conditions for shareholder participation in General Meetings, and (iv) the publication of the information required by Article L. 225-100-3 of the French Commercial Code.

This report was prepared with the assistance of the Legal Department, the Audit and Internal Control Department, the Human Resources Department, the Financial Department and the Corporate Office, all of which used the work of the High Committee on Corporate Governance and various recommendations of the *Autorité des Marchés Financiers* as references. After being discussed by the Chief Operating Officer and the Chairman of the Board of Directors, the report was presented to the Audit Committee, then submitted to the members of the Board of Directors, who approved it at their meeting of 15 February 2017. It was published on 22 March 2017 on the Company's website and was the subject of a report by the Statutory Auditors.

4.3.1. Preparation and organisation of the work of the Board of Directors

4.3.1.1. Management method

Since 31 January 2011, Foncière des Régions has been organised according to a one-tier board system, with a Board of Directors which, at its meeting on the same date, decided to separate the functions of Chairman and Chief Executive Officer.

This structure ensures a clear distinction between the Chairman's duty, which consists of ensuring the proper functioning of the Board of Directors, and the operational and executive functions for which General Management is responsible. The appointment, in 2012, of the Chief Executive Officer as a Director has allowed him to be involved, in the same way as the other Directors, in defining and making decisions relating to Company strategy, which he is responsible for implementing.

The composition of the governance bodies and the diversity of expertise of the members of the Board are a guarantee to shareholders and the market that the missions of the Board are carried out with the necessary independence and objectivity.

4.3.1.2. Role of the Chairman of the Board of Directors

The Chairman, in close coordination with the Chief Executive Officer, represents the Board of Directors. He acts and speaks on its behalf and oversees the organisation of the Board of Directors and its committees, as well as ensures that they are working smoothly. Discussions with the Chief Executive Officer prior to Board meetings help to bolster the operations of the Board and the efficiency of its meetings. He ensures that all Directors are always kept fully notified of any information complete and relevant to the implementation of the strategy. He leads the Board's discussions and helps to summarise its views. In close coordination with initiatives implemented in this matters by General Management, the Chairman ensures that the quality of the Board's relationships with the Company's shareholders, major partners and customers of the Group as well as with public authorities, institutional and regulatory authorities, the media and investors deemed to be economic players, are maintained. The Chairman also presides over the Company's General Meetings and participates in the oversight of the governance of the Company's subsidiaries. Moreover, he oversees the proper functioning of the audit and risk management bodies.

He provides the Chief Executive Officer with help and advice on designing and implementing the strategy, whilst not infringing on his executive responsibilities. The Chairman also helps to promote the image and values of Foncière des Régions, both inside and outside the Group.

4.3.1.3. Reference texts

French and EU legislation and regulations as well as the rules set forth by financial market regulatory authorities apply to the corporate governance of the Company. Foncière des Régions has adopted the Afep-Medef Code as a frame of reference for corporate governance. This decision was published by Foncière des Régions on 29 December 2008. Therefore, the Company

now refers to the Afep-Medef Code in the version that was revised and updated on 24 November 2016, which can be viewed at <http://www.afep.com> ("La Médiathèque", "Bibliothèque/Droit des sociétés et gouvernance" section).

The Company's corporate governance policy widely reflects the principles and recommendations of the Afep-Medef Code insofar as these are compatible with the Company's organisation, operation and situation. However, certain provisions of the code have not yet been fully implemented by the Company. In accordance with the provisions of Article L. 225-37, Par. 7 of the French Commercial Code and of Article 27.1 of the Afep-Medef Code relating to the "comply or explain" rule, the exceptions to the implementation of the code are described in the table below:

Afep-Medef Code	Foncière des Régions practices
Independence of Company Directors in office for more than 12 years or Directors of the parent company or one of its consolidated subsidiaries (or having held that position during the past five fiscal years)	In its appraisal of the independence of each of the Directors, the Board of Directors uses the criteria laid down in the Afep-Medef Code as key references; it also seeks to establish whether the Directors, who may be presumed non-independent according to one of the criteria set out in the code, are considered as free of constraints, if their terms of office and directorships in other Group companies do not lead to any loss of independence with respect to the Company's particular situation. This analysis is detailed and explained on a case-by-case basis in Section 4.3.1.4.3 of this report.

Foncière des Régions' corporate governance is also reflected by the Company's Articles of Association, supplemented by the provisions of the Internal Regulations of the Board of Directors adopted on 31 January 2011 and updated on 25 April 2012, 20 February 2013, 24 April 2013, 26 February 2014, 19 February 2015, 17 April 2015, 26 November 2015, 27 April 2016, 23 November 2016 and 15 February 2017.

The Internal Regulations of the Board will be regularly reviewed to ensure they are adapted to ongoing developments in governance rules and practices.

As such, when the Board of Directors met in 2016, it continued to adapt its Internal Regulations:

- ♦ to the governance changes introduced by the November 2015 review of the Afep-Medef Code, particularly in light of (i) the tasks entrusted to the Appointments and Remunerations Committee regarding supervising the establishment of succession plans for the executive corporate officers, and (ii) changes to the variable portion of the attendance fees
- ♦ to the recommendations of the internal audit on the prior authorisation of the Board regarding financing and balancing cash adjustments
- ♦ to the latest changes to EU Regulation No. 596-2014 on abuse of the market, which came into effect on 3 July 2016, particularly in the context of updating its appendix related to the guide on preventing insider trading.

Furthermore, when the Board of Directors met on 15 February 2017, it continued with adapting its Internal Regulations to the governance changes introduced by the November 2016 review of the Afep-Medef Code and by the European audit reform, in particular on (i) the sale of significant assets, (ii) independence

criteria, (iii) evaluating the Board, and (iv) the tasks entrusted to the Appointments and Remunerations Committee and the Audit Committee.

The full version of the updated Articles of Association and Internal Regulations can be viewed on the Company's website at the following address: www.foncieredesregions.fr.

4.3.1.4. Methods of organisation and operation of the Board of Directors

4.3.1.4.1. Missions of the Board of Directors

The Board of Directors determines the strategy for the Company's business and oversees its implementation. Subject to the powers expressly reserved for General Meetings of Shareholders and within the limits of the corporate purpose, the Board of Directors may seize any question affecting the operation of the Company and govern its business through its deliberations. It also conducts the controls and verifications it deems appropriate.

In addition to the operations already listed in the Internal Regulations that specifically require the Board's prior authorisation, any significant operation requires prior authorisation by the Board of Directors. Further details are given hereunder in Section 4.3.1.6.2 on the limitations to the powers of the Chief Executive Officer and Deputy General Manager(s). Therefore, when a significant sale of assets is planned, the Board and General Management evaluate the strategic interests of the transaction and ensure that the process is carried out in compliance with the Company's interests.

The Board is also kept informed of changes in the market and competitive environment and of any significant events, including in the domain of corporate, social and environmental responsibility for the Company. Furthermore, it receives regular updates on the financial situation, cash flow situation, and commitments of the Company. It is the Board's responsibility to approve the Company's financial communication policy and to oversee its relevance and quality.

The Board also defines whether the General Management of the Company is assumed by the Chairman or by another physical person with the title of Chief Executive Officer, who is appointed by the Board and who may or may not be a Board member. Since this last method of management is currently in force, the Board determined the limitations to the power of the Chief Executive Officer and the Deputy General Manager(s).

The Board implements the authorisations and delegations of powers and competence conferred upon it by the General Meeting and decides whether or not to approve the related-party agreements referred to it.

The Board of Directors determines the amount, methods of calculation and payment of the Chairman's remuneration, if any. It also determines and provides grounds for its decisions regarding remuneration for the Chief Executive Officer and the Deputy General Manager(s), which are listed in Section 5.5.1 of Chapter 5 of the Reference Document.

Finally, it ensures that shareholders and investors receive relevant, balanced and instructive information on the Company's strategy, development model, consideration of significant non-financial concerns, and long-term outlook.

4.3.1.4.2. Composition of the Board of Directors

The Articles of Association provide that the Board of Directors must consist of between 3 and 18 members, appointed by the Ordinary General Meeting of Shareholders. In addition to the

Chairman, the Board of Directors may elect one or more Vice-Chairmen from among its members. The Vice-Chairman acts in the Chairman's place in the event of incapacity or absence. In a case of temporary incapacity, this delegation is given for a limited period and may be renewed. If the Chairman dies, this delegation is valid until the appointment of a new Chairman of the Board.

Changes made to the Board of Directors in 2016

In the course of 2016, Micaela Le Divelec did not request the renewal of her mandate, which expired in 2016.

At its meeting on 17 February 2016, the Board of Directors appointed Covéa Coopérations, represented by Philippe Narzul, replacing GMF Vie on the Board, for the remainder of the latter's term of office expiring at the end of the General Meeting convened in 2019 to approve the financial statements for the year ended 31 December 2018.

The General Meeting of Shareholders that met on 27 April 2016 proceeded with the following:

- ♦ the ratification of the appointment of Covéa Coopérations as a Director
- ♦ the renewal of the mandate of Christophe Kullmann as a Director for a term of four (4) years and
- ♦ the appointment of two independent Directors, Patricia Savin and Catherine Soubie, for a term of four (4) years. Patricia Savin provides the Board with the benefit of her recognised legal experience, especially in the fields of real estate, the environment and sustainable development, as well as her expertise as a lawyer and involvement in various associations. Catherine Soubie enhances the financial and deal-making competence of the Board through her experience with Lazard, Morgan Stanley, Barclays and Arfilia since September.

Director	Departure	Renewal	Appointment	Term of office	Expiry of term of office
Covéa Coopérations			17 February 2016		2019
Micaela Le Divelec	2 March 2016				
Christophe Kullmann		27 April 2016		4 years	2020
Patricia Savin			27 April 2016	4 years	2020
Catherine Soubie			27 April 2016	4 years	2020

Impact of the 2016 changes to the Board in terms of diversification

Number of directors	Percentage of independent	Percentage of women	Percentage of international	Average age
15 versus 14	60% versus 57%	40% versus 36%	27% versus 36%	Maintained at 57 years

This change in the governance of the Company in 2016 therefore meets the ambition of the Board of Directors to extend its diversity in terms of gender representation, nationality, international experience and expertise provided by each of its members.

At 31 December 2016, the Board of Directors had 15 members plus one non-voting Director:

Member's first and last name or company name	Title	Gender	Nationality	Age	Date first appointed	Date of re-appointment
Jean Laurent	Chairman of the Board	Male	French	72	31/01/2011	17/04/2015
Leonardo Del Vecchio	Vice-Chairman of the Board	Male	Italian	81	31/01/2011	17/04/2015
ACM Vie represented by Catherine Allonas Barthe	Director	Female	French	62	31/01/2011	17/04/2015
Romolo Bardin	Director	Male	Italian	38	17/04/2015	
Delphine Benchetrit	Director	Female	French	48	17/04/2015	
Jean-Luc Biamonti	Director	Male	Monegasque	63	31/01/2011	17/04/2015
Sigrid Duhamel	Director	Female	French and Danish	51	28/04/2014	
Bertrand de Feydeau	Director	Male	French	68	31/01/2011	17/04/2015
Christophe Kullmann	Chief Executive Officer Director	Male	French	51	25/04/2012	27/04/2016
Covéa Coopérations represented by Philippe Narzul	Director	Male	French	63	17/02/2016	
Sylvie Ouziel	Director	Female	French	47	24/04/2013	
Predica represented by Jérôme Grivet	Director	Male	French	55	31/01/2011	17/04/2015
Patricia Savin	Director	Female	French	51	27/04/2016	
Catherine Soubie	Director	Female	French	51	27/04/2016	
Pierre Vaquier	Director	Male	French	60	31/01/2011	17/04/2015
Sergio Erede	Non-voting member of the Board of Directors	Male	Italian	76	17/04/2015	

(1) To which may be added 24,000 shares beneficially owned resulting from a bare ownership transfer.

Comments on the attendance rate can be found in Section 4.3.1.4.7.

The Chairman is Jean Laurent and the Vice-Chairman is Leonardo Del Vecchio. Both were appointed by the Board of Directors on 31 January 2011 and their terms of office were renewed on 17 April 2015.

In 2016, for personal or professional reasons, some Directors were unable to attend some Board of Directors meetings. The lower attendance rates do not, however, diminish their strong involvement with and contribution to the preparatory work of the Board, given the opinions that they have previously issued on the information and transactions presented during meetings.

A list of all the offices held and functions currently or previously performed by each of the executive corporate officers over the last five years is presented in Section 5.5.3 of Chapter 5 of the Reference Document.

During its meeting on 15 February 2017, the Board of Directors, on the recommendation of the Appointments and Remunerations Committee, proposed to renew the mandates as Directors of Predica, represented on the Board by Jérôme Grivet, and of Jean-Luc Biamonti, Sylvie Ouziel, and Pierre Vaquier, whose mandates are set to expire in 2017. If these renewals are approved at the General Meeting of 26 April 2017, the Board will continue to have fifteen members, of whom 40% will be women and 60% will be independent Directors.

Year of expiry of term of office	Independent member	Board meeting attendance rate	Committee membership	Number of directorships in public companies outside the Foncière des Régions Group	Number of shares held by executive corporate officers who are physical persons
2019	yes	100%	Strategic and Investment Committee	2	575
2019	no	0%	Strategic and Investment Committee	1	1
2018	no	20%	Strategic and Investment Committee	1	0
2018	no	100%	Strategic and Investment Committee Audit Committee	1	4,270
2018	yes	80%	/	1	0
2017	yes	100%	Audit Committee Appointments and Remunerations Committee	1	429
2018	yes	80%	Audit Committee	2	252
2019	yes	100%	Audit Committee	2	362
2020	no	100%	/	0	50,399 ⁽¹⁾
2019	no	80%	Strategic and Investment Committee	1	0
2017	yes	60%	Audit Committee	1	425
2017	no	60%	Strategic and Investment Committee Appointments and Remunerations Committee	2	0
2020	yes	100%	/	0	0
2020	yes	100%	/	1	650
2017	yes	60%	Appointments and Remunerations Committee	0	272
2019	no	100%	Strategic and Investment Committee Appointments and Remunerations Committee	N/A	N/A

Non-voting member of the Board of Directors

The Board of Directors may appoint one or more non-voting members (physical persons or legal entities). It defines their term of office and any remuneration if they are assigned a particular mission. The non-voting members of the Board of Directors attend meetings of the Board as observers and may be consulted by the Board. They must be called to every meeting of the Board of Directors. They receive the same attendance fees as Directors.

At the end of his Director's term of office expiring on 17 April 2015, the Board of Directors appointed Sergio Erede as non-voting Director for a term of four (4) years expiring at the end of the General Meeting convened in 2019 to approve the financial statements for the financial year ending 31 December 2018.

As a non-voting Director, Sergio Erede provides the Board with his legal expertise as a recognised Italian business lawyer and attends the Board of Directors meetings on a consultative basis. He also attends the meetings of the committees of which he was previously a member.

Secretary of the Board

The Board of Directors also appoints a Secretary, who may be a Board member or an external appointee. It defines the Secretary's duties, which it may terminate at any time. The Secretary ensures that procedures relating to the Board's operation are followed and takes the minutes at its meetings.

These functions are currently held by Yves Marque, the Chief Operating Officer of Foncière des Régions, who was appointed by the Board of Directors on 31 January 2011, and reappointed on 17 April 2015 for a term of four (4) years expiring at the end of the General Meeting convened in 2019 to approve the financial statements for the year ending 31 December 2018.

Employee representatives

The Board of Directors does not include members representing employees: This lack of representation on the Board is due to the fact that Foncière des Régions does not come under the provisions of Law No. 2013-504 of 14 June 2013 concerning job protection.

In addition, since employee investment in Foncière des Régions is below the threshold of 3% of capital set by the provisions of Article L. 225-23 Par. 1 of the French Commercial Code, the Board of Directors does not include members representing employee shareholders.

However, three employees who are Works Council representatives are invited to each meeting, and attend with access to the same information as the Directors.

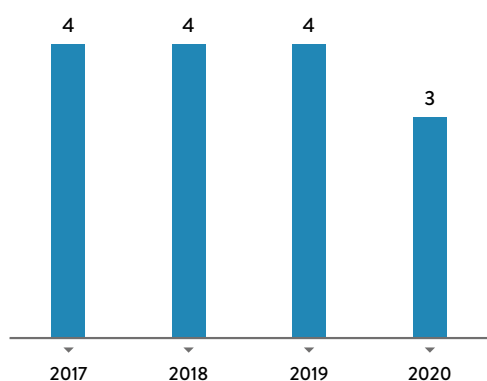
4.3.1.4.2.1. Duration and staggering of mandates

Directors are appointed for a four-year term so that shareholders can have a frequent say on their election. The term of a Director expires at the end of the Ordinary General Meeting called to approve the financial statements for the previous year, held in the year in which the term of the said Director expires.

To promote the Board's harmonious renewal, the Directors' terms of office are now staggered over time. To this effect, some of the terms jointly renewed in 2015 were exceptionally shortened to two or three years.

The shareholders' regular renewal of Directors has thus been facilitated, both due to the limitation of their terms of office to four years, and to the staggering of expiration dates for the various tenures, allowing the General Meeting to vote on several directorships every year.

STAGGERED EXPIRATION OF TERMS OF OFFICE



4.3.1.4.2.2. Lead Director

Given the separation of the functions of the Chairman and Chief Executive Officer, the Board of Directors decided that there is no need to appoint a lead Director.

4.3.1.4.2.3. Gender parity

Occupational gender equality and diversity are key to effectiveness and economic and social performance and have been amongst Foncière des Régions' core concerns over recent years. With 40% of the Board of Directors' members being women, the Company has fulfilled the recommendations of the Afep-Medef Code, doing so a year earlier than the legal deadline set for April 2017.

4.3.1.4.2.4. Nationalities

Of the Directors on the board, 27% are non-French, including two Italians, one person from Monaco and one Dane. This diversity ensures that its discussions encompass a wide range of views and that the topics reviewed at its meetings are analysed from a broader perspective.

4.3.1.4.2.5. Training

During the year, the Company continued with its induction programme for new Directors to enable them to gain a better understanding of the Company and its business sector. As such, the Directors who were not familiar with the industry and the Company have had the opportunity to meet with the Chief Executive Officer of the Company, the Deputy General Manager, the Director of Corporate Development and Communication, the Chief Operating Officer, and the Financial Director several times, and are also entitled to additional training on the specifics of the Company, its work and its industry, if they so request.

4.3.1.4.2.6. Chief Executive Officer's presence on the Board of Directors

The appointment in 2012 of Christophe Kullmann (who is also the Company's Chief Executive Officer) as a Director has enabled him to be even more directly involved in the Company's strategy, for which he is responsible at the same level as the other Directors.

4.3.1.4.2.7. Recruitment procedure

When new Directors are recruited, the Board requests that the Appointments and Remunerations Committee put forward candidates. The committee compiles a current skills map and works out the additional expertise sought from future Directors. In addition to the technical expertise sought, candidates should have solid experience as active Management or Executive Committee members, be willing and able both to contribute constructive opinions to discussions and to help summarise views and take part in decision-making. The candidates, who may in certain cases be pre-selected by a specialised firm, meet with the Chairman of the Board, the Chairman of the Appointments and Remunerations Committee, the Chief Executive Officer and, wherever possible, with other Directors. Finally, once the Chairman of the Appointments and Remunerations Committee has presented the candidates' profiles, the Board selects the candidate to be put to the vote at the General Meeting of Shareholders.

4.3.1.4.3. Independence of the Directors

The Internal Regulations of the Company stipulate that the Board of Directors must include a significant proportion of independent Directors and specify in Article 6 that an independent Director is one who has no relationships of any kind with the Company, its group or its Management that might compromise his/her independent judgement.

Each year, based on the recommendations of the Appointments and Remunerations Committee, the Board of Directors devotes one item on its agenda to assessing the independence of its members in terms of the independence criteria implemented by the Company.

In assessing the independence of each Director, the Board of Directors initially draws on the criteria set out in the Afep-Medef Code as a reference, which state that an independent Director must meet all of the following conditions:

- (i) they are not and have not been within the previous five years:
 - ♦ employees or executive corporate officers of the Company
 - ♦ employees, executive corporate officers or Directors of a company that the Company is consolidating
 - ♦ employees, executive corporate officers or Directors of the parent company of the Company or of a company consolidated by that parent company,
- (ii) they are not executive corporate officers of a company in which the Company directly or indirectly holds the office of Director, or in which an employee designated as such or an executive corporate officer of the Company (currently or within the last five years) holds a position as Director
- (iii) they are not a client, supplier, business banker, significant finance banker of the Company or its group, or for which the Company or its group represent a significant portion of business
- (iv) they have no close family ties with an executive corporate officers of the Company
- (v) they have not served as a Statutory Auditor for the Company during the past five years
- (vi) they have not been a Director of the Company in more than twelve years, in the understanding that status as Independent Director will no longer prevail after the twelve year anniversary
- (vii) they are not nor do they not represent a shareholder who owns more than 10% of the capital or voting rights in the Company or its parent company.

Secondly, and in line with Article 8.4 of the Afep-Medef Code, beyond the simple observation of compliance or non-compliance with these criteria, the Board of Directors assesses whether the Director meets the general definition set out in its Internal Regulations, on a case-by-case basis.

It seeks, in particular, to establish whether a Director, who could be presumed independent in terms of the Afep-Medef Code, has no other important ties (frequent or materially significant professional or personal ties in relation to Foncière des Régions' operating costs) which may restrict his or her freedom of analysis and of decision-making. Conversely, the Board also seeks to establish whether a Director, who may be presumed non-independent according to one of the criteria set out in the Code, is considered as free of constraints, if the criterion in itself does not lead to any loss of independence with respect to

the Company's particular situation. This case-by-case analysis is particularly justified by the specific nature of the real estate sector, which focuses on an identified number of players and is led by well-known individuals.

During its meeting on 15 February 2017, the Board of Directors performed this annual review and decided, after a proposal from the Appointments and Remunerations Committee, to maintain throughout 2017 the independent status of Delphine Benchetrit, Jean-Luc Biamonti, Sigrid Duhamel, Bertrand de Feydeau, Jean Laurent, Sylvie Ouziel, Patricia Savin, Catherine Soubie and Pierre Vaquier, in light of the following findings:

- ♦ Delphine Benchetrit has been a member of the Board of Directors in a personal capacity since 17 April 2015.
She has never directly or indirectly been in significant business relations or occupied any executive function within Foncière des Régions or a company in its group or under its management. Moreover, she meets all of the independence criteria contained in the Afep-Medef Code. The Board therefore considers Delphine Benchetrit as an independent Director.
- ♦ Jean-Luc Biamonti has been a member of the Board of Directors in a personal capacity since 31 January 2011.
He meets all of the aforementioned Afep-Medef criteria and, in particular, has never been in a direct or indirect business relationship or held any executive position within Foncière des Régions or a company of its group or under its management. He has no dealings with members of the Board of Directors, Executive Managers or majority shareholders that may call into question the criteria-based analysis. The Board of Directors therefore considers Jean-Luc Biamonti as an independent Director.
- ♦ Sigrid Duhamel has been a member of the Board of Directors in a personal capacity since 28 April 2014.
She meets all of the aforementioned Afep-Medef criteria and, in particular, has never been in a significant direct or indirect business relationship or held any executive position within Foncière des Régions or a company of its group or under its management. She has no dealings with members of the Board of Directors, Executive Managers or majority shareholders that may call into question the criteria-based analysis. The Board of Directors therefore considers Sigrid Duhamel to be an independent Director.
- ♦ Bertrand de Feydeau has been a member of the Board of Directors in a personal capacity since 31 January 2011. Prior to that, he had been a member of Foncière des Régions' Supervisory Board since 23 October 2006.

He has never held an executive position within Foncière des Régions or a company of its group.

The Board noted that he is also the non-executive Chairman of the Board of Directors of Foncière Développement Logements, a company which is 61.22% owned by Foncière des Régions and consolidated since August 2013. This is a position that may call into question the presumption of independence under the first criterion of the Afep-Medef Code. The Board, however, considered that this non-executive role contributes to strategic coherence within the Group and is not likely to lead to conflicts of interest, as Bertrand de Feydeau is not considered as independent within the subsidiary, Foncière Développement Logements, and abstains, at the Foncière des Régions level, from participating in Board deliberations that may affect the interests of the subsidiary. This practice is

in line with the criteria set forth by the French Management Association (Association Française de Gestion, AFG) and with the recommendation of the Commission of the European Communities dated 15 February 2005: these two texts, which are well-suited to the European scale of Foncière des Régions' business, consider that being an independent Director of a group company has no adverse impact on the position of independence within another of this group's companies, and that only an executive position within one of the group's companies may call this independence into question.

Moreover, considering the other offices held in the past or currently by Bertrand de Feydeau in predominantly real-estate companies, his real estate and financial expertise and his independent-mindedness, which is unanimously recognised within the sector, he undeniably contributes to the debates of the Board of Directors of Foncière des Régions in an independent manner. The Board is committed to guaranteeing this independence by granting the Board of Directors its own operational resources, providing Directors with easy access to information and by securing all the conditions necessary to ensure transparent debates which respect the work of the Directors.

- ♦ Jean Laurent has been a member of the Board of Directors in a personal capacity since 31 January 2011, and has been its Chairman since the same date.

He has never been in a business relationship with the Company and does not represent any of its shareholders.

Given the separation of the functions of Chairman and Chief Executive Officer implemented by the Board of Directors, Jean Laurent has no management or executive prerogative within the Company and, pursuant to Article L. 225-51 of the French Commercial Code, limits his duties as Chairman to the organisation and direction of the work of the Board of Directors and oversight of the smooth operation of the corporate bodies. His role is therefore non-executive. The remuneration for this role only includes a fixed portion proportionate to the scope of his role and is not such as to compromise his independence.

In terms of his status as an independent Director of Foncière des Régions, he is also a non-executive Director on the Board of Directors of Beni Stabili, a company which is 52.22% owned by Foncière des Régions. This non-executive role contributes to strategic coherence within the Group and is not likely to lead to conflicts of interest, as Jean Laurent abstains, at the Foncière des Régions level, from participating in Board deliberations that may affect the interests of the subsidiary. Accordingly, for the same reasons as those stated for Bertrand de Feydeau, this directorship does not have any bearing on Jean Laurent's status as an independent Director.

- ♦ Sylvie Ouziel has been a member of the Board of Directors in a personal capacity since 24 April 2013.

She meets all of the aforementioned Afep-Medef criteria and, in particular, has never been in a direct or indirect business relationship or held any executive position within Foncière des Régions or a company of its group or under its management. She has no dealings with members of the Board of Directors, Executive Managers or majority shareholders that may call into question the criteria-based analysis. The Board of Directors therefore considers Sylvie Ouziel to be an independent Director.

- ♦ Patricia Savin has been a member of the Board of Directors in a personal capacity since 27 April 2016.

She meets all of the independence criteria contained in the Afep-Medef Code. Apart from occasional involvement with the teams from Foncière des Régions regarding environmental issues, for which in 2016 she invoiced fees of €1,000 excluding taxes, she has never been directly or indirectly in a significant business relationship or held any executive position within Foncière des Régions or a company in its group or under its management. She has no dealings with members of the Board of Directors, Executive Managers or majority shareholders that may call into question the criteria-based analysis. The Board therefore considers Patricia Savin as an independent Director.

- ♦ Catherine Soubie has been a member of the Board of Directors in a personal capacity since 27 April 2016.

She meets all of the aforementioned Afep-Medef criteria and, in particular, has never been in a direct or indirect business relationship or held any executive position within Foncière des Régions or a company of its group or under its management. She has no dealings with members of the Board of Directors, Executive Managers or majority shareholders that may call into question the criteria-based analysis. The Board of Directors therefore considers Catherine Soubie to be an independent Director.

- ♦ Pierre Vaquier has been a member of the Board of Directors in a personal capacity since 31 January 2011. Prior to that, he was a member of Foncière des Régions' Supervisory Board from 2 April 2001.

He meets all of the aforementioned Afep-Medef criteria and, in particular, has never been in a business relationship or held any executive position within Foncière des Régions or a company of its group or under its management.

The duration of his term, which is more than twelve years as of 2013, does not impair his independent status.

The Board noted that:

- ♦ the Company, its business, its portfolio, mode of governance and shareholder base have changed considerably since 2001
- ♦ in light of all of these changes, particularly in terms of governance, shareholding structure and management, the reappointment of Pierre Vaquier as Director reflects the reality of his independence

- the real estate industry operates in long cycles: the time lapse between the moment the decision to launch a project is made and its delivery can take roughly ten years. Moreover, Foncière des Régions has a long-term ownership policy for its acquired or developed assets. This characteristic justifies the long-term presence of the Directors, in order to assess and bear responsibility for the strategic decisions made by the Board
- the length of Pierre Vaquier's term has in no way altered his critical faculties with regard to General Management. On the contrary, his personality and expertise acquired within the Board have strengthened his freedom of speech and his independence of judgement. These qualities support his ability to challenge management's suggestions, contribute to placing the Company's strategy into perspective and also make it possible to provide a genuine base for the independent Directors (the other independent Directors have considerably less years of service to their names – four years on average).

The Board of Directors therefore considers that Pierre Vaquier's long-standing tenure does not have any bearing on his status as independent Director.

Given that 60% of its Directors are independent, the Company complies with the threshold recommended by the Afep-Medef Code for independent Directors.

More generally, the Board is keen to bring together a range of skills likely to provide it with real estate expertise as well as sufficient financial expertise to be able to make informed and independent judgements with regard to the financial statements and adherence to accounting standards. Particular attention has also been paid to the complementary nature and quality of the various Directors' career paths, both in terms of offices held and business sector experience. With its current membership, the Board represents a sound balance between legal, real estate, financial, banking, environmental and business expertise.

In line with AMF Recommendation No. 2012-02, the table below shows the situation of the independent members of the Board of Directors in light of the independence criteria defined by the Afep-Medef Code; an X represents a requirement that has been met and (i) to (vii) refer back to the criteria used by the Afep-Medef Code defined below:

Criteria used by the Afep-Medef Code	Employee or executive corporate officers in the course of the five previous years (i)	Cross-directorships (ii)	Significant business relationships (iii)	Family ties (iv)	Statutory Auditors (v)	Term of office longer than 12 years (vi)	Shareholder with more than 10% of shares (vii)
Delphine Benchetrit	X	X	X	X	X	X	X
Jean-Luc Biamonti	X	X	X	X	X	X	X
Sigrid Duhamel	X	X	X	X	X	X	X
Bertrand de Feydeau		X	X	X	X	X	X
Jean Laurent		X	X	X	X	X	X
Sylvie Ouziel	X	X	X	X	X	X	X
Patricia Savin	X	X	X	X	X	X	X
Catherine Soubie	X	X	X	X	X	X	X
Pierre Vaquier	X	X	X	X	X		X

4.3.1.4.4. Ethical guidelines for members of the Board of Directors

The provisions governing the ethical rules and duties of the members of the Board of Directors are set forth in Article 5 of the Company's Internal Regulations, which is reproduced in full in Section 5 of the Reference Document. This article defines the rules applicable to Directors concerning the declaration and management of conflicts of interest through their duty of loyalty.

The Company applies specific rules to Directors:

- obligation to declare conflicts of interest to the Chairman of the Board and/or to the Chairman of the Strategic and Investment Committee

- application of a rule according to which members finding themselves with a conflict of interest may not take part in debates and discussions, nor vote on the resolutions in question; Directors with conflicts of interest being invited to leave Board or Strategic and Investment Committee meetings held to review agenda items relating to the project or projects from which the conflict of interest has arisen.

In concrete terms, when any file is submitted that could potentially put a Director in a situation of conflict of interest, the files, especially investment files, are not sent until Directors have been able to declare that they are free of any conflict of interest based on certain key elements.

In the case of a permanent conflict of interest, Article 5 of the Internal Regulations provides that the Board member involved must resign.

When a transaction was submitted for the disposal of a portfolio, Jérôme Grivet and Pierre Vaquier, who could have ended up studying the acquisition of the aforementioned portfolio in the course of their duties, abstained from any debates on the disposal transaction.

In 2016, the Company did not become aware of any other identified conflict of interest.

4.3.1.4.5. Organisation of the Board of Directors

4.3.1.4.5.1. Meetings

The Board of Directors meets as often as required by the interests of the Company and whenever the Chairman deems necessary, upon notice from the Chairman. A simultaneous French/Italian interpretation system is used during meetings for the benefit of all participants.

4.3.1.4.5.2. Form of the notice of meeting

Notices of meeting are conveyed by any written method at least five days in advance. This five-day period may be reduced if one third of the Directors agree to a shorter notification period. Meetings are held at the Company's registered office or any other location indicated in the notice of meeting.

4.3.1.4.5.3. Other participants

The Deputy General Manager attends Board meetings as a guest.

The non-voting Director, appointed by the Board of Directors, attends Board of Directors meetings on an advisory basis.

In accordance with the provisions of Article L. 2323-62 of the French Labour Code, three representatives of the Works Council designated by the Council attend Board meetings on an advisory basis. These representatives have the same documents at their disposal as those provided to Board members.

The Statutory Auditors are called to attend meetings during which the annual and half-yearly corporate or consolidated financial statements are examined or prepared. They are notified at the same time as the Directors. The Secretary of the Board also attends the meetings but has no vote.

Depending on the items on the agenda, the Chairman may deem it useful to invite employees or outside consultants to attend.

4.3.1.4.5.4. Information for the members of the Board

The Company provides the Directors and the non-voting member with the information they need to effectively participate in the Board's work in order to enable them to perform their role in appropriate conditions. This ongoing information must include all relevant items concerning the Company, including press articles and financial analysis reports.

At each Board meeting, the Chairman informs the members of the main facts and significant events affecting the Group's business since the previous Board meeting. In addition, files to

be sent to the Directors, and to any non-voting members of the Board of Directors and employee representatives assisting the Board, which contain the information and documents needed to perform their mission (including all documents relating to transactions that the Board is required to review in order to enable the Board to assess the impact), are prepared before each Board meeting and conveyed to the participants in a timely manner, with a reasonable notification period before the date of the meeting.

4.3.1.4.5.5. Board deliberations

The Board of Directors validly deliberates only if at least one half of its members are present. Subject to the applicable laws and regulations, the meetings of the Board of Directors may be held via videoconference or telecommunications or any other method allowed under the law and the regulations under the conditions defined by the Internal Regulations adopted by the Board of Directors.

Decisions are adopted by a majority of the members present or represented. In the event of a tied vote, the meeting's Chairman does not have the casting vote.

The deliberations of the Board of Directors are recorded in minutes prepared by the Secretary of the Board after each meeting. After approval, they are transcribed in the register of minutes of Board meetings.

4.3.1.4.6. Evaluation of the Board's work

Under its Internal Regulations, each year the Board conducts a formal assessment of its work and devotes one item on its agenda during one of its meetings to a discussion of its operations. An independent evaluation is conducted every three years, with the assistance of an outside consultant where required. The assessment of the Board's work aims to review the Board of Directors' operating procedures, check that important matters are correctly prepared and debated, and measure the actual contribution of each Director to the Board's work based in his or her expertise and involvement in discussions. At this time, non-executive Directors, under the leadership of the Appointments and Remunerations Committee, may also evaluate the performance of the Chairman, Chief Executive Officer and Deputy General Manager(s) and reflect on the future of the Company's management.

In accordance with the recommendations of the Afep-Medef Code, the Company arranged for an initial independent evaluation, conducted at the end of 2013 by Egon Zehnder, three years after the implementation of the new governance system.

Since then, the Chairman of the Board of Directors has been striving to implement all recommendations from this evaluation. In 2014, the Board strengthened its international and real estate expertise, improved the integration process for new Directors, systematised the monitoring of Board decisions and the implementation of *post-mortem* practices for investments, and extended risk management consultation through widespread sharing of the work of the Audit Committee on the subject.

These efforts continued in 2015. In particular, the Board extended the consultation on strategic issues beyond the bounds of the Strategic and Investment Committee at a seminar held in June 2015 in Berlin, during which the Board of Directors and Management Committee discussed Foncière des Régions' medium-term strategy. The form of the projects presented to the Board of Directors was also improved, in order to make the presentations more concise, highlight the implications, risks and alternatives in each case, and support decision-making.

At the end of the 2016 fiscal year, the Company performed a formal evaluation of the capacity of the Board of Directors to fulfil the expectations of shareholders who gave them the task of managing the Company, by sending out a very exhaustive and anonymous questionnaire through the Secretary of the Board, reviewing the make-up, organisation, and working methods of the Board and committees in the course of 2016.

The results of this evaluation were presented to the Board of Directors on 15 February 2017. It covers the following factors:

- ♦ a balanced, efficient Board of Directors endowed with all of the tools it needs to properly perform its task
- ♦ improvements compared with the last evaluation in 2014, in particular on the more strategic content of meetings.

The strengths highlighted by the Directors are the following:

- ♦ the members of the Board have diversified profiles and skills, suitable to the challenges of this business sector
- ♦ quality meetings promote good relations between the Directors and encourage their involvement in debate
- ♦ increased presence of Directors of the main companies, which strengthens operational enlightenment
- ♦ the importance of strategic seminars to analyse new challenges and position the strategy of the Company was highlighted
- ♦ efficient committees (Appointments and Remunerations Committee, Strategic and Investment Committee and Audit Committee).

The Directors proposed strategies for improvement focusing mainly on two themes:

- ♦ content of discussions:
 - ♦ need to have more information on the status of competition and strategy of peers
- ♦ organisation of meetings:
 - ♦ make presentations lighter on the numbers to focus more on strategy.

4.3.1.4.7. Meetings and subjects discussed by the Board of Directors in 2016

In 2016, the Board of Directors met five times, at the request of its Chairman, and the average rate of member attendance was 75%.

Each time certain Directors were unable to attend meetings, the Chairman and the Chief Executive Officer arranged to send them the reports reviewed during meetings, asked for their opinions and shared them with the rest of the Board.

In addition to issues relating to its legal or regulatory powers, the Board of Directors regularly ruled on the Group's strategy and on major decisions affecting its business (both acquisitions or disposals and internal restructuring).

Every two years, the Board meets for two full days for a strategic seminar, which is also an opportunity to visit some of the Group's real estate holdings. In 2015, the seminar was held in Berlin. In June 2017, a new seminar will be held in Milan. These meetings bring together almost the entire Board, and this active participation, which is a testament to the strong commitment of Directors to the Company, is considered in determining attendance rates.

In particular, the Board's work involved a review of the following points:

Meeting on 17 February 2016

Decisions made during previous Board of Directors meetings – Examination and approval of company and consolidated financial statements as at 31 December 2015 – Report of the Audit Committee on 15 February 2016 – Opinion of the Statutory Auditors – Preparation of the provisional management statements and the resulting reports – Preparation of the financial press release – Proposed dividend – Examination of the strategy: simplification of the organisation, plan for strengthening the capital base of Foncière des Murs and Beni Stabili, and report on the implementation of FDM Management – Report of the Strategic and Investment Committee of 17 February 2016 – Report of the Appointments and Remunerations Committee of 9 February 2016: examination of the composition of the Board, co-opting of Covéa Coopérations, evaluation of the independence of Directors, examination and approval of the remuneration for the executive corporate officers – Call for the Annual General Meeting: approval of the Agenda, of the text of draft resolutions, of the management report of the Board and the other Board reports – Approval of the report of the Chairman of the Board on corporate governance and internal control – Verification of the requirements for executive corporate officers relating to honour, integrity, professional competence and combating money laundering – Presentation and approval of (re)financing – Review of related-party agreements for 2015 – Approval of a charter for related-party agreements – Declassification of certain related-party agreements – Approval of a rider to a related-party agreement – Use of the delegation of authority granted by the General Meeting on 17 April 2015 in the context of the 2015 profit-sharing investment in shares by the employees of the Foncière des Régions Group.

Meeting on 27 April 2016

Follow-up on decisions made during previous Board of Directors meetings – Review of the business for the first quarter of 2016: review and approval of transactions for the investment and disposal of assets, rental report, presentation and approval of issuance of green bonds – Approval of the buyback offer for the securities issued in 2012 – Annual review of the action taken in terms of the corporate social and environmental responsibility policy – Report of the Appointments and Remunerations Committee of 27 April 2016: approval of the long-term incentive plan making up the remuneration of the executive corporate officers, implementation of plans for the awarding of bonus shares – Introduction to the new governance of Beni Stabili – Implementation of resolutions voted on at the General Meeting: implementation of the share buyback programme, approval of in-kind contributions of FDM shares awarded to the Company and of the resulting capital increase, preparation of financial press release, approval of the OPE plan begun on FDM – Follow-up on requests to convert ORNANE 2011 – Report on the decisions of the Chief Executive Officer on the capital increase reserved for employees of the Foncière des Régions Group, and release of the terms of the additional report of the Board – Update of the Internal Regulations – Verification of the requirements relating to honour, integrity, professional competence and combating money laundering for Patricia Savin and Catherine Soubie.

Meeting on 21 July 2016

Review and approval of the company and consolidated financial statements as at 30 June 2016 – Report of the Audit Committee of 18 July 2016 – Opinion of the Statutory Auditors – Preparation of the financial press release – Report of the Strategic and Investment Committee of 21 July 2016: presentation and approval of investment projects – Review of quarterly business report: Stock exchange and investment monitor, presentation and approval of a refinancing transaction, monitoring of key Executive Board accounts – Report on the decisions of the Chief Executive Officer on the new conversion value of the ORNANE-type bonds – Tracking of requests to convert 2011 ORNANE-type bonds – Report on the decisions of the Chief Executive Officer on the profits for the investment of the 2015 incentive in Company shares – Presentation of the results of the first OPE period begun on FDM and the release of the terms of the additional report of the Board – Tracking of share acquisitions in the buyback programme – Approval of the provisional management statements and related reports – Presentation of the agenda for the 2017 governance meetings.

Meeting on 18 October 2016

Presentation of the portfolio distribution – Presentation and approval of a project on the assets of Telecom Italia – Report on the hotel business – Report of the Audit Committee of 28 September 2016 – Review of the quarterly business report: report on the significant events, investments, rental activity and stock price – Presentation of the process for evaluating the work of the Board.

Meeting on 23 November 2016

Presentation of the 2016 year-end adjustments – Presentation and approval of transactions to bolster the equity of the Company and for the buyback and payment of the 2011 ORNANE-type bonds – Presentation and approval of the 2017 budget – Report of the Strategic and Investment Committee on 23 November 2016: presentation and approval of an investment project – Annual authorisation to the Chief Executive Officer to issue deposits, securities or guarantees – Presentation of the related-party agreements authorised during previous years executed in 2016 – Report on the decisions of the Chief Executive Officer for the capital increase performed during the definitive awarding of bonus shares – Implementation of plans to award bonus shares – Follow-up on requests to convert 2011 ORNANE-type bonds – Update of the Internal Regulations – Presentation and approval of the simplified merger transaction for FEL by the Company.

4.3.1.5. Specialised committees contributing to the work of the Board of Directors

In order to improve the quality of its work, and in line with corporate governance principles, the Board of Directors relies on three specialised committees tasked with researching and preparing for certain Board decisions by submitting their opinions, proposals or recommendations.

The Board of Directors' Internal Regulations, of which the full text is available on the Company's website, determine each committee's responsibilities and mode of operation. A description of their business activity is included each year in the Company's annual report.

The composition of the specialised committees shows the Company's desire to promote the presence of independent Directors on these committees.

Yves Marque is the Secretary of the Board and as such acts as secretary of the committees.

Audit Committee	Appointments and Remunerations Committee	Strategic and Investment Committee
Bertrand de Feydeau ⁽¹⁾ , Chairman	Jean-Luc Biamonti ⁽¹⁾ , Chairman	Leonardo Del Vecchio, Chairman
Romolo Bardin, Member	Pierre Vaquier ⁽¹⁾ , Member	Catherine Allonas Barthe, Member
Jean-Luc Biamonti ⁽¹⁾ , Member	Jérôme Grivet, Member	Romolo Bardin, Member
Sigrid Duhamel ⁽¹⁾ , Member	Sergio Erede, Guest	Jérôme Grivet, Member
Sylvie Ouziel ⁽¹⁾ , Member	Jean Laurent ⁽¹⁾ , Guest	Jean Laurent ⁽¹⁾ , Member
Jean Laurent ⁽¹⁾ , Guest		Philippe Narzul, Member
		Sergio Erede, Guest

(1) Independent members.

The Company has not created a specific committee under the Board of Directors on corporate social and environmental responsibility (CSR). The actions undertaken by the Company in this area are presented annually and directly to the Board of Directors.

4.3.1.5.1. Audit Committee

Its missions, composition and organisation are governed by Articles L. 823-19 *et seq.* of the French Commercial Code. The Company's Internal Regulations comply with the provisions on the Audit Committee stipulated by the aforementioned articles.

4.3.1.5.1.1. Composition

The Audit Committee now has five members, including four independent Directors (80%): Jean-Luc Biamonti, Sigrid Duhamel, Bertrand de Feydeau and Sylvie Ouziel. The representation of independent Directors is thus consistent with the requirements of the Afep-Medef Code. The Audit Committee members were chosen on the strength of their financial and accounting expertise, appraised in light of their educational backgrounds and professional experience.

Bertrand de Feydeau, an independent Director, serves as Chairman of the Audit Committee. In addition, Jean Laurent, in his capacity as independent Chairman of the Board of Directors, takes part in all Audit Committee meetings, but has no vote.

The committee has one member of Italian nationality, one member of Danish nationality and one who is Monegasque.

Bertrand de Feydeau, Chairman of the Audit Committee, is very well known in the real estate sector and has special financial and accounting expertise as a former Chief Financial Officer for the Union Internationale Immobilière and then Central Director of the Axa Group's real estate assets. He is a member of the Royal Institution of Chartered Surveyors (RICS).

The other members of the Audit Committee also have considerable financial and/or accounting expertise:

- ♦ Jean-Luc Biamonti, holds an MBA from Columbia University and is a graduate of ESSEC. He is a former investment banker
- ♦ Romolo Bardin is Chief Financial Officer at Delfin SARL
- ♦ Sigrid Duhamel has recognised real estate expertise stemming from her engineering degree and career in real estate since 2005. Since the end of 2014, she has been Chairwoman of CBRE Global Investors France and has a strong international dimension as well as excellent knowledge of the Italian and German languages and environments
- ♦ Sylvie Ouziel, who holds a diploma from Centrale Paris, was the Assistant General Manager of Accenture Management Consulting (formerly Andersen Consulting) and Chairwoman and Chief Executive Officer of Allianz Managed Operations & Services (Amos), the shared services entity created by Allianz to develop synergy between its different subsidiaries. Since 2016, she has been the Global CEO of Assistance (known in France under the brand Mondial Assistance) and CEO Asia Pacific of Allianz Worldwide Partners.

No member of the Audit Committee is also an executive corporate officer.

4.3.1.5.1.2. Missions

Under the terms of Article 23 of the Internal Regulations, the Audit Committee must monitor matters related to the preparation and control of accounting and financial information. In particular, it is responsible for:

- (i) monitoring the process of preparing financial information and, where applicable, making recommendations to ensure its integrity
- (ii) reviewing the accounting methods and conditions for valuing the assets of the Foncière des Régions Group
- (iii) reviewing the preliminary company and consolidated financial statements prepared by the Company before they are presented to the Board
- (iv) preparing Board decisions on the monitoring of internal audits
- (v) monitoring the effectiveness of internal control and risk management systems as well as internal audits involving procedures relating to the creation and processing of financial and accounting information; to achieve this, it reviews the information in the report of the Chairman of the Board of Directors on the internal control and risk management mechanisms and, where applicable, makes comments, giving its opinion on the organisation of the internal audit service and risk mitigation measures
- (vi) monitoring the statutory audit of the annual and consolidated financial statements by the Statutory Auditors
- (vii) ensuring the independence of the Statutory Auditors
- (viii) reviewing the agreements executed between the Company and those who hold a direct or indirect investment in the Company
- (ix) reviewing appointment proposals involving the Statutory Auditors and issuing recommendations on the Statutory Auditors to be proposed for approval by the General Meeting
- (x) ensuring oversight of the management of the information to be provided to the shareholders and the markets and verification of its clarity
- (xi) reviewing press releases on financial results
- (xii) reviewing significant risks and off-balance sheet commitments
- (xiii) giving their approval for services other than the certification of the financial statements provided by the Statutory Auditors to the Company before such services are completed, and
- (xiv) examining the additional report of the Statutory Auditors drawn up pursuant to the provisions of Article 11 of Regulation (EU) No. 537/2014.

The Audit Committee reports to the Board of Directors on its work, expresses any opinions or suggestions it deems advisable, and informs the Board of any points that require a Board decision. In performing its tasks, the Audit Committee may examine the scope of the consolidated companies and, where applicable, the reasons for which companies are not included. It may use the services of external experts as required. However, the Audit Committee did not deem it necessary to do so in 2016.

4.3.1.5.1.3. Operation

The Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors. It meets at least twice a year to review the half-yearly and annual financial statements and, in principle, before Board meetings when the agenda includes a decision that the Board deems within the jurisdiction of the Audit Committee as determined by the Board.

The Chairman of the Audit Committee sets the agenda for the committee's meetings, directs the discussions and organises the vote on motions submitted to the committee.

The committee members are notified of meetings by any written method at least five days in advance (unless the matter is urgent)

and the committee's documentation is forwarded at least two days prior to the committee meeting.

The Audit Committee has an average of seven days to review the financial statements before they are reviewed by the Board.

At least half of all Audit Committee members must be in attendance for meetings to be valid. The meetings are also attended by the Chief Financial Officer, the Accounts Director and the Audit and Internal Control Director. Members who are represented are included in the calculation of the quorum.

The opinions of the Audit Committee are adopted by simple majority vote of the members present or represented.

4.3.1.5.1.4. Work of the Audit Committee in 2016

The Audit Committee met three times, with a 87% attendance rate by its members.

Members of the Audit Committee	Rate of attendance at Audit Committee meetings
Bertrand de Feydeau, Chairman	100%
Romolo Bardin, Member	67%
Jean-Luc Biamonti, Member	100%
Sigrid Duhamel, Member	100%
Sylvie Ouziel, Member	67%
Jean Laurent, Guest	100%

Several specific meetings were also held between the Statutory Auditors and the Finance Director which were not attended by the Chief Executive Officer.

The review of the financial statements by the Audit Committee included a presentation by the Statutory Auditors who stressed the essential points, not only concerning the results but also the accounting options used, and a presentation from the Chief Financial Officer describing the Company's risk exposure and significant off-balance sheet commitments. The Audit Committee works in consultation with the Audit and Internal Control Director, who attends all meetings. It discusses operational risk perception and any changes to it over time with her.

At its meetings in 2016, the Audit Committee examined the following issues in particular:

Meeting on 15 February 2016

Examination of the significant events of the 2015 fiscal year – Report on real estate appraisals – Review of the company and consolidated financial statements for the year ending on 31 December 2015 – Review of the press release on net financial income.

Meeting on 18 July 2016

Examination of the significant events of the first quarter of 2016 – Report on real estate appraisals – Review of the company and consolidated financial statements as at 30 June 2016 – Review of the press release on net financial income – Update of the 2016 audit plans in France, Germany and Italy.

Meeting on 28 September 2016

Presentation of the organisation and operations of the Audit and Internal Control Department – Presentation of the Risk Management unit – Follow-up on action plans and approval of the 2017 audit plan – Review of the internal control mechanisms – Tracking of tax disputes – Presentation of the audit reform in France and approval of services other than the certification of financial statements entrusted to the Statutory Auditors – Review of the repayment methods for the 2011 ORNANE-type bonds.

Following the meeting of 28 September 2016, a meeting was held between the Statutory Auditors and the members of the Audit Committee, at which the Company's management was not present.

At that time, the Statutory Auditors underscored the quality of the relationship with the Financial Department and the Audit and Internal Control Department.

4.3.1.5.2. Appointments and Remunerations Committee

The role of the Appointments and Remunerations Committee is to ensure that the Board of Directors is in the best possible position to determine all remuneration and benefits for the executive corporate officers. Its tasks also include making recommendations to the Board on the composition of the executive bodies, the appointment of new directors, the renewal of the terms of office due to expire, and succession plans for the executive corporate officers.

4.3.1.5.2.1. Composition

The Appointments and Remunerations Committee is composed of three members and invites the non-voting Director to its meetings. Independent Directors account for 67% of the members, including the Chairman of the committee. The Appointments and Remunerations Committee includes a Monegasque national.

The committee is chaired by Jean-Luc Biamonti, Independent Director.

There is no executive corporate officer on this committee. However, the Chief Executive Officer is consulted by the Appointments and Remunerations Committee on matters regarding appointments.

The composition of this committee, chaired by an independent Director, and the discussions that take place between this independent Director and the other independent members of the Board of Directors, ensure the adequate representation of the interests of the various shareholders of the Company. In addition, pursuant to the provisions of the Afep-Medef Code, the Chairman of the Board of Directors is involved in the work of the committee with regard to matters involving the appointment of executive corporate officers.

4.3.1.5.2.2. Missions

Under Article 19 of the Internal Regulations, the Appointments and Remunerations Committee is responsible for:

- (i) evaluating any candidate for appointment to the Board or to the position of Chief Executive Officer or Deputy General Manager, searching for or assessing possible candidates and expressing an opinion and/or recommendation to the Board, taking into consideration the desirable balance among Board members based on the composition of and changes in the Company's shareholders
- (ii) assessing the appropriate time for renewing the directorships
- (iii) supervising the establishment of succession plans for the executive corporate officers
- (iv) proposing the appointment or renewal of the term of the Chairman of the Audit Committee
- (v) proposing the total amount for attendance fees and the methods for distributing them, to be submitted for the approval of the General Meeting
- (vi) formulating proposals for the remuneration of the Chairman, Chief Executive Officer and Deputy General Managers

4.3.1.5.2.4. Work of the Appointments and Remunerations Committee in 2016

The Appointments and Remunerations Committee met twice, with a 100% attendance rate by its members.

Members of the Appointments and Remunerations Committee	Attendance rate at Appointments and Remunerations Committee meetings
Jean-Luc Biamonti, Chairman	100%
Pierre Vaquier, Member	100%
Jérôme Grivet, Member	100%
Sergio Erede, Guest	100%
Jean Laurent, Guest	100%

The Appointments and Remunerations Committee works in close contact with the Chief Operating Officer, who is the head of the Company's Human Resources Department. He attends committee meetings as a guest.

(the amount of fixed remuneration and definition of the rules for variable remuneration, ensuring that these rules are consistent with the annual assessment of the performance of the executive corporate officers and with the Company's medium-term strategy, as well as monitoring the annual application of these rules)

- (vii) issuing a preliminary opinion on any proposal for exceptional remuneration proposed by the Board to remunerate one of its members to whom it has assigned a mission or task pursuant to Article L. 225-46 of the French Commercial Code
- (viii) making proposals to the Board, as necessary, on stock option programmes and the allotment and award of bonus shares
- (ix) giving the Board an opinion on the qualifications of Board members based on the Company's independence criteria
- (x) making recommendations for the financial conditions on termination of corporate appointments.

The committee also looks into retirement schemes for the Company's management and employees, the tax arrangements for different remuneration methods, as well as changes to such arrangements, and the potential succession of various executive corporate officers.

4.3.1.5.2.3. Operation

The Appointments and Remunerations Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors. It meets at least twice a year and, in principle, before Board meetings when the agenda involves making a decision within the scope of the duties assigned to the Appointments and Remunerations Committee by the Board.

The Chairman of the Appointments and Remunerations Committee or, in his absence, the Chairman of the Board of Directors sets the agenda for the committee's meetings. He presides over the discussions and organises the vote on the issues submitted to the Appointments and Remunerations Committee.

The presence of at least half of the members of the Appointments and Remunerations Committee is required for meetings to be valid, in the understanding that members who are represented are included in the calculation of the quorum. The opinions of the Appointments and Remunerations Committee are adopted by simple majority vote of the members present or represented, and the committee reports on its work at the next Board meeting.

In its 2016 meetings, the Appointments and Remunerations Committee examined the following subjects in particular:

Meeting on 9 February 2016

Review of the composition of the Board of Directors: proposal for the renewal of the mandate of a Director and for the appointment of two new Directors, review of the independence of Directors – Review of the annual value of the attendance fees – Remuneration of the executive corporate officers: review of 2015 bonuses considering the targets achieved, determination of the criteria for awarding 2016 bonuses, review of the conditions for the 2012 long-term incentive plan.

Meeting on 27 April 2016

Report on the composition of the Board – Review of the variable portion of the attendance fees – Setting the amount of the 2015 long-term incentive attached to the remuneration of the executive corporate officers – Awarding of bonus shares for executive corporate officers and Group employees.

4.3.1.5.3. Strategic and Investment Committee

The Strategic and Investment Committee has the task of studying and preparing for the Board's deliberations on strategy, investments and sales. All Board members are informed of its meetings and agenda and receive the documents sent to it. They may also attend its meetings, should they wish to do so. The committee submits its opinions to the Board.

4.3.1.5.3.1. Composition

The Strategic and Investment Committee is composed of six members and invites the non-voting Director to its meetings.

The Strategic and Investment Committee has one independent member, Jean Laurent, and two members of Italian nationality.

4.3.1.5.3.2. Missions

Under the terms of Article 15 of the Internal Regulations, the Strategic and Investment Committee is responsible for reviewing and issuing an opinion on the following transactions prior to any decision by the Board:

- (i) investment made directly by the Company or through a fully consolidated subsidiary, when the total amount of the investment, plus any liabilities attached to the assets in question, is greater than €100 million (Group share)
- (ii) the sale by the Company or through a fully consolidated subsidiary, with the exception of companies whose shares are listed for trading on a regulated market, of any business division, any investment in any company or any assets, whenever the total amount of the corresponding disinvestment, plus any liabilities attached and transferred, is greater than €100 million (with the exception of intra-group transactions).

In addition, the Strategic and Investment Committee is responsible for reviewing and authorising the following transactions prior to any decision by the Chief Executive Officer:

- (i) investment made directly by the Company or through a fully consolidated subsidiary, when the total amount of the investment, plus any liabilities attached to the assets in question, is greater than €30 million (Group share)
- (ii) the sale by the Company or through a fully consolidated subsidiary, with the exception of companies whose shares are listed for trading on a regulated market, of any business division, any investment in any company or any assets, whenever the total amount of the corresponding disinvestment, plus any liabilities attached and transferred, is greater than €30 million (with the exception of intra-group transactions).

More generally, the Strategic and Investment Committee is responsible for:

- (i) reviewing major strategic projects for development through mergers and acquisitions or partnerships
- (ii) analysing the medium-term plans and projections of the Foncière des Régions Group, as applicable
- (iii) meeting with experts to review the opportunities presented by the strategic choices considered, as necessary, and
- (iv) keeping the Board's strategy considerations up-to-date between meetings specifically dedicated to these issues.

4.3.1.5.3.3. Operation

The Strategic and Investment Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors and, in principle, before Board meetings when the agenda includes a decision that falls within the scope of the duties assigned to the committee by the Board.

The Chairman of the Strategy and Investment Committee or, in his absence, the Chairman of the Board of Directors sets the agenda for the committee's meetings. He presides over the discussions and organises the vote on the issues submitted to the Strategy and Investment Committee.

The presence of at least half of the members of the Strategic and Investment Committee is required for meetings to be valid, in the understanding that members who are represented are included in the calculation of the quorum. The opinions of the Strategic and Investment Committee are adopted by simple majority vote of the members present or represented, and the committee reports on its work at the next Board meeting.

When the committee looks into subjects directly related to Company strategy, all Directors are invited to take part in discussions if they are available. A wide-ranging report on their work is compiled for the Board so that it can make fully informed decisions on Company strategy, based on the preparatory work done by the committee.

4.3.1.5.3.4. Work of the Strategic and Investment Committee in 2016

The Strategic and Investment Committee met twice, with an attendance rate of 52% by its members; please note that Committee meetings were monitored by a significant number of invited Directors.

Members of the Strategic and Investment Committee	Attendance rate at Strategic and Investment Committee meetings
Leonardo Del Vecchio, Chairman	0%
Catherine Allonas Barthe, Member	0%
Romolo Bardin, Member	100%
Jérôme Grivet, Member	0%
Jean Laurent, Member	100%
Philippe Narzul, Member	67%
Sergio Errede, Guest	100%

In its 2016 meetings, the Strategy and Investment Committee examined the following subjects in particular:

Meeting on 17 February 2016

Presentation and approval of various investment projects – Analysis of the impact of the investment projects on the prudential capital adequacy ratio in terms of risk.

Meeting on 21 July 2016

Presentation and approval of various investment projects – *Post mortem* on investment transactions

Meeting on 23 November 2016

Presentation and approval of an investment project

Moreover, this year, the Board extended the consultation on strategic issues beyond the bounds of the Strategic and Investment Committee at a seminar held in June 2015 in Berlin, with all members of the Board of Directors and Management Committee.

4.3.1.6. General Management of the Company

Since 31 January 2011, the Company has been under the management of Christophe Kullmann, Chief Executive Officer, with the assistance of Olivier Estève, Deputy General Manager.

First name/last name	Title	Nationality	Date of first appointment	Term of office	Date of re-appointment	Date term expires
Christophe Kullmann	Chief Executive Officer	French	31/01/2011	4 years	01/01/2015	31/12/2018
Olivier Estève	Deputy General Manager	French	31/01/2011	4 years	01/01/2015	31/12/2018

Upon the recommendation of the Appointments and Remunerations Committee, the Board of Directors chose not to have the terms of office of the Chief Executive Officer and Deputy General Manager end on the date of the General Meeting, so that the Appointments and Remunerations Committee and the Board of Directors can fully devote itself to the calm discussion of the renewal of their terms of office and the remuneration conditions of the executive corporate officers outside the time of the General Meeting.

The term of Christophe Kullmann as a Director allows him to be even more directly aligned with the Company's strategy, for which he is responsible at the same level as the other Directors.

4.3.1.6.1. Powers of the Chief Executive Officer and Deputy General Manager(s)

The Chief Executive Officer is fully empowered to act in any situation on behalf of the Company. He/she exercises these powers within the limits of the corporate purpose and subject to the powers granted expressly by law and the Articles of Association to General Meetings of Shareholders and the Board of Directors. The Chief Executive Officer represents the Company in its relationships with third parties.

Together with the Chief Executive Officer, the Board of Directors determines the scope and term of the powers granted to the Deputy General Manager(s). *Vis-a-vis* third parties, a Deputy General Manager has the same powers as the Chief Executive Officer.

4.3.1.6.2. Limits on the Powers of the Chief Executive Officer and Deputy General Manager(s)

The powers of the Chief Executive Officer and Deputy General Manager(s) are limited by the Internal Regulations of the Board of Directors. The following decisions cannot be made without approval from the Strategic and Investment Committee and/or the Board:

- (i) any decision involving any investment made directly by the Company or through a fully consolidated subsidiary, when the total amount of the investment, plus any liabilities attached to the assets in question, is equal to or greater than €30 million (Group share)
- (ii) the sale by the Company or through a fully consolidated subsidiary, with the exception of companies whose shares are listed for trading on a regulated market, of any business division, any investment in any company or any assets, whenever the total amount of the corresponding disinvestment, plus any liabilities attached and transferred, is equal to or greater than €30 million (Group share) with the exception of intra-group transactions.

In addition, the prior authorisation of the Board is required for the adoption of the following decisions:

- (i) approval of the annual budget and the strategic business plan and any subsequent significant amendments to them
- (ii) incurrence of any debt (including bond issues) or the assumption of liabilities whenever, in each case, the total amount (Group share) exceeds €100 million (except for intra-group transactions), in the understanding that the Chief Executive Officer is authorised to conclude financing transactions for less than that amount and may also sign the related sureties
- (iii) signature of contracts for any merger, divestment or contribution of assets, except for intra-group transactions, or if the transactions have been approved by the said committee and/or the Board.

Furthermore, acceptance by an executive corporate officer of the Company of a new directorship in a non-group company, listed on a French or foreign regulated market, requires prior authorisation by the Board of Directors.

The decisions described in this section are made by a simple majority vote of the Board.

In accordance with the relevant legal provisions, these limitations are not binding on third parties.

4.3.1.7. Principles for determining the remuneration of executive corporate officers

The principles for determining the remuneration of executive corporate officers are detailed in Section 5.5.1 of Chapter 5 of the Reference Document.

The attendance fees represent the remuneration awarded to members of the Board of Directors for participating in the meetings and work of the Board and the specialised committees. At its meeting of 19 February 2015, the Board of Directors decided that the non-voting member of the Board would receive the same attendance fees as Directors.

The Combined General Meeting Shareholders of 27 April 2016 awarded the Board of Directors a gross annual amount of €600 thousand in attendance fees for the current year and subsequent years, until a new decision is made by a General Meeting. The methods for awarding the attendance fees, which were reviewed by the Board of Directors on 27 April 2016, include a fixed annual amount for serving as a Board member and, if applicable, as a member of one of the Board's committees, and a predominant variable amount paid in accordance with the Directors' attendance rates at Board and committee meetings.

The allocation of attendance fees is detailed below:

Board of Directors	
Fixed annual portion allocated to the Chairman	€10,000
Fixed annual portion allocated to each member	€6,000
Variable portion for attendance allocated to the Chairman and to each member for every meeting that is attended	€4,000
Specialised committees	
Fixed annual portion allocated to the Chairmen of the Audit Committee and the Strategic and Investment Committee	€6,000
Fixed annual portion allocated to the Chairman of the Appointments and Remunerations Committee	€5,000
Fixed annual portion allocated to each member of the committees	€3,000
Variable portion for attendance allocated to the Chairmen and members of the Strategic and Investment Committee and the Appointments and Remunerations Committee , every time a meeting is attended	€2,000
Variable portion for attendance allocated to the Chairman and to each member of the Audit Committee , every time a meeting is attended	€3,000

The attendance fees are paid annually. The gross amount of the attendance fees allocated to the members of the Board of Directors in 2016 for their participation in Board meetings and specialised committee meetings totalled €383 thousand, it being specified that Jean Laurent and Christophe Kullmann do not receive any attendance fees.

As regards the rules for the payment of attendance fees in the Foncière des Régions Group, at its meeting on 5 December 2014, the Board of Directors, upon the proposal of the Appointments and Remunerations Committee, decided that, from 1 January 2015, the executive corporate officers would no longer receive attendance fees from French subsidiaries for the exercise of their offices.

Tax levies (withheld at source, mandatory 21% deduction at source and 15.5% social security contributions), totalling €108,160 were paid by the Company directly to the tax authorities.

The average gross value of the attendance fees per Director, established based on all the Directors who received attendance fees for the 2016 fiscal year, amounts to €23,937.50.

The details of these attendance fees are presented in Section 5.5.2 of Chapter 5 of the Reference Document.

4.3.1.8. Special procedures for shareholder participation in General Meetings

These procedures are described in Article 22 of the Company's Articles of Association, set out in full in Section 5.2.1.12 of Chapter 5 of the Reference Document. Shareholder participation at General Meetings is also governed by the legal and regulatory provisions in force and applicable to companies whose shares are listed for trading on a regulated market.

After each General Meeting, the Company publishes a summary of the meeting, including the results of the vote for each of the resolutions presented to shareholders.

4.3.1.9. Additional information about elements that could be relevant in the event of a public tender offer

The elements that could be relevant in the event of a takeover bid against Foncière des Régions are presented in Section 5.4.2 of Chapter 5 of the Reference Document.

4.3.2. Internal control and risk management system

4.3.2.1. Objective, scope and reference framework for internal control and risk management

4.3.2.1.1. Objective and limits

As a listed property investment company focused on the office sector in France and Italy, the hotel sector in Europe and the German residential sector, Foncière des Régions is exposed to various types of risks.

These risks are either external to the Company (real estate cycles, financial markets, regulations, etc.) or internal (organisation, information systems, asset management, control of development operations, etc.).

In France, Germany and Italy, Foncière des Régions has set up a specially adapted internal control system to enable it to control these potential risks. This system is also a management tool that contributes to business effectiveness, data reliability, and the efficiency of employee teams.

In particular, it seeks to ensure that:

- ♦ activities comply with laws, regulations and internal procedures
- ♦ management actions are consistent with the guidelines defined by the corporate bodies
- ♦ assets, in particular buildings, are adequately protected
- ♦ the risks arising from the business are correctly evaluated and sufficiently controlled

- ♦ internal systems, which contribute to the establishment of financial information, are reliable.

Although this internal control system cannot, by definition, provide an absolute guarantee that all types of risks will be fully eliminated, it provides the Company with a comprehensive tool that effectively protects against the major risks identified and their potential effects.

4.3.2.1.2. Scope under review

In France, Foncière des Régions' internal control and risk management system is applied, without exclusion of scope, to all its businesses and, in particular, within Foncière des Murs, Foncière Développement Logements, République (formerly known as Urbis Park), Foncière des Régions Property, Foncière des Régions Développement and Foncière des Régions SGP.

The ownership and management structures under German law (Immeo SE, a subsidiary of Foncière des Régions) and Italian law (Beni Stabili, a subsidiary of Foncière des Régions) have each set up an internal control system to cover all of their business activities, in collaboration with the Group's Audit and Internal Control Department.

Moreover, Foncière des Régions indirectly owns a minority interest (through its subsidiary Foncière des Murs) in a company with hotel assets. This business has its own organisation in terms of audit and internal control procedures.

In 2016, the Company made a significant number of real estate acquisitions immediately coming within the scope of the internal control procedures.

4.3.2.1.3. Reference framework

Foncière des Régions relies on the reference framework recommended by the *Autorité des Marchés Financiers* (AMF), the report of the AMF Audit Committee working group published in July 2010, and complementary AMF studies, for the organisation of its internal control system. This AMF reference framework is based on that of COSO (Committee of Sponsoring Organisations of the Treadway Commission). It includes a set of methods, procedures and measures that should enable the Company to:

- ♦ contribute to the management and efficiency of its business activities and the efficient use of its resources
- ♦ appropriately take into account significant operational, financial and compliance risks.

This mechanism was recently improved for the following points:

- ♦ the comprehensive review of the Ethical Charter and its dissemination to the teams in France, Italy and Germany, now including an alert mechanism
- ♦ the implementation of an internal charter on related-party agreements falling within the purview of AMF Recommendation No. 2012-05 of 2 July 2012, renewed on 11 February 2015. The purpose of this charter is to keep in mind the regulatory framework that applies to related-party agreements and to provide specific information in terms of the methodology used within the Foncière des Régions Group to evaluate the various agreements. The charter applies to all of the companies in the Group. It was approved by the Board of Directors of Foncière des Régions during its meeting on 17 February 2016, and was made public on 19 February 2016 when it was published on the Company website. The procedure for agreements was therefore updated and complemented by the charter
- ♦ implementation of a procedure for off-balance sheet commitments pursuant to the recommendations of the AMF. The purpose of the procedure is to identify, organise the relevant follow-up, and centralise off-balance sheet commitments. The procedure also defines the people who are authorised to receive or make off-balance sheet commitments.

4.3.2.2. Components of the internal control system

4.1.2.2.1. Structured organisation

In accordance with AMF recommendations, Foncière des Régions' internal control system is based, *inter alia*, on known objectives, shared responsibility, and appropriate management of resources and skills.

4.3.2.2.1.1. Delegations of powers and responsibilities

Delegations and sub-delegations of powers have been put in place. They ensure better organisation of the Company and a stronger correlation between the responsibilities of operational entities and the responsibilities of the executive.

The Chief Executive Officer transfers a portion of the powers and responsibilities that are conferred on him to a subordinate authority, the delegate, who is in a better position to know and apply the obligations to be complied with and who has the necessary resources to do so.

In 2016, especially after organisational changes, the delegations of authority were reviewed and implemented within Foncière des Régions.

4.3.2.2.1.2. High-performance and secure information systems

The features of the software applications used by Foncière des Régions employees are tailored to their various activities.

The security of the financial transactions conducted using the information systems is ensured by:

- ♦ personal limits on disbursements and a dual-signature requirement when limits are exceeded
- ♦ separation of payment authorisation and the execution of payment transactions.

These measures are updated in keeping with organisational changes.

A back-up plan is in place to mitigate any physical or electronic attack on the information systems. Daily back-ups are stored outside the building in which the main servers operate.

In addition, a business continuity plan has been operational since June 2013. This plan was drawn up jointly by teams from the Foncière des Régions Information Systems Department and Audit and Internal Control Department, with the help of the global leader in business continuity solutions. The business continuity plan is described in a special procedure. It covers the following points:

- ♦ a back-up centre, in the event of an IT incident that results in a computer dysfunction for employees. Tests are performed annually with the service provider to ensure the effectiveness of the system in place
- ♦ a user help desk, in the event of an incident in the operating assets rendering employees unable to work at their stations.

Annual intrusion tests are performed by a specialised service provider in order to ensure the greatest level of security for the information system.

4.3.2.2.1.3. Updated, validated and distributed procedures

a) In France

The procedures are drawn up by the Audit and Internal Control Department, in close collaboration with operational staff.

The sixty four procedures in effect describe the risks and control points of the sensitive and manageable processes.

The procedures are presented as flowcharts that highlight:

- ♦ the risks identified and the resources employed to control such risks
- ♦ the roles and responsibilities of each individual (processing, monitoring, validating, information, archiving)
- ♦ the control points used in the different business processes
- ♦ the automated controls, especially those carried out by information systems.

All decisions regarding procedures, whether they concern updates, renewals or terminations, are approved by an ad hoc committee. The committee includes representatives of the Company's various business lines (operational and support staff)

who are selected based on their expertise and their knowledge of the Company's operating methods. Three of its members are part of the Management Committee. Decisions made by the committee are only valid if at least two members of the Management Committee take part in the discussions.

To strengthen their validity and relevance, all procedures are also approved by the Audit and Internal Control Department and by the member of the Management Committee responsible for the procedure.

The validated procedures can be accessed by employees on the Company's Intranet.

Progress and training of employees

The procedures are continually updated to take into account:

- ◆ new internal risks (related to the updating of Foncière des Régions' strategies and objectives) and external risks (related to changes in all types of regulations, external constraints, etc.)
- ◆ recommendations of internal and external audit missions
- ◆ new risks identified by users, especially those recorded in the "incidents database"
- ◆ the transposition of new processes, or new rules, into existing processes
- ◆ organisational changes.

Since 2012, the Audit and Internal Control Department has been organising training sessions called "Process Mornings". They target all Foncière des Régions employees and aim to:

- ◆ focus participants' attention on the specific procedures of each Department or business line, as well as new procedures releases
- ◆ present the components of the internal control system, including internal charters
- ◆ explain the anti-money laundering and anti-corruption processes (see Section 2.10.6 of the Reference Document)
- ◆ remind the missions of the Compliance Officer.

In 2016, some 150 Foncière des Régions employees received this training; all employees will be covered over a period of two years.

In addition, all new employees, during their induction course, meet with the Audit and Internal Control Department, who inform them of the department's role and the Group's procedures.

b) In Germany

The procedures are drawn up within the Audit and Internal Control Department, in partnership with the relevant operational employees. They are validated by the Management Board then posted on the intranet site of Immeo SE and communicated by management to the relevant employees. In 2015, initial measures were taken to harmonise the existing procedures in Germany with those already in place in France.

c) In Italy

The procedures are drawn up by the Head of internal control in cooperation with the relevant operational employees. They are validated by the Audit Committee (known as *Commitato di Risqui y control*) of Beni Stabili and then made available to the employees on the local intranet portal.

4.3.2.2.1.4. Commonly accepted best practices

Foncière des Régions has placed a high-priority on complying with internal procedures, professional ethics guidelines, and morals. The Company uses a complete procedure that provides guidance on the regulations and proper conduct that the Company must adhere to, including its employees, managers, executive corporate officers, and partners:

a) Ethical Charter

- ◆ This charter incorporates the Company's core values and ethical rules, including prevention of insider trading, the confidentiality of information and prevention of conflicts of interest.
- ◆ It is published on the website and Intranet site and distributed among all levels of authority, in particular to new employees when they take up their new role and during their induction course.
- ◆ In 2015, the Group's Ethical Charter was reviewed, to take into consideration the new compliance and ethics mechanisms (alert system, psychological support group, etc.) and also to strengthen the portion relating to conflicts of interest by providing specific information on the rules and principles that apply to employees. Employees receive regular information and training on such topics during their "Process Mornings".

b) Compliance Officer

- ◆ The Compliance Officer, in cooperation with the Support and Operational Departments, ensures that the Ethical Charter is correctly understood. He or she may be consulted directly, confidentially, by any employee facing difficulties or having questions regarding the limits or application of existing rules. The Chief Operating Officer acts as Compliance Officer.

c) IT Charter

- ◆ This charter is first and foremost a code of conduct which lays down the principles for the proper use of IT and digital resources.
- ◆ It is appended to the Internal Regulations of Foncière des Régions.
- ◆ It defines the areas of responsibility for users and for the Company, in accordance with legislation (in particular the Data Protection Act No. 78-17 of 6 January 1978), to ensure the correct use of the Company's IT resources and Internet services.
- ◆ It ensures the integrity of the IT system, particularly the security and confidentiality of data and technical equipment.
- ◆ It recalls the sanctions incurred by any offender.

d) Internal Regulations of the Board of Directors

- ◆ They set the operating rules of the Board pursuant to the provisions of the Afep-Medef corporate governance code for listed companies, and in particular the compliance rules applicable to Directors.
- ◆ The Internal Regulations outline the definition of – and the sanction for – insider trading (Article L. 465-1 of the French Monetary and Financial Code) as well as the prohibition of the use of privileged information (Article L. 621-15 of the French Monetary and Financial Code).

4.3.2.2.2. Constantly evolving risk management

4.3.2.2.2.1. Risk mapping

Foncière des Régions updated its risk mapping in 2014 to include, in particular, changes to the Company and the environment in which it operates. Mapping was conducted previously in 2006, 2009 and 2012 and presented to the Audit Committee, where special action plans were prepared each time.

In 2014, risk mapping identified six risks which could possibly be better managed. For each of these risks, an action plan was defined and shared with the Audit Committee. A specific monthly follow-up has been carried out with General Management since 2015, in order to improve the management of these risks. This follow-up will continue in 2016, as certain action plans are conducted on a two-year basis.

In the aim of harmonising the risk management tools, risk mapping is conducted at Immeo SE and Beni Stabili using the same method as at Foncière des Régions. Risk mapping also results in the defining of specific action plans for the major risks which could possibly be better managed.

The audit plans for 2016 and 2017 were also based on this risk mapping, which revealed about ten so-called “risks to monitor” due to their potential impact and degree of oversight.

In 2016, a cyber risk mapping exercise was performed with the help of a service provider specialised in that domain in order to strengthen the security of the Company’s IT systems. This mapping exercise revealed that many of the control mechanisms were already in place in the Group. Recommendations are currently being implemented to further strengthen risk management.

4.3.2.2.2.2. Incidents database

An incidents database was established in late 2013. This database strengthens the potential risk management measures and the management of actual incidents to prevent their occurrence or their re-occurrence and contain their consequences.

This incident database provides Foncière des Régions’ employees with the means to assess risks in a quantitative and qualitative manner, by setting the following objectives:

- ◆ assisting employees with incident management, in particular those that have never occurred so far
- ◆ characterising these incidents by assessing their financial impact
- ◆ producing risk analysis statements and summaries

- ◆ putting forward solutions to limit those risks and their possible occurrence or repetition
- ◆ allocating, where needed, the necessary resources
- ◆ providing Foncière des Régions with a “daily” risk-management tool.

In 2016, some thirty incidents were identified in this way. Each of them was closely monitored and some were followed up with specific action plans.

Incident databases were set up at the end of 2015 at Beni Stabili and Immeo SE. Based on the same model as the one used at Foncière des Régions, they are shared with the General Management of each company.

4.3.2.2.2.3. Drawing up an internal control manual

The internal control manual aims to improve the governance of internal control and risk management.

The manual highlights recent changes in the internal control system in terms of monitoring recommendations, implementing procedures and standards set by the AMF relating to governance, risk management and key information system elements.

4.3.2.2.2.4. Description and analysis of risks that could have an impact on results

The main operational risks are detailed in Section 1.10 “Risk Factors” of the Business and Portfolio chapter.

4.3.2.2.3. Control activities proportionate to risks

The control activities in France and abroad are designed to mitigate the risks that could affect the achievement of the Company’s goals. The frequency of controls is adapted to the scale and nature of the risks.

4.3.2.2.3.1. Control of risks on investments, disposals and financing

In accordance with the governance rules (see Section 4.3.1.6.2 in Part I of this report), decisions dealing with the highest risks (above certain amounts) come under the control of the Board of Directors and its specialised committees. They particularly involve:

- ◆ acquisitions and disposals
- ◆ medium and long-term financing
- ◆ business plans and budget objectives
- ◆ principal strategic decisions.

Other risks come under the control of the Chief Executive Officer.

In addition, major projects, current developments and business reports are submitted monthly to the Chief Executive Officer by each Director concerned.

The procedures governing these activities are regularly reviewed and updated, then distributed to all relevant employees.

4.3.2.2.3.2. Control of recurring business activities

Control of the property and management companies Foncière des Régions Property and Foncière des Régions Développement

The control points for recurring activities cover the actions necessary to:

- ♦ deliver the budgeted receipts
- ♦ control operating expenses related to assets
- ♦ control the direct operating costs they incur (personnel expenses, appraisals, Asset Management, etc.).

Group Management Control is responsible for controlling compliance with the budgets.

Control of Support Departments

The Support Departments are cost centres and are controlled on a monthly basis to ensure that they contain their expenditure and adhere to their budgets, in particular in terms of insurance costs, legal fees, IT costs and investments, payroll expenses, etc.

4.3.2.2.3.3. Reporting process

In France, control of the differences between “implemented” projects and Management Control forecasts, as well as indicators and scorecards, are reviewed at monthly business meetings attended by the Audit and Internal Control Department. Moreover, Foncière des Régions’ Asset Management teams hold monthly meetings with service providers: Foncière des Régions Property for technical and rental management, and Foncière des Régions Développement for major real estate projects.

In Germany, the Chairman of the Management Board of Immeo SE participates in the monthly business meetings of

Immeo SE. In addition, the accounting and financial teams of Foncière des Régions meet monthly with their German counterparts.

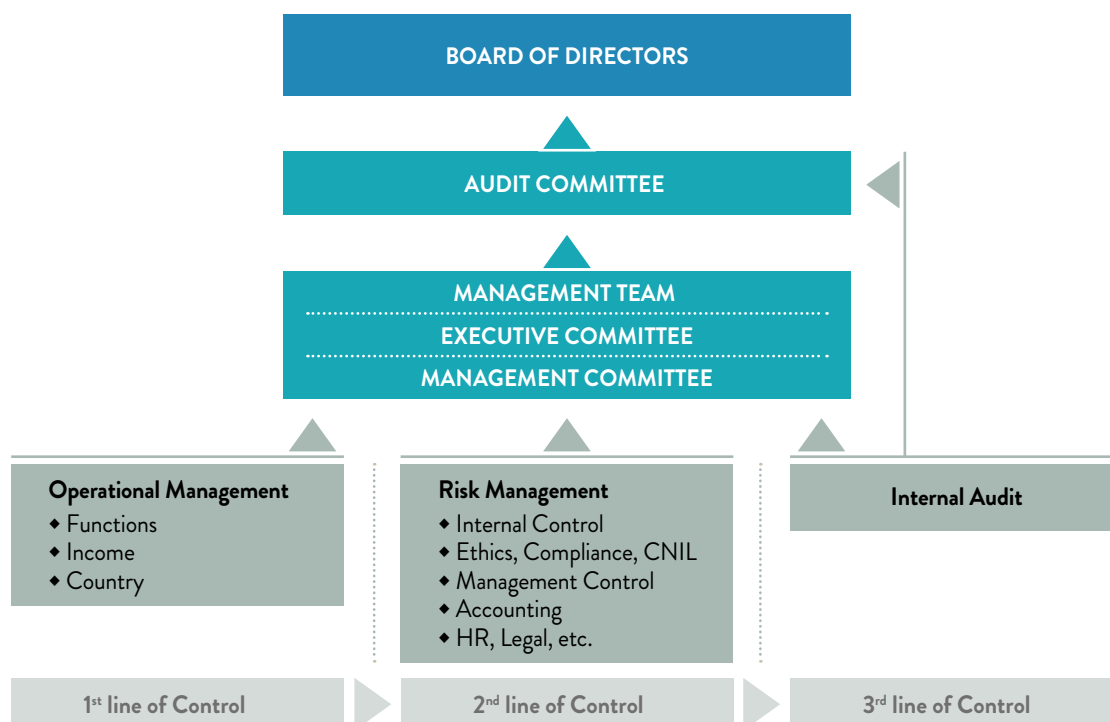
In Italy, control of the differences between “implemented” projects and management control forecasts, and the indicators and scorecards are reviewed at monthly meetings with Foncière des Régions’ General Management and Finance Department.

4.3.2.2.4. Internal control and risk management system

4.3.2.2.4.1. Organisation of the internal control and risk management system

This system is based on the three lines of control laid out in the diagram below:

- ♦ the Internal Control system aimed at controlling group processes. Each support or operational department, within both Foncière des Régions and its subsidiaries, is responsible for the establishment and updating of the internal control system. This makes it possible to control their activities and oversee employee efficiency and the efficient use of their resources. This internal control system is evolving continuously to remain in line with the strategy, objectives, processes and level of risk management targeted by Foncière des Régions
- ♦ the Risk Management system aimed at identifying major risks, evaluating them, and ensuring a satisfactory control level for the Company
- ♦ Internal Audit, which assesses, through specific missions, the efficiency of the Internal Control and Risk Management systems. It reports directly to General Management and the Audit Committee, and indirectly to the Board of Directors, which approved this report at its meeting of 15 February 2017.



4.3.2.2.4.2. Internal control mechanism in Germany and Italy

Foncière des Régions' foreign subsidiaries, Immeo SE in Germany and Beni Stabili in Italy, have their own internal control organisation and mechanisms. However, as subsidiaries they are also subject to the governance rules of Foncière des Régions.

Within these subsidiaries, the Audit and Internal Control Department ensures the quality of the internal control system. Weekly updates and monthly follow-up and coordination meetings attended by the Audit and Internal Control Department are held respectively in Germany and Italy, in order to monitor the progress of the annual internal control action plans approved by the local governing bodies.

The heads of the local audit and internal control teams maintain a functional relationship with the Foncière des Régions Audit and Internal Control Department. They report to:

- ♦ in Germany: the General Manager of Immeo SE
- ♦ in Italy: the Board of Directors of Beni Stabili.

The annual action plans in each country are established in line with that of Foncière des Régions and validated by the Audit Committee in Italy and by the Executive Committee in Germany.

In Germany, internal control involves three bodies: the General Management, the Audit and Internal Control Department, and the control officers.

In Italy, Beni Stabili, as a listed company and in compliance with the provisions of Legislative Decree 231 of 2001, "*Modello 231*", has an internal control system which is run by four bodies:

- ♦ the Board of Directors, which defines the focus of the internal control and risk management policy, with a view to identifying, measuring and monitoring the main risks relating to Beni Stabili and its subsidiaries
- ♦ the Internal Control Committee, which is composed of three Statutory Auditors appointed by the General Meeting. It assists the Board of Directors in ensuring the adequacy and functioning of the internal control system and draws up an annual report assessing the efficiency of internal control and compliance with the rules of governance
- ♦ the Compliance Committee, whose two members are appointed by the Board of Directors. It holds monthly meetings. This committee guarantees the application and updating of the "*Modello 231*" and monitors "sensitive activities" (corruption, insider trading, laundering, staff Health and Safety, etc.). In this regard, it is mandated by all of the Company's stakeholders regarding actual or suspected violations of provisions set out in the Ethical Charter. It reports to the Deputy Director and submits an annual activity report to the Board of Directors and Audit Committee. The *Modello 231* is periodically updated to take account of the latest legislative developments. This is followed up with a training programme covering all employees

- ♦ the Internal Audit Manager: in cooperation with the Foncière des Régions Audit and Internal Control Department, he/she conducts audits in line with the audit plan adopted by the Audit Committee. He/she draws up periodical reports on his/her activities. He/she also has a duty to alert when particular events that affect the smooth running of the Company arise.

4.3.2.3. Internal control of accounting and financial information

The internal control of the accounting and financial information of Foncière des Régions and its subsidiaries is one of the major elements of the internal control system. It is designed to ensure:

- ♦ the compliance of the financial statements and the accounting and financial information with the regulations
- ♦ the reliability of the published statements and the information communicated to the market
- ♦ the application of instructions set by General Management
- ♦ the prevention and detection of fraud and accounting irregularities.

4.3.2.3.1. Company scope

For the production of the consolidated financial statements, the scope of the accounting and financial internal control for Foncière des Régions covers the following companies: Foncière des Murs, Foncière Développement Logements, République, Foncière des Régions Property, Foncière des Régions Développement, Immeo SE and Beni Stabili.

4.3.2.3.2. Agents

4.3.2.3.2.1. Governance bodies

As the consolidating company, Foncière des Régions defines and supervises the process of preparing the accounting and financial information published. The Accounting Department is responsible for the management of this process, under the responsibility of the Finance Director. Responsibility for the production of the company and consolidated financial statements of the subsidiaries falls to the Accounting Department of Foncière des Régions, under the control of the relevant executive corporate officers.

Two persons are particularly involved:

- ♦ the Chief Executive Officer of Foncière des Régions is responsible for the organisation and implementation of the accounting and financial internal control and the preparation of the financial statements:
 - ♦ he/she presents the company and consolidated financial statements (half-yearly and annual) to the Audit Committee and the Board of Directors for approval
 - ♦ he/she ensures that the process of preparing the accounting and financial information produces reliable data and gives a fair picture of the Company's financial position
- ♦ the Audit Committee, as the representative of the Board of Directors, conducts the verifications and controls it deems appropriate. It presents its findings to the Board of Directors before the closing of the financial statements.

4.3.2.3.2.2. Risk related to the production of the accounting and financial information

In France, as abroad, the quality of the process of producing the financial statements is the result of, in particular:

- ♦ formalised accounting procedures appropriate to recurring work, closing and consolidation of the accounts
- ♦ a consolidation manual, adapted to the functionalities of the consolidation software
- ♦ validation and updating of accounting scenarios
- ♦ verification of balances and the usual validation and control reconciliations, in conjunction with work carried out by management control
- ♦ analytical reviews to validate changes in the principal balance sheet entries and the income statement with operations staff
- ♦ separation of tasks between commitment powers (banking powers or authorisations to incur expenses) and accounting activities
- ♦ review of consolidation reporting for each subsidiary at each closing, to ensure that the Group's accounting principles and methods are correct and harmonised
- ♦ review of the impact of taxes and disputes.

In addition, each material event affecting either the companies or the portfolios is the subject of a specific note drafted by the "social accounting" division of the Accounting Department, which analyses its impact on the company financial statements of the entities as well as on the consolidated financial statements.

The reliability of the processes allows the Foncière des Régions teams to focus more specifically on:

- ♦ drawing up the operational and financial budgets
- ♦ consistency controls of the financial information for foreign operations
- ♦ provisions for risks and contingencies
- ♦ recognition of assets and liabilities at fair value
- ♦ processing of disposals and acquisitions
- ♦ controls for transactions conducted under intra-group agreements.

These controls conducted by the accounting and financial team of Foncière des Régions are also applied within the subsidiaries by the accounting teams.

4.3.2.3.2.3. Production of the consolidated financial statements

For the preparation of the consolidated financial statements, the Accounting Department of Foncière des Régions has written a detailed consolidation manual that contains specific instructions for French and foreign subsidiaries.

The consolidated financial statements are created in a computer programme that can be accessed by the various accountants of Foncière des Régions. This tool is updated regularly to satisfy IFRS requirements and the specific characteristics of the various operational and financial activities of Foncière des Régions and its subsidiaries. The consolidated entities have a single accounting plan. The processed data is uploaded in the programme in data packages.

At each half-yearly and annual closing, the accountants of the various consolidation sub-levels receive detailed instructions prepared by the Accounting Department.

Instructions distributed well before the closing date also inform the various other contributors of the data to be uploaded and the deadlines to be met.

Moreover, within the Accounting Departments of Foncière des Régions and its subsidiaries, the accounting work performed by the employees in the Department is reviewed by the Accounts Managers. The accounting treatment of complex operations and the account closings are validated by the Accounting Manager at preparatory meetings for the closing of the company and consolidated financial statements.

4.3.2.3.2.4. Control of the communication of financial and accounting information

The Chief Executive Officer coordinates the closing of the financial statements and conveys them to the Board of Directors, which also reads the report from the Chairman of the Audit Committee.

The Chief Executive Officer defines the financial communications strategy. The press releases about the financial and accounting information require approval from the Audit Committee and Board of Directors. The financial and accounting information of Foncière des Régions is formatted by the Finance Department, which complies with the general principles and best practices in financial communication as provided in the "Framework and Practices of Financial Communications" guide prepared by the Financial Communications Observatory under the aegis of the AMF.

Foncière des Régions applies the Best Practices Recommendations of the EPRA, particularly for the presentation of financial statements and harmonisation of net asset value and net profit from continuing operations indicators. This presentation does not alter Foncière des Régions' accounting principles, but provides greater clarity, particularly with regard to the operating results of the rental business, ancillary activities, the proceeds of sales, recurring net income and restated net asset value, and facilitates comparison between REITs that publish in the same format.

Before the publication of the half-yearly and annual results and quarterly information, Foncière des Régions is required to maintain a quiet period of two weeks during which the Company refrains from contacting analysts and investors.

4.3.2.3.2.5. Adaptation to climate risk

The sustainable development strategy of Foncière des Régions, and especially its most significant climate challenges, are described in Chapter 2 of this Reference Document. Chapter 2 details the goals and measures that help the low-carbon strategy of Foncière des Régions align with the goal of limiting climate warming to 2°C; that was the result of COP21 (the December 2015 Climate Conference in Paris). Every year, Chapter 2 also provides specific reports on greenhouse gas emissions by activity. It especially speaks to the obligations regarding CSR reporting

(Article 225, Grenelle 2 Law – Decree of 24 April 2012), and to the obligations related to the provisions of Article 173 of the LTECV⁽¹⁾ and its Decree of 29 December 2015, by bringing together information on how the Company takes into account the social and environmental consequences of its business, and the analysis of the consequences on climate change of its business and the way that it uses the goods and services that it produces. This reporting particularly highlights energy consumption and CO₂ emissions linked to the use of buildings and impacted by changing climate conditions. The financial risks that are inherent to the effects of climate change seem limited in the short term, and will be more specifically evaluated at a deeper level in 2017 and 2018. The actions already underway in cooperation with key tenant accounts are attempting to mitigate these risks. This reporting falls within the scope of the seventeen Sustainable Development Goals (SDG) defined by the United Nations. It is verified by an independent third party (2.11).

This information is also contained in the Sustainable Development Report of Foncière des Régions (www.en.foncièredesregions.fr)

4.3.2.4. 2017 outlook

In 2017, the Audit and Internal Control Department will ensure that the year's audit plan is fully and thoroughly implemented. It will also strive to improve the management, identification, assessment and hedging of risks within the Group. In particular, it will continue to strengthen the coordination of the Audit and Internal Control Department within the Foncière des Régions Group, more specifically with the non-French subsidiaries Beni Stabili and Immeo SE. Controlling risk, especially for new acquisitions, businesses or geographical regions, will be one challenge in 2017.

(1) The law on an energy transition for green growth of 17 August 2015.

4.4. STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF FONCIÈRE DES RÉGIONS

Year ended 31 December 2016

To the Shareholders,

In our capacity as Statutory Auditors of Foncière des Régions, and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 December 2016.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

- ♦ report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information and
- ♦ confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- ♦ obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation
- ♦ obtaining an understanding of the work involved in the preparation of this information and of the existing documentation
- ♦ determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Courbevoie, 20 March 2017

The Statutory Auditors

MAZARS
Gilles Magnan

ERNST & YOUNG et Autres
Jean-Roch Varon

4.5. STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

General Meeting called to approve the financial statements for the year ended 31 December 2016

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related-party agreements and commitments.

We are required to inform you, based on the information provided to us, of the main terms and conditions of those agreements and commitments brought to our attention, or that we may have identified in the performance of our mission, as well as the reasons justifying their interest for the Company. We are not required to comment as to whether they are beneficial or appropriate or to seek to identify any other such agreements or commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you of the information set forth under Article R. 225-31 of the French Commercial Code concerning the implementation of the agreements and commitments already approved by the General Meeting during the year.

We have conducted the checks we deemed necessary in accordance with the professional doctrine of the *Compagnie nationale des Commissaires aux comptes* (national body of statutory auditors) concerning this task. These measures consisted of verifying the consistency of the information that was given to us with the source documents.

I. Agreements and commitments subject to the approval of the General Meeting

Agreements and commitments authorised during the year ended

In accordance with Article L. 225-40 of the French Commercial Code, we have been informed of the following agreements and commitments that were previously authorised by your Board of Directors.

Company	Directors or executives concerned	Terms of office in your Company	Terms of office in other companies that have signed the agreement	% capital held by your Company at 31/12/2016
Predica	Jérôme Grivet	Permanent representative of Predica, Director	General Manager of Predica	None

Yield agreement New Vélizy

As part of the New Vélizy project carried out by its subsidiary Lenovilla, on 1 February 2013 your Company granted a yield guarantee to SCI New Vélizy, a wholly-owned subsidiary of Predica, with the following terms:

- ♦ 3.5% per annum on the amounts invested during the period beginning on the date of completion specified in the investment agreement and ending on the earliest of the following two dates:
 - ♦ the completion date, scheduled on 30 April 2014, and
 - ♦ 31 July 2011
- ♦ 4% per annum on amounts invested during the 17-month period beginning the day after the preceding period
- ♦ 7.1% per annum on the amounts invested during the period beginning after the 17-month period until the date of the first rent receipt.

The amounts invested correspond to the cumulative amounts made available by SCI New Vélizy to SCI Lenovilla. All dividends or interest paid during the guarantee period to SCI New Vélizy by SCI Lenovilla shall be deducted from the amount of the yield guarantee.

During the session on 17 February 2016, your Board of Directors authorized the signing of an amendment taking effect on 22 February 2016 in order to modify the conditions of the compensation of the yield agreement.

The motives of this amendment are linked to the lease extension signed initially with Thalès in 2011 for a three-year additional period, so ending 20 October 2026, that resulted in an 5-month extension of the franchise period. The different compensation threshold and initial guarantee dates have simply been adapted.

The amount paid over the 2016 period totaled €0.5 million.

II. Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in prior years, which continued to be performed during the year ended 31 December 2016

In accordance with Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments already approved by the General Meeting in previous years continued to be performed during the past year.

Company	Directors or executives concerned	Terms of office in your Company	Terms of office in other companies that have signed the agreement	% capital held by your Company at 31/12/2016
Predica	Jérôme Grivet	Permanent representative of Predica, Director	General Manager of Predica	None

a) Commitments made to Christophe Kullmann and Olivier Estève

On 5 December 2014, your Board of Directors authorised the renewal of the commitment to pay compensation to Christophe Kullmann and Olivier Estève, provided that the Board of Directors determines that the cumulative performance conditions detailed below were fulfilled, in the event of the cessation of their respective functions as Chief Executive Officer and Deputy Chief Executive Officer of your Company following a forced departure linked to a change in strategy or control within the meaning of the provisions of paragraphs II and III of Article L. 223-16 of the French Commercial Code.

Procedures

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code and with the recommendations of the Afep-Medef Code, this compensation would be conditional on fulfilling the following internal and external performance criteria:

- ♦ 50% of the theoretical compensation amount is linked to the growth in the NAV during the three years prior to the termination of office. If the Foncière des Régions EPRA NAV drops 25% below the average for the REITs that make up the EPRA index, the fraction of the severance pay linked to this requirement will not be paid. Otherwise, the theoretical amount of this fraction of the compensation will be adjusted by the variation in the NAV for the period considered
- ♦ 50% of the theoretical benefit amount is linked to the achievement of target performance during the three years prior to the termination of office. The criteria for allocation of the target bonus are reviewed every year by the Appointments and Remunerations Committee, based on operational and strategic targets. If the average rate of fulfilment of the objectives over the last three years is less than 80%, the fraction of the severance pay linked to that criterion is not paid. Otherwise, the amount of the theoretical compensation will be adjusted by the average of the coefficients of achievement of the last three variable portions.

If exceeding of one of the two fractions of the compensation may compensate for a possible deduction from the other fraction, the total amount of the end-of-service benefit is capped at two years of total remuneration.

The two years of total remuneration include the short-term fixed and variable base and no longer include the base linked to the long-term incentive plan.

This cap rule applies to all forms of severance pay and includes any other compensation paid for any other reason at the end of a term of office, it being specified that the Chief Executive Officer and Deputy Chief Executive Officer do not receive any remuneration from your Company other than that paid for their term of office.

These commitments came into force on 1 January 2015 and were approved by the General Meeting on 17 April 2015.

b) Shareholders' Agreement on SCI Lenovilla relating to the "New Vélizy" operation

The purpose of the Shareholders' Agreement entered into on 1 February 2013 between your Company the SCI New Vélizy in presence of Predica is to govern the relations of the shareholders of SCI Lenovilla within the scope of the "New Vélizy" project. Your Company remains the manager of SCI Lenovilla and has an *ad hoc* committee (the "Partnership Committee") with a supervisory role over the manager of the company. Collective decisions are made unanimously by the shareholders.

c) Yield guarantee on the "New Vélizy" operation

The conditions and procedures of this yield guarantee agreement as part of the project "New Vélizy" are detailed in the first part of this report.

The amount paid over the 2016 period totaled €0.5 million.

d) Shareholders' Agreement on SCI 11 Place de l'Europe relating to the "Campus Eiffage" operation

The purpose of the Shareholders' Agreement entered into on 19 December 2013 between your Company and Predica is to govern the relations of the shareholders of SCI 11 place de l'Europe within the scope of the "Campus Eiffage" operation. Your Company remains the manager of SCI 11 place de l'Europe. This Company has an *ad hoc* committee (the "Partnership Committee") with a supervisory role over the manager of the company. The collective decisions of shareholders are taken as provided by law.

e) Yield guarantee relating to the "Campus Eiffage" operation

As part of the "Campus Eiffage" project conducted by SCI 11 place de l'Europe, on 19 December 2013 your Company granted a yield guarantee to Predica, under the following terms:

- ♦ 4% per annum on amounts invested by Predica in SCI 11 Place de l'Europe during the period starting from the date of completion as specified in the investment agreement and ending on the last day of the grace period
- ♦ all dividends or interest paid during the guarantee period to Predica by SCI 11 Place de l'Europe shall be deducted from the amount of the yield guarantee.

f) Shareholders' Agreement on SCI Latécoère relating to the "DS Campus" operation

The purpose of the Shareholders' Agreement entered into on 19 October 2012 between your Company and Predica was to govern the relations of the shareholders of SCI Latécoère, within the scope of the "DS Campus" operation, and to set the subscription price of Predica to a capital increase for the possible extension of "DS Campus".

This agreement was amended on 20 April 2015 by the signing of Rider No. 1, whose terms and conditions are set out in the first part of this special report.

Agreements and commitments approved during the year ended

Company	Directors or executives concerned	Terms of office in your Company	Terms of office in other companies that have signed the agreement	% capital held by your Company at 31/12/2015
Predica	Jérôme Grivet	Permanent representative of Predica, Director	General Manager of Predica	None
	Jean Laurent	Chairman of the Board of Directors	Director	
Beni Stabili	Leonardo Del Vecchio	Vice-Chairman of the Board of Directors	Director	52.22%
	Christophe Kullmann	General Manager and Director	Director	

a) Settlement agreement between Foncière des Régions, Beni Stabili, BS 7 and Aldo Mazzocco

On 21 October 2015, your Board of Directors authorised the set-up of a settlement agreement involving your Company, Beni Stabili, BS 7 and Aldo Mazzocco. The purpose of this agreement is to lay down all of the terms and financial conditions that will govern the end of the offices held and functions performed by Aldo Mazzocco within the Foncière des Régions group. It provides for the waiver of the condition requiring Aldo Mazzocco to remain within the Company in order to receive the bonus shares, and the granting of all of the shares that were subject to performance conditions, i.e. a total of 21,500 shares, which will be awarded at the end of the initially set vesting periods. It also provides for the payment of the contractually agreed severance compensation for his office as Managing Director of Beni Stabili.

b) Agreements set up as part of the “DS Campus” extension ect

On 19 February 2015, your Board of Directors authorised the set-up of several agreements as part of the “DS Campus” extension project. This project fits into a strategy aimed at pooling geographical and unit risks in the Vélizy area. The financial terms of this pooling operation were endorsed by a fairness opinion issued by an independent appraiser.

- ◆ Investment agreement signed on 18 June 2015 between Foncière des Régions, Predica and SCI DS Campus in the presence of SCI Latécoère 2, relating to the proposed expansion of “DS Campus”.

The purpose of this agreement is to define the terms and conditions of the partnership between the parties for the sharing of the “DS Campus” extension operation. Predica undertook to subscribe to a capital increase of SCI Latécoère 2. Following this transaction, Predica holds 49.9% of SCI Latécoère 2, while your Company still holds 50.1% of the capital. A subordinated credit line is to be granted to SCI Latécoère 2 for a total of €35,671 thousand, of which €17,871 thousand from your Company and €17,800 thousand from Predica. At 31 December 2015, the outstanding credit amounted to €34,911 thousand, of which €17,490 thousand loaned by your Company and €17,421 thousand loaned by Predica.

- ◆ Shareholders' Agreement between Foncière des Régions, Holding Predica and Predica, concerning SCI Latécoère 2 as part of the “DS Campus” extension project.

The Shareholders' Agreement lays down the terms of the relations of the SCI Latécoère 2 partners within the scope of the “DS Campus” extension project. Your Company remains the manager of SCI Latécoère 2. This company has an *ad hoc* committee (the “Partnership Committee”) with a supervisory role over the manager of the company. Collective decisions are made unanimously by the shareholders.

- ◆ The Shareholders' Agreement expires on 18 June 2025, and is renewable by tacit consent on a two-year basis. Specific guarantee agreement between Foncière des Régions and SCI DS Campus as part of the “DS Campus” extension project.

On 18 June 2015, within the scope of the “DS Campus” extension project, your Company granted SCI DS Campus a yield guarantee, under the following terms:

- ◆ 3% per annum over the period starting on the completion date (18 June 2015) and ending on the earliest of the following dates (“3% End Date”):
 - ◆ the Delivery Date, with the understanding that it was initially set at 30 November 2016, and
 - ◆ 28 February 2017, i.e. the end of the third month following the initially planned Delivery Date (30 November 2016)
- ◆ 3.5% per annum over the 18-month period starting the day after the “3% End Date”
- ◆ 7% per annum over the period starting the day after the “3.5% End Date” and ending on the Date of the First Rent, if this is later than the “3.5% End Date”.

Under the guarantee, your Company paid €0.5 million in 2016.

c) Rider to the Shareholders' Agreement on SCI Latécoère between Foncière des Régions and SCI DS Campus in the presence of Predica and SCI Latécoère

The purpose of the Shareholders' Agreement entered into on 19 October 2012 between your Company and Predica was to govern the relations of the shareholders of SCI Latécoère, within the scope of the “DS Campus” operation, and to set the subscription price of Predica to a capital increase for a possible extension of “DS Campus”.

At its meeting of 19 February 2015, your Board of Directors authorised a new rider, to amend the terms and conditions for the continuation of this agreement, and to enhance your Company's methods of control of SCI Latécoère.

The amendments, which mainly concerned the scope of decision of the Partnership Committee, came into effect on the rider signing date, i.e. 20 April 2015. This rider expires on 20 April 2025, and is renewable by tacit consent on a two-year basis.

Courbevoie, 20 March 2017

The Statutory Auditors

MAZARS
Gilles Magnan

ERNST & YOUNG et Autres
Jean-Roch Varon

4.6. STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION

Combined General Meeting of Shareholders of 26 April 2017

Seventieth resolution

To the Shareholders,

In our capacity as Statutory Auditors of your Company, in accordance with the terms of our engagement defined by Articles L. 225-209 of the French Commercial Code in the event of a capital reduction by cancellation of purchased shares, we have prepared this report to provide our assessment of the terms and conditions of the proposed capital reduction.

Your Board of Directors proposes that you grant to it, for a period of eighteen months starting from the day of this General Meeting, full authority to cancel the shares purchased as part of the implementation of an authorisation allowing your Company to purchase its own shares, for up to 10% of its share capital per twenty-four month period, as part of the provisions in the above-mentioned article.

We have conducted the checks we deemed necessary in accordance with the professional doctrine of the *Compagnie nationale des Commissaires aux comptes* (national body of statutory auditors) concerning this task. These procedures require that we examine the terms and conditions of the proposed capital reduction to ensure that they are fair and that they are not likely to violate shareholders' parity.

We have no comment to make on the terms and conditions of the proposed reduction of the share capital.

Courbevoie, 20 March 2017

The Statutory Auditors

MAZARS
Gilles Magnan

ERNST & YOUNG et Autres
Jean-Roch Varon

4.7. STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND/OR SECURITIES GIVING ACCESS TO THE CAPITAL RESERVED FOR PARTICIPANTS IN A COMPANY SAVINGS PLAN

Combined General Meeting of 26 April 2017

Twenty-second resolution

To the Shareholders,

In our capacity as Statutory Auditors of your Company, in accordance with the terms of our engagement defined by Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code, we hereby present to you our report on the proposal to grant to the Board of Directors the authority to issue up to a maximum nominal amount of €500,000 in shares and/or securities providing access to the Company's capital, with waiver of the preferential subscription right, reserved for participants in a company savings plan of the Company and companies and economic interest groups affiliated with the Company within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code. This transaction has been submitted for your vote.

This issue is subject to your approval in accordance with the provisions of Articles L. 225-129-6 of the French Commercial Code and L. 3332-18 *et seq.* of the French Labour Code.

Your Board of Directors proposes, based on its report, that you grant to it, with the option to sub-delegate, for a period of 26 months starting from the day of this meeting, the authority to decide on an issue and to waive your preferential subscription right to the securities that will be issued. As necessary, it will be its responsibility to set the final conditions of the transaction.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. It is our responsibility to provide our opinion on the fairness of the quantitative information drawn from the financial statements, on the proposal to waive the preferential subscription right and certain other information concerning the issue, provided in this report.

We have conducted the checks we deemed necessary in accordance with the professional doctrine of the *Compagnie Nationale des Commissaires aux comptes* (national body of statutory auditors) concerning this task. These measures consisted of verifying the consistency of the report of the Board of Directors relating to this transaction and the procedures for determining the issue price of the capital securities to issue.

Subject to the subsequent review of the conditions of the issue that would be decided, we have no observation to make on the procedures for determining the issue price of the capital securities to issue given in the Board's report.

As the final conditions in which the issue would be carried out have not been set, we do not express an opinion on them, and consequently, on the proposal to waive your preferential subscription right.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare a supplementary report, as necessary, at the time the authorisation is used by your Board of Directors, in the event of the issuance of shares or capital securities giving access to other capital securities, and in the event of the issuance of securities providing access to new capital securities to be issued.

Courbevoie, 20 March 2017

The Statutory Auditors

MAZARS

Gilles Magnan

ERNST & YOUNG et Autres

Jean-Roch Varon

4.8. STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND VARIOUS SECURITIES WITH MAINTENANCE AND/OR WAIVER OF THE PREFERENTIAL SUBSCRIPTION RIGHT

Combined General Meeting of 27 April 2016

Eighteenth, nineteenth, twentieth and twenty-first resolutions

To the Shareholders,

In our capacity as Statutory Auditors of your Company, in accordance with the terms of our engagement defined by Articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code, we hereby present to you our report on the proposal to grant to the Board of Directors the authority to decide on the issue of shares and/or securities on which you will be asked to vote.

Your Board of Directors proposes to you, based on its report:

- ♦ that you authorise it, for a period of twenty-six months, to decide on the following transactions and to set the final conditions of these issues, and if appropriate, to waive your preferential subscription right:
 - ♦ issue, with maintenance of the preferential subscription right (eighteenth resolution), of shares and/or securities providing, by all means, immediate or future access to the Company's capital, with the specification that this delegation may allow the issuance of securities under the conditions set forth in Article L. 228-93 of the French Commercial Code
 - ♦ issue, with waiver of the preferential subscription right through a public offering (nineteenth resolution), of shares and/or securities providing, by all means, immediate or future access to the Company's capital, with the specification that this delegation may allow the issuance of securities under the conditions set forth in Article L. 228-93 of the French Commercial Code
 - ♦ issue, in the event of a public exchange offer initiated by your Company (twentieth resolution), of shares and/or securities providing, by all means, immediate or future access to the Company's capital
- ♦ that you authorise it, for a period of twenty-six months, to issue company shares and/or securities giving immediate or future access to existing or new company shares, in compensation for shares, or securities giving access to shares, tendered to the company, (twenty-first resolution), within the limit of 10% of the share capital.

The global nominal amount of the capital increases that may be carried out immediately or in the future may not exceed €55,000,000 under each of the eighteenth resolution and €22,000,000 under the nineteenth resolution. The global nominal amount of the capital increases that may be carried out immediately or in the future may not exceed may not exceed 10% of the share capital under the twentieth and twenty-first resolution.

The overall nominal amount of the debt securities liable to be issued may not exceed €750,000,000 under each of the eighteenth and twenty-first resolutions.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. It is our responsibility to provide our opinion on the fairness of the quantitative information drawn from the financial statements, on the proposal to waive the preferential subscription right and on certain other information concerning these transactions, provided in this report.

We have conducted the checks we deemed necessary in accordance with the professional doctrine of the *Compagnie Nationale des Commissaires aux comptes* (national body of statutory auditors) concerning this task. These measures consisted of verifying the consistency of the report of the Board of Directors relating to these transactions and the procedures for determining the issue price of the capital securities to issue.

Subject to the subsequent review of the conditions of the issue that would be decided, we have no matters to report on the procedures for determining the issue price of the capital securities to issue given in the Board's report for the nineteenth resolution.

In addition, as this report does not specify the procedures for determining the issue price of the shares to be issued as part of the implementation of the eighteenth, twentieth and twenty-first resolutions, we cannot give our opinion on the choice of the components for calculating this issue price.

As the final conditions in which the issues would be carried out have not been set, we do not express an opinion on them, and consequently, on the proposal to waive the preferential subscription right that is made to you in the nineteenth resolutions.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare a supplementary report, as necessary, at the time the granted authority is used by your Board of Directors in the event of (i) the issue of equity securities giving access to other shares or giving rights to the allocation of debt securities, (ii) the issue of securities giving right to shares to issue and (iii) the issue of shares with waiver of preferential subscription right.

Courbevoie, 20 March 2017

The Statutory Auditors

MAZARS

Gilles Magnan

ERNST & YOUNG et Autres

Jean-Roch Varon

4.9. PARTIES RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

	Statutory Auditors	Date of appointment	Date of re-appointment	Expiry of term of office
Holders	Cabinet Mazars Tour Exaltis 61, rue Henri-Regnault 92400 Courbevoie	22/05/2000	25/04/2012	OGM approving the annual financial statements for the year ended 31/12/2017
	Ernst & Young et Autres 1-2, place des Saisons Paris-La Défense 1 92400 Courbevoie	24/04/2013		OGM approving the annual financial statements for the year ended 31/12/2018
Alternates	Cyrille Brouard Tour Exaltis 61, rue Henri-Regnault 92400 Courbevoie	22/05/2000	25/04/2012	OGM approving the annual financial statements for the year ended 31/12/2017
	Cabinet Auditex 1-2, place des Saisons Paris-La Défense 1 92400 Courbevoie	24/04/2013		OGM approving the annual financial statements for the year ended 31/12/2018

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INFORMATION AND MANAGEMENT



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5.1. PRESENTATION OF THE COMPANY

5.1.1. History of the Company (Group Share data)

1963	The Company is formed under the name “Société des Garages Souterrains et du centre commercial Esplanade – Belvédère”. Its original purpose was to operate the first underground car park built in Metz.
1998	The Company acquires a set of mainly residential assets from Immobilière Batibail and adopts a new corporate name, “Garages Souterrains et Foncière des Régions” (GSFR).
1999	Merger between Immobilière Batibail and Gecina. GSFR is brought under the control of the Batipart family holding company chaired by Charles Ruggieri.
2001	Acquisition from Axa of a real estate portfolio of 107,000 m ² . The value of the Company’s holdings increases 2.5 fold. Signature of an exclusive partnership agreement with the MSREF fund (Morgan Stanley) as part of the acquisition of service sector assets. Acquisition of 56 regional head offices from EDF.
2002	Corporate name change: GSFR becomes “Foncière des Régions”. Acquisitions of: ◆ 457 France Télécom assets distributed throughout France, 92,000 m² of offices and business premises located in Vélizy-Villacoublay (in partnership with MSREF) ◆ the real estate company Sovaklé, a housing subsidiary of the French Atomic Energy Commission (Commissariat à l’Énergie Atomique or CEA): 4,000 housing units in France and sites in the major regional cities ◆ six EDF real estate complexes acquired in partnership with MSREF. Subsidiarisation of the Car Parks business: creation of the company Parcs GFR.
2003	Foncière des Régions opts for the tax status of a “Société Immobilière d’Investissement Cotée” (SIIC, a public real estate investment company). The year’s highlights were: ◆ the acquisition of full ownership of the assets acquired in partnership with Morgan Stanley and leased to EDF or France Télécom. These assets represent 1.15 million m² valued at €850 million ◆ the acquisition of 133 buildings from the insurer Azur-GMF.
2004	Acquisition of the headquarters of the French Atomic Energy Commission (CEA) in Paris: 25,500 m ² of offices located on rue de la Fédération. Creation of Foncière des Murs (a public real estate company with SIIC tax status), the business of which is the acquisition and management of operating properties in the hotel, health and recreation sectors. Foncière des Régions launches a friendly takeover bid for Bail Investissement Foncière.
2005	At the end of the friendly takeover of Bail Investissement Foncière, Foncière des Régions holds nearly 37% of the capital of Bail Investissement. Acquisition of 5,500 housing units in Germany. Creation of Foncière Développement Logements and transfer of housing assets to this entity.
2006	Acquisition by Foncière des Régions of Technical, which owns 206 office assets leased to France Télécom, through Bail Investissement Foncière in partnership with GE Real Estate. Start of construction, at the Vélizy-Villacoublay site, of the world headquarters of Dassault Systèmes (60,000 m ²) and the start of renovation work on the CEA headquarters in Paris (Carré Suffren operation). Foncière des Régions reaffirms its development strategy with the launch of Euromed projects in Marseille and the ZAC de l’Amphithéâtre project in Metz. Signature of an agreement with the Autonomous Port of Dunkirk for the development of several logistics zones and the acquisition of an 85,000 m ² logistics platform in Saint-Martin-de-Crau. Merger through absorption of Bail Investissement Foncière into Foncière des Régions.
2007	Foncière des Régions acquires 68% of Beni Stabili, the second-largest public real estate company in Italy. Acquisition of the convertible bonds, held by GE Real Estate, in the company Technical, which owns a portfolio of over 200 office assets leased to France Télécom. Acquisition of the Tour Gan, the future CB 21 Tower, in the La Défense business district. Creation of Foncière Europe Logistique, a public entity (SIIC tax status) dedicated to the logistics business, and transfer of assets to this entity.

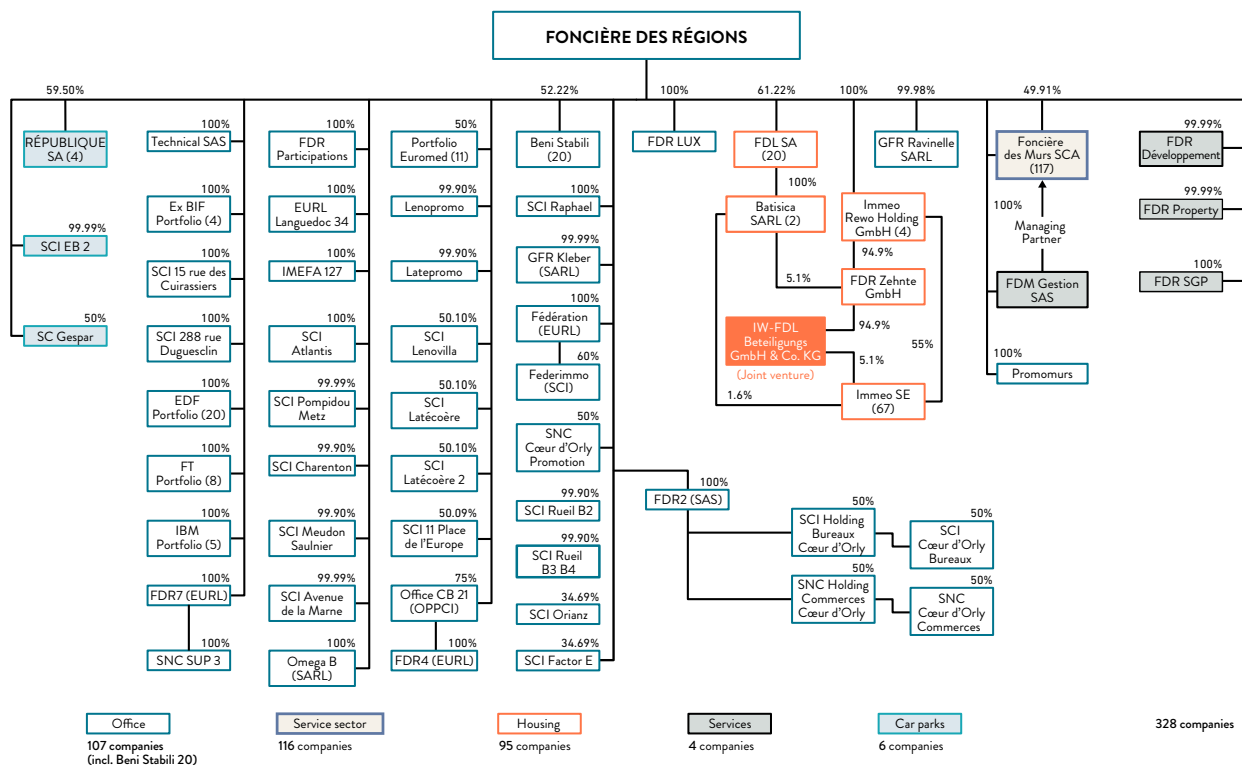
2008	Acquisition from Eiffage of a portfolio of 190,000 m² valued at €102 million and leased to Eiffage on a nine-year firm lease. Cœur d'Orly project: the grouping made up of Aéroports de Paris/Altarea/Foncière des Régions develops a first-tier real estate project near Orly airport south of Paris with 160,000 m² of offices, stores and a hotel. Delivery of the "Vélizy Campus" programme, the world headquarters of Dassault Systèmes, comprising 60,000 m² of offices. Refinancing of €240 million for the CB 21 project at La Défense. Foncière des Régions becomes part of the SBF 120.
2009	Signature of an agreement with Suez Environnement for the lease of 42,000 m² in the CB 21 Tower. Start of renovation work on the CB 21 Tower. Sale of 65 assets to France Télécom and signature to extend the leases for the other assets. Increase of €267 million in equity through the contribution of five office assets and the creation of new shares issued to Groupama and Predica, and an additional €200 million in shareholders' equity in the event of the exercise of equity warrants allotted free of charge to the shareholders of Foncière des Régions (option exercisable until 31 December 2010). Ongoing portfolio rotation through the sale of €504 million of assets (Group Share) and investments of €457 million in Offices in the Paris region. Ongoing debt reduction.
2010	Purchase of Morgan Stanley's 75% equity stake in the MSREF/Foncière des Régions joint venture, which has an office portfolio of 115,000 m². Approval for payment of the 2009 dividend: payment in cash (optional payment in Foncière des Régions shares) and in Beni Stabili shares. Signature of a new protocol with France Télécom: extension of leases for 6, 9 and 12 years firm, applicable to €35 million in annual rental income. Changes in shareholder structure and governance: Batipart sells a large proportion of its investment in Foncière des Régions to Delfin, Predica and Assurances du Crédit Mutuel Vie (ACM Vie). Charles Ruggieri, Chairman of Batipart, resigns as Chairman of the Supervisory Board of Foncière des Régions. Jean Laurent is appointed Director and named Chairman of the Supervisory Board. Delivery of the renovated CB 21 Tower and distribution: Foncière des Régions signs a disposal agreement for 25% of the CB 21 Tower with CNP Assurances. In the third quarter of 2010, Foncière des Régions signs a new financial agreement for the CB 21 Tower for €270 million over seven years. Leasing of 23,000 m² of the Carré Suffren asset to AON, the French Education Ministry and the Institut Français. Ongoing portfolio rotation through the sale of €439 million of assets (Group Share) and €149 million in acquisitions (Group Share). Ongoing debt reduction. Foncière des Régions boosts shareholder equity by nearly €200 million following the exercise of nearly all the equity warrants (BSA) outstanding since December 2009.
2011	Adoption on 31 January 2011 by the General Meeting of Foncière des Régions and the subsequent Board of Directors of a new Governance: ♦ adoption of the legal form of a company with a Board of Directors ♦ segregation of the duties of Chairman of the Board of Directors and Chief Executive Officer, assigned respectively to Jean Laurent and Christophe Kullmann ♦ strengthening of the influence of independent Directors, who now represent 40% of the Board of Directors (four out of ten members). Continuation of the partnership with Suez Environnement via the acquisition of Degrémont's head office at Rueil-Malmaison for €43 million. This asset is 100% leased under a firm 12-year lease. Increased stake in Foncière Europe Logistique (82%). Inaugural issue of bonds redeemable in cash and/or new and/or existing shares (ORNANE) for a total of €550 million, maturing on 1 January 2017. This issue was carried out with an annual interest rate of 3.34%. The development projects of "32 Grenier" in Boulogne, "Galleria del Corso" in Milan, and the Eiffage Construction head office at Vélizy were delivered and leased. Ongoing portfolio rotation through the sale of €309 million of assets (Group Share) and €157 million in acquisitions (Group Share). Ongoing debt reduction.

-
- 2012 Appointment of two new Directors: Christophe Kullmann and Micaela Le Divelec Lemmi.
 Foncière des Régions boosted its shareholders' equity by €150 million by opting to pay the 2011 dividend in shares, underwritten at the rate of 66% of value.
 Strengthening of the partnership with Thales via the development of a 49,000 m² campus at Vélizy-Villacoublay with a budget of €192 million. This Campus, which is called "New Vélizy", delivered in 2014, will be occupied by Thales under a nine-year lease.
 Signature of a 50/50 sharing agreement with Predica on two site operations in Vélizy: New Vélizy and DS Campus (world headquarters of Dassault Systèmes with a surface area of 60,000 m² that is leased under a firm 12-year lease expiring in 2020).
 Acquisition in early July of the Citroën headquarters (Paris 17th district) for €62 million, tax included, leased under a firm six-year lease.
 Launch of Phase 1 of the Euromed Center in Marseille. This development, which represents a budget of €48 million (for Foncière des Régions' 50% share), is located in the heart of the largest redevelopment project in Europe, and includes 14,000 m² of office space, a four-star, 210-room hotel, and an 846-space car park.
 Purchase of Sophia GE's investment in Foncière Europe Logistique (FEL) by Foncière des Régions, and squeeze-out followed by a mandatory delisting by Foncière des Régions on FEL.
 Award of a BBB- rating with a stable outlook by the Standard & Poor's rating agency.
 Inaugural issue of a €500 million bond maturing in January 2018 with a fixed interest rate of 3.875%.
 Securing of €2 billion in bank financing (including the inaugural issue of a €500 million bond).
 Acquisition of a portfolio of 165 B&B hotels for €508 million excluding taxes, through an OPCI management company held by Foncière des Murs (50.2%), the Crédit Agricole Assurances Group (40%) and Assurances du Crédit Mutuel (9.8%).
 Ongoing portfolio rotation through the sale of almost €665 million of assets (Group Share) and over €300 million in investment.
 Ongoing debt reduction.
 Foncière des Régions tops the 2012 Novethic Barometer and receives many other awards, including: IPD European Investment Award 2012, EPRA Silver Award 2012, Shareholder Relations Award 2012 (Les Échos-Mazars) and Investor Relations Awards 2012.
-
- 2013 Appointment a new Director: Sylvie Ouziel.
 Beni Stabili issues a €175 million convertible bond offer.
 Completion of a €180 million private placement maturing in April 2020 (seven years), with a coupon of 3.30%.
 Euromed Center Project: Foncière des Régions and Crédit Agricole Assurances sign an agreement with Louvre Hôtel Group for a four-star, 210-room Golden Tulip hotel to be delivered in 2016.
 Launch of the Green Corner operation in Saint-Denis, a project covering 20,400 m², pre-leased for nearly 70%, with the signature of a ten-year firm lease with the French Health Authority.
 Start of the high-profile Cœur d'Orly urban project for Greater Paris with the start of work on the first asset, Askia (18,500 m² of office space), 50% pre-leased to a key account.
 Separation of France and Germany portfolios in the residential business.
 Strengthening of Foncière des Régions in Germany:
 ♦ success of the public exchange offer on Foncière Développement Logements: Following the transaction, Foncière des Régions holds a 59.7% stake in Foncière Développement Logements,
 ♦ €351 million acquisition of housing units in Germany, in Berlin and Dresden.
 Foncière des Régions sells its entire remaining investment in Altarea Cogedim (7.65% of the capital) for €115 million.
 Issue of bonds redeemable in cash and/or new and/or existing shares (ORNANE) for a total of €345 million, maturing on 1 April 2019 with an interest rate of 0.875%; Buyback by Foncière des Régions of approximately €110 million in ORNANE bonds maturing on 1 January 2017.
 Foncière des Régions is awarded two EPRA Awards for the quality of its financial and non-financial reporting, and confirmation of its position in the DJSI, FTSE4Good and Vigéo indexes.
-
- 2014 Appointment of a new Director: Sigrid Duhamel.
 Acquisition by Foncière des Régions and Crédit Agricole Assurances of the future Eiffage Group campus at Vélizy-Villacoublay.
 New leases at the CB 21 Tower: nearly 11,400 m² let in 2014.
 Foncière des Régions forges a new partnership with the acquisition, via a sale and lease back transaction, of two office assets from Natixis, in Charenton-le-Pont.
 Foncière des Régions and Crédit Agricole Assurances deliver the New Vélizy campus to Thales. Foncière des Régions and Demathieu & Bard Immobilier develop the future headquarters for Bose France in Saint-Germain-en-Laye.
 Foncière des Régions supports B&B in its European expansion and opening of the B&B hotel Paris Porte des Lilas.
 Foncière des Régions and Meininger Hotels announce a strategic partnership.
 Foncière des Régions acquires a four-star hotel in Amsterdam from the operator NH Hotel Group.
 Foncière des Régions continues to build up its presence in the German residential market, with further investments of €240 million.
 The foundation stone is laid for the four-star Golden Tulip hotel at the new Euromed Center business and cultural complex.
 Foncière des Régions speeds up its strategic refocus, disposing of nearly 60% of its logistics assets for €473 million.
 Foncière des Régions announces the creation of FDM Management, a subsidiary and investment partnership specialising in the acquisition of hotel assets on behalf of leading operators.
 Foncière des Régions successfully places a €500 million seven-year bond issue.
 Beni Stabili issues a €350 million convertible bond offer.
 Foncière des Régions receives two EPRA Gold Awards for the quality of its financial and non-financial reporting, for the 2013 Reference Document and the 2013 Sustainable Development Report.
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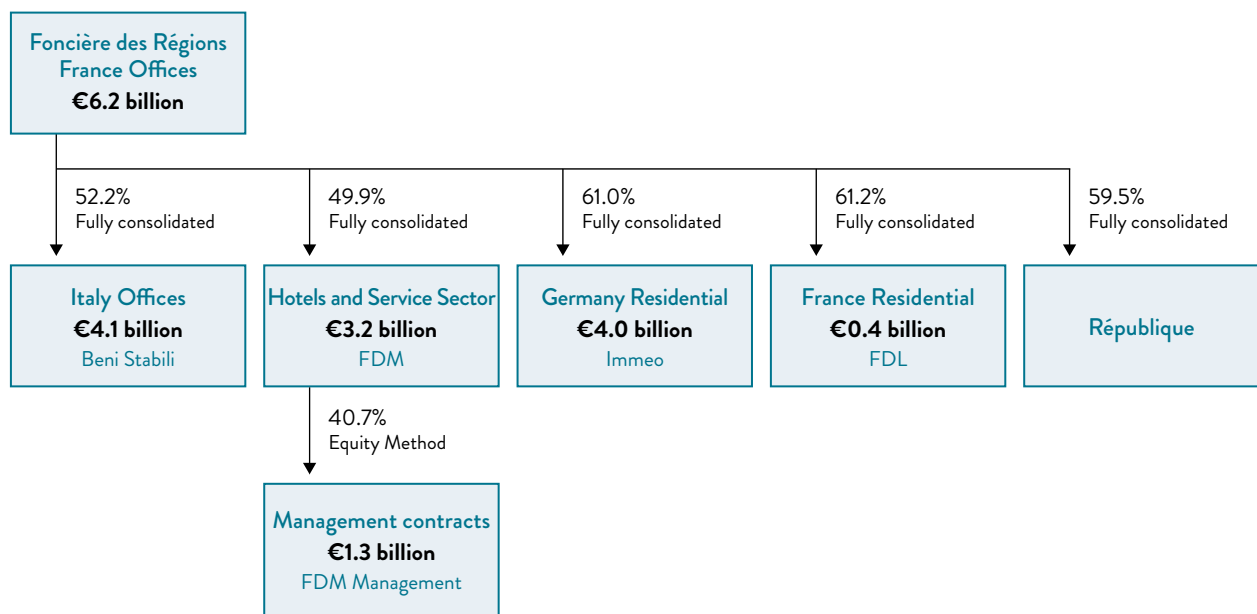
-
- 2015 Appointment of two new Directors: Romolo Bardin and Delphine Benchetrit, and appointment of a non-voting member of the Board of Directors: Sergio Erede.
- Major investment in Hotel real estate with an increased stake in the Foncière des Murs subsidiary (43.1%).
- Successful capital increase of €255 million.
- Foncière des Régions delivers nine France Offices projects in 2015, covering more than 100,000 m².
- Foncière des Régions enters into a new hotel partnership with Motel One and Meininger to expand its hotel management activities.
- Foncière des Régions, via its subsidiary FDM Management, finalises the raising of €172 million in funds.
- Foncière des Régions reinforces its real estate partnership with AccorHotels by extending the leases of 78 hotels (€1 billion in value), under the same conditions, for 12 years firm, and by selling 46 assets to AccorHotels for €388.5 million.
- Foncière des Régions continues to pursue its strategy in Germany Residential properties with major investments in Berlin and Hamburg for €500 million.
- Foncière des Régions signs an agreement with Telecom Italia regarding the extension of leases for an additional nine years and the disposal of two assets.
- Foncière des Régions signs the acquisition of two assets in Milan for €81 million, then speeds up its value-creation strategy in Italy by appointing Christophe Kullmann as General Manager following the resignation of Aldo Mazzocco.
- Foncière des Régions sells €101 million in logistics assets and €130 million in France Residential assets.
- Foncière des Régions negotiates €2.6 billion in new debt/refinancing.
- S&P raises the Foncière des Régions rating to BBB with a stable outlook.
- Foncière des Régions receives two 2015 EPRA Gold Awards.
- Carbon Disclosure Project: Foncière des Régions is recognised as a global benchmark for its actions against climate change.
-
- 2016 Appointment of two new Directors: Patricia Savin and Catherine Soubie.
- Foncière des Régions appoints Alexei Dal Pastro as General Manager of its subsidiary Beni Stabili.
- Foncière des Régions delivers six France Offices projects in 2016, covering more than 45,000 m².
- Acquisition of an office complex in central Paris for €129 million.
- Foncière des Régions signs a pre-let agreement for a third of its Silex1 building in Lyon.
- Foncière des Régions pre-lets all of its EDO building in the business district of Issy-Val de Seine.
- Pursuit of its strategy in Italy with the signature of a partnership agreement with Crédit Agricole Assurances and EDF Invest to share 40% of the Telecom Italia portfolio.
- Foncière des Régions signs a first rental agreement for the Symbiosis project in Milan for 16,000 m².
- Foncière des Régions pursues its strategy to strengthen Germany Residential with €277 million of new investments, primarily in Berlin.
- Foncière des Régions strengthens its German hotel market position with the acquisition of five NH hotels for €62 million.
- Foncière des Régions pursues its Hotels diversification strategy with the acquisition of a portfolio of 19 hotels in Spain for €542 million.
- Foncière des Régions, through its autonomous investment in FDM Management, acquires €192 million in hotel assets in Belgium, France, and Germany.
- Launch of partnership with Caisse des Dépôts of Foncière Développement Tourisme, a subsidiary specialising in development activities in tourist zones in France.
- Foncière des Régions sells its Healthcare portfolio for €301 million.
- Foncière des Régions increases its equity in its Foncière des Murs subsidiary and now holds 49.9% of the equity.
- Foncière des Régions increases its equity in its Beni Stabili subsidiary and now holds 52.2% of the equity.
- Foncière des Régions places its first Green Bond in the amount of €500 million with a ten-year maturity and interest rate of 1.875%.
- Foncière des Régions signs a partnership agreement with the start-up incubator Immowell Lab.
- Foncière des Régions receives two 2016 EPRA Gold Awards.
- Global Compact: Foncière des Régions receives the Trophy for the Best Communication on Progress (COP).
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5.1.2. Group organisation chart

5.1.2.1. Simplified Group organisation chart as of 31 December 2016 (based on the scope of consolidation)



5.1.2.2. Simplified Group portfolio as of 31 December 2016



5.2. GENERAL INFORMATION CONCERNING THE ISSUER AND ITS SHARE CAPITAL

5.2.1. General information concerning the issuer

5.2.1.1. Corporate name (Article 2 of the Articles of Association)

Foncière des Régions.

5.2.1.2. Legal form (Article 1 of the Articles of Association)

The Combined General Meeting of 31 January 2011 adopted the form of a public limited company (*société anonyme*) with a Board of Directors.

5.2.1.3. Registered office (Article 4 of the Articles of Association) and the Company's administrative offices

The registered office of the Company is located at 18, avenue François Mitterrand – 57000 Metz (Telephone: +33 (0)3 87 39 55 00).

The Company's administrative offices are located at 30, avenue Kléber, 75116 Paris, France (Telephone: +33 (0)1 58 97 50 00).

5.2.1.4. Trade and Companies Register

The Company is registered in the Metz Trade and Companies Register under number TI 364 800 060.

The APE code of the Company is 6820 B.

The SIRET number of the Company is 364 800 060 00287.

5.2.1.5. Market on which the shares and bonds are listed

Foncière des Régions' shares (ISIN code: FR0000064578 – FDR) are listed for trading on the Euronext Paris market – Compartment A and admitted on the SRD. The shares of Foncière des Régions are included in the MSCI, SBF 120, Euronext IEIF "SIIC France", CAC Mid100 composite indices, in the European REIT indices (EPRA and GPR 250), as well as the ethics indices FTSE4 Good, DJSI World and Euronext Vigeo (World 120, Eurozone 120, Europe 120 and France 20).

The bonds redeemable in cash and/or in new and/or existing shares ("ORNANE") issued in November 2013 at an annual interest rate of 0.875%, for a total of €345 million, maturing on 1 April 2019, were admitted on the Euronext Paris market under the ISIN code FR0011629344. The Foncière des Régions ORNANE bonds issued in May 2011 under the ISIN code FR0011050111 were delisted on 29 December 2016 in connection with their normal amortization on 2 January 2017.

The Foncière des Régions bonds issued in October 2012, for a total of €500 million, maturing in January 2018, carry a fixed coupon of 3.875% and are listed on the Euronext in Paris (ISIN code: FR0011345545).

The Foncière des Régions bonds issued in March 2013, for a total of €180 million, maturing in April 2020, carry a fixed coupon of 3.30% and are listed on the Euronext in Paris (ISIN code: FR0011442979).

The Foncière des Régions bonds issued in September 2014, for a total of €500 million, maturing in September 2021, carry a fixed coupon of 1.75% and are listed on the Euronext in Paris (ISIN code: FR0012146744).

The Foncière des Régions bonds issued in May 2016 (Green Bond), for a total of €500 million, maturing in May 2026, carry a fixed coupon of 1.875% and are listed on the Euronext in Paris (ISIN code: FR0013170834).

5.2.1.6. Nationality

The Company is governed by French law.

5.2.1.7. Term of the Company (Article 5 of the Articles of Association)

The Company was created on 2 December 1963 for a period of 99 years.

5.2.1.8. Company purpose (Article 3 of the Articles of Association)

The purpose of Foncière des Régions, both in France and abroad, for itself or in partnership with third parties, involves:

- ♦ primarily:
 - ♦ the acquisition of any land, real estate rights or assets, including through construction leases, emphyteutic leases, authorisations for temporary occupancy of public property and finance leases, as well as all assets and rights that may be accessory or attached to the said real estate properties
 - ♦ the construction of assets, and any operations directly or indirectly related to the construction of such assets
 - ♦ the operation and creation of value of such real estate assets through rental
 - ♦ directly or indirectly, the holding of equity investments in entities stipulated in Article 8 and paragraphs 1, 2 and 3 of Article 206 of the French General Tax Code and, in general, the acquisition of investments in companies whose primary purpose is the operation of rental real estate portfolio, and the promotion, management and assistance of such entities and companies

- ♦ secondarily and directly or indirectly:
 - ♦ the leasing of all real estate properties
 - ♦ acquisition, including through concession, of temporary authorisation to occupy public property and the operation of parking facilities
 - ♦ management and administration of all manner of real estate rights and assets for the account of third parties and of direct and indirect subsidiaries
 - ♦ the promotion, management and assistance of all direct and indirect subsidiaries
- ♦ in exceptional circumstances, the transfer, through sale, contribution, exchange or merger, of the assets of the Company
- ♦ and more generally:
 - ♦ the participation as borrower and lender in any intra-group loan or cash transactions and the possibility of granting for this purpose any personal guarantees or security interests in real or personal property, whether mortgages or other borrowings and
 - ♦ all civil, financial, commercial, industrial, personal and real property transactions deemed useful for the development of any one of the aforementioned purposes of the Company.

5.2.1.9. Documents available to the public

A number of resources and tools are available to shareholders to keep them informed about the Company and the share price: the website www.en.foncieredesregions.fr, financial notices in the press, the letter to shareholders, a dedicated e-mail address (actionnaires@fdr.fr), a dedicated toll-free number (+33 (0) 805 400 865) as well the business report.

This Reference Document is available free of charge and obtained on demand to the Company's administrative offices from the Investor Relations Department. It can also be viewed on the Company's website and on the website of the *Autorité des Marchés Financiers* (French Financial markets authority) (www.amf-france.org).

The corporate documents relating to the last three fiscal years, and more generally all documents sent or made available to shareholders in accordance with legal requirements, can be consulted at the Company's registered office (18, avenue François Mitterrand – 57000 Metz).

The updated versions of the Company's Articles of Association and the Internal Regulations of the Board of Directors are available online at the following site: www.en.foncieredesregions.fr/group/governance/board_of_directors.

Moreover, the Company's historic financial information can be viewed on its website in the section on regulated information, at the following address: http://www.en.foncieredesregions.fr/finance_en/financial_information/regulated_information. This section groups all the regulated information disclosed by the Company pursuant to the provisions of Articles 221-1 *et seq.* of the General Regulations of the *Autorité des Marchés Financiers*.

5.2.1.10. Fiscal year (Article 24 of the Articles of Association)

Each fiscal year lasts for 12 months, beginning on 1 January and ending on 31 December of each calendar year.

5.2.1.11. Statutory distribution of profits (Article 25 of the Articles of Association)

- ♦ From the profits for the year less any prior losses, at least five per cent (5%) must be allocated to the legal reserve fund. This deduction ceases to be required when the reserve amounts to one tenth (1/10) of the share capital.

Distributable earnings consist of the profit for the year, minus prior losses and sums to be allocated in the reserve as required by law and the Articles of Association, plus any retained earnings.

The General Meeting may take from this profit any sums it deems appropriate to be allocated to optional, ordinary or extraordinary reserves, or to be carried forward.

Any balance left over is distributed by the General Meeting among the shareholders in proportion with the number of shares they hold.

In addition, the General Meeting may decide to distribute sums taken from the reserves at its disposal, expressly indicating the reserve items from which the sums are to be withdrawn. However, dividends are taken primarily from the profit for the year.

Except in case of a reduction in capital, no distribution may be made to shareholders when the shareholders' equity is, or would become following such a distribution, less than the amount of the capital plus the reserves that may not be distributed by law or the Articles of Association. The revaluation reserve may not be distributed. It may be capitalised in whole or in part.

Any losses are carried forward, after approval of the financial statements by the Ordinary General Meeting, to be applied against the profits from subsequent years until extinction.

The Board of Directors may decide to distribute interim dividend payments prior to the approval of the financial statements for the fiscal year, under the conditions provided for by law.

- ♦ The terms for payment of dividends approved by the General Meeting are decided by the General Meeting or by the Board of Directors. However, the payment of dividends must take place within a maximum period of nine (9) months after the end of the fiscal year. An extension of this time period may be granted by court decision.

The General Meeting may offer shareholders an option between payment in cash or payment in new shares of Company shares for all or a portion of the dividend or interim dividend distributed, under the conditions established by law.

The Ordinary General Meeting may approve the distribution of profits or reserves through the distribution negotiable securities owned by the Company; shareholders will be responsible for grouping themselves, if necessary, to obtain a whole number of securities thus distributed.

- ♦ Any Concerned Shareholder whose own situation or that of its partners makes the Company liable for the withholding (the “**Withholding**”) as referred to in Article 208 C II *ter* of the French General Tax Code (a “**Shareholder subject to Withholding**”) will be required to compensate the Company for the deduction tax due arising from a distribution of dividends, reserves, premiums or “income deemed distributed” within the meaning of the French General Tax Code.

Any Concerned Shareholder is assumed to be a Shareholder subject to Withholding. If he/she states that he/she is not a Shareholder subject to Withholding, he/she must prove this to the Company no later than five (5) business days prior to the payment of distributions by providing a satisfactory legal opinion without reservations, issued by an internationally renowned law firm with recognised expertise in French tax law, certifying that he/she is not a Shareholder subject to Withholding and that the distributions paid to him/her do not make the Company liable for Withholding.

In the event that the Company holds, directly or indirectly, a percentage of dividend rights at least equal to that stipulated in Article 208 C II ter of the French General Tax Code or more than one or several listed real estate investments trusts mentioned in Article 208 C of the French General Tax Code (a **“Subsidiary SIIC”**), and when the Subsidiary SIIC, because of the situation of a Shareholder subject to Withholding, has paid the Withholding, the Tax-Paying Shareholder must, as applicable, compensate the Company either for the amount paid as compensation by the Company to the Subsidiary SIIC for the payment of the Withholding by the Subsidiary SIIC or, if there has been no compensation of the Subsidiary SIIC by the Company, for an amount equal to the Withholding paid by the Subsidiary SIIC multiplied by the percentage of the Company’s dividend rights in the Subsidiary SIIC, so that the other shareholders of the Company do not bear economically any portion of the Withholding paid by any one of the SIICs in the chain of equity interests on account of the Tax-Paying Shareholder (the **“Additional Compensation”**). The amount of the Additional Compensation will be paid by each of the Shareholders subject to Withholding proportionately to their respective dividend rights divided by the total dividend rights of the Shareholders subject to Withholding.

The Company will be entitled to offset the compensation receivable from any Shareholder subject to Withholding with the sums to be paid by the Company for his/her benefit. Thus the sums withheld on the Company’s profits which are exempt from corporation tax pursuant to Article 208 C II of the French General Tax Code which must, for each share held by the said Shareholder subject to Withholding, be paid pursuant to the aforementioned distribution decision or buyback of shares, will be reduced by the amount of the Withholding due by the Company for the distribution of these sums and/or the Additional Compensation.

The amount of any compensation owed by a Shareholder subject to Withholding will be calculated in such a manner that, after payment thereof and taking into account any specific tax regime that maybe applicable to it, the Company will be placed in the same situation as if the Withholding had never become due.

The Company and the Concerned Shareholders must cooperate in good faith to ensure that all reasonable measures are taken to limit the amount of Withholding due or to become due and the compensation arising or that could arise from it.

- ♦ In the event that (i) subsequent to a distribution of dividends, reserves or premiums, or “income deemed distributed” within the meaning of the French General Tax Code taken from the profits of the Company or of a Subsidiary SIIC exempt from

corporate tax pursuant to Article 208 C II of the French General Tax Code, it should prove that a Shareholder was a Shareholder subject to Withholding on the date of payment of the said sums or (ii) the Company or the Subsidiary SIIC should have made payment of Withholding on the sums thus paid, without the said sums being offset as provided for in Article 25.3 above, the Shareholder subject to Withholding will be required to pay the Company a compensation for the loss borne by it in an amount equal to the Withholding that should have been paid at that time by the Company for each Company share he/she held on the date of payment of the distribution of dividends, reserves or premiums concerned and the amount of the Additional Compensation (the **“Compensation”**), where applicable.

Where relevant, the Company will be entitled to make an offset, in the appropriate amount, between its receivables under the Indemnity and any sums that may subsequently become due to this Shareholder subject to Withholding, without prejudice, as appropriate, to the prior allocation to the said sums of the offset as provided for in paragraph 4 of Article 25.3 above. In the event that, after such an offset is made, the Company has still not been paid the amounts owed by Shareholder subject to Withholding under the Indemnity, the Company will be entitled to make a new offset, in the appropriate amount, against any sums that may subsequently be payable to this Shareholder subject to Withholding until the final extinguishment of the said debt.

5.2.1.12. General Meetings (Article 22 of the Articles of Association)

General Meetings are called under the conditions set by the laws and regulations in force.

Meetings are to be held at the registered office or at any other location indicated in the notice of meeting.

Every shareholder has the right to attend General Meetings and to participate in the deliberations, in person or by proxy, upon presentation, under the applicable legal and regulatory conditions, of his/her identity and of the registration of the shares in the books in the name of the shareholder or of an intermediary registered on his/her behalf.

The General Meetings are chaired by the Chairman of the Board of Directors or, failing this, by a Vice-Chairman or, in the absence of the latter, by a Director specially appointed for this purpose by the Board. Failing this, the General Meeting elects the Meeting Chair.

The two (2) shareholders attending the General Meeting with the highest number of votes are elected scrutineers, if they so accept.

The Executive Board (bureau) will appoint the Secretary, who may be chosen from outside the shareholders.

At each General Meeting, an attendance sheet must be compiled under the conditions provided by law.

Copies or excerpts of the minutes of the General Meetings will be validly certified by the Chairman of the Board of Directors, a member of the Board or the Secretary of the General Meeting.

Ordinary and Extraordinary General Meetings, deliberating under the conditions of quorum and majority set forth in the respective provisions governing them, will exercise the powers attributed to them by law.

Shareholders may vote by post, appoint a proxy or send in their proxy form by any means permitted under the laws and regulations in force. In particular, shareholders may send the Company proxy or postal voting forms by fax or e-mail before the General Meeting, under the conditions set by law. The proxy and postal vote forms may be signed electronically if the electronic signature satisfies the requirements defined in the first sentence of paragraph 2 of Article 1316-4 of the French Civil Code.

On the decision of the Board of Directors, the shareholders may take part in the General Meeting by videoconference or vote by any remote means of communication and teletransmission, including the internet, under the conditions set forth in the regulations applicable at the time the communication method is used. This decision must be included in the meeting notice published in the *Bulletin des Annonces Légales Obligatoires* (BALO).

Shareholders will be considered as being present for quorum and majority calculations if they participate in the General Meeting by videoconference or by any remote means of communication and teletransmission, including the internet, which enables shareholders to be identified under the conditions provided for by laws and regulations.

5.2.1.13. Statutory threshold crossing (Article 8 of the Articles of Association)

- ◆ In addition to the legal obligation to notify the Company of the holding of certain fractions of the capital and to make any resultant declarations of intent, any physical person or legal entity, acting alone or in concert, who has come to hold or stops holding, directly or indirectly, at least one per cent (1%) of the Company's capital or voting rights, or any multiple of this percentage, must notify the Company, by registered post with proof of receipt request to the registered office within the period provided for in Article R. 233-1 of the French

Commercial Code, also indicating the number of securities ultimately giving access to the share capital it holds, the number of related voting rights as well as all the information referred to in Article L. 233-7 I of the French Commercial Code. Mutual fund management firms must carry out such reporting for the entirety of the shares of the Company held by the funds that they manage.

This reporting obligation applies to all cases of exceeded thresholds mentioned above, including beyond the statutory and regulatory thresholds. Unless a declaration has been made under the conditions outlined above, shares above the fraction which should have been declared will have no voting rights attached for any General Meeting held within two (2) years after the date of regularisation of the declaration, at the request, recorded in the minutes of the General Meeting, of one or several shareholders together holding at least one per cent (1%) of the share capital.

- ◆ Any shareholder other than a physical person who comes to hold, directly or through entities that it controls pursuant to Article L. 233-3 of the French Commercial Code, a percentage of rights to Company dividends at least equal to that mentioned in Article 208 C II *ter* of the French General Tax Code (a “**Concerned Shareholder**”) must register all the shares that it owns in registered form and ensure that the entities that it controls pursuant to Article L. 233-3 of the French Commercial Code register all their shares in registered form. Any Concerned Shareholder which has not met these obligations by the second working day prior to a General Meeting will have the voting rights it holds, either directly or *via* entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, capped at a tenth (1/10) of the number of shares that they hold, respectively, at the relevant General Meeting. The Concerned Shareholder referred to above will regain all of the voting rights attached to the shares it holds, directly or *via* entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, at the following General Meeting, provided that it regularises its situation by registering all the shares it holds, directly or *via* entities it controls within the meaning of Article L. 233-3 of the French Commercial Code, in registered form, by the second working day prior to that General Meeting.

5.2.2. General information concerning the share capital

5.2.2.1. Form of shares – Identification of holders (Article 7 of the Articles of Association)

- ◆ Shares will be registered or bearer shares, at the shareholder's choice.
- ◆ Shares will be registered in the account of their owner under the conditions and the terms provided for by the legal provisions in force.

- ◆ The Company may use the provisions outlined in Articles L. 228-2 *et seq.* of the French Commercial Code at any time to identify (i) holders of securities conferring immediately or in the future voting rights in its own General Meetings of Shareholders (a “**General Meeting**”) and (ii) holders of bonds issued by the Company.

5.2.2.2. Transfer of shares (Article 9 of the Articles of Association)

The shares are freely negotiable.

5.2.2.3. Rights and obligations attached to shares (Article 10 of the Articles of Association)

Each share gives the right to ownership of the corporate assets and a share of the profits and the proceeds of liquidation in proportion to the number of existing shares.

Shareholders are only responsible for Company debts up to the limit of their contribution, i.e. the par value of their shares.

Each shareholder will have the same number of votes as the number of shares owned or represented. No double voting rights are conferred pursuant to Article L. 225-123, last paragraph, of the French Commercial Code.

Ownership of one share legally implies compliance with the Articles of Association and decisions of the General Meetings.

Whenever it is necessary to hold several shares to exercise any right, in the event of exchange, reverse split or share allotments, or in the event of a capital increase or reduction, merger or other corporate transactions, the owners of only one share or a number

of shares less than the number required may exercise these rights only if they personally ensure the grouping or purchase or sales of the necessary number of shares or allotment rights.

Shares are indivisible with respect to the Company, which recognises only one owner for each share. Joint owners are required to be represented in relation to the Company by one person only. The voting right attached to a share belongs to the beneficial owner for Ordinary General Meetings and to the bare owner for Extraordinary General Meetings.

5.2.2.4. Conditions for modification of the share capital

The Company's Articles of Association do not prescribe measures for the modification of share capital and voting rights attached to shares. These decisions are subject to the legal and regulatory provisions that allow the Extraordinary General Meeting to delegate to the Board of Directors, which may sub-delegate, the powers or authority necessary to modify the Company's share capital and the number of shares, particularly in the event of a capital increase or reduction.

5.2.3. Insurance policy

5.2.3.1. General policy

Foncière des Régions has an insurance policy covering the Group's operating risks. The aim of this policy is to obtain complete cover on the insurance market appropriate to the activities carried out and the risks incurred by the Company. This cover is taken out with leading insurers, in line with the Group's risk management policy implemented.

The main risks covered relate to damages that might affect the Company's real estate portfolio, as well as to potential civil liability in connection with its activities as a real estate professional or asset owner.

In 2016, Foncière des Régions benefitted from actions taken with its main insurers in order to maintain, over a firm period of several years, the level of premiums on its main insurance contracts.

5.2.3.2. Description of levels of cover

5.2.3.2.1. Real estate portfolio insurance

The real estate portfolios are insured for their reconstruction value, with extended cover for "indirect losses" and "loss of rental income". The contractual cover limitations on the policies taken out are all adapted to the specific features and value of the insured portfolio.

Additionally, the Company receives advice and support from its insurers' engineering prevention services each year. The Company makes every effort to comply with the recommendations of its insurers and thus maintain its assets in a constant state of safety with respect to fire hazards and insurability on the market.

For all of its real estate restructuring projects, Foncière des Régions systematically takes out the mandatory building defects (*dommages-ouvrage*) and non-builder developer (*constructeur non réalisateur*) covers, as well as the builder's all-risks (*tous risques chantier*), business interruption (*pertes d'exploitation*) and contracting authority liability (*responsabilité civile maîtrise d'ouvrage*) covers on top of the Group's professional liability insurance where necessary.

5.2.3.2.2. Civil liability insurance

The potential financial consequences of any legal disputes arising from personal injury and physical or other damages, whether consequential or not, suffered by third parties and attributable to misconduct in the performance of the Company's activities, or arising from its real estate portfolio and all the equipment pertaining thereto, are insured as part of a specific insurance programme.

The personal civil liability of the executive corporate officers and *de jure* and *de facto* managers of the Company is covered to levels appropriate to the risks incurred.

5.2.3.2.3. Other risks insurance

Foncière des Régions has taken the necessary measures to protect its interests and those of its shareholders with regard to exposure to the financial risks resulting from acts of fraud or embezzlement, and has an insurance policy providing coverage in respect of such circumstances.

Furthermore, in case of events that might tarnish the image and reputation of Foncière des Régions, the Company has taken out insurance to finance the immediate intervention and the fees of a press relations firm specialised in crisis management. This financial solution is part of the plan established by Foncière des Régions in the event of its crisis response unit being activated.

5.2.3.2.4. Professional portfolio insurance (offices, IT, vehicles)

The portfolio used in the business, which include the office buildings owned by the Company, as well as their contents and

IT equipment, are insured by policies with extended cover for various events. More specifically, the dedicated IT policy includes cover for additional costs, tailored to the terms, conditions and particularities of the Company's Business Continuity Plan. The Company's vehicles are covered under a comprehensive vehicle fleet policy, while personal vehicles used by employees at certain times for the performance of their duties are covered by a policy for vehicles used for work-related purposes.

5.3. SHAREHOLDING STRUCTURE

The Delfin, Covéa, Crédit Agricole Assurances and Assurances du Crédit Mutuel groups are among Foncière des Régions' significant shareholders.

5.3.1. Information on capital

As at 1 January 2016, Foncière des Régions' share capital was €199,889,196 divided into 66,629,732 fully paid-up shares, each with a par value of €3 and all of the same class.

At year-end, and taking into account the capital increases completed in 2016, Foncière des Régions' share capital was

€206,273,556 divided into 68,757,852 fully paid-up shares, each with a par value of €3, and of a single class of shares.

Since 2016 year-end, the Company's share capital has increased to €221,611,350. It now comprises 73,870,450 shares.

5.3.2. Securities giving access to the share capital

Bonds convertible into shares:

	Balance of ORNANE bonds at 01/01/2016	Number of ORNANE bonds reimbursed in 2016	Number of ORNANE bonds redeemed by the Company in 2016	Number of ORNANE bonds delisted in 2016	Balance of ORNANE bonds at 31/12/2016
ORNANE bonds 2011	5,253,714	3,595,517	730,000	928,197	None
ORNANE bonds 2013	4,071,757	None	None	None	4,071,757

Following adjustments to the conversion rate of the ORNANE bonds 2011 and 2013 undertaken in connection with the 2015 fiscal year deduction on premiums and reserves as well as the surplus dividend withheld from profit, the conversion rate of ORNANE 2011 was increased to 1.18 and to 1.09 for the ORNANE 2013.

According to information known by the Company, all ORNANE 2013 are held by the Public.

Bonus shares: the number of shares that may be issued under bonus share grants implemented by the Company stood at 438,544. These shares may be new or existing, shares.

Information on the awards of bonus shares is provided in Section 5.3.9 below of this chapter.

No other securities giving access to the share capital of the Company exist.

Potential share capital at 31 December 2016: the table below reflects the theoretical change in the Company's share capital taking into account the creation of the maximum amount of shares resulting from exercise of all the ORNANE bonds 2013 and bonus shares.

Number of shares issued at 31/12/2016	68,757,852
Number of potential shares to issue in relation to the ORNANE bonds 2013 (deduction of 338 treasury shares allocated to "Delivering shares upon the exercise of rights attached to securities")	4,437,877, or a potential dilution of 6.03%
Number of potential shares to issue in relation to bonus shares	438,544, or a potential dilution of 0.59%
Maximum total number of shares to issue	73,634,611, or a potential dilution of 6.62%

5.3.3. Breakdown of share capital and voting rights

In accordance with the provisions of Article 10 of the Articles of Association amended by the General Meeting of 17 April 2015, each shareholder will continue to have the same number of votes as he or she has shares. No double voting rights are conferred pursuant to Article L. 225-123, last paragraph, of the French Commercial Code. Nevertheless, the number of voting rights exercisable in a General Meeting is adjusted to take account of treasury shares, which do not bear voting rights.

The table below shows the breakdown of capital and voting rights over the past three fiscal years, among shareholders or groups of shareholders who, to the Company's knowledge, own or may come to own, given the shares and voting rights attached to them pursuant to Article L. 233-9 of the French Commercial Code, 5% or more of the capital or voting rights.

	31/12/2016				31/12/2015				31/12/2014			
	Number of shares	% of share capital	% of theoretical voting rights ⁽¹⁾	% of voting rights exercisable in GM ⁽²⁾	Number of shares	% of share capital	% of theoretical voting rights	% of voting rights exercisable in GM	Number of shares	% of share capital	% of theoretical voting rights	% of voting rights exercisable in GM
Public	30,128,104	43.82	43.82	43.88	29,088,685	43.66	43.66	43.69	27,360,808	43.65%	43.65%	43.70%
Delfin Group ⁽³⁾	19,094,000	27.77	27.77	27.81	18,897,481	28.36	28.36	28.38	17,362,054	27.70%	27.70%	27.73%
Covéa Group	8,516,275	12.38	12.38	12.40	8,515,775	12.78	12.78	12.79	8,406,210	13.41%	13.41%	13.43%
Assurances du Crédit Mutuel	6,016,042	8.75	8.75	8.76	5,191,628	7.79	7.79	7.80	4,880,229	7.78%	7.78%	7.80%
Crédit Agricole Group	4,906,622	7.14	7.14	7.15	4,883,844	7.33	7.33	7.34	4,595,288	7.33%	7.33%	7.34%
Treasury shares	96,809	0.14	0.14	/	52,319	0.08	0.08	/	78,968	0.13%	0.13%	/
TOTAL	68,757,852	100%	100%	100%	66,629,732	100%	100%	100%	62,683,557	100%	100%	100%

(1) These percentages are calculated on the basis of all shares with voting rights attached, including shares temporarily stripped of voting rights.

(2) These percentages are calculated by excluding shares held by the Company that do not have voting rights.

(3) Delfin SARL is a holding company that belongs to the Del Vecchio family. Delfin SARL is primarily involved in financial business and equity investments and controls Aterno and DFR Investment. It also controls the Luxottica Group, the world leader in the production, wholesale distribution and retail sale of glasses and sunglasses.

To the Company's knowledge:

- ♦ there has been no significant change in the breakdown of capital and voting rights since year-end
- ♦ there are no other shareholders owning, directly or indirectly, alone or in concert, more than 5% of the capital or voting rights
- ♦ there are no shareholder agreements involving at least 0.5% of the capital or voting rights in the Company, nor any concerted actions.

The Company is neither directly nor indirectly controlled within the meaning of Article L. 233-3 of the French Commercial Code.

As at 31 December 2016, Foncière des Régions directly held, outside the terms of the liquidity agreement (46,471), 50,338 treasury shares. A description of the share buyback programmes implemented during the fiscal year is provided in Section 5.3.8.

There is no cross-shareholding: Foncière des Régions has no direct or indirect capital interest in any company which, in turn, has a controlling interest in Foncière des Régions.

Using the services of Euroclear, the Company has identified the holders of shares that confer voting rights, either immediately or in the future, in its own General Meetings. The results obtained show that the number of individual shareholders is about 12,000 and that nearly 1,700 shareholders are financial institutions.

5.3.4. Threshold crossing disclosures

During 2016, the Company was informed of the following legal and statutory threshold crossings:

Shareholder	Date limit exceeded	Upward threshold crossing		Downward threshold crossing		Shares	Voting rights	% of share capital	% of voting rights
		Legal	Articles of Association	Legal	Articles of Association				
Amundi	19 April 2016	/	/	/	1%	663,787	663,787	0.99%	0.99%
Amundi	21 April 2016	/	1%	/	/	668,241	668,241	1%	1%
ACM Vie	27 April 2016	/	8%	/	/	6,016,042	6,016,042	8.88%	8.88%
AXA Investment Managers	3 May 2016	/	1%	/	/	670,800	670,800	1.01%	1.01%
AXA Investment Managers	9 May 2016	/	/	/	1%	670,749	670,749	0.99%	0.99%
AXA Investment Managers	17 May 2016	/	1%	/	/	680,525	680,525	1.005%	1.005%
Delfin	28 June 2016	/	/	/	28%	19,094,000	19,094,000	27.96%	27.96%
BNP Paribas Investment Partners ⁽¹⁾	4 July 2016	/	3%	/	/	2,070,913	2,032,303	3.0329%	2.9764%
BNP Paribas Investment Partners ⁽¹⁾	26 August 2016	/	/	/	3%	2,037,865	2,009,787	2.9816%	2.9405%
BNP Paribas Investment Partners ⁽¹⁾	30 August 2016	/	3%	/	/	2,057,497	2,029,419	3.0103%	2.9692%
AXA Investment Managers	14 December 2016	/	/	/	1%	672,974	672,974	0.98%	0.98%

(1) Disclosure including the number of shares that the ORNANE give rights to.

Starting 1 January 2017, the Company was informed of the following legal and statutory threshold crossings:

Shareholder	Date limit exceeded	Upward threshold crossing		Downward threshold crossing		Shares	Voting rights	% of share capital	% of voting rights
		Legal	Articles of Association	Legal	Articles of Association				
BNP Paribas Investment Partners ⁽¹⁾	16 January 2017	/	/	/	3%	1,563,620	1,562,403	2.2741%	2.2724%
GMF Insurance SA	17 January 2017	/	/	/	1%	720,899	720,899	0.98%	0.98%
Covéa	17 January 2017	/	/	/	12%	8,516,275	8,516,275	11.53%	11.53%
Delfin	17 January 2017	/	28%	/	/	20,878,375	20,878,375	28.28%	28.28%
Amundi	25 January 2017	/	/	/	1%	729,278	729,278	0.98%	0.98%

(1) Disclosure including the number of shares that the ORNANE give rights to.

5.3.5. Declarations of intent

No declaration of intent was made during 2016.

5.3.6. Change in the capital over the last five years

The Company's share capital has changed as follows over the last five years:

	31 December 2012	31 December 2013	31 December 2014	31 December 2015	31 December 2016
Share capital	€173,690,076	€188,049,264	€188,050,671	€199,889,196	€206,273,556
Number of shares	57,896,692	62,683,088	62,683,557	66,629,732	68,757,852

Changes in the Company's capital arise from the transactions described below:

Date	Type	Number of shares issued	Share premium amount (in €)	Number of shares	Capital amount (in €)
22 February 2012	Exercise of stock options	356	18,444.36	54,948,795	164,846,385
24 May 2012	Exercise of option for payment of dividend in shares	2,930,739	141,261,619.80	57,879,534	173,638,602
25 July 2012	Exercise of stock options	17,158	887,915.21	57,896,692	173,690,076
12 August 2013	Capital increase (first public exchange offer period on Foncière Développement Logements shares)	5,099,890	304,463,394.83	62,996,582	188,989,746
3 September 2013	Capital increase (second public exchange offer period on Foncière Développement Logements shares)	529	29,505.93	62,997,111	188,991,333
29 November 2013	Capital reduction by cancellation of treasury shares	-314,023	/	62,683,088	188,049,264
13 October 2014	Exercise of stock options	469	35,470.47	62,683,557	188,050,671
23 March 2015	Capital increase with preferential rights of subscription	3,917,722	242,898,764	66,601,279	199,803,837
2 November 2015	Final award of bonus shares	27,953	/	66,629,232	199,887,696
4 November 2015	Final award of bonus shares	500	/	66,629,732	199,889,196
22 February 2016	Final award of bonus shares	31,624	/	66,661,356	199,984,068
27 April 2016	Capital increase remunerating contributions in kind	1,072,923	68,559,779.70	67,734,279	203,202,837
31 May 2016	Capital increase reserved for employees	18,004	1,195,465.60	67,752,283	203,256,849
28 June 2016	Capital increase resulting from the first public exchange offer on Foncière des Murs	528,071	39,288,405	68,280,354	204,841,062
22 July 2016	Capital increase resulting from the second public exchange offer on Foncière des Murs	68,445	5,483,813.40	68,348,799	205,046,397
2 November 2016	Final award of bonus shares	38,780	/	68,387,579	205,162,737
16 December 2016	Capital increase resulting from the exercise of the right to award shares under ORNANE 2011	2,783	205,515.41	68,390,362	205,171,086
23 December 2016	Capital increase resulting from the exercise of the right to award shares under ORNANE 2011	367,490	28,220,574.93	68,757,852	206,273,556

The public exchange offer initiated by Foncière des Régions on the shares of Foncière des Murs, which the AMF declared to be in conformity on 17 May 2016, was carried out on the basis of exchanging one share of Foncière des Régions to be issued for three shares of Foncière des Murs tendered. The offer opened from 18 May 2016 to 21 June 2016 and was re-opened from 4 July 2016 to 15 July 2016. The results of the public exchange offer are detailed below:

	Number of Foncière des Murs shares tendered to the public exchange offer	Number of new Foncière des Régions shares issued
Net income from the first public exchange offer	1,584,210	528,071
Net income from the second public exchange offer	205,334	68,445
TOTAL	1,789,544	596,516

Subsequent to the closing of the fiscal year, 5,076,786 new shares were issued in connection with the capital increase effected on 17 January 2017 and 35,812 new shares were issued in connection with the final award of bonus shares, bringing the share capital to €221,611,350, divided into 73,870,450 shares.

5.3.7. Employee shareholding

In accordance with the provisions of Article L. 225-102 of the French Commercial Code, you will find hereafter a report on employee shareholding in the Company's share capital as at the last day of the fiscal year, representing 118,670 Foncière des Régions shares, i.e. 0.17% of the capital.

5.3.8. Information about the share buyback programme

In 2016, Foncière des Régions used the authorisation conferred upon it by the General Meeting on 17 April 2015, and by the General Meeting on 27 April 2016, and implemented on the same day by decision of the Board of Directors, in order to renew and continue the liquidity agreement with Exane BNP Paribas under the same conditions.

This share buyback programme, which cannot be implemented during public offer periods, has the following characteristics and procedures:

- ♦ the maximum purchase price is €100 per share (excluding acquisition expenses)
- ♦ the maximum amount of funds allocated to the buyback programme would be €150,000,000
- ♦ purchases, sales, exchanges or transfers transactions may be executed by any means, whether on the market or over the counter, including block purchases or sales, or by using financial instruments, with the following primary aims:
 - ♦ implementing a liquidity agreement with an investment service provider under the conditions and according to the methods set by the regulations in place and recognised market practices

- ♦ awarding grants to employees and executive corporate officers of the Company and/or companies in its group
- ♦ delivering shares upon the exercise of rights attached to securities entitled to the award of shares
- ♦ holding and delivering them as payment or in exchange under potential external growth transactions, mergers, spin-offs or contributions
- ♦ cancelling shares
- ♦ using them in any other practice that may come to be recognized by law or by the Financial Markets Authority (*Autorité des Marchés Financiers*) or any other purpose that would provide a basis for the presumption of legitimacy.

The last authorisation brought an end to the previous share buyback programme, which amounted to 40,838 treasury shares held by the Company at 27 April 2016, of which:

- ♦ 39,130 shares from the liquidity agreement, and
- ♦ 1,708 shares allocated to delivering shares upon the exercise of rights attached to securities.

The terms and conditions relating to the new buyback programme were set forth in the share buyback programme description posted on the Company's website on 27 April 2016.

Treasury share movements in terms of transactions and use in 2016 shown by type of objective being pursued by the Company were as follows:

		Movements over the period							
(in number of shares)	Position at 31/12/2015	Acquisition	Sale	Transfer	Reallocation	Cancellation	Position at 31/12/2016	Fraction of share capital at 31/12/2016	Nominal value at 31/12/2016 (in €)
Liquidity agreement	50,582	399,29	403,401	-	-	-	46,471	0.07%	139,413
Allocation to employees	-	50,000	-	-	-	-	50,000	0.07%	150,000
Delivering shares upon the exercise of rights attached to securities	1,737	-	-	-1,399	-	-	338	NS	1,014
Shares held by the Company	52,319						96,809	0.14%	290,427

Transactions completed under the liquidity agreement during 2016 broke down as follows:

	Acquisition		Sale	
	Number of shares	Average price per share (in €)	Number of shares	Average price per share (in €)
Share buyback programme				
General Meeting of 17 April 2015	129,833	78.00	141,285	78.01
General Meeting of 27 April 2016	269,457	80.14	262,116	81.08
TOTAL	399,290	79.45	403,401	80.00

As at 31 December 2016, Foncière des Régions held 96,809 treasury shares representing 0.14% of the share capital, valued at €7,526,915.37, or €77.75 per share, and representing a nominal value of €290,427.

The Company did not use derivatives in its share buyback programmes in 2016.

Transaction costs during 2016 amounted to €18,393.76 ex-tax.

As the authorisation that was granted by the General Meeting on 27 April 2016 was for a period of 18 months, a new share buyback programme will be submitted to the General Meeting on 26 April 2017.

5.3.9. Share subscription and share purchase options and granting of bonus shares

5.3.9.1. Share subscription and share purchase options

Since 2008, the Company has not implemented a share subscription or share purchase options plan.

Since the last plan in force (plan No. 1403008 of 4 May 2007) expired on 11 October 2014, there are no longer any share subscription options that can be exercised within the Foncière des Régions group.

5.3.9.2. Award of bonus shares

The award of bonus shares within the Foncière des Régions group is to motivate and foster loyalty with employees who contributed to the Company's growth by sharing the Company earnings with them.

During the fiscal year 2016, the Board of Directors, at the proposal of the Appointments and Remunerations Committee and pursuant to the delegation of powers granted by the General Meeting of 27 April 2016, awarded 212,501 bonus shares detailed below, representing 0.31% of the capital as at 31 December 2016:

Date of the bonus share plans	Number of bonus shares awarded	Beneficiaries of the bonus shares	Unit value, as estimated by an independent actuary			Vesting period			Retention period		
			France	Italy	Germany	France	Italy	Germany	France	Italy	Germany
27 April 2016	9,065	Employees of the Foncière des Régions group (group plan)	€59.20 ⁽¹⁾	/	/	31 months	/	/	/	/	/
	49,500	Employees of the Foncière des Régions group (discretionary plan)	€59.20 ⁽¹⁾	€59.20 ⁽¹⁾	€59.20 ⁽²⁾	31 months	31 months	31 months	/	/	/
	62,500	Employees of the Foncière des Régions group (retention plan)	€34.90 ⁽²⁾	€34.90 ⁽²⁾	€34.90 ⁽²⁾	48 months	48 months	48 months (except 1 for 36 months)	/	/	/
	31,491	Executive corporate officers of the Company and executive officers of related companies	€59.20 ⁽¹⁾		€59.20 ⁽¹⁾	34 months	34 months	34 months	/	/	/
23 November 2016	9,345	Employees of the Foncière des Régions group (Group plan)	€48.53 ⁽¹⁾	€48.53 ⁽¹⁾	€48.53 ⁽¹⁾	36 months	36 months	36 months	/	/	/
	50,600	Employees of the Foncière des Régions group (discretionary plan)	€48.53 ⁽¹⁾	€48.53 ⁽¹⁾	€48.53 ⁽¹⁾	36 months	36 months	36 months	/	/	/

(1) Awards not subject to performance requirements.

(2) Awards subject to performance requirements.

The bonus share award policy in 2016 for executive corporate officers is detailed in Section 5.5.1.2.3 of the Reference Document.

The criteria for awarding bonus shares to staff members of the Foncière des Régions group are linked to performance and growth potential, the goal being to build loyalty and an association with the Company's stock-market performance.

During the fiscal year 2016, 70,404 bonus shares were granted to the beneficiaries indicated below:

Delivery date of bonus shares	Date of the bonus share plans	Number of bonus shares delivered in 2016			Number of beneficiaries
		French beneficiaries	Italian beneficiaries	German beneficiaries	
22 February 2016	22 February 2012	-	5,000	1,700	3
	20 February 2013	24,924	-	-	4
7 November 2016	7 November 2013	33,430	-	-	222
8 November 2016	8 November 2012	-	4,850	500	18

The bonus shares awarded over the last five years are presented below.

	History of performance share allocations					
	Information on performance shares					
	Plan of 22 February 2012	Plan of 8 November 2012	Plan of 20 February 2013	Plan of 7 November 2013	Plan of 26 February 2014	Plan of 25 June 2014
General Meeting date	06/05/2011	06/05/2011	06/05/2011	06/05/2011	06/05/2011	28/04/2014
Board of Directors date	22/02/2012	08/11/2012	20/02/2013	07/11/2013	26/02/2014	25/06/2014
Total number of bonus shares awarded o/w the number awarded to:	24,607	38,815	31,924	45,510	36,812	106,500
♦ Jean Laurent	0	0	0	0	0	0
♦ Christophe Kullmann	8,900	0	14,468	0	17,065	0
♦ Olivier Estève	5,675	0	7,283	0	8,459	0
♦ Aldo Mazzocco	5,000	0	5,000	0	6,000	0
Vesting date of France shares	22/02/2015	08/11/2015	20/02/2016	07/11/2016	26/02/2017	25/06/2018
End of retention period for France shares	22/02/2017	08/11/2017	20/02/2018	07/11/2018	26/02/2019	25/06/2018
Vesting date of Germany and Italy shares	22/02/2016	08/11/2016	20/02/2017	07/11/2017	26/02/2018	25/06/2018
End of retention period for Germany and Italy shares	22/02/2016	08/11/2016	20/02/2017	07/11/2017	26/02/2018	25/06/2018
Performance conditions	For French executive corporate officers, presence + 1/3 linked to the relative stock market performance compared to the EPRA, and 1/3 linked to the annual individual target achievement rates	Presence	For French executive corporate officers, presence + 1/3 linked to the relative stock market performance compared to the EPRA, and 1/3 linked to the annual individual target achievement rates	Presence	For executive corporate officers, presence + 50% linked to the relative stock market performance compared to the EPRA, and 50% linked to the annual individual target achievement rates	For all beneficiaries, presence + 50% linked to the relative stock market performance compared to the EPRA, and 50% linked to the annual individual target achievement rates
Number of shares vested at 31 December 2014	17,907	29,350	0	0	0	0
Number of cancelled or lapsed shares	0	4,865	0	4,650	0	2,500
Bonus shares still being vested at the end of the year	6,700	4,600	31,924	40,860	36,812	104,000

History of performance share allocations

Information on performance shares						
Plan of 5 December 2014	Plan of 19 February 2015	Plan 3 of 27 April 2016	Plan 1 & 2 of 27 April 2016	Plan 3 of 27 April 2016	Plan 3 of 27 April 2016	Plan of 23 November 2016
28/04/2014	28/04/2014	27/04/2016	27/04/2016	27/04/2016	27/04/2016	23/11/2016
05/12/2014	19/02/2015	27/04/2016	27/04/2016	27/04/2016	27/04/2016	23/11/2016
49,760	33,571	31,491	58,565	47,500	15,000	59,445
0	0	0	0	0	0	0
0	15,263	17,184	0	0	0	0
0	7,808	9,307	0	0	0	0
0	5,500	0	0	0	0	0
05/12/2017	19/02/2018	27/02/2019	27/11/2018	27/04/2020	27/04/2019	23/11/2019
05/12/2019	19/02/2020	27/02/2019	27/11/2018	27/04/2020		
05/12/2018	19/02/2019	27/02/2019	27/11/2018	27/04/2020	27/04/2019	23/11/2019
05/12/2018	19/02/2019	/	/	/	/	/
Presence	For executive corporate officers, presence + 50% linked to the relative stock market performance compared to the EPRA, and 50% linked to the annual individual target achievement rates	For executive corporate officers, presence + 50% linked to the relative stock market performance compared to the EPRA, and 50% linked to the annual individual target achievement rates	Presence	Retention plan, presence + 50% linked to the relative stock market performance compared to the EPRA, and 50% linked to the annual individual target achievement rates	3 performance criteria	Presence
0	0	0	0	0	0	0
1,910	0	0	1,000	0	0	70
47,850	33,571	31,491	57,565	47,500	15,000	59,375

5.3.9.3. Details of adjustments made to share subscription options and bonus shares

No adjustments were made in 2016.

5.3.10. Transactions carried out by executive corporate officers in the Company shares

5.3.10.1. Transactions carried out by members of General Management in Foncière des Régions shares during 2016

General Management members	Purchase of financial instruments	Average value (in €)	Sale of financial instruments	Average value (in €)	Number of shares held at 31 December 2016 (to the best of the Company's knowledge)
Christophe Kullmann	14,468 shares ⁽¹⁾	41.55	2,046	80.5352	50,399 ⁽²⁾
Olivier Estève	7,283 shares ⁽¹⁾	41.32	/	/	36,560

(1) Award of bonus shares that became available in 2016.

(2) Fully-owned shares to which may be added 24,000 shares beneficially owned resulting from a bare ownership transfer.

5.3.10.2. Transactions carried out by members of the Board of Directors in Foncière des Régions shares during 2016

Members of the Board of Directors	Purchase of financial instruments	Average value (in €)	Sale of financial instruments	Average value (in €)	Number of shares held at 31 December 2016 (to the best of the Company's knowledge)
Jean Laurent	150 shares	80.62	-	-	575
Leonardo Del Vecchio	-	-	-	-	1
ACM Vie	824,414 ⁽¹⁾ shares	66.9	-	-	6,016,042
Catherine Allonas Barthe	-	-	-	-	0
Romolo Bardin	1,670 shares	79.06	900 shares	79.68	4,270
(persons related to Romolo Bardin)	196,519 shares	77.82	-	-	19,094,000
Delphine Benchetrit	-	-	-	-	0
Jean-Luc Biamonti	-	-	-	-	429
Covéa Coopérations	500 shares	82.22	-	-	500
Philippe Narzul	-	-	-	-	0
Sigrid Duhamel	-	-	-	-	252
Bertrand de Feydeau	-	-	-	-	362
Sylvie Ouziel	-	-	-	-	425
Predica	-	-	-	-	4,598,765
Jérôme Grivet	-	-	-	-	0
Patricia Savin	-	-	-	-	0
Catherine Soubie	650 shares	77.7894	-	-	650
Pierre Vaquier	-	-	-	-	272

(1) Shares received in compensation of the contribution in kind of 2,473,242 Foncière Des Murs' shares to the group.

5.3.11. Summary of financial authorisations currently in force

The General Meeting regularly grants the Board of Directors financial authorisations to increase the Company's share capital by issuing shares and/or securities giving access to the Company's share capital.

In accordance with the provisions of Article L. 225-100, paragraph 7 of the French Commercial Code, please find below a breakdown of the active authorisations for capital increases in 2016 granted by the General Meeting of Shareholders on 27 April 2016.

General Meeting date	Description of the authorisation	Validity of the authorisation	Use of the authorisation	
			2016	2017
27 April 2016 Resolution 15	Delegation of authority to the Board of Directors to increase the Company's share capital through capitalisation of reserves, earnings or premiums. Nominal capital increase cap set at €20,000,000.	26 months Expiry on 27 June 2018	None	None
27 April 2016 Resolution 17	Delegation of authority to the Board of Directors to issue shares and/or securities giving access to the Company's capital, maintaining the shareholders' preferential right of subscription. Nominal capital increase cap set at €50,000,000. Nominal marketable security issue cap set at €750,000,000.	26 months Expiry on 27 June 2018	None	None
27 April 2016 Resolution 18	Delegation of authority to the Board of Directors to issue, through a public offering, shares and/or securities giving access to the Company's share capital, with waiver of shareholders' preferential right of subscription and a compulsory priority period in the event of issuance of shares. Nominal debt security issue cap set at €750,000,000. Nominal capital increase cap set at €20,000,000.	26 months Expiry on 27 June 2018	None	Nominal amount of issued shares: €15,230,358, corresponding to 5,076,786 new shares
27 April 2016 Resolution 19	Delegation of authority to the Board of Directors to issue shares, with waiver of shareholders' preferential subscription rights, in the event of a public exchange offer initiated by the Company. Nominal capital increase cap set at €50,000,000.	Until 31 December 2016	Nominal amount of issued shares: €1,789,548, corresponding to 596,516 new shares	Lapsed
27 April 2016 Resolution 20	Delegation of authority to the Board of Directors to issue shares and/or other negotiable securities giving access to the Company's share capital, up to 10% of share capital in order to remunerate contributions in kind granted to the Company and consisting of shares or negotiable securities giving access to capital, with waiver of shareholders' preferential right of subscription.	Until 31 December 2016	Nominal amount of shares issued: €3,218,769 corresponding to 1,072,923 new shares	Lapsed

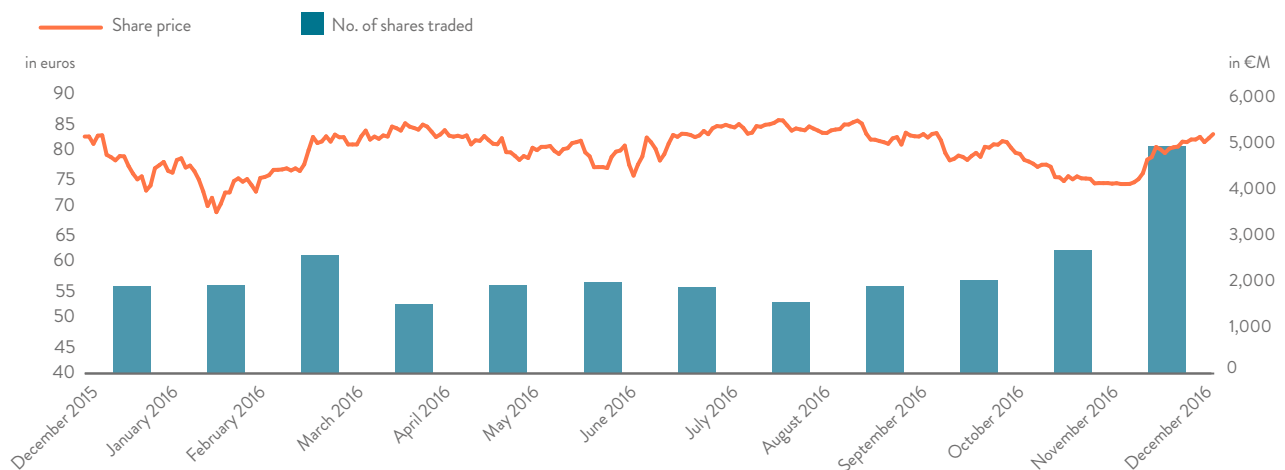
General Meeting date	Description of the authorisation	Validity of the authorisation	Use of the authorisation	
			2016	2017
27 April 2016 Resolution 21	Delegation of authority to the Board of Directors to initiate capital increases reserved for employees of the Company and employees of the Foncière des Régions group that are members of the Foncière des Régions savings plan, with waiver of shareholders' preferential right of subscription Nominal capital increase cap set at €500,000.	26 months Expiry on 27 June 2018	Nominal amount of issued shares: €54,012, corresponding to 18,004 new shares	None
27 April 2016 Resolution 22	Authorisation granted to the Board of Directors to award new or existing bonus shares to employees and/or executive corporate officers of the Company and its affiliates, with waiver of the shareholders' preferential right of subscription Cap set at 1% of the share capital on the day of the decision to award them by the Board of Directors.	38 months Expiry on 27 June 2019	Award of bonus shares 212,501 shares	Award of bonus shares 37,923 shares

5.4. STOCK MARKET – DIVIDENDS

5.4.1. Market price at 31 December 2016

The closing Foncière des Régions' share price for the year was €82.94, bringing stock market capitalisation to €5.7 billion at year-end 2016. In 2016, the Foncière des Régions share price increased by 0.53% and the performance of the reinvested dividend amounted to 5.75%.

CHANGE IN FONCIÈRE DES RÉGIONS' SHARE PRICE OVER THE YEAR



5.4.2. Information about elements that could be relevant in the event of a public offer

In accordance with the provisions of Article L. 225-100-3 of the French Commercial Code, please find hereafter our report on the elements likely to have an impact in the event of a public offer.

5.4.2.1. Legal restrictions and restrictions in the Articles of Association on the exercise of voting rights

Article 8.1 of the Articles of Association establishes an obligation to declare to the Company every instance in which a shareholder passes the threshold of 1% (or any multiple of this percentage) of the capital or the voting rights relating thereto, including the legal and regulatory thresholds. Such notification must be made by registered letter with return receipt addressed to the registered office within the time limit stipulated in Article R. 233-1 of the French Commercial Code. Mutual fund management firms must carry out such reporting for the entirety of the shares of the Company held by the funds that they manage.

Unless a declaration has been made under the conditions outlined above, shares above the fraction which should have been declared will have no voting rights attached for any General Meeting held within two (2) years after the date of regularisation of the declaration, at the request, recorded in the minutes of the General Meeting, of one or several shareholders together holding at least one per cent (1%) of the share capital.

Article L. 233-14, paragraph 1, of the French Commercial Code stipulates that any shareholder who does not make the declarations in time as provided for in I, II, VI bis and VII of Article L. 233-7 will be deprived of the voting rights attached to those shares in excess of the fraction that has not been declared in time. This will apply to all General Meetings for a period of two years dating from the time the declaration is finally made. Under the same conditions, the voting rights attached to the shares that have not been properly declared may not be exercised or delegated by the defaulting shareholder.

Under Article 8.2 of the Company's Articles of Association, if any corporate entity holds more than 10% of the share capital directly or indirectly and its shares have not been registered by the second working day prior to any General Meeting of the Company's shareholders, their voting rights will be capped at one tenth of the number of shares held. This situation may be resolved by ensuring that all the shares held directly or indirectly are registered no later than the second working day prior to the General Meeting in question.

5.4.2.2. Structure of the Company's share capital

This information is included in Section 5.3.3. of the Reference Document.

5.4.2.3. Shares providing special control rights

None.

5.4.2.4. Agreements between shareholders that are known to the Company and that could restrict the transfer of shares and the exercise of voting rights

There are no agreements between shareholders that are known to the Company and that could restrict the transfer of shares and the exercise of Company voting rights.

5.4.2.5. Powers of the Board of Directors and General Management

This information is included in Section 5.6.1.4. of Chapter 5 and Section 4.3.1.6.2 of Chapter 4 of the Reference Document. The capital increase authorisations granted by the General Meeting to the Board of Directors are mentioned in Section 5.3.11 of the Reference Document.

5.4.2.6. Rules applicable to the appointment and replacement of members of the Board of Directors and changes in the Company's Articles of Association

The Company's Articles of Association on these matters do not differ from the generally accepted guidelines for French public limited companies.

5.4.2.7. Agreements providing for compensation to employees and Directors of the Company, if they resign or are dismissed without cause or if their employment ceases due to a public offer

The compensation granted in certain circumstances to executive corporate officers of the Company is set forth in Section 5.5.1.2.6. of the Reference Document.

5.4.3. Dividends distributed within the last five fiscal years

In the last five fiscal years, the dividends paid out and the corresponding tax rebate were as follows:

Fiscal year	Type of dividend	Dividend paid per share	Amount of dividend eligible for the 40% rebate ⁽¹⁾	Amount of dividend not eligible for the 40% rebate
2011	Current	€4.20	€0.05	€4.15
2012	Current	€4.20	/	€4.20
2013	Current	€4.20	€0.11907	€4.08093
2014	Current	€4.30	/	€4.30
2015	Current	€4.30	€0.0329	€4.2671

(1) Dividends eligible for the 40% tax rebate for individual tax residents in France.

The SIIC status adopted on 1 January 2003 allows for the exemption of property management revenues, real estate capital gains and dividends from SIIC subsidiaries, provided that at least 95% of earnings from asset rentals, 60% of capital gains and 100% of dividends are distributed to shareholders.

The Company's distribution policy naturally takes regulatory requirements into account.

5.4.4. Appropriation of earnings for the fiscal year

A proposal will be made to the General Meeting of Shareholders on 26 April 2017, on the recommendation of the Board of Directors:

- ♦ allocate the earnings for the year, which amounted to €248,815,409.33, as follows:
 - ♦ (i) €21,121.20 to the legal reserve, bringing the amount of the legal reserve to 10% of the share capital at year-end, i.e. €20,627,355.60
 - ♦ (ii) the payment of a €248,794,288.13 in dividend to shareholders
- ♦ and the distribution of €76,235,691.87, taken from:
 - ♦ (i) the "Retained earnings" account, i.e. €76,144.40
 - ♦ (ii) the "Distributable revaluation reserve" account, i.e. €98,159.85
 - ♦ (iii) the "Additional paid-in capital" account, i.e. €76,061,387.62.

Thus, each share will receive a dividend of €4.40.

It will be proposed to the General Meeting to determine:

- ♦ in the event of changes to the number of shares giving the right to dividends, and in particular in the event of the conversion of any net share settled bonds convertible into new and/or existing shares ("ORNANE") and/or the definitive acquisition of bonus shares taking place before the payment date for the dividend, the overall amount of the dividend will be adjusted correspondingly through a withdrawal from the "Issue premium" account

- ♦ that pursuant to the provisions of Article L. 225-210 of the French Commercial Code, the amount the shareholders may have waived, as well as the amount corresponding to treasury shares on the dividend payment date, which are not entitled to dividends, will be allocated to the "Retained earnings" account.

The dividend will be paid out on 19 May 2017.

Based on the number of shares comprising the share capital as at 15 February 2017, or 73,870,450 shares, total dividends of €325,029,980 will therefore be allocated. The portion of this dividend drawn from tax-exempt profits and awarded to individuals who are subject to income tax does not grant a right to the 40% rebate, in accordance with Article 158-3 of the French General Tax Code. This tax rebate continues to apply, where applicable, in other cases (Article 158-3-2 of the French General Tax Code).

The balance of the dividend deducted in the amount of €76,061,387.62 from the "Additional paid-in capital" account is treated as a reimbursement of contribution in terms of the provisions of Article 112-1 of the French General Tax Code.

The dividend drawn against the Company's profits exempt from corporation tax pursuant to Article 208 C of the French General Tax Code totals €211,180,420.40.

The dividend drawn against the Company's profits exempt from corporation tax pursuant to Article 208-3 *quater* of the French General Tax Code totals €0.

5.5. EXECUTIVE CORPORATE OFFICERS

5.5.1. Remuneration of executive officers

5.5.1.1. Chairman of the Board of Directors

The Chairman, in close coordination with the General Management, leads the Board of Directors and its committees. He provides the Chief Executive Officer with help and advice in designing and implementing strategy. He ensures that all Directors are always kept fully notified of any information relevant to the strategy and its implementation. In close coordination with General Management, he ensures that the quality of the Board's relationships with the Company's shareholders, major partners or Group customers, as well as with public authorities, institutional and regulatory authorities, the media and investors deemed to be economic players, is maintained. He helps to promote the image and values of Foncière des Régions, both inside and outside the Group. Lastly, he is directly involved in monitoring risk control activities.

The remuneration of the Chairman of the Board of Directors of Foncière des Régions was set on 17 April 2015 by the Board for his full four-year term of office, at the overall fixed amount of €400 thousand. There was no change in this remuneration from the previous term. It has therefore remained unchanged since 2011.

Such fixed remuneration is not accompanied by any variable remuneration, performance bonus or remuneration paid in Company shares. It is in line with the average remuneration for non-executive chairmen in the SBF 120.

In 2016, this €400 thousand compensation broke down as follows:

- ♦ €392 thousand fixed remuneration
- ♦ €8 thousand benefits in kind (company car).

In 2016, Jean Laurent also received €48 thousand in attendance fees paid by Beni Stabili, an Italian subsidiary of Foncière des Régions, in which he has an oversight role.

TABLE 2

SUMMARY OF REMUNERATION OF EACH EXECUTIVE CORPORATE OFFICER

Executive corporate officer name and function Jean Laurent: Chairman of the Board of Directors since 31/01/2011	2015 fiscal year		2016 fiscal year	
	Amounts due for 2015	Amounts paid in 2015	Amounts due for 2016	Amounts paid in 2016
Fixed remuneration	392,998	392,998	392,060	392,060
Annual variable remuneration	0	0	0	0
Multiannual variable remuneration	0	0	0	0
Extraordinary remuneration	0	0	0	0
FDR attendance fees	0	0	0	0
Beni Stabili attendance fees	50,000	50,000	48,000	48,000
Benefits in kind (company car)	7,002	7,002	7,940	7,940
TOTAL	450,000	450,000	448,000	448,000

TABLE 1

SUMMARY OF REMUNERATION, OPTIONS AND SHARES AWARDED TO EACH EXECUTIVE CORPORATE OFFICER

Executive corporate officer name and function Jean Laurent: Chairman of the Board of Directors since 31/01/2011	2015	2016
Remuneration (detailed in Table 2)	450,000	448,000
Valuation of the multiannual variable remuneration paid during the fiscal year	0	0
Valuation of options granted during the year	None	None
Valuation of performance shares granted during the year	None	None
TOTAL	450,000	448,000

5.5.1.2. General Management

The remuneration policy for the Chief Executive Officer and Deputy General Manager is determined by the Board of Directors based on work carried out and proposals made by the Appointments and Remunerations Committee. This committee met two times in 2016, to ensure the compliance of this policy with the principles listed by the latest changes to the Afep-Medef Code of corporate governance.

The committee and the Board are particularly keen to follow these guidelines:

- ♦ the remuneration is granted exhaustively *via* three main components: fixed portion, variable portion, allocation of performance shares
- ♦ the basic principles sought are:
 - ♦ a balance between the various components, short term and long term, fixed and variable
 - ♦ remuneration correctly situated in the market and designed to foster loyalty
 - ♦ simple and transparent tools for the market and shareholders
 - ♦ a strong link between remuneration and operational performance
 - ♦ a variable portion based on objective quantifiable performance criteria that combine the interests of the Company, its staff and its shareholders, at the same time providing an incentive for outperformance and a “circuit breaker” system to sanction any deterioration of key Company indicators
 - ♦ financial alignment with the long-term interests of shareholders.

The committee and the Board use industry-based benchmarks and general research studies simply to check that overall remuneration packages are in line with market rates.

5.5.1.2.1. Fixed portion

The Appointments and Remunerations Committee and the Board of Directors ensure, on a regular basis, that the amount of fixed remuneration paid to executive corporate officers is positioned correctly in relation to the market by using benchmarks relating to Directors of SBF80 companies and those companies with equivalent stock market capitalisation to that of Foncière des Régions, supplemented by French and European sector-based research. In principle, the Board reviews this compensation

at regular set intervals, in line with any potential changes to responsibilities or events that have affected the Company.

On 5 December 2014, upon the proposal of the Appointments and Remunerations Committee, the Board of Directors reappointed Christophe Kullmann for four years, and increased his fixed remuneration to **€600 thousand** for his term of office. This remuneration remained unchanged in 2016. The term of office of Olivier Estève was also renewed for four years, with his fixed remuneration increased to **€360 thousand**. It remained unchanged in 2016.

5.5.1.2.2. Variable portion

With respect to the variable portion of remuneration (bonuses), the Appointments and Remunerations Committee wished for each Director to be assessed and compensated on the basis of targets that are clear, precise, quantifiable and operational. These targets are determined every February, by the Board of Directors based on proposals put forward by the Appointments and Remunerations Committee. They are determined according to the strategic plan, the budget approved by the Board of Directors for the year under way, and the Company’s priorities at the time.

The target bonus for the Chief Executive Officer and Deputy General Manager equals 100% of their fixed annual salary.

In an effort to provide differentiation, motivation and an incentive to outperform, provision is made for an upside of as much as 50% of the target bonus to reward performance that goes beyond the targets set at the beginning of the year. In an effort to align this with the interests of shareholders, the committee proposes that this upside portion of the bonus be paid, if at all, not in cash but in bonus shares, which are to be conditional on the beneficiary remaining in the Company’s employment for three years after the award.

Finally, a “circuit breaker” system provides for bonuses to be withheld in the event of a significant deterioration in the Company’s performance over the year. For 2016, the “circuit breaker” was based on a Loan To Value (LTV) threshold, the crossing of which would have entailed non-payment of the bonus.

For 2016, the criteria for awarding the variable portion of the **Chief Executive Officer’s** compensation were set as follows:

- ♦ **70%** based on **quantitative** targets
- ♦ **30%** based on **qualitative** targets.

On 10 February 2017, the Appointments and Remunerations Committee reviewed all these criteria using precise analytical frameworks, and recorded the following levels of attainment for each target:

	Chief Executive Officer	(in €K)			Bonus allocated		
		% of bonus	Min.	Target	Max.	(as a % of target)	(in €K)
Quantitative = 70% of the variable	RNI/share	20%	0	120	180	150%	180
	EPRA NAV/share	10%	0	60	90	150%	90
	Implementation of the strategy:						
	◆ Ongoing improvement in the quality of the portfolio (measured by return, % of green assets and % core assets in the GS portfolio) ◆ Focus on strategic activities: pipeline Offices (measured in €M), strengthened position in Germany for housing and in Europe for Hotels (measured by % of GS portfolio) ◆ Reduction in the exposure to non-core activities (measured as a % of the GS portfolio) ◆ Reduction in tenant risk (measured by relative weight of tenants targeted by the GS rental income) ◆ Improvement of the risk profile (measured in €M of equity, target LTV, term of debt and leases)	40%	0	240	360	127%	305
Qualitative = 30% of the variable	Implementation of a lasting organisation (employees and tools) and acceleration of the strategy in Italy						
	Integration of the European teams	30%	0	180	270	125%	225
	Dynamics of the Group CSR policy						
	Development of the partnership network						
TOTAL		100%	0	600	900	133%	800

The details of these criteria cannot however be made public for reasons of confidentiality. The Appointments and Remunerations Committee and the Board ensure that these ambitious targets are linked to the Company's budgetary and strategic challenges, with exacting calibration: accordingly, all the qualitative targets have been calibrated so that underperformance would lead to the non-payment of the corresponding bonus share.

Consequently, the committee made a proposal to the Board, which it approved on 15 February 2017, that the 2016 bonus should be paid at 133% of the target. This variable portion amounts to **€800 thousand**. It was paid in cash for **€600 thousand**, with the upside of €200 thousand being paid in Company shares that vest in 2020, conditional upon active employment.

The 2016 bonus for the **Deputy General Manager** was calculated as follows:

- ◆ 70% based on **quantitative targets**
- ◆ 30% based on **qualitative targets**.

On 10 February 2017, the Appointments and Remunerations Committee reviewed all these criteria using precise analytical frameworks, and recorded the following levels of attainment for each target:

		(in €K)				Actual	
	Deputy General Manager	% of bonus	Min.	Target	Max.	(as a % of target)	(in €K)
Quantitative = 70% of the variable	RNI/share	20%	0	72	108	150%	108
	EPRA NAV/share	10%	0	36	54	150%	54
	♦ Marketing of development projects and operating assets (measured in m ²)						
	♦ Launch of turnkey rentals (measured in number)						
	♦ Value creation on projects delivered (target in €M)						
	♦ Occupancy rate (measured in %)						
	♦ Disposals (measured in €M)						
	♦ Acquisitions (measured in €M)						
	♦ Asset management: lease terms (in years), changes in lease payments (measured as % like-for-like scope)	40%	0	144	216	109%	157
	♦ Disengagement from non-strategic activities (measured as % of total portfolio)						
	♦ Improvement of the portfolio's energy performances (measured in percentage of Green portfolio and in kWhpe/m ²)						
Qualitative = 30% of the variable	Supervision of the development projects in Italy						
	Management and organisation of the real estate teams						
	Innovation	30%	0	108	162	125%	135
	Influence in its business activity sector and representation of Foncière des Régions with respect to third parties						
TOTAL		100%	0	360	540	126%	454

The details of these objectives cannot however be made public for reasons of confidentiality. All the qualitative targets have been calibrated so that underperformance would lead to the non-payment of the corresponding bonus share.

Consequently, the committee made a proposal to the Board, which it approved on 15 February 2017, that the bonus should be paid at 126% of the target. This variable portion amounts to

€454 thousand. It was paid in cash for **€360 thousand**, with the upside of €94 thousand being paid in Company shares that vest in 2020, conditional upon active employment.

The following tables summarise, for each executive corporate officer, the fixed and variable remuneration paid in 2016 to the executive corporate officers, as compared with that paid in fiscal year 2015.

TABLE 2

Executive corporate officer name and function	2015 fiscal year		2016 fiscal year	
	Amounts due for 2015	Amounts paid in 2015	Amounts due for 2016	Amounts paid in 2016
Christophe Kullmann: Chief Executive Officer				
Fixed remuneration	600,000	600,000	600,000	600,000
Annual variable remuneration ⁽¹⁾	750,000	694,000	800,000	750,000
Multiannual variable remuneration	0	0	0	0
Extraordinary remuneration	0	0	0	0
Beni Stabili attendance fees	56,000	56,000	49,000	49,000
Benefits in kind (company car, GSC type unemployment insurance, etc.)	36,820	36,820	37,279	37,279
TOTAL	1,442,820	1,386,820	1,486,279	1,436,279

⁽¹⁾ The variable payable for 2014 was €694 thousand, consisting of €540 thousand paid in cash in 2015 and 2,263 bonus shares awarded in 2015.

The variable payable for 2015 was €750 thousand, consisting of €600 thousand paid in cash in 2016 and 2,534 bonus shares awarded in 2016.

The variable payable for 2016 was €800 thousand, consisting of €600 thousand paid in cash in 2017 and 3,859 bonus shares awarded in 2017.

TABLE 2

Executive corporate officer name and function Olivier Estève: Deputy General Manager	2015 fiscal year		2016 fiscal year	
	Amounts due for 2015	Amounts paid in 2015	Amounts due for 2016	Amounts paid in 2016
Fixed remuneration	360,000	360,000	360,000	360,000
Annual variable remuneration ⁽¹⁾	390,000	317,000	454,000	390,000
Multiannual variable remuneration	0	0	0	0
Extraordinary remuneration	0	0	0	0
Attendance fees	0	0	0	0
Benefits in kind (company car, gsc type unemployment insurance, etc.)	36,889	36,889	37,348	37,348
TOTAL	786,889	713,889	851,348	787,348

(1) The variable payable for 2014 was €317 thousand, consisting of €262 thousand paid in cash in 2015 and 808 bonus shares awarded in 2015.
The variable payable for 2015 was €390 thousand, consisting of €360 thousand paid in cash in 2016 and 507 bonus shares awarded in 2016.
The variable payable for 2016 was €454 thousand, consisting of €360 thousand paid in cash in 2017 and 1,814 bonus shares awarded in 2017.

5.5.1.2.3. Long-term incentive plan

The guidelines on awarding performance shares to executive corporate officers are as follows:

- ♦ the allocation of shares, which is the third component of compensation, is a long-term incentive plan, and is a top-up for the fixed and variable portion of salary
- ♦ for executive corporate officers, the LTI for year-N is awarded once the accounts are closed, at the start of year N+1
- ♦ this lag, suggested by the Appointments and Remunerations Committee, makes it possible to award shares contingent on the achievement of operational results and the achievement of individual targets, and to determine performances also in consideration of the closing of the accounts for year N
- ♦ the Appointments and Remunerations Committee, in setting this annual allocation period for share awards, has made it possible to avoid any windfall effect through any share price volatility.

This long-term incentive plan has the following aims for the beneficiaries of the shares:

- ♦ Foster loyalty: employee retention shares are not definitively allocated until the end of the vesting period, on the condition that beneficiaries are still employed by the Company
- ♦ motivation and involvement: share values ultimately depend on the Company's performance in its sector, which is reflected in the share price
- ♦ aligning the interest of executive corporate officers with those of shareholders: shares are only definitively allocated when performance targets are achieved
- ♦ lastly, enabling executive corporate officers to create a pension scheme, given the lack of a supplementary pension scheme in the Company.

100% of share awards will be subject to the following performance conditions, each analysed over the three-year vesting period, given that the number of shares awarded, subject to performance requirements, may not exceed the target number listed at the time of allocation:

50%	Presence condition and performance relative to the market: ♦ Overall performance on the stock market of Foncière des Régions compared with the "Eurozone" EPRA index, defined by the changes to the share price over the 3-year benchmark, taking into consideration all dividends or advances on gross dividends. ♦ The target number of shares will be allocated in the event of outperformance by 2 points compared with the index. An outperformance of 5 points will lead to an allocation representing 110% of the target (130% for 20 points). Performance equal to the index will lead to a 95% allocation of the target number of shares. An underperformance of 20 points will lead to the cancellation of 30% of the target shares, and an underperformance of 30 points will cancel all share allocations.
50%	Presence conditions and internal performance condition not affected by the market: ♦ The number of performance shares is weighted by a coefficient corresponding to the average rate of achievement of the bonus objectives between the year of allocation and the year preceding the acknowledgement of the achievement of the performance target. ♦ This average performance rate will be applied to the target number of shares.

These conditions combine external and internal performances, thus providing shareholders with assurances that:

- ♦ the long term compensation of executive corporate officers is directly linked to Foncière des Régions' stock market performance
- ♦ it is also linked to the Company's operating performance: yearly bonuses are linked to targets in line with budgets, the roll-out of the strategy, growth of indicators, the financial policy, etc.

Executive corporate officers receiving performance shares have entered into a formal undertaking not to hedge their risk.

The 2016 ILT was awarded in February 2017 in accordance with all of these principles.

The number of shares awarded is the following:

- ♦ Christophe Kullmann: **15,000** performance shares, i.e. potentially to a **maximum of 0.02%** of the share capital
- ♦ Olivier Estève: **9,000** performance shares, i.e. potentially to a **maximum of 0.01%** of the share capital.

Furthermore, on 10 February 2017, the Appointments and Remunerations Committee examined the achievement of the performance criteria set for the shares allocated in February 2014 for 2013, and in particular noted that the overall stock market performance of Foncière des Régions exceeded that of the EPRA Eurozone index for 2014, 2015 and 2016 (+3.2%). It also noted that the attainment rate of these targets over the period exceeded the target, both for Christophe Kullmann (+28%) and for Olivier Estève (+18%). Consequently, the performance shares allocated in February 2014 (15,000 shares for Christophe Kullmann and 8,000 shares for Olivier Estève) were received in February 2017, together with the bonus shares allocated as the upside for the 2013 bonus, i.e. 2,065 shares for Christophe Kullmann and 459 shares for Olivier Estève.

Since 2008, the Board of Directors, on the recommendation of the Appointments and Remunerations Committee, has put an end to schemes for allocation of stock options that were previously activated in parallel with the schemes for allocation of bonus shares.

The overall remuneration of executive corporate officers including LTIs is shown in the tables below:

TABLE 1⁽¹⁾

Executive corporate officer name and function	2015		2016	
	Amounts due for 2015	Amounts paid in 2015	Amounts due for 2016	Amounts paid in 2016
Christophe Kullmann: Chief Executive Officer				
Remuneration (detailed in Table 2)	1,442,820	1,386,820	1,486,279	1,436,279
Valuation of the multiannual variable remuneration paid during the fiscal year	0	0	0	0
Valuation of options granted during the year	None	None	None	None
Valuation of performance shares granted (detailed in Table 6) ⁽²⁾	623,357	663,650	598,650	623,357
TOTAL	2,066,177	2,050,470	2,084,929	2,059,636

(1) Since the allocation of performance shares granted for year N is delayed until N+1, for the sake of the accuracy and completeness of the information provided, Table 1 distinguishes between allocations paid and those due for each fiscal year.

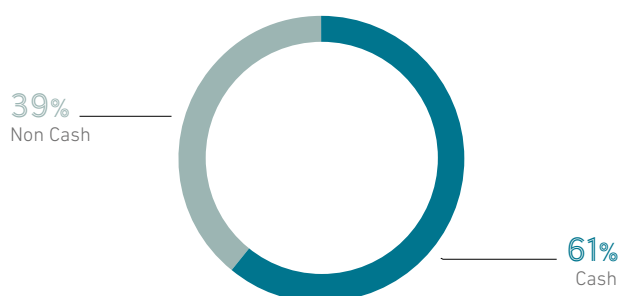
(2) The valuation of shares is not included in the bonus portion paid in bonus shares which are already included, if applicable, in Table 2.

Note: Share valuations are calculated by an independent expert.

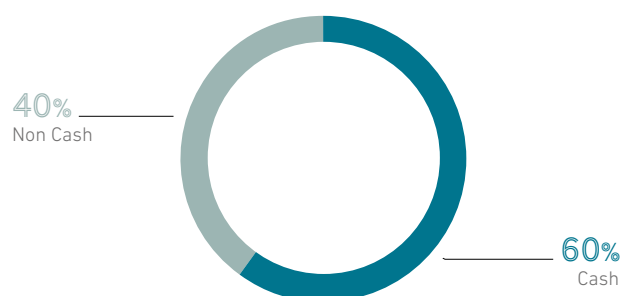
Since 2015, the cash portion of remuneration to Christophe Kullmann has been stable. Increase in face value for the non-cash and long term portion paid in shares (upside of bonus paid in shares and LTI paid in performance shares).

The graph below reflects the change in the cash/non-cash mix from 2015 to 2016.

2015



2016



The change in the Fixed/Variable/LTI mix between 2015 and 2016 shows that 71% of the Chief Executive Officer's remuneration is subject to performance requirements.

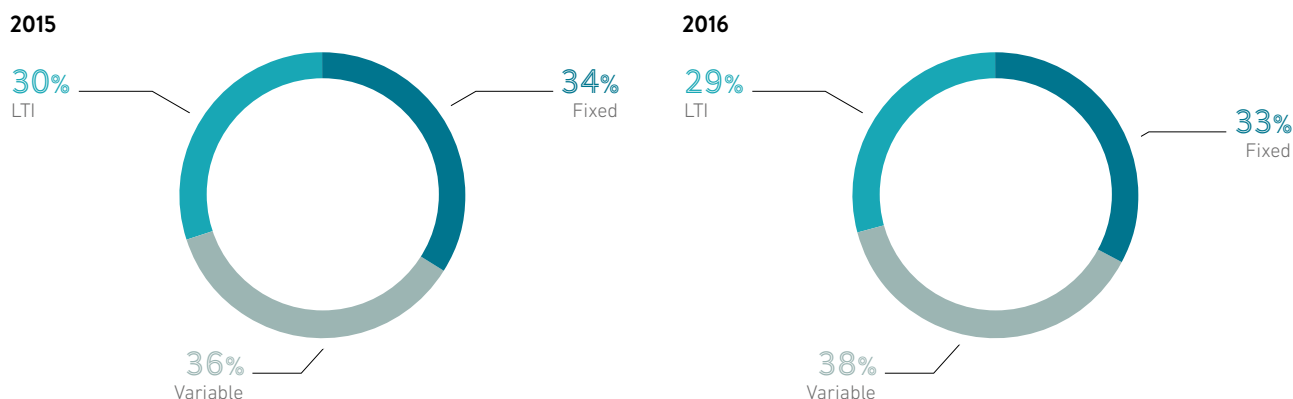


TABLE 1⁽¹⁾

Executive corporate officer name and function	2015		2016	
	Amounts due for 2015	Amounts paid in 2015	Amounts due for 2016	Amounts paid in 2016
Olivier Estève: Deputy General Manager				
Remuneration (detailed in Table 2)	786,889	713,889	851,348	787,348
Value of the multiannual variable remuneration paid during the fiscal year	0	0	0	0
Value of options granted during the year	None	None	None	None
Value of performance shares granted during the year (detailed in Table 6) ⁽²⁾	374,440	357,350	359,190	374,440
TOTAL	1,161,329	1,071,239	1,210,538	1,161,788

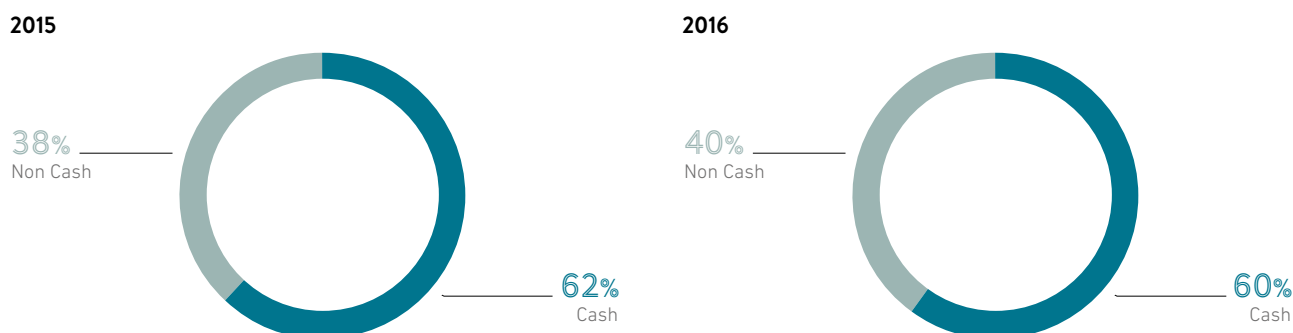
(1) Since the allocation of performance shares granted for year N is delayed until N+1, for the sake of the accuracy and completeness of the information provided, Table 1 distinguishes between allocations paid and those due for each fiscal year.

(2) The valuation of shares is not included in the bonus portion paid in bonus shares which are already included, if applicable, in Table 2.

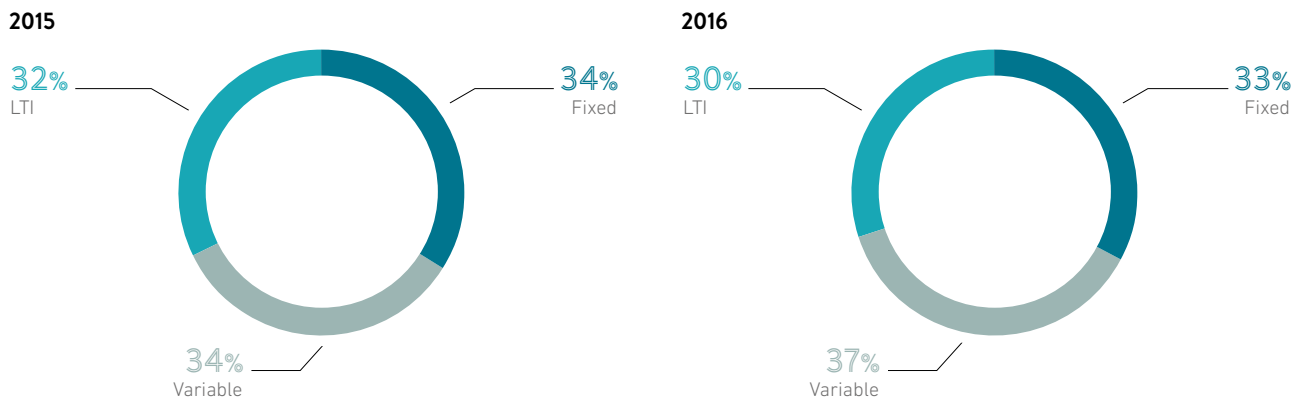
Note: Share valuations are calculated by an independent expert.

Since 2015, the cash portion of the remuneration of Olivier Estève has also remained the stable. Increase in face value for the non-cash and long term portion paid in shares (upside of bonus paid in shares and LTI paid in performance shares).

The graph below reflects the change in the cash/non-cash mix from 2015 to 2016.



The change in the Fixed/Variable/LTI mix between 2015 and 2016 shows that 70% of the Deputy General Manager's remuneration is subject to performance requirements.



5.5.1.2.4. Share retention obligation for executive corporate officers

The Afep-Medef Code recommends that the Board set a share retention obligation for executive corporate officers on bonus shares and shares from the exercise of stock option that is sufficiently restrictive. This makes it possible to adequately take into

account the Company's long-term performance. The Board of Directors of Foncière des Régions has set a retention obligation of 50% for performance shares throughout the term of office, until executive corporate officers hold shares equivalent to two years' worth of fixed remuneration. Beyond that threshold, the executive corporate officers will be free to transfer shares.

The tables below show the transactions completed by the executive corporate officers during the fiscal year relating to stock options and bonus shares.

TABLE 4

SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE FISCAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER

Options granted to each executive corporate officer by the issuer and by any company of the Group (list by name)	No. and date of plan	Type of option (purchase or subscription)	Valuation of options based on the method used for the consolidated accounts	Number of options awarded during the year	Exercise price	Exercise period
Jean Laurent	None	None	None	None		
Christophe Kullmann	None	None	None	None		
Olivier Estève	None	None	None	None		

TABLE 5

SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FISCAL YEAR BY EACH EXECUTIVE CORPORATE OFFICER

Options exercised by executive corporate officers (list by name)	No. and date of plan	Type of options exercised during the year	Exercise price
Jean Laurent	None	None	None
Christophe Kullmann	None	None	None
Olivier Estève	None	None	None

TABLE 6

PERFORMANCE SHARES AWARDED TO EACH EXECUTIVE CORPORATE OFFICER⁽¹⁾

Performance shares awarded during the fiscal year to each executive corporate officer by the issuer and by any company in the Group (list by name)	Plan date	Number of shares awarded during the year ⁽²⁾	Valuation of shares based on the method used for the consolidated accounts ⁽³⁾	Date of acquisition	Date available	Performance conditions
Jean Laurent		None	None			- 50% = overall stock market performance compared to EPRA
Christophe Kullmann	27/04/2016	14,650	€42.55	27/02/2019	27/02/2019	
Christophe Kullmann	27/04/2016	2,534 ⁽²⁾	€59.20	27/02/2019	27/02/2019	- 50% = rate of achievement of individual goals
Olivier Estève	27/04/2016	8,800	€42.55	27/02/2019	27/02/2019	
Olivier Estève	27/04/2016	507 ⁽²⁾	€59.20	27/02/2019	27/02/2019	

(1) During the year N-1.

(2) Upside portion of bonus, paid in shares without performance conditions.

(3) Value of the share calculated by an independent expert.

TABLE 7

PERFORMANCE SHARES BECOMING AVAILABLE DURING THE FISCAL YEAR FOR EACH EXECUTIVE CORPORATE OFFICER

Bonus shares becoming available for executive corporate officers (list by name)	Plan date	Number of shares available during the year	Vesting conditions	Date of acquisition
Jean Laurent		None		
Christophe Kullmann	20/02/2013	14,468	Continued service requirement + relative stock market performance requirement (1/2) and target achievement requirement (1/2)	22/02/2016
Olivier Estève	20/02/2013	7,283	Continued service requirement (1/2) and target achievement requirement (1/2)	22/02/2016

5.5.1.2.5. Combining corporate office and an employment contract

Pursuant to the Afep-Medef recommendation, which provides that: “when a Director becomes an executive corporate officer of the Company, [it is recommended] that their employment contract with the Company is terminated, either by mutual agreed termination or resignation.” The employment contract of Christophe Kullmann was terminated by mutual agreement between Foncière des Régions and Mr. Kullmann, on 26 November 2008, without payment of any compensation.

Christophe Kullmann has since that date received GSC unemployment insurance.

He also has supplementary group mutual insurance covering healthcare expenses. He does not benefit from the Group Incentive Plan.

Similarly, the employment contract with Olivier Estève, Deputy General Manager, was terminated on 1 November 2012, without payment of compensation. Since that date, he also receives GSC unemployment insurance, as well as supplementary group mutual insurance covering healthcare expenses.

5.5.1.2.6. Compensation to be paid out upon termination of office

After terminating without compensation their employment contracts, which provided for the payment of a termination benefit in the event of forced departure, the Board of Directors proposed implementing an end-of-service benefit for Christophe Kullmann, the Chief Executive Officer, and Olivier Estève, the Deputy General Manager.

Such benefit would be paid only in the event of forced departure due to a change of control or a change of strategy. This would exclude cases in which they were to leave the Company at their own initiative, change roles within the Group or be able to collect retirement benefits within a short period of time.

5.5.1.2.6.1. Theoretical amount of the compensation

The theoretical compensation amount would be equal to 12 months' total remuneration including the fixed salary and the annual variable part, plus one month's additional remuneration per year of service at the Company regardless of the positions held, it being understood that the current remuneration system does not include payment of an exceptional bonus.

5.5.1.2.6.2. Performance criteria

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code and the recommendations of the Afep-Medef Code, this compensation is subject to demanding internal and external performance conditions:

- ♦ 50% of the theoretical compensation amount is linked to changes in the NAV during the three years prior to the termination of office: if the Foncière des Régions EPRA NAV drops 25% below the average of the REITs that make up the EPRA index, the fraction of the severance pay linked to this requirement will not be paid. Otherwise, the theoretical amount of this fraction of the compensation will be adjusted by the variation in the NAV for the period considered
- ♦ 50% of the theoretical compensation amount is linked to achieving target performance during the three years prior to the termination of office. The criteria for allocation of the target bonus are reviewed every year by the Appointments and Remunerations Committee, based on ambitious operational and strategic targets. Their achievement is assessed according to a table of pre-set criteria. If the average rate of fulfilment of the objectives over the last three years is less than 80%, the fraction of the severance pay linked to that criterion is not paid. Otherwise, the amount of the theoretical compensation will be adjusted by the average of the coefficients of achievement of the last three variable portions.

In any case, although the exceeding of one of the two fractions of the compensation may compensate for a possible deduction from the other fraction, the total amount of the end-of-office compensation is capped at two years of total remuneration. This cap rule applies to all forms of severance pay and includes any other compensation paid for any other reason at the end of a term of office, it being specified that the Chief Executive Officer and Deputy General Manager will not receive any remuneration from Foncière des Régions other than that paid for their term of office.

As a result of the performance criteria listed above being set, the Board will be able, where appropriate, to reflect the target and actual performance of the Chief Executive Officer and Deputy General Manager on the severance pay. Since the targets that are the conditions for payment of the variable portion are themselves linked to operational performance, and implementing strategy, the compensation paid cannot help but be proportional to the results obtained, thus more fully meeting the requirements of the recommendations made by the Afep-Medef Code.

The compensation payable to the Chief Executive Officer and Deputy General Manager were approved by the Board of Directors on 5 December 2014 and by the shareholders at the General Meeting of 17 April 2015, when voting on Resolutions 5 and 6.

The amount and the conditions for awarding this compensation were disclosed on 15 December 2014.

5.5.1.2.7. Supplementary pension scheme

No executive corporate officer within the Group benefits from a specific defined benefits or defined contributions retirement scheme. The table below shows the situations of the executive corporate officers.

TABLE 11

	Employment contract		Supplementary pension scheme		Compensation or benefits due or likely to be due by reason of cessation of or change in position		Compensation for non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive corporate officers								
Jean Laurent								
Start of term of office: 17 April 2015		x		x		x		x
Christophe Kullmann								
Start of term of office ¹ January 2015		x		x	x			x
Olivier Estève								
Start of term of office ¹ January 2015		x		x	x			x

5.5.2. Gross remuneration of the members of the Board of Directors

The attendance fees represent the portion of the remuneration awarded to members of the Board of Directors for attending the meetings of the Board and the specialised committees. The Board of Directors at its meeting of 19 February 2015 decided that the non-voting member of the Board would receive the same attendance fees as the Directors.

The Combined General Meeting of 27 April 2016 increased the attendance fees to be awarded to all Directors and non-voting Directors from €500,000 to €600,000 starting in fiscal year 2016 and for the following fiscal years.

The amount actually paid breaks down into a fixed annual amount and a variable portion, which is the greater amount and takes into account the actual attendance of each member. This breakdown is set out in Section 4.3.1.7 of the report of the Chairman of the Board of Directors on corporate governance and internal control.

The gross amount for attendance fees allocated in 2016 to members of the Board of Directors and to the non-voting Board member for their involvement in the work of the Board and the specialised committees amounted to €383,000. Jean Laurent and Christophe Kullmann receive no attendance fees:

Board and committee members	2016 gross attendance fees paid (in €)	2016 net attendance fees paid (in €)
Jean Laurent	/	/
Leonardo Del Vecchio	12,000	8,400
ACM Vie represented by Catherine Allonas Barthe	12,000	12,000
Romolo Bardin	42,000	33,180
Jean-Luc Biamonti	45,000	31,500
GMF Vie represented by Philippe Narzul	1,125	1,125
Covéa Coopérations represented by Philippe Narzul	26,875	26,875
Bertrand de Feydeau	39,000	24,765
Predica represented by Jérôme Grivet	27,000	17,145
Pierre Vaquier	23,000	14,605
Micaela Le Divelec Lemmi	4,000	3,160
Christophe Kullmann	/	/
Sylvie Ouziel	26,000	16,510
Sigrid Duhamel	33,000	20,955
Delphine Benchetrit	20,000	12,700
Patricia Savin	16,000	10,160
Catherine Soubie	16,000	10,160
Sergio Erede (non-voting member of the Board)	40,000	31,600
TOTAL	383,000	274,840

Tax levies (withheld at source, mandatory 21% deduction at source and 15.5% social security contributions), totalling €108,160 were paid by the Company directly to the tax authorities.

TABLE SHOWING OTHER ATTENDANCE FEES (EXCLUDING ATTENDANCE FEES PAID BY FONCIÈRE DES RÉGIONS) AND OTHER REMUNERATION EARNED BY NON-EXECUTIVE OFFICERS (IN €)

Non-executive officers ⁽¹⁾	Amounts paid during 2015	Amounts paid during 2016
Jean Laurent		
Attendance fees (Beni Stabili)	50,000	48,000
Other remuneration	400,000	400,000
Leonardo Del Vecchio		
Attendance fees (Beni Stabili)	56,000	33,000
Other remuneration		
Bertrand de Feydeau		
Attendance fees (Foncière Développement Logements)	4,900	4,900
Other remuneration (Foncière Développement Logements)	140,448	140,448
Catherine Allonas Barthe (permanent representative of ACM Vie)⁽²⁾		
Attendance fees (Foncière des Murs)	4,800	5,200
Other remuneration		
TOTAL	656,148	631,848

(1) This table only takes into account people who were non-executive officers in 2016.

(2) The attendance fees were paid to the Company in its capacity as Director, not to its permanent representative.

The members of the Board of Directors and committees, together with the non-voting member of the Board, are also entitled to reimbursement for travel expenses and costs incurred from attending Board and Committee meetings, upon producing supporting documents.

5.5.3. Executive corporate officers' terms of office and functions

In accordance with the provisions of Article L. 225-102-1 par. 4 of the French Commercial Code, and with Article 14.1 of Appendix 1 to Regulation (EC) No. 809/2004, please find below a list of all offices and functions exercised in all companies, in France and abroad during the past five years, by each of the Company's executive corporate officers who are in office on 31 December 2016.

5.5.3.1. List of offices and functions exercised by the members of General Management



Mr Christophe Kullmann

Born on 15 October 1965 in Metz (57)
French national
Business address: 30, avenue Kléber – 75116 Paris

Main function:

Chief Executive Officer of Foncière des Régions

Biography:

Christophe Kullmann has spent his whole career in the real estate industry. He was in charge of financial management at Immobilière Batibail, a publicly traded real estate development company, from 1992 until its merger in 1999 with Gecina, where he oversaw its financial management.

At the helm of Foncière des Régions since its creation in 2001, Christophe Kullmann serves as Chief Executive Officer and is a member of the Board of Directors. Since 2015, he also serves as Deputy Director of Beni Stabili, a subsidiary of Foncière des Régions in Italy.

Since 2012, Christophe Kullmann serves as the president of the French Federation of Real Estate Companies (FSIF), a trade association in the listed real estate sector. In addition, he is a member of the EPRA Board of Directors and member-founder of the Palladio Foundation.

Number of shares held at 31 December 2016: 50,399 (as well as 24,000 beneficially-owned shares following a bare ownership transfer)

Offices held within the Foncière des Régions group:

Chief Executive Officer

Date of appointment: 31 January 2011

Date of renewal: 1 January 2015

Date of expiration of the term of office: 31 December 2018

Director

Date of appointment: 25 April 2012

Date of renewal: 27 April 2016

Date of expiration of the term of office: General Meeting of 2020 approving the annual financial statements for the year ended 31 December 2019

Other offices held within the Foncière des Régions group:

Chairman of the Supervisory Board: Foncière des Murs SCA (public company)

Chairman of the Strategy Committee: FDM Management SAS

Member of the Supervisory Board: Immeo SE (European company)

Member of the Appointments and Remunerations Committee: Foncière Développement Logements – FDL SA (public company)

Member of the Executive and Investment Committee: Beni Stabili S.p.A. SIIQ (Italian public company)

Deputy Director: Beni Stabili S.p.A. SIIQ (Italian public company)

Director: Foncière Développement Logements – FDL SA (public company)

General Manager (gérant): GFR Kléber SARL

Legal representative of Foncière des Régions, General Manager (Président): Technical SAS

Legal representative of Foncière des Régions, General Manager: SCI Esplanade Belvédère II, SCI Raphaël, SCI Le Ponant 1986, SCI Omega A, SCI Omega C, SCI Ruhl Côte d'Azur, SCI Latécoère, SCI Latécoère 2, SCI Lenovilla, SCI Meudon Saulnier, SCI 11 Place de l'Europe, SCI du 15 Rue des Cuirassiers, SCI du 288 Rue Duguesclin

Offices held outside the Foncière des Régions group:

Chairman of the Board of Directors: FSIF (trade association)

Member of the Executive Board: EPRA

Terms of office expired within the last five fiscal years:

Director: IEIF (Association – ended in 2014), IPD France SAS (ended in 2013)

Permanent representative of Foncière des Régions, Director: FSIF (trade association – ended in 2012)

Permanent representative of FDR 3, member of the Supervisory Board: Altarea SCA (public company – ended in 2012)



Mr Olivier Estève

Born on 18 September 1964 in Algiers – Algeria
French national
Business address: 30, avenue Kléber – 75116 Paris

Main function:

Deputy General Manager of Foncière des Régions

Biography:

Olivier Estève is a graduate of École Spéciale des Travaux Publics (ESTP). After a career spending 12 years in the Bouygues Group (1990-2001), where in particular he served as Director of Development in the SCREG Bâtiment subsidiary, he joined Foncière des Régions in September 2002.

After being Real Estate Director responsible for Major Commercial Property Development Projects, he currently supervises all Foncière des Régions Offices activities (development, asset management, property management).

Olivier Estève is a member of the Executive Committee and Deputy General Manager of Foncière des Régions.

Number of shares held at 31 December 2016: 36,560

Offices held within the Foncière des Régions group:

Deputy General Manager

Date of appointment: 31 January 2011

Date of renewal: 1 January 2015

Date of expiration of the term of office: 31 December 2018

Other offices held within the Foncière des Régions group:

General Manager: FDR 2 SAS

Chairman and Chief Executive Officer: République SA (formerly Urbis Park – since 20 December 2016)

Chairman of the Board of Directors: Office CB 21 SPPICAV

Permanent representative of FDR 2, Director: Foncière Développement Logements – FDL SA (public company)

Chairman of the Investment Committee: République SA, Foncière des Murs SCA (public company)

Member of the Investment Committee: Foncière Développement Logements – FDL SA (public company)

Member of the Supervisory Board: Foncière des Murs SCA (public company), Immeo SE (European company)

General Manager: Foncière des Régions Développement SNC, GFR Ravinelle SARL, Euromarseille Invest EURL, SCI Euromarseille 1, SCI Euromarseille 2, FDR 4 EURL, FDR 7 EURL, Fédération EURL, BGA Transaction SARL, Foncière Margaux SARL, SARL du 2 Rue Saint Charles, SARL du 11 Rue Victor Leroy, SARL du 25-27 Quai Félix

Faure, SARL du 106-110 Rue des Troènes, Telimob Paris SARL, Imefa 127 SCI, SCI Atlantis, EURL Languedoc 34, SCI Pompidou Metz, SNC Palmer Plage, SNC Palmer Transactions, SNC Foncière Palmer, SCI Palmer Montpellier, SCI Dual Center, SCI Charenton, Latepromo SNC, Lenopromo SNC, Promomurs SNC, FDR Participations EURL, SCI Avenue de la Marne, SCI Euromarseille 3, Omega B SARL, Foncière des Régions Property (since 8 January 2016), SCI Rueil B2 (since 21 March 2016), SCI Rueil B3 B4 (since 21 March 2016)

Legal representative of Fédération, General Manager: Federimmo SCI

Legal representative of République, General Manager: Gespar SC (since 20 December 2016), Parking de la Comédie SNC (since 20 December 2016), Parking de la Gare Charles de Gaulle SNC (since 20 December 2016)

Legal representative of République, General Manager: Société du Parc Trinité d'Estienne SAS (since 20 December 2016)

Legal representative of Telimob Paris SARL, General Manager: Telimob Est SNC, Telimob Nord SNC, Telimob Ouest SNC, Telimob Paca SNC, Telimob Paris SNC, Telimob Rhône-Alpes SNC, Telimob Sud-Ouest SNC

Legal representative of Foncière Margaux, General Manager: SCI du 1 Rue de Châteaudun, SCI du 2 Rue de l'III, SCI du 3 Place A. Chaussy, SCI du 8 Rue M. Paul, SCI du 9 Rue des Cuirassiers, SCI du 10 Bis et 11 à 13 Allée des Tanneurs, SCI du 11 Avenue de Sully, SCI du 20 Avenue Victor Hugo, SCI du 32 Avenue P. Grenier, SCI du 35/37 Rue Louis Guerin, SCI du 40 Rue Jean-Jacques Rousseau, SCI du 125 Avenue du Brancolar, SCI du 682 Cours de la Libération, SCI du 1630 Avenue de la Croix Rouge

Legal representative of SCI Euromarseille 1, General Manager: SCI Euromarseille BL, SCI Euromarseille BI, SCI Euromarseille BH, SCI Euromarseille BH2

Legal representative of SCI Euromarseille 2, General Manager: SCI Euromarseille PK, SCI Euromarseille M, SCI Euromarseille H

Offices held outside the Foncière des Régions group:

None

Terms of office expired within the last five fiscal years:

Permanent representative of Foncière des Régions, member of the Supervisory Board: Altarea SCA (public company – ended in 2013)

Permanent representative of Foncière des Régions, Director: Technical Property Fund 1 SPPICAV (ended in 2014)

5.5.3.2. List of offices and functions exercised by members of the Board of Directors



Mr Jean Laurent

Born on 31 July 1944 in Mazamet (81)
French national
Business address: 30, avenue Kléber, 75116 Paris

Main function:

Chairman of the Board of Directors of Foncière des Régions, Independent Director

Biography:

Jean Laurent is a graduate of the École Nationale Supérieure de l'Aéronautique (1967) and holds a Master of Science from Wichita State University.

He has spent his entire career within the Crédit Agricole Group, initially in the Crédit Agricole branches in Toulouse, then in Loiret and in Paris Region where he held or supervised various roles in retail banking.

He then joined Caisse Nationale du Crédit Agricole, first as Deputy Chief Executive Officer (1993-1999), and then as Chief Executive Officer (1999-2005). In this capacity, he handled the IPO of Crédit Agricole SA (2001), then the acquisition and integration of Crédit Lyonnais in the Crédit Agricole group.

Director of public companies, he was appointed Chairman of the Board of Directors of Foncière des Régions in 2011.

Number of shares held at 31 December 2016: 575

Offices held within the Foncière des Régions group:

Chairman of the Board of Directors

Member of the Strategic and Investment Committee

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2019 approving the annual financial statements for the year ended 31 December 2018

Other offices held within the Foncière des Régions group:

Director: Beni Stabili S.p.A. SIQ (foreign public company)

Offices held outside the Foncière des Régions group:

Director, Lead Director, Chairman of the Appointments and Remunerations Committee: Danone SA (public company)

Vice-Chairman of the Supervisory Board, Chairman of the Audit Committee and member of the Financial Committee: Eurazeo SA (public company)

Terms of office expired within the last five fiscal years:

Director: Unigrains SA (ended in 2014), Crédit Agricole Egypt SAE (ended in 2012)

Member of the Supervisory Board and member of the Audit Committee: M6 Télévision (ended in 2012)

Chairman of the Corporate Social Responsibility Committee: Danone SA (public company)

Chairman of the Board of Directors: Institut Europlace de Finance (foundation)



Mr Leonardo Del Vecchio

Born on 22 May 1935 in Milan – Italy

Italian national

Business address: 24, avenue Princesse Grace – Le Rocabella, 98000 Monaco

Main function:

Chairman and Chief Executive Officer of Luxottica Group SpA

Biography:

Leonardo Del Vecchio is the Chairman and founder of the Luxottica Group, a world leader in the design, manufacturing and distribution of eyewear, which has been listed on the New York Stock Exchange since 1990. Since 2000, the Group has also been listed on the Milan Stock Exchange where it holds a prominent position in the S&P/MIB index of blue chip companies, with a market capitalisation in excess of €24 billion. In 1986, Leonardo Del Vecchio was named “Cavaliere del Lavoro”, an honour awarded by the President of Italy.

Number of shares held at 31 December 2016: 1

Offices held within the Foncière des Régions group:

Director and Vice-Chairman of the Board of Directors

Chairman of the Strategic and Investment Committee

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2019 approving the annual financial statements for the year ended 31 December 2018

Other offices held within the Foncière des Régions group:

Director: Beni Stabili SpA SIIQ (foreign public company)

Offices held outside the Foncière des Régions group:

Director: Delfin SARL (foreign company), Aterno SARL (foreign company), Luxottica Group SpA (foreign public company), GIVI Holding SpA (foreign company)

Terms of office expired within the last five fiscal years:

Director: Julius Baer SGR SpA (foreign company), Gianni Versace SpA (foreign company)

ACM VIE SA

34, rue du Wacken – 67000 Strasbourg

Strasbourg Trade and Companies Register TI 332 377 597

Number of shares held at 31 December 2016: 6,016,042

Offices held within the Foncière des Régions group:

Director

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2018 approving the annual financial statements for the year ended 31 December 2017

Other offices held within the Foncière des Régions group:

Member of the Supervisory Board: Foncière des Murs SCA (public company)

Offices held outside the Foncière des Régions group:

Director: Serenis Assurances SA, ACM GIE, ACM Services SA, Foncière Masséna SA, Partners Assurances SA (foreign company),

ACM Ré SA (foreign company), Agrupacio ACMI SA (foreign company), AMGEN Seguros (foreign company), GACM Espagne (foreign company)

Member of the Supervisory Board: SCPI Ouest Pierre Investissement, SCPI CMCIC Pierre Investissement, SCPI Crédit Mutuel Pierre 1, SCPI Selectipierre 1, SCPI Logipierre 1, SCPI Logipierre 3

Member of the Audit Committee: GACM Espagne (foreign company)

Terms of office expired within the last five fiscal years:

Member of the Supervisory Board: Foncière Masséna SCA (form changed in 2015)

Director: Korian (public company – ended in 2014), Foncière Développement Logements – FDL (public company – ended in 2013), Foncière des 6^e et 7^e arrdts de Paris SA (public company – merged in 2015), Serenis Vie SA (merged in 2016), ACMN IARD (ended in 2016)



Ms Catherine Allonas Barthe

Born on 18 January 1955 in Strasbourg (67)
French national
Business address: 42, rue des Mathurins – 75008 Paris

Main function:
Chief Financial Officer of Assurances du Crédit Mutuel

Biography:

Catherine Allonas Barthe has a Master's degree in mathematics. She is a graduate of the École Nationale de la Statistique et de l'Administration Économique (ENSAE), and has served as Financial Director of Assurances du Crédit Mutuel since 2003. In addition, she is Chief Executive Officer of ACM Vie Mutuelle. Previously, Catherine Allonas Barthe served as Financial Director of SOCAPI, a subsidiary of the CIC banks, from 1992 to 2003.

Number of shares held at 31 December 2016: None

Offices held within the Foncière des Régions group:

Permanent representative of ACM Vie, Director

Member of the Strategic and Investment Committee

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2018 approving the annual financial statements for the year ended 31 December 2017

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Chief Executive Officer: Assurances du Crédit Mutuel Vie SAM

Deputy General Manager: Assurances du Crédit Mutuel Vie SA

Director: CIC SA (public company)

Member of the Management Board: Groupe des Assurances du Crédit Mutuel SA

Permanent representative of ACM Vie SA, Director: Serenis Assurances SA, Valinvest Gestion SICAV

Permanent representative of ACM Vie SAM, Director : GIE ACM

Permanent representative of Adepi SA, Director: CM-CIC Asset Management SAS

Permanent representative of GACM SA, Director: GACM Espagne SA (foreign company)

Chairwoman of the Board of Directors: Foncière Masséna SA

General Manager: ACM SCI

Terms of office expired within the last five fiscal years:

Permanent representative of ACM Vie SAM, member of the Supervisory Board: CM-CIC Asset Management (ended in 2013)

Permanent representative of ACM Vie SAM, Director: Foncière de Paris (public company – ended in 2015)

Permanent representative of Paragection 2, Director: CM-CIC Asset Management SAS (ended in 2014)

General Manager: Masséna Property SAS (merger in November 2015)



Mr Romolo Bardin

Born on 23 April 1978 in Belluno – Italy
Italian national
Business address: 7, rue de la Chapelle, L-1325 Luxembourg

Main function:
Deputy Manager of Delfin SARL

Biography:

Romolo Bardin is a graduate of Business Management at Ca' Foscari University in Venice. He is Deputy Manager of Delfin SARL. Prior to that he held positions at Sunglass Hut Europe in London, and Luxottica Group in Italy.

Number of shares held at 31 December 2016: 4,270

Offices held within the Foncière des Régions group:

Director

Member of the Strategic and Investment Committee

Member of the Audit Committee

Date of appointment: 17 April 2015

Date of expiration of the term of office: General Meeting of 2018 approving the annual financial statements for the year ended 31 December 2017

Other offices held within the Foncière des Régions group:

General Manager: Batisica SARL, Berlin I SARL, Berlin V SARL, Immeo Lux SARL, Immeo Berlin Prime SARL (formerly Immeo Prime Residential SARL), Berlin Prime Commercial SARL, Immeo Valore 4 SARL, Immeo Valore 6 SARL

Offices held outside the Foncière des Régions group:

Deputy Manager: Delfin SARL (foreign company)

Member of the Board of Directors: Assicurazioni Generali SpA (foreign public company – since 28 April 2016), Acciaitalia S.p.a (foreign company – since 27 June 2016)

Member of the Board of Directors and Chairman and Chief Executive Officer: Aterno SARL, DFR Holding SARL, DFR Investment SARL, Redfern SARL, Delfin Finance SA, Immochapelle SA, Vast Gain SARL

Terms of office expired within the last five fiscal years:

Permanent representative of Aterno, Director: Foncière des Régions SA (public company – until 17 April 2015)

Member of the Board of Directors: Molmed SpA (foreign public company – ended in 2014)



Ms Delphine Benchetrit

Born on 1 September 1968 in Paris (75)
French national
Business address: 76, avenue d'Iéna – 75116 Paris

Main function:
Managing Partner of Finae Advisors

Biography:

Delphine Benchetrit is a graduate of the École Supérieure de Commerce de Paris and has a Master's degree in Corporate Finance. She started her career in 1994 as an investor within the Affine Group, and then was a banker at Natixis. As Executive Director, in 2004 she created the real estate department of Lehman Brothers France.

Delphine Benchetrit founded and has managed since 2009 the company Finae Advisors, an independent financial advisory company for real estate investors.

Number of shares held at 31 December 2016: None

Offices held within the Foncière des Régions group:

Independent Director

Date of appointment: 17 April 2015

Date of expiration of the term of office: General Meeting of 2018 approving the annual financial statements for the year ended 31 December 2017

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Director and member of the Remunerations Committee: Affine SA (public company)

Terms of office expired within the last five fiscal years:

Director and member of the Audit Committee: Züblin Immobilière France (ended in 2015)



Mr Jean-Luc Biamonti

Born on 17 August 1953 in Monaco
Monegasque national
Business address: 8, rue du Gabian – MC 98000 Monaco – Principality of Monaco

Main function:

Deputy Chairman of the Société des Bains de Mer Monaco

Biography:

Holder of an MBA from Columbia University and a graduate of the ESSEC, Jean-Luc Biamonti joined Goldman Sachs as an investment banker and held various offices there for 16 years. As a partner in the firm, he was responsible for banking business in France and for coverage of the distribution and mass market consumer goods industry in Europe. After having left the bank in 2008, he founded Calcium Capital and developed an SME investment business via this group.

Since January 2013, he has been Deputy Chairman of Société des Bains de Mer Monaco, where he has been a Director since 1985 and Chairman of the Board of Directors since 1995.

Number of shares held at 31 December 2016: 429

Offices held within the Foncière des Régions group:

Independent Director

Member of the Audit Committee

Chairman of the Appointments and Remunerations Committee

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2017 approving the annual financial statements for the year ended 31 December 2016

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Director, Chairman of the Board of Directors and Deputy Chairman: société des Bains de Mer Monaco SA (S.B.M. – foreign public company)

Director: S.F.E.

Chairman: S.B.M. USA Inc.

Permanent representative of S.B.M., Director: S.H.L.

Chairman of the Board Committee: Betclic Everest Group

Terms of office expired within the last five fiscal years:

None



Ms Sigrid Duhamel

Born on 1 December 1965 in Paris (75)
French and Danish nationality
Business address: 11, place Édouard-VII, 75009 Paris

Main function:

Chairwoman of CBRE Global Investors France

Biography:

Sigrid Duhamel has been the Chairwoman of CBRE Global Investors France since 1 December 2014. Previously, she was Group Real Estate Director at PSA Peugeot Citroën.

After graduating from ESTP in 1990, she joined Bouygues Construction and spent four years managing major industrial renovation and construction projects. She then earned an MBA at INSEAD and joined the US group, United Technologies, where she spent three years managing mergers and acquisitions. After four years' experience in executive recruitment at Eric Salmon & Partners, in 2005, she moved into the real estate business at Tishman Speyer in London, where she spent four years in charge of business development in Europe. In 2008, she joined Carrefour Property, where she was international portfolio Director for three years.

Number of shares held at 31 December 2016: 252

Offices held within the Foncière des Régions group:

Independent Director

Member of the Audit Committee

Date of appointment: 28 April 2014

Date of expiration of the term of office: General Meeting of 2018 approving the annual financial statements for the year ended 31 December 2017

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Member of the Supervisory Board: SA Selectirente (public company), CNIM (public company – since 24 May 2016)

President: Trustee of Urban Land Institute (ULI)

Terms of office expired within the last five fiscal years:

President: Urban Land Institute (ULI) France (association – ended in 2016)

Member of the Board of Directors: Association des Directeurs Immobiliers (ADI – ended in 2015)



Mr Bertrand de Feydeau

Born on 5 August 1948 in Paris (75)
French national
Business address: 10, avenue Kléber – 75116 Paris

Main function:

Chairman of the Board of Directors of Foncière Développement Logements – FDL

Biography:

After legal sciences training at Sciences Po and École du Louvre, Bertrand de Feydeau embarked on his career in real estate at Groupe de l'Union Internationale Immobilière and participated in its development worldwide as its Chief Financial Officer between 1972 and 1982.

In 1982, he joined Claude Bébear's team at the regional insurance group, which in a few years would become one of the world's top financial groups, under the name AXA. He headed the Group's real estate activity for 18 years, participating in the structuring of the business in order to give it an international and financial dimension.

In 2000, he was called by Monseigneur Lustiger to join the Paris diocese as its General Manager for Economic Affairs, and he led the restoration of the Collège des Bernardins, inaugurated in September 2008.

In July 2010, he became Chairman of the Fondation des Bernardins.

He is currently Chairman of Foncière Développement Logements and a Director on the boards of various real estate companies (Klepierre, Affine, Foncière des Régions), in addition to being Chairman of the Palladio Foundation.

He is also Vice-Chairman of the Fondation du Patrimoine and Vice-Chairman of Vieilles Maisons Françaises.

Number of shares held at 31 December 2016: 362

Offices held within the Foncière des Régions group:

Independent Director

Chairman of the Audit Committee

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2019 approving the annual financial statements for the year ended 31 December 2018

Other offices held within the Foncière des Régions group:

Chairman of the Board of Directors, Chairman of the Investment Committee, member of the Appointments and Remunerations Committee: Foncière Développement Logements – FDL SA (public company)

Offices held outside the Foncière des Régions group:

Chairman and Chief Executive Officer: Société des Manuscrits des Assureurs Français

Director: Klepierre (public company), Affine (public company), Société Beaujon SAS, Sefri-Cime

Offices held in associations: President of *Fondation des Bernardins*, President of *Fondation Palladio*, Director of *Fondation du Patrimoine* (Vice-President), Director of *Vieilles Maisons Françaises* (Vice-President), Director of F.S.I.F. (*Fédération des Sociétés Immobilières et Foncières*), Director of *Club de l'Immobilier*

Terms of office expired within the last five fiscal years:

Director: Klemurs (public company)

COVÉA COOPÉRATIONS

14 boulevard Marie et Alexandre Oyon – 72030 Le Mans
Le Mans Trade and Companies Register 439 881 137

Number of shares held at 31 December 2016: 500

Offices held within the Foncière des Régions group:

Director

Date of appointment: 17 February 2016

Date of expiration of the term of office: General Meeting of 2019 approving the annual financial statements for the year ended 31 December 2018

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Director: Assurland.com SA, Caja de Seguros Reunidos – Compañía de Seguros y Reaseguros SA (CASER – foreign company), Carma SA, Covéa Agora GIE, DAS SA, Eurosic SA (public company – since 20 January 2016), Gespre Europe SA, GMF Assurances SA, Lybnet

Assurances SA, MAAF Assurances SA, MAAF Vie SA, MMA IARD SA, MMA Vie SA

Chairman of the Strategy Committee: CAT.SA SAS

Chairman of the Investment Committee: Eurosic SA (public company – since 20 January 2016)

Chairman of the Sustainable Development Committee: Eurosic SA (public company – since 20 January 2016)

General Manager: CAT.SA SAS, Cesvi France SAS

Member: Cibail GIE, Covéa Immobilier Support GIE

Member of the Supervisory Board: Lybnet Assurances SA

Terms of office expired within the last five fiscal years:

Director: AZ Plus SAS (ended in 2015), Covéa Caution SA (ended in 2015), E-Santé SA (ended in 2014), Le Mans Conseil SA (ended in 2015)

Member of the Supervisory Board: Covéa Fleet SA (ended in 2015), Covéa Risks SA (ended in 2015), Fincorp SAS (ended in 2015)



Mr Philippe Narzul

Born on 12 August 1953 in Wissembourg (67)
French national
Business address: 14, boulevard Marie & Alexandre Oyon – 72000 Le Mans

Main function:

Director of Equity Interests, Treasury and Assets Control at Covéa

Biography:

Philippe Narzul graduated from the École Supérieure de Commerce de Paris (ESCP) and from Sciences Po Paris (IEP). After starting his career at the French Ministry of Budget, he joined the MMA Group in 1981. There, he held a number of positions in the Vie Actuarial, Vie Marketing and Sales, and Financial divisions. In 2003, he became Chairman and Chief Executive Officer of Le Mans Conseil (subsidiary of MMA). In 2009, he became Director of Financial Strategy at MMA and Chairman of MMA Participations (subsidiary of MMA). In 2010, he became General Manager of Catalogne Participations (subsidiary of MMA).

Since February 2015, he has been serving as Director of Equity Interests, Treasury and Asset Control at Covéa.

Number of shares held at 31 December 2016: None

Offices held within the Foncière des Régions group:

Permanent representative of Covéa Coopérations, Director since 17 February 2016

Member of the Strategic and Investment Committee

Date of appointment: 17 February 2016

Date of expiration of the term of office: General Meeting of 2019 approving the annual financial statements for the year ended 31 December 2018

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Representative of Covéa Coopérations, Director: Assurland.com SA

Director: MMA Alternative Fund (foreign company), MMA Holdings UK PLC (foreign company), Covéa Lux (foreign company), AME Life Lux (foreign company), Covéa Insurance Service LTD (foreign company), CSE ICO (foreign company), CSE Insurance Services (foreign company), CSE Safeguard (foreign company), GMF Financial Services Corporation (foreign company)

Representative of Covéa Coopérations, Director: Eurosic SA (public company – since 20 January 2016)

Representative of Covéa Coopérations, member of the Investment Committee: Eurosic SA (public company – since 20 January 2016)

Representative of Covéa Coopérations, member of the Sustainable Development Committee: Eurosic SA (public company – since 20 January 2016)

General Manager: MMA Participations SAS

Chairman of the Management Board: Société Civile Sportive des MMA

Representative of MMA Participations, General Manager: MIDEPP SAS

Representative of Maaf Assurances SA, member of the Supervisory Board: EFFI Invest 1 SCA

Representative of MMA Vie Assurances Mutuelles, member of the Supervisory Committee: Covéa Finance SAS

Chairman of the Asset Liabilities Management Committee: CSE ICO (foreign company), CSE Insurance Services (foreign company), CSE Safeguard (foreign company), GMF Financial Services Corporation (foreign company)

Member of the Financial Committee: GIE La Réunion Aérienne, GIE La Réunion Spatiale

Terms of office expired within the last five fiscal years:

Director: Le Mans Holding PLC (ended in 2012), Le Mans Conseil SA (ended in 2015)

Chairman of the Financial Committee: Covéa Fleet SA (ended in 2012)

Member of the Asset Management Committee: Provident Insurance LTD (ended in 2012)

General Manager: Catalogne Participations SAS (ended in 2013)

Representative of GMF Vie, Director: Foncière Développement Logements – FDL (ended in 2013), Eurosic SA (public company – until 20 December 2016)

Representative of GMF Vie, member of the Investment Committee: Eurosic SA (public company – until 20 January 2016)

Representative of GMF Vie, member of the Sustainable Development Committee: Eurosic SA (public company – until 20 January 2016)

Representative of MMA IARD Assurances Mutuelles, member of the Supervisory Board: Covéa Fleet SA (ended in 2012)

Representative of MMA IARD Assurances Mutuelles, Director : Covéa Fleet Solutions SA (ended in 2012)

Representative of Catalogne Participations, General Manager: Covéa Groupe SAS (ended in 2013), MIDEPP SAS (ended in 2013)

Representative of Catalogne Participations, Director: Assurland.com SA (ended in 2013)

Representative of Catalogne Participations, member of the Supervisory Board: Fincorp SAS (ended in 2013)

Representative of MMA IARD, Director: E-SANTE SA (ended in 2014)

Representative of MMA Participations, General Manager: Covéa Groupe SAS (ended in 2014), Covéa Next SAS (ended in 2014)

Representative of MMA Participations, member of the Supervisory Board: Lybnet Assurances SA (ended in 2014)

Representative of MMA Vie, Director: Eurosic SA (ended in 2012)

Representative of Covéa Coopérations, member of the Supervisory Board: Fincorp SAS (ended in 2015)

Chairman and CEO: Le Mans Conseil SA (ended in 2015)

Representative of Covéa Risks, member of the Supervisory Committee: Covéa Finance SAS (ended in 2015)

Subsequent to the end of the 2016 fiscal year, Covéa Coopérations appointed Eric Lecuyer as permanent representative of Covéa Coopérations to the Board of Directors of Foncière des Régions in place of Philippe Narzul, starting from 1 April 2017.



Mr Éric Lecuyer

Born on 7 August 1969 in Orléans (45)

French national

Business address: 86, rue Saint Lazare – CS 10020 – 75009 Paris

Position and function at Foncière des Régions:

Permanent representative starting 1 April 2017 representing Covéa Coopérations, Director

Main function:

Director of Steering, Performance, Equity interests of Covéa

Biography:

Holder of a DEA in Economy and Finance, Éric Lecuyer started his career in 1996 at Groupe AZUR-GMF where he held different positions in analysis, reporting, audit. From 2004 to 2011, at Covéa Finance, company managing the assets of Covéa, Éric Lecuyer oversees the Operation, Risk management, Information systems and Communication-Marketing departments.

From 2012 to 2015, he became Central Director Accounting and Economic Control at MMA the Covea.

Éric Lecuyer is currently of Steering, Performance, Equity interests at Covéa, Responsible for Strategic and Economic steering, Actuary and Monitoring Covéa's equity interests.

Offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

None

Terms of office expired within the last five fiscal years:

None

Number of shares held at 31 December 2016: None



Ms Sylvie Ouziel

Born on 18 March 1970 in Boulogne-Billancourt (92)
French national
Business address: 7, rue Dora Maar – 93400 Saint-Ouen

Main function:

Allianz Worldwide Partners – Global Assistance CEO – Asia Pacific CEO

Biography:

Since 2016, Sylvie Ouziel has been the Global CEO Assistance (known in France under the brand Mondial Assistance) and CEO Asia Pacific of Allianz Worldwide Partners.

Sylvia Ouziel is a Centrale Paris graduate who was previously Chairwoman and Chief Executive Officer of Allianz Managed Operations & Services (Amos), a shared services entity established by Allianz to develop synergies between various subsidiaries.

She previously held the position of Assistant General Manager World at Accenture Management Consulting (formerly Andersen Consulting), where she started her career, and where she occupied various leadership posts over 20 years affording her heavy exposure to the international scene.

Number of shares held at 31 December 2016: 425

Offices held within the Foncière des Régions group:

Independent Director

Member of the Audit Committee

Date of appointment: 24 April 2013

Date of expiration of the term of office: General Meeting of 2017 approving the annual financial statements for the year ended 31 December 2016

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Member of the Board of Directors: AWP Health & Life, AWP P&C

Member of the Supervisory Board: M6 Métropole TV (public company)

Terms of office expired within the last five fiscal years:

Member of the Board: AMOSA (Amos of America – foreign company)

Chairwoman and Chief Executive Officer: Allianz Managed Operations & Services (Amos – foreign company)

Predica

50/56, rue de la Procession, 75015 Paris
Paris Trade and Companies Register 334 028 123

Number of shares held at 31 December 2016: 4,598,765

Offices held within the Foncière des Régions group:

Director

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2017 approving the annual financial statements for the year ended 31 December 2016

Other offices held within the Foncière des Régions group:

Member of the Supervisory Board: Foncière des Murs SCA (public company)

Director: République SA (formerly Urbis Park), Foncière Développement Logements – FDL SA (public company), B2 Hotel Invest OPPI

Offices held outside the Foncière des Régions group:

Director: Altarea SCA (public company), AEW Immocommercial OPCI, CAA Commerces 2 OPCI, Aéroport de Paris SA (public company), Gecina SA (public company), Eurosic SA (public company), Previsio

Obsèques SA, La Médicale de France SA, CAAM Mone Cash SICAV, Predica Habitation OPCI, Predica Bureaux OPCI, Predica Commerces OPCI, River Ouest OPCI, Sanef (HIT) SA (public company), Korian-Medica SA (public company), Frey SA (public company), Lesica SAS, Messidor OPCI, CA Life Greece SA (foreign company), Générale de Santé SA (public company), Louvresses Development SAS, Fonds Nouvel Investissement 1 (SICAV), Fonds Nouvel Investissement 2 (SICAV), Fonds Stratégique de Participations (SICAV)

Member of the Supervisory Board: Effi-Invest I SCA, Effi-Invest II SCA, Ofelia SAS, Unipierre Assurance SCPI, CA Grands Crus SAS, Sopresa SA, Interfimo SA, Patrimoine & Commerce SCA (public company)

Co-General Manager: Predicare SARL

Non-voting member of the Board of Directors: Siparex Associés SA, Tivana France Holding SAS

General Manager: Citadel SAS, Citadel Holding SAS

Terms of office expired within the last five fiscal years:

Member of the Supervisory Board: Lion SCPI (ended in 2015)

Director: Crédit Agricole Immobilier Promotion (ex-Unimo), Dolcea Vie SA, Foncière Paris France, SCI Holding Dalhia, Cyrius Conseil SAS, Logitis



Mr Jérôme Grivet

Born on 26 March 1962 in London

French national

Business address: 12, place des États-Unis, 92120 Montrouge

Main function:

Assistant General Manager of Crédit Agricole SA in charge of the Group Finance Division

Biography:

Jérôme Grivet is a graduate of ESSEC, the Paris Institute of Political Sciences (Sciences Po), and of the ENA. He spent his early career in administration (general inspection of finances, advisor to the Prime Minister for European Affairs) and went on to join Crédit Lyonnais in 1998, first as Financial Director of the retail banking business in France, and then as Director of Strategy. He was Deputy General Manager of Calyon from 2007 to 2010. From 2010 to 2015, he served as Chief Executive Officer of Crédit Agricole Assurances and Chief Executive Officer of Predica. He is a member of the Executive Committee of Crédit Agricole SA. Since 21 May 2015, he has been serving as Assistant General Manager of Crédit Agricole SA responsible for the Group Finance Division.

Number of shares held at 31 December 2016: None

Offices held within the Foncière des Régions group:

Permanent representative of Predica, Director

Member of the Strategic and Investment Committee

Member of the Appointments and Remunerations Committee

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2017 approving the annual financial statements for the year ended 31 December 2016

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Assistant General Manager and member of the Executive Committee:

Crédit Agricole SA (public company)

Director: Crédit Agricole Assurances SA, Korian SA (public company), Nexity (public company), CACEIS, CACEIS Bank France

Member of the Supervisory Board: Fonds de Garantie des Dépôts

Terms of office expired within the last five fiscal years:

Chairman: CA Life Greece SA (foreign company)

Permanent representative of Predica, Chairman: Fonds Stratégique de Participations SICAV

Director, Chairman of the Board of Directors: Spirica SA

Vice-Chairman: BES Vida

Chief Executive Officer: Crédit Agricole Assurances SA, Predica SA

Director: Icade SA (public company), Caagis SAS, Crédit Agricole Vita SpA (foreign company), Pacifica SA, CA Indosuez Private Banking, CA Cheuvreux, Cedicam, Ubaf, Newedge Group, LCL Obligation Euro

Deputy General Manager, member of the Executive Committee: Calyon

Managing Director: CLSA BV, Sticking CLSA Foundation

Permanent representative of Calyon, Director: Fletirec

Permanent representative of Predica, Director: Siparex Associés, La Médicale de France

Permanent representative of Crédit Agricole Assurances SA, Director: Caci SA

Permanent representative of Predica, member of the Supervisory Board: CA Grands Crus SAS, Cape

Chairman and Chief Executive Officer, Director: Mescas

General Manager: SNGI, CA Assurances Italie Holding, Dolcea Vie

Non-voting member of the Board: Aéroport de Paris, CA Immobilier, La Médicale de France SA



Mr Pierre Vaquier

Born on 30 December 1956 in Bourgneuf (23)
French national
Business address until January 2017: Cœur Défense, Tour B, La Défense 4
100, Esplanade du Général-de-Gaulle, 92932 Paris-La Défense Cedex

Main function:
Chief Executive Officer of Axa REIM until January 2017

Biography:

Pierre Vaquier has over 30 years of experience in finance and real estate investment.

Pierre Vaquier has held several positions at Paribas and at AXA in France and in the United States. He graduated from the HEC in 1980 and became a Partner at the Paribas investment bank's international department for two years. He then went to New York as Manager of real estate-related investment activities, before being named General Manager of Paribas Properties Inc. until 1992, then Partner of Paribas Asset Management.

In 1993, he returned to AXA as Director of Development for AXA Immobilier in Paris.

He became Chairman and Chief Executive Officer of Colisée Services (AXA group) in 1995. In 1999, he was named Chairman and Chief Executive Officer of AXA REIM until January 2017. He is also Vice-Chairman and member of the Supervisory Board of Logement Français

Pierre Vaquier is a member of the "Royal Institution of Chartered Surveyors".

Number of shares held at 31 December 2016: 272

Offices held within the Foncière des Régions group:

Independent Director

Member of the Appointments and Remunerations Committee

Date of appointment: 31 January 2011

Date of renewal: 17 April 2015

Date of expiration of the term of office: General Meeting of 2017 approving the annual financial statements for the year ended 31 December 2016

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Director and Chief Executive Officer: AXA REIM SA

Chairman and Chief Executive Officer: AXA REIM France SA

General Manager: Colisée Gérance SAS

Chairman of the Board of Directors: FDV Venture SA (foreign company), AXA REIM SGP SA, FDV II Venture SA (foreign company)

Member of the Management Committee: Axa Suduiraut SAS

Vice-Chairman and member of the Supervisory Board: Logement Français SA (formerly SAPE)

Director: AXA Selectiv'immo SPPICAV, Axa Real Estate Investment Managers US LLC (foreign company), FDV II Participation Company SA, DV III General Partner SA, DV IV General Partner, FSIF, Ahorro Familiar SA (foreign company)

Chairman and member of the Supervisory Board: AXA Investment Managers Deutschland GmbH (foreign company)

Director and Chairman of the Investments Committee: Carmilla SAS

Member of the Supervisory Board: Sefricime Activité et Services SAS

Terms of office expired within the last five fiscal years:

Director, member of the Audit Committee and member of the Investment Committee: Mercialis (public company)

Director at foreign companies: EOIV Management Company, European Retail Venture SA, FDV II Participation Company SA

Chairman of the Board of Directors: AXA Reim Italia SARL (foreign company), Dolmea Real Estate SA

Permanent representative of AXA REIM France: AXA Reim SGP SA, IPD France SAS, AXA Aedificandi SICAV

Permanent representative of AXA France Vie, Director: Segece SCS

Director: Drouot Pierre SPPICAV, Pierre Croissance SPPICAV, and Ugimmo SPPICAV

Chairman of the Appointments and Remunerations Committee: Foncière des Régions SA (public company – until 17 April 2015)



Ms Patricia Savin

Born on 19 March 1966 in Grenoble (38)
French national
Business address: 6, rue Duret – 75116 Paris

Main function:
Law partner

Biography:

A graduate of Institut de Droit Public des Affaires (IDPA), and a lawyer registered with the Paris Bar, Patricia Savin holds a PhD in private law from IHEDN (Economic Intelligence Session). A Partner at DS Avocats, she co-manages the Environment and Sustainable Development Department where she is specifically tasked with cases involving logistics, polluted soils and sustainable urban environments. Patricia Savin was elected member of the French National Bar Council, of which she was Secretary General for the 2010-2013 period. As Chairwoman of the Orée association and the Environment and Sustainable Development Commission of the French Bar Association (Ordre des Avocats de Paris), she is regularly consulted by the Ministries of Ecology and Justice on the draft texts under discussion (environment charter, ecological damage, etc.). Before joining DS Avocats, Patricia Savin held posts with the Moquet Borde (now Paul Hastings) law firm, then the Pardieu Brocas law firm, before becoming Co-Manager of the law firm Savin Martinet Associés from 2001 to 2015.

Number of shares held at 31 December 2016: None

Offices held within the Foncière des Régions group:

Independent Director

Date of appointment: 27 April 2016

Date of expiration of the term of office: General Meeting of 2020 approving the annual financial statements for the year ended 31 December 2019

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

None

Terms of office expired within the last five fiscal years:

None



Ms Catherine Soubie

Born on 20 October 1965 in Lyon (69)
French national
Business address: 137, rue de l'Université – 75007 Paris

Main function:
General Manager of Arflia

Biography:

A graduate of ESCP Europe, Catherine Soubie started her career in 1989 at Lazard in London then in Paris. She subsequently held various posts at Morgan Stanley in Paris, before becoming Assistant General Manager of Rallye, from 2005 to 2010. In 2010, Catherine Soubie joined Barclays where she was, until 2016, Managing Director in charge of Investment Banking France-Belgium-Luxembourg.

She is now General Manager of Arflia and also independent Director on the Board of Directors of Korian.

Number of shares held at 31 December 2016: 650

Offices held within the Foncière des Régions group:

Independent Director

Date of appointment: 27 April 2016

Date of expiration of the term of office: General Meeting of 2020 approving the annual financial statements for the year ended 31 December 2019

Other offices held within the Foncière des Régions group:

None

Offices held outside the Foncière des Régions group:

Director, member of the Audit Committee and of the Appointments and Remunerations Committee: Korian SA (public company)

Terms of office expired within the last five fiscal years:

Director, member of the Audit Committee: Medica SA (public company)

Managing Director, Head of Banking France & Belgium – Luxembourg: Barclays

5.6. ADMINISTRATION AND MANAGEMENT

5.6.1. Board of Directors

At the General Meeting of 31 January 2011, Foncière des Régions adopted the form of a public limited company (*société anonyme*) with a Board of Directors, separating the roles of Chairman and Chief Executive Officer. This structure establishes a clear distinction between the strategy, decision-making and control functions, which are the responsibility of the Board of Directors, and the operational and executive functions, which are the responsibility of General Management.

5.6.1.1. Appointments – Composition – Term of office – Dismissal (Articles 12 and 13 of the Articles of Association)

The Company is administered by a Board of Directors comprising at least three members and no more than eighteen members, subject to statutory exemptions. The Board members are appointed by the Ordinary General Meeting.

A legal entity may be appointed as a Director, but it must, pursuant to applicable legal provisions, appoint a physical person to serve as its permanent representative to the Board of Directors. The permanent representatives are subject to the same conditions and obligations and have the same responsibilities as if they were Directors.

The term of office of Directors is four years. However, as an exception, the General Meeting may, at the suggestion of the Board of Directors, appoint or reappoint some Directors for a term of office of two or three years to allow for a staggered renewal of the Board of Directors. The term of a Director expires at the end of the Ordinary General Meeting called to approve the financial statements for the previous year, held in the year in which the term of the said Director expires.

The number of members of the Board of Directors over the age of 75 may not be greater than one third of the members in office. When this number is exceeded, and if a member of the Board of Directors aged 75 or over does not resign voluntarily within three months from the date the statutory limit was exceeded, the oldest member will be automatically considered to have resigned.

Directors may be reappointed indefinitely, subject to the aforementioned provisions governing the age limit.

Directors may be dismissed at any time by the General Meeting, without indemnity or prior notice.

In the event of vacancy resulting from the death or resignation from one or several Directors, the Board of Directors may make provisional appointments subject to ratification by the next Ordinary General Meeting, in accordance with the time frames and conditions provided for by law. Decisions taken and actions carried out remain valid even if the appointment is not ratified.

In the event of vacancy resulting from the death, resignation or dismissal of a Director, the Director appointed by the General Meeting or the Board of Directors as a replacement to that Director will hold that position only up to the remaining office of his or her predecessor.

If the number of Directors falls to less than three, the remaining Directors (or the Statutory Auditors, or an officer designated, at the request of any interested party, by the President of the Commercial Court) must immediately call an Ordinary General Meeting to appoint one or more new Directors in order to complete the Board to the minimum legal number.

5.6.1.2. Executive Board (Article 14 of the Articles of Association)

The Board of Directors appoints a Chairman, who must be a physical person, from among its members and one or more Vice-Chairmen if needed. It defines the terms of office, which may not exceed the appointee's term as a Board member, and which the Board may terminate at any time. The Chairman and Vice-Chairmen may be reappointed.

The age limit for the Chairman of the Board of Directors is 75. When the Chairman of the Board reaches this age limit during his/her term of office, he/she will be automatically deemed to have resigned.

If the Chairman is temporarily incapacitated or dies, the oldest Vice-Chairman is delegated to serve as Chairman. In a case of temporary incapacity, this delegation is given for a limited period and may be renewed. If the Chairman dies, this delegation is valid until the appointment of a new Chairman.

Meetings of the Board of Directors are chaired by the Chairman. If the Chairman is absent, the meeting is chaired by one of the Vice-Chairmen present, appointed for each meeting by the Board of Directors. In the absence of the Chairman and Vice-Chairmen, the Board of Directors must designate, for each meeting, one of the Directors present to chair the meeting.

The Board of Directors also appoints a Secretary, who does not have to be a member. It defines the term and scope of the Secretary's duties, which it may terminate at any time.

5.6.1.3. Notice of meetings and deliberations of the Board of Directors (Article 15 of the Articles of Association)

The Board of Directors meets as often as required by the interests of the Company and whenever the Chairman deems appropriate, upon notice from the Chairman.

Directors representing at least one third of the members of the Board of Directors may ask the Chairman to call a Board meeting at any time for a specific purpose.

If the roles of the Chief Executive Officer and the Chairman are separate, the Chief Executive Officer may ask the Chairman to call a Board of Directors meeting at any time for a specific purpose.

The Chairman is bound by the requests made to him/her in line with the aforementioned provisions, and must defer to them without delay.

Notices of meetings are conveyed by any written method at least five (5) days in advance. This five-day period may be reduced if one third of the Directors agree to a shorter notification period. Meetings are held at the Company's registered office or any other location indicated in the notice of meeting.

The Board of Directors validly deliberates only if at least half of its members are present.

A Director may give a written proxy to another Director to represent him or her at a meeting of the Board of Directors in accordance with legal and regulatory provisions.

Decisions are adopted by a majority of the members present or represented. In the event of a tied vote, the meeting's Chairman does not have the casting vote.

Subject to the applicable laws and regulations, the meetings of the Board of Directors may be held *via* videoconference or telecommunication or any other method allowed under the law and the regulations under the conditions defined by the Internal Regulations adopted by the Board of Directors.

The deliberations of the Board of Directors are recorded in meeting minutes prepared in accordance with the law.

5.6.1.4. Powers of the Board of Directors (Article 16 of the Articles of Association)

The Board of Directors determines the strategy for the Company's business and oversees its implementation. Subject to the powers expressly reserved for General Meetings and within the limits of the corporate purpose, the Board of Directors handles all matters affecting the operation of the Company and governs its business through its deliberations.

In its relations with third parties, the Company is also bound by the acts of the Board of Directors that are not within the Company purpose, unless it proves that the third party was aware that the act exceeded such purpose or that the third party should have been aware of this in view of the circumstances.

The Board of Directors carries out the checks and verifications that it considers necessary.

Each Director will receive all the information necessary to perform his/her duties and may obtain from the Chairman or Chief Executive Officer all documents necessary to perform his/her mission.

The Board of Directors may confer special assignments for one or more specific purposes to one or more of its members, or to third parties who do not need to be shareholders.

The Board of Directors may also create one or more permanent or temporary specialised committees charged with studying matters which the Board or the Chairman submit for their opinion, and in particular an Audit Committee, an Appointments and Remunerations Committee and a Strategy and Investment Committee. These committees, the members and duties of which are defined by the Board, will conduct their activities under the responsibility of the Board.

5.6.1.5. Remuneration of Directors (Article 17 of the Articles of Association)

The members of the Board of Directors may receive remuneration in the form of attendance fees, the total amount of which is determined by the General Meeting and distributed freely by the Board of Directors.

The Board of Directors may allocate exceptional remuneration to Directors performing special assignments or mandates.

5.6.1.6. Powers of the Chairman of the Board of Directors (Article 18 of the Articles of Association)

The Chairman of the Board of Directors organises and directs the work of the Board and reports to the General Meeting.

He or she oversees the various corporate bodies of the Company to ensure they are working smoothly and, in particular, that the Directors are in a position to fulfil their required duties.

The Board of Directors determines the amount, methods of calculation and payment of the Chairman's remuneration, if any.

The Chairman of the Board of Directors may also assume the General Management of the Company, in accordance with Article 19 of the Articles of Association.

5.6.1.7. Duties of the members of the Board of Directors – Ethics (Article 5 of the Internal Regulations)

5.6.1.7.1. Competence

Before taking up their duties, Board members must be familiar with the legal or regulatory texts governing their duties, the Company's Articles of Association and the Board's Internal Regulations. All Board members must ensure that they fully comply with legal requirements relating to the holding of multiple terms of office (no more than four other terms of office in public companies outside of the Group, including foreign companies), and must inform the Board of terms of office as Director held in other companies, including their participation in the Board

committees of any French or foreign companies. Whenever a Board member also holds an executive position, he/she must, in addition to seeking authorisation from the Board prior to accepting any other new term of office in a public company outside the Group, refrain from accepting more than two other terms of office in public companies, including foreign companies, outside his/her group.

5.6.1.7.2. Shareholding

The Company shares held by each member of the Board at the time he/she takes office must be recorded in registered form (pure or administered). The same will apply for any shares acquired at a later date.

As an internal guideline and as a way to reflect their involvement in the Company's management, the members of the Board must hold a number of Company shares equivalent to around a year's worth of the attendance fees received.

5.6.1.7.3. Transparency

In accordance with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and the applicable provisions of the General Regulations of the AMF, each member of the Board is required to declare to the Company and to the AMF any transaction, in particular any purchase, sale, subscription, conservation, borrowing, lending or exchange transactions that he/she has made on Company securities, as well as on any related financial instruments. This declaration must be made within three trading days after the execution of such transactions, when the total amount of the transactions made during the calendar year is greater than €20,000.

Any agreement governed by the provisions of Article L. 225-38 of the French Commercial Code is furthermore subject to the communication, authorisation and control formalities required by Articles L. 225-38 to L. 225-42 of the same code.

5.6.1.7.4. Duty of loyalty

Each person participating in the work of the Board, whether Board members or permanent representatives of a legal-entity Board member, must do their utmost to determine in good faith whether a conflict of interest exists. Such person is bound to inform the Chairman of the Board thereof as soon as he or she learns of any situation that could constitute a conflict of interest between (i) him or herself or the company for which he or she is the permanent representative, or any company of which he or she is an employee or executive corporate officer, or any company of the same group and (ii) the Company or any company in its Group.

These provisions will apply in particular when, as part of any transaction under analysis or engaged in by the Company or any company of its Group, a member of the Board or a company of which a Board member is an employee or executive corporate officer (as well as any company in the same group) has interests competing with or contrary to those of the Company or of the companies in its Group.

In such a case, the Board member concerned (or the permanent representative of the legal-entity Board member concerned) must refrain from taking part in the deliberations of the Board (or of any committee) relative to the said transaction and, in general, observe a strict duty of confidentiality.

In case of a standing conflict of interest, the Board member concerned (or the permanent representative of the legal-entity Board member concerned) must submit his/her resignation.

5.6.1.7.5. Duty of diligence

Each member of the Board is required to devote the time and attention necessary to the performance of his/her duties. He/she must be diligent and, to the extent possible, attend all of the meetings of the Board and, as the case may be, the Committees of which he/she is a member as well as the General Meetings of Shareholders.

5.6.1.7.6. Duty of confidentiality

In the case of non-public information acquired in connection with his/her duties and deemed to be confidential, each person attending to the Board will be bound to professional secrecy, beyond the simple obligation of discretion provided for by Article L. 225-37 of the French Commercial Code, and must strictly preserve its confidentiality. He/she must also refrain from trading Company securities pursuant to the rules on insider dealing and from trading securities of companies about which he/she has privileged information due to his/her duties, pursuant to the principles stipulated by the Guide on the Prevention of Insider Trading attached to the Board's Internal Regulations.

5.6.1.8. Non-voting members (Article 20 of the Articles of Association)

The Board of Directors may appoint one or more non-voting members (physical persons or legal entities). It defines their term of office and any remuneration if they are assigned a particular mission.

The non-voting members of the Board of Directors attend meetings of the Board as observers and may be consulted by the Board. They must be called to every meeting of the Board of Directors, which may task them with specific missions.

The Board of Directors may decide to pay the non-voting members of the Board of Directors a portion of the attendance fees allocated by the General Meeting and authorise the reimbursement of expenses incurred by the non-voting members of the Board of Directors in the interests of the Company.

The non-voting members of the Board of Directors are subject to obligations, in particular to the confidentiality obligations stipulated by the Board of Directors in its Internal Regulations.

5.6.2. General Management

5.6.2.1. General Management of the Company (Article 19.1 of the Articles of Association)

The Company's General Management is led, at the choice of the Board of Directors, either by the Chairman of the Board of Directors, or by another physical person appointed by the Board of Directors with the title of Chief Executive Officer.

The choice between these two methods of General Management is made by the Board of Directors, which must inform the shareholders and third parties under the conditions provided by law.

The Board of Directors' decision on the choice of General Management method is made by a majority of the Directors present or represented.

5.6.2.2. Chief Executive Officer (Article 19.1 of the Articles of Association)

When the General Management of the Company is led by the Chairman of the Board of Directors, the provisions below on the Chief Executive Officer are then applicable to him/her in addition to the provisions specific to his/her role as Chairman of the Board of Directors.

When the Board of Directors chooses to separate the roles of Chairman and Chief Executive Officer, it will appoint the Chief Executive Officer, define his/her term of office and determine his/her compensation and any limits on his/her powers.

The Chief Executive Officer may be reappointed.

The age limit for holding the position of Chief Executive Officer, separate from the position of Chairman, is 67. Irrespective of the term for which it is granted, the Chief Executive Officer's office expires at the very latest at the end of the Ordinary General Meeting called to approve the financial statements for the previous year and held the year during which the Chief Executive Officer turns 67.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the dismissal is decided upon without just cause, it may result in damages being paid, except when the Chief Executive Officer is also the Chairman of the Board of Directors.

The Chief Executive Officer is fully empowered to act in any situation on behalf of the Company. He/she exercises these powers within the limits of the corporate purpose and subject

to the powers granted expressly by law and these Articles of Association to General Meetings and the Board of Directors.

The Chief Executive Officer represents the Company in its relationships with third parties. The Company is also bound by the acts of the Chief Executive Officer that are not within the limits of its corporate purpose, unless it proves that the third party was aware that the act exceeded such purpose or that the third party should have been aware of this in view of the circumstances. The publication of the Articles of Association is not on its own sufficient basis for such proof.

5.6.2.3. Deputy General Manager (Article 19.2 of the Articles of Association)

At the suggestion of the Chief Executive Officer, the Board of Directors may appoint, within its membership or not, one or several physical persons to assist the Chief Executive Officer, bearing the title of Deputy General Manager.

The maximum number of Deputy General Managers is set at five.

In agreement with the Chief Executive Officer, the Board of Directors will determine the scope and duration of the powers granted to the Deputy General Managers.

With respect to third parties, the Deputy General Managers have the same powers as the Chief Executive Officer.

The age limit for holding the position of Deputy General Manager is 67.

Irrespective of the term for which they have been granted, the functions of Deputy General Manager expire at the very latest at the end of the Ordinary General Meeting called to approve the financial statements for the previous year and held in the year during which the Deputy General Manager turns 67.

The Board of Directors determines the remuneration of the Deputy General Managers.

If the Chief Executive Officer relinquishes his/her duties or is prevented from carrying them out, the Deputy General Managers will retain their functions and powers unless otherwise decided by the Board of Directors, until such time as a new Chief Executive Officer is appointed.

Deputy General Managers may be dismissed at any time by the Board of Directors, at the suggestion of the Chief Executive Officer. If the dismissal is decided upon without just cause, it may result in damages being paid.

5.6.3. Composition of the Board of Directors and General Management

The composition of the Board of Directors and the General Management of the Company is described in the Report of the Chairman of the Board of Directors on corporate governance and internal control, included in Section 4.3 of Chapter 4 of the Reference Document.

5.6.4. Declarations relating to the information required by Article 14.1 of Annex 1 of Commission Regulation (EC) No. 809/2004

The executive corporate officers of the Company currently in office have declared to the Company:

- ◆ that they have not been convicted of fraud during at least the last five years
- ◆ that they have not been involved in bankruptcy, receivership or liquidation proceedings during at least the last five years
- ◆ that they have not been subject to any official public incrimination or sanction by a statutory or regulatory authority
- ◆ that they have not been prevented by a court from serving as a member of an administrative, management or supervisory body, or from being involved in managing or leading a company's business during at least the last five years.

5.6.5. Conflicts of interest – Family ties

To the Company's knowledge, there are no family ties among the Board of Directors nor, more generally, among the executive corporate officers, nor any potential conflict of interest between the duties of the members of the Board of Directors with regard to the Company and their private interests or other duties.

Article 9 of the Internal Regulations of the Board of Directors provides for a procedure to prevent conflicts of interests in the presentation of investment projects submitted to the Board and/or to the Strategy and Investment Committee.

Subject to confirmation by each member of the Board or Strategy and Investment Committee of the absence of a conflict of interest for each of the investment projects presented, the Board or Strategy and Investment Committee members will receive the complete files for the projects in question and will then be authorised to participate in the deliberations of the Board or Strategy and Investment Committee on this agenda item.

Any member of the Board or Strategy and Investment Committee who fails to confirm the absence of a conflict of interest will not receive the presentation files for the projects in question and will not be able to participate in the Board or

Strategy and Investment Committee meeting during the discussion of the corresponding agenda items.

If a conflict of interest situation arises during the review of the investment project, the member concerned must, as soon as he/she is aware of the conflict, notify the Chairman and the Chairman of the Strategy and Investment Committee and return the documents in his/her possession, and may no longer participate in the Board or Strategy and Investment Committee meetings devoted to a discussion of the agenda items relating to this investment project.

If a conflict of interest situation ceases to exist, the Board or Strategy and Investment Committee member may once again participate in the deliberations of the Board or the Strategy and Investment Committee as of receipt, by the Chairman of the Strategy and Investment Committee and the Chairman of the Board, of notification of the conflict of interest's disappearance from the member concerned.

Any decision by the Board regarding conflicts of interest will be noted in the Board minutes.

5.7. INFORMATION ABOUT THE COMPANY AND ITS INTERESTS

We have presented the main activities of our principal subsidiaries and investments in Section 1.6 of the Reference Document.

5.7.1. Group organisation

Foncière des Régions is an investor in the office real estate sector in France and Italy (via its subsidiary Beni Stabili), with investments in commercial and residential real estate companies:

- ◆ investments in commercial real estate through Foncière des Murs (SIIC), which owns service sector properties in France, Germany, the Netherlands, Belgium, Portugal and Spain,
- through République, formerly Urbis Park (a private company), which owns parking facilities
- ◆ an investment in residential real estate in France through Foncière Développement Logements (SIIC) and in Germany through Immeo SE (a private company).

Accordingly, as at 31 December 2016, the Foncière des Régions Group consisted of 328 separate legal entities, of which 107 were in the Office sector, 116 in the Hotels and Service Sector, 74 in the Germany Residential sector, 21 in the France Residential sector, 6 in parking facilities and 4 in service companies.

Foncière des Régions has teams responsible for managing its growth and for the management of its assets throughout the territory. Each main group company relies upon a dedicated asset management team.

This services provider activity developed within the Foncière des Régions group concentrates on enhancing portfolio value through:

- ◆ Asset Management services: this function is focused on the real estate strategy to adopt regarding the assets held (disposal, renovations, financial management, etc.). Asset by asset, it consists of creating value to meet the expectations of the Group's companies by optimising the "profitability/risk" ratio
- ◆ Asset Development services: this function consists of assisting Group companies in activities to enhance the value of assets in the portfolio through real estate development. This function requires extensive expertise in real estate development
- ◆ Property Management services: management of all aspects of the life cycle of real estate assets (payments, ongoing and

preventive maintenance, etc.). Property Management requires extensive expertise in leases, expense management, technical management, etc.

For development operations, on large projects, Foncière des Régions has a dedicated team, *via* its subsidiary, Foncière des Régions Développement.

As regards rental property, the Property Management of Foncière des Régions, Foncière des Murs and Foncière Europe Logistique (except for the German and Luxembourg real estate portfolio) is provided by Foncière des Régions Property, a subsidiary of Foncière des Régions, which constitutes a common platform consisting of central services and personnel operating in regional agencies. Foncière Développement Logements (FDL), which had managed its French residential portfolio directly since 1 January 2009, turned over the management of its assets to Quadral Property, effective as of 1 April 2012.

The service agreements are straightforward and non-exclusive contracts.

The specialisation of the various sector companies of the Foncière des Régions group by type of asset means that the companies concerned are not exposed to potential conflicts of interest, in terms of investments, divestments or asset management.

5.7.2. Results of subsidiaries and investments

The table of results of subsidiaries and investments is shown in the individual financial statements (3.5.6.6.).

5.7.3. Company earnings over the past five fiscal years

The table of earnings of the Company over the past five fiscal years is shown in the individual financial statements (Section 3.5.6.8).

5.7.4. Information on cross-shareholding

None.

5.7.5. Extraordinary events and litigation

The Group may be involved in court or administrative proceedings and is liable to be subject to a notice of deficiency from the French Tax administration.

To the Company's knowledge, to date, except for the main proceedings underway set out in Part 3 (Sections 3.2.2.9.4 and

3.2.5.12), there are no other extraordinary events or litigation likely to materially affect the portfolio, financial position, business or results of Foncière des Régions or its subsidiaries.

5.7.6. Ratings

Less than three years after Foncière des Régions obtained an inaugural rating of BBB- with a stable outlook, Standard & Poor's raised the Group's rating to BBB with a stable outlook in July 2015.

This significant upgrade recognises the work performed since 2012 to improve the quality of the portfolio and continually strengthen cash flow. It moreover reflects the sound balance sheet of Foncière des Régions.

5.8. INFORMATION ABOUT SOCIAL AND ENVIRONMENTAL IMPACT

The information on social and environmental matters required by the Decree of 24 April 2012 and by the provisions of the Law of 17 August 2015 are addressed in a detailed manner in the second part of the Reference Document “Sustainable Development”.

5.9. CONTRACTS AND AGREEMENTS

5.9.1. Agreements of Article L. 225-102-1, last paragraph, of the French Commercial Code

Pursuant to the provisions of Article L. 225-102-1, last paragraph, of the French Commercial Code, we hereby inform you that no agreements were concluded in 2016, directly or through an intermediary, between a manager, Director, or shareholder owning over 10% of the Company's voting rights, and

a subsidiary whose capital is owned over 50% directly or indirectly by the Company, it being specified that the stipulations of the aforementioned article do not include agreements relating to day-to-day transactions concluded under normal conditions.

5.9.2. Significant agreements

The material agreements to which the Company and/or certain of its subsidiaries are party are presented below.

5.9.2.1. Agreement between shareholders of Foncière des Murs, concluded between Foncière des Régions, ACM Vie, Predica, Pacifica and Generali Vie

In order to organise their relationship within Foncière des Murs SCA, Foncière des Régions, Predica, Pacifica, ACM Vie and Generali Vie signed a shareholders' agreement on 29 November 2004. In particular, this agreement provides a right of first offer in the event that any of the parties to the agreement seeks to sell some or all of its shares in the company, if the shares whose sale is proposed constitute a block, as defined by Article 516-2 of the General Regulations of the *Autorité des Marchés Financiers*. The agreement also sets forth a commitment to discussion in good faith in the event that any party to the agreement seeks to sell on the market some or all of its shares in the company, representing at least 1% of the company's share capital. The parties to the agreement also agreed to distribute among themselves the seats on the Supervisory Board of Foncière des Murs SCA proportionately to their investments in the capital of the company.

5.9.2.2. Partnership between SARL Fédération (a wholly owned subsidiary of the Foncière des Régions group) and Predica for the Carré Suffren asset

An agreement was signed on 14 December 2004 between SARL Fédération and Predica (the “Partners”) in the presence of Foncière des Régions for the acquisition of an asset located in Paris at 31-35, rue de la Fédération and 8-14, rue du Capitaine

Scott by Federimmo, in which Predica sought to acquire a 40% investment within the framework of a partnership with Foncière des Régions. The purpose of this agreement was to establish the terms of this partnership by, in particular, contractually agreeing on the functioning and control of the company. The partners agreed to vote in favour of any proposed resolution for a capital increase of the company or subscription of a shareholder loan that is proposed, according to the company's financing needs, specifying that the additional contributions will be made by the Partners in proportion to their investment in the company.

5.9.2.3. Framework partnership agreement between Foncière des Régions and Predica regarding the company République (formerly known as Urbis Park)

A framework partnership agreement was entered into on 6 April 2006 between Foncière des Régions, Predica, Heulin Frères, Xavier Heulin and Frédéric Heulin. The purpose of this agreement was to reorganise and accelerate the development of the Parking business of République and determine the general principles for governing their cooperation for the purpose of investing in parking facilities. The main provisions of the partnership agreement concern the establishment of rules for (i) contributions of equity for the acquisition or development of assets, (ii) corporate governance, and (iii) transferring shares, right of first offer, drag-along right as well as the implementation of service, management, and development agreements.

This agreement was amended on 25 August 2008. Following the sale of République and Urbis Park Services shares in December 2009, the Heulin Frères, XH Invest and FH Invest companies, and Xavier Heulin and Frédéric Heulin are no longer parties to the agreement.

5.9.2.4. Shareholders' agreement concerning Foncière Développement Logements between Foncière des Régions, Predica, ACM Vie, Generali Vie, GMF Vie and GMF Assurances

On 29 November 2006, a shareholders' agreement concerning Foncière Développement Logements entered into between Foncière des Régions and the abovementioned parties terminated and replaced the agreement that had entered into effect on 21 December 2005 between the same parties, under which the parties sought to arrange their relations within Foncière Développement Logements, alongside the provisions of the company's Articles of Association, by organising a right of first offer as well as a right of pre-emption and share transfers within a group. This agreement does not constitute an action in concert by its signatories.

Following the tendering of Foncière Développement Logements securities by ACM Vie and Covéa to the public exchange offer initiated by Foncière des Régions in August 2013, ACM Vie, GMF Vie and GMF Assurances are no longer parties to the agreement.

5.9.2.5. Memorandum of understanding between Foncière des Régions and Predica concerning the Euromed project

The purpose of the memorandum of understanding signed on 15 September 2006 is to define the principles of the partnership for finalising the project for which Predica was designated as the lead investor. It sets forth the terms of cooperation between Predica and Foncière des Régions to achieve, with the assistance of developers, the completion of four assets for office use, a hotel, a multiplex and a parking facility.

Under this memorandum of understanding, shareholder agreements were concluded governing relations between the shareholders of SCI Euromarseille 1 and SCI Euromarseille 2 and their subsidiaries.

5.9.2.6. Memorandum of understanding between Aéroports de Paris, Altarea and Foncière des Régions regarding the Cœur d'Orly project

As part of a 50/50 consortium, Altarea and Foncière des Régions were selected following a consultation of developers-investors to develop, together with Aéroports de Paris, the first tranche of 160,000 m² gross internal area (SHON) of the Cœur d'Orly project. This partnership was finalised in 2008 through the creation of specialised development companies depending on the type of assets (office or retail) and controlled by Aéroports de

Paris (50%) and Altarea and Foncière des Régions (25% each). The shareholders of the companies are bound by a memorandum of understanding and a shareholders' agreement governing their rights and obligations signed on 10 March 2008.

5.9.2.7. Shareholders' agreement between Foncière des Régions and CNP Assurances in the presence of Office CB 21 and Foncière des Régions SGP

This agreement follows the signing on 25 November 2010 of a memorandum of understanding to define the principal terms and conditions of the partnership agreement relating to the shared ownership of the CB 21 Tower between CNP Assurances (25%) and Foncière des Régions (75%). A real estate collective investment vehicle (OPCI), Office CB 21, was formed to indirectly hold the CB 21 Tower. As a result, on 20 December 2010, Foncière des Régions and CNP Assurances entered into a shareholder agreement to organise their relations within the Office CB 21 SPPICAV, and to determine their respective commitments and the conditions for the sale of their shareholdings.

In particular, the agreement provides for:

- ♦ a period of non-transferability of the securities of the Office CB 21 SPPICAV, the CB 21 Tower and the securities of FDR 4 for four years from the date of signature of the agreement;
- ♦ a right of first refusal in the event that one of the shareholders seeks to sell its shareholdings at the expiration of the period of non-transferability, and a right of joint sale;
- ♦ a right of first offer in the event of the sale by the Office CB 21 SPPICAV of the securities of FDR 4 or of the CB 21 Tower at the end of the period of non-transferability.

5.9.2.8. ORNANE bond issue of €550 million

In May 2011, the Company launched an issue of bonds redeemable in cash and/or in new or existing shares (ORNANE), maturing on 1 January 2017, with a priority period for a nominal amount of approximately €480 million, and the potential to be extended to a maximum nominal amount of approximately €550 million in the event that the entire extension clause was exercised. The extension clause was exercised on 18 May 2011, thus taking the amount of the issue to approximately €550 million, representing 6,405,776 bonds. This issue was made at an annual interest rate of 3.34% and a unit value of bonds of €85.86. It allowed the Company to diversify its sources of financing and extend the maturity of its debt. The proceeds of this issue were dedicated principally to refinancing existing lines of credit and, to a lesser extent, to financing the Company's general requirements. On 2 January 2017, in the context of their normal depreciation, the Company redeemed in cash the outstanding amount of ORNANE for which the rights to receive shares had not been exercised.

5.9.2.9. Investment agreement between Foncière des Régions and Predica – Prévoyance Dialogue of Crédit Agricole in the presence of SCI Latécoère

An investment agreement reached on 19 July 2012 sets out the terms and conditions of the acquisition by Predica of 49.9% of the capital of SCI Latécoère, owner of a real estate development known as “DS Campus” located at Vélizy-Villacoublay and fully leased to Dassault Systèmes on a firm 12-year lease coming due in 2020, by subscribing to a capital increase in cash reserved for Predica.

A shareholders’ agreement regulating shareholder relations within SCI Latécoère, the subject of the partnership, was concluded on 19 October 2012 and was amended by rider No. 1 on 20 April 2015.

5.9.2.10. Investment agreement between Foncière des Régions and Predica – Prévoyance Dialogue of Crédit Agricole in the presence of Lenovilla

An investment agreement reached on 19 July 2012 sets out the terms and conditions of the partnership between Foncière des Régions and Predica for completing a real estate development project known as “New Vélizy” in the Inovel Parc zone of Vélizy-Villacoublay and fully pre-leased to Thales.

The agreement states the principal contracts that Lenovilla must conclude under the project implementation process and sets the completion schedule for the project.

A shareholder’s agreement regulating shareholder relations within SCI Lenovilla, the subject of the partnership, was concluded on 1 February 2013.

5.9.2.11. Bond issue of €500 million

The Company carried out a bond issue in the amount of €500 million on 9 October 2012 with French and European investors. The issue involves 5,000 bonds priced at €100,000 each maturing in January 2018, with a coupon of 3.875% and a spread of 295 basis points. The issue was carried out after obtaining a BBB- with a stable outlook from Standard & Poor’s on 28 September 2012. On 20 May 2016, the Company redeemed 2,336 bonds.

5.9.2.12. Bond issue of €180 million

The Company carried out a private bond issue in the amount of €180 million on 12 March 2013 with French and European investors. The issue involves 1,800 bonds priced at €100,000 each maturing in April 2020, with a coupon of 3.30% and a spread of 197 basis points.

5.9.2.13. ORNANE bond issue of €345 million

In November 2013, the Company launched an issue of bonds redeemable in cash and/or in new or existing shares (ORNANE), maturing on 1 April 2019, for a nominal amount of €345 million after fully exercising the extension clause, representing 4,071,757 bonds. This issue was made at an annual interest rate of 0.875% and a unit value of bonds of €84.73. The proceeds of this issue were dedicated principally to refinancing a part of the Company’s existing debt for the amount of some €170 million and carrying out the buyback for €110 million and the redemption of a portion of the ORNANE issued on 24 May 2011. For the remainder, proceeds from the issue of bonds were dedicated to financing the Company’s general requirements.

5.9.2.14. Investment agreement between Foncière des Régions and Predica – Prévoyance Dialogue of Crédit Agricole in the presence of SCI 11 Place de l’Europe

The investment agreement signed on 19 December 2013 sets out the terms and conditions of the acquisition by Predica of 49.9% of the capital of SCI 11 Place de l’Europe, by subscribing to a capital increase in cash reserved for Predica. SCI 11 Place de l’Europe is the owner (i) of a real estate complex known as “Eiffage Construction”, located at Vélizy-Villacoublay and fully leased to Eiffage Construction on a firm 12-year lease, and (ii) of an asset under construction, mainly for office use, known as “Eiffage Campus” located at Vélizy-Villacoublay and fully leased to Eiffage Construction from its delivery on a firm 12-year lease.

A shareholder’s agreement regulating shareholder relations within SCI 11 Place de l’Europe, the subject of the partnership, was concluded on 19 December 2013.

5.9.2.15. Bond issue of €500 million

The Company carried out a bond issue in the amount of €500 million on 4 September 2014 with French and European investors. The issue involves 5,000 bonds priced at €100,000 each maturing in September 2021, with a coupon of 1.75% and a spread of 105 basis points.

5.9.2.16. Investment agreement between Foncière des Régions and Predica – Prévoyance Dialogue of Crédit Agricole et SCI DS Campus in the presence of SCI Latécoère 2

The investment agreement entered into on 18 June 2015 sets out the terms and conditions of the acquisition by Predica, through its subsidiary SCI DS Campus, of 49.9% of the capital of SCI Latécoère 2, by subscribing to a capital increase in cash reserved for SCI DS Campus. SCI Latécoère 2 has acquired the land ownership enabling the real estate development known as “DS Campus” located at Vélizy-Villacoublay.

A shareholders' agreement regulating shareholder relations within SCI Latécoère 2, the subject of the partnership, was concluded on the same day.

5.9.2.17. Green Bond issue of €500 million

On 9 May 2016, the Company issued a Green Bond of €500 million with investors. This issue of 5,000 bonds of €100,000 maturing in May 2026 offers a coupon of 1.875%, or a spread of 137 basis points. This bond issue will finance or refinance office assets under development or recently delivered and benefiting from HQE certification (minimum target of 9/14) or BREEAM certification (Very Good as a minimum).

5.9.2.18. Shareholders' agreement between Foncière des Régions and ANF Immobilier in the presence of SCI Orianz and SCI Factor E

The shareholders' agreement was entered into after the conclusion of a term sheet on 1 July 2016 between the Company and ANF Immobilier in connection with a partnership regarding a real

estate development in Bordeaux and focused primarily on the three office building assets ("Immeubles B – C" and "Immeuble E") and the parking spaces attached to said buildings, contributed by SCI Orianz and SCI Factor E, it being specified that at the conclusion of their construction, Foncière des Régions would be the sole owner of Immeuble E.

The shareholders agreement concluded between the Company and ANF Immobilier on 1 September 2016 for a term of ten years and automatically renewable for successive one-year periods, (i) establishes the rules of governance (including management of the real estate assets) and the financing conditions within SCI Orianz and SCI Factor E, (ii) provides restrictions on the transfer of shares of the SCIs with a temporary lock-up period, and (iii) defines the conditions associated with the exit of shareholders by providing a right of first offer, a right of first refusal, a pre-emption right, a tag-along right and a drag-along right.

5.9.2.19. Principal financial agreements

The principal financial agreements are detailed in the notes to the consolidated financial statements presented in Part 3 (Section 3.2.5.11.4) and Part 1 (Section 1.7.4) of this Reference Document.

5.10. PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

5.10.1. Person responsible for the Reference Document

Christophe Kullmann
Chief Executive Officer

5.10.2. Certification of the person responsible for the Reference Document including the annual financial report

I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this Reference Document is, to the best of my knowledge, in accordance with the facts and makes no omission likely to affect its import.

I certify, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable accounting standards and give a fair view of the assets, liabilities, financial position and profit or loss of the Company and all of its consolidated companies, and that the management report of the Board of Directors including a concordance table on page 450, fairly reflects the development of the business, the profit or loss and the financial position of the Company and all of its consolidated companies, as well as a description of the main risks and uncertainties they face.

I have received a completion letter from the Statutory Auditors stating that they have audited the information contained in this Reference Document about the financial position and financial statements and that they have read this document in its entirety.

The historical financial information contained in this Reference Document was the subject of reports by the Statutory Auditors, which do not contain any comments for the fiscal years ended 31 December 2014 and 2015.

The Statutory Auditors' report regarding the consolidated financial statements the fiscal year ended 31 December 2016 appears in Section 3.3 for this Reference Document. It does not contain any comments.

The Statutory Auditors' report regarding the financial statements for the fiscal year ended 31 December 2016 appears in Section 3.3 of this Reference Document. It contains a comment calling attention to Note 3.5.2.1 to the annual financial state-

ments detailing the change in accounting method resulting from the implementation of the new accounting regulation regarding the allocation of merger deficit, which in accordance with ANC Regulation 2015-06 was reclassified.

5.10.3. Declaration by the person responsible

Paul Arkwright
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5.10.3.1. Provisional timetable for financial reporting

General Meeting: 26 April 2017
Publication of revenue of the first quarter of 2017: 26 April 2017
Publication of 2017 half-year results: 20 July 2017
Publication of revenue of the third quarter of 2017:
26 October 2017

5.10.3.2. Historic financial information

Pursuant to Article 28 of European Commission Regulation (EC) No. 809/2004 of 29 April 2004, the following information is incorporated by reference in this Reference Document:

- ♦ the consolidated financial statements relating to the fiscal year ended 31 December 2015 and the corresponding reports of the Statutory Auditors included on pages 201 to 273 of the 2015 Reference Document filed with the AMF on 23 March 2016 under No. D. 16-0192
- ♦ the consolidated financial statements relating to the fiscal year ended 31 December 2014 and the corresponding reports of the Statutory Auditors included on pages 276 to 350 of the 2014 Reference Document filed with the AMF on 17 March 2015 under No. D. 15-0149.

TABLE OF CONCORDANCE

Table of concordance for the Reference Document

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21.2. Corporate charter and Articles of Association	5.2	391
22. Significant agreements	5.9.2	441
23. Third party information, statements by experts and declarations of interest	1.9	73
24. Documents accessible to the public	5.2.1.9	392
25. Information on holdings	3.2.3.6; 3.5.6.6; 5.1.2 and 5.7.2	220; 312; 390; 440

Table of conformance to the annual financial report⁽¹⁾

Type of information	Relevant parts	Pages
1 – Annual financial statements	3.4; 3.5	281; 285
2 – Consolidated financial statements	3.1; 3.2	205; 212
3 – Management report	Concordance table with the management report	450
4 – Statement of individuals assuming responsibility for the document	5.10.2	444
5 – Statutory Auditors' report on the annual financial statements and the consolidated financial statements	3.3; 3.6	279; 319
6 – Statutory Auditors' fees	3.2.7.6	271
7 – Report by the Chairman of the Board of Directors on corporate governance and internal control	4.3	347
8 – Statutory Auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code on the report by the Chairman of the Board of Directors of Foncière des Régions	4.4	373

(1) In accordance with Articles L. 451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF General Regulations.

Concordance with the Management Report

Type of information	Relevant parts	Pages
Overview of the position of the Company and Group over the past year (Articles L. 232-1-2 and L. 233-26 of the French Commercial Code); analysis of changes in the business, earnings, financial position of the Company and Group and performance indicators (Articles L. 225-100 and L. 225-100-2 of the French Commercial Code)	1.3 to 1.9	10 to 73
Outlook for the Company and Group (Articles L. 232-1 and L. 233-26 of the French Commercial Code)	1.3	10
Significant events between the balance sheet date and the drafting of the management report (Articles L. 232-1-2 and L. 233-26 of the French Commercial Code)	3.2.9	278
R&D activities (Article L. 232-1 and L. 233-26 of the French Commercial Code)	3.5.6.9	318
Social and environmental information (Article L. 225-100 and L. 225-102-1 of the French Commercial Code)	2	92
Description of the main risks and uncertainties (Article L. 225-100 and L. 225-100-2 of the French Commercial Code)	1.10	85
Information relating to the Company's shareholding structure; summary of capital increase authorisations still in effect (Article L. 225-100 par. 7 of the French Commercial Code); statement of employee shareholding at the year end (Article L. 225-102 of the French Commercial Code); possible adjustments for securities providing access to the share capital (Article L. 228-99 and R. 228-89 of the French Commercial Code); summary of transactions carried out by Company Officers and related parties involving Company shares (Article L. 621-18-2 of the French Monetary and Financial Code)	5.3	396
Elements that could be relevant in the event of a takeover offer (Article L. 225-100-3 of the French Commercial Code)	4.3.1.9 and 5.4.2	365 and 407
Information on the number of shares purchased and sold during the year under a share buyback programme, and characteristics of these transactions (Article L. 225-211 of the French Commercial Code)	5.3.8	400
Company earnings over the past five fiscal years (Article R. 225-102 of the French Commercial Code)	3.5.6.8 and 5.7.3	318 and 440
Amount of dividends paid in respect of the past three financial years (French General Tax Code, Art. 223 bis)	5.4.4	408
Information on terms of payment (L. 441-6-1 of the French Commercial Code)	3.5.6.10	318
Remuneration and benefits in kind received by each corporate officer (L. 225-102-1 of the French Commercial Code)	4.2.1.3 and 5.5	334 and 409
List of offices and functions held in all organizations by each of the Company Officers during the financial years (L. 225-102-1 of the French Commercial Code)	5.5.3	421
Amount of sumptuary expenses (French General Tax Code, Art. 223 quater)	3.5.4.6	307
Non-deductible overhead expenses to be added back to taxable income (French General Tax Code, Art. 223 quinquies)	3.5.4.6	307
Significant equity investments or takeover of companies based in France (Article L. 233-6 of the French Commercial Code)	3.2.5 and 3.5.6.6	231 and 312
Agreements between a Company Officer or a major shareholder and a subsidiary (Article L. 225-102-1 of the French Commercial Code)	5.9.1	441

GLOSSARY

Cost of development projects

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

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.

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

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.

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.

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.

Loan To Value (LTV)

The LTV calculation is detailed in Part 5 “Financial Resources”

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:

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

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

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

Operating assets

Properties leased or available for rent and actively marketed.

Portfolio

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

Projects

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

Recurring Net Income

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

♦ Calculation:

(+) Net Rental Income

(-) Net Operating Costs (including costs of structure, costs on development projects, revenues from administration and management and costs related to business activity)

(+) Results from other activities

(+) Costs of the net financial debt

(+) RNI from non-consolidated affiliates

(-) Recurrent Tax

(+) RNI from discontinued operations

(=) Recurring Net Income

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”.

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.

Surface

- ♦ **SHON:** Gross surface
- ♦ **SUB:** Gross used surface

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).

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:

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

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