

A strategy designed for a new environment

Increased cash flow per share consistent with the target

The real estate performance of the Foncière des Régions teams allowed them to achieve the established goal of slight growth in current cash flow per share, despite an ambitious asset disposal programme that exceeded the minimum target (€ 1.1 billion vs. € 1 billion).

In terms of turnover (rental income of € 640 million and fees and margins on sales of € 16 million), 2008 was characterised by like-for-like growth of 3.8%. Leasing revenue from office assets (+4.6%), representing 2/3 of the portfolio, benefited from the strong indexing of lease payments, as well as an improved occupancy rate in Italy. The leasing revenue of the diversified properties was more stable, consistent with the intended strategy for these real estate portfolios, characterised by highly secured long-term cash flow and dependent upon varying economic cycles: Housing (+3.1%), Operating Services (+2.4%) and Logistics (+1.9%).

Foncière des Régions' EBITDA improved (83.1% vs. 80.8% in 2007), reflecting a level of cost control that should continue in 2009.

Cost of debt averaged 4.88%, and 4.54% at year-end, which should allow to benefit from the decline in interest rates in 2009.

Overall, current cash flow totalled € 313 million (+16%), reflecting the consolidation of Beni Stabili in 2008 on a full-year basis for the first time. Per share it was up 2.7%. Net IFRS income included changes in the fair value of financial instruments and real estate assets, yielding a return of €-556.5 million. The net income that most accurately reflects actual activity is recurring net income, which totalled € 284.7 million (+9.1%).

Key figures (€M)	2007	2008	Change (%)
Rental income	556	656	+ 18%
Current Cash Flow	270.6	313.1	+ 16%
Recurring Net Income	260.9	284.7	+ 9%
Current CF per share	7.50€	7.67€	+ 2.3%
NAV per share*	111.9€	96.9€	- 13.0%
Dividend per share**	5.30€	5.30€	-

* Excluding financial instruments

** Proposed to the Shareholders' Meeting of 24 April 2009

NAV of € 96.9, down 13%

Valuations of the portfolio of real estate assets of Foncière des Régions showed an increase in capitalisation rates of 44 bp and an average yield at end-2008 of 6.7%. The like-for-like decline was limited to 3.1% due to the portfolio's diversification (an increase of 73 bp in France Offices portfolio was partially offset by a limited increase of 14 bp for Italy), the lengthening of lease terms, asset turnover, and the indexation of lease payments. The change in value posted to the income statement totalled € -523 million.

A fair value adjustment of € 128 million was applied to the real estate project acquired in 2007 at La Défense, CB 21. The asset valuation at end-2008 yielded an immediate return equivalent to 6.4%.



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Concerning indebtedness, the group share of net debt, € 6,333 million, fell by € 333 million. The ICR improved to 2.02 with an LTV at 58.8%.

NAV excluding financial instruments was therefore € 3,953 million (down 14.7%). Share buy-backs in the first half limited the drop in NAV per share excluding financial instruments to 13.4%. The drop in the fair value of financial instruments totalled € 299 million, calculated very conservatively, because hedges were valued on the low rates as of Dec.31.2008, but the positive effect of the spreads on current loans, well above market levels, was not taken into account.

Dividend stable at € 5.30 per share and option for payment in stock

It will be proposed to the general shareholders' meeting of 24 April 09 that it maintains the dividend at € 5.3 per share, with the option to pay it in stock. Shareholders on the Supervisory Council representing more than a third of the share capital committed to accept the option of payment in stock at a price of at least € 40 ex-dividend.

Prospects: The FdR 2010 plan

Foncière des Régions' fundamentals provide for good visibility for the group's revenues and its ability to adapt to this new environment. Foncière des Régions' key winning cards: proximity to its major tenants, dedicated real estate management platforms (regional presence, teams specialised by product, critical mass), and solid financial partnerships (shareholders and banks).

Since mid-2007, Foncière des Régions has been implementing an ambitious asset disposal programme (€ 1.9 billion in assets were sold in 2007 and in 2008 in total, and € 1.5 billion group share), to adapt its balance sheet structure to a turn of the cycle. In order to address a more severe deterioration in the economic environment, a comprehensive action plan was implemented in January 2009: the FdR 2010 plan. It was structured in such a way as to manage the risks related to the current economic and financial environment, as well as to prepare the company to be able to seize new opportunities, in a sector that should consolidate and where size and liquidity are indisputable advantages. The FdR 2010 plan covers various subjects: asset management, expense control and investments, the renegotiation of LTV covenants (already carried out in 1Q 09 with a group LTV covenant for 24 months at 70% in exchange for an increase of less than 10 bp in the average cost of debt), the financing of new assets, and improvement in the organisation's ability to make the asset holding structures more efficient. The success of this action plan, which is intended to maintain control of the LTV, is the highest priority.

For 2009, the plan's goals specifically include the following:

- The lease of Carré Suffren and the remainder of CB 21
- Improvement in the occupancy rate of the logistics portfolio (95% vs 91%)
- Disposals of assets in 2009 at least of € 500 million (€ 250 million already negotiated to date)

Fulfillment of these operational goals will be in addition to the goal of slight growth in recurring net income in 2009.

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CONTENTS

1- Business breakdown by business segment	5
a. France Office	5
b. Italy Office	12
c. Residential (France and Germany)	17
d. Business Premises	21
e. Logistics	25
2- Aspects of analysis of the consolidated activities / Group Share	29
a. Change in Rental Income	29
b. Timetable of Group Share of Rental Income	30
c. Group Share of Acquisitions	30
d. Group Share of Disposals	31
e. Consolidated assets at 31/12/08	31
3- Annual Financial Statements	31
a. Scope of consolidation	31
b. Accounting principles	32
c. Comments on major items in the consolidated and group-share income statement	33
d. Balance sheet	36
e. NAV and Triple Net NAV	37
4- Financial resources	39
a. Debt structure	39
b. Financial covenants	41
c. Average bank debt rate	42
d. Risk management	42
e. Hedging	44
5- Major activities in 2008	45
6- Post-Balance Sheet Events (COMFI)	46

CONSOLIDATED P/L	Financial year 2008	Financial year 2007
REVENUE FROM ORDINARY ACTIVITIES		
Rental revenues	1,017,306	868,555
Disposals of buildings in inventory	58,026	19,478
Services	19,007	13,199
Net turnover	1,094,339	901,232
Other operating income	1,939	3,533
Total current operating income	1,096,278	904,765
EXPENSES FROM ORDINARY ACTIVITIES		
Costs of disposals of inventory	48,107	-5,169
Other external purchases and expenses	110,266	129,936
Duties, taxes and similar payments	25,191	24,492
Personnel expenses	66,742	61,649
Allocation to amortisation and provisions	154,754	11,318
Net charge for provisions on current assets	-1,034	698
Net charge for provisions for risks and contingencies	1,506	-8,908
Other operating expenses	916	4,851
Total current operating expenses	406,448	218,867
1. OPERATING INCOME BEFORE SALES OF INVESTMENT ASSETS	689,830	685,898
Net sales of non-current assets	30,986	26,261
Change in fair value of investment assets	-497,779	959,086
Other non-recurring revenue and expenses	-69,184	-241,731
Total other operating revenue and expenses	-535,977	743,616
2. OPERATING INCOME ON CONTINUING OPERATIONS	153,853	1,429,514
Interest income on cash transactions	55,599	31,087
Financial leasing revenue (CB)	8,662	15,942
Financial income from mark to market	3,363	3,388
Positive change in fair value of financial assets & liabilities	1,843	99,601
Total financial income	69,467	150,018
Interest expense on financing operations	511,268	392,164
Expenses on finance lease transactions (CB)	2,384	1,523
Financial expense from mark to market	24,060	19,632
Negative change in fair value of financial assets and liabilities	453,824	9,461
Net financial charges for provisions	23,630	7,007
Total financial expenses	1,015,166	429,787
3. FINANCIAL INCOME	-945,699	-279,769
Share in income (loss) of associates	-34,316	61,491
4. INCOME BEFORE TAXES	-826,162	1,211,236
Income tax	45,185	13,013
Deferred taxes	-39,250	-34,285
5. NET INCOME	-832,097	1,232,508
Minority interests	275,573	-439,839
6. NET INCOME GROUP SHARE	-556,524	792,669

GROUP SHARE P/L	Financial year 2008	Financial year 2007
REVENUE FROM ORDINARY ACTIVITIES		
Leasing revenue	640,183	545,462
Disposals of buildings in inventory	42,471	14,785
Services	14,888	8,830
Net turnover	697,542	569,077
Other operating revenue	985	2,090
Total current operating revenue	698,527	571,167
EXPENSES FROM ORDINARY ACTIVITIES		
Costs of disposals of inventory	36,084	-4,037
Other external purchases and expenses	74,331	90,350
Duties, taxes and similar payments	17,167	17,655
Personnel expenses	48,774	45,146
Allocation to amortisation and provisions	142,098	7,696
Net charges for provisions on current assets	-1,176	0
Net charges for provisions for risks and contingencies	880	-7,758
Other operating expenses	389	-339
Total current operating expenses	318,547	148,713
1. OPERATING INCOME BEFORE SALES OF INVESTMENT ASSETS	379,980	422,454
Net sales of non-current assets	21,656	10,704
Change in fair value of investment assets	-282,381	678,008
Other non-recurring revenue and expenses	-47,068	-188,331
Total other operating revenue and expenses	-307,793	500,381
2. OPERATING INCOME ON CONTINUING OPERATIONS	72,187	922,835
Interest income on cash transactions	39,416	24,311
Financial leasing revenue (CB)	8,662	15,942
Financial income from mark to market	1,485	2,460
Positive change in fair value of financial assets & liabilities	1,236	60,048
Total financial income	50,799	102,761
Interest expense on financing operations	328,910	254,150
Expenses on finance lease transactions (CB)	2,384	1,523
Financial expense from mark to market	19,062	13,312
Negative change in fair value of financial assets and liabilities	267,385	9,284
Net financial expenses from provisions	15,825	3,905
Total financial expenses	633,566	282,174
3. FINANCIAL INCOME	-582,767	-179,413
Share in income (loss) of associates	-31,661	61,612
4. INCOME BEFORE TAXES	-542,241	805,034
Income tax	32,552	10,890
Deferred taxes	-18,269	1,475
5. NET INCOME	-556,524	792,669

BALANCE SHEET	Net 12/31/2008	Net 12/31/2007
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Goodwill	0	0
Other intangible assets	140,746	35,547
PROPERTY, PLANT AND EQUIPMENT		
Land	56,830	54,244
Buildings	113,880	208,682
Other assets	8,077	6,152
Current fixed assets	873,601	896,599
INVESTMENT PROPERTY	13,746,867	15,154,902
NON-CURRENT FINANCIAL INVESTMENTS		
Other assets held for sale		192
Loan	34,639	66,781
Other financial assets	56,998	
Financial instruments	908	155,313
Financial leases	38,422	66,184
Share of income/ loss of associates	190,624	321,428
DEFERRED TAX ASSETS	110,122	83,120
TOTAL NON-CURRENT ASSETS (I)	15,371,714	17,049,144
CURRENT ASSETS		
ST LOANS AND FINANCE-LEASE RECEIVABLES	30,645	48,060
INVENTORIES AND PRODUCTION IN PROGRESS	135,517	207,383
TRADE RECEIVABLES	174,010	170,024
OTHER RECEIVABLES	188,422	245,051
PREPAID EXPENSES	8,251	4,784
CASH AND CASH EQUIVALENTS	199,460	300,501
TOTAL CURRENT ASSETS (II)	736,305	975,803
NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE (III)		
INTENDED TO BE SOLD	1,338,733	948,626
TOTAL ASSETS (I + II + III)	17,446,752	18,973,573
	Financial year 12/31/2008	Financial year 12/31/2007
SHAREHOLDERS' EQUITY		
CAPITAL	123,263	124,824
ADDITIONAL PAID-IN CAPITAL	2,259,379	2,257,873
TREASURY SHARES	-32,994	-25,690
CONSOLIDATED RESERVES	1,648,108	1,111,891
INCOME	-556,524	792,669
TOTAL GROUP SHAREHOLDERS' EQUITY	3,441,232	4,261,567
MINORITY INTERESTS	2,355,645	2,901,001
TOTAL SHAREHOLDERS' EQUITY (I)	5,796,877	7,162,568
EQUITY INTERESTS ISSUED (II)	0	0
NON-CURRENT LIABILITIES (III)		
BORROWINGS BEARING INTEREST	9,463,516	9,279,294
FINANCIAL INSTRUMENTS	495,310	115,180
DEFERRED TAX LIABILITIES	481,105	512,761
PENSION AND OTHER LIABILITIES	37,197	37,748
OTHER NON-CURRENT LIABILITIES	16,416	7,832
TOTAL NON-CURRENT LIABILITIES (III)	10,493,544	9,952,815
CURRENT LIABILITIES (IV)		
TRADE PAYABLES	85,085	250,980
SHORT-TERM BORROWINGS BEARING INTEREST	697,523	1,245,931
TENANT SECURITY DEPOSITS	17,876	26,533
ADVANCES & INSTALMENTS RECEIVED ON CURRENT ORDERS	142,356	122,523
ST PROVISIONS	41,500	41,810
CURRENT TAXES	28,796	6,497
OTHER LIABILITIES	98,705	121,821
ADJUSTMENT ACCOUNTS	44,490	42,095
TOTAL CURRENT LIABILITIES (IV)	1,156,331	1,858,190
LIABILITIES INTENDED FOR DISPOSAL;	0	0
TOTAL LIABILITIES (I + II + III + IV)	17,446,752	18,973,573

1. Business breakdown by business segment

a. France Office

The France Office assets of Foncière des Régions primarily derive from sale and lease back, including those of France Telecom, EDF, Eiffage, but also from development transactions, such as CB21 or Carré Suffren.

Foncière des Régions, a real estate company focused on offices, is the real estate partner of major companies, such as France Télécom, Telecom Italia, EDF, Accor, Eiffage, IBM, and others. The company is present in France and in Italy through its listed subsidiary Beni Stabili.

2008 market description

The office market in Ile-de-France

Summary table

	Ile-de-France			La Défense		
	2007	2008	Change	2007	2008	Change
Take-up	2,756,300 m²	2,359,600 m²	-14%	271,900 m²	265,600 m²	-2%
Of which > 5,000 m ²	1,039,400 m ²	1,007,700 m ²	-3%	155,900 m ²	183,600 m ²	18%
Average rent (excluding taxes and charges /Ex-VAT & Charges m²/an)						
New or restructured	327 €	322 €	-2%	473 €	480 €	1%
Second-hand	240 €	243 €	1%	390 €	390 €	0%
"Prime" rent	750 €	716 €	-5%	486 €	478 €	-2%

Source: CB Richard Ellis and Immostat

The economic climate has affected the business real estate market. Take-up dropped noticeably during H2 2008 in the Ile-de-France market overall. After stabilising, it hit its stride, and take-up, with close to 2.4 million sqm, decreased by 14% compared to 2007. This high level confirms the depth and solidity of the Ile-de-France market, including significant geographical diversification. This drop especially occurred in small and mid-sized surface areas, since the market for transactions exceeding 5,000 sqm fared well (-3% only between 2007 and 2008), thanks to global reorganisations of major groups.

Rental income for new or restructured buildings decreased by 2% in 2008 on average throughout Ile-de-France. As for average office rent, it remained unchanged at € 243/sqm/year excluding VAT and charges. However, this trend varies depending on location and inventory level, especially high-quality inventory present in the area. Sales discounts increased, reaching between 1 to 2 months' discount per year of firm commitment at the end of 2008.

La Défense is one of the sectors faring the best in 2008. In fact, take-up remained unchanged compared to 2007. Immediate supply dropped by 18% following the leasing of numerous large offerings (Tour T1, B, etc.). However, in view of financing difficulties, the postponement of projects could entail a significant slackening over coming years. Take-up could then be affected not by lack of demand, but by the absence of supply meeting users' needs. The valuations of new or restructured buildings have remained unchanged overall, with rent reaching € 480/sqm/year excluding VAT or charges on average in the area.

The office market in the regions

Note: Breakdown based on a sampling of 15 regional cities (list provided hereafter).
Provisional 2008 data as at 30 January 2009.

Summary table

	2007	2008	Change
Take-up	1,400,000 m ²	1,200,000 m ²	-17%
New portion	44%	52%	+8 points
Immediate supply	1,300,000 m ²	1,700,000 m ²	+29%
New portion	23%	30%	+7 points
Certain future supply	700,000 m ²	600,000 m ²	-14%
"Prime" rent	€250	€250	Unchanged
Average rent	€163	€172	+5.5%

* Sample of 15 major cities

Source CB Richard Ellis

The impact of the crisis was felt in the regions as quickly as in Ile-de-France and with the same intensity. Thus, in 2008, the office business in the regions posted a drop of 17%, close to the one recorded in Ile-de-France (-14%). Take-up for 2008 in the regions amounted to 1.2 million sqm versus 1.4 million in 2007.

Locally, the markets experienced a 10 to 30% contraction in their business, returning to take-up near that of the years prior to 2006. In turn, the newly built office portion grew further and went from 44% in 2007 to 52% in 2008.

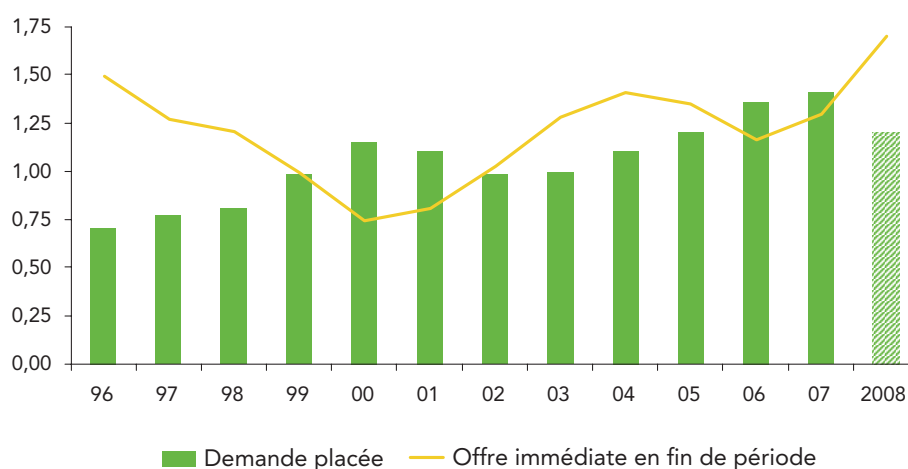
Some markets suffered less from the crisis, especially those equipped with new supply suited to user needs and constraints.

On 31 December 2008, immediate supply reached 1.7 million sqm i.e. an increase of 29% in 2008. The new supply portion grew strongly, going from 22% to 30% in one year. This change resulted from a renovation effort for the past 2 or 3 years in the regions.

"Prime" rent in the regions remained unchanged at € 250/sqm/year excluding VAT and charges. However, it has trended upward in several markets (+20% in Aix-en-Provence/Marseille, +11% in Lille, +10% in Nice/Sophia-Antipolis, +5% in Strasbourg, etc.). The average rent also increased, going from €163 to €167/sqm/year excluding VAT and charges in one year, especially due to the increasing share of new buildings take-up.

Change in office immediate supply and take-up in regions*

(In millions of m²)

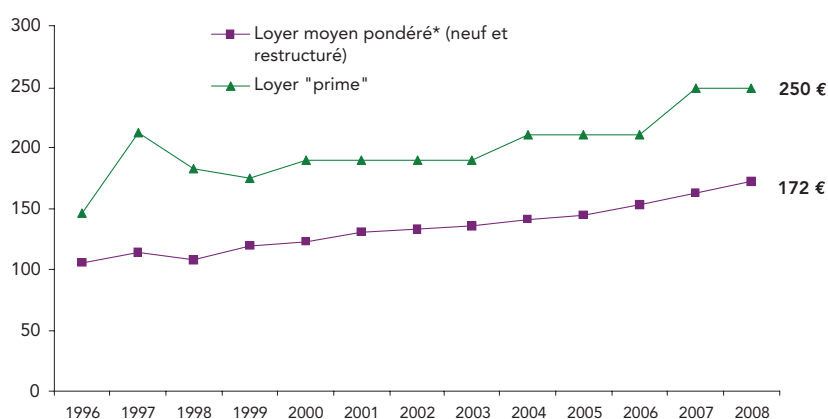


* Sample of 15 major cities

Source CB Richard Ellis

Change in "prime" and average rent in regions*

(In € excluding VAT and charges /sqm/year)



* Sample of 15 major cities
Source CB Richard Ellis

→ **CBRE sample of 15 major regional cities:** Aix-en-Provence / Marseille / Nice / Sophia-Antipolis / Lyon / Lille / Bordeaux / Nantes / Strasbourg / Grenoble / Rouen / Metz / Montpellier / Clermont-Ferrand / Rennes / Orléans / Toulouse

The Office Investment Market in France

Summary table

	Ile-de-France			Regions		
	2007	2008	Change	2007	2008	Change
Commitments	17,763 M €	7,868 M €	-56%	2,013 M €	1,744 M €	-13%
Foreign	12,654 M €	3,765 M €	-70%	1,232 M €	860 M €	-30%
Local	5,109 M €	4,102 M €	-20%	781 M €	884 M €	+13%
"Prime" yield rate	4.00%	5.75%	+175 pb	5.10%	6.85%	+175 pb

Source CB Richard Ellis and

In 2008, € 9.8 billion were traded on the French office investment market, a sharp drop compared to the 2006 and 2007 records (-55% over one year). After a significant slowdown beginning in early 2008, the distribution of credit practically stopped as of 15 September and the failure of Lehman Brothers.

The growing difficulty in financing transactions of a certain amount (more expensive credit, increased equity requirements, and almost systematic recourse to bank syndication) explains the plunge in investment volumes to a great extent. This tightening of credit first affected the best valued locations, where market values and thus unit amounts were higher. Thus, the correction in Ile-de-France (€7.9 billion in transactions) was stronger. In the regions (€1.7 billion in commitments), where cyclical effects are usually muted, the slowdown manifested itself more belatedly and was less pronounced.

It is to be noted that the market was especially supported by the return of traditional investors (real estate investment partnerships or SCPIs, equity investors, life insurance companies, and Individuals) more present in mid-sized unit transactions.

Change in Rental Income

1. Consolidated rental income

France Office	Rental income (€ millions)			Constant scope
	2007	2008	%	%
France Télécom	183.8	179.2	-2.5%	4.9%
EDF	33.6	31.5	-6.3%	5.8%
Other offices*	64.8	62.5	-3.6%	7.4%
Total	282.2	273.2	-3.2%	5.5%

* Of which rental income on holds held by FDR, i.e. € 4.4 million in 2007 and € 4.5 million in 2008

The change in rental income of - € 9 million between 2007 and 2008 was primarily due to:

- the change in rental income on a like-for-like basis: +€ 9.8 million
- the vacating by GAN of CB 21: -€ 5 million
- Disposals for 2007 (full-year effect) and 2008: -€22.6 million
- Acquisitions: +€ 8.8 million.

2. Annualised rental income

France Office	2008 annualised rent (€ millions)*	%
France Télécom	156.6	62.9%
EDF	36.4	14.6%
Other offices	56.0	22.5%
Total	249.0	100.0%
Potential reversion	-5%	

* spot annualised rental income at 31/12/08

Approximately 80% of the rental income is paid by major companies, such as France Telecom and EDF.

3. 2008 leasing business: main/principal achievements

Despite a difficult scenario, the leasing business experienced significant successes in 2008, including:

- 10,000 sqm in Levallois, leased to Hachette under a firm 4 ½ year lease at € 410/sqm
- 4,100 sqm leased in Puteaux to Bourjois, which asset underwent heavy restructuring and was leased on delivery under a fixed-term 6 ½ year lease at € 375/sqm
- 2,400 sqm in Paris 15th arrondissement leased to an administration under a 6-year lease at € 445 /sqm
- 1,900 sqm entirely restructured in Strasbourg, leased to 3 tenants at € 190 /sqm
- 1,300 sqm in Bordeaux, leased to the Mayor's Office under a 12-year civil lease at € 120/sqm
- 1 200 sqm in Fontenay-sous-Bois, leased to BNP Paribas at € 225/sqm

Overall, during 2008, approximately 30,000 sqm were leased, accounting for full-year rental income of over € 8.8 million.

The partnership with our major tenants was also particularly strong in 2008, allowing for increasing the certainty of rental flows:

With France Telecom: renegotiation involving 97 assets for total annualised rent of € 37 million with 6- to 12-year extensions on € 31 million, with the other assets being subject to modification of the revision index (50% ICC / 50% IPC).

With EDF: lease extension in exchange for a discount on 3 sites for annualised total income of € 3.1 million.

In addition, approximately 60% of our leases have a 1% floor on indexation.

4. Expiry date and Vacancy

a. Lease expiry date

France Office rental income by the expiry date of firm leases in progress is broken down as follows:

France Office	Lease payment schedule*	
	By lease expiry date	As % of total
2009	17.8	7.1%
2010	35.5	14.3%
2011	85.4	34.3%
2012	46.6	18.7%
2013	8.1	3.2%
2014	18.9	7.6%
2015	0.8	0.3%
2016	9.2	3.7%
2017	17.8	7.2%
2018	0.0	0.0%
2019	0.0	0.0%
Beyond	8.8	3.5%
€ millions	249.0	100%

* Based on 2008 annualised rental income

The not renegotiated EDF leases will expire in 2010. Concerning the France Telecom assets, these range particularly between 2011 and 2012.

The average residual lease is thus 3.7 years in the France office sector, as opposed to almost 3.5 years in 2007.

b. Vacancy rate and type

France Office	Vacancy at 31/12/2008 as %*	
	2008	2007
France Télécom	0.1%	0.0%
EDF	0.0%	0.0%
Other offices	3.5%	1.5%
Total	0.9%	0.3%

* spot financial vacancy at 31/12/08

Spot financial vacancy at 31/12/2008 reached 0.9%, i.e. an increase of 0.6 points compared to 31/12/2007.

The change may be mainly explained by the acquisition of the Eiffage portfolio (approximately 13,000 unoccupied upon acquisition out of 190,000 sqm).

Principal vacant surface areas:

- 7,880 sqm vacancy in Diors, near Châteauroux
- 2,875 sqm vacant in St Ouen
- 1,850 sqm vacant in Strasbourg

Portfolio

1. Disposals

France Office (€ millions)	Sale			%
	Sales	Agreements	Total	
France Télécom	338	22	361	49.5%
EDF	40	0	40	5.5%
Other Offices*	309	18	327	45.0%
TOTAL	687	41	728	100.0%

* of which € 95 million in disposals of a 49% interest in Shopping Centres

In 2008, Foncière des Régions disposed of approximately € 687 million (excluding transfer duties) of assets in France.

These sales made for overall capital gains of € 21 million, i.e. 3.1% compared to the appraisal values at 31/12/2007. They were realised with a yield 7.1%, a return lower than the average rate on France Office Assets.

Two significant transactions are to be noted:

- Following the signing of agreements with France Telecom which occurred in 2008, Foncière des Régions disposed of € 244 million in assets to France Telecom. In addition, the signing of new leases on part of the assets allowed Foncière des Régions to dispose of € 95 million in assets to a non-listed open-ended Fund (OPCI) managed by BNP Reim. Foncière des Régions holds 27% of this OPCI and handles its lease management.
- Foncière des Régions sold the PB22/23 complex to Groupama, 18,300 m² office asset located in La Défense for an amount of €126.5 million (4.75% yield).

2. Acquisitions

France Office (€ millions)	2008 Acquisitions		
	Purchase price	Impact on 2008 rental income	Capitalisation rate
Eiffage	101.4	8.6	9.5%
ETDE	7.6	0.2	9.5%
TOTAL	109.0	8.8	9.5%

Foncière des Régions made two sell and lease back transactions in 2008 as part of its partnership policy, for a total amount of € 109 million (transfer duties included):

- a portfolio of 190,000 sqm valued at € 101.4 million at a yield of 9.5%. Of this portfolio, 75% is comprised of offices and business parks leased to Eiffage under firm 9-year leases. The remainder consists of offices let to third parties. Approximately one third is located in Ile-de-France, with the balance in the regions.
- An ETDE portfolio (electricity and maintenance subsidiary of Bouygues Construction): 18 Office/Business parks for 16,000 sqm with a value of € 7.6 million at a yield of 9.5%. ETDE will continue to occupy approximately 80% by value of these buildings under firm 6-year leases.

3. Development Projects

a. Asset deliveries

Three assets were delivered during the period:

1/ DS Campus, on 30 June, world headquarters of the software publisher Dassault Systèmes. This development, which includes 4 buildings for 60,000 sqm, represents an investment of approximately € 210 million made in partnership with MSREF. Dassault Systèmes occupies these locations under a firm 12-year lease.

This site has additional development potential due to significant residual constructability. An agreement was obtained for the development of 120,000 sqm out of the total site. *This asset owned 50-50 with MSREF is equity consolidated on the balance sheet.*

2/ Strasbourg

Delivery in April of 2,900 sqm of offices and 900 sqm of a town-house on Avenue de la Paix in Strasbourg. These office buildings underwent heavy restructuring and were leased to three tenants under firm 6-year leases. The balance is in the process of being marketed. Construction cost: € 6.5 million.

3/ Puteaux

Delivery of a renovated 4,000 m² office building in Puteaux. This building is leased under a firm 6-year lease to the headquarters of Bourjois, starting from 1 June 2008.

b. Assets in the process of development

France Office (€ millions)	Principal projects under development				
	Work budget	Delivery date	Group share (%)	Book value at 31/12/08	Surface area in sqm
CB21	120	June-10	100.0%	400	67,000
Carré Suffren	68	2009	60.0%	162	25,000
TOTAL	188			562	92,000

- Following the acquisition of CB 21 in La Défense, in July 2007, a lease was signed in February 2009 with Suez Environnement for 60% of the surface area under a firm long lease (10 years and 3 months). The total rent amounts to € 20.2 million, i.e. € 510/sqm. The delivery of 12 floors to Suez Environnement is planned for Q4 2009, followed by the entirety of the surface area by late June 2010. The remaining surface areas are in the process of being marketed.
- Carré Suffren in the 15th arrondissement in Paris, 60%-owned in partnership with Prédica: planned delivery in Q2 2009 of an entirely restructured 25,000 sqm office building near the Eiffel Tower. The works budget amounts to € 68 million, of which € 44 million were already disbursed as of 31/12/08. This property is comprised of three buildings of 10 – 14 storeys arranged around a central garden.

4. Asset valuation

a. Change in assets from 2007/2008

France Office (€ millions)	Change in absolute value					Value excl. TD 31/12/08	Yield 31/12/08
	Value excl. TD 31/12/07	Change in value	Acquisitions	Disposals*	Investments**		
France Télécom	2,366	-111	0	-330	0	1,925	8.1%
EDF	448	-4	0	-41	0	402	9.0%
Other Offices	889	-11	103	-169	0	813	7.5%
Assets under development	694	-124	0	0	57	627	na
France Office	4,397	-250	103	-540	57	3,766	8.1%

* excluding disposal of VUC and Almacie shares for € 95 million

** Work and carrying cost

France Office (€ millions)	Geographic breakdown	
	Value excl. TD 31/12/08	%
Paris	1,296.8	34.4%
IDF	1,286.1	34.1%
Regions	1,183.1	31.4%
France Office	3,766.0	100.0%

At 31-12-2008, the assets were valued at € 3,693 million on the Foncière des Régions balance sheet, i.e.:

- € 3,106 million in investment properties and properties intended for sale, posted at the appraisal value,
- € 636 million in operating assets and investments in progress, primarily the different sites dedicated to personnel (€ 47 million), as well as the CB21 project (€ 400 million) and the Carré Suffren one (€ 162 million), both valued at historical cost.

b. Change on a like-for-like basis

France Office (€ millions)	Value excl. TD 31-12-08	Change in assets like-for-like basis					
		Change 12 mos.	Rent effect 12 mos.	Rate effect 12 mos.	Yld excl. TD 31/12/07	Yield excl. TD 31/12/08	Change in bps
France Télécom	1,925.4	-5.4%	+4.2%	-9.6%	7.4%	8.1%	73 bps
EDF	402.0	-1.1%	+8.8%	-9.9%	8.2%	9.0%	82 bps
Other Offices	812.6	-4.7%	+5.2%	-9.9%	6.9%	7.6%	66 bps
France Office	3,139.9	-4.6%	+5.1%	-9.7%	7.4%	8.1%	73 bps

Note: excluding assets under development

On a like-for-like basis, the value of the France Office assets has decreased by 4.6%, with the weakening of capitalisation rates by -9.7% being partially offset by a positive change of 5.1% in rental income.

The change in the France Telecom assets is due primarily to:

- the rent effect brought about by 2008 indexing
- the lease extensions signed (6 years and 12 years) with France Telecom under the partnership arrangement on approximately € 37 million in rental income
- assets with already high yields on which the rate increase has a more limited impact

The change in the EDF assets can be explained by:

- the indexing of rent at 8.85%
- an increase in yield rates on some assets whose visibility is limited beyond the firm period (2010)

Concerning other offices, with more varied types of leases, the change is due to:

- rents increasing due to re-leasing and indexing
- yield on this type of asset that continues to increase particularly driven by a few transactions in respect of comparable assets

b. Italy Office

Founded in 1904 and listed on the Milan Stock Exchange since 1999, Beni Stabili is among the top Italian listed real estate companies. The portfolio of Beni Stabili is comprised primarily of offices (88%) located in cities in North and Central Italy, especially Milan and Rome (50%).

2008 market description

The economic impact of the world financial crisis was more measured in Italy's real estate markets than in other European countries. However, as in other countries, foreign investments in Italy were less numerous, and the total amount for 2008 contracted by 21% compared to 2007 and reached € 8 billion.

In the economic scenario experienced, demand continued to be sustained by the search for savings and the rationalisation of surface areas. The trend has been characteristic in particular of international companies, service companies and financial firms.

The Milan rental market

The level of take-up in Milan in 2008 was slightly higher than the 2007 level with a little over 350,000 sqm marketed, being mainly located in the business district. Immediate supply dropped slightly with a vacancy rate reaching around 5.5% at the end of 2008.

Quality supply is rare in the Milan central business district, and projects are located mostly on the outskirts. At the end of 2008, approximately 270,000 sqm were in the course of construction out of the overall conurbation with delivery expected during 2009.

Therefore, no sign of oversupply is to be feared in the Milan region overall.

Values remained unchanged at around € 550/sqm/year excluding VAT and charges on average for new surface areas. However, the strong demand in the Milanese business district, together with the scarcity of quality projects, has prompted an increase in rents in these sectors, which could reach € 600/sqm/year excluding VAT and charges.

The Rome rental market

As in the Milan market, take-up remained unchanged between 2007 and 2008 at around 260,000 sqm. The public sector again had an important role in the surface areas marketed. The transactions essentially involved new sites.

Incidentally, the available supply contracted slightly, and the portion of quality surface areas decreased. However, future developments should allow the Roman market to offer businesses buildings at international standards.

In general, the market is fluid, with supply meeting demand.

Values remained unchanged, ranging from € 400 to € 500/sqm/year excluding VAT and charges for new locations. However, some peaks can be observed at € 600/sqm/year excluding VAT and charges in Rome's central business district.

Change in Rental Income

1. Rental Income

Italy Office	Rental income (€ millions)		
	2007	2008	%
Long-term Portfolio	154.9	166.5	7.5%
Dynamic Portfolio	53.8	44.3	-17.6%
Subtotal	208.7	210.8	1.0%
Development Portfolio	3.3	2.0	-40.0%
Total	212.0	212.8	0.4%

The change in rental income between 2007 and 2008 of + € 0.8 million is primarily due to:

- the renegotiation of several contracts for € 1.6 million,
- rent indexing for + € 2.5 million,
- 2007 acquisitions for + € 5.2 million: acquisition of FIP portfolio (+ € 4.7 million) and of one asset located in Turin at the end of Q1 2007 (+ € 0.5 million),
- 2008 acquisitions for + € 1 million: acquisition of shopping centre located in Beinasco (Turin),
- vacancies and rent renegotiations having an impact of - € 5.9 million,
- asset disposals with an impact of - € 3.5 million.

2. Annualised rental income

Italy Office	2007 annualised rent (€ millions)	2008 annualised rent (€ millions)*	Change at constant scope
Long-term Portfolio	162.1	176.8	3.5%
Dynamic Portfolio	55.1	39.6	0.9%
Development Portfolio	2.0	1.2	-0.8%
Total	219.2	217.6	3.0%

* spot annualised rental income at 31/12/08

The 2008 annualised income decreased by € 1.6 million compared to 2007. This decrease is due to:

- 2008 acquisitions for + € 2.7 million,
- re-rentals and step-ups for + € 3.2 million,
- indexing for + € 4.4 million,

- vacating of assets with an impact of - € 5.8 million (of which € 4.5 million related to assets intended for sale being vacated and of € 1.4 million assets to be re-let),
- asset disposals with an impact of - € 6.1 million on rental income.

Telecom Italia accounts for 57% of the annualised rental income and Banca Intesa 12%.

3. Leasing business

In 2008 :

- 19 new lease agreements were signed for annual rental income of € 3 million, of which € 2.8 million and € 0.2 million concern subsequent years and 14,750 sqm.
- 11 leases were renegotiated for annual total rent of € 4.1 million.

4. Expiry Schedule and Vacancy

a. Lease expiry schedule

Italy Office rental income by the expiry date of the firm leases in progress is broken down as follows:

Italy Office	Lease Maturity Schedule*	
	By lease expiry date	As % of total
2009	4.55	2.1%
2010	10.05	4.6%
2011	29.54	13.6%
2012	7.52	3.5%
2013	15.68	7.2%
2014	11.24	5.2%
2015	0.86	0.4%
2016	2.08	1.0%
2017	2.93	1.3%
2018	0.04	0.0%
2019	7.08	3.3%
Beyond	125.97	57.9%
€ millions	217.6	100.0%

*Based on 2008 annualised rental income

Leases expiring later than 2019 relate to Telecom Italia leases expiring in 2021 for € 125 million in annualised rental income.

The average residual lease term thus reaches 9.4 years in the Italy office sector, as compared to 10.1 years in 2007.

b. Vacancy rate and type

Spot financial vacancy at 31/12/2008 stood at 2.4% for the long-term portfolio and was unchanged compared to 31/12/2007.

Italy Office	Physical vacancy	
	2008	2007
Long-term Portfolio	1.6 %	1.3 %
Dynamic Portfolio	12.5 %	35.8 %
Development Portfolio	69.6 %	90.2 %
Total	12.1 %	14.9 %

The increase in physical vacancy in the Dynamic Portfolio is due to the actions implemented by Beni Stabili (the vacating of some assets, including Cavallotti and Matteotti in Milan) to facilitate disposals.

Portfolio

1. Disposals

Italy Office (€ millions)	Sale price	Sale Agreements	Total
TOTAL	238.2	147.5	385.7

In 2008, Beni Stabili disposed of 16 assets for € 238 million. This disposal level is in line with Beni Stabili's strategy of maximising the profitability of its portfolio by taking asset quality and performance into account. The average yield on the assets sold reached 1.7 %.

These assets under agreement at 31/12/2008 amounted to € 147 million and concern the following sales :

- Milan – Corso Matteotti : planned sale in December 2009 for € 120 million.
- Monza – Via Cavallotti : planned sale in October 2009 for € 11 million.
- Rome – Via Sicilia : planned sale in June 2009 for € 16 million.

The capital gains made compared to the appraisal values at 31/12/2007 on the 2008 sales and promises amounted to € 58 million, i.e. 16,7%.

2. Acquisitions

Italy Office (€ millions)	2008 Acquisitions		
	Purchase price	Group share	Rate of capitalisation
Beinasco - Le Fornaci	42.6	50%	5.7%
Mi - Via Verri	29.1	100%	5.4%
MI - Via Schievano	23.9	80%	—
TOTAL	95.6		

Description of 2008 main acquisitions :

- In January, Beni Stabili acquired the property located in Milan in Via Verri for € 29.1 million. This commercial-use property is fully leased.
- In April, Beni Stabili acquired the shopping centre located in Beinasco (Turin) for € 42.6 million (100 % of the property). This acquisition was made by the RGD Joint Venture (50 % Beni Stabili and 50% Immobiliare Grande Distribuzione). This asset is consolidated by the proportional method.
- Via Schievano: acquisition of land in Milan for development.

3. Development Projects

a. Assets under Development

Italy Office (€ millions)	Principal projects under development			
	Initial investment (appraisal value) + capex budget	Delivery date	% Beni Stabili	Surface area in sqm
Development Portfolio				
MI – Rozzano	31	Dec. 09	100.0%	11,628
MI – Garibaldi	93	Dec. 09	100.0%	16,181
MI – Ripamonti	209	Jun. 13	80.0%	57,914
MI – Schievano	77	Jun. 13	80.0%	21,292
MI – Galleria del Corso 4	87	Apr. 11	100.0%	5,750
MI – Via Elio Vittorini	NA	Jun. 12	100.0%	29,000
PD – Via Zabarella	47	Jun. 12	100.0%	8,281
Long-term and Dynamic Portfolio				
MI – Fogazzaro	3	Feb. 09	100.0%	1,000
TO – Marconi 20	43	Jun. 10	42.5%	16,896
TO – Marconi 10	29	Jun. 09	42.5%	17,169
TO – Via Caraglio	157	Dec. 15	42.5%	58,399
TO – C.so Dante	109	Sept. 13	42.5%	33,960
TOTAL	886			277,470

The book value of the assets under development amounts to € 302 million and increased by € 70 million in 2008 due to:

- the acquisition of the Schievano property for € 23.9 million,
- work performed and other costs for € 20.4 million,
- transfer of assets for € 33.2 million,
- write-down for € 7.1 million.

The principal projects include:

- Milan-Rozzano: restructuring of the existing property was 30% completed at 31 December 2008,
- Milan-Garibaldi: Heavy restructuring of the Garibaldi Tower near the Milan train station. The operation was 20% completed at 31 December 2008,

4. Asset valuation

a. Portfolio

Italy Office (€ millions)	In absolute value		
	Value excl. TD 31/12/08	%	Yield 31/12/08
Long-term Portfolio	3,102	70.0%	5.7%
Dynamic Portfolio	1,050	23.7%	3.8%
Development Portfolio	278	6.3%	0.4%
Italy Office	4,430	100%	4.9%
Italy Office excluding development			5.2%

b. Change on a like-for-like basis

Italy Office (€ millions)	Value excl. TD 31-12-08	Change in assets like-for-like basis					Change in bps
		Change 12 yty	Rent effect 12 yty	Rate effect 12 yty	Yield excl. TD 31/12/07	Yield excl. TD 31/12/08	
Long-term Portfolio	3,102.0	+0.1%	+3.5%	-3.4%	5.5%	5.7%	19 bps
Dynamic Portfolio	1,050.1	+1.2%	+0.9%	+0.3%	3.9%	3.9%	-1 bps
Development Portfolio	278.2	-4.7%	-0.8%	-3.9%	0.5%	0.5%	2 bps
Italy Office	4,430.3	+0.1%	+3.0%	-2.9%	4.9%	5.0%	14 bps
Italy Office excluding development	4,152.1	+0.4%	+3.0%	-2.6%	5.1%	5.3%	14 bps

The Beni Stabili portfolio value increased by +0.1% on a like-for-like basis.

c. Residential (France and Germany)

Foncière Développement Logements, 38.2%-owned by Foncière des Régions, is a listed real estate investment company (SIIC) specialised in the ownership of residential properties, present in France and in Germany.

Market

1. France Market

a. Trend

After a long growth period, followed by a time of deceleration in residential real estate prices beginning in 2005, a new real estate cycle has now been underway since mid-2008.

b. The existing market

Prices for existing homes, all properties in aggregate, have seen a slowdown in growth since 2005. This slowdown was initially felt in a decrease in sales volumes with a contraction of approximately 15% during the first three quarters of 2008 compared to the first three quarters of 2007¹. Reaching € 2,862/m² on average, sale prices to individuals subsequently increased, though still in a moderate manner. In fact, following a lengthening of time periods for negotiations and a divergence between sale price and face value, prices for existing homes (all properties in aggregate) saw an annual change of -3.1% in December 2008, of which -1.2% was for flats³.

c. The investment market

France is perceived today as a "core" market in Europe for foreign investors (medium- to long-term funds), and many investment decisions are anticipated for 2009. Different French and foreign funds or operators with financing capabilities are showing interest in residential properties or portfolios offered on the market (existing, as not yet completed). After a period of market adjustment, foreign investors in France should represent a significant support for residential market maintenance and redevelopment.

d. The rental market

In the context of a deteriorating residential investment market, the 2008 rental market benefited from households deferring their purchase plans and turning to properties for rent. An upward pressure on rent prices, which posted an annual change of +2.7% between the end of 2007 and the end of 2008 (as opposed to +0.7% during the previous period), has thus been observed, primarily in historically tight areas (major cities). The average annual rent for an existing apartment reached € 12.70/sqm, in France, in Q4 2008 (source: FNAIM).

¹ Source : Crédit Agricole

² Source : CBRE

³ Source FNAIM (December 2008)

2. The German market

a. Trends

The financial crisis, and more specifically the liquidity crisis deriving from it, the major effects of which were felt in H2 2007, came to upset the economic growth that had lasted since the beginning of 2006 and helped slow the investment market across the Rhine, previously characterised by arbitrages of portfolios of considerable size.

Essentially affecting investment funds and other foreign institutions, and with the exception of the "LEG" transaction made in H2 2008 involving approximately 90,000 homes, large-scale transactions now seem limited. Sales volumes among investors in the residential sector thus decreased by 57% in 2008, and only relatively small transactions (less than 2,500 homes) were completed in recent months.

These latter post a slightly increased yield for the residential sector, the segment nevertheless being spared the most by the rate hike seen on the market during the course of this year.

b. New and existing residential market

Even though the German real estate market is generally strongly influenced by the economic and financial scenario, only a relatively limited impact is noted on prices of properties for sale to individuals.

c. The rental market

The German rental market is also very heterogeneous. Depending on the city, rent prices have undergone very various changes during recent years. Rents in the major cities in the West have increased moderately in response to growing demand. The regions in the East, on the other hand, are suffering from an oversupply of properties, helping to keep rents at low levels. During 2008, the German rental market posted good performance overall: according to a recent study⁴, rent prices for lease renewals in the residential sector increased by +2.2% on average in 2008 in the country overall.

In the Ruhr region, rental rates ranged from € 4.50/m² to € 5.75/m² on average depending both on trends noted in the micro-markets to which they belong, as well as on the intrinsic quality of the properties.

Changes in rental income

1. 2007/2008 Rental Income

FDL (€ millions)	Rental income			Constant scope
	2007	2008	%	%
France	32	47	48.9%	3.4%
Germany	156	165	5.8%	3.0%
Total	188	213	13.1%	3.1%

Annualised rental income of the Gewo portfolio representing a total of € 7 million in rental income posted at 100% (73,6%-owned)

Foncière Développement Logements generated € 212.6 million in rental income in 2008, compared to € 187.9 million in 2007. This change takes the following into account:

- the full-year impact of the development transactions made during 2007: + € 22.2 million
- disposals made during 2008: -€ 2.2 million
- development operations delivered during 2008: + € 0.1 million
- the change in rental income on a like-for-like basis: + € 4.5 million

⁴ BulwienGesa Firm specialising in real estate benchmarking

2. Annualised rental income

FDL (€ millions)	2008		Sqm	Number of assets
	annualised rent	%		
France	46	22%	326,359	3,915
Germany*	165	78%	2,934,335	45,249
Total	211		3,260,694	49,164

*Annualised rental income of the Gewo portfolio representing a total of € 7 million in rental income posted at 100 % (73.6%-owned)

The annualised rental income at 31 December 2008 amounted to € 211 million. On a like-for-like basis, this rental income increased by 3.4% in France and by 3% in Germany; this change resulted in particular from rental income from re-rentals and from the optimisation of property occupancy rates.

3. Physical vacancy

FDL consequently enjoyed a low vacancy rate at 31 December 2008 both in France, as well as across the Rhine.

FDL	2007	2008
France	3.8%	2.9%
Germany	4.4%	3.8%

Portfolio

1. Disposals

FDL (€ millions)	Sale price	Margin on sales	Sale agreements	Total
France	77	11%	9	86
Germany	70	21%	6	76
TOTAL	147	16%	15	163

At 31 December 2008, the proceeds from sales made in France and Germany amounted to € 147 million⁵. After including preliminary sales agreements, this amount reaches € 163 million, i.e. an increase of +42% compared to 31 December 2007.

Sales were made at margin levels that were 16% higher than appraisal values (overall) at the end of 2007 and amounted respectively to 11% (in France) and 21% (in Germany).

As a long-term residential operator, FDL follows a measured asset rotation policy. The assets disposed of during 2008 accounted for 3.5% of its total portfolio in value⁶.

The nature of its buyers is broken down as follows:

- individuals and renters : 49%
- government and corporate investors : 18%
- other institutional investors : 33%

2. Acquisitions

FDL (€ millions)	Acquisitions 2008		
	Book amount at 31/12/08	Impact on 2008 rent	Capitalisation rate yield
Villeneuve d'Ornon	10.2	0.12	4.70%

⁵ Including disposal for 21 million in Germany not included in the financial statements

⁶ For overall valuation excluding transfer fees as at 31.12.2007

Following the signing of a pre-construction (VEFA) transaction in Villenave-d'Ornon in the Bordeaux region, 63 flats were delivered on 1 September 2008. This investment, in the amount of € 10.2 million, generated € 118,000 in rental income for 2008.

3. Development Projects

FDL (€ millions)	Principal projects under development			
	Total budget	Delivery date	Book amount at 31/12/08	Number of housing units
Manosque (PACA)	7.8	June-09	2.3	45
Lyon 6ème	10.9	Nov-09	7.3	40
TOTAL	18.7		9.5	85

Foncière Développement Logements is expecting the delivery in June and November 2009 of 85 homes purchased in pre-construction (VEFA)⁷ in Manosque (PACA region) and in Lyon. The overall amount of these investments reaches € 18.7 million.

4. Asset Valuation

a. Change in assets

FDL (€ millions)	Change in absolute value					
	Value excl. TD 31/12/07	Change in value	Acquisitions	Disposals	Value excl. TD 31/12/08	Yield excl. 31/12/08
France	1,072.6	9.2	10.2	69.4	1,022.6	4.5%
Germany	2,647.6	-156.4	0.0	57.8	2,433.5*	6.8%
Total FDL	3,720.2	-147.2	10.2	127.1	3,456.1	6.1%

* of which Gewo (assets of € 104 million) 73.4%-owned and included 100%

* including disposal of € 21 million in Germany not included in the financial statements

At 31 December 2008, the FDL portfolio was valued overall at € 3.4 billion⁸ excluding transfer duties, broken down between France and Germany⁹. The projects under development are posted on the balance sheet as investments in progress at their acquisition cost in the amount of € 9.5 million.

b. Geographical breakdown

The assets are located in France and in Germany

FDL (€ millions)	Geographic breakdown	
	Value excl. 31/12/08	%
France	1,022.6	30%
Germany	2,433.5	70%
FDL	3,456.1	100%

⁷ Vente en l'Etat Futur d'Achèvement

⁸ After deducting the value of the property disposed of in Germany

⁹ Including a tertiary property in Luxembourg

c. On a like-for-like basis

FDL (€ millions)	Value excl. TD 31-12-08	Change in assets like-for-like basis					
		Change 12 mos.	Rent effect 12 mos.	Rate effect 12 mos.	Yield excl. TD 31/12/07	Yield excl. TD 31/12/08	Change in bps
France	1,022.6	+0.9%	+3.4%	-2.5%	4.4%	4.5%	11 bps
Germany	2,433.5	-6.1%	+2.9%	-9.0%	6.2%	6.8%	60 bps
FDL	3,456,1*	-4.1%	+3.0%	-7.2%	5.6%	6.1%	51 bps

* including disposal of € 21 million in Germany not included in the financial statements

On a like-for-like basis, the overall value excluding transfer duties of the properties held by FDL decreased by 4%, of which -2% was in H2 2008:

- The assets held by FDL in France, valued overall at € 1,022.6 million excluding transfer duties, grew by 0.9%. This change was essentially due to a significant increase in rental income of 3.4% on a like-for-like basis, offsetting an increase in the capitalisation rate of 11bps.
- In Germany, on the other hand, the increase in rental income at constant scope of +3.0% did not offset a more significant rate increase of + 60bps. Valued overall at € 2,433.5 million excluding transfer duties, the properties held by FDL across the Rhine saw a decrease in their value at on a like-for-like basis -6.1% in one year.

The change in the fair value of the investment properties thus generated a charge of € 181 million, i.e. € 185.8 million in Germany and + € 4.6 million in France.

The breakdown of the value of the properties held by FDL in France at 31.12.2008 was 19% in Paris, 42% in Ile-de-France and 39% in regional major cities.

d. Business Premises

Foncière des Murs, 29%-owned by Foncière des Régions, is a Listed Real Estate Investment Company (SIIC) specialised in business premises especially in the hotel, restaurant, health and leisure sectors.

The company's investment policy gives preference to partnerships with leading partners in their business sector, in order to offer shareholders recurring yields.

Market

1. Hotel sector

For several years, the hotel sector underwent a sustained outsourcing phase. The major worldwide hotel groups, betting on future developments in their businesses, preferred to divest in order to focus on their core business. The deterioration in the economic environment helped to slow outsourcing transactions in the hotel sector in 2008. However, the volume of hotel occupancy in 2008 made it a record year: the year ended in a climate of uncertainty, but posted excellent performance overall. In fact, except for high-end hotels, which saw their turnover contracting very slightly compared to 2007, all categories posted gains. This ranged from +2% for RevPar (revenue per room = occupancy rate x average room price) for 1-star hotels to 4% for 2-star establishments.

However, in the context of an economic recession, 2009 should see the bear market in the hotel cycle intensify.

2. Health sector

The health facilities market boasts a solid, ongoing base: an aging population, an increase in the number of dependent elderly and a decrease in the number of potential carers, an ever-greater specificity for these facilities arising on the account of increasing medicalisation of the services offered. This is why, despite the financial and economic crisis, this sector, relatively untouched in terms operating income (occupancy rates remain satisfactory), continues to develop.

3. Commercial Restaurant Sector

Since 2004, commercial restaurants have had a dynamic economic scenario. In fact, the number of meals eaten outside of home increases every year. This increase in business especially benefits restaurant chains, such as Courtepaille or Quick, on account of their networks, their renown and their positioning in terms of price.

4. Leisure Sector

Since 2006 we have been witnessing the success of holiday clubs and villages. The sector's players are profiting from the investments made in recent years to renovate their properties and meet vacationers' new expectations. Pierre&Vacances (Sunparks) and Club Méditerranée villages in particular benefited from this increase in visitor rates.

Furthermore, the increase in free time and the renewed interest in organic products benefit the gardening sector and Jardiland gardening centres in particular.

Change in Rental Income

1. Rental Income

FDM (€ millions)	Rental income			Like-for-like basis	
	2007	2008	%		%
Hotel	117	121	3.8%		2.5%
Health	25	27	10.0%		2.7%
Restaurants	12	26	112.1%		2.2%
Leisure	10	26	155.4%		0.8%
Total	164	200	22.2%		2.4%

The consolidated rental income of Foncière des Murs amounted to € 200.3 million for 2008, an increase of € 36.5 million compared to previous year due to the combined effect of:

- full-year accounting for rental income generated by asset acquisitions made in 2007 for € 30.4 million, and specifically 99 Quick restaurants (+ € 13.2 million), 55 Jardiland garden centres (+ € 8.0 million), and 3 Sunparks holiday villages (+ € 5.7 million);
- the share of rental income resulting from investments made in 2008 reaching the overall amount of € 2.1 million;
- an increase in rental income on a like-for-like basis for a total of € 3.9 million

2. Annualised Rental Income

FDM (€ millions)	2008 annualised rent		Number of assets
		%	
Hotels	123	60%	202
Health	28	14%	62
Restaurants	26	13%	174
Leisure	29	14%	63
Total	206		501

The breakdown of annualised rental income is primarily between Accor (59%), Korian (13%), Quick (9%) and Jardiland (8%).

3. Rental Business

a. Indexing of leases and change of indices

The continuing adjustment of the conditions of the leases signed with its partners enables Foncière des Murs to create value on its properties and maintain the value of its assets, with the following specifically:

- the renewal beyond 2019 (+2 years) of approximately 10% of the Accor leases, accounting for 8.2% of annualised rental income.

- the switch from rent reference index (IRL) to construction cost index (ILC) indexing on the Courtepaille, Quick and Jardiland portfolios. This modification also benefits professionals who believe that the new index better reflects changes in the trade sector and Foncière des Murs, since this new index does not have a ceiling.
- the lengthening of the Club Méditerranée lease for 2 years.

4. Changes in future rental income

FDM	Lease Maturity Schedule	
	by lease expiry date	As % of the total
2009	0.0	0.0%
2010	0.0	0.0%
2011	2.4	1.2%
2012	0.0	0.0%
2013	0.0	0.0%
2014	0.0	0.0%
2015	0.0	0.0%
2016	0.0	0.0%
2017	77.4	37.6%
2018	35.9	17.4%
2019	47.9	23.3%
Beyond	42.2	20.5%
€ millions	205.8	100%

* Based on 2008 annualised rental income

The residual lease term was 9.9 years at 31/12/08 compared to 10.6 years at 31/12/07. This change is due to the renewal of some leases (primarily Accor) and due to taking into account the acquisitions for the year.

Portfolio

1. Acquisitions

In 2008, Foncière des Murs limited its new investments to acquisitions made with its existing partners, for an overall total of € 86 million, broken down as follows:

- with the Korian group: an EHPAD (Elderly Dependent Care Housing Facility) in Sardinia, for the amount of € 9 million and a 51-bed psychiatric clinic located near Dax for € 4 million;
- with the Metha group in Italy: a hotel operated under the Holiday Inn brand in Florence for € 10 million;
- with the Pierre&Vacances group, the fourth holiday village provided for in the 2007 protocol, located in Belgium at Mol for € 42 million;
- with the Quick group, four properties located in Anthy-sur-Léman, Saint-Amand-les-Eaux, Gonesse and Liévin for € 9 million;
- with the Jardiland group, three garden centres located in Tarbes, Queue-en-Brie, and Poinçonnet for € 12 million.

FDM (€ millions)	Purchase price
Hotels	10.2
Health	13.3
Restaurants	8.9
Leisure	53.6
TOTAL	86.0

The acquisitions made in 2008 were made at an average capitalisation rate of 6.4% and contributed for € 2.1 million to rental income for the year.

2. Development Projects

During its acquisition of the Sunparks portfolio, Foncière des Murs concluded a partnership agreement with Pierre&Vacances, which provides for implementing upgrades and renovations at 4 holiday villages.

Likewise, the agreement between Foncière des Murs and the Club Méditerranée SA branch in Portugal provides for implementing renovation works and upgrades at the holiday village in order to be able to rank it in the 4-Trident category.

Overall, the work commitment is € 26.7 million, of which € 7.5 million was already financed at 31 December 2008.

Additional rental income of approximately 6.5% is expected as a result of such works.

3. Valuation of the assets

a. Change in assets

FDM (€ millions)	Change in absolute value					Yield excl. TD 31/12/08
	Value excl. TD 31/12/07	Change in value	Work	Acquisitions	Value excl. TD 31/12/08	
Hotels	1,919	-19	9	10	1,919	6.4%
Health	436	-20	0	14	430	6.5%
Restaurants	427	-27	0	8	408	6.4%
Leisure	423	-11	7	54	473	6.1%
Total	3,205	-77	16	86	3,230	6.4%

The assets of Foncière des Murs went from € 3,205 million to € 3,230 million. The change in value over the year (- € 77 million) was offset by works (€ 16 million) and acquisitions during the year.

b. Geographical distribution

The assets of Foncière des Murs are located in France, Belgium, Italy and Portugal.

FDM (€ millions)	Value excl. TD 31/12/08	%
Paris -Ile de France	1,163	36%
Regions	1,677	52%
Foreign	390	12%
Total	3,230	

c. Change on a like-for-like basis

FDM (€ millions)	Change in assets like-for-like basis						
	Value excl. TD 31-12-08	Change 12 mos.	Rent effect 12 mos.	Rate effect 12 mos.	Yield excl. TD 31/12/07	Yield excl. TD 31/12/08	Change in bps
Hotels	1,919	-0.6%	+3.9%	-4.5%	6.2%	6.4%	24 bps
Health	430	-4.4%	+4.1%	-8.5%	5.9%	6.5%	53 bps
Restaurants	408	-6.3%	+1.9%	-8.2%	5.9%	6.5%	52 bps
Leisure	473	-0.7%	+4.0%	-4.7%	5.9%	6.1%	27 bps
Total	3,230	-1.9%	+3.7%	-5.5%	6.1%	6.4%	32 bps

The breakdown of changes per portfolio is as follows:

- Accor: drop of 0.6% on a like-for-like basis compared to 31/12/07 despite a hotel market that remained up over the year 2008: the turnover realised by the hotels of the portfolio was up by 3.8% compared to 31 December 2007.

- In the Health sector, the drop is primarily due to the reduction in the Korian portfolio (-5.7% over a year) due to the increase in the yield rate used by appraisers.
- In the restaurant sector, the drop is also tied to the increase in yield rates on Courtepaille and Quick assets (+59 bps and +49 bps, respectively).
- In the Leisure sector, the impact of the rise in yield rates was limited by the increase in rental income.

e. Logistics

Foncière Europe Logistique is a Listed Real Estate Investment Company (SIIC), subsidiary of Foncière des Régions specialised in the ownership of logistical and business parks;

The company's investment policy gives preference to seeking partnership with its user clients, institutional investors and developers.

2008 market description

2008 was marked in particular by the need for industries to reorganise all or part of their supply chain. These changes allowed for a significant new take-up level, but at the same time they also caused many premises to be vacated, which, together with deliveries, significantly increased immediate supply. In this context, rental income remained unchanged overall, though masking contradictory changes depending on the geographical area.

For France:

Summary table

	France		Increase	Ile-de-France		Increase
	2007	2008		2007	2008	
Take-up	2,637,900 sqm	2,429,400 sqm	-8%	566,200 sqm	395,600 sqm	-30%
Of which > 50,000 sqm	690,600 sqm	425,000 sqm	-38%	61,600 sqm	0 sqm	N.S.
Immediate supply	1,504,300 sqm	2,296,500 sqm	53%	725,900 sqm	1,073,000 sqm	48%
Projets "en blanc"	758,300 sqm	949 500 sqm	25%	145,400 sqm	188,000 sqm	29%
Projets "en gris"	1,782,700 sqm	3,069 300 sqm	72%	191,100 sqm	400,300 sqm	109%
Average rent +tax/ch./sqmyrr	€45	€45	0%	€51	€49.5	-3%
Class 2 Building A						

NS: Not Significant

Source: CBRE

For Germany:

The logistics sector in Germany continues to be one of the most important in the local economy (3rd) after industry and the automobile sector, with overall net sales of € 205 billion. The market is particularly positioned around major cities, such as Berlin, Hamburg, Düsseldorf, Frankfurt and Munich. However, the logistics sector in Germany is experiencing the same concerns as its European neighbours, and project start-ups slowed sharply in 2008, and programmes are no longer launched "blank" to limit vacancy risks to a minimum.

Implementation criteria are becoming more and more specific for users. In a country where environmental rules are significant, single roadway service is no longer enough for a logistics building. Thus, non-multinodal dated buildings (ceiling height < 10 m, surface are < 10 000 sqm, etc.) can be hard to be leased to the benefit of modern buildings.

Change in Rental Income in 2008

1. Consolidated 2007 / 2008 rental income

Logistics	Rental income (€ millions)		
	2007*	2008	%
France Logistics	21.9	51.4	134.2%
Germany Logistics	1.2	11.7	879.0%
Business parks	7.6	18.1	138.3%
Garonor	7.6	16.4	117.3%
Total	38.3	97.6	154.9%

* Year 2007 over 6 months.

The change in rental income from 2007 to 2008 of € 59.3 million is due to a change of scope and, therefore, is not comparable.

2. Annualised Rental Income

Logistics	2007 annualised rent (M€)	2008 annualised rent (M€)	Number of assets	Change like-for-like basis
France Logistics	51.0	54.5	37	+4.3%
Germany Logistics**	9.7	9.1	8	-6.5%
Business parks	18.0	18.9	4	+4.8%
Garonor	17.2	16.2	1	-2.8%
Total	95.9	98.6	50	+1.5%
Potential reversion		-5%		

** Rental income restated with revenue from construction leases

The change in rental income on a like-for-like basis recognised as received (France Logistics previously held by FDR) amounts to 1.9%.

Breakdown on a like-for-like basis:

- On the logistics segment, the increase in annualised rental income essentially derives from the drop in vacancies of 9,100 m², adjusted by the combined effects of strong positive indexing and the rather negative reversals noted during the year.
- On the German section, the drop is due to the increase of vacancies by over 12,000m², as well as by the downward re-rental of the Kassel property (- € 400,000 in annual rental income)
- On the business park section, the positive reversal over the year, as well as indexing give an increase of +4.8%
- Lastly, on the Garonor section, the drop of 2.8% is due to an increase in vacancy of 14,000 m².

Breakdown in absolute value:

- Disposal of the asset of Metz Tremery: impact of € -0.9 million
- Delivery of project developments in France: impact of € +2.3 million

3. Rental Business

The 2008 rental business was very active with the signing of approximately 293,000 m² in leases, the breakdown of which is the following:

	France Logistics	Germany Logistics	Business	Garonor	TOTAL
Total Entrées 2008*	145,412 sqm	76,603 sqm	11,874 sqm	58,520 sqm	292,409 sqm
Dont Renouvellements	58,480 sqm	60,745 sqm	4,798 sqm	12,681 sqm	136,704 sqm
Dont Nouvelles locations	86,932 sqm	15,858 sqm	7,076 sqm	45,839 sqm	155,705 sqm

The principal transactions were the following :

Renewals	Tenant	Area
Evry les Lisses	Toy's'r'us	27,282
Bingen	NSM Löwen	15,858
Kassel	VW 2	45,033
Newly signed		
Corbas Mérieux	Geodis	14,729
Parc St Witz	CSP	15,704
Corbas 24 Aout	Transport Walter	14,729

Over the year, all of these signings were represented by the following portfolios:

- In logistics: 17% of leases renegotiated or newly signed in 2008, i.e. € 11.1 million in annual rental income
- In business parks: 8% of leases renegotiated or newly signed in 2008, i.e. € 1.5 million in annual rental income
- On Garonor Aulnay: 16.5% of leases renegotiated or newly signed in 2008, i.e. € 3.0 million in annual rental income

During 2008, the 10 largest accounts represented 31% of annualised rental income.

4. Changes in future rental income

a. Lease expiry

The firm residual term of the leases in place is 2,9 years at the end of 2008, compared to 2,8 years at the end of 2008, as compared to 2.5 years at the end of 2007 and offers the following profile:

Logistics	Lease Maturity schedule*	
	By lease expiry date	As % of total
2009	26.2	26.6%
2010	22.5	22.8%
2011	22.6	22.9%
2012	9.9	10.0%
2013	3.1	3.1%
2014	2.3	2.3%
2015	1.7	1.7%
2016	8.9	9.0%
2017	0.7	0.7%
2018	0.3	0.3%
2019	0.5	0.5%
Au-delà	0.0	0.0%
€ millions	98.6	100%

* Based on 2008 annualised rental income

b. Vacancy rate and type

Logistics	Vacancy at 31/12/2008*		Vacancy at 31/12/2007	
	sqm*	%	sqm*	%
France Logistics	99,044	7.0%	108,146	7.7%
Germany Logistics	12,172	6.8%	—	0.0%
Business parks	4,907	2.18%	3,370	1.50%
Garonor	71,461	19.55%	57,314	15.68%
Total	187,584	8.5%	168,830	8.2%

* spot financial vacancy at 31/12/08

* excluding Bollene, Dunkerque and Chalon

Vacancy improved in the logistics portfolio primarily because of new leases. On the other hand, vacancy increased in the Garonor scope primarily due to forced eviction by a significant tenant placed in court-order liquidation.

Portfolio

1. Development plans

a. Deliveries of assets

Foncière Europe Logistique delivered its four major development projects, begun in 2007 at Bollène (30,000 sqm), Dunkerque (22,000 sqm), Corbas (15,000 sqm) and Chalon sur Saône (11,500 sqm).

The Corbas operation delivered in November 2008 is a 15,000 sqm turnkey shipping facility leased by Geodis under a 10-year plan.

The other operations are all covered by lease guarantees totalling over € 2.7 million.

The return on construction cost of all these projects exceeds 8%.

b. Assets in the process of development

On 28 June 2008 FEL signed a CPI for construction of an extension of Building D at the Chalon site on behalf of its tenant Spérian, with the signing of a 9-year firm lease; delivery is scheduled for end-2009 with a yield of approximately 8%.

2. Disposals

One asset sold in 2008 for € 7 million, based on a promise signed in 2007.

3. Asset valuation

a. Change in absolute value of assets

Logistics (€ millions)	Change in absolute value						
	Value excl. TD 31/12/07	Change in value	Disposals	Developments	Value excl. TD 31/12/08	Yield excl. TD 31/12/08	Yield excl. TD 31/12/07
Logistique France	780	-77	-7	27	724	8.1%	7.2%
Logistique Germany	132	-12	0	0	120	8.1%	7.5%
Business premises	241	9	0	0	250	8.6%	8.0%
Garonor	278	-31	0	0	247	8.1%	7.0%
Logistics (€ millions)	1,430	-110	-7	27	1,341	8.2%	7.3%

Note: The Triname asset at Pantin was valued at € 25.8 million, versus € 12.2 million under fixed assets in progress on the financial statements.

Changes in the scope of consolidation during the year were of two kinds:

- Sale of the Metz Tremery asset for € 7 million (excluding transfer duties) in June 2008
- Delivery of the four projects valued at € 52 million at end-2008, including two new ones at Dunkerque and Bollène for € 27 million.

Logistics	Geographic Breakdown	
	Value excl. TD 31/12/08	%
Paris	129	10%
Ile de France	742	55%
France régions	350	26%
Allemagne	120	9%
Logistics	1,341	100%

b. Change on a like-for-like basis

	Value excl. TD 31-12-08	Change in assets on like-for-like basis					
		Change 12 months	Rent effect 12 months	Rate effect 12 months	Yield excl. TD 31/12/07	Yield excl. TD 31/12/08	Change in bps
Logistics							
Logistique France	724	-9.9%	+2.3%	-12.2%	7.2%	8.1%	+95 Bps
Logistique Germany	120	-8.7%	-6.4%	-2.3%	7.5%	8.1%	+63 Bps
Business premises	250	-1.8%	+4.0%	-5.8%	8.0%	8.6%	+59 Bps
Garonor	247	-11.2%	-1.7%	-9.5%	7.0%	8.1%	+111 Bps
Logistics	1,341	-8.7%	+1.0%	-9.7%	7.3%	8.2%	+90 Bps

The overall change in the portfolio was -9%, for which the two most significant adjustments were on Garonor (-11.2%) and Logistics France (-9.9%). After an increase in the values of business parks in the first half of 2008, primarily due to an improved leasing environment, the portfolio corrected itself in the second half and yielded a return of -1.8% for the year.

The lease effect was positive for the year, especially given the indexation effects corrected for the negative reversion of some 11% for logistics properties.

All assets as a whole were valued based on a return of 8.2% at year-end

2. Aspects of analysis of the consolidated activities / Group Share

a. Change in Rental Income

Absolute value

	Consolidated rental income (€ millions)			
	2007	%	2008	%
France Offices				
France Offices	282	32.5%	273	26.9%
Italy Offices	143	16.4%	213	20.9%
Total Offices	425	48.9%	486	47.8%
France Service Sector	164	18.9%	198	19.5%
Italy Service Sector	0	0.0%	2	0.2%
Service Sector	164	18.9%	200	19.7%
France Housing	37	4.2%	47	4.6%
Germany Housing	156	18.0%	165	16.2%
Housing	193	22.2%	212	20.9%
France Logistics	65	7.5%	87	8.5%
Germany Logistics	1	0.1%	12	1.1%
Logistics	66.6	7.7%	98	9.7%
Car Parks	20	2.3%	20	2.0%
Consolidated rental income	868.5	100.0%	1,017	100.0%

Consolidated rental income was up **17%** between 2008 and 2008, largely due to the full-year impacts of the acquisition of Beni Stabili, and acquisitions made by FDM and FEL.

Group share

	Rental Income, Group share (€ millions)				Like-for-like comparison
	2007	%	2008	%	%
France Offices					
France Offices	261	47.9%	273	42.7%	+5.5%
Italy Offices	97	17.8%	155	24.3%	+3.0%
Total Offices	358	65.7%	429	67.0%	+4.6%
France Service Sector	47	8.6%	58	9.0%	+2.4%
Italy Service Sector	0	0.0%	1	0.1%	+2.2%
Service Sector	47	8.6%	58	9.1%	+2.4%
France Housing	17	3.1%	18	2.8%	+3.4%
Germany Housing	60	11.0%	64	10.0%	+3.0%
Housing	77	14.2%	82	12.8%	+3.1%
France Logistics	44	8.1%	52	8.1%	+4.3%
Germany Logistics	7	1.3%	7	1.1%	-6.5%
Logistics	51	9.4%	59	9.2%	+1.5%
Car Parks	12	2.2%	12	1.8%	na
Rental Income, Group share	545	100.0%	640	100.0%	+3.8%

Office rental income represented over 2/3 of the group share of rental income and increased slightly. The share of housing declined in favour of other tertiary activities

b. Timetable of Group Share of Rental Income

Consolidated	Maturity of leases*	
	By lease termination date	% of total
2009	36.8	7.0%
2010	56.3	10.7%
2011	121.2	23.0%
2012	58.0	11.0%
2013	21.4	4.1%
2014	28.5	5.4%
2015	2.4	0.5%
2016	16.0	3.0%
2017	42.9	8.1%
2018	10.7	2.0%
2019	19.4	3.7%
Beyond	113.2	21.5%
€ millions	526.9	100%

* Based on 2008 annualised rental income, FDL and Parcs GFR

The average residual length of lease amounts 6.1 years in 2008 compared to 6.0 in 2007 (group share).

c. Group Share of Acquisitions

2008 FDR Group Acquisitions	Purchase Price	Capitalisation rate
Foncière des Régions	109 M€	9.5%
Beni Stabili*	70 M€	5.6%
Sub-Total Offices	100%	179 M€
	Group share	160 M€
Offices	86 M€	6.4%
Sub-total Tertiary	100%	86 M€
	Group share	25 M€
TOTAL	100%	265 M€
	Group share	185 M€

* Excluding Via Schievano (development)

d. Group Share of Disposals

Portfolio (€ millions)	Sales at 31.12.08	Promises at 31.12.08	TOTAL
France Offices	687 M€	41 M€	728 M€
Italy Offices	238 M€	147 M€	386 M€
Logistics	7 M€	24 M€	31 M€
Housing	147 M€	15 M€	163 M€
Foncière Des Régions consolidated	1,080 M€	228 M€	1,307 M€
Margin as a %			7.8%
Foncière Des Régions Group share	922 M€	168 M€	1,090 M€
Margin as a %	6.0%	7.6%	6.3%

note: holding % fixed as at 31/12/08

The withholding rate applied for Beni Stabili is 73.10%

e. Consolidated assets at 31/12/08

France Offices (€ millions)	Change in portfolio, like-for-like basis							
	Value excl. transfer duties 31-12-08 consolidated	Value excl. transfer duties 31-12-08 Group share	Change 12 months	Rental income effect, 12 months	Rate effect, 12 months	Return excl. transfer duties 31/12/07	Return excl. transfer duties 31/12/08	Change in bps
France Offices	3,766	3,676	-4.6%	+5.1%	-9.7%	7.4%	8.1%	73 bps
Italy Offices	4,430	3,239	+0.4%	+3.0%	-2.6%	5.1%	5.3%	14 bps
Total Offices	8,196	6,914	-2.6%	+4.0%	-6.6%	6.1%	6.5%	36 bps
France Service Sector	3,189	927	-1.9%	+3.7%	-5.6%	6.1%	6.4%	32 bps
Italy Service Sector	41	16	+0.9%	+0.0%	+0.9%	6.2%	6.1%	-5 bps
FdR Hotels	48	48	+2.4%	+2.1%	+0.3%	5.9%	5.8%	-2 bps
Service Sector	3,278	991	-1.8%	+3.6%	-5.4%	6.1%	6.4%	31 bps
France Housing	1,023	391	+0.9%	+3.4%	-2.5%	4.4%	4.5%	11 bps
Germany Housing	2,454	941	-6.1%	+2.9%	-9.0%	6.2%	6.8%	60 bps
Housing	3,477	1,331	-4.1%	+3.0%	-7.2%	5.6%	6.1%	51 bps
France Logistics	1,220	731	-8.7%	+1.8%	-10.5%	7.3%	8.2%	93 bps
Germany Logistics	120	72	-8.7%	-6.4%	-2.3%	7.5%	8.1%	63 bps
Logistics	1,341	803	-8.7%	+1.0%	-9.7%	7.3%	8.2%	90 bps
Car Parks	253	146	-9.2%	n/a	n/a	n/a	n/a	n/a
FdR Portfolio	16,545	10,185	-3.1%	+3.6%	-6.6%	6.3%	6.7%	44 bps
+ Shares of assets in companies consolidated according to the equity method		190						
TOTAL		10,375						

3. Annual Financial Statements.

a. Scope of consolidation

As at 31/12/2008, the Foncière des Régions as a consolidated entity included 311 companies located in 6 European countries (Italy for Offices, Germany for Logistics and Housing, Portugal and Belgium for Business Premises, and Luxembourg).

The major changes in holdings during the year were:

- In subsidiaries fully consolidated through the effect of purchases of treasury shares (for Beni Stabili) and subsidiaries (for FdR).

	31 Dec 2007	31 Dec 2008
FDM	28.64%	29.07%
FDL	38.00%	38.20%
FEL	59.86%	59.88%
BENI STABILI	67.94%	73.10%
PARCS GFR	58.49%	58.49%

- *In companies consolidated in accordance with the equity method*

- AKAMA: a company indirectly holding real estate units at Vélizy and Meudon leased to Dassault Systèmes, Thalès, Alstom. A company 50% owned in partnership with Morgan Stanley Real Estate Fund, following the purchase of 25% of a minority shareholder in 2008.
- Altaréa: after the increase in capital, the percentage of Foncière des Régions' holdings dropped from 15% to 12%.

b. Accounting principles

The consolidated financial statements are prepared in accordance with international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union as of the preparation date. These standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards) as well as their interpretations. They were prepared by the Management Board on 20 February 2009.

The annual consolidated financial statements were prepared in accordance with the IAS 1 international financial information standard "Presentation of Financial Statements," as adopted by the European Union.

c. Comments on major items in the consolidated and group-share income statement

Consolidated income statement

	Financial year 2008	Financial year 2007
REVENUE FROM ORDINARY ACTIVITIES		
Rental revenues	1,017,306	868,555
Disposals of buildings in inventory	58,026	19,478
Services	19,007	13,199
Net turnover	1,094,339	901,232
Other operating income	1,939	3,533
Total current operating income	1,096,278	904,765
EXPENSES FROM ORDINARY ACTIVITIES		
Costs of disposals of inventory	48,107	-5,169
Other external purchases and expenses	110,266	129,936
Duties, taxes and similar payments	25,191	24,492
Personnel expenses	66,742	61,649
Allocation to amortisation and provisions	154,754	11,318
Net charge for provisions on current assets	-1,034	698
Net charge for provisions for risks and contingencies	1,506	-8,908
Other operating expenses	916	4,851
Total current operating expenses	406,448	218,867
1. OPERATING INCOME BEFORE SALES OF INVESTMENT ASSETS	689,830	685,898
Net sales of non-current assets	30,986	26,261
Change in fair value of investment assets	-497,779	959,086
Other non-recurring revenue and expenses	-69,184	-241,731
Total other operating revenue and expenses	-535,977	743,616
2. OPERATING INCOME ON CONTINUING OPERATIONS	153,853	1,429,514
Interest income on cash transactions	55,599	31,087
Financial leasing revenue (CB)	8,662	15,942
Financial income from mark to market	3,363	3,388
Positive change in fair value of financial assets & liabilities	1,843	99,601
Total financial income	69,467	150,018
Interest expense on financing operations	511,268	392,164
Expenses on finance lease transactions (CB)	2,384	1,523
Financial expense from mark to market	24,060	19,632
Negative change in fair value of financial assets and liabilities	453,824	9,461
Net financial charges for provisions	23,630	7,007
Total financial expenses	1,015,166	429,787
3. FINANCIAL INCOME	-945,699	-279,769
Share in income (loss) of associates	-34,316	61,491
4. INCOME BEFORE TAXES	-826,162	1,211,236
Income tax	45,185	13,013
Deferred taxes	-39,250	-34,285
5. NET INCOME	-832,097	1,232,508
Minority interests	275,573	-439,839
6. NET INCOME GROUP SHARE	-556,524	792,669

Group share of income

Group Share	Financial year 2008	Financial year 2007
REVENUE FROM ORDINARY ACTIVITIES		
Leasing revenue	640,183	545,462
Disposals of buildings in inventory	42,471	14,785
Services	14,888	8,830
Net turnover	697,542	569,077
Other operating revenue	985	2,090
Total current operating revenue	698,527	571,167
EXPENSES FROM ORDINARY ACTIVITIES		
Costs of disposals of inventory	36,084	-4,037
Other external purchases and expenses	74,331	90,350
Duties, taxes and similar payments	17,167	17,655
Personnel expenses	48,774	45,146
Allocation to amortisation and provisions	142,098	7,696
Net charges for provisions on current assets	-1,176	0
Net charges for provisions for risks and contingencies	880	-7,758
Other operating expenses	389	-339
Total current operating expenses	318,547	148,713
1. OPERATING INCOME BEFORE SALES OF INVESTMENT ASSETS	379,980	422,454
Net sales of non-current assets	21,656	10,704
Change in fair value of investment assets	-282,381	678,008
Other non-recurring revenue and expenses	-47,068	-188,331
Total other operating revenue and expenses	-307,793	500,381
2. OPERATING INCOME ON CONTINUING OPERATIONS	72,187	922,835
Interest income on cash transactions	39,416	24,311
Financial leasing revenue (CB)	8,662	15,942
Financial income from mark to market	1,485	2,460
Positive change in fair value of financial assets & liabilities	1,236	60,048
Total financial income	50,799	102,761
Interest expense on financing operations	328,910	254,150
Expenses on finance lease transactions (CB)	2,384	1,523
Financial expense from mark to market	19,062	13,312
Negative change in fair value of financial assets and liabilities	267,385	9,284
Net financial expenses from provisions	15,825	3,905
Total financial expenses	633,566	282,174
3. FINANCIAL INCOME	-582,767	-179,413
Share in income (loss) of associates	-31,661	61,612
4. INCOME BEFORE TAXES	-542,241	805,034
Income tax	32,552	10,890
Deferred taxes	-18,269	1,475
5. NET INCOME	-556,524	792,669

2008 consolidated income showed a loss of € 556.1 million, compared to a profit of € 792.7 million in 2007.

Operating expenses

Operating expenses (other than external purchases and expenses, duties and fees and personnel expenses) totalled € 140.3 million for the Group share, and remained relatively stable compared to 2007. They showed good control of administrative expenses. In effect, the ratio of expenses to turnover was **20.1% at end-2008, compared to 23.7% at end-2007** (Group share).

Amortisation, depreciation and provisions, out of a total Group share of € 142.1 million at 31/12/2008, consisted primarily of the provision of € 115 million posted for the CB 21 Tower.

The income statement showed changes in asset values based on expert appraisals. For fiscal year 2008, the change in the fair market value of investment assets, Group share, was down € 282.4 million (€ 497.8 million in total).

The Group share of current operating income also declined, from € 422.5 million to € 380 million.

The Group share of **financial income** totalled € - 582.8 million as at 31/12/2008. This consisted of interest expenses at € - 328.3 million, and investment proceeds at € 39.4 million, as well as the change in fair value of financial instruments and adjustment charges and effective rates of interest at € - 299.6 million. Since Foncière des Régions made the decision in 2007 not to adopt hedge accounting, changes in the value of financial instruments are posted in the income statement.

Tax rules

Tax rules applied to:

- foreign companies not subject to a specific regime covering real estate activities
- French subsidiaries that have not opted for the SIIC regime
- French SIIC subsidiaries engaged in taxable activity (provision of services, etc.)

Cash flow

<i>Group share (in millions of euros)</i>	31/12/2008	31/12/2007
Rental income and provisions of service	656.1	556.4
Recurring operating expenses	-111.0	-106.6
Financial income	-278.1	-211.6
Margins on housing sales	12.7	9.1
Intra-group payments	16.3	8
Cash flow of companies consolidated according to the equity method	17.2	15.3
Cash flow	313.1	270.5
Recurring taxes	-28.3	-9.7
Net recurring income	284.7	260.8
Change in fair value of real estate assets	-532.4	536.1
Change in fair value of financial instruments	-299.6	36.0
Margins on sales (excluding housing)	15.4	1.6
Other (extraordinary non-recurring expenses)	-38.7	-39.0
Non-recurring taxes	14.0	-2.7
Net earnings	-556.5	792.7

d. Balance sheet

	Net 12/31/2008	Net 12/31/2007
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Goodwill	0	0
Other intangible assets	140,746	35,547
PROPERTY, PLANT AND EQUIPMENT		
Land	56,830	54,244
Buildings	113,880	208,682
Other assets	8,077	6,152
Current fixed assets	873,601	896,599
INVESTMENT PROPERTY	13,746,867	15,154,902
NON-CURRENT FINANCIAL INVESTMENTS		
Other assets held for sale		192
Loan	34,639	66,781
Other financial assets	56,998	
Financial instruments	908	155,313
Financial leases	38,422	66,184
Share of income/ loss of associates	190,624	321,428
DEFERRED TAX ASSETS	110,122	83,120
TOTAL NON-CURRENT ASSETS (I)	15,371,714	17,049,144
CURRENT ASSETS		
ST LOANS AND FINANCE-LEASE RECEIVABLES	30,645	48,060
INVENTORIES AND PRODUCTION IN PROGRESS	135,517	207,383
TRADE RECEIVABLES	174,010	170,024
OTHER RECEIVABLES	188,422	245,051
PREPAID EXPENSES	8,251	4,784
CASH AND CASH EQUIVALENTS	199,460	300,501
TOTAL CURRENT ASSETS (II)	736,305	975,803
NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE (III)		
INTENDED TO BE SOLD	1,338,733	948,626
TOTAL ASSETS (I + II + III)	17,446,752	18,973,573
	Financial year 12/31/2008	Financial year 12/31/2007
SHAREHOLDERS' EQUITY		
CAPITAL	123,263	124,824
ADDITIONAL PAID-IN CAPITAL	2,259,379	2,257,873
TREASURY SHARES	-32,994	-25,690
CONSOLIDATED RESERVES	1,648,108	1,111,891
INCOME	-556,524	792,669
TOTAL GROUP SHAREHOLDERS' EQUITY	3,441,232	4,261,567
MINORITY INTERESTS	2,355,645	2,901,001
TOTAL SHAREHOLDERS' EQUITY (I)	5,796,877	7,162,568
EQUITY INTERESTS ISSUED (II)	0	0
NON-CURRENT LIABILITIES (III)		
BORROWINGS BEARING INTEREST	9,463,516	9,279,294
FINANCIAL INSTRUMENTS	495,310	115,180
DEFERRED TAX LIABILITIES	481,105	512,761
PENSION AND OTHER LIABILITIES	37,197	37,748
OTHER NON-CURRENT LIABILITIES	16,416	7,832
TOTAL NON-CURRENT LIABILITIES (III)	10,493,544	9,952,815
CURRENT LIABILITIES (IV)		
TRADE PAYABLES	85,085	250,980
SHORT-TERM BORROWINGS BEARING INTEREST	697,523	1,245,931
TENANT SECURITY DEPOSITS	17,876	26,533
ADVANCES & INSTALMENTS RECEIVED ON CURRENT ORDERS	142,356	122,523
ST PROVISIONS	41,500	41,810
CURRENT TAXES	28,796	6,497
OTHER LIABILITIES	98,705	121,821
ADJUSTMENT ACCOUNTS	44,490	42,095
TOTAL CURRENT LIABILITIES (IV)	1,156,331	1,858,190
LIABILITIES INTENDED FOR DISPOSAL;	0	0
TOTAL LIABILITIES (I + II + III + IV)	17,446,752	18,973,573

Consolidated shareholders' equity dropped from € 4,261.6 million at 31 December 2007 to € 3,441.2 million at 31 December 2008, i.e., a decline of € 820.3 million, primarily due to the following:

- € 556.1 million in consolidated losses generated by the consolidated companies,
- € 217.2 million in dividends paid to shareholders,
- € 46 million treasury shares held,
- € 43.6 million from the fair value assessment of financial instruments,

+ € 41 million in impact from the increase in the ownership percentage in Beni Stabili.

The Group's financial debts totalled € 10,160, down € 500 million.

Net debt at 31 December 2008 totalled € 9,960 million, i.e., a Group share of € 6,333 million.

Provisions for risks and contingencies of € 78.7 million essentially stand for provisions related to assets (€ 20.1 million), provisions for litigation (€ 12 million), and provisions for withdrawals and similar items (€ 37.2 million), especially in Germany.

Provisions for buildings primarily relate to provisions applied for several years by Beni Stabili on assets subject to restrictive conditions of sale.

Other current and non-current debt specifically includes the deferred tax liability on financial assets and instruments of foreign companies (€ 481 million).

e. NAV and Triple Net NAV

The total value, excluding transfer duties, of consolidated assets held by the Group at 31 December 2008 was € 16,544.6 million.

To calculate the reconstitution NAV, transfer duties were maintained at 6.2% except in specific cases (Germany, Italy and new assets).

	Amount in € millions	Amount per diluted share in euros
Triple Net NAV (block excluding transfer duties)	3,695.0	90.5
Triple Net NAV excluding financial instruments	3,952.8	96.9

These calculations were made based on the number of shares existing at 31 December 2008, corrected for the impact of the dilution. The potential dilution results from the exercise of subscription options in progress, and free shares pursuant to IFRS rules.

Between 31 December 2007 and 31 December 2008, Triple Net NAV declined by € 936.5 million, to a total of € 3,695 million, i.e., € 90.5/ share.

	Triple Net NAV (M€)	Triple Net NAV / share	No. of totally diluted shares
31/12/2008	3,695,0	90.5	40,811,173
31/12/2007	4,631,5	109	41,396,264
Variance	- 936.5	-18.5	
%	-20.2%	-16.9%	
Of which primarily:			
- Cash flow		7.67	
- Fair value of real estate assets		-6.8	
- Fair value of financial instruments		-7.8	
- Dividends paid		-5.3	
- Depreciation of CB 21 Tower		-3.1	
- Altaréa impact		-3.2	

Triple Net NAV (€ millions)	31/12/2008	31/12/2007 pro-forma	31/12/2007 published
Group share of shareholders' equity	3,441.2	4,261.6	4,261.6
Fair value assessment of operating buildings / inventory buildings / buildings in development / goodwill	98.6	97.6	97.6
Recalculation of asset value excluding transfer duties	30.6	28.5	—
Fair value assessment of car parks	45.6	70.2	61.3
Capital gain on Altaréa shares	0	90.1	90.1
Adjustment for deferred taxes	78.1	79.2	—
Restatement of the capital lease	0.9	1.3	1.3
Triple Net NAV	3,695.0	4,631.5	4,511.9
Diluted number of shares at period-end	40,811,173	41,396,264	41,396,264
Triple Net NAV/ Diluted share	90.5	111.9	109
Triple Net NAV excluding financial instruments (€ millions)			
Triple Net NAV	3,695.0	4,631.5	
Financial instruments	273.7	-13.7	
Deferred taxes on financial instruments	-15.9	14.9	
Triple Net NAV excluding financial instruments	3,952.8	4632.7	
Triple Net NAV excluding financial instruments / share	96.9	111.9	

Method of calculation

NAV base – Shareholders' equity:

The real estate portfolio held directly by the Foncière des Régions Group was completely appraised as of 31 December 2008 by real estate appraiser members of the AFREXIM: DTZ Eurexi, CBRE, JLL, Atis Real, etc., based on a common set of specifications prepared by Foncière des Régions in accordance with professional practices.

Assets were estimated at their value excluding and/or including transfer duties, and rental income at market value. For housing, the appraiser applied two different valuation approaches: On the one hand, he calculated a value of the housing lot by lot, and on the other hand a so-called institutional value, corresponding to the value of the entire property.

For offices, logistics properties and other tertiary assets, no distinction was made between lot-by-lot values and institutional values.

Estimates were made using the comparison method, the rental income capitalisation method, and the discounted cash flow method.

Car parks were subject to valuation by the activity's EBE capitalisation.

Other assets and liabilities were valued based on the IFRS values of the consolidated financial statements; the application of fair value primarily relates to the valuation of hedges on the debt.

The level of exit tax is known and incorporated into the financial statements for all companies that have opted for the fiscal transparency regime.

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

CB 21 was valued based on the assumptions of the appraisers and the rental income signed by Suez Environnement. The value was obtained by the difference between the investment value (purchase cost + cost of works + carrying cost) and the exit value (capitalisation of rental income based on a rate of return of 5.65% - deferred payments). The difference between the value obtained and the value in the financial statements was subject to a provision of € 115 million, and an entry under extraordinary expenses of € 13 million.

Principal adjustments made:

- Fair value assessment of buildings and goodwill

In accordance with IFRS standards, operating buildings, buildings in development and buildings in inventory are assessed at historic cost.

An adjustment in value, to take appraisal value into consideration, was applied to NAV for a total of € 81.9 million.

Since goodwill is not reflected in the consolidated financial statements, a restatement to take its fair value into account (as calculated by the appraisers) was made to the NAV in the amount of € 16.7 million on 31/12/2008.

- **Recalculation of the base of certain assets excluding transfer duties**

When disposal of the company, rather than the assets it holds, if feasible, transfer duties are recalculated based on the company's revalued net assets. The difference between the recalculated transfer duties and the transfer duties already deducted from the value of the assets give rise to a restatement of € 30.6 million at 31/12/2008. The pro-forma impact over 2007 was € 28.5 million.

- **Fair value assessment of car parks**

Car parks were assessed at historic cost in the consolidated financial statements.

In the NAV, a restatement was applied to take into consideration the appraisal value of these assets. As at 31/12/2008, subsidies and land leases paid in advance but definitively acquired were restated. The impact was € 12 million for 2008 and € 9 million for 2007 pro-forma NAV.

- **Capital gain on Altaréa shares**

The change in the restatement applied to the Altaréa shares corresponds to the valuation of the holding in Altaréa based on the stock price in the NAV.

As of 31/12/2008, with the stock price equivalent to the share of the net holdings of Altaréa included in the financial statements, no restatement was applied.

- **Adjustment for deferred tax payments**

In the 31/12/2008 consolidated financial statements, deferred taxes on real estate assets were calculated taking into account the current tax rate for foreign companies and non SIICs.

In the NAV, deferred tax payments were adjusted to take into account:

- a probable option for the SIIC regime (Companies of the AGAMA Group: Impact of € 10 million as at 31/12/2008 and € 3.8 million at 31/12/2007 pro-forma),
- the adjustment of these tax payments over 10 years in accordance with a standard disposal schedule, specifically for Italy and Germany. These tax payments were adjusted at 6%. The impact of this restatement was € 68.1 million as at 31/12/2008, and € 75.4 million as at 31/12/2007 pro-forma.

4. Financial resources

Foncière des Régions' gross financial debt totalled € 10,048 million (€ 6,392 million group share).

a. Debt structure

Liquidity

Over fiscal year 2008, repayments of the debt on the Foncière des Régions Group balance sheet totalled € 917 million (€ 708 million Group share).

These repayments, primarily concentrated on Foncière des Régions and Beni Stabili (since Foncière Développement Logements, Foncière des Murs and Foncière Europe Logistique did not experience any significant declines during the course of the year), resulted primarily from the following:

- the final maturity of two bridge loans totalling € 432 million, one of which was refinanced in the amount of € 240 million.
- disposals of assets (with repayment of the corresponding debt) within the context of the 2008 schedule of sales: a total of € 453 million (€ 346 million as Group share) of repayments by the Group, largely concentrated on Foncière des Régions (€ 245 million).

- for the balance, the contractual amortisation of loans (the largest of which being the Beni Stabili IMSER securitisation).

Foncière des Régions:

In addition to disposals, changes were primarily related to the maturing of the CB 21 bridge loan of € 340 million at end-2008, which was subject to a one year additional extension in the amount of € 240 million, while awaiting placement of the MLT debt based on a clarified lease status and property plan.

Foncière Europe Logistique:

In July, the balance (€ 92 million) of the short-term € 132 million bridge loan placed in July 2007 to acquire Garonor was repaid.

Beni Stabili:

The declines during the year were primarily due to amortisation of the IMSER securitisation (€ 117 million in 2008).

Debt by type

Foncière des Régions Group's consolidated gross financial debt consisted of the following, as of 31 December 2008:

- € 6,426 million in bank debt, not including lease financing (Group share € 3,945 million),
- € 3,295 million in securitised loans (Group share € 2,219 million),
- € 292 million in convertible bonds issued in Italy by Beni Stabili (Group share € 214 million),
- € 34 million in financial leasing debt on Foncière des Murs and Beni Stabili (Group share € 13 million).

Debt by maturity

The average remaining term of the debt of the Foncière des Régions Group was 4.8 years as at 31/12/2008.

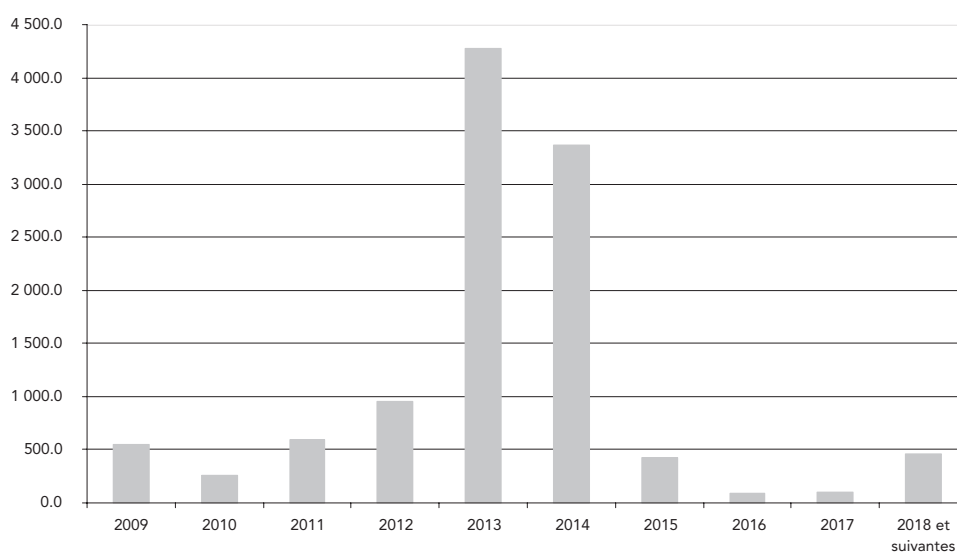
For 2009:

- the maturities of financing commitments (balance sheet debt + non-mobilised portion of confirmed loans) total € 544 million (Group share of € 432 million), 80% of which corresponds to debt drawn as of 31/12/2008,
- the maturing of the € 240 million CB 21 bridge loan to be refinanced constitutes the majority of the reduction in Foncière des Régions' commitments (€ 338 million on Foncière des Régions), with the balance resulting from the periodic contractual amortisation of debts;
- the maturing loans of Foncière des Murs primarily correspond to the annual maturing of the confirmed pre-financing loan of € 90 million (with a term of 12 months with annual right to extend, up to 30/06/2012), which is set annually on 30 June; this loan was not taken up as at 31/12/08,
- the Group's other real estate loans were not subject to final maturity but rather to periodic amortisation: the latter totalled € 116 million for 2009 (Group share € 68 million), € 47 million of which corresponded to the IMSER securitisation at Beni Stabili alone.

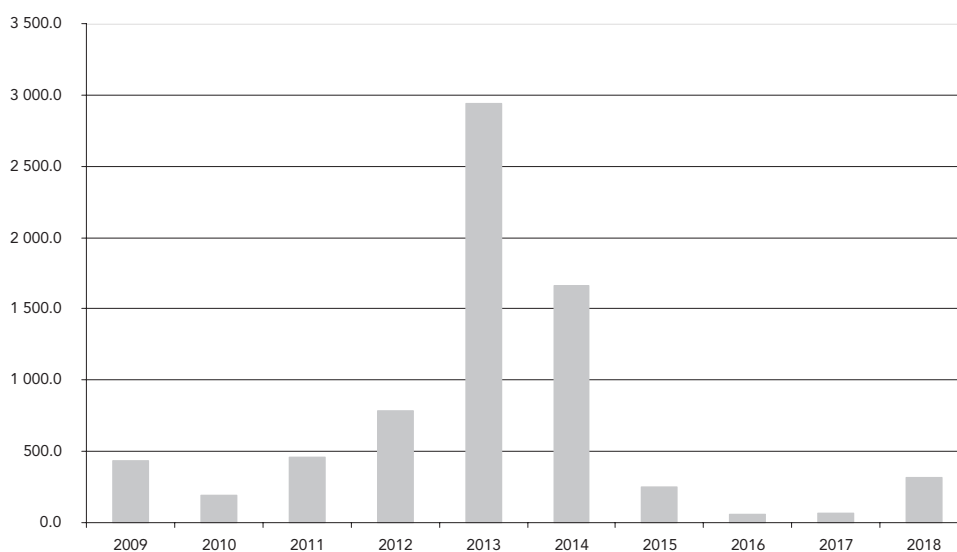
All of this excludes the impact of disposals in 2009.

Moreover, no significant decline in debt, with respect to existing debt, is projected prior to 2013.

Amortisation of commitments, consolidated for the Foncière des Régions Group



Amortisation of commitments, group share of the Foncière des Régions Group



b. Financial covenants

Excluding securitised debt, the debt of Foncière des Régions, Foncière des Murs, Foncière Développement Logements and Foncière Europe Logistique corresponds to bank covenants applying to the consolidated financial statements which, in the event of breach, would be likely to constitute an event requiring immediate repayment:

- loan-to-value ratio (LTV): this ratio corresponds to the relationship between the restated value of all the Group's assets, excluding cash, and net debt;
- interest-coverage ratio (ICR): this is calculated from the consolidated income statement, by dividing current operating income before the disposal of investment assets, restated for provisions and reversals, by net financial expenses.

These covenants are prepared on a consolidated basis for the group share of Foncière des Régions, and on a consolidated basis for the Foncière des Régions subsidiaries.

Thresholds vary from real estate company to real estate company (LTV ceiling set at 65% for Foncière des Régions, Foncière Europe Logistique and Foncière Développement Logements, and at 70% for Foncière des Murs), but are consistent from one debt to the next for a given real estate company.

All these financial covenants were in compliance as of 31 December 2008.

The Foncière des Régions consolidated ratios as at 31/12/2008 were 58.8% for consolidated LTV, group share, and 202% for consolidated ICR, group share (compared to 57.6% and 210%, respectively, in 2007).

The ratios for the Group's listed subsidiaries are available through their own financial communications.

These covenants, broken down by accounting type and consolidated, are also most often the result of covenants specific to the extent of the financing (most of the Group's debt being backed by portfolios).

These "scope-of-consolidation" covenants (more specifically, "scope-of-consolidation LTV) show thresholds that are systematically less restrictive for the Group's companies than the thresholds of the consolidated covenants.

c. Average bank debt rate

The average rate of the Foncière des Régions Group's bank debt was 4.88% for 2008, compared to 4.69% for 2007. This slight difference was due to the increase in interest rates (average 3-month Euribor at 4.28% in 2007, compared to 4.64% in 2008), thus affecting, to a limited extent, the portion of the debt not hedged by swaps, because of the effectiveness of our hedges.

Because of the interest rate risk hedging policy, which limits firm hedging to 75%, with the remaining 25% being optional, the Group may benefit in 2009 from the easing of interest rates and thereby improve the average rate of its bank debt, with this easing occurring in the final weeks of 2008.

d. Risk management

Liquidity

Liquidity risk is managed in the medium and long term within the context of multi-year plans and, in the short term, through recourse to confirmed and non-drawn credit lines.

Moreover, the group is not expected to face any major maturing of its debt in the next 4 years (annual maturities represent approximately a maximum of 5% of total debt between 2009 and 2011, and less than 10% in 2012).

Rates

The Foncière des Régions interest rate risk management policy described below is intended to limit the impact of a change in interest rates on income, as well as to secure the total cost of the debt. To do this, the Group uses derivative products (primarily swaps and caps) and thus hedges its exposure to overall interest rate risk.

Financial counterparties

The group continuously monitors its exposure to financial counterparty risk. The Group's policy is to contract only with first-tier counterparties.

Until 31/12/2007 Lehman Brothers was a counterparty of the Group, through the IMSER securitisation at Beni Stabili, using derivative instruments to hedge inflation rates and interest rates. When this institution filed for bankruptcy, the fair value of these instruments actually yielded a Lehman exposure to the Group, rather than the other way around. Nevertheless, the decision was made to immediately replace the counterparty defaulting on these instruments by top-tier financial establishments, with no impact to the Group.

Leasing counterparties

Benefiting from a diversified portfolio of clients, the majority of which, in terms of lease revenue, are top tier, and generally leaders in their respective sectors (France Télécom and Telecom Italia, EDF, Accor, Korian), the Foncière des Régions group is not exposed to significant risk in this regard.

No lease default or significant unpaid amounts are affecting the Group.

Asset value

Real estate investments are posted to the income statement at their fair value. Changes in building prices may consequently have a significant impact on the group's operational performance.

Moreover, a portion of the group's operating results derive from arbitrage activity, which is also affected by the values of real estate assets and the volume of potential transactions.

Rental income and prices of real estate assets are cyclical by nature; the duration of cycles varies, but in general, they are always long-term. The various national markets have different cycles, which vary from one to the other, depending upon specific economic and commercial environments. Moreover, within each national market, prices follow the cycle in different ways and at different levels of intensity, as a function of location and type of assets.

The macroeconomic factors with the greatest impact on the value of real estate assets which, as a result, determine the various cyclical trends are the following:

- interest rates;
- liquidity in the market and the availability of profitable alternate investments;
- economic growth.

Low interest rates, high market liquidity and a lack of profitable alternate investments generally yield an increase in the value of real estate assets.

Economic growth generally increases the demand for leased space and favours an increase in levels of rental income, particularly in the office sector, which represents the Group's largest line of business, putting upward pressure on the prices of real estate assets. However, in the medium term, economic growth normally leads to an increase in inflation and therefore an increase in interest rates, which raises the likelihood of profitable alternate investments. Such factors put downward pressure on real estate prices.

The group's investment policy has the purpose of minimising the impact of various stages of the cycle, by choosing investments:

- involving long-term leases and quality tenants, mitigating the impact of declines in market rental income and the resulting drop in real estate prices;
- located in major urban areas;
- with low vacancy rates in order to avoid the risk of having to re-lease vacant spaces in an environment where demand may be limited.

Exchange rate

The Group operates in the euro zone and is consequently not exposed to exchange rate risk.

Investments made on an extraordinary basis in non-euro currencies are generally financed by borrowings in those same currencies.

Shares

Shares held are those in subsidiaries listed with SCA status, of which Foncière des Régions is the general partner. Foncière des Régions has fully consolidated the results of these companies by type in its own financial statements, regardless of the percentage it holds, and is therefore not sensitive to a change in the share price of the subsidiaries in the consolidated financial statements. It is the changes in the asset content of the listed subsidiaries and their income that are entirely incorporated into the published consolidated income statements, on an ongoing and complete basis.

Only the corporate financial statements may be affected, but this does not involve investment securities; it is an investment method that identifies the responsibilities and contributions to the Group's income and gives greater transparency to its organisational structure.

e. Hedging

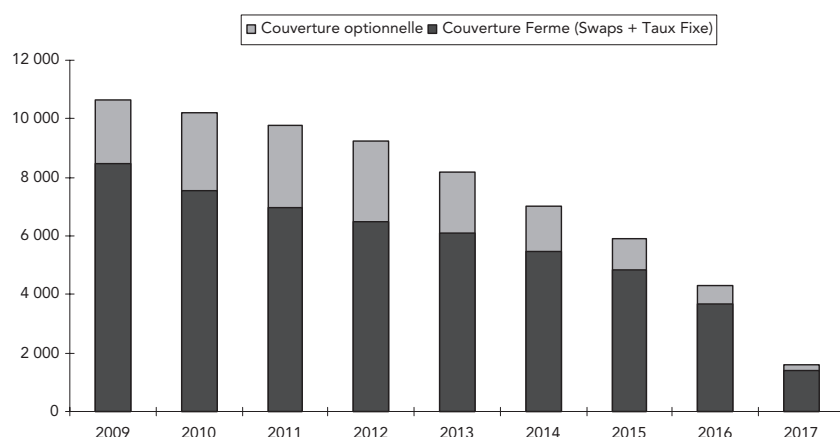
Interest rate risk hedging operations

Foncière des Régions strengthened its hedging portfolio in 2008, primarily by contracting 5-year swaps with a view to hedging various entities, within the framework of the Group's hedging policy (debt 100% hedged, including a minimum of 75% firm hedging, and all at terms longer than the maturity of the debt).

Specifically, it contracted:

- € 162 million in swaps on Beni Stabili with maturity of 5 years, starting immediately.

[Legend below: Optional hedge Firm Hedge (Swaps + Fixed Rate)]



	2009	2010	2011	2012	2013	2014	2015	2016	2017
Firm Hedge (Swaps + Fixed rate)	8,471	7,557	6,988	6,493	6,090	5,474	4,855	3,663	1,408
Option hedge	10,657	10,223	9,788	9,223	8,198	7,000	5,919	4,327	1,615

Measurement of interest rate risk

At 31 December 2008, 103% of the net consolidated debt (vs. 95% at 31 December 2007) was hedged against an increase in interest rates through:

- Fixed-rate debt and swaps, or firm hedging of 77% (vs. 68% at 31/12/2007), with the balance consisting of optional hedges (primarily caps),
- At 31/12/2008, 90% of the hedges were active, including firm hedging of 77% and optional hedging triggered by changes in rates.
- The option portion of the hedges will allow the Group to benefit from the decline in interest rates that began at end-2008, with active hedging now declining significantly compared to year-end rates.

The average lifetime of the hedge was 6.2 years consolidated (Group share 6 years).

5. Major activities in 2008

Delivery of the “Vélizy Campus” programme to Dassault Systèmes by Foncière des Régions and Morgan Stanley Real Estate Funds

On 30 June 2008, Foncière des Régions and Morgan Stanley Real Estate Funds delivered the “DS Campus”, the global headquarters of Dassault Systèmes, which is a world leader in its business.

This operation, which includes 4 buildings for 60,000 sqm, represents an investment of nearly € 210 million, carried out in partnership between Morgan Stanley Real Estate Funds (50%) and Foncière des Régions (50%).

With 60,000 m² of offices labelled HEQ (high environmental quality) implemented in the heart of a rapidly developing zone designed in the spirit of a campus conducive to innovation and research, “DS Campus” since the fall of 2008, hosts the 2,500 employees of Dassault Systèmes. Installed in the midst of a vast, park-like setting, Dassault Systèmes’ world headquarters is now the largest private operation labelled HEQ.

Dassault Systèmes occupies these premises within the framework of a firm, 12-year lease. Annual rental income is € 18.6 million.

Moreover, the DS Campus site offers Dassault Systèmes 20,000 sqm of expansion potential.

Sale to the Groupama Group of 18,300 sqm of offices at La Défense for € 126.5 million

On 3 June 2008 Foncière des Régions and Groupama signed an agreement for the sale to Groupama companies of a real estate unit of 18,300 sqm of office space at La Défense for a total of € 126.5 million excluding transfer duties. This disposal was finalised in July 2008.

This asset, located in the Michelet quarter of La Défense, forms part of a larger real estate unit with floor space in excess of 30,000 sqm, partially held in co-ownership by Foncière des Régions and companies of the Groupama Group, and completely occupied by the latter.

Through this transaction, the Groupama Group becomes the owner and sole occupant of the entire building and Foncières des Régions enhances its 2008 disposals plan with a consolidated volume of disposals and disposal agreements posted to date of over € 1 billion.

Development of office assets in France by acquiring operating buildings through Eiffage

On 15 January 2008, Foncière des Régions completed the acquisition from Eiffage of a portfolio of 190,000 sqm valued at € 102 million. 75% of this portfolio consists of office sites and activities leased to Eiffage through firm 9-year leases.

The balance consists of offices leased to third parties. These assets generate annualised rental income of € 8.7 million. Approximately one third are located in Ile-de-France, and the balance in the outlying regions.

Within the context of this partnership, Eiffage outsources most of its operating assets in France, and Foncière des Régions will monitor Eiffage’s growth at the sites it occupies.

This deal falls in line with Foncière des Régions’ partnerships with its major clients such as France Télécom, EDF and IBM.

Finally, assets leased to third parties will benefit from the expertise of the Foncière des Régions teams, allowing us to envision a rapid decline in vacancy rates.

6. Post-Balance Sheet Events

Foncière des Régions and Suez Environnement: agreement in principle to lease 42,000 sqm in CB 21 at La Défense

This building benefits from a very good location and is particularly well served by public transport. It will be completely renovated by Foncière des Régions to offer the services of a new building. Two thirds of CB 21 has been pre-leased and marketing is underway of the space still available, to be delivered in 2010.

Foncière des Régions adapted its initial plan for CB 21 to meet the needs of a major user, by engaging in complete renovation without implementing the expansion of the 25,000 sqm for which a building permit was obtained in September 2008.

Complete renovation of this tower, with floor space of 75,000 sqm SHON (68,000 sqm in usable floor space) will allow for a new building to be delivered, partly at end-2009, and partly during 2010, i.e., more quickly than the initially scheduled delivery date of 2011.

Moreover, this restructuring makes the CB 21 Tower a candidate for a High Environmental Quality Use certification.

Stéfano Vittori replaces Massimo de Meo on the Foncière des Régions Management Board

On 9 March 2009 the Supervisory Board nominated Mr. Stéfano Vittori as member of the Foncière des Régions Management Board for the remaining term of his predecessor, Mr. Massimo de Meo.

With this appointment, the Foncière des Régions Management Board now comprises the following:

- Mr. Christophe Kullmann, Board Chairman,
- Mr. Olivier Estève, Board Member
- Mr. Aldo Mazzocco, Board Member,
- Mr. Denis Moscovici, Board Member,
- Mr. Yan Perchet, Board Member
- Mr. Stéfano Vittori, Board Member