

2017 operations

98% of the portfolio in inner-city Paris

- **Portfolio of €2.09 billion (excluding duties), up +7.5% on 2016.**
- **Net reduction in EPRA vacancy rates on strategic assets: 0.7% at end 2017 vs. 4.4% at end 2016.**
- **Rental income on strategic assets of the Parisian tertiary sector:**
 - 93% of total rental income (vs. 85% in 2016)
 - +6% in 2017 to €60.5 million
- **Total rental income of €64.8 million achieved through the pursuit of the strategy involving the disposal of non-strategic assets (offices outside Paris and residential) and a renewed focus on the Parisian tertiary sector**
 - €76 million in purchases in the Paris CBD
 - €88 million in sales of non-strategic assets

Since 2012, TERREÏS made the choice to concentrate its portfolio on prime office units in Paris. This strategy, which prioritises asset optimisation, facilitates rental and assures a high occupancy rate. Naturally, the expected returns are somewhat lesser and, during arbitration, result in a slight erosion of rent.

In 2017, TERREÏS once again strengthened its strategic assets under good conditions in the Parisian central business district (CBD), despite high prices per metre and fierce competition. In a parallel fashion, it continued to sell off its residential assets and offices in Île-de-France and in the provinces. These disposals affected the trend of total rental income.

- **Portfolio of €2.09 billion (excluding duties) as at 31 December 2017, up 7.5%.**

The continued reduction in rates of return on the prime Parisian market, although less towards the end of the year is, coupled with the good purchase conditions achieved in the second half, the main

driving force behind the 7.5% rise in the value of the TERREÏS portfolio, increasing from €1.94 billion at end 2016 to €2.09 billion at end 2017 (€2.25 billion in replacement value).

The €146 million rise in the TERREÏS portfolio booked in 2017 can be broken down as follows:

- **Purchases (including duties) and valuation investments: +€83 million**

The six assets acquired in 2017 for a total surface area of 7,400 m², all within the Parisian CBD, include the following main three properties:

- a property measuring 1,500 m² at 73 rue Ste Anne (2^e);
- a Haussmann-style complex measuring 2,400 m² at 11 rue de Milan (9^e). Of the 1,300 m² intended for office use, 1,000 m² (“Second Empire” style private hotel) will be renovated before being re-rented out, whilst the remainder is fully let;
- a property measuring 2,300 m² at 5 avenue de Messine (8^e).

TERREÏS has also carried out works to optimise its portfolio for €6.4 million.

- **Disposals: €88 million**

TERREÏS has continued its monetisation strategy, disposing of €55 million in office assets in Île-de-France and the provinces and €33 million in residential assets.

As at 31 December 2017, €15.5 million in additional promises were signed and will be implemented over the coming months. They concern the housing lots situated at 43 rue de Lille in Paris 7^e and at 11 rue Margueritte in Paris 17^e.

- **Re-assessment of the portfolio: +€151 million (+7.8% at constant scope)**, mainly as a result of the low rates of return in Paris and the good purchase conditions achieved during the second half of 2017.

At end 2017, the TERREÏS portfolio consisted of 98% Parisian assets and 2% assets in Île-de-France and the provinces. Strategic assets (offices and trade in Paris) now account for 90% of the total portfolio value.

• **Rental income: 6% growth in rental income from the strategic assets of the Parisian tertiary sector**

Rental income from the tertiary business in Paris, which accounts for 93% of total rental income in the 4th quarter of 2017, is up 6% over the whole financial year, from €57.0 million to €60.5 million.

More than half of the €3.5 million rise from one year to the next stems from the purchases made in 2016 and 2017. Organic growth accounts for the rest and mainly comes from the positive indexing and the continued improvement seen in occupancy rates. The EPRA vacancy rate (apart from property under renovation) as at 31 December 2017 thus came in at 0.7%, as compared with the 2.8% at end June 2017 and the 4.4% at end 2016.

As in 2016, the top ten clients of TERREÏS account for 30% of rental income, which makes for a good diversification of the risk connected with dependency on tenants.

The main re-lets involve the property at 44 rue Copernic, Paris 16^e (approximately 1,800 m²), which has been re-let, after work completion, to a communication agency, two locations measuring 700 and 800 m² respectively at 41 avenue de Friedland Paris 8^e, re-let to law firms and 2,000 m² in offices and terrace to an asset management company at 50-52 boulevard Haussmann, Paris 8^e.

Rental income (€ million)	Full Year					4th Quarter				
	2017		2016		Var%	2017		2016		Var%
	€m	%	€m	%		€m	%	€m	%	
Offices Paris	60.5	93 %	57.0	85 %	+6.2 %	15.6	94 %	14.8	89 %	+5.1 %
Other assets	4.3	7 %	9.7	15 %	-56.3 %	1.0	6 %	2.0	11 %	-47.7 %
<i>Offices out of Paris</i>	1.3		6.4			0.3		1.1		
<i>Residential</i>	3.0		3.3			0.7		0.9		
Total	64.8	100 %	66.7	100 %	-2.9 %	16.6	100 %	16.8	100 %	-1.0 %

After taking into account rental income from non-strategic assets, total rental income for FY 2017 comes to €64.8 million, as compared with €66.7 million in the same period of 2016. The 2.8% reduction reflects the active disposal of non-strategic assets (non-Parisian tertiary and residential, as they are released).

- **Outlook: continued pursuit of the strategy to focus on business property in the Paris CBD**

The strategy adopted by TERREÏS consists of focusing its portfolio on the tertiary sector in the Paris CBD. Under current conditions on the Parisian prime market, whilst remaining attentive to any opportunities that may arise, TERREÏS will continue to make its sales as best it can, disposing of the remainder of its non-strategic assets (residential property, provincial property and property in Île-de-France).

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About TERREÏS (www.terreis.fr) - ISIN Codes: FR0010407049 - Ticker symbol: TER

TERREÏS is a real estate company where the assets consist of offices and retail premises that are primarily located in Paris. TERREÏS has been listed on the NYSE Euronext regulated market in Paris since December 2006, and has been included in Compartment B since January 2012. The Group has opted for the status of listed property investment company ("SIIC") since 1 January 2007. TERREÏS is part of the CAC-All Tradable Index.