gecina
Bien plus que des mètres carrés

Press release
October 20, 2016

Business at September 30, 2016

Gecina is benefiting from its strategic repositioning and dynamic management of its debt
Office rental income up **+6%**
Cost of debt down **-50 bp to 2.2%** (1.7% for drawn debt)

Recurrent net income (Group share) growth target revised upwards for 2016
Reported recurrent net income (Group share) expected to be stable in 2016
in line with expected growth of nearly **+7%,** excluding the impact of the healthcare portfolio's sale

Strong confidence in the future with the pipeline up to 3.7 billion euros
Offering strong visibility from 2018-2019 in terms of earnings growth and value creation,
with **80 million euros** of potential annualized rents expected through deliveries, primary scheduled for 2018

Key figures

In million euros	Sep 30, 15	Sep 30, 16	Change (%)
Gross rentals	424.7	419.2	-1.3% (-0.7% like-for-like)
EBITDA	354.3	345.3	-2.6%
Recurrent net income (Group share)	265.4	273.0	+2.9% (+8.0% excluding impact of healthcare portfolio's sale)
Per share (in euros)	*4.28*	*4.34*	*+1.4%*

Unaudited figures
All the figures presented in this document (excluding the appendices) exclude any impact of IFRS 5 and IFRIC 21.

The results published at the end of September 2016 are in line with the operations carried out in 2015 and 2016. The **+2.9% recurrent net income growth** achieved has benefited from not only the rent generated by the acquisitions made in summer 2015 (particularly the T1&B buildings in La Défense and PSA's current headquarters in Paris' central business district), but also the continued optimization of financial expenses. This result also reflects the ongoing program to sell non-strategic assets, and particularly the finalization of the sale of the Group's healthcare portfolio on July 1, 2016, as well as sales of certain office assets, primarily during the first half of 2016.

Building on an exceptional year for Gecina in 2015 in terms of portfolio rotation, the Group has maintained its opportunistic approach to investments, sales and redevelopments. Since the start of the year, Gecina has secured over **314 million euros of new investments** through buildings to be redeveloped or developed, which will contribute to the Group's rental income by 2018-2019. In addition to the sale of its healthcare portfolio, finalized on July 1, 2016, Gecina has also completed 507 million euros of sales of non-strategic commercial and residential assets with a 15% premium versus their appraisal values. Lastly, to maximize the value extracted from the Group's portfolio and its earnings growth over the medium term, Gecina has capitalized on tenants vacating buildings with strong value creation potential to launch two new redevelopment programs in Levallois and Paris.

As a result, **Gecina's pipeline is up to 3.7 billion euros, with 1.2 billion euros of projects already committed to** and expected to generate nearly **80 million euros of annualized rental income** thanks to deliveries scheduled primarily for 2018.

Gecina's preferred sectors are seeing positive rental market trends. Take-up, which had already shown strong growth since early 2015 for Paris City, has continued to improve (+11%) since the start of 2016, driving a further reduction in vacancy rates in central sectors (3.5% for Paris City), while **immediate supply is down significantly (-23% for Paris City)**, dropping to its lowest level on record since 2007. These trends have further strengthened Gecina's confidence, particularly in terms of earning growth and value extraction through the deliveries expected mostly in 2018 of its development and redevelopment pipeline.

Based on the results achieved for the third quarter, and despite the volume of sales already secured since the start of the year, **Gecina is revising its ambition upwards for recurrent net income growth over 2016**, which is now expected to reach **nearly +7% excluding the impact of the healthcare portfolio's sale**. Taking into account the impact of the healthcare sale, finalized at the start of the third quarter, **reported recurrent net income is expected to be stable for 2016.**

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Rental income in line with the Group's targets

Gross rental income came to 419.2 million euros, with a slight contraction of -1.3% on a current basis and -0.7% like-for-like. In particular, this change reflects Gecina's ambition to reposition itself around urban offices in Paris.

On a current basis, the slight -1.3% contraction factors in the Group's strategic repositioning around urban offices. Rental income is up +6.0% for office properties, while the diversification sectors are down nearly -14%, primarily due to the healthcare portfolio's sale, as well as the program to sell apartments on a unit basis when they become vacant (Hopper program).

Over the period, rent generated by deliveries and acquisitions made in 2015 and 2016 represents 43.3 million euros (notably T1&B in La Défense, PSA-Grande Armée in Paris' CBD, City 2 in Boulogne- Billancourt), almost fully offsetting the loss of rent resulting from sales (-43.5 million euros) and redevelopments (-7.1 million euros) after tenants vacated assets with strong value creation potential (32 Guersant-Paris, Ville-l'Evêque-Paris, and Octant-Sextant in Levallois-Perret).

Like-for-like, the moderate contraction of -0.7% at September 30 is also consistent with the Group's expectations. It factors in the level of indexation, which is still low (+0.1%), and the negative reversion resulting from renegotiations in 2015, some of which came into effect at the start of 2016.

Gross rental income	Sep 30, 15	Sep 30, 16	Change (%)	
In million euros			Current basis	Like-for-like
Group total	**424.7**	**419.2**	**-1.3%**	**-0.7%**
Offices	267.8	283.8	+6.0%	-0.9%
Traditional residential	91.5	85.8	-6.3%	0.0%
Student residences	8.2	10.3	+25.2%	-1.6%
Healthcare and other	*57.2*	*39.4*	*-31.2%*	*NA*

Offices: rental income up thanks to the Group's growing specialization

On a current basis, rental income from offices is up +6.0%, thanks in particular to the impact of the acquisition of the T1&B buildings in La Défense and PSA's current headquarters in Paris' CBD, offsetting the impact of sales and redevelopments.

Like-for-like, rental income is down slightly, with -0.9%, factoring in a particularly low level of indexation (+0.2%) and the latest impacts of the renewals and renegotiations granted in 2015 and early 2016 on suburban Paris assets in return for extending the maturity of their leases. Like-for-like growth has also been impacted by the departure of Oracle, which vacated part of the Crystalys building in Vélizy (Outer Rim of the Paris region) at end-August 2015. Today, this space has been partially relet. **Excluding this asset from the organic scope, like-for-like growth would be positive, with +0.1% for the first nine months of the year.**

Over the full year in 2016, office rental income is expected to contract slightly like-for-like by around -0.5%, reflecting the latest rental adjustments for the Group's portfolio against a backdrop of very low indexation. In view of the improvement in rental market conditions in the Paris Region's most central sectors, the **like-for-like change in office rental income is expected to be positive from 2017.**

Positive market trends for the most central office sectors preferred by Gecina

Immostat's statistics from the end of September 2016 support the Group's firm belief that the Paris Region's most central sectors and Paris' CBD in particular are picking up again. **Take-up in the Paris Region is up +14%** year-on-year to the end of September. The trends show a further significant increase for Paris City (+11%), which had already seen strong growth since the start of 2015. La Défense picked up again considerably over the first nine months of 2016, following three major deals signed for transactions over 30,000 sq.m.

Alongside this, the level of **immediate supply is down -10%, particularly in Paris City (-27%), La Défense (-26%) and the Western Crescent (-12%)**, while levels are stable or higher for the Inner and Outer Rims.

As a result, the Paris Region office market continues to show very contrasting trends, with Central Paris still very dynamic and a significant improvement in the real estate balance for La Défense. **The vacancy rate therefore shows a significant drop for Paris City to 3.5%** (versus 5% at end-September 2015) and 9% for La Défense (12.1% at end-September 2015), where the shortage of quality properties available is driving up rents for new builds, as well as existing properties in Paris (source: Cushman & Wakefield). Contrasting with this, vacancy levels are still virtually stable in more peripheral areas in the Inner and Outer Rims.

These statistics support the Group's confidence in the outlook for its portfolio, with the vast majority of its properties located in the Region's most central sectors, where the trends observed confirm the improvement in market conditions. For reference, 91% of Gecina's office portfolio at end-June 2016 was located in Paris City, La Défense or the Western Crescent. These market trends also support the Group's confidence in the outlook thanks to progress made with its committed pipeline, with nearly 85% located in Paris City and the Western Crescent's best sectors (Neuilly/Levallois and the Southern Loop), while virtually all the other sites are in Lyon.

Diversification portfolios: rental resilience and impact of sales programs

For the **traditional residential portfolio**, rental income is stable at end-September 2016 on a like-for-like basis. On a current basis, the -6.3% contraction factors in the program to sell apartments on a unit basis when they become vacant as tenants naturally free up assets (Hopper program).

The **student residence portfolio** shows +25.2% growth on a current basis, following the delivery of four residences during the third quarter of 2015 (Bagnolet Philia, Bordeaux Blanqui, Paris Lançon and Palaiseau Saclay). Like-for-like, rental income is down -1.6%, factoring in a temporary increase in the vacancy rate linked to work to overhaul the IT and operational systems in a residence in the Paris Region; excluding this residence, like-for-like growth comes out at +0.7%.

Occupancy rate stable and still high

The Group's **average financial occupancy rate** is still very high, with 96.0%, although with a slight contraction of 20 bp versus June 30, 2016 and 40 bp year-on-year, linked to the temporary reduction in the scope for student residences and the sale of the healthcare portfolio, which had an occupancy rate of 100%. The financial occupancy rate for **office** properties is stable, with the arrival of Henner in Neuilly and CREDIPAR in Gennevilliers in the "Pointe Métro 2" building, offsetting the vacancy recorded on the "Le Cristallin" building, which was delivered at the start of 2016 and is still to be let.

Average financial occupancy rate	Sep 30, 15	Dec 31, 15	Jun 30, 16	Sep 30, 16
Offices	95.6%	95.8%	95.4%	95.5%
Diversification	98.1%	98.2%	97.6%	97.0%
Group total	**96.4%**	**96.6%**	**96.2%**	**96.0%**

Recurrent net income (Group share) up +2.9% at end-September 2016

Recurrent net income (Group share) is up +2.9% to 273 million euros at end-September 2016. This increase primarily factors in the acquisitions made during the second half of 2015, particularly the T1&B buildings in La Défense and the building occupied by the PSA Group in Paris' CBD, as well as the continued optimization of financial expenses. Considering the exceptional nature of the costs linked to the offer for Foncière de Paris, representing 4.3 million euros, they are not included under recurrent net income.

It is also important to note that Gecina continued to receive rental income from its healthcare portfolio over the first half of the year, with its sale completed on July 1, 2016. **Excluding the impact of the sale of the non-strategic healthcare real estate portfolio, recurrent net income is up +8.0%.**

The office portfolio's **rental margin** is up 50 bp from September 30, 2015. This increase partly reflects the impact of the acquisitions made in 2015, fully let to single tenants, resulting in a higher than average margin. The rental margin has also been affected by the restatement of rental management fees previously recognized as revenue from "services and other income". For a scope excluding the healthcare portfolio, whose sale was finalized on July 1, the Group's rental margin comes out at 91.7%.

	Group	Offices	Residential	Healthcare
Rental margin at September 30, 2015	92.1%	94.4%	82.0%	99.1%
Rental margin at September 30, 2016	92.4%	94.9%	82.0%	98.9%

Net financial expenses are down -19.9% year-on-year to 69.1 million euros. This reduction is linked primarily to a significant reduction in the average cost of debt, particularly over the first half of 2016, benefiting from not only the optimization work carried out in 2015, but also the redemption of bonds that had reached maturity at the start of 2016, with a coupon of 4.25%. These bonds were refinanced with very short-term financing facilities based on particularly low costs, while waiting for the sale of the healthcare business to be completed, which was finalized on July 1, 2016. The average cost of debt over the first nine months came to 2.2%, compared with an average of 2.7% for 2015.

1.8 billion euros of sales secured or completed since the start of 2016, with 507 million euros excluding healthcare

In line with the Group's ambition to accelerate its portfolio rotation, **Gecina has completed or secured nearly 1.8 billion euros of sales since the start of the year** (excluding duties, Group share), including the sale of the Group's healthcare portfolio, which was finalized on July 1.
The amount of sales completed or secured, excluding the healthcare portfolio, represents 507 million euros, with **416 million euros finalized at end-September with a premium of around +13% versus the latest appraisal values, while the loss of rental income for Gecina represents approximately 4.4%** based on expected rents for 2016. This amount includes the sale of a building on Rue de la Bourse in Paris as part of an asset exchange operation, which was finalized in September 2016.

Healthcare portfolio's sale finalized on July 1 for 1.35 billion euros, with a premium of around 16%

Gecina finalized the sale of its healthcare portfolio to Primonial Reim on July 1, 2016. The transaction represented a total of 1.35 billion euros (including commissions and fees), with a net yield of 5.9% and a premium of around 16% versus the latest appraisal values. For reference, the value retained in the accounts at end-2015 already reflected the price agreed on with the buyer.

312 million euros of office sales completed since the start of 2016

Since January 1, 2016, the Group has finalized 312 million euros of office sales, with an average premium of nearly +7.2% versus the end-2015 appraisals, while the loss of rental income represents around 4.9% based on expected rents for 2016, with around 15.3 million euros of annualized rental income.

Gecina is continuing to capitalize on a positive market environment for opportunistic sales of assets that are non-strategic, mature or located in peripheral areas, in line with the strategy announced at the start of 2015. For instance, the Group has sold a building on Quai Marcel Dassault in Suresnes, an asset on Avenue Achille Peretti in Neuilly, and the final sites previously held by Gecina in Madrid. On April 1, 2016, Gecina finalized the sale of the building in Rueil-Malmaison occupied by the Vinci Group, whose lease is due to expire at the end of 2019. In September 2016, Gecina also finalized the sale of a mixed-use building on Rue de la Bourse in Paris (4,800 sq.m) as part of an asset exchange, enabling the Group to simultaneously acquire the building at 7 rue de Madrid (10,500 sq.m) in Paris' central business district.

194 million euros of residential sales completed or covered by preliminary agreements, with 157 million euros on a unit basis, achieving a premium of over 34% versus the appraisal values

Since the start of the year, Gecina has carried out or secured 157 million euros of vacant unit-based sales, with 102 million euros already completed on, achieving a premium of nearly +35% compared with their appraisal values, and the remaining assets covered by preliminary sales agreements. In addition, more than

20 million euros of sales are subject to preliminary agreements that were being prepared at September 30 and could be finalized in 2017.
The Group has also completed or secured 38 million euros of block-based residential sales, with 36 million euros still to be finalized, based on a premium of +24% versus the appraisal values.
The conditions for the residential sales finalized over the first nine months of 2016 show **an average premium of 34%, while the loss of rental income for Gecina represents 3.1%.**

Over 314 million euros of new investments secured since the start of the year

Alongside these sales, Gecina has already secured over **314 million euros[1] of new investments** in assets for development or redevelopment that will be **delivered in 2018 and 2019**.
This amount concerns the acquisition of three assets, including one off-plan in Issy-les-Moulineaux, while the other two assets - 34 rue de Guersant and 7 rue de Madrid, at the heart of Paris - will benefit from redevelopment programs.

During the first half of the year, Gecina signed an agreement with the developer PRD Office to acquire the "**BE ISSY**" office building off-plan, with delivery in 2018. This asset, located in Issy-les-Moulineaux, in the Southern Loop of Paris' Western Crescent, will offer a gross leasable area of around 25,000 sq.m and 258 parking spaces. The transaction represents a total of **160 million euros** including commissions and fees. Based on current market rents, Gecina expects this operation to achieve a net yield on delivery of 6.6%.

On June 9, 2016, Gecina also signed a preliminary agreement to acquire a building at **34 rue Guersant (Paris 17th)** for nearly **50 million euros**. This building, currently occupied by CBRE under a lease running through to mid-2017, is adjacent to another asset already owned by Gecina at 32 rue Guersant, which has been redeveloped since the start of 2016. The two buildings will be able to represent a combined complex with 20,000 sq.m of space, which is rare at the heart of Paris, while potentially offering significant operational synergies. This operation was finalized at the start of the second half of 2016.

Lastly, the Group announced on July 11, 2016 that it had signed a preliminary agreement to buy a 10,500 sq.m asset located at **7 rue de Madrid (Paris 8th)**, in Paris' CBD, for **63.3 million euros**. This asset, which is nearly vacant, will be redeveloped, requiring a further investment of around 40 million euros, and is expected to achieve a net yield on delivery of almost 6.5%.

Project pipeline up to 3.7 billion euros, with 1.2 billion euros of committed projects

Including the latest investments secured during the third quarter of 2016 in Paris City (notably the Rue de Madrid building in Paris' CBD), as well as the two assets vacated by their tenants at the end of the first half of the year in Paris' CBD (Rue de la Ville-l'Evêque) and Levallois-Perret (Octant-Sextant), with their redevelopments underway, the Group's total project pipeline is up to 3.7 billion euros, with **1.2 billion euros of projects already committed to that will make it possible to generate over 80 million euros of additional potential rental income**, through projects with deliveries expected for 2017, 2018 and, to a lesser extent, 2019.
The pipeline will offer a yield at maturity of 6.7% for projects located in Gecina's preferred sectors, with nearly half concentrated in Paris City, and the rest primarily in Levallois, Issy-les-Moulineaux and Lyon.

Over the medium term, Gecina also has a pipeline of controlled and certain projects, with redevelopment projects that will be launched as soon as tenant departures have been secured and will be delivered between 2018 and 2020. This "controlled and certain" pipeline represents 1.0 billion euros of projects, with 92% located at the heart of Paris City and predominantly the CBD.

Thanks to the central locations of Gecina's projects, the Group is confident about letting them in markets that are showing positive trends, particularly at the heart of Paris.

[1] Total amount of investments secured including acquisition prices and outstanding capex through to project deliveries

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Gecina raises its targets for 2016 and confirms its confidence for the years ahead

In line with its total return strategy, Gecina was particularly active over the first nine months of 2016 in terms of investments, sales and development projects, contributing to the prospects for recurrent net income growth over the medium and long term, as well as the drive to extract value.

Since the start of the year, Gecina has secured over 314 million euros of new investments through buildings to be redeveloped or developed that will generate rental income by 2018-2019. In addition to the sale of its healthcare portfolio, finalized on July 1, 2016, Gecina has completed 507 million euros of sales of non-strategic commercial and residential assets, achieving a 15% premium versus their appraisal values. Lastly, to optimize value creation potential and maximize recurrent income growth over the medium term, Gecina has capitalized on tenants vacating buildings with strong value creation potential to launch two new redevelopment programs in Levallois and Paris' CBD.

As a result, Gecina's pipeline is up to 3.7 billion euros, with 1.2 billion euros of projects already committed to and expected to generate nearly 80 million euros of annualized rental income by 2018-2019, offering strong visibility over the medium and long term.

For 2016, despite the significant volume of sales carried out since the start of the year, in view of positive rental markets in the most central sectors and the effective management of the company's liabilities, the Group is able to **revise its ambition upwards for recurrent net income growth over 2016**, which is now expected to reach nearly **+7% excluding the impact of the healthcare portfolio's sale.**
Including the impact of this portfolio's sale, which was finalized at the start of July 2016, as well as the impact of redevelopment operations launched and other sales carried out since the start of the year, **reported recurrent net income (Group share) is expected to be stable for 2016**.

Gecina, a leading real estate group

Gecina owns, manages and develops property holdings worth 11.7 billion euros at July 1, 2016, with 97% located in the Paris Region. The Group is building its business around France's leading office portfolio and a diversification division with residential assets and student residences. These data exclude the healthcare portfolio, which was sold for 1.35 billion euros on July 1, 2016. Gecina has put sustainable innovation at the heart of its strategy to create value, anticipate its customers' expectations and invest while respecting the environment, thanks to the dedication and expertise of its staff.

Gecina is a French real estate investment trust (SIIC) listed on Euronext Paris, and is part of the SBF 120, Euronext 100, FTSE4Good, DJSI Europe and World, Stoxx Global ESG Leaders and Vigeo indices. In line with its commitments to the community, Gecina has created a company foundation, which is focused on protecting the environment and supporting all forms of disability.

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APPENDICES

Condensed income statement and recurrent income

At the Board meeting on October 20, 2016, chaired by Bernard Michel, Gecina's Directors reviewed the financial statements at September 30, 2016, as appended. All the figures presented in this document (excluding the appendices) exclude any impact of IFRIC 21 and IFRS 5.
IFRIC 21 relates to the recognition date for levies, which will no longer be able to be deferred in interim accounts, unless the obligating event occurs over a period of time. The impact of this standard primarily concerns the section of property taxes (taxe foncière) that cannot be charged back to tenants. It will not have any impact on the annual financial statements, but will modify the schedule for recognizing the rental margin in interim publications.
IFRS 5 relates to the recognition of discontinued operations, applied to the healthcare portfolio, which sale was finalized on July 1, 2016.

	Without IFRIC 21 and IFRS 5			With IFRIC 21 and IFRS 5		
In million euros *(Unaudited figures)*	Sep 30, 15	Sep 30, 16	Change (%)	Sep 30, 15	Sep 30, 16	Change (%)
Gross rental income	**424.7**	**419.2**	**-1.3%**	**368.1**	**379.9**	**+3.2%**
Expenses not billed to tenants	(33.5)	(31.9)	-4.8%	(36.1)	(34.9)	-3.4%
Net rental income	**391.2**	**387.3**	**-1.0%**	**331.9**	**344.9**	**+3.9%**
Services and other income (net)	6.2	2.4	-60.9%	5.5	2.4	-57.4%
Salaries and management costs	(43.1)	(44.5)	+3.2%	(42.5)	(44.2)	+4.1%
EBITDA	**354.3**	**345.3**	**-2.6%**	**295.0**	**303.1**	**+2.7%**
Net financial expenses	(86.2)	(69.1)	-19.9%	(85.3)	(68.3)	-19.9%
Recurrent tax	(2.6)	(2.8)	+5.1%	(2.4)	(2.5)	+7.5%
Recurrent minority interests	(0.1)	(0.4)	NA	0.0	(0.4)	NA
Recurrent net income (Group share) from continuing operations				**207.3**	**231.8**	**+11.8%**
Recurrent net income (Group share) from discontinued operations				54.7	37.5	-31.3%
Recurrent net income (Group share)	**265.4**	**273.0**	**+2.9%**	**262.0**	**269.3**	**+2.8%**

	Without IFRIC 21 and IFRS 5			With IFRIC 21 and IFRS 5		
	Sep 30, 15	Sep 30, 16	Change (%)	Sep 30, 15	Sep 30, 16	Change (%)
Average number of shares excl. treasury stock	62,019,147	62,912,605	+1.4%	62,019,147	62,912,605	+1.4%
Recurrent net income (Group share) per share (in euros)	**4.28**	**4.34**	**+1.4%**	**4.22**	**4.28**	**+1.4%**