gecina
Bien plus que des mètres carrés

Press release
October 23, 2013

Business at September 30, 2013

Rental income up +3.3% on a comparable basis

Significant increase in spot occupancy rate for offices, up to 95.1%

Beaugrenelle shopping center, fully prelet, is put up for sale (and opened today)

Net recurrent income up +2.1% at end-September, with a slight increase expected for 2013

Key figures

At the Board meeting on October 22, 2013, chaired by Bernard Michel, Gecina's Directors reviewed the financial statements at September 30, 2013.

In million euros	Sep 30, 2012	Sep 30, 2013	Change (%)
Gross rental income	450.4	440.3	-2.2%
EBITDA before disposals	371.4	364.9	-1.8%
Net recurrent income	243.4	248.5	+2.1%
per share (in €)	4.01	4.08	+1.8%

Unaudited figures
See details in appendix

Rental strategy delivering benefits and helping drive strong organic growth in rental income, opening of Beaugrenelle

At end-September 2013, like-for-like growth in Gecina's office rents came to +3.1%, benefiting from positive indexation, as well as a marked improvement in the occupancy rate, offsetting a slightly negative rental reversion.

This performance seems particularly satisfactory when set against a significant drop in demand on the office market, leading to pressure on rents, primarily in the Western Crescent. Indeed, Gecina's main letting challenges, which represented almost 100,000 sq.m at the end of 2011, have been resolved to a great extent thanks to a proactive marketing strategy. In this way, the spot occupancy rate for office properties came in high at the end of September 2013, with 95.1%, considerably higher than the market occupancy rate for the Paris region (93.2%). In addition, Gecina prelet 6,726 sq.m of the Dock en Seine project (Saint-Ouen) in October 2013, based on a firm nine-year lease, with a potential headline net yield of 7.8%. This office building, with a total gross leasable area of 16,155 sq.m, will be delivered in December 2013.

In addition, all the segments have continued to see a dynamic rate of growth on a comparable basis: +3.3% for traditional residential, +12.6% for student residences and +2.8% for healthcare. Overall, net recurrent income is up +2.1% for the first nine months of the year, with rent from investments and the reduction in financial expenses offsetting the loss of rent resulting from the Group's divestment policy.

Alongside this, Gecina has continued rolling out its strategy to realign and optimize its asset portfolio, with 834 million euros of sales secured to date. The 718 million euros of sales finalized have achieved an average premium of +7.6% compared with the appraisals from end-2012 (including a +33.1% premium for unit-by-unit residential sales), highlighting the cautious valuations applied by Gecina and the level of appetite among investors.

Lastly, the Beaugrenelle shopping center will be opening its doors on October 23, 2013. Beaugrenelle has been fully prelet, confirming its appeal for brands thanks to its location, its architecture and its department store-inspired concept. A gateway to Paris' 15th arrondissement and window on to the River Seine, Beaugrenelle is part of the capital's architectural revival and the redevelopment of the Front de Seine district. A divestment process is currently underway on this non-strategic asset.

Rental income up +3.3% on a comparable basis, including dynamic growth of +3.1% for offices

Gross rental income came to 440.3 million euros at September 30, 2013, an increase of +3.3% on a comparable basis. This growth notably reflects the positive impact of indexation (+2.7%) and the higher occupancy rate (+0.7%). The negative impact of renegotiations and relettings is still very limited in terms of like-for-like rental trends for the Group as a whole (-0.6%).

On a current basis, rental income is down -2.2% compared with the third quarter of 2012. This contraction primarily reflects the loss of rent due to sales (-51.9 million euros), coming in higher than the combined revenues from investments and project deliveries (+23.4 million euros) and like-for-like growth (+11.9 million euros).

Rental income on **offices** is up +3.1% on a comparable basis, showing sustained growth, in line with the rate recorded during the first half of 2013 (+3.5%). On a comparable basis, the change benefited from a positive indexation effect (+2.8%), combined with an increase in the occupancy rate for buildings on a comparable basis (+1.3%). These positive effects have offset the impact of relettings and renegotiations, which came to -1.0% at end-September 2013, virtually unchanged compared with the level recorded at the end of June 2013 (-1.1%).

On a current basis, office rental income is up +4.2%, thanks in particular to rent from the various buildings delivered or acquired recently, such as the Mirabeau Tower, Park Azur and Magistère. At the end of September 2013, Gecina had let almost 104,000 sq.m of offices, factoring in new lettings, relettings, renegotiations and renewals, representing around 39 million euros of annualized headline rent.
In October 2013, Gecina also prelet 6,726 sq.m of the **Dock en Seine** building in Saint-Ouen (northern inner rim) to the SVP group, based on a firm nine-year lease from June 1, 2014. This project represents an investment of 72 million euros for Gecina. Based on the transaction signed with SVP and market rental values for the rest of the building, the potential headline net yield on this asset comes out at 7.8%.

Rental income from **traditional residential** assets is up +3.3% on a comparable basis. This business has continued to benefit from a positive indexation effect (+2.2%), in addition to the impact of relettings (+0.8%), with an incoming-outgoing rent differential of +4.9% based on a tenant turnover rate of 14.6%. On a current basis, this segment's rental income is down -14.2%, reflecting the impact of the major divestment program rolled out in 2012 (766 million euros) and the sales carried out in 2013 (175 million euros to the end of September).

In the **healthcare** sector, rental income is up +4.3% on a current basis. This increase factors in the rent resulting from the acquisition of six nursing homes in April 2012 and the delivery of the Annemasse private hospital in October 2012, offsetting the impact of the four short-stay assets sold off in the fourth quarter of 2012 and the first quarter of 2013. On a comparable basis, rental income growth comes out at +2.8%, thanks to indexation (+3.8%) and the additional rent generated by work carried out (+0.7%), offsetting the –1.7% contraction resulting from the renegotiation of leases on various assets let to Générale de Santé during the third quarter of 2012.

Lastly, Gecina has recorded rent on the **Beaugrenelle** shopping center project since the shells of the store units were delivered to the brands, representing 11.7 million euros at the end of September 2013 (including 1.7 million euros generated by the section that is already in operation). Over the whole year in 2013, the Group is expected to record around 19 million euros of gross rent on the shopping center. On a full-year basis, gross rental income would represent nearly 34 million euros.

In million euros	Sep 30, 2012	Sep 30, 2013	Change (%)	
			Current basis	Comparable basis
Group total	**450.4**	**440.3**	**-2.2%**	**+3.3%**
Offices (excl. Beaugrenelle)	246.3	256.7	+4.2%	+3.1%
Beaugrenelle	1.7	11.7	na	na
Traditional residential	115.6	99.2	-14.2%	+3.3%
Student residences	6.1	6.9	+12.8%	+12.6%
Healthcare	53.4	55.7	+4.3%	+2.8%
Logistics	12.5	0.5	-96.0%	na
Hotels	14.8	9.6	-35.1%	na

The **average financial occupancy rate** was 95.2% at the end of September 2013, up 40 bp compared with the end of June 2013.

This growth during the third quarter reflects an improvement in the average occupancy rate on office properties, climbing 90 bp to 93.1% at end-September, with the *prorata temporis* impact of the leases signed on the Horizons (10,585 sq.m), Magistère (7,835 sq.m) and Newside (17,955 sq.m) buildings coming into effect. This improvement in the occupancy rate will continue during the fourth quarter of 2013: the office portfolio's spot financial occupancy rate at end-September 2013 was 95.1%, some 200 bp higher than the average rate for the first nine months of the year, thanks in particular to the impact of the letting of the Newside building in La Garenne-Colombes, which came into effect in July 2013. In this way, the average financial occupancy rate is expected to represent around 94% for the office portfolio in 2013.

The occupancy rate on traditional residential properties remains structurally high, coming in at 98.1%. Lastly, the occupancy rate has remained stable at 100% for healthcare real estate.

Average financial occupancy rate	Sept 30-12	Dec 31-12	June 30-13	Sept 30-13
Economic division	**91.0%**	**90.8%**	**92.6%**	**93.4%**
Offices*	91.2%	90.9%	92.2%	93.1%
Logistics	82.0%	82.0%	na	na
Hotels	100.0%	100.0%	100.0%	na
Demographic division	**98.3%**	**98.3%**	**98.8%**	**98.6%**
Traditional residential	97.7%	97.7%	98.3%	98.1%
Student residences	92.9%	94.3%	95.5%	93.7%
Healthcare	100.0%	100.0%	100.0%	100.0%
Group total	93.6%	93.4%	94.8%	95.2%

** Excluding Beaugrenelle*

Net recurrent income up +2.1% (+3.1% restated for the 3% tax on dividends), slight increase forecasted for 2013

The **rental margin** came to 91.8% at end-September 2013, an increase of 70 bp compared with September 30, 2012, reflecting the combined impact of changes in the mix (sale of the logistics business, increase in the weighting of healthcare assets, on which the margin is close to 100%). The rental margin has remained stable and high for the office portfolio, coming in at 93.4%.

Salaries and management costs are down -2.0% compared with September 30, 2012, reflecting the Group's ongoing cost optimization policy.

Net financial expenses are down -10.8% over one year to 112.8 million euros, primarily thanks to a reduction in the volume of debt by around 600 million euros during the period. Overall, the average cost of debt drawn down represents 3.3%, while the average cost of debt came to 3.8% at end-September 2013, consistent with the rate recorded at the end of September 2012.

Net recurrent income is up +2.1% compared with September 30, 2012 to 248.5 million euros, factoring in the payment of the 3% tax on dividends paid out in excess of the SIIC requirement for listed real estate trusts, i.e. 2.4 million euros. Restated for the payment of this tax, the increase in net recurrent income comes out at +3.1%.

Gecina is now forecasting a slight increase in its net recurrent income for 2013.

Asset rotation: 834 million euros of sales secured, +33% premium on unit-by-unit residential sales

The **sales** carried out at the end of September 2013 represent 718 million euros, with:

- ✓ 280 million euros corresponding to the sale of the four Club Méditerranée hotels
- ✓ 175 million euros of residential real estate, split between 127 million euros of unit sales and 48 million euros of block sales
- ✓ 201 million euros of office properties
- ✓ 62 million euros of healthcare properties

In addition, 116 million euros of additional disposals are currently subject to preliminary sales agreements, with 59 million euros for offices, 32 million euros for residential assets on a block basis and 25 million euros for unit-by-unit residential assets.

The total amount of sales carried out at end-September 2013 shows a very significant positive differential of +7.6% compared with the block values from the end of 2012. In particular, this differential factors in the +33.1% premium achieved on unit-by-unit residential sales and the +5.3% premium on block residential sales. The premium came to +3.5% on hotel sales and +4.0% for offices compared with their valuations from December 31, 2012.

Investments at end-September 2013 represent 494 million euros, including:

- ✓ Investments on projects under development for 147 million euros, including the completion of work on the Beaugrenelle shopping center (delivered in October 2013), on the Velum building in Lyon (delivered in September 2013), and on the Docks en Seine office asset, which will be delivered in December 2013.
- ✓ Acquisitions for 319 million euros, including the Mirabeau Tower in Paris' 15th arrondissement, based on an immediate net yield of 7.6%, and an office building on Rue Marbeuf in Paris' 8th arrondissement, with an immediate net yield of 5.5%.
- ✓ Capex for 28 million euros

Capitalized financial expenses on investments represented a total of 12 million euros at the end of September 2013.

194 million euros are still to be committed for the development pipeline, with 87 million euros during the fourth quarter of 2013, 71 million euros in 2014 and 36 million euros in 2015.

Delivery of the Beaugrenelle shopping center, fully prelet

The Beaugrenelle shopping center, fully prelet, was inaugurated on October 22, 2013 and will be opening its doors to the public on October 23, following 10 years of complex and challenging work. Beaugrenelle is part of the architectural revival of Paris. It represents a unique project, combining the soul of a Parisian department store with the best features of a shopping center. Its outstanding offering, its architecture, its design and its wide range of services for visitors make it a truly incomparable destination. Breaking away from the standard design for conventional shopping centers, Beaugrenelle is a space that is open to the city, bathed in natural light, thanks to its innovative, elegant and modern architecture, designed by Valode & Pistre.

CONTACTS
Financial communications
Elizabeth Blaise
Tel: +33 (0)1 40 40 52 22
Virginie Sterling
Tel: +33 (0)1 40 40 62 48

Press relations
Armelle Miclo
Tel: +33 (0)1 40 40 51 98

APPENDICES

Condensed income statement and net recurrent income

In million euros *(unaudited)*	Sep 30, 2012	Sep 30, 2013	Change (%)
Gross rental income	450.4	440.3	-2.2%
Expenses on properties	(107.7)	(101.0)	-6.2%
Expenses billed to tenants	67.5	65.0	-3.7%
Net rental income	410.3	404.3	-1.5%
Services and other expenses (net)	7.3	5.8	-20.5%
Salaries and management costs	(46.1)	(45.2)	-2.0%
EBITDA before disposals	371.4	364.9	-1.8%
Net financial expenses	(126.4)	(112.8)	-10.8%
Recurrent tax	(1.7)	(3.6)	+111.8%
Net recurrent income	243.4	248.5	+2.1%

	Sep 30, 2012	Sep 30, 2013	Change (%)
Average number of shares excluding treasury stock	60 732 563	60 917 747	+0.3%
Net recurrent income per share (in euros)	4.01	4.08	+1.8%