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Bien plus que des mètres carrés

Press release
October 23, 2014

Business at September 30, 2014
Good operational and financial performances

Rental income up +1.1% like-for-like, occupancy rate of 96.4%
Recurrent net income (Group share) forecast for 2014 revised upwards
Gecina's rating upgraded by Moody's and Standard & Poor's

Key figures

At the Board meeting on October 22, 2014, chaired by Bernard Michel, Gecina's Directors reviewed the financial statements at September 30, 2014.

In million euros	Sep 30, 13	Sep 30, 14	Change (%)
Gross rentals	440.3	432.3	-1.8%
Like-for-like			+1.1%
EBITDA	364.9	359.6	-1.5%
Recurrent net income Group share	247.8	244.2	-1.5%
Per share in EUR	4.07	3.99	-1.9%

Unaudited figures (details appended)

Good letting performance and continued optimization of liabilities

Gecina has benefited from a positive operational performance since the start of 2014, with +1.1% like-for-like growth in rental income for the Group as a whole. For the office segment in particular, organic growth came to +1.3% over the period.

At the end of September 2014, Gecina had let over 60,000 sq.m of offices, factoring in new lettings, relettings, renegotiations and renewals, representing around 26 million euros of annualized headline rents. At end-September 2014, the spot occupancy rate on Gecina's office portfolio was 95.4%, considerably higher than the market occupancy rate for the Paris Region (92.9%). This good performance results froms the relevant positioning of Gecina's assets, with quality buildings that are perfectly in line with tenants' expectations and from the Gecina teams' expertise and mobilization.

In addition, Gecina continued to optimize its financial structure during the third quarter. In particular, the Group carried out a new bond issuance, for 500 million euros, with a maturity of seven years, a 92 bp spread over the mid-swap rate and a coupon of 1.75%, the lowest coupon and spread for a bond issue by Gecina. Alongside this issuance, the Group has adjusted its hedging portfolio, cancelling various transactions for an identical nominal, but with short maturities and high rates. This optimization has further consolidated Gecina's forecasts for a marked reduction in the average cost of debt over 2014 compared with 2013.

Gecina's good operational and financial performance and the changes to its shareholding structure have been praised by the rating agencies Moody's and Standard & Poor's, which upgraded their ratings respectively from Baa2/outlook stable to Baa1/outlook stable on September 12 and from BBB/outlook positive to BBB+/outlook stable on October 16, 2014.

Lastly, recurrent net income (Group share) totaled 244.2 million euros at September 30, 2014, down -1.5% versus the third quarter of 2013. The full year is expected to show growth for 2014, compared with the previous stable forecast, thanks in particular to the positive impacts during the fourth quarter of work carried out since the start of the year to optimize the financial structure.

Rental income up +1.1% like-for-like for the Group as a whole and +1.3% for offices

Gross rental income came to 432.3 million euros at September 30, 2014, an increase of +1.1% like-for-like. This growth reflects the positive impact of indexation (+1.0%) and the higher occupancy rate (+0.3%). Renegotiations and relettings had a minor impact in terms of the like-for-like change in rents (-0.4%). Lastly, various non-recurring items were recorded over the period (+0.2% on like-for-like growth) and concern lease termination payments and the re-scaling of rents, as well as expenses charged back to tenants for work on the office and healthcare portfolios in particular.
On a current basis, rental income is down -1.8% compared with the third quarter of 2013. This contraction primarily reflects the loss of rent due to sales and redevelopments (-26.3 million euros), coming in higher than the combined revenues from investments and project deliveries (+13.9 million euros) and like-for-like growth (+4.3 million euros).

Rental income on **offices** (excluding Beaugrenelle) is up +1.3% like-for-like for the third quarter of 2014, compared with +2.6% at end-June, with this change confirming that the impact of the lettings from 2013 have levelled off, as announced since April this year. In more detail, the like-for-like change benefited from a positive indexation effect (+0.9%), combined with a like-for-like increase in the occupancy rate for buildings (+0.8%), offsetting the impact of relettings and renegotiations (-0.7%). Lastly, lease termination payments or the re-scaling of rents had a +0.3% impact on rents on a like-for-like basis for the third quarter. Gecina therefore expects to record a slight like-for-like increase in office rental income over 2014.
On a current basis, office rental income (excluding Beaugrenelle) is up +2.1%, thanks in particular to rent from the various buildings delivered or acquired recently, including Tour Mirabeau, Marbeuf, Docks en Seine and Velum.

Rental income from **traditional residential** assets is up +0.7% like-for-like, thanks in particular to the positive impact of indexation (+1.1%), as well as the impact of relettings (+0.6%). In this way, the incoming-outgoing rent differential came to +1.8%, based on a tenant rotation rate of 14.9%.
On a current basis, rental income is down -4.5%, reflecting the impact of the Group’s policy to divest part of its traditional residential business.

Healthcare rental income is up +1.0% like-for-like compared with the third quarter of 2013, thanks to indexation (+1.4%) and additional rent generated by work (+0.5%), offsetting the -0.8% contraction resulting from the renegotiation in January 2014 of leases for nine assets let to the Ramsay group in return for extensions for a firm 12-year period, representing an average extension by nearly five years.
On a current basis, rents are down -1.1%, notably following the sale of three short-stay assets in April 2013.

Lastly, the **Beaugrenelle** shopping center generated 12.8 million euros in rental income between January 2014 and this asset's sale on April 29, 2014.

In million euros	Sep 30, 13	Sep 30, 14	Change (%)	
			Current basis	Like-for-like
Group total	**440.3**	**432.3**	**-1.8%**	**+1.1%**
Offices (excl. Beaugrenelle)	256.7	262.2	+2.1%	+1.3%
Beaugrenelle	11.7	12.8	n.a.	n.a.
Traditional residential	99.2	94.7	-4.5%	+0.7%
Student residences	6.9	6.9	+0.2%	-0.8%
Healthcare	55.7	55.1	-1.1%	+1.0%
Logistics	0.5	0.6	n.a.	n.a.
Hotels	9.6	0.0	n.a.	n.a.

The Group's **average financial occupancy rate** came to 96.4% at end-September 2014, a significant improvement compared with end-September 2013 (95.2%), still an historically high level, and virtually stable in relation to the end of June 2014 (96.5%).

The average occupancy rate on office properties for the first nine months of the year was stable compared with the first half of 2014, coming in at 95.4%.

The average occupancy rate on traditional residential properties remains structurally high, coming in at 97.7%. The occupancy rate for student residences dropped to 91.1% for the third quarter, versus 94.1% at end-June 2014, reflecting the two new residences brought into operation for the start of the new university year in September: Saint-Denis and Lecourbe.

Lastly, the occupancy rate has remained stable at 100% for healthcare real estate.

Average financial occupancy rate	Sep 30, 13	Dec 31, 13	Jun 30, 14	Sep 30, 14
Economic Division	**93.4%**	**93.8%**	**95.5%**	**95.4%**
Offices*	93.1%	93.6%	95.4%	95.4%
Demographic Division	**98.6%**	**98.7%**	**98.5%**	**98.3%**
Traditional residential	98.1%	98.1%	97.8%	97.7%
Student residences	93.7%	94.9%	94.1%	91.1%
Healthcare	100.0%	100.0%	100.0%	100.0%
Group total	**95.2%**	**95.5%**	**96.5%**	**96.4%**

**Excluding Beaugrenelle*

Recurrent net income (Group share) forecast for 2014 revised upwards

The Group's **rental margin** came to 92.4% at end-September 2014, up 60 bp versus September 30, 2013 and stable in relation to end-June 2014. The office segment's margin shows year-on-year growth of 120 bp, thanks in particular to the significant improvement in the occupancy rate, offsetting the impact of the hotels sold, on which the margin was close to 100%.

	Group	Offices	Beaugrenelle	Residential	Healthcare
Rental margin at Sep 30, 2013	91.8%	93.5%	90.6%	82.4%	99.8%
Rental margin at Sep 30, 2014	92.4%	94.7%	89.3%	82.5%	99.5%

Salaries and management costs are up 0.9 million euros to 46.0 million euros at end-September 2014.

Net financial expenses excluding capitalized financial expenses are down -8.4% year-on-year to 114.6 million euros, thanks to the reduction in the volume of debt and its average cost over the period. Capitalized financial expenses came in significantly lower than the third quarter of 2013, dropping from 12.3 million euros to 3.2 million euros at end-September 2014 (Beaugrenelle's delivery).

At the end of July 2014, Gecina successfully carried out a 500 million euro bond issue, with a maturity of seven years, a 92 bp spread over the mid-swap rate and a coupon of 1.75%, the lowest coupon and spread for a bond issue by Gecina.

Alongside this issue, the Group has continued to optimize its hedging portfolio, cancelling various transactions for an identical nominal, but with short maturities and high rates. This optimization has further consolidated Gecina's forecasts for a marked reduction in the average cost of debt over 2014 compared with 2013. The average cost of Gecina's debt at end-2014 is expected to be slightly lower than for the first half of the year.

At end-September 2014, **recurrent tax** notably includes the payment of the 3% tax on dividends paid out above the mandatory level for SIIC real estate trusts.

The recurrent share attributable to **minority interests** represents 1.6 million euros for the third quarter of 2014 and primarily concerns earnings generated by the Beaugrenelle shopping center for the 25% stake not held by Gecina.

Lastly, recurrent net income (Group share) came to 244.2 million euros at September 30, 2014, down -1.5% versus the third quarter of 2013. The full year is expected to show growth for 2014, compared with the previous stable forecast, thanks in particular to the positive impacts during the fourth quarter of work carried out since the start of the year to optimize the financial structure.

Furthermore, on September 11, 2014, the Spanish bank Abanca submitted a claim for Gecina to pay 63 million euros in relation to letters alleged to have been signed in 2008 and 2009 by Mr Joaquin Rivero, Gecina's former chief executive, to guarantee various commitments. Gecina, which did not have any knowledge of these letters, after consulting with its advisors, considers that they represent fraudulent arrangements because they are in breach of its corporate interests and relevant rules and procedures. As agreed with its statutory auditors, Gecina has therefore not recorded any provisions in relation to this at September 30, 2014. Gecina has decided to open proceedings with the relevant courts.

Target confirmed for 600 million euros of sales and nearly 300 million euros of investments

During the third quarter of 2014, **sales** represented a total of 583 million euros, linked primarily to the sale of the 75% interest in the Beaugrenelle shopping center, as well as unit-by-unit sales of residential assets for 60 million euros and the sale of a clinic for 6 million euros.

The net exit yield on these sales was 4.1%. The average premium on the unit-by-unit residential sales came to 32.0% compared with the appraisals from end-2013.

At end-September, 17 million euros of residential assets were covered by preliminary sales agreements on a unit basis. Alongside this, Gecina is moving forward with its divestment strategy for part of its traditional residential business, primarily through sales of apartments as they become vacant, notably to align the company with changes in the legislative environment.

At September 30, 2014, **investments** totaled 230 million euros. 135 million euros were focused on acquisitions, including 133 million euros for the Le France building in Paris' 13th arrondissement, with a net yield of 6.4%. 67 million euros concerned current or potential developments. Capex represented 28 million euros for the period.

For the start of the university year in September, Gecina brought two new student residences into operation. The first, Cité Cinéma, is a new-build residence in Saint-Denis (93), while the second is a redevelopment of a former office building in Paris' 15th arrondissement, located on Rue Lecourbe. With these two new assets, Gecina has an additional 330 beds in place and is able to confirm its target for 6,000 beds over the medium term.

At end-September 2014, there were still 222 million euros to be invested for the current development pipeline, with 31 million euros for the fourth quarter, 101 million euros for 2015, 64 million euros for 2016 and the remaining balance for 2017.

Gecina is therefore confirming its full-year target for around 600 million euros of sales and nearly 300 million euros of investments in 2014, as announced when releasing its first-half earnings.

CONTACTS

Financial communications
Nicolas Dutreuil
Tel: +33 (0)1 40 40 63 65
Virginie Sterling
Tel: +33 (0)1 40 40 62 48

Press relations
Nathalie Bardin
Tel: +33 (0) 1 40 40 62 45
Armelle Miclo
Tel: +33 (0) 1 40 40 51 98

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APPENDIX

Condensed income statement and recurrent income

In million euros *(unaudited figures)*	Sep 30, 13	Sep 30, 14	Change (%)
Gross rental income	**440.3**	**432.3**	**-1.8%**
Expenses on properties	(101.0)	(106.3)	+5.2%
Expenses billed to tenants	65.0	73.3	+12.8%
Net rental income	**404.3**	**399.3**	**-1.2%**
Services and other income (net)	5.8	6.4	+10.3%
Salaries and management costs	(45.2)	(46.0)	+1.8%
EBITDA	**364.9**	**359.6**	**-1.5%**
Net financial expenses excl. capitalized financial expenses	(125.2)	(114.6)	-8.4%
Capitalized financial expenses	12.3	3.2	-74.0%
Recurrent gross income	**252.1**	**248.2**	**-1.5%**
Recurrent tax	(3.6)	(2.5)	-30.6%
Recurrent minority interests	(0.6)	(1.6)	+128.6%
Recurrent net income (Group Share)	**247.8**	**244.2**	**-1.5%**

	Sep 30, 13	Sep 30, 14	Change (%)
Average number of shares excluding treasury stock	60,917,747	61,177,619	+0.4%
Recurrent net income (Group share) per share (in EUR)	**4.07**	**3.99**	**-1.9%**