

Cegereal – First half results



First half 2013: Rental income up 19% to €21.7 million

Key indicators:

- Turnover: €27 million (up 21%)
- Rental income: €21.7 million (up 19%)
- Portfolio occupancy rate: 87% (up 3 points)
- Portfolio value: €861 million excluding transfer costs (down 0.5%)

H1 2013 Business Performance:

- Arcs de Seine: leases signed on 7,800 sq.m. with first-class tenants (Hewlett Packard, Safran and Sonepar).
- Europlaza: new 7,400 sq.m. lease signed with Cap Gemini.
- Rives de Bercy: new green lease signed with Crédit Foncier on 31,900 sq.m.

On July 24, 2013, Cegereal's Board of Directors approved the consolidated financial statements for the six months ended June 30, 2013, following the auditors' limited review. These financial statements are presented below.

<i>In million of euros</i>	First half 2013	First half 2012
Turnover	27.0	22.4
Rental income	21.7	18.3
Net income (IFRS)	5.0	9.5
EPRA earnings	9.3	4.9
Recurring cash flow	9.8	5.2
NNNAV excluding transfer costs	468.4	469.7
NNNAV per share excluding transfer costs (in €)	35.1	35.2

Cegereal sets the standard in the ownership and management of modern, very large office properties let over the long-term to first-class companies looking for facilities that offer high value added amenities. Listed on NYSE Euronext since 2006, in compartment B, its market capitalization as of July 15, 2013 totaled €298 million.

IFRS FINANCIALS (consolidated)

- **Turnover up by a strong 21%**

Cegereal reported Turnover (IFRS) of €27.0 million for the first half of 2013, an increase of 21% compared with the year earlier period. Rental income was up 19% at €21.7 million. This increase was mainly due to growth in rental income from Arcs de Seine with the gradual arrival of new tenants.

<i>In million of euros (excluding tax)</i>	2013	2012
<u>First quarter</u>		
Rental income	10.675	8.984
Charges rebilled to tenants	2.797	1.859
Turnover from January 1 to March 31	13.472	10.843
<u>Second quarter</u>		
Rental income	11.034	9.284
Charges rebilled to tenants	2.542	2.262
Turnover from April 1 to June 30	13.576	11.546
<u>First half</u>		
Rental income	21.709	18.268
Charges rebilled to tenants	5.339	4.121
Turnover income from January 1 to June 30	27.048	22.389

- **A portfolio valued at €861 million at June 30, 2013**

The valuations performed by DTZ Eurexi at June 30, 2013 put Cegereal's portfolio appraisal value at €861 million excluding transfer costs, compared with €865.4 million excluding transfer costs at December 31, 2012.

The June 30 amount breaks down as follows by property:

- Arcs de Seine: €311 million
- Europlaza: €380 million
- Rives de Bercy: €170 million

The total reflects latent gains on properties accounting values up to €176 million at June 30, 2013, representing an unrealized gain of over €13 per share.

EPRA NNNAV excluding transfer costs amounted to €35.1 per share at June 30, 2013 versus €35.7 per share at December 31, 2012. The change reflects dividend payments (negative impact of €0.65 per share), higher consolidated income (positive impact of €0.7 per share), fair value adjustments to properties in the portfolio (€0.3 per share negative impact) and to bank debt (€0.5 per share positive impact).

- **Operating income at €12.3 million and net income at €5 million**

Cegereal reported first-half operating income of €12.3 million, compared with €17.8 million for the year-earlier period, reflecting negative fair value adjustments to properties in the portfolio. IFRS net income amounted to €5.0 million in first-half 2013 compared with €9.5 million in the year-earlier period. EPRA earnings (adjusted to exclude fair value adjustments to properties) amounted to €9.3 million in first-half 2013 versus €4.9 million in first-half 2012.

- **Sharply higher recurring cash flow**

Recurring cash flows increased to €9.8 million for the first half of 2013, from €5.2 million for the year-earlier period, boosted by a significant improvement in the rental situation.

- **A healthy financial position**

Cegereal is in a healthy financial position, with LTV stable at 46.5%. After being completely renegotiated in July 2012, the interest rate on its debt now stands at a highly competitive 3.40%.

BUSINESS REVIEW

- **Significant improvement in the rental situation in a challenging market environment**

Overall, the rental situation saw significant improvement, with the occupancy rate up 3 points to 87%. During the period, Cegereal continued marketing vacant units and renegotiated several leases ahead of schedule. Leases on over half of the portfolio have a fixed escalation clause providing for rent increases of more than 2.5% a year.

Arcs de Seine:

In line with its roadmap, Cegereal pursued its assertive strategy to remarket the renovated Arcs de Seine building.

Leases were signed with first-class tenants on 7,800 sq.m., lifting the occupancy rate to 81%, compared with 63% at December 31, 2012:

- Hewlett Packard leased an additional 1,400 sq.m. and now occupies 6,600 sq.m. in the complex. It extended its lease by three years for all of the space. As a result, Cegereal has secured a firm commitment until the end of July 2021.
- Sagem Défense Sécurité (Safran) chose Arcs de Seine for its new headquarters, signing a six-year lease on 5,000 sq.m. starting in April 2013,
- Sonepar, a leading distributor of technical equipment and associated services for electricity professionals, signed a six-year lease on 1,400 sq.m. of office space.

The remaining 8,400 sq.m. of office space is being actively marketed.

Europlaza:

In July 2013, Cap Gemini, a tenant in the Europlaza complex since 1999 whose leases were due to expire in 2014, signed a new six-year lease ahead of schedule on 7,400 sq.m. of office space out of a total surface area of 14,700 sq.m., with effect from June 2013.

Rives de Bercy:

A new nine-year green lease on 31,900 sq.m. was signed with Crédit Foncier in January 2013, which extends its tenancy by seven additional years, attesting to the bank's satisfaction since it moved in back in 2003.

- **Continuation of the Go Green operation**

As part of the strategy to enhance and lock in the value of the portfolio, audits have been performed on all of the properties with a view to having their environmental performance certified, which Arcs de Seine has already achieved.

The pre-audit process was completed in accordance with the initial schedule and Cegereal is maintaining its target to have HQE Exploitation certification for all of its portfolio from 2014.

OUTLOOK

For 2013, Cegereal confirms its targets of:

- Approximately 30% growth in recurring earnings per share.
- A gradual return to normal dividend levels by 2014. The Board of Directors envisages paying a dividend of €1.50 per share in 2013.

Investor Calendar

- November 14, 2013 Third-quarter 2013 Turnover

About Cegereal (NYSE Euronext Paris – Compartment B - CGR)

Cegereal is a REIT-style property company ("SIIC") that invests in very large prime office properties. Its portfolio currently comprises three office buildings located in the inner suburbs of Paris. The portfolio's appraisal value, as estimated by independent valuers DTZ Eurexi as of June 30, 2013, was €861 million excluding transfer costs.

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Interim financial statements
in IFRS

Six-month period ended June 30, 2013

Extracts from the interim financial report
approved by the Board of Directors of 24th July 2013

Income statement for the 6 months period ended June 30, 2013 (IFRS)

in thousands of euros, except per share data

	June 30, 2013	Dec. 31, 2012	June 30, 2012
	6 months	12 months	6 months
Rental income	21 709	38 633	18 268
Income from other services	5 339	8 773	4 121
Building-related costs	(8 903)	(16 382)	(7 698)
Net rental income	18 146	31 024	14 691
Sale of building	0	0	0
Administrative costs	(1 453)	(2 845)	(1 454)
Other operating expenses	0	0	1
Other operating income	0	0	0
Increase in fair value of investment property	2 678	9 685	4 807
Decrease in fair value of investment property	(7 000)	(300)	(200)
<i>Total change in fair value of investment property</i>	<i>(4 322)</i>	<i>9 385</i>	<i>4 607</i>
Net operating income	12 371	37 564	17 846
Financial income	0	113	38
Financial expenses	(7 416)	(20 816)	(8 369)
Net financial expense	(7 416)	(20 704)	(8 331)
Corporate income tax	0	0	0
CONSOLIDATED NET INCOME	4 955	16 860	9 514
<i>of which attributable to owners of the Company</i>	<i>4 955</i>	<i>16 860</i>	<i>9 514</i>
<i>of which attributable to non-controlling interests</i>	<i>0</i>	<i>0</i>	<i>0</i>
Other comprehensive income	0	0	0
<i>of which is subsequently reclassified to "net income for the period"</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>of which cannot be subsequently reclassified to "net income for the period"</i>	<i>0</i>	<i>0</i>	<i>0</i>
TOTAL COMPREHENSIVE INCOME	4 955	16 860	9 514
<i>of which attributable to owners of the Company</i>	<i>4 955</i>	<i>16 860</i>	<i>9 514</i>
<i>of which attributable to non-controlling interests</i>	<i>0</i>	<i>0</i>	<i>0</i>
Basic and diluted earnings per share (in euros)	0,37	1,26	0,71

Balance sheet at June 30, 2013 (IFRS)

in thousands of euros

	June 30, 2013	December 31, 2012	June 30, 2012
Non-current assets			
Investment property	861 000	865 400	859 800
Non-current loans and receivables	23 366	14 401	10 138
Total non-current assets	884 367	879 802	869 938
Current assets			
Trade accounts receivable	11 647	12 024	7 464
Other operating receivables	1 749	1 899	2 872
Prepaid expenses	1 031	41	3 121
Total receivables	14 428	13 965	13 457
Cash and cash equivalents	19 557	20 921	22 383
Total cash and cash equivalents	19 557	20 921	22 383
Total current assets	33 985	34 886	35 840
TOTAL ASSETS	918 352	914 688	905 779
Shareholders' equity			
Share capital	160 470	160 470	160 470
Legal reserve and additional paid-in capital	31 465	40 157	49 333
Consolidated reserves and retained earnings	292 721	275 910	266 669
Net attributable income	4 955	16 860	9 514
Total shareholders' equity	489 611	493 397	485 986
Non-current liabilities			
Non-current borrowings	395 218	394 690	0
Other non-current borrowings and debt	3 489	2 672	2 354
Total non-current liabilities	398 707	397 362	2 354
Current liabilities			
Current borrowings	1 776	1 776	398 523
Trade accounts payable	873	3 101	1 552
Corporate income tax liability			
Other operating liabilities	13 494	5 438	6 079
Prepaid revenue	13 891	13 614	11 287
Total current liabilities	30 034	23 928	417 440
Total liabilities	428 741	421 290	419 794
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	918 352	914 688	905 779

Statement of cash flows for the 6 months period ended June 30, 2013 (IFRS)

in thousands of euros

	Dec. 31, 2012	June 30, 2012
OPERATING ACTIVITIES		
Consolidated net income	16 860	9 514
<i>Elimination of items related to the valuation of buildings:</i>		
Fair value adjustments to investment property	(9 385)	(4 607)
Indemnity received from lessees for the replacement of components	0	0
<i>Elimination of other income/expense items with no cash impact:</i>		
Adjustments for loans at amortized cost	823	306
Cash flows from operations before tax and changes in working capital requirements	8 299	5 213
Change in amounts due to owners	0	0
Other changes in working capital requirements	(525)	269
Change in working capital requirements	(525)	269
Net cash flows from operating activities	7 774	5 482
INVESTING ACTIVITIES		
Acquisition of fixed assets	(1 815)	(993)
Disposal of fixed assets	0	0
Net decrease in amounts due to fixed asset suppliers	(741)	0
Net cash flows used in investing activities	(2 556)	(993)
FINANCING ACTIVITIES		
Change in bank debt	1 108	0
Refinancing transaction costs	(5 458)	0
Net increase in current borrowings	1 776	0
Net increase in other non-current borrowings and debt	1 247	928
Net decrease in other non-current borrowings and debt	0	0
Purchases and sales of treasury shares	66	3
Dividends paid	0	0
Net cash flows from (used in) financing activities	(1 262)	931
Change in cash and cash equivalents	3 957	5 420
Cash and cash equivalents at beginning of the period*	16 963	16 963
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	20 921	22 383

Statement of changes in equity for the six-month period ended June 30, 2013 (IFRS)

	Legal reserve and additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Shareholders' equity attributable to owners of the Company	Non-controlling interests	Total shareholders' equity
Shareholders' equity at Dec. 31, 2011	49 333	(634)	267 302	476 471	0	476 471
Comprehensive income	0	0	9 514	9 514	0	9 514
- Net income for the period	0	0	9 514	9 514	0	9 514
- Other comprehensive income	0	0	0	0	0	0
Capital transactions with owners	0	2	0	2	0	2
- Dividends paid	0	0	0	0	0	0
- Change in treasury shares held	0	2	0	2	0	2
Shareholders' equity at June 30, 2012	49 333	(632)	276 815	485 986	0	485 986
Comprehensive income	0	0	7 346	7 346	0	7 346
- Net income for the period	0	0	7 346	7 346	0	7 346
- Other comprehensive income	0	0	0	0	0	0
Capital transactions with owners	(9 176)	64	9 176	64	0	64
- Appropriation of net income for the previous period	(9 176)	0	9 176	0	0	0
- Change in treasury shares held	0	64	0	64	0	64
Shareholders' equity at Dec. 31, 2012	40 157	(568)	293 338	493 397	0	493 397
Comprehensive income	0	0	4 955	4 955	0	4 955
- Net income for the period	0	0	4 955	4 955	0	4 955
- Other comprehensive income	0	0	0	0	0	0
Capital transactions with owners	(8 692)	(49)	0	(8 741)	0	(8 741)
- Dividends paid	(8 692)	0	0	(8 692)	0	(8 692)
- Change in treasury shares held	0	(49)	0	(49)	0	(49)
Shareholders' equity at June 30, 2013	31 465	(617)	298 293	489 611	0	489 611