



# Q1 2014 REVENUE AND BUSINESS ACTIVITY

Paris, Tuesday, 29 April 2014

## New home reservations up in volume and value

- Residential France: 2,141 net new home and subdivision reservations, up 5% from Q1 2013; 8% increase in the value of reservations, to €382 million incl. VAT
- Commercial: order intake not significant over the quarter, annual target confirmed
- Group backlog at 31 March: over €3.3 billion (18 months' revenue from development activities<sup>1</sup>), at the same level as at year-end 2013
- Q1 revenue of €505 million, in line with Group expectations

## Outlook for 2014 confirmed<sup>2</sup>

- Residential: level of activity at approximately 10,000 reservations, in line with 2013 in a new home market expected to remain stable in 2014, not to pick up before 2015
- Commercial: order intake to reach a low of around €100 million
- Consolidated revenue for 2014 expected to exceed €25 billion<sup>3</sup>
- Current operating profit target for 2014 of at least €170 million
- Confirmed proposal to distribute a dividend of €2 per share in respect of 2013. The Company is considering proposing next year to shareholders to renew the same dividend

## Nexity continues to implement its strategy

- External growth: Oralia acquisition announced in December 2013 and finalised on 1 April 2014; PERL acquisition announced on 17 March, expected to finalise by the end of first-half 2014 if approved by French Competition Authority

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<sup>1</sup>Revenue basis – previous 12-month period

<sup>2</sup>Indicators measured using accounting methods comparable with 2013, without neutralising the share of revenue or profit earned by the Group in joint development operations. These targets take into account the consolidation of Oralia as of 1 April 2014, but do not include the impact of the potential acquisition of PERL, which remains subject to consent from the French Competition Authority.

<sup>3</sup> FY 2013 consolidated revenue: €2,737 million



une belle vie immobilière

- **Reinforcing market positions and improving operational performance (focus on development margins and adapting the Services business model to the new regulatory framework)**
- **Services to companies: structuring of richer, integrated offering in a new division**
- **Nexity's urban regeneration business (Villes & Projets) has set about rebuilding its land potential**
- **Continuing initiatives in growth and innovation (Weroom, Blue Office, Ywood business, etc.)**
- **Private placement of a €171 million bond issue in two tranches of 6 and 7 years, at fixed coupons of 3.25% and 3.52% respectively, announced in a separate release today.**

**Alain Dinin, Chairman and CEO of Nexity, commented:**

*“Amidst a challenging market environment, Nexity had a satisfactory first quarter in terms of reservations, recording an increase compared to the first quarter of 2013. The Group confirms its targets for 2014 and maintains its outlook unchanged.*

*The market for new homes in France contracted for its third consecutive year, stabilising at a very low level (87,700 reservations, well below the annual average of 107,000 recorded between 2003 and 2013). Although French governments have systematically emphasized a need for 500,000 new homes annually (which would imply a private development market of around 200,000 residential units per year), the country’s constant legislative and tax reforms do not point towards a recovery in housing starts in the short term.*

*The ALUR Act on housing access and urban regeneration has been voted in. But nearly 200 implementing decrees still need to be written. Anticipation of these decrees, and some of their more stringent announced content, has only served to intensify the market’s stagnation. Although the Prime Minister, Manuel Valls, has positioned the recovery in housing starts as one of his two priorities – which is completely understandable since, apart from the pressing need for housing in France’s largest metropolitan areas, new homes drive growth, employment and confidence in the economy – it seems as if the government has not fully realised that in order to spur a market recovery, an increase in supply must be combined with enhanced financial capacity on the demand side.*

*In the coming months, the government would therefore need to put in place new measures: to stimulate demand, encouraging institutional and individual investors as well as first-time home buyers to return to or enter the market in larger numbers; and, at the same time, to boost supply by facilitating the availability of buildable land and increasing density, all with the support of simplified building regulations.*

*These initial indications do not suggest any adjustment in Nexity’s market forecasts for 2014 and 2015. We thus reiterate our expectation of a new home market stabilising at around 90,000 units in 2014 and early 2015.*

*And yet, Nexity is more dynamic and forward-looking than ever, resolutely positioned to seize growth opportunities in a challenging market and to set itself apart through its focus on innovation. In real estate services to individuals, the acquisition of Oralix, which has now been finalised, will allow Nexity to consolidate its market position and significantly improve this segment’s profitability. In residential real estate, the acquisition of PERL in partnership with its senior management offers an unprecedented opportunity to step up Nexity’s growth by enhancing the Group’s product range, distribution channels and position as a preferred partner for social housing operators, and soon institutional investors as well. More generally, Nexity’s unique strategy, based on integrating real estate development and services to individuals, offers considerable potential for synergies and innovative offerings that will benefit clients.*

*With a strong balance sheet and a return to a more “orthodox” financial strategy, based on a reasonable level of debt in 2014, Nexity plans to continue developing its activities and integrating its business lines within the Group, so as to best serve both its clients and its shareholders.”*

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## Revenue

In the first quarter of 2014, Nexity recorded **revenue** of €505 million, down 14% compared to the first quarter of 2013, in line with Group expectations. This €82 million decrease was mainly due to a reduction in percentage-of-completion revenue in Commercial real estate (down €59 million from the first quarter of the previous year).

€ millions	Q1 2014	Q1 2013	Change %
Residential real estate	340.7	364.1	-6.4%
Commercial real estate	55.4	114.0	-51.4%
Services and Distribution Networks	106.6	107.4	-0.7%
Other activities	1.9	1.1	+71.3%
<b>Total Group revenue*</b>	<b>504.6</b>	<b>586.5</b>	<b>-14.0%</b>

\* Revenue from VEFA (off-plan) and CPI (development contract) sales in the Residential (France) and Commercial divisions is recognised using the percentage-of-completion method, i.e. on the basis of notarised sales pro-rated to reflect the progress of committed construction costs.

- **Residential real estate** revenue totalled €341 million, down 6% compared to the same period in 2013. This decrease, which was anticipated by the Group, does not affect the annual revenue outlook announced by Nexity in February 2014, and is due notably to lower volumes and values of new home and subdivision reservations in 2012. It also reflects a slight dip in take-up rates as well as the changing nature of projects ongoing during the first quarter of 2014 (larger-scale projects, with more units on average per phase), leading to a more gradual recognition of revenue. This was in addition to fewer deeds signed versus the first quarter of the previous year, in connexion with the increased complexity of notarised selling procedures brought about by the ALUR Act.
- In **Commercial real estate**, following the trend observed in the fourth quarter of 2013, first-quarter revenue was down 51% to €55 million. After climbing sharply in 2012 and first-half 2013, revenue shrank as high delivery volumes in the second half of 2013 had yet to be offset by progress on new orders booked in 2013.
- Revenue from **Real estate services** remained stable, totalling €99 million. Revenue from real estate services to individuals was up, while revenue from real estate services to companies was down, with commercial transaction volumes affected by a challenging market for small to medium-sized spaces. Revenue from the **Distribution Networks** business (€7 million) was up 2% thanks to a rise in transaction volumes in first-quarter 2014.

Nexity applies IFRS 10, 11 and 12 as of 1 January 2014. The application of these standards has had no impact on the Group's scope of consolidation or its revenue recognition at this time, because the Group believes that co-development activities should continue to be proportionately consolidated under the interpretation of said standards. This is nonetheless a current topic of debate at the IFRS Interpretations Committee, which had not rendered any interpretation as of 31 March 2014. Were the IASB and IFRS IC to conclude that co-development activities should be accounted for using the equity method, the Group's first-quarter 2014 revenue would come to €454.4 million, as opposed to €534.0 million in first-quarter 2013, a decrease of 15%.

## Business activity in Q1 2014

### Residential real estate

In France, mortgage rates remained historically low and continued to decline in the first quarter of 2014 (3.00% on average<sup>4</sup> in March, excluding insurance, versus 3.08% on average in fourth-quarter 2013), thus remaining a positive support factor for demand in the real estate market. At the same time, bank lending conditions appeared to tighten, resulting in a slightly higher rate of reservation withdrawals.

In first-quarter 2014, in France, the Group recorded a 9% increase in the volume of net new home reservations compared to the previous year, for a total of 1,815 reservations. This remains significantly lower than 2010 and 2011 figures. In correlation, the value of net new home reservations was up 8%.

The reason for this growth is essentially that twice as many units (1,154) were launched compared to a very low base in Q1 2013, when volumes suffered from the release of revised buy-to-let investment terms under the new Duflot law, causing certain project timelines to be reworked. The Group does not anticipate that new project launches over the year will exceed 2013 levels.

<i>New home and subdivision reservations - FRANCE (units and €m)</i>	<b>Q1 2014</b>	<b>Q1 2013</b>	<b>Change %</b>
New homes (number of units)	1,815	1,660	+9.3%
Subdivisions (number of units)	326	370	-11.9%
<b>Total new home and subdivision reservations (number of units)</b>	<b>2,141</b>	<b>2,030</b>	<b>+5.5%</b>
Total new home reservations (€m incl. VAT)	353	327	+8.1%
Subdivision reservations (€m incl. VAT)	29	28	+4.7%
<b>Total new home and subdivision reservations (€m incl. VAT)</b>	<b>382</b>	<b>355</b>	<b>+7.8%</b>

The first quarter was marked by a significant increase in sales to individual investors (+21%), during a time of the year when less appetite is usually observed for buy-to-let products. One reason for this was that investors are now more familiar with the Duflot system. Reservations by home buyers were also up (+10%). In total, sales to private individuals were up 15% from the previous year.

Reservations by professional landlords, however, were down slightly, although this does not suggest a lower level of activity in this client segment for the year as a whole. Lastly, the announcement of new "intermediate" social housing measures has so far not impacted the market.

<sup>4</sup> Source: Observatoire Cr dit Logement

<i>Breakdown of new home reservations by client – FRANCE (number of units)</i>	Q1 2014		Q1 2013		Change %
Home buyers	642	35%	585	35%	+9.7%
<i>o/w: - first-time buyers</i>	498	27%	481	29%	+3.5%
<i>- other home buyers</i>	144	8%	104	6%	+38.5%
Individual investors	627	35%	518	31%	+21.0%
Professional landlords	546	30%	557	34%	-2.0%
<b>Total new home reservations</b>	<b>1,815</b>	<b>100%</b>	<b>1,660</b>	<b>100%</b>	<b>+9.3%</b>

The average price including VAT per home was down 1.3%, as effective cost control kept a lid on selling prices and boosted clients' purchasing power.

<i>Average sale price &amp; floor area*</i>	Q1 2014	Q1 2013	Change
Average price incl. VAT per sq.m (€)	3,879	3,811	+1.8%
Average floor area per home (sq.m)	58.2	60.1	-3.1%
<b>Average price incl. VAT per home (€k)</b>	<b>226.0</b>	<b>229.0</b>	<b>-1.3%</b>

\* excluding bulk sales and lselection sales

Unsold completed stock held by the Group remained minimal, amounting to 85 homes at 31 March 2014. The average presale rate recorded at the time construction work was launched stayed very high (73% on average). The business potential<sup>5</sup> of the Residential real estate division for new homes totalled 23,400 units at 31 March 2014, up slightly from year-end 2013.

**Subdivision** reservations totalled 326 units, representing a 12% decline compared to the first quarter of 2013, while the average price of net reservations from individuals was up 7% to €81k as a result of the geographic mix of sales, more of which occurred in the Paris region.

In International business, reservation volumes were not significant over the quarter.

### **Commercial real estate**

- Transaction volumes in the French commercial investment market during the first quarter of 2014 amounted to €3.5 billion, up 35% compared to the same period in 2013. This was thanks to the completion of numerous transactions initiated at the end of 2013, and one €1.3 billion deal (acquisition of Cœur Défense by Lone Star). As euro zone worries subside and investors become increasingly wary of emerging market instability, the outlook for first-half 2014 suggests that investments may reach a level above €10 billion, versus the €15.5 billion achieved over all of 2013 (source: CBRE).

<sup>5</sup> Includes the Group's current supply for sale, its future supply corresponding to project phases not marketed on acquired land, and projects not yet launched associated with land secured through options

- Space taken up in the Paris region in the first quarter amounted to 506,900 sq.m, up 19% from first-quarter 2013 but down 5% versus the 2004-2013 first-quarter average. Almost half of all take-up transactions were for spaces of more than 5,000 sq.m, with a more mixed performance from medium-sized and smaller spaces. End-users remained extremely prudent due to a lack of short and medium-term visibility. Decisions took longer and, amidst a backdrop of rental market difficulties, tenants continued receiving substantial commercial incentives. Suggesting a timid recovery, overall take-up in the Paris region could exceed 2 million sq.m for the full year, versus 1.9 million sq.m in 2013 (source: CBRE).
- Bearing in mind the faster-than-predicted signings of certain projects in 2013, and the set-up times required for new pre-let projects, the Group did not book any significant new orders in the first quarter of 2014. With its portfolio of projects at advanced set-up or sales phases, the Group has confirmed its target of at least €100 million in order intake for the year.

### ***Services and Distribution Networks***

In **Real estate services**, the portfolio of units under management for individual clients amounted to 792,000 units at 31 March 2014 (attrition limited to 1.7% compared to year-end 2013). The major efforts undertaken to boost sales effectiveness in the property management business are not yet reflected in that activity's results. The Oralia acquisition, completed on 1 April 2014, will grow the property management portfolio by approximately 165,000 units in the second quarter.

In real estate services to companies, total floor space under management amounted to 12 million sq.m at 31 March 2014, up 5.6% from end-2013.

In **Distribution Networks**, the number of provisional sale agreements recorded in the first quarter by Century 21 and Guy Hoquet l'Immobilier was down 4% compared to the same period last year.

### ***Urban regeneration (Villes & Projets)***

At 31 March 2014, Nexity's urban regeneration business (Villes & Projets) had land development potential totalling 615,100 sq.m, up 10% ( 58,230 sq.m) from end-2013<sup>6</sup>.

In line with its ambition to rebuild its land portfolio with high-potential deals, the Group acquired its first plot in Montreuil (Paris region) during the first quarter of the year, as part of the Acacias project. The Acacias project in Montreuil's upper district is a large-scale development aimed at converting brownfield sites once used to store drinking water into a new city neighbourhood that will thrive on a combination of social and functional diversity.

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<sup>6</sup> Floor areas are provided for information purposes only and may be subject to adjustment once administrative authorisations have been obtained.

## Backlog - Order book at 31 march 2014

<i>€ millions, excluding VAT</i>	31 March 2014	31 Dec. 2013	Change %
Residential real estate – New homes *	2,631	2,604	+1.1%
Residential real estate – Subdivisions	252	265	-4.9%
<b>Residential real estate backlog</b>	<b>2,883</b>	<b>2,869</b>	<b>+0.5%</b>
Commercial real estate backlog	457	486	-6.0%
<b>Total Group backlog</b>	<b>3,340</b>	<b>3,355</b>	<b>-0.4%</b>

\* including International business

The Group's order backlog at 31 March 2014 amounted to €3,340 million, very close to what it was at year-end 2013 and equivalent to 18 months' revenue from Nexity development activities<sup>7</sup>.

<sup>7</sup>Revenue basis – previous 12-month period



### Outlook for 2014 confirmed<sup>8</sup>

- Residential: level of activity at approximately 10,000 reservations, in line with 2013 in a new home market expected to remain stable in 2014, not to pick up before 2015
- Commercial: order intake to reach a low of around €100 million
- Consolidated revenue for 2014 expected to exceed €25 billion<sup>9</sup>
- Current operating profit target for 2014 of at least €170 million

Confirmed proposal to distribute a dividend of €2 per share in respect of 2013. The Company is considering proposing next year to shareholders to renew the same dividend

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### Financial calendar & practical information

- |   |                        |
|---|------------------------|
| ▪ Shareholders' Meeting   | Tuesday, 20 May 2014   |
| ▪ 2013 dividend, subject to authorisation granted by the Shareholders' Meeting: |                        |
| ○ Ex-dividend date  | Thursday, 22 May 2014  |
| ○ Payment date  | Tuesday, 27 May 2014   |
| ▪ H1 2014 Business activity and results   | Thursday, 24 July 2014 |

A **conference call** on Q1 2014 revenue and business activity will be held in English at 19:00 CET on Tuesday, 29 April 2014. Access code: Nexity or 2639023, at the following numbers:

- Dial-in number (France) + 33 (0) 1 76 77 22 20
- Dial-in number (rest of Europe) + 44 (0) 203 427 1909
- Dial-in number (United States) + 1 (0) 646 254 3366

The presentation accompanying this conference call will be available on the Group's website as of 18:45 CET, at the following address:

<http://www.media-server.com/m/p/qbzqmaof>

Playback will be available starting the next day at <http://www.nexity.fr/immobilier/groupe/finance/slides-show>.

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<sup>8</sup>Indicators measured using accounting methods comparable with 2013, not neutralising the share of revenue or profit earned by the Group in co-development activities. These targets take into account the consolidation of Oralia as of 1 April 2014, but do not include the impact of the potential acquisition of PERL, which remains subject to consent from the French Competition Authority.

<sup>9</sup> FY 2013 consolidated revenue: €2,737 million

## DISCLAIMER

*The information, assumptions and estimates that the Company could reasonably use to determine its objectives are subject to change or modification due notably to economic, financial and competitive uncertainties. Furthermore, it is possible that some of the risks described in chapter 4 of the Document de Référence, filed with the AMF under number D.14-0304 on 8 April 2014 could have an impact on the Group's activities and the Company's ability to achieve its objectives. Accordingly, the Company cannot give any assurance as to whether it will achieve the objectives described, and makes no commitment or undertaking to update or otherwise revise this information. This press release is considered to be a Quarterly Financial Report as defined in the Transparency Directive transposed by the AMF.*

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### AT NEXITY, WE AIM TO SERVE ALL OUR CLIENTS AS THEIR REAL ESTATE NEEDS EVOLVE

Nexity offers the widest range of advice and expertise, products, services and solutions for private individuals, companies and local authorities, so as to best meet the needs of our clients and respond to their concerns.

Our businesses – transactions, management, development, urban regeneration, advisory and related services – are now all fully client focused, optimally organised to serve and support our clients. As the benchmark operator in our sector, we are resolutely committed to all of our clients, but also to the environment and society as a whole.

Nexity is listed on the SRD and on NYSE Euronext's Compartment A

Member of the indices: SBF80, SBF120, CACMid60, CAC Mid & Small and CAC All Tradable

Ticker: NXI - Reuters: NXI.PA - Bloomberg: NXI FP

ISIN code: FR0010112524

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## APPENDIX

### New home and subdivision reservations – France

Units and € millions	2014	2013				2012			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
New homes	1,815	3,581	2,099	2,781	1,660	3,052	2,506	2,776	1,857
Subdivisions	326	765	448	521	370	950	417	474	491
<b>Total (number of units)</b>	<b>2,141</b>	<b>4,346</b>	<b>2,547</b>	<b>3,302</b>	<b>2,030</b>	<b>4,002</b>	<b>2,923</b>	<b>3,250</b>	<b>2,348</b>
New homes	353	653	438	546	327	575	447	520	318
Subdivisions	29	64	39	40	28	75	33	37	37
<b>Total (€m incl. VAT)</b>	<b>382</b>	<b>717</b>	<b>477</b>	<b>586</b>	<b>354</b>	<b>650</b>	<b>480</b>	<b>557</b>	<b>355</b>

### Revenue by division

€ millions	Q1 2014	Q1 2013	Change %
New homes	298.9	324.0	-7.7%
Subdivisions	24.9	30.8	-19.0%
International	16.9	9.3	+81.6%
<b>Residential real estate</b>	<b>340.7</b>	<b>364.1</b>	<b>-6.4%</b>
<b>Commercial real estate</b>	<b>55.4</b>	<b>114.0</b>	<b>-51.4%</b>
Services	99.2	100.2	-1.0%
Distribution Networks	7.4	7.2	+2.2%
<b>Services and Distribution Networks</b>	<b>106.6</b>	<b>107.4</b>	<b>-0.7%</b>
<b>Other activities</b>	<b>1.9</b>	<b>1.1</b>	<b>+71.3%</b>
<b>GROUP</b>	<b>504.6</b>	<b>586.5</b>	<b>-14.0%</b>

### Quarterly progression of revenue by division

€ millions	2014	2013				2012			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Residential real estate	340.7	636.2	391.8	440.0	364.1	654.7	404.7	399.2	396.8
Commercial real estate	55.4	97.5	111.4	130.5	114.0	204.3	126.2	105.2	81.8
Services and Distribution Networks	106.6	115.2	109.9	113.0	107.4	120.0	112.8	112.1	107.8
Other activities	1.9	1.7	1.8	1.6	1.1	1.3	1.7	1.2	1.4
<b>Revenue</b>	<b>504.6</b>	<b>850.6</b>	<b>614.9</b>	<b>685.2</b>	<b>586.5</b>	<b>980.2</b>	<b>645.6</b>	<b>617.6</b>	<b>587.9</b>