

Beni Stabili Siiq: Board approves results for the first half of 2014

Financial highlights for the first half of 2014

- **Group EPRA Recurring Net Income**¹ (recurring cash generation): +€42.0m compared with +€35.9m of the first half of 2013
- **Total carrying amount of property portfolio**: €4,087.8m (€4.157,2m at 2013 year-end)
- **NNNAV per share**: €0.884 per share (€0.961 of 2013)²
- **Net debt**: €2,208.9m (€2,163.9m of 2013)
- **Loan to value**³: 50.9% (49.9% of 2013)
- **ICR (interest coverage ratio)**⁴: 1.69x (1.55x of 2013)
- **Average cost of medium/long term debt**: 4.22% (4.56% of 2013), with an average maturity of 3.63 years

Key events of the period

Continuous improvement of the recurring cash generation (+17%); appraisal values of the portfolio essentially stable (-0.2% on a six months Like-for-like basis).

Renting activity mainly focused on refurbished assets, among which Rome via dell'Arte and Milan via San Nicolao

- Around 41,200sqm of **new leases and lease renewals** during the semester, in addition to around 10,900sqm of new leases and lease renewals signed before the semester and activated during the period
- **Average maturity of lease agreements**: 6.7 years for the Core portfolio

¹ Beni Stabili Siiq uses EPRA recurring net income (previously called Recurring cash result) as an alternative performance indicator and defines it as the Group net result adjusted to exclude: 1) disposals margin (capital gain and related costs) and the related financial expenses incurred in the anticipated reimbursement of loan and financial instruments; 2) non-cash items (such as changes in values of properties, depreciation and amortization, changes in fair value of financial instruments and other non-cash portions of financial items, etc.); 3) relevant extraordinary and non-recurring items.

² Please note that the diluted NAV at 30 June 2014 is not shown since according to IAS33 and to EPRA guidelines as at 30 June 2014 there are not financial instruments with dilutive effects on NAV. The only instruments with potential dilutive effect are the 3 outstanding convertible bonds: the conversion option of the convertible bond expiring in 2015 was out of the money at 30 June 2014, while the conversion options of the convertible bonds expiring in 2018 and in 2019 were in the money at 30 June 2014, but their effects were anti-dilutive, also in light of the cash settlement option Beni Stabili has for these convertible bonds.

³ Accounting Net Debt/Portfolio IAS Value including transfer taxes (4%) and disposals' preliminary agreements, in coherence with FdR group standards. Without the impact of transfer taxes and preliminaries, the LTV is 53.0% at the end of June 2014 (52.1% at 2013 year-end); please note that for the accounting LTV calculation the net debt has been adjusted for receivables and payables related to disposals and acquisitions.

⁴ The ICR is calculated by dividing the EBITDA by the cash financial burdens for the same period.



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- **Physical occupancy** at 95.6% for the Core portfolio (98.5% of 2013)⁵
- **Financial occupancy** at 95.7% for the Core portfolio (97.7% of 2013)⁶

Divesting activity marked by the disposal of one asset located in Milan worth €61.5m

- **10 closings** signed in the first half of 2014 for a gross selling price equal to €81.1m⁶
- Outstanding **preliminary agreements** as at 30 June 2014: gross selling price equal to €17.6m⁷
- **Average gross exit yield on closings and outstanding preliminaries**: 5.9% (to be compared to the average yield of Core and Dynamic portfolios at 5.8%)

Approved the project to enhance the financial structure:

- On 26 June 2014, the BoD resolved **the project to enhance the financial structure of the Company: improved flexibility and decreased cost of debt** in favor of a new development phase of the business
- The plan provides for a **€150m investment through a capital increase** by the shareholders and **the replacement of the Telecom Italia portfolio financing through €500m new financings** at current favorable market conditions
- The plan should allow **a reduction of the recurring cash financial expenses of around €30m on an annualized basis**
- **Decrease of the consolidated average cost of medium-long term debt to 3.5% circa**
- **Stable LTV**

Growing group EPRA Recurring Net Income¹, net group result mainly impacted by the increase of the share price on the Mark to Market of the “equity-linked” convertible bonds. Stable appraisal values (-0.2% on a six months Like-for-like basis).

- **Group EPRA Recurring Net Income¹**: +€42.0m (+€35.9m of the first half of 2013)
- **Net result, before the accounting impacts of the “equity linked” convertible bonds and the effects of anticipated repayment of debts and related hedging instruments in the period**: +€11.5m (+€12.3m of the first half of 2013)
- **Net result, after the accounting impacts of the “equity linked” convertible bonds and the effects of anticipated repayment of debts and related hedging instruments in the period**: -€66.7m (+€3.9m of the first half of 2013)

⁵ This variation is mainly due to the release of the asset located in Turin, via Ferrucci.

⁶ Of which €19.5m of preliminary agreements in place at 31 December 2013.

⁷ Of which €12.4m of preliminary agreements in place at 31 December 2013.



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Milan, 22 July 2014 – The Board of Directors of Beni Stabili SpA Siiq today approved the consolidated results at 30 June 2014.

Key figures – P&L	30/06/2014	30/06/2013	%
Gross rental revenues (€m)	115.9	116.3	(0.3%)
Net rental income (€m)	99.2	96.6	2.7%
Net revenues from sales (€m)	0.5	3.2	(84.4%)
Net service revenues (€m)	5.1	4.4	17.5%
Group EPRA recurring net income (€m)	42.0	35.9	16.8%
Net result, before the accounting impacts of the “equity linked” convertible bonds and the effects of anticipated repayment of debts and related hedging instruments in the period (€m)	11.5	12.3	(6.5%)
Net result, after accounting treatments (€m)	(66.7)	3.9	n.s.
Basic earnings per share (€)	(0.03481)	0.00205	n.s.
Diluted earnings per share (€)	(0.03481)	0.00205	n.s.

Key figures – B/S	30/06/2014	31/12/2013	%
Carrying amount of property portfolio (€m)	4,087.8	4,157.2	(1.7%)
EPRA NNNNAV per share ² (€)	0.884	0.961	(8.0%)
Accounting net debt (€m)	2,208.9	2,163.9	2.1%
Group LTV ratio ³ (%)	50.9%	49.9%	1.8%

Group EPRA recurring net income¹ is at +€42.0m compared with +€35.9m of the first half of 2013. The increase is mainly due to a reduction of both the financial expenses and the operating costs.

The Group EPRA recurring net income per share goes from €0.0188 to €0.0219 (from €0.0188 to €0.0209 on a diluted basis).

Net group result of the first half of 2014 amounts to +€11.5m before the accounting impacts of the “equity linked” convertible bonds and the effects of anticipated repayment of debts and related hedging instruments in the period (+€12.3m for the first half of 2013) and to -€66.7m after them, compared with +€3.9m of the first half of 2013.

Gross rental revenues of the first half of 2014 total €114.7m, excluding €1.3m of penalty for anticipated releases (€116.3m of the first half of 2013). This change primarily reflects:

- new lease contracts, totalling +€11.1m;
- decrease in rental income due to property sales, totalling -€2.4m;
- decrease in rental income due to the expiry/termination of leases, totalling -€11.1m.



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An increase in rental income resulting from CPI indexation and other effects, totalling +€0.8m, must be added to the above-mentioned impacts.

On a like-for-like⁸ basis gross accounting rents have decreased by around 0.8% (decrease of 0.8% for the Core portfolio alone)⁹.

Net rental revenues of €99.2m compared with €96.6m of the first half of 2013. For comparison purposes it should be noted that at the beginning of 2013 -€2.0m one-off costs incurred.

Net service revenues of €5.1m (€4.4m of the first semester of 2013), due to higher net fees from Beni Stabili Gestioni SGR.

At 30 June 2014 Beni Stabili Gestioni SGR managed 15 funds with total assets of around €1.8bn.

In the first half of 2014 the Company sold properties worth €81.1m¹⁰. **Net revenues from sales**, after transaction costs and costs related to assets sold in previous years, amount to +€0.5m compared to +€3.2m at 30 June 2013.

In addition, at 30 June 2014 preliminary agreements for a total carrying amount of €17.4m.

The average gross yield on outstanding preliminaries and closings is equal to 5.9% in the first half of 2014.

Operating costs amount to €12.0m (€12.9m at 30 June 2013). Staff costs go from €4.9m to €4.8m of the first half of 2014, and decreasing overheads of €7.2m compared to €8.0m of the first half of 2013.

Net other operating costs of -€7.4m compare with -€2.1m of the first half of 2013. For comparison purposes it should be noted that during the first half 2014, €5.8m write-down related to the negative outcome of a litigation were accounted.

The **net change in the value of the property portfolio**, based on the appraisals carried out by CB Richard Ellis and REAG on 30 June 2014, on a total carrying amount of €4,087.8m amounts to -€11.9m (-€14.7m at 30 June 2013).

Net financial revenues/costs go from -€74.0m to -€143.3m of the first half of 2014. The change is mainly due to:

- the accounting impacts of the negative change of the fair value of the “equity linked” convertible bonds issued in 2013 and maturing in 2018 and 2019: increasing financial costs of €48.2m;
- the costs related to the anticipated repayment of debts and related hedging instruments in the first half of 2014: increasing financial costs of €23.0m;

⁸ Like-for-like growth on rental revenues is calculated on rents related to the stabilised portfolio, i.e. the growth rate from 1) the impact of inflation indexing, 2) the impact on the portfolio of increased/decreased vacancy, 3) the impact of re-negotiation of expiring leases or new leases. The stabilised portfolio is the portfolio adjusted by sales, capex on non-development assets and reclusterings.

⁹ Should we consider the impact of the new leases activated on properties that underwent major redevelopment by the Company's own development division, gross accounting rents increase by +0.7% (+0.8% on the Core portfolio alone).

¹⁰ Of which €19.5m of preliminary agreements in place at 31 December 2013.



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- the change of the fair value of the hedging instruments: increasing financial costs of €7.8m;

The above-mentioned impacts are partially compensated by:

- reduced cash financial costs on short, medium and long term debts: decreasing financial costs of €3.1m;
- improved non cash portions of medium/long term loans: decreasing financial costs of €3.0m;
- reduced financial costs on disposals: decreasing financial costs of €1.4m;
- improved financial income on cash: increasing financial revenues of €0.9m;
- other impacts: decreasing financial costs of €1.3m.

Net result from associates and other companies goes from +€0.7m to -€2.1m of the first half of 2014.

Taxes for the period go from +€3.0m of the first half of 2013 to +€4.8m of the first half of 2014 (of which +€6.4m deferred tax and contingent assets and liabilities).

Property portfolio at a carrying amount of €4,087.8m

In compliance with CONSOB ruling no. DEM/9017965 of 26 February 2009, the following information on the property portfolio is provided.

At 30 June 2014 the total value of the property portfolio amounts to €4,087.8m, compared with €4,157.2 at 31 December 2013. The **Group's property portfolio** is divided into the following three categories:

- **Core portfolio**, amounting to €3,664m (89.6% of the total portfolio) with a physical occupancy rate of around 95.6%. Approximately 91% of the Core portfolio comprises properties mainly for office and hotel use; the rest is for retail use. The average yield on annualised rents is currently around 6.0%, rising to 6.1% if fully implemented annualised rents are taken into account;
- **Development portfolio**, amounting to €270m (6.6% of the total portfolio) and including properties and/or land to be renovated, converted and developed to produce office and retail properties for lease;
- **Dynamic portfolio**, amounting to €154m (3.8% of the total portfolio) and managed with a view to valorisation and/or disposal.



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30/06/2014	No. properties	GLA (sqm) (excl. land)	Carrying amount (€m)	% on Total portfolio	Market value (€m)	Gross yield ¹¹ (%)	Physical occupancy rate (%)	Topped-up yield ¹² (%)
Core portfolio	213 ¹³	1,722,849	3,664.2	89.6%	3,664.2	6.0%	95.6%	6.1%
Development portfolio	3	11,705	270.0	6.6%	270.0			
Dynamic portfolio	39	131,934	153.6	3.8%	153.9			
TOTAL	255	1,866,489	4,087.8	100.0%	4,088.1			

Asset value essentially stable

The [market value of the property portfolio](#), based on the appraisals at 30 June 2014 carried out by CB Richard Ellis and REAG, amounts to €4,088.1m. On a like-for-like basis, the market value of the portfolio is essentially stable compared to 31 December 2013 (-0.2%).

[NAV](#)², calculated according to EPRA guidelines and based on appraisals of the Group's entire property portfolio, is €1,974.5m (€1.031 per share) compared to a NAV of €2,036.9m at 31 December 2013 (€1.063 per share).

[NNNAV](#) (triple NAV) (NAV net of deferred taxes attributable to the portfolio and net of the Mark-to-Market of interest rate derivatives and fixed-rate borrowings less related tax effects)², calculated according to EPRA guidelines, is €1,693.5m (€0.884 per share), compared with a NNNNAV of €1,840.0m at 31 December 2013 (€0.961 per share).

[Net debt](#) at 30 June 2014 amounts to €2,208.9m, compared with €2,163.9m at 31 December 2013.

[LTV](#)³ at 30 June 2014 is 50.9%, compared with 49.9% at 31 December 2013.

Material events and transactions during the period

During the first half of 2014 Beni Stabili focused on both the renting activity and the refinancing of its portfolio. The divesting activity focused mainly on the disposal of one asset located in Milan worth €61.5m.

[Renting activity](#) resulted in new agreements for around 18,800sqm, equal to around €9.0m new annualised rents once fully implemented; a part of these contracts will start after 30 June 2014. Also further lease renewals on around 22,400sqm with rents growing by 42% in respect to the previous

¹¹ Calculated on the basis of gross annualised rents collectible at the end of the period and the corresponding market value of the assets.

¹² Calculated on the basis of gross annualised rents collectible at the end of the period, taking into account the expiry of rent free periods or other rental incentives (step-ups), and the corresponding market value of the assets.

¹³ Considering the four buildings of Garibaldi complex, belonging to the Core portfolio, as one project.



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ones must be taken into account. It must be also pointed out that, during the semester, new contracts signed before the period started for around 6,300sqm and for €2.3m of annualised rents once fully implemented and 3 new lease renewals started for around 4,800sqm with annualised rents in line with the previous ones.

During the first semester of 2014 **property sales** focused on four closings for €61.6m and on the closing of preliminaries in place at 2013 year-end for €19.5m, for a total gross selling price of €81.1m. Furthermore, during the semester there are €17.6m outstanding preliminary agreements (gross selling price).

Development activity focused mainly on the completion of the refurbishment works of the asset located in Rome via dell'Arte, now reclustered into the Core portfolio, and on the refurbishment works of the asset located in Milan via San Nicolao (piazzale Cadorna).

From a **financial** viewpoint, the activity of the period was mainly focused on:

- The issuance of the first Beni Stabili's straight unsecured bond for €350m with a 4.125% coupon in January 2014 (maturity: January 2018);
- The issuance of the second Beni Stabili's straight unsecured bond for €250m with a 3.500% coupon in March 2014 (maturity: April 2019).
- The Beni Stabili Siiq BoD approval of the project to enhance the financial structure of the Company, consisting in a €150m investment through a capital increase by the shareholders and the replacement of the Telecom Italia portfolio financing through €500m new financings at current favorable market conditions.

"The executive responsible for drafting the company's accounting documents, Luca Lucaroni, declares, pursuant to paragraph 2 of art. 154-bis of the Consolidated Finance Act, that the accounting information contained in this press release is consistent with the underlying accounting records."

Aldo Mazzocco (Chief Executive Officer) and Luca Lucaroni (Chief Financial Officer) will hold a conference call on financial results of the first half of 2014 today at 5.00pm CET.

The 1H2014 results presentation will be available on Beni Stabili Siiq website, <http://www.benistabili.it>, in the Investors/Presentations section.

The income statement, statement of financial position, statement of cash flows and analysis of net debt are attached.



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Beni Stabili Siiq, property company leader in the Italian real estate market

Founded in 1904, Beni Stabili Siiq is a property company listed on the Milan Stock Exchange (BNS.MI) since 1999 and on the Paris Stock Exchange since 2010. The company invests in office properties located in major cities in northern and central Italy. Since July 2007 Beni Stabili Siiq has been a member of the French group, Foncière des Régions, one of Europe's leading property companies. From January 2011 Beni Stabili Siiq has adopted the SIIQ regime (the Italian version of the REIT).

The Company recorded a Group EPRA Recurring Net Income of €74.0m for 2013, whilst the total value of the property portfolio managed by Beni Stabili Siiq was €4.1bn at 30 June 2014.

In addition, through Beni Stabili Gestioni SGR, the Company manages a total of 15 real estate funds with total assets under management of approximately €1.8bn at 30 June 2014.

Income statement – Beni Stabili Group

(€'000)

	30/06/2014	30/06/2013
Rental revenues	115,938	116,341
Property costs	(16,770)	(19,766)
Net rental revenues	99,168	96,575
Net service revenues	5,118	4,355
Staff costs	(4,831)	(4,922)
Overheads	(7,152)	(7,974)
Total operating costs	(11,983)	(12,896)
Other revenues and income	395	335
Other costs and charges	(7,841)	(2,483)
Investment properties sales	61,500	0
Cost of sales	(61,014)	0
Profit/(Loss) on disposal of investment properties	486	0
Held for sale properties sales	19,440	66,750
Cost of sales	(19,440)	(63,658)
Profit/(Loss) on disposal of held for sale properties	0	3,092
Trading properties sales	112	1,700
Cost of sales	(103)	(1,617)
Profit/(Loss) on disposal of trading properties	9	83
Property write-ups	23,704	21,195
Property write-downs	(35,591)	(35,847)
Property write-ups/(write-downs)	(11,887)	(14,652)
EBIT	73,465	74,409
Net financial income/(charges)	(63,540)	(65,423)
Income/(charges) from associates	310	963
Income/(charges) from other companies	(2,368)	(300)
EBT	7,867	9,649
Income tax	3,275	2,886
Net result	11,142	12,535
Minority profit/(loss)	388	(197)
Group net result, before 2018 & 2019 convertible bonds' accounting impacts and early repayments in the period of loans and derivatives impacts	11,530	12,338
2018 and 2019 convertible bonds' accounting impacts	(56,061)	(7,870)
Early repayments of loans and derivatives in the period	(23,664)	(681)
Related taxes	1,521	141
NET GROUP RESULT	(66,674)	3,928
Earnings per share (€)		
- Basic	(0.03481)	0.00205
- Diluted	(0.03481)	0.00205



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Net financial income/(charges) – Beni Stabili Group

(€'000)

	30/06/2014	30/06/2013
Interest on mortgage loans, bonds, convertible bond and other loans (derivatives included) - cash portion	(47,687)	(50,489)
Interest short term borrowings - cash portion	(371)	(825)
Commitment fees	(739)	(1,272)
Effect of amortized costs on loans and bonds and other non cash portions	(7,785)	(10,794)
Other fair value variation on P&L	(4,709)	3,047
Inflation swap	(1,930)	(2,336)
Financial expenses related to disposals	(1,257)	(2,676)
Other financial expenses	(444)	(599)
Financial expenses, before 2018 and 2019 convertible bonds' accounting impacts and before the impact of early repayments of loans and derivatives of the period	(64,922)	(65,944)
2018 and 2019 convertible bonds' accounting impacts	(56,061)	(7,870)
Financial expenses related to anticipated repayments	(23,664)	(681)
Financial expenses	(144,647)	(74,495)
Financial revenues	1,382	521
Net financial expenses P&L	(143,265)	(73,974)

Statement of financial position – Beni Stabili Group

(€'000)

	30/06/2014	31/12/2013
ASSETS		
Investment properties	3,576,690	3,611,315
Properties under development	239,400	258,300
Operating properties and other assets	20,254	20,576
Intangible assets	1,152	1,127
Investments in		
- associates	1,527	1,615
- other companies	1,539	2,674
Securities	37,518	39,994
Trade and other receivables	126,419	152,109
Derivatives	158	73
Deferred tax assets	95,110	87,567
Total non-current assets	4,099,767	4,175,350
Trading properties	72,447	72,647
Trade and other receivables	100,991	41,229
Cash and cash equivalents	109,805	150,633
Total current assets	283,243	264,509
Assets held for sale	180,358	195,717
Total assets	4,563,368	4,635,576
EQUITY		
Share capital	191,630	191,630
Share premium reserve	230,210	230,210
Other reserves	498,239	524,494
Retained earnings	891,762	951,332
Total group equity	1,811,841	1,897,666
Minority interests	12,546	13,281
Total consolidated equity	1,824,387	1,910,947
LIABILITIES		
Borrowings	2,164,451	2,094,897
Trade and other payables	90,073	126,767
Derivatives	192,418	147,026
Staff termination benefits	896	873
Deferred tax liabilities	32,225	31,007
Total non-current liabilities	2,480,063	2,400,570
Borrowings	154,273	219,601
Trade and other payables	98,369	98,838
Provisions for risks and charges	6,276	5,620
Total current liabilities	258,918	324,059
Total liabilities	2,738,981	2,724,629
Total consolidated equity and liabilities	4,563,368	4,635,576



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Statement of cash flows – Beni Stabili Group

	(€'000)	
	30/06/2014	30/06/2013
EBT	(71,858)	1,098
Amortisation and write-downs of intangible assets	31	575
Depreciation of operating and other assets	437	464
Write-ups/Write-downs of properties	11,887	14,652
Write-ups/Write-downs of investments	2,090	(61)
Non-cash finance charges/(income) on derivatives and amortised cost	79,965	12,357
Non cash costs for free share plans	37	98
Capital gains of 12% of Beni Stabili Property Service S.p.A.	0	(546)
Provisions for staff termination benefits	56	59
Provisions for risks and charges (net of use of provisions)	6,654	1,008
Cash flow from operating activities	29,299	29,704
Imposte (al netto della quota riferita alla fiscalità differita)	(1,574)	(2,010)
Cash flow from operating activities after taxes	27,725	27,694
<i>Movements in assets and liabilities</i>		
Payables/receivables for the disposal/purchase of properties	(54,838)	(11,208)
Other assets/other liabilities	(3,104)	(1,747)
Payment of the instalment of the exit tax for the adoption of the SIIQ regime	(19,696)	(19,204)
Cash flow before investing and financing activities	(49,913)	(4,465)
<i>Investing activity</i>		
Increase in intangible assets	(56)	(15)
Increase in operating and other assets	(115)	(185)
Increase in properties and incremental costs	(22,592)	(26,724)
Acquisition of 31.8% of Symbiosis	0	(14,500)
Disposal of properties	79,789	65,009
Disposal of investments and securities	1,211	347
Dividends from investments valued with the Equity method	398	403
Sale price of 12% of Beni Stabili Property Service S.p.A.	0	949
<i>Financing activity</i>		
Dividend distribution	(42,138)	(42,138)
Contributions / redemptions and attribution of reserves from/to non-controlling interests	(347)	(469)
Increase/ (decrease) in borrowings and derivatives	(7,065)	21,596
Net increase/(decrease) in cash and cash equivalents	(40,828)	(192)
Cash and cash equivalents at the beginning of the period	150,633	52,454
Cash and cash equivalents at the end of the period	109,805	52,262



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Analysis of net debt – Beni Stabili Group

(€'000)

	30/06/2014	31/12/2013
Borrowings from banks and financial institutions	696,126	1,277,367
of which:		
- short-term portion	24,432	192,770
- medium/long-term portion	671,694	1,084,597
Bonds in issue	1,052,913	471,947
of which:		
- short-term portion	20,420	21,141
- medium/long-term portion	1,032,493	450,806
Convertible bonds in issue	569,685	565,184
of which:		
- short-term portion	109,421	5,690
- medium/long-term portion	460,264	559,494
Gross debt	2,318,724	2,314,498
Cash and cash equivalents	(109,805)	(150,633)
Net debt	2,208,919	2,163,865