

# Letter to the Shareholders

AVRIL 2015

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## Dear Shareholders,

**2014 has been a pivotal year for the Cofinimmo Group in its strategic transition from office real estate to healthcare real estate.**

The sale of the North Galaxy office building for M€475 was followed by the first acquisition on the German healthcare market and a significant increase in investments in healthcare assets in the Netherlands. Meanwhile, various nursing home (re)development projects were delivered in Belgium and France, meaning that as of 31.12.2014, office and healthcare real estate now represent 41% and 40% respectively of the Group's total real estate portfolio.

**Proactive management of the offices portfolio has also paid off.**

The Group's rental activity secured 72% of potentially at-risk surface areas in 2014 and lettings/renegotiations of 54,400m<sup>2</sup> of offices. The sale of apartments of the Woluwe 34, an office building converted into residential units, was also a real success. On delivery of the project, 97% of surface areas had already been sold or reserved.

**In terms of financial structure,**

the Group's debt ratio fell from 48.9% at the end of 2013 to 48.1% at the end of 2014. As a result of refinancing under favourable conditions and the

restructuring of interest rate hedging instruments, the cost of debt was reduced from 3.9% in 2013 to 3.4% in 2014. A further improvement is expected in 2015.

**Furthermore, as a result of its shareholders' support, Cofinimmo adopted the RREC (Regulated Real Estate Company) regime.**

This change of status allowed the company to position itself as a Belgian Real Estate Investment Trust (B-REIT) and avoid being treated as an "alternative investment fund", a classification now associated with SICAFIs/BEVAKs.

**What about the future?**

With the office market still sluggish, we will concentrate our efforts on the active management of the portfolio, both in terms of letting activity and renovation projects. In parallel, our teams are being mobilised by the growth of the healthcare real estate portfolio, particularly in the Netherlands and Germany, which will be decisive for your company's future profile.

Its share price performance in 2014 and the first quarter of 2015 and its dividend yield make it a high-quality investment to which we hope you will remain committed. ●



**André BERGEN**  
Chairman of the Board of Directors

**Jean-Edouard CARBONNELLE**  
Chief Executive Officer

# PERFORMANCE

**Cofinimmo will offer its shareholders a gross dividend of €5.50 per ordinary share for the 2014 financial year, payable in May 2015.**

The net current result<sup>1</sup> - Group share stands at M€120.5 at 31.12.2014, compared to M€119.2 at 31.12.2013, an improvement mainly explained by a fall in the average cost of debt following the restructuring of financial hedging instruments. Per

share, this result stands at €6.70, exceeding the forecast of €6.61 for the 2014 financial year. These figures enable the Group to offer its shareholders a gross dividend of €5.50 per ordinary share for the 2014 financial year, payable in May 2015.

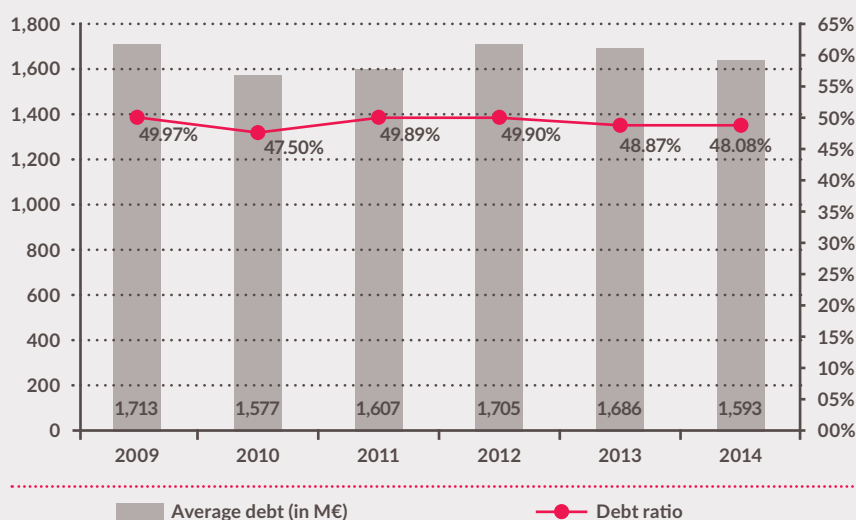
The sale of the North Galaxy office building for M€475 in May 2014 also allowed the Group to reduce its debt ratio, which stood at 48.1% at 31.12.2014, compared to 48.9% at 31.12.2013. This gives Cofinimmo the financial flexibility required to pursue its growth strategy in the healthcare real estate segment and to finance its office building renovation plan. ●

## KEY FIGURES

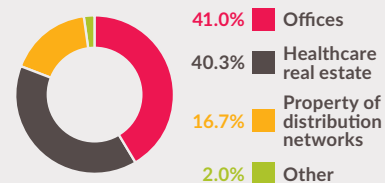
	31.12.2014	31.12.2013
Portfolio of investment properties	M€3,199.2	M€3,347.0
Gross rental income	M€213.6	M€222.7
Net current result <sup>1</sup> - Group share	M€120.5	M€119.2
IAS 39 impact	M€-136.1	M€-13.7
Result on portfolio - Group share	M€-37.0	M€-46.2
Net income - Group share	M€-52.7	M€58.7
Operating margin	85.4%	85.6%
Weighed residual lease term	11.0 years	11.6 years
Occupancy rate	95.2%	95.4%
Gross rental yield at 100% occupancy	6.9%	7.0%
Debt ratio	48.1%	48.9%
Average cost of debt	3.4%	3.9%

<sup>1</sup> Excluding the impact of the IAS 39 standard.

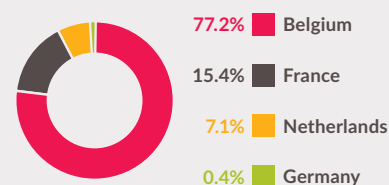
## EVOLUTION OF THE AVERAGE DEBT AND THE DEBT RATIO



## BREAKDOWN OF THE PORTFOLIO BY SEGMENT



## BREAKDOWN OF THE PORTFOLIO BY COUNTRY



## 2015 FORECAST

Based on its existing estimates and in the absence of major and unforeseen events, the Cofinimmo Group forecasts:

- a net current result<sup>1</sup> per share of **€6.85** for 2015, in line with the level achieved in 2014, and
- a gross dividend distribution of **€5.50** per ordinary share for the 2015 financial year (payable in 2016), a level equivalent to 2014.

Almost 45% of operating income (before result on the portfolio) in 2015 is expected to come from the healthcare real estate sector. Moreover, the average cost of debt is expected to be less than 3% in 2015.

# ACCOMPLISHMENTS

## ACQUISITION OF A PORTFOLIO OF 13 HEALTHCARE ASSETS IN THE NETHERLANDS

In December 2014, the Cofinimmo Group, via its Dutch subsidiary Superstone, acquired a portfolio of 13 medical facilities in the Netherlands dedicated to the care of elderly or disabled people or psychiatric care.

Eight facilities are already in operation, while the other five still need to be built. They all benefit from excellent locations.

The gross price of the portfolio stood at M€71.9. The assets are leased for an average term of 15 years under "double net" leases to 11 different private and non-profit operators. The rent will be indexed annually based on the consumer price index. The initial gross rental yield of the operation is 7.46%. ●

De Arcade - Ermelo



Riddervelden - Gouda



De Tweesprong - Oosterhout



De Uylenburgh - Amsterdam



Cofinimmo's Dutch subsidiary Superstone has the FBI ("Fiscale Bellegingsinstelling") status, similar to the RREC (Regulated Real Estate Company) status in Belgium.



# ACCOMPLISHMENTS

Location	Medical speciality	Number of units	In operation/ Construction project	Operator
Alphen aan de Rijn	Care of disabled people	24	Construction project	Philadelphia Zorg
Amsterdam	Geriatrics	31	In operation	Domus Magnus
Bavel	Psycho-geriatrics	22	Construction project	Martha Flora
Ede	Mental healthcare	19	In operation	Stichting Leger des Heils
Enschede	Psychiatry	21	Construction project	Stichting Sozorg
Ermelo	Psycho-geriatrics	56	In operation	Stichting Zorggroep Noordwest-Veluwe
Ermelo	Psychiatry	24	Construction project	Stichting Eleos
Gouda	Psycho-geriatrics and psychiatry	33	In operation	Stichting Sozorg & Martha Flora
Lopik	Care of disabled people	33	Construction project	Philadelphia Zorg
Oosterhout	Geriatrics	55	In operation	Stichting Elisabeth
Sliedrechts	Care of disabled people	25	In operation	Stichting ASVZ
Tiel	Mental healthcare	14	In operation	Stichting JP van den Bent
Utrecht	Geriatrics	99	In operation	European Care Residences
<b>Total</b>		<b>456</b>		

## ACQUISITION OF A PLOT OF LAND FOR THE CONSTRUCTION OF A MEDICAL CENTRE IN EINDHOVEN

At the end of 2014, the Cofinimmo Group, via its Dutch subsidiary Superstone, also acquired a plot of land in Eindhoven to build a medical training and research centre. The acquisition price of the land and the construction budget stands at M€4.5.

The future facility will have a surface area of 2,237m<sup>2</sup> and will be operated by the Stichting Gezondheidscentra Eindhoven (SGE) foundation, which manages several medical and paramedical centres in the region, specialising in primary care, dentistry and physiotherapy.

On delivery of the works, planned for November 2015, Cofinimmo will conclude a "double net" lease with SGE for a term of 25 years. The rent will be indexed annually based on the consumer price index. The initial rental yield is expected to be 7.50%. ●



### WHAT IS A "DOUBLE NET" LEASE?

Three types of "net" leases exist, i.e. leases in which certain responsibilities normally borne by the owner are transferred to the tenant:

Type of lease	"single net"	"double net"	"triple net"
Responsibilities assumed by the <b>owner</b>	Maintenance / Insurance	Maintenance	
Responsibilities transferred to the <b>tenant</b>	Taxes	Insurance / Taxes	Maintenance / Insurance Taxes

In the healthcare real estate segment, the Cofinimmo Group either signs "double net" leases, with limited maintenance responsibilities for the Group, or "triple net" leases.

# ACCOMPLISHMENTS

## FIRST ACQUISITION IN GERMANY IN THE HEALTHCARE REAL ESTATE SEGMENT

At the start of December 2014, the Cofinimmo Group acquired a rehabilitation clinic in Baden-Baden, in south-west Germany, for M€10.9. This was the Group's first acquisition in the country.

The 4,637m<sup>2</sup> facility has 46 rehabilitation rooms, recovery suites, gymnasias, a swimming pool and a sauna. It is operated by the private German group Celenus, with which

Cofinimmo has agreed a "double net" lease for a term of 25 years. The rent will be indexed annually at 50% of the consumer price index. The initial rental yield is expected to be 7.64%. ●



## DELIVERY OF DEVELOPMENT PROJECTS IN THE HEALTHCARE REAL ESTATE SEGMENT

Cofinimmo assists operators in the healthcare sector with their real estate projects.

It offers them customised services ranging from mere financing to the management of renovation, extension and construction projects. These are provided by an experienced team comprising financial, technical and legal profiles familiar with all the latest

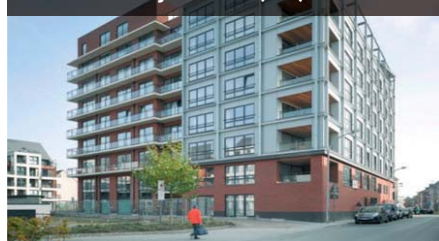
developments in healthcare real estate.

The following projects were delivered in the second half of 2014. They are all leased to their operators for long periods (27 years in Belgium and 12 years in France). ●

Vishay - Evere (BE)



De Mouterij - Alost (BE)



Property	Operator	Type of works	Number of (additional) beds	(Add.) Surface area	End of works
De Mouterij – Alost (BE)	Senior Assist	Construction of a new nursing and care home	116 beds and 12 service flats	7,643m <sup>2</sup>	Q3 2014
Frontenac – Bram (FR)	Korian	Renovation and extension	+ 8 beds	+ 700m <sup>2</sup>	Q3 2014
Vishay – Evere (BE)	Armonea	Construction of a new nursing and care home	165 beds	8,570m <sup>2</sup>	Q4 2014

# ACCOMPLISHMENTS

## PRIVATE PLACEMENT OF NON-CONVERTIBLE BONDS

**On 16.03.2015, Cofinimmo successfully completed a private placement of a seven-year non-convertible bond for M€150, offering a fixed coupon of 1.929%. This placement was completed on 19.03.2015 for M€40, under the same conditions.**

The bonds were placed by Bank Degroof with a limited number of Belgian and European institutional investors.

Following these two transactions, for a total amount of M€190, more than 90% of the consolidated debts maturing in 2016 have already

been refinanced. The average maturity of the Group's debt now stands at 4.1 years (compared to 3.4 years at 31.12.2014). ●

## LAUNCH OF THE REDEVELOPMENT WORKS OF THE BELLIARD 40 OFFICE BUILDING

**Cofinimmo launched the demolition and reconstruction works of the Belliard 40 office building, located at the corner of Rue de la Science/Wetenschapstraat and Rue Belliard/Belliardstraat in Brussels, in the heart of the Leopold district.**

Cofinimmo had obtained the required permits for this new project in March 2014. Construction of this landmark building, designed to contribute to the gradual transformation of Rue Belliard/Belliardstraat, will maximise comfort and efficient use of space for its occupants. The project particularly includes the creation of a plaza and a green area adjacent to the pavement and the construction of a light atrium five floors high, giving onto an internal garden visible from the street. The building will offer more than 17,000m<sup>2</sup> of modern, modular and sustainable office space. The project won the "Bâtiment Exemplaire

2011" award from the Brussels-Capital Region environmental protection authority (IBGE/BIM).

By launching the redevelopment of this site, Cofinimmo aims to meet expected demand from occupants for this type of building in the European district of Brussels in 2017.

Demolition of the existing structure began in March 2015. The new building is due to be completed and operational during the second quarter of 2017. Marketing is in progress. ●



## NEW LOGO

**In December 2014, Cofinimmo revised its logo to be even closer to its mission and its values.**

Cofinimmo did not want to abandon its old graphic identity, but rather modernise it. The new logo, comprising the company name, a graphical symbol and a baseline, emphasises the unity of the company's real estate and financial activities. The change mainly relates to the choice of colours and a more

up-to-date version of the graphical symbol, reflecting the dynamism and innovative nature of the company.

Cofinimmo's website was given a facelift at the same time. Take a look by visiting [www.cofinimmo.com](http://www.cofinimmo.com). ●

**Cofinimmo**  
together in real estate

# CORPORATE GOVERNANCE

## CHANGE OF STATUS, FROM SICAFI/BEVAK TO REGULATED REAL ESTATE COMPANY (RREC)

**The Extraordinary General Meeting held on 22.10.2014 approved by a majority of 99.8% Cofinimmo's change of status from a public SICAFI/BEVAK (Belgian REIT) to a public RREC (Regulated Real Estate Company).**

Cofinimmo continues to carry out the same activities and owns the same assets as when it held the SICAFI/BEVAK status. In substance, it is subject to the same requirements in terms of distribution obligation, debt ratio and real estate asset diversification. It must adhere to the same rules in terms of management structure and organisation, shareholder protection and shareholdings in subsidiaries. It remains

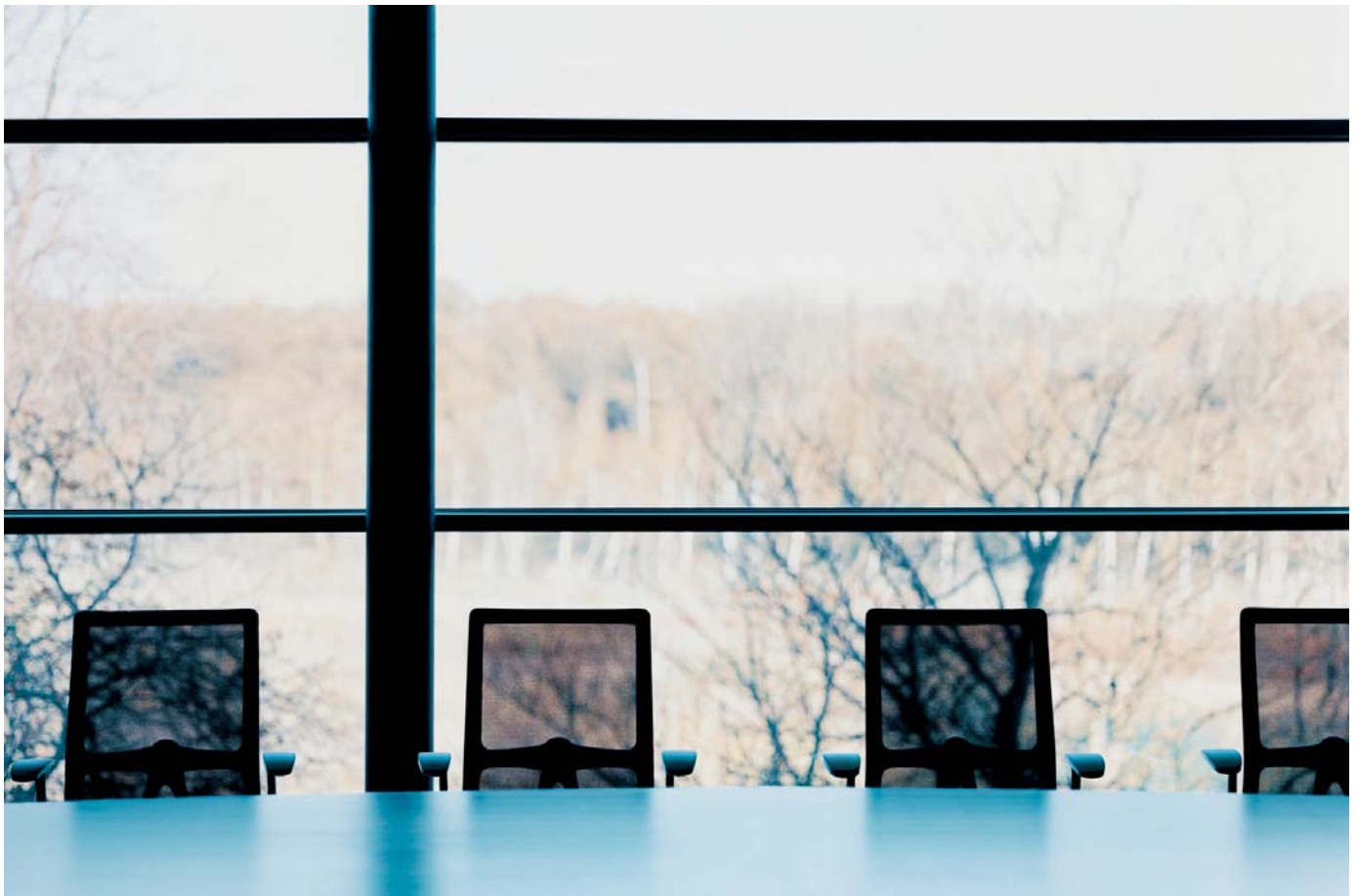
subject to a transparent tax regime.

The main changes relate to the replacement of the concept of the exclusive interest of shareholders with the concept of social interest, greater flexibility in the management body in relation to the company's strategy and a requirement preventing the company from delegating its management functions. Finally, the company

is no longer subject to the legal provisions of closed-end investment companies, as stipulated by the Law of 03.08.2012 regarding certain types of collective administration of investment portfolios.

Shareholders exercised their exit right in respect of 9,489 ordinary shares, representing 0.05% of the total number of shares issued, for a total amount of M€0.9. ●

*Cofinimmo thanks its shareholders for their support in the process of changing status from SICAFI/BEVAK to RREC (Regulated Real Estate Company).*

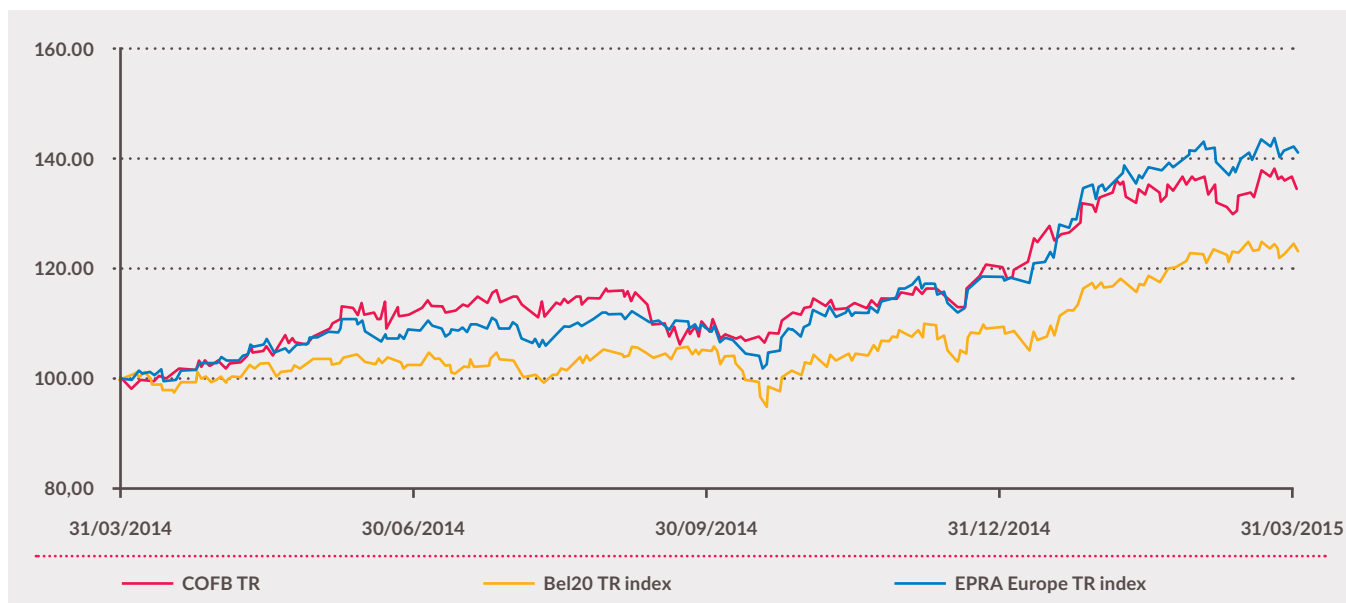


# STOCK MARKET

## SHARE PERFORMANCE

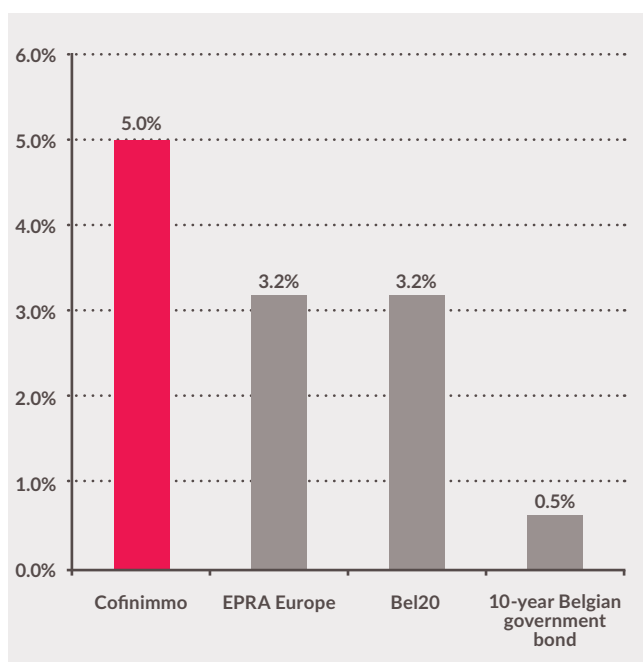
Considering the high proportion of earnings distributed annually in the form of dividends, the performance of Cofinimmo's shares should be assessed based on "total return", i.e. assuming reinvestment of the gross dividend paid, and be compared with indices also reflecting the "total return" of their constituent shares.

Based on "total return", Cofinimmo's shares provided a return of 34.9% over the last 12 months, compared with 23.2% for the Bel20 index and 41.9% for the EPRA Europe real estate index.



## DIVIDEND YIELD

The dividend yield is calculated here by dividing the gross dividend by the share price at 31.03.2015.



## DATA SHEET

### Market capitalisation at 31.03.2015:

€1.95 billion

### Number of outstanding shares at 31.03.2015:

17,971,494

### Listing market:

Euronext Brussels

### ISIN code of ordinary shares:

BE0003593044

### Euronext code of ordinary shares:

COFB

### Bloomberg code of ordinary shares:

COFB BB

### Main indices:

Bel20, Euronext 150, EPRA Europe, GPR250

## STANDARD & POOR'S RATING

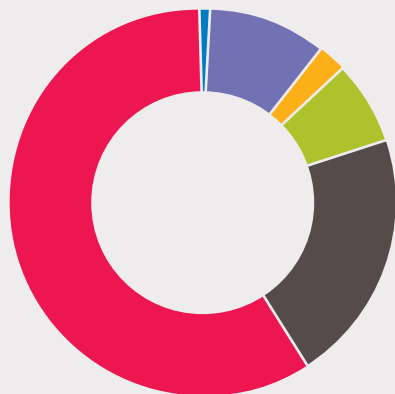
BBB- for the long term/Stable outlook

A-3 for the short term



# STOCK MARKET

## SHAREHOLDERS



- 59.16% ■ Not identified
- 20.89% ■ Investment funds
- 7.08% ■ Insurance companies
- 2.63% ■ Sovereign funds
- 9.98% ■ Pension funds
- 0.27% ■ Own shares

## CONTACT

Please contact Cofinimmo's investor relations team for any further information:

- about your registered shares:  
shareholders@cofinimmo.be;
- about the company:  
vkibieta@cofinimmo.be  
or egrauls@cofinimmo.be.

Please also visit our website:  
[www.cofinimmo.com](http://www.cofinimmo.com)

## FINANCIAL CALENDAR



**13.04.2015**

Publication of the 2014 Annual Report

**30.04.2015**

Publication of the 2014 Sustainable Development Report

**13.05.2015**

Interim announcement: results as of 31.03.2015

**13.05.2015**

2014 Annual General Meeting

**2014 dividend payment release date**

(ordinary and preference shares)

**21.04.2015**

Coupon detachment date (Ex date)

**22.04.2015**

Record date

**As from 25.05.2015**

Dividend payment date

**31.07.2015**

Half-Yearly Financial Report: results as of 30.06.2015

**06.11.2015**

Interim announcement: results as of 30.09.2015

**05.02.2016**

Annual press release: results as of 31.12.2015