

# Letter to the Shareholders

SEPTEMBER 2018



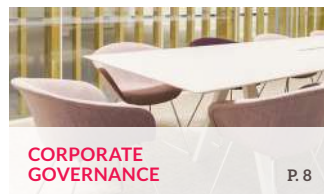
PERFORMANCE

P. 2



ACHIEVEMENTS

P. 4



CORPORATE GOVERNANCE

P. 8



STOCK MARKET

P. 10

## Dear Shareholders,

During the first half-year of 2018, we accelerated our investments in healthcare real estate by investing nearly **200 million EUR in this segment**. The main transaction consisted of the acquisition of a portfolio of 17 nursing and care homes located in Germany and valued at 172 million EUR. The fair value of our German portfolio now amounts to over 330 million EUR.

As for the office segment, we granted a 99-year long leasehold relating to the Egmont I and II office buildings, located in the centre of Brussels, enabling the realisation of a net capital gain of close to 27 million EUR. In addition, redevelopment works on the Belliard 40 building in Brussels (Central Business District) were completed at the end of March. The office space there is already nearly 75 % let.

Our net result from core activities - Group share was in line with the forecasts and stood at 68 million EUR (or 3.20 EUR per share) at 30.06.2018, compared to 69 million EUR (or 3.25 EUR per share) at 30.06.2017. As for our net result, it stood at 98 million EUR (or 4.58 EUR per share) at 30.06.2018, compared to 65 million EUR (or 3.06 EUR per share) one year before.

After 30.06.2018, we strengthened our capital position via a capital increase of approximately 155 million EUR, successfully completed on 02.07.2018. Following this operation, our pro forma debt ratio amounts to 43 %, providing us with the investment capacity to pursue our ambitions for growth.

In the context of the launch of this operation, the forecast for the net result from core activities - Group share for the whole of the 2018 financial year (published with the annual results on 08.02.2018) has been reviewed last June.

As a reminder, it has been estimated at 6.51 EUR per share, a level comparable to that of 2017 (6.53 EUR per share), despite the increase in the number of outstanding shares. Consequently, our forecast for the dividend for the 2018 financial year is confirmed at 5.50 EUR gross per ordinary share, distributed over two coupons. ●

**Projected gross dividend for the 2018 financial year, payable in 2019: 5.50 EUR/ordinary share distributed over coupons no. 33 and no. 34**

**Projected net result from core activities - Group share for 2018: 6.51 EUR/share**



Jean-Pierre Hanin, Chief Executive Officer

# PERFORMANCE

## RESULTS

(x 1,000,000 EUR)	30.06.2018	31.12.2017
Portfolio of investment properties (in fair value)	3,623	3,508
(x 1,000 EUR)	30.06.2018	30.06.2017
Rental income, net of rental-related expenses	103,143	104,207
Net result from core activities - Group share	68,214	69,289
Result on financial instruments - Group share	-1,239	6,914
Result on the portfolio - Group share	30,612	-11,034
Net result - Group share	97,587	65,169

- Net rental income** was 103 million EUR at 30.06.2018, compared to 104 million EUR at 30.06.2017 (-1.0%). The loss of income from AXA Belgium's departure from the Souverain 23-25 site in August 2017 was partially offset by the rental income generated from investments in healthcare real estate in Germany and the Netherlands, and by the Egmont I and II office buildings between the date of buying back the rent receivables and the date of signing of the long leasehold (2 million EUR, non-recurring item from the first quarter of 2018).
- The **net result from core activities - Group share** amounted to 68 million EUR at 30.06.2018, compared to 69 million EUR at 30.06.2017. Per share, the net result from core activities - Group share was in line with the forecasts and stood at 3.20 EUR per share at 30.06.2018, compared to 3.25 EUR per share the previous year.

- The **result on the portfolio - Group share** was 31 million EUR at 30.06.2018, compared to -11 million EUR at 30.06.2017. This change can be explained by the capital gain of 27 million EUR realised on the long leasehold granted for the Egmont I and II office buildings (non-recurring item) and the positive change to the fair value of the investment properties during the first six months of 2018.
- The **net result - Group share** amounted to 98 million EUR at 30.06.2018, compared to 65 million EUR at 30.06.2017. Per share, the figures were 4.58 EUR at 30.06.2018 and 3.06 EUR one year before. ●

## DEBT

	30.06.2018	31.12.2017
Average debt level (x 1,000,000 EUR)	1,602	1,535
Debt ratio	46 %	44 %
Average cost of debt	1.9 %	1.9 %
Average debt maturity (in years)	4	5

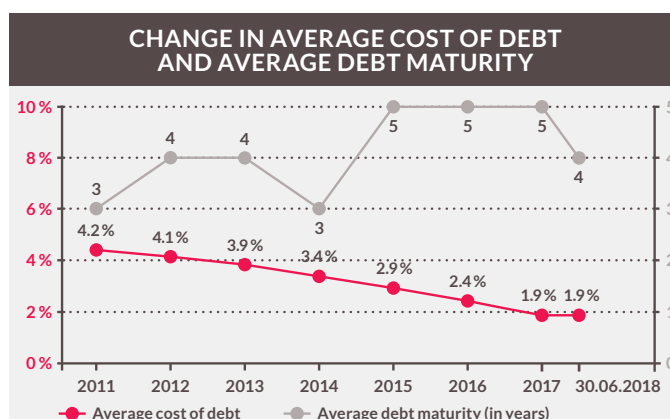
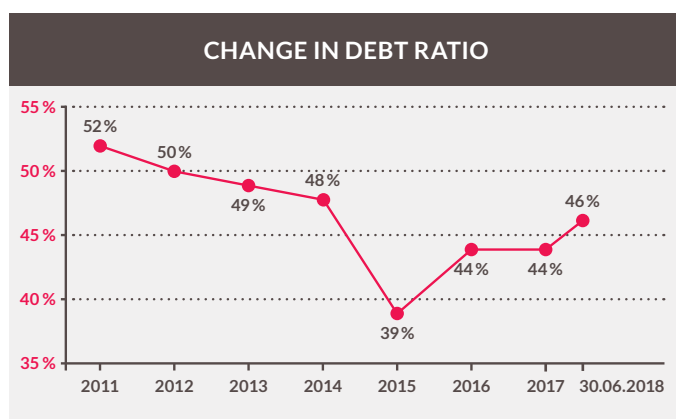
## STANDARD AND POOR'S RATING

The rating agency Standard & Poor's confirmed Cofinimmo Group's various ratings in April 2018:

**Liquidity rating:** strong

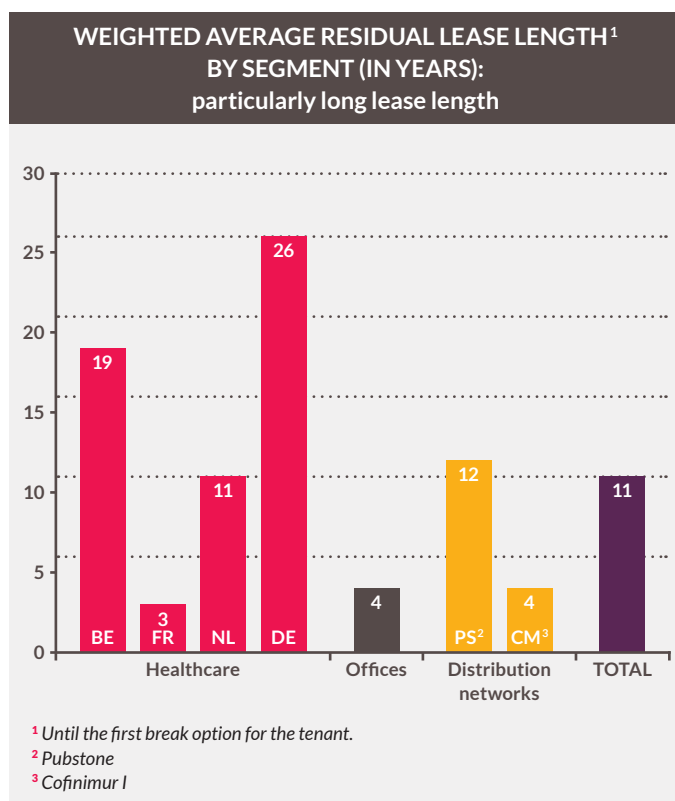
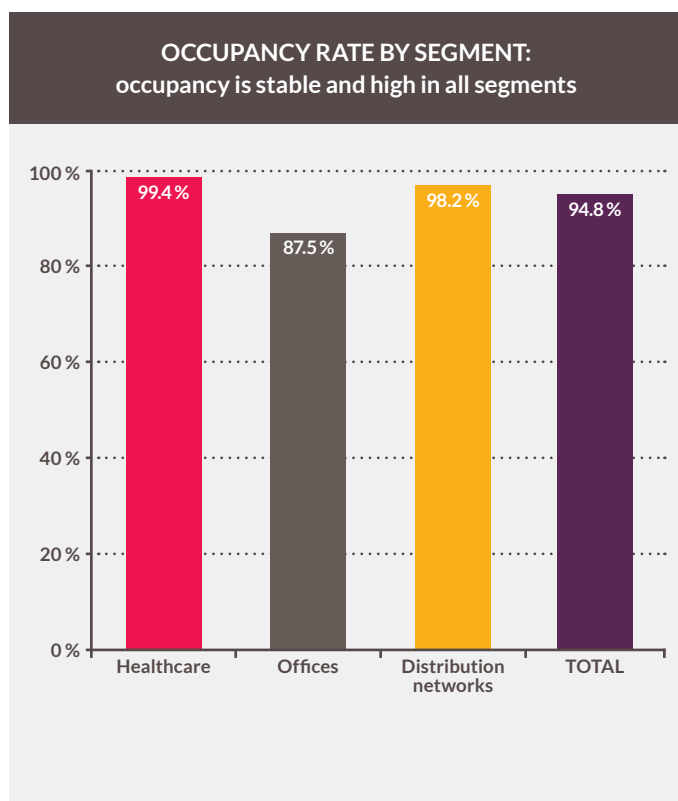
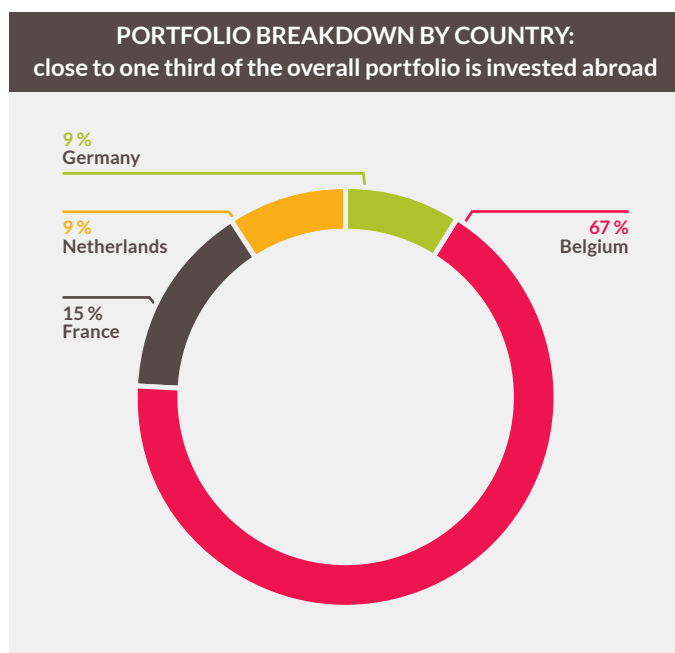
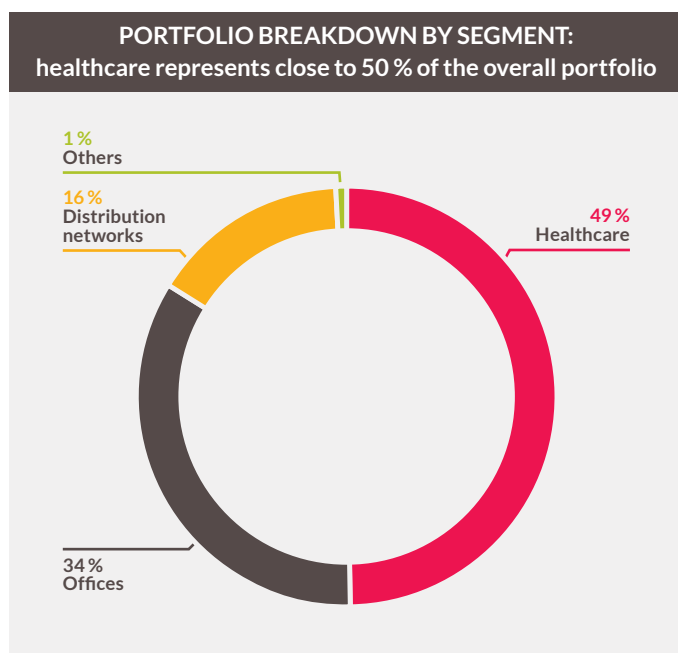
**Long-term credit rating:** BBB (stable outlook)

**Short-term credit rating:** A-2



# PERFORMANCE

## OPERATING INDICATORS AT 30.06.2018



# ACHIEVEMENTS

## HEALTHCARE REAL ESTATE: ACCELERATION OF INVESTMENTS

*Investments during the first half-year of 2018: 200 million EUR*

### MAIN ACCOMPLISHMENTS

#### Acquisition of a portfolio of 17 nursing and care homes in Germany.

In June 2018, the Cofinimmo Group acquired a portfolio of 17 nursing and care homes located primarily in Germany for 172 million EUR through the acquisition of 14 companies. The seller is a leading European investment fund with over 2 billion in capital invested in real estate.

Of the 17 assets, 16 are currently in operation and one asset is at an advanced stage of construction, with completion expected during the fourth quarter of 2018. The portfolio has nearly 1,500 beds spread over more than 75,000 m<sup>2</sup>.

The 17 nursing and care homes are leased to German operator Stella Vitalis under 'Dach und Fach' leases for a fixed term of 30 years. The term 'Dach und Fach' means that the maintenance costs of the building structure and the roof are borne by the owner.

Founded in 2006, Stella Vitalis specialises in care and housing for elderly people. The Group has over 1,300 employees and operates 1,600 beds spread over 20 establishments located in Germany, offering a surface area of approximately 100,000 m<sup>2</sup>. Following this acquisition, Stella Vitalis has become Cofinimmo's fifth-largest tenant in terms of rent.

This transaction, the largest realised by Cofinimmo in Germany, grants the Group a significant position in healthcare real estate in this country, with a portfolio fair value of approximately 330 million EUR (compared to 149 million EUR at 31.03.2018). ●



Stella Vitalis Seniorenzentrum - Haan (DE)



Seniorenzentrum Haus Hüttener Borge - Ascheffel (DE)



Stella Vitalis Seniorenzentrum - Alsdorf (DE)



Stella Vitalis Seniorenzentrum - Weilerwist (DE)

# ACHIEVEMENTS

## Investments after 30.06.2018

### Acquisition of a site made up of two assets to be redeveloped in Rotterdam (NL).

In July 2018, Cofinimmo signed an agreement, subject to conditions, for the acquisition of a geriatric rehabilitation centre built in 1966 and a nursing and care home built in 1999. Both assets, to be redeveloped and operated by Fundis, are located in Hillegersberg, a neighbourhood in Rotterdam.

The rehabilitation centre will be subject to a large-scale renovation. Upon completion of the works, it will include a traditional rehabilitation unit as well as a specialised geriatric rehabilitation unit able to receive 87 residents. As for the nursing and care home, it will be demolished and redeveloped, and will have a capacity of 48 long-term care beds. To ensure a continuity of care, the works will proceed in several phases and be completed at the end of 2020. At that time, the rehabilitation centre and the nursing and care home will have a total surface area of approximately 11,000 m<sup>2</sup>.

The purchase price of the site and the budget for the works amount to a total of 23 million EUR. Cofinimmo has signed a 'double net' lease with the operator, Fundis, which will take effect on the date of acquisition and be extended for a duration of 25 years once the works are completed.



### Investment for the French Red Cross in Chalon-sur-Saône (FR).

In early August, the Cofinimmo Group acquired the walls of a post-acute care and rehabilitation clinic that is being built by the French Red Cross in Chalon-sur-Saône, in the Bourgogne-Franche-Comté area, through the purchase of the rights of a 40-year Construction Lease. A first instalment of the purchase price of approximately 20 million EUR was paid on 01.08.2018.

The facility is located in a joint development area, which also houses a hospital, a nuclear medicine centre and a medical centre. At the delivery of the works, planned for the first quarter of 2019, it will offer 130 beds spread over an above-ground area of 9,300 m<sup>2</sup>. It will include neurology, pulmonology, cardiology and neurovegetative services.

The French Red Cross will operate the clinic and signed on 01.08.2018 a 'double net'<sup>1</sup> lease<sup>2</sup> with Cofinimmo for the residual duration of the Construction Lease. An annual fee of 1 million EUR will be due as from the delivery of the works. It will be indexed annually according to the French reference index for rents<sup>3</sup>. At the expiry of the Construction Lease, the ownership will automatically revert to the French Red Cross. ●



<sup>1</sup> The owner mainly bears the maintenance and repair costs of the roof and the building structure.

<sup>2</sup> Called 'Bail en État Futur d'Achèvement' (BEFA) in France.

<sup>3</sup> Called 'Indice de Référence des Loyers' (IRL) in France.

### ACQUISITION OF A 10<sup>TH</sup> MEDICAL OFFICE BUILDING IN THE NETHERLANDS

In July 2018, Cofinimmo acquired the MC Oisterwijk medical office building located in Oisterwijk, near Tilburg, for 3 million EUR. This is the tenth medical office building acquired by Cofinimmo in the Netherlands and the third asset of this type on the Oisterwijk campus.

MC Oisterwijk has a surface area of 1,600 m<sup>2</sup>, an occupancy rate of approximately 70 % and is currently in ramp-up phase. Its tenants, all of them healthcare professionals, have

individually signed a 'double net' lease with Cofinimmo with an average weighted residual length of five years.

With this acquisition, Cofinimmo is significantly improving the attractiveness of its 'De Voorste Stroom' and 'Oisterwijk Kliniek' medical office buildings, also located on the Oisterwijk campus. The Group can henceforth offer tenants of the aforementioned centres possibilities for growth and expansion, as well as attract new healthcare specialities not yet represented.

# ACHIEVEMENTS

## OFFICES: PORTFOLIO TURNOVER

**Investments during the first half-year of 2018: 11 million EUR**

**Divestments during the first half-year of 2018: 107 million EUR**

### MAIN ACCOMPLISHMENTS

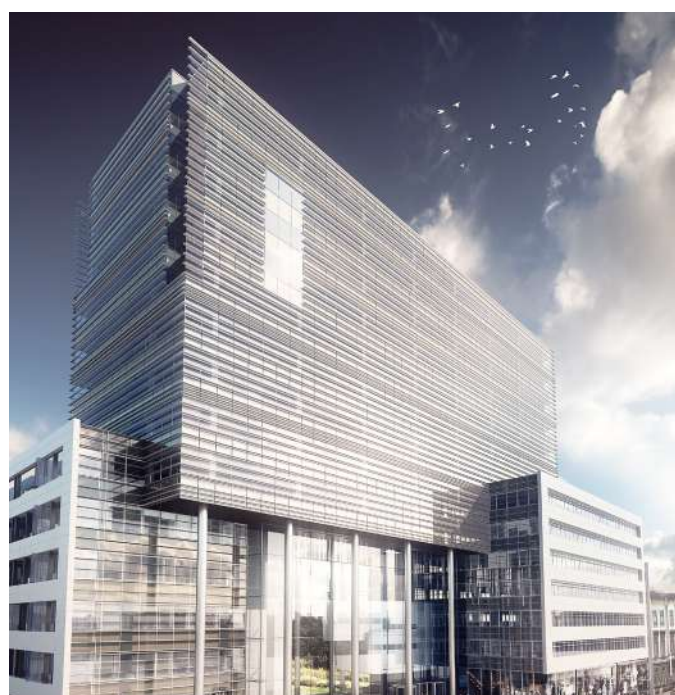
#### Completion of the redevelopment works on the Belliard 40 office building.

Launched in 2015, the ambitious reconstruction project for the Belliard 40 office building in Brussels (Central Business District) was completed in March 2018. The building now has close to 19,000 m<sup>2</sup> of offices, 200 m<sup>2</sup> of commercial space and close to 20 apartments which Cofinimmo will put up for rent. The budget for the works was 48 million EUR, including VAT.

Its bold architecture, the work of architect Pierre Lallemand and the firm Art & Build, is built around a volume that rests on two others, and a transparent, five-storey atrium which unveils an interior garden at the back of the building, visible from Rue Belliardstraat. Part of the building is pulled back from Rue Belliardstraat to make room for an open space along the pavement, significantly reshaping the face of this much-travelled urban artery in Brussels. The materials used and equipment installed allow the building to meet the best technical performance standards and to be 100% passive in terms of energy consumption.

Given the limited supply of rental spaces in premium buildings in central Brussels, marketing of office spaces at Belliard 40 has been a real success with an occupancy rate of close to 75%:

Tenant	Surface area	Lease contract start date	Lease length
Aedifica	1,357 m <sup>2</sup>	01.06.2018	9 years
Workplace Group	4,355 m <sup>2</sup>	01.10.2018	15 years
CEFIC / Plastics Europe	6,737 m <sup>2</sup>	01.01.2019	15 years
WindEurope	1,357 m <sup>2</sup>	01.06.2019	10 years



#### Signing of a long leasehold for the Egmont I and Egmont II buildings.

The Egmont I (36,616 m<sup>2</sup>) and Egmont II (16,262 m<sup>2</sup>) office buildings located in central Brussels (Central Business District) were built in 1997 and 2006, respectively, to house the Belgian Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation. These buildings are leased to the Buildings Agency (Belgian Federal State) until 31.05.2031.

As a reminder, Cofinimmo acquired the Egmont I building in 2004 and built Egmont II in 2005 / 2006 for approximately 226 million EUR.

On 13.02.2018, Cofinimmo bought back the future lease contract payments under the lease with the Buildings Agency that it had transferred to BNP Paribas Fortis in 2009, for approximately 232 million EUR.

On 03.04.2018, the Cofinimmo Group and Egmont Luxembourg SARL, an investment vehicle created by a South Korean financial institution, signed a deed concerning the creation of a long leasehold right of 99 years over the Egmont I and II buildings. The leasehold was granted in return for payment to Cofinimmo of an initial lease payment (canon) of approximately 370 million EUR, before taxes and duties, upon signing of the lease. The amount is greater than the market value of both assets on Cofinimmo's balance sheet, with an estimated value of approximately 107 million EUR at 31.12.2017, plus the cost of buying back the rent receivables. Furthermore, Cofinimmo will receive from the leasehold lessee an annual payment of 20,000 EUR throughout the term of the leasehold. The subsoil of the buildings will continue to be listed as assets on Cofinimmo's balance sheet.

The net capital gain realised by Cofinimmo on the transaction amounts to nearly 27 million EUR. ●

# ACHIEVEMENTS

## OPENING OF TWO NEW FLEX CORNERS®

Launched in 2016, Flex Corner® allows businesses looking for small office spaces to rent a private space in an office building equipped with shared common infrastructures (dining area, meeting rooms, lounge area). Tenants enjoy great flexibility with respect to the leased surface area, with a minimum of 50 m<sup>2</sup>. A 'Custom your lease' lease type is also available, making it possible for the tenant to establish its own lease period, with a minimum term of one year, based on contractual terms suited to their needs.

In 2018, Cofinimmo opened two new Flex Corners® in the Bourget 42 and Colonel Bourg 22 buildings (Decentralised Brussels). Since its creation, this innovative approach has attracted 26 new tenants and is now offered in ten buildings in the Group's portfolio. At 30.06.2018, the occupancy rate of the Flex Corners® stood at approximately 77 %, excluding the newly opened Flex Corners® being in ramp-up phase. This concept represents a little over one percent of the total surface areas of office buildings in the Group's portfolio.



## CAPITAL INCREASE OF 155 MILLION EUR TO FINANCE PORTFOLIO GROWTH

*During July 2018, Cofinimmo successfully completed a capital increase with priority allocation rights for a gross amount of 155 million EUR.*

### Description of the transaction

1,642,374 new shares were issued at a subscription price of 94.50 EUR. This price represents a 10 % discount compared to the share's theoretical price, based on the share price prior to the announcement of the conditions of the transaction and after the detachment of the coupon representing the priority allocation rights and the detachment of coupon no. 33 entitling the holder to the dividend for the 2018 financial year (2.74 EUR), prorata temporis from 01.01.2018 to 01.07.2018, payable in 2019.

During the subscription period, which began on 21.06.2018 and ended on 27.06.2018, existing Cofinimmo shareholders, holders of priority allocation rights, subscribed to 80 % of the new shares offered in the context of this transaction. The following day, unexercised priority allocation rights were placed with institutional investors. The shares offered for sale in this context were subscribed in their entirety and without discount compared to the share price at the close of the previous day, the aim being to optimise the net amount allocated to existing shareholders.

The 1,642,374 new shares were listed on Euronext Brussels on 02.07.2018. These shares entitle the holder to the dividend for the 2018 financial year represented by coupon no. 34 (2.76 EUR), prorata temporis starting on 02.07.2018, payable in 2019.

### Use of the funds

The goal of the capital increase is to finance the 2018 pipeline of committed investments and investments under due diligence, namely 147 million EUR for the period from 01.07.2018 to 31.12.2018, while maintaining the Group's debt ratio at around 45 %.

### Investments since the capital increase

Since the launch of the capital increase, Cofinimmo has carried out many acquisitions and signed acquisition agreements subject to conditions.

In particular, these investments concern:

- Two nursing and care homes in **Germany**;
- A medical office building, a complex comprising a nursing and care home and a rehabilitation centre in **the Netherlands**;
- A post-acute care and rehabilitation clinic in **France**. ●

# CORPORATE GOVERNANCE

## NEW EXECUTIVE COMMITTEE OF THE COFINIMMO GROUP

### Appointment of a new CEO



**Jean-Pierre Hanin**

Since the term of Mr Jean-Edouard Carboneille as Managing Director expired at the end of the Ordinary General Meeting of Shareholders of 09.05.2018 without its renewal being requested by him, that General Meeting appointed Mr Jean-Pierre Hanin as Managing Director, with immediate effect and until the end of the Ordinary General Meeting of Shareholders that will be held in May 2022. Mr Hanin was appointed as Chairman of the Executive Committee and Chief Executive Officer from 09.05.2018. His appointment was approved by the FSMA.

Mr Jean-Pierre Hanin has a licentiate degree in Law from KUL. He also holds a Master in Tax Management from Solvay Business School and a LL.M from Georgetown University. During his career, he has held a range of financial and management positions in international groups, including Chief Financial Officer and Chief Executive Officer of Lhoist Group, global leader in lime and dolime. In more recent years, he was Chief Financial Officer and finally head of the Building Performance division of construction materials group Etex.

### Appointment of a new CFO



**Jean Kotarakos**

Since Mr Jérôme Descamps resigned his position as Director with effect from 08.02.2018, the General Meeting of Shareholders of 09.05.2018 appointed Mr Jean Kotarakos as Executive Director, with immediate effect and until the end of the Ordinary General Meeting of Shareholders that will be held in May 2022. Mr Kotarakos has held the position of Chief Financial Officer since 01.06.2018. His appointment was approved by the FSMA.

Mr Jean Kotarakos holds a degree in Commercial Engineering from the Solvay Brussels School of Economics and Management (ULB). He has taught there since 2010 in the Real Estate Executive Programme. After a few years spent at KPMG and D'Ieteren, he joined Aedifica where he has held the position of Chief Financial Officer since 2007.

### Chief Corporate Affairs & Secretary General



**Françoise Roels**

Françoise Roels is responsible for the Legal & Compliance, Tax, HR, CSR & Innovation and Information Management teams. She is also responsible for the Secretary General of the Company. Furthermore, she is in charge of the shareholders relations in the context of general meetings and for the interactions with the Belgian financial control authorities. Françoise Roels joined Cofinimmo in 2004 as Secretary General & Group Counsel.



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# CORPORATE GOVERNANCE

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## NEW EXECUTIVE COMMITTEE OF THE COFINIMMO GROUP

### **Appointments of a COO Healthcare and a COO Offices**

The Cofinimmo Group and Mr Xavier Denis, Chief Operating Officer and Director, decided by mutual agreement to bring their collaboration to an end. Mr Denis left his position as a Director on 21.05.2018 and his position of Chief Operating Officer on 31.05.2018.

On 26.07.2018, the Cofinimmo Board of Directors appointed two new members of the Executive Committee: Mrs Yeliz Bici and Mr Sébastien Berden.

These internal promotions aim to strengthen Cofinimmo's Executive Committee. With their respective experience and within their new role, Mrs Bici and Mr Berden can have an even greater impact in addressing Cofinimmo's challenges and accelerating its growth.



**Yeliz Bici**

Mrs Bici is Chief Operating Officer Offices since 01.08.2018. She is responsible for the office portfolio, the distribution networks and the Public-Private Partnerships, as well as the Group's overall Project Management.

Mrs Bici joined Cofinimmo in 2008. She was Property Manager, Area Manager and finally Development Manager before becoming Head of Development in 2014. Thanks to her extensive experience in the real estate sector, she contributed decisively to the development of important projects for Cofinimmo. Within her new role, she will deploy her dynamism to tackle the various development challenges of the Group.



**Sébastien Berden**

Since 01.08.2018, Mr Berden is Chief Operating Officer Healthcare. He is responsible for the Business Development, Asset Management and Property Management of the Group's healthcare real estate portfolio.

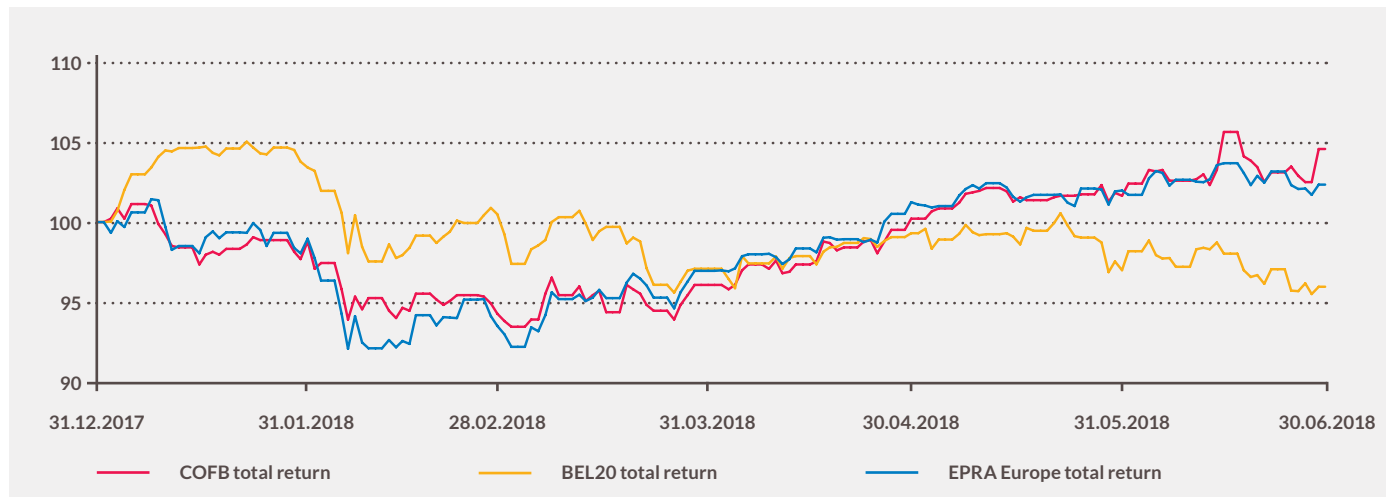
Mr Berden joined Cofinimmo in 2004 as Investor Relations Officer. He then became Development Manager Healthcare before taking up the Head of Healthcare position in 2011. He has been a linchpin in the development of Cofinimmo's healthcare real estate portfolio and will be able to make an even greater contribution to its expansion with his new position.

# STOCK MARKET

## SHARE PERFORMANCE

In light of the high annual dividend distribution as regards profits, namely 84.2 % for 2017, the Cofinimmo share's performance must be seen in terms of total return, in other words assuming reinvestment of the gross dividends paid out, and it must be compared to indices that also reflect the total return on the shares of which they are comprised.

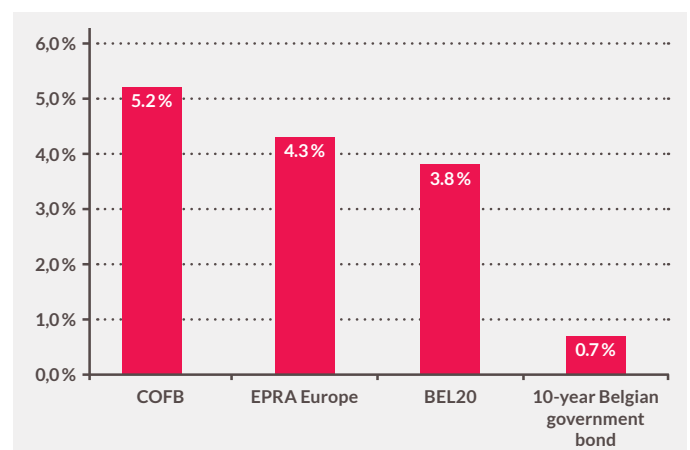
The total return on the Cofinimmo share was 4.6 % for the first half-year of 2018 (6.1 % for the 2017 financial year). The return for the BEL20 and EPRA Europe indices was -4.1 % and 2.4 %, respectively, for the same period. ●



## DIVIDEND YIELD

The dividend yield is calculated here by dividing the gross dividend per share by the share price at 30.06.2018.

The dividend yield on the Cofinimmo share was 5.2 % at 30.06.2018, versus 3.8 % and 4.3 %, respectively, for the BEL20 and EPRA Europe indices. The yield on 10-year Belgian government bonds was 0.7 %. ●



## SUMMARY OF DIVIDEND COUPONS FOLLOWING THE JULY 2018 CAPITAL INCREASE

	Coupon number	Gross amount	Ex-date	Payment date
2017 Dividend	31	5.50 EUR	11.05.2018	15.05.2018
Prorata dividend from 01.01.2018 to 01.07.2018	33	2.74 EUR	20.06.2018	May-June 2019
Prorata dividend from 02.07.2018 to 31.12.2018	34	2.76 EUR	May 2019	May-June 2019

# STOCK MARKET

## DATA SHEET

**Market capitalisation at 02.07.2018:**

2.4 billion EUR

**Number of outstanding shares at 02.07.2018:**

22,993,248

**Place of listing:**

Euronext Brussels

**ISIN code - ordinary share:**

BE0003593044

**Euronext code - ordinary share:**

COFB

**Bloomberg code - ordinary share:**

COFB BB

**Main indices:**

BEL20, Euronext 150, EPRA Europe, GPR250



## FINANCIAL CALENDAR

**08.11.2018**

Interim report: results at 30.09.2018

**07.02.2019**

Annual press release: results at 31.12.2018

**05.04.2019**

Publication of 2018 Annual Financial Report  
Publication of 2018 Sustainability Report

**25.04.2019**

Interim report: results at 31.03.2019

**08.05.2019**

2018 Ordinary General Meeting

**25.07.2019**

Half-Year Financial Report: results at 30.06.2019

**07.11.2019**

Interim report: results at 30.09.2019

**06.02.2020**

Annual press release: results at 31.12.2019

## CONTACT

The Cofinimmo investor relations team is available to answer your questions:

- regarding the company:

[egraults@cofinimmo.be](mailto:egraults@cofinimmo.be) or [bmathieu@cofinimmo.be](mailto:bmathieu@cofinimmo.be);

- regarding your registered shares:

[shareholders@cofinimmo.be](mailto:shareholders@cofinimmo.be).

You can also visit our website:

[www.cofinimmo.com](http://www.cofinimmo.com)

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