

# Cofinimmo 1H2014 results

Roadshow presentation



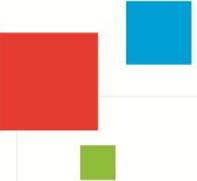
# 1H2014 Results - Company profile

Office building Loi/Wet 57 – Brussels (BE)



Nursing home Damiaan – Tremelo (BE)

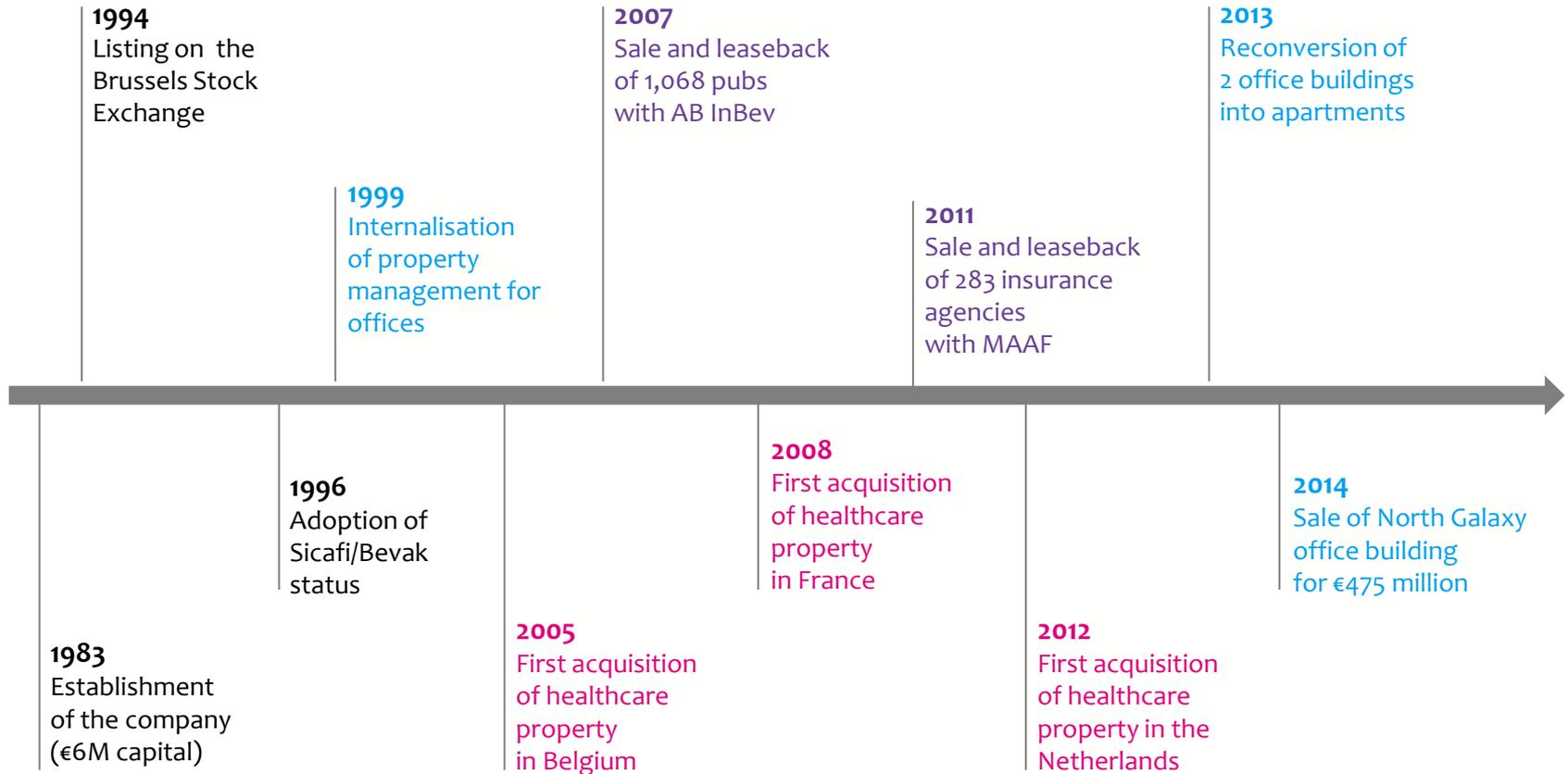




# Cofinimmo in a nutshell

- **Leading Belgian listed Real Estate Investment Trust (REIT) exposed to:**
  - the office property market in Brussels
  - healthcare real estate in Belgium, France and the Netherlands
  - property of distribution networks in Belgium, France and the Netherlands
  - Public-Private Partnerships in Belgium
- **Total portfolio fair value of > €3 billion**
- **SICAFI/BEVAK status in Belgium, SIIC status in France and FBI status in the Netherlands**
- **Internal real estate management platform with 110 employees**
- **Total market capitalisation at 30.06.2014: €1.6 billion**
- **Included in major indices: BEL20, EPRA Europe and GPR 250**

# 30 Years of experience in real estate



# Balanced portfolio with moderate risk profile

1

Asset rotation

Disposal of non-strategic assets

+

Reconversion of office buildings into residential units

+

Upgrade of existing office portfolio

2

Investment opportunities

Healthcare assets in new and existing markets

+

New distribution networks

+

Purpose-built facilities for public authorities

3

Balance sheet optimisation

Financing accretive investments with debt and equity

+

Regular access to capital markets

+

Target debt ratio < 50%

# 1H2014 Results - Portfolio



Park Lane office park – Brussels (BE)

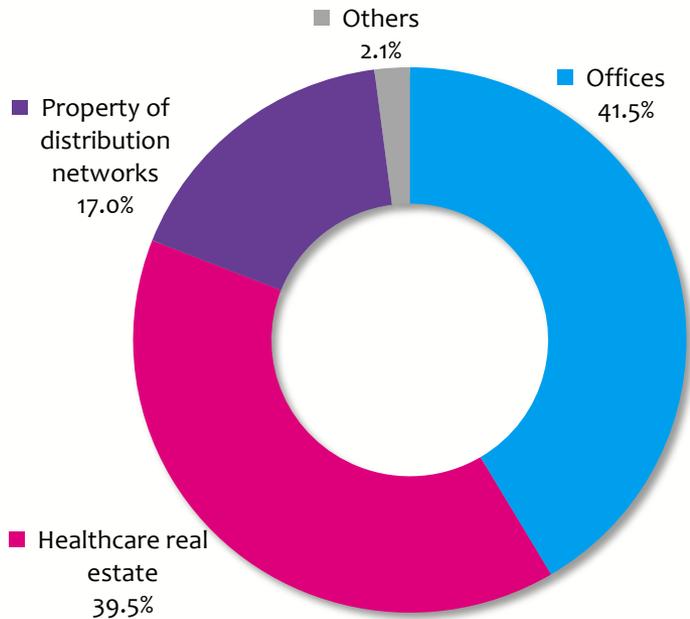


Nursing home 7 Voyes – Vedrin (BE)

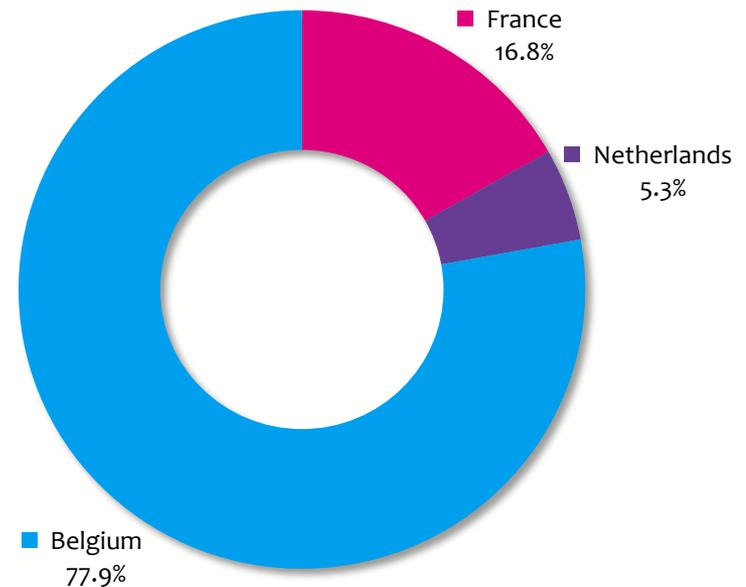
# Portfolio at 30.06.2014

Fair value of total portfolio: 3,148.3 million

Portfolio breakdown by segment:



Portfolio breakdown by location:



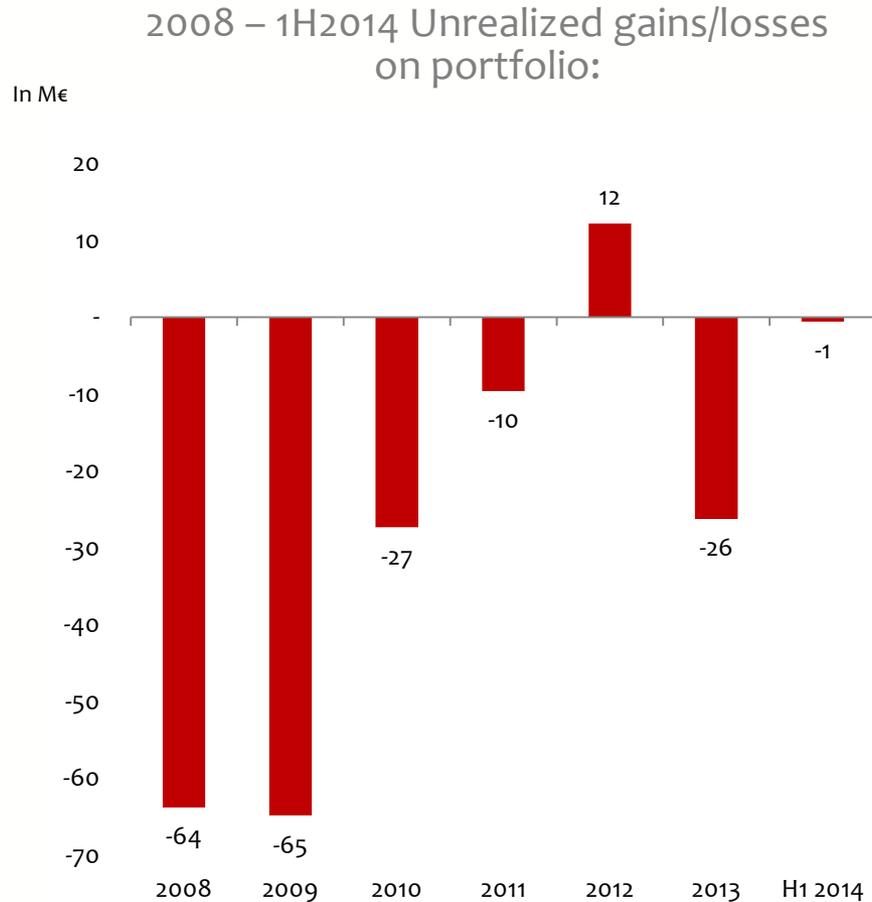
# Portfolio valuation at 30.06.2014 (1)

Gross yield: 7.00%  
Net yield: 6.50%

	Gross yield	Direct Costs	Net yield
Offices	7.90%	1.04%	6.86%
Healthcare	6.31%	0.07%	6.24%
Distribution	6.59%	0.32%	6.27%
Others	6.66%	0.39%	6.27%
<b>Total</b>	<b>7.00%</b>	<b>0.50%</b>	<b>6.50%</b>

	Gross yield H1 2014	Gross yield 2013	Gross yield 2012	Gross yield 2011	Gross yield 2010
Offices	7.90%	7.77%	7.69%	7.54%	7.44%
Healthcare	6.31%	6.31%	6.32%	6.28%	6.28%
Distribution	6.59%	6.61%	6.62%	6.7%	6.61%
Others	6.66%	7.06%	7.20%	7.43%	7.15%
<b>Total</b>	<b>7.00%</b>	<b>7.03%</b>	<b>7.01%</b>	<b>6.98%</b>	<b>6.98%</b>

# Portfolio valuation at 30.06.2014 (2)



Unrealized gain/loss on a like-for-like basis: -0.02%

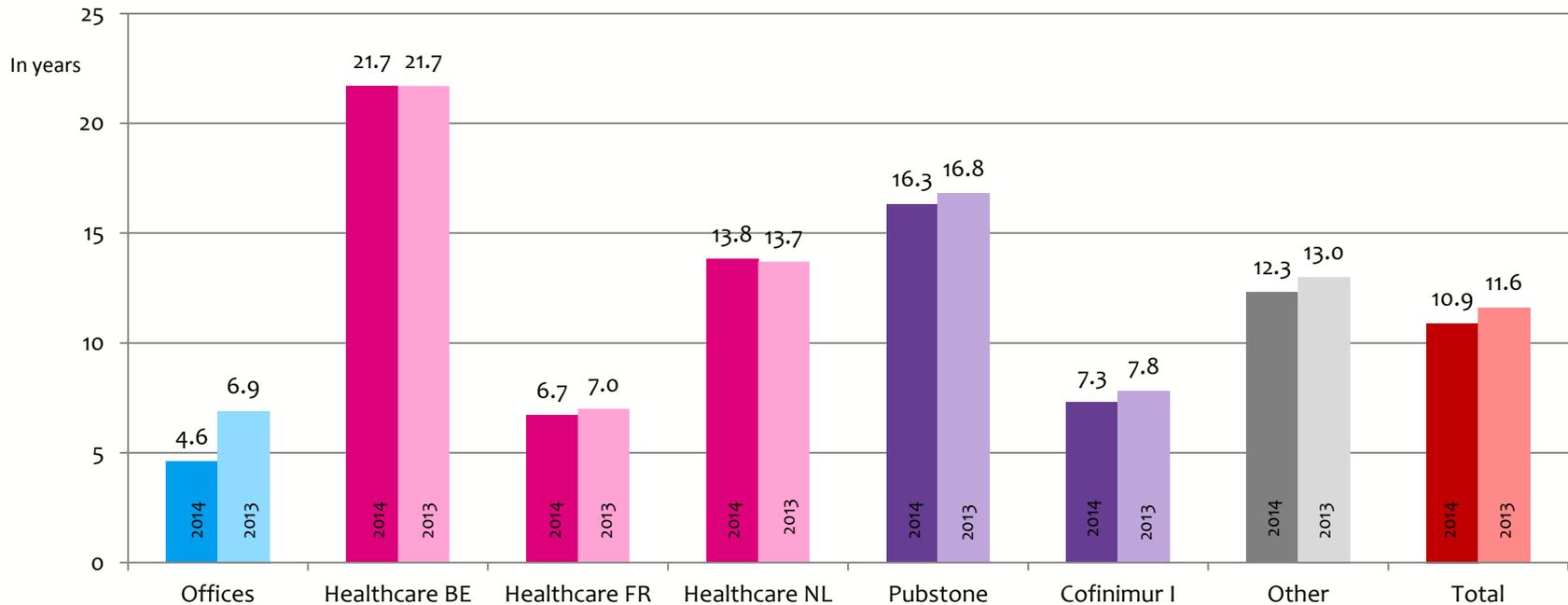
	Unrealised gain/loss 2014 (6m)
Offices	-0.79%
Healthcare	0.38%
Belgium	0.54%
France	0.15%
Netherlands	-2.00% <sup>1</sup>
Distribution	0.31%
Pubstone	0.16%
Cofinimur I	0.89%
Others	5.75%
Total	-0.02%

<sup>1</sup> Few transactions in the Dutch HC market /Real estate experts use a valuation model which does not take into account the residual value of the asset

# Key operational figures at 30.06.2014 (1)

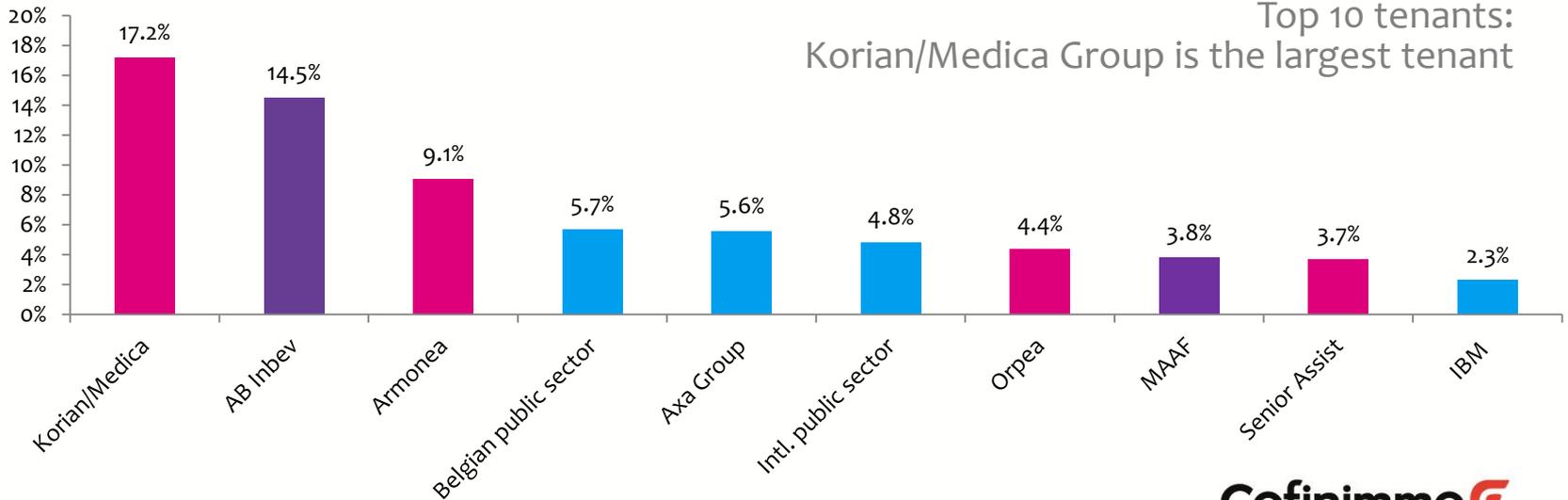
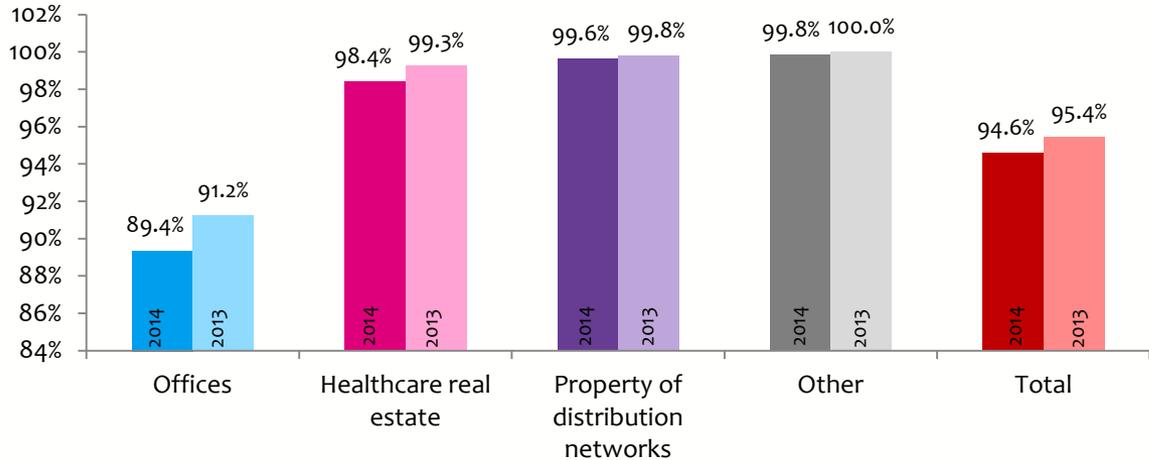
Average residual lease length: 10.9 years

Average residual lease length at 30.06.2014 vs. 31.12.2013:



# Key operational figures at 30.06.2014 (2)

Occupancy rate  
at 30.06.2014 vs. 31.12.2013:



# 1H2014 Results – Operational events

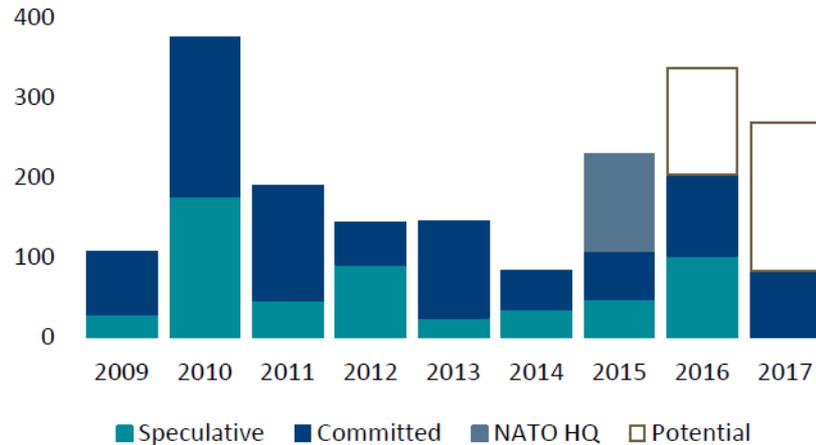


Office building Souverain/Vorst 23-25 – Brussels (BE)



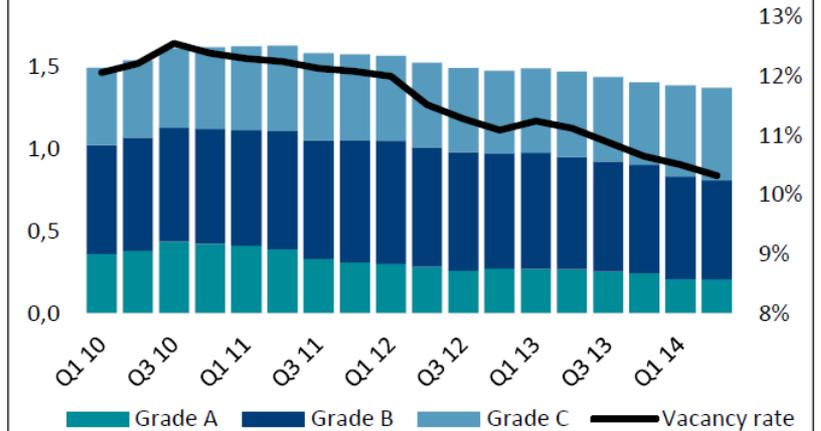
# Brussels office market update

Office new supply and pipeline, 000s sq m



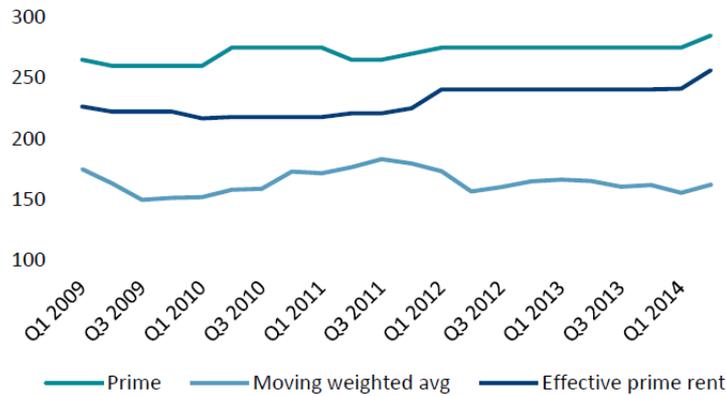
Source: DTZ Research

Vacancy by building grade (m sq m) and Brussels office vacancy rate (%)

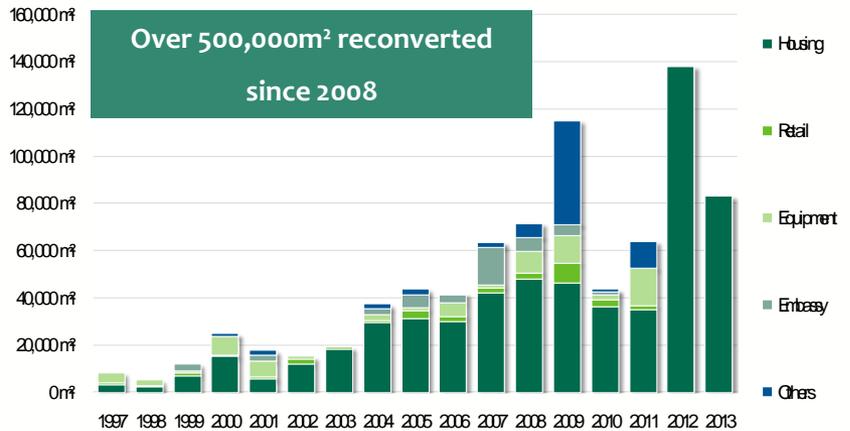


Source: DTZ Research

Prime rent and weighted average rent, EUR/sq m/year



Source: DTZ Research





# 1H2014 Divestments in the office segment (1)

## Sale of the North Galaxy building

- Sale of all shares in Galaxy Properties SA/NV, owner of the North Galaxy building, for €7 million
- Price agreed for building of €475 million, 22% above acquisition value (€390 million in 2005)
- IRR of 15% when including the financing mode of the acquisition (sale of lease receivables) or 7% on an unleveraged basis



*Located in North District of Brussels  
105,000m<sup>2</sup> above-ground  
Built in 2005  
Let until 2031  
Occupied by the Belgian  
Ministry of Finance*



## 1H2014 Divestments in the office segment (2)

- **Strategic impact** of the sale of the North Galaxy building, combined with the restructuring of financial instruments :
  - Reduction of office share in total portfolio: office segment is now at 41.7% (vs. 45.6% at 31.12.2013)
  - Reduction of leverage: debt ratio forecasted for end 2014 is now at 47.50% (vs. 49.05% previously)
  - Forecasted 2014 net current result (excl. IAS 39 impact) unchanged at €6.61 per share
- **Accounting impact** of the sale of the North Galaxy building, combined with the restructuring of financial instruments:
  - Cash in of € 145 million in 2014
  - Realized loss on portfolio of €24 million in 2014
  - IAS39 charge of €56 million (no impact on NAV) in 2014
  - Reduction of the item “Writeback of lease payments sold” (€-0.65/share in 2014 and €-1.00/share the following years)
  - Reduction of interest charges (€+0.64/share in 2014 and €+1.00/share the following years)



# 1H2014 Divestments and letting activity in the office segment

## Disposal of the Montoyer office building

- €13 million
- Above investment value at 31.12.2013

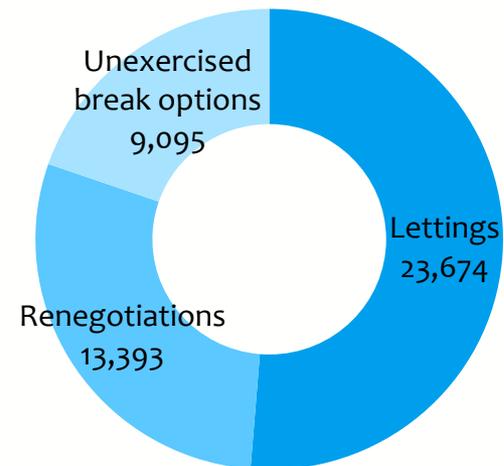
## Letting of the Livingtone II building to the European Commission

- 15-year lease, beginning on 14.08.2014
- Annual rent: €2.72 million

## Resilient leasing activity

- 46,162m<sup>2</sup> at risk secured in 1H2014, representing €53.5 million guaranteed net revenues

Letting activity in m<sup>2</sup>:





# Office renovation projects (1)

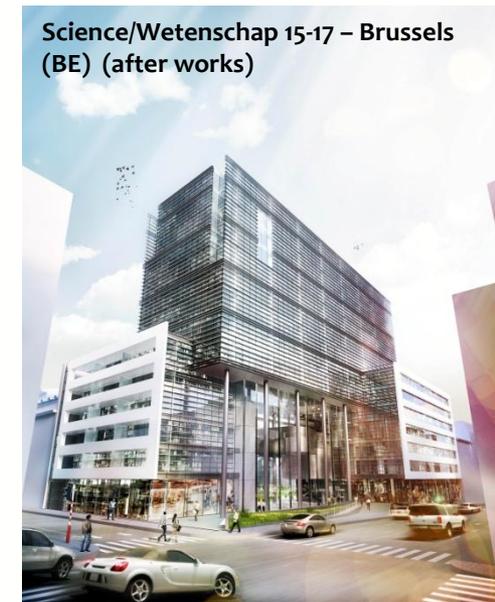
## Livingstone II (17,000m<sup>2</sup>)

- Renovation
- Timing of works: March 2013 – August 2014
- Budget: €21 million, VAT incl.
- Letting to European Commission for 15 years as from 14.08.2014



## Science/Wetenschap 15-17 (20,000m<sup>2</sup>)

- Construction of new building with 17,700m<sup>2</sup> offices, 17 residential units & 200m<sup>2</sup> of retail
- Permits delivered in March 2014
- Expected duration of works: 2 years
- Marketing underway
- Budget: €42 million, VAT incl.



## Guimard 10-12 (10,800m<sup>2</sup>)

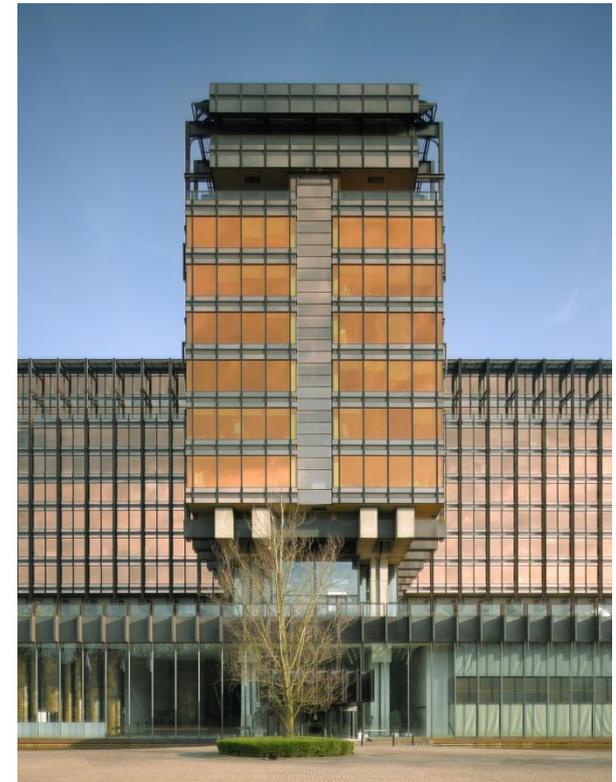
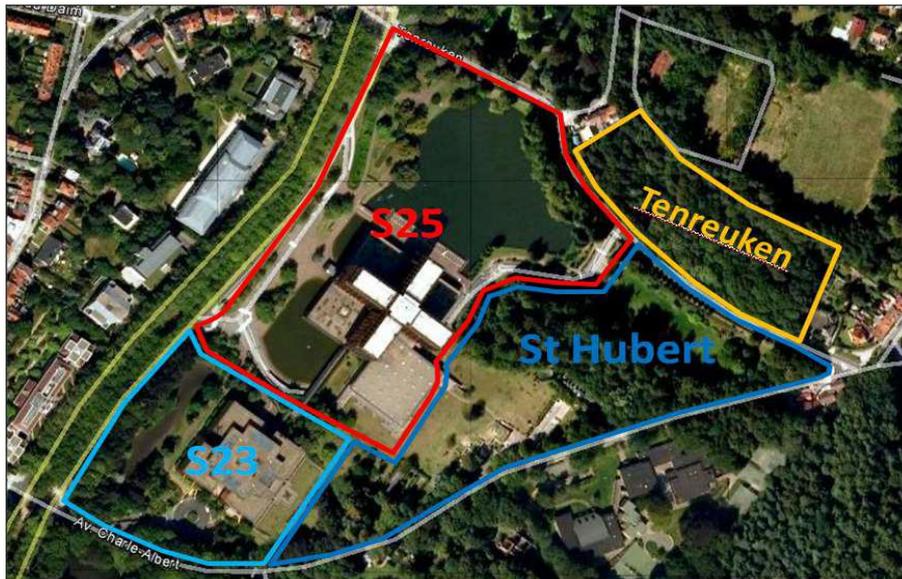
- European Commission to vacate by 30.09.2014
- Renovation
- Timing of works: 4Q2014 – 3Q2015
- Budget: €14 million, VAT incl.
- Lease signed for 45% of space after works
- Marketing of remaining 55% underway



## Office renovation projects (2)

### Sovereign project (56,000m<sup>2</sup> - 11ha)

- Axa to vacate site in August 2017
- Possible 6-month lease extension
- Residential development on Tenreuken plot of land
  - 10,000m<sup>2</sup> or 100 apartments
  - Construction to be launched in 2015
  - Units to be put up for sale





# Office reconversion projects into residential

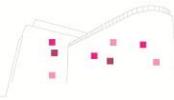
## Woluwe 34 (6,700 m<sup>2</sup>)

- Reconversion of offices to 69 residential units for sale
- Budget of reconversion works: €13 million (VAT excl)
- Timing of works: July 2013 - January 2015
- Target price: €1,300/m<sup>2</sup> before conversion costs
- Sale agreements and reservations for 80% of the units

## Livingstone I (17,000 m<sup>2</sup>)

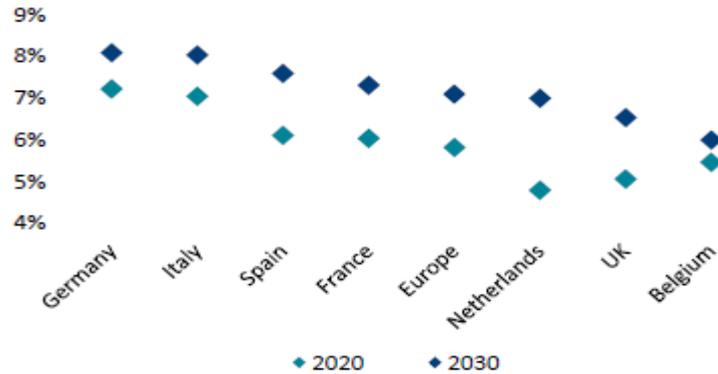
- Reconversion of offices to 122 residential units for sale
- Co-developer Cordeel guarantees fixed price for sale of units
- Price obtained: €24 million (€1,400/m<sup>2</sup>) before conversion costs
- Timing of works: February 2013 - January 2015
- Sales agreements and reservations for 60% of the units





# Elderly care market fundamentals (1)

Share of the 80+ in the total population in 2020 and 2030, by country



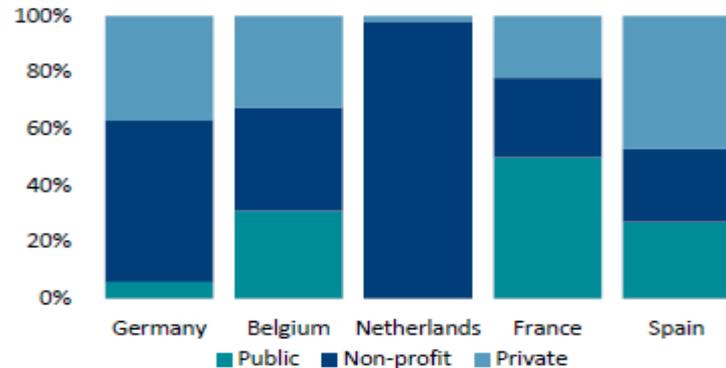
Source: Eurostat, May 2014

Complementary needs in terms of beds in the selected countries

Country	Number of beds in 2013	Number of beds expected in 2020	% change between 2013 and 2020
Belgium	138,000	160,000	+ 14%
The Netherlands	165,000	160,000	- 3%
France	684,000	734,000	+ 7%
Germany	876,000	1,076,000	+ 22%
Spain	350,000	n.a.	
Italy	340,000	440,000	+ 29%

Source: Eurostat, OECD, DTZ

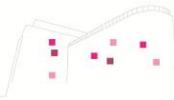
Distribution of beds between management structures in 2013



Source: Eurostat, OECD, DTZ

Country	Number of beds in 2013	% of private commercial operators	Number of private operators
Belgium	138,000	32%	+/- 300
The Netherlands	165,000	2%	350
France	684,000	22%	> 30,000
Germany	876,000	37%	5,000
Spain	350,000	47%	n.a.
Italy	340,000	20%	n.a.

Source: Eurostat, OECD, DTZ

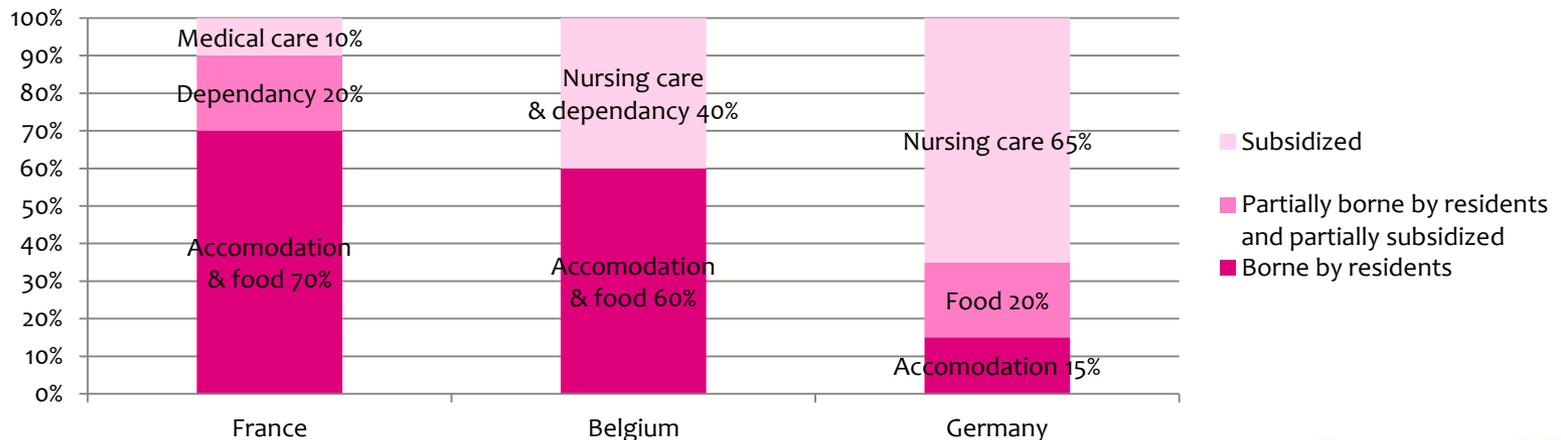


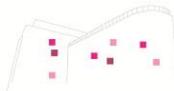
# Elderly care market fundamentals (2)

## Breakdown of social security systems:

	Quotas imposed on number of beds	Accommodation & Food vs. Nursing care	Dependency coverage by compulsory scheme
Belgium	Yes	Single Package	Strong
France	Yes	Single Package	Medium
Netherlands	No	Separate Packages	Medium
Germany	No	Separate Packages	Strong

## Breakdown of operators' costs:

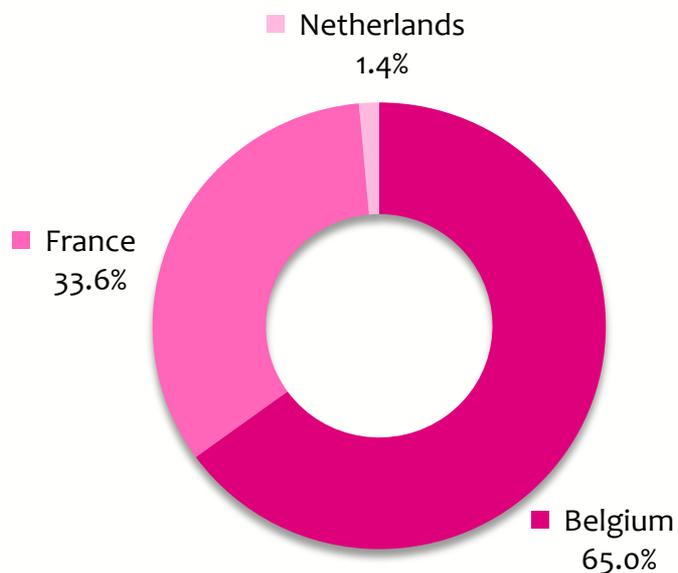




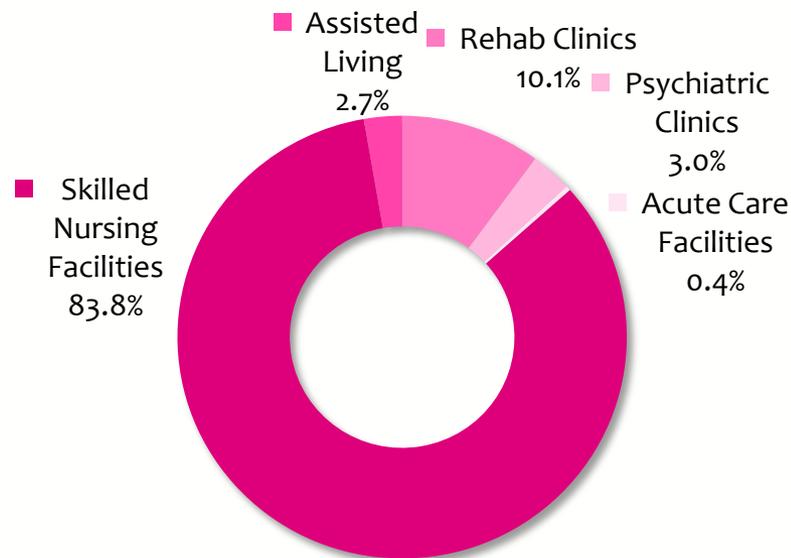
# Healthcare real estate portfolio at 30.06.2014 (1)

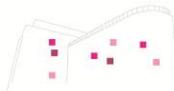
Strategic diversification by country and medical specialty:  
no dependency on one single social security system

Healthcare portfolio breakdown  
by location:



Healthcare portfolio breakdown  
by medical specialty:

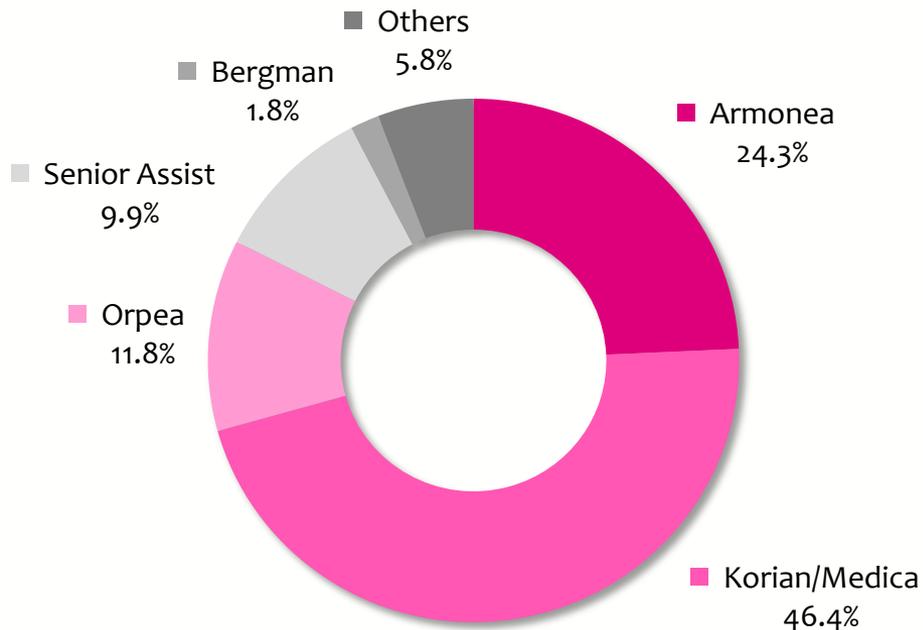


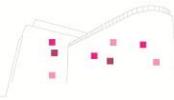


# Healthcare real estate portfolio at 30.06.2014 (2)

A portfolio 100% rented to first-rate operators

Healthcare portfolio breakdown by operator:





# 1H2014 Investments in the healthcare segment (1)

## Delivery of 3 projects in Belgium:

### Lakendal – Aalst (Flanders)

- New construction of 7,894m<sup>2</sup>
- 80 beds and 29 service flats
- Operator : Armonea
- Cost of works: €12.8 million
- Initial yield<sup>1</sup>: 6.65%

### Damiaan – Tremelo (Flanders)

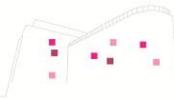
- Renovation and extension of 556m<sup>2</sup>
- + 42 beds
- Operator : Senior Living Group
- Cost of works: €4.9 million
- Initial yield<sup>1</sup>: 6.45%

### Les Jours Heureux – Lodelinsart (Wallonia)

- Extension of 1,350m<sup>2</sup>
- + 20 beds
- Operator : Senior Assist
- Cost of works: €2.3 million
- Initial yield<sup>1</sup>: 6.65%



<sup>1</sup> In double net equivalent.



# 1H2014 Investments in the healthcare segment (2)

## Delivery of 1 project in France:

Saint-Sébastien – Saint-Sébastien-sur-Loire

- Extension of 786m<sup>2</sup> (12 beds)
- Operator : Orpea
- Cost of works : €1.5 million (financed by operator – no impact on rent)

## Delivery of 2 projects in the Netherlands:

Rijswijk

- Reconversion of office building
- Eye and skin care clinic of 2,133m<sup>2</sup>
- Operator : Bergman
- Cost of works : €2.5 million
- Initial yield<sup>1</sup>: 7.83%

Ede

- Reconversion of office building
- Eye care clinic of 2,663m<sup>2</sup>
- Operator : Bergman
- Cost of works : €2.5 million
- Initial yield<sup>1</sup>: 7.79%



<sup>1</sup> In double net equivalent.



# 1H2014 Acquisition in the healthcare segment<sup>1</sup>

## Acquisition of the SSR clinic Caux du Littoral in Néville (FR)

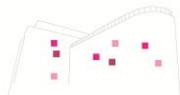
- Existing site to be renovated and extended into modern facility with 60 beds
- At delivery of works, signature of 12-year triple net lease with operator Handra
- Acquisition price of existing site + budget of works = €5.2 million
- Expected yield: 7.5%

## About operator Handra:

- Private French Group with 150 employees
- Operates 158 beds on 4 EHPAD/SSR sites located in France
- Focus on smaller sites (25 to 60 beds) to be renovated, located in wealthy areas



<sup>1</sup> This transaction took place on 31.07.2014.



# 1H2014 Disposals in the healthcare segment

## Rationale

Trimming of healthcare portfolio, after a decennia of building it up

Elements taken into account:

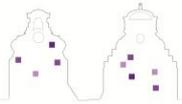
- Age, size and location of the asset;
- Operating performance of the asset (profile of operator, occupancy level by residents, pricing to residents, rent cover,...);
- Residual lease length.

## Disposal of the psychiatric clinic La Gaillardière – Vierzon (FR)

- €1.6 million
- In line with investment value at 31.12.2013

## Disposal of the EHPAD Villa Saint-Dominique – Rouen (FR)

- €3.8 million
- In line with investment value at 31.12.2013



# Property of distribution networks

## Pubstone

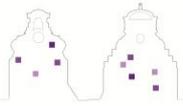
### 2007 - Sale & leaseback of cafés/restaurants portfolio with AB InBev

- 808 pubs in BE and 245 pubs in NL for a total of €423.8 million
- 1 tenant : AB InBev – no direct relationship with pub operators
- Fixed rents, indexed to CPI
- Initial net yield: 6.15% - Initial lease length: 23 years
- At 30.06.2014:
  - Gross yield: 6.55%
  - Occupancy rate: 99.7%
  - 24 pubs sold since acquisition, with average realized gain of 34.6%

## Cofinimur I

### 2011 - Sale & leaseback of insurance branches portfolio with MAAF

- 279 insurance branches in FR for a total of €111.6 million
- 1 tenant : MAAF – no direct relationship with agency operators
- Fixed rents, indexed to ILC index
- Initial net yield: 6.18% - Initial lease length: 9.7 years
- At 30.06.2014:
  - Gross yield: 6.75%
  - Occupancy rate: 99.3%
  - 7 agencies sold since acquisition, with average realized gain of 4.6%



# 1H2014 Investments/divestments of properties of distribution networks

€0.8 million invested in 1H2014 in renovations of properties of distribution networks

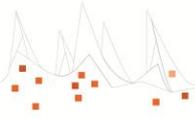
- €0.7 million on the Pubstone portfolio
- €0.1 million on the Cofinimur I portfolio

Sale of 3 Pubstone pubs/restaurants

- For a total amount of €1.0 million
- Above investment value at 31.12.2013

Acquisition of 2 Cofinimur I insurance branches

- For a total amount of €0.5 million
- 9-year leases to GMF, a subsidiary of the Covéa Group (like MAAF)
- Yields: 8.36% and 9.40%

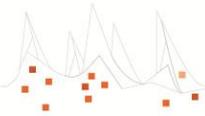


# 1H2014 Events related to Public-Private Partnerships

## Delivery of the new prison of Leuze-en-Hainaut

- Construction works delivered on 20.06.2014
- 25-year lease with Buildings Agency
- At end of lease: transfer of the building to the Buildings Agency
- Annual investment fee: €7.6 million (90% sold to bank)
- Annual maintenance and facility management fee: €4.5 million
- Net investment for Cofinimmo: €12.4 million
- Expected IRR: 10%





## 1H2014 Events related to other assets

### Development of new sports and leisure club for Aspria

- Acquisition of Solvay Sports site in Brussels by Aspria on 30.06.2014
- Signature of an agreement between Cofinimmo and Aspria to develop a new sports and leisure club
- At delivery of the project, long-term lease with Aspria



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# 1H2014 Results – Financial results

Office building Meeus 23 – Brussels (BE)



Nursing home Dageraad – Antwerp (BE)



# Like-for-like rental growth

1.05% like-for-like rental increase, driven by indexation and new lettings

	Gross rental revenues H1 2014 (x € 1,000,000)	Gross rental revenues H1 2013 (x € 1,000,000)	Growth (%)	Like-for-like growth (%)
Offices	38.7	39.9	-3.10%	0.48%
Healthcare RE BE	24.1	22.9	5.20%	1.35%
Healthcare RE FR	13.8	14.4	-4.34%	0.58%
Healthcare RE NL	0.6	0.4	44.58%	2.88%
Property of distribution networks	19.1	18.9	1.29%	2.16%
Others	2.3	2.3	-0.34%	1.33%
<b>Total</b>	<b>98.6</b>	<b>98.9</b>	<b>-0.26%</b>	<b>1.05%</b>

- Positive contribution of indexation (+1.34%) and new lettings (+1.28%)
- Negative reversion due to renegotiations (-0.42%) and departures (-1.15%)

# Results on 30.06.2014

(x €1,000,000)	30.06.2014	30.06.2013
Property result (rental income - costs of vacancy)	106.4	108.7
Operating result (EBITDA before result on the portfolio)	90.3	93.0
Net financial result (excl. IAS 39)	-27.7	-31.5
Net current result (excl. IAS 39) - Group share	61.0	58.9
IAS 39	-100.9	-9.6
Net current result - Group share	-39.7	49.2
Result on the portfolio - Group share	-21.7	-12.7
Net result - Group share	-61.5	36.5

	30.06.2014	31.12.2013
Operating costs/Average value of portfolio	0.90%	0.83%
Operating margin	84.9%	85.6%

# Data per share

Net current result (excl. IAS 39 impact) – Group share: €3.39 per share

Results per share (in €)	30.06.2014	30.06.2013
Net current result (excl. IAS 39) - Group share	3.39	3.35
IAS 39 impact	-5.60	-0.55
Net current result - Group share	-2.21	2.80
Realised result on portfolio	-1.24	0.02
Unrealised result on portfolio	0.03	-0.74
Net result - Group share	-3.42	2.08

NAV in fair value: €85.17 per share

Net asset value per share (in €)	30.06.2014	31.12.2013
Revalued net asset value in fair value after distribution of dividend for the year 2013	85.17	85.77
Revalued net asset value in investment value after distribution of dividend for the year 2013	89.43	90.24

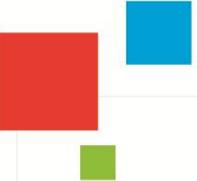
# 1H2014 Results – Financial resources

Office building Omega Court – Brussels (BE)



Nursing home L'Orchidée – Ittre (BE)





# 1H2014 Access to financing

## Equity: 2013 optional dividend in shares

- 2013 dividend: €6.00 per ordinary share and €6.37 per preference share
- Choice between payment in cash or in new ordinary shares (or combination)
- Issue price of new ordinary shares: €85.50 (at par with market price)
- 41.2% of 2013 dividend coupons paid in new shares
- 383,224 new ordinary shares issued
- €32.8 million equity raised

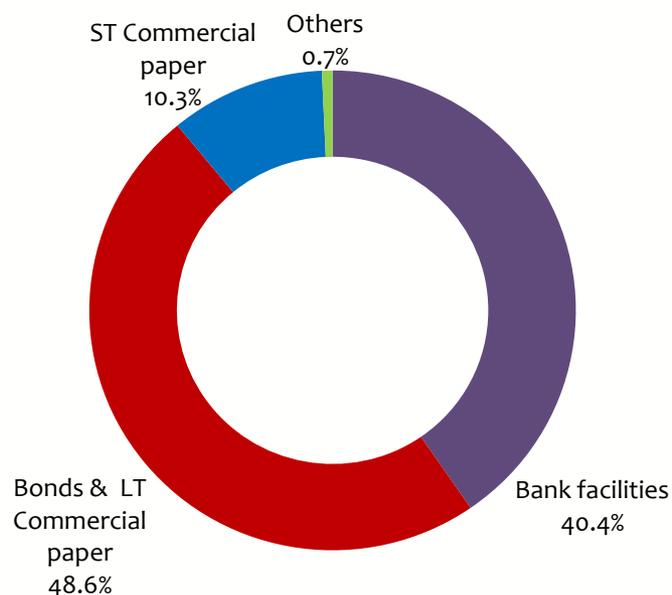
## Debt: extension of two credit lines maturing on 31.08.2014

- Credit lines of €40 million and €100 million respectively
- Extension for 5 years

# Financial debt

	30.06.2014	31.12.2013
Debt ratio	48.88%	48.87%
Loan-to-value ratio	48.91%	49.61%
Average debt	M€1,632.0	M€1,685.8
Average cost of debt	3.72%	3.92%
Average debt maturity	3.9 years	3.8 years

## Debt breakdown:



x € 1,000,000	Financial debt	Total LT commitments
<b>Capital market facilities</b>		
Bond	391.1 (1)	390.0 (2)
Convertible bond	383.4 (1)	364.1 (2)
Long term CP	15.0	15.0
Short term CP	168.0	
Others	4.0	4.0
<b>Bank facilities</b>		
Roll over loans	543.8	1,319.4 (3)
Term loans	111.4	111.4
Others	6.9	6.9
<b>Total</b>	<b>1,623.6</b>	<b>2,210.8</b>

(1) At fair value.

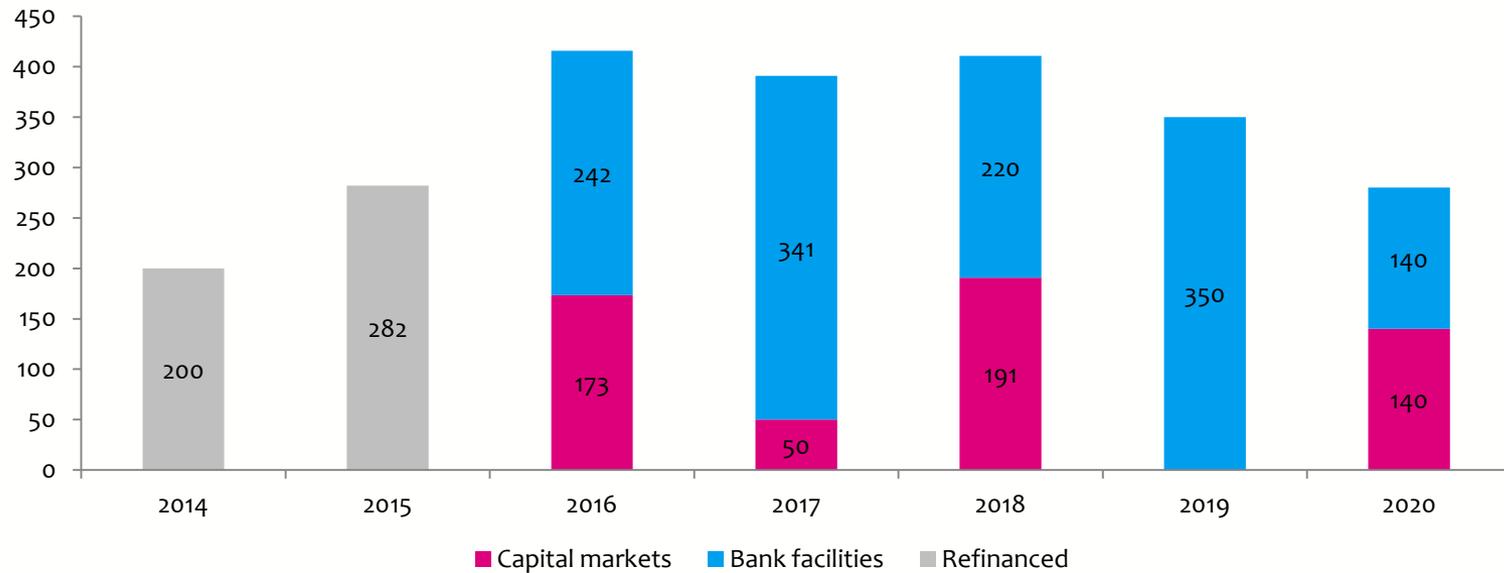
(2) At redemption value.

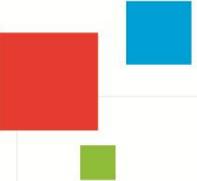
(3) Uncommitted line of €60 million not included.

# Debt maturities

All maturities refinanced until end 2015

x €1,000,000





# Restructuration of hedging scheme

Mid May, cancellation of FLOOR options, in order to benefit from current low interest rates

- Strike: 3%
- Notional amount: €600 million
- Period: 2014-2017
- Cost: €56 million (under IAS 39 charges – no impact on NAV)

Signature of new INTEREST RATE SWAPS, protecting against possible future increases of interest rates

- Average rate: 0.51%
- Notional amount: €400 million
- Period: 2014-2017

Average cost of debt decreased from 3.92% at 31.12.2013 to 3.72% at 30.06.2014

Assuming constant gearing, more than 80%  
of the interest rate risk is covered until the end of 2019.

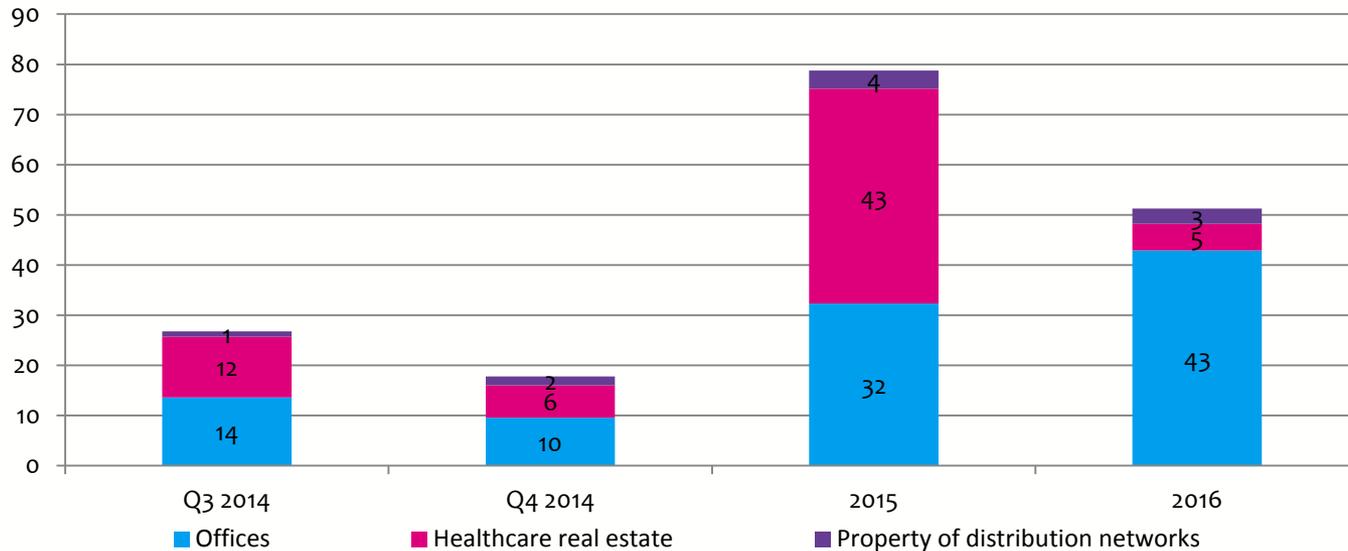
# 1H2014 Results - Forecast

Courthouse – Antwerp (BE)

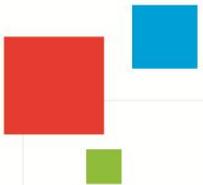


# Investment pipeline

€175 million investment pipeline for 2H2014-2016



- €98 million in refurbishment of office buildings, mainly:
  - renovation of Guimard 10-12, Tervuren 270-272 and Livingstone II buildings;
  - redevelopment of Science/Wetenschap 15-17 and Sovereign buildings;
  - reconversion of Woluwe 34 office building into apartments.
  
- €67 million in construction/renovation of healthcare properties, which are 100% prelet



# 2014 Result and dividend per share

2014 Forecasted net current result (excluding IAS 39) – Group share: €6.61 per share

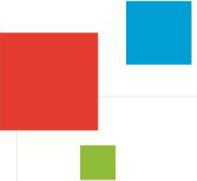
- As published in the Annual Financial Report 2013
- Unchanged after the disposal of the North Galaxy building and the restructuring of the hedging scheme in May 2014:
  - Reduction in the writebacks of lease payments sold (non cash item): €-0.65 per share
  - Reduction of the net financial charges (cash): €+0.64 per share
  - Pro forma full year impacts: €-1.02 (non cash) and €+1.00 (cash) per share respectively

2014 Forecasted gross dividend (payable in June 2015): €5.50 per ordinary share

- Better aligned with 2014 forecasted cash flow per share
- Represents a gross dividend yield of 6.04% relative to the share price at 30.06.2014

# 1H2014 Results – SIR/GVV regime





# New SIR/GVV<sup>1</sup> regime

- 22.07.2014: enforcement of AIFM regime in Belgium and application to all Sicafis/Bevaks
- 16.07.2014: creation of a new B-REIT (SIR/GVV<sup>1</sup>) regime:
  - largely similar to current Sicafi/Bevak regime;
  - entities with a commercial purpose, as opposed to investment funds.
- If the Belgian listed property companies do not opt for the new SIR/GVV<sup>1</sup> status, they automatically fall under the AIF-regime, with additional constraints in terms of:
  - liquidity management;
  - risk management;
  - reporting duties;
  - higher funding costs;
  - cash lock-up.

<sup>1</sup> Société Immobilière Réglementée/Geregulementeerde VastgoedVennootschap



# Adoption of the new SIR/GVV regime

- Adoption of the new SIR/GVV status is subject to the approval of:
  - the Financial Services & Markets Authority;
  - at least 80% of the shareholders present at EGM.
- Exit right: option to sell shares for shareholders who voted against adoption of SIR/GVV<sup>1</sup>, with a max of €100k, at a predefined price, which is the highest of:
  - last closing price prior to publication of EGM invites (i.e. €94.02);
  - average closing price over 30 calendar days prior to EGM.
- Status change conditional on total number of shares exited being less than:
  - 4% of outstanding shares, or
  - x% of outstanding shares, where  $x = \frac{\text{€182,976,000}^2 \times 100}{\text{exercise price} \times 18,025,908^3}$
- Cofinimmo SIR/GVV regime adoption timeline:
  - FSMA approval received on 26.08.2014;
  - 1<sup>st</sup> EGM to be held on 30.09.2014;
  - If 50% quorum is not met at 1<sup>st</sup> EGM, 2<sup>nd</sup> EGM to be held on 22.10.2014.

<sup>1</sup> For shareholder who continuously held the shares 30 calendar days prior to the 1st EGM.

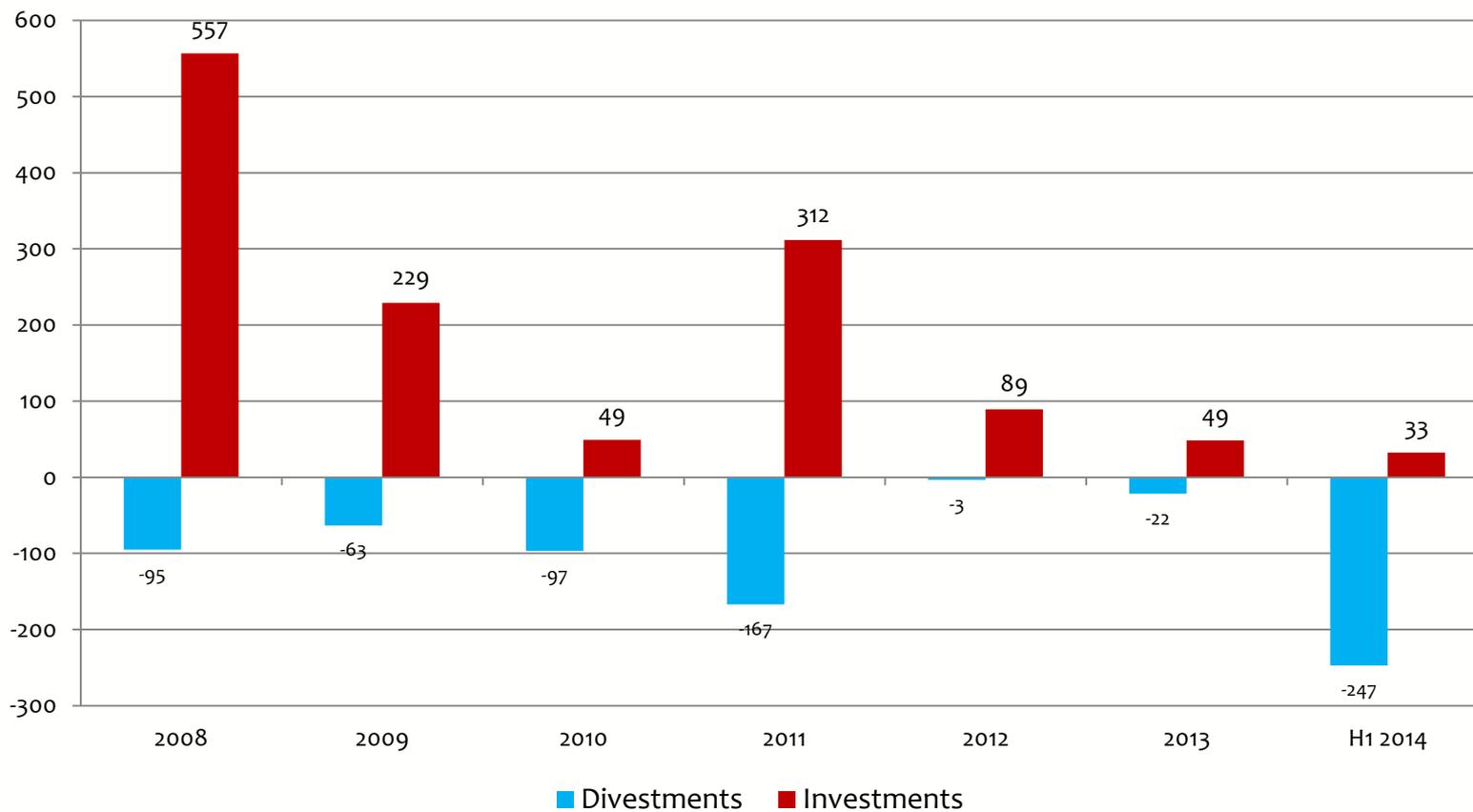
<sup>2</sup> Distributable reserves according to Article 617 of the Company Code.

<sup>3</sup> Number of shares outstanding

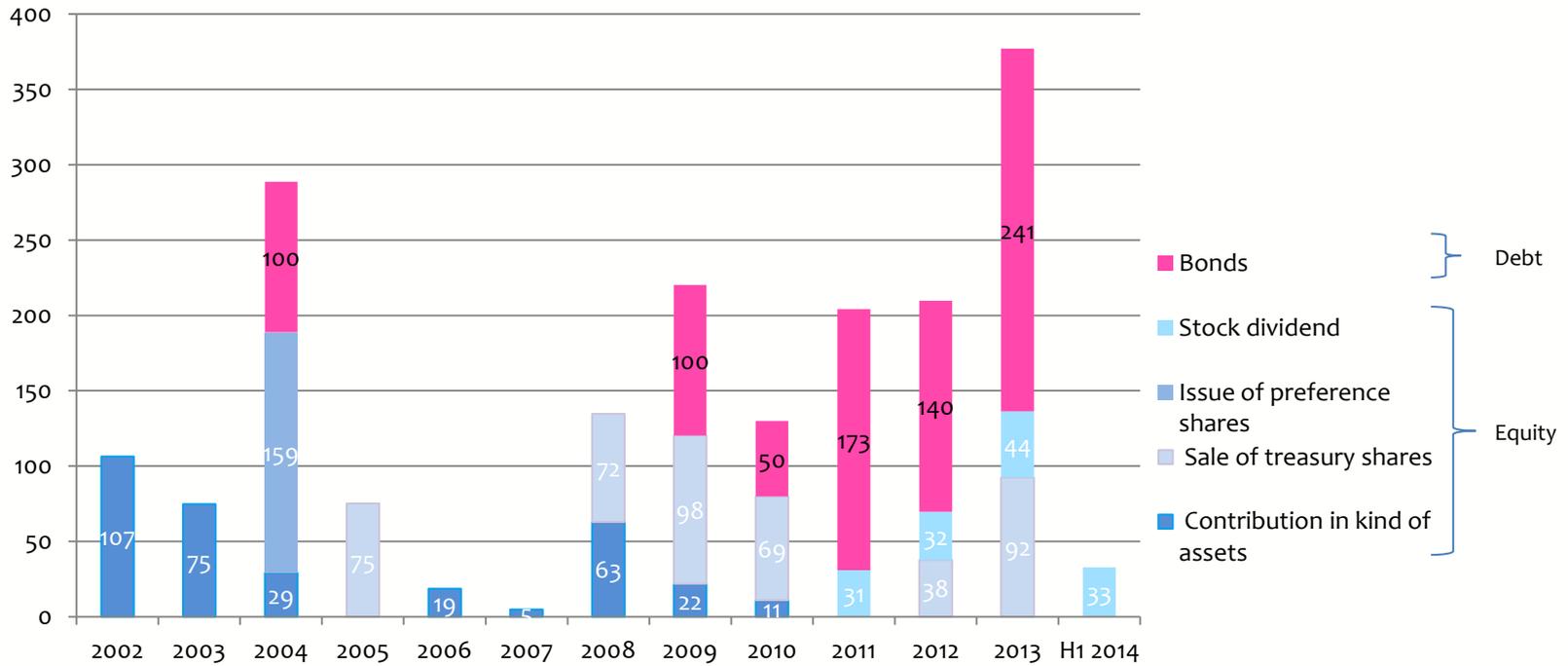
# 1H2014 Results – Appendices



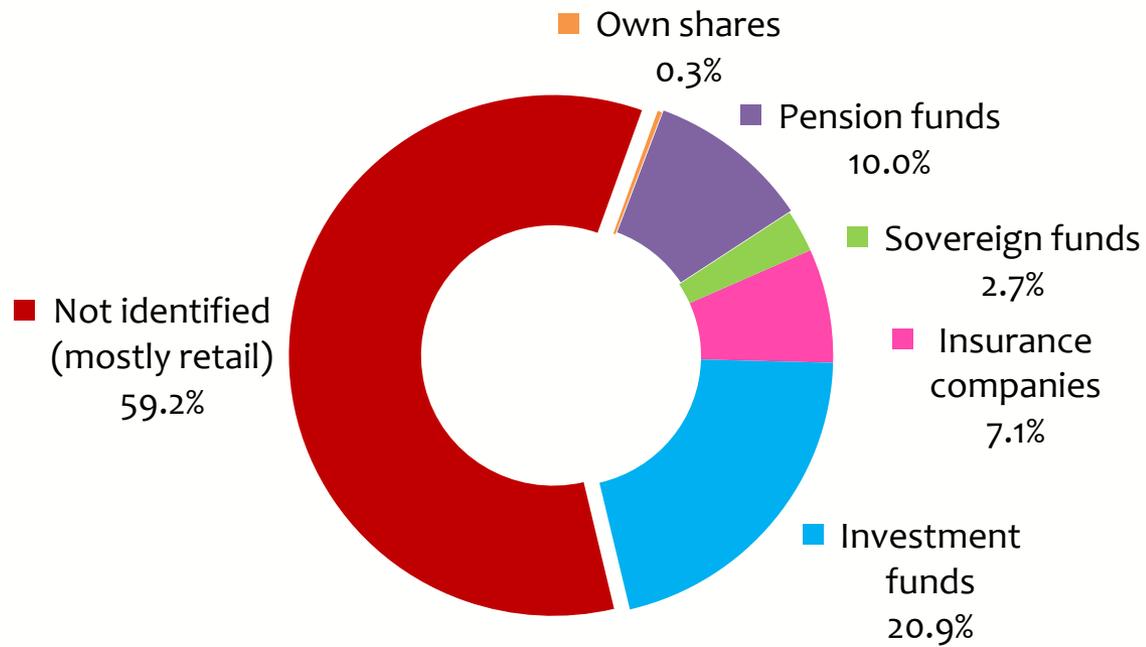
# Investments/Divestments



# Access to capital markets



# Capital structure



# Disclaimer

This presentation is directed to financial analysts and institutional investors and is not to be considered as an incentive to invest or as an offer to acquire Cofinimmo shares. The information herein is extracted from Cofinimmo annual and half-yearly reports and press releases but does not reproduce the whole content of these documents. Only the French annual and half-yearly reports and press releases form legal evidence.

