



Event: Cofinimmo Half-Year 2014 Results Conference Call

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OPERATOR: Ladies and gentlemen, welcome to the Cofinimmo half-year results 2014 conference call presented by Jean-Edouard Carbonnelle. For the first part of this call, let me remind you that all participants will be on listen-only mode and afterward there will be a question-and-answer session. As a reminder, this conference call is being recorded.

I would now like to hand over to Jean-Edouard Carbonnelle. Mr Carbonnelle, please go ahead.

JEAN-EDOUARD CARBONNELLE: Good morning to all of you. Thank you for being online for this call this morning. The presentation will be shared with Xavier Denis, our chief operating officer, and we have also of course the investor relations team with Valérie Kibieta and Ellen Grauls, as well as Stéphanie Lempereur who runs the figures - amongst other things - for the publication of our semestrial results.

During this first half, we had both big and small transactions, nothing in the middle. We, indeed, handled a very major transaction for the company and for the market with North Galaxy. We also did a number of small divestitures and relatively small investments. On top of that, we had a number of units for healthcare delivered through our construction programmes of new sites.

I will walk you through the first-half results with the highlights first on page 2 of the presentation. I hope everybody has the presentation on the screen. The most important figure for us is the net current result per share excluding IAS39 and it stands at €3.39 for the first half. The net asset value is €85.17. On a like-for-like basis, we have a fair value for the portfolio that is unchanged. The sale of North Galaxy - and we will come back to that - was for €475 million and led to a reduction in our debt ratio, which is now forecast to reach 47.5 per cent at the end of this year

or 1.5 per cent lower than previously forecast. This also leads to a reduction of the share of offices in our portfolio to 41.5 per cent instead of 45.6 per cent at the beginning of the year. Another important event was the signing of a 15-year lease with the European Commission for the redeveloped Livingstone II office building. This will be used as a trading centre by the civil servants of the European Commission and this has also led to a revaluation of the building in our books of around €5 million. There were a few deliveries of healthcare assets, either new sites or extensions of existing sites, as well as the completion of the construction of the prison in Leuze-en-Hainaut, which will start its operation in the near future after everything has been checked in the next two months. We are very pleased to have completed these major construction works on time and to have it accepted by the user, the Ministry of Justice. Finally in the highlights, the forecasts for this year remain unchanged with the net current result per share targeted at €6.61 and the gross dividend for the year 2014 at €5.50 for the ordinary shares.

On the next page, you have the split of the portfolio by country as well as by type of asset, so there again you find the office portfolio standing at 41 per cent, as I mentioned before, and you will notice that healthcare is almost at par now with offices whilst the two distribution networks we have, one with AB InBev and the other one with MAAF, stand at 17 per cent.

On the next page is portfolio valuation. By coincidence, the gross yield is exactly 7 per cent, the direct costs are exactly 50 basis points and the net is therefore 6.5 per cent with the net yield for offices not deferring too much from healthcare or distribution networks. Of course the risk of vacancy is higher in this first category, which probably explains why there is a difference between the net yields of these categories as used by the valuers. More important is the unrealised gain/loss of this first half. As you can see, we have almost zero change in the fair value of the portfolio and it's split between offices where we have -0.79 percent. This is due essentially to the few properties that will face renovation in the coming years. After

the end of this year, there will be only two properties which will still have to be depreciated over the coming years: Arts 19H in Brussels, an office property in the centre of the city, as well as the AXA Souverain site. Please note that the risen depreciation of these two buildings post-2014 will be nearly equal to the rents, which we are still collecting from these buildings until they become vacant. As I mentioned before, the same category, offices, has been impacted favourably by the revaluation of Livingstone II for around €5 million, which means that when a lease is signed there is the potential for a significant revaluation for a building in our portfolio and obviously for the properties which are still being depreciated, amongst others, Arts 19H and so on, but also for Science 15 and Guimard. We hope that once a lease is signed there will be an uplift in the valuation.

If we turn to page 6, you have there the residual lease length of the various categories of the portfolio. Please note that the office category is now standing at 4.6 years and this is due to the sale of the North Galaxy building, which has decreased this residual lease length by about two years. The other segments are around 21 years, 16 years, 14 years or 7 years, depending on the residual contracts.

Regarding occupation, on page 7 you can see that we have for offices 89.35 per cent. Again, the impact during the semester of North Galaxy is important with a decrease of 1.5 per cent. In terms of occupancy, we always present the figures with a basis of the valuation of the rental income, so the rental contracts in place divided by the rental income plus the estimated rental value for the vacant space. The statistics of the market are in square metres and, if we translate this occupancy rate into square metres, it would be 91.05 square metres, meaning a vacancy of 9 per cent whilst the market is at 11 per cent, so we are doing in offices only 2 per cent better than the market. The rest of the portfolio - meaning healthcare and property networks - is nearly fully occupied.

I will hand over to Xavier. No, Xavier, you want me to talk about North Galaxy?

Yes, I am sorry, so I will continue with a short reminder to you of the North Galaxy transaction.

This was a transaction in shares. We sold 100 per cent of the Galaxy Properties shares. They were bought 90 per cent by ATP, the Danish pension fund, and 10 per cent by AXA Belgium. The valuation of the building was €475 million, which is far above its acquisition value in 2005 of €390 million. When we look at this transaction from the beginning from 2005 until its completion this year, we have an internal rate of return of 15 per cent, taking into account the financing mode of the acquisition, which was to sell the lease receivables for 18 years. If we use an unleveraged basis - that is without this sale of receivables - the IRR was 7 per cent. This transaction has of course a strategic impact on Cofinimmo. I've already mentioned the decrease in the share of offices and the reduction in the leverage. It is important also to continue repositioning the company as a diversified reach(?) with, however, limited categories of investment. We're not doing everything and we're not doing everything in all countries. We remain a focused company but with three areas, mainly, to invest in. The accounting impact of the sale of the North Galaxy building is that of a combination of the sale and the restructuring of the financial instruments that were implemented simultaneously. We have indeed cancelled a number of floors, extending to 2017 for a total notional amount of €600 million, so the net proceeds of the disposal of the shares in Galaxy Properties less the cost of the cancellation of these positions are roughly €57 million and gives net cash of €145 million. As we explained during the special presentation in mid-May for all of you, the North Galaxy disposal led to a realised loss on the portfolio of €24 million, which is essentially linked to the transfer taxes which were paid in order to regroup the two-part ownership of the property into Galaxy Properties and then dispose of the shares of Galaxy Properties. The transfer taxes were paid when Galaxy Properties acquired the residual interest from Cofinimmo and they were paid

at a rate of 12.5 per cent, but in total when we look at the rate that was applied for the full transaction, it was around 5.5 per cent versus what is provided in our books, which is 2.5 per cent. The excess represented €24 million and this is reflected in the realised loss on the portfolio. The cancellation of the floors led to a charge of €56 million in the first half results. This is booked under IAS39 and will result, of course, in a reduction of interest charges in the following years and also already during this first half of 2014 from the month of May. The accounting impact of North Galaxy is double. On the one hand we have a decrease of the write-back of the lease payments sold and on the other hand we have a reduction of interest charges for the current year and the following years. These nearly neutralise themselves. For the current year it's €0.65 per share both ways and for the following years, when it will be a full 12-month impact, it will be €1 both ways. The impact of this transaction and the associated restructuring of interest charges is that we will have less earnings per share but we will have more cash flow per share. In other words, we will save on interest charges and we will have less write-back of the lease payments that we have sold before.

So that is a quick reminder on North Galaxy and then this time for sure I will hand over to Xavier, who will walk you through the divestment and investment of the first half. Xavier?

XAVIER DENIS: Yes. Good morning to all of you. So a couple more divestments that we realised during the first half of this year.

First of all, the Montoyer office building was sold for €13 million. In terms of the internal rate of return, we reached a figure of 6.5 per cent on an unleveraged basis. For future divestments, we are still going ahead very positively on the sale of apartments at Woluwe 34. The project will be completed at the end of the first quarter of next year, so a bit more than six months to go. Eight per cent of the units have been reserved or sold to date, so extremely positive.

The second project of conversion into apartments is Livingstone I. As you know, we are not taking the commercial risk on this one but still following very closely the sale of the apartments. We have reached to date a percentage of 60 per cent, which is also fairly positive, especially knowing with six months to go that it is usually towards the end of construction that most of the units are sold because people can realise what it is exactly they are buying. At the beginning it is usually more investors who are buying and at the end more occupiers, so we expect a good push on the sale of the apartments towards the end of the construction side.

If we move on to slide 12 and the letting activity of the office segment, Jean mentioned the contract that we've signed with the European Commission for Livingstone II with a positive impact on the valuation of the portfolio. It's a 15-year lease contract with annual rent close to €3 million, which represents around €170 per square metre. For the rest of the portfolio, resilient leasing activity: close to 50,000 square metres of contracted risk that has been secured, which represents a bit more than €50 million of guaranteed net revenues. You have there the breakdown of letting activity. If you have questions I will get into that.

But let's move on to slide 13, which gives you a bit more detail on the projects.

Livingstone II has two weeks to go on the site and a budget of €21 million. As we mentioned, the contract has been signed. For Science 15, it's 20,000 square metres, mostly office buildings. We got the permits at the end of the first quarter. We are well underway with the marketing. In terms of budget, it will be around €1,500 per square metre excluding fees and VAT. On an all-in budget, it represents around €42 million. For Souverain, there are two elements to mention. The first one is that you know the site should be vacated in August 2017 because, as you know, we've signed an option to extend the contract with AXA, which means they have the option to extend the contract by six months. If they were to exercise this option, that would represent close to €6 million in extra revenue for the company. The second element is the Tenreuken site. Tenreuken is the plot of land which is

located really in front of the entrance to the main AXA building. We've decided to go ahead with the development of residential units on this site and the permits will be introduced by the end of this year. We mention here, let's say, a ballpark figure for the development which should be around 10,000 square metres for 100 units. But as you can imagine, we are fine-tuning that and the definitive figures will be known when we introduce the permits.

If we move on to slide 14, there are more details on the two projects Woluwe 34 and Livingstone I. There is nothing special to mention here that I haven't said yet. Maybe one thing is the target price, so we will extract between €1,300 and €1,400 per square metre. These are figures representing really the price that we are extracting for the structure of the building to be converted, so before all conversion costs are incurred.

Slide 15 is our investments in the healthcare segment, so we have invested close to €12 million in different projects. There were three in Belgium, which are mainly new constructions or extensions on three projects, the main one being located in Aalst, which is 10 kilometres west of Brussels, for a new construction of 8,000 square metres. The other two are less relevant.

If we move to slide 16, these are the activities in France and the Netherlands. There is one delivery of a small project in France which is close to Nantes and two projects being delivered in the Netherlands, one in Rijswijk which is close to Den Haag and one in Ede. They are two reconversions of office buildings into small clinics, both of them for the Bergman Group.

If we move to slide 17, a new acquisition and also a new operator for us is the group Handra. It is an acquisition that we have made in a location in France close to Le Havre and Rouen. It's an SSR with 60 beds. It's an existing facility that will be renovated and extended with a total investment of €5 million and an expected yield of 7.5 per cent. One of the nicest elements of this transaction is the fact that we

have now a new operator with whom we'll obviously try to expand our pipeline of developments in France.

Slide 18 is about quite an important element which relates to disposals in the healthcare segment. The most important element on this slide is to say that we are going ahead with extending the rationale of the management of our office segment in the healthcare segment, which means the rotation of the portfolio. It's something that we've done fairly successfully in the office segment for years with, as a reminder, around €100 million of sales per year historically. We have now built up a fairly large healthcare segment portfolio, which is something that we believe now is mature enough to benefit from rotation and it's something that we are studying and taking contacts into, with the objective of being able to rotate this portfolio more actively as we have done in the office segment. The two small disposals that you have on the same slide are really related to properties that have been vacated and that we have sold for redevelopment to two developers.

Slide 19 is on investments and divestments in the properties of distribution networks. Two elements maybe are important on this slide. The first one is the sale of three pubs within this large contract we have with AB InBev. In value, it represents only €1 million but the trend is fairly positive for the valuation of the overall portfolio because to date we've sold 24 pubs with an average realised gain of closed to 35 per cent. So this really proves that this contract has still a lot of value in it and after the first years of organising this contract, organising the maintenance and the relationship with AB InBev, we are also in a position to materialise positively the sale of pubs that are vacated by AB InBev. The other element that's interesting to mention is the fact that we've signed new leases with GMF, a subsidiary of the Covéa Group. That is within the contract with MAAF. The interesting element is that we knew MAAF as a tenant and now we are extending the relationship within the Covéa Group to another company, GMF, so that's very

positive for the long-term future of this relationship with Covéa. As you see, there are nice initial yields of around 9 per cent.

If we move on to slide 20, as Jean said, we've delivered successfully the new prison in Leuze, a 25-year contract in terms of net investment for Cofinimmo. It's only a €12 million investment with a nice internal rate of return expected at 10 per cent. The two very interesting elements of this prison are, first, that we have basically followed a client of ours, the Federal State, into a new dimension of its real estate needs. That is extremely positive and should give us comfort in the capacity we have to follow our clients in new needs in real estate. The second element is the fact that we've been leading a consortium on a fairly large project. We've managed to take on board the construction, the contractual maintenance, the financing and the future maintenance of this prison, so all in all a very nice experience on our line for the team and certainly positive for future transactions of a similar nature. It gives us the comfort that we still build the operational platform that we have in new real estate needs for important clients.

If we move to slide 21, this is a fairly new announcement. We've basically signed an agreement with the Aspria Group to develop a second sports club as far as we are concerned. They have, obviously, other clubs in Belgium and abroad, but it's an agreement to deliver up with them this new project which represents overall an investment of €30 million with a long lease of 27 years. Cofinimmo is responsible for the project development of this project, so new investments in this sport club activity with long leases are basically the main focus we have in this segment. Now I will pass on to Jean for the financial results.

JEAN-EDOUARD CARBONNELLE: Thank you, Xavier. Like-for-like rental growth is up 1.05 per cent.

There has been a continuation of indexation of 1.3 per cent and new lettings of 1.3 per cent. There has been renegotiation with tenants who do not leave but obtain a

reduction in their rent at -0.42 per cent and some departures at -1.15 per cent. You can see that like-for-like is good in all segments, including offices at 0.48 per cent. In the financial results, in this first half we had a property result which is slightly under the first half of 2013 at €106.4 million. We had an operating result which is obviously somewhat lower at €90 million. If we look at the net current result, excluding IAS39, it is up from nearly €59 million last year to €61 million, so €2 million more. But the overall picture is of course impacted by two very important elements. One is the IAS39, where we record the cancellation of the positions of €600 million in floors, as I mentioned before, as well as the result on the portfolio which comprises the negative realised result on the disposal of North Galaxy for €24 million. The exit of North Galaxy has an impact, obviously, on operating costs as a proportion of the total portfolio. Please remember that we include in the total portfolio the value of the properties we owned fully but of which we have sold the leases, so the impact is rather significant. On the operating margin, the impact is somewhat smaller because there we take, obviously, only the operating costs divided by the income. For the leases sold, the income is reduced compared to the case of the operating costs divided by the average value of the portfolio.

Data per share: so €3.39 for the net current result group share versus €3.35 the year before. The impact of IAS39 is at €5.60 per share. That is a very heavy impact but a large part of it was already in the equity and in the NAV per share. The realised result was -€1.24 and that leads us to a loss for the first half of €3.42 but, again, all of that is not a change in the equity because the fair value standards in terms of the net asset value was €85.17 at the end of June compared to €85.77 at the end of December, so we've lost €0.60 over the first six months whilst we've paid out of course the dividend during the month of June.

During this first half, we have accessed the financial markets in both equity and debt. Regarding equity, the optional dividend was subscribed by 41 per cent of the shareholders, which led us to issue nearly 400,000 new shares and this permitted

us to raise €32 million of new equity. The issue price of the new shares was €85.50 and that was at par - no discount and no premium - to the market price on the day of the announcement. Regarding debt, we have signed the extension of two credit lines with two banks, one for €100 million and another one for €40 million, and this extension is for five years with interesting margins, fairly lower than those we had during the previous years. The banking market is becoming more attractive but at the same time we are seeing the potential to place new bonds and we might look at that during the second half as a way to extend even further the refinancing of our portfolio of debt.

On page 28, the most important statistic is the average cost of debt, which stands at 3.72 per cent or 20 basis points lower than last year. We think the impact of North Galaxy will be felt further and more importantly in time with the decrease of the financial charges. On a full-year basis, we expect that to be around 50 basis points lower than for the first half.

Debt maturities: thanks to the refinancing in place, we now have covered fully the repayments of 2014 and 2015 and we have €125 million available to finance the pipeline after deducting from the maturities what is needed to cover our commercial paper programme. Now the maturities extend to 2020 and you can see the split between bonds including convertible bonds and bank facilities. During 2014 we will reimburse two non-convertible bonds, one which was issued ten years ago and the other one which was issued five years ago. That's a reason, perhaps, to consider new bonds in the second half.

Hedging schemes: I have already explained what we did in cancelling floors. The only thing to be added is that we simultaneously have contracted new interest rate swaps for a notional amount of €400 million covering from today to the end of 2017. I remind you that through the North Galaxy transaction we've decreased the debt and part of the decrease was not recovered in the form of a swap.

On the following page you can see our interest rate risk exposure based on the fixed debt, the hedged debt and what remains floating in future years.

For your records, we give you as usual the hedging position as after the restructuring on page 32.

Finally, moving into the future, a few words on the investment pipeline. In total, we forecast €175 million of investment for the second half of 2014 and the two followings years. It's split between offices and healthcare with €98 million in offices - the main projects there are Guimard and Science 15 - and €67 million for healthcare properties still to be built or extended.

The press release of this morning reconfirms our target of result per share for the year - excluding IAS39 - of €6.61 with the double move of North Galaxy and the cancellation of the floors. Finally, the board that met yesterday also reaffirmed the forecast gross dividend for 2014 payable next year of €5.50 per share.

You have probably heard from many of our colleagues that the sector in Belgium will move from the Sicafi/Bevak category into a new REIT category that was created by the Belgian Parliament at the beginning of this year. The new name is SIR/GVV. We can call it more appropriate the B-REIT, perhaps, and it is very similar to the current Sicafi regime but is outside the definition of the funds industry. Companies like Cofinimmo have a commercial purpose. They don't follow an investment strategy that is fixed by their shareholders. They have an investment strategy that evolves over time. Cofinimmo is a good example. They will not be part of the investment fund industry once the conversion is done. This will permit us to avoid being trapped in the additional constraints of the alternative investment fund regime that will come into effect in Belgium as in other European countries. Therefore, we have applied to the Financial Services & Markets Authority to be able during this second half to propose to our shareholders, normally during the month of October at an extraordinary general meeting, to convert to this new regime. There is a 50 per cent quorum required, which will probably not be reached during the first general

meeting so it would be during the second meeting, currently forecast to take place on 20 October. However, this is subject to the approval by the FSMA of our file. It is going in the right direction and hopefully we can come up with a notice to convene the meetings in order to be able to meet that date of end of October for the conversion.

Thank you very much for listening to this presentation and, Operator, we can now hand over to the participants for them to ask their questions.

OPERATOR: Yes, certainly. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. That's 01 on your telephone keypad. Our first question is from Jaap Kuin, ING. Please go ahead. Your line is open.

JAAP KUIN: Good morning. I think the first question is on the appointment of a new CFO. Can you maybe update us on that?

A second question would be on the negative revaluations, especially in the office portfolio. As we know and as has already been discussed, of course, the negative revaluations, especially on the Souverain, will continue. Why not take it out all in one go? It is not really helpful to transparency to, I think, do it slowly.

Then, thirdly, on the healthcare portfolio, do you see any chances to gain size in the next 6 to 12 months and in what geography would that be most likely? Thank you.

JEAN-EDOUARD CARBONNELLE: Thank you, Jaap. On the first question, yes, it's becoming a long time since we have started the process to appoint a new CFO. During the month of May, we made an offer to a person who unfortunately could not accept it for totally unexpected reasons for himself as well as for us, healthcare reasons, so we had to restart the process. The process is progressively coming to an end. We will make an offer in the coming days to another person and, hopefully, we can have someone on board during the early fall. That is the update on the situation. It was, obviously,

discussed by the board during the session yesterday, so you have the same update as my wife had last night!

XAVIER DENIS: Okay, maybe I'll take the other questions. They have nothing to do with my wife!

On the decrease in value and why we do not take it in one go, the answer to that is that the view of the valuer is to decrease the investment as the residual lease length comes to an end because today's value basically equates to the residual value of the structure plus the value of the contract. Taking everything in one go would be not taking into account the fact that we still have contracts on these buildings, which is why you see it as being a slow process and we see it as being a gradual adjustment towards the residual value which will be reached by 2017 for AXA with that little element on top that I was mentioning: the fact that we have an option to extend with AXA, so there is still a little uncertainty on it.

Your third question was about healthcare and where we can find volume. Today's view on that is that in Belgium we still have a lot to do and, if you look at the pipeline of new construction, refurbishment and extensions, we still have a bit to do. In the Netherlands, we've identified operators and we've invested but, as you've quite rightly mentioned, small volumes to date. One element to mention on that is the fact that when we first started investing in nursing homes in Belgium in 2005, there was no market for nursing homes and we had really to build the market and start investment and start growing this market, which is something that we feel is the situation we encounter in the Netherlands.

If we look at France, we believe that asset rotation is probably of the essence in that market and we would hope to build as quickly as possible the required operational platform in France to be able to develop projects as we do in Belgium.

Maybe a fourth geography is Germany. As we've mentioned in the past, we are looking at potential investments there. We've identified a few, but we haven't invested to date, but it's something that we keep analysing. As we've done in the

past, we believe that we have to have a perfectly clear view of the risks and rewards of investing in new geographies before we move in. It could be seen from your side as being slow; we view it as being cautious. A fourth geography in the market like Germany is potentially interesting but, if we do it, we want to do it in the circumstances that we find a good equilibrium between risk and reward for our shareholders.

JEAN-EDOUARD CARBONNELLE: If I may just add, the most important factor in this market is of course the operator. It's not like in the other segments where you can buy a property and then fill it with different tenants, not talking about distribution networks but offices, for instance. In this healthcare market, the most important thing is to get to know the operators. It takes time. We have to analyse them. We have to get comfort in the way they are organised and structured, their ambitions, their track records, the people, and that is a lot of meetings.

XAVIER DENIS: In terms of value, we can create value by developing the properties ourselves, refurbishing, extending. We can create value by buying well, which is the element you mentioned and where we can find volume. We can also create value by rotating the portfolio, which is something I was mentioning earlier on this call. We are chasing the three options and we strongly believe that that's what's best for our shareholders.

JAAP KUIN: Okay, thank you. That's helpful. Can I just come back to the second question on Souverain especially? I think there was a question on what type of residual value is being taken into account by the appraisers, especially in combination with the type of permits and the type of potential transformation into maybe mixed-use projects. Can we expect, if there is a more final plan on Souverain maybe even this year and

the elections are behind us now, is there any chance that we see another strong adjustment? What's your view on this?

XAVIER DENIS: It is difficult to answer. Maybe there are two elements I can mention. The first one is to draw a parallel between what Jean has said on Livingstone II and Souverain. It's quite obvious that we have the view that the valuation of our portfolio should be a valuation that is maybe more conservative and not taking into account maybe the more positive scenarios. We have this positive news on Livingstone II because we signed a very long-term contract with the EU. It's obvious that if we were to do a long-term contract on a site like Souverain, we would see very positive news indeed. But we believe that it's not reasonable to take this scenario into account in the valuation of the property today. It's a scenario that we are following. It is one of many scenarios. I believe when we walked onsite during our investor day I was indeed mentioning that the most important elements for this site will be the permit and the tenant and that to get a permit we first need a government and we first need to have a discussion with this government about its view of the future of the site. Indeed, we've had an election and we are getting better at forming governments, it seems, so it's a discussion that is ongoing.

But really, on the value, you have to take on board the fact that there are different scenarios, there are scenarios that are a lot more positive than others, but the scenario that is taken into account in our valuation is a conservative, reasonable scenario which basically allows us to announce good news if the more positive scenarios are being signed and which will cover the less positive scenarios if we have to go down that route. We believe that it's the best situation to be in, but I strongly believe also that it's not enough of an answer for you because you would like to have a clearer picture and maybe have a view of the project that we will be developing and the kind of permit that we will be asking for. But we are not there yet and we are still working on different scenarios.

JAAP KUIN: Okay, thank you very much. That's all from my side.

OPERATOR: Thank you very much. Moving on to Robert Woerdeman, Kempen & Co, please go ahead. Your line is open.

ROBERT WOERDEMAN: Good morning. This is Robert at Kempen. You indicated that you have identified a few German portfolios. What would be the total size of these portfolios assuming that all, obviously, will fall?

Perhaps there's an add-on question: what would be the minimum size for you to enter a fourth country, like Germany?

JEAN-EDOUARD CARBONNELLE: Robert, we have a portfolio of all sizes, I would say. They are portfolios from €50 million to €200 million with different timings, different sorts of portfolios.

They are in broadly two categories. One is nursing homes for elderly people and the other one is post-acute care facilities for people who leave hospital or have an accident or need short-term treatment. These categories run on different schemes within the social security system. The first is essentially a big countrywide support scheme, well-funded with an open market, where we find many aspects that resemble what we know in Belgium, for example, but the quota system is not in place in Germany. In the second, we find a different structure with the payers being healthcare insurance companies and pension funds.

Within in the minimum size, it can be as little as €5 million or €10 million. There is no reason not to buy a facility of small size if we think the location is good, the price is right and the operator is good and then we can go on and we can hope that the same operator will offer us other investments.

ROBERT WOERDEMAN: Okay, maybe to ask it a little bit differently, what would be for you in having the most efficient local portfolio the minimum size for Germany or is there no minimum size for you?

JEAN-EDOUARD CARBONNELLE: I think there is really no minimum size. The market is so broad in terms of the number of facilities. I think there are 3,000 facilities of which probably one third are in the commercial sector in Germany in nursing homes, so the addressable market's really very large. We started with the Netherlands in healthcare. The first investment was with Bergman of €11 million, so it is no problem to start with small.

XAVIER DENIS: Okay. And maybe one element to add is that the overall purpose of entering Germany would be to get the right balance between our investments in healthcare in different countries, different social systems, different operators, different lease lengths, so overall that will take time anyway. There is an endgame here and if we start with €10 million, so be it. If we start with €200 million, fine. But it will have to be an investment that is of the relevant quality for us to move in.

ROBERT WOERDEMAN: Okay. Could you remind me what the initial net yields are in the range for German healthcare?

XAVIER DENIS: If we take brackets and if we go to nursing homes, you should take into account an initial yield between 7 and 7.5 per cent, between these two figures. If you go towards more rehab clinics, then it turns around 8 per cent.

ROBERT WOERDEMAN: And this is net or gross?

XAVIER DENIS: The habit in Germany is to go for 20-year contract double net, but in the discussions that we have it's possible to change that to 25-year triple net. We are always talking gross. That's gross. Most of the discussions we have allow us to structure potential transactions with contracts around 25 years and of a triple-net nature.

ROBERT WOERDEMAN: Okay. That's clear.

JEAN-EDOUARD CARBONNELLE: Just when you're talking about yields in Germany, you have to take into account that there is no full indexation. Usually the indexation is 50 per cent of the CPI or --

XAVIER DENIS: Yes, it's usually capped at 50 per cent of CPI and obviously there will be questions of a fiscal nature to repatriate what we get in rent in Germany. Obviously, the market is structured in different ways so the yields can appear higher but it's also because they cover different natures in terms of indexation, in terms of fiscal aspects and in terms of the overall risk of that market. I gave you the figures because you asked the question, but it's really covering something that's very different from when we say, for example, 5.5 per cent or 5.75 per cent for Belgium or when we say 6 per cent or 6.5 per cent for France. It's very different, but it's the answer to your question.

ROBERT WOERDEMAN: Okay, but overall you expect to have roughly the same IRR, then, as healthcare in Belgium and France. Should that be a fair assumption?

XAVIER DENIS: Yes, slightly higher if possible.

ROBERT WOERDEMAN: Okay, that's clear. One more general question on letting activity. Could you give us a bit of a feeling as to what has changed in the Brussels office market with

respect to letting activity, if any, and also a little bit on what kinds of changes you see for effective rents in the main areas?

XAVIER DENIS: Okay. How long will you give me to answer that question?

ROBERT WOERDEMAN: Just do it briefly, please, just to give us a little bit of an indication of how the market is doing and what has changed quarter-on-quarter or half-year-on-half-year.

XAVIER DENIS: You are talking about the letting market, not the investment market?

ROBERT WOERDEMAN: Yes, the letting market, yes, absolutely.

XAVIER DENIS: Okay. If you look at the letting market, we have this split between public and private that has always been there in Brussels and there is a disconnect between the two. We still have - and Livingstone II is a good example - demand from the EU. We believe the demand from the public sector, at least at the federal level, has dried up but maybe at the regional level we will have news. But overall, as far as we are concerned in our portfolio, we believe that the market is more positive on the public sector side from EU and EU-related bodies.

If we look at the private sector, it is still very dry. We have good activity in the more central districts. When we said on our slide in the presentation that there is resilient activity, it really does what it says on the tin. It is what it is. But when we move outside the more central districts, especially in the decentralised area on the periphery - and I would say the centralised area is still extremely difficult with very low take-up - the periphery is slightly better. In terms of prospects for rental levels, my view would be that it will be flat going forward and that the level of incentives we give in certain locations will amortise the more difficult circumstances or the more positive circumstances.

Overall, I would say we are in a difficult market in the decentralised area and we have good opportunities in the more EU and central districts because there is a lack of new products and there is some demand for new products where we could have a good chance with some of our projects. But it is only a portion of the overall market. The overall market, as you know, is still difficult. So the opportunity for us in the market is really EU and EU-related plus new projects in more central districts. For the rest, we have a very good team that's doing a fantastic job on the ground every day and we keep fighting and the market will remain as it is short-term and it's really something that we've known now for a couple of years. Yes, it will still be difficult, but overall we still do 20 per cent better than the market and we will do everything we can to stay there.

ROBERT WOERDEMAN: Okay. That's clear and very helpful. Many thanks for that. Perhaps a last question. The transaction market seems to be doing quite good. Is this for you the time or an opportunity to continue to dispose of more offices? Also, in the event that you can't match it with new investments, what will be your take on that? That was my last question, by the way. Thanks.

XAVIER DENIS: There are two elements. The first one is that we were mentioning rotation of the portfolio. It's something we've done in the past. We will carry on doing it and we will chase every opportunity there is in the market. One element regarding the investment market in the office segment is that there is a real disconnect between central districts, good products and long leases, and all the rest. All the rest is close to zero in terms of volume. When we look at what we've done for the first half of this year, we represent in a way fairly well where the market is, which is good opportunities with long leases - that's North Galaxy - and good opportunities with well-located products - that's Montoyer 14. For the rest, it's still fairly difficult.

There are lots of parties interested in investing in the office segment in Brussels and in Belgium in general. They are chasing two different things. The mainstream is what I was mentioning - long leases, good-quality buildings, centrally located - and there is other extreme of the spectrum, which is basically more opportunistic people chasing initial leads above 10 per cent and these people are really chasing things that we don't have in our portfolio, so it's part of the market that's not relevant for us.

ROBERT WOERDEMAN: Okay, that's clear. Many thanks.

OPERATOR: Thank you very much. Moving on to Koen Overlaet-Michiels from KBC Securities, please go ahead. Your line is open.

KOEN OVERLAET-MICHIELS: Good morning, everyone. Most of my questions have been answered, but I've still just a couple of questions.

For the healthcare segment in the Netherlands, there is a negative revaluation of 2 per cent. That was also in the first quarter already, but can you remind me what the driver was there?

XAVIER DENIS: Yes. On the driver, there are two elements to mention. The first one is that, as I was saying during the presentation, the healthcare segment in the Netherlands is of the nature that we've known in Belgium in 2005, which means it's a market that's developing and we are helping to develop the market as we've done in Belgium in 2005, which means that there is less evidence of transactions and lower volumes of investments for the valuer to work with. That is one part of the equation.

The other part is that in this specific case, the valuer has taken the view - and we disagree with that but he is an independent valuer and he is doing his job - that not having enough market evidence doesn't give him the possibility to value in another way than amortising the existing lease contract and taking the residual value, which

is in our view something that's way too conservative, but he is an independent valuer.

KOEN OVERLAET-MICHIELS: Okay. Yes, that's indeed very clear. A second question regarding the Aspria deal. I just didn't get that right. Was it a €30 million or €13 million deal?

XAVIER DENIS: Thirty. Three-zero.

KOEN OVERLAET-MICHIELS: Okay. Perfect. And then I had a final one, but I forgot. No, they were my questions. No problem.

XAVIER DENIS: Okay. Thank you.

OPERATOR: Thank you very much. Moving on to Herman van der Loos, Petercam, please go ahead. Your line is open.

HERMAN VAN DER LOOS: Good morning. Good afternoon and my greetings to your wives, Xavier and Jean. Thank you for taking my call.

JEAN-EDOUARD CARBONNELLE: And to you.

HERMAN VAN DER LOOS: I've got at this stage still three small property questions and one question again on the 19H and AXA.

Just to be sure, what you said is that the value is going to go down by as much as the rents that you cash in. The only difference is that the value reduction is non-cash and the rents are cash. That was my first question.

My second question is on the same. Is it quarterly and so spread out or is it one time per year or two times a year? I understand the real proper valuations are normally done once or twice per year.

And then I have small questions on the property Guimard. I heard a couple of months ago that you were nearly signing a lease with a very well-known and honourable bank in the place. So is it done, yes or no?

And on AXA, since the investor day, has something changed? I see the presentation and what you've said and I don't have the feeling that something's changed. The housing on Tenreuken is already known. That you might sell it further to a developer is already known. But on the core of the building itself, has something changed? Thank you very much.

XAVIER DENIS: Okay, so you have four questions. The first one, the question relating to the decrease in value equating to the rents: yes. The second question: yes, it's on a quarterly basis. The third one: yes, the Degroof contract has been signed. Sorry, I mentioned the name of this very reputable bank!

And regarding AXA, there are at least two things that have changed. The first one - and maybe I wasn't clear enough on the Tenreuken side - is that we are developing this ourselves, so we are not selling it to a developer. We are doing it ourselves, as we've done on the Woluwe 34. The second element that has changed but is not visible to you, I understand completely, is that we've developed the various scenarios, we've developed the projects, but we are not able to communicate on that.

JEAN-EDOUARD CARBONNELLE: We would prefer to communicate first with the authorities and later with the market.

XAVIER DENIS: We also communicate with potential tenants.

HERMAN VAN DER LOOS: Okay. On the Guimard, as from when and which proportion of the building is that, roughly?

XAVIER DENIS: Off the top of my head, it's 45 per cent and it starts just before summer next year or early September. It's the end of Q2 or the beginning of Q3.

HERMAN VAN DER LOOS: 2015, yes?

XAVIER DENIS: 2015, yes. We start onsite in September.

HERMAN VAN DER LOOS: Okay. And one final question on Science 15-17. It's clear that you are not starting before you find a tenant or at least a partial tenant?

XAVIER DENIS: Yes.

HERMAN VAN DER LOOS: Okay, thank you very much.

OPERATOR: There are no further questions in the queue. Ladies and gentlemen, as a reminder, you can still ask a question by pressing 01 on your telephone keypad.
We have a follow-up question by Koen Overlaet-Michiels, KBC Securities. Please go ahead. Your line is open.

KOEN OVERLAET-MICHIELS: Okay, gentlemen, I've found my question and it was actually the boldest one to ask.
Could you provide any flavour on whether we should expect growth in Germany in the second half or can you give the feeling that there are no real negotiations going

on and therefore we should be more realistic that further market examination is expected in the second half and should be in 2015? Thank you.

JEAN-EDOUARD CARBONNELLE: There are negotiations going on in very precise cases, but it's totally uncertain today whether they will come to a conclusion before the end of the year or whether it will be next year. I have to be careful. We are not going to push any investment for timing reasons. We look for quality and for the good starts in the market that we have reviewed and researched quite heavily in the last year and a half, I would say.

XAVIER DENIS: The way the discussions are going ahead is very different from other geographies. In Germany, until you've signed the contract, it's less firm than what you can have in other geographies. That means that Jean is right to be cautious. We have to sign the contracts, let me say in one very short sentence.

KOEN OVERLAET-MICHIELS: I do understand. Many thanks.

JEAN-EDOUARD CARBONNELLE: Until we are with the notary, it is not entirely firm.

KOEN OVERLAET-MICHIELS: So it is actually going on?

JEAN-EDOUARD CARBONNELLE: It's going on, yes.

KOEN OVERLAET-MICHIELS: Okay, many thanks, gentlemen.

OPERATOR: Thank you very much. Our last question is from Jean-Marie Caucheteux from Bank Degroof. Please go ahead. Your line is open.

JEAN-MARIE CAUCHETEUX: Thank you. Good morning, everyone. Yes, my questions have been answered, but just one remains, a more precise one about the level of gratuities that you have given. Was there a change in their amplitude?

About the departures, where you're presenting 1.15 per cent of revenues, what type of tenants were they? Were they small ones and how do you see this trend evolving in the coming months? Thank you.

XAVIER DENIS: I'm not sure I've understood the second half of the question. The first half is that we haven't seen any changes, at least on average, regarding gratuities and incentives. But the second half of the question I didn't understand quite correctly.

JEAN-MARIE CAUCHETEUX: It was about the departures as mentioned on slide 23. Was there a typical profile of the tenants and do you see this move will evolve in the future?

XAVIER DENIS: There are maybe two elements, again, if we take averages. The first one is that being in a difficult market means that people renegotiate their contracts very early. It's a trend that we've experienced in the past. It means that a radical change in the departures from what we've known over the last quarters is unlikely, as far as we can see. Is the profile of the tenants leaving different? I would say not really. Again, it's an average, but overall we see situations between people reducing their space and leaving for cheaper rents, but we also see people chasing quality office areas and moving into - I don't know - the Meeus 23, for example. The averages are really hiding 99 per cent of the truth, but I would say there are no radical changes in our experience of the market. The averages in terms of figures are on slide 23, so departures represent roughly 1.15 per cent, which is more than compensated for by new lettings at 1.28 per cent.

JEAN-MARIE CAUCHETEUX: Okay. Thank you.

OPERATOR: Thank you very much. There are no further questions in the queue and with that I would like to return the conference call back to the speakers.

JEAN-EDOUARD CARBONNELLE: Thank you, all of you, for attending the conference call and for your many questions, all of them very interesting and very well-targeted.
Have a good holiday - for those who have not taken them yet - and we hope to be with you during the months of September or October to do roadshows or to comment further on the development of the company, hopefully with good news regarding new investments - as we have through the North Galaxy transaction - with the potential to indeed redeploy financial means according to our strategy. Thanks a lot. Thank you, Operator.

OPERATOR: Ladies and gentlemen, this concludes today's conference call. Thank you very much for attending. You may now disconnect your lines.