



**Disposal of the North
Galaxy office building
&
Restructuration of
hedging instruments**

*Press call
May 13th, 2014*

*together
in real estate*

0. Summary

- **Sale of 100% of the shares of Galaxy properties, owner of the North Galaxy building**, to ATP (90%) and Axa Belgium (10%).
 - The building was valued by agreement at €475 million, 22% higher than its 2005 acquisition value.
- **Restructuration of certain interest rate hedges** relating to the period 2014-2017, for a notional amount of €600 million. This restructuration involves an immediate outlay of €57 million, which will be compensated by significantly lower interest charges during these four years.
- **Impact:**
 - Reduction of the share of office buildings in the overall Cofinimmo property portfolio to 41.7%, compared to 45.6% at 31.12.2013;
 - €1.39 reduction of the **intrinsic value** of the Cofinimmo share, due to an accounting loss of €25 million;
 - €145 million reduction of debt, so that the **debt ratio** forecasted for the end of 2014 stands at 47.10% (compared to 49.05% as published in the 2013 Annual Financial Report);
 - unchanged forecast of the **net current result** (excluding IAS 39 impact) for the financial year 2014 of €6.61 per share;
 - Estimated impact on the **current cash flow** (excluding IAS 39 impact) for the financial year 2014 of €+0.64 per share (€+1.00 per share annualised, i.e. if the transaction had taken place on 01.01.2014).

1. North Galaxy building presentation



Main characteristics of the North Galaxy building:

Location:

North District of Brussels (Central Business District)

Surface area:

104,998m²

Year of construction:

2005

Tenant:

Buildings Agency (Belgian Federal State)

Occupier:

Ministry of Finance

End of lease:

30.11.2031

Initial lease of 18 years extended for 9 years in July 2012

Annual rent:

€26.8 million (€229/m² of office space)

2. Timeline

- **2005:**
 - Acquisition of the North Galaxy building for **€390 million** (leasehold granted to Galaxy Properties SA/NV, 100% subsidiary of Cofinimmo)
 - Sale of the 18-year lease receivables to BNP Paribas (ex-Fortis) for €344 million

- **2012:**
 - Extension of the lease contract for **9 years**, in exchange of a rent reduction representing an annual cash out of €2 million

- **2014:**
 - Disposal of the North Galaxy building for **€475 million** (sale of all shares in Galaxy Properties SA/NV), the largest single asset transaction in the Brussels office market
 - Acquirers: ATP for 90% and AXA Belgium for 10%

3. Details of the North Galaxy sales transaction

Structure of the transaction:

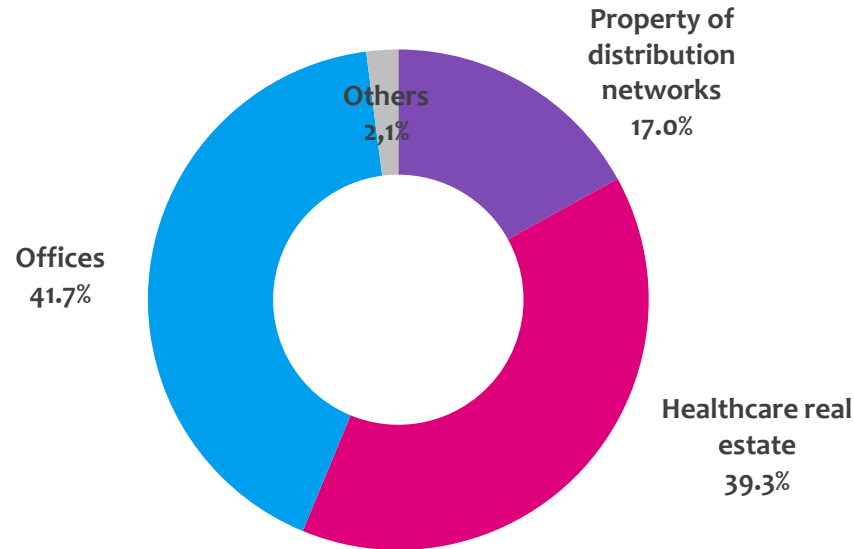
- 2005: Cofinimmo SA/NV grants a 27-year long lease (“emphytéose/erfpacht”) ending in 2032 to Galaxy Properties SA/NV, whilst Cofinimmo retains the residual interest (“tréfonds/naakte eigendom”)
- 12.05.2014:
 - Cofinimmo SA/NV sells for €214 million its residual interest to Galaxy Properties SA/NV; a transfer duty of 12.5% is paid, i.e. €27 million
 - Cofinimmo SA/NV sells 100% of its shares of Galaxy Properties SA/NV to ATP and AXA Belgium

Details of the transaction:

- Sale of 100% of shares of Galaxy Properties SA/NV
- Price agreed for NG building of **€475 million, 22% above 2005 acquisition** value (€390 million)
- Valuation: **€4,524/m²** above ground (investment value)
- Realised book loss of **€25 million**:
 - €-22 million due to the difference between the effective transfer taxes paid on exit ($12.5\% * €214 = €27$) and the transfer taxes used by the expert ($2.5\% * €214 = €5$)
 - €-3 million: transaction costs (advisory, legal and notarial)
- IRR over 2005-2014 (including book loss):
 - **14.9%** when taking into account the financing mode of the transaction (sale of lease receivables)
 - 7.1% if lease receivables hadn't been sold and no leverage was used

4. Benefits of the North Galaxy sales transaction

- Cofinimmo is closer to its objective to bring the office segment down to 40% of its total portfolio: it now stands at 41.7% (vs. 45.6% at 31.12.2013)
- Reduction of leverage: provides investment capacity of € 200 million
- Investment focus on healthcare and property of distribution networks



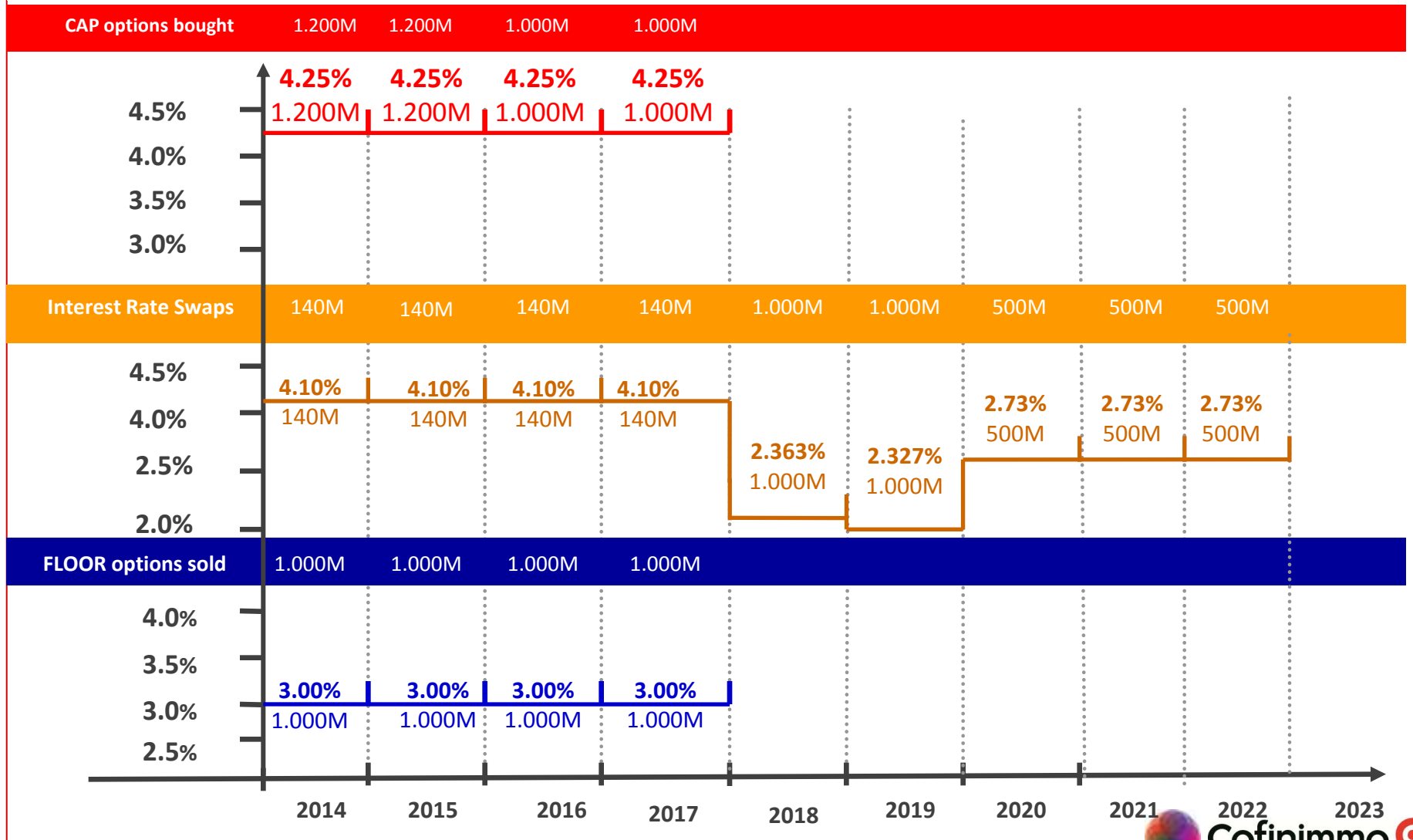
5. Restructuration of hedging instruments (1)

In a context of a persisting low interest rates environment, opportunity to arbitrate an immediate cash out against lower future interest charges.

- **Collars, consisting of CAPs and FLOORS, were cancelled for the period 2014–end 2017:**
 - FLOORS sold with a strike of 3% were cancelled for a notional amount of €600 million
 - Cash out: €57 million to be recognised in the income statement under the item “Revaluation of derivative financial instruments (IAS 39)”
 - This amount will be recovered through lower interest charges over 2014-2017
 - No impact on NAV
- **New IRS have been taken for the period 2014-2017:**
 - IRS at 0.51% for a notional amount of €400 million

5. Restructuration of hedging instruments (2)

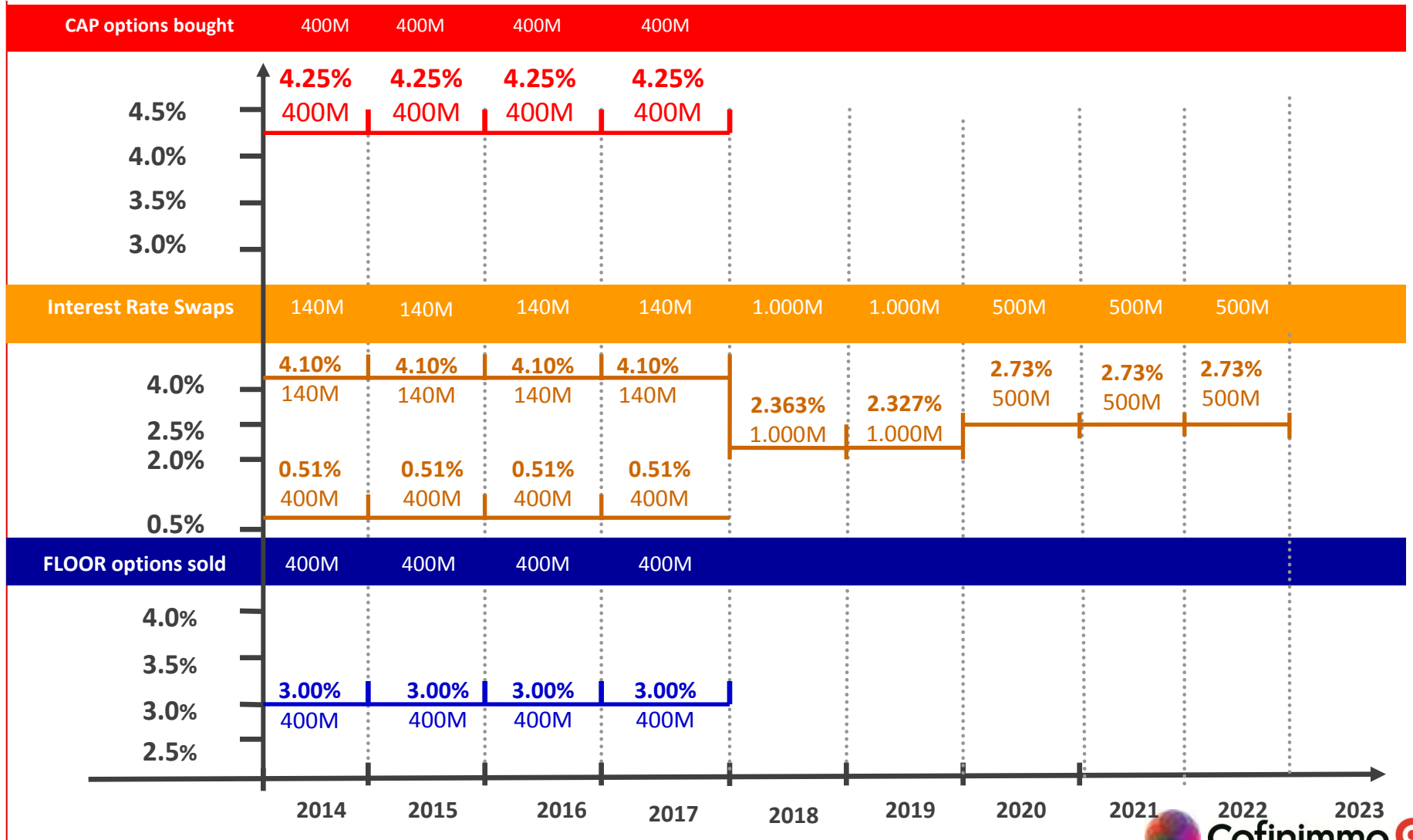
Position as at 31.03.2014



Between 2018 and 2022 the published IRS rate represents the weighted average for the year

5. Restructuration of hedging instruments (3)

Position after restructuring



Between 2018 and 2022 the published IRS rate represents the weighted average for the year

6. Conclusion

- The **share of the office segment** in the overall portfolio now stands at 41.7% (vs. 45.6% as at 31.12.2013)
- Cofinimmo has sufficient headroom to finance its 2015 and 2016 investment programme while maintaining a **level of debt** below 50% (“fire power” of €200 million)
- The objective for the **net current result** – Group share (excluding IAS 39 impact) for the FY 2014 of €6.61 per share is maintained
- Barring any unforeseen events , Cofinimmo reconfirms the target gross **dividend** of €5.50 per ordinary share announced for 2014, which the transactions announced today sustain.

Sale North Galaxy & Restructuration of hedging instruments	2014 Forecast published in the Annual Financial Report 2013	Updated 2014 forecast
Debt ratio at 31.12.2014	49.05%	47.10%
Net current result per share – Group share (excluding IAS 39)	€6.61	€6.61
Gross dividend per ordinary share	€5.50	€5.50



Disclaimer

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