

Cofinimmo 



Cofinimmo Investor Day

23rd January 2014

together
in real estate



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Cofinimmo 

INVESTOR DAY 2014 PROGRAM

Date

Thursday, January 23rd, 2014

Venue

270-272 avenue de Tervueren, 1150 Bruxelles

Program

08:30 Coffee, refreshments and registration

09:00 – 11:00 Presentations from management and Q&A

- Strategy review
- Office segment review
- Update on recent healthcare developments
- Public-Private Partnerships: Case study Prison Leuze-en-Hainaut

11:00 *Transport*

11:15 Drive-by Souverain 23-25 office building

12:00 *Transport*

12:30 Lunch at Pubstone café « Le Villance »

14:00 *Transport*

15:15 Visit of prison under construction in Leuze-en-Hainaut

16:30 *Transport*

17:45 Drop-off at Midi train station

18:30 Return to the initial venue

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**Cofinimmo
Investor Day
Roadbook**

23rd January 2014

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Tervuren 270-272 office building



Location	Brussels Decentralised
Description	Renovation works performed with tenants in the building
Construction year	Currently undergoing a complete renovation in stages
Superstructure	19,000m ²
Tenants	Tipik Communication Agency, Aliaxis, Monsanto, Marx Van Ranst,...



Souverain 23-25 office building (drive-by)



Location	Brussels Decentralised
Description	Site of 11ha. To be vacated by Axa on 02.08.2017.
Construction year	1970 / 1985
Superstructure	38,500m ² / 18,300m ²
Tenants	Axa Group



“Le Villance” café



Location	Brussels Decentralised
Description	Cofinimmo owns the whole building, which is entirely rented to AB Inbev: <ul style="list-style-type: none">– ground floor + terrace: pub;– 1st floor: office;– 2nd floor: storage;– + basement + attic.
Construction year	Between 1900 and 1918
Superstructure	621m ²
Tenants	AB Inbev



Prison of Leuze-en-Hainaut



Location	Province of Hainaut (Wallonia)
Descriptive	Public-Private Partnership
Construction year	Under construction – Expected end of works: Q2 2014
Superstructure	28,316m ²
Tenants	Buildings Agency (as from delivery of the building)



Property tour map





INVESTOR DAY

Presentation by
Jean Edouard Carbonnelle, CEO

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Welcome & Introduction

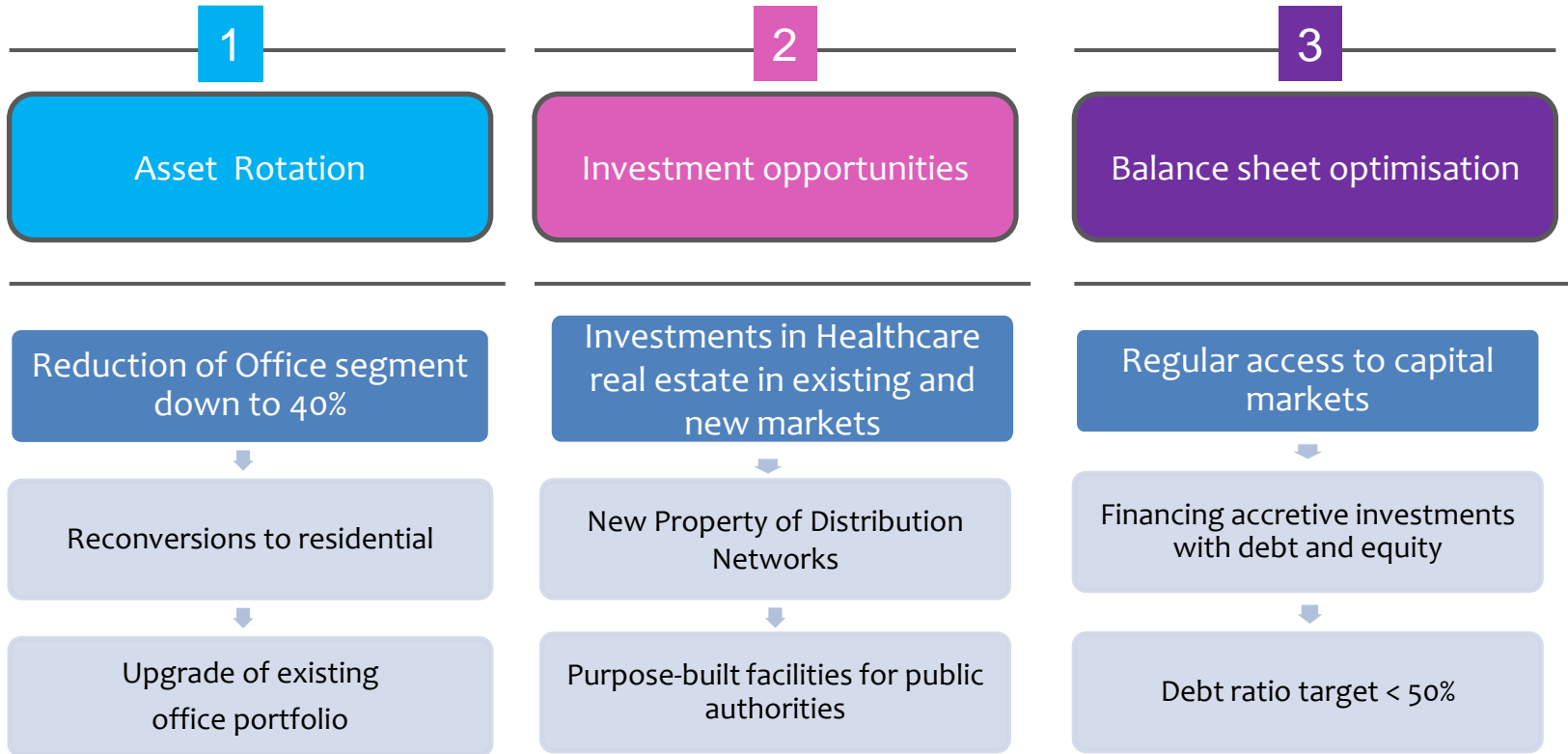
**“Cofinimmo celebrates
its 30th anniversary!”**





Global Strategy

Balanced portfolio with moderate risk profile





Differentiation Profile

Cofinimmo's differentiation strategy allows investors to access specific types of portfolios that can not be replicated individually.



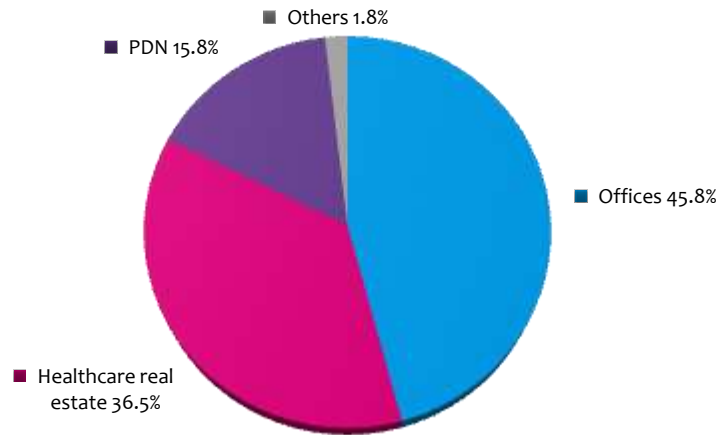
- Access to diversified healthcare properties across 3 core markets: Belgium, France and The Netherlands
- Access to sale & lease back transactions through Property of Distribution Networks
- Access to purpose-built facilities for public authorities (PPPs)



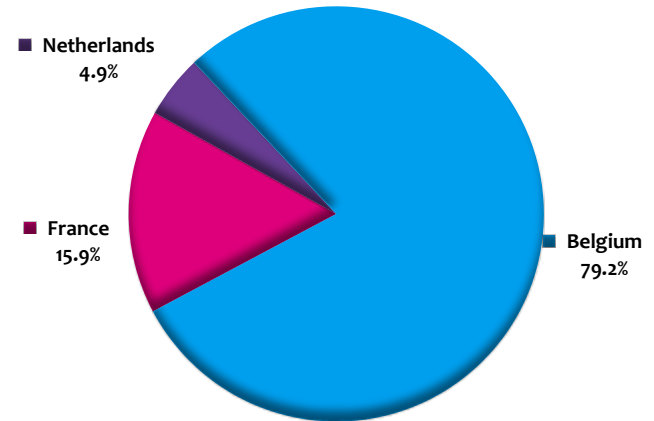
Portfolio today

Total portfolio in fair value: €3,336.1 million

Diversification by property type:



Diversification by geography:

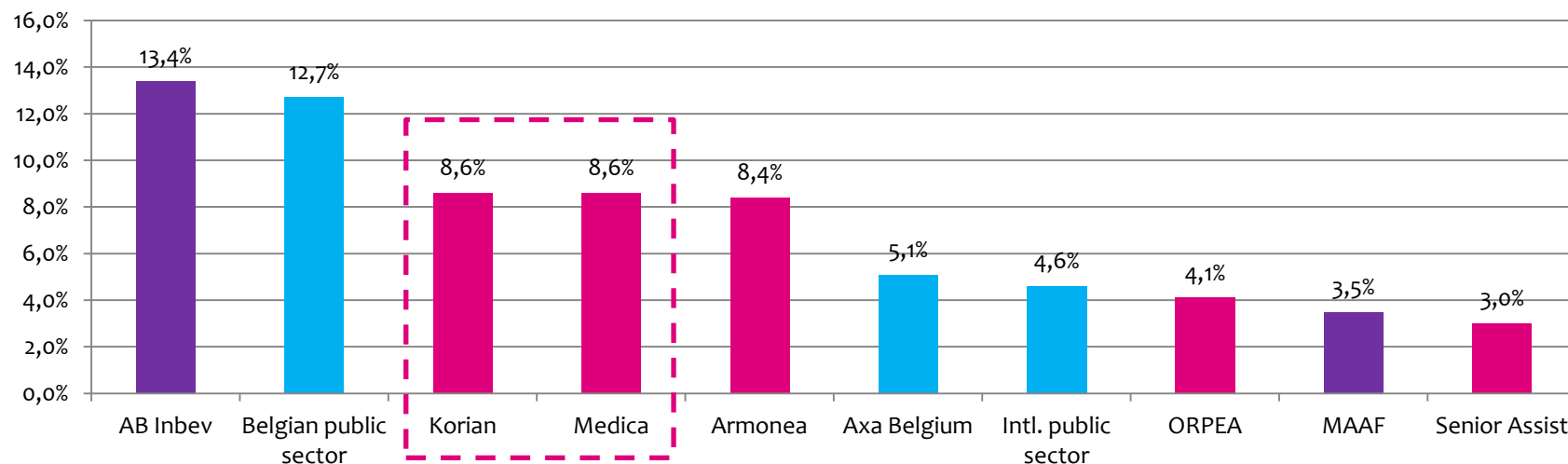


- Importance of maintaining a moderate risk profile in the portfolio
- Asset mix helps to :
 - Bring balance in Cofinimmo properties portfolio valuation;
 - Reduce heavy dependency on a particular tenant or market;
 - Lengthen the total portfolio average lease maturity.



Solid tenants base

Breakdown of top 10 tenants



● **AB Inbev, who rents the entire Pubstone portfolio, is the largest tenant.**

● **The public sector (both Belgian and international) represents 17% of rents.**

● **Tenants in the healthcare market are well represented :**

- Korian/Medica (1) is the largest players in the European healthcare market with more than 60,000 beds in operation and is listed on the Paris Stock Exchange.
- Armonea is the 1st nursing home operator in Belgium with more than 30 years of experience.
- Orpea is one of the largest players in Europe with 40,000 beds and is listed on the Paris Stock Exchange.

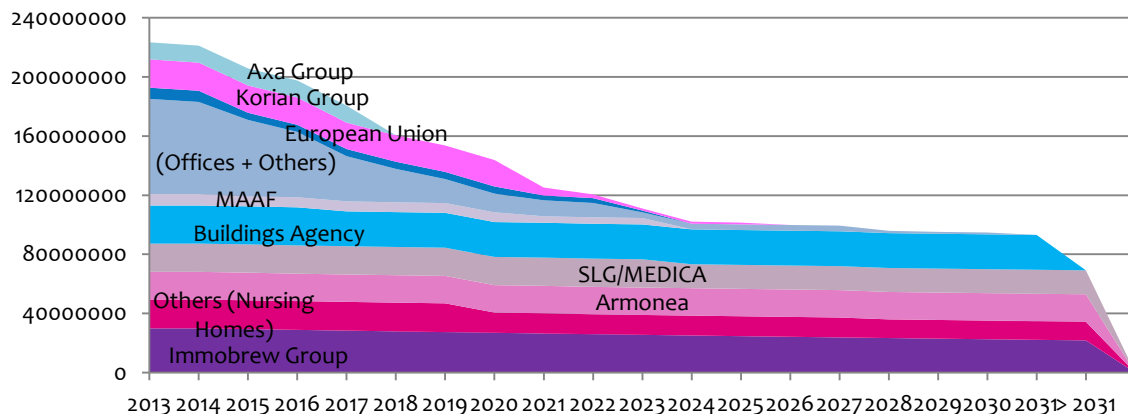
(1) In November 2013, Korian and Medica announced their plan to merge to create the European leader of the elderly care sector



Long term view on cash flows

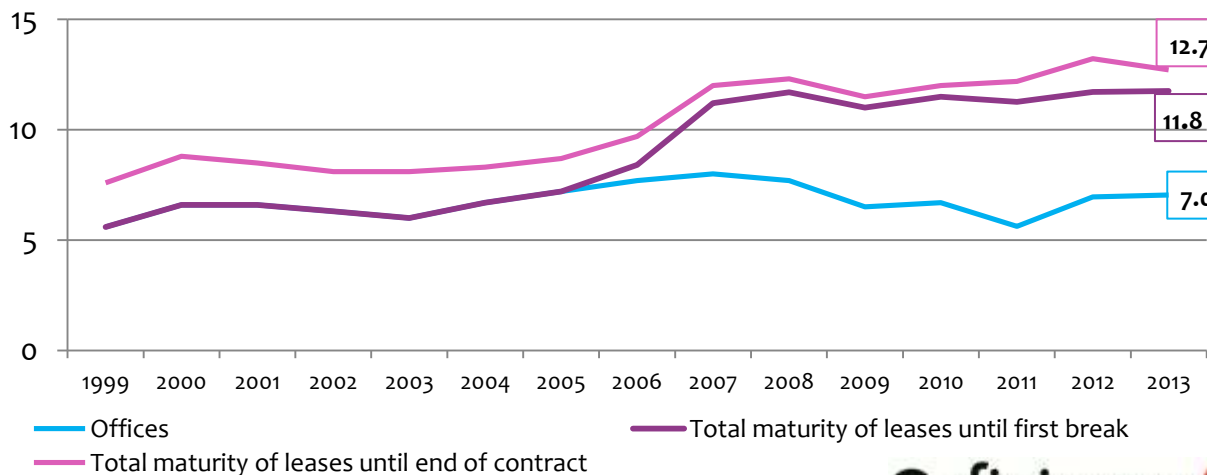
A minimum of 70% of rental income is guaranteed until 2018 (until first break):

Guaranteed Revenues (2013- 2031+)



Evolution of average lease maturity in years

Since 1999, positive evolution of average lease maturity:





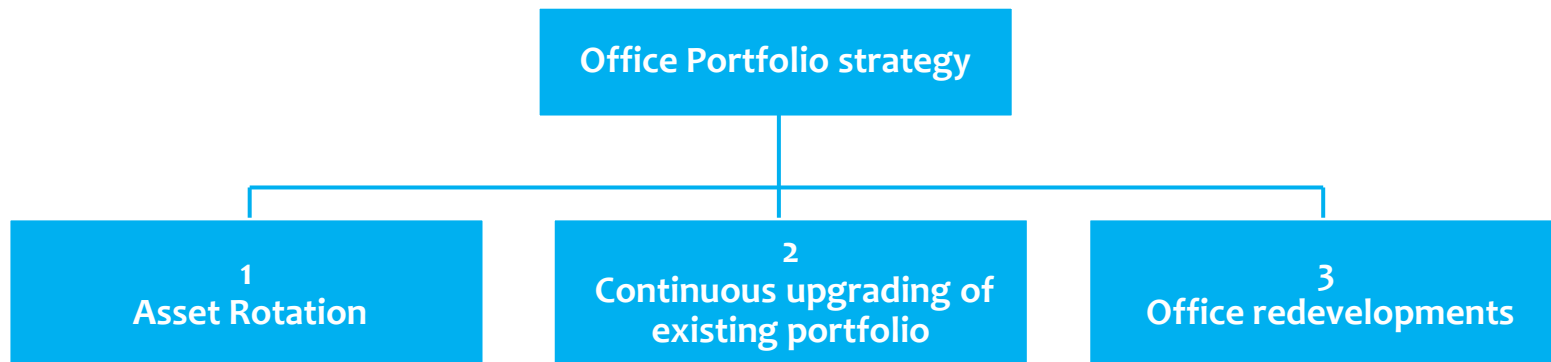
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Strategic Guidelines Offices





Office portfolio strategy



- Reduction of office segment down to 40% of the total portfolio, through disposals and reconversions;
- Redevelopment of obsolete office buildings at end of the life cycle;
- Upgrading of existing portfolio to retain existing tenants and attract new ones;
- Factors for continuous success:
 - Critical size
 - Prime locations
 - Greener buildings
 - Flexibility of leases
 - Space related services to create competitive advantage (mobility, car sharing, receptionists, maintenance contracts,...)



Offices: A challenging environment (1)

Office investment market:

- Anti-abuse law enforced in 2012 led to abandon the use of “split deals” (leasehold / freehold)
- Investors are waiting for new “market standards”
- Investors demand for long let buildings located in CBD is still strong

Corporate activity remains sluggish :

- Gross take-up at weakest level: 265,458m² at 30.09.2013 (source: CBRE)
- Cofinimmo commercial activity is resilient with 107,640 m² let in 2013

Rental growth:

- Prime facial rents remain stable in Brussels: €275/m²/year in CBD at 30.09.2013 (source: DTZ)
- Average economic rents have decreased over the recent years especially for older buildings: €165/m²/year at 30.09.2013 (source: DTZ)
- LFL rental growth for Cofinimmo office segment stood at 1.7% at 30.09.2013 thanks to the positive impact of indexation (+2.4%) and new lettings (+4.9%)



Offices: A challenging environment (2)

Reconversion projects

- In 2013, +/- 6% of the vacant office space in Brussels was reconverted into residential, causing the vacancy rate to slightly decrease at 11%
- Cofinimmo has currently 2 reconversions projects in CBD and decentralised areas (Woluwe 34 and Livingstone I)

New “green” legislation

- Increased regulation: e.g. EU directives regarding Energetic Performance of Buildings (EPB), Environmental Certifications, Carbon footprint reduction
- Building “Green” allows landlords to maintain the value of the buildings and reduce vacancy
- Cofinimmo has already undertaken to develop and maintain its office portfolio by investing in responsible renovation programs and improving energy performances



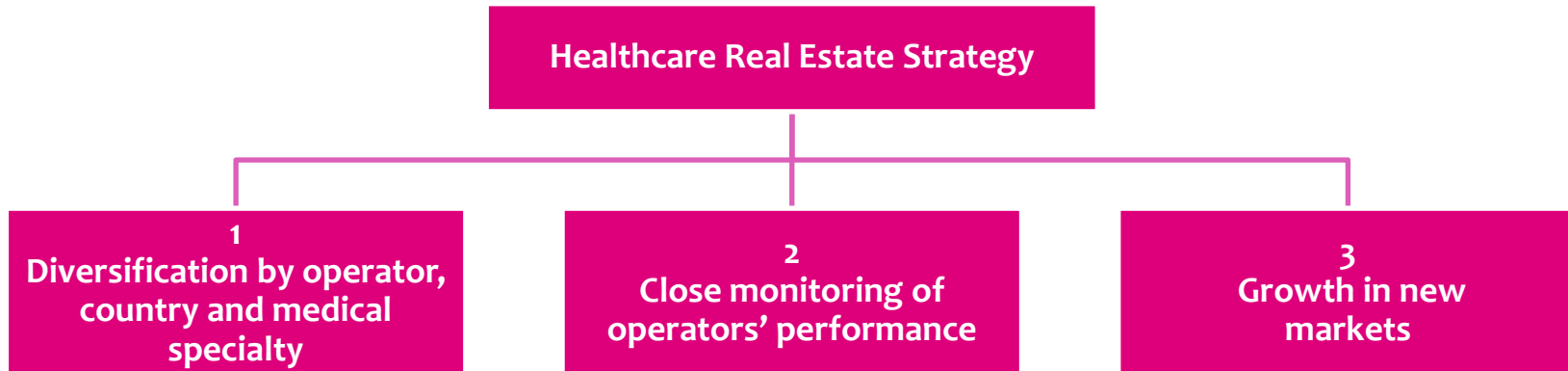
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Strategic Guidelines Healthcare





Healthcare Real Estate Strategy



- Pursuing the diversification of the healthcare portfolio per operator, country and medical specialty;
- Ongoing monitoring of the operators' performance;
- Capitalization on Cofinimmo's internal know-how for new constructions and extensions, especially in Belgium and in France;
- Seeking growth in new markets: The Netherlands and Germany.



Healthcare Market Fundamentals

The healthcare portfolio has grown substantially since 2005, representing 36% of total portfolio at end 2013.

Geographical location

- Demand/Supply
- Demographics
- Social security system

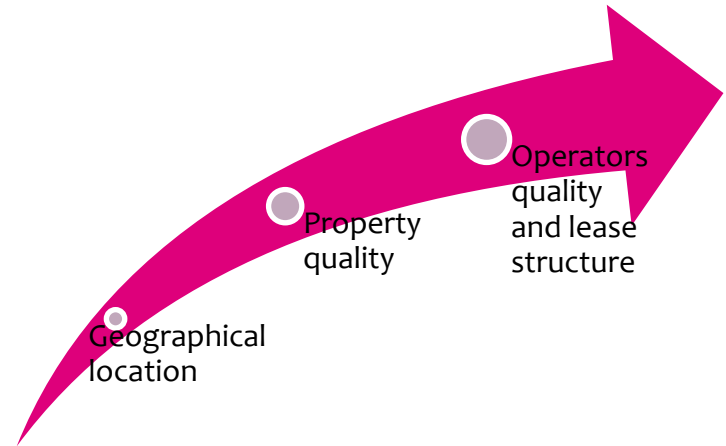
Property quality

- Age of facilities
- Services provided
- Options for reconversion

Operators quality and lease structure

- Long term triple net leases
- Master leases with operator/tenant
- Strong tenant signature

Variables influencing cap yields





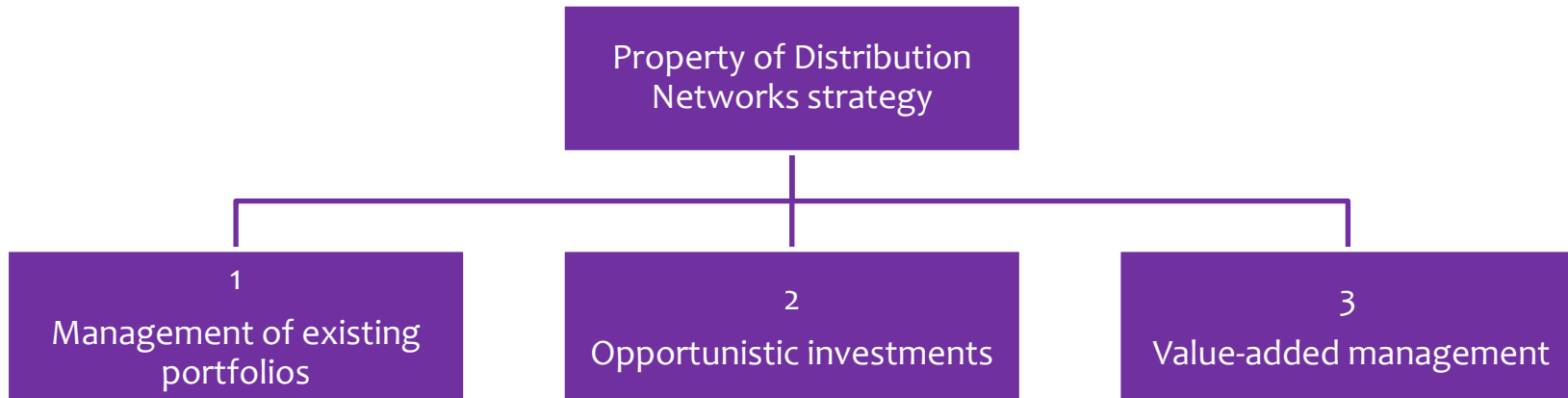
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**Strategic Guidelines
Property of Distribution
Networks**





Property of Distribution Networks



- **Continuous improvement of existing portfolios: Pubstone & Cofinimur I (MAAF);**
- **Liquid portfolios:**
 - 21 pubs sold since acquisition, with capital gain of 36% above investment value;
 - Out of the 10 insurance agencies at risk at acquisition, 7 have been sold with capital gain of 4.7% above investment value.
- **Distribution networks fit Cofinimmo's defensive profile, with long term leases and indexed rents.**



What's next in the PDN segment?

- **Seek opportunities that should meet Cofinimmo's criteria:**
 - Sale & lease back operations;
 - Strategic distribution networks for the tenant activities;
 - Long term leases;
 - Low rental levels and attractive acquisition prices per m²;
 - City center or high visibility street location;
 - Large possibilities of alternative uses (local retail);
 - If vacated, these assets attract interest from local investors;
 - Granularity (small unit values): widely spread residual value risk.



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Strategic Guidelines
Balance Sheet

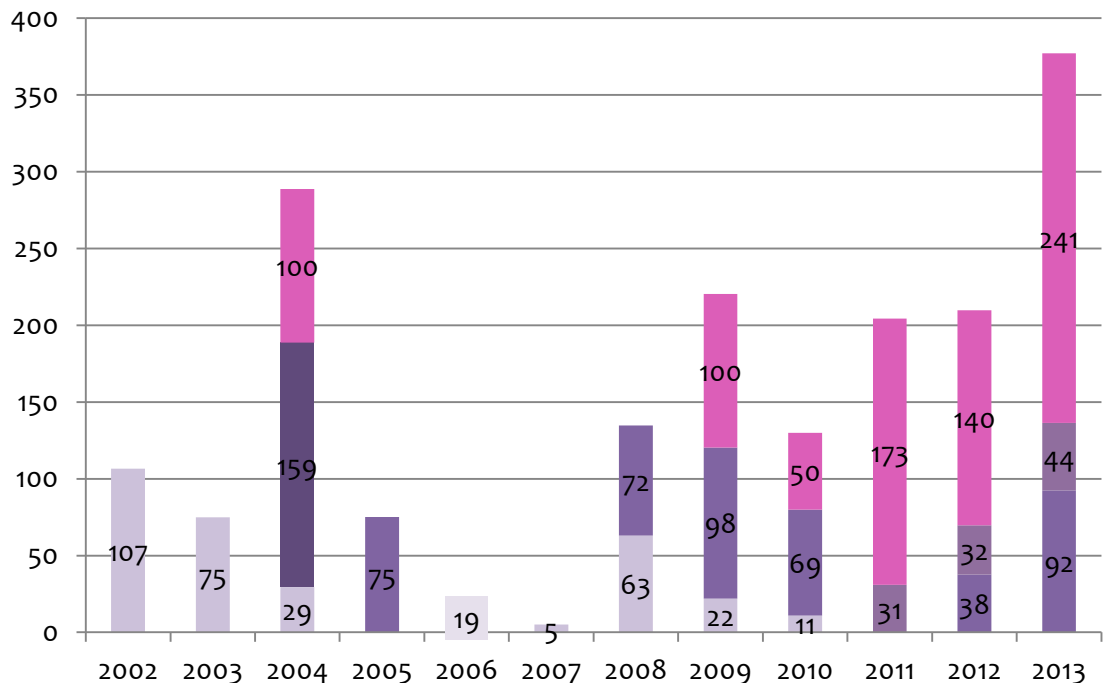




Regular access to capital markets

- In the past, Cofinimmo had regular access to capital markets to finance growth.
- Since 2002, Cofinimmo has been able to raise new equity for €1,041 million to finance investments or strengthen balance sheet.
- Cofinimmo regularly taps the bond market with convertible and non convertible bonds issues (private & public).

In € million



- Bond
- Stock dividend
- Issue of preference shares*
- Sale of treasury shares
- Contribution in kind of assets

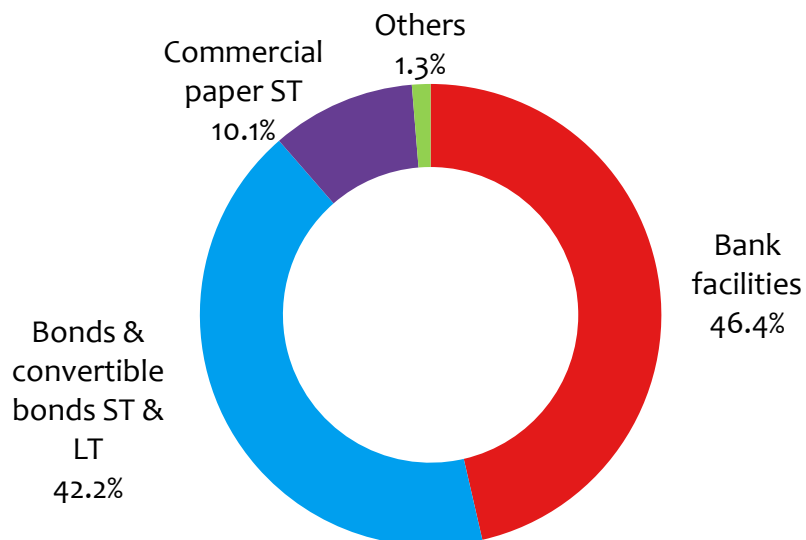
* 45% already converted to ordinary shares



Secure funding resources

Diversified sources of funding:

- Debt and equity respectively 50% of funding
- Debt capital markets represent 42% of total financial debt
- Bank pool: 10 high-quality lenders



€ 622.0 million available under committed credit lines at 30.09.2013 (1)

x € 1,000,000	Financial debt	Total LT commitments
Capital market facilities		
Bond	345.3 (2)	340.0(3)
Convertible bond	371.4 (2)	364.1 (3)
Long term CP	15.0	15.0
Short term CP	177.1	
Others	4.2	4.2
Bank facilities		
Roll over loans	682.0	1,318.7 (4)
Term loans	127.5	127.5
Others	22.6	7.9
Total	1,745.0	2,177.4

(1) Bonds and convertible bond at redemption value

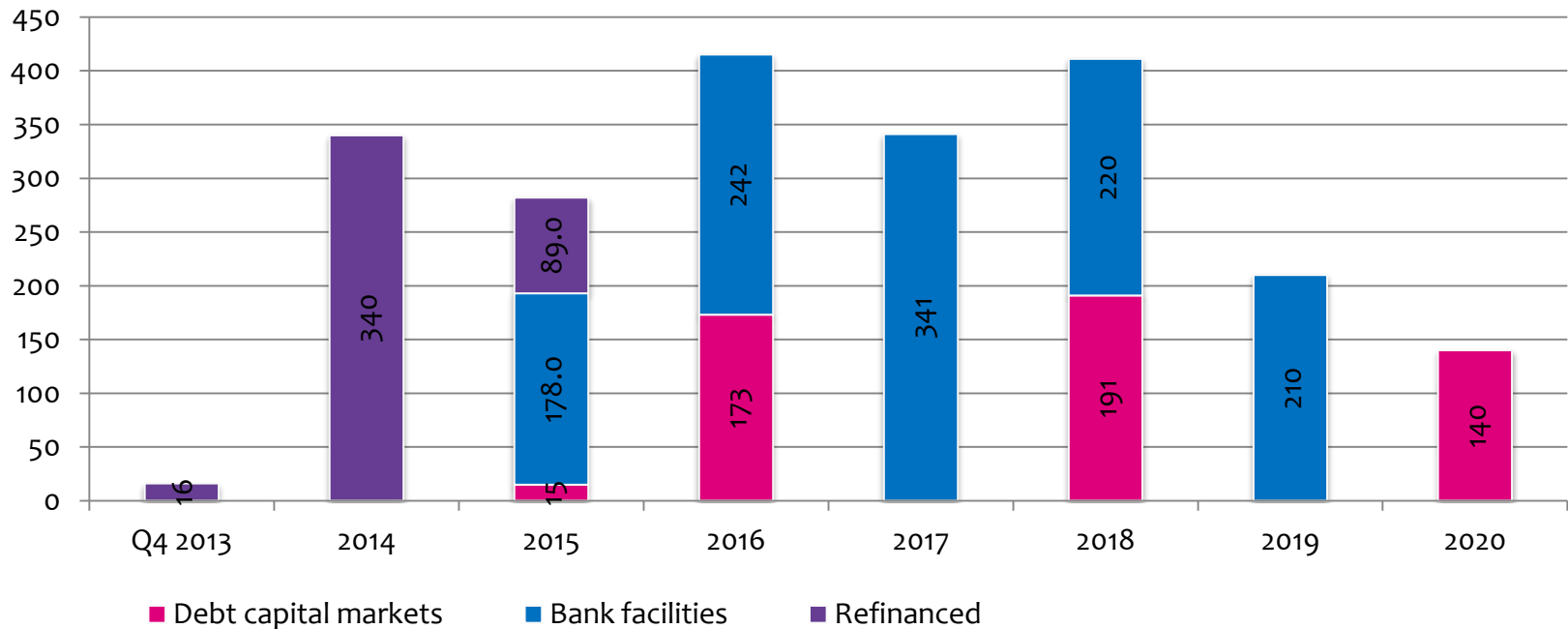
(2) At fair value

(3) At redemption value

(4) Uncommitted line of €60.0M not included



Focus on refinancing of debt maturities

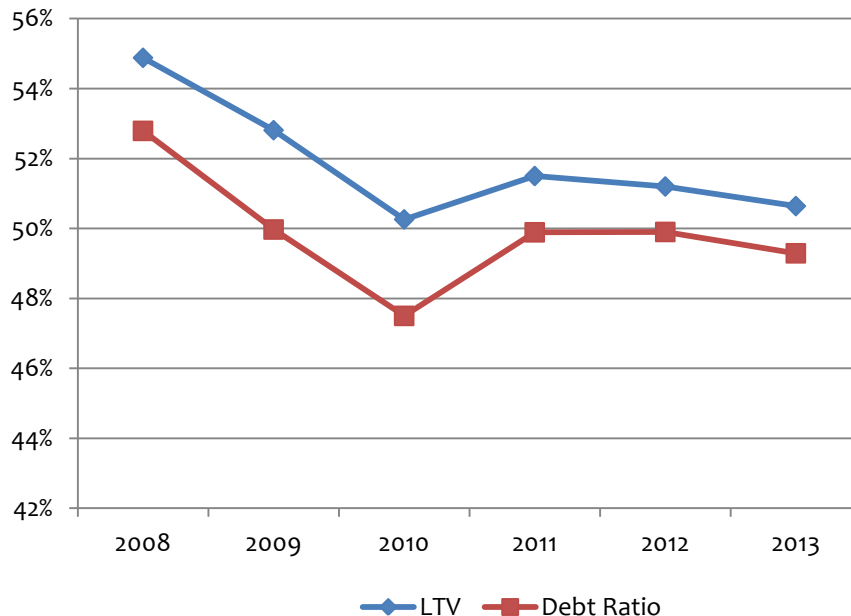


- Debt maturities refinanced until June 2015;
- Maturities well spread until 2020;
- Importance to balance cost of debt and average debt maturity.



Monitoring of leverage and financial ratios

Since 2008, continuous progress to reduce debt ratio and stay close to 50% leverage.



● Cost of financial debt at 30.09.2013: 3.95% (incl. bank margin)

● Adequate headroom under financial covenants:

○ Debt ratio (1):

- 49.29% at 30.09.2013
- Max. 60% (2)

○ ICR:

- 2.26 at 30.09.2013
- Min. 2.0x (3)

● Average debt maturity of 4.09 yr

● S&P rating: BBB – (stable) for the long term and A-3 for the short term

(1) Legal ratio calculated according to the Sicafi regulation as financial and other debts divided by total assets. Maximum 65% according to the Sicafi regulation. Also used as gearing covenant in credit agreements (max 60%).

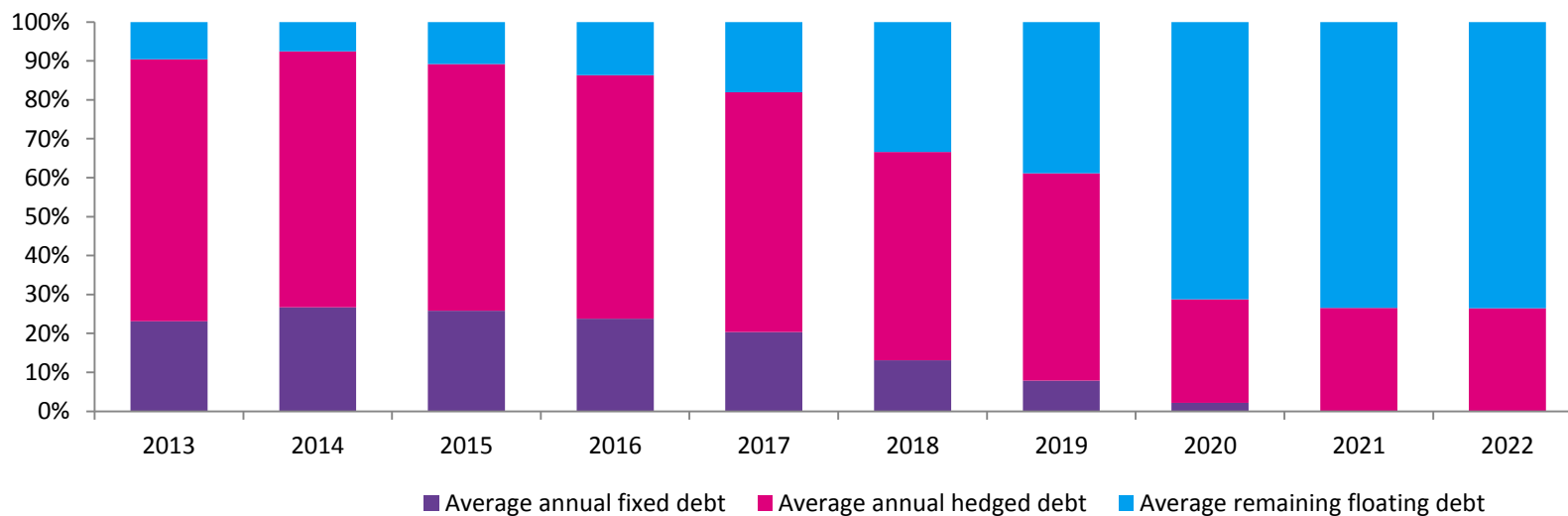
(2) LT financial commitments do not require a gearing measured on a specific LTV ratio anymore. LTV ratio stood at 50.64% at 30.09.2013.

(3) ICR is calculated as EBITDA/Net financing cost over the past 12 months.



Cofinimmo's interest rate risk exposure 2013 - 2022

More than 80% of the debt is fixed until 2016





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Key takeaways





Key takeaways - OST

Objectives

- Moderate risk profile.
- Transform long term cash flows into stable dividends.
- Focus on Belgium and neighbouring countries.

Strategy

- Remain a diversified REIT
- Investments in assets, in quality locations, with long term leases and defensive residual values.
- Balanced debt/equity ratio.
- Arbitrage strategies.

Tactics

- In-house skills for portfolio management and (re) development.
- Monitor quality of tenants.
- Debt refinancing well in advance.
- Attractive and competitive buildings.
- Green Policy
- Added value in (re) development for own account
- Reactivity and services for tenants



Q&A





Office segment review

by Xavier Denis, COO
23rd January 2014

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Agenda

- Introduction
- The Brussels office market
 - Letting activity
 - Development activity
 - Investment activity
- Cofinimmo's office portfolio
 - Office redevelopment activities
 - Day-to-day office portfolio management
 - Arbitrage policy



Agenda

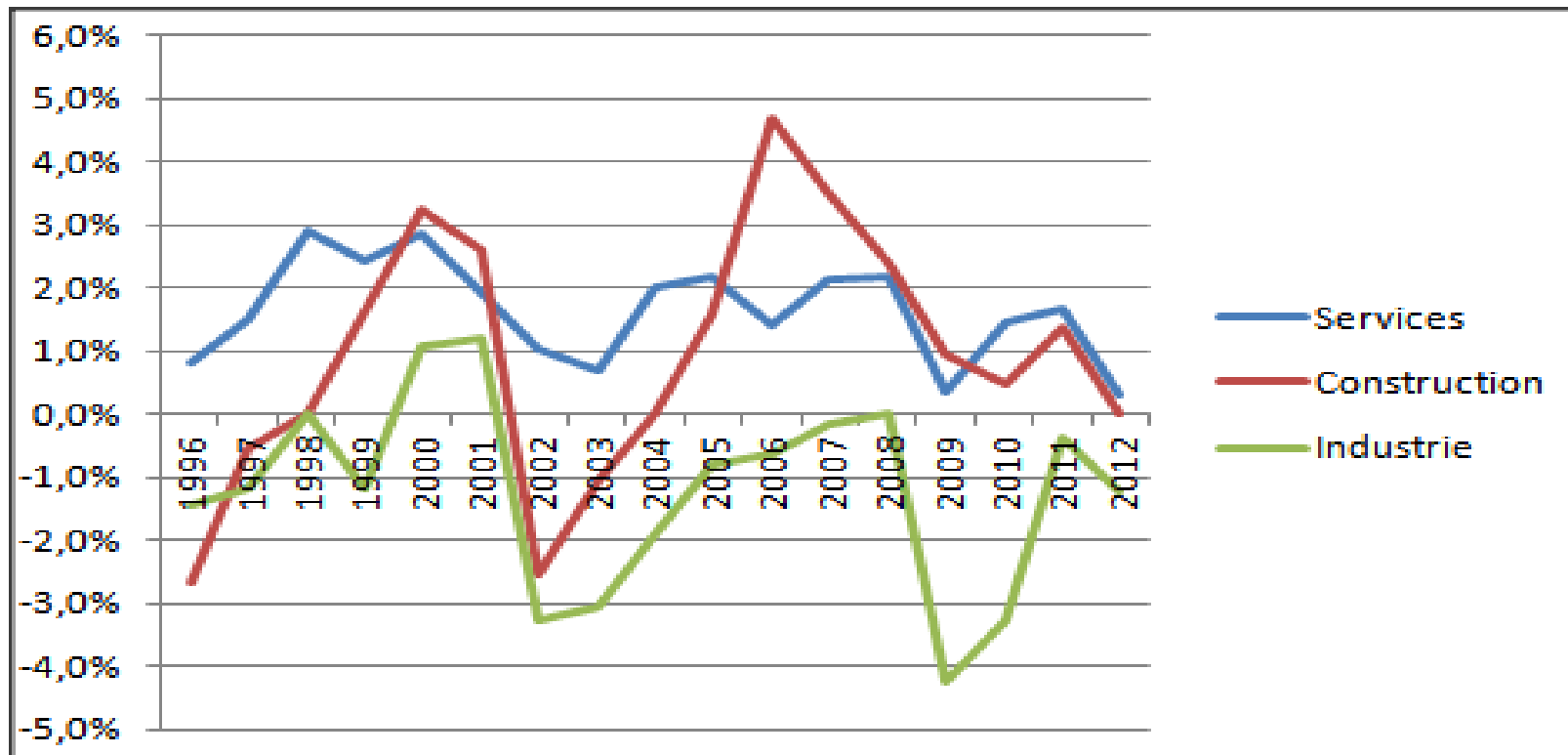
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Introduction

- Growth of the services sector over the past 15 years...

Annual growth of active population per sector (in %)

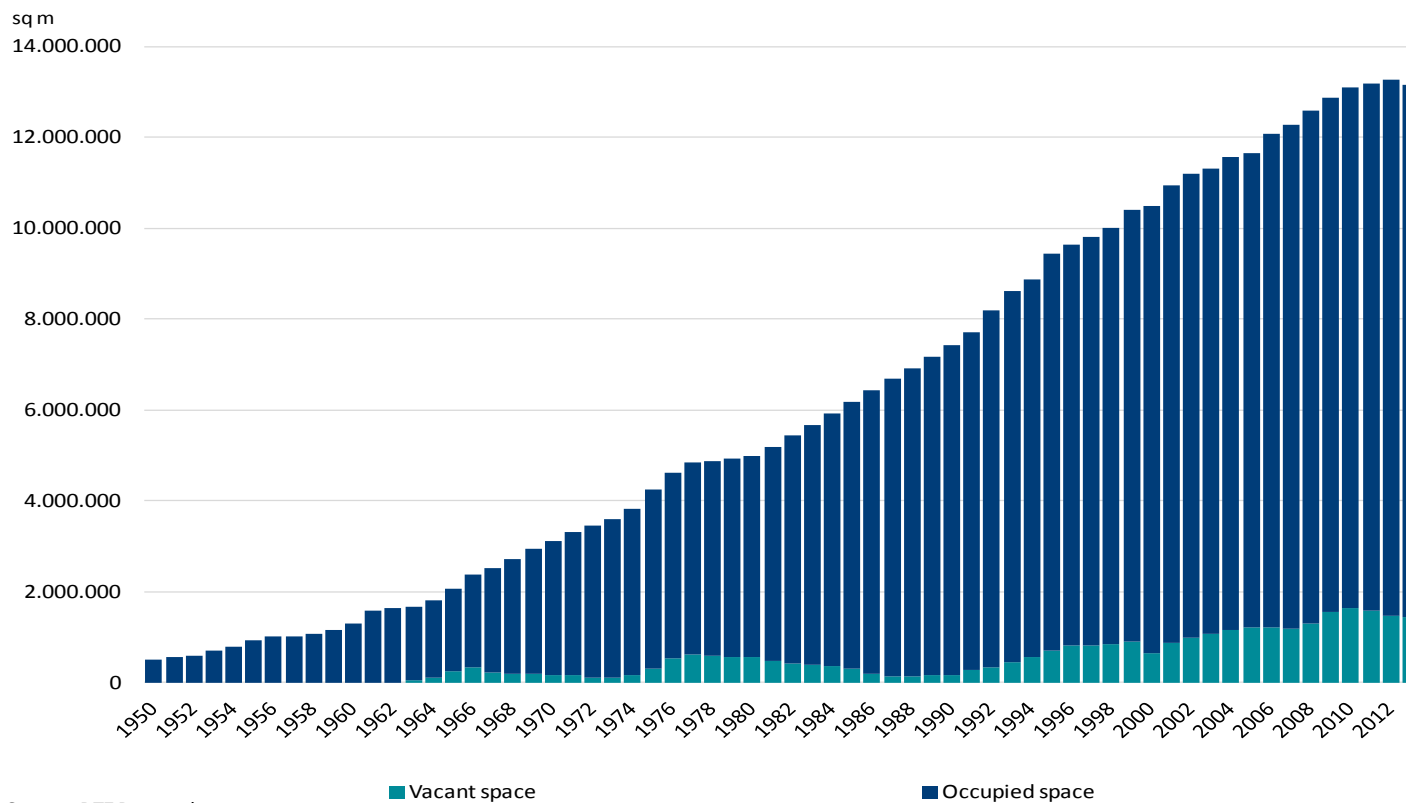




Introduction

... leading to a spectacular increase in the Brussels office stock.

Stock and vacancy on Brussels office market (in m²)

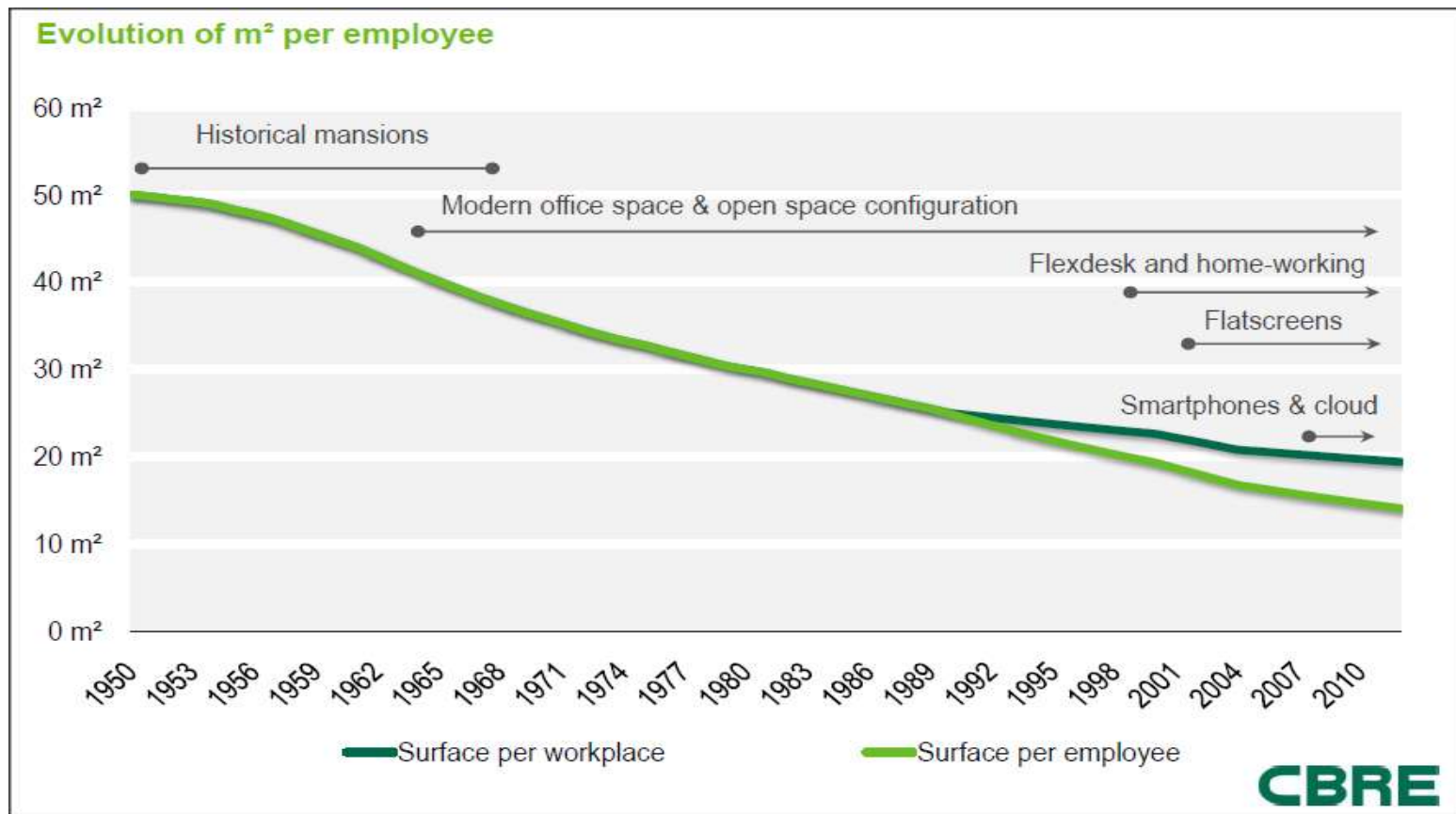


Source: DTZ Research



Introduction

○ Decrease in the number of m² per employee

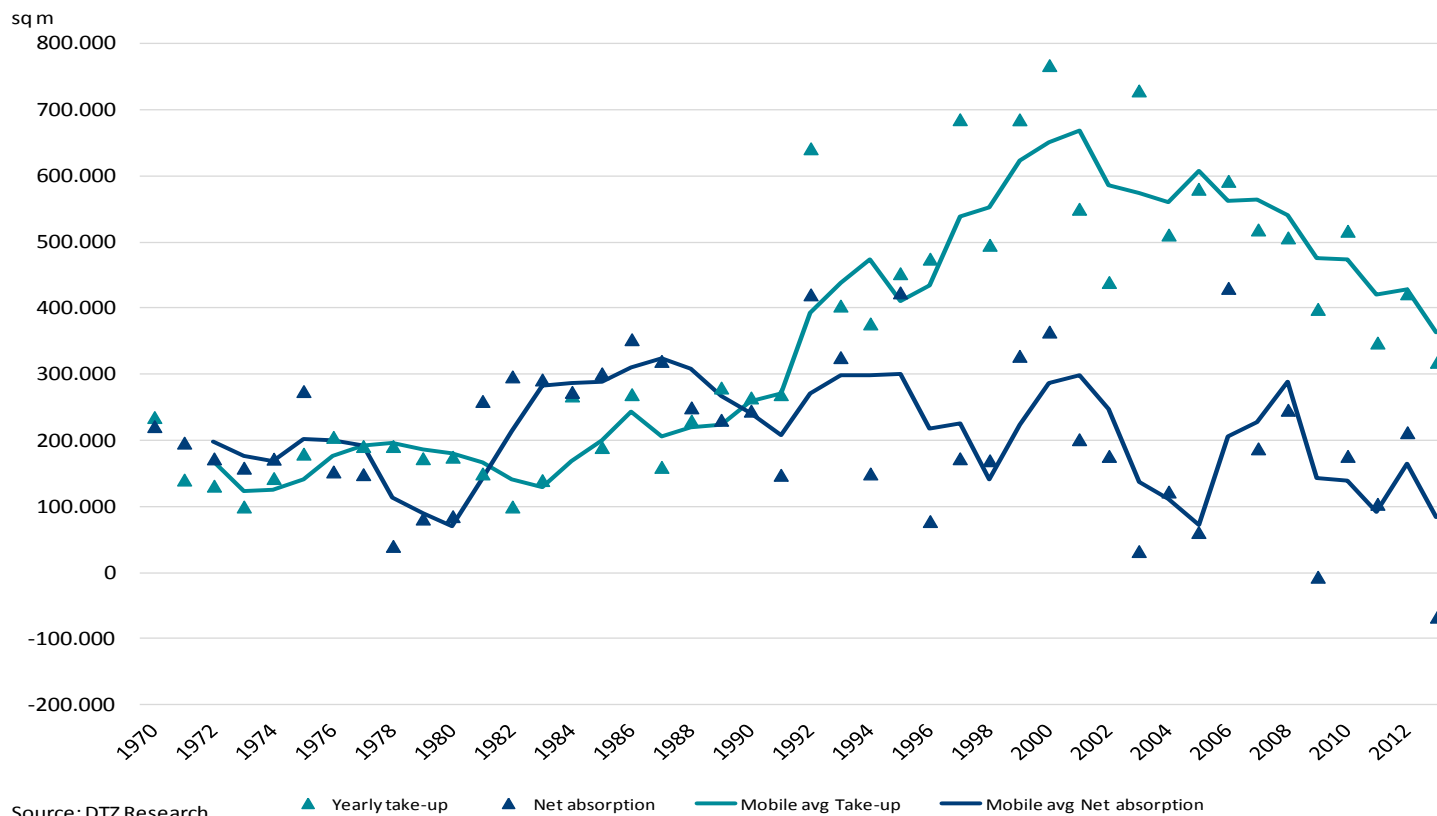




Introduction

○ De-correlation between development activity and effective demand

Take-up and net absorption on Brussels office market (in m²)



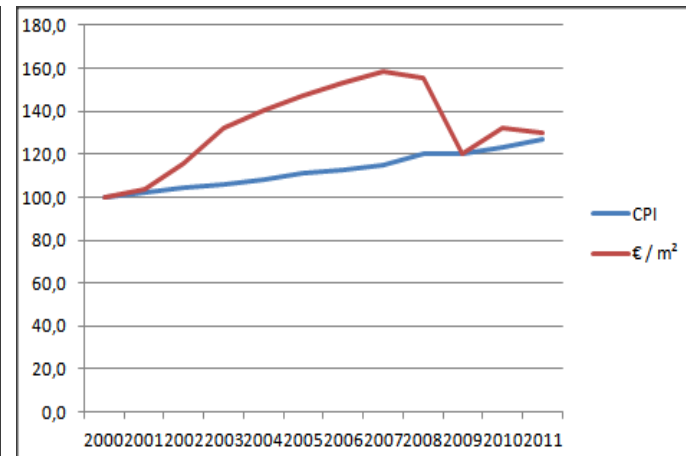
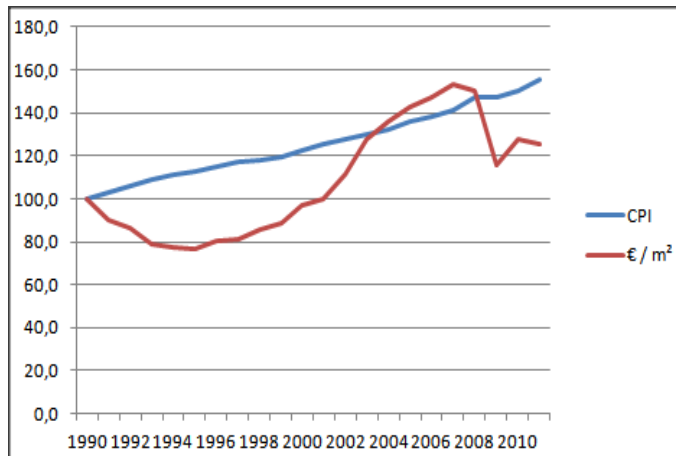
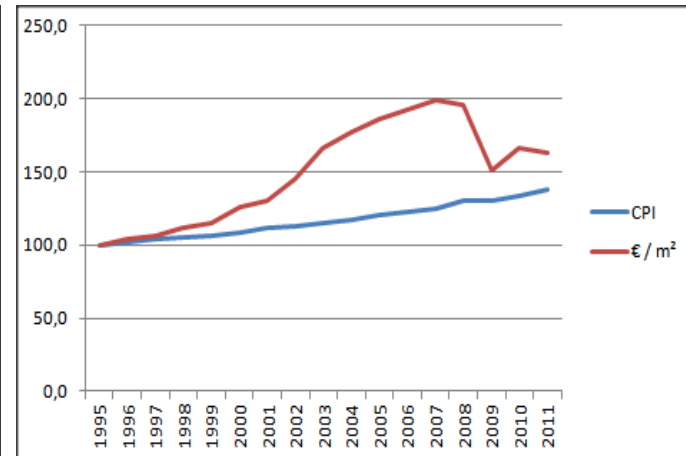
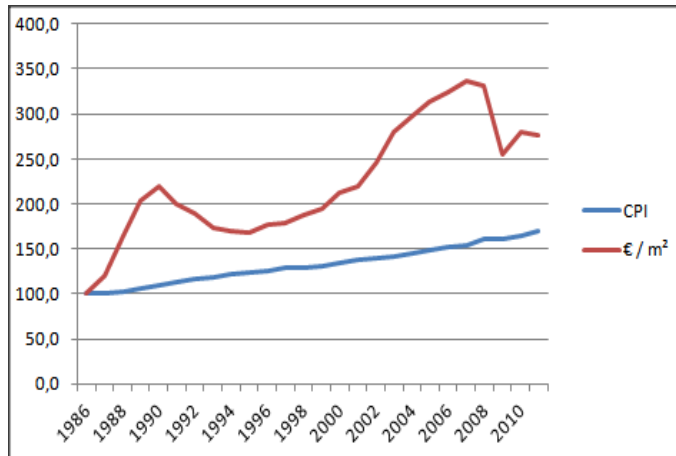
Source: DTZ Research

▲ Yearly take-up ▲ Net absorption — Mobile avg Take-up — Mobile avg Net absorption



Introduction

○ In a cyclical market, importance of good **timing** of investments/divestments

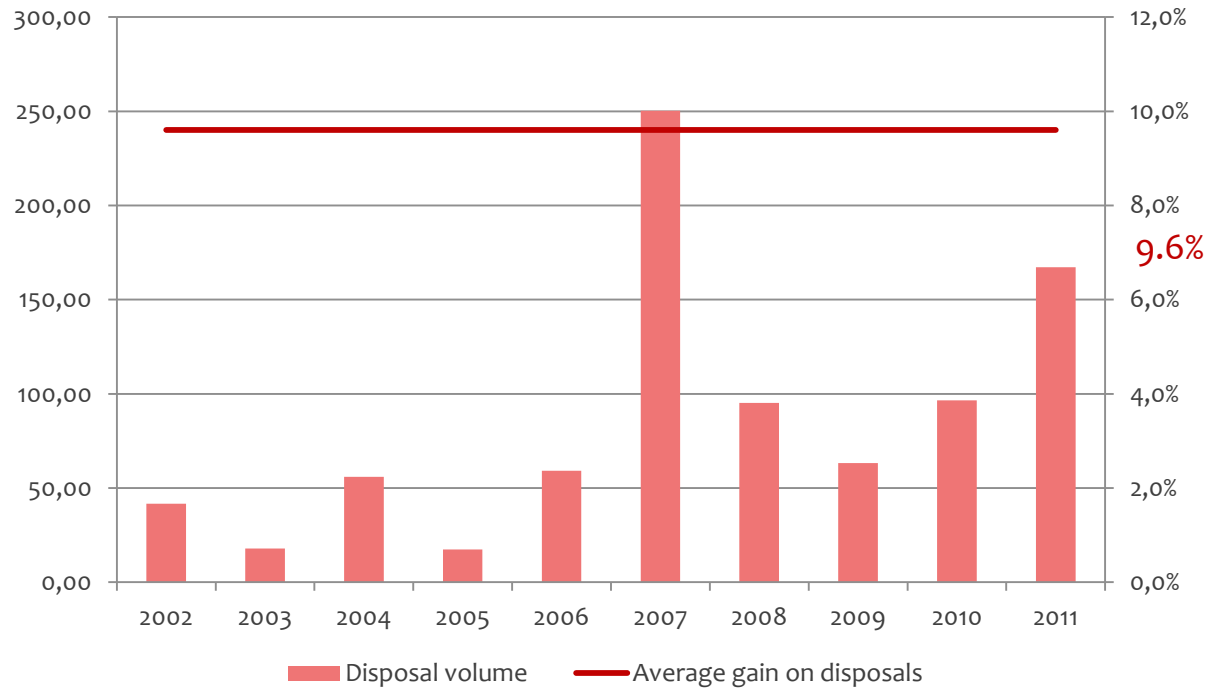




Introduction

- Cofinimmo realised average gains on disposals of 9.6% since 2002.

Cofinimmo disposals of office buildings (in € million)
and average realised gain on disposals of office buildings (in % of last investment value)



- Average IRR on Cofinimmo office buildings of 7.5% at end 2012.



Agenda

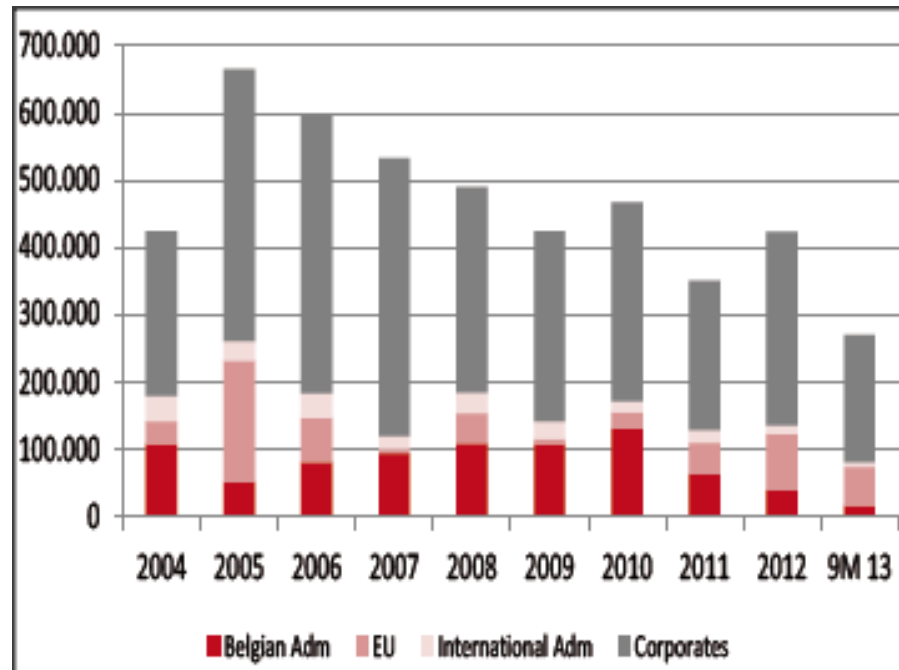
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The Brussels office market: take-up

- Q3 2013 Take-up went down by 18% y-o-y
- Corporates contributed to 87% of the deals in Q3 2013
- 39% of the Q3 2013 take-up took place in grade A¹ buildings

Take-up by business sector (in m²)



Source: Jones Lang Lasalle

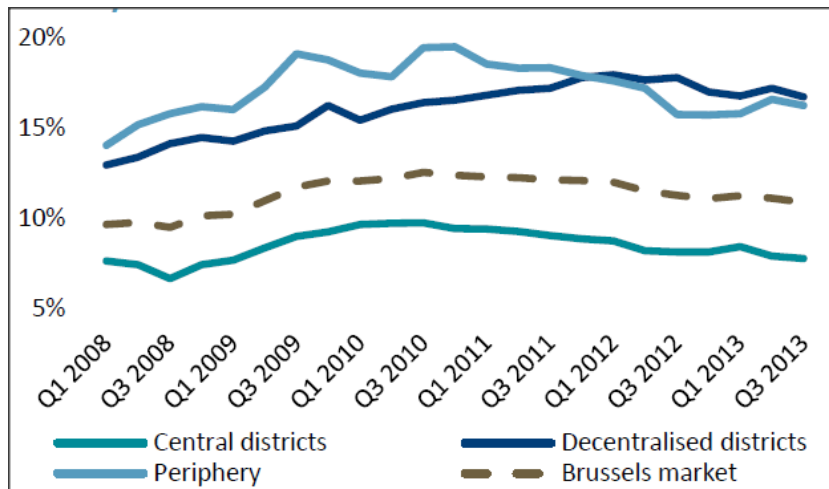
¹ Grade A: Newly developed or comprehensively refurbished to new standard, including sublet space in new/refurbished buildings not previously occupied



The Brussels office market: vacancy

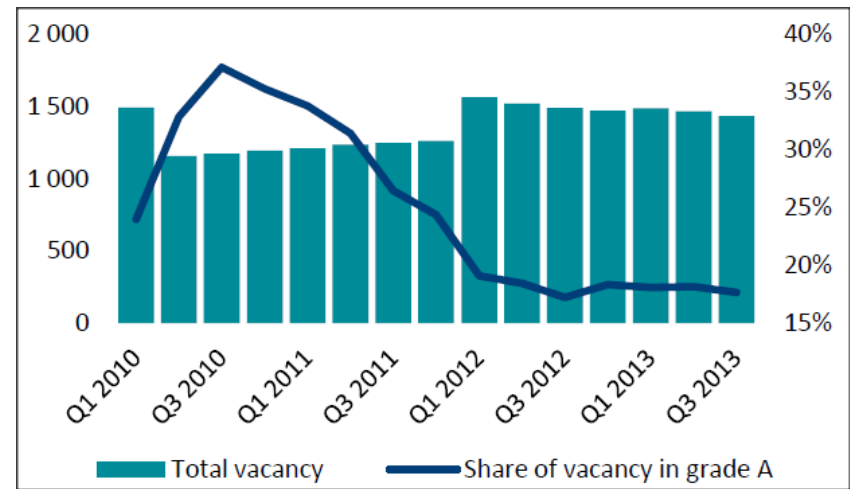
- Decline of vacancy rate thanks to office reconversions and absence of speculative new supply
- 1,465,000m² of offices marketed to let in the Brussels market, of which 900,000m² outside the CBD (364,000m² around the National Airport)
- Decline of vacancy in grade A buildings due to relocations in more recent buildings

Vacancy rate by district (in %)



Source: DTZ

Vacancy level (in 1,000m²) and share of the vacancy in grade A buildings (in %)



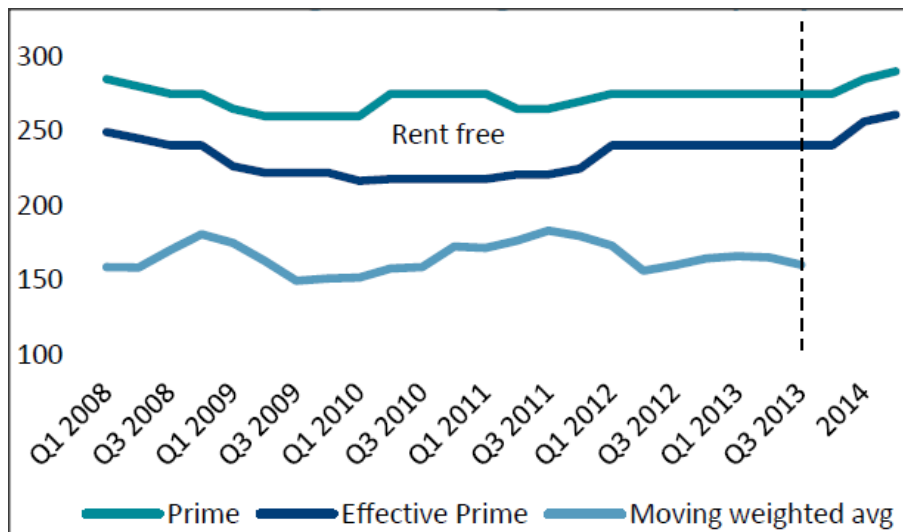
Source: DTZ



The Brussels office market: rents

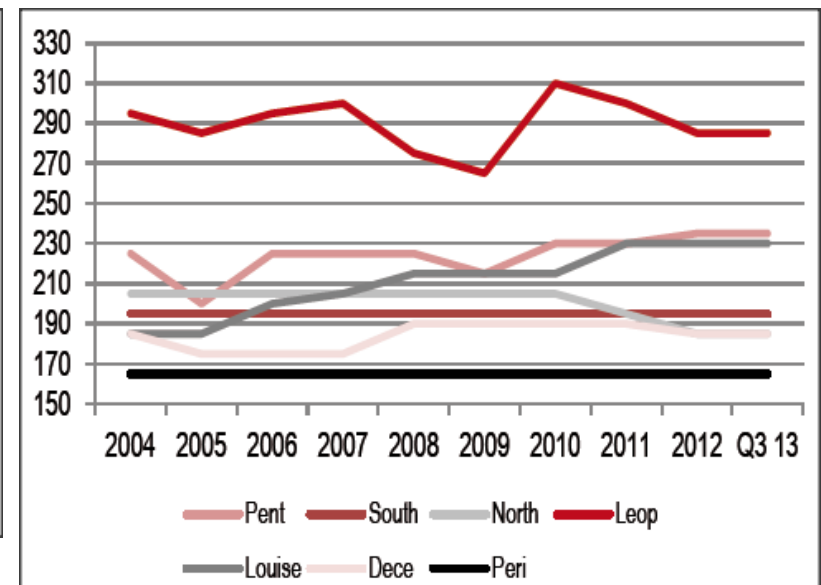
○ Increasing scarcity of supply in grade A buildings could support rents for new space

Rental levels (in €/m²/year)



Source: DTZ

Prime face rent by district (in €/m²/year)



Source: Jones Lang Lasalle



Agenda

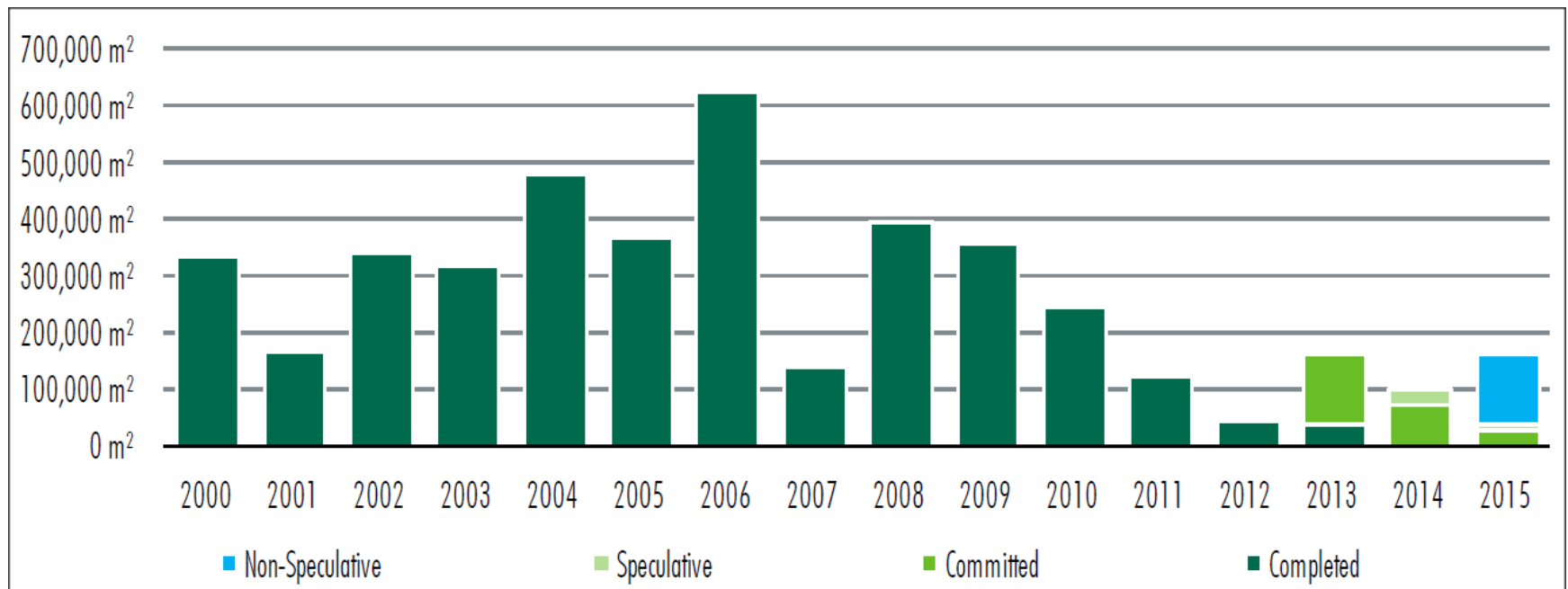
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The Brussels office market: development activity

- Development activity remains subdued
- Cautious restart of speculative projects on prime locations

Development pipeline (in m²)

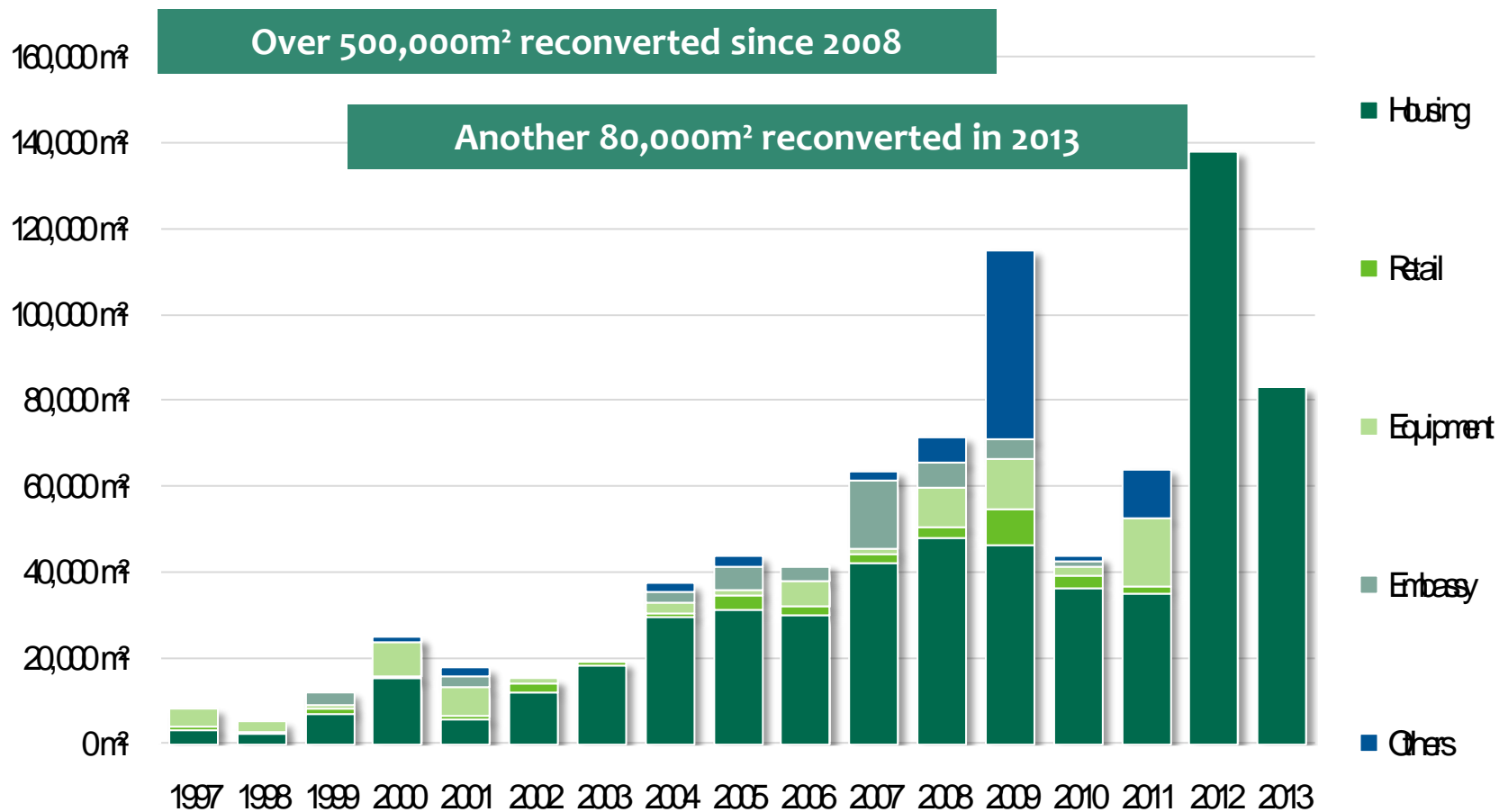


Source: CBRE



The Brussels office market: office reconversions

○ Growing number of office reconversion projects



Source: CBRE



Agenda

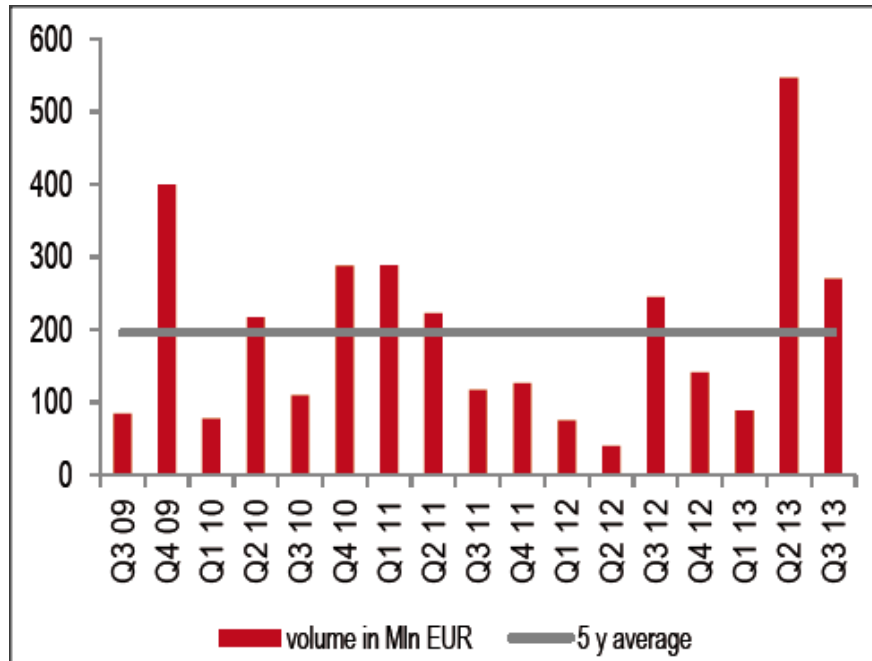
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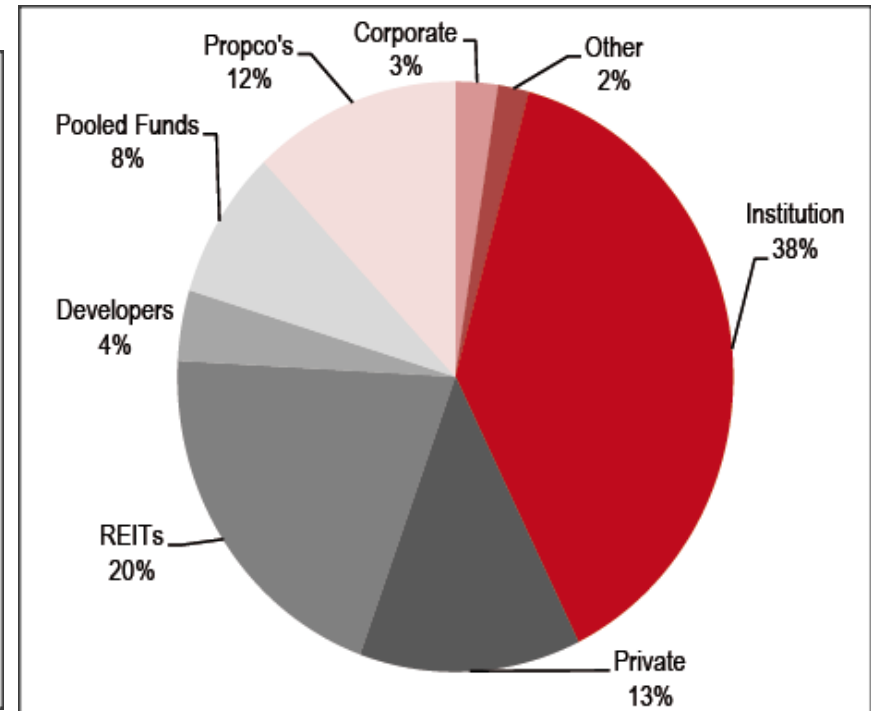
The Brussels office market: investment activity

- Q2 2013 best quarter since Q3 2007 in terms of Brussels office investment volume, thanks to one important transaction (Belair: 80.000m²)
- Institutions and REITs represent 58% of 2013 Belgium total investment volume

Brussels office investment volume
by quarter (in mln €)



Belgium total investment volume
by source – first 3 quarters of 2013



Source: Jones Lang Lasalle

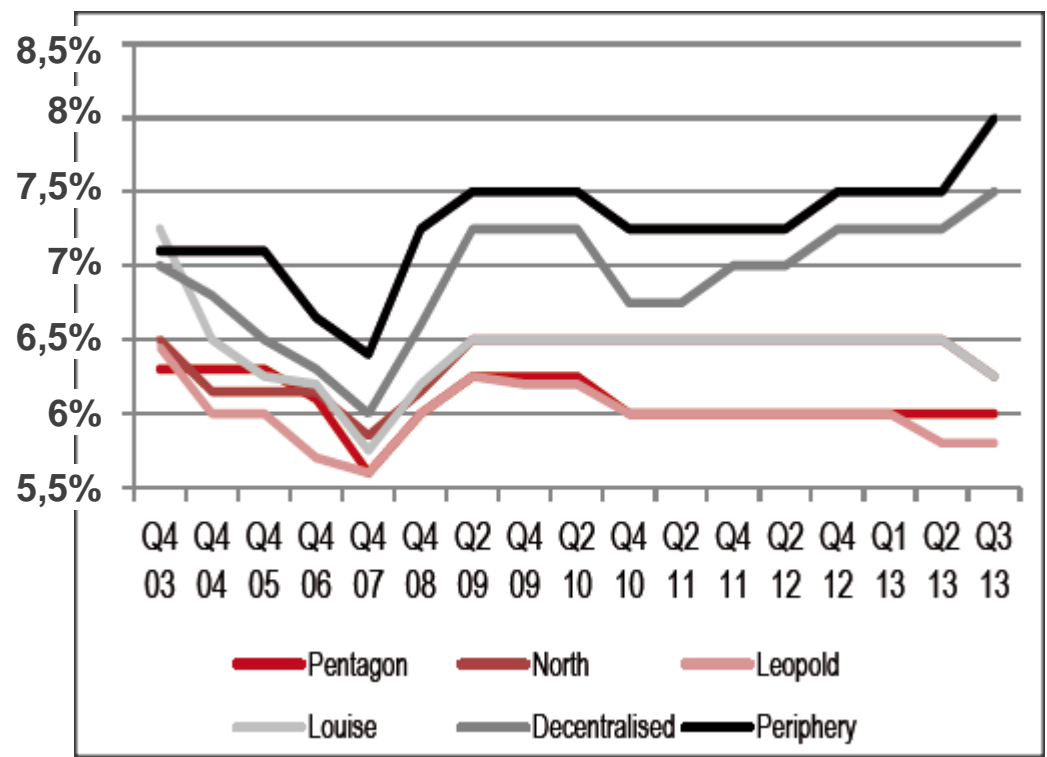
Source: Jones Lang Lasalle



The Brussels office market: yields

○ Prime yields down in CBD – increase outside

Prime office yields (6/9 year leases)



Very few transactions

Strong demand for buildings with long-term leases

Source: Jones Lang Lasalle



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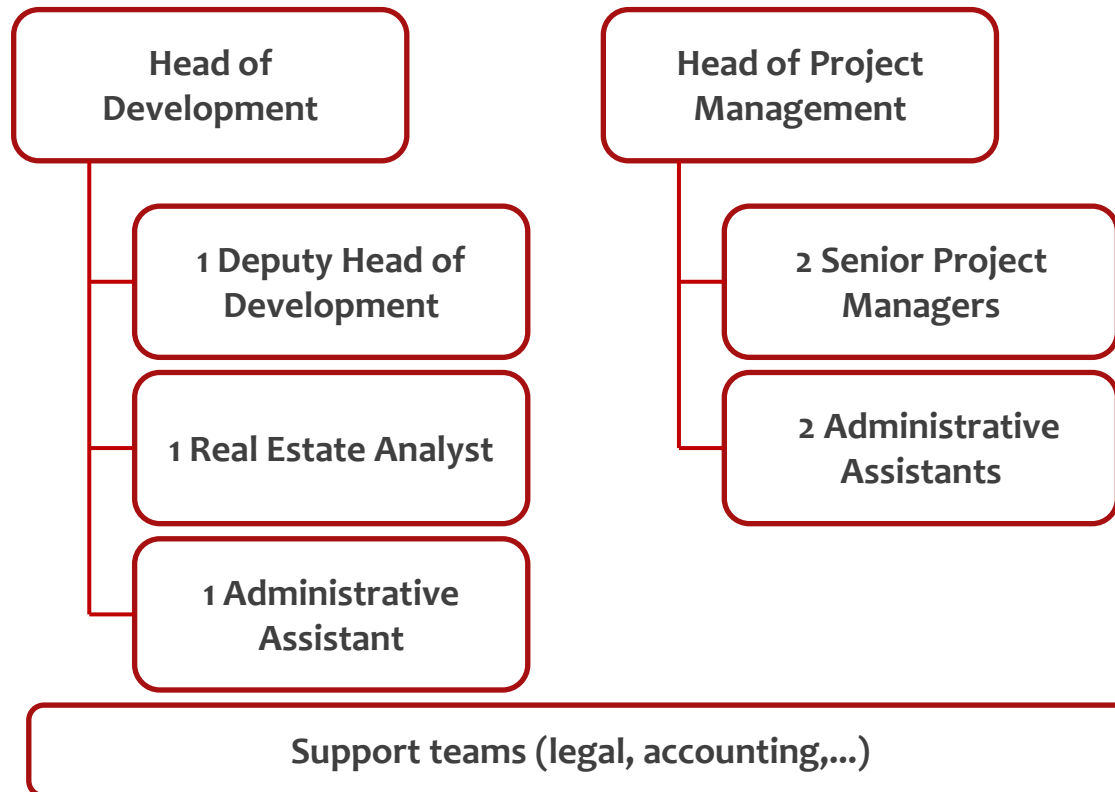
Cofinimmo office redevelopment activities

- 5 major **office redevelopment projects**, representing 15% of the office portfolio:
 - Woluwe 34;
 - Livingstone I;
 - Livingstone II;
 - Science 15-17;
 - Souverain 23-25.
- **Day-to-day management** for the remaining 85% of the office portfolio



Cofinimmo office redevelopment activities

- Staff dedicated to the (re)development projects of the office portfolio:
9 FTEs, representing 8% of the total staff





Cofinimmo office redevelopment: Woluwe 34

- Superstructure: 6,700m²
- Construction year: 1974
- Acquisition year: 1996
- Multi-tenant building
- Vacancy date: 31.12.2012





Cofinimmo office redevelopment: Woluwe 34

- Reconversion into 69 apartments, which are put up for sale
- Town-planning and environmental permits delivered in July 2013
- Timing of works: July 2013 – January 2015
- Sales agreements and reservations for 74% of the apartments

Goals in terms of sustainability:

Thermal insulation level K40
(legal requirements \leq K40)
Energy consumption level E70
(legal requirement \leq E70)



Cofinimmo office redevelopment: Woluwe 34

Office renovation vs. reconversion into residential in figures:

	Renovation of offices	Reconversion into residential
Superstructure (in m ²)	7.000	7.000
Rent (in €)	170	
Yield	6,8%	
Gross selling price (in € per m ²)	2.500	3.350
Net/gross ratio	0,95	0,85
Net selling price (in € per m ²)	2.375	2.848
Total net selling price (in €) (A)	16.625.000	19.932.500
Cost of works (VAT excl.) (in € per m ²)	1.550	1.650
VAT	21%	0 *
Cost of works (VAT included) (in € per m ²)	1.876	1.650 **
Total cost of works (VAT incl.) (in €) (B)	13.128.500	11.550.000
Recovery value (in €) (A) - (B)	3.496.500	8.382.500

* VAT paid by buyer

** Financing costs in case of reconversion into residential paid by the buyer.



Cofinimmo office redevelopment: Livingstone I

- Superstructure: 17,000m²
- Construction year: 1974
- Acquisition year: 2002
- Last tenant: Belfius Insurance
- Vacancy date: 31.12.2011 (€11.2 million indemnity for early lease termination received from Belfius Insurance)





Cofinimmo office redevelopment: Livingstone I

- Reconversion into 122 apartments, which are put up for sale
- Town-planning and environmental permits delivered in February 2013
- Timing of works: February 2013 – January 2015
- Sales agreements and reservations for 50% of the apartments

Goals in terms of sustainability:

Thermal insulation level K30
(legal requirement \leq K40)
Energy consumption level E60
(legal requirement \leq E70)





Cofinimmo office redevelopment: Livingstone I

Office renovation vs. reconversion into residential in figures:

	Renovation of offices	Reconversion into residential
Superstructure (in m ²)	17.000	17.000
Rent (in €)	190	
Yield	6,2%	
Gross selling price (in € per m ²)	3.065	3.500
Net/gross ratio	0,95	0,85
Net selling price (in € per m ²)	2.911	2.975
Total net selling price (in €) (A)	49.491.935	50.575.000
Cost of works (VAT excl.) (in € per m ²)	1.550	1.550
VAT	21%	0 *
Cost of works (VAT included) (in € per m ²)	1.876	1.550
Total cost of works (VAT incl.) (in €) (B)	31.883.500	26.350.000
Recovery value (in €) (A) - (B)	17.608.435	24.225.000

* VAT paid by buyer

Fixed price to be received by
developer Cordeel: €24 million



Cofinimmo office redevelopment: Livingstone II

- Superstructure: 17,000m²
- Construction year: 1991
- Acquisition year: 2007
- Last tenant: Belfius Insurance
- Vacancy date: 31.12.2011 (€11.2 million indemnity for early lease termination received from Belfius Insurance)





Cofinimmo office redevelopment: Livingstone II

- Renovation
- Town-planning and environmental permits delivered in May 2012
- Timing of works: March 2013 – August 2014
- Budget: € 21 million, VAT incl.
- Marketing well underway – single-tenant building





Cofinimmo office redevelopment: Science 15-17

- Superstructure: 17,700m²
- Construction year: 1973
- Acquisition year: 2001
- Last tenant: European Commission
- Vacancy date: 30.09.2013





Cofinimmo office redevelopment: Science 15-17



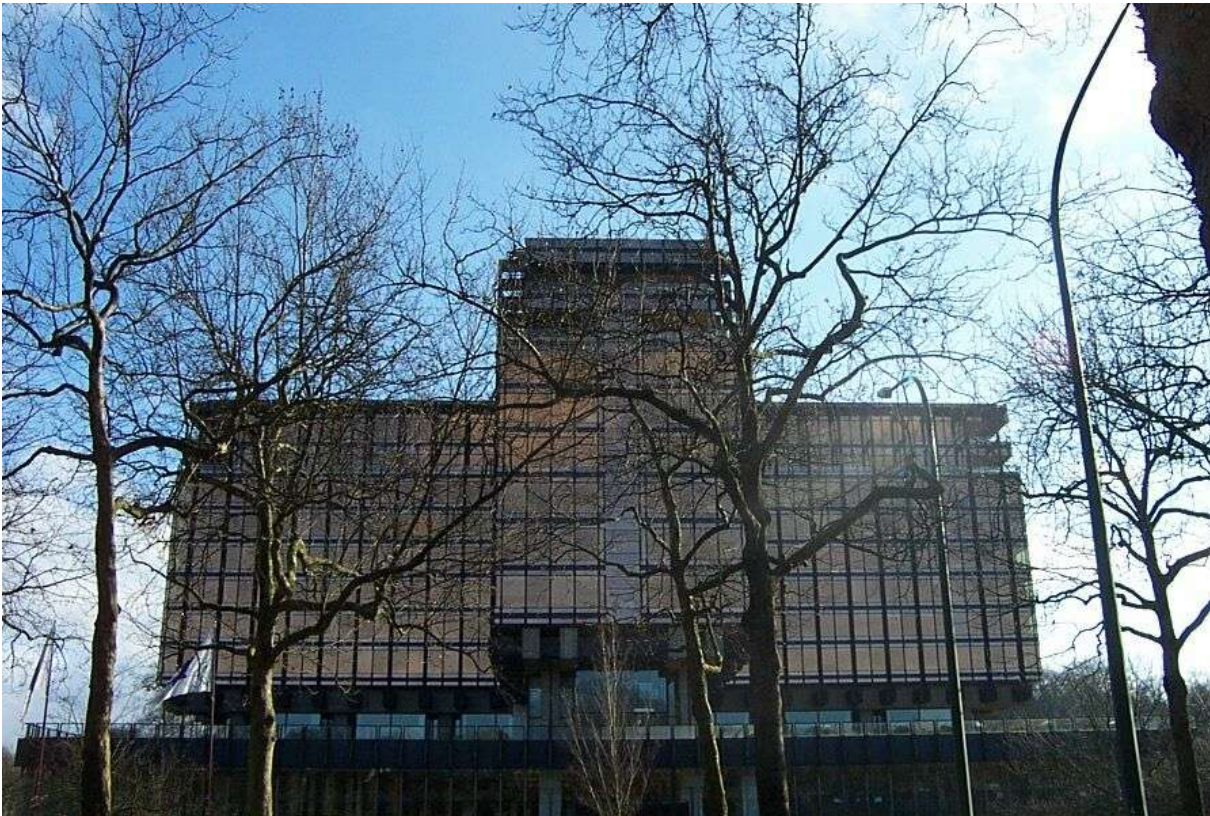
- Construction of new building with 17,700m² offices, 17 residential units and 200m² of retail space
- Applications for permits submitted
- Expected duration of works: 2 years
- Budget: € 42 million, VAT incl.

Goals in terms of sustainability:

Passive building
Thermal insulation level K35
(legal requirement \leq K45)
Energy consumption level E45
(legal requirement \leq E90)
“Very good” BREEAM certification

Cofinimmo office redevelopment: Souverain 23-25

- Superstructure: 38,500m² / 18,300m²
- Construction year: 1970 / 1985
- Acquisition year: 2001
- Current tenant: Axa Insurance
- Vacancy date: 02.08.2017



Cofinimmo office redevelopment: Souverain 23-25



- Addendum to Axa lease signed at end 2013: Tenreuken plot of land “vacated” by Axa in exchange of extension option on existing lease and terms;
- Residential development:
 - Partnership with developer;
 - Guaranteed minimum price + upside.

- Different options being examined, of which option to develop a mixed project (office + residential);
- Likely partnership with developer (cf. size of the redevelopment project).



Agenda

- Introduction
- The Brussels office market
 - Letting activity
 - Development activity
 - Investment activity
- Cofinimmo's office portfolio
 - Office redevelopment activities
 - Day-to-day office portfolio management
 - Arbitrage policy

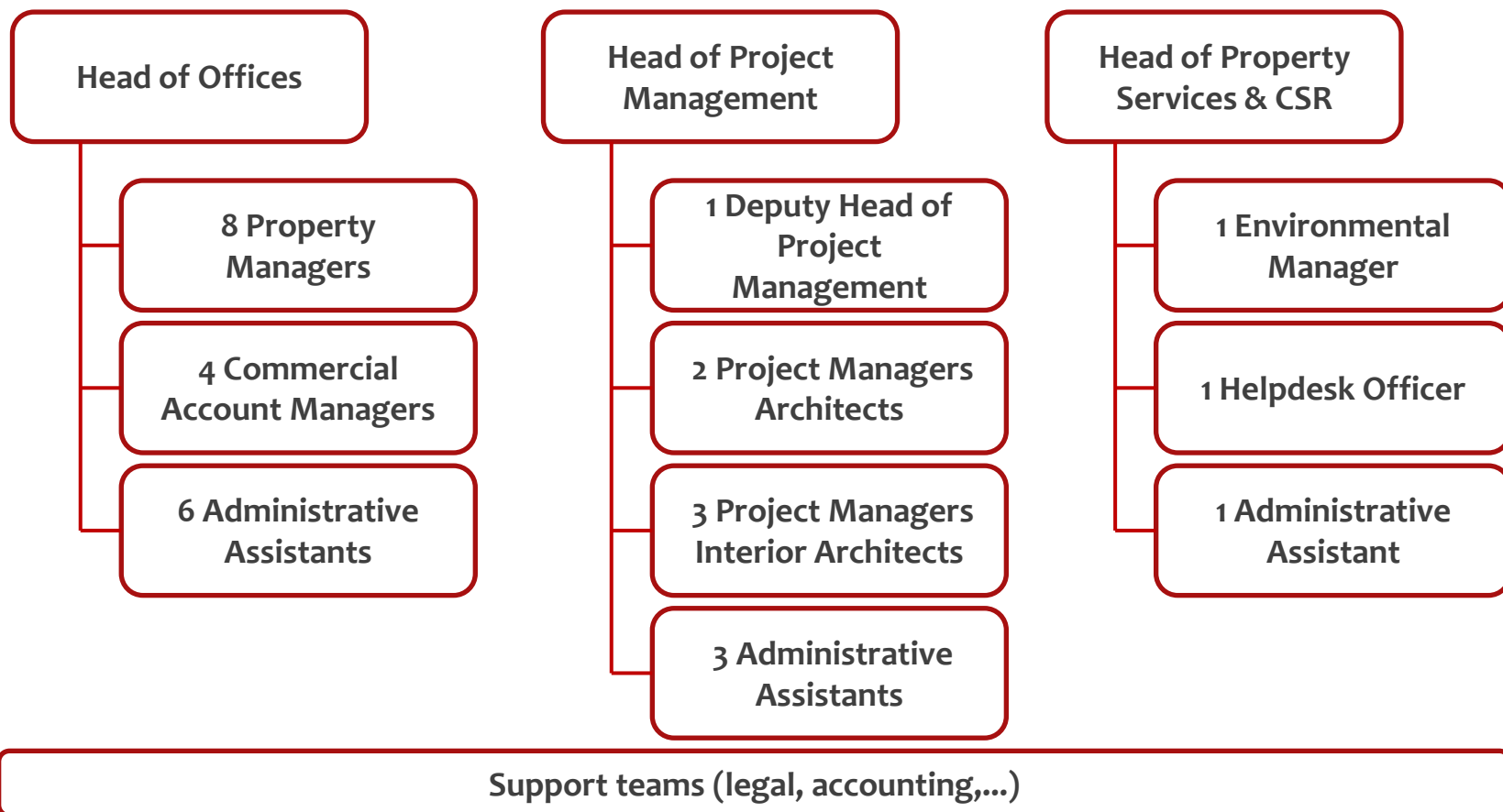


Cofinimmo offices: in-house management

- In-house day-to-day management of the office portfolio:
 - Maintenance of buildings
 - Helpdesk service for small technical interventions
 - Offer of additional services: security, cleaning,...
 - Negotiation of framework contracts with suppliers for the above-mentioned services
 - Fitting-out of spaces
 - Commercial activity: lease renegotiations, tenant rotation within the portfolio, prospection for new tenants,...

Cofinimmo offices: in-house management

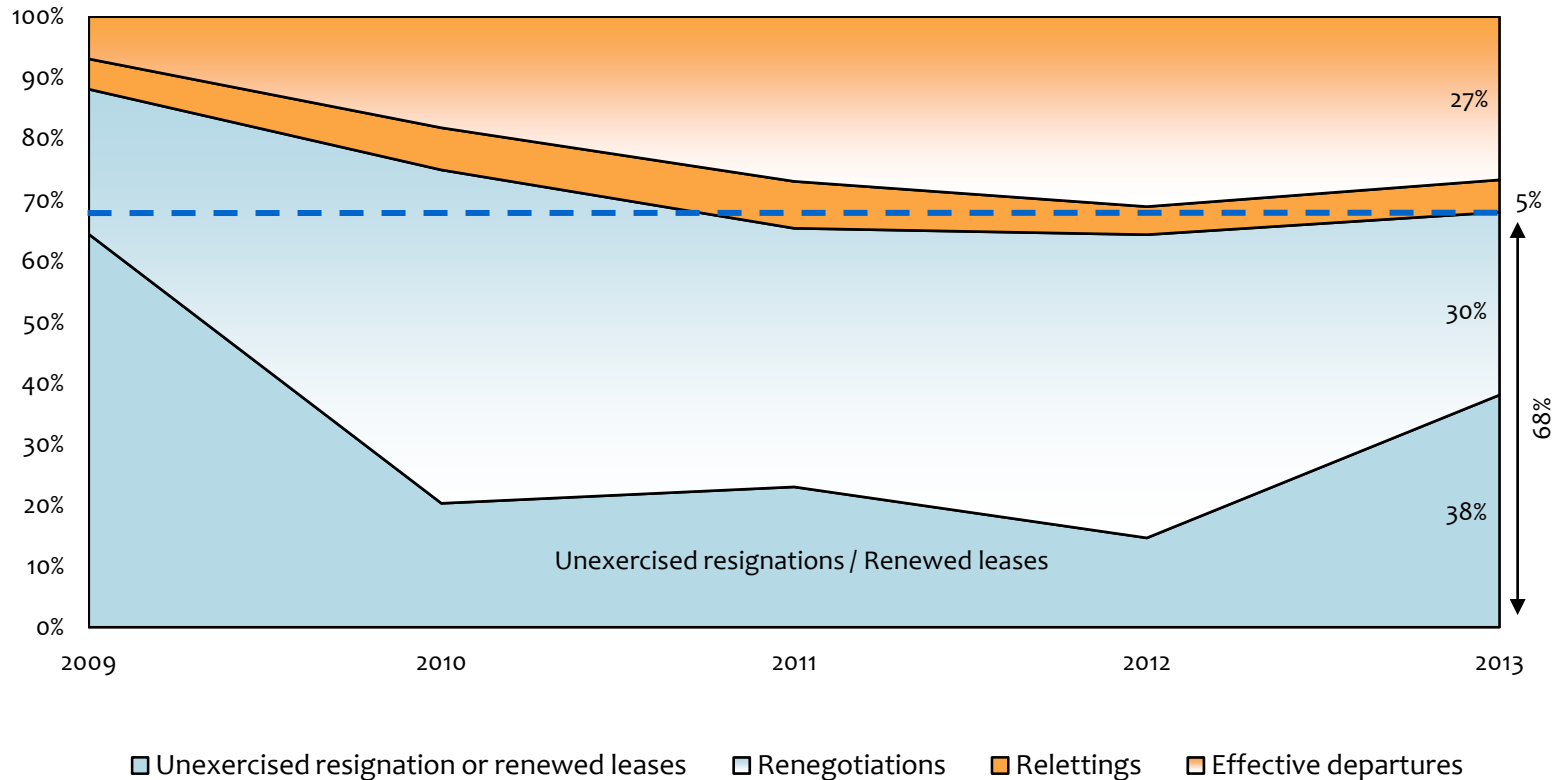
- Staff dedicated to the day-to-day management of the office portfolio:
33 FTEs, representing 30% of the total staff





Cofinimmo offices: handling of vacancy risk

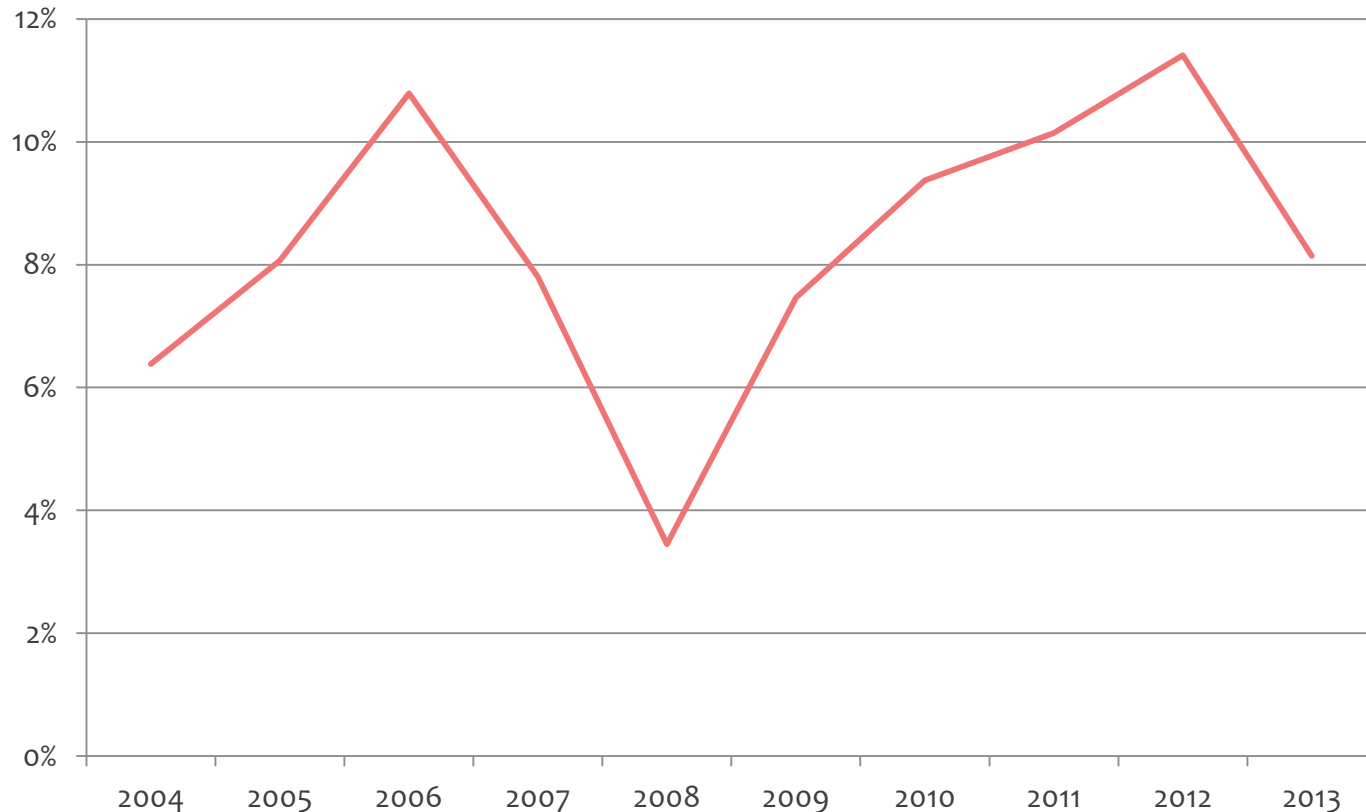
Handling of vacancy risk (in % of m² at risk)





Cofinimmo offices: rent-free periods and incentives

Difference between face and effective rent on deals closed during the year (in %)





Agenda

- Introduction
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 - Arbitrage policy



Cofinimmo offices: arbitrage policy

Goals:

- Maintain a portfolio of office buildings responding to the demands of the new working methods of the younger generations, in terms of flexibility, sustainability and connectivity;
- Maintain a well-balanced portfolio: breakdown of buildings per size, per submarket, per age, spread of the vacancy risk by residual lease length and by tenant;
- Maintain a certain liquidity, and refrain from investing in buildings which could prove difficult to sell.

Means:

- Renovations/redevelopments
- Acquisitions
- Disposals



Q&A





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.

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The healthcare segment

Update on recent
developments

Presentation by
Sébastien Berden,
Head of Healthcare

together
in real estate

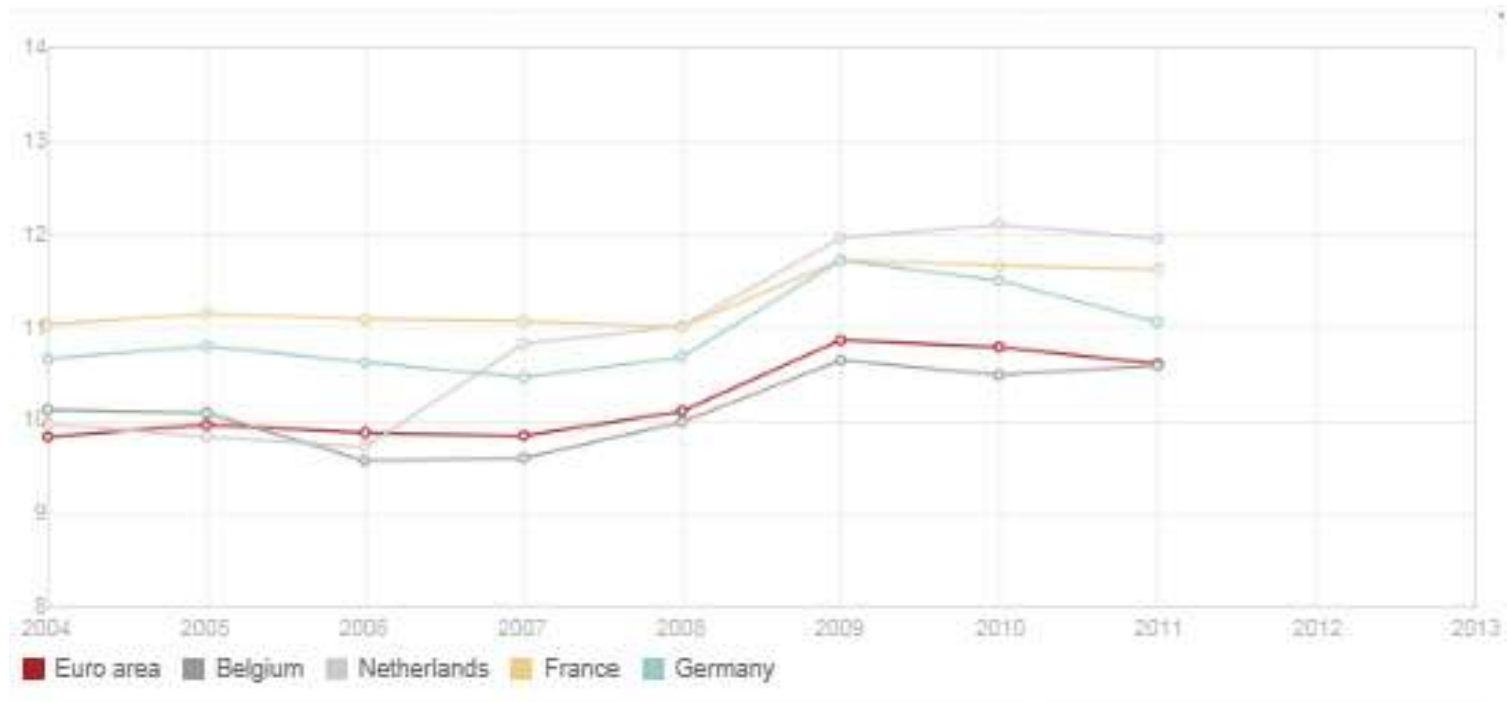


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- Intro – Why is there a market for healthcare real estate ?
- A. Overview of Cofinimmo's activity in the healthcare segment
- B. Detailed review of activity: Recent deliveries
- C. Detailed review of activity: Recent acquisitions
- D. Detailed description of activity: Works in progress
- E. Future growth perspectives
- Q&A

Intro – Why is there a market for healthcare real estate ?

- Trend 1 : Growth in healthcare expenditure in Europe (source: Worldbank)
 - Total HC expenditure in Europe represents 10% of GDP.
 - Without reforms, it is expected to grow at 20% in 2030.
 - **Major reforms are essential to control this trend.**

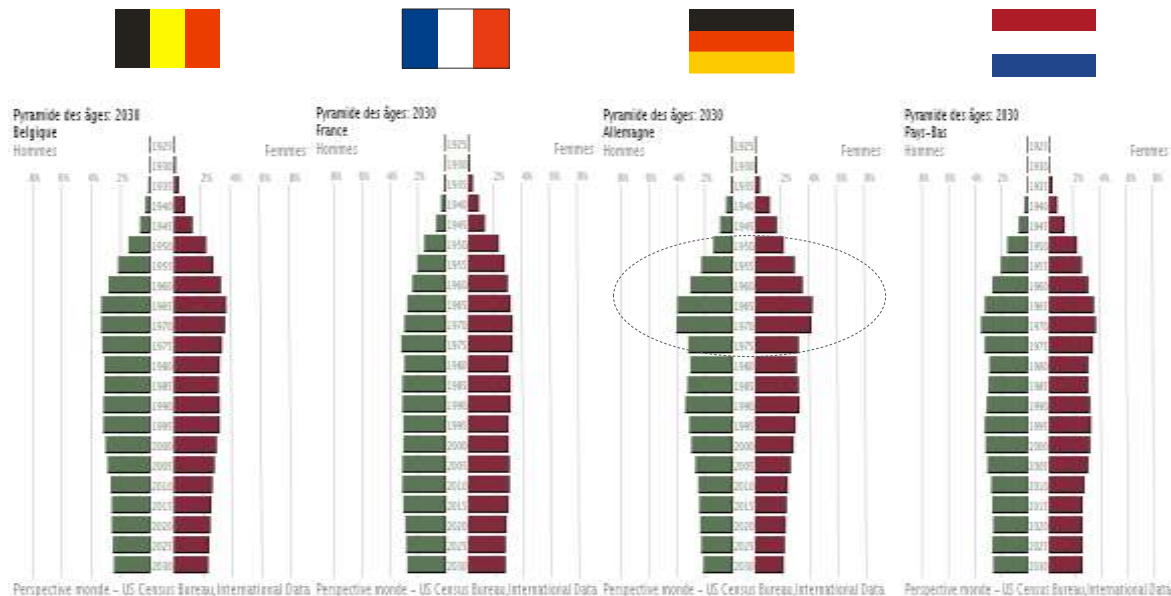


Worldbank: Health expenditure, total (% of GDP)

Intro – Why is there a market for healthcare real estate?

Trend 2 : unfavourable demographic pressures

- Member states' budgetary difficulties will be reinforced by demographic pressures creating funding deficiencies.
- Acuteness of these pressures, however, will vary among countries:

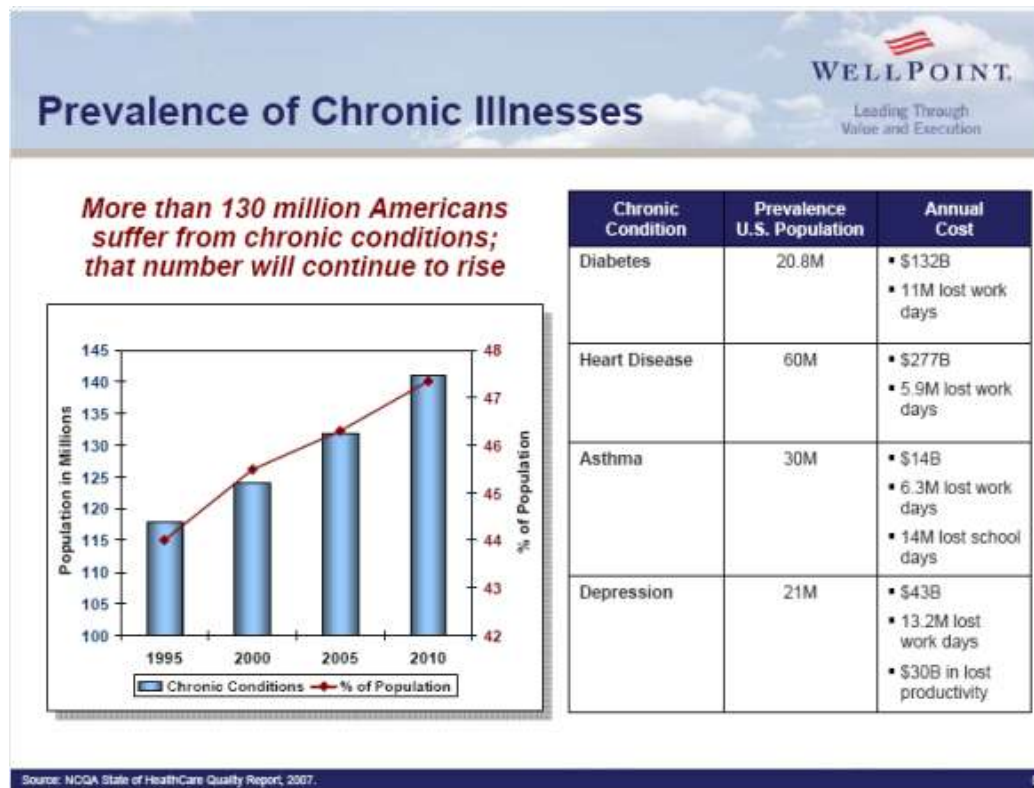


Source: Université de Sherbrooke, Canada

Intro – Why is there a market for healthcare real estate?

Trend 3 : Growth of chronic diseases

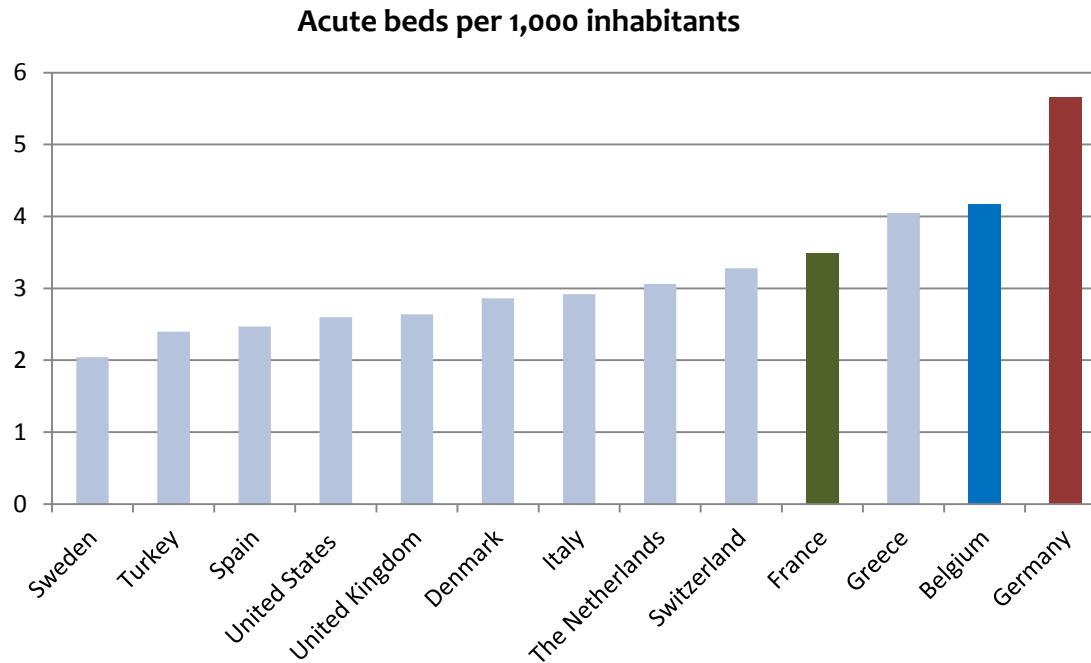
- Changes in lifestyle, demography and life expectation stimulate the growth of chronic diseases.
- Acute hospitals are increasingly maladapted to cope efficiently with new pathologies (psychosomatic, diabetes, acute psychiatry, etc.).





Intro – Why is there a market for healthcare real estate ?

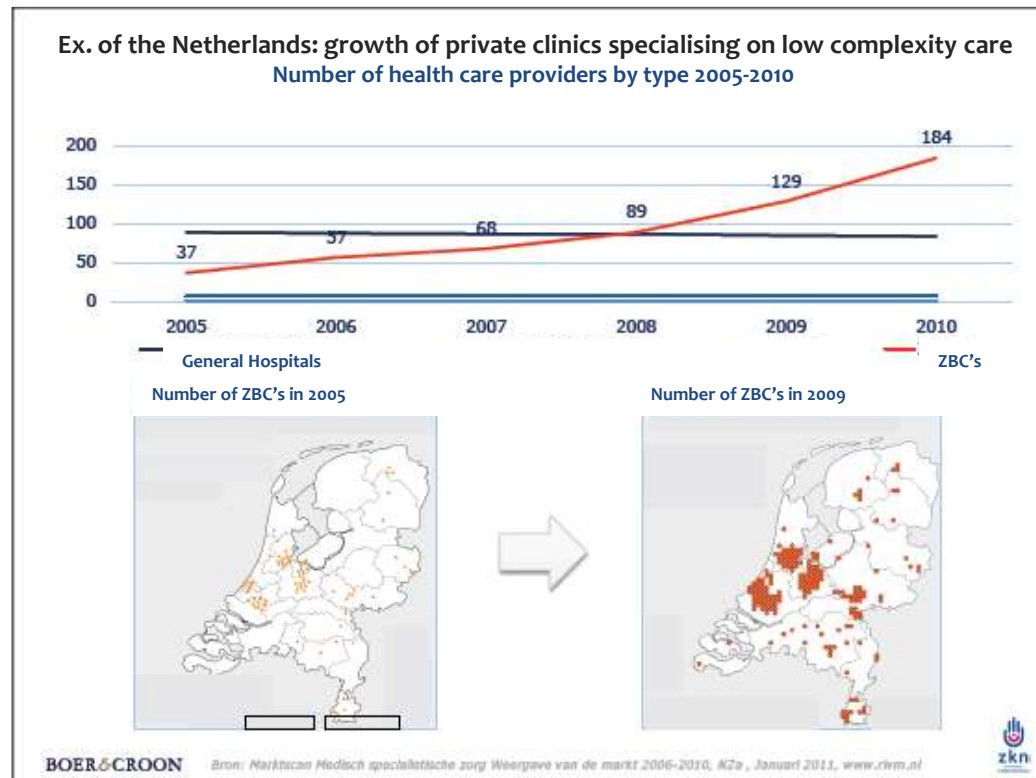
- Solution (among others): reorganising the healthcare supply chain
 - Rationalize acute hospitals through mergers of (expensive) acute care facilities ...



Source: OCDE, 2011

Intro – Why is there a market for healthcare real estate ?

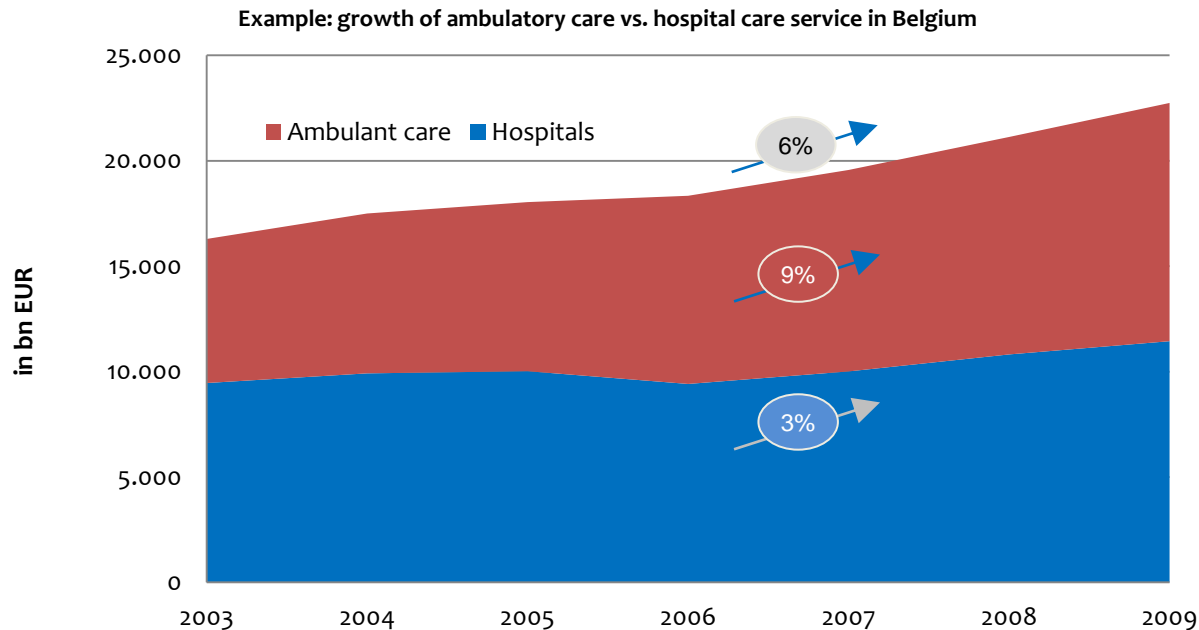
- Solution (among others): reorganising the healthcare supply chain
 - ... and redirect long-term or low complexity care to less costly resp. residential and ambulatory/short-term facilities.



ZBC : Private Clinic
("Zelfstandig Behandel
Centrum")

Intro – Why is there a market for healthcare real estate ?

- Solution (among others): reorganising the healthcare supply chain
 - ... and redirect long-term or low complexity care to less costly resp. residential and ambulatory/short-term facilities.

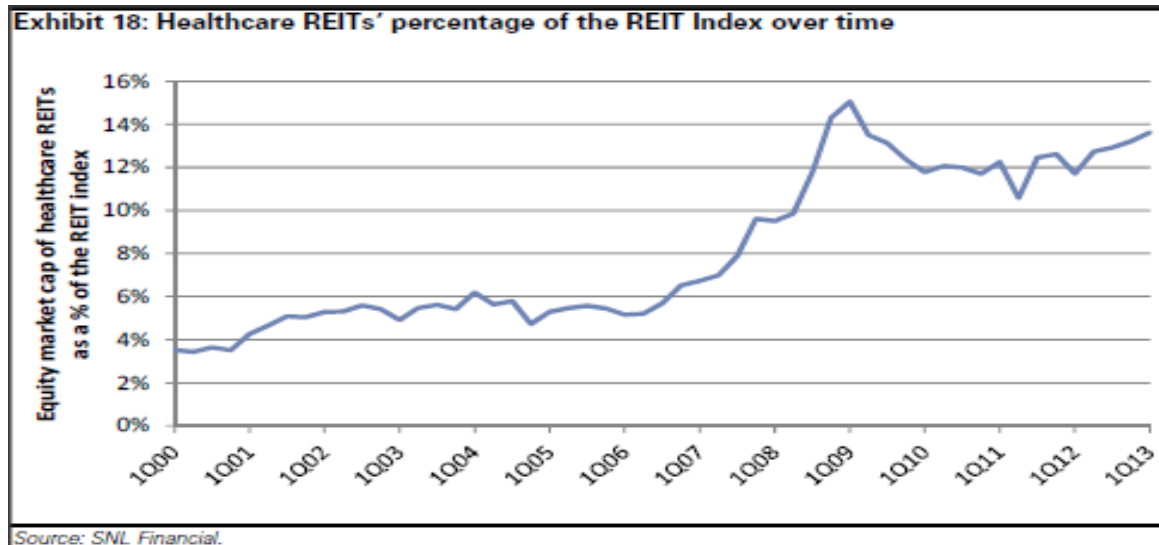


Source: Assuralia 2011

Intro – Why is there a market for healthcare real estate ?

The example of US Healthcare REITs

- Institutional funding of healthcare real estate is a common theme of developed real estate markets
- Cofinimmo's investment strategy is consistent with US healthcare REITs market drivers:
 - NNN leases with operating risk borne by the tenant;
 - Geographical dispersion (across the US);
 - Good assessment of the quality of tenants/operators (modest default rate among operators);
 - Long-term master lease structure.



A. Overview of Cofinimmo's activity in the healthcare segment

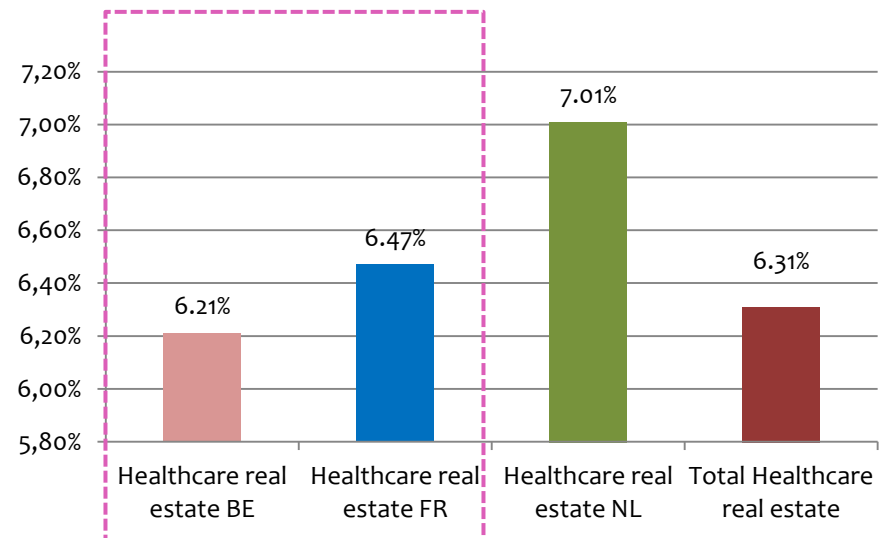
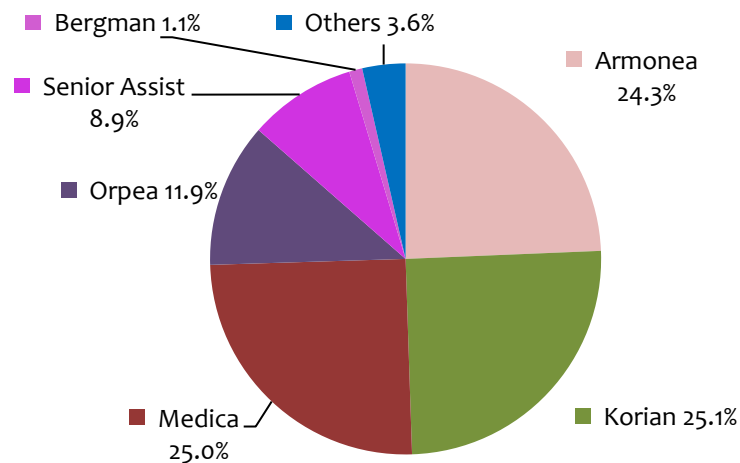
● A portfolio rented to first-rate operators at comfortable yields:

○ Total portfolio Belgium and France: €1,204 million (fair value)

○ Initial lease > 12 years

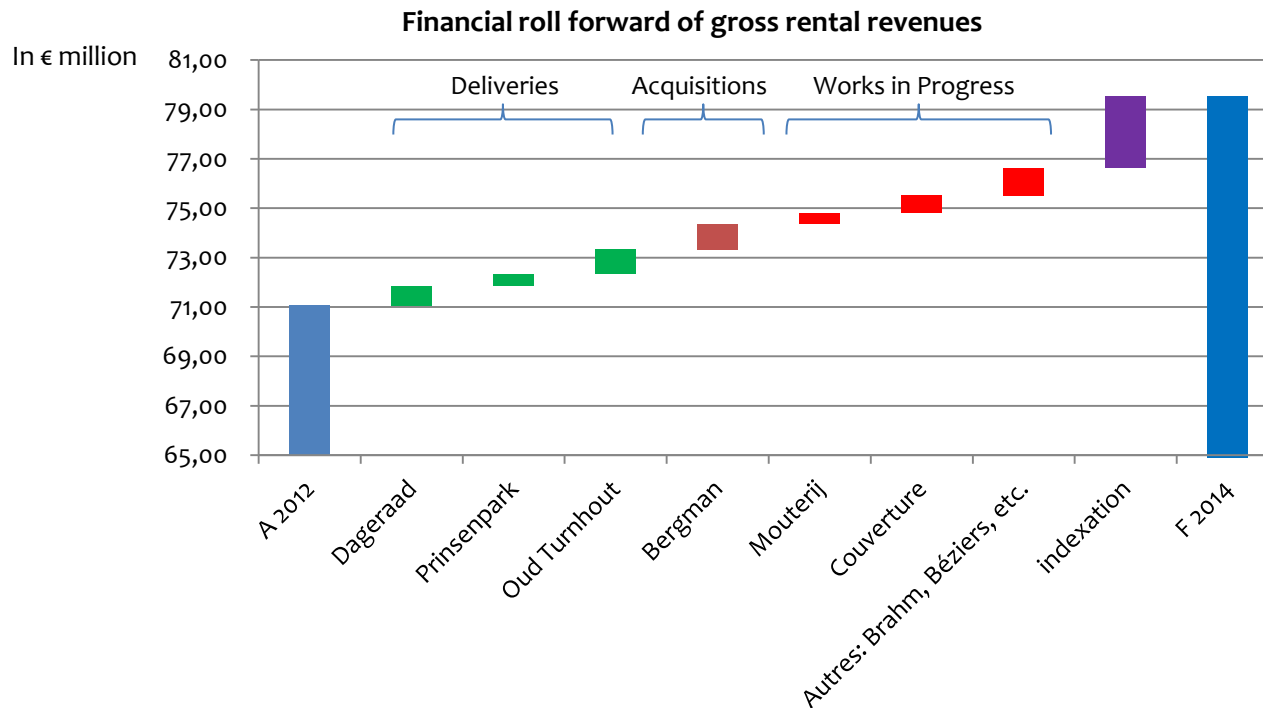
○ 100% occupancy rate

○ Long-term demand potential for elderly care dependent people



A. Overview of Cofinimmo's activity in the healthcare segment (cont'd)

- Growth of the activity primarily driven by organic growth :
 - 12% rental growth between 2012 and 2014
 - of which 1,5% through acquisitions
 - of which 6,5% through own developments (organic growth)



B. Detailed review of activity: Recent deliveries



● Dageraad (Antwerp)

- Size: 5,020m²; 94 beds
- Operated by Armonea
- Investment: €12.7 million
- Delivered in Q2 2013



● Prinsenpark (Genk)

- Size: 5,239m²; extension 65 beds + 22 service flats
- Operated by Senior Living Group
- Investment: €4.1 million
- Delivered in Q2 2013



● t' Smeedeshof (Oud Turnhout)

- Size: 6,543m²; 64 service flats
- Operated by Armonea
- Investment: €14.7 million
- Delivered in Q4 2013



C. Detailed review of activity: Recent acquisitions

● Rijswijk (Province of South Holland)

- Private eye and skin care clinic of 1,933m²
- Expected opening in Q1 2014
- Operated by Bergman Clinics
- Investment: €3.1 million



● Ede (Gelderland)

- Private eye care clinic of 2,663m²
- Expected opening in Q2 2014
- Operated by Bergman Clinics
- Investment: €3.5 million



● Naarden (Province of North Holland)

- Private orthopaedic clinic of 5,800m²
- Operated by Bergman Clinics
- Investment: €11.6million



D. Detailed description of activity: Works in progress



● Couverture (Aalst)

- Size: 7,894m²; 80 beds and 29 service flats
- Operator: Armonea
- Budget of works: €12.75 million VAT included
- To be delivered in Q1 2014



● Mouterij (Aalst)

- Size: 7,643m²; 120 beds and 13 service flats
- Operator: Senior Assist
- Budget of works: €13.98 million VAT included
- To be delivered in Q3 2014



● Vishay (Evere, Brussels)

- Size: 8,565m²; 165 beds
- Operator: Armonea
- Budget of works: €19.15 million VAT included
- To be delivered in Q4 2014



D. Detailed description of activity: Works in progress (cont'd)

● Suzanna Wesley (Uccle, Brussels)

- Size: 4,960m²; 87 beds
- Operator: Armonea
- Budget of works: €16.68 million VAT included
- To be delivered in Q1 2015



● Noordduin (Koksijde)

- Size: 6,440m²; 87 beds
- Operator: Armonea
- Budget of works: €13.21 million VAT included
- To be delivered in Q2 2015



● Frontenac (Bram, France)

- Size: +700 m²; + 8 beds
- Operator: Korian
- Budget of works: €1.56 million VAT included
- To be delivered in Q3 2014



E. Future growth perspectives

Continued organic growth

- The size of the current portfolio offers vast opportunities of extensions in current assets

The Netherlands

- Growing market of specialized private clinics with costs of care 100% funded by health insurers
- Low competition from banks or institutional investors
- Long-term leases > 15 years; Yields > 7%
- Already 3 acquisitions with Bergman Clinics for a total investment value of €18.2 million

Germany

- Geographically large market with rapidly growing needs for geriatrics and rehabilitation (German demography)
- Operators at eve of consolidation and rationalisation of real estate
- Long-term leases > 20 years, Yields > 7%
- Necessity to find operator/tenant with good signature and ambition to grow on the long term



E. Future growth perspectives - examples

● Eindhoven, acquisition (South of Holland)

- Private clinic of 3,046m² and 44 parking lots
- Expected opening in Q2 2015
- Operated by Equipe Eindhoven B.V.
- Investment: €4.6 million
- Under restriction of permit procurement



● Debussy, extension (Carnoux, France)

- Size: +1,370m²; +20 beds
- Operator: Medica
- Budget of works: €4.02 million VAT included
- To be delivered in Q4 2015



● Les Lubérons, extension (Le-Puy-Sainte-Réparate, France)

- Size: +1,400m²; +25 beds
- Operator: Korian
- Budget of works: €3.6 million VAT included
- To be delivered in Q4 2015





Q&A





Public - Private Partnerships

23rd January 2014

Presentation by Yeliz Bicici,
Deputy Head of Development

*together
in real estate*

A favourable environment

- **Growing market due to increasing need of purpose-built facilities for public authorities & public financing:**
 - Police stations, prisons,
 - Schools, student housing,
 - Public nursing homes,...
- **Sizeable projects often in the form of Public-Private Partnerships:**
 - Public tenders (PPP & Promotion contracts);
 - Financing: banks and life insurance companies;
 - Long-term cash flows;
 - Accumulated know-how, network and expertise.





Cofinimmo's Public-Private Partnerships

A PPP portfolio of ca. €450 million, comprised of 6 purpose-built facilities:



Court of Justice - Antwerp



Police Station - Dendermonde



Police Station - HEKLA



Student housing - Brussels



Fire station - Antwerp



Prison - Leuze-en-Hainaut (projected situation)



Cofinimmo's rationale for investing in PPPs

- **Large growth potential due to financing needs of the public sector**
- **Low volatility of income**
 - Long-term lease contracts with fixed rent levels, fully indexed
- **Limited real estate risk**
 - Maintenance obligation regulated & paid by tenant
 - Clear risk allocation
 - Often no residual Value
- **Limited solvency risk**
 - Credit risk on a public entity but secured by real estate rights
 - Federal state guarantees
 - BEI involvement in large projects
 - Target IRR of approximately 10% for an equity stake
- **Continuous diversification**



Cofinimmo's returns on PPPs

DBFM (Design-Build-Finance-Maintain) contracts

- Expected net returns (IRR) of **8 to 12%** on long term investments (generally 2 years of construction + 25 year lease & maintenance)
- Most appropriate for large scale or very specific projects

Promotion contracts (possibly with residual value)

- Leases of minimum 18 years with **different exit possibilities**:
 - option for tenant to buy at fair market value;
 - renewal of lease contract;
 - full ownership goes back to tenant.
- A promotion contract valuation model is similar to an office or healthcare property valuation model, with IRRs of **6% to 7%**, tending to the WACC.



Recent transaction: Police station in Dendermonde

- Construction works delivered end of March 2012;
- Tenant: Buildings Agency (Belgian Federal State);
- Occupant: Federal Police;
- Investment value: €15.57 million, land included;
- 18 year-lease starting on 01.04.2012;
- Rent indexed annually;
- Initial gross yield: 7%;
- 3 exit options :
 - Renew lease for min 3 years;
 - Vacate the premises;
 - Buy the building;
- Excellent energy performance: E12/K20 (legal requirements: E100/K45).





Recent transaction: Student housing residence in Brussels

- Cofinimmo winner of Brussels University (“ULB”) tender for a Public-Private Partnership for “works and services relating to student residence buildings” in April 2012;
- Concerns 2 buildings:
 - “Courses”: 242 rooms, to be renovated fully;
 - “Depage”: 104 rooms, no immediate renovation;
- Long lease right (“emphytéose”) of 27 years granted by owner ULB to Cofinimmo;
- Cofinimmo signed lease with ULB who rents both buildings for 27 years - at the end of the lease, the full ownership of the buildings reverts to the ULB;
- Annual rent: €1.21 million, indexed annually;
- Cofinimmo responsible for technical maintenance;
- Total investment for renovation of “Courses” building: €14.2 million – works delivered in September 2013;
- IRR: 7,10%.





Case study: Prison in Leuze-en-Hainaut





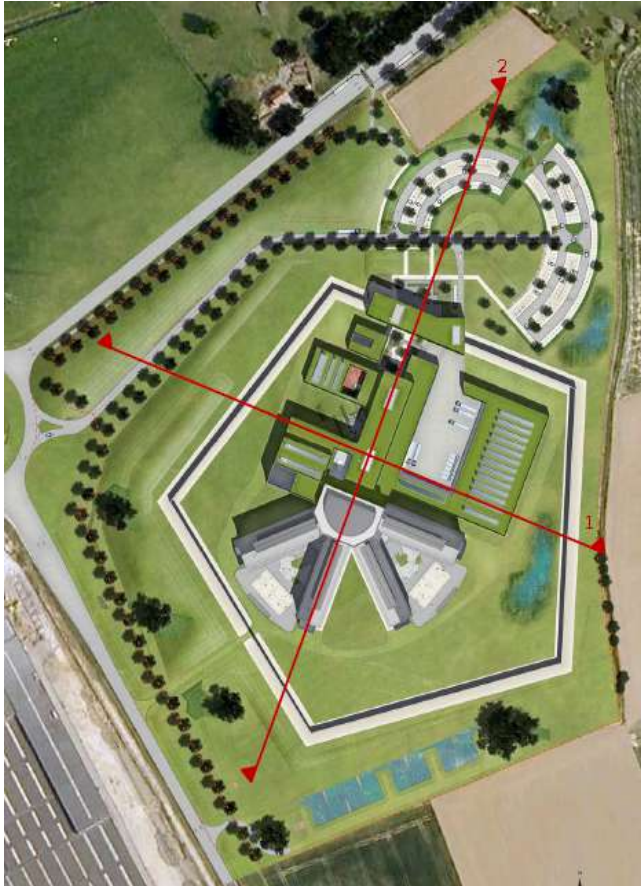
Case study: Prison in Leuze-en-Hainaut

- DBFM (Design–Build–Finance–Maintain) contract;
- Works to be delivered in Q2 2014;
- Lease length: 25 years;
- Tenant: Buildings Agency;
- Annual rent: €7.4 million, indexed annually;
- Cofinimmo responsible for maintenance;
- At end of lease, transfer of ownership to Buildings Agency free of charge;
- Total estimated investment: €104 million;
- Expected IRR: 10%.





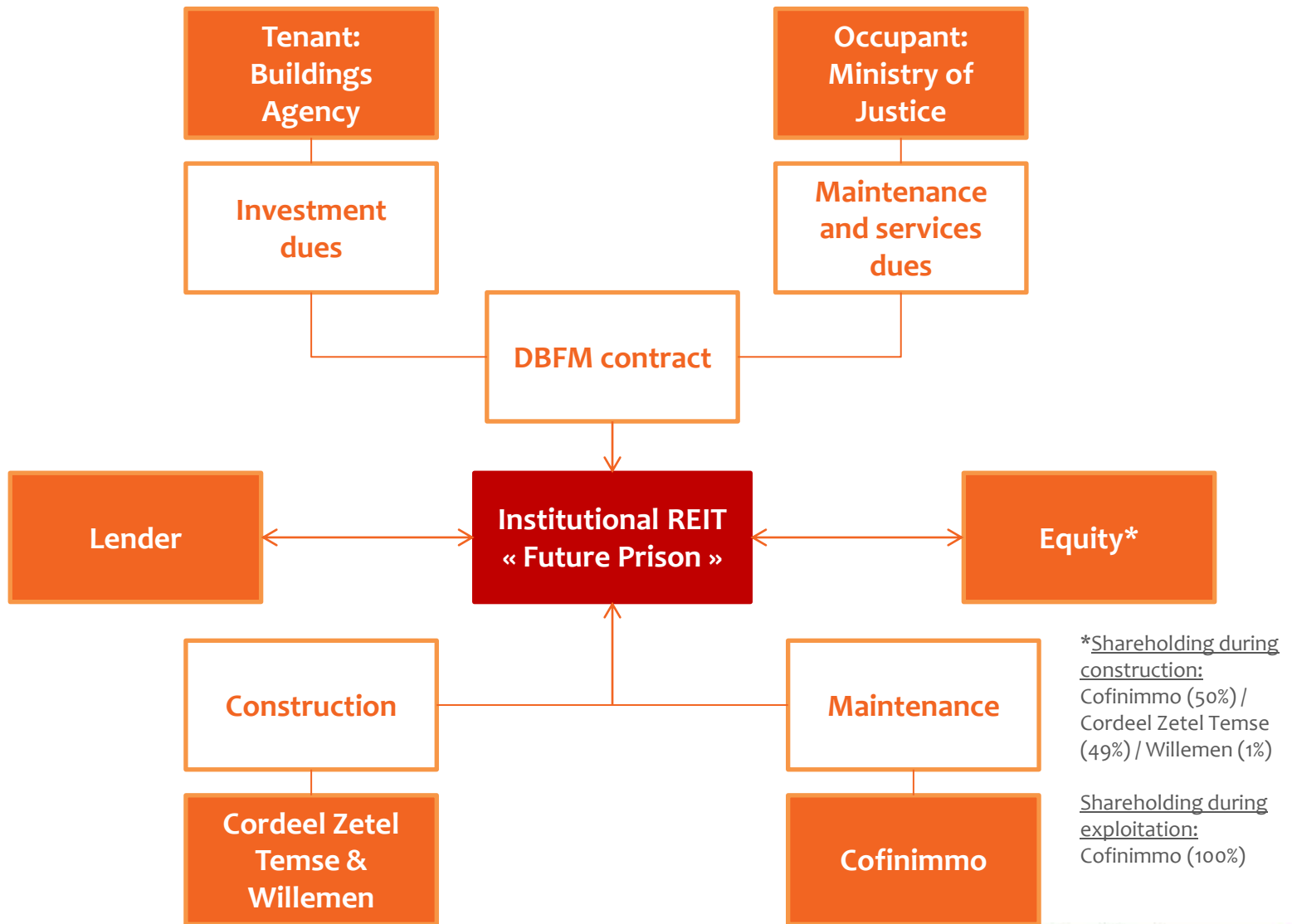
Case study: Prison in Leuze-en-Hainaut



- Institutional Sicafi/Bevak “Future Prison”:
 - Shareholding during construction:
 - Cofinimmo: 50%;
 - Cordeel Zetel Temse: 49%;
 - Willemen: 1%;
 - Shareholding after construction/during exploitation:
 - Cofinimmo: 100%;
- At delivery of works, **sale of 90% of the receivables;**
- Remaining 10% of receivables to cover maintenance costs.



Case study: Prison in Leuze-en-Hainaut





Case study: Prison in Leuze-en-Hainaut

- Maintenance
 - Technical maintenance, including monitoring
 - Life cycle analysis
 - Back-to-back contracting, except duration
 - **25 year** contract

- Facility services
 - Catering
 - Laundry
 - Waste
 - Back-to-back contracting, except duration
 - Installation included
 - **5 year** renewable contract

- Service Level Agreements
 - Optimal maintenance planning and organisation



Q&A

