

# Cofinimmo

## Results 3Q2014

Roadshow presentation



# Company profile

Office building Loi/Wet 57 – Brussels (BE)



Nursing home Damiaan – Tremelo (BE)

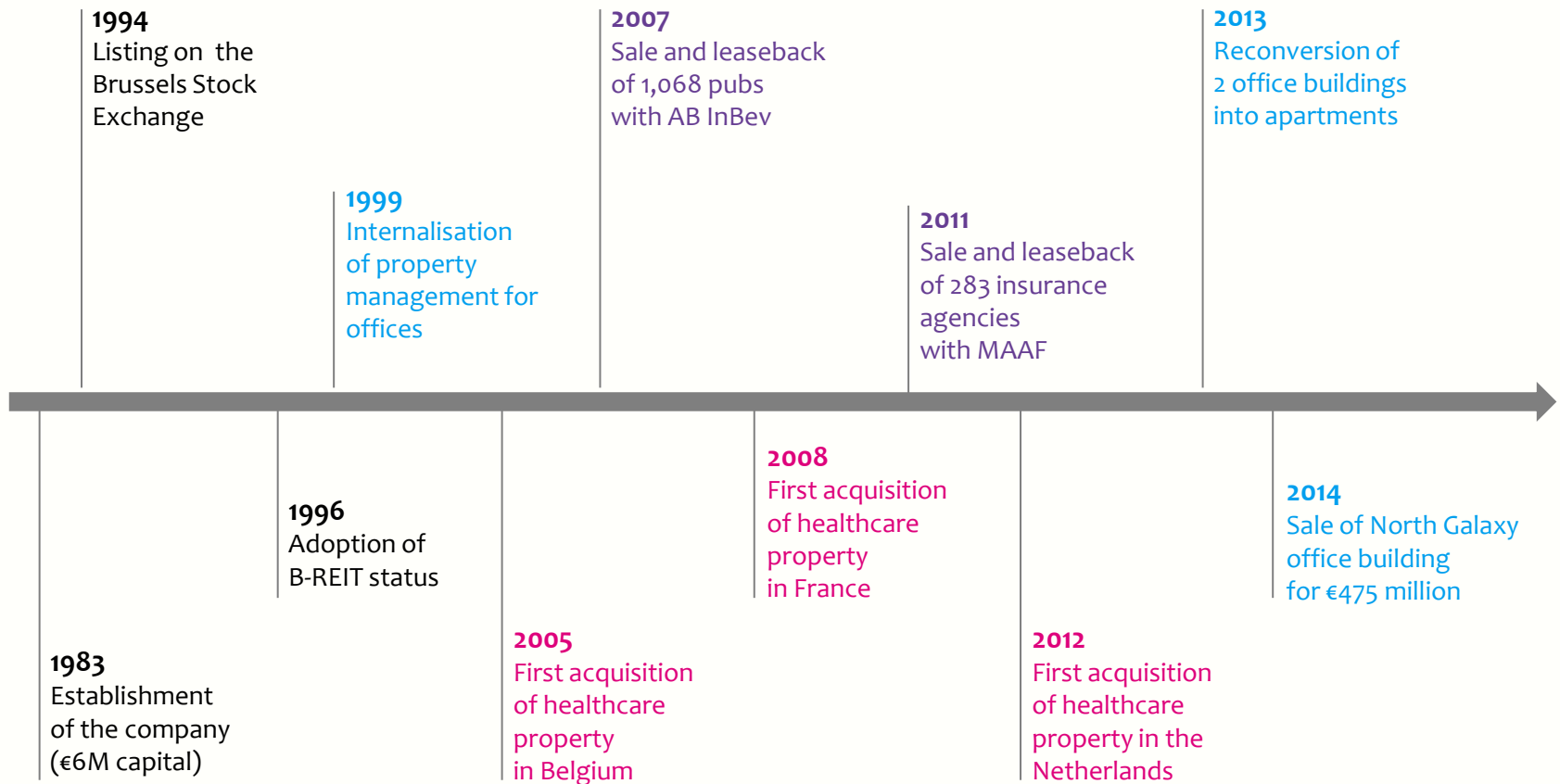




# Cofinimmo in a nutshell

- Leading Belgian listed Real Estate Investment Trust (REIT) exposed to:
  - the **office** property market in Brussels
  - **healthcare** real estate in Belgium, France and the Netherlands
  - property of **distribution networks** in Belgium, France and the Netherlands
  - **Public-Private Partnerships** in Belgium
- Total portfolio fair value of > €3 billion
- SIR status in Belgium, SIIC status in France and FBI status in the Netherlands
- Internal real estate management platform with 110 employees
- Total market capitalisation at 31.10.2014: €1.6 billion
- Included in major indices: BEL20, EPRA Europe and GPR 250

# 30 Years of experience in real estate



# Balanced portfolio with moderate risk profile

1

Asset rotation

Disposal of non-strategic assets

+

Reconversion of office buildings into residential units

+

Upgrade of existing office portfolio

2

Investment opportunities

Healthcare assets in new and existing markets

+

New distribution networks

+

Purpose-built facilities for public authorities

3

Balance sheet optimisation

Financing accretive investments with debt and equity

+

Regular access to capital markets

+

Target debt ratio 45% - 50%

# Portfolio



Park Lane office park – Brussels (BE)

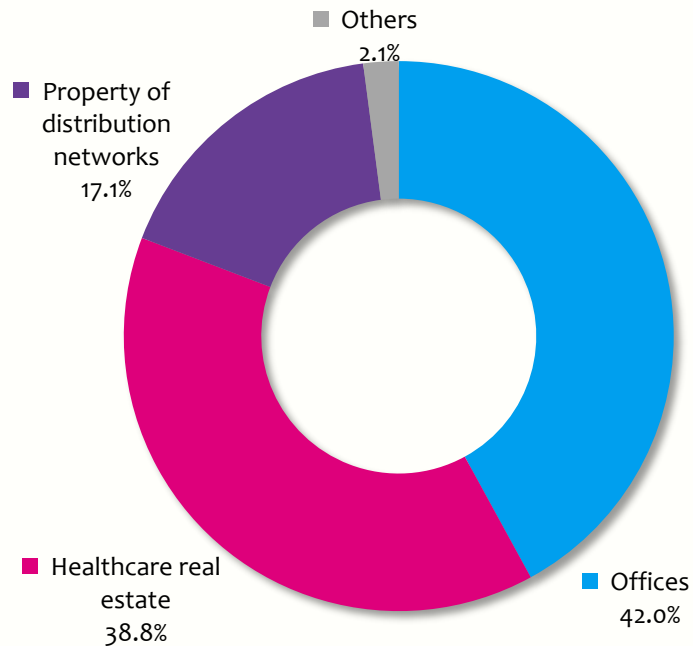


Nursing home 7 Voyes – Vedrin (BE)

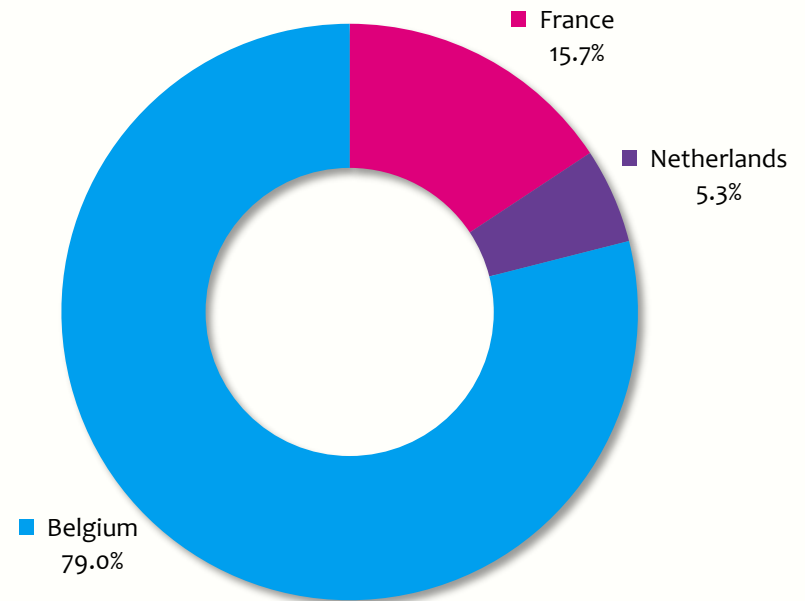
# Portfolio at 30.09.2014

Fair value of total portfolio: 3,120.4 million

Portfolio breakdown by segment:



Portfolio breakdown by location:



# Portfolio valuation at 30.09.2014 (1)

Gross yield: 6.97%

Net yield: 6.53%

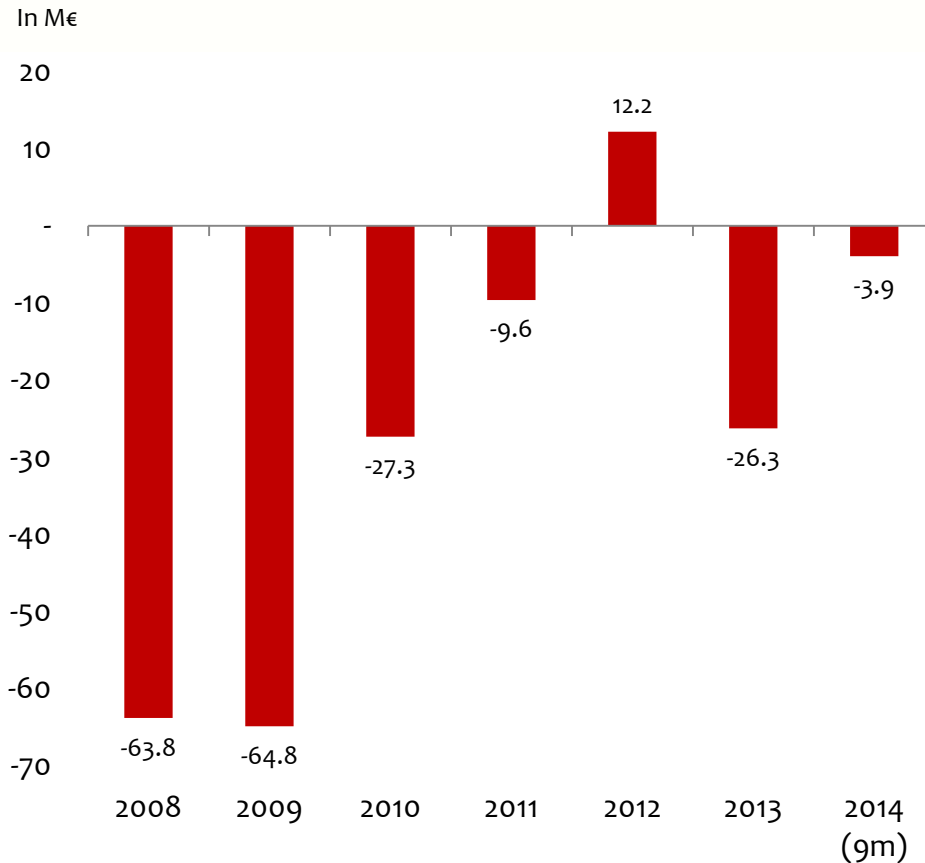
	Gross yield	Direct Costs	Net yield
Offices	7.80%	0.86%	6.94%
Healthcare	6.27%	0.05%	6.22%
Distribution	6.60%	0.27%	6.33%
Others	6.67%	0.56%	6.11%
<b>Total</b>	<b>6.97%</b>	<b>0.44%</b>	<b>6.53%</b>

	Gross yield 30.09.2014	Gross yield 2013	Gross yield 2012	Gross yield 2011	Gross yield 2010
Offices	7.80%	7.77%	7.69%	7.54%	7.44%
Healthcare	6.27%	6.31%	6.32%	6.28%	6.28%
Distribution	6.60%	6.61%	6.62%	6.7%	6.61%
Others	6.67%	7.06%	7.20%	7.43%	7.15%
<b>Total</b>	<b>6.97%</b>	<b>7.03%</b>	<b>7.01%</b>	<b>6.98%</b>	<b>6.98%</b>



# Portfolio valuation at 30.09.2014 (2)

2008 – 3Q2014 Unrealized gains/losses on portfolio:



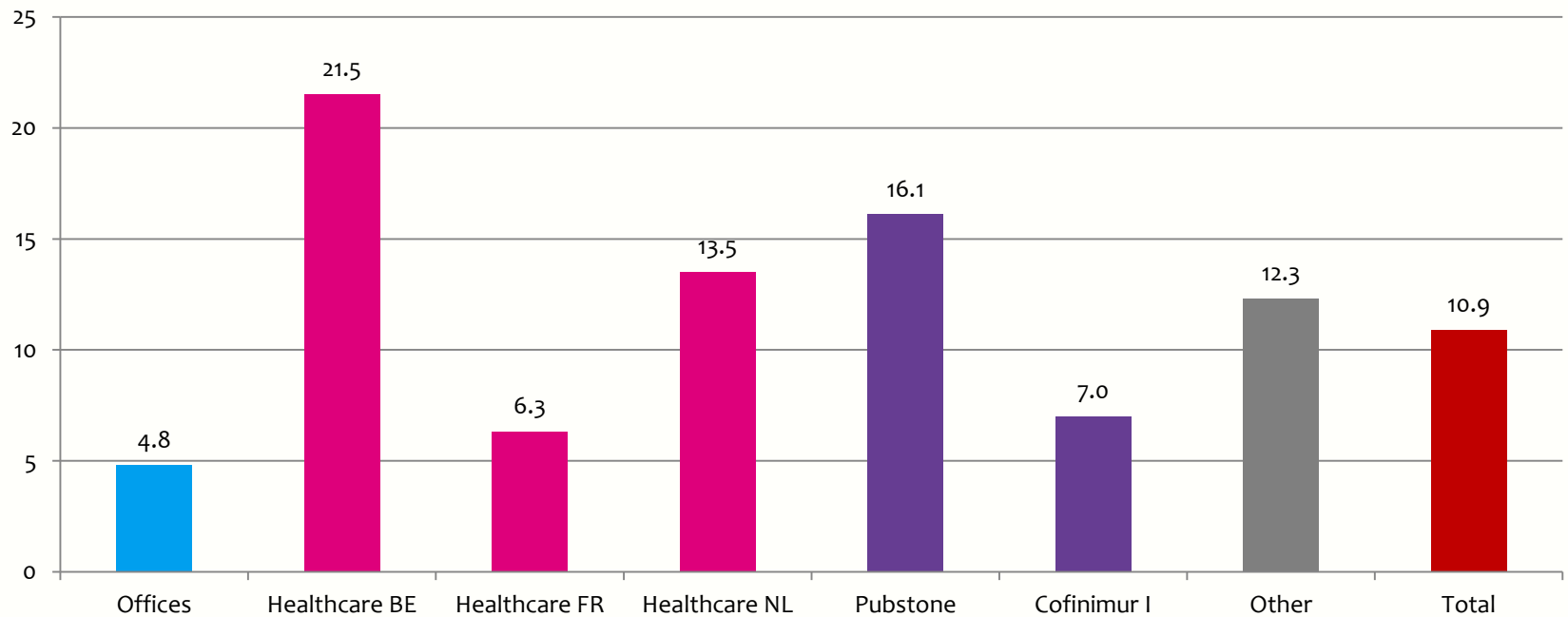
Unrealized gain/loss on a like-for-like basis: -0.1%

	Unrealised gain/loss 2014 (9m)
Offices	-1.0%
Healthcare	0.4%
Belgium	0.6%
France	0.3%
Netherlands	-2.0% <sup>1</sup>
Distribution	0.1%
Pubstone	-0.2%
Cofinimur I	1.1%
Others	5.7%
Total	-0.1%

# Key operational figures at 30.09.2014 (1)

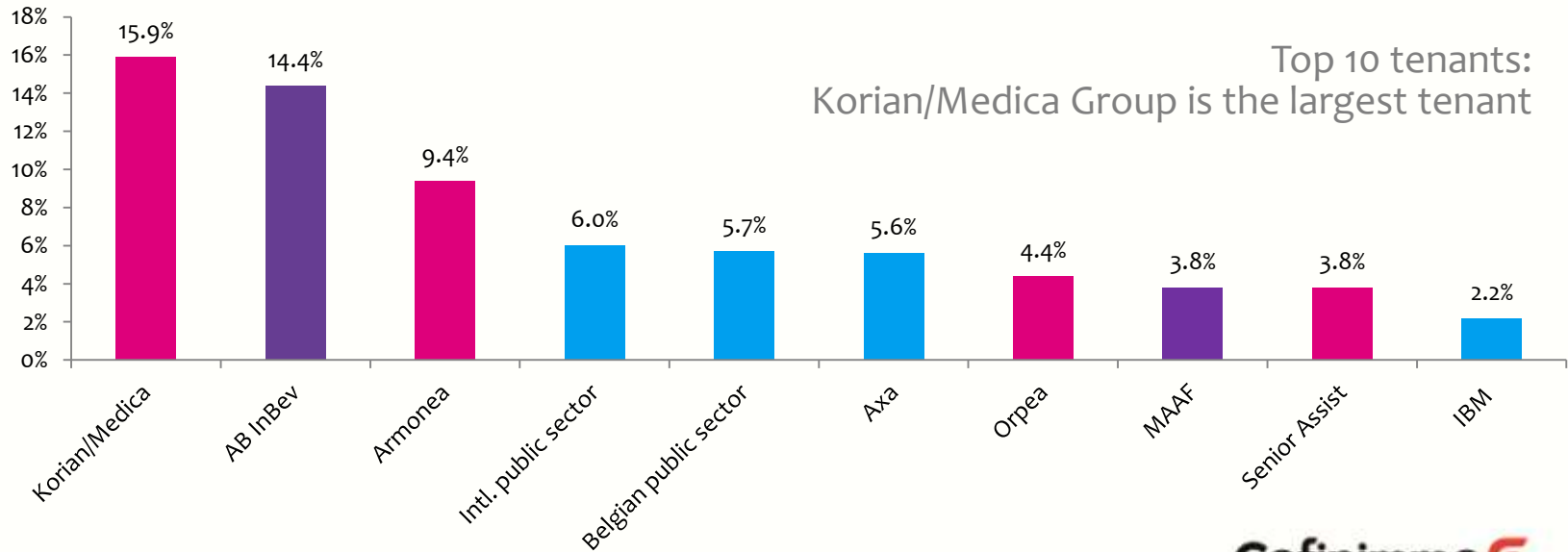
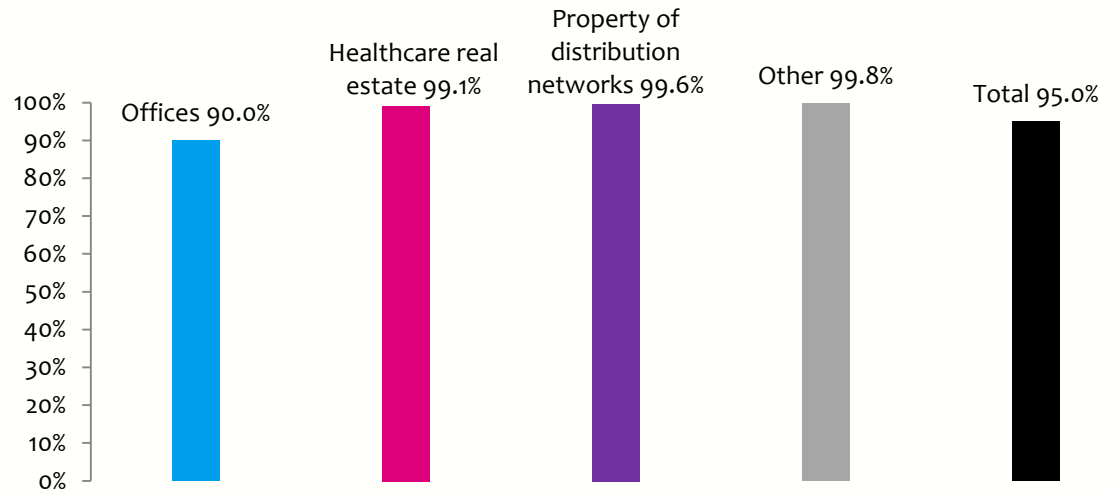
Average residual lease length: 10.9 years

In years



# Key operational figures at 30.09.2014 (2)

Occupancy rate:



# Operational events

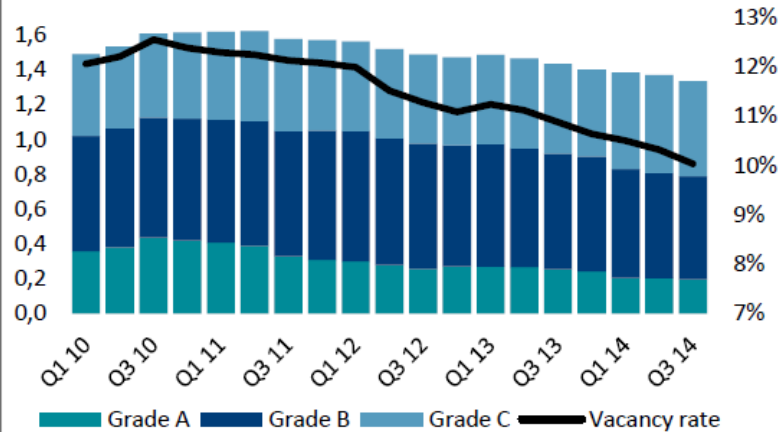


Office building Souverain/Vorst 23-25 – Brussels (BE)



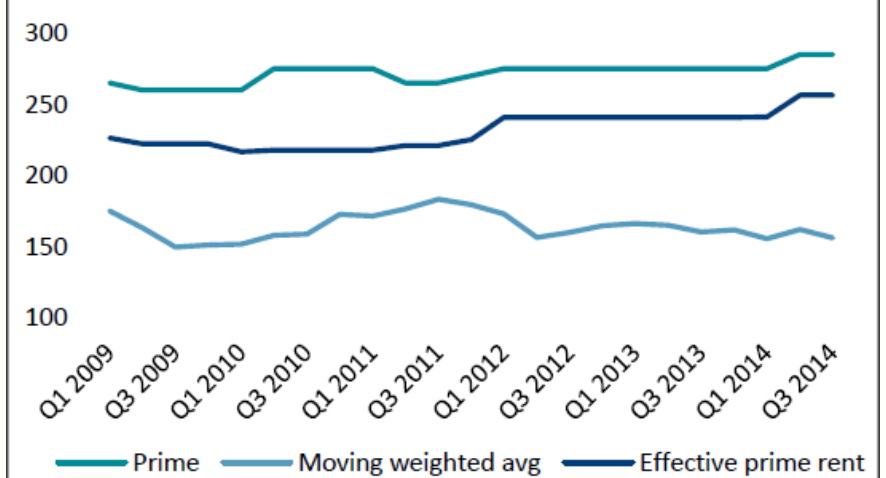
# Brussels office market update

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



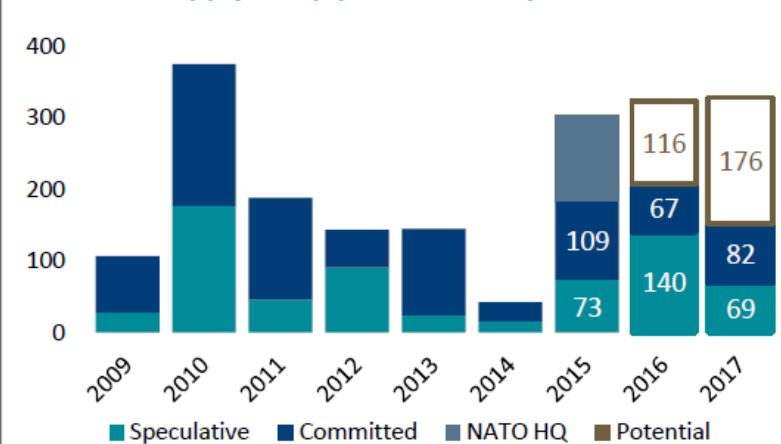
Source: DTZ Research

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

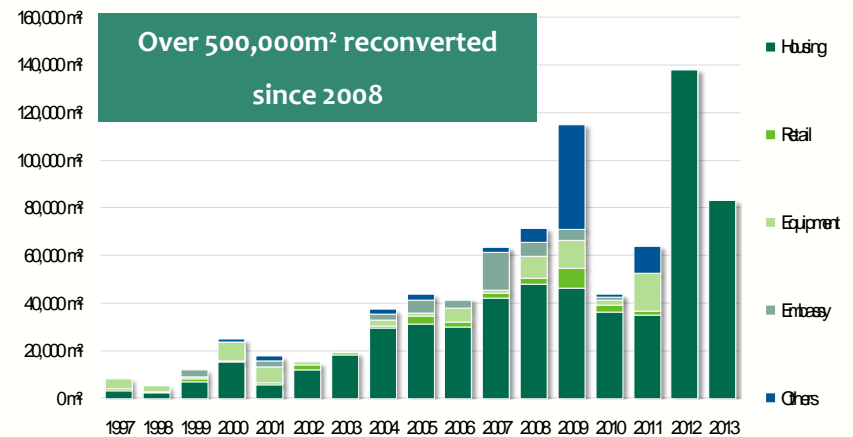


Source: DTZ Research

Office new supply and pipeline, 000s sq m



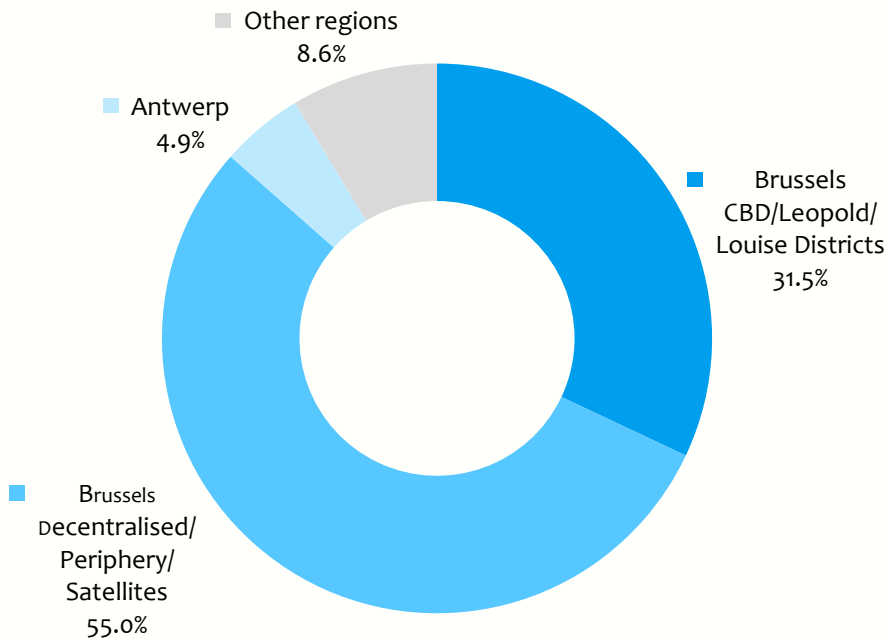
Source: DTZ Research



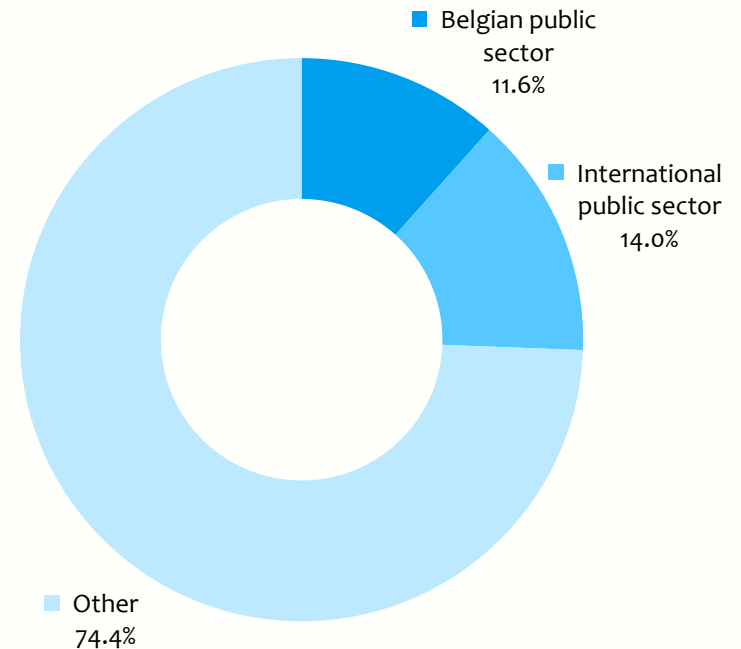


# Office portfolio at 30.09.2014

Office portfolio breakdown by location:



Office portfolio breakdown by type of tenant:





# Letting activity

## Letting of Livingstone II (17,000m<sup>2</sup>) in Brussels CBD to the European Commission

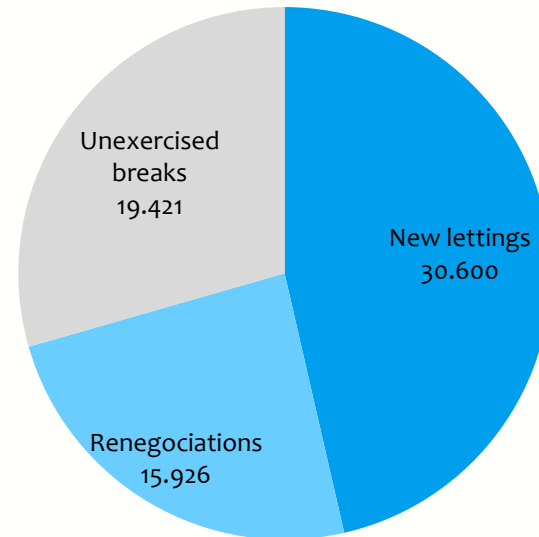
- Renovation works delivered in August 2014 - €21 million
- 15-year lease, beginning on 14.08.2014 - Annual rent: €2.7 million

## Year-to-date letting activity

- During the first 9 months of 2014, Cofinimmo signed leases for 46,500m<sup>2</sup> of office space, i.e. €56.4 million of guaranteed revenues, net of rent-free periods.



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





# Divestments in the office segment

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

Office buildings North Galaxy – Brussels (BE)



## Sale of the North Galaxy building

- Sale of all shares in Galaxy Properties SA/NV, owner of the North Galaxy building, for €7 million
- Price agreed for building of €475 million, 22% above acquisition value (€390 million in 2005)
- IRR of 15% when including the financing mode of the acquisition (sale of lease receivables) and 7% on an unleveraged basis
- Consequences:
  - Reduction of office share in total portfolio from 45.6% to 42.0%
  - Reduction of forecasted debt ratio at end 2014 from 49.1% to 47.5%
  - Forecasted 2014 net current result (excl. IAS 39 impact) unchanged at €6.61 per share thanks to the restructuring of financial instruments

## Sale of the Montoyer 14 building – Brussels CBD

- Price agreed of €13 million, above investment value





# Office renovation projects

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

- Renovation - €14 million
- Expected end of works 3Q2015
- Lease signed for 45% of space after works
- Marketing of remaining 55% underway

## Belliard 40 – Brussels CBD (20,000m<sup>2</sup>)

- Construction of new building with offices, residential units and retail - €42 million
- Expected duration of works: 2 years
- Marketing underway

## Sovereign – Decentralised Brussels (56,000m<sup>2</sup>)

- Axa to vacate in August 2017
- Residential development on adjacent plot of land:
  - 100 units to be put up for sale
  - Expected start of works 4Q2015





# Office reconversion projects into residential

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

- Reconversion of offices to 69 apartments - €13 million
- Apartments are put up for sale - Price: €3,300/m<sup>2</sup>
- Expected end of works: 1Q2015 – 86% already sold or reserved

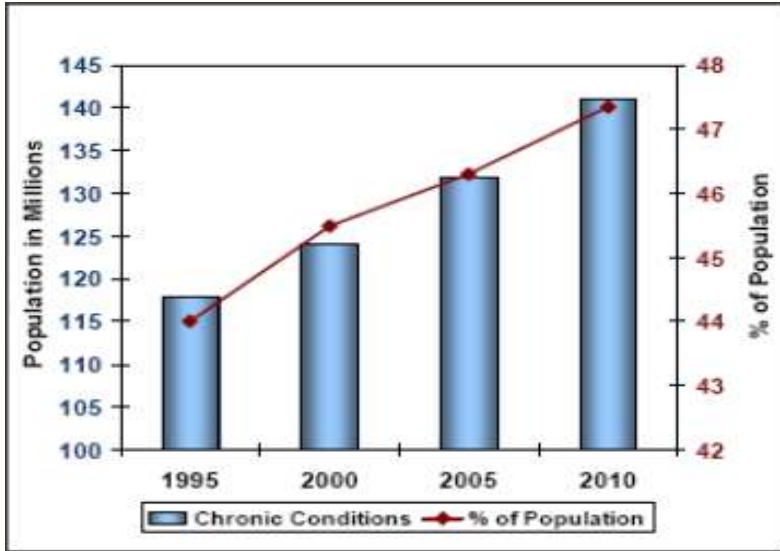
## Livingstone I – Brussels CBD (17,000 m<sup>2</sup>)

- Reconversion of offices to 122 apartments - €24 million
- Apartments are put up for sale – Fixed price guaranteed by co-developer
- Expected end of works: 1Q2015 – 63% already sold or reserved



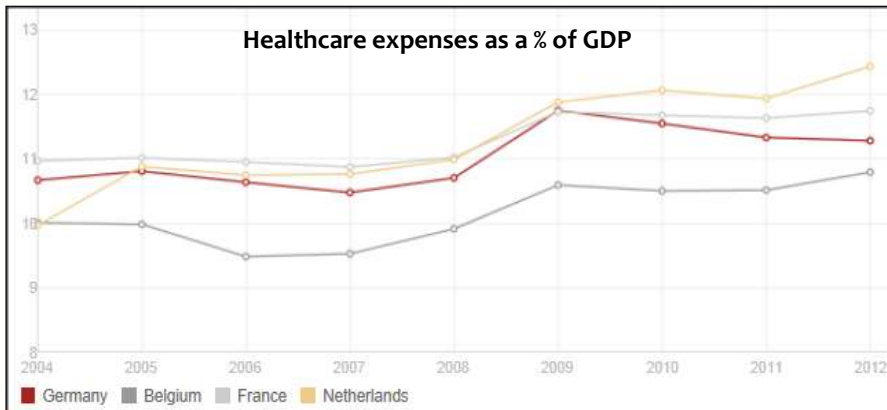
# Healthcare market (1)

## Increasing importance of chronic diseases



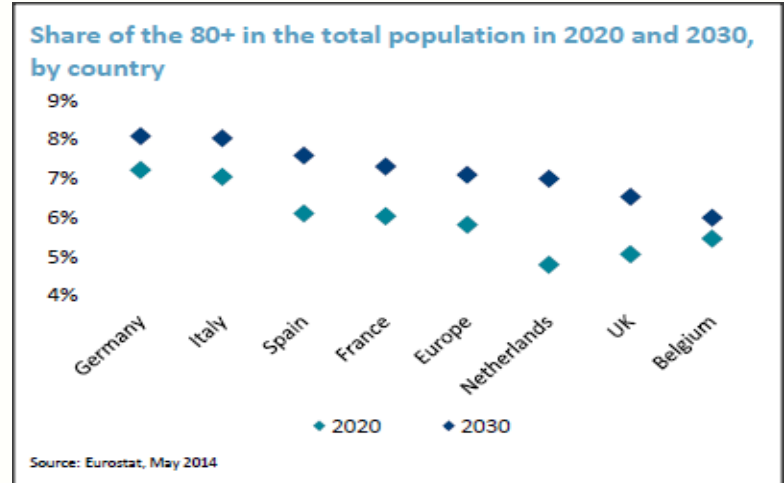
Source: NCQA State of Healthcare Quality Report 2007

## Increasing share of healthcare in national budgets



Source: World Bank

## Ageing population



Source: Eurostat, May 2014

## Complementary needs in terms of beds in the selected countries

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

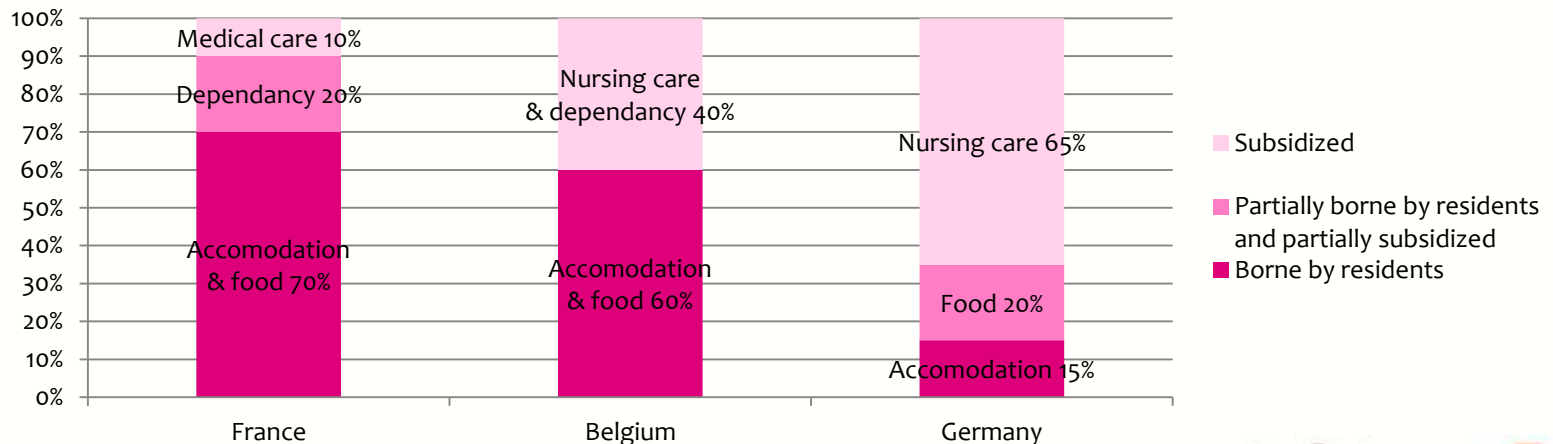
Source: Eurostat, OECD, DTZ

# Healthcare market (2)

## Breakdown of social security systems:

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

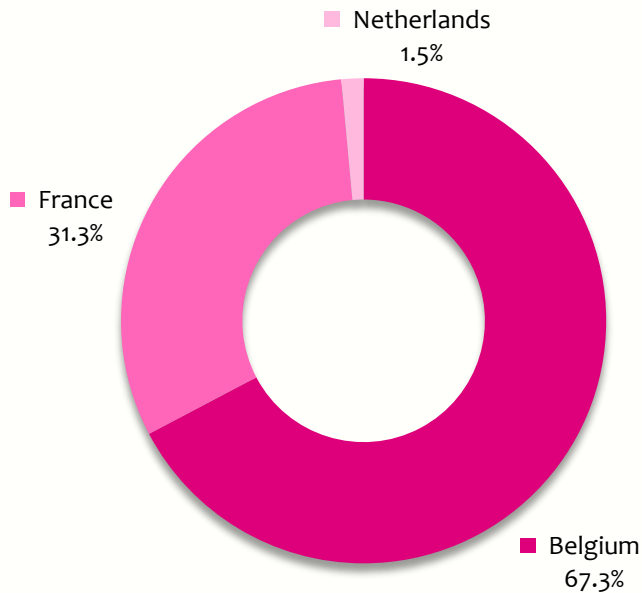
## Breakdown of operators' costs:



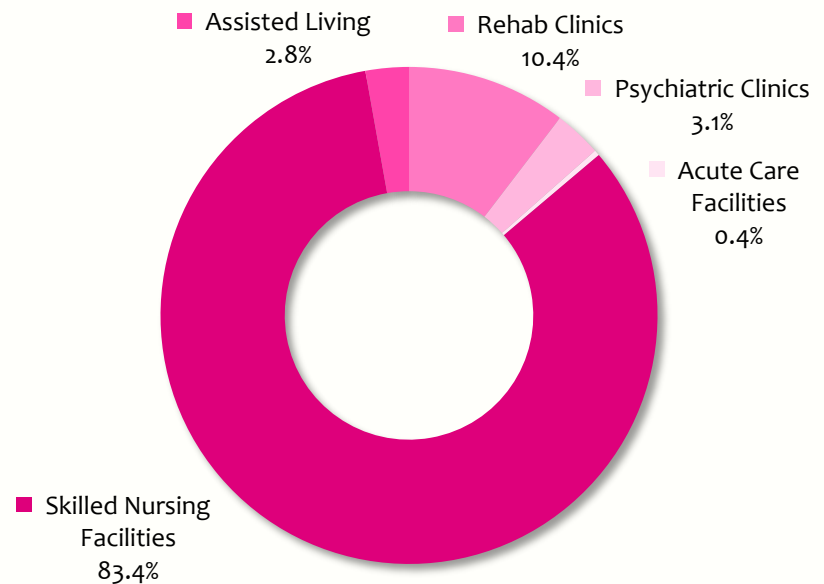
# Healthcare portfolio at 30.09.2014 (1)

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

Healthcare portfolio breakdown  
by location:



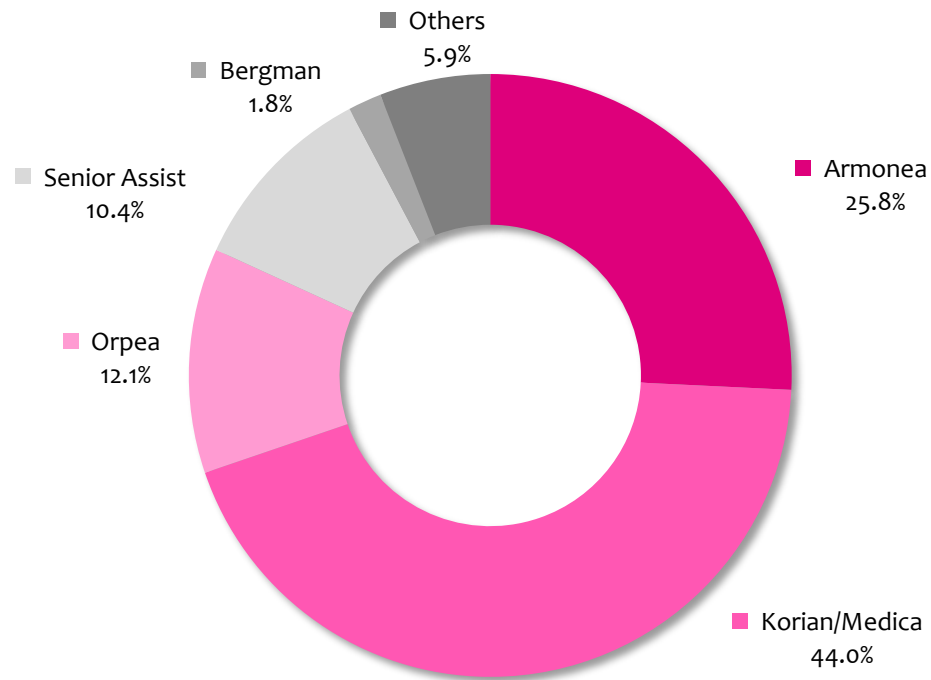
Healthcare portfolio breakdown  
by medical specialty:



# Healthcare portfolio at 30.09.2014 (2)

A portfolio 100% rented to first-rate operators

Healthcare portfolio breakdown  
by operator:



# Investments in the healthcare segment (1)

## Lakendal – Aalst (BE)

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

## De Mouterij – Aalst (BE)

- New construction of 7,643m<sup>2</sup>
- 116 beds and 12 service flats
- Operator : Senior Assist
- Cost of works: €13.9 million
- Initial yield<sup>1</sup>: 6.85%

## Damiaan – Tremelo (Flanders)

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



NH Lakendal - Aalst (BE)



NH Damiaan – Tremelo (BE)

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

## Investments in the healthcare segment (2)

### Les Jours Heureux – Lodelinsart (BE)

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

### Rijswijk (NL)

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

### Ede (NL)

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



NH Les Jours Heureux –  
Lodelinsart (BE)



Eye care clinic – Ede (NL)

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



# Acquisition in the healthcare segment

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

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

## About operator Handra:

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



# Disposals in the healthcare segment

## Disposal of 6 EHPAD and 1 psychiatric clinic in France

- Total price of €46.8 million:
  - Above investment value at 31.12.2013

## Rationale

- Optimising the composition of the portfolio by:
  - selling mature or non-strategic assets;
  - reinvesting the funds in new assets.
- Elements taken into account:
  - Age, size and location of the asset;
  - Operating performance of the asset (profile of operator, occupancy level by residents, pricing to residents, rent cover,...);
  - Residual lease length.





# Property of distribution networks

## Pubstone

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

- 804 pubs BE + 245 pubs NL - Total value: €422.4 million
- 1 tenant : AB InBev - no direct relationship with pub operators
- Initial lease length: 23 years - Fixed rent, indexed annually
- At 30.09.2014:
  - Gross yield: 6.6%
  - 27 pubs sold since acquisition, with average realized gain of 33.1%

## Cofinimur I

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

- 279 insurance branches FR - Total value: €111.8 million
- 1 tenant : MAAF - no direct relationship with agency operators
- Initial lease length: 9.7 years - Fixed rent, indexed annually
- At 30.09.2014:
  - Gross yield: 6.8%
  - 7 agencies sold since acquisition, with average realized gain of 4.6%



# Public-Private Partnerships

## New prison of Leuze-en-Hainaut

- Delivery of construction works in June 2014
- 25-year lease with Buildings Agency - Annual rent: €12.1 million
- At end of lease: transfer of building to Buildings Agency
- Net investment for Cofinimmo: €12.4 million
- Expected IRR: 10%



# Financial results

Office building Meeus 23 – Brussels (BE)



Nursing home De Mouterij - Aalst (BE)



# Like-for-like rental growth

1.0% like-for-like rental increase, driven by indexation and new lettings

	Gross rental revenues 30.09.2014 (x € 1,000,000)	Gross rental revenues 30.09.2013 (x € 1,000,000)	Growth (%)	Like-for-like growth (%)
Offices	58.4	60.0	-2.6%	0.8%
Healthcare RE BE	36.5	34.6	5.2%	1.2%
Healthcare RE FR	20.6	21.5	-4.1%	0.2%
Healthcare RE NL	0.9	0.6	49.9%	2.9%
Property of distribution networks	28.6	28.3	1.8%	1.8%
Others	3.4	3.4	-1.2%	1.0%
<b>Total</b>	<b>148.4</b>	<b>148.4</b>	<b>0.0%</b>	<b>1.0%</b>

- Positive contribution of indexation (+1.2%) and new lettings (+1.4%)
- Negative reversion due to renegotiations (-0.4%) and departures (-1.2%)

# Results on 30.09.2014

(x €1,000,000)	30.09.2014	30.09.2013
Property result (rental income - costs of vacancy)	157.8	162.9
Operating result (EBITDA before result on the portfolio)	134.4	140.6
Net financial result (excl. IAS 39)	-39.2	-46.4
IAS 39	-120.1	-10.7
Net current result (excl. IAS 39) - Group share	91.7	89.8
Net current result - Group share	-28.3	79.1
Result on the portfolio - Group share	-24.2	-21.4
Net result - Group share	-52.5	57.6

	30.09.2014	31.12.2013
Operating costs/Average value of portfolio	0.88%	0.83%
Operating margin	85.2%	85.6%



# Data per share

Net current result (excl. IAS 39 impact) – Group share: €5.10 per share

Results per share (in €)	30.09.2014	30.09.2013
Net current result (excl. IAS 39) - Group share	5.10	5.10
IAS 39 impact	-6.68	-0.61
Net current result - Group share	-1.58	4.49
Realised result on portfolio	-1.21	-0.01
Unrealised result on portfolio	-0.13	-1.20
Net result - Group share	-2.92	3.28

NAV in fair value: €85.79 per share

Net asset value per share (in €)	30.09.2014	31.12.2013*
Net asset value (fair value)	85,79	85,77
Net asset value (investment value)	89,96	90,24

\* after distribution of dividend for the year 2013



# Financial resources

Office building Omega Court – Brussels (BE)



Nursing home L'Orchidée – Ittre (BE)





# 2014 Events related to financing

## Equity: 2013 optional dividend in shares

- Issue price of new ordinary shares: €85.50 (at par with market price)
- 41.2% of 2013 dividend coupons paid in new shares:
  - 383,224 new ordinary shares issued
  - €32.8 million equity raised

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

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

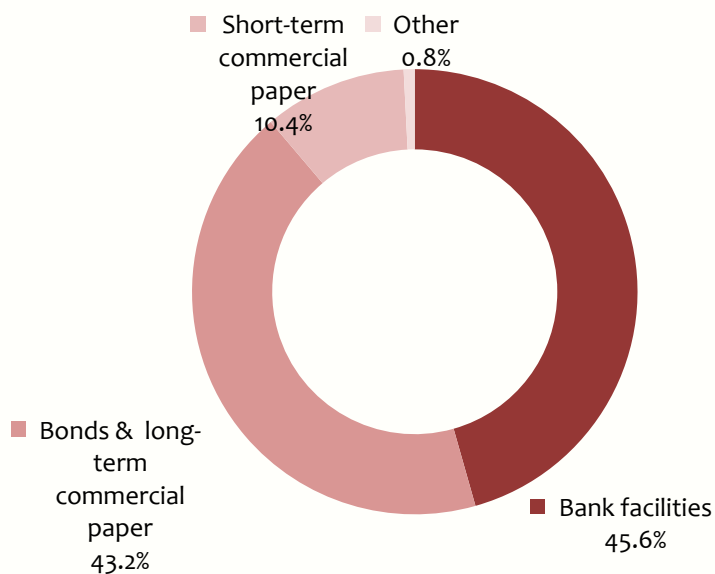
## Restructuration of hedging scheme

- Cancellation of FLOOR options for €600 million
- Signature of new INTEREST RATE SWAPS for €400 million
- **Decrease of average cost of debt from 3.9% in 2013 to 3.5% at 30.09.2014**

# Financial debt

	30.09.2014	31.12.2013
Debt ratio	47.9%	48.9%
Average debt	M€1,611.4	M€1,685.8
Average cost of debt	3.5%	3.9%
Average debt maturity	3.7 years	3.8 years

## Debt breakdown:



x € 1,000,000	Financial debt	Total LT commitments
<b>Capital market facilities</b>		
Bond	290.4 (1)	290.0 (2)
Convertible bond	379.1 (1)	364.1 (2)
Long term CP	15.0	15.0
Short term CP	165.6	
Others	4.0	4.0
<b>Bank facilities</b>		
Roll over loans	612.0	1,319.4 (3)
Term loans	111.3	111.3
Others	7.6	6.9
<b>Total</b>	<b>1,585.0</b>	<b>2,110.7</b>

(1) At fair value.

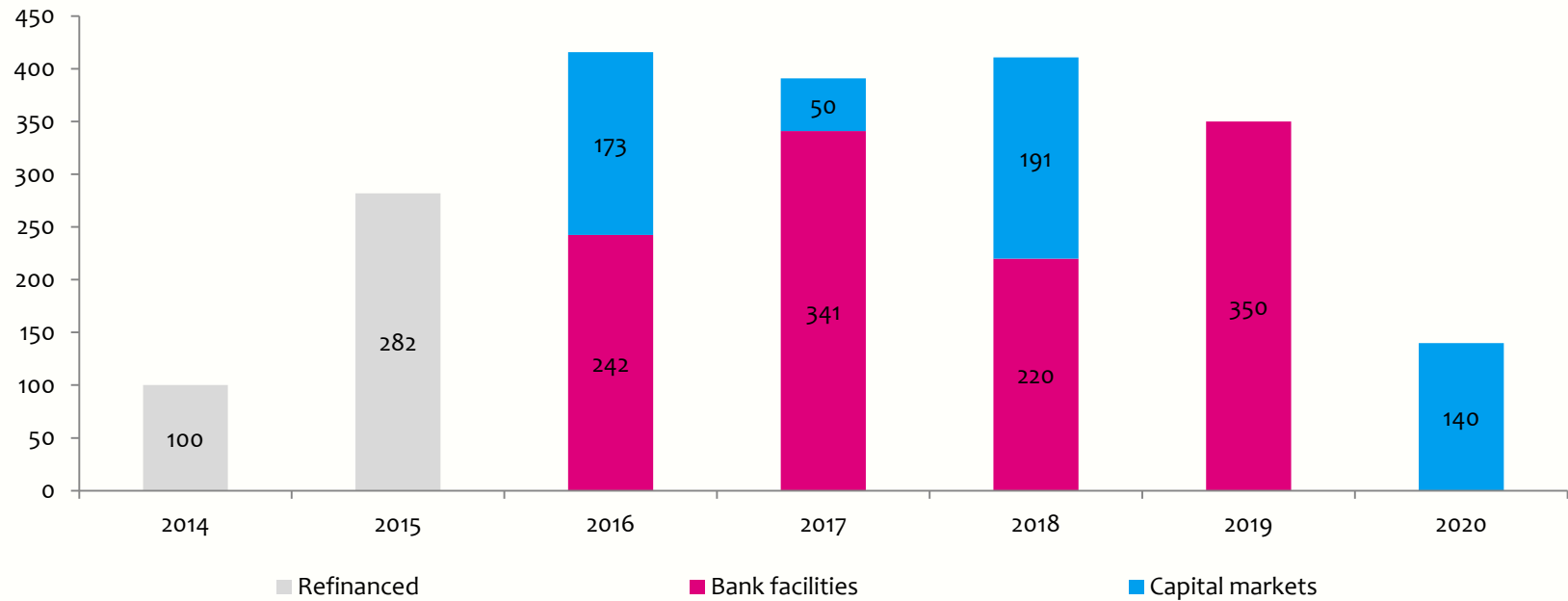
(2) At redemption value.

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

# Debt maturities

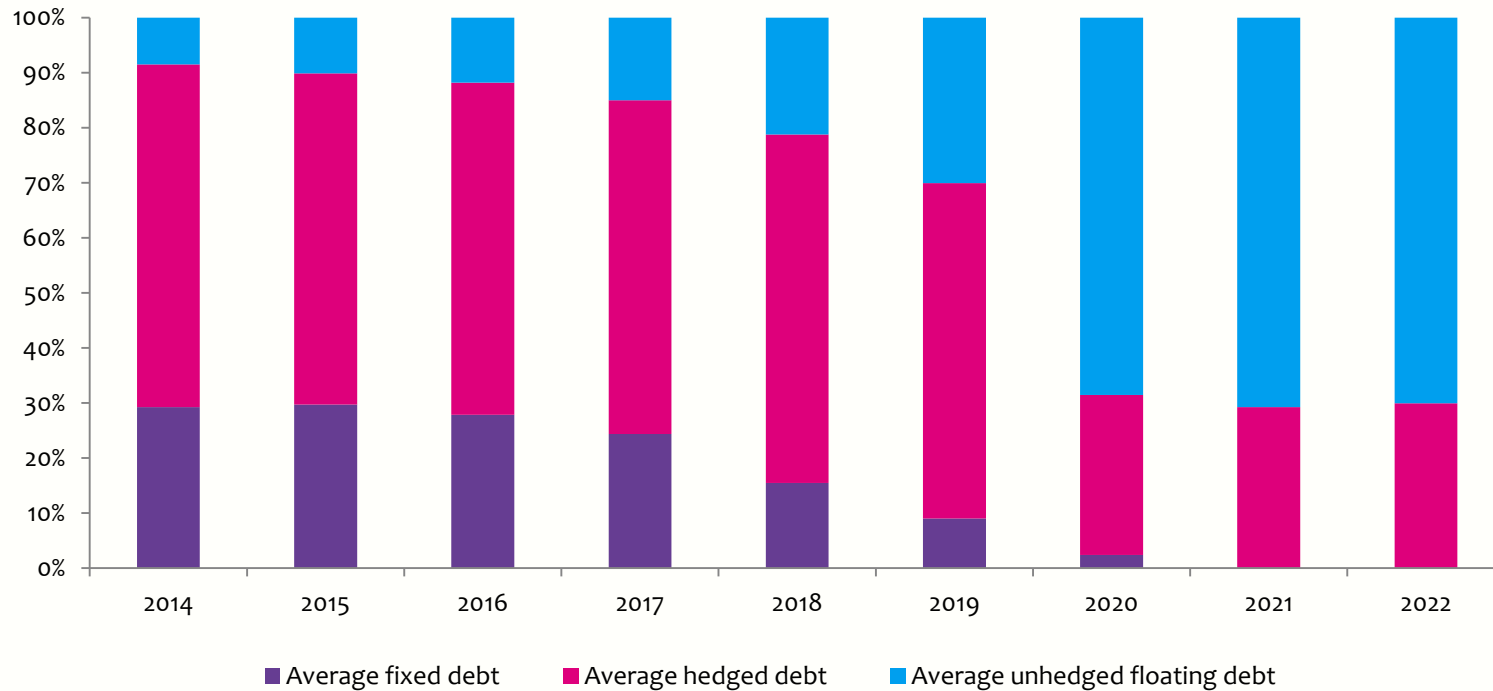
All maturities refinanced until end 2015

x €1,000,000



# Interest rate hedging

Over 80% of debt hedged until mid 2018



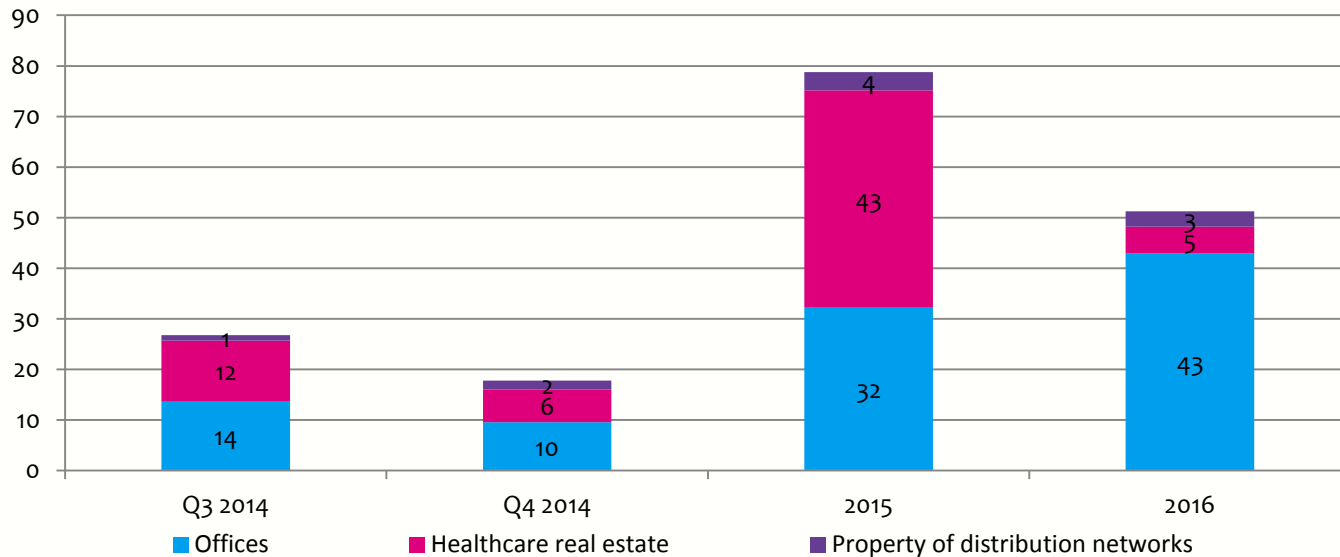
# Forecast

Courthouse – Antwerp (BE)



# Investment pipeline

€175 million investment pipeline for 2H2014-2016



- €98 million in refurbishment of office buildings, mainly:
  - renovation of Guimard 10-12, Tervuren 270-272 and Livingstone II buildings;
  - redevelopment of Belliard 40 and Sovereign buildings;
  - reconversion of Woluwe 34 office building into apartments.
- €67 million in construction/renovation of healthcare properties, which are 100% prelet



# 2014 Result and dividend per share

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

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

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

- Better aligned with 2014 forecasted cash flow per share
- Represents a gross dividend yield of 6.21% relative to the share price at 30.09.2014



# SIR/GVV regime





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

- 22.07.2014: enforcement of AIFM regime in Belgium and application to all Sicafis/Bevaks
- 16.07.2014: creation of a new B-REIT (SIR/GVV<sup>1</sup>) regime:
  - largely similar to current Sicafi/Bevak regime;
  - entities with a commercial purpose, as opposed to investment funds.
- 26.08.2014: FSMA approval of the Cofinimmo status change
- 22.10.2014: Shareholder approval of the Cofinimmo status change at EGM
  - Majority of 99.8%
  - Exit right exercised for 0.05% of outstanding shares, i.e. €0.9 million

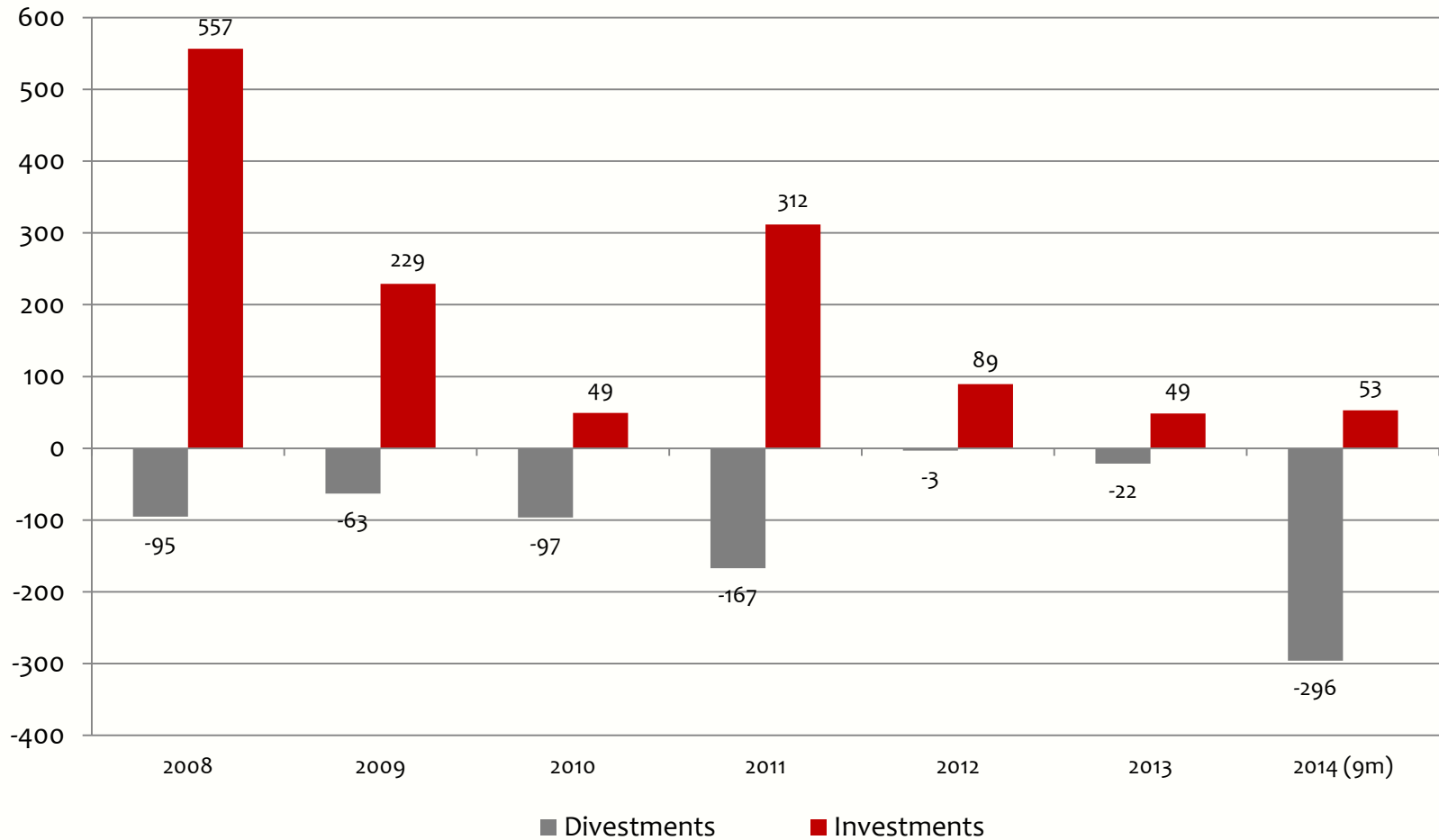
<sup>1</sup> Société Immobilière Réglementée/Gereguleteerde VastgoedVennootschap

# Appendices

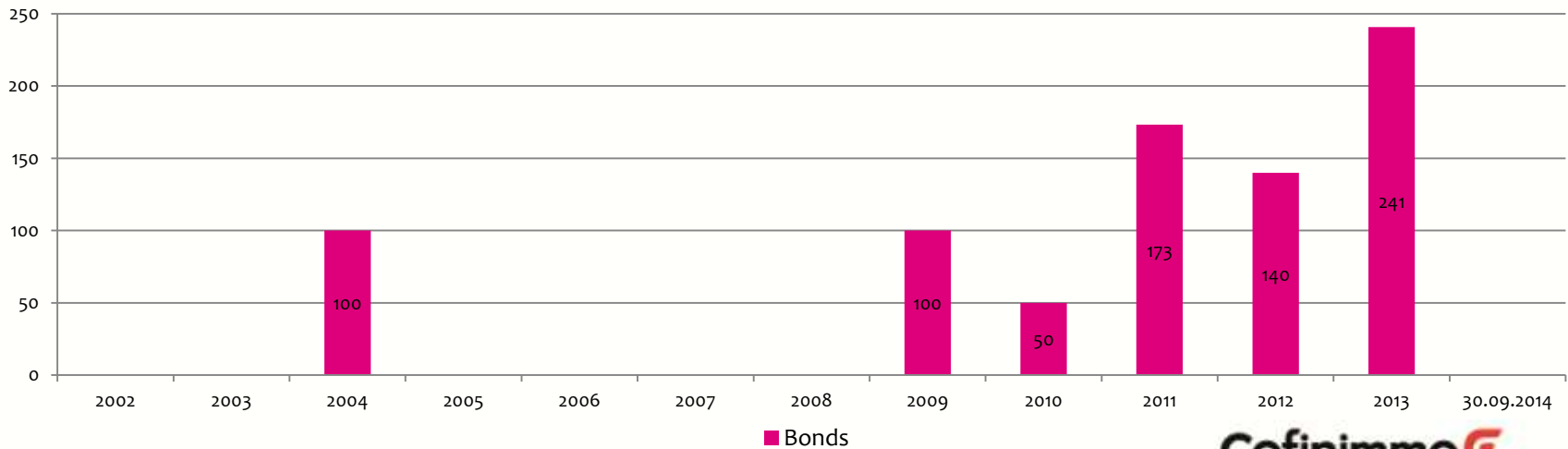
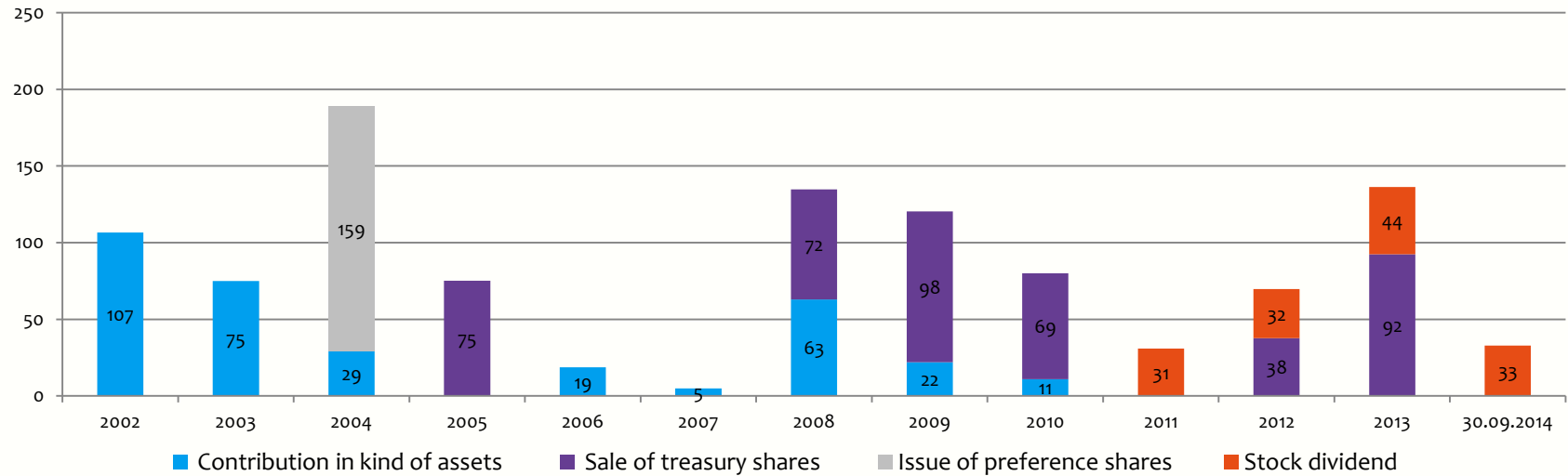


Bergman clinic – Naarden (NL)

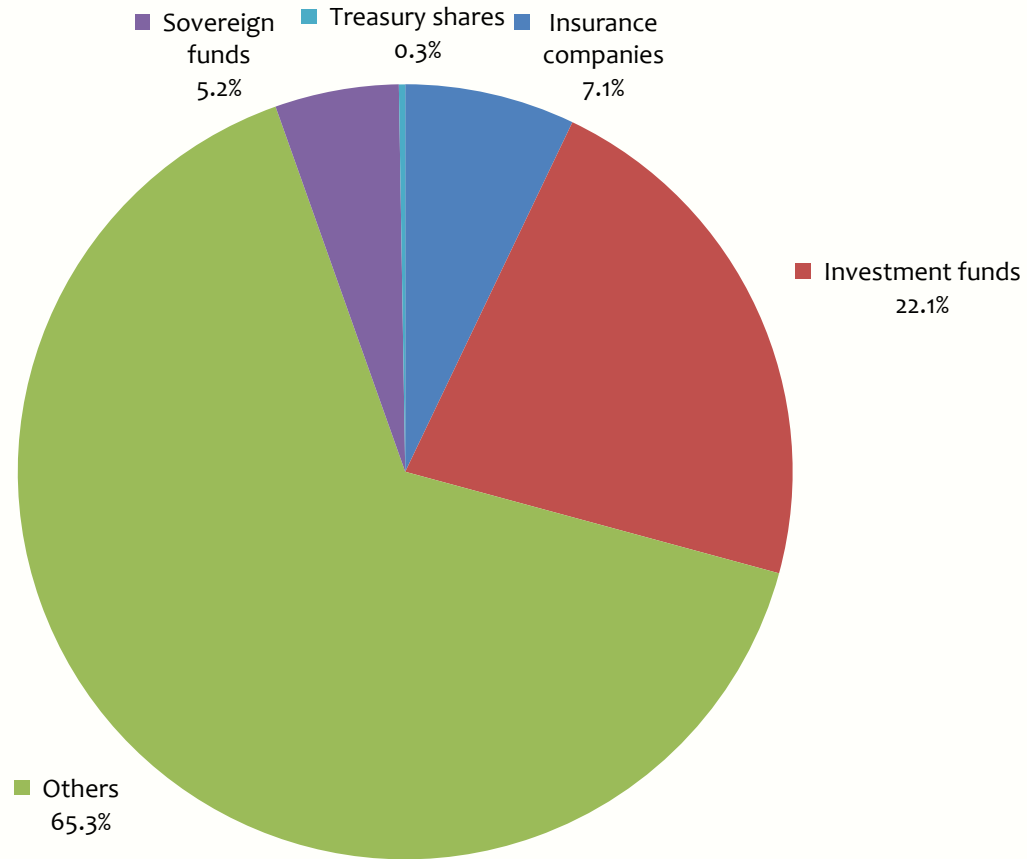
# Investments/Divestments



# Access to capital markets



# Capital structure



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