

REGULATED INFORMATION

Brussels, embargo until 13.02.2018, 05:40 PM CET

Cofinimmo grants a 99-year leasehold on the Egmont I & II office buildings in Brussels

Today, Cofinimmo and EGMONT LUXEMBURG SARL, a company under Luxemburg law, signed a private agreement by which the latter is granted, under certain conditions in line with market practices, a 99-year leasehold on the Egmont I and II office buildings, located in Brussels. This will result in the payment to Cofinimmo of a first fee of 369.54 million EUR and an annual acknowledgment fee of 20,000 EUR. EGMONT LUXEMBURG SARL is an investment vehicle set up by a South Korean financial institution.

The signature of the authentic leasehold deed and the payment of the first fee should take place at the end of March 2018.



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Historical context

The Egmont I (36,616 m²) and Egmont II (16,262 m²) office buildings, located in Brussels' Central Business District, were built in 1997 and in 2006 respectively to house the Belgian Ministry of Foreign Affairs, Foreign Trade and Cooperation Development.

Cofinimmo acquired the Egmont I building in 2004 and built the Egmont II building in 2005-2006 for a total investment of 225.8 million EUR. It signed a lease with the Buildings Agency (Belgian Federal State) for the letting of the entire office complex, maturing on 31.05.2031. In 2009, it sold 96 % of the future rents from the lease with the Buildings Agency to BNP Paribas Fortis (then named Fortis Banque/Bank).

Description of the transaction

Today, Cofinimmo bought back the future rents from the lease with the Buildings Agency that it had sold to BNP Paribas Fortis in 2009. It then signed an agreement with EGMONT LUXEMBURG SARL regarding the granting of a 99-year leasehold right on the Egmont I and II buildings. Subject to the agreement of South Korean administrative authorities on the transfer of funds, the signature of the authentic leasehold deed and the payment of the first fee should take place at the end of March 2018. Failing this, Cofinimmo would receive an important indemnity.

The leasehold is granted in exchange of the payment to Cofinimmo at the signature of the deed of a first fee of 369.54 million EUR (i.e. close to 7,000 EUR/aboveground m²), excluding registration rights, a figure above the fair value of the assets on Cofinimmo's balance sheet at 31.12.2017, plus the price paid to buy back the lease receivables. A 20,000 EUR annual acknowledgment fee will also be paid by the lessee to Cofinimmo during the entire duration of the leasehold. Cofinimmo retains a residual interest on the buildings on its balance sheet.

The current rent stands at 16.7 million EUR. The first fee thus corresponds to a gross rental yield of 4.52 %. Taking into account the estimated rental value of the assets as determined by an independent real estate expert, the gross rental yield stands at 3.30 %.

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Financial and real estate impacts of the transaction

- Reduction of the risk related to Cofinimmo's property portfolio
As it was the case with the disposal of the North Galaxy office building in 2014, the signing of the leasehold on the Egmont I and II complex enables Cofinimmo to take advantage of the current investor interest for properties let over the long term. The Egmont I and II buildings alone represent almost 3 % of the total surface area of Cofinimmo's portfolio. This transaction reduces the rental risk concentration at the end of the lease and thus improves the granularity of the portfolio.
- Potential to further invest in healthcare real estate
The buyback of the lease receivables and the signing of the leasehold deed on the Egmont I and II buildings will have the immediate effect, on the one hand, of reducing the share of offices in Cofinimmo's global portfolio (36.2 % versus 38.1 % at 31.12.2017), and, on the other hand, of reducing the Group's debt ratio (42.1 % at 31.12.2018 versus 44.4 % in the 2018 forecast published on 08.02.2018), thus increasing its financial firepower, namely for investments in healthcare real estate. With this transaction, Cofinimmo will come one step closer to its goal to see the share of healthcare real estate in its global portfolio increase to 50 % by the end of 2019.
- Improvement of the net current result from core activities – Group share per share and of the current cash flow per share in 2018
Compared to the 2018 forecast published on 08.02.2018, the net current result from core activities – Group share will slightly increase by 0.02 EUR/share in 2018, while the current cash flow will increase by 0.09 EUR/share. Taking these elements into account and barring any major events, Cofinimmo foresees a net current result from core activities – Group share of 6.56 EUR/share, a current cash flow of 5.97 EUR/share and a gross dividend of 5.50 EUR/ordinary share for the financial year 2018.

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About Cofinimmo:

Founded in 1983, Cofinimmo is today the foremost listed Belgian real estate company specialising in rental property and an important player in the European market.

The company owns a diversified property portfolio spread over Belgium, France, the Netherlands and Germany, worth 3.5 billion EUR, representing a total surface area of over 1,830,000 m². Riding on demographic trends, its main investment segments are healthcare properties (45 %), offices (38 %) and distribution networks (16 %). As an independent company that consistently applies the highest corporate governance and sustainability standards, Cofinimmo services its tenants and manages its properties through its team of 130 people, operating from Brussels, Paris and Breda.

Cofinimmo is listed on Euronext Brussels (BEL 20) and benefits from the fiscal REIT regime in Belgium (RREC), in France (SIIC) and in the Netherlands (FBI). Its activities are controlled by the Financial Services and Markets Authority, the Belgian regulator.

At 31.12.2017, its total market capitalisation stands at 2.3 billion EUR. The company pursues investment policies which seek to offer a high dividend yield and capital protection over the long term, targeting both institutional and private investors.

www.cofinimmo.com

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