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Leasinvest Real Estate – Interim statement of the manager on the third quarter of the financial year 2016 (01/07/2016-30/09/2016)

- Investment in retail in 4th country, namely Austria
- The positive outlook for 2016 is confirmed by the figures realized at 30/09
- Increased generated rental income from € 37.6 million to € 42.2 million (+12%)
- The net current result at 30/09 has increased to € 23.5 million or € 4.77 per share; a rise of 27% compared to 30/09/2015
- The net result slightly increased from € 25.4 million to € 25.7 million or € 5.20 per share (+1%)
- High occupancy rate of the real estate portfolio at 97.5%
- Global real estate portfolio¹ amounts to € 893 million after the sale of the completed Royal 20 project
- Net asset value (group share) per share EPRA stands at € 82.2
- The debt ratio per 30/09 has decreased to 55.7%
- Redevelopments in Belgium and Luxembourg evolve according to schedule

1. Activity report period 01/07/2016-30/09/2016

EPRA Gold Award for Annual financial report 2015



For the 4th consecutive year, Leasinvest Real Estate obtained an EPRA Gold Award for its Annual financial report 2015. This award is granted to listed real estate companies that comply with the EPRA Best Practices Recommendations, in view of transparency and comparability of data.

¹ The global real estate portfolio consists of the direct (buildings) and indirect (mainly the participation in Retail Estates) real estate portfolio.



Buildings under redevelopment

The office building located Square de Meeus (Brussels) was entirely demolished and the construction works have started in September 2016. The construction project received the name **Treesquare** because of the green oasis located on the square. The sustainable office building will be completed in Q4 2017. By then it is expected that the building will be entirely leased.

The current tenant of the building **Montoyer 63** (Brussels) will leave the current office building in the course of December 2016. The demolition works will start in Q1 2017 and the completion of the new office building is foreseen in Q2 2018. For information, we remind that as from its reception, the European Parliament will occupy the building within the framework of a signed usufruct agreement for 21 years.

The redevelopment works of the 1st Phase in the **Retail Park Strassen** (Luxembourg) have started and will be finalized in Q2 2017. The current tenants have extended their leases.

Extensions of rental contracts

In the third quarter of 2016 the extension for half of the office space for the office building located Ragheno Park in Malines was signed with the current tenant. A part of the remaining office space will be converted into a business according to the concept of The Crescent in Anderlecht and Ghent. For the other part, new tenants will be looked for.

2. Key figures

Key figures real estate portfolio (1)	30/09/16	30/09/15	31/12/15
Fair value real estate portfolio (€ 1,000) (2)	819,505	756,721	869,361
Fair value investment properties including participation Retail Estates (€ 1,000) (2)	892,724	825,363	939,786
Investment value investment properties (€ 1,000) (3)	835,283	771,050	886,390
Rental yield based on fair value (4) (5)	6.88%	7.23%	6.88%
Rental yield based on investment value (4) (5)	6.75%	7.10%	6.75%
Occupancy rate (5) (6)	97.50%	97.31%	95.80%
Average duration of leases (years)	4.25	5.19	4.59

(1) The real estate portfolio comprises the buildings in operation, the development projects, the assets held for sale, as well as the buildings presented as financial leasing under IFRS.

(2) Fair value: the investment value as defined by an independent real estate expert and of which the transfer rights have been deducted. The fair value is the accounting value under IFRS. The fair value of Retail Estates has been defined based on the share price on 30/09/2016.

(3) The investment value is the value as defined by an independent real estate expert and of which the transfer rights have not yet been deducted.

(4) Fair value and investment value estimated by real estate experts Cushman & Wakefield / DTZ Winssinger / Stadim / SPG Intercity.

(5) For the calculation of the rental yield and the occupancy rate only the buildings in operation are taken into account, excluding the assets held for sale.

(6) The occupancy rate has been calculated based on the estimated rental value.



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	30/09/16	30/09/15	31/12/15
Net asset value group share (€ 1,000)	349,997	356,013	362,405
Number of issued shares	4,938,870	4,938,870	4,938,870
Number of shares entitled to the result of the period	4,935,478	4,935,478	4,935,478
Net asset value group share per share	70.9	72.1	73.4
Net asset value group share per share based on investment value	74.1	75.0	76.9
Net asset value group share per share EPRA	82.2	79.7	81.3
Total assets (€ 1,000)	939,754	862,465	976,302
Financial debt	489,233	445,482	532,249
Financial debt ratio (according to RD 7/12/2010)	55.72%	53.29%	58.03%
Average duration credit lines (years)	2.73	2.49	2.96
Average funding cost (excl. changes in fair value fin. instruments)	2.95%	3.53%	3.27%
Average duration hedges (years)	6.35	6.55	6.58

	30/09/16	30/09/15	31/12/15
Rental income (€ 1,000)	42,171	37,600	50,455
Net rental result per share	8.54	7.61	10.22
Net current result (€ 1,000) (1)	23,528	18,487	25,564
Net current result per share (1)	4.77	3.74	5.18
Net result group share (€ 1,000)	25,654	25,391	30,618
Net result group share per share	5.20	5.14	6.20
Comprehensive income group share (€ 1,000)	10,783	42,062	48,901
Comprehensive income group share per share	2.18	8.52	9.90

(1) The net current result consists of the net result excluding the portfolio result and the changes in fair value of the ineffective hedges.

3. Consolidated results period 01/01/16-30/09/16

Thanks to the acquisition of T&T Royal Depot end 2015 the **rental income** has increased and amounts to € 42.17 million at the end of September 2016 in comparison with € 37.6 million end September 2015 (rise of 12%). At constant portfolio 'like-for-like' the rental income remains stable (increase by 0.6% or € 228 thousand in comparison with the same period of the previous year; excl. rental guarantees received and rental discounts).

The **gross rental yields** remain unchanged in comparison with end 2015 and stand at 6.88% (idem end 2015) based on the fair value and at 6.75% (idem end 2015) based on the investment value.

The **occupancy rate**² at the end of the third quarter amounts to 97.50% (end 2015: 95.80%). The increase in the course of the current financial year is explained by the realized leases in different buildings (a/o the building Monnet that was progressively entirely re-let after its renovation in 2015).

² In the calculation of the occupancy rate, the development projects are not taken into account.



The **fair value**³ of the direct real estate portfolio has slightly decreased and stands at € 819.51 million end September 2016 compared to € 869.36 million end December 2015, which is mainly explained by the realized sales of the completed Royal 20 building (book value 31/12/2015 € 50.75 million) and the logistics building Malines Zeutestraat (valued at 31/12/2015 at a fair value of € 4.39 million).

The **property charges** have, in line with the growth of the real estate portfolio, slightly increased from - € 6.38 million end September 2015 to - € 7.18 million, mainly by higher technical costs and increased management fees in comparison with the same period last year (relative increase of 12.6%).

The **result on the sale of investment properties** end September 2016 amounts to € 4.34 million (in comparison with € 0.46 million at the end of Q3 2015) thanks to the realized capital gain on the divestment of the building Royal 20, on the one hand (capital gain of € 4.32 million, after deduction of € 5.28 million development investments 2016 and € 1.66 million commercial costs for the realization of the sale) and Malines Zeutestraat, on the other hand (capital gain of € 18 thousand).

The **changes in fair value of the investment properties** at 30 September 2016 amount to - € 1.3 million in comparison with a positive change in value of € 11.25 million per 30 September 2015. It has to be mentioned that this portfolio result in 2015 was substantially influenced by an intermediate, unrealized capital gain on the Luxembourg projects Royal 20 and Monnet in function of their percentage of completion (€ 10.47 million per 30/09/2015) on the one hand, and a positive impact of the exchange rate of the Swiss Franc on the valuation of the Swiss buildings in portfolio (€ 4.4 million per 30/09) on the other hand. Compared to this increase in value of the Swiss buildings there was an equivalent increase last year (- € 4.07 million) of the fair value of the financial instruments for hedging the exchange rate risk resulting in a nearly integral annulment of this increase in value in the financial results at 30/09/2015.

The **financial result** amounts to - € 7.25 million end September 2016 in comparison with - € 13.87 million for the same period last year.

The financial income stands at € 4.26 million and is to a large extent influenced by the recovery of the withholding tax deducted in 2015 on the dividend of the Retail Estates shares held by Leasinvest Real Estate and for which Leasinvest Real Estate benefits from the reconfirmed (by the constitutional court) parent-subsidiary exemption.

The interest charges have decreased over the current financial year to end September by € 350 thousand from - € 10.11 million at the end of September 2015 to - € 9.76 million on 30/09/2016. The average funding cost consequently dropped from 3.53% end September 2015 to 2.95% (including reservation costs on undrawn credit lines of 0.26%) at 30 September 2016. The other bank costs at 30/09/2016 amount to - € 1.02 million and are stable in comparison with the same period of last year.

The changes in fair value of the financial assets and liabilities have decreased from - € 4.59 million on 30 September 2015 to - € 0.73 million mainly as a consequence of the stabilized exchange rate Euro – Swiss Franc.

The **net current result**⁴ end September 2016 amounts to € 23.65 million (or € 4.77 per share), in comparison with a net current result of € 18.49 million (or € 3.74 per share) end September 2015. This rise of 27% is mainly the consequence of the increased rental income thanks to the acquisition of the building Tour & Taxis

³ Fair value: the investment value as defined by an independent real estate expert and of which the transfer rights have been deducted. The fair value is the accounting value under IFRS.

⁴ The net current result is calculated as the net result excluding the portfolio result on the one hand, and the changes in fair value of the ineffective hedges on the other hand.



Royal Depot at the end of last year, on the one hand, and the decrease of the financial charges, on the other hand.

The **corporate taxes** have increased from -€ 0.5 million at the closing of Q3 2016 to -€ 1.2 million as a consequence of the take-over and holding of the company Tour & Taxis Royal Depot SA.

The **net result** amounts to € 25.65 million at the end of the third quarter of 2016 compared to € 25.39 million end September 2015. In terms of net result per share this results in € 5.20 per share at the end of September 2016, compared to € 5.14 end September 2015.

At the end of the third quarter of the financial year 2016 **shareholders' equity**, group share (based on the fair value of the investment properties) amounts to € 350.0 million (end 2015: € 362.41 million). The net asset value per share excl. the influence of fair value adjustments on financial instruments (EPRA) amounts to € 82.2 end September 2016 in comparison with € 81.3 end 2015.

The **changes in fair value of the financial assets and liabilities** (IAS 39) accounted for in shareholders' equity have further decreased to - € 16.6 million as a consequence of the decreased swap curve. The negative market value of the hedges accounted for in shareholders' equity amounts to - € 55.52 million at the end of the third quarter, compared to - € 38.62 million at the end of the previous financial year.

End September 2016 the net asset value per share stands at € 70.9 (31/12/15: € 73.4) and the closing price of the Leasinvest Real Estate share at 30 September 2016 amounted to € 106.2, or 49.8 % higher than the net asset value.

End September 2016, after the realized divestments of the buildings Royal 20 and Zeutestraat Malines at the end of the first half-year, the **debt ratio** has further decreased to 55.72% in comparison with 58.03% end 2015, and this after the payment of € 23.2 million of dividends over the previous financial year. € 9.4 million of cash is still available on the balance sheet at 30 September 2016; these resources allow for a further intrinsic reduction of the debt ratio to 55.27%.

This means that the nominal **financial debts** recorded in the balance sheet on 30 September have decreased to € 489.2 million compared to € 532.2 million at the end of the previous financial year.

4. Important events after the closing of the third quarter of 2016

Acquisition retail park Frun® park Asten in Austria

In its search for further geographical diversification Leasinvest Real Estate, via its 100% subsidiary Leasinvest Immo Lux SA, has acquired on 8 November 2016 two Austrian real estate companies, that are respectively the legal and economical owner of a recently (2013) built retail park Frun® Park Asten located in Asten/Linz in Austria. The retail park consists of 18,300 m², very efficiently built, located alongside the exit of the motorway, with 26 shops and 600 parking spaces. The main international and local tenants are a/o Zeeman, Spar, C&A, NewYorker. A couple of ecological aspects of the Retail park Asten, such as a photovoltaic installation and e-bike charging stations, are unique to this region.

The retail park generates an annual rental income of € 2.3 million and represents a global investment volume of € 38 million, which is not lower than the fair value estimated by the experts.



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Jean-Louis Appelmans CEO: *“After Belgium, the Grand Duchy of Luxembourg and Switzerland, Austria is a growth area for Leasinvest Real Estate. This successful retail park with an annually increasing footfall represents a further growth of our retail portfolio currently standing at 48% of our consolidated, directly held portfolio.”*

5. Outlook

Notwithstanding the demolition that started, and the reconstruction of 2 buildings in the Brussels CBD in the course of this financial year, namely the Montoyer 63 building, for which a usufruct agreement was concluded with the European Parliament for a term of 21 years, and the building Square de Meeûs, currently under reconstruction after finalizing its demolition, and except for exceptional circumstances, the company expects, and thanks to the acquisition of the building Tour & Taxis Royal Depot, to realize a higher net result and higher net current result in 2016 than in 2015. The company consequently expects that the dividend over 2016 can be maintained at minimum the same level.

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LEASINVEST REAL ESTATE SCA

Public BE-REIT (SIR/GVV) Leasinvest Real Estate SCA mainly invests in high quality and well-located retail buildings and offices in the Grand Duchy of Luxembourg, in Belgium, in Switzerland and in Austria.

At present (including the recent acquisition) the total fair value of the directly held real estate portfolio of Leasinvest amounts to € 857 million spread across the Grand Duchy of Luxembourg (49%), Belgium (41%), Switzerland (5%) and Austria (5%).

Moreover, Leasinvest is the largest real estate investor in Luxembourg.

The total direct portfolio consists of retail (48%), offices (37%) and logistics (15%).

The BE-REIT (SIR/GVV) is listed on Euronext Brussels and has a market capitalization of more than € 505 million (value 16/11/2016).