

Press release

Interim statement
by the board of directors for
the first quarter of 2014



ANTWERP, 6 MAY 2014

Prolongation of lease contracts with three important tenants (14 % of total rental income)

Occupancy rate: 85 %

Sale of a non-strategic building (0,5 % of the real estate portfolio)

Operating distributable result per share: € 0,41 in the first quarter of 2014 (- 9 %¹)

Stable fair value of the real estate portfolio in the first quarter of 2014²

Successful private placement of bonds of € 60 million with terms of 5 and 7 years

1. Operational activities for the first quarter of 2014

Rental activity

Property investment fund Interinvest Offices & Warehouses has prolonged in the first quarter of 2014 the lease agreements with three of its important tenants, representing together 14 % of the annual rental income of the property investment fund.

- In the office segment Hewlett-Packard Belgium, tenant of Mechelen Business Tower (13.574 m²), has concluded a lease agreement taking effect at the end of the existing property lease in March 2016. The new agreement runs until 2025, with break options in 2019 and 2022, and has been concluded at market-conform conditions. Hewlett-Packard Belgium is the third most important tenant of the property investment fund and represents approximately 6 % of the total annual rental income.
- In the logistic segment an agreement has been concluded with Nike Europe in Herentals Logistics 2 (50.912 m²) to cancel the interim expiry date from the original lease agreement in exchange of a market-conform discount on the annual rent, so that the agreement has currently a fixed duration till 2018 (for 25.670 m²) and till 2019 (for 25.242 m²). Nike Europe is the fourth most important tenant of the property investment fund and represents approximately 5 % of the total annual rental income.
- Also in the logistic segment an agreement has been reached with CEVA Logistics Belgium in Boom Krekelenberg (24.721 m²) to cancel an interim expiry date in 2014 of the original lease agreement so that the next expiry date falls in 2016, in exchange of a market-conform discount on the annual rent. CEVA Logistics Belgium is the tenth most important tenant of the property investment fund and represents approximately 3 % of the total annual rental income.

¹ Compared to the operating distributable result of the first quarter of 2013 which amounted to € 0,45 per share due to the decrease of the indemnities received after the departure of tenants.

² Compared to the fair value of investment properties on 31 December 2013, based on an unchanged composition of the portfolio.

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The average duration of Intervest Offices & Warehouses' lease contracts till the next expiry date increases through this three prolongations from 3,9 years on 31 December 2013 to 4,3 years.

For the office portfolio the prolongation of the contract with Hewlett-Packard Belgium represents an increase of the average duration from 3,8 years on 31 December 2013 to 4,1 years. For office space of more than 2.000 m² the average duration of the lease contracts is currently 4,8 years compared to 4,4 years on 31 December 2013.

For logistic real estate the average duration of the lease contracts increases from 4,1 years on 31 December 2013 to 4,7 years. For important tenants (more than 10.000 m² storage hall) the average duration increases through these two prolongations from 3,6 years on 31 December 2013 to 4,4 years.

Divestments of investment properties

Intervest Offices & Warehouses sold in the first quarter of 2014 a non-strategic semi-industrial building located in Meer, Riyadhstraat, for an amount of € 2 million to the tenant/user of the property. The building is a small semi-industrial building consisting of storage space (7.431 m²) and a limited office space (283 m²). The sales price is approximately 22 % below the carrying amount on 31 December 2013 which amounted to € 2,6 million (fair value as determined by the independent property expert of the property investment fund). The building which is structurally of lower quality compared to the other properties of the property investment fund and requires in the medium term considerable maintenance works only represents 0,5 % of the total fair value of the real estate portfolio of the property investment fund. The transaction is subject to registration rights.

Evolution investment properties

REAL ESTATE PATRIMONY	31.3.2014	31.12.2013	31.3.2013
Fair value of investment properties (€ 000)	579.196	580.709	567.929
Investment value of investment properties (€ 000)	593.676	595.226	582.127
Occupancy rate (%)	85 %	86 %	85 %
Total leasable space (m ²)	596.714	604.428	603.356

The fair value of investment properties of the property investment fund amounts on 31 March 2014 to € 579 million (€ 581 million at 31 December 2013). The decrease of € 1,5 million in the first quarter of 2014 is mainly due to the sale of a semi-industrial building located in Meer (with a fair value of € 2,6 million on 31 December 2013).

On 31 March 2014 the occupancy rate³ of Intervest Offices & Warehouses reaches 85 % which is 1 % lower than on 31 December 2013. This is due mainly to the sale of the semi-industrial building in Meer which had an occupancy rate of 100 %.

³ The occupancy rate is calculated as the ratio of the commercial rental income to the same rental income plus the estimated rental value of the vacant locations for rent. The commercial rental income is the contractual rental income and the rental income of already signed lease contracts regarding locations which are contractually vacant on balance sheet date.

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Operating result

In the first quarter of 2014 the operating distributable result of Intervest Offices & Warehouses decreases to € 5,9 million (€ 6,3 million in the first quarter of 2013). This results mainly from the decrease of indemnities received at the departure of tenants. In the first quarter of 2013 several tenants of the property investment fund left the premises and paid hereby indemnities of approximately € 0,4 million.

This represents an operating distributable result of € 0,41 per share for the first quarter of 2014 compared to € 0,45 in the first quarter of 2013 or a decrease of approximately 9 %.

2. Financial result of the first quarter of 2014

Successful private placement of bonds of € 60 million

On 19 March 2014 property investment fund Intervest Offices & Warehouses closed early the successful private placement of bonds for a total amount of € 60 million. The bonds have a term of respectively 5 years (€ 25 million) and 7 years (€ 35 million) and expire respectively on 1 April 2019 and 1 April 2021. The bonds with expiry date on 1 April 2019 generate a fixed annual gross return of 3,430 %, the bonds with expiry date on 1 April 2021 a fixed annual gross return of 4,057 %.

The issue price of the bonds was equal to their nominal amount, being € 100.000. The bonds were placed with institutional investors. Bank Degroof acted as Lead Manager.

The net proceeds of the bond issue will be used to contribute to the diversification of the financial resources and to support the further growth of the real estate portfolio. With terms of 5 and 7 years the bonds contribute to an increase of the average duration of the total debt of the property investment fund.

The financial means from this issue have been received on 1 April 2014 and are consequently not yet recorded in the balance sheet of the first quarter as at 31 March 2014.

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Financial result

Consolidated income statement

in thousands €	31.3.2014	31.3.2013
Rental income	9.912	9.977
Rental related expenses	-1	-22
Property management costs and income	200	453
Property result	10.111	10.408
Property charges	-1.147	-1.081
General costs and other operating costs and income	-336	-311
Operating result before result on portfolio	8.628	9.016
Result on disposals of investment properties	-580	1.488
Changes in fair value of investment properties	-19	-1.715
Other result on portfolio	104	-88
Operating result	8.133	8.701
Financial result (excl. changes in fair value - IAS 39)	-2.673	-2.686
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	-309	832
Taxes	-9	3
NET RESULT	5.142	6.850
Note:		
Operating distributable result	5.946	6.333
Result on portfolio	-495	-315
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	-309	832

Data per share	31.3.2014	31.3.2013
Number of shares entitled to dividend	14.424.982	14.199.858
Net result (€)	0,36	0,48
Operating distributable result (€)	0,41	0,45

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Analysis of results⁴

The property result of Intervest Offices & Warehouses decreases in the first quarter of 2014 by approximately € 0,3 million to € 10,1 million (€ 10,4 million) mainly through the decrease of the indemnities received at the departure of tenants. In the first quarter of 2013 several tenants of the property investment fund left the premises and paid hereby indemnities of approximately € 0,4 million.

In the first quarter of 2014, property charges amount to € 1,1 million (€ 1,1 million) and general costs and other operating costs and income of the property investment fund amount to € 0,3 million (€ 0,3 million). The operating costs of the property investment fund maintain herewith the same level as in the first quarter of 2013.

The result on disposals of investment properties comprises in the first quarter of 2014 the loss of € 0,6 million realised on the sale of the non-strategic semi-industrial building in Meer.

In the first quarter of 2014 there have been no important changes in fair value of investment properties. During the same period of previous financial year the fair value of the real estate portfolio decreased by - € 1,7 million.

The financial result (excl. changes in fair value - IAS 39) for the first quarter of 2014 amounts to - € 2,7 million and remains herewith stable compared to the first quarter of 2013 (- € 2,7 million). The average interest rate of the property investment fund for the first quarter of 2014 amounts to 3,9 %, including bank margins (3,7 %).

As at 31 March 2013:

- 64 % of the credit lines of the property investment fund are long-term financings, with an average remaining duration of 2,0 years; taking into account the issue of the bond this becomes 70 % and 3,0 years on 1 April 2014.
- 36 % of the credit lines are short-term financings, consisting of financings with unlimited duration and of 2 credit facilities for a total amount of € 65 million which expire within the year (July 2014 and January 2015) and have to be refinanced.

- 71 % of the withdrawn credit lines have a fixed interest rate or are fixed by interest rates swaps with an average remaining duration of 2,3 years; taking into account the issue of the bond this becomes 92 % and 3,2 years on 1 April 2014.
- there are € 37 million of available non-withdrawn credit lines for the dividend distribution and operating activities; taking into account the issue of the bond this becomes € 97 million on 1 April 2014.

The changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) include the increase of the negative market value of interest rate swaps that, in line with IAS 39, cannot be classified as cash flow hedging instruments, in the amount of - € 0,3 million (€ 0,8 million).

The net result of property investment fund Intervest Offices & Warehouses for the first quarter of 2014 amounts to € 5,1 million (€ 6,9 million) and may be divided into:

- the operating distributable result of € 5,9 million (€ 6,3 million) or a decrease of € 0,4 million, mainly through the decrease of indemnities received at the departure of tenants.
- the result on portfolio of - € 0,5 million (- € 0,3 million) comprising the loss on disposals of investment properties.
- changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) for an amount of - € 0,3 million (€ 0,8 million).

This results in an operating distributable result of € 0,41 per share for the first quarter of 2014 (€ 0,45).

⁴ Between brackets comparable figures of the first quarter of 2013.

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Balance sheet data per share	31.3.2014	31.12.2013
Number of shares entitled to dividend	14.424.982	14.424.982
Net asset value (fair value) (€)	20,22	19,86
Net asset value (investment value) (€)	21,23	20,87
Net asset value EPRA (€)	20,58	20,20
Share price on closing date (€)	22,00	19,48
Premium (+) / discount (-) to net asset value (fair value) (%)	9 %	-2 %
Debt ratio (max. 65 %) (%)	47,6 %	48,7 %

On 31 March 2014, the net asset value (fair value) of the share is € 20,22 (€ 19,86 on 31 December 2013). As the share price on 31 March 2014 is € 22,00, the share is quoted at the end of the first quarter 2014 with a premium of 9 % compared to the net asset value (fair value).

The debt ratio of the property investment fund is 47,6 % at 31 March 2014 and decreases herewith by 1,1 % compared to 31 December 2013 (48,7 %).

3. Optional dividend

The board of directors has decided on 5 May 2014 to offer the shareholders of the property investment fund an optional dividend. In this context there is a choice for receiving the dividend of 2013 under the form of new ordinary shares, or payment in cash, or a combination of the two previous payment forms.

The conditions for the optional dividend have been disclosed in the separate press release of 6 May 2014 and can be found on the website of the property investment fund under "Investor Relations" via <http://corporate.intervest.be/en/offices>.

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4. Forecast

In the press release of 10 February 2014 regarding the annual results of 2013 Intervest Offices & Warehouses formulated certain targets for 2014 of which some have already been realised in the first quarter of 2014.

- Realisation of lease transactions through a proactive asset management in the office segment as well as for logistic buildings: due to the lease transactions of the first quarter of 2014 (see above) the average remaining duration of the lease contracts has been prolonged to 4,3 years (3,9 years on 31 December 2013).
- Sale of some atypical buildings in the logistic segment: a non-strategic building in Meer was sold in the first quarter of 2014.
- Research of alternative sources of financing and analysis of the possibility of refinancing the bond loan which expires in June 2015: a private placement of bonds for an amount of € 60 million has been realised in the first quarter of 2014 (see above). As this financing has interest rates of 3,430 % (5 years) and 4,057 % (7 years) the financing cost of the property investment fund will increase temporary for financial year 2014 which will have a negative effect on the operating distributable result. On 29 June 2015 the existing bond loan of € 75 million with a coupon of 5,1 % will be reimbursed and replaced by this new financing.

Note to the editors: for more information, please contact:

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Annexes



Financial statements

Consolidated income statement

in thousands €	31.3.2014	31.3.2013
Rental income	9.912	9.977
Rental related expenses	-1	-22
NET RENTAL INCOME	9.911	9.955
Recovery of property charges	211	542
Recovery of rental charges and taxes normally payable by tenants on let properties	1.982	2.336
Costs payable by tenants and borne by the landlord for rental damage and refurbishment	-35	-109
Rental charges and taxes normally payable by tenants on let properties	-1.982	-2.336
Other rental related income and expenses	24	20
PROPERTY RESULT	10.111	10.408
Technical costs	-242	-263
Commercial costs	-26	-48
Charges and taxes on unlet properties	-247	-189
Property management costs	-603	-595
Other property charges	-29	14
PROPERTY CHARGES	-1.147	-1.081
OPERATING PROPERTY RESULT	8.964	9.327
General costs	-352	-322
Other operating income and costs	16	11
OPERATING RESULT BEFORE RESULT ON PORTFOLIO	8.628	9.016
Result on disposals of investment properties	-580	1.488
Changes in fair value of investment properties	-19	-1.715
Other result on portfolio	104	-88
OPERATING RESULT	8.133	8.701

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Consolidated income statement (continued)

in thousands €	31.3.2014	31.3.2013
OPERATING RESULT	8.133	8.701
Financial income	11	85
Net interest charges	-2.682	-2.769
Other financial charges	-2	-2
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	-309	832
FINANCIAL RESULT	-2.982	-1.854
RESULT BEFORE TAXES	5.151	6.847
TAXES	-9	-3
NET RESULT	5.142	6.850
Note:		
Operating distributable result	5.946	6.333
Result on portfolio	-495	-315
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	-309	832
Attributable to:		
Equity holders of the parent company	5.142	6.850
Minority interests	0	0

RESULT PER SHARE	31.3.2014	31.3.2013
Number of shares entitled to dividend	14.424.982	14.199.858
Net result (€)	0,36	0,48
Diluted net result (€)	0,36	0,48
Operating distributable result (€)	0,41	0,45

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Consolidated statement of comprehensive income

in thousands €	31.3.2014	31.3.2013
NET RESULT	5.142	6.850
Other components of comprehensive income (recyclable through income statement)		
Changes in the effective part of fair value of authorised hedging instruments that are subject to hedge accounting	65	152
COMPREHENSIVE INCOME	5.207	7.002
Attributable to:		
Equity holders of the parent company	5.207	7.002
Minority interests	0	0

Consolidated balance sheet

in thousands €	31.3.2014	31.12.2013
NON-CURRENT ASSETS	579.437	580.986
Intangible assets	29	34
Investment properties	579.197	580.709
Other tangible assets	196	228
Trade receivables and other non-current assets	15	15
CURRENT ASSETS	8.444	7.876
Trade receivables	3.270	3.800
Tax receivables and other current assets	1.651	1.654
Cash and cash equivalents	1.673	691
Deferred charges and accrued income	1.850	1.731
TOTAL ASSETS	587.881	588.862

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Consolidated balance sheet (continued)

SHAREHOLDERS' EQUITY AND LIABILITIES in thousands €	31.3.2014	31.12.2013
SHAREHOLDERS' EQUITY	291.728	286.521
Shareholders' equity attributable to the shareholders of the parent company	291.691	286.484
Share capital	131.447	131.447
Share premium	65.190	65.190
Reserves	55.330	55.265
Net result of financial year 2013	34.582	34.582
Net result of financial year - first quarter 2014	5.142	0
Minority interests	37	37
LIABILITIES	296.153	302.341
Non-current liabilities	195.150	226.171
Non-current financial debts	189.730	221.251
<i>Credit institutions</i>	<i>114.908</i>	<i>146.467</i>
<i>Bond loan</i>	<i>74.813</i>	<i>74.775</i>
<i>Financial lease</i>	<i>9</i>	<i>9</i>
Other non-current financial liabilities	4.878	4.384
Other non-current liabilities	542	536
Current liabilities	101.003	76.170
Provisions	172	172
Current financial debts	86.439	61.720
<i>Credit institutions</i>	<i>86.433</i>	<i>61.712</i>
<i>Financial lease</i>	<i>6</i>	<i>8</i>
Other current financial liabilities	268	517
Trade debts and other current debts	2.835	2.921
Other current liabilities	169	173
Accrued charges and deferred income	11.120	10.667
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	587.881	588.862