


TERMINOLOGY AND ALTERNATIVE PERFORMANCE MEASURES

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Alternative performance measures are criteria used by Intervest to measure and monitor its operational performance. This Annual Report 2016 uses the measures; however, they are not defined by an act or in the generally accepted accounting principles (GAAP). The European Securities and Markets Authority (ESMA) issued guidelines which, as of 3 July 2016, apply on the use and explanation of the alternative performance measures. The concepts which Intervest considers to be alternative performance measures are included in the last chapter of this half-yearly report called "Terminology and alternative performance measures". The alternative measures are indicated with a  and include a definition, objective and reconciliation as required by the ESMA guidelines.

Acquisition value of an investment property

This term is used to refer to value at the purchase or the acquisition of a property. If transfer costs are paid, they are included in the acquisition value.

Average interest rate of financing

Definition - The average interest rate of the financing of the company is calculated by the (annual) net interest charges, divided by the weighted average debt for the period (based on the daily withdrawal from the financing (credit facilities from financial institutions, bond loans, etc.)).

Application - The average interest rate of the financing measures the average financing cost of the debts and makes it possible to follow how it evolved in time, within the context of the developments of the company and of the financial markets.

Reconciliation in thousands €		30.06.2018	31.03.2018	31.12.2017	30.06.2017	31.03.2017	31.12.2016
Net interest charges	A	3.811	1.886	7.616	3.665	1.777	9.329
Weighted average debt for the period	B	298.218	296.268	292.129	283.112	279.512	293.098
Average interest rate of the financing (based on 360/365) (%)	=A/B	2,5%	2,5%	2,6%	2,6%	2,5%	3,1%

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Contractual rents (previously current rents)

These are the gross indexed annual rents, laid down contractually in the rental agreements on the date on which the latter are concluded and before rental discounts or other benefits granted to tenants have been deducted.

Corporate governance

Corporate governance as such is an important instrument for the ongoing improvement of management of the real estate company and for the safeguarding of the shareholders' interest.

Debt ratio

The debt ratio is calculated as the ratio of all obligations (excluding provisions, deferred charges and accrued income) excluding the negative variations in the fair value of the hedging instruments in relation to the total of the assets. The calculation method of the debt ratio is in accordance with article 13 §1 second paragraph of the Royal Decree of 13 July 2014. In this Royal Decree, the maximum debt ratio for the company is set at 65%.

Diluted net result per share

The diluted net result per share is the net result as published in the income statement, divided by the weighted average of the number of shares adapted before the effect of potential ordinary shares that result in dilution.

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EPRA and EPRA terminology

EPRA (European Public Real Estate Association) is an organisation that promotes, helps develop and represents the European listed real estate sector, both in order to boost confidence in the sector and increase investments in Europe's listed real estate.

In December 2014 the EPRA's Reporting and Accounting Committee published an update of the report entitled "Best Practices Recommendations ("BPR")¹. This BPR contains the recommendations for defining the main financial performance indicators applicable to the real estate portfolio. A number of these indicators are regarded as alternative performance criteria in accordance with the ESMA guideline. The numerical reconciliation of these alternative performance criteria can be found in a completely different chapter in this annual report, i.e. chapter 6 of the Report of the management committee.

EPRA earnings	Result derived from the strategic operational activities.
EPRA Net asset value	Net Asset Value (NAV) adjusted to account for the fair value of investment properties and to the exclusion of certain elements that do not fit within the financial model for investment properties in the long term. In practice: total shareholders' equity attributable to the shareholders of the parent company, adjusted for the fair value of financial instruments and deferred taxes, divided by the number of shares at the end of the year.
EPRA NNAV	EPRA NAV adjusted to account for the fair value of the financial instruments, the debts and the deferred taxes.

EPRA Net Initial Yield (NIY)	Annualised gross rental income based on the contractual rents passing as at the closing date of the annual accounts, less the investment properties, divided by the market value of the portfolio, increased by the estimated transaction rights and costs in the event of hypothetical disposal of investment properties.
EPRA topped-up NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).
EPRA vacancy rate	Estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio available upon rental.
EPRA Cost ratio (including direct vacancy costs)	EPRA costs (including direct vacancy costs) divided by gross rental income less compensations for leasehold estate and long-lease rights.
EPRA Cost ratio (excluding direct vacancy costs)	EPRA costs (excluding direct vacancy costs) divided by gross rental income less compensations for leasehold estate and long-lease rights.
EPRA net rental growth based on an unchanged portfolio composition	Is also referred to as EPRA Like-for-like Net Rental Growth. EPRA net rental growth based on an unchanged portfolio composition compares the growth of the net rental growth of the investment properties not being developed for two full years preceding the financial year closing date and that were available for rent for the entire period. The like-for-like based changes to the gross rental income provide an insight into the changes to the gross rental income that are not the result of changes to the real estate portfolio (investments, divestments, major renovation works, etc).

¹ The report can be consulted on the website at www.epra.com.

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EPRAs earnings³

Definition - The EPRA earnings are the operating result before result on portfolio minus the financial result and taxes, and excluding changes in fair value of financial derivatives (which are treated as hedge accounting in accordance with IAS 39) and other non-distributable elements based on the statutory annual account of Intervest nv.

Application - The EPRA earnings measure the result of the strategic operational activities, excluding (i) the changes in fair value of financial assets and liabilities (ineffective hedges), and (ii) the portfolio result (the profit or loss on investment properties that may or may not have been realised). This amounts to the result that is directly influenced by the real estate and the financial management of the company, excluding the impact accompanying the volatility of the real estate and financial markets.

Reconciliation in thousands €	30.06.2018	31.03.2018	31.12.2017	30.06.2017	31.03.2017	31.12.2016
Net result	21.298	9.169	21.186	8.674	5.907	20.582
Eliminated from the net result (+/-):						
• Result on disposals of investment properties	0	0	0	0	0	12.798
• Changes in fair value of investment properties	-8.866	-2.500	7.274	5.417	354	-2.425
• Other result on portfolio	1.518	270	89	-260	-104	-363
• Changes in fair value of financial assets and liabilities (ineffective hedges)	381	-243	-1.119	-744	-122	-1.547
• Other non-distributable elements based on the statutory annual account of Intervest nv.	0	0	0	0	0	0
EPRA earnings	14.331	6.696	27.430	13.087	6.035	29.044

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EPRA earnings per share⁹

Definition - The EPRA earnings per share are the EPRA earnings divided by the weighted average number of shares at year-end.

Application - The EPRA earnings per share measure the EPRA earnings per weighted average number of shares and makes it possible to compare these with the gross dividend per share.

Reconciliation		30.06.2018	30.03.2018	31.12.2017	30.06.2017	31.03.2017	31.12.2016
EPRA earnings (in thousands €)	A	14.331	6.696	27.430	13.087	6.035	29.044
Weighted average number of shares	B	18.510.303	18.405.624	17.409.850	17.040.738	16.784.521	16.784.521
EPRA earnings per share (in €)	=A/B	0,77	0,36	1,58	0,77	0,36	1,73

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Estimated rental value (ERV)

The estimated rental value is the rental value determined by the independent property experts.

Fair value of an investment property

This is equal to the amount at which a building could be exchanged between well-informed parties, in agreement and acting in conditions of normal competition. From the seller's point of view, this must be understood as subject to deduction of registration fees.

Specifically, this means that the fair value is equal to the investment value divided by 1,025 (for buildings with a value of more than € 2,5 million) or the investment value divided by 1,10/1,125 (for buildings with a value of less than € 2,5 million). For investment properties situated in the Netherlands, held by Dutch subsidiaries, the fair value is equal to the investment value divided by 1,07.

Free float

Free float is the number of shares circulating freely on the stock exchange and therefore not publicly owned. According to the EPRA and Euronext definition it concerns all shareholders possessing individually less than 5% of the total number of shares.

Gross dividend yield

The gross dividend yield is the gross dividend divided by the share price on closing date.

Interest cover ratio

The interest coverage ratio is the ratio between the operating result before result on portfolio and the financial result (excluding the changes in fair value of financial derivatives).

Intervest

Intervest is the short name for Intervest Offices & Warehouses, the full legal name of the company.

Investment value of a real estate property

This is the value of a building estimated by an independent property expert, and including the transfer costs without deduction of the registration fee. This value corresponds to the formerly used term "value deed in hand".

Net dividend

The net dividend equals the gross dividend after deduction of 30% withholding tax. The withholding tax on dividends of public regulated real estate companies was increased from 27% to 30% (except in case of certain exemptions) as from 1 January 2017 as a result of the Programme Act of 25 December 2016, published in the Belgian Official Gazette of 29 December 2016.

Net dividend yield

The net dividend yield is equal to the net dividend divided by the share price on closing date.

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Net result per share⁹

Definition - The net result per share is the net result as published in the income statement, divided by the weighted average number of shares (i.e. the total amount of issued shares less the own shares) during the financial year.

Reconciliation		30.06.2018	31.03.2018	31.12.2017	30.06.2017	31.03.2017	31.12.2016
Net result (in thousands €)	A	21.298	9.169	21.186	8.674	5.907	20.582
Weighted average number of shares	B	18.510.303	18.405.624	17.409.850	17.040.738	16.784.521	16.784.521
Net result per share (in €)	=A/B	1,15	0,50	1,22	0,51	0,35	1,23

Net value (fair value) per share

Total shareholders' equity attributable to the equity holder of the parent company (therefore, after deduction of the minority interests) divided by the number of shares at the end of the year (perhaps after deduction of own shares). It corresponds to the net value as defined in article 2, 23° of the RREC Act.

The net value (fair value) per share measures the value of the share based on the fair value of the investment properties and makes it possible to make a comparison with the share price.

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Net value (investment value) per share^o

Definition - Total shareholders' equity attributable to the equity holder of the parent company (therefore, after deduction of the minority interests) increased with the reserve for the impact on the fair value of estimated transfer duties and costs resulting from the hypothetical disposal of investment properties, divided by the number of shares at the end of the year (after deduction of own shares).

Application - The net value (investment value) per share measures the value of the share based on the investment value of the investment properties and makes it possible to make a comparison with the share price.

Reconciliation		30.06.2018	31.03.2018	31.12.2017	30.06.2017	31.03.2017	31.12.2016
Shareholders' equity attributable to the shareholders of the parent company (in thousands €)	A	365.826	368.535	359.366	333.084	331.992	326.085
Reserve for the impact on fair value of estimated transfer duties and costs resulting from the hypothetical disposal of investment properties (in thousands €)	B	17.652	15.274	15.274	15.274	15.860	15.862
Shareholders' equity attributable to the shareholders of the parent company - investment value (in thousands €)	C=A+B	383.478	383.809	374.640	348.358	347.852	341.947
Number of shares at year-end	D	18.891.443	18.405.624	18.405.624	17.740.407	16.784.521	16.784.521
Net value (investment value) per share (in €)	=C/D	20,30	20,85	20,35	19,64	20,72	20,37

Net yield

The net yield is calculated as the ratio of the contractual rent, increased by estimated rental value on vacancy, less the allocated property charges, and the fair value of investment properties.

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Occupancy rate

The occupancy rate is calculated as the ratio between the estimated rental value (ERV) of the rented space and the estimated rental value of the total portfolio available for rent as at closing date.

Operating margin^o

Definition - The operating margin is the operating profit before result on portfolio, divided by the rental income.

Application - The operating margin provides an indication on the company's possibility of generating profit from its operational activities, without taking the financial result, the taxes or the result on portfolio into account.

Reconciliation in thousands €		30.06.2018	31.03.2018	31.12.2017	30.06.2017	31.03.2017	31.12.2016
Operating profit before result on portfolio	A	18.208	8.621	35.077	16.644	7.823	38.226
Rental income	B	22.945	11.597	43.349	20.999	10.446	45.280
Operating margin (%)	=A/B	79%	74%	81%	79%	75%	84%

Regulated real estate company (RREC)

The status of regulated real estate company is regulated by the Act of 12 May 2014 on regulated real estate companies (RREC Act) and by the Royal Decree of 13 July 2014 on regulated real estate companies (RREC Royal Decree) in order to stimulate joint investments in real estate properties.

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Result on portfolio ⁹

Definition - The result on portfolio comprises (i) the result on the disposal of investment properties, (ii) the changes in the fair value of investment properties, and (iii) the other result on portfolio.

Application - The result on portfolio measures the realised and non-realised profit and loss related to the investment properties, compared with the valuation of the independent property experts at the end of the current financial year.

Reconciliation in thousands €	30.06.2018	31.03.2018	31.12.2017	30.06.2017	31.03.2017	31.12.2016
Result on disposals of investment properties	0	0	0	0	0	-12.798
Changes in fair value of investment properties	8.866	2.500	-7.274	-5.417	-354	2.425
Other result on portfolio	-1.518	-270	-89	260	104	363
Result on portfolio	7.348	2.230	-7.363	-5.157	-250	-10.009

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Return of a share

The return of a share in a certain period is equal to the gross return. This gross return is the sum of (i) the difference between the share price at the end and at the start of the period and (ii) the gross dividend (therefore, the dividend before deduction of the withholding tax).

RREC Act

The Act of 12 May 2014 on regulated real estate companies.

RREC Royal Decree

The Royal Decree of 13 July 2014 on regulated real estate companies.

Share liquidity

The ratio between the numbers of shares traded daily and the number of capital shares.

Turnover rate

The turnover rate of a share is calculated as the ratio of the number of shares traded per year to the total number of shares at the end of the period.

Yield

The yield is calculated as the ratio of contractual rents (whether or not increased by the estimated rental value of unoccupied rental premises) and the fair value of investment properties. It is a gross yield, without deduction of any allocated property charges