

## **LEASINVEST REAL ESTATE**

Limited partnership by shares

Public regulated real estate company under Belgian law

Registered office: Route de Lennik 451, 1070 Brussels (Anderlecht), Belgium

Enterprise number: 0436.323.915

RLE Brussels, Dutch division

("LRE" or the "Company")

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### **EXPLANATORY NOTE OF THE MANAGER ON THE PROPOSED RESTRUCTURING OF LEASINVEST REAL ESTATE**

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This note (the "**Note**") explains the restructuring envisaged by the Company, which, in summary, consists of the following three steps:

- renunciation by the Company of its BE-REIT status;
- conversion of the Company into a public limited liability company with a (collegial) board of directors under the CCA, and the corresponding internalisation of the management of the Company through a contribution in kind of the shares in Leasinvest Real Estate Management NV/SA, the statutory manager of the Company ("**LREM**" or the "**Manager**"), by Ackermans & van Haaren NV/SA ("**AvH**") into the capital of the Company;
- a "business combination" with Extensa Group NV/SA ("**Extensa**"), a 100% subsidiary of AvH, by means of a contribution in kind of the shares in Extensa by AvH in the capital of the Company;

with the aim of transforming the Company into one integrated real estate group (the "**Transaction**").

#### **1. DESCRIPTION OF LEASINVEST REAL ESTATE**

The Company is licensed as a public regulated real estate company ("**BE-REIT**").

The shares in the statutory manager of the Company, LREM, are held by AvH. AvH also holds approximately 30.01% of the shares in the Company.<sup>1</sup>

The most important shareholders of the Company, apart from AvH, are AXA Belgium (26.58%<sup>2</sup>) and AG Insurance (7.36%<sup>3</sup>).

At this moment, the structure of the Company is as follows<sup>4</sup>:

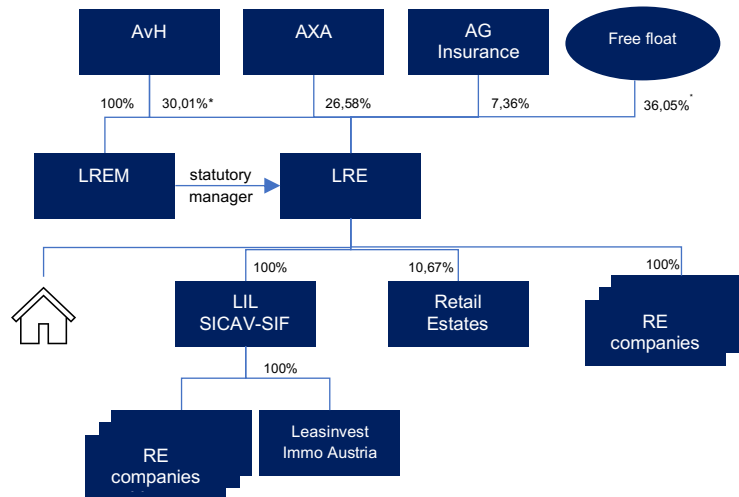
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<sup>1</sup> Based on the most recent transparency notification.

<sup>2</sup> Based on the most recent transparency notification.

<sup>3</sup> Based on the most recent transparency notification.

<sup>4</sup> Highly simplified. The percentages are based on the most recent transparency notifications.



The Company was founded in 1999 and has over the years evolved in size, asset classes and geographical focus, the main step being the entry into Luxembourg in 2006. The current mission of the Company is to manage a diversified portfolio of quality and well located retail properties and offices in Belgium, Luxembourg and Austria.

Amongst other things, the Company owns a number of iconic buildings, such as the Royal Warehouse on the Tour & Taxis site in Brussels and the Hangar 26/27 building on the Eilandje in Antwerp. In addition to "direct" real estate and shares in various real estate companies, the Company also owns 10.67%<sup>5</sup> of the shares in Retail Estates, a public regulated real estate company that mainly invests in Belgian and Dutch peripheral retail property, and 100% of the shares in Leasinvest Immo Lux SA ("LIL"), a Luxembourg SICAV SIF. The real estate properties in Luxembourg and Austria (mainly shopping centres) are (indirectly) held by LIL.

The fair value of the Company's consolidated real estate portfolio as at 31 March 2021 was approximately EUR 1.13 billion.

## 2. REASONS FOR THE TRANSACTION

A number of recent developments have led the Company to consider making fundamental changes to its business model in order to enable further growth of the Company:

- The retail real estate segment is under pressure from e-commerce and changing consumer behaviour. COVID-19 has accelerated this evolution in the retail landscape with the well-known challenges for shopping centres and high streets. Retail parks are offering more resistance because of the affordability of rent, convenience for the customer and security (because of their large surface area);
- The office segment is under pressure because of the technological revolution & Home Working/New Way of Working, mobility and the need to turn them into places of experience;

<sup>5</sup> Based on the most recent transparency notification.

- The debt ratio of the Company is relatively high;
- The occupancy rate of the Company's property portfolio in Luxembourg is at a relatively low level today, due to redevelopments that will create added value at a later stage;
- The Manager is of the opinion that the SDG objectives must be implemented more quickly and must become a determining factor for the Company's further policy which will determine a potential rotation, a sustainable refurbishment of the existing portfolio and the acquisition and development strategy of the Company;
- The Manager believes that more attention should be paid to property development which should be focused to trigger higher returns.

It is therefore the Company's intention to transform itself into a listed integrated real estate player, investing in real estate on the one hand and developing real estate to either sell or hold in portfolio on the other. This new business model implies a number of fundamental changes compared to the framework in which the Company operates today.

The proposed business model is incompatible with the BE-REIT status on a number of points:

- Article 41 of the Act of 12 May 2014 on regulated real estate companies ("**BE-REIT Act**") contains a prohibition on building promotion. A regulated real estate company may not, as its main or secondary occupation, with the exception of occasional operations, erect buildings or have them erected with a view to disposing of them, either before their establishment or during their establishment, or within a period of five years after their establishment, in whole or in part, for a consideration. The Company wishes to develop property (including residential property) in the future, if necessary with a view to selling it immediately (or in the short term) (other than through occasional transactions). In the highly competitive market in which the Company currently operates, it sees in this a model to realise further growth and value creation, which is not possible in the same way as a regulated real estate company today;
- An opportunistic sales plan in function of the market circumstances or building age is subject to strict limitations in a BE-REIT framework;
- The profit distribution obligation and debt ratio limitation under the BE-REIT Legislation<sup>6</sup> restrict the Company in its growth possibilities;
- The tax transparency offers the Company only a limited advantage as the Company largely invests abroad under tax.

### **3. STRATEGY AFTER THE TRANSACTION**

"Leasinvest 2.0" will combine a proven track record of an international real estate investor with leading (re)development capabilities.

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<sup>6</sup> The BE-REIT Act and the Royal Decree of 13 July 2014 on regulated real estate companies (the "**BE-REIT RD**") (together, the "**BE-REIT Legislation**").

This results from the business combination of:

- Leasinvest Real Estate, a real estate investor active in the high-quality office and retail segment, in Belgium, Luxembourg and Austria; and
- Extensa, a true specialist in mixed-use urban developments, which has realised large, particularly high-quality, inspirational and award-winning real estate projects in the BeLux, namely Tour & Taxis in Brussels and Cloche d'Or in Luxembourg.

Bringing together the real estate positions and the complementary expertise of the teams of both companies will create synergies and form a solid basis for a strategy aimed at realising and managing innovative mixed-use urban developments, thus creating new urban districts or revitalising existing ones. With this focus the Company can combine recurring rental income with attractive capital gains. This structure will allow "Leasinvest 2.0" to move faster in the current volatile market environment through targeted arbitrage of the portfolio or redevelopment of existing buildings. In addition, the strengthened balance sheet structure will allow it to proactively pursue new opportunities in its core markets or in new markets.

The investment story of "Leasinvest 2.0" will be based on the following key pillars:

- **Market:** Well positioned for growth through strong presence in attractive, stable and well-developed regions (Belgium, Luxembourg and Austria)
- **Business model:** Unique business profile combining an iconic high-yield real estate portfolio (supported by a high-quality tenant base) with leading real estate development projects
- **Team:** Multidisciplinary team of passionate real estate professionals with the right mix of skills to develop, commercialise and sustainably manage high-quality real estate assets. This team has set out a clear commercial strategy, aimed at both the proactive acquisition and targeted management of leading (re)development projects and the maximisation of the occupancy rate at highly competitive conditions
- **Financial profile:** Strengthened financial profile combining a solid dividend stream with significant upside potential. Prudent funding with an eye on a balanced balance sheet (target LTV of less than 45% after integration).

"Leasinvest 2.0" will have a consolidated balance sheet total of approximately € 1.83 billion with an equity capital of +/- € 733 million. The combined investment portfolio will consist primarily of offices (45%) and secondarily of retail (41%). The "other" part consists on the one hand of the remaining logistic buildings from the Leasinvest portfolio and on the other hand of the buildings on the Tour&Taxis site that serve for events (The Sheds, Maison de la Poste) and the various car parks. Geographically, Belgium and Luxembourg are almost equally important (43-44%), and the remaining 13% are the retail parks in Austria from the Leasinvest portfolio.



By acquiring the iconic heritage of Tour & Taxis (T&T) with its flagship "Gare Maritime", coupled with the Company's CSR strategy, "Leasinvest 2.0" has all the assets to be a reference in terms of sustainability in the real estate market.

The development potential, which stems entirely from Extensa, can be categorised as follows:



Approximately two-thirds of these developments are planned on the Tour&Taxis site in Brussels, while the remainder are located on the Cloche d'Or in the southern part of the city of Luxembourg.

Through Extensa's participation (50%) in Grossfeld PAP SA (Cloche d'Or), the Company will also become active in residential developments on its second home market Luxembourg, in addition to its activities relating to the rental and development of offices and shops.

"Leasinvest 2.0" has the ambition to keep its EPRA status and as such would be a unique investment opportunity within the Belgian EPRA universe. This business combination is supported by Ackermans & van Haaren as a long-term majority shareholder with a strong focus on sustainable entrepreneurship, which contributes to the ability of Leasinvest 2.0 to create shareholder value through innovative and high-quality real estate operations.

#### 4. DESCRIPTION OF THE TRANSACTION

##### 4.1. Exit from the BE-REIT status

The Company is therefore considering to voluntarily renounce its specific regulatory and tax status in Belgium. It is also envisaged that LIL, a wholly-owned subsidiary of the Company, will renounce its SICAV SIF status in Luxembourg prior to the EGM.

#### **4.2. Business combination with Extensa**

In addition, the Company wishes to enter into a business combination with the real estate developer Extensa by means of a contribution in kind of the Extensa shares in the capital of the Company.

Extensa is a real estate developer with a long track record and is a 100% subsidiary of AvH. The most important development projects are the developments on the Tour & Taxis site in Brussels and Cloche d'Or in Luxembourg (the latter through the participation (50%) of Extensa in Grossfeld PAP SA). In addition, Extensa owns a land bank and holds a number of real estate assets for long-term rental, the majority of which are located on the Tour & Taxis site.

The Manager believes that a business combination with Extensa can ensure that the modified strategy of the Company can be implemented in a fast and efficient manner. Indeed, by combining the real estate portfolios of the Company and Extensa and the development pipeline of Extensa, as well as the expertise and track record of both teams, the Company can quickly evolve into a real estate investor and developer with a unique and diversified business profile, combining stable recurring flows from the management of an iconic sustainable real estate portfolio with a high-quality tenant base, and capital gains from the sale of residential assets and office buildings. A business combination with Extensa would lead to further diversification of the Company's portfolio into residential and office developments. The investment focus of the combined entity would be on (i) core plus buildings (combining office, retail and/or residential use) with a clear potential to create added value through repositioning and redevelopment and (ii) sustainable projects aimed at creating a better society (e.g. climate adaptable buildings and mobility solutions) to cope with the aforementioned developments.

Pursuant to Article 30 of the BE-REIT Act, a regulated real estate company may not hold more than 20% of its consolidated assets in real estate or in assets constituting a single "asset base" (i.e. one or more fixed assets or assets that must be considered as a single risk). The combination of the investment portfolios of the Company and Extensa could lead to this percentage being exceeded, given the real estate that both companies hold on the Tour & Taxis site in Brussels. Because of this rule, combined with the prohibition on building promotion in the BE-REIT Act (Article 41 BE-REIT Act), a combination of the activities of the Company and the (development) activities of Extensa would in any case be excluded under the BE-REIT status.

#### **4.3. Conversion of legal form**

In the context of the restructuring, the Company also wishes to review its governance model.

In accordance with the statutory transitional regime of the CCA, the Company must change its legal form with the first amendment of the articles of association after 1 January 2020 and in any case by 1 January 2024<sup>7</sup>. The CCA abolishes the current legal form of the Company, the limited partnership by shares (Comm.VA/SCA). Consequently, the Company is obliged to adopt another legal form as part of the Transaction.

The conversion of the Company into a public limited liability company (NV/SA) under the CCA is the most logical choice, as the legal form of a public limited liability company best approximates that of the abolished limited partnership by shares. For that reason, the statutory transitional regime provides that

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<sup>7</sup> Article 39, §1, third paragraph of the Act of 23 March 2019.

on 1 January 2024 limited partnerships by shares will be converted into a public limited liability company by operation of law if they have not converted voluntarily into a legal form provided for by the CCA by that date<sup>8</sup>.

After the conversion into a public limited liability company, the Company can no longer have a statutory manager, as the CCA does not provide for this form of management in the public limited liability company (nor in any other form of company granting limited liability to all of its shareholders). However, the Company could in principle be converted into a public limited company with a "sole director". This form of management with a management body consisting of one single person, which the CCA optionally provides for in the public limited liability company (Articles 7:101-7:103 CCA), largely corresponds to the figure of the statutory manager in a limited partnership by shares. In that case, the Manager would assume the mandate of the sole director and continue to enjoy, among other things, an almost absolute protection against involuntary dismissal and a right of veto for amendments to the articles of association and dividend payments. However, the Manager proposes to convert the Company into a public limited liability company with a (collegial) board of directors (the "**Conversion**")<sup>9</sup>.

The choice for a public limited liability company with a (collegial) board of directors is part of a global adjustment of the control structure of the Company and the Transaction as a whole, in consultation with AvH, current reference shareholder of the Company and the sole shareholder of the Manager.

From a governance point of view, the choice for a public limited liability company with a (collegial) board of directors perfectly matches the most transparent legal form in the Belgian legislative framework for listed companies. After all, in a listed public limited liability company with a sole director, the latter must in turn be a public limited liability company with a collegial board of directors (Article 7:101, §1 CCA). This complexity is avoided by the proposed conversion of the Company into a public limited liability company with a (collegial) board of directors.

Moreover, in order to ensure that the personnel and assets of LREM continue to serve the Company in the future, which is in the interest of the Company, it is proposed that, in the context of the Conversion, all shares in LREM will be contributed to the Company by AvH. LREM will continue to exist and will become a wholly-owned subsidiary of the Company. In this way, the management of the Company is internalised (this set of transactions, the "**Fold-In**").

As a consequence of the Conversion, LREM's mandate as statutory manager of the Company will be terminated. LREM's remuneration for the current financial year 2021 will be settled with 30 June 2021 as conventional cut-off date. This remuneration is stipulated in the articles of association and amounts to 0.415% of the consolidated assets on an annual basis (cf. article 15 of the current articles of association). As mentioned above, the corporate mandate will not be replaced by a service agreement with LREM as external service provider, but the management of the Company will be internalised (in a subsidiary) pursuant to the contribution of the shares in LREM into the Company. As a result of the Fold-In, for the period after 30 June 2021, the Company no longer has to pay any remuneration to LREM,

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<sup>8</sup> Article 41, §2 of the Act of 23 March 2019.

<sup>9</sup> Because of the sequence of decisions that will be submitted to the EGM, the EGM will be asked, merely as an interim step immediately following the decision to voluntarily renounce its BE-REIT status, to amend the articles of association to bring them in line with this renunciation decision and with the provisions of the CCA. As a result, the Company will nonetheless (but in principle only for a few minutes – until the approval by the EGM of the Conversion, the LREM Contribution and the Extensa Contribution) be a public limited company with a sole director.

while the cost structure of LREM's personnel is henceforth included in the Company's consolidation perimeter.

On the other hand, after the Fold-In, the Company will have a collegial board of directors in which it will have to appoint several directors (including at least three independent directors within the meaning of Article 7:87 CCA). It is envisaged that the mandates of the current directors of LREM will be continued at the level of the Company for a duration equal to the remaining term of their respective mandates in LREM. It is proposed to retain the remuneration structure for the independent directors and to extend it to the non-executive directors. Thus, the directors will henceforth be remunerated (directly) by the Company.

#### **4.4. Renewal of the authorisation to purchase own shares and of the authorised capital**

The Company would also like to seize the opportunity to request the EGM (as defined below) to renew the authorisation to acquire own shares (pursuant to Article 7:215 and following of the CCA) and the authorisation regarding the authorised capital (pursuant to Article 7:198 and following of the CCA). See in this respect the report of the Manager in accordance with Article 657 *juncto* 604 of the old Companies Code and Article 7:199 CCA on the renewal of the authorised capital.

#### **4.5. Introduction of a double voting right (loyalty voting right)**

The Company also proposes to introduce a double voting right (so-called "loyalty voting right") in accordance with Article 7:53 CCA as introduced in the new Code of Companies and Associations by the legislator in order to reward and stimulate the long term involvement of shareholders. The Manager is of the opinion that this is in the interest of the Company as this instrument rewards and stimulates loyal shareholders and a stable shareholding enables the Company to focus on the development and implementation of a long-term vision and strategy as an integrated real estate group. The Manager emphasises that the double voting right is granted to all shareholders who meet the following legal conditions.

Fully paid up shares which have been registered in the register of registered shares continuously for at least two years in the name of the same shareholder would be granted a double voting right compared to the other shares representing an equal part of the capital.

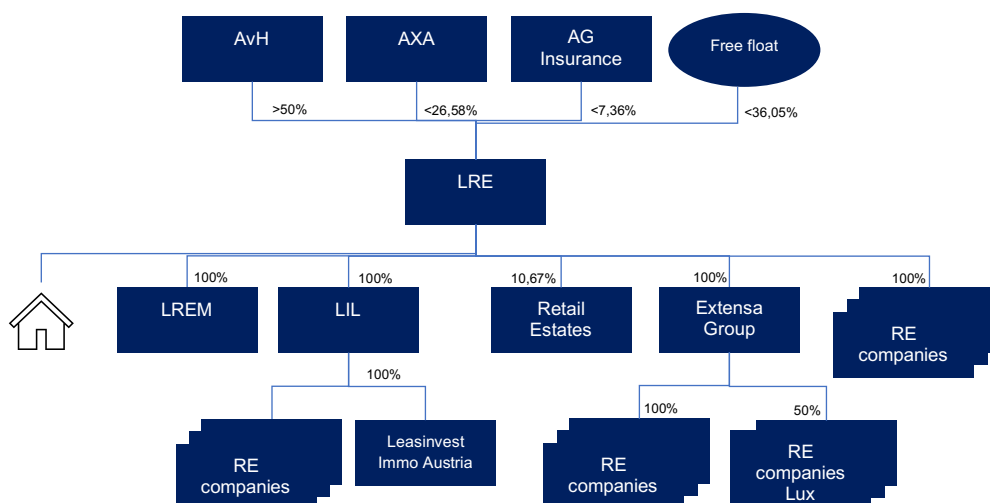
The two-year period starts on the day the registered shares are registered in the register of registered shares of the Company, even if such registration has taken place before the adoption of the provision in the articles of association introducing the double voting right. This means that all shares in the Company that have already been held by the same shareholder in the register of registered shares of the Company for two years without interruption on the date of the EGM would enjoy a double voting right after the EGM as long as these shares are not transferred (subject to limited legal exceptions) or dematerialised. The new shares in the Company that will be issued within the framework of the LREM contribution and the Extensa contribution (as defined below) will only enjoy a double voting right two years after the date of the EGM and provided that the other conditions are fulfilled (in particular that these new shares have not been transferred (subject to limited legal exceptions) or dematerialised). The 1,778,352 existing shares in the Company which are held by AvH fulfil the conditions to benefit from a double voting right. In total, based on the registrations in the register of registered shares of the



Company on the date of this Note, 1,804,668 existing shares in the Company will be entitled to a double voting right after the EGM.<sup>10</sup>

#### 4.6. Transaction overview

After completion of the Transaction, the structure of the Company would be as follows:



More precisely, the following resolutions will be submitted to the extraordinary general meeting of the Company which will be held on 19 July 2021 (the "EGM"):

- voluntary renunciation by the Company of its status as a public regulated real estate company in accordance with Article 62 BE-REIT Act (the "**Renunciation**") and corresponding amendment of the articles of association (including the change of the Company's object);
- conversion of the Company into a public limited liability company with a (collegial) board of directors under the CCA (the "**Conversion**") and the corresponding amendment of the articles of association, subject to approval of the LREM contribution and the Extensa contribution<sup>11</sup>;
- approval of the agreement concerning the contribution in kind of the shares in LREM and the decision to contribute in kind the shares in LREM by AvH into the capital of the Company (the "**LREM Contribution**"), subject to approval of the Extensa Contribution<sup>Error! Bookmark not defined.</sup>;
- contribution in kind of the shares in Extensa by AvH into the capital of the Company (the "**Extensa contribution**")<sup>12</sup>;
- introduction of the loyalty voting right<sup>13</sup>;

<sup>10</sup> This assumes that these shares will not be transferred prior to the EGM, as a result of which the conditions of Article 7:53 CCA would no longer be met.

<sup>11</sup> This decision will only be submitted to the EGM if the Renunciation has been approved.

<sup>12</sup> This decision will only be submitted to the EGM if the Renunciation, Conversion and the LREM contribution have been approved.

<sup>13</sup> This decision will only be submitted to the EGM if the Renunciation and Conversion have been approved.

- renewal of the authorisations regarding the authorised capital and the purchase of own shares Error! Bookmark not defined.

For more information on these transactions (including information on the new shares in the Company to be issued within the framework of the LREM contribution and the Extensa contribution (including the issue price) and the contribution value of the shares in LREM and Extensa), reference is made to the reports of the Manager dated 14 June 2021:

- in application of Article 657 *juncto* 559 old Companies Code and Article 7:154 CCA, on the proposed amendment of the Company object (formerly "purpose") set forth in the articles of association;
- in application of Article 778 old Companies Code and Article 14:5 CCA, on the proposed conversion into a public limited liability company with a (one-tier) board of directors under the CCA;
- in application of Article 657 *juncto* Article 602, §1, third paragraph old Companies Code and Article 7:179, §1, first paragraph, and 7:197, §1, first paragraph CCA, concerning a capital increase by way of contribution in kind of the shares in LREM;
- in application of Article 657 *juncto* 602, §1, third paragraph old Companies Code and Article 7:179, §1, first paragraph and 7:197, §1, first paragraph CCA, concerning a capital increase by way of contribution in kind of the shares in Extensa Group NV/SA;
- in application of Article 657 *juncto* 604 old Companies Code and Article 7:199 CCA, concerning the proposed replacement of the authorisation concerning the authorised capital.

## 5. **CONFLICTS OF INTERESTS**

### 5.1. **Personal conflict of interest of the Manager**

As the Fold-In leads to the elimination of the mandate of LREM - and consequently its remuneration - as statutory manager, the Manager has a personal interest of a patrimonial nature in relation to the decision of the Company on the Fold-In that is contrary to the interest of the Company. For this reason, the decision on the Conversion and the LREM contribution will, in accordance with Article 657 *juncto* 523 old Companies Code and Article 7:96 CCA<sup>14</sup>, be submitted to the EGM, and the EGM will also be requested to approve the contribution agreement concerning the shares in LREM.

### 5.2. **Intra-group conflict of interest**

As AvH controls the Company within the meaning of the old Companies Code and is a related party within the meaning of the international accounting standards approved in accordance with Regulation

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<sup>14</sup> In accordance with Article 41 §1 of the Act of 23 March 2019 on the introduction of the Code of Companies and Associations and containing various provisions (the "**Act of 23 March 2019**"), the Company shall remain governed by the old Companies Code for as long as it has the legal form of a limited partnership by shares (but no later than until 1 January 2024), on the understanding that, as of 1 January 2020, it shall also be governed by the mandatory provisions of the CCA that apply to the public limited liability company, with the exception of the provisions of Book 7, Title 4, Chapter 1 (Management), whereby, in the event of a conflict between mandatory provisions of the CCA and mandatory provisions of the old Companies Code, the mandatory provisions of the CCA shall prevail. In view of this transitional regime, the Company should, in principle, only apply the provisions of the CCA, as far as conflicts of interest of the managing body are concerned. However, the Corporate Governance Charter of the Company already refers to Article 7:96 and 7:97 CCA, so that the Company, to the extent necessary, has cumulatively applied the relevant provisions of the old Companies Code and the CCA.

(EC) 1606/2002, the procedure for conflicts of interest of Article 657 *juncto* 524 of the old Companies Code and Article 7:97 CCA<sup>15</sup> is applied to the LREM contribution and the Extensa contribution.

The committee of independent directors<sup>16</sup>, assisted by an independent expert, Degroof Petercam Corporate Finance, has assessed (the proposals for) the LREM contribution and the Extensa contribution in accordance with Article 657 *juncto* 524 old Companies Code and Article 7:97 CCA. The advice of the committee of independent directors will be submitted to the EGM.

The *de facto* representatives of AvH in the board of directors of LREM, Mr Jan Suykens and Mr Piet Dejonghe, are "involved" in the Transaction within the meaning of Article 7:97 CCA, and therefore did not participate in the deliberation and vote of the board of directors of LREM concerning the proposals for the LREM contribution and the Extensa contribution.

## **6. CONSEQUENCES OF THE TRANSACTION**

### **6.1. Regulatory consequences**

#### **6.1.1 General**

Within the framework of the approval of the amendment of the articles of association, the FSMA has, in accordance with Article 12 of the BE-REIT Act, cancelled the licence of the Company as a BE-REIT, subject to the condition precedent and with effect as from the approval of the Renunciation by the EGM. Thus, at the time of the approval of the Renunciation by the EGM and the related amendment of the articles of association (which are the first items on the agenda), the Company will immediately lose its status as a BE-REIT. Consequently, from that moment onwards, the Company will no longer be subject to the provisions of the BE-REIT Legislation.

As a consequence, the LREM contribution and the Extensa contribution which will subsequently be submitted to the EGM will no longer be subject to the BE-REIT Legislation.

#### **6.1.2 Impact on the dividend**

As a BE-REIT, the Company is legally obliged to distribute up to the net positive result of the financial year and after deduction of the losses carried forward and additions to/removals from the reserves<sup>17</sup>, as a remuneration of the capital, at least the positive difference between:

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<sup>15</sup> In accordance with Article 41 §1 of the Act of 23 March 2019 on the introduction of the Code of Companies and Associations and containing various provisions (the "**Act of 23 March 2019**"), the Company shall remain governed by the old Companies Code for as long as it has the legal form of a limited partnership by shares (but no later than until 1 January 2024), on the understanding that, as of 1 January 2020, it shall also be governed by the mandatory provisions of the CCA that apply to the public limited liability company, with the exception of the provisions of Book 7, Title 4, Chapter 1 (Management), whereby, in the event of a conflict between mandatory provisions of the CCA and mandatory provisions of the old Companies Code, the mandatory provisions of the CCA shall prevail. In view of this transitional regime, the Company should, in principle, only apply the provisions of the CCA, as far as conflicts of interest of the managing body are concerned. However, the Corporate Governance Charter of the Company already refers to Article 7:96 and 7:97 CCA, so that the Company, to the extent necessary, has cumulatively applied the relevant provisions of the old Companies Code and the CCA.

<sup>16</sup> The committee of independent directors is composed of all five independent directors of the Company: Dirk Adriaenssen, Eric Van Dyck, Marcia De Wachter, Colette Dierick and Sigrid Hermans.

<sup>17</sup> As referred to in "Item B. Addition/deduction of reserves" as defined in Section 4 of Part 1 of Chapter 1 of Schedule C to the BE-REIT RD.

- i. 80% of the amount determined in accordance with the schedule included in Chapter III of Annex C; and
- ii. the net reduction, during the financial year, of the indebtedness of the public regulated real estate company.<sup>18</sup>

As a result of the Transaction, and more specifically the Renunciation, the Company will no longer be subject to this statutory minimum distribution requirement. Thus, when deciding on the allocation of the profit for the financial year 2021 that will be decided at the annual general meeting in 2022, there will be no legal minimum distribution requirement.

The Company will pursue a dividend policy based on a distribution of 40-60% of the EPRA profit linked to the investment portfolio. On this basis, the Company also aims to increase its dividend thanks to the potential of exceptional capital gains realised on the sale of investment properties or profits from development projects.

## **6.2. Tax consequences**

If the EGM approves the Transaction, the Renunciation will have the effect of causing the Company to switch from the tax regime of article 185*bis* of the Income Tax Code ("**ITC92**") to the standard corporate income tax regime. The Belgian tax consequences for the Company and its Belgian shareholders are summarised below.

At the level of the Company itself, the main tax consequence of the switch to the standard corporate income tax regime is that the Company will from now on be taxable in principle on all of its income. The Belgian rental income (after depreciation) and future capital gains on Belgian properties will therefore be included in the taxable base, whereas this was not the case under the specific tax regime. As LIL no longer invests directly in real estate and also abandons its specific tax regime (as a SICAV-SIF), the dividends received by the Company from LIL will in future be eligible for the Definitely Taxed Income deduction ("*Definitief Belaste Inkomsten Aftek*") (**DTI-deduction**). The dividends received from Extensa will also be eligible for the DTI-deduction. The dividends received from Retail Estates, on the other hand, will not (or only to a very limited extent) be eligible for the DTI-deduction.

At the level of the shareholders-natural persons (residing in Belgium), the Renunciation will in principle have no direct tax impact. Dividends paid by the Company will remain subject to a 30% withholding tax and capital gains on shares will in principle remain tax free (if they fall within the scope of the normal management of private assets).

For shareholders-companies, however, there will be a direct tax impact. The dividends that the shareholders-companies currently receive (under the BE-REIT status), are not (or only partially) eligible for DTI-deduction because the taxation condition<sup>19</sup> is not met and any capital gains they realise on the shares in the Company are (partially) taxable. However, as from the Renunciation, the Company will be subject to the standard corporate income tax regime (see above) so that, in principle, the taxation condition will be met as from that moment. As from the Renunciation, the dividends paid by the Company to its shareholders-companies will in principle be eligible for DTI-deduction (provided that the

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<sup>18</sup> Article 13 BE-REIT RD.

<sup>19</sup> Cf. Article 203, §1, 2°*bis juncto* Article 203, §2, 6° ITC92.

quantitative conditions of the DTI-deduction are also met<sup>20</sup>) and any capital gains realised by the shareholders on their shares in the Company will in principle be exempt (subject to the same conditions).

However, since the transition from the specific tax regime of article 185*bis* ITC92 to the standard regime of corporate income tax is not regulated as such in the tax legislation, the Company filed a ruling request with the Ruling Administration in tax matters. To summarise, by means of the ruling decision of 1 June 2021, confirmation was obtained in three areas:

- Firstly, it was confirmed that the Company will only be subject to the standard corporate income tax regime for the results it realises as from the Renunciation, so that for the financial year in which the BE-REIT status is renounced, the Company will be subject partly to the specific tax regime of article 185*bis* ITC92 and partly to the standard corporate income tax regime;
- In addition, as a result of the Renunciation, the Company will convert from IFRS to Belgian GAAP (see below). In this context, confirmation was obtained regarding the tax classification of the various components of the Company's equity after the Renunciation, the tax base for future depreciation and the tax value of the Company's asset components for calculating future capital gains or losses.
- Finally, the tax treatment of future dividend distributions (DTI-deduction) was confirmed, both for dividend distributions received by the Company after the Renunciation (particularly from LIL) and for dividend distributions made by the Company to its shareholders-companies after the Renunciation.

### **6.3. Accounting consequences of the Transaction**

If the EGM approves the Transaction, the Company will, as a result of the Renunciation, no longer have to prepare its statutory financial statements in accordance with IFRS standards (Article 11 BE-REIT RD) but in accordance with Belgian GAAP (Article 3:58 CCA RD<sup>21</sup>).

Within the framework of the conversations with the Ruling Administration (see above), the question was raised whether fictitious depreciations should be booked for the period for which the Company was subject to the property investment fund (“*vastgoedbevak*”)/BE-REIT regime. Although the Company is of the opinion that this is not the case, it was decided to request an Individual Decision on Accounting Law (“*Individuele Beslissing inzake Boekhoudrecht*”) (IDAL) from the Commission for Accounting Standards (“*Commissie voor Boekhoudkundige Normen*”) (CAS) in this respect. In this application, confirmation is requested regarding (i) the value at which the Company's real estate should be included in the opening balance sheet under Belgian GAAP and (ii) the carrying out of depreciation on that real estate. The timing for obtaining an answer to these questions is currently unclear, as the CAS first wishes to issue a general recommendation on this issue before issuing an individual decision. Although at first sight the CAS seems to agree with the accounting method proposed by the Company (whereby no fictitious depreciation is taken into account), it is therefore necessary to wait and see what the outcome of the application for IDAL will be. If the CAS is still of the opinion that notional depreciation must be booked for the period during which the Company was subject to the property investment fund (“*vastgoedbevak*”)/BE-REIT regime, the impact on the Company's tax position will be limited. Indeed, in the ruling decision of 1 June 2021, the Ruling Administration confirmed that any notional depreciation

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<sup>20</sup> I.e. the shareholder owns a participation in the capital of the Company of at least 10% or with an acquisition value of at least EUR 2.5 million (“participation condition”), which is or has been held in full ownership for an uninterrupted period of at least one year (“permanence condition”).

<sup>21</sup> Royal decree of 29 April 2019 implementing the Code of Companies and Associations.

would only have an impact on the tax depreciation base and not on the calculation of future taxable gains on the property.

#### **6.4. Consequences for the financing of the Company**

The Renunciation constitutes an event of default under the bonds issued by the Company in 2019 (with an aggregate nominal amount of EUR 100 million, denominations of EUR 100,000, a fixed interest rate of 1.95% and maturing on 28 November 2026) (the **Bonds**), which allows bondholders to request the Company for early redemption of the bonds. In addition, the Renunciation also constitutes an event of default under the Company's credit facilities that may give rise to a suspension or termination of the Company's credit facilities. Also, the change in the shareholder structure gives the right to certain lenders to terminate the relevant credit agreements and to demand early repayment.

The Company's main lenders, BNP Paribas Fortis, Belfius and BGL, representing an amount of 53% of the Company's bank debts, have waived their right to terminate or suspend the credit facilities as a result of the Renunciation or, more generally, the Transaction.

In addition, the Company has obtained a credit line from BNP Paribas Fortis for an amount of EUR 350 million to finance the amounts that could become payable as a result of (i) the termination of the credit facilities by other credit institutions (EUR 250 million) or (ii) a request for early repayment by certain bond holders in connection with the Transaction (EUR 100 million). Should the Transaction be invoked as an event of default under the Company's existing credit lines and/or bonds, the Company will have sufficient funds available through this credit line to meet the early repayment requests.

The Company also intends to convene a general meeting of bondholders (**GMO**) in the near future with a request to amend the terms and conditions of the Bonds so that the Renunciation and the Transaction in general will no longer constitute a ground for redemption of the Bonds in the future.

#### **7. INTENTIONS OF THE REFERENCE SHAREHOLDER**

Prior to the Transaction, AvH is the controlling shareholder of both the Company (through its participation in LREM) and Extensa. As a result of the Transaction, including the contribution of LREM and Extensa, AvH will hold 58.53% of the shares in the Company and consequently exercise exclusive control over the Company.

In this way, AvH confirms its role as reference shareholder of the Company and wishes to emphasise its belief in, and support for, the Company's strategy.

#### **8. PROSPECTUS**

In connection with the admission to trading on the regulated market of Euronext Brussels of the new shares that will be issued to AvH in connection with the LREM contribution and the Extensa contribution, a prospectus will be published shortly after the EGM. The admission to trading of the new shares that were issued to AvH in connection with the LREM contribution and the Extensa contribution will be requested within the time limits set out in the Euronext Rulebook.

**9. PRO FORMA FINANCIAL INFORMATION**

The *pro forma* financial information relating to the Company is available on the website of the Company through the following link <https://leasinvest.be/en/investor-relations-en/general-meetings-en/>.