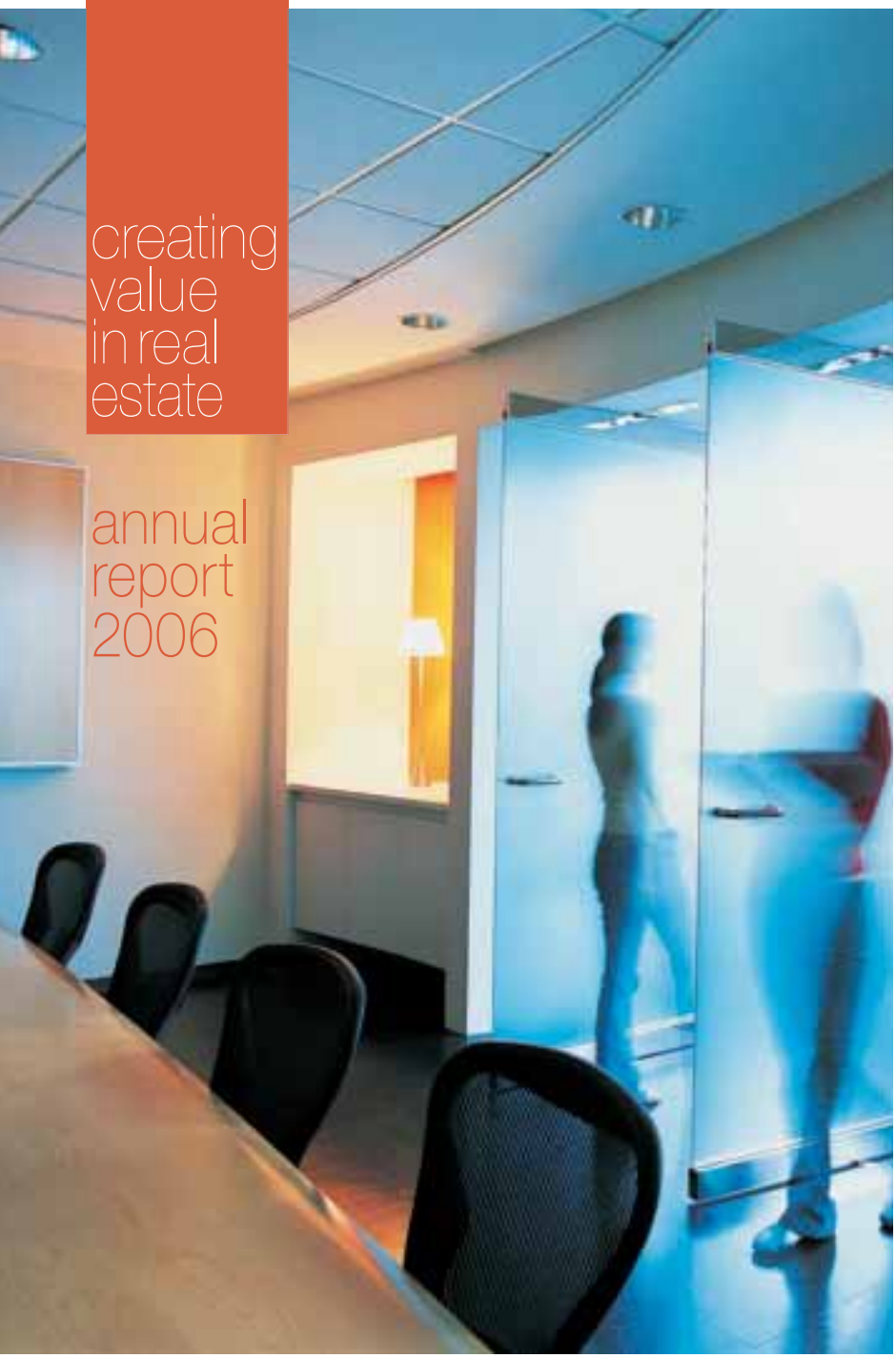
creating value in real estate

annual report 2006



Befimmo

KEY FIGURES

KEY FIGURES (on 30.09)

	2006	2005
Total surface area of portfolio (m^2)	523,037	525,333
Value of portfolio (millions of €)	1,078.4	1,063.2
Occupancy rate (%)	94.73	92.79
Equity (millions of €)	660.2	641.3
Debt ratio (%)	40.17	40.88
Investment capacity[1] (millions of €)	649.1	105.4[2]

KEY FIGURES PER SHARE (on 30.09)

	2006	2005
Book value (€)	67.41	65.48
Closing price (€)	90.00	87.50
Net cash flow (€)	4.84	6.48[3]
Return (€)	6.73	6.62
Gross dividend (€)	4.92	4.80
Return on equity (%)	11.09	11.25
Gross yield[4] (%)	5.47	5.49

KEY DATES FOR SHAREHOLDERS 2006-2007

Payment of the 2006 dividend on presentation of coupon nr 12	from 22 December 2006
Publication of the book value as of 31 December 2006	Thursday 1 March 2007[5]
Publication of the first-half results and book value as of 31 March 2007	Thursday 24 May 2007[5]
Publication of the book value as of 30 June 2007	Thursday 30 August 2007[5]
Publication of the annual results and the book value as of 30 September 2007	Thursday 15 November 2007[5]
Ordinary general meeting 2007	Monday 17 December 2007
Payment of the 2007 dividend on presentation of coupon nr 13	from 21 December 2007

(1) After dividend.
(2) Based on the maximum leverage in force before the Royal Decree of 21 June 2006, namely 50%.
(3) In 2005 the net cash flow was favourably influenced by the capital gain earned on the sale of the Borschette building. Excluding exceptional events, the net current cash flow was €5.09 per share.
(4) Gross dividend divided by share price as of 30 September.
(5) Publication after the close of the stock exchange.

CONTENTS

Annual report for the fiscal year ending 30 September 2006 presented to the Annual General Meeting of Shareholders on 15 December 2006

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

This year, the Brussels rental market seems to be starting to recover at last.

Indeed, for the first time in several years, the vacancy rate is stabilising or even falling, while plenty of new projects are taking place, mainly in the North area and the Léopold district of the Brussels Central Business District (CBD). The private sector is also regaining the dominant position it held before the lean years of 2003, 2004 and 2005, fortunately backed up by some major reorganisations by Belgian public and European administrations. Thus rents seem to be stabilising in most segments of the Brussels market.

If this trend is confirmed over the coming years, we may be able to rely on growing cash flows which have been eroded in recent years by renegotiations of leases and premises left vacant by restructuring companies.

The investment market is still flourishing, however, driving up the values of the best located buildings with a long term let; exceptionally, this is taking place in a context of long term interest rates that are rising, albeit moderately.

This situation enables Befimmo to report a substantial increase in the value of its portfolio for the first time since the 2001/2002 fiscal year (+1.70%, excluding investments and disposals) equivalent to € 1.84 per share.

Once again this year, Befimmo has posted an excellent result – now determined on the basis of the IFRS international accounting standards – of € 6.74 per share, up from € 6.62 per share last year.

Despite the recent steep rise in short term interest rates, current net cash flow is in line with forecasts at € 4.88 per share, the difference in relation to last year (€ 5.09) being essentially due to the change in floor area (disposal in September 2005 of the Borschette building to the European Commission and of a commercial building in Charleroi in October 2005).

Thus the year ends with a return on opening equity of 11.09% (11.25% last year). Book value as at 30 September 2006 was € 67.41 per share (€ 65.48 as at 30 September 2005).

As planned, these good results enable us this year to offer you a gross dividend of € 4.92 per share, up 2.5% on last year's € 4.80 per share.

Befimmo reports a substantial increase in the value of its portfolio.

During the period, we succeeded in settling the ongoing dispute with La Poste regarding Tower II of the World Trade Center, Befimmo's largest asset, which will be taken over by Belgian Government departments until the end of 2018.

We have also invested a lot of effort – fully consistent with Befimmo's strategy – with a view to becoming the Belgian Government's partner under its plan to entrust the management of its office buildings to a professional team and to open up the possibility of public ownership by means of a transfer to a new Sicafi to be listed on the stock exchange. This major operation worth more than € 600 million has unfortunately not yet materialised, and Befimmo felt compelled to appeal to the Council of State. A separate item on this dossier appears on page 6 of this annual report.

Befimmo now has substantial investment capacities that it intends to devote to new projects thanks to optimising leverage, the statutory ceiling for which was this year increased to 65% of total assets.

Nevertheless, as a result of the substantial rise in interest rates, if no other factors intervene we plan to adapt automatically our earlier dividend forecasts for the coming years, especially as Befimmo in recent years had decided not to make new purchases, in line with its commitment not to sacrifice long term creation of value for immediate results.

This is the price of putting together a high-quality portfolio, with potential for creating value.

More than ever, therefore, boosting cash flow remains our main goal. We continue to focus squarely on our customers, and give them their say in this report.

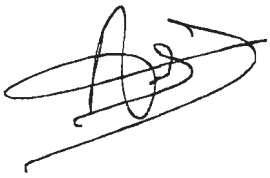
Finally, we welcome three new Directors to our Board, Mr Gosse, Mr Rousseaux[1] and Mr Sougné[2]. We are convinced that, with the rest of the Board of Directors, they will actively contribute to taking up the forthcoming challenges.

Thank you for your continuing trust.

Brussels, 15 December 2006.

The Managing Agent, Befimmo SA

Benoît De Blieck
Managing Director
Permanent Representative



Alain Devos
Chairman of the Board

(1) Permanent Representative of Roude bvba, Director.
(2) Permanent Representative of Arcade Consult bvba, Director.

This annual report is an opportunity to hear what our customers think, and find out what they expect of us and the buildings they work in.

MANAGEMENT REPORT

"With Befimmo we have an open and frank commercial relationship based on dialogue."

Roland Teixeira de Mattos,
Portfolio Manager,
General Electric Company
[Schuman 3 - Architect: Assar SC (renovation) - Brussels Léopold district]

KEY EVENTS OF THE FISCAL YEAR

BUSINESS DEVELOPMENT

Investments and disposals

Sicafi 2006, known as the "Government Sicafi"

The "Sicafi 2006" operation, known as the "Government Sicafi", is undoubtedly one of the most prominent operations of 2006. It has been widely reported in the press and Befimmo wishes here to give its shareholders some additional explanations.

As a reminder, the plan is to set up a Sicafi with the Government holding assets which are mainly let to public authorities in the broad sense and remain a shareholder of this Sicafi, contributing to its development and management.

Befimmo has taken an interest in working in partnership with the Government on this project, which is perfectly consistent with Befimmo's strategy to secure quality medium- and long term cash flows and so improve its overall risk profile. Befimmo also has plans to open up to new prospects of growth and would like to develop a relationship generating flows of business.

Befimmo has devoted considerable in-house and external resources to achieving this goal it regards as prominent and accordingly has spent several months preparing a high quality bid on very attractive terms, and responded to the invitation to tender published in March 2006. A definitive bid was submitted to the Government on 31 August 2006.

However, the assessment committee set up by the Government decided to award the contract to Cofinimmo, subject to appeals from unsuccessful candidates.

After taking advice, Befimmo felt that it could legitimately lodge an appeal suspending the decision, under the extreme urgency procedure, before the Council of State. Axa Belgium, the second unsuccessful candidate, also appealed.

These appeals were not merely based on "pure questions of form" as reported in the press, but of course also on important issues of substance. Befimmo's appeal was based on eight grounds, several of which were upheld by the first Auditor of the Council of State. It goes without saying that Befimmo's decision to appeal to the Council of State was not based on purely legal grounds: Befimmo is firmly convinced of the value of its bid.

The Council of State admitted Befimmo's action and suspended the decision awarding the contract. The Council of State based its verdict on only one of the grounds set out, without ruling on the justification of the other issues, which would not have led to a more restrictive suspension. When a single ground is sufficient to suspend the award of a contract as a whole, the Council of State has indeed no reason to examine the other grounds.

Goemaere
[Architect: Assar SC - Brussels decentralised]

In any case, as it has stated to the Government, Befimmo remains interested in this operation which should be put out to tender again.

Other

Befimmo has studied investment dossiers in Belgium representing a total of 588,000 m² and an investment value of some € 1,115 million. Some of these projects are still being studied, while others did not come to fruition. Indeed, competition between investors remains very fierce and always drives values up, even for risky rental projects.

Moreover, with the aim of putting in place a strategy of diversifying abroad, Befimmo has also closely studied the real estate market in Paris and Luxembourg. Specifically, Befimmo has studied investment dossiers in Luxembourg representing 67,000 m² and an investment value of some € 486 million. At this stage these projects have not materialised, but here again, certain dossiers are still being studied.

Rentals

Cutting and controlling overheads of course remains a goal of businesses aiming to optimise their profits. Among these overheads, accommodation (rents and charges) obviously offer plenty of potential for savings.

For these businesses, the timing is excellent since the imbalance between demand and supply continues to prevail everywhere in the Brussels office market: in the city centre (the North area and Léopold district) and in decentralised areas, but especially in the suburbs.

As in previous years, Befimmo is facing up to this delicate situation by pursuing its policy of fostering tenant loyalty, so securing its cash flows in the longer term in exchange for the benefits offered.

Thus for the coming fiscal year 2006/2007, over 98% of the budgeted rental earnings are guaranteed under contract; this is the fruit of the previous years'work. Befimmo is now focusing on earnings for the forthcoming year from 2007/2008 during which it faces the challenge of 7.6% of its portfolio coming up for rent or renewal.

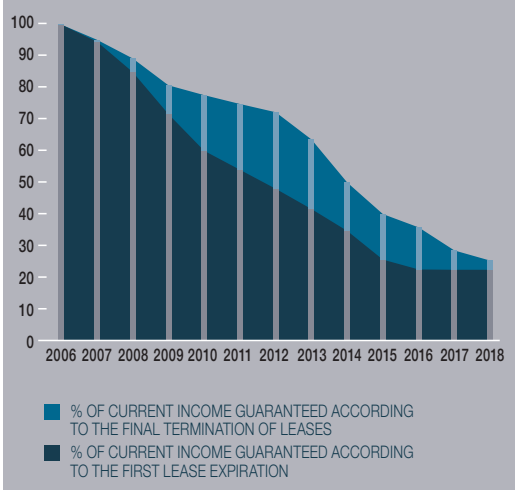
As at 30 September 2006 the rental vacancy rate for whole Brussels office market was 9.74%, but there are wide variations depending on the various sub-markets. Befimmo is achieving better performance in each of the three sub-markets.

The vacancy rate in the CBD is 7.5% in the Léopold district and 9.3% in the North area. On the other hand the city centre itself (within the Brussels pentagon) has a high occupancy rate. The vacancy rate there is barely 3.96%.

As regards Befimmo, its CBD portfolio is almost fully occupied (97.4%). As at 30 September 2006 the exceptions included the Central Gate (2,599 m² available) and Schuman 11 building (1,041 m² available).

As at 30 September 2006, the occupancy rate of Befimmo's portfolio was 94.73%.

PERCENTAGE OF CURRENT INCOME GUARANTEED ACCORDING TO THE REMAINING LEASE TERM (in %)



Befimmo has welcomed the following new customers to its portfolio: Ateac, The Crew, FB Brokerage, TKMC, Raygun, Computer Future Solutions, etc.

The following customers remained loyal to Befimmo: Régie des Bâtiments, Axima, GSK Biologicals, Alpha Credit, etc.

The **decentralised area** has a vacancy rate of 12.3%.

With an availability as at 30 September 2006 of 3.55%, or 2,700 m^2 of office space spread over several buildings, Befimmo's decentralised portfolio remains substantially below the market vacancy rate (12.3%). This is the result of the renewed confidence that multinationals Citibank, Shell, Levi Strauss, Western Union and Texaco are placing in Befimmo by extending their medium term commitments between 2010 and 2013.

Prominent among Befimmo's new clients is Auxipress.

In the **Brussels suburbs**, the rental market remains under high pressure with a vacancy rate of 18.5%, a situation that will continue for some time yet in view of the various planned projects.

(1) The occupancy rate for a given date is calculated as the ratio of current rents on that date to these rents plus the estimated rental value of the area vacant on this date. All buildings in the portfolio were taken into account when calculating the occupancy rate. As at 30 September 2006 no projects were in progress.

(2) The average occupancy rate during the fiscal year is calculated as the ratio of income actually earned during the fiscal year (turnover for the fiscal year) to this income plus the estimated rental income for vacant areas during the vacant period.

La Plaine
[Architect: H. Montois - Brussels decentralised]

Befimmo keeps continuously adapting its rental policy to the market situation and is pursuing its policy of attracting new customers while taking care of its existing customers.

Befimmo has welcomed the following new customers: St. Jude Medical, Gambro Hospal, Sandvik, Tractebel, Hitachi, Samsung, Securitas Systems, Keyware, Sales Consult, Solenoid, Ultimate Products, Speedfam, Sola Belgium, Corporate Creative Strategies, Contrast, All Services Net, Mark & Sign, Habitex, Group F, Saifor Benelux, Martin Motors, Blue One, Up to Date Services, Technical Training Agency, Merckx, JTL Cars, AMC Europe.

The 2005/2006 fiscal year has seen some major success stories, notably St. Jude Medical which is renting a very large part of the Greenhill building (over 65%), thereby becoming the main tenant in this semi-industrial building in the suburbs. In addition, Gambro Hospal has also taken all of the last two buildings in the new phase IV of the Ikaros Business Park – bringing the overall occupancy rate for phase IV up to 98.2%. All of the Media building is let after a new lease was signed with Samsung.

The following customers remained loyal to Befimmo: Pfizer, PWC, Compuware, Vutek, Nu Skin Belgium, PR-Force, Aucon, Sipex, Danka, Avnet, Real Software, Cofathec, Enteco, Dental Promotion and Epibel.

As at 30 September 2006, the occupancy rate[1] of Befimmo's portfolio was 94.73% – up on 91.39% as at 30 September 2004 and 92.79% as at 30 September 2005 – while the average occupancy rate[2] for this year was 91.0%, as against 89.80% during the 2004/2005 fiscal year.

The lower average occupancy rate is mainly due to the state of the market, which is obliging landlords to offer graduated rents and/or substantial rental gratuities.

RENTAL VACANCIES (as of 30.09.06 - in %)

	CENTRE	LÉOPOLD	NORTH	DECENTRALISED	SUBURBS	TOTAL
Befimmo	4.78	2.62	0.35	3.55	14.44	**5.27**
Real estate market[1]	3.96	7.53	9.33	12.29	18.51	**9.74**

Nevertheless, the occupancy rate is still sensitive to the changing economic climate and is subject to the outcome of relocation decisions that certain multinationals are considering; for instance Basell has decided to leave the Befimmo portfolio to relocate abroad.

Befimmo has concluded leases for a total of 31,889 m² of office space (including 18,874 m² of net take-up, i.e. excluding renewals and renegotiations) and 20,588 m² of warehouses and multi-purpose premises (including 13,627 m² of net take-up). Lease agreements concluded by Befimmo with new and/or existing customers for the occupation of new areas account for 70.3%[2] of transactions and 77.0% of (re)negotiated leases.

PORTFOLIO DEVELOPMENT

Always mindful of keeping its real estate assets in good repair and constantly improving the quality of its buildings, Befimmo has carried out works costing € 3.7 million in the following buildings among others: Schuman 11 (improvement of security systems), Fountain Plaza (continuation of restyling work of common parts and installation of additional air conditioning), Woluwe Garden B & D (renovation of facades), Triomphe III (renovation of facades), Anderlecht 1 & 2 (renewal of waterproofing on roofs), Ikaros Business Park (upgrade of electrical and air-conditioning installations), etc.

Brederode 2
[Project by the Arte Polis architectural practice (A. Sanguinetti) - Brussels city centre]

(1) Source: CB Richard Ellis figures - September 2006.
(2) These figures do not take account of the renewal of the contract between Befimmo and La Poste. On 30 December 2005, La Poste, the Régie des Bâtiments and Befimmo agreed the transfer of La Poste's leases to the Régie des Bâtiments with effect from 1 January 2009. This long term lease was extended by two years.

These works have been booked to the accounts for the fiscal year.

Befimmo also has a programme of investment in its buildings located in Brussels (CBD):

> Extension Justice: Befimmo continued studying the full restoration of the building. The planning and environmental permits have been obtained and everything is in place for work to begin as soon as the present occupants (departments of the Ministry of Justice) vacate the premises. The total budget for the work is € 19.9 million.

Befimmo is now actively starting to market the building which could interest various types of occupants from the Belgian or foreign public sector (Ministry of Justice, embassies, representations, etc.) or the private sector (law firms, consultancies, banks, etc.).

> Brederode 2: Befimmo plans a complete renovation of the building as soon as the occupants leave in February 2007 (refinishing of offices, full renovation of the entrance and common parts, upgrade of air-conditioning system). The necessary planning and environmental permits have been applied for from the competent authorities. The total budget for the work is of the order of € 3.3 million.

Befimmo is also actively marketing the building which would suit the same kind of tenants as the Extension Justice.

> World Trade Center (La Poste): On 30 December 2005, La Poste, the Régie des Bâtiments and Befimmo agreed the transfer of La Poste's leases to the Régie des Bâtiments with effect from 1 January 2009.

In practice, La Poste will gradually move out of Tower II from June 2007. In the interim, Befimmo will carry out renovation work in the building costing a total of € 19.6 million.

The leases have been extended by two years and the annual rent adjusted to the market rate.

> Central Gate: Befimmo is considering a renovation of the Central Gate building. The project is designed to harmonise with the character of the building and its architecture. The work will essentially involve replacing the window frames, installing a high-performance air conditioning system, refinishing the offices and entrances, reorganising the internal routes, and landscaping the inside of the block as a green and pleasant space.

The eventual aim is to offer tenants comfortable and flexible prestige offices in an exceptional location (next to the Central Station). The work will be carried out gradually, depending on the building's letting situation, and should begin in 2008.

The planning and environmental permits have been applied for from the competent authorities.

Extension Justice
[Project by the Arcade architectural practice - Brussels city centre]

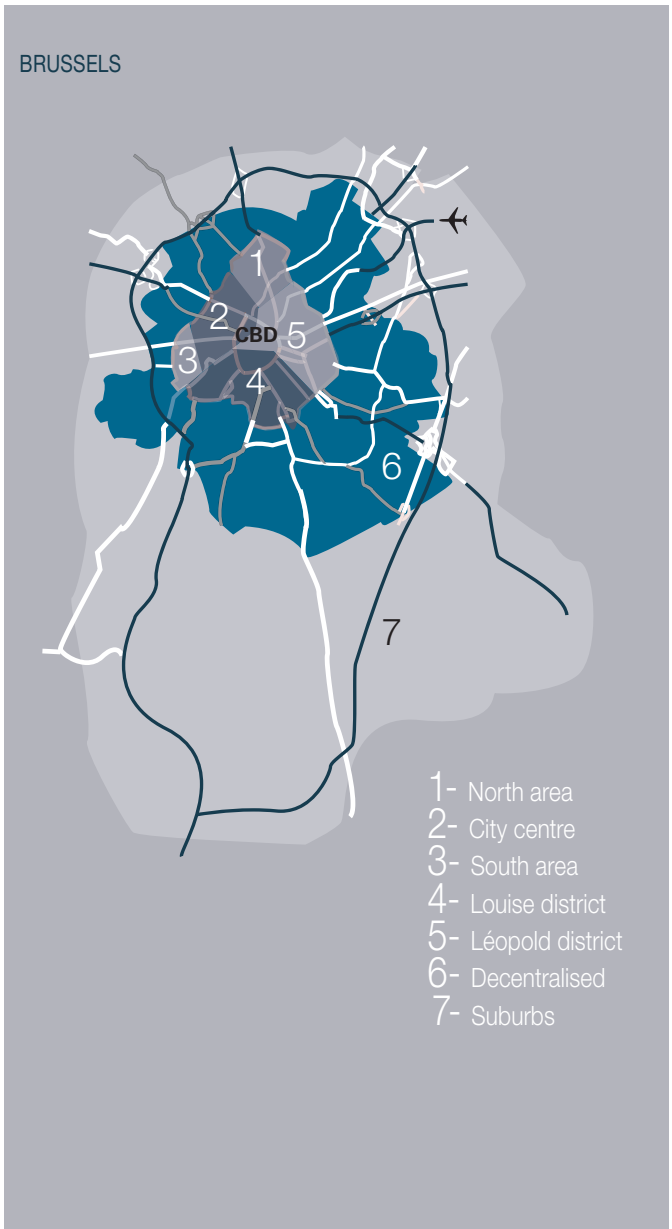
"I have great respect for the efficiency of Befimmo's work, especially its careful analysis of the projects and the very strict selection of the property in its portfolio."

Maître Jacques Périlleux,
Lawyer, Linklaters De Bandt
[Brederode 1 - Architects: J. Brunfaut and Art & Build and A. Sanguinetti (renovation) - Brussels city centre]

THE REAL ESTATE MARKET[1]

With a floor area exceeding 12.4 million m², Brussels ranks as one of Europe's major cities in terms of office space. With its prime location at the heart of the Belgian and European institutions, Brussels is less sensitive than other cities to the current economic climate.

(1) Source of figures: CB Richard Ellis - September 2006.



THE RENTAL MARKET

A bullish first nine months in 2006

The first three quarters of 2006 have seen demand (427,000 m²) for office space in Brussels pick up again. This demand is actually once again supported mainly by the private sector, which accounts for some 70% of total take-up in 2006, the public sector renting only a limited amount this year (30%).

There is a real but relatively slow downward trend in the vacancy rate. This is explained by the development of new speculative projects. For some years supply has outstripped demand, which is maintaining a relatively high vacancy rate, but it is stabilising or even decreasing slightly in relation to the same period last year. In September 2006, the vacancy rate for the whole Brussels market fell below 10%, to 9.74% or around 1.2 million m², down from 10.7% on 30 September 2005. The rotations, renegotiations and removals reveal a very active development market. Both businesses and administrations have a choice of space to rent and are giving preference to new or renovated buildings (60% of gross take-up) and passing over obsolete office space. This confirms tenants' interest in quality property on the Brussels market.

The Brussels real estate market comprises three geographical areas: the Central Business District (CBD), the decentralised area and the suburbs. These areas each have their own characteristics and need to be analysed separately.

THE CENTRAL BUSINESS DISTRICT (CBD)

This area comprises the centre of Brussels, the Léopold district, the North area, the Louise district and the South Station. At present, it represents 60% of demand.

The corporate sector has been very active over the past year, especially the financial sector in the city centre. On the other hand, public sector demand is tailing off. The Belgian Government has found most of the space it was looking for and EU enlargement is only having a relative impact on take-up. Nevertheless, lobbyists, representations (such as Slovenia and the Czech Republic), embassies (such as the extension of the US embassy and the South African embassy's new building) and large multinational companies needing representation at the European Union are the current driving force in the Léopold district.

The vacancy rate as at 30 September 2006 was around 7%, stable in relation to 2005. These figures should be analysed with caution, however, as over 760,000 m² of new office space will come onto the market by the end of 2008, of which 50% (around 390,000 m²) are speculative projects in the CBD (mainly in the Léopold and North districts).

Rents in central Brussels are holding firm at between € 180/m² and € 220/m². The Prime Rent is still € 300/m² for small spaces in the rond-point Schuman micromarket.

THE DECENTRALISED AREA AND THE SUBURBS

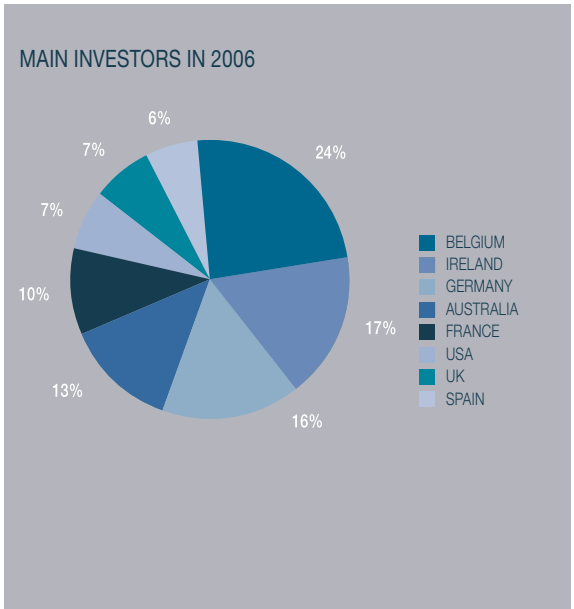
The two areas outside the CBD, the decentralised area and the suburbs, together account for 40% of demand (99,063 m² and 73,350 m² respectively over the first nine months of 2006). These areas appeal to many Belgian firms and multinationals lured by attractive rents, and in the suburbs by lower tax rates (tax differential up to € 50/m²/year).

As mentioned above, this demand is generally not new, but is rather generated by companies that have restructured and are taking the opportunity to move to better premises in new or renovated buildings at lower cost.

In contrast to the situation in the CBD, real estate promoters have stopped developing projects in these two areas, which has avoided a rise in vacancy rates. These are still quite high but have fallen back slightly in relation to last year to 12.29% and 18.51% respectively as compared with 14.36% and 21.17% in 2005.

The result is fierce competition between property owners and real estate promoters, who are all trying to find occupants for their premises. Potential tenants are still being offered substantial benefits.

The first three quarters of 2006 have seen demand for office space in Brussels pick up again.



With a floor area exceeding 12 million m², Brussels ranks as one of Europe's major cities in terms of office space

We can nevertheless expect a gradual upturn in the market in the suburbs, with rents rising again once the economy picks up.

In this regard, decentralised Brussels continues to present more of a problem, especially in areas where city facilities, such as public transport, are unavailable.

THE INVESTMENT MARKET

Real estate is regarded as a "safe" investment and attracts considerable sums from investors. This makes good buildings with long term tenants very scarce for would-be investors. Competition is hotting up, putting pressure on yields, even in a context of rising long term interest rates, and significantly driving up values.

Indicative of a greater supply of investment projects, the volume of transactions exceeded € 1 billion for the first nine months of 2006, compared with € 630 million for the same period last year.

Belgium, as the capital of Europe, is highly appreciated by foreign investors. Once again this year, they are outstripping local investors; their share of total investments has grown from 50% to some 75%. They are mostly Irish, Germans and Australians, who accounted for 17%, 16% and 13% respectively of the total invested this year. These investors are more interested in immediate returns than future value. Belgian investors accounted for 24%.

Capitalisation rates for the best projects are around 6% (for 3/6/9-year leases), so reducing the differential between Brussels and other major European cities such as Paris, London or Amsterdam.

Media
[Architect: M. Jaspers & Partners - Brussels suburbs]

ABOUT BEFIMMO AND THE BEFIMMO STRATEGY

Befimmo is a fixed-capital real estate investment trust (Sicafi). It is bound by the relevant legislation, notably the Law of 20 July 2004 on certain forms of collective management of investment portfolios, and the Royal Decrees of 10 April 1995, 10 June 2001 and 21 June 2006.

Befimmo was created from scratch in 1995. With the support of its Promoter, now Fortis Real Estate Asset Management, it has built up a portfolio of high-quality office buildings and increased its assets eightfold.

Befimmo is a professional real estate owner, with a strategy focused on its shareholders, on maximising its long term cash flows and making a profit from its real estate investments.

In the course of its business, Befimmo focuses on:

> **its customers**, the occupants of its buildings, without whose rental payments nothing would be possible. As in the past, Befimmo will ensure the long term sustainability of its cash flows and will seek to maintain the highest possible occupancy rate for its portfolio, further developing the relationship of trust it is building with its tenants and adopting a responsible and pragmatic attitude given the current economic climate;

> **the quality of its new investments** to ensure long term growth in earnings and share price;

> **judicious disposals:** Pursuing its policy of anticipating economic cycles, arbitraging its portfolio and simply seizing opportunities, Befimmo may sell off certain assets;

> **controlling costs**, both real estate charges and overheads, so enabling it to rank among the best performing listed groups on the European market;

> **balancing its borrowing structure** limiting its financing costs, while protecting it over a relatively long period from a rise in interest rates beyond certain thresholds;

> **developing and motivating its in-house team**, currently comprising 20 fully dedicated members.

With its balanced risk/return profile, Befimmo aims to offer its shareholders a steady dividend combined with healthy growth.

Building on its experience and with the support of its Promoter, Befimmo will continue to work with the same philosophy of creating value for its shareholders:

> Befimmo focuses on its core business of real estate asset manager for office buildings, without diversifying to any great extent into other activities with different risk/return profiles than those of the professional investor.

> Befimmo is also interested in market opportunities.

> Finally, Befimmo is interested in more financial acquisition opportunities based on solid, long term cash flows.

Befimmo focuses on its core business of real estate asset manager for office buildings.

DETAILS OF MAIN RISKS

STRATEGIC RISKS

Market and growth-related risks

In the past, market opportunities have led Befimmo to assemble a portfolio focused on the office building market (97.5% of the portfolio), located in Brussels (97.4%) – from Befimmo's standpoint the only liquid market in Belgium – and, more specifically, in the Central Business District (63.2% of floor area).

It has concentrated on selecting well located buildings with long leases and built to high standards of quality. The projects proposed are considered only if they satisfy Befimmo's strict selection criteria in terms of location, technical quality, legal framework, impact on cash flow and return, and creation of value in the long term.

In order to identify new growth prospects, Befimmo has decided also to take an interest – as a means of geographical diversification – in new investment prospects that could create value outside its home market in Brussels.

Risk to image

Befimmo attaches great importance to its financial communication. The reputation it has earned is confirmed by the market's affording it a premium over and above its intrinsic value. The company regularly publishes press releases to inform investors of events affecting it. It also organises road shows, at least twice a year, to present its activities to professional and private investors.

COMPLIANCE RISK

Befimmo is keen to comply with its legal and regulatory framework. It has recourse to the assistance of external advisers (accountants, financial and legal experts). In 2006 it also added a legal support capability to its in-house team.

OPERATIONAL RISKS

Risks to rental income

Befimmo's cash flow is constant thanks largely to the long term security of its rental income. Accordingly, the company earmarks a substantial proportion of its portfolio for long term lets. It focuses on finding tenants in a stable situation, such as public institutions and multinational businesses. As a result, 70.8% of revenue is currently guaranteed for 7.25 years. This approach reduces the sensitivity of revenue to fluctuations in the economic climate.

The leases contain indexing clauses protecting the company against monetary erosion. The annual impact of the adjustment of rents in line with inflation can be estimated at € 1.6 million for the past year.

Befimmo has developed a strategy aimed at satisfying its customers and rewarding their loyalty by seeking solutions that respond best to their needs at their various stages of development. In a proactive spirit, Befimmo meets its main customers at least once a year to anticipate their future needs. It also implements a strict procedure for identifying and monitoring customers with payment difficulties. In this way, it succeeded in limiting reductions in the value of trade debts to less than € 100,000 during the 2005/2006 fiscal year.

In order to limit the credit risk, tenants have to provide rental guarantees equivalent to 6 months' rent, which is standard market practice.

Over 80% of its current tenants have decided to stay with Befimmo since entering their building. When customers leave the Befimmo portfolio, in the vast majority of cases they do so for reasons that do not reflect on Befimmo (restructuring, moving abroad, etc.).

Thanks to this proactive management, Befimmo has succeeded, in a difficult economic climate, in maintaining and even increasing its occupancy rate above the market level, as can be seen from the vacancy rates as at 30 September 2006[1]:

> CBD: Befimmo 2.6% compared to a market vacancy rate of 7.0%;

> Decentralised: Befimmo 3.6% compared to a market vacancy rate of 12.3%;

(1) Real estate market data. Source: CB Richard Ellis - September 2006.

> Suburbs: Befimmo 14.4% compared to a market vacancy rate of 18.5%.

Nevertheless, these vacancy rates are still sensitive to the economic climate, especially in the suburbs.

A fluctuation of 1% in the occupancy rate of the buildings has an impact of some one million euros on operating income from properties.

Financing risks

Risk linked to financing cost

In order to enjoy better financial conditions, most of the company's borrowings take the form of loans with floating rates (commercial paper). As a consequence of this approach, Befimmo's earnings are fairly sensitive to changing interest rates.

However, the interest rate risks of this type of financing are reduced by implementing a policy of hedging interest rate risks over a 3-5 year period, covering a significant proportion of borrowings at floating rates. The aim is to provide protection against a significant rise in rates above a certain level.

A change of 50 basis points in the short term finance rate (within the CAP's operating limit) generates a change in financing costs estimated at € 1.8 million.

Note that a rise in short term interest rates generally corresponds to a period of economic growth and higher inflation, which over time has a positive impact on rental income owing to the indexing clauses.

Likewise, a reduction in Befimmo's rating by one category (BBB to BBB$^-$) would result in an additional financial cost of the order of € 0.5 million.

Risk linked to liquidity

The liquidity risk is covered by bilateral credit lines, and the use of a five-year syndicated loan as a backup for the commercial paper programme.

Befimmo obtains finance through a number of local reference banks, paying particular attention to the value for money of the services provided.

Risk of deterioration of buildings

This risk relates to the occurrence of a major loss in one of the buildings of the portfolio and their depreciation as a result of a wear and tear in use.

The properties are covered by a number of insurance policies (notably covering the risks of fire, storm, water damage, etc.) for a total sum (new reconstruction value) of € 1,035 million.

Furthermore, Befimmo strives to maintain its property in good working order by implementing works programs (€ 7.3 million was spent on such technical costs in 2005/2006). Every year, a review is conducted in cooperation with the property manager of preventive and corrective maintenance work to be carried out. This review is conducted at three time horizons:

> valuation for the following fiscal year: precise, complete and detailed inventory of work to be done;

> three-year valuation: relatively precise, covering the major work identified;

> ten-year perspective: more general, based on the working-life statistics of the installations.

Befimmo is also moving towards more systematic introduction of "total guarantee" maintenance contracts.

Befimmo also endeavours at all times to improve the quality and performance of its buildings to ensure that they meet the quality standards of the market.

Befimmo implements major renovation and investment programs when the rental situation of the buildings allows it. Thus, Befimmo plans to invest over € 3.3 million in the Brederode 2 building as soon as the present occupants have left in February 2007, € 19.6 million in the WTC building as soon as La Poste has left in mid-2007, and € 20 million in the Extension Justice building from March 2008.

THE PORTFOLIO

PROFILE

Befimmo originally set itself the goal of investing in three types of property: mainly office buildings, semi-industrial buildings in the Brussels-Antwerp corridor and shopping centres in Belgium.

After eleven years, the opportunities that have arisen have resulted in a portfolio which, although diversified, is based on a single product (97.5% office buildings) and a single market (97.4% Brussels and its economic hinterland). Thus Befimmo has specialised in the business of asset manager for offices.

This portfolio is well spread across the various submarkets in Brussels and enjoys:

(1) a firm foundation:

> 63.2% of which is situated in the Central Business District where much of demand is structural from Belgian federal and regional institutions, European institutions as well as companies, representations and offices that need to be located close to these institutions;

(2) opportunities in the event of an economic upturn:

> 14.6% of the portfolio is located in decentralised areas, mainly in places where companies also benefit from the advantages of a city location (served by public transport, access to services, close to customers, etc.);

> 19.6% of the portfolio is located in the Brussels suburbs of Zaventem and Vilvoorde. Half of this portfolio, the Ikaros and Planet business parks, is located in a niche market for business parks with small office buildings, offering a flexible and effective solution to the needs of small companies and subsidiaries of multinationals. This niche market is the most sensitive to market cycles.

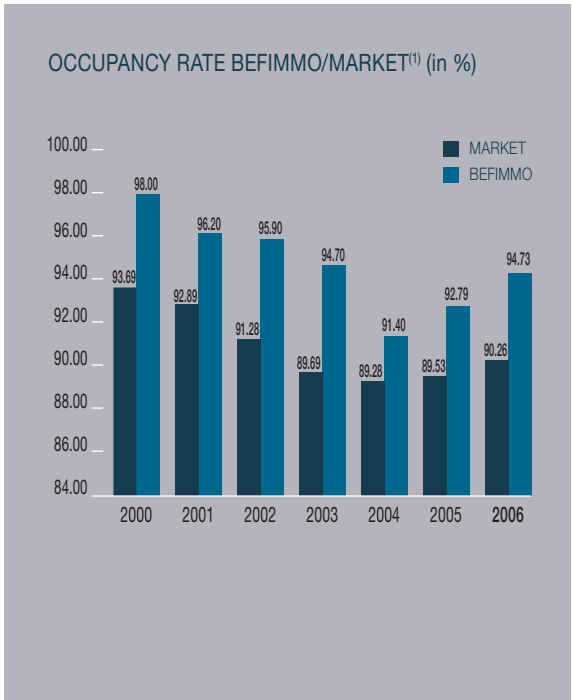
Its revenues are well protected, with 40% (for at least the next nine years on average) provided by Belgian Government or EU institutions. In the current economic climate, the portfolio's occupancy rate remains substantially higher than the market figure.

Relatively low re-development risks are involved in the medium term.

Of these, the future of the WTC, Central Gate, Brederode 2 and Extension Justice are being actively managed.

The portfolio comprises some forty large buildings or sizeable building complexes and has relatively low running costs (maintenance and management).

(1) Source of figures: CB Richard Ellis - September 2006.



INVESTMENT STRATEGY

In the office buildings segment, Befimmo will take an interest in investment projects meeting the following criteria:

> well located (visible, accessible) and in areas well served by public transport;

> above a critical size, well equipped and efficient;

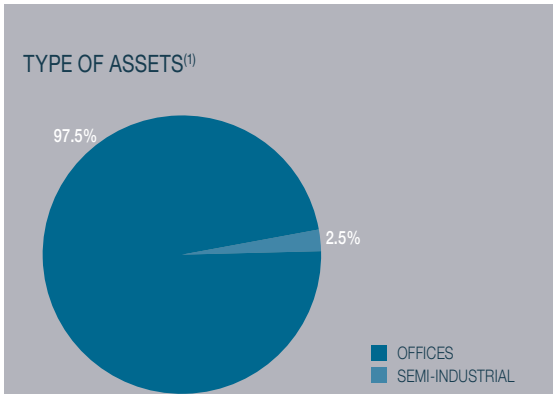
> able to pass the due diligence examination which covers planning permission and technical, environmental, legal and taxation issues;

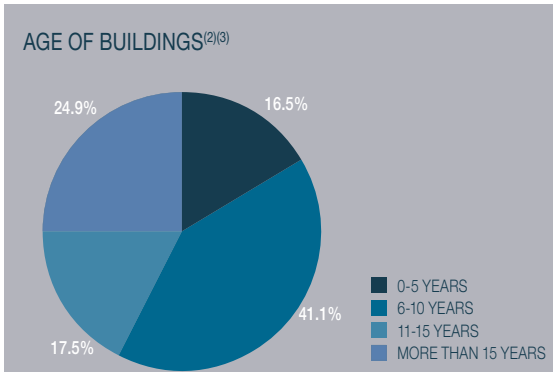
> potential to create value.

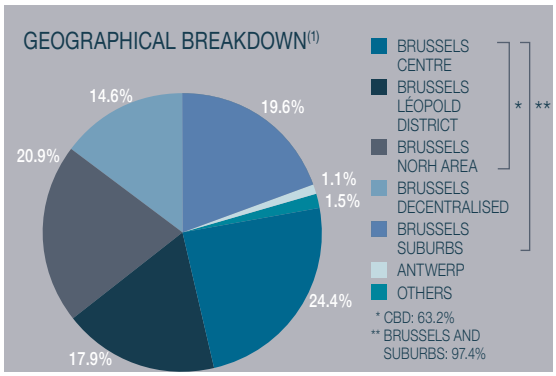
Given the fierce competition among potential investors for "good products", Befimmo may adopt proactive positions, taking on certain marketing risks (for example in terms of occupying buildings acquired which are still to be completed), and forming appropriate partnerships with real estate developers or building contractors in order to cover any risks involved in completion (cost, deadlines, quality). Befimmo may also consider forming partnerships for certain real estate operations that exceed its own investment capacity.

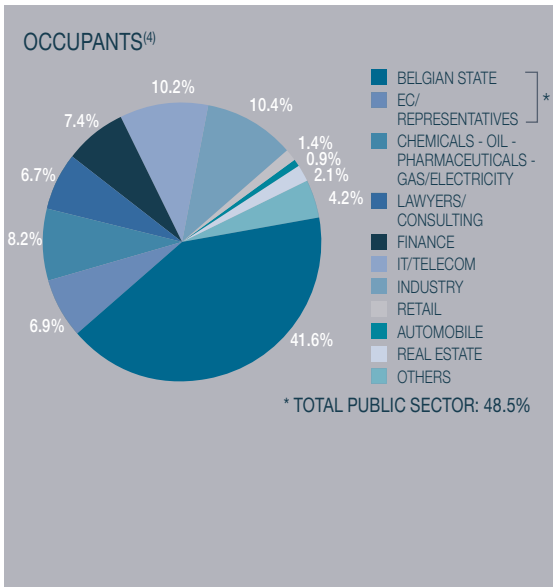
Befimmo's core business is investment in high-quality office buildings in the Brussels CBD. However, as legislation is gradually harmonised, when the time is ripe, Befimmo may get involved in new investment prospects away from its home market in Brussels, notably in countries whose legislation does not nullify the advantages of Sicafis, and especially in cities where the market is liquid. For the time being, this definition relates only to cities near to Brussels, notably Paris and Luxembourg.

Befimmo is also interested in investment projects with a more financial profile, providing their purchaser with a steady long term stream of solid cash flows.









(1) Proportions are expressed in terms of the fair values as of 30 September 2006. Real estate certificates are not covered by these charts.
(2) The date of construction or renovation of the building is taken into account if the investment costs involved in the renovation are higher than or equal to € 250/m².
(3) Proportions are expressed in terms of the buildings' floor area.
(4) Proportions are expressed in terms of current rents as of 30 September 2006.

THE PORTFOLIO

Befimmo has seen a substantial increase in the value of its portfolio. This growth is due to the quality of Befimmo's real estate portfolio, located mainly in the geographical areas most attractive to investors.

The total value of the real estate portfolio[1] as at 30 September 2006 was € 1,078.4 million. This value can be compared with € 1,063.2 million at the start of the period.

Most of Befimmo's portfolio is located in the Central Business District (CBD) (63.2%) – the mainstay of its strategy – and in decentralised areas (14.6%). Property values in those two areas are rising (up 2.20% and 2.04% respectively) owing to high demand from investors looking for quality property, which puts pressure on capitalisation rates.

Meanwhile in the suburbs, property values are levelling out (-0.06%).

The table below (see p. 21) shows movements of values and the change over the past twelve months, excluding investments, by segment.

The overall yield on ongoing lets (excluding projects and renovations) is 7.15%. This is stable in relation to the previous fiscal year, despite a market trend that is driving rents downwards.

Over the period, at a constant floor area, the occupancy rate[2] increased significantly from 92.8% as at 30 September 2005 to 94.7% as at 30 September 2006. This has been achieved as a result of the priority Befimmo has given to promoting loyalty among existing customers and the commercial team's unrelenting search for new tenants.

(1) These values are established in accordance with standard IAS 40, which requires investment property to be booked at "fair value". Fair value is calculated by subtracting the average transaction costs recorded over the past three years, namely 2.5%, from the investment value.
(2) The occupancy rate is calculated as the ratio between the current rent and the same rent plus the estimated rental value of the unoccupied surface area.
(3) Duration = (rent × duration remaining up to 1st break)/total rent of portfolio.
(4) Rents from La Poste are included in the rents from the Régie des Bâtiments.
(5) A majority of 3/6/9-year leases.

Top 20 tenants: duration 7.25 years & 70.8% of total rents.

TENANTS OF BEFIMMO SCA (as of 30.09.06)

TENANT	DURATION[3]	ANNUAL RENT	PERCENTAGE OF TOTAL RENT
1. Régie des Bâtiments[4]			
2. Flemish Community			
3. European Commission			
Top three tenants	9.3 years	€ 32 million	40.5%
4. Citibank			
5. Linklaters Associates			
6. Levi Strauss			
7. Belgacom			
8. Scarlet (ex-Facilicom International)			
9. General Electric			
10. Walloon Ministry of Infrastructure and Transport			
Next seven tenants	5.3 years	€ 17 million	21.2%
Next ten tenants	3.7 years	€ 7 million	9.1%
Approx. 300 tenants	1.5 years[5]	€ 23 million	29.2%
Total		**€ 79 million**	**100.0%**

CHANGE IN VALUES (as of 30.09 - in millions of €)[1]

	2004	2005[2]	2006	Δ 12 months[3]
Offices	**1,066.0**	**1,031.2**	**1,051.1**	**+1.75%**
Centre (CBD)	694.8	666.7	**682.1**	+2.20%
Decentralised	147.5	143.9	**147.6**	+2.04%
Suburbs	208.0	205.1	**205.3**	-0.06%
Others	15.7	15.4	**16.1**	+4.01%
Semi-industrial	**26.5**	**26.6**	**27.3**	**-0.26%**
Retail	**5.4**	**5.5**	**-**	**-**
Total real estate portfolio	**1,097.9**	**1,063.2**	**1,078.4**	**+1.70%**

Change in the floor area

SUMMARY TABLE OF ASSETS OWNED, BY NATURE (as of 30.09.06 - in thousands of €)

INVESTMENT BUILDINGS	SURFACE AREA (m²)	INSURED VALUE[4]	ASSESSED VALUE[5]	ANNUAL RENT
Offices				
Centre (CBD)	279,310	607,448	682,088	49,763
Decentralised	61,410	157,370	147,608	10,165
Suburbs	117,559	215,552	205,334	14,848
Others	15,119	22,668	16,038	2,088
Total offices	**473,398**	**1,003,038**	**1,051,068**	**76,864**
Semi-industrial	**49,639**	**32,053**	**27,289**	**2,153**
Total	**523,037**	**1,035,091**	**1,078,357**	**79,017**

CHANGE IN PORTFOLIO YIELD (as of 30.09)

	2002	2003	2004	2005	2006
Total surface area (m²)	527,842	527,842	541,842	525,333	**523,037**
Total real estate assets[1] (thousands €)	1,038,847	1,028,807	1,097,866	1,063,217	**1,078,357**
Occupancy rate[6]	95.9%	94.7%	91.4%	92.8%	**94.7%**
Yield[7] on real estate portfolio	7.71%	7.86%	7.87%	7.71%	**7.55%**
Breakdown[8]					
m² office space	475,947	475,947	489,947	473,398	**473,398**
m² semi-industrial	49,599	49,599	49,599	49,639	**49,639**
m² retail	2,296	2,296	2,296	2,296	**0**
% office space	96%	96%	97.1%	97.0%	**97.5%**
% semi-industrial	3%	3%	2.4%	2.5%	**2.5%**
% retail	1%	1%	0.5%	0.5%	**0%**

(1) The figures for previous periods have been converted to IFRS standards so that they can be compared with those of the current fiscal year.
(2) Change in the floor area. The drop in the value of the portfolio between 30 September 2004 and 30 September 2005 was due mainly to disposal during the 2005 fiscal year amounting to € 36,1 million. This consisted of the Albert Borschette Conference Centre, located in the Léopold district and occupied by the European Commission.
(3) Change in value, excluding investments between 2005 and 2006.
(4) The insured value is the rebuilding value (excluding land).
(5) It is not in the shareholders' interests to publish assessed values for each individual building.
(6) The occupancy rate is calculated as being the ratio between the current rent and the same rent plus the estimated rental value of the unoccupied surface area.
(7) The yield of the real estate portfolio is calculated as the ratio between current rents plus the rental value of the unoccupied floor area and the assessed value.
(8) The percentages relative to the breakdown of the portfolio are shown on the basis of the fair values as of 30 September.

SUMMARY OF BEFIMMO REAL ESTATE ASSETS DATA (as of 30.09.06)

INVESTMENT BUILDINGS	YEAR BUILT/ YEAR RENOVATED	RENTAL SPACE (m^2)	INITIAL DURATION OF LEASES (years)	RENTS CALLED DURING THE FISCAL YEAR (thousands €)	PERCEN-TAGE OF PORT-FOLIO[1] (%)	CURRENT RENT (thousands €)	OCCUPANCY RATE (%)
OFFICES							
Brussels centre							
Central Gate	1997-2000	30,675	3/6/9	3,187	4.1%	3,203	78.4%
Brederode 1	1990-2001	25,213	14	3,232	4.1%	3,267	100.0%
Extension Justice	more than 15 years	18,795	9	3,128	4.0%	3,148	100.0%
Impératrice	1997-2000	17,070	9/12/15/18	2,587	3.3%	2,622	100.0%
Poelaert	2001	14,146	18	2,958	3.8%	2,970	100.0%
Brederode 2	1993	7,592	3	1,977	2.5%	2,002	98.8%
Empereur	1997/2004	5,953	9	910	1.2%	910	100.0%
		119,444		**17,979**	**22.9%**	**18,124**	**95.2%**
Brussels Léopold district							
Joseph II	1994	12,831	27	3,594	4.6%	3,619	100.0%
View Building	2001	11,106	6/9	1,971	2.5%	1,985	100.0%
Wiertz	1996	10,857	6/9	2,740	3.5%	2,764	99.6%
Schuman 3	2001	5,487	9	1,378	1.8%	1,446	100.0%
Guimard	1997	5,357	3/6/9	689	1.4%	1,125	100.0%
Schuman 11	2003-2004	5,176	6/9	793	1.5%	1,176	78.8%
		50,814		**11,165**	**15.3%**	**12,113**	**97.4%**
Brussels North area							
World Trade Center	1975/1998	66,326	24	11,229	15.4%	12,197	99.4%
Noord Building	1989	42,726	27	7,542	9.3%	7,329	100.0%
		109,052		**18,771**	**24.7%**	**19,526**	**99.6%**
Brussels decentralised							
La Plaine	1995	15,933	12/18	3,326	4.2%	3,343	100.0%
Triomphe I	1998	11,498	3/6/9	2,557	3.3%	2,583	100.0%
Triomphe II	1998	9,257	9	1,094	1.6%	1,295	99.9%
Jean Dubrucq	1991	7,744	12.5	801	1.0%	812	100.0%
Triomphe III	1993	6,974	3/6/9	916	1.1%	882	87.5%
Goemaere	1988/1998	6,966	3/6/9	744	1.0%	793	79.9%
Eudore Devroye	1996	1,576	3/6/9	283	0.4%	286	100.0%
Hulpe 177	1970	1,462	3/6/9	171	0.2%	173	71.9%
		61,410		**9,892**	**12.9%**	**10,165**	**96.3%**
Brussels suburbs							
Ikaros Business Park	1990 to 2004	41,185	3/6/9	4,000	6.3%	4,988	86.3%
Media	1999	18,651	9	2,592	3.7%	2,954	100.0%
Fountain Plaza	1991	16,690	3/6/9	1,449	2.2%	1,705	71.6%
Planet 2	1988	10,277	3/6/9	660	0.9%	698	61.2%
Eagle Building	2000	8,712	6/9	1,037	1.2%	953	80.9%
Woluwe Garden B	1997	7,673	3/6/9	1,352	1.7%	1,326	87.8%
Woluwe Garden D	1994	7,673	3/6/9	1,280	1.6%	1,288	94.3%
Ocean House	1997	4,693	6/9	557	0.9%	712	100.0%
Waterloo Office Park	1992	2,005	6/9	244	0.3%	222	68.8%
		117,559		**13,171**	**18.8%**	**14,847**	**85.6%**
Mons							
Joncquois 118	2002	7,851	18	1,125	1.3%	1,048	100.0%
Peupliers 71	1976	7,268	9	1,128	1.3%	1,040	100.0%
		15,119		**2,253**	**2.6%**	**2,088**	**100.0%**
TOTAL OFFICES		**473,398**		**73,231**	**97.3%**	**76,863**	**94.8%**

SUMMARY OF BEFIMMO REAL ESTATE ASSETS DATA (as of 30.09.06)

INVESTMENT BUILDINGS	YEAR BUILT/ YEAR RENOVATED	RENTAL SPACE (m^2)	INITIAL DURATION OF LEASES (years)	RENTS CALLED DURING THE FISCAL YEAR (thousands €)	PERCENTAGE OF PORTFOLIO[1] (%)	CURRENT RENT (thousands €)	OCCUPANCY RATE (%)
SEMI-INDUSTRIAL							
Brussels Anderlecht							
Rue Bollinckx	1980	8,100	3/6/9	581	0.7%	586	100.0%
Boulevard Industriel	1976	7,797	3/6/9	315	0.4%	324	96.5%
		15,897		**896**	**1.2%**	**910**	**98.7%**
Brussels suburbs							
Greenhill	1986	7,218	3/6/9	151	0.2%	187	81.7%
		7,218		**151**	**0.2%**	**187**	**81.7%**
Antwerp							
Kontich I	1983	18,452	3/6/9	455	0.8%	642	82.1%
Kontich II	1990	8,072	3/6/9	363	0.5%	415	99.6%
		26,524		**818**	**1.3%**	**1,057**	**88.2%**
TOTAL SEMI-INDUSTRIAL		**49,639**		**1,865**	**2.7%**	**2,154**	**91.7%**
TOTAL INVESTMENT BUILDINGS		**523,037**		**75,096**	**100.0%**	**79,017**	**94.73%**

(1) The percentage of the portfolio is calculated on the basis of current rents as of 30 September 2006.

Ikaros Business Park – Phase IV

[Architects: M. & J.-M. Jaspers - J. Eyers & Partners - Brussels suburbs]

THE REAL ESTATE EXPERT'S CONCLUSIONS

WINSSINGER & ASSOCIES

Mr B. De Blieck
Managing Director
BEFIMMO SCA
Parc Goemaere
Chaussée de Wavre 1945
1160 BRUSSELS
25 October 2006

BEF/frs/39.721
Dear Sir,

Re: Valuation as at 30 September 2006

Context
We have been instructed by Befimmo to provide an opinion of value for its property portfolio at 30 September 2006, in the context of the preparation of the financial statements at this date.

Our firm benefits from sufficient knowledge of the property markets in which Befimmo is active, as well as the required professional qualifications and recognition to fulfil this assignment. Our mission has been carried out in full independence.

Consistently with market practice, our mission has been carried out on the basis of information provided by Befimmo, in particular relating to tenancy situation, costs and taxes borne by the landlord, works to be carried out, as well as any other element which could have an influence on the assets' value. We have assumed this information to be correct and complete.

As specifically mentioned in our reports, our valuation does not constitute in any way a quality or technical survey of the properties, nor an analysis of the possible presence of deleterious materials. These elements are well known by Befimmo, which carries out a technical and legal due diligence prior to the acquisition of each property.

Opinion
We confirm that our valuation has been carried out in accordance with national and international standards (IVS), as well as their application procedure, in particular as far as SICAFI valuations are concerned.

The investment value is defined as the most likely value that could reasonably be obtained in normal sales conditions between willing and well-informed parties.

In addition, investment value does not reflect future capital expenditures that will enhance the properties, nor future advantages derived from these expenses.

It is based on the present value of net future rental income for each property. The yield used depends essentially on yields noted on the investment market, taking into consideration location and quality of the property and the tenant at valuation date.

Future rental income is estimated based on existing contractual rental level and the property market's expectations for the particular property in the ensuing periods.

The sale of a property is theoretically subject to collection by the State of registration rights. The amount of these rights varies depending on method of sale, profile of the purchaser and geographical location of the property. The first two elements, and therefore total amount of rights to be paid, are only known once the sale has been completed. The track record of the sale of properties on the Belgian market shows that during the period of 2003 to 2005 included, the average cost of transaction amounted 2.5%.

The most likely sale value for buildings above € 2,500,000, excluding acquisition costs, corresponding to the fair value, following the IAS/IFRS references, can be obtained by deduction of 2.5% of the investment value. The costs of 2.5% shall be revised on a regularly basis and adapted if the difference with institutional market practice is more than 0.5%. The registration costs have been deducted for the other buildings.

In the light of all comments mentioned above, we confirm that the investment value of the Befimmo property portfolio at 30 September 2006 amounts to a total of € 1,105,316,000 (ONE BILLION ONE HUNDRED AND FIVE MILLION THREE HUNDRED SIXTEEN THOUSAND EURO), this amount includes the valuation of the buildings which have been carried out by Cushman & Wakefield Healey & Baker and CB Richard Ellis.

The most likely sale value corresponding to the fair value of the Befimmo property portfolio at 30 September 2006 amounts to a total of € 1,078,357,073 (ONE BILLION SEVENTY-EIGHT MILLION THREE HUNDRED FIFTY-SEVEN THOUSAND SEVENTY-THREE EURO), this amount includes the valuation of the buildings which have been carried out by Cushman & Wakefield Healey & Baker and CB Richard Ellis.

On this basis, the initial yield (except projects and refurbishments) of the portfolio is 7.15%. Should the vacant accommodation be fully let at estimated rental value, the initial yield would be 7.55%.

The occupation rate of the entire portfolio is 94.73%.

The average level of passing rent obtained is currently approximately 10.12% above the current average estimated rental value (not including projects and buildings under renovation), principally due to the rents paid for the buildings in the North area of Brussels which are let on long lease contracts until at least 2015.

The property portfolio comprises:

Brussels, 19 municipalities*	77.84%
Periphery and Satellite regions of Brussels	19.56%
Antwerp, Mons	2.60%
Projects and buildings under renovation or under construction	0.00%
Total	**100.00%**

* Of which 35.88% are let on long term to EC, to Citibank, to Flemish Government, to the Post Office, and State.

Yours sincerely,

Brussels, 25 October 2006

WINSSINGER & ASSOCIATES SA/NV

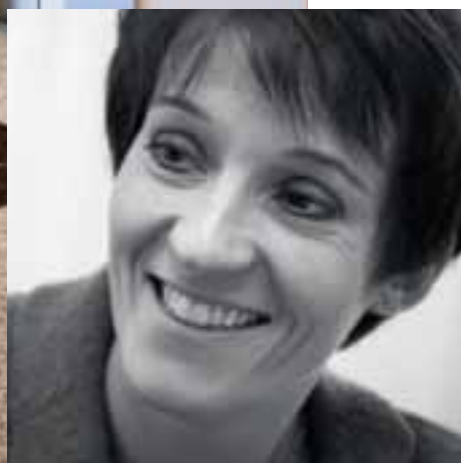
Benoît FORGEUR **

Philippe WINSSINGER **

*** sprl/bvba, Managing Director DTZ Partners SA/NV.*

"Befimmo listens to and advises us, while endeavouring to anticipate our needs as tenants."

Muriel Vanden Mosselaer,
Administration Manager, Gambro BCT
[Ikaros Business Park - Phase IV - Architects: M & J-M Jaspers - J. Eyers & partners - Brussels suburbs]



THE BRUSSELS PORTFOLIO IN DETAIL

BRUSSELS CENTRE

1 CENTRAL GATE
2 BREDERODE 1 and 2
3 EXTENSION JUSTICE
4 IMPÉRATRICE
5 POELAERT
6 EMPEREUR

BRUSSELS LÉOPOLD DISTRICT

7 JOSEPH II
8 VIEW BUILDING
9 WIERTZ
10 SCHUMAN 3 and 11
11 GUIMARD

BRUSSELS NORTH AREA

12 WORLD TRADE CENTER
13 NOORD BUILDING

BRUSSELS DECENTRALISED

14 LA PLAINE
15 TRIOMPHE I, II and III
16 JEAN DUBRUCQ
17 GOEMAERE
18 EUDORE DEVROYE
19 HULPE 177

BRUSSELS SUBURBS

20 IKAROS BUSINESS PARK
21 MEDIA
22 FOUNTAIN PLAZA
23 PLANET 2
24 EAGLE BUILDING
25 WOLUWE GARDEN B and D
26 OCEAN HOUSE

BRUSSELS CENTRE

Central Gate

Rue Ravenstein 50-70/Cantersteen 39-55
1000 Brussels
Space: 30,675 m²
Year renovated: 1997-2000
Offices

Architect: Alexis Dumont

Brederode 1

Rue de Brederode 9/11/13/13a,
Rue de Namur 28/30/32/48/50/52,
Rue Thérésienne 14
1000 Brussels
Space: 25,213 m²
Year renovated: 1990-2001
Offices

Architects: J. Brunfaut, Art & Build and A. Sanguinetti (renovation)

Extension Justice

Rue des Quatre Bras 13
1000 Brussels
Space: 18,795 m²
Year built/year renovated: more than 15 years
Offices

Architect: A. & J. Polak

Impératrice

Boulevard de l'Impératrice 17-19
1000 Brussels
Space: 10,070 m²
Year renovated: 1997-2000
Offices

Architects: L. M. J. R. Stynen & P. De Meyer

Poelaert

Place Poelaert 2-4
1000 Brussels
Space: 14,146 m²
Year built: 2001
Offices

Architect: Cerau Architect Partners (renovation)

Brederode 2

Rue de Bréderode 2/4/6
Rue de Namur 20/24/26
1000 Brussels
Space: 7,592 m²
Year built: 1993
Offices

Architect: AUA

Empereur

Boulevard de l'Empereur 11
1000 Brussels
Space: 5,953 m²
Year renovated: 1997-2004
Offices

Joseph II

Rue Joseph II 27
1000 Brussels
Space: 12,831 m²
Year built: 1994
Offices

Architects: CDG: Czyz, de Laveleye and Grochowski

BRUSSELS LÉOPOLD DISTRICT

View Building

Rue de l'Industrie 26-38
1040 Brussels
Space: 11,106 m²
Year renovated: 2001
Offices

Architects: J. Cuisinier and Art & Build (renovation)

Wiertz

Rue Wiertz 30-50
1050 Brussels
Space: 10,857 m²
Year built: 1996
Offices

Architect: Aldo Sanguinetti

Schuman 3

Rond-Point Schuman 2-4a and
Rue Froissart 141a-143
1040 Brussels
Space: 5,487 m²
Year renovated: 2001
Offices

Architect: Assar SC (renovation)

Guimard

Rue Guimard 9, Rue du Commerce 87-91
1040 Brussels
Space: 5,357 m²
Year renovated: 1997
Offices

Architect: ARIES (renovation)

Schuman 11

Rond-Point Schuman 11
1040 Brussels
Space: 5,176 m²
Year renovated: 2003-2004
Offices

Architect: Assar SC (renovation)

World Trade Center

Boulevard du Roi Albert II 30
1000 Brussels
Space: 66,326 m²
Year built/year renovated: 1975/1998
Offices

Architects: C. Emery (1970),
Structures, A. & J. Polak and R. Stapels

Noord Building

Boulevard du Roi Albert II 156/1
1000 Brussels
Space: 42,726 m²
Year built: 1989
Offices

Architects: Jaspers (Jaspers-Delhaise) + Vander Elst
(Vander Elst - Polak - Stapels - Fuyen - Bontinck)

BRUSSELS NORTH AREA

La Plaine

Boulevard Général Jacques 263G
1050 Brussels
Space: 15,933 m²
Year built: 1995
Offices

Architect: H. Montois

BRUSSELS DECENTRALISED

Triomphe I

Avenue Arnaud Fraiteur 15-23
1050 Brussels
Space: 11,498 m²
Year built: 1998
Offices

Architect: Philippe Samyn

Triomphe II

Avenue Arnaud Fraiteur 15-23
1050 Brussels
Space: 9,257 m²
Year built: 1998
Offices

Architect: A + U

Jean Dubrucq

Avenue Jean Dubrucq 175 b 1
1080 Brussels
Space: 7,744 m²
Year renovated: 1991
Offices

Triomphe III

Avenue Arnaud Fraiteur 25-27
1050 Brussels
Space: 6,974 m²
Year built: 1993
Offices

Architect: Bureau Marijnissen & Associés sprl

Goemaere

Chaussée de Wavre 1945
1160 Brussels
Space: 6,966 m²
Year built/year renovated: 1988/1998
Offices

Architect: Assar SC

Eudore Devroye

Rue Père Eudore Devroye 245
1150 Brussels
Space: 1,576 m²
Year renovated: 1996
Offices

Architects: Baudouin Courtens and Associés sprl (renovation)

Hulpe 177

Chaussée de la Hulpe 177
1170 Brussels
Space: 1,462 m²
Year built: 1970
Offices

Ikaros Business Park – Phase I

Ikaroslaan 1/3; 5/7; 9/11; 13/15; 2/4; 6/8
1930 Zaventem
Space: 9,626 m²
Year built: 1989-1990
Offices

Architect: Paul Becker sprl

BRUSSELS SUBURBS

Ikaros Business Park – Phase II

Ikaroslaan 17/19; 21/23; 25/27
1930 Zaventem
Space: 4,739 m²
Year built: 1992
Offices

Architect: Paul Becker sprl

Ikaros Business Park – Phase III

Ikaroslaan 10/12; 14; 18; 20; 24; 28
1930 Zaventem
Space: 9,670 m²
Year built: 1999-2000
Offices

Architect: Gillis Design

Ikaros Business Park – Phase IV

Ikaroslaan 33; 37; 41; 45; 49; 53; 57; 61
1930 Zaventem
Space: 17,150 m²
Year built: 2001 to 2004
Offices

Architects: M & J-M Jaspers - J. Eyers & Partners

Media

Medialaan 50
1800 Vilvoorde
Space: 18,651 m²
Year built: 1999
Offices

Architect: M. Jaspers & Partners

Fountain Plaza

Belgicastraat 1/3/5/7
1930 Zaventem
Space: 16,690 m²
Year built: 1991
Offices

Architect: I.T.H. Mr. Mossoux

Planet II

Leuvensesteenweg 542
1930 Zaventem
Space: 10,277 m²
Year built: 1988
Offices

Architect: Pierre Lemaire

Eagle Building

Kouterveldstraat 20
1831 Diegem
Space: 8,712 m²
Year built: 2000
Offices

Architect: Ryckaerts & Partners

Woluwe Garden B

Boulevard de la Woluwe 28
1932 Zaventem
Space: 7,673 m²
Year built: 1997
Offices

Architect: M & C Marijnissen

Woluwe Garden D

Boulevard de la Woluwe 24
1932 Zaventem
Space: 7,673 m²
Year built: 1994
Offices

Architect: M & C Marijnissen

Ocean House

Belgicastraat 17
1930 Zaventem
Space: 4,693 m²
Year built: 1997
Offices

Architect: Assar SC

Waterloo Office Park

Building A, Drève de Richelle 161

1410 Waterloo
Space: 2,005 m²
Year built: 1992
Offices

Architect: Cerau Architect Partners

MONS

Mons I (Joncquois)

Rue du Joncquois 118
7000 Mons
Space: 7,851 m²
Year renovated: 2002
Offices

Architects: André Louis Blot - Jacques Shreder - Louis Henri Sorée

Mons II (Peupliers)

Digue des Peupliers 71
7000 Mons
Space: 7,268 m²
Year built: 1976
Offices

Architects: André Louis Blot and Louis Henri Sorée

BRUSSELS ANDERLECHT

Anderlecht II

Rue Bollinckx 26-32
1070 Anderlecht
Space: 8,100 m²
Year built: 1980
Semi-industrial

Architects: Van Severen & Van Den Broeck

Anderlecht I

Boulevard Industriel 101/113
1070 Anderlecht
Space: 7,797 m²
Year built: 1976
Semi-industrial

Architect: P.L. Hanotte

Greenhill

Hoge Wei and Hermesstraat
1930 Zaventem
Space: 7,218 m²
Year built: 1986
Semi-industrial

Architect: Jean-Pierre Beyls

BRUSSELS SUBURBS

Kontich I

Prins Boudewijnlaan 9
2550 Kontich
Space: 18,452 m²
Year built: 1983
Semi-industrial

Architect: Posson-Donck

ANTWERP

Kontich II

Prins Boudewijnlaan 17
2550 Kontich
Space: 8,072 m²
Year built: 1990
Semi-industrial

Architect: Luc van Hooreweder

"Befimmo has been working alongside us for ten years in step with the rate of our company's development, always open to negotiation; it seeks win-win solutions for both parties."

Ronny Van Britsom,
Facilities Manager,
Levi Strauss & Co
[Triomphe II - Architect: A + U - Brussels decentralised]

FINANCIAL RESULTS

COMMENTS ON THE RESULTS

(in millions of €)	REALISED 2004/05	REALISED 2005/06	FORECAST 2005/06[1]	COMMENTS
Net profit	64.9	**66.0**	47.5[2]	
Operational cash flow (before financial results and income tax)	65.7	**62.3**	61.3	Change in floor area of the portfolio, at constant equity
Net cash flow	63.5	**47.4**	47.7	Capital gains on the sale of buildings of € 13.6 million in 2004/05

IFRS standards

Before analysing the results as at 30 September 2006, it should be pointed out that Befimmo now publishes its financial information based on the IFRS international accounting standards. The balance sheet, income statement and valuation rules governing the preparation of the company's accounts are set out at length in the financial section of this report.

Change in floor area

It is worth recalling that at the end of the 2004-2005 fiscal year, Befimmo sold the Borschette building, located in the Léopold district. This disposal had the following impacts:

> reduction in income: € 3.6 million;

> reduction in financial charges: € 1.7 million;

> reduction in borrowings: € 50 million.

In addition, the capital gain realised and recorded during the 2004/2005 fiscal year was € 13.6 million.

A building in Charleroi was also sold at the start of the 2005/2006 fiscal year. That building generated an annual revenue of some € 0.5 million.

These two events have a significant impact on the comparability of the results for the 2005/2006 fiscal year in relation to the previous year.

Analysis

Net cash flow for the 2005/2006 fiscal year is in line overall with our forecasts (€ 0.3 million lower). The difference between the cash flow realised and that of the previous period is mainly due to the change in floor area.

Thus, operational cash flow (before financial results and income tax) for the year was € 3.4 million (5.1%) lower than last year.

Net operational cash flow 2004/05	**65.7**
Borschette and Charleroi rents (after they left the portfolio)	-4.1
Indexing of rents and reduction of vacant premises	+1.1
Reduction in real estate charges	+0.8
Increase in operating costs	-1.2
Operational cash flow 2005/06	**62.3**

Operational cash flow was lower than in the previous period, owing to a combination of the following factors:

> rental income fell 3.8% (€ 3 million) mainly on account of the reduction in floor area, partly offset by the annual indexing of rents and the reduction of vacant premises in the portfolio;

> net real estate charges amounted to € 5.6 million as against € 6.4 million last year. This improvement was due mainly to a reduction in vacant premises in Befimmo's portfolio, so reducing the charges borne by the owner for the vacant space, and a reduction in major building repairs carried out during the period in relation to the previous period;

(1) These forecasts were announced in Befimmo's press release of 2 February 2006, updating the company's outlook following the agreement reached with La Poste regarding the occupation of Tower II of the WTC.
(2) The forecast assumes that the overall value of the real estate portfolio remains stable.

> company overheads rose € 1.2 million, mainly as a result of the non-recurring rise in the costs of studying new projects (mostly relating to the "Government Sicafi" project) and the costs of Befimmo's move to new offices. Recurrent costs were stable in relation to the previous period.

The net financial result was € 14.3 million, up by € 1.2 million on the previous period.

This improvement is due principally to:
> the reduction in borrowings as a result of the change in floor area;
> improved performance of the hedging instruments in value terms in relation to the previous period (+€ 1.2 million).

It is partially offset by:
> the rise in interest rates during the 2005/2006 fiscal year (nearly 1% between January 2006 and the end of the period);
> booking the full arrangement costs of the old syndicated loan arranged in 2004 (-€ 0.6 million), since it was refinanced during the 2005/2006 fiscal year.

During the period, the average cost of financing loans was restricted to 3.34% (including margins, the cost of interest rate hedging and reservation commissions), compared with 3.25% the previous year. This increase in relation to trends in market rates is moderate, mainly because of the lower margins negotiated when the syndicated loan and bilateral credit lines that the company uses were refinanced during the period.

After the financial result and income tax, the current net cash flow is € 47.76 million, as compared with € 49.90 million the previous fiscal year.

Taking account of the capital gains realised with the sale of the Charleroi building (€ 0.5 million) and the booking of the costs of arranging the syndicated loan on 30 March 2006, net cash flow was € 47.4 million.

Net profit for 2005/2006 is € 18.5 million higher than forecast and € 1.1 million higher than the result for the previous period.

The increase in profit is due mainly to the growth in the value of Befimmo's real estate portfolio recorded during the 2005/2006 fiscal year, amounting to € 17.98 million, compared with € 1.3 million the previous year; this growth was partially offset by the reduction in the operating result for the buildings (following the change in floor area), and the non-recurrent impact of the capital gain from disposals realised in 2005 (€ 13.6 million).

As at 30 September 2006, the net asset value before appropriation of results stood at € 660.23 million, compared with € 641.33 million at the start of the fiscal year. A statement of changes in equity during the period is presented in the financial section of this report.

The gross dividend represents 103% of the result for the fiscal year, corrected as defined by the first indent of Article of the Royal Decree of 21 June 2006 on annual accounts and consolidated accounts of public real estate Sicafis, and amending the Royal Decree of 10 April 1995 on real estate Sicafs. This dividend represents 73% of the net result for the fiscal year.

The net asset value is € 67.41 per share at the close of the 2005/2006 fiscal year, as against € 65.48 per share at the close of the previous period. Note that a dividend of € 4.80 per share was distributed during December 2005. The return for the fiscal year is therefore € 6.73 per share or 11.1% of the net assets (after appropriation) at the start of the fiscal year.

DEBT STRUCTURE AND INTEREST RATE RISK HEDGING

As interest rates have been at an all-time low, since 2002 Befimmo – like other Sicafis – has opted for a financing policy essentially based on floating rates. As at 30 September 2006, financial borrowings stood at € 408.0 million, 85% of which took the form of floating rate loans. This strategy has allowed it to take full advantage of the relatively low short term interest rates, although they rose substantially during the period.

Alongside this policy of floating rates, Befimmo has adopted a policy of hedging interest rate risks, based mainly on buying options. At the close of the fiscal year, the interest rate risk was hedged for the full amount of the company's floating rate borrowings, by holding 5% CAP options covering € 368 million from July 2006 to December 2008.

After the close of the 2005/2006 fiscal year, Befimmo extended its hedge horizon by buying "Twin CAP" 3.5%-5% options, for a notional € 200 million, covering the period from 1 January 2009 to 31 December 2011. These hedging instruments, and Befimmo's hedging policy, are explained in more detail in the notes to the financial statements in this report.

View Building
[Architects: J. Cuisinier and Art & Build (renovation) - Brussels Léopold district]

APPROPRIATION OF RESULTS

The result for the fiscal year is € 65,989,185.

Pursuant to Article 20 (4) of the Law of 20 July 2004 on certain forms of collective management of investment portfolios, no transfer was made to the legal reserve.

The Ordinary General Meeting will be invited to approve the following appropriation:

Profit for the year to be carried forward	**€ 17,824,633**
Profit for distribution	**€ 48,164,552**

If you approve this appropriation, the net dividend after deduction of the withholding tax will amount to € 4.18 (€ 4.92 gross) for each of the 9,794,227 shares.

In accordance with the pay-out policy pursued to date, the Managing Agent will propose to the Ordinary General Meeting of Shareholders that part of the profits amounting € 17,824,633 be carried forward. This will give a total result carried forward of € 314,856,291.

This ensures that the company can finance any expenses relating to the risks inherent in its activities, while at the same time protecting future dividend payments.

Dividend growth this year will be 2.5%, above the rate of inflation[1]. The Meeting will therefore be invited to approve a dividend in line with the forecasts published in the 2005 Annual Report.

The proposed dividend is higher than the minimum required by Article 7 of the Royal Decree of 21 June 2006.

It will be payable from 22 December 2006 on presentation of coupon nr 12 detached from the shares, at the following banks:

> DEXIA BANK

> ING BANK BELGIUM

> FORTIS BANK

SUBSEQUENT EVENTS

Besides its day-to-day management duties, the Managing Agent has no after-year-end subsequent events to report.

(1) Increase in health index over 12 months (September 2005 to September 2006): 1.77%.

“Befimmo’s commercial team has proved especially creative. It quickly understood our needs and made a strong commitment to us, while remaining results-oriented when clinching the deal.”

Nathalie Ulrich,
Managing Director, Sales Consult
[Fountain Plaza - Architect: I.T.H. Mr Mossoux - Brussels suburbs]

BUSINESS OUTLOOK, DIVIDEND POLICY

Befimmo is pursuing its strategy of maximising cash flows and creating value.

The outlook for the next three years (given below) is based on information available as of 30 September 2006. These forecasts are not a commitment from Befimmo and are not certified by the auditor. Whether or not these forecasts will actually be achieved depends in particular on developments in the real estate and financial markets.

They are based on actual contracts currently held by the Sicafi and realistic theoretical estimates of renewals of leases and the search for new tenant customers. Only investment work costing no more than the resulting increase in the value of the property is shown in the assets.

The forecasts take account of the renovation of the Brederode 2, WTC and Extension Justice buildings over the next three fiscal years. There will be an impact on the 2007/2008 fiscal year, notably as a result of the agreements with La Poste.

The following assumptions are made:

Regarding cash flows,

	Realised		Assumptions		
	04/05	05/06	06/07	07/08	08/09
Rise of health index	2.25%	1.85%	1.75%	1.75%	1.75%
Average occupancy rate[1]	89.8%	91.0%	91.1%	91.1%	91.4%
Euribor 3-month interest rate	2.10%	2.80%	3.65%	3.70%	3.70%

Regarding changes in the value of the portfolio,

	Realised		Assumptions		
	04/05	05/06	06/07	07/08	08/09
Overall change	0.10%	1.70%	1.75%	1.75%	1.75%

(1) The average occupancy rate of the portfolio over a fiscal year is the result of dividing all rents actually received during the period by all rents that would have been received during the period had not only the let area but also the vacant area been let throughout the period at the estimated rental value.

The values of Befimmo's portfolio are tending to stabilise in the suburbs and to rise significantly in the city centre and decentralised areas faster than the rate of inflation. The economic outlook of the Euro zone supports the assumption that the fierce competition between investors seeking to invest in quality products will continue for some time yet. It seems reasonable to assume that, for a constant floor area, the overall value of the portfolio will continue to grow as it has this year. We have assumed that its value will grow in line with inflation.

Regarding investment projects, Befimmo will pursue its efforts to achieve growth where there are operations offering long term prospects for creating value for its shareholders.

This growth can be achieved in two ways:

> internal, steady and gradual growth, through direct and indirect acquisitions, in line with Befimmo's investment capacities;

> external, selective growth through mergers with other real estate portfolios, as opportunities arise.

IFRS BALANCE SHEET AND RESULTS FORECASTS

INCOME STATEMENT (in thousands of € - as of 30.09)	**2006**	2007	2008	2009
I.(+) Rental income	76,256	76,920	76,180	77,880
III.(+/-) Charges linked to letting	-298	-300	-300	-300
Net rental income	**75,958**	**76,620**	**75,880**	**77,580**
(+/-) Net real estate charges	-5,651	-7,550	-8,260	-5,550
Property operating result	**70,307**	**69,070**	**67,620**	**72,030**
XIV.(-) Corporate management costs	-6,992	-6,550	-6,640	-6,870
XV.(+/-) Other operating income and charges	-855	-1,000	-1,000	-1,000
Operating result before result on portfolio	**62,460**	**61,520**	**59,980**	**64,160**
XVI.(+/-) Gains or losses on disposals of investment properties	489	-	-	-
XVIII.(+/-) Changes in fair value of investment properties	17,978	18,660	18,790	19,370
Operating result	**80,926**	**80,180**	**78,770**	**83,530**
(+/-) Financial result	-14,316	-17,940	-19,640	-20,510
Pre-tax result	**66,611**	**62,240**	**59,130**	**63,020**
(+/-) Taxes	-622	-680	-690	-710
Net result	**65,989**	**61,560**	**58,440**	**62,310**
Net current cash flow	47,759	43,330	40,150	43,320
Net cash flow	47,363	43,330	40,150	43,320
Gross dividend per share	4.92	4.45	4.50	4.55
Net current cash flow per share	4.88	4.42	4.10	4.42
Net cash flow per share	4.84	4.42	4.10	4.42
Earnings per share	6.74	6.29	5.97	6.36

BALANCE SHEET (in thousands of € - as of 30.09)	**2006**	2007	2008	2009
Assets	**1,109,012**	**1,139,900**	**1,181,300**	**1,229,400**
Real estate portfolio	1,078,357	1,105,690	1,147,235	1,195,361
Other assets	30,655	34,210	34,065	34,039
Total assets	**1,109,012**	**1,139,900**	**1,181,300**	**1,229,400**
Shareholders' equity	660,228	673,600	688,500	706,700
Total borrowings	448,784	466,300	492,800	522,700
Total liabilities and shareholders' equity	**1,109,012**	**1,139,900**	**1,181,300**	**1,229,400**
Book value per share	67.41	68.78	70.30	72.15
Leverage (%)	40.2%	40.9%	41.7%	42.5%
Investment capacity	649,091	665,087	663,952	665,568

In normal operation, Befimmo's leverage could attain a figure close to 50%, for example, so as to optimise the use of its borrowing capacity following the raising of the statutory limit by the Royal Decree of 21 June 2006. For instance, an investment of € 200 million at market conditions would increase earnings per share by € 0.3 on an annual basis.

Forecasts nevertheless apply to a constant floor area and therefore take no account of any new investments.

Similarly, these projections do not include any external growth.

Dividend policy

In line with these assumptions and if no other factors intervene, the financial costs over the coming years will be substantially higher than in previous periods, with no substantial increase in revenues to offset this impact.

This increase has prompted us to adjust the dividend forecasts for the coming years to a level corresponding to the expected current net cash flow. This would bring it to € 4.45 per share for 2006/2007 fiscal year.

Befimmo is pursuing its efforts to make new investments that are profitable for shareholders, increase its current net cash flow and produce a more solid dividend.

On these new bases, Befimmo expects to be able, as in the past, to pursue its dividend growth policy.

Poelaert
[Architect: Cerau Architect Partners (renovation) - Brussels city centre]

"This building echoes the spirit of our company; we want it to be more than a working space… more of a living space for all our staff members."

Jacques Carbonnelle,
Administration Director, Alpha Credit
[Central Gate - Architect: Alexis Dumont - Brussels city centre]

BEFIMMO SHARE

Befimmo is in compartment B of the Eurolist, listed in Euronext's Next 150 and Next Prime indexes, and in the Bel Mid index of Euronext Brussels.

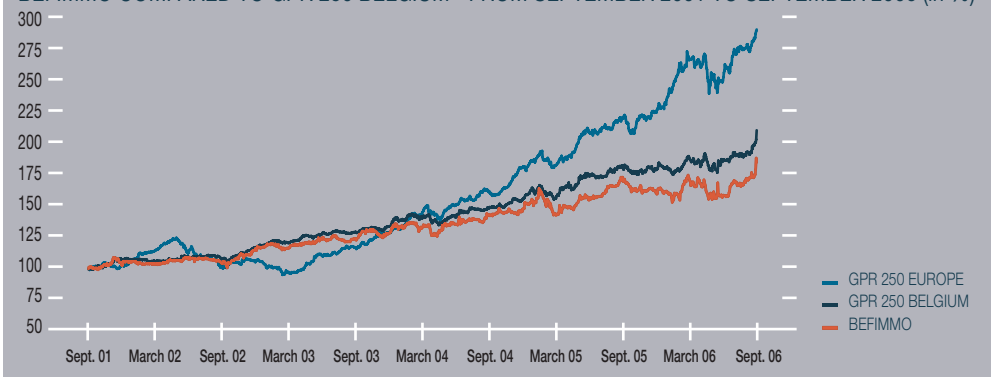
DATA PER SHARE (as of 30.09 - in €)

	2002 (BGAAP)	2003 (BGAAP)	2004 (BGAAP)	2005 (IFRS)	2006 (IFRS)
Number of shares	9,794,227	9,794,227	9,794,227	9,794,227	**9,794,227**
Share price					
Highest	69.45	74.90	77.45	88.50	**91.65**
Lowest	59.00	59.00	67.65	73.00	**74.40**
Closing	62.45	69.80	76.50	87.50	**90.00**
Revalued net book value	61.83	61.39	61.65	65.48	**67.41**
Return per share	5.68	4.01	4.88	6.62	**6.73**
Return[1] (%)	9.4%	6.5%	7.9%	11.25%	**11.09%**
Net cash flow per share	5.38	5.38	5.36	6.48[2]	**4.84**
Net earnings per share	4.93	4.61	4.48	6.62	**6.74**
Pay-out ratio (%)	84%	83%	91%	90%[3]	**103%[3]**
Gross dividend	4.28	4.45	4.62	4.80	**4.92**
Gross yield[4] (%)	6.85%	6.38%	6.04%	5.49%	**5.47%**
Net dividend	3.64	3.78	3.93	4.08	**4.18**

During the period, Befimmo's shares performed well, being listed at a premium above book value. With an average daily volume, up on last year, of the order of 10,200 shares in 2005/2006, the liquidity of Befimmo's stock is increasing for the benefit of its shareholders.

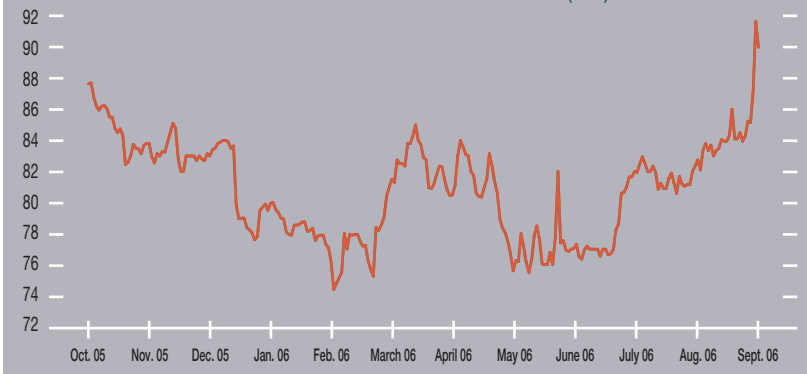
Listed Belgian and European real estate funds with a low risk profile rose sharply in 2006 in view of their attractive yields in relation to the interest rates of long term Government loans.

BEFIMMO COMPARED TO GPR 250 BELGIUM[5] FROM SEPTEMBER 2001 TO SEPTEMBER 2006 (in %)

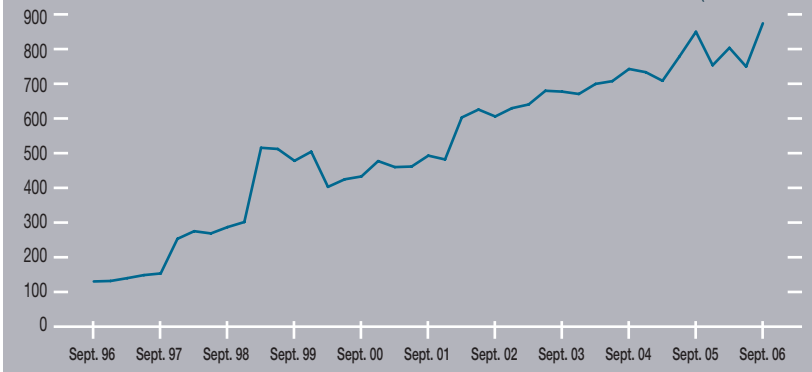


(1) Return [BGaap]: the return is the gross dividend for the financial year plus the increase in the book value over the same period, divided by the book value at the beginning of the year.
Return [IFRS]: growth in shareholders' equity during the fiscal year, taking account of dividend paid.
(2) In 2005 the net cash flow was favourably influenced by the capital gain earned on the sale of the Borschette building. Excluding extraordinary items, the net current cash flow was € 5.09 per share.
(3) These figures correspond to a calculation based on the result corrected as defined by the Royal Decree of 21 June 2006. In 2006, the dividend distributed corresponds to 73% of the net result for the fiscal year.
(4) The gross yield is equal to the gross dividend divided by the share price as of 30 September.
(5) GPR 250 is an index of the 250 largest listed real estate companies in the world. GPR 250 Belgium includes only the Belgian companies in the GPR 250 sample. The composition of this index can be consulted on the website www.propertyshares.com.

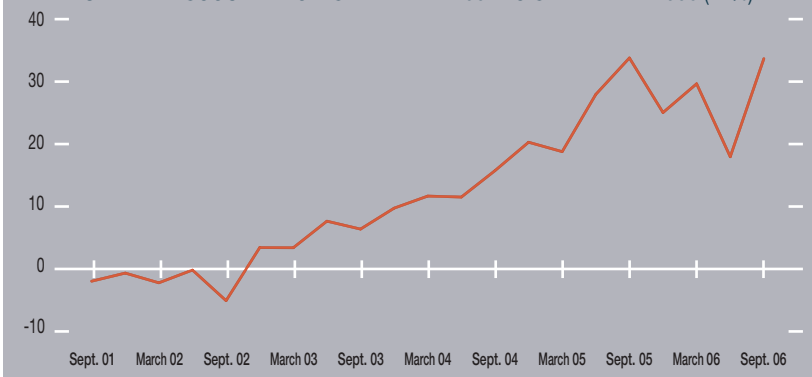
SHARE PRICE FROM OCTOBER 2005 TO SEPTEMBER 2006 (in €)



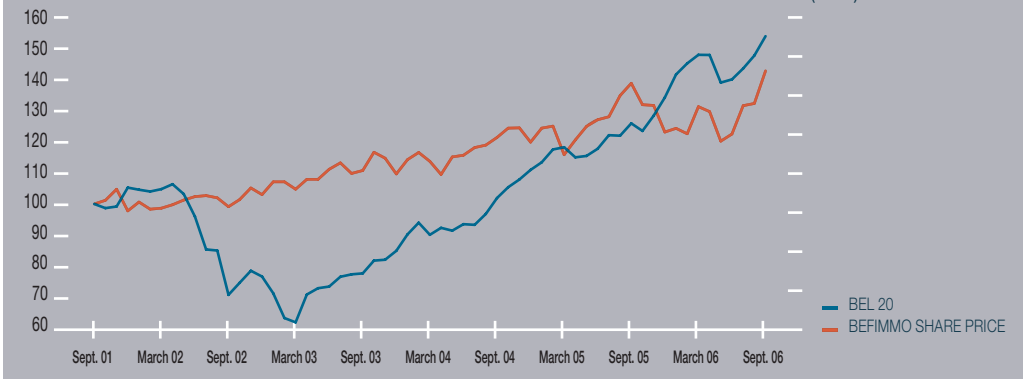
MARKET CAPITALISATION FROM SEPTEMBER 1996 TO SEPTEMBER 2006 (in millions of €)



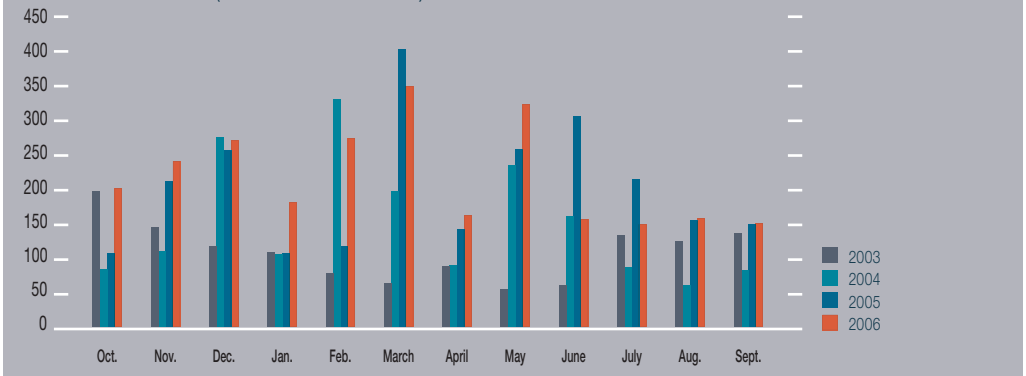
PREMIUM AND DISCOUNT FROM SEPTEMBER 2001 TO SEPTEMBER 2006 (in %)



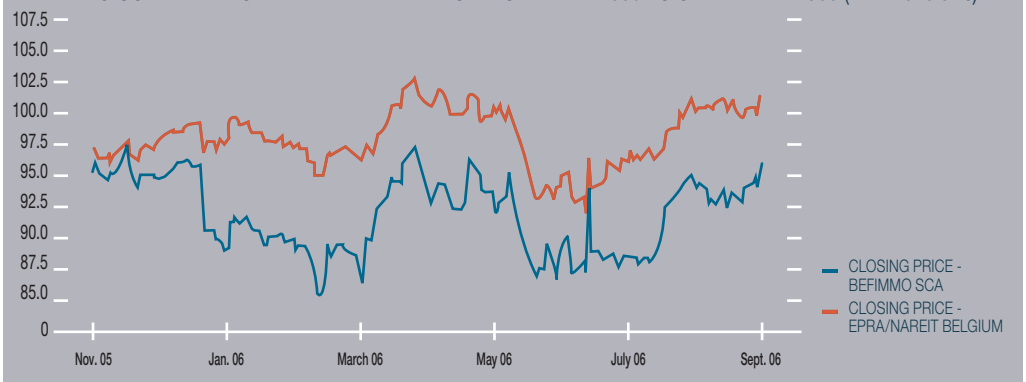
BEFIMMO COMPARED TO THE BEL 20 FROM SEPTEMBER 2001 TO SEPTEMBER 2006 (in %)



MONTHLY VOLUMES (in thousands of shares)



BEFIMMO COMPARED TO THE EPRA[1] INDEX FROM NOVEMBER 2005 TO SEPTEMBER 2006 (in millions of €)



(1) EPRA: European Public Real Estate Association - www.epra.com.

DIVIDEND (in €/share)

	2002	2003	2004	2005	2006
Gross dividend	4.28	4.45	4.62	4.80	**4.92**
Net dividend	3.64	3.78	3.93	4.08	**4.18**
Number of shares	9,794,227	9,794,227	9,794,227	9,794,227	**9,794,227**

Befimmo's equity is held by a large number of shareholders. The table below is based on the latest "transparency declarations" received indicating a voting right in excess of 5% (Law of 2 March 1989 and Royal Decree of 10 May 1989).

SHAREHOLDING (as of 30.09.06)

DECLARANTS	TOTAL NUMBER OF DECLARED VOTING RIGHTS ON THE DATE OF DECLARATION	DATE OF DECLARATION	%
Fortis Insurance Belgium and associated companies	1,590,434	10.02.05	16.24
Free Float[1]	8,203,793		83.76

KEY DATES FOR SHAREHOLDERS 2006-2007

	DATE
Payment of the 2006 dividend on presentation of coupon nr 12	**from 22 December 2006**
Publication of the book value as of 31 December 2006	**Thursday 1 March 2007**[2]
Publication of the half-yearly results and book value as of 31 March 2007	**Thursday 24 May 2007**[2]
Publication of the book value as of 30 June 2007	**Thursday 30 August 2007**[2]
Publication of the annual results and the book value as of 30 September 2007	**Thursday 15 November 2007**[2]
Ordinary General Meeting 2007	**Monday 17 December 2007**
Payment of the 2007 dividend on presentation of coupon nr 13	**from 21 December 2007**

(1) Percentage of a company's capital held by the public. This relates to all shareholders holding less than 5% of the total shares.
(2) Publication after the close of the stock exchange.

CORPORATE GOVERNANCE

I. PRINCIPLES

Befimmo SA, the Managing Agent of Befimmo SCA, and its Board of Directors have undertaken to strictly apply the principles of corporate governance set out in the Belgian Code of Corporate Governance.

Befimmo's management methods provide a solid framework for ensuring that this undertaking is respected.

The Board of Directors has therefore adopted:

> the Corporate Governance Charter;

> the internal regulations of the Board of Directors;

> the code of ethics.

There are also internal regulations for the Managing Director and each committee:

> internal regulations of the Managing Director;

> internal regulations of the appointments and remunerations committee;

> internal regulations of the audit committee;

> internal regulations of the supervisory committee of day-to-day management.

The Corporate Governance Charter, internal regulations and the code of ethics are published on Befimmo's website (www.befimmo.be).

This section of the annual report must therefore be read in conjunction with the Corporate Governance Charter and internal regulations mentioned above and the code of ethics.

Among other things, the Corporate Governance Charter and code of ethics lay down:

> rules preventing market abuse in line with EU Directive 2003/6/EC on insider dealing and market manipulation;

> rules relating to conflicts on interest;

applicable to the members of Befimmo SA's Board of Directors and the staff of Befimmo SCA.

Each member of Befimmo SCA's management team has also personally undertaken to abide by the rules preventing market abuse as laid down by the Charter.

Befimmo undertakes to review these principles from time to time to take account of changes in the law and technological developments, so as to comply with present and future corporate governance requirements.

Each committee evaluates its activities and effectiveness at least once a year and makes any appropriate suggestions to the Board of Directors for revising its internal regulations.

II. EXECUTIVE MANAGEMENT STRUCTURE

A. Managing Agent

Befimmo SA manages the Sicafi. In accordance with its articles of association as Managing Agent, Befimmo SA is empowered to carry out all acts necessary or useful for achieving the corporate aims of Befimmo SCA, to form and manage the Befimmo SCA management team, to draw up the quarterly, half-yearly and annual reports and prospectuses for Befimmo SCA, to appoint real estate experts, to propose changes to the list of experts, to propose a change of depositary, to inform the depositary of each transaction made by Befimmo SCA involving real estate assets, to grant special powers to its authorised representatives, to determine their remuneration, to increase the company capital within the limits of the authorised capital and to carry out all operations intended to benefit Befimmo SCA, whether by merger or other transaction.

The remuneration of Befimmo SA is determined in accordance with Article 19 of the Royal Decree of 10 April 1995.

In addition to the reimbursement of any costs directly relating to its mission, Befimmo SA is entitled to receive remuneration in proportion to the net result for the fiscal year.

This remuneration amounts to 2/100ths of a benchmark profit (if a profit was made) corresponding to 100/98ths of the pre-tax profit after this remuneration has been booked to the fiscal year concerned; in this way, once the remuneration has been entered into Befimmo SCA's accounts, the remuneration for the year will represent 2.04% of the pre-tax profit for the fiscal year, as specified in the accounts approved by the General Meeting of Befimmo SCA.

For the 2005/2006 fiscal year, the managing agent's remuneration is still calculated on the basis of the company's profit calculated in accordance with Belgian accounting standards; this interpretation allows the neutrality of the change of accounting system to be preserved.

This remuneration is due on 30 September of the fiscal year concerned, but is payable only after approval of the annual accounts.

The calculation of the remuneration is checked by the company's statutory auditor.

According to the articles of association, the managing agent can be dismissed on just grounds only.

B. Permanent Representative

In accordance with the law, Befimmo has appointed a Permanent Representative, responsible for implementing on behalf of Befimmo SA the decisions taken by the competent bodies of Befimmo SA, namely the Board of Directors and the Managing Director.

On 15 October 2003 the Board of Directors appointed Mr Benoît De Blieck as Permanent Representative of Befimmo SA in the Sicafi.

C. Board of Directors of the Managing Agent, Befimmo SA

The composition of the Board of Directors reflects a triple degree of independence:

> the Board is composed of at least three directors who are independent within the meaning of the Companies Code, the Belgian Corporate Governance Charter and Euronext rules;

> the Board is composed of a majority of non-executive directors;

> the Board is composed of a majority of directors not associated with the Promoter.

Directorships run for up to three years and are renewable.

The Board of Directors met fifteen times in 2005/2006.

The Board of Directors consists of 11 directors:

Chairman

> Alain Devos, Chairman of the Board of Directors of Fortis Real Estate Holding SA[1] [Director, linked to the Promoter]

Number of Board meetings attended during the 2005/2006 fiscal year: 14

Managing Director
Permanent Representative

> Benoît De Blieck

Number of Board meetings attended during the 2005/2006 fiscal year: 15

Directors

> Marc Blanpain, Honorary Chairman of the Board of Directors of the Banque Belgolaise [independent Director]

Number of Board meetings attended during the 2005/2006 fiscal year: 13

> Gustaaf Buelens, Managing Director of Buelens Real Estate SA [independent Director]

Number of Board meetings attended during the 2005/2006 fiscal year: 13

(1) In his capacity as permanent representative of A. Devos SPRL.

BOARD OF DIRECTORS OF BEFIMMO SA (as of 30.09.06)

1- Marc Blanpain
2- Gustaaf Buelens
3- Benoît De Blieck
4- Alain Devos
5- Benoît Godts
6- Philippe Gosse
7- Gaëtan Piret
8- Jacques Rousseaux[1]
9- André Sougné[2]
10- Luc Vandewalle
11- Marc Van Heddeghem

(1) Permanent Representative of Roude bvba, Director.
(2) Permanent Representative of Arcade Consult bvba, Director.

> **Benoît Godts**, Managing Director of Fortis Real Estate Asset Management SA [Director, linked to the Promoter]

Number of Board meetings attended during the 2005/2006 fiscal year: 14

> **Gaëtan Piret**, Director of Compagnie Immobilière de Belgique SA [independent Director]

Number of Board meetings attended during the 2005/2006 fiscal year: 12

> **Luc Vandewalle**, Chairman of the Board of Directors of ING Belgium [independent Director]

Number of Board meetings attended during the 2005/2006 fiscal year: 3

> **Marc Van Heddeghem**, Managing Director of Redevco Retail Belgium SCS [independent Director]

Number of Board meetings attended during the 2005/2006 fiscal year: 8

Incoming directors during the 2005/2006 fiscal year
(appointment beginning: 15.03.06)

> **Philippe Gosse**, Chairman of Burco SA [Director, not linked to the Promoter]

Number of Board meetings attended during the 2005/2006 fiscal year: 6

> **Roude BVBA**, represented by its Permanent Representative, Jacques Rousseaux[1] [independent Director]

Number of Board meetings attended during the 2005/2006 fiscal year: 8

> **Arcade Consult BVBA**, represented by its Permanent Representative, André Sougné [Director, not linked to the Promoter]

Number of Board meetings attended during the 2005/2006 fiscal year: 8

All directorships expire at the end of the Ordinary General Meeting of Befimmo SA in March 2008, with the exception of Mr Marc Van Heddeghem, whose directorship expires in March 2007 and those of Mr Philippe Gosse, Roude BVBA and Arcade Consult BVBA, which expire in March 2009.

Board of Directors' activity report

The Board of Directors of Befimmo SA, Managing Agent of the Sicafi Befimmo SCA, acts in the sole interest of all the shareholders, ruling on strategic decisions, investments, disposals and long term financing.

It closes the annual and half-yearly accounts of the Sicafi; it draws up the management report for the General Meeting of Shareholders; it rules on the use of the authorised capital and convenes Ordinary and Extraordinary General Meetings of Shareholders.

It ensures the relevance, accuracy and transparency of communication to the shareholders, financial analysts and the general public, such as prospectuses, annual and half-yearly reports, and published press releases.

Regarding investments and disposals, the Board of Directors ruled on all the investment dossiers that the Sicafi considered. These related to office buildings worth € 1,115 million in Belgium and € 486 million in Luxembourg.

During the 2005/2006 fiscal year, the Board of Directors also adopted important resolutions on the following:

1. adoption of the Corporate Governance Charter and code of ethics;
2. final settlement of the dispute that arose in 2002 between La Poste and Befimmo over Tower II of the WTC and decision to undertake major improvement works in the Tower;
3. arrangement of a new syndicated loan of € 350 million;
4. decision to make a binding offer to the Belgian Government to be a real estate partner in Sicafi 2006;

(1) New director, satisfying the criteria of independence laid down by Article 524 of the Companies Code and the Belgian Code of Corporate Governance.

5. decision to file an action for the suspension of a procedure before the Council of State in the context of Sicafi 2006;
6. continued consideration of geographical diversification enabling Befimmo to carry out its business of office asset manager in other places, with local partners.

Remuneration

The remuneration policy is to grant directors (but not the Managing Director) attendance tokens drawn on Befimmo SCA. Since 1 January 2002 these have been worth € 1,250 per Board meeting.

In accordance with the principles of corporate governance, the Directors' remuneration is therefore linked to their responsibilities and the time spent performing their duties.

D. Managing Director of Befimmo SA

The Board of Directors delegates day-to-day management to a Managing Director who regularly reports back on his management activities.

The Managing Director handles the day-to-day running of Befimmo SCA. He prepares the meetings of the Board of Directors and implements its management decisions.

He directs the Befimmo SCA team in accordance with the decisions of the Board of Directors. He proposes investments, disposals and finance operations to the Board of Directors.

In this case, the Managing Director of Befimmo SA is also Befimmo SA's Permanent Representative to the Sicafi.

The Managing Director takes care of operational aspects, subject to the oversight by the Supervisory Committee of the day-to-day management, and makes proposals on strategic matters to the Board of Directors.

E. Management team

Befimmo has its own operational team of 20 people while keeping its operating costs at a competitive level.

This team reports directly to the Managing Director of Befimmo SA, who leads it in accordance with the decisions of the Board of Directors.

Its principal members are:

Laurent Carlier	Chief Financial Officer
Oliver De Wael	Chief Commercial Officer
Rikkert Leeman	Technical Officer
Caroline Maddens	Secretary-General
Martine Rorif	Chief Project Officer

F. Committees

1) Supervisory Committee of the day-to-day management

In accordance with the Royal Decree of 10 April 1995, it is composed of two natural persons selected from the Board of Directors of Befimmo SA:

> Benoît Godts, Director linked to the Promoter

Number of Supervisory Committee meetings attended during the 2005/2006 fiscal year: 12

> Marc Blanpain, independent Director

Number of Supervisory Committee meetings attended during the 2005/2006 fiscal year: 12

Supervision ensures that the officer responsible for day-to-day management implements and complies with procedures and methods covering the entirety of day-to-day management. It does not, however, consist of checking every act of the officer responsible for day-to-day management.

The members of this Committee are remunerated at € 400 per meeting.

The Committee met 12 times during the fiscal year.

It was specifically consulted for an opinion on the following dossiers:

1. internal procedures (monitoring of revenue and costs);
2. compliance of buildings with regulations and inventory of works planned in each building;
3. monitoring of disputes;
4. buildings insurance programme;
5. Sicafi timetable (General Meetings, Board meetings, press releases, half-yearly and annual reports, road shows, etc.);
6. Befimmo organisational procedures: operational teams and internal rules of procedure.

The Committee was also kept regularly informed of developments on certain dossiers of importance to the Sicafi.

2) Audit committee

The Audit Committee assists the Board of Directors with internal control procedures (in particular for the application of the legislation, regulations and internal provisions regarding conflicts of interest), preparing the financial statements and other financial information, appointing the statutory company auditors and ensuring relations with them. It meets prior to each Board meeting that has one or more of these issues on the agenda.

The Committee is composed of three members appointed from among the members of the Board of Directors, but not the Managing Director, at least two of whom must be independent. The duration of the Committee members' mandate coincides with their directorship. The Committee appoints its own Chairman, who may not also be the Chairman of the Board of Directors.

For the 2005/2006 fiscal year, the Committee members are as follows:

> **Benoît Godts**, Director linked to the Promoter

Number of Audit Committee meetings attended during the 2005/2006 fiscal year: 7

> **Gaëtan Piret**, independent Director – Chairman of the Audit Committee

Number of Audit Committee meetings attended during the 2005/2006 fiscal year: 6

> **BVBA Roude**, represented by its Permanent Representative, Jacques Rousseaux, independent Director (member of the Audit Committee since 20 April 2006)

Number of Audit Committee meetings attended during the 2005/2006 fiscal year: 4

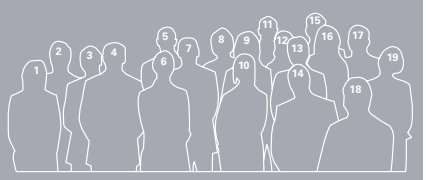
The remuneration of the Committee members was € 250 per meeting up to 4 December 2005 and € 400 per meeting since 5 December 2005.

The Committee met seven times during the fiscal year.

(1) Avanty Realty sprl.

Befimmo's Team

1. Martine Rorif, 2. Nicolas Renders, 3. Laurent Carlier, 4. Oliver De Wael, 5. Olivier Bastin, 6. Caroline Maddens, 7. Bart Simaey, 8. Dany Deschuyteneer, 9. Françoise De Poorter[1], 10. Vinciane Dubois, 11. Cédric Biquet, 12. Emmanuelle Coltellaro, 13. Xis Beckers, 14. Michel De Vries, 15. Rikkert Leeman, 16. Emilie Delacroix, 17. Ludovic Wendel, 18. Benoît De Blieck, 19. Sarah Sougné



In 2005/2006 the following main issues were addressed:

1. quarterly, half-yearly and annual accounts;
2. preparation of IFRS annexes;
3. consideration of interest-risk hedging policy;
4. risk management.

3) Appointments and Remunerations Committee

This Committee identifies and proposes for the approval of Befimmo SA's Board of Directors candidates for vacant positions on the Board of Befimmo SA and examines all applications for appointment to a director's post and all proposals from shareholders of Befimmo SCA or Befimmo SA. It delivers opinions and recommendations to the Board of Directors on these applications and proposals.

This Committee is also responsible for delivering opinions to the Befimmo SA General Meeting on the remuneration of the Directors and the Managing Director.

The Committee is composed of at least four members, the majority of whom must be independent, appointed by the Board of Directors from among its members. The members of this Committee are:

> Alain Devos, Chairman, linked to the Promoter
Number of Appointments and Remunerations Committee meetings attended during the 2005/2006 fiscal year: 1

> Marc Blanpain, independent Director
Number of Appointments and Remunerations Committee meetings attended during the 2005/2006 fiscal year: 1

> Gustaaf Buelens, independent Director
Number of Appointments and Remunerations Committee meetings attended during the 2005/2006 fiscal year: 1

> Marc Van Heddeghem, independent Director
Number of Appointments and Remunerations Committee meetings attended during the 2005/2006 fiscal year: 1

The Committee met once during the fiscal year.

In 2005/2006 the following issue was addressed:

> considerations of candidacies for Director;
> Managing Director's financial status.

No remuneration was paid to this Committee during the 2005/2006 fiscal year.

Goemaere
[Architect: Assar SC - Brussels decentralised]

G. Others involved

1) Auditor

The Auditor is designated with the prior agreement of the CBFA. It also exercises two kinds of control.

Firstly, in accordance with the Companies Code, it checks and certifies the financial information in the annual accounts.

Secondly, in accordance with the law, it cooperates with the CBFA's controls. The CBFA may also ask it to confirm the accuracy of other information sent to the CBFA.

The Meeting of 14 December 2004 renewed the mandate of the company's Auditor, Deloitte, Réviseurs d'Entreprises SC s.f.d. SCRL, represented by Mr Jos Vlaminckx and Mr Jurgen Kesselaers, company Auditors acting jointly, for a period of three years beginning on 14 December 2004 and ending at the close of the Ordinary General Meeting for the approval of the accounts closed as at 30 September 2007, and set its fee at € 60,000 excluding VAT per year.

2) Real estate experts

In accordance with the Royal Decree of 10 April 1995, Befimmo SCA calls on external experts for the regular or occasional valuation of its assets.

These real estate expert duties are currently assigned to:

> Winssinger & Associés, a member of the DTZ Debenham-Winssinger group, valuing the following buildings: La Plaine, chaussée de La Hulpe, Woluwe Garden D, Woluwe Garden B, Ikaros Business Park, boulevard Industriel, rue Bollinckx, Wiertz, Brederode 1, Brederode 2, Empereur, Impératrice, Extension Justice, Guimard, Schuman 3, Central Gate, View Building, Triomphe I, Triomphe II, Triomphe III, Jean Dubrucq, Ocean House, Eagle Building, Waterloo Office Park and Poelaert;

> In addition, Winssinger & Associés has been entrusted with coordinating all valuation activities;

> Cushman & Wakefield Healey & Baker values the buildings acquired from the merger with Prifast, namely: Goemaere, Fountain Plaza and Greenhill;

> CB Richard Ellis values the buildings acquired from the 1988 mergers: World Trade Center, Noord Building, rue Devroye, rue du Joncquois, digue des Peupliers and Schuman 11.

3) Depository bank

Dexia Bank has been designated as the depository bank of Befimmo SCA pursuant to Article 12 et seq. of the Royal Decree of 10 April 1995.

III. RULES FOR PREVENTION OF CONFLICTS

Regarding the prevention of conflicts of interests, Befimmo is governed firstly by legal rules – Articles 523 and 524 of the Companies Code and Article 24 of the Royal Decree of 10 April 1995 (which requires the CBFA to be notified in a number of cases) – and secondly by the supplementary rules of its Corporate Governance Charter (points 27 et seq.). Where a Director of the Managing Agent has an interest that conflicts with that of Befimmo SCA, in the interests of transparency Befimmo applies the procedure provided for by Article 523 of the Companies Code.

Whenever it would be contrary to the interests of the shareholders of Befimmo SCA for the Director concerned to be informed of the terms on which Befimmo SCA plans to complete a transaction, he will not be sent the preparatory notes and the item will be covered by an appendix to the minutes which will not be sent to him; these rules cease to apply when they are

no longer relevant (i.e. generally after Befimmo has completed or withdrawn from the transaction).

If Befimmo SCA intends to carry out a transaction with a Director or company associated with that Director that is not covered by Article 523 of the Companies Code (for example, because it is a commonplace transaction subject to normal market conditions and guarantees), Befimmo SCA nevertheless requires that Director to declare his interest to the other Directors before it is discussed in the Board meeting; his declaration and the reasons why Article 523 of the Companies Code does not apply must be set down in the minutes of the Board meeting at which the decision is to be taken; he must refrain from taking part in the Board's debate on the transaction or the relevant vote; whenever it would be contrary to the interests of Befimmo SCA shareholders for the Director concerned to be informed of the conditions under which Befimmo SCA is prepared to carry out the transaction concerned, he must not be sent the preparatory notes and the item must be reported in a separate set of minutes not sent to him. In any case, the transaction must be carried out under normal market conditions. The transaction must be mentioned in the management report of the annual report, though the minutes reporting the transaction concerned need not be reproduced in full.

IV. NO DEPARTURE FROM THE CODE

Subject to the structural points explained in the Charter, there were no departures from the Code of Corporate Governance over the period.

STRUCTURE AND ORGANISATION

OBLIGATORY INFORMATION

Application of Article 523 of the Companies Code and point 29 of the Corporate Governance Charter regarding conflicts of interest

During the fiscal year, there were no operations giving rise to the application of Article 523 of the Companies Code or point 29 of the Corporate Governance Charter regarding conflicts of interest.

Application of Article 524 of the Companies Code

Article 524 of the Companies Code was applied twice:

1. Adoption of the Corporate Governance Charter

The Corporate Governance Charter adopted by Befimmo prohibits the Promoter from competing with it (nr 18) and imposes certain obligations on it in the event of a change of control of Befimmo SA (nr 20).

The Committee of independent Directors came to the following conclusions:

"*Financial consequences – The Committee notes the unilateral nature of the Promoter's undertakings. The Committee considers that it is impossible to value the financial consequences for the Sicafi of these undertakings on the part of the Promoter. The Committee concludes that these undertakings are to the advantage of the company and its shareholders.*

No undue damage to the company – Both the qualitative and contractual aspects are clearly in the interests of the company and its shareholders and are not liable to cause it damage, and especially no manifestly undue damage in the light of company policy".

On 5 December 2005, the Board of Directors of Befimmo SA, acting in its capacity as Managing Agent of Befimmo SCA, adopted the following resolution:

"Insofar as it [the Charter] implies an operation between Befimmo SCA and its Promoter, notably since the Charter prohibits the Promoter from competing with it and places certain obligations on it in the event of a transfer of control of Befimmo SA, the decision on the agenda was submitted for an opinion of a Committee composed of three independent directors in accordance with Article 524 of the Companies Code.

The Board has been notified of the Committee's opinion (Appendix 2). This opinion concludes that both the qualitative and contractual aspects are clearly in the interests of the company and its shareholders and are not liable to cause it damage, and especially no manifestly undue damage in the light of company policy.

After a discussion, the Board of Directors unanimously:

a. noted that the procedure provided for by Article 524 of the Companies Code had been followed;

b. noted the agreement of Fortis Real Estate Asset Management SA to the Charter;

c. decided to adopt the Corporate Governance Charter as set out in Appendix 3 to these minutes;

d. decided to require all future shareholders of Befimmo SA to record their agreement to the Corporate Governance Charter;

e. empowered Mr Marc Van Heddeghem and Mr Benoît Godts to make any necessary minor changes."

On the basis of the report of the Committee of independent Directors and the minutes of the Board meeting of 5 December 2005, the Auditors of Befimmo SCA delivered the following opinion:

"We are of the opinion that we can confirm the accuracy of this information. This does not imply that we have assessed the appropriate-

ness of the Committee's opinion or the decision of the Board of Directors, nor that we are expressing any view regarding the report of the independent expert."

2. Syndicated loan

On 30 March 2006 the company signed a syndicated loan agreement with, among others, Fortis Banque SA and ING SA for the sum of € 350 millions to refinance the syndicated loan of August 2004.

The Committee of independent Directors concluded that *"the operation being considered is not liable to harm the company and, further, is not liable to cause the company manifestly undue damage in the light of company policy."*

On 23 January 2006, the Board of Directors of Befimmo SA, acting as Managing Agent of Befimmo SCA, adopted the following resolution:

"The Board unanimously decides to offer Fortis Banque a final deadline enabling it to make any necessary changes to lift the 60% ceiling on borrowings. If it does so, the Board decides to arrange the syndicated loan jointly with ING and Fortis Banque; if not, it will arrange it with ING alone."

On the basis of the above-mentioned report of the Committee of independent Directors and the minutes of the Board meeting of 23 January 2006, the auditors of Befimmo SCA delivered the following opinion:

"We are of the opinion that we can confirm the accuracy of this information. This does not imply that we have assessed the appropriateness of the Committee's opinion or the decision of the Board of Directors, nor that we are expressing any view regarding the report of the independent expert."

Additional information

1. The following is provided as general information:

In the Central Gate building (the former Shell Building), Befimmo SCA signed a number of leases over the period, including:

> a lease with the company Alpha Crédit, a wholly-owned subsidiary of Fortis Banque, for the rental of office space on the 1st, 2nd and 3rd floors of the building, and parking spaces (total annual rent of the order of € 619,163).

> a lease with FB Brokerage SA, a subsidiary of the Fortis group, for the rental of office space on the 3rd floor of the building, and parking spaces (total annual rent of € 238,250).

> a lease with Fortis Real Estate Group Asset Management SA, abbreviated to FREGAM SA, a subsidiary of the Fortis group, for the rental of office space on the 6th floor of the building, and parking spaces (total annual rent of the order of € 157,500).

In the Woluwe Office Park building A, Befimmo SCA also signed a commercial lease with Fortis Banque for part of the ground floor and a lease for office space on the ground and first floors, along with parking spaces in the basement (total annual rent of the order of € 222,000).

Befimmo also signed a lease with Fortis Banque for the rental of office space on the 1st floor of the rond-point Schuman 11 building, (annual rent: € 102,000).

These are commonplace operations carried out subject to normal market conditions and guarantees for similar operations, and hence Article 524 of the Companies Code does not apply.

2. Assistance by Fortis Real Estate Holding SA

Regarding assistance by companies linked to the Promoter, Befimmo continued to use the services

of Fortis Real Estate Property Management SA (FREPM – formerly Sogepro SA), with which it signed a non-exclusive framework agreement in 2000 for the management of its real estate assets. The agreement covers nearly the entire Befimmo portfolio and relates to owner management, tenant management and technical maintenance.

There is a separate amendment for each building, with an initial duration of three years, that sets out its specific characteristics. The amendments may then be terminated on an annual basis by either party, FREPM or Befimmo.

For the fiscal year to 30 September 2006, Befimmo paid net fees of € 331,833 including VAT. The open balance in Befimmo's accounts at the closing date was a trade debt of € 115,295 including VAT.

In its day-to-day management, and with a view to achieving economies of scale, Befimmo can access certain pooled services provided by the Promoter's group, such as legal, fiscal, insurance and rental services.

All of these services are billed at market rates. During the fiscal year to 30 September 2006, Befimmo spent € 160,695 including VAT on services of this kind.

For extraordinary transactions, such as growth operations, Befimmo can draw, where necessary, on the Promoter's resources for help with the preparation of such special projects. During the fiscal year to 30 September 2006, Befimmo did not avail itself of the Promoter's services for operations of this kind.

Deloitte's fees

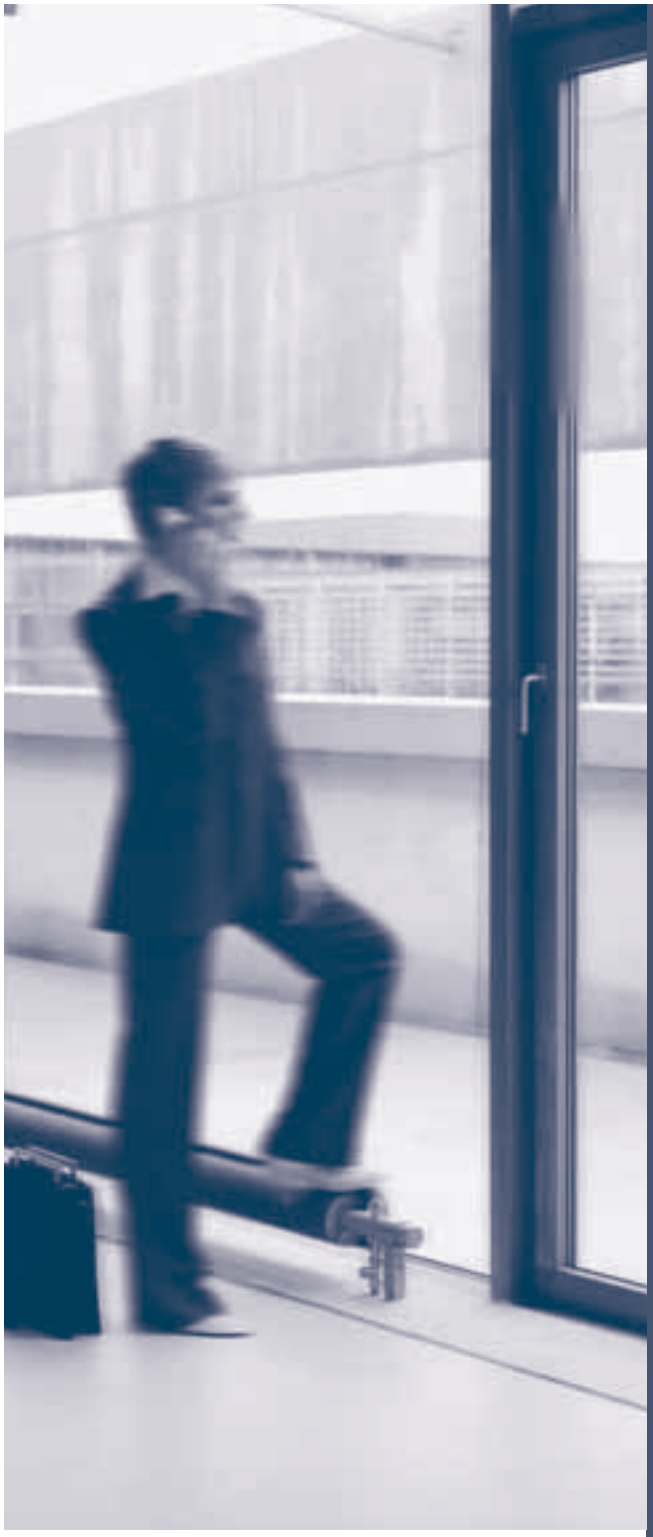
Deloitte – Réviseurs d'Entreprises SC s.f.d. SCRL, represented by Mr Jos Vlaminckx and Mr Jurgen Kesselaers – acts as the company's Auditors.

In addition to its statutory role, during the 2005/2006 fiscal year Deloitte also provided services related to the switch to IFRS standards, accounting analyses regarding the Government Sicafi and the review of internal controls, for a fee of € 55,955.07 excluding VAT.

Research & development

Befimmo did not carry out any research or development activities during the period.

FINANCIAL REPORT



2005/2006 FISCAL YEAR

INCOME STATEMENT

(in thousands of €)

	Notes	30.09.06	30.09.05
I. (+) Rental income	F	76 256	79 219
III. (+/-) Charges linked to letting	G	-298	-419
NET RENTAL INCOME		**75 958**	**78 800**
IV. (+) Recovery of property charges		4 406	4 333
V. (+) Recovery income of charges and taxes normally payable by tenants on let properties		18 544	17 975
VI. (-) Costs normally payable by tenants and borne by the landlord on rental damage and refurbishment at the end of lease		–	-3
VII. (-) Charges and taxes normally payable by tenants on let properties		-18 290	-17 386
VIII. (+/-) Other revenue and charges for letting		24	-140
PROPERTY RESULT		**80 642**	**83 578**
IX. (-) Technical costs		-7 326	-7 888
X. (-) Commercial costs		-1 203	-857
XI. (-) Charges and taxes on unlet properties		-673	-1 217
XII. (-) Property management costs		-1 124	-1 221
XIII. (-) Other property charges		-8	-3
(+/-) Property charges		**-10 335**	**-11 186**
PROPERTY OPERATING RESULT		**70 307**	**72 392**
XIV. (-) Corporate management costs[1]	H	-6 992	-5 813
XV. (+/-) Other operating income and charges		-855	-437
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		**62 460**	**66 142**
XVI. (+/-) Gains or losses on disposals of investment properties[1]	K	489	13 558
XVIII. (+/-) Changes in fair value of investment properties[1]	K	17 978	1 294
OPERATING RESULT		**80 926**	**80 994**
XIX. (+) Financial income	I	1 496	2 005
XX. (-) Interest charges	I	-14 334	-14 654
XXI. (-) Other financial charges	I	-1 478	-2 832
(+/-) Financial result	I	**-14 316**	**-15 481**
PRE-TAX RESULT		**66 611**	**65 513**
XXII. (-) Corporation tax[1]		-622	-661
(+/-) Taxes		**-622**	**-661**
NET RESULT	J	**65 989**	**64 852**
BASIC NET RESULT AND DILUTED PER SHARE	J	**6.74**	**6.62**

(1) Following clarifications regarding some of the standards, the IFRS data for the 2004-2005 fiscal year may differ, in a limited number of cases, from the indicative amounts given in earlier publications:
- impact of applying the adjustment between the "deed-in-hands" value and fair value in relation to the 2004/2005 annual report, already included in the half-yearly report at 31 March 2006.
- reclassifications linked to presentation.

BALANCE SHEET (ASSETS AND LIABILITIES)

(in thousands of €)

	Notes	30.09.06	30.09.05
I. Non-current Assets		**1 080 775**	**1 065 437**
C. Investment properties[1]	K	1 078 357	1 063 217
E. Other property, plant and equipment		405	196
F. Non-current financial assets	M	2 013	2 024
II. Current Assets		**28 237**	**27 378**
B. Current financial assets		228	219
D. Trade receivables		10 326	12 216
E. Tax receivables and other current assets		139	362
F. Cash and cash equivalents		14 961	12 775
G. Deferred charges and accrued income		2 583	1 805
TOTAL ASSETS		**1 109 012**	**1 092 815**

		30.09.06	30.09.05
TOTAL SHAREHOLDERS' EQUITY[1]		**660 228**	**641 330**
A. Capital		142 295	142 295
B. Share premium account		161 261	161 261
D. Reserves		21 113	21 113
E. Result		335 558	316 660
a. Result brought forward from previous years		297 032	279 270
b. Net result for the fiscal year		65 989	64 852
c. Adjustment of IFRS opening balance		-27 463	-27 463
LIABILITIES		**448 784**	**451 485**
I. Non-current liabilities		**91 418**	**116 999**
B. Non-current financial debts		91 418	116 155
a. Credit institutions	L	89 916	114 923
c. Other		1 502	1 232
C. Other non-current financial liabilities	L	–	841
E. Other non-current liabilities		–	2
II. Current liabilities		**357 367**	**334 486**
B. Current financial debts		317 385	297 525
a. Credit institutions	L	317 385	297 525
D. Trade debts and other current debts	N	34 918	29 223
E. Other current liabilities		1 761	2 960
F. Accrued charges and deferred income		3 304	4 779
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1 109 012**	**1 092 815**

(1) Following clarifications regarding the application of some of the standards, the IFRS data for the 2004-2005 fiscal year may differ, in a limited number of cases, from the indicative amounts given in earlier publications (see income statement).

CASH FLOW STATEMENT

(in thousands of €)

	2005/06	2004/05
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	**12 775**	**11 326**
Net earnings for the fiscal year	**65 989**	**64 852**
Operating income	80 926	80 994
Interest paid	-13 286	-13 760
Interest received	275	126
Dividends received	104	236
Taxes paid	-500	-704
Other income	-1 531	-2 039
Items with no effect on cash flow to be extracted from earnings	**-19 108**	**-1 785**
Loss of (gain in) value on trade receivables (+/-)	47	148
Amortisation / Loss of (gain in) value on property, plant and equipment (+/-)	101	86
Fair value adjustment for investment buildings (+/-)	-17 978	-1 294
Fair value adjustment on non-current financial assets booked to earnings (+/-)	-914	12
Other items	-364	-738
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS	**46 881**	**63 068**
Change in working capital requirements	**4 587**	**637**
CASH FLOW FROM OPERATING ACTIVITIES	**51 468**	**63 704**
Investments (-) / Disposals (+)		
Investment properties	2 837	35 943
Other property, plant and equipment	-311	-154
Non-current financial assets	84	2 713
Cash flow of investment activities	**2 610**	**38 502**
CASH FLOW BEFORE FINANCING ACTIVITIES	**54 079**	**102 206**
Financing (+/-)		
Increase (+) / Decrease (-) in financial debts	-4 878	-55 476
Increase (+) / Decrease (-) in other non-current liabilities	-2	2
Dividend for previous fiscal year (-)	-47 012	-45 284
Cash flow of financing activities	**-51 893**	**-100 757**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**2 186**	**1 449**
CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR	**14 961**	**12 775**

STATEMENT OF CHANGES IN EQUITY

(in thousands of €)

	Equity	Share premiums	Reserves		Result	Total equity
			Associated with hedging instruments	Others		
EQUITY AT 30.09.04	**142 295**	**161 261**	**–**	**21 113[1]**	**297 035**	**621 705**
Earnings booked directly as shareholders' equity	–	–	–	–	57	57
Net result for the fiscal year	–	–	–	–	64 852[2]	64 852
Total charges and revenue booked	**–**	**–**	**–**	**–**	**64 909**	**64 909**
Dividend distributed	–	–	–	–	-45 284	-45 284
EQUITY AT 30.09.05	**142 295**	**161 261**	**–**	**21 113**	**316 660**	**641 330**
Earnings booked directly as shareholders' equity	–	–	–	–	-79	-79
Net result for the fiscal year	–	–	–	–	65 989[2]	65 989
Total charges and revenue booked	**–**	**–**	**–**	**–**	**65 910**	**65 910**
Dividend distributed	–	–	–	–	-47 012	-47 012
EQUITY AT 30.09.06	**142 295**	**161 261**	**–**	**21 113**	**335 558**	**660 228**

(1) The details of the other reserves are as follows: statutory reserve: € 1.3 million - reserve unavailable: € 3.6 million - exempt reserve: € 0.0 million - available reserve: € 16.2 million.
(2) The dividend proposed, included in equity at the date of closure, for fiscal years 2004/2005 and 2005/2006 amounted to € 47.01 and € 48.2 million respectively.

NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL BUSINESS INFORMATION

Befimmo SCA (the Company) is a Sicafi (Société d'Investissement Immobilière à Capital Fixe – fixed capital real estate investment trust). It is organized as a "Société en commandite par actions" under Belgian Law and has its registered office at Chaussée de Wavre 1945, in 1160 Brussels (Belgium).

The activities of the Company are concentrated entirely in the ownership and management of a real estate portfolio. As at 30 September 2006, the portfolio consists principally of office buildings located in Brussels.

The Company is listed on Euronext (Brussels).

B. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted within the European Union.

Pursuant to Article 2 of the Royal Decree of 21 June 2006 on the accounting, annual accounts and consolidated accounts of public real estate Sicafis, amending the Royal Decrees of 10 April 1995 and following on real estate Sicafis, Befimmo has exercised the right to present its annual accounts in accordance with

IFRS standards as of the fiscal year closing on 30 September 2006.

Accordingly, the Company prepared its opening IFRS balance sheet as at 1 October 2004 (date of switching to IFRS). For the preparation of its first IFRS financial statements, the Company has elected to use the following exemptions in accordance with IFRS 1 – *First-time Adoption of IFRS:*

> Business combinations that occurred before the date of transition to IFRS are not retrospectively restated in accordance with IFRS 3 – *Business Combinations.*

> Unrecognised actuarial gains and losses are all posted at the date of transition to IFRS. The "corridor" approach defined under IAS 19 – *Employee Benefits* is used for actuarial gains and losses reported after the date of transition to IFRS.

Basis of preparation

The financial statements are denominated in thousands of €, rounded to the nearest thousand. They are prepared on the historical cost basis except for investment property and certain financial instruments that are stated at their fair value.

Accounting policies have been applied consistently to all periods presented.

The Company has chosen not to apply IFRS 7 – *Financial instruments: disclosures,* which will only become mandatory as from the commencement date of fiscal year 2007/2008. The application of this standard will involve a change in the information presented in the notes on the financial instruments. Regarding the other standards and interpretations issued before the date of authorisation of publication of the financial statements but not yet in force (IFRS 6, IFRIC 4, IFRIC 5, IFRIC 6, IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 10 and IFRIC 11), the Company does not expect any impact on the financial statements following their application.

Foreign currency

Foreign currency transactions

Foreign currency transactions are recorded initially at the exchange rate prevailing at transaction date.

Monetary assets and liabilities denominated in foreign currencies are then remeasured at closing rate, with resulting gains and losses recorded in the income statement.

Gains and losses resulting from the settlement of foreign currency transactions are included in the income statement as financial gains or losses.

Foreign operations

Assets and liabilities of foreign operations included in the consolidation are translated into € at the closing rate. Income statement items are converted into € at the average exchange rates for the period. The resulting translation differences are transferred to the equity item "currency translation differences".

Intangible assets

Intangible assets are recognized only when it is probable that the expected future economic benefits associated with the asset will flow to the Company and its cost can be measured reliably. They are recognized initially at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and impairment losses.

Amortization is calculated using the straight-line method to allocate the cost over the estimated useful life of the asset. The useful life and amortisation method of intangible assets are reviewed at least at each financial year end.

Costs associated with training and marketing, as well as reorganization costs are expensed as incurred.

Investment property

General principles

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and non deductible VAT. For buildings acquired through a merger, split or contribution of a branch of activity, taxes due on the potential capital gains on the companies absorbed are included in the cost of the assets. After initial recognition, investment property is carried at fair value.

Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value.

An external, independent appraiser establishes the investment value of the real estate portfolio (also called "value deed in hands"). This valuation is based on the present value of the net rental income in accordance with the International Valuation Standards, established by the International Valuation Standards Committee, as set out in the corresponding report. The fair value of the investment property is obtained by deducting from this investment value the amount of expenses and taxes (registration duties and/or value added tax, notary's expenses) that the investor has to defray in order to acquire ownership of the property. Based on the various transfer methods performed on the market, the average rate of these transaction costs amounts to 2.5%[1] for properties costing more than € 2.5 million and 10% or 12.5% for property below this value, depending on the region where it is located.

The external, independent appraiser establishes the investment value of the real estate portfolio in detail at the end of each fiscal year. At the end of each of the first three quarters of the fiscal year, the appraiser updates the valuation in line with the evolution of the market and the specific characteristics of the properties.

Any gain or loss arising from a change in fair value is posted in the income statement.

Commissions paid to real estate agents and other transaction costs

Commissions relating to the acquisition of investment properties are capitalised within the asset's carrying amount. The same applies where the acquisition involves purchasing the shares of a real estate company, the contribution in kind of a property against the issue of new shares, or assets contributed by way of merger by takeover of a real estate company. In these various cases, however, notary and audit costs are recorded as costs in the income statement.

Commissions relating to property rentals are recorded as costs in the income statement.

Works carried out on investment properties

Accounting treatment of works carried out on investment properties depends on the type of work concerned:

> Improvement works: these are works carried out on an occasional basis to add functionality to the property or significantly enhance the standard of comfort, thus making it possible to raise the rent and, hence, the estimated rental value. The costs of these works are capitalised within the asset's carrying amount provided and to the extent that the independent appraiser normally recognises an equivalent appreciation in the value of the property. Example: installation of an air-conditioning system where one did not previously exist.

> Extensive renovation works: these are normally undertaken at intervals of 25 to 35 years and involve virtually reconstructing the building whereby, in most cases, the existing carcass

(1) Average costs paid on transactions observed on the Belgian market over the past three years. This average rate is revised every year on the basis of transactions taking place on the market.

work is reutilised and state-of-the-art building techniques applied. These costs are capitalised within the asset's carrying amount.

> Expenditure relating to maintenance and repair works which does not add any extra functionality to or increase the standard of comfort of the building is recorded as costs in the income statement. Examples: repairs to a roof, replacement of lifts or window frames.

Investment property occupied by owner

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Where the Company uses only a minor part of a property it owns, the whole property is stated at fair value as an investment property.

Development projects

Property that is being constructed or developed for future use as investment property is classified as development projects and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. At the date of transfer, the difference between the fair value and the cost is recognised in the income statement.

All costs directly associated with the purchase or construction of properties, and all subsequent capital expenditures are included in the cost of the development project. All borrowing costs related to the acquisition and construction of properties are directly recorded in the income statement during the period of their occurring.

Development projects are tested for impairment when there is an indication that their carrying amount may exceed their recoverable amount (see section "Impairment" below).

Other tangible assets

Other tangible assets are recorded at cost, less accumulated depreciation and impairment losses. Cost includes all direct costs and appropriate allocation of indirect costs incurred to bring the asset to working condition for its intended use.

The straight-line depreciation method is applied through the estimated useful life of the assets. The useful life and depreciation method are reviewed at least at each financial year-end. Useful life is defined as follows per main type of asset:

Buildings

> Buildings 30 years
> Technical equipment 20 years
> Improvements to owned buildings 10 - 20 years
> Improvements to leased buildings firm period of the lease - maximum 10 years.

Furniture and vehicles

> Vehicles 4 years
> Computer equipment 5 years
> Furniture and office equipment 5 years
> Leased equipment term of contract unless a transfer of ownership is planned.

Financial assets

Financial assets are classified as follows:
> assets held to maturity
> assets at fair value through profit or loss
> assets available for sale
> loans and receivables.

They are classified in the balance sheet as current or non-current financial assets, based on the intention or probability of realization within twelve months at the balance sheet date.

i. Assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity.

Held-to-maturity investments are carried at amortized cost using the effective-interest method.

ii. Assets at fair value through profit or loss. These assets include:
> assets held for trading, i.e. assets acquired principally for the purpose of selling in the short term;
> assets designated by management to be accounted for based on the fair value option in accordance with IAS 39.

These two categories of assets are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

iii. Assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Assets available for sale are carried at fair value. Unrealized gains and losses arising from changes in the fair value are recognized in equity. In case of sale or impairment, the accumulated fair value adjustments already recorded in equity are transferred to the income statement.

iv. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money directly to a debtor with no intention of trading the receivable.

Loans and receivables are initially stated at their nominal value less appropriate allowance for irrecoverable amounts, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount. The amount of the allowance is recognized in the income statement.

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing of its activities. The Group does not hold or issue derivative financial instruments for proprietary trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resulting gain or loss depends on whether or not hedge accounting is applied and possibly on the nature of the item being hedged.

At inception of the hedge, the derivative is designated either as a hedge of the fair value of recognized assets or liabilities or of a firm commitment (fair value hedge) or as a hedge of future cash flow (cash flow hedge).

Derivative financial instruments that qualify for hedge accounting are accounted for as follows:

i. Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii. Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods during which the hedged cash flows affect the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the commitment or hedged cash flows are ultimately recognised in the income statement.

When hedged cash flows are no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Even if they do result in an effective economic hedge, certain derivative instruments do not qualify for hedge accounting according to IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

Investment property held for sale

An investment property is classified as held for sale when the asset is available for immediate sale in its present condition and its sale is highly probable.

Investment property held for sale is valued on the same basis as investment property.

Trade receivables

Trade receivables are stated at their nominal value less appropriate allowance for irrecoverable amounts. The amount of the allowance is recognized in the income statement.

Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash, have maturity dates of three months or less and are subject to an insignificant risk of change in value.

These items are carried in the balance sheet at their nominal value or cost.

Impairment

The carrying amount of intangible and tangible assets other than investment property is reviewed at each balance sheet date to determine whether there is any indication of impairment.

If the carrying amount of an asset exceeds its recoverable amount (being the higher of the fair value less costs to sell and the value in use), the excess is recognised as impairment loss in the income statement. The value in use is the net present value of the estimated future cash flows from the use of an asset.

A reversal of an impairment loss is recognized when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends are recognized as liability when they are declared by the shareholder's meeting.

Interest-bearing borrowings

Borrowings are initially recognized for the amount of the proceeds received, net of transaction costs.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Trade and other payables

Trade and other payables are stated at their nominal value.

Employee benefits

The Company has both defined-benefit and defined-contribution plans.

i. A **defined-benefit plan** is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

   The amount presented in the balance sheet is based on actuarial calculations (using the projected unit credit method) and represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and as reduced by the fair value of the plan assets. If this amount is positive, a provision will be recorded on the liability side of the balance sheet, representing at this time the complement of amount the Company would have to pay to its employees at their retirement. Conversely, if this amount is negative, an asset will be recorded on the balance sheet only if the Company would benefit in the future from this overfunding of the plan.

   Actuarial gains and losses are recognized if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the higher of 10% of the present value of the defined benefit obligation at that date; and 10% of the fair value of any plan assets at that date. The portion of actuarial gains and losses exceeding these limits is divided by the expected average remaining working lives of the employees participating in that plan. These calculations are performed for each defined-benefit plan of the Company.

ii. A **defined-contribution plan** is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

   Contributions are recognized as expenses as they fall due, and as such are included in personnel costs.

Provisions

Provisions are recognized in the balance sheet when:

> there is a present obligation (legal or constructive) as a result of a past event;
> it is probable that an outflow of resources will be required to settle the obligation; and
> a reliable estimate can be made on the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Revenue

Rental income from operating leases is recognized in income on an accrual basis over the lease term.

Free rents and other incentives granted to customers are recognized over the first firm period of the lease term, on a straight-line basis.

Gain or loss on sales of investment property

The result on disposals of investment property represents the difference between sales proceeds net of transaction costs and the latest reported fair value of the property sold. The result is realized at the time of the transfer of risks and rewards.

Income tax

Taxes on the financial year's income include current and deferred tax. Taxes are recorded in the income statement except where they relate to items recorded directly in equity, in which case they too are recorded in equity.

Current tax is the expected tax payable on the taxable income of the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable (or receivable) in respect of previous years.

Deferred taxes are calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes are measured using the tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets are only recognized to the extent that it is probable that future taxable earnings will be available against which the temporary differences can be utilized.

C. SWITCH TO IFRS STANDARDS - EXPLANATORY NOTE

Transition of equity from Belgian accounting standards to IFRS

(in millions of €)	Note	Shareholders' equity 01.10.04	Result for the 2004/05 fiscal year	Other equity movements	Shareholders' equity 30.09.05
BELGIAN STANDARDS (BGAAP)		**603.8**	**56.5**	**-37.0**	**623.3**
IFRS adjustments					
Flat-rate reduction on buildings	1	-27.4	0.9	–	-26.6
Derivatives	2	-3.2	-0.1	–	-3.3
Unrealized capital gains on property	3	–	10.7	-10.7	–
Unrealized capital gains on real estate certificates	4	–	-0.7	0.7	–
Dividend	5	45.3	–	1.7	47.0
Provisions for risks and charges	6	2.3	-2.3	–	–
Loan issue costs	7	0.9	-0.2	–	0.7
Incorporation of common charges	10	–	0.1	0.1	0.2
UNDER IFRS STANDARDS		**621.7**	**64.9**	**-45.3**	**641.3**

Context

Pursuant to the opportunity offered by the Royal Decree of 21 June 2006, in this annual report Befimmo SCA publishes its individual financial statements in accordance with the "International Financial Reporting Standards" (IFRS) as adopted within the European Union, from the fiscal year closing on 30 September 2006, along with comparative information for the fiscal year closing on 30 September 2005. The aim of this decision is to ensure that Befimmo's accounts can be compared with those of other Sicafis and listed real estate companies publishing their accounts in accordance with IFRS standards.

This explanatory note illustrates the impact of the application of IFRS standards on shareholders' equity at the date of switching to IFRS (1 October 2004) and the annual closing on 30 September 2005, and on the results for the 2004/2005 comparison fiscal year. The accounts for the fiscal year closing on 30 September 2005 have been converted to IFRS standards for comparative information purposes.

First-time adoption options

In accordance with IFRS 1 – *First-time adoption of IFRS standards*, Befimmo SCA has availed itself of the following two exemptions:

> Business combinations: exemption whereby acquisitions prior to the date of switching to IFRS (30 September 2004) are not restated retrospectively in accordance with IFRS 3 – *Business Combinations;*

> Employee benefits under non-statutory pensions: exemption whereby all cumulative actuarial gains and losses on the date of switching to IFRS are applied as adjustments to opening equity. However, this exemption has no impact on the opening balance sheet.

Restatements identified

On the basis of these principles, the table above reconciles Befimmo SCA's shareholders' equity and results under Belgian accounting standards and under IFRS standards.

1. Fair value adjustment for investment buildings

According to Belgian standards, the buildings held by Befimmo were valued at "deed in hands" investment value, i.e. a value that includes any costs of the transaction if the buildings were transferred. This value is determined every quarter by a group of independent experts in accordance with the requirements of the Royal Decree of 10 April 1995.

Under IFRS, standard IAS 40 provides for investment buildings to be booked at fair value, i.e. after deducting the transaction costs (mainly for conveyancing) that would be incurred on a hypothetical future transfer of these assets[1]. Taking account of these various transfer methods used on the market, the average rate of transaction costs is currently 2.5%[2] for buildings worth over € 2.5 million and 10% or 12.5% for buildings of a lower value, depending on their location.

The negative impact of this flat-rate reduction of the Befimmo portfolio on opening shareholders' equity at 30 September 2004 is € 27 446 646.

The impact of the adjustment of the result for the 2004/2005 fiscal year is an additional charge of € 866 232, due to the write-back of the flat-rate reduction booked on the value of the Borschette building, as it left the portfolio on 30 September 2005.

2. Derivatives

Given the historically low interest rates, Befimmo has, since 2002, opted for a financing policy based mostly on floating rates. This has made it possible to take full advantage of lower short term interest rates. Alongside this financing method, Befimmo has adopted a policy of acquiring financial derivatives to hedge the interest rate exposure (caps and collars).

(1) This accounting treatment is described at length in the BeAMA press release of 8 February 2006.

(2) Average level observed on the Belgian market over the past three years.

These instruments are booked at the depreciated historical cost under Belgian accounting standards.

Under IFRS standards, they have to be measured at fair value. Insofar as the cash flow hedge is effective, changes in the fair value of the cap contracts are recorded directly in a separate component of equity, in accordance with the provisions of IAS 39 – *Financial instruments: recognition and measurement*. Changes in fair value attributable to the ineffective portion of the hedge are recorded directly in the income statement. The cumulative amounts under shareholders' equity are transferred to the income statement during the period in which the hedged transaction affects the income statement.

With respect to its collar contract, Befimmo has chosen not to apply hedge accounting. The changes in fair value of this contract, both positive and negative, are therefore booked directly in the income statement.

As at 1 October 2004, the impact of switching to IFRS standards on opening equity represents a reduction of € 3 238 787.

The impact of this adjustment on the results for the 2004/2005 fiscal year is a additional charge of € 118 529.

3. Reclassification of unrealised capital gains on real estate assets

Under Belgian standards,

> reductions in the value of real estate (valued below the acquisition cost) are recorded in the income statement;

> increases in the value of real estate certificates (valued above the acquisition cost) are booked to shareholders' equity under the item "revaluation earnings on tangible assets". As at 30 September 2004, a cumulative amount of € 212 226 917 was recorded under this item.

Under IFRS standards, changes in the fair value of investment property, positive or negative, are booked directly to the income statement. Consequently, the amount previously booked in equity under the heading 'unrealised capital gains on tangible assets' is transferred in its entirety to shareholders' equity.

This adjustment does not have any impact on the total amount of opening equity.

As from the date of switching to IFRS standards, all changes – both positive and negative – in the fair value of real estate are recorded in the income statement. The impact of this adjustment on the results for the 2004/2005 fiscal year is an increase in income of € 10 718 391, corresponding to the increases in the fair value of investment real estate booked directly to shareholders' equity under Belgian standards during the fiscal year.

4. Reclassification of unrealized capital gains on real estate certificates

Under Belgian standards,

> reductions in the value of real estate certificates (valued below the acquisition cost) are recorded in the income statement;

> increases in the value of real estate certificates (valued above the acquisition cost) are booked to shareholders' equity under the item "revaluation earnings on tangible assets".

Under IFRS standards, Befimmo has availed itself of the "fair value" option for the accounting treatment of the portfolio of real estate certificates, considering them to be financial assets recorded at fair value, with changes in fair value – both positive and negative – booked directly in the income statement.

Consequently, the item "capital gains on intangible assets" under Belgian standards has to be written back in full under the IFRS standards; this is reflected in an increase in the earnings (loss) brought forward.

This adjustment – amounting to € 655 264 – does not have any impact on the total amount of opening equity.

In 2004/2005, the income statement according to Belgian standards showed a capital gain on the Woluwe Shopping Center portfolio of real estate certificates, worth € 1 184 746. This amount consists of the unrealised capital gain booked for these certificates in previous years (€ 655 246), and the capital gain actually realised during the fiscal year (€ 529 500).

Under IFRS, since the unrealised capital gain had already been transferred into the earnings carried forward to the opening balance as at 30 September 2004, the capital gain realised is lower than that booked under Belgian standards by an equivalent amount. The impact on the result for the 2004/2005 fiscal year is therefore a reduction in income of € 655 246.

5. Reclassification of the dividend proposed for the fiscal year

Under Belgian standards, the dividend proposed by the Board of Directors is transferred to the "Other liabilities" item at the close of the financial year, i.e. before it is approved by the Annual General Meeting.

Under IFRS standards, the dividend for the financial year has to be retained under shareholders' equity until the date on which it is approved by the General Meeting of Shareholders.

The impact of switching to IFRS on opening equity is an increase in equity of € 45 283 897.

This difference in accounting treatment does not have any impact on the 2004/2005 fiscal year income. However, the € 47 012 290 dividend for the 2004/2005 fiscal year has to be reclassified from "Other debts" to the "Result carried forward" item in IFRS closing equity as at 30 September 2005.

6. Reversal of provisions for other risks and charges

In IFRS, the provision for other risks and charges in the balance sheet as at 30 September 2004 drawn up under Belgian standards has to be reversed since it does not comply with the criteria for booking a provision under IFRS standards.

The impact of the adjustment on opening equity is an increase in equity of € 2 350 680.

Under Belgian standards, this provision for risks and charges was reversed during the 2004/2005 fiscal year. Under IFRS, the 2004/2005 fiscal year income must not take account of this reversal, as the provision has been written back into the equity of the opening balance sheet.

The impact of this adjustment on the 2004/2005 fiscal year income is therefore a reduction in earnings of € 2 350 680.

7. Loan issue costs

Under Belgian standards, Befimmo books the full amount of loan issue costs when they occur. During the 2003/2004 fiscal year, the full costs of arranging a new syndicated loan, totalling € 958 829, were booked.

Under IFRS, loan issue costs are capitalised and set-off against the outstanding debt in the balance sheet. The costs are charged to profit and loss over the lifetime of the debt.

The impact of the adjustment on opening equity is an increase of € 936 775.

The impact on the 2004/2005 fiscal year income is a additionnal charge of € 191 661.

8. Spreading of rental gratuities and other concessions to tenants

Under Belgian standards, rental gratuities offered to tenants are booked in the period in which they apply.

Under IFRS, gratuities offered to tenants are spread from the start of the lease over its mandatory duration, i.e. until the tenant's first option to vacate the premises.

The initial impact of this spreading under IFRS is therefore an increase in opening equity and an increase in the result for the fiscal year. At a second stage, the adjustment account created in the assets for the spreading of the gratuities shows a decrease in value as it represents future rents which are already included in the value of the investment buildings. This reduction in value is booked under "other current operating costs".

The overall impact of spreading rental gratuities is therefore zero, on both equity and income.

9. Spreading of concessions to tenants

Under Belgian standards, concessions offered to tenants (such as carpets or partitions fitted at the owner's expense) are booked in the period during which the expenditure is incurred.

Under IFRS, concessions offered to tenants are spread from the start of the lease over its mandatory duration, i.e. until the tenant's first option to vacate the premises.

The impact of spreading these concessions is marginal, on both equity and the 2004/2005 fiscal year income.

10. Incorporating common charges

In the course of their work, management companies incur a number of charges (power, maintenance costs, etc.) to keep the buildings in good running order. The manager then bills these charges to the tenants. If they default, the manager recovers the charges from the owner.

Under Belgian standards, these charges and proceeds linked to building management appear not in the owner's accounts, but in those of the management companies.

Under IFRS, since the owner carries the risk of paying the charges if the tenant defaults, both these charges and bills to the tenants, must be included in the income statement. The income statement therefore shows an increase in charges and proceeds for common charges incurred by the manager, but the impact on income is negligible since in most cases all of these common costs are recovered from the tenants.

D. SIGNIFICANT ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTY REGARDING ESTIMATES

Significant judgments in the application of the Company's accounting policies

For buildings on a long term let, the Company considered that hardly any of the risks and benefits inherent in the ownership of the assets have been transferred to the tenant and, therefore, that these contracts are simple lease agreements pursuant to IAS 17.

Main sources of uncertainty regarding estimates

Estimate of the fair value of investment property

The fair value of investment property is estimated by independent experts in accordance with the principles set out in the accounting policies. Its carrying amount is given in appendix K "Investment property".

Disputes and uncertainties

Befimmo is involved, as defendant or plaintiff, in a number of proceedings which, on the whole, and in the company's opinion, are unlikely to have a major impact on Befimmo, as the gains or losses which could arise are highly unlikely to occur or are of insignificant amounts.

E. SEGMENT INFORMATION

Befimmo's portfolio consists of 97.5% offices and 2.5% semi-industrial premises. Since the semi-industrial business is quite marginal in terms of revenue (around 3.2%), segmentation by type of activity is not relevant to Befimmo's situation.

In terms of geographical distribution, most of Befimmo's real estate portfolio is located in Brussels (97.4%), the remaining 2.6% being property in Antwerp and Mons.

In the Brussels market[1], a distinction can be made between a number of segments that have experienced different trends in recent years:

Central Business District (CBD)

City centre

> Space: 2.2 million m²
> Significant presence of Belgian public services and banks
> Rental vacancy rate: 4.0% (slightly down – around 88 000 m²)

Supply is fairly restricted in the city centre and few speculative projects are in prospect. It has the lowest rental vacancy rate in the Brussels market.
Around one quarter of Befimmo's portfolio is located in the city centre.

		Central Business District					
		Brussels city centre		Brussels Leopold district		Brussels North area	
(in thousands of €)		2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
	INCOME STATEMENT						
A.	Rental income	18 031	18 320	11 374	14 531	18 770	18 410
B.	Operating income from buildings	16 601	16 528	11 012	13 849	18 015	18 098
C.	Fair value adjustment for buildings	3 047	1 446	12 553	8 938	-957	-2 491
D.	Income from disposal of buildings	–	–	–	13 558	–	–
E.	**SEGMENT RESULT (B+C+D)**	19 648	17 974	23 565	36 345	17 058	15 608
	Percentage by segment	22.1%	20.6%	26.5%	41.7%	19.2%	17.9%
F.	Company overheads						
G.	Other operating income and charges						
H.	Financial result						
I.	Income tax						
	NET RESULT (E+F+G+H+I)						
	BALANCE SHEET						
	Assets						
	Investment property	263 418	259 762	193 041	180 446	225 629	226 527
	of which investments during the year	*608*	*107*	*42*	–	*59*	–
	Other assets						
	Total assets	263 418	259 762	193 041	180 446	225 629	226 527
	Percentage by segment	23.8%	23.8%	17.4%	16.5%	20.3%	20.7%
	Total liabilities						
	Shareholders' equity						
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY						

(1) Market real estate data. Source: CB Richard Ellis - September 2006.

Leopold district

> Space: 3.4 million m²
> Significant presence of European institutions and representative offices
> Rental vacancy rate: 7.5% (around 252 000 m²), stable
> Many developments are in progress or in prospect

Rents in the Leopold district, the most expensive in Brussels, grew over ten years up to 2005. In 2006, however, they levelled out and even fell slightly.
18% of Befimmo's portfolio is in the Leopold district.
The buildings are particularly well located (Rond-Point Schuman, rue Wiertz) or let on long term leases (Joseph II), for which there is no major uncertainty.

North area

> Space: 1.4 million m²
> Significant presence of Belgian public and regional services and banks
> Rental vacancy rate: 9.3% (approx. 128 000 m²), rising
> Many developments are in progress or in prospect

The North area has the highest rental vacancy rate in the CBD and supply looks set to outstrip demand.

Brussels decentralised		Brussels suburbs		Other (Antwerp, Mons, Charleroi)		Unallocated amounts		Total	
2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
11 065	10 525	13 853	13 984	3 162	3 448	–	–	76 256	79 219
10 375	9 089	11 573	11 945	2 730	2 881	–	–	70 307	72 392
2 685	-3 526	-23	-2 847	672	-225	–	–	17 978	1 294
–	–	–	–	489	–	–	–	489	13 558
13 060	5 564	11 551	9 098	3 892	2 656	–	–	88 774	87 244
14.7%	6.4%	13.0%	10.4%	4.4%	3.0%	–	–	100.0%	100.0%
						-6 992	-5 813	-6 992	-5 813
						-855	-437	-855	-437
						-14 316	-15 481	-14 316	-15 481
						-622	-661	-622	-661
								65 989	64 852
157 343	153 110	210 857	210 511	28 069	32 860	–	–	1 078 357	1 063 217
1 548	–	*368*	*3*	*39*	–	–	–	*2 665*	*110*
						30 655	29 598	30 655	29 598
157 343	153 110	210 857	210 511	28 069	32 860	30 655	29 598	1 109 012	1 092 815
14.2%	14.0%	19.0%	19.3%	2.5%	3.0%	2.8%	2.7%	100.0%	100.0%
						448 784	451 485	448 784	451 485
						660 228	641 330	660 228	641 330
						1 109 012	**1 092 815**	**1 109 012**	**1 092 815**

21% of Befimmo's portfolio is in the North area.
In view of the remaining time on the relatively long leases (WTC and Noord Building) the portfolio is secure in the short to medium term.

Decentralised

> Space: 2.7 million m^2
> Most tenants in this area are Belgian companies and multinationals, and to a lesser extent the European Commission (back office)
> High rental vacancy rate: 12.3% (approx. 334 000 m^2), falling

14% of Befimmo's portfolio is in decentralised areas.
These buildings are well located and have stable lets for the short and medium term.
Befimmo's rental vacancy rate in this area (3.6%) is much lower than the market average.

Suburbs

> Space: 1.7 million m^2
> This area is home to private companies only, and is highly sensitive to the economic climate
> High rental vacancy rate: 18.5% (approx. 312 000 m^2), falling
> Development of new projects has slowed dramatically

19% of Befimmo's portfolio is in the suburbs.
Fierce competition is depressing rents and encouraging owners to grant tenants advantages in terms of rental gratuities.

F. SIMPLE LEASE AGREEMENTS (BEFIMMO AS LESSOR)

This table gives details of future rents that Befimmo is certain to receive under ongoing lease agreements. These are unindexed rents that will be received before the next termination option provided for in the lease agreements.

(in thousands of €)	30.09.06	30.09.05
Rental income		
At less than one year	74 054	73 684
One to five years	209 334	205 519
At more than five years	190 812	220 682
Total	**474 200**	**499 885**

Contingent rents due to Befimmo consist of the annual indexing of rents, and are € 1.47 and € 1.52 million for the 2005/2006 and 2004/2005 fiscal years respectively.

The Befimmo standard lease

The great majority of Befimmo's properties are let under a standard lease, generally lasting nine years allowing, as the case may be, for early termination at the end of the third and sixth year, subject to six months' notice before the end of the period.

The leases may not be terminated at any other time and may not be tacitly renewed.

Rent is generally payable quarterly (sometimes six-monthly) in advance. Rents are indexed annually at the anniversary of the contract.

Common and individual charges and insurance premiums are payable by tenants who, in order to cover their amount, pay a quarterly (or half-yearly) provision at the same time as the rent. An account of charges actually incurred is drawn up every year.

All property and other taxes are also passed on to tenants.

As a guarantee of performance of their obligations under the lease, most tenants provide an irrevocable rental guarantee that can be called in on demand.

Upon their entry onto the premises, a detailed inventory is drawn up by a surveyor. At the end of the lease, the tenants have to surrender the premises in the state described in the inventory, with allowance for normal wear and tear. The surveyor draws up a closing inventory. Tenants have to pay compensation covering the amount of any damage to or unavailability of the premises during repair work.

Tenants may not transfer the lease or sublet the premises without the explicit prior agreement of the lessor. Where Befimmo agrees to the transfer of a lease, the transferor and the transferee remain jointly and severally liable to Befimmo.

Each lease is registered.

G. SIMPLE LEASE AGREEMENTS (BEFIMMO AS LESSEE)

This table gives details of future payments that Befimmo is certain to make under ongoing lease agreements signed by Befimmo as lessee (rent of buildings, vehicles, etc.). The rental amounts given below are certain and so do not take account of future indexing.

(in thousands of €)	30.09.06	30.09.05
Rental paid		
At less than one year	298	268
One to five years	1 075	1 014
At more than five years	11 747	11 804
Total	**13 120**	**13 086**

Contingent rental amounts paid by Befimmo, mainly conditioned by the annual indexing of rents, are estimated at around € 5 000 for the 2004/2005 and 2005/2006 fiscal years.

H. COMPANY OVERHEADS

(in thousands of €)	30.09.06	30.09.05
Staff costs	2 099	1 988
Operating costs	1 221	940
Fees	1 680	672
Costs linked to Sicafi status	1 004	1 000
Other costs	988	1 213
Total overheads	**6 992**	**5 813**

The Sicafi's overheads cover all costs not directly chargeable to the management, upkeep and maintenance of the properties. They include the costs of the company staff (salaries, social contributions, etc.), operating costs (office rents, office supplies, etc.), and fees paid to various external consultants (legal, human resources, etc.), notably in the context of special projects. Costs linked to the Sicafi status cover all costs involved in listing on a public stock market (Euronext, cost of paying coupons, etc.) and the status of Sicafi (quarterly portfolio valuation, depositary bank charges, etc.), while other costs relate mainly to the remuneration of Befimmo SA, the managing agent.

(in thousands of €)	30.09.06	30.09.05
Amounts paid to the managing agent, Befimmo SA		
Refund of costs directly linked to its mission (including remuneration of directors)	591	507
Remuneration directly proportional to Befimmo SCA's earnings	941	1 166
Total	**1 532**	**1 673**

(in numbers)	30.09.06	30.09.05
Company staff		
Number of persons under a contract of employment	18	16

I. FINANCIAL PROFIT OR LOSS

(in thousands of €)	30.09.06	30.09.05
XIX. (+) Financial revenue	**1 496**	**2 005**
(+) Interest and dividends received	379	362
(+) Proceeds of financial hedging instruments	934	988
(+) Revaluation earnings on financial assets (certificates)	183	497
(+) Net earnings on the sale of financial assets (certificates)	–	159
XX. (-) Interest charges	**-14 334**	**-14 654**
(-) Nominal interest on loans	-12 800	-13 066
(-) Reconstitution of the face value of financial debts	-815	-192
(-) Costs resulting from financial hedging instruments(1)	-710	-1 392
(-) Other interest charges	-8	-5
XXI. (-) Other financial charges	**-1 478**	**-2 832**
(-) Bank charges and other commissions	-1 275	-1 335
(-) Costs resulting from financial hedging instruments(1)	-120	-1 329
(-) Revaluation deficits on financial assets (certificates)	-83	-167
(+/-) Financial profit or loss	**-14 316**	**-15 481**

(1) The sub-heading "Costs resulting from financial hedging instruments" is included under the heading "Interest charges" where it includes interest paid by the Company as a result of exercising hedging derivatives, and also under the heading "Other financial charges" that includes downward adjustments in the value of hedging derivatives held by the Company.

J. EARNINGS PER SHARE

The earnings per share are calculated by dividing the net earnings by the weighted average of the number of shares outstanding during the relevant period.

Since Befimmo has no diluting instruments, the basic and diluted earnings are identical.

	30.09.06	30.09.05
Numerator		
Net earnings for the fiscal year (thousands of €)	65 989	64 852
Gross attributable dividend (thousands of €)	48 165	47 013
Denominator		
Shares outstanding at the end of the period (numbers)	9 794 227	9 794 227
Weighted average of shares outstanding during the period (numbers)	9 794 227	9 794 227
Net earnings per share for the fiscal year (basic and diluted) (€)	6.74	6.62
Gross dividend per share (€)	4.92	4.80

	30.09.06	30.09.05
Net earnings excluding earnings on portfolio		
Net earnings excluding realised and unrealised capital gains on investment property (thousands of €)	47 522	50 000
Net earnings per share excluding realised and unrealised capital gains on investment property (€)	4.85	5.11

K. INVESTMENT PROPERTY

(in thousands of €)	Investment property
Carrying value as at 30.09.04	**1 097 866**
Other investments	110
Disposals	-36 054
Changes in fair value	1 294
Carrying value as at 30.09.05	**1 063 217**
Other investments	2 665
Disposals	-5 502
Changes in fair value	17 978
Carrying value as at 30.09.06	**1 078 357**

Commitments

Befimmo has given an undertaking to La Poste and the Régie des Bâtiments to carry out works in Tower II of the World Trade Center at an estimated cost of € 19.6 million including taxes. To that end, a works contract worth € 13.8 million excluding VAT has been signed with an approved contractor.

Befimmo has also given undertakings to certain tenants to carry out renovation and refurbishing work in several buildings in its portfolio, amounting to an estimated € 0.8 million.

Restrictions on assignment

None of the buildings in Befimmo's porfolio is mortgaged or subject to any other restriction on realisation or assignment, subject only to the standard provisions contained in the syndicated loan agreement of 30 March 2006 (property intended for letting may not be sold to or bought by a company in the group) and which have no impact on their value.

Similarly, none of Befimmo's buildings is subject to any restriction on the recovery of revenue, with the sole reservation that in the context of a financial operation that was arranged on favourable terms, the Poelaert building has been financed by the assignment of the credit for future rents to a financial institution, and may not be assigned without the prior consent of the assignee of the rents or before first paying off its financial liability.

L. FINANCIAL ASSETS AND LIABILITIES

Financial instruments

In order to benefit from the historically low short term rates in recent years, Befimmo has based its strategy on arranging loans at floating rates (Euribor 1 month or 3 months).

As such Befimmo's financing structure is mainly composed of:

> A commercial paper programme totalling € 300 million, arranged with Dexia, Fortis and KBC, around 95% of the total being in constant use;
> Bilateral lines of credit totalling € 150 million and of limited duration, used more occasionally;
> A syndicated loan totalling € 350 million over five years (2006-2011), at Euribor plus a margin depending on the company's credit rating, € 50 million of which is in use and the remaining € 300 million serve as a back up for the commercial paper programme (attracting a non-use commission), in order to avoid any market risks in terms of liquidity;
> A number of fixed rate loans, totalling € 60 million at maturity and equivalent to 15% of total debts, being repaid in accordance with an amortisation schedule over the coming fiscal years.

(in thousands of €)	30.09.06	30.09.05
BEFIMMO BORROWINGS		
Non-current		
Variable rate borrowings	50 000	55 000
Fixed rate borrowings	40 659	60 668
Total	**90 659**	**115 668**
Current		
Variable rate borrowings	297 330	277 580
Fixed rate borrowings	20 055	19 945
Total	**317 385**	**297 525**
TOTAL BORROWINGS	**408 043**	**413 193**

This financing strategy has enabled Befimmo to enjoy a particularly low average financing cost (around 3.34% in 2005/2006, hedging costs included), but presents the risk of exposing the company to market interest rate fluctuations.

Befimmo has therefore put in place an interest rate hedging strategy, designed to limit the risk of an increase in short term interest rates on the company's total debt. The Board of Directors has therefore adopted a policy for future acquisitions of hedging instruments to hedge some 50-75% of the company's total borrowings, over a 3-5 year time frame, using financial instruments with option features. As a result of applying this policy, the Company has arranged the following financial instruments with major financial institutions:

> a 5% CAP, covering the period 30 June 2006 to 31 December 2008, for a notional € 368 million, € 200 million of which is based on Euribor 3 months and € 168 million on Euribor 1 month;
> 3.5%-5% TWIN CAP, arranged after the closing of the 2005/2006 accounting period, covering the period from 1 January 2009 to 31 December 2011, for a total of € 200 million. These instruments, the notional values of which are based half on Euribor 1 month and 3 months, enable the Company to cap the interest rate at 3.5% when the underlying index is below 5%, and to cap the interest rate at 5% when the underlying index exceeds 5%.

The intrinsic value of these instruments (a notional € 328 million for the 5% CAP) have been designated as a hedging instrument in a cash flow hedge under IAS 39, since its cash flows are perfectly aligned to the forecasted variable cash flows due on the floating rate debt incurred by the company over the period covered by these options. This debt is highly probable given that Befimmo is a Sicafi which, owing to its status, is required by current regulations to distribute at least 80% of the annual cash flow it has generated. Accordingly, the company's borrowings, of the order of € 410 million at maturity, are continually renewed so as to satisfy this distribution criterion. On the basis of the current budget hypotheses, the following table shows the correspondence between the amount of borrowings and the hedging instruments over Befimmo's next three fiscal years:

(in millions of €)	Actual 30.09.05	Actual 30.09.06	Forecast 30.09.07	Forecast 30.09.08	Forecast 30.09.09
4% CAP	136.0	–	–	–	–
5% CAP	–	328.0	368.0	368.0	–
3.5%-5% TWIN CAP	–	–	–	–	200.0
Total amount hedged	**136.0**	**328.0**	**368.0**	**368.0**	**200.0**
Commercial paper	277.6	271.6	293.0	293.0	296.0
Syndicated loan	55.0	50.0	50.0	50.0	50.0
Straight loan	–	25.7	70.0	110.0	150.0
Total borrowings at floating rates	**332.6**	**347.3**	**413.0**	**453.0**	**496.0**
Hedge ratio	**40.9%**	**94.4%**	**89.1%**	**81.2%**	**40.3%**
Fixed rate borrowings	80.6	60.7	40.7	33.5	26.5
Total borrowings	**413.2**	**408.0**	**453.7**	**486.6**	**522.5**

Note that since the start date of these instruments until the closing of the fiscal year, their fair market value is attributable to time value only, with all changes in time value being recorded immediately in the income statement. The fair values of the company's cap contracts (as provided by credit institutions) are set out in the following table:

(in thousands of €)	
Fair value as at 30.09.04	**1 666.8**
Change in time value recorded in income statement	-1 329.5
Change in book value recorded in shareholders' equity	–
Fair value as at 30.09.05	**337.3**
Change in time value recorded in income statement	-27.8
Change in book value recorded in shareholders' equity	–
Fair value as at 30.09.06	**309.5**

Fair value of financial assets and liabilities

The value of the assets and liabilities recorded in Befimmo's IFRS accounts is equivalent to their fair value, since the main assets (real estate certificates, cash and cash equivalents, etc.) are booked at their market value or closing share price, and the main liabilities (financial borrowings, trade debts, etc.) are generally short term and hence have a carrying amount almost equivalent to their fair value.

However, as at 30 September 2006 Befimmo also has fixed rate financial borrowings worth some € 60 million, initially arranged for periods of 5 to 18 years. The fixed rates set for these long term borrowings generally no longer correspond to the current market rates, giving rise to a difference between the carrying amount of the liabilities on the face of the balance sheet and their fair value. The table below compares the carrying amount of the fixed rate borrowings with their fair value at the end of the 2004/2005 and 2005/2006 fiscal years. The fair value of fixed rate long term debt is estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowings.

	30.09.06		30.09.05	
(in thousands of €)	Carrying amount	Fair value	Carrying amount	Fair value
Fixed rate financial borrowings	60 713	63 417	80 613	86 560

M. NON-CURRENT FINANCIAL ASSETS

(in thousands of €)	30.09.06	30.09.05
Real estate certificates	1 528	1 428
Long term receivables	174	258
Hedging instruments	309	337
Other	2	1
Total non-current financial assets	**2 013**	**2 024**

N. TRADE AND OTHER CURRENT PAYABLES

(in thousands of €)	30.09.06	30.09.05
Trade payables	**32 177**	**24 040**
Suppliers	8 160	6 388
Tenants	24 017	17 652
Tax debts	**2 740**	**5 183**
Total trade and other current payables	**34 918**	**29 223**

O. EMPLOYEE BENEFITS

Befimmo's staff are covered by a defined benefit pension plan. The plan provides for payment of a retirement pension, calculated on the basis of the last salary and seniority, and a survivor's pension. At the member's request, benefits may be paid as a lump sum.

The pension plan is funded by contributions paid into the pension fund and by payment of defined contributions into a group insurance.

An actuarial valuation is made every year in accordance with IAS 19 by independent actuaries.

The defined benefit obligation has evolved as follows:

(in thousands of €)	2005/06	2004/05
RECONCILIATION OF CURRENT VALUE OF THE OBLIGATION		
Opening balance	**907.1**	**718.8**
Current service cost during the fiscal year	98.9	87.6
Interest cost	43.6	43.3
Plan participants' contributions	17.9	18.4
Past service cost	–	–
Business combinations	–	–
Reductions or settlements	–	–
Actuarial gains and losses	249.0	39.0
Benefits paid	–	–
Closing balance	**1 316.4**	**907.1**
Current value of obligations – funded plans	*1 316.4*	*907.1*
Current value of obligations – non-funded plans	–	–

The fair value of the plan assets has evolved as follows:

(in thousands of €)	2005/06	2004/05
RECONCILIATION OF FAIR VALUE OF PLAN ASSETS		
Opening balance	**1 244.4**	**932.7**
Expected return	81.1	62.0
Actuarial gains and losses	54.5	46.6
Employer's contributions	200.1	184.7
Plan participants' contributions	17.9	18.5
Business combinations	–	–
Reductions or settlements	–	–
Benefits paid	–	–
Closing balance	**1 598.0**	**1 244.4**

Net liabilities or plan assets recognized in the financial statements are as follows:

(in thousands of €)	2005/06	2004/05
RECONCILIATION OF AMOUNTS BOOKED TO THE BALANCE SHEET		
Current value of the obligation	1 316.4	907.1
Fair value of plan assets	(1 598.0)	(1 244.4)
(Surplus)/Deficit	(281.6)	(337.3)
Actuarial gains and losses not booked to balance sheet	–	–
Past service costs not yet booked to balance sheet	–	–
Amount not booked to plan assets owing to limit on plan assets	281.6	337.3
Net liabilities or plan assets recognized in the financial statements	**–**	**–**
Liabilities booked to balance sheet	–	–
Plan assets booked to balance sheet	–	–

The total charge booked to the income statement amounts to:

(in thousands of €)	2005/06	2004/05
TOTAL CHARGE BOOKED TO THE INCOME STATEMENT		
Current service cost during the fiscal year	98.9	87.6
Interest cost	43.6	43.3
Expected return	(81.1)	(62.0)
Actuarial gains and losses	194.5	(7.6)
Effect of the limit on plan assets booked to the balance sheet	(55.7)	123.3
Past service cost	–	–
Reductions or settlements	–	–
Total charge	**200.1**	**184.7**

The charge is included in the following items of the income statement.

The fair value of plan assets breaks down as follows:

(in thousands of €)	30.09.06		30.09.05	
FAIR VALUE OF PLAN ASSET				
Equity instruments	535.5	49.8%	351.5	43.7%
Borrowing instruments	365.6	34.0%	300.8	37.4%
Real estate	38.7	3.6%	33.0	4.1%
Other	135.5	12.6%	119.0	14.8%
Subtotal (pension fund)	1 075.3	100.0%	804.2	100.0%
Group insurance	522.7		440.1	
Total	**1 598.0**		**1 244.4**	

The plan assets include € 36 000 worth of shares issued by Befimmo.

The expected yield rate of return is calculated by weighting the expected yield rates of return for each category of plan assets.

The actual yield of the plan assets amounts to € 135 600 in 2005/2006 (€ 108 500 for 2004/2005).

The main actuarial assumptions are summarised below:

	30.09.06	30.09.05
MAIN ACTUARIAL ASSUMPTIONS		
Discount rate	4.50%	4.25%
Expected rate of salary increase	4.00%	4.00%
Expected yield rate of plan assets	6.00%	6.00%
Expected rate of pension increase	2.00%	2.00%
Mortality table	MR-5/FR-5	MR/FR

The history of the plan's surpluses and deficits and the adjustments linked to the experience of the current value of the obligation and the fair value of the assets (i.e. without taking account of the actuarial gains or losses arising out of changes in the actuarial assumptions) are summarised in the following table:

(in millions of €)	30.09.06	30.09.05	30.09.04	30.09.03	30.09.02
Current value of the obligation	1 316.4	907.1	718.8	NA	NA
Fair value of assets	(1 598.0)	(1 244.4)	(932.7)	NA	NA
(Surplus)/Deficit	(281.6)	(337.2)	(213.9)	NA	NA
Adjustments based on experience					
a) current value of the obligation	102.2	NA			
b) fair value of assets	(54.5)	(46.6)			

NA = Not available.

Expected contributions from Befimmo for the 2006/2007 fiscal year are estimated at € 208 000.

P. RELATED-PARTY TRANSACTIONS

Remuneration of the directors of Befimmo SA and the key management personnel of Befimmo SCA, borne by Befimmo SCA

2005/06 fiscal year Name	Short term benefits (salaries, bonuses)	Post-employment benefits (pensions, etc.)	Other long term benefits	Severance grants
Benoît Godts	24 800.00			
Gustaaf Buelens	16 250.00			
Luc Vandewalle	3 750.00			
Marc Blanpain	21 050.00			
Marcus Van Heddeghem	10 000.00			
Gaëtan Piret	17 100.00			
Philippe Gosse	7 500.00			
bvba Roude - Jacques Rousseaux	11 600.00			
Arcade Consult bvba - André Sougné	10 000.00			
Managing Director	346 908.52	64 560.23		650 000
variable portion	*112 908.52*			
Management	386 583.74[1]	13 112.55		
variable portion	*54 250.00*			
Total	**855 542.26**	**77 672.78**	**–**	**650 000**

2004/05 fiscal year Name	Short term benefits (salaries, bonuses)	Post-employment benefits (pensions, etc.)	Other long term benefits	Severance grants
Benoît Godts	19 100.00			
Gustaaf Buelens	11 250.00			
Daniel Schuermans	1 250.00			
Alain De Pauw	6 750.00			
Patrick de Pauw	5 000.00			
Luc Vandewalle	1 250.00			
Marc Blanpain	19 750.00			
Marcus Van Heddeghem	11 250.00			
Gaëtan Piret	13 000.00			
Managing Director	316 750.00	63 216.00		380 000
variable portion	*85 000.00*			
Management	405 582.57[1]	15 841.50		
variable portion	*47 450.00*			
Total	**810 932.57**	**79 057.50**	**–**	**380 000**

(1) This amount corresponds to remuneration actually paid during the fiscal year. This amount may be affected by fluctuations in staff numbers.

Post-employment benefits (pension fund) are described in the appendix on employee benefits.

Relationships with companies in the Fortis group are described in the chapter on corporate governance.

DELOITTE
Reviseurs d'Entreprises
Lange Lozanastraat 270
B-2018 Antwerpen
Belgium

Q. STATUTORY AUDITOR'S REPORT

Statutory Auditor's report for the year ended 30 September 2006
to the Shareholders' meeting

To the Shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us.

We have audited the financial statements of BEFIMMO SCA, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, which comprise the balance sheet as at 30 September 2006, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The balance sheet shows total assets of € 1 109 012 (000) and a profit for the year then ended of € 65 989 (000). We have also performed those specific additional audit procedures required by the Companies Code.

The Board of Directors of the company is responsible for the preparation of the financial statements and the directors'report, for the assessment of the information that should be included in the directors' report, and the company's compliance with the requirements of the Companies Code and its articles of association.

In application of article 2 of the royal decree of 21 June 2006 related to the accounting, the annual accounts and the consolidated financial statements of real estate investment funds and changing the royal degree of 10 april 1995 related to real estate investment funds, the company has used the option to establish its annual accounts in accordance with IFRS as adopted by the European Union from accounting year ended 30 September 2006 onwards.

Our audit of the financial statements was conducted in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren".

Unqualified audit opinion on the financial statements

The aforementioned auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In accordance with these standards we have taken into account the administrative and accounting organization of the company as well as its internal control processes. The responsible officers of the company have replied clearly to all our requests for explanations and information. We have examined, on a test basis, the evidence supporting the amounts included in the financial statements. We have assessed the basis of the accounting policies used, the significant accounting estimates made by the company and the presentation of the financial statements, taken as a whole. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 30 September 2006, give a true and fair view of the company's assets and liabilities, financial position, results and cash flows in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Additional attestations and information

We supplement our report with the following attestations and information which do not change the scope of our audit opinion on the financial statements:

- The directors' report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principle risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained and the financial statements have been prepared in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken in violation of the company's articles or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the General Meeting is in accordance with the requirements of the law and the company's articles.
- We draw your attention to the fact that calculation method of the remuneration of the director Befimmo SA, as defined in article 21, 3° of the bylaws, is not changed. This remuneration is calculated based on the "reference profit" determined in accordance with Belgian GAAP and not in accordance with IFRS as adopted by the European Union. This calculation method is compliant to the decisions of the Board of Directors of 9, 15 November 2004 and 9 November 2006.

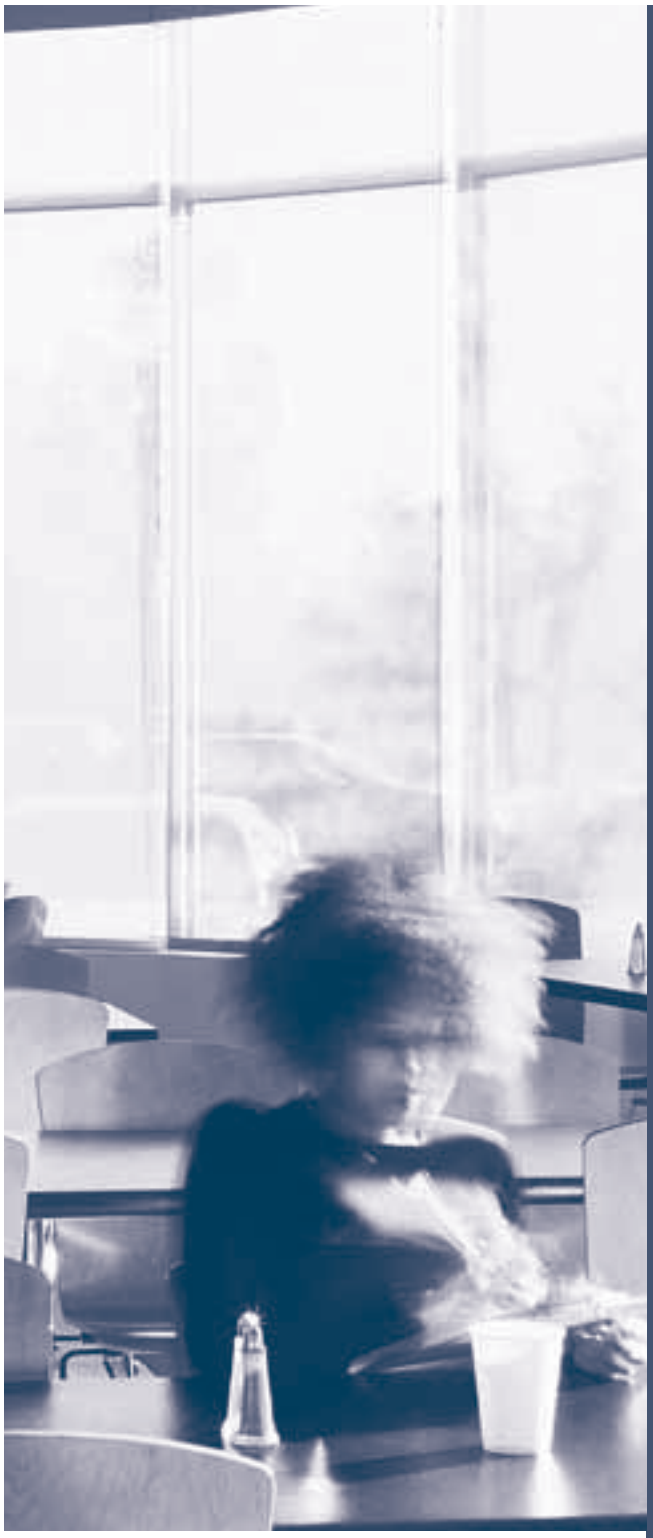
27 November 2006

The statutory auditor,
DELOITTE Reviseurs d'Entreprises
SC s.f.d. SCRL
Reprensented by

Jos Vlaminckx Jurgen Kesselaers

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises BV o.v.v.e. CVBA/SC s.f.d. SCRL
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid / Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Louizalaan 240 Avenue Louise, B-1050 Brussels
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - Fortis 230-0046561-21

GENERAL INFORMATION



2005/2006 FISCAL YEAR

GENERAL INFORMATION ON BEFIMMO SCA AND ITS CAPITAL

1. IDENTIFICATION

1.1. Company name
BEFIMMO SCA, a Sicaf incorporated under Belgian law

1.2. Registered office
Chaussée de Wavre 1945, 1160 Auderghem.
This can be transferred by simple decision of the managing agent to anywhere in Belgium.

1.3. Legal form
"Société en commandite par actions" under Belgian law.

1.4. Formation
BEFIMMO SCA was founded on Wednesday 30 August 1995 by a deed executed before Gilberte RAUCQ, notary public in Brussels, and published in the Annexes to the Official Journal of 13 September 1995 under the number 950913-24. The articles of association have been amended several times. The coordinated articles of association were last modified on 13 December 2005.

1.5. Duration
BEFIMMO SCA has been established for an indefinite period.

1.6. Register of corporate bodies
BEFIMMO SCA is registered in the Register of Corporate Bodies in Brussels under the number 0 455 835 167.

1.7. Company object (article 5 of the articles of association)
The principal aim of BEFIMMO SCA is the collective investment of capital collected from the public in "real estate assets", as defined in Article 7(1)(5) of the law of 20 July 2004 on certain forms of collective management of investment portfolios.

Real estate assets are understood to mean:
> buildings as defined in Article 517 et seq. of the Civil Code and the rights in rem on buildings;
> shares with voting rights issued by affiliated real estate companies;
> option rights on buildings;
> shares in other undertakings investing in real estate, in accordance with Article 31 or Article 129 of the said law of 20 July 2004;
> real estate certificates covered by Article 2(4) of the Royal Decree of 10 April 1995;
> the rights of the SICAF to one or more assets under real estate leasing contracts;
> any other assets, shares or rights falling within the definition of real estate assets under the Royal Decrees executing the Law of 20 July 2004 on certain forms of collective management of investment portfolios, applying to collective real estate investment institutions.

BEFIMMO SCA may, however, on an ancillary or temporary basis, invest in securities other than those defined in the preceding indent, in accordance with the terms and conditions set out in Article 6.2. of its articles of association, and hold liquid assets. Such investments and the holding of liquid assets must be the result of a special decision by the managing agent, justifying their ancillary or temporary nature. The holding of securities must be compatible with the implementation in the short or medium-term of the investment policy described above. In addition, the said securities must be listed on a regulated, recognized stock exchange that is open to the public. Liquid assets may be held in any currency in the form of sight or term deposits or any money market instruments with a high degree of liquidity.

> BEFIMMO SCA can acquire personal property and real estate necessary to the direct accomplishment of its object.

BEFIMMO SCA can take any measures and carry out all operations, in particular those covered in Article 6 of its articles of association, that it considers useful for the accomplishment and development of its object, subject to compliance with the legal provisions governing it.

It may take an interest, by means of merger or otherwise, in any business having a similar object.

Pursuant to Article 20(4) of the Law of 20 July 2004 on certain forms of collective management of investment portfolios, Article 559 of the Companies Code does not apply.

1.8. Places where publicly accessible documents can be consulted

> The articles of association of BEFIMMO SCA and of Befimmo SA can be consulted at the Clerk's Office of the Brussels Commercial Court and at the registered office.
> The annual accounts will be deposited at the Banque Nationale de Belgique and may be consulted at the Clerk's Office of the Brussels Commercial Court.
> The annual accounts as well as the relative reports of BEFIMMO SCA are sent every year to registered shareholders as well as to any other person requesting a copy.
> The decisions concerning the appointment and dismissal of the members of Befimmo SA are published in the Annexes to the Belgian Official Journal.
> Financial notices concerning BEFIMMO SCA are published in the financial press and sent to Euronext. They may also be consulted on the website www.befimmo.be.

The other documents accessible to the public and referred to in the prospectus can be consulted at the registered office of BEFIMMO SCA.

2. REGISTERED CAPITAL

2.1. Issued capital

As at 30 September 2006, the company capital totalled € 142,295,272.45. It was represented by 9,794,227 fully paid no-par-value shares.

2.2. Authorised capital

The managing agent is authorised to increase the capital in one or more operations by € 142,295,272.45. This capital increase may be performed as a cash contribution, a contribution in kind or by the incorporation of reserves.

Authorization was given on 13 December 2005 for a period of five years, renewable one or more times by the General Meeting of Shareholders, ruling in the conditions laid down by law.

2.3. Changes to the capital since 30.09.05

	AMOUNT (IN €)	NUMBER OF SHARES
As of 30.09.05	142,295,272.45	9,794,227
No change	–	–
As of 30.09.06	142,295,272.45	9,794,227

2.4. Structure of the shareholding (as of 30.09.06)

DECLARANTS	TOTAL NUMBER OF DECLARED VOTING RIGHTS ON THE DATE OF DECLARATION	DATE OF DECLARATION	%
Fortis Insurance Belgium and associated companies	1,590,434	10.02.05	16.24
Free Float[1]	8,203,793		83.76

(1) Percentage of a company's capital held by the public. This relates to all shareholders holding less than 5% of the total shares.

3. THE FOUNDER OF BEFIMMO SCA

BEFIMMO SCA was set up on the initiative of Bernheim-Comofi SA (now known as Fortis Real Estate Holding SA) with its registered office at Boulevard Saint-Lazare 4-10, 1210 Brussels.

4. "SOCIÉTÉ EN COMMANDITE PAR ACTIONS"

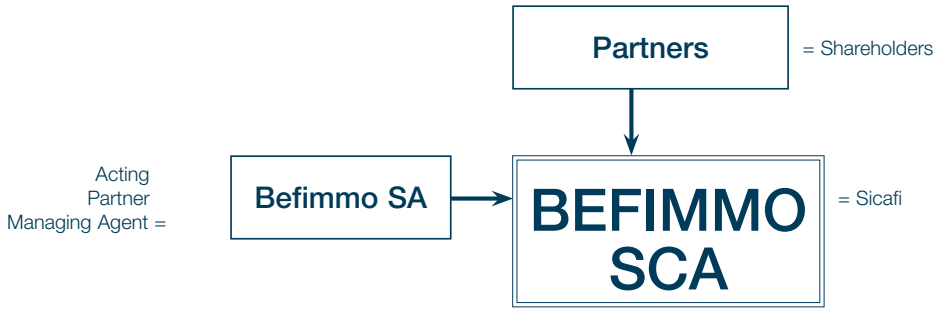
BEFIMMO SCA's legal form is of a "Société en commandite par actions" ("SCA").

An SCA is made up of two categories of partners:
> the acting partner, whose designation appears in the business name and who has unlimited liability for the company's commitments;
> the partners or shareholders, who are liable only for the amount of their contribution and are not jointly and severally liable.

Moreover, an SCA is managed by one or more managers.

In the case of BEFIMMO SCA, the acting partner is Befimmo SA, which also has responsibility as sole managing agent.

Befimmo SA is controlled by Fortis Real Estate Asset Management.



5. NAME AND QUALIFICATIONS OF THE REAL ESTATE EXPERTS HIRED BY BEFIMMO SCA

BEFIMMO SCA resorts to several real estate experts, namely CB Richard Ellis, Cushman Wakefield Healey & Baker and Winssinger & Associés.

These are real estate expert companies with specialised knowledge of the market and which enjoy a first-class reputation worldwide.

REAL ESTATE SICAF

The Sicafi system was created in 1995 to promote collective real estate investment. This concept of closed-end real estate investment companies is similar to the Real Estate Investment Trusts (USA) or the Beleggingsinstellingen (Netherlands).

The aim of the legislator was for the Sicafi to ensure a form of real estate investment of high transparency, making it possible to distribute cash flow to the greatest possible extent while benefiting from numerous advantages.

Sicafis are controlled by the Banking, Finance and Insurance Commission and are subject to a specific set of regulations, among other things requiring that they:

> Take the form of a public limited company or a "Société en commandite par actions".

> Be listed on the stock exchange.

> Have a debt limited to 65% of the total asset value at market value.

> Strict rules governing internal conflicts.

> Have a portfolio that is recorded in the accounts at its true market value with no depreciation.

> Proceed with a quarterly valuation of assets performed by independent experts.

> Diversify their risk: no more than 20% of all assets in a single real estate complex.

> Distribute at least 80% of profits, whereupon they are exempted from corporate income tax.

> Deduct a 15% withholding tax when the dividend is paid.

All these rules are intended to help reduce risk exposure.

Any company merging with a Sicafi will see all unrealized capital gains and tax-exempt reserves taxed at 16.995% (16.5% plus 3% crisis supplement).

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creating
value
in real
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BEFIMMO SCA
Partnership limited by shares

Registered Office
Chaussée de Wavre 1945, 1160 Brussels
Company number
(RPM - RPR): 0 455 835 167
Tel.: +32 2 679 38 60 - Fax: +32 2 679 38 66
e-mail: contact@befimmo.be - www.befimmo.be

Befimmo