



Limited Partnership by Shares

## Simplification of the corporate structure Strategy update

1. Befimmo SCA, a REIT listed on NYSE Euronext Brussels, has reached an agreement with AG Real Estate<sup>1</sup> on the following:
  - 1.1 Purchase by Befimmo SCA of Befimmo SA, the Statutory Manager of Befimmo SCA, from AG Real Estate for a consideration of €21 million.
  - 1.2 Full internalisation of property management activities: transfer of property management activities, currently performed by AG Real Estate Property Management, to Befimmo for a consideration of €1.

This agreement reached with AG Real Estate is subject to the approval of the amendments to Befimmo SCA's Articles of Association by an Extraordinary General Meeting of Shareholders to be held in December 2012<sup>2</sup>. These amendments are aimed at transforming and simplifying the corporate structure of the Befimmo group as referred to in section 2 hereafter.
2. The transformation of the corporate form of Befimmo SCA into a Limited Liability Company<sup>3</sup> will be proposed to the Extraordinary General Meeting of Shareholders in December 2012<sup>2</sup>. This transformation will result in the cancellation of the perpetual yearly fee arrangement (management fee 2011 amounted to €1.6 million<sup>4</sup>).
3. The actions mentioned above would have a net positive impact on the EPRA earnings of €0.07 per share and a one-off net negative impact of €1.09 per share on the NAV for 2012 and a net positive annual impact on the EPRA earnings of €0.06 per share for subsequent years<sup>5</sup>.
4. Befimmo confirms its strategic profile with full focus on the Belgian and Luxembourg office markets.
5. Befimmo decided to have its fully owned subsidiary Fedimmo SA<sup>6</sup> apply for the REIT status.

<sup>1</sup> This information is notified to the extent required under Article 18 of the Royal Decree of 7 December 2010 given AG Real Estate's involvement in this transaction (referred to in this Article). This transaction is taking place at normal market conditions.

<sup>2</sup> On Friday 2 November 2012, Befimmo will convene an Extraordinary General Meeting of Shareholders for Tuesday 4 December 2012. Should the attendance quorum not be reached at the first meeting, a second Extraordinary General Meeting of Shareholders, with the same agenda, will take place on Thursday 20 December 2012.

<sup>3</sup> *Société Anonyme | Naamloze Vennootschap.*

<sup>4</sup> €2 million on five quarters (from 30.09.2010 to 31.12.2011).

<sup>5</sup> Based on current forecasts, published on pages 70 – 71 of Annual Financial Report 2011.

<sup>6</sup> For more information, see the press release regarding this operation published on 3 October 2012 on the Company website (<http://www.befimmo.be/en/publications/21>).

## 1. Befimmo's agreement with AG Real Estate:

### 1.1 Acquisition of Befimmo SA

Befimmo SCA has agreed to purchase from AG Real Estate and its subsidiaries all the shares of Befimmo SA (Befimmo SCA's Statutory Manager, referred to in Annex I) for a total consideration of €21 million.

The agreed price of €21 million is the result of commercial negotiations between Befimmo SCA and AG Real Estate and is supported by commonly used valuation methods.

### 1.2 Full internalisation of the property management activities

Befimmo has also agreed with AG Real Estate to internalise the property management activities currently performed by AG Real Estate Property Management.

By the end of June 2013 at the latest, Befimmo will integrate the property management of the 28 buildings and office parks with a total fair value of nearly €860 million<sup>7</sup> currently entrusted to AG Real Estate Property Management. This internalisation is subject to the acquisition by Befimmo SCA of the shares of Befimmo SA referred to in section 1.1 above.

Befimmo will acquire these activities for a consideration of €1, and this will be neutral to its net result, EPRA earnings and NAV. In practice, Befimmo will take over the team from AG Real Estate Property Management and benefit from the combination of its know-how with Befimmo's.

Property management consists of the supervision of technical maintenance, rent accounting and accounting of building related expenditures to be charged to tenants. By fully internalising the property management, Befimmo will be the sole daily direct contact for all its tenants.

Befimmo shall house all its property management activities in the newly acquired Befimmo SA, the name of which will be changed into *Befimmo Property Services SA*.

The execution of the agreement with AG Real Estate, referred to in sections 1.1 and 1.2 above, is subject to the approval of the amendments to Befimmo SCA's Articles of Association by an Extraordinary General Meeting of Shareholders to be held in December 2012.

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<sup>7</sup> The fair value of Befimmo's consolidated portfolio amounted to €2 billion as of 30 June 2012.

## 2. Simplification of the corporate structure

Befimmo proposes to transform the corporate form of Befimmo SCA into a Limited Liability Company. Befimmo SCA currently has the form of a Limited Partnership by Shares under Belgian law as shown in Annex I and is under the direction of a Statutory Manager, Befimmo SA. This Statutory Manager is a subsidiary of AG Real Estate and manages the REIT in the sole interest of all shareholders<sup>8</sup>. The transformation of Befimmo SCA into a Limited Liability Company will simplify the legal structure of Befimmo's group and will allow the REIT Shareholders to appoint the Board of Directors, whereas this is presently the authority of the Statutory Manager.

Befimmo will remain subject to the same legislation, to the same governance rules and under the supervision of the same regulator, the FSMA<sup>9</sup>.

Subject to the approval by the FSMA of the contemplated governance structure, the composition of the first Board of Directors, which will be proposed to the vote of the shareholders at the Extraordinary General Meeting in December 2012, will remain unchanged (6 Directors – i.e. 1 Executive Director and 5 Independent Directors – out of 8 will not be linked to the shareholders).

The Corporate Governance Charter shall provide that the majority of the Board members shall not be linked to shareholders.

If the resolutions submitted to this Extraordinary General Meeting are approved, the structure as shown in Annex II will apply to the Befimmo group.

## 3. Impact on results

As from the 2012 fiscal year, the perpetual yearly remuneration granted to the Statutory Manager will be cancelled, namely €1.4 million in 2010 and €1.6 million in 2011, equal to 2% of the adjusted<sup>10</sup> IFRS consolidated pre-tax result.

For 2012, this operation is expected to generate a net positive impact of €0.07 per share on the EPRA earnings.

In the following years, based on current forecasts<sup>11</sup>, this transaction will have a net positive impact on the estimated annual net result and EPRA earnings of approximately €0.06 per share.

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<sup>8</sup> For more information, see Befimmo Corporate Governance Charter on the website of the Company (<http://www.befimmo.be/en/charter>).

<sup>9</sup> Financial Services and Markets Authority, [www.fsma.be](http://www.fsma.be).

<sup>10</sup> The adjustments are related to the change in fair value of the buildings and to the realised result on the disposals of buildings during the year. For more information, see article 21 of Befimmo's present Articles of Association.

<sup>11</sup> Forecasts published on pages 70 – 71 of Annual Financial Report 2011.

The accounting treatment of the transaction (booked under the heading '*other income and charges*' of the profit & loss account) will lead in 2012 to an estimated one-off net negative impact of €1.09 per share on the net result and the NAV.

The purchase price will be paid in December 2012, will be financed by existing credit lines, will increase the loan-to-value ratio by approximately 1% and will marginally improve the interest cover ratio.

#### 4. Focus on the Belgian and Luxembourg office markets

Befimmo has made an assessment of a potential geographical diversification in France and in the Parisian office market in particular, in line with Befimmo's city-centre strategy. This has led to the view that in the current macroeconomic environment, such a diversification would not meet Befimmo's risk/return targets and investment criteria (amongst others: (i) a minimum critical size, (ii) a similar investment strategy, and (iii) a concomitant support of the skills and network of a local team with a proven track record).

Therefore Befimmo confirms its current profile:

- Pure-play investor specialising in high-quality city-centre office buildings in Belgium and in the Grand-Duchy of Luxembourg.
- Well positioned in its core markets based on (i) the experience, skills and dedication of its team, (ii) the high-quality portfolio with the ability to attract new tenants, (iii) high-quality tenants (two-thirds public institutions), and (iv) the long (around 10 years) weighted average duration of its leases.
- A loan-to-value ratio of around 50% or below, which is consistent with its defensive revenue profile.
- Focus on optimisation of its portfolio through a continuous upgrading of its buildings, evaluation of attractive investment opportunities and completion of disposals of buildings no longer in line with its strategy.

#### 5. Fedimmo – Institutional REIT<sup>12</sup>

By acquiring the 10% Fedimmo shares<sup>13</sup> it did not yet own, Befimmo completed another step in simplifying its group structure.

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<sup>12</sup> As defined in the Royal Decree of 7 December 2010.

<sup>13</sup> For more information, see the press release regarding this operation published on 3 October 2012 on the Company website (<http://www.befimmo.be/en/publications/21>).

Fedimmo SA will apply to obtain FSMA's agreement for the institutional REIT status, a process that could still be completed by the end of 2012.

The entire consolidated Belgian portfolio of Befimmo will then benefit from the tax transparency regime. Additionally, as for Befimmo, Fedimmo will henceforth draw up its accounts according to the IFRS standards, enabling it to be in a position to distribute its full cash-flow (EPRA earnings) to Befimmo.

Such positive factors will support Befimmo's dividend paying capacity.

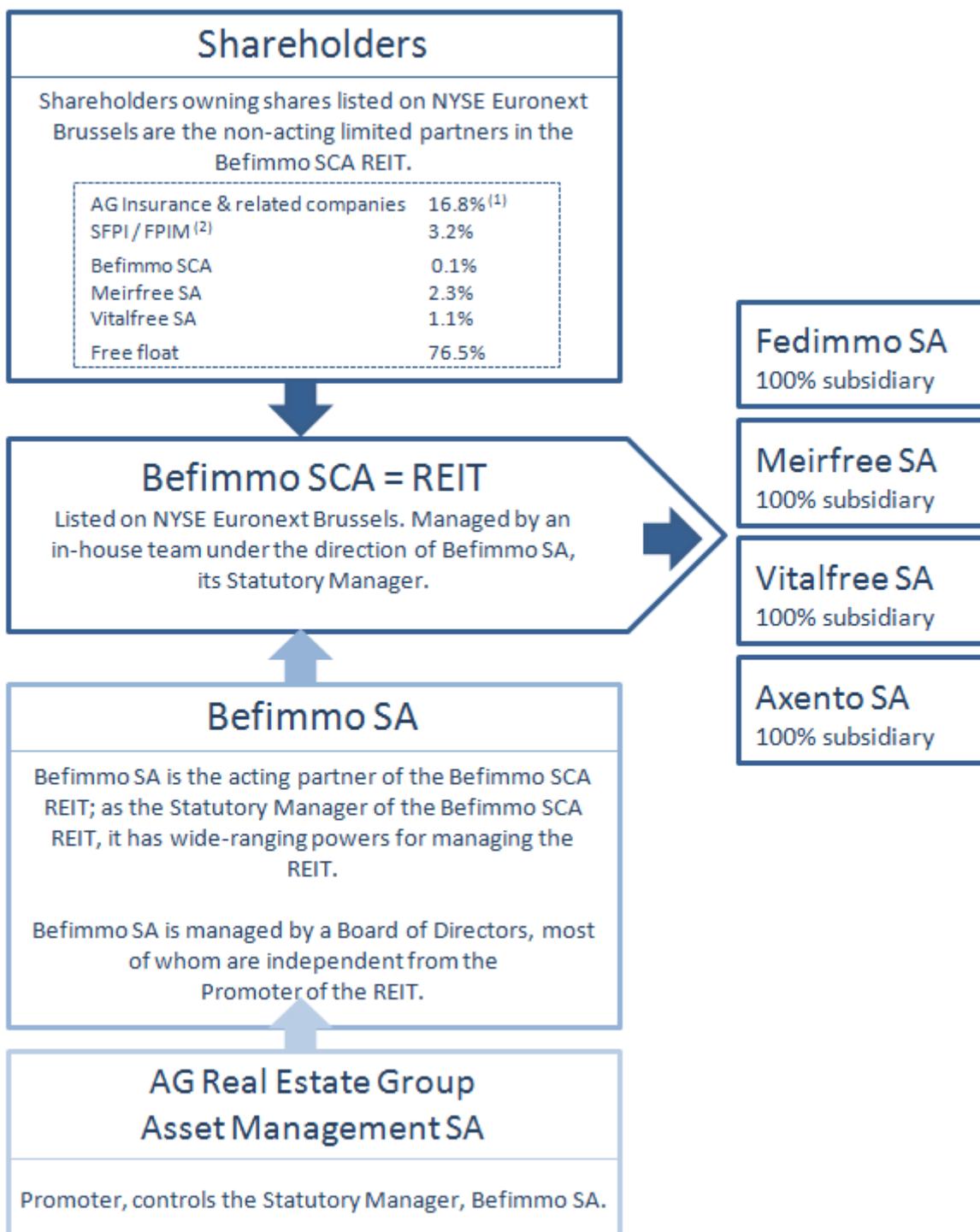
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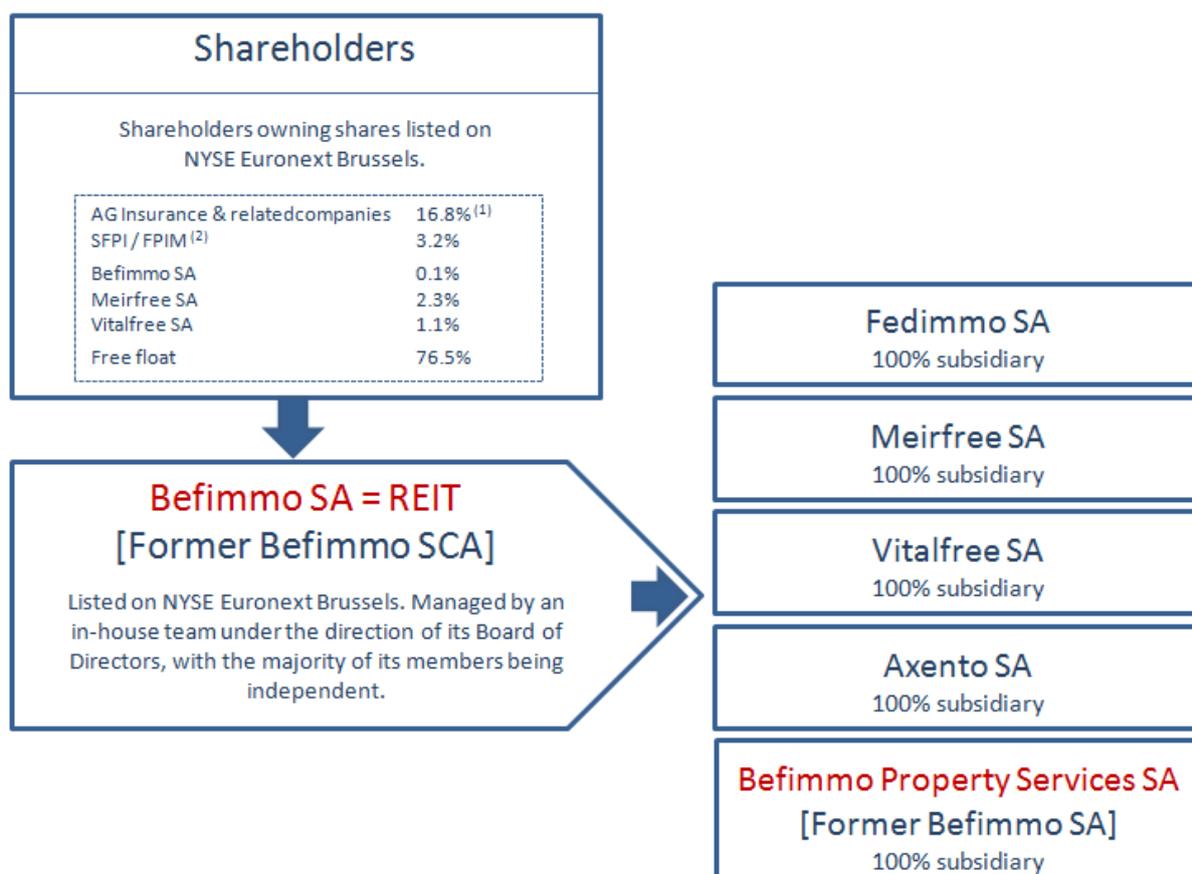
ANNEX I – Current structure



<sup>(1)</sup> Based on the latest transparency declarations received on 15 October 2008 and the prior undertaking to subscribe to the capital increase of June 2009 for all the rights they held.

<sup>(2)</sup> Société Fédérale de Participations et d'Investissement SA / Federale Participatie- en Investeringsmaatschappij NV (Belgian State).

ANNEX II – Proposed future structure



<sup>(1)</sup> Based on the latest transparency declarations received on 15 October 2008 and the prior undertaking to subscribe to the capital increase of June 2009 for all the rights they held.

<sup>(2)</sup> Société Fédérale de Participations et d'Investissement SA / Federale Participatie- en Investeringsmaatschappij NV (Belgian State).