



Partnership limited by shares

Creating value in real estate

## Overall real-estate value remains stable Intrinsic value of €64,35 per share Dividend forecast confirmed

Befimmo SA, managing partner of the SICAFI (real-estate investment trust) Befimmo SCA, has finalised the half-yearly accounts for Befimmo SCA as at 31 March 2004.

Key figures	31/03/03	30/09/03(*)	31/03/04
Debt ratio (%)	41.5%	44.7%	44.9%
Return on equity (annual basis) (%) (**)	7.0%	6.5%	7.4%
Intrinsic value per share (€)	64.08	61.39	64.35
Share price (€)	66.00	69.80	71.65
Number of shares	9,794,227	9,794,227	9,794,227
Net cash flow per share (€) (****)	2.78	5.38	2.92
Net current cash flow per share (€) (*****)	2.78	5.38	2.65
Net earnings per share (€)	2.58	4.61	2.40
Net current earnings per share (€)	2.58	4.61	2.13
Return per share (€) (***)	2.25	4.01	2.96

(\*) After appropriation and distribution of the gross dividend for the financial year (i.e. €4.45 gross per share).

(\*\*) The annual return is the latest gross dividend distributed plus the growth in portfolio value during the last 12 months, divided by the portfolio value the previous year.

(\*\*\*) For the period from 1 October 2003 to 31 March 2004, the return per share corresponds to the increase in intrinsic value per share.

(\*\*\*\*) Net cash flow is the net result before write-downs, write-backs and provisions.

(\*\*\*\*\*) Net current cash flow is the net cash flow excluding results on realisation of assets and extraordinary results.

### Change in results and intrinsic value

As at 31 March 2004, net half-yearly cash flow was €28.6 million, which is equivalent to €2.92 per share (compared with €27.2 million and €2.78 per share for the same period of the previous financial year).

The change in **net cash flow** in relation to the first half of the previous financial year is due to a combination of the following factors:

- Rents increased by 1.5% (+ €0.58 million) following the purchase of the building on Place Poelaert in December 2003. Under a constant scope, rents dropped slightly (down 0.6%).
- Income from real estate certificates fell by €0.48 million following the sale of part of the portfolio of certificates.
- Net property expenses were €1.9 million, compared with €0.5 million during the first half of the previous year, due to a greater concentration of building work and renovations during the first half (35% of work budgeted for during the current financial year was carried out during the first half of the year, as compared with only 9% last year).
- Net financial expenses fell by 12% (- €1.01 million) in relation to the first half of the previous financial year. During the first half, the average cost of loans was 3.07% (including margins and the cost of covering rates and commission fees), compared with 4.10% during the first half of the previous financial year.
- A capital gain of €2.59 million was realised during the first half on the sale of part of the portfolio of real estate certificates.
- Fresh tax debt of €500,000 during the first half of the year following the entry into force of the law of 24 December 2002 reforming corporate taxation in connection with the non-deductibility of certain regional taxes. This legislation was disputed by the entire sector and an appeal is currently pending before the Court of Arbitration. Befimmo will also be lodging an official complaint.

Excluding the capital gain realised in real estate certificates, **net current cash flow** is €26 million, which is equivalent to €2.65 per share (compared with €27.2 million and €2.78 per share respectively during the same period of the previous financial year).

The **net profit** is €23.5 million, which is equivalent to €2.40 per share (compared with €25.3 million and €2.58 per share respectively during the same period of the previous financial year). In fact, although the market value of its real estate portfolio (excluding investment during the period) increased overall by €3.19 million since the beginning of the financial year (i.e. an increase of 0.3%), Befimmo, which books fluctuations in the value of its portfolio in strict compliance with the provisions of the Royal Decree of 10 April 1995<sup>1</sup>, recorded in the income statement a drop in overall value of €5.02 million in the value of its buildings (unrealised underlying depreciation).

The **intrinsic value** as at 31 March 2004 was €64.35 per share, including the profit for the period, which represents a return of €2.96 per share over six months.

Over one year, the **return per share** was €4.72 taking into account the gross dividend of €4.45 distributed on 16 December 2003, i.e. 7.4% of the intrinsic value as at 31 March 2003.

### Real-estate portfolio

in millions of €	31/03/2003	30/09/2003	31/03/2004
<b>Buildings</b>	<b>1,059.0</b>	<b>1,054.5</b>	<b>1,121.3</b>
<b>Offices</b>	<b>1,025.8</b>	<b>1,021.6</b>	<b>1,088.4</b>
- Brussels CBD	635.3	642.4	710.0
- Brussels decentralised	159.9	156.4	153.4
- Brussels suburbs	214.5	206.5	208.7
- Other	16.1	16.3	16.3
<b>Semi-industrial</b>	<b>27.9</b>	<b>27.5</b>	<b>27.5</b>
<b>Commercial</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>
<b>Real-estate certificates</b>	<b>10.6</b>	<b>10.1</b>	<b>3.6</b>
<b>Total real-estate portfolio</b>	<b>1,069.6</b>	<b>1,064.6</b>	<b>1,124.9</b>

Excluding investment during the period, the total portfolio value remains stable (+0.29%). However, this increase should be analysed on a district-by-district basis. In the CBD, which is the mainstay of Befimmo's portfolio, values have increased by an average of 1.5%, while in the decentralised areas and the suburbs they are continuing to fall by 2.16% and 1.80% respectively. In the decentralised areas and the suburbs, value has dropped more significantly than was budgeted for during the current financial year, but this has been offset by a rise in value in the CBD.

During the first half of the 2003-2004 financial year, Befimmo acquired the office building located at nos. 2-3-4 Place Poelaert in Brussels, opposite the Palais de Justice. This building, which covers 14,000 m<sup>2</sup>, was fully rebuilt in 2000-2001 and is being leased under an 18-year fixed lease contract from the Régie des Bâtiments (Buildings Agency).

During the first half of the financial year, Befimmo has also continued to invest substantially, in particular in renovating the building located at 11 Rond Point Schuman, which has now been completed and is in the process of being let.

Moreover, for strategic reasons, Befimmo sold part of its portfolio of real estate certificates, making a capital gain. Consequently, the value of this certificate portfolio has dropped to €3.6 million, compared with €10.1 million as at 30 September 2003.

Bearing in mind these purchases and this sale, as at 31 March 2004 the value<sup>2</sup> of the property portfolio was €1,124.90 million, compared with €1,064.60 million as at 30 September 2003. The purchase of the building in Place Poelaert has pushed the proportion of the portfolio located in the CBD up to 63.3%.

La Poste, the main tenant in tower 2 of the World Trade Center, is currently reorganising its services. Since its lease expires in 2016, La Poste has told Befimmo that it would like to find tenants for the premises it will be vacating.

As at 31 March 2004, the occupancy rate<sup>3</sup> of the portfolio (excluding projects and land)<sup>4</sup> was 94.1%, compared with 94.7% as at 30 September 2003.

The initial yield (excluding projects and refurbishments) of the portfolio is 7.29%. Should the vacant accommodation be fully let at estimated rental value, the initial yield would be 7.75%.

### Half-yearly results

Results presented in accordance with the Royal Decree of 10 April 1995 pertaining to real-estate SICAFIs and a limited review by the auditor in accordance with recommendations issued by the Belgian Institute of Certified Auditors<sup>5</sup>:

BALANCE SHEET (in thousands of €)	31/03/03	30/09/03	31/03/04
<b>Assets</b>			
Establishment costs	-	-	-
Value of real-estate portfolio	1,059,011	1,054,527	1,121,324
Value of real-estate certificates	10,600	10,069	3,613
Other assets	16,463	37,592	35,742
<b>TOTAL ASSETS</b>	<b>1,086,074</b>	<b>1,102,188</b>	<b>1,160,679</b>
<b>Liabilities</b>			
Equity	627,643	601,294	630,302
Provisions	2,351	2,351	2,351
Amounts payable after more than one year	161,258	117,668	102,427
Amounts payable within one year	288,959	375,489	419,223
Financial debts	259,103	304,901	390,488
Commercial debts	27,504	22,499	25,128
Other debts	2,352	48,089	3,607
Deferred charges and accrued income	5,863	5,386	6,376
<b>TOTAL LIABILITIES</b>	<b>1,086,074</b>	<b>1,102,188</b>	<b>1,160,679</b>

RESULTS (in thousands of €)	31/03/03	30/09/03	31/03/04
Turnover	38,659	77,561	39,236
+ Other operating result	-5,788	-17,994	-11,044
= Operating result	32,871	59,567	28,192
+ Financial result	-7,620	-14,836	-4,220
= Current result	25,251	44,731	23,972
+ Extraordinary result	-	450	-
= Pre-tax result	25,251	45,181	23,972
Post-tax result	25,291	45,115	23,479

The following table has been created to facilitate comparison of the results with those of other SICAFIs which present their accounts in another form, in accordance with a dispensation from the system set out in the Royal Decree of 10 April 1995<sup>1</sup>.

(in thousands of €)	31/03/03	30/09/03	31/03/04
<b>Result before extraordinary items</b>			
Gross rents and fees	38,658	77,561	39,236
+ Income from real estate certificates	610	736	130
- Net real estate costs	-466	-4,243	-1,876
- Operating costs	-3,286	-5,584	-3,693
= Operating profit	35,516	68,470	33,797
- Net financial result	-8,374	-15,782	-7,360
- Income Taxes	7	-95	-493
= Earnings before extraordinary items	27,149	52,593	25,944
<b>Portfolio result</b>			
+ Capital gains realised on portfolio components	-	-	2,595
- Reversal of capital gains on assets realised	-	-	-2,610
+ Variation in market value (Capital gains or losses not realised)	-5,103	-13,340	3,079
= Portfolio results	-5,103	-13,340	3,064
<b>Extraordinary result</b>	-	-	-
<b>Result for the period (special diagram)</b>	22,046	39,253	29,008
Transfer of revaluation gain (Equity), of which:	3,245	5,862	-5,529
• Reversal of capital gains on assets sold	-	-	2,610
• Variation in market value (Capital gains of losses not realised)	3,245	5,862	-8,139
<b>Accounting result for the period</b>	25,291	45,115	23,479

### Prospects

The return for the current financial year 2004 ending on 30 September 2004 will be around 7.9% taking into account the rate of development in real estate values recorded during the first half of the financial year.

Net cash flow per share for the financial year will be around €5.15, which is €0.19 less than the figure forecast in the 2003 annual report (€5.34). The slowdown in cash flow during the second half is due to the increase in taxation and extraordinary items. These pertain, in particular, to a slower rate of letting than anticipated of the Schuman building (but under conditions in line with objectives) and on costs incurred with a view to enhancing the value of buildings within the portfolio, costs which are not offset by a reduction in financial expenses.

Other things being equal, Befimmo confirms its dividend forecast of €4.62 per share (€3.93 net).

Befimmo has covered itself against the risk of a rise in interest rates via a combination of instruments to limit its cost (excluding margin) until the end of 2008.

<sup>1</sup> Befimmo's results are presented in strict accordance with the rules laid out in the Royal Decree of 10 April 1995. This means that only the gains actually realised appear on the profit and loss account with the unrealised gains and losses reflected in the shareholder's equity, with the exception of losses booked when the expert valuation is lower than the acquisition value.

<sup>2</sup> This investment value is the result of the valuation report drafted on 23 April 2004 by Winsinger & Associates, incorporating the values attributed to the buildings by Cushman & Wakefield, Healey & Baker, CB Richard Ellis and Catella Codemer in accordance with Article 56(2) of the Royal Decree of 10 April 1995 on SICAFIs, and the stock market value on 31 March 2004 of the portfolio of real estate securities owned by Befimmo. Under current regulations, we are required to divulge both the sale value and the acquisition value of the portfolio; the latter value is considered to be the "value with immediate occupancy". This includes variable transaction costs of a maximum of 13%, which an investor would have had to pay in the event of a direct real-estate investment. Consequently, assuming the sale of the portfolio based on the expert valuation, the net sale value of the SICAFI would be between €995.9 million and €1,124.9 million.

<sup>3</sup> Occupancy rate = current rent / (current rent + estimated rental value for unoccupied premises)

<sup>4</sup> Schuman 11 and Ikaros phase IV buildings for future completion

<sup>5</sup> Report by the certified auditor of half-yearly information on Befimmo SCA as at 31 March 2004

"We declare that we have performed a limited review of the half-yearly accounts of Befimmo SCA as at 31 March 2004 in accordance with the recommendations issued by the Belgian Institute of Certified Auditors.

Our review consisted primarily of an analysis, comparison and discussion of the half-yearly financial information made available to us and is therefore less comprehensive than a full audit of the annual accounts.

Nothing came to our attention as a result of the foregoing procedure that caused us to believe that any material modifications should be made to the company's half-yearly accounts."

Antwerp, 10 May 2004

Deloitte & Touche Statutory Auditors S.C. s.f.d. S.C.R.L.  
represented by J. Vlaminckx and J. Kesselaers

Further information and copies of both the 2003 annual report and the half-yearly report as at 31 March 2004 may be obtained by contacting the company's head office after 14 May 2004:

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