



Partnership limited by shares

Creating value in real estate

Forecast of current cash-flow per share confirmed Real estate value stable overall Dividend forecast confirmed

Befimmo S.A., managing partner of the SICAFI (fixed capital real estate investment trust) Befimmo S.C.A., has finalized the half-yearly accounts for Befimmo S.C.A. as at 31 March 2005.

Key figures	31/03/04	30/09/04 (*)	31/03/05
Debt ratio (%)	44.9%	46.9%	44.4%
Return on equity (annual basis) (%) (**)	7.4%	7.9%	7.3%
Net asset value per share (€)	64.35	61.65	64.45
Share price (€)	71.65	76.50	73.00
Net cash-flow per share (€) (***)	2.92	5.36	2.65
Net current cash-flow per share (€) (****)	2.65	5.19	2.65
Net earnings per share (€)	2.40	4.48	2.13
Net current earnings per share (€)	2.13	4.32	2.13
Return per share (€) (*****)	2.96	4.88	2.80

(*) After appropriation and distribution of the gross dividend for the financial year (i.e. €4.62 per share).
(**) The annual return is the gross dividend for the financial year plus the growth in portfolio value during the last 12 months, divided by the portfolio value the previous year.
(***) 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.
(*****) For the period from 1 October 2004 to 31 March 2005, the return per share corresponds to the increase in net asset value per share.

Change in results and net asset value

The floor area of the real estate portfolio has not changed since 30 September 2004.

During the first half of the financial year, Befimmo achieved an **operating result (before financial result, taxes and portfolio result)** of € 33.9 million, compared with € 33.8 million in the previous year.

This slight increase is due to a combination of the following:

- rents fell by 0.8%, owing mainly to the temporary rental gratuities offered in order to retain certain tenants in the portfolio in decentralized areas and suburbs where the lease was coming to an end;
- the net real estate charges amounted to € 1.6 million as against € 1.9 million in the first half of the previous year. This drop is due to a slower work rate at the start of current financial year;
- operating costs fell 8.6% as a result of the lower study costs for new projects.

During the first half of the year, the average cost of financing loans rose to 3.24% (including margins, cost of covering rates and reservation commissions), compared with 3.07% during the first half of the previous financial year. The rise in financing costs is due to the higher cost of covering rates.

After financial result and taxes, **net current cash-flow for the half-year** was stable at € 26.0 million, or € 2.65 per share. This result was achieved for a constant floor area, since no new property has been acquired since 30 September 2004.

In the absence of an exceptional result during the first half of the year, the **net cash-flow for the half-year** was € 26.0 million, or € 2.65 per share (as against € 28.6 million or € 2.92 per share for the same period in the previous financial year). In the first half of last year, a gain of € 2.59 million was made on the sale of part of the real estate certificates portfolio. No real estate has yet been disposed of this year.

Net half-yearly profit amounts to € 20.9 million as against € 23.5 million in the previous financial year. The difference basically reflects the absence of capital gain on sales in the first half-year, in contrast to last year.

Net profit is calculated after taking account of a fall in value of € 4.8 million on certain buildings, despite the fact that the market value of the real estate portfolio (excluding investment in the period) has slightly increased by € 1.4 million since the start of the financial year. Befimmo accounts for changes in the value of its portfolio in strict compliance with the rules of the Royal Decree of 10 April 1995. This means that only the gains actually realized appear on the profit and loss account, with the unrealized 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.

The **net asset value** at 31 March 2005 was € 64.45 per share, including net profit for the period, i.e. a return over six months of € 2.80 per share.

Over a one year period, the **return per share** amounted to € 4.72 per share taking account of the gross dividend of € 4.62 distributed on 21 December 2004, namely 7.3% of the net asset value at 31 March 2004.

Real estate portfolio

The value (¹) of the real estate portfolio at 31 March 2005 was € 1,130.6 million as against € 1,129.0 million at 30 September 2004. The floor area of the real estate portfolio has not changed since 30 September 2004.

in millions of €	31/03/2004	30/09/2004	31/03/2005
Buildings	1,121.3	1,125.3	1,126.8
Offices	1,088.4	1,092.6	1,094.0
- Brussels CBD	710.0	712.2	718.8
- Brussels decentralized	153.4	151.2	149.3
- Brussels suburbs	208.7	213.2	209.9
- Other	16.3	16.0	16.0
Semi-industrial	27.5	27.2	27.3
Commercial	5.4	5.5	5.5
Real estate certificates	3.6	3.7	3.8
Total real estate portfolio	1,124.9	1,129.0	1,130.6

Excluding investment during the period, the total value of the real estate portfolio remained stable during the first half of the 2004-2005 financial year (up 0.13%). However, this stable position should be analysed by district. The strong presence in the Befimmo portfolio of the Central Business District (CBD) (64%) – the mainstay of its strategy – where property values are rising (+0.92%), offsets falling values in decentralized districts (-1.26%) and suburbs (-1.53%).

The overall yield on ongoing lets (excluding projects and renovations) is 7.15% while the overall yield on ongoing lets plus the estimated rental value of unoccupied premises is 7.77%.

At 31 March 2005 the occupancy rate (²) (³) of the portfolio was 92.3%, compared with 91.4% at the start of the financial year. This improvement is due mainly to additional lets by existing tenants and the arrival of new tenants in the Befimmo portfolio.

The dispute concerning tower 2 of the World Trade Center that began in 2002 between La Poste – the tower's main tenant – and Befimmo, is still ongoing. The expert responsible for making a full inventory of the asbestos has submitted a report, still at the preliminary stage. He confirms that tower 2 of the WTC does not endanger its occupants. La Poste's lease runs until 2016. It has begun to reorganise its services and has notified Befimmo of its intention to vacate and find new tenants for the premises. Talks between the parties are continuing.

Regarding the Center Albert Borschette, the European Commission has recently informed Befimmo that it wishes to continue occupying the building after the current lease expires on 15 October 2005. It is therefore possible that an agreement to that effect between Befimmo and the European Commission may be reached by the end of the current financial year.

Half-yearly results

Results presented in accordance with the Royal Decree of 10 April 1995 (⁴) pertaining to real estate SICAFIs and a limited review by the auditor in accordance with recommendations issued by the Belgian Institute of Certified Auditors:

BALANCE SHEET (in thousands of €)	31/03/04	30/09/04	31/03/05
Assets			
Value of real estate portfolio	1,121,324	1,125,312	1,126,812
Value of real estate certificates	3,613	3,693	3,842
Other assets	35,742	23,250	21,906
TOTAL ASSETS	1,160,679	1,152,255	1,152,560
Liabilities			
Equity	630,302	603,796	631,192
Provisions	2,351	2,351	2,351
Amounts payable after more than one year	102,427	186,829	170,603
Amounts payable within one year	419,223	353,662	341,562
Financial debts	390,488	283,264	315,144
Commercial debts	25,128	19,645	22,399
Other debts	3,607	50,753	4,019
Deferred charges and accrued income	6,376	5,617	6,852
TOTAL LIABILITIES	1,160,679	1,152,255	1,152,560

RESULTS (in thousands of €)	31/03/04	30/09/04	31/03/05
Turnover	39,236	78,265	38,927
+ Other operating result	-11,044	-21,010	-10,074
= Operating result	28,192	57,255	28,853
+ Financial result	-4,220	-11,692	-7,636
= Current result	23,972	45,563	21,217
+ Extraordinary result	-	-993	-
= Pre-tax result	23,972	44,570	21,217
Post-tax result	23,479	43,921	20,897

The following table has been drawn up to provide a comparison of Befimmo's results with those of Sicafis that publish their accounts pursuant to a derogation to the system established by the Royal Decree of 10 April 1995 (⁴).

(in thousands of €)	31/03/04	30/09/04	31/03/05
Operational result			
+ Gross rents and fees	39,236	78,265	38,929
+ Income from real estate certificates	130	260	104
- Net real estate costs	-1,859	-5,584	-1,648
- Operating costs	-3,654	-6,248	-3,341
- Non-cash operating costs	-56	-154	-147
= Operational result	33,797	66,539	33,897
- Net financial result	-7,360	-15,208	-7,751
- Taxes	-493	-652	-320
= Operational result	25,944	50,679	25,826
Portfolio result			
+ Capital gains realized on portfolio disposals	2,595	2,595	-
- Reversal of unrealized capital gains on transferred assets	-2,610	-2,609	-
± Change in market value (unrealized capital gains or losses)	3,079	-1,921	1,569
= Portfolio result	3,064	-1,935	1,569
Net extraordinary result	-	-957	-
Result for the period (derogatory arrangement)	29,008	47,787	27,395
+ Revaluation gain transfer (equity), including:	-5,529	-3,866	-6,498
• Reversal of unrealized capital gains on transferred assets	2,610	2,609	-
• Change in market value (unrealized capital gains or losses)	-8,139	-6,475	-6,498
Net accounting result	23,479	43,921	20,897

Prospects

All other things being equal in the current context, the **return for financial year** ending on 30 September 2005 should exceed 8%, assuming that the value of the portfolio remains stable during the second half of the financial year.

Net cash-flow per share for the financial year will be around € 5.00, higher than forecast in the 2004 annual report (€ 4.91).

This better-than-expected performance, despite the absence of any new investment, is due to an improved operating result for buildings (before financial result, taxes and portfolio result) in spite of a tough rental market. Befimmo is giving priority to improving its cash-flow promoting loyalty among existing tenants and seeking new tenants, and this should lead to a higher **occupancy rate** by the end of the financial year.

Befimmo has adopted a prudent and realistic strategy regarding acquisitions, and takes an interest only in projects that guarantee solid cash-flows and offer the prospect of generating value in the longer run. These quality projects are becoming rarer these days given the continuing rise in the prices of well located and properly let buildings.

Other things being equal, Befimmo can therefore confirm its **dividend** forecast of € 4.80 per share (€ 4.08 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.

Transition to IFRS standards

Although it does not publish consolidated accounts, Befimmo S.C.A. will publish its annual accounts as well in Belgian accounting standards as in accordance with the "International Financial Reporting Standards" (IFRS) as adopted in the European Union, as from the 2005/2006 financial year, along with comparative information for 2004/2005. 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 that publish their accounts in accordance with the IFRS.

The procedure for converting the financial statements to IFRS standards is under way. The various restatements compared with Belgian accounting standards have been identified. The explanatory note in the half-yearly report describes the impact of the application of the IFRS standards on shareholders' equity at the date of the transition to IFRS (1 October 2004) and the half-yearly closing on 31 March 2005, and on the results for the first half of the 2004/2005 comparison financial year.

¹ This investment value is the result of the valuation report drafted on 21 April 2005 by Winsinger & Associates, incorporating the values attributed to the buildings by Cushman & Wakefield, Healey & Baker and CB Richard Ellis in accordance with Article 56 (2) of the Royal Decree of 10 April 1995 on Sicafis, and the stock market value on 31 March 2005 of the portfolio of real estate securities owned by Befimmo.

² 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 "investment value". 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 € 1,001 million and € 1,131 million.

³ Occupancy rate = current rent (including area let but for which the lease has yet to begin) / (current rent + estimated rental value for unoccupied premises).

⁴ The Ikaros phase IV buildings (F, G and H) are nearing completion and the vendor is still financially responsible for them; they are not taken into account in the occupancy rate calculation. Befimmo will be financially responsible for buildings G and H as from June 2005 and for building F as from October 2006. On 31 March 2005, these buildings were not rented out.

⁵ 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 realized appear on the profit and loss account with the unrealized 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.

The 2004 annual report and the half-yearly report at 31 March 2005 are available on the company's website or may be requested from the registered office.

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