

BEFIMMO
Limited Liability Company
Public real estate investment trust under Belgian law
Chaussée de Wavre 1945
1160 Brussels
RPM – Brussels 455.835.167

SPECIAL REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED AMENDMENT TO THE CORPORATE PURPOSE IN ACCORDANCE WITH ARTICLE 559 OF THE COMPANIES CODE OF COMPANY LAW

Ladies, Gentlemen,

We have the honour to propose to the general meeting the amendment of the corporate purpose of the Company in the context of the Company adopting the status of a regulated real estate company as created by the act of 12 May 2014 on regulated real estate companies (hereafter, the “**RREC Act**”) and its implementing decree (the royal decree of 13 July 2014, hereafter the “**RREC RD**”).

I. CONTEXT

The RREC Act offers operational entities that are active in the real estate sector the possibility to accede to a specific status.

It also allows real-estate investment companies, subject to certain conditions and within a short time window, to change their status as to adopt the status of a “regulated real estate company” (“**RREC**”).

The Company intends to propose to its shareholders to use this possibility, on the conditions set out in the Information Document that is published on the Company’s website.

Taking into account the entry into force of the act of 19 April 2014 on alternative investment funds and their managers (hereafter the “**AIFMD act**”)¹, the Company must indeed make a choice: as real estate investment companies will, going forward, automatically be considered as AIFMs, it will need to choose either for the maintaining of the real estate investment company status and therefore the new AIFM status, or for the new RREC status (excluding the AIFM status).

As described in the Information Document made available to the shareholders, the Board of Directors believes that adopting the RREC status is in the interest of the shareholders and of the Company.

II. PROPOSED AMENDMENTS

Currently, article 4 of the articles of association of the Company states that:

*“The primary purpose of the company is the collective investment of funds collected from the public, in the category “real estate” as mentioned in article 7, first subparagraph, 5° of the law of 3 August 2012.
Real estate means:*

¹ This act transposes the alternative investment funds managers directive into Belgian law, so this directive is called the “**AIFMD directive**” and this law will hereafter be referred to as the “**AIFMD act**”).



- immovable goods as defined by articles 517 and following of the Civil Code as well as real rights on immovable goods;
- shares with voting rights issued by real-estate companies exclusively or jointly controlled by the sicafi;
- option rights on immovable goods;
- Shares of public or institutional sicafi subject to, in the latter case, joint or exclusive control performed on such sicafi;
- shares of foreign collective real estate investment trusts registered on the list referred to in article 149 of the aforementioned law of 3 August 2012;
- shares of collective real estate investment trusts established in another country of the European Economic Area and not registered on the list referred to in article 149 of the law of 3 August 2012, insofar as they are subject to control similar to that applicable to public sicafi;
- real estate certificates specified in article 5, § 4 of the law of 16 June 2006 on public offers of investment vehicles and listing of investment vehicles on regulated markets;
- rights stemming from leasing agreements for one or more assets under real-estate leasing contracts of the sicafi or granting other similar rights;
- as well as all other goods, shares or rights defined as immovable goods by the existing royal decrees, applicable to the collective investment undertakings that opted to invest in immovable goods.

The company may, however, as ancillary or temporary activity, make investments in movable goods, according to the provisions set forth in article 5.2 of the articles of association and own unallocated liquid assets. These investments and the holding of liquid assets must be the subject of a special decision of the board of directors who will justify the investment's ancillary or temporary character. The holding of movable goods must be compatible with the pursuit, in the short or medium term, of the investment policy described above. In addition, such securities shall be tradable on a regulated market operating regularly, recognised, and open to the public. The liquid assets can be held in all currencies under the form of deposits on a current account or a deposit account or of any instrument of the money market that can be mobilised easily.

The company may acquire movable and immovable goods for the purpose of its direct operations.

It may take all necessary measures and conduct all transactions, namely those mentioned in article 5 of the articles of association, deemed useful for the realisation and enhancement of its purpose within the legal and regulatory provisions that regulate it.

It may be interested, by means of a merger or other, in any venture with an identical purpose.

Article 559 of the Code of Company Law is applicable by virtue of article 21, § 4, of the law of 3 August 2012."

The Board of Directors proposes to change this article as follows:

"Article 4: Purpose

§1. The company has as exclusive purpose:

(a) making, directly or through a company in which it holds a participation in accordance with the provisions of the RREC regulation, real estate available to users, and;

(b) within the limits set out by the RREC regulation, hold the real estate set out in article 2, 5°, vi to x of the RREC Act.

By real estate is meant:

i. real estate as defined in articles 517 and following of the Civil Code and the rights in rem over real estate, excluding real estate of a forestry, agricultural or mining nature;

ii. shares with voting rights issued by real estate companies under the exclusive or joint control of the company;

iii. option rights on real estate;

iv. shares of public regulated real estate companies or institutional regulated real estate companies, provided in the latter case, joint or exclusive control over these companies is exercised by the company;

v. the rights arising from contracts giving one or more goods in finance-lease to the company or providing other similar rights of use;

vi. shares in public real estate investment companies;

vii. shares in foreign real estate funds included in the list referred to in article 260 of the act of 19 April 2014 on alternative investment funds and their managers;

viii. shares in real estate funds established in another member state of the European Economic Area not included in the list referred to in article 260 of the act of 19 April 2014 on alternative investment funds and their managers, to the extent that they are subject to supervision equivalent to the supervision that is applicable to public real estate investment companies;

ix. shares issued by companies (i) with legal personality; (ii) under the law of another member state of the European Economic Area; (iii) which shares are admitted to trading on a regulated market and/or are subject to prudential supervision; (iv) whose main activity consists of acquiring or constructing real estate in order to make it available to users, or the direct or indirect holding of participations in certain types of entities with a similar corporate purpose; and (v) that are exempt of income tax on profits in respect of the activity referred to in (iv) above subject to compliance with certain requirements, at least on the legal obligation to distribute part of their income to their shareholders (the Real Estate Investment Trusts, or "REITs");

x. real estate certificates referred to in article 5, § 4 of the Act of 16 June 2006 on the public offer of investment securities and the admission to trading of investment securities on regulated markets.

In the context of the making available of real estate, the company can, in particular, exercise all activities related to the construction, rebuilding, renovation, development, acquisition, disposal, management and exploitation of real estate.

§2. On an ancillary or temporary basis, the company can make investments in securities which are not real estate in the meaning of the RREC regulations. These investments will be made in compliance with the risk management policy adopted by the company and will be diversified in a way to ensure an adequate risk diversification. The company can also hold unallocated liquidities, in any currency, in the form of cash or term deposit or in any instrument of the monetary market that can be easily mobilised.

It can also trade in hedging instruments, with the exclusive aim to hedge the interest rate and exchange risk in the context of the financing and management of real estate of the company and with the exclusion of any transaction of a speculative nature.

§3. The company can take or give one or more real estate assets in finance lease. The activity of giving real estate assets in finance lease with a purchase option can only be carried out in ancillary order, save where these real estate assets are intended for the public interest including social housing and education (in which case the activity can be carried out as a primary activity).

§4. The company can by way of a merger or otherwise, take an interest in all businesses, undertakings or companies having a similar or related purpose and which are of a nature that favours the development of its undertaking, and, in general, to do all transactions that are directly or indirectly linked to its corporate purpose as well as all acts that are useful or necessary for the realisation of its corporate purpose."

The Board of Directors also proposes to delete article 5 of the articles of association relating to the investment policy.



III. STATEMENT SUMMARISING THE ASSETS AND LIABILITIES OF THE COMPANY

The Board joins an Annex to this report, which contains a statement summarising the assets and liabilities of the Company as of 15 July 2014.

The Company's auditor has also drawn up the report required by article 559 of the Code of Company Law.

IV. JUSTIFICATION OF THE MODIFICATION OF THE CORPORATE PURPOSE

The Company has currently the status of a real-estate investment company with a fixed capital (sicafi) and has as corporate purpose (article 4 of the current articles of association) the investing of its financial means in real estate in accordance with the regulations that are applicable to real-estate investment companies (the act of 3 August 2012 on certain forms of collective management of investment portfolios and the royal decree of 7 December 2010 on real-estate investment companies).

For the reasons set out in the Information Document, the Company proposes to adopt the status of a public regulated real-estate company.

In this respect, article 77 of the RREC Act expressly states that the adoption of the status of a regulated real-estate company (hereafter referred to as "RREC") entails the modification of the corporate purpose of the real-estate investment company in order to make it conform to the RREC regulation.

Article 4 of the RREC Act states that:

"The public regulated real-estate company exclusively carries out an activity consisting of:

a) making, directly or through a company in which it holds a participation in accordance with the provisions of this act and its implementing decrees and regulations, real estate available to users, and; b) if applicable and within the limits of article 7,

b) hold the real estate set out in article 2, 5°, vi) to x).

In the context of the making available of real estate, the public regulated real-estate company can, in particular, exercise all activities related to the construction, rebuilding, renovation, development, acquisition, disposal, management and exploitation of real estate."

Real estate is defined in article 2, 5° of the RREC Act.


Public regulated real-estate companies and their subsidiaries can also:

- hold the real estate set out in article 2, 5°, vi) to x) and the option rights over such assets, to the extent that their fair value does not exceed 20% of the consolidated assets of the public regulated real-estate company (art. 7, b);

- enter into finance-lease contracts within the conditions set out by the RREC royal decree (art. 5);

- on an ancillary or temporary basis and within the limits and conditions set out by the royal decree of 13 July 2014 (royal decree implementing the RREC Act), make investments in securities which are not real estate and holding unallocated liquidities (art. 7, a);

- subscribe to authorised hedging instruments, excluding of any transactions of a speculative nature, if their articles of association authorise them to do so (art. 8).



In order to receive an approval as a RREC and to maintain such approval, the Company must exclusively carry out an activity consisting of making real estate directly or indirectly available to users, as opposed to an activity consisting, as is currently the case, of investing its financial means in real-estate assets (RRECs being ordinary commercial companies and not, as are real-estate investment companies (sicafris), investment companies). It can also carry out all the ancillary activities described above subject to the conditions mentioned above. Further, as opposed to real-estate investment companies, RRECs don't have an investment policy that they need to describe in their articles of association, but a strategy that they need to describe in their annual reports.

For those reasons it is necessary to modify the corporate purpose of the Company in order to conform to the RREC regulation and to allow it to carry out the activities that a regulated real-estate company can carry out. The provision relating to the investment policy should also be deleted.

The proposed modification of the corporate purpose is therefore in the interest of the Company and the Board of Directors proposes to the shareholders to vote in favour of this modification.

On behalf of the Board of Directors,

Brussels, 28 August 2014



SPRLU BDB Management
Represented by Mr Benoît De Blic
Managing Director



SPRL Alain Devos
Represented by Mr Alain Devos,
Chairman of the Board of Directors

Annex: Statement summarising the assets and liabilities of the Company as of 15 July 2014.

ASSETS		15.07.14
I. Non-current assets		2 195 436
C. Investment properties		1 356 760
D. Other property, plant and equipment		799
E. Non-current financial assets		837 878
II. Current assets		64 221
B. Current financial assets		31 054
D. Trade receivables		24 238
E. Tax receivables and other current assets		3 706
F. Cash and cash equivalents		229
G. Deferred charges and accrued income		4 994
TOTAL ASSETS		2 259 657

SHAREHOLDERS' EQUITY AND LIABILITIES		15.07.14
TOTAL SHAREHOLDERS' EQUITY		1 185 800
I. Equity attributable to shareholders of the parent company		1 185 800
A. Capital		310 293
B. Share premium account		662 080
C. Reserves		174 869
D. Net result for the fiscal year		38 558
II. Non-controlling interests		0
LIABILITIES		1 073 858
I. Non-current liabilities		640 976
B. Non-current financial debts		614 395
a. Credit institution		175 106
c. Other		439 289
<i>Bond issues</i>		271 865
<i>EUPP</i>		18 000
<i>USPP</i>		147 538
<i>Guarantees received</i>		1 886
C. Other non-current financial liabilities		26 581
II. Current liabilities		432 882
A. Provisions		2 799
B. Current financial debts		366 973
a. Credit institution		5 670
c. Other		361 303
<i>Commercial papers</i>		358 000
<i>Intercompagny debts</i>		3 303
C. Other current financial liabilities		690
D. Trade debts and other current debts		28 113
E. Other current liabilities		913
F. Accrued charges and deferred income		33 394
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2 259 657