

HALF-YEAR RESULTS – 1 OCTOBER 2006 TO 31 MARCH 2007



Société en Commandite par Actions

CREATING VALUE IN REAL ESTATE

- Growth in book value
- Substantial increase in earnings and cash flow per share
- Higher dividend forecast

Befimmo SA, managing agent of the Befimmo SCA Sicafi, has prepared the half-year financial statements of the Befimmo Sicafi at 31 March 2007.

REAL-ESTATE PORTFOLIO

During this first half of the 2006/07 fiscal year, Befimmo succeeded in completing two major acquisitions consistent with its strategy of growing its medium- and long-term cash flows.

In addition to its first foreign venture through the acquisition of the Axento project in Luxembourg, Befimmo acquired 90% of the shares of Fedimmo SA offered for auction by the Belgian Government.

- Axento SA¹: This investment project consists of the building and letting by its developer – CIP Luxembourg SA – of a building of offices (10 500m²) and commercial premises (1 600m²) on the Plateau du Kirchberg along the Avenue Kennedy in Luxembourg. When it is handed over in the first half of 2009, it will have an investment value of €96.5 million.
- Fedimmo SA²: In December 2006, Befimmo acquired 90% of the shares in the public company Fedimmo, which has a portfolio consisting of office buildings assigned by the Belgian Government and Sopima SA when it was founded. Most of these buildings are let to the Régie des Bâtiments (Belgian Government) to house the Federal Public Services, essentially the Finance and Justice Ministries. The total floor area of this portfolio is around 382 000m². When Fedimmo was acquired in December 2006 its investment value was €725 million, generating an initial gross yield of 5.5%.

¹ For more information, please see the press release published on 11 December 2006 on the Befimmo website www.befimmo.be.

² For more information, please see the press release published on 23 December 2006 on the Befimmo website www.befimmo.be.

During the second quarter of this fiscal year, a 99-year leasehold on the Tocopro building (23 800m²) located on Avenue Louise in Brussels was sold, realising a capital gain of €1.2 million. The aim of the disposal was to minimise the risks of redevelopment and re-letting. Indeed, this Fedimmo building needed major renovation starting in January 2010 upon the expiry of the Belgian Government's lease.

Taking account of these investments and disposals, the total value of the consolidated portfolio is now €1 792.5 million at 31 March 2007, as compared with €1 805.3 million at 31 December 2006 and €1 078.4 million at the start of the fiscal year.

The following table gives the values³ of the Befimmo portfolio consolidated by segment and geographical area.

Real-estate portfolio (million euros)	31/03/2006	30/09/2006	31/03/2007	31/03/2007 (consolidated portfolio)
	<u>portfolio excluding Fedimmo</u>			
▪ Offices	1 039.2	1 051.1	1 080.0	1 764.3
- Brussels CBD	675.1	682.1	705.0	1 041.0
- Brussels, decentralised	145.1	147.6	152.2	152.2
- Brussels suburbs	203.8	205.3	206.9	206.9
- Flanders	-	-	-	267.7
- Wallonia	15.3	16.1	15.9	96.5
▪ Other	26.4	27.3	28.2	28.2
TOTAL REAL-ESTATE PORTFOLIO	1 065.6	1 078.4	1 108.3	1 792.5

Excluding the Fedimmo acquisition and the disposal of the Tocopro building, the value of the portfolio has increased substantially, from €1 078.4 million at the start of the fiscal year on 1 October 2006 to €1 108.3 million on 31 March 2007, i.e. an increase of some 2.5% in six months. This growth has occurred in practically all geographical segments, as much in the Central Business District (+3.23%) as in decentralised areas (+3.13%). Meanwhile values in the suburbs have remained stable (-0.15%). This increase in value reflects high demand on the part of investors looking for quality opportunities, so putting pressure on yields.

The value of the Fedimmo portfolio has remained stable (+0.01%) since it was acquired in late December 2006.

At 31 March 2007, the overall yield of the consolidated portfolio for ongoing lets (excluding projects and renovations) is 6.40% while the overall yield on ongoing lets plus the estimated rental value of unoccupied premises is 6.66%.

At 31 March 2007 the occupancy rate⁴ of the consolidated portfolio was 96.0%⁵.

³ These values are established in accordance with standard IAS 40 which requires investment property to be booked at "fair value". "Fair value" is obtained by deducting from the "investment value" the average costs for transactions recorded over the past three years, corresponding to 2.5% for property worth more than €2.5 million and 10% (Flanders) or 12.5% (Wallonia and Brussels) for property worth less than €2.5 million.

The Belgian Government, Befimmo's main customer, accounts for 50.3% of rents with an average duration⁶ of 13.5 years. Befimmo's total rental income from Belgian and EU institutions represents 63.7% of rents with an average duration of 12.4 years.

The acquisition of Fedimmo SA, consistent with Befimmo's strategy, significantly improves the stability of the portfolio. The portfolio's yearly rental income consolidated at 31 March 2007 was €117.6 million as against €79.0 million previously, with a duration of 8.9 years as against 5.6 years previously. The public sector accounts for 64% compared with 49% previously.

GROWTH IN EARNINGS AND BOOK VALUE

The acquisition of 90% of Fedimmo's shares on 28 December 2006 increased the size of Befimmo's portfolio from €1.1 to €1.8 billion, and this growth had a significant impact on the various headings of the company's consolidated balance sheet and profit and loss account.

Thus, the company's **net rental income** increased from €37.9 million to €48.6 million between 31 March 2006 and the same date in 2007. This growth of 28.2% is explained by Fedimmo's contribution to earnings for one quarter, amounting to €9.6 million, while earnings from the Befimmo portfolio grew 2.6%.

Net property charges fell by 43.3%, from €3.2 million to €1.8 million. This decrease is explained mainly by the fact that fewer works were carried out in relation to the previous fiscal year, without jeopardising the general maintenance programme of the buildings that are in a good state of repair.

The company's **corporate management costs** rose from €3.0 million to €4.2 million. This rise was mainly due to substantial study costs of non-recurrent projects incurred during the half-year in the context of the Sicafi de l'Etat, Fedimmo, Axento and other operations, and the costs of preparing the increase in capital.

The **earnings of the portfolio** amount to €28.4 million in comparison with €7.4 million for the previous fiscal year. This growth is explained by the substantial increases (+2.5%) in the value of Befimmo's portfolio during the half-year (+€27.2 million), and the capital gain (+€1.2 million) on the disposal of the Tocopro building in Fedimmo's portfolio.

The **financial result** was influenced by the financing of the Fedimmo acquisition. It rose from -€6.5 million for the second half of the previous fiscal year to -€15.9 million, owing to a combination of factors, namely:

- the interest charge generated by the financing of the acquisition of Fedimmo – amounting to €575.6 million – €5.8 million of which was booked for the quarter;
- the reduction in the time value of the financial hedging instruments, namely -€1.3 million at 31 March 2007 compared with -€0.5 million at 31 March 2006;
- the rise in interest rates (Euribor 3 months: 3.9% at 31 March 2007 as against 2.7% at 31 March 2006), had an adverse impact on financial charges relating to the company's borrowings at variable rates (approx. €2.8 million). Steps were taken during the half-year to strengthen the company's interest-rate hedging policy, by the purchase of IRS

⁴ *Occupancy rate = current rent (including area let but for which the lease has yet to begin) / (current rent + estimated rental value for unoccupied premises). This occupancy rate is calculated taking account of all the property in the portfolio, excluding land and the investment project in Luxembourg to be handed over in April 2009 and for which Befimmo has guaranteed rent for 18 months from the handover date.*

⁵ *On 1 April 2007, after the departure of the Régie des Bâtiments from Brederode II, the occupancy rate was 94.7%.*

⁶ *Duration = weighted mean duration of leases, i.e. the sum of (annual ongoing rent for each lease multiplied by the duration remaining up to the first break in the lease) / total ongoing annual rent of portfolio.*

and TWIN CAPs which will start to show positive effects from the second half of the 2006/2007 fiscal year.

The **net profit for the half-year** amounts to €54.1 million in comparison with €31.6 million for the previous fiscal year, an increase of 71%. The **net cash-flow for the half-year** was €26.2 million, compared with €24.1 million for the first half of the previous fiscal year (+8.7%).

The **book value** (group share) at 31 March 2007 was €68.11 per share compared with €67.41 at the start of the fiscal year. Taking account of the gross dividend of €4.92 distributed on 22 December 2006, this represents a six-month return of €5.62 per share.

Over a one-year period, the **earnings per share** amounted to €9.11, or 14.25% of the book value at 31 March 2006.

CONSOLIDATED KEY FIGURES

	31/03/2006 (6 months)	30/09/2006 (12 months)	31/03/2007 (6 months)
Debt ratio	42.90%	40.17%	61.13%
Return on equity (annual basis) ^(a)	11.56%	11.09%	14.25%
Book value per share (€)	63.92	67.41	68.11
Share price (€)	82.75	90.00	97.60
Number of shares	9 794 227	9 794 227	9 794 227
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Net cash flow per share (€) ^(b)	2.42	4.84	2.68
Net profit per share (€)	3.23	6.74	5.42
Earnings per share (€) ^(c)	7.12	6.73	9.11

^(a) *The annual return is the latest gross dividend distributed during the period plus the growth in portfolio value over the past 12 months, divided by the portfolio value one year earlier.*

^(b) *The net cash flow is the net result before depreciation, value adjustment and provisions.*

^(c) *The earnings per share correspond to the change in book value per share over one year and in the gross dividend distributed during that year.*

CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS**BALANCE SHEET ACCORDING TO IFRS STANDARDS (thousand euros)**

	31.03.2006	30.09.2006	31.03.2007
	statutory	statutory	consolidated
I. Non-current assets	1 068 176	1 080 775	1 839 806
A. Goodwill ⁷	-	-	16 116
C. Investment properties	1 065 635	1 078 357	1 789 683
E. Other property, plants and equipment	449	405	393
F. Non-current financial assets	2 093	2 013	23 726
G. Finance lease receivables	-	-	9 888
II. Current assets	35 723	28 237	74 649
B. Current financial assets	243	228	112
C. Finance lease receivables	-	-	38
D. Trade receivables	6 841	10 326	12 176
E. Tax receivables and other current assets	122	139	86
F. Cash and cash equivalents	26 077	14 961	59 127
G. Deferred charges and accrued income	2 441	2 583	3 110
TOTAL ASSETS	1 103 899	1 109 012	1 914 455
TOTAL EQUITY	626 032	660 228	730 303
I. Shareholders' equity	626 032	660 228	667 091
A. Capital	142 295	142 295	142 295
B. Share premium account	161 261	161 261	161 261
D. Reserves	21 113	21 113	21 113
E. Result	301 362	335 558	340 524
a. Result brought forward from previous years	297 222	297 032	314 856
b. Net result for the fiscal year	31 603	65 989	53 130
c. Adjustment of IFRS opening balance	-27 463	-27 463	-27 463
G. Changes in fair value of financial assets and liabilities	-	-	1.897
I. Minority interests⁸	-	-	63 212
LIABILITIES	477 867	448 784	1 184 152
I. Non-current liabilities	95 335	91 418	160 729
B. Non-current financial debts	95 156	91 418	155 610
a. Credit institutions	93 760	89 916	83 706
b. Finance leasing	-	-	70 364
c. Other	1.396	1 502	1 540
C. Other non-current financial liabilities	178	-	-
D. Trade debts and other non-current debts	-	-	5 119
II. Current liabilities	382 532	357 367	1 023 423
B. Current financial debts	344 257	317 385	972 942
a. Credit institutions	344 257	317 385	960 984
b. Finance leasing	-	-	11 957
D. Trade debts and other current debts	32 941	34 918	35 273
E. Other current liabilities	1 466	1 761	1 278
F. Accrued charges and deferred income	3 868	3 304	13 930
TOTAL EQUITY AND LIABILITIES	1 103 899	1 109 012	1 914 455

⁷ Since according to standard IFRS 3 the acquisition of Fedimmo SA is a business combination, Befimmo has booked goodwill to represent the future financial advantages associated with the synergies, optimisations and outlook for developing a portfolio of buildings spread out geographically.

⁸ The minority interests represent the Government's 10% holding in the equity of Fedimmo SA.

INCOME STATEMENT UNDER IFRS (thousand euros)

	31.03.2006 statutory	30.09.2006 statutory	31.03.2007 consolidated
I. (+) Rental income	38 041	76 256	48 756
III. (+/-) Charges linked to letting	-146	-298	-179
NET RENTAL INCOME	37 895	75 958	48 577
IV. (+) Recovery of property charges	2 473	4 406	2 189
V. (+) Recovery income of charges and taxes normally payable by tenants on let properties	5 480	18 544	4 669
VII. (-) Charges and taxes normally payable by tenants on let properties	-5 311	-18 290	-4 783
VIII. (+/-) Other revenue and charges for letting	15	24	51
PROPERTY RESULT	40 552	80 642	50 703
IX. (-) Technical costs	-3 534	-7 326	-2 431
X. (-) Commercial costs	-627	-1 203	-227
XI. (-) Charges and taxes on unlet properties	-975	-673	-753
XII. (-) Property management costs	-552	-1 124	-584
XIII. (-) Other property charges	-4	-8	-17
(+/-) Property charges	-5 693	-10 335	-4 012
PROPERTY OPERATING RESULT	34 859	70 307	46 691
XIV. (-) Corporate management costs	-2 965	-6 992	-4 173
XV. (+/-) Other operating income and charges	-749	-855	-660
OPERATING RESULT BEFORE RESULT ON PORTFOLIO	31 145	62 460	41 858
XVI. (+/-) Gains or losses on disposals of investment properties	489	489	1 209
XVIII. (+/-) Changes in fair-value of investment properties	6 957	17 978	27 200
OPERATING RESULT	38 590	80 926	70 267
XIX. (+) Financial income	1 132	1 496	1 500
XX. (-) Interest charges	-6 593	-14 334	-14 961
XXI. (-) Other financial charges	-1 012	-1 478	-2 409
(+/-) Financial result	-6 472	-14 316	-15 870
PRE-TAX RESULT	32 118	66 611	54 397
XXII. (-) Corporation tax	-515	-622	-271
(+/-) Taxes	-515	-622	-271
NET RESULT	31 603	65 989	54 126

OUTLOOK

Befimmo has grown significantly as a result of the Fedimmo operation.

As announced previously, Befimmo is working to organise a forthcoming increase in capital and restructure its borrowings.

Unless any other factors intervene, the Managing Agent, after examining the outlook, considers that it is reasonable to increase the dividend forecast to €4.50/share, in relation to the published forecast of €4.45/share, an increase of 1,1%.

The half-year report at 31 March 2007 will be available on the company's website from 8 May 2007 or may be requested from the registered office.

For more information:

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