annual financial report.

2010.

Cofinimmo

> history.

2010
Deployment of the healthcare institutions portfolio and consequent arbitrage of the office portfolio

2009
Strengthening of Cofinimmo's position as leading healthcare investor in Continental Europe

2008
Establishment in France in the nursing home and healthcare institutions sector
Adoption of the SIIC regime

2007
Partnership with AB InBev Group concerning the acquisition of a large portfolio of pubs located in Belgium and the Netherlands (*Pubstone*)

2006
Award of the *PPP*s relating to the Antwerp Fire Station and the HEKLA Police Station

2005
Diversification in the healthcare sector
Award of the first Public-Private Partnership (PPP): the Antwerp Court of Justice

2004
Acquisition of the Egmont complex
Issue of preference shares

2003
Inclusion in the BEL20, *MSCI* World and GPR15 indexes
Acquisition of the North Galaxy Towers

2000-2001-2002
Acquisition of several major office portfolios

Cofinimmo is the foremost listed Belgian real estate company specialising in rental property. The company benefits from the Sicafi regime in Belgium and the SIIC regime in France.

Its core investment segments are office property and nursing and care institutions representing 55.6% and 29.9% respectively of the Group's total portfolio. It also comprises the *Pubstone* portfolio (13.0%), a real estate partnership concluded with AB InBev.

The properties are mainly located in Belgium (83.5%). The assets abroad concern, on one hand, the investments in the nursing and care sector in France (11.7%) and, on the other hand, the Dutch Pubstone portfolio (4.8%).

The buildings represent a total area of 1,718,312m² and a *fair value* of €3,041.92 million.

The company's absolute strategic priority is to create value for its investors, a sound relationship of trust with its clients and sustainable management of its investments.

Cofinimmo is an independent company, which manages its properties and clients-tenants in-house.

It is listed on Euronext Brussels, where it is included in the BEL20 index. Its shareholders are mainly private individuals and institutional investors from Belgium and abroad, looking for a moderate risk profile combined with a high and regular *dividend yield*.

1999
Internalisation of property management

1996
Adoption of the Sicafi regime

1994
Listing on the Brussels Stock Exchange

1983
Establishment

> table of contents.

The words in *italics* are explained in more detail in the glossary on pages 184 to 188.

Cofinimmo has been developing a diversification strategy for its property portfolio for some years now.

This diversification has enabled it during the years to achieve sustainable progress. Offices, nursing homes and specialised clinics, specialised operating properties and Public-Private Partnerships are the drivers of this progress.

However, sustainable progress for the company necessarily implies that it makes its contribution to the imperatives of corporate social responsibility. Cofinimmo has pleasure in communicating its activities and plans in a significant chapter devoted to these challenges.

> risk management.

> This chapter covers the main risks faced by Cofinimmo, their potential effects on its activities and the various factors and actions cushioning the potential negative impact of these risks. The mitigating factors and measures are detailed further on in this Report under the relevant chapters.

Cofinimmo ensures optimum control of the potential risks by taking any mitigation measure, whether in anticipation or in reaction.

Market

The markets in which the Cofinimmo Group operates are partly influenced by trends in the general economic climate. The office market is influenced in particular by economic trends, whereas the nursing home sector, the *Pubstone* portfolio and the Public-Private Partnerships (*PPP*s) are characterised by a more stable rental environment.

Description of the risk	Potential impact	Mitigating factors and measures[1]
DETERIORATION IN THE GENERAL ECONOMIC CLIMATE IN RELATION TO THE CURRENT SITUATION	**1.** Negative impact on rental demand and portfolio *occupancy rate* and on the rents at which the properties can be relet. **2.** Downwards revision of the value of the real estate portfolio.	The nursing homes and clinics, the Pubstone portfolio (pubs rented over the long term to AB InBev) and the Public-Private Partnerships (in total 45% of the portfolio under management) are (almost) insensitive to variations in the general economic climate. (1,2) Long weighted average lease length (11.5 years at 31.12.2010). (1,2) ±40% of office tenants belong to the public sector.

1 The numbered reference in the mitigating factors and measures establishes the link with the potential impact of each risk.

Property portfolio

The company's investment strategy is reflected in a diversified portfolio of assets with limited development activity for own account (construction of new buildings or complete renovation of existing buildings), whereas property management is proactive and carried out entirely in-house. The asset diversification corresponds to a distribution of market risks.

Description of the risk	Potential impact	Mitigating factors and measures
INAPPROPRIATE CHOICE OF INVESTMENTS OR DEVELOPMENTS	**1.** Change in the company's income potential. **2.** Mismatch with market demand, consequently resulting in rental vacancy. **3.** Expected returns not achieved.	Strategic and risk analysis as well as technical, administrative, legal, accounting and fiscal *due diligence* carried out before each acquisition. (1,2,3) In-house and external (i.e. by independent experts) valuations carried out for each property to be bought or sold. (1,2,3) Marketing of development projects before acquisition. (1,2,3) Experience of Management. (2)
EXCESSIVE OWN ACCOUNT DEVELOPMENT PIPELINE	Uncertainty regarding future income.	Activity limited to maximum 10% of the *fair value* of the portfolio.
POOR MANAGEMENT OF MAJOR WORKS	**1.** Non-respect of the budget and timing. **2.** Increase in costs and/or reduction in income; negative impact on the profitability of the projects.	In-house specialised *Project Management* team. (1,2) Specialised external advisors, carefully selected, for the larger projects. (1,2)
NEGATIVE CHANGES IN THE FAIR VALUE OF THE PROPERTIES	Negative impact on the *net result*, the net asset value, the *debt ratio* and the capacity to assure dividends. (At 31.12.2010, a 1% variation in value would have had an impact in the order of €30.42 million on the net result and in the order of €2.05 on the intrinsic value per share. It would also have had an impact on the debt ratio in the order of 0.50%).	Property portfolio valued by independent experts on a quarterly basis conducive to corrective measures being taken. Clearly defined and prudent debt policy. Investment strategy focusing on quality assets and offering stable income. Multi-asset portfolio subject to different valuation trends which may offset one another. Principal asset representing only 4.7% of the portfolio. Consequent result to be carried forward from previous years.
RENTAL VACANCY (NON-OCCUPANCY) OF THE PROPERTIES	**1.** Loss of rental income. **2.** Downwards revision of rents. **3.** Increase in commercial costs to attract new tenants, impacting the results. **4.** Fall in value of the properties.	(Pro)active commercial and property management by in-house rental and *Property Management* teams. (1,3) Long average duration of leases (11.5 years) with max. 10% expiring in a single year. (1,2,4) Preference given to long leases: the office properties are where possible let medium and even long term; the nursing homes very long term (27 years in Belgium, 12 years in France); the pubs for an initial term of min. 23 years; the occupancy rates of the nursing homes and pubs stand at 100%. (1,2,4) Quality of the tenants (see further). (1,4)
MAINTENANCE COSTS	Fall in the results.	Almost all the leases for nursing homes are *triple net* contracts; for the pubs, the maintenance obligations are limited. For the offices, strict regular maintenance policy, carried out by specialised external firms.
WEAR AND TEAR AND DETERIORATION OF PROPERTIES	Architectural or technical obsolescence and consequent reduced commercial attractiveness.	Long-term policy of systematic replacement of equipment. Regular renovation of the properties to keep them attractive. Portfolio rotation strategy.
DESTRUCTION OF BUILDINGS	Activity interrupted and consequent loss of tenant and reduced rental income.	Portfolio insured for a total reconstruction value of €1.80 billion[1], including the land, i.e. 115% vs. the corresponding fair value. Cover against vacancies caused by disasters. Civil liability insurance as owner or project supervisor.

1 This amount does not include insurance taken out during construction works or insurance related to finance leases nor insurance for which the occupants are contractually liable (i.e. for the nursing homes in Belgium and France, the pubs of the Pubstone portfolio and certain office buildings). The corresponding insurance premium comes to €0.6 million.

Clients

The Group actively manages its client base in order to reduce vacancies and rotation of office tenants. It is in no way involved in the operational management of the nursing homes and pubs.

Description of the risk	Potential impact	Mitigating factors and measures
REDUCED SOLVENCY/BANKRUPTCY OF CLIENTS	**1.** Loss of rental income. **2.** Unexpected vacancy. **3.** Commercial costs incurred in reletting. **4.** Reletting at a lower price.	Quality of tenants: the 2 main office clients belong to the public sector. (2) Before accepting a new client, a credit risk analysis is requested from an outside *rating* agency. (2) Advance/bank guarantee corresponding to 6 months' rent generally required from non-public-sector tenants. (1) Rents are payable in advance (monthly/quarterly/annually) + quarterly provision to cover property charges and taxes which are incurred by the Group but are contractually rechargeable to tenants. (1) The solvency risks for an individual nursing home are mutualised at the level of the operating group. (2,3) Under the terms of the operating licences issued to nursing home operators in Belgium and France, a large portion of their income is received directly from the social security organisms; Cofinimmo invests mainly in authorised medical beds. (1,2,3) The losses on rental receivables net of recovery represent 0.089% of the total turnover for the period 1996-2010.
DOMINANCE OF THE LARGEST TENANTS	Negative impact on rental income in the case of departure.	Diversified client base: Cofinimmo has 325 clients in total, with the largest client representing <15% and the second largest belonging to the public sector and spread over 8 properties. Large number of different nursing homes operators (9).
NON-RENEWAL OF LEASE, CONTRARY TO EXPECTATIONS, AND BREAKING OF LEASE BEFORE EXPIRY	**1.** Vacancy. **2.** Higher commercial costs caused by vacancy. **3.** Negative reversion of rents.	(Pro)active commercial and property management. (1,2,3) Ongoing contacts of in-house commercial team with real estate brokers. (1) All the leases provide for compensation in the case of early departure. (2)

Legislation

Cofinimmo benefits from a particular tax regime (Sicafi in Belgium, SIIC in France) which exempts it from corporate tax in return for an obligation to distribute 80% (Belgium) and 85% (France) of its profits (see page 173). Apart from the obligations relating to company law, the company is also required to comply with the legislation on listed companies and on collective investment undertakings. It is also subject to the specific town-planning and environmental protection legislation.

Description of the risk	Potential impact	Mitigating factors and measures
NON-COMPLIANCE WITH THE SICAFI REGIME	**1.** Loss of approval as Sicafi and the associated fiscal transparency regime (exemption from income tax at Sicafi level/taxation at shareholder level). **2.** Compulsory early repayment of certain loans.	Professionalism of the teams ensuring rigorous compliance with the obligations.
NON-COMPLIANCE WITH THE SIIC REGIME	Loss of the fiscal transparency regime.	Professionalism of the teams ensuring rigorous compliance with the obligations.
UNFAVOURABLE CHANGES TO THE SICAFI OR SIIC REGIME	Fall in the results or the net asset value.	Regular contact with the public authorities. Participation in organisations and groupings representing the sector.
CHANGES TO THE TOWN-PLANNING OR ENVIRONMENTAL LEGISLATION	**1.** Increase in the costs to be incurred to maintain the property so that it can operate. **2.** Unfavourable effect on the capacity of the Group to operate a property. **3.** Reduction in the fair value of the property.	Active energy performance and environmental policy for the offices, anticipating the legislation as far as possible.
CHANGES TO THE SOCIAL SECURITY SYSTEM FOR THE NURSING HOMES/ CLINICS: REDUCTION IN SOCIAL SECURITY SUBSIDIES TO THE OPERATORS NOT OFFSET BY AN INCREASE IN THE PRICES PAID BY RESIDENTS OR BY PRIVATE INSURANCE INTERVENTION	Impact on the solvency of the nursing home operators.	Annual solvency analysis of the operators on the basis of regular financial reporting. Monitoring of the regulatory trends. Favourable demographics.

Financial management[1]

Cofinimmo's financial policy aims to optimise the financial cost and to limit the company's liquidity risk and the counterparty risk.

Description of the risk	Potential impact	Mitigating factors and measures
FINANCIAL AND BANKING MARKETS UNFAVOURABLE TO REAL ESTATE AND/OR TO COFINIMMO	**1.** Access to credit impeded and more costly. **2.** Reduced liquidity.	Rigorous financial policy (1,2) › diversification of financing sources; › stable, well-spread banking pool, with good financial ratings; › well-balanced maturity spreads over time. Full cover of the treasury bills programme. (1) Maintenance of a sufficient reserve of undrawn portions of confirmed credit lines to cover its operational/acquisition/construction expenditure in the medium term and its short-term refinancing needs. (1,2)
INSOLVENCY OF FINANCIAL OR BANKING COUNTERPARTIES	Negative impact on the results.	Diversified number of banking counterparties with good financial ratings. Cash surpluses generally used for the immediate repayment of the financial debt.
CHANGES IN (FUTURE) INTEREST RATES	**1.** Revaluation of financial instruments[2]. **2.** Unfavourable impact on financial charges. **3.** Negative impact on the net asset value and on the result for the period.	Nearly all the debt is contracted at floating rate or immediate conversion from fixed to floating rate. Interest rates locked in over a rolling period of a minimum of 3 years for at least 50% of the debt. Use of derivative instruments (*Interest Rate Swaps* and *CAP* et *FLOOR* options) to lock the interest rate into a corridor between a minimum and a maximum rate. (1,2,3) (In 2011, assuming the structure and the level of debt remain identical to those of 31.12.2010, and taking account of the cover instruments put in place for 2011, a rise or fall in interest rates of 0.5% would result in no significant change to the financial cost).
RISK OF DEFLATION	Negative impact on rental income.	The leases usually provide that the new rent may not be lower than either the previous rent or the rent of the first year of the lease.
NON-COMPLIANCE WITH THE SICAFI DEBT RATIO	Non-compliance with the legislation on Sicafis and consequent penalties.	Prudent financial and debt policy and ongoing monitoring.
NON-COMPLIANCE WITH THE *LOAN-TO-VALUE* RATIO	Cancellation/termination of loan agreements or early repayment.	Prudent financial and debt policy and ongoing monitoring. Period of 6 months to return below the ratio of 57.5% agreed with the banks.
EXCHANGE RISK	Loss of value of the investments and cash flows.	All investments are carried out in euros, as are income and expenditure.
VOLATILITY IN THE SHARE PRICE	More difficult access to new equity.	Rigorous management of factors internal to the company which may have a negative impact on the stock market price. Frequent communication with shareholders and dissemination of financial information forecasts.
NEGATIVE COMPANY RESERVES	Incapacity to distribute future dividends (equivalent to previous years).	Reclassification of the share premium account (i.e. €214.09 million for 2010 – subject to approval by the EGM of 29.03.2011). Requalification of the non-distributable reserves to the other (distributable) reserves.

The above-mentioned mitigating factors and measures do not necessarily dissolve the entire potential impact of the identified risk. Hence, the impact remains partially or entirely the company's and indirectly its shareholders' liability.

1 Also see chapter on "Management of financial resources", page 44. 2 The interest rate derivative instruments are marked to market.

management report

> letter to the shareholders.

Serge Fautré André Dirckx

Madam, Sir,

After the disappointing year 2008 (-22%) and the rebound in 2009 (+14%), 2010 has enabled Cofinimmo to restore a more reasonable rate of return, with a gross total yield per share of 5.37% and a dividend of €6.50 paid to shareholders in May 2010. There was a simultaneous significant reduction in the volatility of the share to 17.9% in 2010, compared to 30.7% and 28.5% in 2008 and 2009 respectively.

This quietening down is associated with the positive effects of the public interventions in the financial markets and in particular the continuation of low interest rate policies and programmes for the purchase of long-term bonds. Nevertheless, the markets have had to cope with the financing difficulties encountered by several countries and with the significant loss of appetite of the markets for sovereign risks, leading to considerable tensions and at the same time forcing the public authorities to take budgetary control measures similar to those imposed on a large number of private companies since 2008.

The calmer climate is also the fruit of the stability which our diversification policy ensures for our results. Offices now account for a 55.6% share of our portfolio. Cofinimmo still considers diversification to be an important factor in mitigating risk on certain conditions, in particular, the alternative assets must offer a stable yield profile for a reasonable level of risk and the company must possess the human resources to understand and control the levers to allow these assets gradually to attain a critical size in our portfolio.
Both the nursing home and the pub sectors offer these characteristics and have enabled the economic risk specific to our traditional concentration solely on the office sector to be reduced.

Belgium, and Brussels in particular, continues to benefit from a more stable office market than those of most other European countries. This stability has nevertheless been impaired by the abundance of credit made available to developers and certain foreign investors, which has led to excessive growth of the surfaces available. This phenomenon gives all the more cause for concern as the crisis of the past two years has strongly curbed rental demand and job creation, despite Belgium's economic performance outstripping that of the rest of Europe.

Cofinimmo

The concentration on office premises with longer leases and a dynamic commercial policy were Cofinimmo's first responses to this new volatility. Furthermore, our strategy remains focused on diversification which is undertaken in a climate of low interest rates, which render quality property assets very attractive and therefore boost competition between the purchasers of these assets.

Balanced use of debt and own funds over time is also a constant concern in order to strengthen the defensive nature of our company's risk profile.

For the past year, Cofinimmo's current result stands at €8.02 per share (IAS 39 excluded), up 7.4% compared to 2009. The *result on portfolio* comes to €-1.45 per share.

This result will allow an unchanged dividend per share of €6.50 to be proposed to the General Shareholders' Meeting, offering a gross current yield of 6.67% based on the closing price on 31 December 2010.

All other things remaining equal, Cofinimmo is planning with confidence to maintain a dividend of the same order in the future. This prospect is possible despite the anticipation of more difficult results in 2011. In fact, the company will take delivery of several office buildings acquired in 2010 and not yet fully let. These effects will nevertheless be offset in part by the lower cost of the debt.

The Royal Decree of 7 December 2010 on Sicafis will grant them easier access to the capital markets and allow them to structure their property investment portfolios more flexibly. It also brings the regime governing them more into line with those subject to similar foreign legislation, referred to under the generic name of 'Real Estate Investment Trusts' (*REIT*s).

Mr Jean Franken, Director and member of the Executive Committee responsible for property matters since 1997, has notified his intention to retire as of 1 July 2011. Under his rallying impetus, Cofinimmo has integrated all the modern methods of property management by focusing priority attention on customer service and the long-term protection of the value of its assets. His contribution will have been path-breaking and the company will be keen to keep alive the experience accumulated during his 40 years spent in real estate, which he has been able to share with his teams. We extend our sincere thanks to him for this.

In these more difficult times, the staff are making every conceivable effort to contain costs and to anticipate the less comfortable market conditions to the best of their ability, with a constant concern for best serving the interests of our shareholders and in the respect for all our partners.

We thank them for their commitment and express our gratitude to our shareholders for the support and confidence they have continued to show in their company.

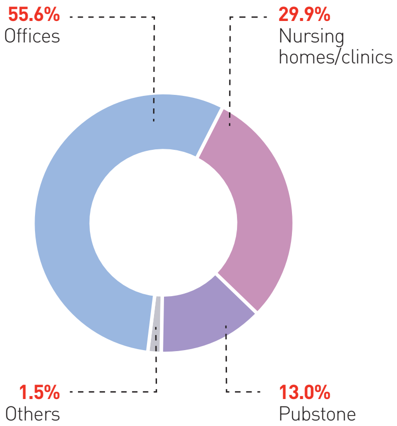
Brussels, March 24, 2011.

Serge Fautré
Managing Director

André Dirckx
Chairman of the Board of Directors

management report
> key figures.

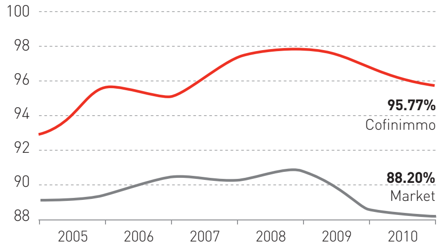
Breakdown of the portfolio in fair value
(in %)



Global information

(x €1,000)	31.12.2010	31.12.2009
Property result	**214,320**	214,294
Operating result before result on portfolio	**184,996**	185,186
Financial result	**-72,094**	-85,046
Net current result (Group share)	**105,435**	92,390
Result on portfolio (Group share)	**-21,639**	-59,940
Net result (Group share)	**83,796**	32,450
(in %)	**31.12.2010**	31.12.2009
Operating costs/average value of the portfolio under management[1]	**0.80**	0.80
Operating margin	**86.32**	86.42
Average interest rate on borrowings[2]	**4.33**	4.91
Debt ratio[3]	**47.50**	49.97
Loan-to-Value ratio[4]	**50.26**	52.81

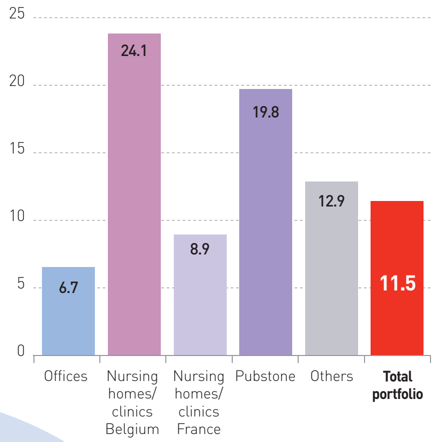
Evolution of the occupancy rate of the consolidated Cofinimmo property portfolio compared to the market (in %)



Information per share – fully diluted

(in €)	31.12.2010	31.12.2009
Net current result – Group share – excluding IAS 39 impact	**8.02**	7.47
IAS 39 impact	**-0.93**	-0.88
Net current result – Group share	**7.09**	6.59
Realised result on portfolio	**0.49**	0.21
Unrealised result on portfolio[5]	**-1.94**	-4.49
Net result – Group share	**5.64**	2.31

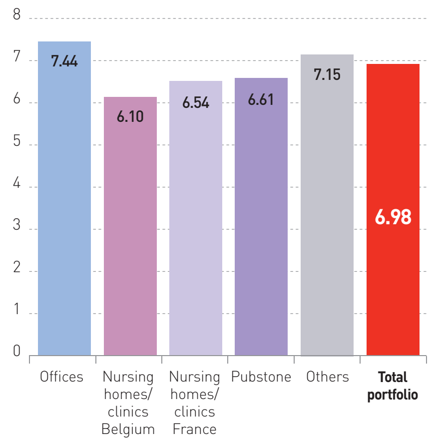
Weighted residual lease length per sector
(in number of years)



11.5 years The weighted residual lease term of the consolidated portfolio.

1 Average value of the portfolio + the value of the receivables sold on buildings of which the maintenance costs are still borne by the Group as owner. These costs are covered through total liability insurance premiums. 2 Including bank margins and the amortisation charges of the cost of hedging instruments active during the period. 3 Legal ratio calculated according to the Sicafi regulation as financial and other debts/total assets. 4 Contractual ratio defined in the agreements with the banks as net financial debt/fair value of the property portfolio and of finance lease receivables. 5 Changes in fair value of investment properties and *exit tax*.

Gross rental yield (in %)



Key performance indicators according to the EPRA principles[1]

(in € per share)	**2010**	2009
EPRA Earnings	**8.02**	7.47
EPRA Net Asset Value (NAV)	**106.09**	107.30
EPRA Adjusted Net Asset Value (NNNAV)	**98.21**	100.00[2]
EPRA Net Initial Yield (NIY)	**6.22%**	6.46%
EPRA 'Topped-up' NIY	**6.12%**	6.44%
EPRA Vacancy Rate	**4.44%**	3.30%

Results by segment

	Offices	Nursing homes/ clinics	Pubstone[3]	Others[4]	**TOTAL**
Fair value of the portfolio[5] (x €1,000,000)	1,690.98	910.89	395.56	44.49	**3,041.92**
Occupancy rate[6]	92.85%	100.00%	100.00%	100.00%	**95.77%**
Surface	837,239m²	507,260m²	343,648m²	30,165m²	**1,718,312m²**
Gross rental yield at 100% portfolio occupation	7.44%	6.28%	6.61%	7.15%	**6.98%**
Net rental yield at 100% portfolio occupation	6.69%	6.25%	6.50%	5.60%	**6.52%**
Weighted residual lease term[7] (in years)	6.7	17.6	19.8	12.9	**11.5**

Portfolio

	2010	2009	2008	2007	2006
In fair value (x €1,000,000)	**3,041.92**	3,040.74	3,134.38	2,799.87	2,306.83
Occupancy rate	**95.77%**	96.86%	97.85%	97.37%	95.13%
Surface	**1,718,312m²**	1,695,629m²	1,615,857m²	1,394,400m²	1,061,167m²

Revalued net asset value per share[8]

(in €)	**2010**	2009	2008	2007	2006
In fair value	**98.21**	93.51	99.15	114.20	107.46
In investment value[9]	**102.56**	98.06	104.08	119.52	112.51

Dividends

(in €)	**2010**	2009	2008	2007	2006
Gross ordinary dividend	**6.50**	6.50	7.80	7.75	7.40
Net ordinary dividend	**5.53**	5.53	6.63	6.59	6.29
Gross preference dividend	**6.37**	6.37	6.37	6.37	6.37
Net preference dividend	**5.41**	5.41	5.41	5.41	5.41

1 Main financial performance indicators applicable to listed real estate companies according to the *EPRA* guidelines (**www.epra.com**). Their respective definitions are given on page 48. These data are not compulsory according to the Sicafi regulation. 2 Before distribution of the 2009 dividend; after distribution it stands at €93.51. 3 The sub-group *Pubstone* owns 1,066 pubs in Belgium and the Netherlands (see page 38). 4 It concerns semi-industrial and retail buildings as well as a leisure club. 5 Fair value: after deduction of transaction costs (mainly transfer taxes) from the value of the investment properties. 6 Calculated according to the actual rents for the occupied buildings and the estimated rental value for unlet buildings. The *occupancy rate* of the office market stands at 88.20% (source: CB Richard Ellis). 7 Until the first break option for the tenant. 8 Before appropriation. The calculation of the revalued *net asset value* tallies with the 'triple net NAV' calculation according to the Best Practice Policy of EPRA – October 2010. 9 *Investment value*: before deduction of transaction costs.

Property segments

> offices			> nursing homes/clinics	
CLIENTS	LOCATION	LIMITED (RE)-DEVELOPMENT RISK	LONG-TERM LEASES	NO OPERATIONAL RISK

In the **office** property segment, the investment strategy aims at long-term leases, calibre of tenants, optimum property location and development for own account projects.

Cofinimmo has charge of the operational management of its office portfolio and that of its client-tenants. Almost all the leases are *double net*, which means that the owner is fully responsible for the building maintenance and repairs. The in-house Account Management and *Property Management* teams, which forge regular and lasting relations with these clients, aim first and foremost to provide an all-in-one property solution, combining quality buildings, flexibility of occupation and associated services. Their task also consists of advising tenants on the use of space, in particular concerning energy and ecological aspects. The *Project Management* team is responsible for managing developments, major renovation works and projects to decorate or fit out office space. This internal management ensures that a high-quality property portfolio is maintained, operated optimally at all times and redeveloped using the techniques offering the greatest protection to the urban environment (also see page 81).

Cofinimmo also pursues a very active policy concerning the arbitrage of buildings. On the one hand, the company makes regular sales aimed at taking advantage of attractive prices offered by third parties for used properties. It has in-depth knowledge of the characteristics of this market, as well as of the commercial trends, operating costs and prices for construction or renovation. In tandem with this activity, in order to renew its portfolio, Cofinimmo acquires new buildings with state-of-the-art installations and the best energy performances or renovates old buildings itself (see above). In this way it constantly improves the overall quality of its portfolio.

The business of development for own account involves Cofinimmo carrying out construction and large-scale renovation of properties with a view to letting and maintaining them in its portfolio over the long term. The amount invested in this activity, which serves to maximise returns on investment, is limited to 10% of the portfolio *fair value* so as not to affect the company's risk profile.

A deliberate policy to diversify its investments, and thereby its risks, but also to extend its vast experience in complex property management to a sector where there is a great need for multifaceted expertise, led to the identification of **nursing homes and clinics** as a buoyant property segment at the end of 2005. These investments benefit in particular from initial returns akin to those for offices, with longer lease terms and lower purchase prices per m². There is also a real growth requirement in this sector owing to demographic trends, thereby creating a significant potential for expansion. Furthermore, both in Belgium and in France, where the company has been established since 2008, the sector of nursing homes and clinics is regulated nationally and regionally, securing access to the sector and the income of operators.

In practice, Cofinimmo acquires the property assets from operators of (public or private) care institutions, of good reputation in terms of both their operation and financial position, thereby allowing them to focus on their core business and freeing up the financial resources for funding their expansion. The property is immediately leased back to them for a long or even very long term (usually 12 years in France and 27 years in Belgium). In addition to the acquisition, Cofinimmo assists with their expansion by taking over the renovation of existing establishments or developing new projects. These projects are managed by the in-house Project and Property Managers who ensure that the work is carried out properly and advise the operators with a view to optimising the sustainable performance of the buildings.

Thanks to their long duration, the leases signed, which are all indexed annually, generate a stable long-term cash flow. In each case, Cofinimmo has only one tenant/rent debtor and a single lease and assumes no risk relating to the management of the care homes. With exceptions, the nursing homes and clinics are leased to operators' groups which each manage many sites. The leases are either concluded with the parent company of the operators' group or guaranteed by that group.

In addition, almost all the leases are *triple net*, which means that the tenant is fully responsible for building maintenance and repairs, which ensures long-term presence of the operator.

Finally, the good locations of these properties and the reasonable purchase price per square metre compared to offices make it possible to envisage an attractive residual value and redevelopment potential, which will further contribute to the intrinsic value of the Cofinimmo share in the longer term.

> corporate operating properties

LONG-TERM LEASES	NO OPERATIONAL RISK

Cofinimmo also seeks to develop long-term real estate partnerships with companies for their operating properties. Through these joint ventures, it acquires the company's property portfolio and then simultaneously leases it back to the company for the medium or long term. This is the case for the **Pubstone** portfolio acquired in 2007 from and then leased back to AB InBev for an initial average term of 23 years and made up of small buildings scattered over a wide geographical area and purchased and leased under a framework contract.

As is the case for the care homes, these property partnerships are designed to relieve the companies from responsibility for financing their property assets while retaining responsibility for operating the properties, which is carried out exclusively by the tenant. Responsibility for maintenance is either assumed to a limited degree by Cofinimmo (its subsidiary *Pubstone*) or entirely assumed by the tenant.

Their favourable locations and relatively low acquisition price per square metre compared to offices also mean that properties of this type offer good potential for redevelopment and attractive land values.

Cofinimmo's strategy aims to create value for its shareholders, a sound relationship with its clients and sustainable management of its portfolio.

> public-private partnerships (*PPP*)

LONG-TERM FINANCIAL LEASES

The public authorities have a growing requirement to renovate buildings or construct new ones so as to create better quality public premises and improve the standards of accommodation for their occupants. They want to be relieved of the responsibility for building and maintaining these properties. One of the options tailored to these needs is the **Public-Private Partnership**.
As Cofinimmo is constantly on the lookout for stable and low-risk investments and is conscious of the role it can play in renovating and improving the urban fabric on a lasting basis, it invests in this type of projects, even including non-traditional buildings such as law courts, fire stations or police stations. These operations generally involve lease-finance arrangements and do not entail Cofinimmo acquiring ownership in perpetuity of the properties concerned[1].

1 Cofinimmo is not the beneficiary of the residual value as the counterparty has a purchase option at the end of the contract.

In the 4 investment segments, the strategy is implemented thanks to the know-how of the in-house Project and Property Management teams.

Geographical presence
Established exclusively in Belgium until 2006, Cofinimmo has obtained successive footholds in the Netherlands in 2007 (part of the Pubstone portfolio) and France in 2008 (nursing homes and clinics), in both cases through long-term partnerships with tenant-operators.

From the geographical point of view, the company's strategy gives priority to a presence in Belgium's neighbouring countries and to a rate of establishment which enables it to acquire sound knowledge of the chosen foreign property markets.

The existence in these countries of the Real Estate Investment Trust (*REIT*) fiscal regime, similar to that of the Sicafi, is an incentive to select them by preference.

Investment criteria
Cofinimmo has over 25 years' experience of acquiring property. Acquisition opportunities must pass the test of offering favourable financial prospects for performance and risk profile and must underpin the policy of distribution to shareholders. Decisions are based on the application of rigorous valuation models founded on precise financial criteria. The criterion determining the acquisition of buildings for which the *investment value* is within the portfolio average and for which there is no specific financing, is the present value, at the weighted average cost of capital and debt, of the long-term cash flow generated by operating the property and its residual value, compared to the acquisition price, costs included. Except in cases where Cofinimmo is not the owner in perpetuity of the property and where it is planned to transfer the property without valuable consideration or at fixed value to a third party at the end of the lease (as, for example, in the majority of Public-Private Partnerships), the residual value is estimated conservatively. For large-scale operations (>7% of the portfolio value) or those associated with a special financing arrangement, the company also examines the combination of the average accretions over 5 years in the *net current result* per share and in the *revalued net asset* value per share.

In addition, apart from the usual due diligence assessments, each property studied is given a rating. This procedure covers both its intrinsic qualities (for office property: size and divisibility of the floors, ratio of parking spaces, headroom, daylight, ...) and its energy performance and location (access by car, public transport, activity of the submarket, level of local taxes, ...) as well as the property environment (presence of shops, hotels, pleasant outlook, ...).

The investment policy is defined in the company articles of association, which mention a certain number of restrictions on this matter. Any modification of this policy would imply an amendment of the articles of association decided by an Extraordinary Shareholders' Meeting.

Commercial policy and services offered to the tenants

For many years Cofinimmo has pursued a commercial strategy geared to forging a close relationship of trust with its clients and maximising the *occupancy rate* of its portfolio.

The company offers its office clients flexibility in the conditions and duration of current leases, an essential feature today given their need to adapt rapidly to change (mergers and acquisitions, restructuring, ...) as well as to progress in the functional requirements of premises (new technologies, accessibility, comfort, consumption, ...).

This flexibility means that Cofinimmo clients can reduce or extend the area rented, or even relocate within the portfolio, while respecting as far as possible the conditions and duration of the lease. In this way, the company is harnessing the competitive edge created by its size.

In addition, a wide range of property-related services is offered to the client, designed to facilitate the task of managing office space, thereby reducing the time that clients need to spend on this aspect. These include the provision of maintenance services (cleaning, technical maintenance, patrols, property guards, ...), workspace management (design and fitting out, ...) and small jobs (plumbing, lighting, painting, signs, ...). Subcontractors who are reputable specialised firms are brought in for these works.

Each client is free to choose the services required, which are offered at competitive market conditions. This *one-stop-shopping* represents an efficiency gain for clients and helps cement their loyalty. In addition, an internal *Help Desk* deals with complaints by occupants and redirects them to the subcontractors and the Property Manager responsible for the building. As the single contact person, the latter is responsible for tendering for works, supervising execution of works and quality control.

In-house management policy

Convinced of the added value it represents for its clients, Cofinimmo recommends in-house property and, for its offices, operational management.

This strategy is implemented in its 4 investment segments thanks to the know-how of Project Management and Property Management teams, which focus on the exclusive service of its clients-tenants.

The organisation also benefits from in-house commercial, legal, accounting, financial, human resources and communication services. All these activities are based on an SAP integrated IT system and a quality control and internal audit facility.

Financing strategy

Profitable company growth and the stable and proactive relationship forged by Cofinimmo with its clients contribute to the company's financial results and benefit its shareholders.

Maintaining a good occupancy rate, reducing costs incurred by vacant space, investing in quality projects and deploying a strategy of property partnerships allow the Group to achieve reasonably foreseeable operational performances which in turn serve to boost the operational cash flow.

Cofinimmo's investment capacity is founded on its ability to raise fresh equity and its borrowing capacity.

While the Sicafi legal regime allows the *debt ratio* to go up to 65% (debt to total assets), Cofinimmo's policy, arranged with its partner banks, consists of keeping the financial debt ratio (net financial debt to fair value of the property portfolio and the finance lease receivables) near 50% (see chapter on "Management of financial resources"). This choice was made chiefly due to the long residual lease periods of properties in the portfolio and goes hand-in-hand with prudent interest-rate hedging measures so as to present a consistent overall financial profile, a highly predictable net current result and low-risk exposure, save for extreme external events.

In accordance with the principle of the Real Estate Investment Trust status and the legal regime of the Sicafi, Cofinimmo distributes most of its current results to its shareholders in the form of dividends. The economic depreciation on the buildings is not deducted in the calculation of the current results. It is included implicitly in the *result on portfolio* through the fact that the valuers, taking account of the age of the buildings and the date of their next renovations, incorporate the cost of the latter in their valuations. When market rents are stagnating, this depreciation has a greater impact on the expert's valuations and consequently on the result on portfolio of Cofinimmo.

management report

> summary of the consolidated accounts.

Consolidated income statement – Analytical form (x €1,000)

	2010	2009
A. NET CURRENT RESULT		
Gross rental income	**199,634**	201,214
Rental-related expenses	**-4,542**	-3,354
Rental income, net of rental-related expenses	**195,092**	197,860
Writeback of lease payments sold and discounted (non-cash)	**21,108**	17,655
Taxes and charges on rented properties not recovered	**-258**	-101
Redecoration costs, net of tenant compensation for damages	**-1,622**	-1,120
Property result	**214,320**	214,294
Technical costs	**-3,269**	-3,856
Commercial costs	**-1,357**	-1,475
Taxes and charges on unlet properties	**-3,334**	-1,806
Property result after direct property costs	**206,360**	207,157
Property management costs	**-15,031**	-15,602
Property operating result	**191,329**	191,555
Corporate management costs	**-6,333**	-6,369
Operating result (before result on portfolio)	**184,996**	185,186
Financial income (IAS 39 excluded)[1]	**6,036**	21,376
Financial charges (IAS 39 excluded)[2]	**-64,373**	-94,121
Revaluation of derivative financial instruments (IAS 39)	**-13,757**	-12,301
Taxes	**-7,224**	-7,283
Net current result[3]	**105,678**	92,857
Minority interests	**-243**	-467
Net current result – Group share	**105,435**	92,390
B. RESULT ON PORTFOLIO		
Gains or losses on disposals of investment properties	**7,253**	2,956
Changes in fair value of investment properties	**-28,288**	-64,850
Exit tax	**-205**	1,482
Result on portfolio	**-21,240**	-60,412
Minority interests	**-399**	472
Result on portfolio – Group share	**-21,639**	-59,940
C. NET RESULT		
Net result – Group share	**83,796**	32,450

Number of shares

	31.12.2010	31.12.2009
Number of ordinary shares issued (own shares included)	**13,667,092**	12,705,070
Number of preference shares issued and not converted	**1,249,310**	1,326,693
Number of outstanding ordinary shares	**13,614,485**	12,682,696
Number of preference shares entitled to share in the result of the period	**1,249,310**	1,326,693
TOTAL NUMBER OF SHARES ENTITLED TO SHARE IN THE RESULT OF THE PERIOD	**14,863,795**	14,009,389

1 *IAS 39* included, at 31.12.2010 and 31.12.2009, financial income stands at K€7,530 and K€21,376 respectively. 2 IAS 39 included, at 31.12.2010 and 31.12.2009, financial charges stand at K€-79,624 and K€-106,421 respectively. 3 *Net result* excluding gains or losses on disposals of investment properties, changes in *fair value* of investment properties, and *exit tax*.

Comments on the consolidated income statement – Analytical form

The cumulated **rental income** as at 31.12.2010 amounts to €195.1 million, down 1.4% compared to one year earlier (€197.9 million). Concurrently, the **property result** remains stable at €214.3 million. With a constant portfolio (like-for-like), the level of rents fell by 1.6% over the past 12 months, essentially due to rental vacancy. At 31.12.2010 the ***occupancy rate*** stands at 95.77% for the entire portfolio and at 92.85% for the office portfolio alone.

Overall, all direct and indirect **operating costs** remain stable at 0.80% of the average value of the portfolio as at 31.12.20010.

The **operating result (before *result on portfolio*)** is also almost unchanged at €185.0 million.

The **financial result**, however, improves from €-85.0 million at 31.12.2009 to €-72.1 million at 31.12.2010, mainly stemming from the falling interest charges between those 2 periods. These charges stood at €-79.7 million and €-63.3 million respectively. This improvement can be explained by, on the one hand, the lower average debt level (€1,577.0 million at 31.12.2010 as against €1,713.1 million one year earlier) and, on the other hand, the declining average interest rate on borrowings, including bank margins and the amortisation cost of hedging instruments active during the period, standing at 4.33%[1] in 2010, as against 4.91% in 2009.

The **revaluation of optional financial instruments** induces to a latent net loss of €13.8 million at 31.12.2010, compared to a latent net loss of €12.3 million at 31.12.2009. The balance-sheet heading under shareholders' equity "Reserve for the balance of changes in fair value of financial instruments"[2], which registers the changes in effective value of optional as well as non-optional financial instruments, evolves considerably from €-47.1 million at 31.12.2009 to €-60.1 million at 31.12.2010, under the impact of the fall in future interest rates between these 2 dates. This item is not registered in the income statement but has a negative impact on the shareholders' equity and the intrinsic share value. The amount will be progressively reversed over future years in case of rising interest rates or at the latest when the hedging instruments become active.

Taxes (€-7.2 million) comprise the corporate income taxes payable by subsidiaries (mainly *Pubstone* SA) not covered by the Sicafi tax regime and the tax on non-deductible costs of the Sicafi (primarily the office tax in the Brussels-Capital Region).

The **net current result – Group share** at 31.12.2010 comes to €105.4 million, as against €92.4 million on 31.12.2009 (+14.1%). If the negative impact of IAS 39 is excluded, it comes to €119.2 million as against €104.7 million respectively (+13.9%). Per share it works out at €8.02 as against €7.47 on 31.12.2009 (+7.4%), the number of shares participating in the results having risen by 6.1% between those 2 dates.

The **result on portfolio** remains negative but in a smaller extent evolving from €-59.9 million at 31.12.2009 to €-21.6 million at 31.12.2010. It comprises a **realised** gain on disposals of €7.3 million, as against €3.0 million at 31.12.2009, as well as a **negative change in fair value** of the portfolio (unrealised loss) including changes in provision for exit tax of €28.5 million, compared to a negative change of €63.4 million at 31.12.2009. In Group share, this change in fair value of the portfolio stands at €-1.94 per share at 31.12.2010, compared to €-4.49 for the same period in 2009.

The **net result – Group share** at 31.12.2010 results in a gain of €83.8 million compared to €32.5 million one year earlier. **Per share** this amounts to €5.64, compared to €2.31.

1 The average interest rate is calculated by dividing, on an annual basis, the interest charges on the financial debt (€63.3 million) and the amortisation cost of hedging instruments (€5.0 million) by the average debt for the period (€1,577.0 million). 2 The heading "Reserve for the balance of changes in fair value of financial instruments" is shown in the balance sheet under the heading "Reserves".

Consolidated balance sheet (x €1,000)

	31.12.2010	31.12.2009
Non-current assets	**3,304,794**	3,308,866
Goodwill	**164,012**	163,924
Intangible assets	**1,427**	1,984
Investment properties	**3,041,916**	3,040,736
Other tangible assets	**539**	723
Non-current financial assets	**38,522**	34,470
Finance lease receivables	**58,349**	66,956
Trade receivables and other non-current assets	**29**	73
Current assets	**77,112**	93,818
Assets held for sale	**170**	755
Current financial assets	**9,227**	8,603
Finance lease receivables	**2,780**	2,762
Trade receivables	**18,864**	12,490
Tax receivables and other current assets	**22,137**	46,730
Cash and cash equivalents	**3,265**	2,343
Deferred charges and accrued income	**20,669**	20,135
TOTAL ASSETS	**3,381,906**	3,402,684
Shareholders' equity	**1,466,878**	1,409,057
Shareholders' equity attributable to shareholders of parent company	**1,459,781**	1,400,904
Capital	**796,528**	750,715
Share premium account	**513,093**	479,541
Reserves	**66,364**	138,198
Net result of the financial year	**83,796**	32,450
Minority interests	**7,097**	8,153
Liabilities	**1,915,028**	1,993,627
Non-current liabilities	**1,448,760**	1,587,615
Provisions	**19,234**	17,766
Non-current financial debts	**1,226,815**	1,381,474
Other non-current financial liabilities	**69,693**	51,522
Deferred taxes	**133,018**	136,853
Current liabilities	**466,268**	406,012
Current financial debts	**313,730**	244,659
Other current financial liabilities	**62,780**	63,233
Trade debts and other current debts	**62,631**	69,555
Accrued charges and deferred income	**27,127**	28,565
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,381,906**	3,402,684

Comments on the consolidated balance sheet

The **fair value** of the property portfolio[1], recorded in the consolidated balance sheet, in application of IAS 40, is obtained by deducting the transaction costs from the investment value. At 31.12.2010, the fair value stands at €3,041.9 million, as compared to €3,040.7 million at 31.12.2009.

The **investment value** of the property portfolio[1] comes to €3,153.2 million at 31.12.2010 as compared to €3,151.0 million at 31.12.2009 (see also page 120).

1 Including assets held for own use and the development projects.

management report
> appropriation of company result.

The Board of Directors proposes at the Ordinary General Shareholders' Meeting of 29.04.2011 to approve the annual statements as at 31.12.2010, to appropriate the result as indicated in the table below and to distribute the following dividends:
- €6.50 gross, i.e. €5.53 net for the ordinary share;
- €6.37 gross, i.e. €5.41 net for the preference share.

The pay-out data and modalities of the dividends are mentioned on page 106. Deduction for *withholding taxes* is 15%.

As at 31.12.2010, the Cofinimmo Group held 52,607 treasury ordinary shares, entirely held by Cofinimmo SA. The Board of Directors proposes to suspend the right to dividend for the financial year 2010 for 34,785 own ordinary shares in view of its stock option plan and to cancel the right to dividend for the remaining 17,822 ordinary shares held by the company. The remuneration of the capital is based on the number of ordinary and preference shares issued on 24.03.2011. Possible conversions of preference shares into ordinary shares during the conversion period from 22.03.2011 to 31.03.2011 might modify the remuneration of the capital.

The proposed dividend is in accordance with the provisions of Article 27 of the *Royal Decree of 07.12.2010*, in that it exceeds the requirement to distribute a requested minimum of 80% of the net income (see page 168). After the proposed remuneration of the capital for the financial year 2010, i.e. €96.45 million, the total amount of the reserves and the company result of Cofinimmo SA works out at €-31.35 million whereas the remaining distributable amount in accordance to the provision defined by Article 617 of the Company Code will reach €+95.17 million (see also page 168).

Moreover, based on the grounds pointed out on page 54, it will also be proposed to the Extraordinary Shareholders' Meeting of 29.03.2011 to reduce the item "Share premium account", similar to the share capital, by transfer to the "Result carried forward from previous years" item for an amount of €214,087,000. This item transfer will be operated within a time laps of minimum 2 months after the decision of this Meeting, by virtue of the conditions of a capital decrease provided for in Article 613 of the Company Code. This transfer will, on the one hand, increase the distributable amount by an equivalent amount and make the total amount of the company reserves and the company result of Cofinimmo SA positive again, and, on the other hand, reduce the combined share capital and share premium account.

As a reminder, the 2010 consolidated net current result (Group share) stands at €105.4 million and the consolidated net result (Group share) at €83.8 million. The pay-out ratio on the consolidated net current result (IAS 39 excluded) is 81% (compared to 87% for 2009).

Taking into account all abovementioned features, the Board of Directors proposes to maintain unchanged the gross dividends of both the ordinary and the preference shares.

Appropriation account (in €)

	2010	2009	2008
A. NET RESULT	**20,974,317.52**	20,450,703.52	-27,330,308.39
B. TRANSFER FROM/TO THE RESERVES	**75,843,003.53**	70,761,898.86	129,590,083.41
Transfer to the reserve of the positive balance of changes in fair value of investment properties			-14,500,246.63
Previous years			-14,500,246.63
Transfer from the reserve of the negative balance of changes in fair value of investment properties[1]	**159,474,294.49**	100,518,547.16	80,361,749.84
Fiscal year	**131,693,063.36**	56,825,243.82	80,361,749.84
Previous years	**27,781,231.13**	43,693,303.34	
Transfer to the reserve of the estimated transaction costs resulting from hypothetical disposal of investment properties	**-357,866.95**	-738,787.23	-849,778.56
Fiscal year	**-357,866.95**	-738,787.23	-849,778.56
Transfer from the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments qualifying for hedge accounting	**7,070,066.00**		
Fiscal year	**7,070,066.00**		
Transfer from the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments not qualifying for hedge accounting	**1,311,920.00**		
Fiscal year	**1,311,920.00**		
Transfer to other reserves	**-226,102.50**	-188,792.50	-170,274.00
Transfer to the result carried forward of the previous years	**-91,429,307.51**	-28,829,068.57	64,748,632.76
C. REMUNERATION OF THE CAPITAL	**-96,452,257.20**	-90,888,558.41	-101,958,331.03
D. REMUNERATION OF THE CAPITAL OTHER THAN C	**-365,064.00**	-324,044.00	-301,444.00
E. RESULT TO BE CARRIED FORWARD[2]	**260,579,825.44**	151,609,635.87	117,201,402.57

1 These transfers correspond to the realisation of non-realised gains and losses, which were previously transferred to the reserves of changes in *fair value*, as well as from buying and cancelling transactions of own shares. 2 The result to be carried forward is composed of the result to be carried forward of the year and of the previous years.

> transactions and performances in 2010.

> global portfolio.

At 31.12.2010, the consolidated property portfolio reaches €3,041.92 million in *fair value*[1] and €3,153.17 million in *investment value*[2]. It comprises 1,268 properties, with a total rental area of 1,718,312m² in superstructure. The offices account for 55.6%[3] of the portfolio, the nursing homes 29.9% and *Pubstone* 13.0%. The other business sectors (1.5%) are insignificant. The vast majority of the portfolio is located within the Belgian territory (83.5%). The properties located abroad relate on the one hand to the healthcare sector in France (11.7%) and on the other hand to the Dutch Pubstone portfolio (4.8%).

For the deployment of its investment, divestment and commercial strategy during 2010, Cofinimmo focused on the arbitrage of its offices portfolio, the accretion of its nursing home assets and on forging a close relationship of trust with its clients.

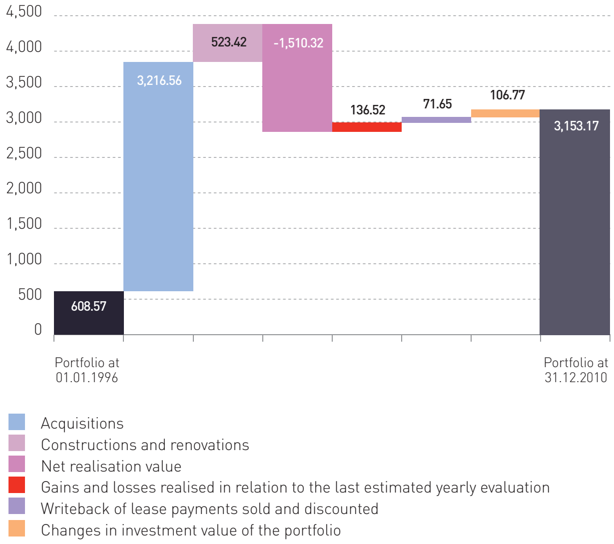
These initiatives enabled it to finance its investment programme, improve the portfolio's risk profile and maintain a high occupancy rate.

The capital gain realised on the disposals amounts to 6%.

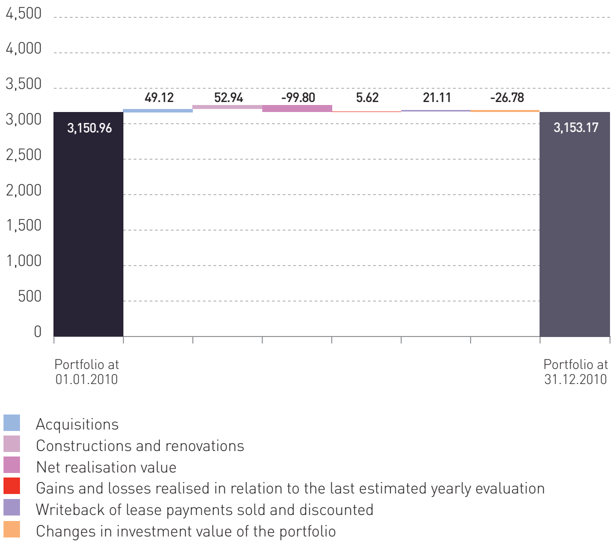
In 2010, Cofinimmo's divestments amounted to €100 million and its investments to €102 million.

1 The fair value is obtained by deducting an appropriate proportion of transaction costs (mainly transfer taxes) from the investment value. 2 The investment value, which is established by independent real estate experts, is the most likely value that could reasonably be obtained in normal sales conditions between willing and well-informed parties, before deduction of transaction costs. 3 The portfolio breakdown is carried out based on the fair value.

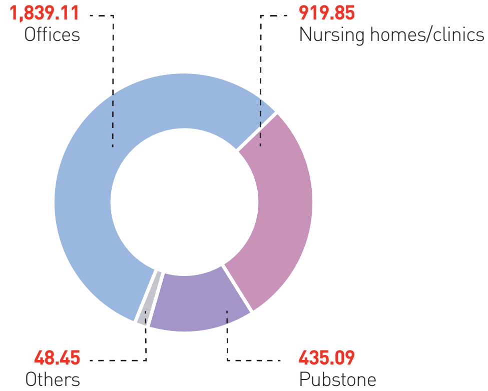
Evolution of the consolidated portfolio 1996-2010[1] (x €1,000,000)



Evolution of the consolidated portfolio in 2010[1] (x €1,000,000)



Acquisition & capitalised renovation cost (1996-2010)
(x €1,000,000)



Evolution of the portfolio

Since it obtained its Sicafi status in 1996, the Cofinimmo Group has realised real estate investments for a total amount of €3,740 million. The company also disposed of buildings for a total of €1,510 million, realising (intermediates' remuneration and other various costs excluded) an average net capital gain of +9.94% compared to the last annual valuations (in investment value) before these disposals. During the year 2010 alone this average was +5.97%.

Acquisitions

During the course of 2010, Cofinimmo invested a total amount of €49.12 million in new acquisitions, of which €3.11 million in the offices segment[2], €45.38 million in the nursing homes segment, €0.49 million in the Pubstone portfolio and finally €0.14 million in the "Others" segment.

Divestments

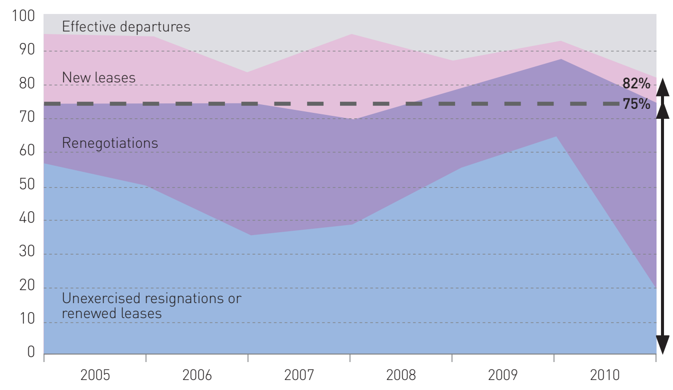
Under its strategy of portfolio arbitrage, Cofinimmo sold in 2010 assets (mainly offices) for a net total amount[3], that is after deduction of transaction costs and fees, of €99.80 million. Each transaction yielded a profit compared to the investment value determined by the expert and the weighted average gain of the total disposals stands at 5.97%.

Constructions and renovations[4]

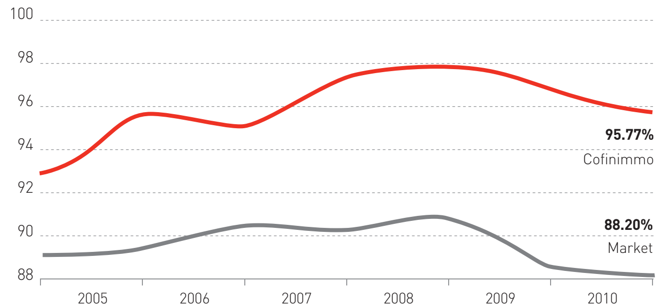
The company carried out constructions and renovations, for which the total amount invested in 2010 amounts to €52.94 million, of which €14.34 million in the office sector, €35.21 million in the nursing homes sector, €2.59 million in the Pubstone portfolio and €0.80 million in the segment "Others".

1 In investment value. 2 This concerns mainly the acquisition of a parking lot adjoining an existing office building complex. 3 The gross total disposal value of the sold properties stands at €100.52 million, which is 6.7% higher than their investment value. 4 See also Note 21 on page146.

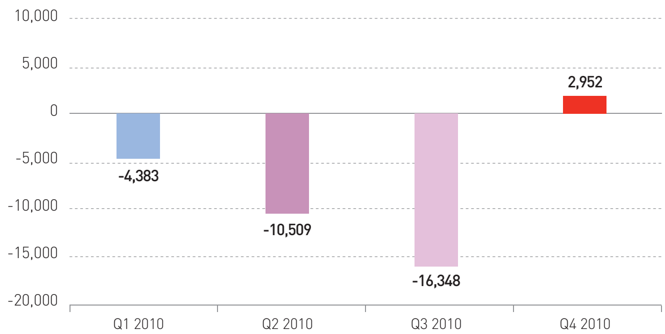
Vacancy risk handling (in %)



Evolution of the occupancy rate
Cofinimmo vs. the Brussels office market[1] (in %)



Changes in fair value of investment properties (x €1,000)



Segment	Changes in fair value over 1 year	Breakdown by area and sector
Offices	**-3.6%**	**55.6%**
Brussels Leopold/Louise District	-5.9%	14.9%
Brussels Centre/North	-0.3%	7.8%
Brussels Decentralised	-4.8%	20.8%
Brussels Periphery & Satellites	-0.7%	4.9%
Antwerp	-3.6%	3.5%
Other Regions	0.9%	3.6%
Nursing homes/clinics	**3.5%**	**29.9%**
Belgium	2.0%	18.2%
France	5.8%	11.7%
Pubstone	**0.7%**	**13.0%**
Belgium	0.9%	8.2%
The Netherlands	0.3%	4.8%
Others	**-1.2%**	**1.5%**
TOTAL PORTFOLIO	-0.9%	100.0%

Commercial results

The rental vacancy risk faced by Cofinimmo each year represents on average 8% of its overall portfolio and 12 to 15% of its office portfolio. The commercial department pays special attention to the clients of the leases considered at risk. Treatment of the rental vacancy risk in 2010 shows that 75% were secured through renegotiations, unexercised resignations and renewed leases. This percentage reaches 82% if the new leases that were signed and took effect during the FY are also taken into account. Hence, of the 7% of the total portfolio that were at risk in 2010, 5.7% have been secured.

The *occupancy rate*[2] of the office portfolio (92.85%) is well above the market average, which works out at 88.20% (source: CB Richard Ellis). This confirms the success of Cofinimmo's commercial strategy, geared to forging a close relationship of trust with its clients and serving to boost the operating margin. Furthermore, diversification in the nursing homes sector and the Pubstone portfolio, in which the occupancy rate is 100%, has a positive impact on the overall occupancy rate, which stands at 95.77%, and improves the spread of the risk.

Property results

The Cofinimmo portfolio -with actual composition[3]- records a negative change in fair value of 0.9% over the 12 months of 2010, corresponding to an amount of €28.3 million. However, unlike the first 3 quarters of the year 2010, the change in the portfolio value was positive in the fourth quarter.

This depreciation for the year is made up as follows:

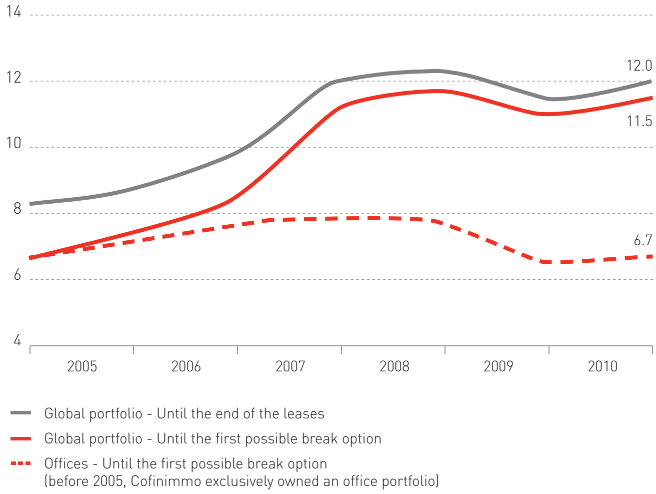
- the "Offices" and "Others" segments record a negative change in fair value of €61.7 million and €0.5 million respectively;
- the segments "Nursing homes Belgium", "Nursing homes France" and "Pubstone" record a positive change in fair value of €11.2 million, €20.9 million and €1.6 million respectively.

The reason behind the depreciation of the office portfolio is two-fold:

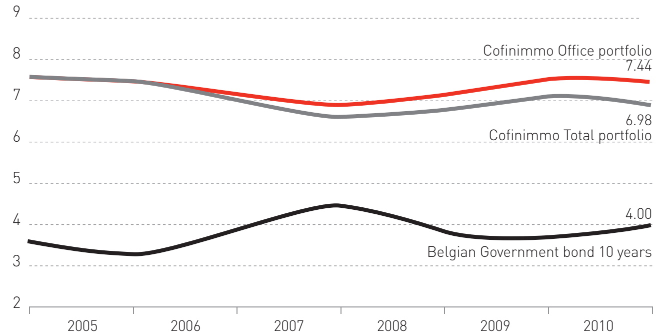
- the over-supply of rental area prohibits an increase in rents and leads to an extension of the vacancy period before renting and a lengthening of rent free periods claimed by future clients before signing the transaction;
- the value of properties requiring a significant renovation in short-term future is penalised: this is the case for the Livingstone and Science 15-17 buildings.

1 Source: CB Richard Ellis. 2 The occupancy rate is calculated by dividing the *contractual rents* of the current leases (indexed) by the sum of these contractual rents and the estimated rental values of the vacant premises, the latter being calculated on the basis of the current market rates. 3 I.e. including investments and divestments realised during the year.

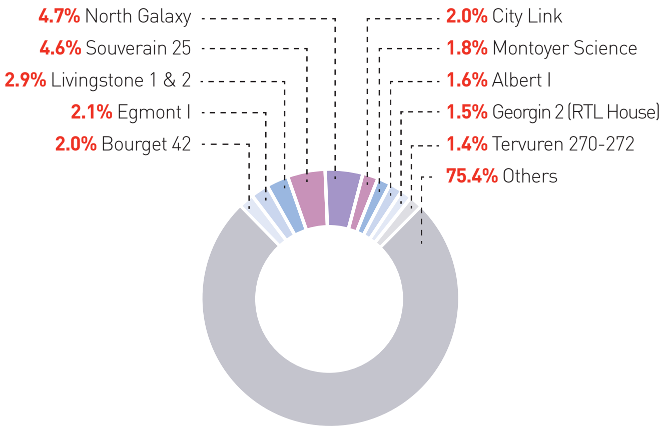
Weighted residual lease length (in number of years)



Market rates applied on the Cofinimmo portfolio and yield of the Belgian bonds (in %)



Relative importance of the main buildings - in fair value (in %)



At global portfolio level, this depreciation is partially compensated by:

- the indexation of the leases;
- a high occupancy rate: 95.77% at 31.12.2010;
- an average residual lease length which has risen from 6.7 years (at the end of 2004) to 7.7 years (at the end of 2006) and then to 11.5 years at the end of 2010, an outstanding figure[1] among the European real estate companies.

The average residual length of all leases in force at 31.12.2010 is 11.5 years[2] if each tenant would exercise his first possible termination option (break). This number increases to 12.0 years in case no break option is exercised and all tenants remain in their rented space until the contractual end of the leases.

One of the key features of Sicafis is risk diversification[3]. The Cofinimmo portfolio is well-diversified, with the largest property representing only 4.7% of the consolidated portfolio.

Main clients - in contractual rents (in %)

AB InBev Group	13.5%
Buildings Agency (Belgian Federal State)	11.6%
Korian Group	8.9%
International public sector	7.3%
Armonea	6.6%
TOP 5 tenants	**47.9%**
Senior Living Group	5.3%
AXA Group	5.1%
Dexia	3.1%
Méditer	2.6%
IBM Belgium (IBM Group)	2.4%
TOP 10 tenants	**66.4%**
TOP 20 tenants	**76.6%**
Others	23.4%
TOTAL	100.0%

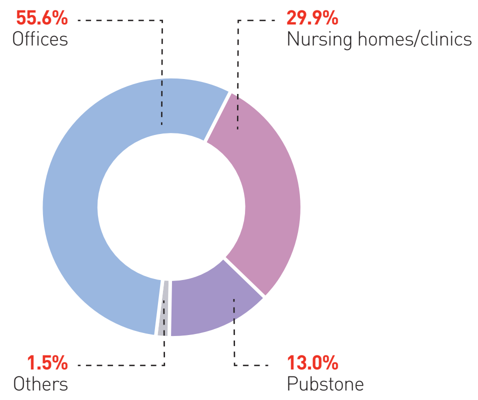
1 Source: Standard & Poor's. 2 For the office portfolio alone it stands at 6.7 years. 3 Cf. Art. 38 of the *Royal Decree of 07.12.2010*.

Sector information

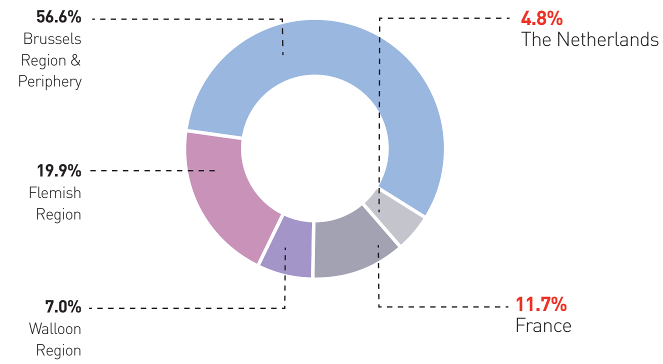
Rental situation by destination

Properties	Superstructure (in m²)	Contractual rents (x €1,000)	Occupancy rate (in %)	Rents + ERV on unlet (x €1,000)	Estimated Rental Value (ERV) (x €1,000)
Offices	622,279	98,120	91.5%	107,236	100,672
Reconstitution of lease payments sold and discounted - offices	214,960	21,294	99.7%	21,366	21,366
Total offices & reconstitution of lease payments sold and discounted	**837,239**	**119,414**	**92.9%**	**128,603**	**122,038**
Nursing homes/clinics	507,260	57,019	100.0%	57,019	55,950
Pubstone	343,648	28,549	100.0%	28,549	26,454
Others	26,965	2,951	100.0%	2,951	2,595
Total investment properties & reconstitution of lease payments sold and discounted	**1,715,112**	**207,932**	**95.8%**	**217,121**	**207,037**
Projects & renovations	-	86	n.a.	86	86
Land reserve	3,200	131	n.a.	131	131
GENERAL TOTAL PORTFOLIO	1,718,312	208,150		217,339	207,287

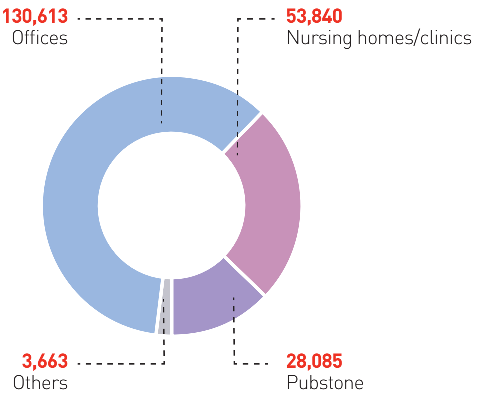
Breakdown by destination - in fair value (in %)



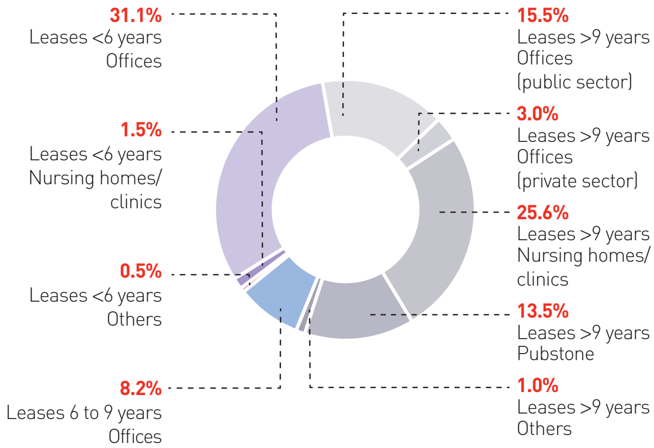
Geographic breakdown - in fair value (in %)



Breakdown by destination - in collected rents[1] (x €1,000)

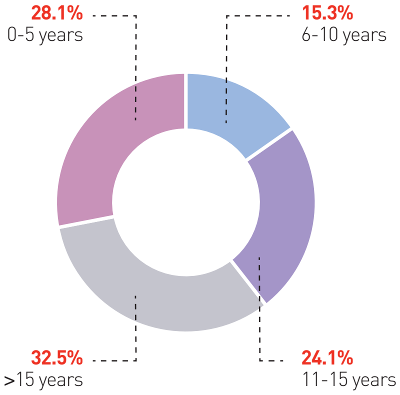


Maturity of the leases[2] (in %)

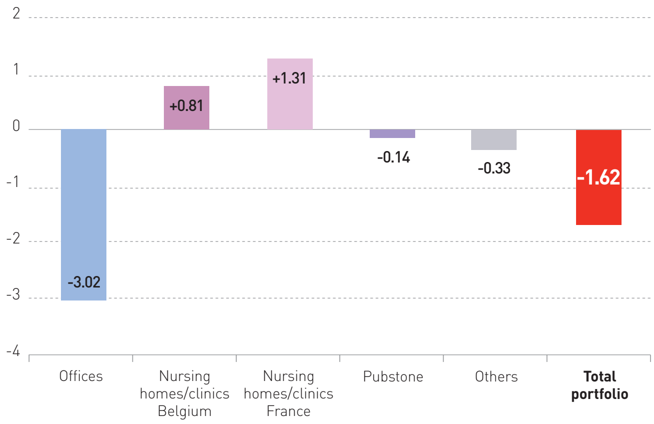


1 The difference between the rents actually collected and contractual rents is explained by the rental gratuities granted at the beginning of certain leases and the prorata temporis non-occupation of properties during the past 12 months. 2 Until the next possible break option.

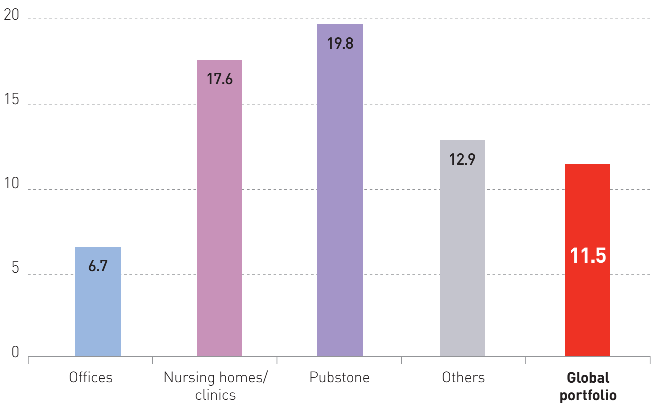
Breakdown by age of the properties[1] (in number of years)



Evolution of the collected rents with an unchanged portfolio (2010 vs. 2009) (in %)



Average residual lease length per sector
(in number of years)

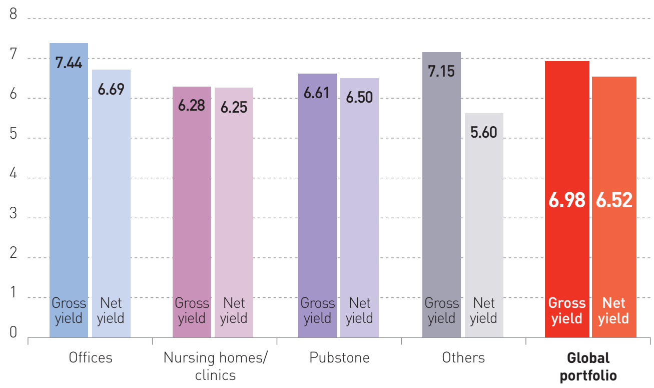


The downtrend in rents perceived at unchanged portfolio is due to the office share. Indeed the somewhat weak indexing over the year was not sufficient to offset the effects of the current climate in this segment: restructuring and cost control policies are leading companies to reduce their rented areas, to renegotiate their rental conditions or to move to new premises with more favourable conditions, which is facilitated owing to the office surplus.

Three elements are nevertheless limiting this downtrend:

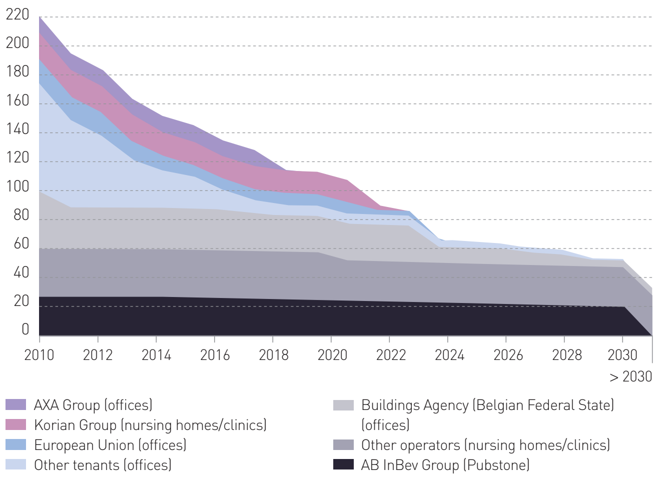
- the office occupancy rate, which is still relatively high (92.85%);
- the tenant rotation rate over the entire portfolio, which remains limited at 5%;
- the nursing homes/clinics enjoy a positive indexation of the leases and their income is also protected by their long duration.

Gross/net rental yields per sector[2] (in %)



The current *gross rental yield* on the total portfolio has evolved from 7.06% at 31.12.2010 to 6.98% at 31.12.2010, that of the office property portfolio alone from 7.43% to 7.44%.

Contractually guaranteed rental income[3] (x €1,000,000)



A minimum of 70% of the rental income is contractually guaranteed until 2016. This percentage increases to 76% in case no termination option (break) is exercised and all tenants remain in their rented space until the contractual end of the leases.

1 The properties which underwent a large-scale renovation are considered as being new; the Pubstone portfolio is considered as one single property and is included in the age bracket >15 years. 2 As if the portfolio were 100% rented. 3 Until the next possible break option.

management report

> transactions and performances in 2010.

> offices.

There have undoubtedly been signs of an economic recovery in 2010, but they have not led companies to change their investment and growth policies. The general climate is rather characterised by prudence and cost control, elements that little favour the office rental market.

1


2


3


4

With around 500,000m² of *take-up*, the **Brussels** office market has not performed better than last year, which already was a year of unprecedented low business. Moreover, this figure was greatly buoyed up by 2 very large operations, these being the relocations of BNP Paribas Fortis in the North District (38,000m²) and of the European Commission at the Schuman roundabout (40,000m²). This low take-up, most often the result of departures accompanied by floor area reductions, did not have a positive effect on the total rental vacancy rate in Brussels, which is still at an exceptionally high level of nearly 12% with 1.6 million m².

Today a structural surplus exists: 25% of empty floor areas are quality properties, delivered less than 5 years ago and mainly situated in the **Central Business District**. The availability rate in this district has continued to grow since 2008, following the delivery of a number of projects.

The **Decentralised** area has maintained its vacancy rate of nearly 16%.

For the **Periphery**, the delivery of a number of properties over the last few years has not reduced its vacancy rate, which is still over 20%.

This situation has effected rental levels, which are of course still under pressure. Very fortunately, no new development projects at risk have been initiated this year and it is hoped that developers will remain prudent for a little longer.

In the **Antwerp** market, although the rental business shows a similar level to 2009, around 120,000m², this performance falls short of the average for the last 5 years.

On the investors' side, even if total business is no higher than last year (€500 million), there was a very keen interest, in particular on the part of insurers, for properties let on the very long term. Competition for the purchase of the few new properties with 27 to 30-year lets is such that the capitalisation rates on these properties have sunk to a particularly low level of just over 5%. For the other properties, on the other hand, investors examine a lot...but sign very little. Prudence is still the order of the day.

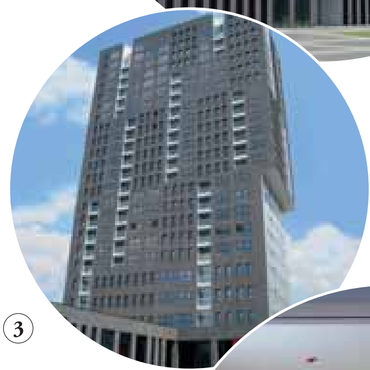
At 31.12.2010, Cofinimmo's total office portfolio consists of 94 properties, representing a total area of 837,239m² above ground and a fair value of €1,690.98 million. The properties are exclusively located in Belgium.

The in-house team responsible for this portfolio is made up of 41 people directly involved in managing the portfolio (*Property* and *Project Management*).

1 Square de Meeûs 23
2 City Link
3 Tervuren 270-272
4 Omega Court


1


2


3


4

1 Square de Meeûs 23
2 Avenue Building
3 London Tower
4 Serenitas

Acquisitions

Cofinimmo concluded an agreement regarding the construction at the end of 2011 of the Police Station of Dendermonde for an amount of €15 million (see page 43).

Divestments[1]

Continuing its asset arbitrage policy aimed at composing an optimum portfolio from a sector and geographical point of view, but also to reap benefit from opportunities to make sales at appreciable prices, Cofinimmo has proceeded to the disposal of several assets or assigned long leaseholds for a total gross amount of €97.33 million, which is on average 6.3% higher than their total investment value as determined by the independent real estate expert.

This involves:

- the disposal of **Kortrijksesteenweg 39** in 9000 Ghent, an office building of 5,755m² housing the regional offices of AXA Insurance, acquired by a private investor;
- the disposal of **Luchthavenlaan 18-20-22** in 1800 Vilvoorde, a premises consisting of multiple-use buildings and land representing a total plot area of 9,472m², acquired by the same private investor;
- the disposal of the building **Noorderlaan 75** in 2030 Antwerp, a commercial property of 24,300m², acquired by a family investment company;
- the disposal of the office buildings **Allard 40-42** and **Régence 55-65**, which form a whole of 13,385m² and are situated in central Brussels, to a group of private investors;
- the assignment of a *long leasehold* on the office building **Montoyer 40** (3,901m²) located in the Leopold District to the German investment fund Hansainvest GmbH; and
- the assignment of a long leasehold on the office building **Louise 140** (4,133m²) to the German investment fund HFSB Metropolen Westeuropa managed by the German investment company Hansainvest GmbH.

The proceeds on these disposals were reinvested within the framework of the company's investment programme.

These disposals attest Cofinimmo's concrete ability to realise in the still globally apathetic market, transactions with selling prices in keeping with or even exceeding the experts' valuations.

1 Including the segment "Others".

2010

Brussels

Property	Type of works	(Expected) end of works
Bourget 44 Leopold Square	Middle-scale renovation	Q4 2010
La Rasante[1]	Transformation	Q2 2011
Serenitas	Middle-scale renovation	Q2 2010
Square de Meeûs 23	Structural renovation	Q2 2010
Tervuren 270-272	Middle-scale renovation	Q1 2011

Antwerp

Property	Type of works	End of works
Avenue Building	Supervision of the quality of the executed works	Q3 2010
London Tower	Supervision of the quality of the executed works	Q4 2010

2011

Brussels

Property	Type of works	Expected end of works
Corner Building	Middle-scale renovation (technical upgrade and completions)	Q2 2011

Constructions and renovations

The company scrupulously adheres to Belgian and European environmental requirements applicable to construction and renovation, with a desire to go beyond the guidelines. Cofinimmo also champions an environmentally friendly architecture and the choice of sustainable, low-energy techniques and materials (see the "Corporate Social Responsibility" chapter on page 80).

2010

The Project Management department managed or accompanied 7 important works of which 5 in Brussels and 2 in Antwerp (see table on the left).

The total amount of the construction and renovation works managed and entered in the accounts in 2010 comes to €14.34 million.

2011

Apart from the works started but not completed in 2010, there are no major construction or renovation projects planned except for the renovation of the Corner Building in Brussels (see table on the left) and the initiation of the renovation works of the Livingstone 2 building (see page 29).

No large-scale renovation or construction project is currently planned in Antwerp in 2011.

The total estimated amount of construction and renovation works managed and accounted in 2011 stands at €11 million[2].

Whereas 2011 will see less intensive development in the office segment, in 2012 the company will embark on huge redevelopment projects concerning the **Science 15-17** and **Livingstone** office blocks.

1 In the sector reporting, this property is listed under the "Others" category of the portfolio.
2 See also Note 44 (page 160).

Cofinimmo is aiming for a maximum E-level of 60 and a BREEAM certification 'very good' for its redevelopment of the Science 15-17 building.

Science 15-17

This building, with a superstructure of ±20,000m² distributed over 8 storeys and 2 basement car parking levels, is situated at the corner of the rue Belliard and the rue de la Science. It dates from the early 70s and was extended 10 years later. As it no longer meets the requirements of a modern, sustainable office property, Cofinimmo has decided to completely redevelop it. The company has opted for a mixed project, in order to make it a flagship property in the rue Belliard.

To achieve this major objective, it has fixed the following basic concepts during the design phase:

- **Creation of a property with a sustainable[1] construction and low energy consumption**
  Cofinimmo attaches special importance to the ecological and sustainable identity of its properties. The company has planned a very low energy level (maximum E 60) and also a 'very good' BREEAM certification for the property.
  To achieve this, the building's shell will be comprehensively insulated and equipped with triple glazing. A green roof is also planned, as is energy recovery using a heat wheel, high-performance installations for the production of heat and cold, low-consumption terminal units (cold ceilings, for example), maximum use of natural lighting and movement detectors controlling the artificial lighting.

- **Improvement of the appearance of rue Belliard**
  The architectural monotony that dominates in rue Belliard will be broken with the creation of a forecourt at the corner of rue Belliard and rue de la Science. A clearing and spatial opening will thus be created along this urban main road. With a 5-storey, transparent atrium serving as entrance to the property, the interior garden, which is located behind the building, will be visible from the road and will fit perfectly into the new urban vision planned. The building will be multi-functional: the lower floors will be given over to commercial or cultural activities whereas the upper floors will continue to be office space. The forecourt will thus be enhanced, which will benefit the district in general.

- **Construction of a representative building, providing top-of-the-range office space, in a prime district**
  Its integration along the rue Belliard guarantees it optimum accessibility. The offices will have excellent acoustics, protected against ambient noise, and a superior gross/net lettable area ratio. The spaces will also be dividable into 1.35-m modules and will provide great flexibility. Cofinimmo will also integrate the most modern cooling, heating and ventilation techniques, with discretionary management possible.

1 I.e. with the highest respect for the environment.

Works will start after the departure of the current tenant (European Commission) and on obtaining of the various permits required. They should extend over the years 2012-2013.

Livingstone

The Livingstone site is comprised of 2 distinct buildings, Livingstone 1 and 2, each with its own architectural style.

The Livingstone 1 office property (16,000m²), which is divided into 4 units, was built in 1976 with an austere facade in architectural concrete panels. It has 10 storeys. In 1996, the complex was extended along rue Joseph-II, with the creation of 2 new wings in a more contemporary style, called Livingstone 2. Cofinimmo acquired the entire site in 2002 and will renovate it comprehensively in 2012 to convert it into a mixed project (residential/offices).

With its prime location at the centre of the European District, next to the Square Marie-Louise green area, and its easy access, the redevelopment of **Livingstone 1** into a residential building meets the need for housing identified in this area. The property will be laid out in 4 separate apartment blocks providing a total of approximately 125 living units (studios and 1, 2 or 3 bedroom apartments), which will be put on sale.

On the energy front, Cofinimmo endeavours to obtain *K-level* 30 and *E-level* 60 for this property. To do this, the company has opted for:

- a building shell with a very high level of insulation;
- a D-type ventilation system, i.e. with high-performance heat recovery (min. 90%);
- a very high-performance central heating system (condensing boilers);
- an ultra-efficient window frame and pane assembly;
- a structure providing external solar protection;
- separate meters and energy accounting;
- a green roof;
- an interior park;
- a rainwater recovery tank;
- electric vehicle recharging terminals.

The ground floor will be occupied by retail and/or professional concerns (spaces of 100 to 446m²) with direct access to the adjacent roads and avenues. The building's current volume will not be changed.

The Livingstone 1 redevelopment works are scheduled to start in the first quarter of 2012 as soon as the required permit is issued.

The **Livingstone 2** property has an office floor area of ±17,000m² on 7 floors and will be completely renovated and restructured. A new entrance hall will be built at the corner of rue Joseph-II and rue Philippe le Bon right in front of the metro station. On the ground floor, a flexible space perfectly adapted to an office or large meeting room layout will be designed.

The Livingstone 2 works are scheduled to start in the 4th quarter of 2011 and should last 12 months.

The total budget for these 2 large development projects is estimated at between €40 and €45 million ex VAT.

Redevelopment Livingstone 1:

- Target K-level: **30**
- Target E-level: **60**

1


1 Livingstone 1 (future situation)

Commercial results

Against the background of an office rental market where the economic recession left its deep marks, rents remain under pressure as supply is still outstripping demand. However, the performance of the Cofinimmo commercial teams has been highly satisfactory. While pursuing a policy directed at enhancing client loyalty, forging closer links with real estate agents and gearing property rents to market levels, they have managed to top the commercial target, thereby keeping the occupancy rate at 92.85%, giving an appreciable edge over the market average (88.20%, source: CB Richard Ellis). This figure is only slightly dropping compared to last year (94.88%) due to the delivery in July 2010 of the fully renovated Square de Meeûs 23 building and the effective departures of several tenants in the Decentralised District, in the properties Bourget 44 Leopold Square, Serenitas, Souverain 36 and Tervuren 270-272.

However, the take-up by new clients and the additional take-up of existing clients have had a positive impact on the occupancy rate. The last properties acquired, City Link and Omega Court, saw their occupancy rates increase considerably to 100% and 68% respectively.

By inviting clients who are close to the end of their lease to renegotiate their contract several months beforehand and by offering them flexibility and solutions tailored to their needs, Cofinimmo renegotiated 59,754m² with existing clients during 2010. The marketing and commercial policies enabled Cofinimmo to conclude contracts extending the area let to existing clients (6,582m²) and to attract 42 new clients who took up 22,484m². Altogether, 29,066m² of new space was rented. The combination of lease renewals and new lets adds up to 88,820m².

Property services

Cofinimmo offers a panoply of additional services to assist the tenants in managing their work space, thereby enabling them to fully concentrate on their Core Business.

Cofinimmo has 311 office clients, of whom 250 in 2010 had recourse to one or more property services concerning the fitting out of office space, maintenance and security.

The fitting out works are managed directly by Cofinimmo's multidisciplinary Project Management department, which is staffed by architects, engineers and space-planners. The other services, such as maintenance, security or energy supply, are provided by subcontractors rigorously selected by the purchasing department. Framework contracts are negotiated with them for this purpose, enabling Cofinimmo both to impose its high quality standards and also to achieve economies of scale by taking advantage of the size of its portfolio to obtain the best quality-price conditions from the selected subcontractors.

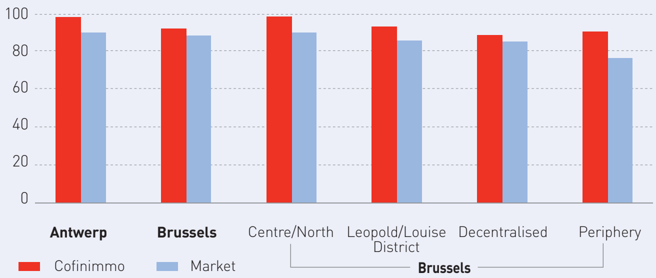
Cofinimmo also has a *Help Desk* service, available round-the-clock, seven days a week, which, at the request of its clients, organises the execution, which is subcontracted, of minor works and repairs of all kinds. This Help Desk is in charge of following up the requests from clients, informing them at each key stage of the progress of their application: confirmation of acceptance, communication of the day on which the works will take place and the name of the subcontractor, notification of the end of the works and report on the works carried out. At any time, the client may obtain information from this centralised service or react.

In 2010, the Help Desk service treated nearly 9,300 work requests. The costs of these works are invoiced to the clients. Besides promoting client loyalty and facilitating their use of the office space, which remain the core objectives of this service activity, Cofinimmo has netted an *operating result* of almost €181,000 from property services. This approach to client service will be pursued in 2011 and the range of services will be extended as and when new requirements are identified.

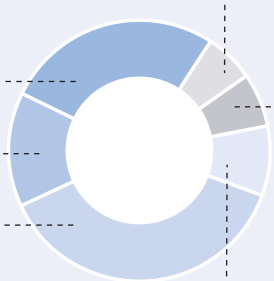
The average residual length of the leases (until the next termination option) of the 10 most important clients amounts to 8.4 years.

Sector information

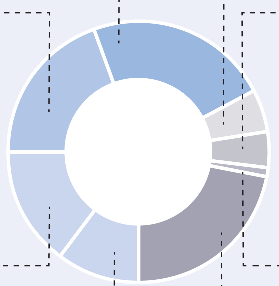
Occupancy rate Cofinimmo vs. office market[1] (in %)



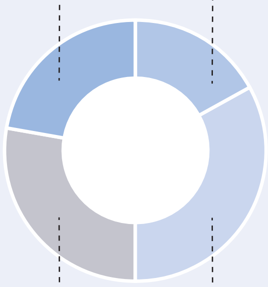
Geographic breakdown - in fair value (in %)



Breakdown by activity sector of the tenants - in contractual rents (in %)



Average age of the properties (in years)



Main clients (in contractual rents)

	Rating[2]	Outlook[2]	%
Buildings Agency (Belgian Federal State)	AA+	Negative	20.1
European Union	AAA	Stable	12.7
AXA Group	A	Stable	8.9
Dexia	A	Negative	5.3
IBM Belgium (IBM Group)	A+	Stable	4.1
TVI SA (RTL Group)	BBB+	Stable	2.3
Mercator	n.a.	n.a.	1.7
CEFIC	n.a.	n.a.	1.6
KPMG	n.a.	n.a.	1.5
Cleary Gottlieb Steen & Hamilton	n.a.	n.a.	1.5
TOTAL			59.7
Others			40.3

1 Source: CB Richard Ellis (Brussels) & DTZ (Antwerp). 2 This is the appreciation by the financial rating agency, Standard & Poor's, of the financial insolvency risk of the entity; situation on 31.12.2010.

management report
> transactions and performances in 2010.

> nursing homes/clinics.

In view of the current and expected trends in the demography of the dependent elderly and consequently in infrastructural needs, Cofinimmo pinpointed nursing and care homes as a property investment segment at the end of 2005. Five years later, after intensive development in Belgium and France, the company is now the largest investor in healthcare property in Continental Europe.

1

At 31.12.2010, the nursing homes and clinics portfolio consists of 102 properties, 507,260m² and a fair value of €910.89 million.

(2)

(3)

Demographic evolution

Demographic projections[1] indicate that the number of persons aged over 60 will increase by 60% between now and 2050. Hence, no less than one out of three persons will be over 60 on that date.

This phenomenon, which is identical for the 2 countries in which Cofinimmo is active in this sector, is explained by the lengthening of life expectancy thanks to medical advances. This growth will be even greater for the highest age bracket (over 80s), for whom the trend shows an evolution of no less than 150% over the same period.

Although the age of entering a nursing home infrastructure is more and more postponed, persons entering this type of establishment nevertheless show a particularly high degree of immobility. This dependence is further emphasized by the decrease in home helpers, generally from the immediate family, and their own ageing.

Legislation

Belgian and French nursing homes are governed by a very strict authorisation and accreditation system, constituting a high entry barrier. Thanks to this regulation, the 2 countries have occupancy rates of nearly 100%. The Social Security system participates in the day price at 50% and 20-30%[2] respectively for Belgium and France, the remaining part being covered by insurance bodies (mutual or private insurance companies, etc) and by the resident.

Market

The care offer remains highly fragmented, the structures and sizes of establishments being highly diverse with the number of individual homes still very high, though tending towards consolidation.

Both in Belgium and in France, care institutions operators are from the public sector, non-profit organisations or the private commercial sector. In Belgium, each holds approximately a third of the total housing capacity, while in France the public sector holds nearly half of the beds as against 30% for the private sector. It is nevertheless the private sector that has grown most markedly over the last 10 years, with similar trends in the 2 bordering countries.

In view of these dependency rates, there is a shortfall in the care offer. The number of beds available in Belgium stands at 130,000 and in France 700,000, which falls well short of the needs identified in demographic estimates. Furthermore, the property quality of nursing and care homes is often insufficient, requiring partial or total renovation.

(1) Prinsenpark
(2) Hélio Marin
(3) Heydehof

1 Source: Ageing Working Group/European Commission, INSEE, SPF/FOD Economie, DREES.
2 With the exception of psychiatric clinics and rehabilitation centres in France, for which the participation stands at between 75% and 100%.

Cofinimmo

In this context, Cofinimmo believes it can play an important role. More specifically, the company invests in rest homes (called Établissements d'Hébergement pour Personnes Âgées Dépendantes (*EHPAD*) in France), nursing and care homes, *service flats*, rehabilitation centres (called cliniques de Soins de Suite et de Réadaptation (*SSR*) in France) and psychiatric clinics. It invests exclusively in establishments approved by national or regional authorities.

To do this, the company signs solid property partnerships with the major players in the Belgian and French markets[1], who sell it their properties or ask it to build new ones for long-term let (27 years in Belgium, 12 years in France). These acquisitions are subject to prior due diligence to analyse the profitability of the project and also the solvency of the operators. This solvency analysis is repeated annually, the operators undertaking to provide regular financial reports. Cofinimmo offers operators access to real estate and architectural expertise. As a property company with its own Project Management department specialising in the health segment, in renovation and construction projects it acts as consultant in sustainable and ecological construction techniques.

The company's share in the Belgian and French markets stands at 4.6% and less than 1% respectively. Today these markets continue to be dominated by the public sector and charities.

With a 100% occupancy rate and leases mainly of the *triple net* kind, signed long-term with operators, these investments have a particularly stable and perennial rental profile. Any changes to it generally concern the composition of the tenant portfolio. Hence, following the acquisition announced by Orpea of 100% of the Méditer Group and 49% of Medibelge, both existing Cofinimmo tenants (see further), Orpea has become a new partner-operator. Orpea has an excellent reputation on the Belgian and French markets, both from a financial and operational point of view.

As for ends of lease, it should be stressed that almost all lease agreements provide for the opportunity to extend contracts for the same duration. In the event of non-extension, Cofinimmo will fully exploit the redevelopment potential of these properties, mainly as residential properties. Indeed, their relatively low purchase price per m², the result of the alignment of rental charges to a perennial rate for operators, offers a high capacity for rent appreciation.

At 31.12.2010, Cofinimmo's total nursing homes and clinics portfolio consists of 102 properties, with approximately 11,000 beds for residents (6,500 in Belgium and 4,300 in France), representing a total area of 507,260m² above-ground and a fair value of €910.89 million.

The in-house team responsible for nursing homes is made up of 9 people directly involved in managing the portfolio (Property and Project Management). For the execution and follow-up of renovation works in France, a collaboration agreement has been signed with a local contracting authority's representative.

The leases being almost exclusively of the triple net kind, operators are almost exclusively responsible for technical and property management.

Acquisitions[2]

Belgium

On 05.10.2010, Cofinimmo received the contribution in kind and for €11.0 million of all shares in the SA **Prinsenpark**, owner of the care home with the same name located in 3600 Genk (Limburg). The property has a total area of ±8,000m² and accommodates 120 beds. It was valued at €11.4 million, which is in line with the expert's value. An extension of 7,510m² to the existing building will be built comprising 34 beds and 40 service flats. This new construction will be financed by Cofinimmo for an estimated budget of €8.2 million. The works are expected to commence at the end of the 1st quarter of 2011. The total property will offer a gross rental yield of 6.60% in *double net* equivalent. The contributing company, Senior Living Group SA, with whom Cofinimmo has concluded a triple net long lease for a term of 27 years, has received in consideration 113,577 new Cofinimmo ordinary shares. Their issue price stood at €97.13 and they have the right to a share in the results with effect from 01.01.2010.

On 22.12.2010 and 23.12.2010 correspondingly, Cofinimmo acquired all shares of the SA Maison Saint-Ignace, and SA Epris, owners of the nursing homes **Saint-Ignace** and **Lucie Lambert** located in Brussels and in Buizingen (Flemish Brabant) respectively. These 2 nursing homes have a total area of approximately 14,000m² and accommodate 299 authorised beds. The properties are valued at €33.4 million, which is in line with the expert's value. They offer an average gross rental yield of 6.43% in double net equivalent.

Cofinimmo concluded triple net long-term leases for both properties. The nursing home Saint-Ignace is let to the operator Senior Assist SA, a Cofinimmo client since 2007. The nursing home Lucie Lambert is operated by Orpea Belgium SA. Hence, Cofinimmo also welcomes a new Belgian nursing home operator, diversifying its pool of tenants-operators in the healthcare segment.

1 In number of beds, in France the 3 leading private healthcare operators in descending order are: Orpea, Korian and Dolcéa. In Belgium they are Armonea, Senior Living Group and Senior Assist. 2 All leases are yearly indexed.

Constructions and renovations

Cofinimmo acts as property consultant for its nursing home operators. It thus encourages them to integrate a sustainable architecture, materials and installations with low energy consumptions on the construction or renovation of the properties and issues suggestions on how to reduce buildings' carbon footprint.

2010

In 2010, the Project Management department managed or controlled the following main projects:

Belgium

Property	Operator	Type of works	Number of (additional) beds	(Additional) floor area	(Expected) end of works
Heiberg - Beerse	Armonea	Extension	+65 beds and +60 service flats	+7,009m²	Q2 2011
L'Orchidée - Ittre	Armonea	Renovation and extension	+29 beds	+2,265m²	Q2 2011
Millegem - Ranst	Armonea	Extension	+27 beds	+1,651m²	Q4 2010
Parc - Biez	Armonea	Renovation	+49 beds	/	Q3 2010
Weverbos - Gentbrugge	Calidus	New construction	100 rooms	5,387m²	Q2 2011
Zevenbronnen - Walshoutem	Calidus	Extension	+68 beds and +26 service flats	+4,804m²	Q1 2012
Top Senior - Tubize	Medibelge	Extension	+23 rooms	+1,496m²	Q3 2011
Bellevue - Brussels	Senior Assist	Conversion of offices into a nursing home	153 beds	7,500m²	Q1 2010
Hof ter Dennen - Vosselaar	Senior Assist	Extension	/	+955m²	Q2 2011
Damiaan - Tremelo	Senior Living Group	Renovation and extension	+52 beds	+5,452m²	Q3 2012

France

Property	Operator	Type of works	Number of (additional) beds	(Additional) floor area	(Expected) end of works
Lo Solelh - Béziers	Korian	Renovation	+13 beds	/	Q3 2011
Pays de Seine - Bois le Roi	Korian	Extension	+26 beds	+1,860m²	Q4 2010
Le Clos Saint Sébastien - Saint Sébastien sur Loire	Orpea/Méditer	Renovation and extension	+12 beds	+870m²	Q3 2012

The total amount of construction and renovation works managed and accounted in 2010 stands at €35.21 million, and more specifically at €29.79 million in Belgium and €5.42 million in France.

The occupancy rate stands at 100% for each of these properties.

2011

For 2011, besides the works started but not yet finished in 2010, the major construction and renovation works planned are:

Belgium

Property	Operator	Type of works	Number of (additional) beds	(Additional) floor area	Expected end of works
't Smeedeshof - Oud-Turnhout	Armonea	Extension	+60 service flats	+8,397m²	Q2 2012
L'Adret - Gosselies	Medibelge	Extension	+15 beds	+887m²	Q3 2012
Les Jours Heureux - Lodelinsart	Senior Assist	Extension	+48 beds	+1,350m²	Q3 2012
Prinsenpark - Genk	Senior Living Group	Extension	+34 beds and +40 service flats	+5,424m²	Q4 2012
Zonnetij - Aartselaar	Senior Living Group	Extension	+26 beds	+1,216m²	Q2 2012

France

Today, apart from projects started but not yet completed in 2010, no major renovation or extension projects are planned in France.

The total estimated amount of construction and renovation works managed and accounted in 2011 in both countries stands at €31 million[1]. These projects have already been 100% pre-let.
For the projects started in 2010 but not yet completed at the end of that year and for the projects to be started in 2011, it is important to note that the information provided is in the form of estimates which may be changed during the execution of the works.

1 See also Note 44 (page 160).

1 Lucie Lambert
2 Saint-Ignace
3 Bellevue, inside
4 La Goélette

Operators

Belgium

Armonea

Armonea came into being in 2009. The company was created from an alliance between 2 companies owned by family groups each with a 30-year track record in providing care for the elderly. Within the Group, which manages 44 sites spread country-wide, comprising 4,800 beds for residents, 2,400-plus staff assist the 4,500 residents in their day-to-day lives.
With a turnover exceeding €100 million, Armonea is one of the foremost Belgian operators in the sector of services and care for the elderly. To date, Cofinimmo has acquired 23 nursing homes from their total portfolio.

Calidus

Calidus is a network of independent nursing home operators established in 2007 with the main objective of centralising certain aspects of operational management (accounts, procurement, advisory activities, ...) and promoting the pooling of information among the different members and organisations in the care and health sector. The care services as well as legal and operational responsibilities do still remain the sole responsibility of each member of Calidus. Three years after its creation, this network now numbers 8 nursing homes encompassing around 600 accommodation units. Of this portfolio, Cofinimmo owns the nursing home Zevenbronnen and, in addition, is assisting the non-profit association ASBL Le Foyer de la Femme with developing the Weverbos project in Gentbrugge.

Medibelge

The company Medibelge is a relative newcomer to the Belgian nursing home market. It was set up in 2007 and currently manages 16 nursing homes and healthcare establishments (1,800 beds) in Brussels and in Wallonia. Cofinimmo has ownership of 6 of these institutions. Late 2010, Orpea absorbed 49% of the capital of Medibelge and 100% of Méditer.

Orpea Belgium

Orpea is present in Belgium in the nursing homes and service residences sector, with a network of 22 sites in constant development (see also "Orpea" further). At the end of 2010, Cofinimmo signed its first long-term partnership with this Belgian operator for the rental of the Lucie Lambert rest home.

Senior Assist

This Group was established in 2005 with the aim of developing quality care provision through a network of nursing homes underpinned by a centralised management structure. Senior Assist has an organisation managing a home care network serving 5,000 clients and a network of 32 nursing homes.
Of these, 9 are already owned by Cofinimmo. A new institution (Bellevue), for which Cofinimmo was jointly responsible for construction, has opened its doors in January 2010 in Brussels. Despite its relatively tender age, Senior Assist, who manages today 2,700 authorised beds, is growing rapidly.

Senior Living Group

Senior Living Group (SLG) was started up in 2004 and is owned by Waterland Private Equity, an independent private equity investment group. SLG operates 26 nursing homes spread throughout Belgium, and offering accommodation and care facilities for 3,750 residents. For 11 of these nursing homes, Cofinimmo owns the real estate. With 3,750 authorised beds, this Group is among the leading nursing home operators in Belgium.

France

Korian

Korian offers an extensive range of services for persons who are dependent, permanently or temporarily, channelled through EHPAD, SSR clinics and psychiatric clinics. With an aggregate portfolio of 220 institutions and over 20,000 beds, Korian tops the French and European league tables for dependency healthcare operators. Originally based exclusively in France, Korian went on to gain a foothold in 2007 in Italy and in Germany. Korian has been listed in compartment B of the Euronext Paris Eurolist since November 2006. Cofinimmo owns 39 institutions in the Korian property portfolio.

Méditer

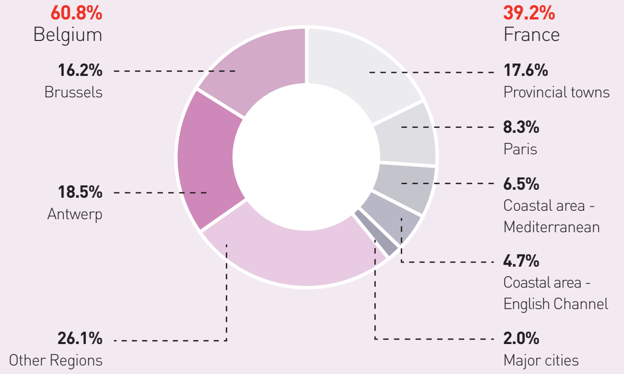
The Méditer Group, created in 2004, also offers an extensive range of dependency care services through EHPAD and SSR and psychiatric clinics. With a total portfolio of 14 institutions and 1,000 beds, Méditer is a significant player in the private French dependency care market. Of these 14 institutions, ownership has been transferred to Cofinimmo in the case of 10. At the end of 2010 Orpea undertook to acquire 100% of the Méditer Group (see below).

Orpea

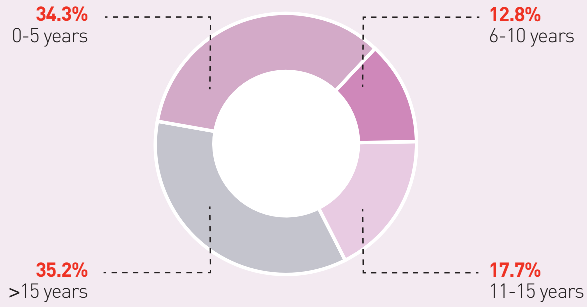
The Orpea Group is today, through its subsidiary Clinea, one of the European leaders in the dependency sector (retirement homes, medium-stay clinics and psychiatric clinics). The Group has a European network of 33,000 beds distributed over 356 sites, of which 298 are in France and 22 in Belgium. Since the end of October 2010, the Orpea Group has a capital stake in the Méditer Group (100%) and in Medibelge (49%) (see **www.orpea.biz**), both existing tenants-operators of Cofinimmo. Orpea has been listed since April 2002 on Compartment A of Euronext Paris.

Sector information

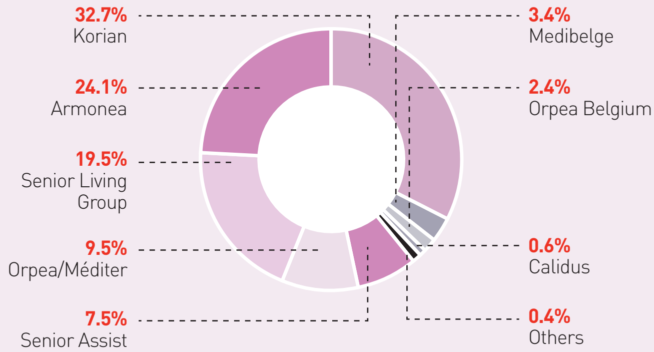
Geographic breakdown - in fair value (in %)



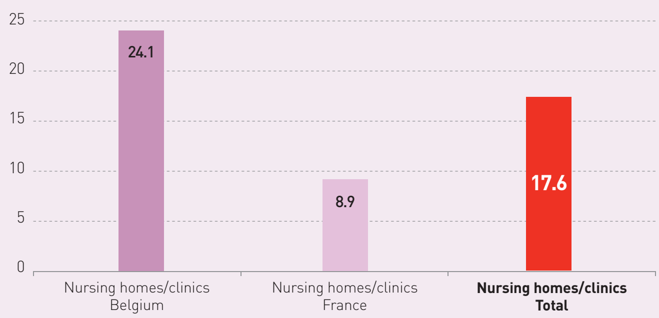
Average age of the institutions (in years)



Breakdown by operator - in contractual rents (in %)



Average residual lease length per country
(in number of years)



management report
> transactions and performances in 2010.

> pubstone.

Under the terms of a real estate partnership, at the end of 2007 Cofinimmo acquired the entire portfolio of pubs, owned until then by Immobrew SA, a subsidiary of AB InBev and rebaptised Pubstone SA. The pubs were then leased back to the company under a commercial lease for an initial average term of 23 years. AB InBev retains an indirect stake of 10% in the Pubstone structure (see organisation chart illustrated on page 163). On expiry of the lease, AB InBev has the option of renewal at the same conditions or restitution of the rented premises, free of occupation.

2

1

Cofinimmo does not assume any risk relating to the commercial operation of the pubs. These risks are borne exclusively by AB InBev, who partly passes them on to the individual operators, the subtenants. However, Cofinimmo does have responsibility for structural maintenance of roofs, walls, façades and external woodwork. Under the partnership, it also continues to assist AB InBev with the dynamic management of this portfolio.

The pubs are chiefly located in central locations in large towns (>75% of which over 50% in town centres), such as Antwerp, Bruges, Brussels, Leuven, Ghent and Liège for Belgium and Breda, Eindhoven, Maastricht and Tilburg for the Netherlands. In most cases they are in strategic locations such as shopping streets or town squares.

In Belgium, the in-house Pubstone team comprises 6 people that are involved in managing the portfolio (Property and Project Management). In the Netherlands, the in-house Pubstone team consists of 2 people, one responsible for technical coordination of the portfolio and the other for general administration, assisted by an outside firm (Ballast Nedam Beheer) with which a cooperation agreement has been concluded for supervising and executing all renovation works.

This internal management by Cofinimmo guarantees ongoing technical and financial supervision of the different properties as well as standardised management of the different property-related aspects.

At 31.12.2010, the Pubstone portfolio consists of 821 properties located in Belgium and 245 located in the Netherlands, representing a total area of 343,648m² above ground and a fair value of €395.56 million.

Acquisitions

Belgium

The café **L'Escalier** situated in Liège has been acquired for a sum of €0.49 million, less than the appraisal value established by the independent property expert.

Divestments

Belgium

In 2010, Cofinimmo sold 3 pubs, these being **De Wachtzaal** in Ghent, **Gambrinus** in Hasselt and **Le Saint-Eloi** in Ciney for a total sum of €0.79 million, higher than their total investment value.

3

The Pubstone team was awarded the 3rd prize in the "listed heritage" category for its renovation of the café Sofa in Mechelen, in the competition organised by the Town of Mechelen to promote projects to embellish the town.

1 Piazza
2 Speelmanshuys
3 Sofa

1

2

3

Constructions and renovations

Belgium

In 2010, the operational *Property Management* team proceeded with 490 technical interventions and 171 renovation works. They mainly concern external woodwork and painting works as well as roof repairs.

In 2010, the Project Management department managed or controlled the following main projects:

Property	Type of works
Brussels City/ Kelly's/ 't Ajuintje/Windsor - Aalst	Renovation of facades and repair of gutters (set of 4 historic buildings)
Le Coco - Brussels	Renovation of the historic facade
Taverne Saint Vincent - Liège	New roof and painting works
The Grapevine - Brussels	Renovation of the historic facade

The Netherlands

In 2010, 138 technical interventions and 88 minor renovations, similar to those executed in Belgium, have been carried out.

In 2010, the Project Management department managed or controlled the following main projects:

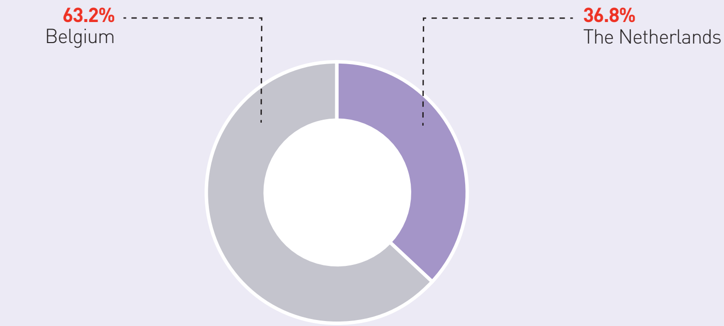
Property	Type of works
Alt Arce - Arcen	Painting works
Heerenplein - Utrecht	Painting and facade works
Zuiders Proeflokaal - Uden	Renovation of the facade and painting works

The total investment amount in 2010 of these interventions and projects stands at €2.59 million for both countries of which €2.0 million in Belgium and €0.59 million in the Netherlands. For the year 2011, new renovation and minor or major works are expected to be initiated for a similar total budget.

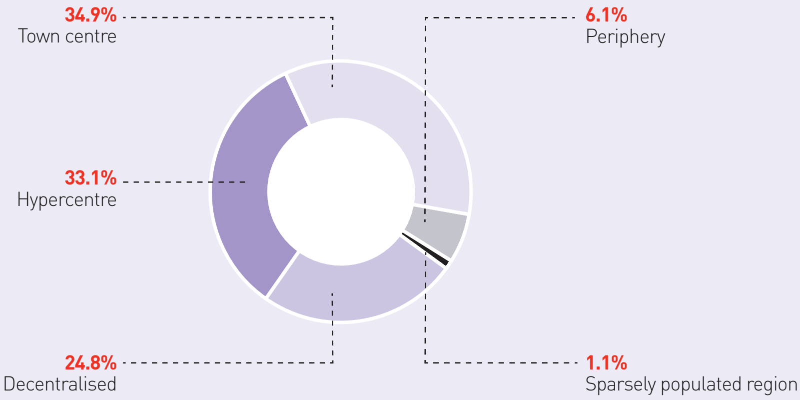
1 Alt Arce
2 't Ajuintje/Kelly's/Brussels City
3 Le Coco & The Grapevine
4 Le Coco

Sector information

Geographic breakdown - in fair value (in %)



Breakdown by urban location - in fair value (in %)



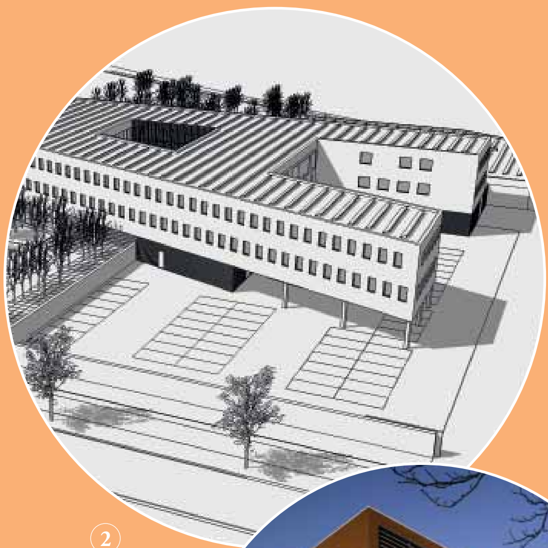
4

management report
> transactions and performances in 2010.

> public-private partnerships.

Cofinimmo is continuing its policy of participation in Public-Private Partnerships (*PPPs*), which enable certain public services to be offered the necessary funding for the construction of buildings which must meet specific requirements.

1



②

③

The company bears no construction risk in this type of property investment, which remains with a designated general contractor, with whom Cofinimmo agrees a lump sum for acquisition, payable when the building is handed over. Nevertheless, Cofinimmo supervises the quality and execution of the work and also takes charge of the upkeep and maintenance throughout the duration of the lease. The leases are generally very long, at the end of which the public authority has a purchase option. In this way, these operations are generally undertaken in the form of long-term lease finance. Cofinimmo does not therefore benefit from the perpetual ownership of these properties.

Acquisitions

Cofinimmo has concluded an agreement with the Cordeel construction group concerning the **Police Station in Dendermonde**. A Public-Private Partnership has been awarded for this *Design-Build-Finance-Maintain* project. Cordeel will be responsible for the construction of the building (>9,000m²) and after the delivery, which is scheduled for the fourth quarter of 2011, Cofinimmo will take over the property and let it for 18 years to the Buildings Agency (Belgian State). The investment price for Cofinimmo amounts to €15 million and the expected gross initial yield is 7%.

This property will be particularly environmentally friendly, the energy level target being maximum E 35.
This exceptional result will be achieved through:

- superior-quality insulation of the entire property;
- optimum solar protection provided by a suitable choice of glazing and the placing of an exterior solar protection system;
- a D-type ventilation system (100% automatic);
- an ultra-efficient lighting concept (with luminosity detection);
- a high-performance heating system with heat pump; and
- 1,500m² of photovoltaic solar panels.

① Antwerp Court of Justice
② Police Station of Dendermonde (future situation)
③ Fire Station of Antwerp

> management of financial resources.

Sicafi debt ratio: 47.50%.

Loan-to-Value: 50.26%.

Financial risks

Market risks and financial instruments

The market risks which could give rise to fluctuations in the financial result are confined in the particular case of Cofinimmo to the liquidity and counterparty risk and to changes in interest rates. The company is not exposed to exchange risks.

Liquidity and counterparty risk

Cofinimmo's financial policy is characterised by:

- the diversification of its financing sources (banking and other);
- the sound and enduring relationship forged with banking partners which have good financial ratings;
- a broad spread of loan maturities;
- the arrangement of long-term cover instruments against the interest rate risk;
- the full cover for short-term commercial paper by lines available over the long term.

This policy optimises the financing cost and limits the company's liquidity and counterparty risk. Cofinimmo also has a general policy of not mortgaging its properties or giving any other form of security to its creditors, with the exception of those mentioned on page 160. Neither its debt nor the confirmed credit lines are subject to early repayment or margin fluctuation clauses linked to the financial rating for the company. They are generally associated with conditions concerning (i) compliance with the rules governing Sicafis, (ii) compliance with debt ratios and cover of financial charges by cash flow and (iii) the level of net asset value. These ratios were met at 31.12.2010 and during the entire financial year.

Debt structure

Consolidated financial debt

The authorised statutory limit on debt for Sicafis is 65% (debt to total assets). As at 31.12.2010, Cofinimmo is in full compliance with this limit, the *debt ratio* standing at 47.50%.

Furthermore, the terms and conditions for all the bank credit lines allow the Group to take its financial debt ratio up to 60% maximum. This ratio is calculated by dividing the net financial debt by the *fair value* of the property portfolio and the finance lease receivables. However, if the Group exceeds a first threshold of 57.5%, it has been agreed that it will return to below this threshold within the following 6 months. These terms and conditions were relaxed during the 4th quarter 2009 as previously this threshold was set at 55% and the period required for being back under this level at 9 months.

Financial debt (x €1,000,000)

	Financial debt	Long-term commitments
Capital market		
Bonds	258.52	250.00
Long-term commercial paper	15.00	15.00
Short-term commercial paper	106.15	-
Bank facilities		
Revolving loans	1,020.36	1,528.67
Term loans	125.00	155.00
Others	12.61	5.06
TOTAL	1,537.64	1,953.73

It is important to underline that this relaxation does not entail any change to the Group's financial policy, namely to keep the financial debt ratio nearby 50%. It simply gives Cofinimmo extra financial flexibility in making any necessary adjustments to its balance sheet structure. The effective financial debt ratio at the end of the 2010 financial year worked out at 50.26%.

At 31.12.2010, the consolidated financial debt of the Cofinimmo Group amounted to €1,537.64 million (see also the repayment schedule on the following page), comprising:

- €855.36 million of bilateral medium and long-term loans[1], with original maturity periods of between 3 and 10 years, contracted from 8 banks;
- €121.15 million of commercial paper, of which €106.15 million for original periods of under one year and €15.00 million for an initial period of over 3 years;
- €200.00 million in the form of a syndicated bank loan obtained in 2005 from 15 banks for an average original term of 5.3 years and repayable in August 2011, and €90.00 million in the form of a second syndicated loan from 4 banks, repayable in 2012;
- €258.52 million[2] in the form of 3 bonds, the first one issued in 2004 by Cofinimmo Luxembourg SA and the second one by Cofinimmo SA in 2009. Both bonds are repayable in 2014 for a nominal amount of €100.00 million each. The third bond was issued by Cofinimmo SA in 2010 and is repayable in 2013 for a nominal amount of €50.00 million;
- €12.61 million of other loans and advances (account debits).

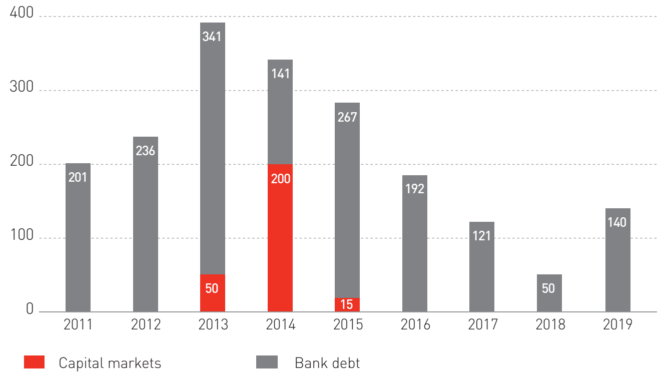
At 31.12.2010, Cofinimmo's short-term financial debt amounted to €313.70 million, of which:

- €106.15 million of commercial paper with a term of under one year;
- €200.00 million of a portion of the long-term syndicated loan maturing in August 2011;
- €7.55 million of other loans and advances (account debits).

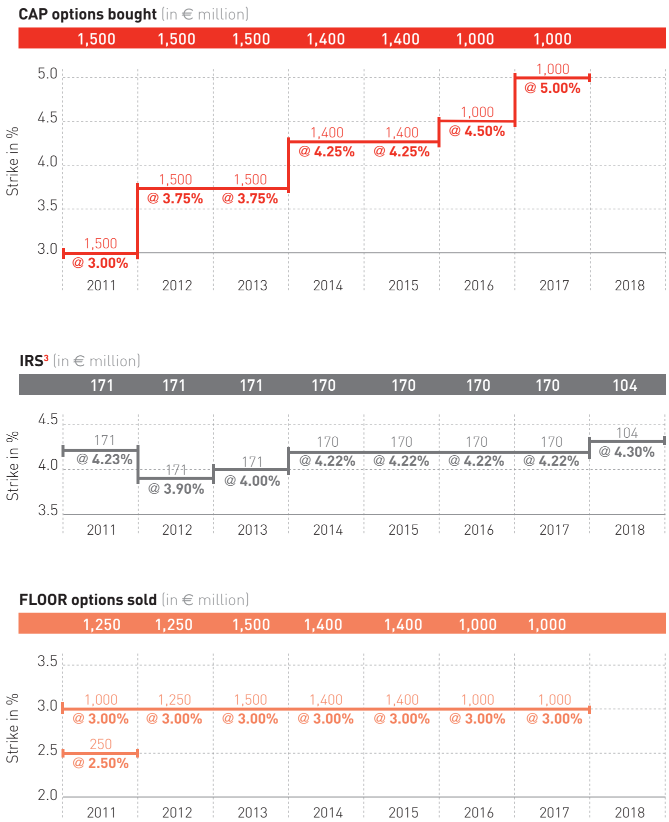
The issues of commercial paper (€121.15 million) are fully covered by undrawn portions of the confirmed long-term credit facilities totalling €1,688.73 million. Cofinimmo thus benefits from the attractive cost of this short-term financing programme while securing its refinancing in the event that placing new commercial paper were to become more expensive or impractical.

1 Of which a "Schuldschein" or debt obligation concluded with 2 German banks. 2 See also page 47 and Note 36 on page 156.

Repayment schedule for long-term financial commitments[1] - €1,953.73 million (in € million)



Situation of the interest rate cover[2] (bank margins excluded)



Situation for long-term financial commitments

The average weighted maturity of the Cofinimmo debt (excluding the short-term maturities of the commercial paper, which are fully covered by the undrawn portions of long-term credit facilities) drops from 4.4 years in 2009 to 3.8 years in 2010. The long-term confirmed financial credit lines (bank lines, bonds, commercial paper of over one year's duration and capital leases), with outstandings totalling €1,953.73 million at 31.12.2010, display a spread maturity profile up to 2019, with a maximum of 20.0% of these outstandings maturing during the same year 2013[4]. In 2011, 10.3% of the outstandings will mature (the refinancing of which is already guaranteed by the undrawn portions of the existing credit facilities) and 12.1% in 2012.

Interest rate hedging

The average interest rate on the Cofinimmo debt, including banking margins and amortisation costs of cover instruments for the period, stood at 4.33% in 2010 (see also pages 15 and 144).

At 31.12.2010, almost all of the debt was at short-term floating rate. The debt contracted at fixed rate was immediately converted by the company into floating rate. As such, the company is exposed to a greater risk of a rise in short-term rates, which could have a negative impact on its financial result. Therefore, Cofinimmo purchases cover instruments such as *CAP*s, generally combined with the sale of *FLOOR*s, or *IRS* contracts to cover overall debt (see chapter "Risk management").

The situation of interest rate cover for future years at 31.12.2010 is set out in Note 24 (see page 150).

At the closing date of this Report, assuming a constant gearing, the cover ratio for interest rate risk stands at 92% in 2011 and 2012, 100% until 2015, and more than 70% until 2018. The Cofinimmo results nonetheless remain sensitive to fluctuations in interest rates (see chapter "Risk management").

Financial rating

Since the autumn of 2001, Cofinimmo has a long and short-term finance rating awarded by the rating agency Standard & Poor's[5]. At the time of writing this Report, this rating was a BBB for long-term debt and A-2 for short-term debt. Standard & Poor's raised Cofinimmo's *rating* from A-3 to A-2 in January 2011 taking into account the reduced debt ratio and the improved risk profile of the company on account of the pursued diversification of its portfolio in less cyclic segments.

This improvement in rating will facilitate its access to capital markets and commercial paper investment.

1 These repayments include the principal of the financial commitments and exclude the interest payments (generally per month or per quarter) as well as expected cash flows on *derivative instruments*. 2 At closing date of the present Report. 3 Average of the different IRS with different strikes and assuming that the IRS which can be cancelled prematurely by the bank are active up to final maturity. 4 Bank debt has been contracted with 21 financial institutions of the highest standing, with financial ratings of at least A- (source: Bloomberg, 17.01.2011). 5 **www.standardandpoors.com**.

Deployment of the financing strategy in 2010

In 2010, Cofinimmo took a number of measures to gather financial resources in order to meet its investment commitments and bolster its balance sheet structure. Accordingly, since the beginning of 2010, the company successively:

- sold treasury shares for a total net amount of €69.03 million;
- privately placed a 3-year bond loan of €50 million;
- arranged a new bilateral 5-year bank loan for €30 million;
- extended until 2019 a bilateral credit line for an amount of €100 million, initially maturing in 2017;
- issued 113,577 new shares, against the contribution in kind of the shares of a nursing home company, for €11.0 million.

The resources raised in this way cover the company's total investment commitments until mid-2012, as well as the refinancing of credit lines maturing before this date.

Sale of own shares

Between the end of June and the end of August 2010, Cofinimmo SA disposed of 747,500 Cofinimmo own ordinary shares (i.e. 5.05% of the total outstanding ordinary shares) in the market at an average net price of €92.35 per share. As at 30.06.2010, the share price stood at €92.42 and its intrinsic value (in fair value) at €91.83. As at 30.09.2010, these respective values stood at €97.37 and €91.97. Today, Cofinimmo still holds 52,607 treasury shares which back its stock option plan.

Private placement of a €50 million bond

On 06.09.2010, Cofinimmo successfully closed a *private placement* of a 3-year non-convertible bond for an amount of €50 million with a gross coupon of 2.936%, i.e. a premium of 1.45% over the interbank rate ("*SWAP*" rate).

Arrangement of a new bilateral 5-year bank loan for €30 million

In 2010, Cofinimmo contracted a new 5-year bilateral credit line under the form of a Schuldschein for €30 million starting on 15.01.2011 and maturing in January 2016.

Rescheduling of a credit line

A bilateral long-term bank credit line of an amount of €100 million initially maturating in 2017 has been rescheduled until 2019.

Issue of new shares

In 2010, Cofinimmo received the contribution in kind of a nursing home located in Belgium. The company therefore proceeded with a capital increase (see also page 34) for an amount of €11 million and issued 113,577 new shares[1].

Net availability of credit

These different transactions, and in particular the bond issue, together with the available funding from Cofinimmo's confirmed credit lines, ran to €424.61 million at 31.12.2010 (after deducting the full cover of outstanding short-term treasury bills).

Financial resources raised in 2010: €260 million.

1 The Extraordinary General Shareholders' Meeting of 25.06.2010 also approved the merger by absorption of Cofinimmo SA with the companies Immo Noordkustlaan and City-Link against the total issue of 771,062 new ordinary shares (see also page 174).

management report

> data according to the *EPRA* principles[1].

EPRA Performance indicators

		2010		2009	
	Definitions	(x €1,000)	(€/share)	(x €1,000)	(€/share)
EPRA Earnings	Recurring earnings from core operational activities.	**119,192**	**8.02**	104,691	7.47
EPRA NAV	Net Asset Value (NAV) adjusted to include the investment properties at their *fair value* and to exclude certain items not expected to crystallise in a long-term investment property business model.	**1,576,950**	**106.09**	1,503,186	107.30
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	**1,459,782**	**98.21**	1,400,904	100.00
			(in %)		(in %)
EPRA Net Initial Yield (NIY)	Annualised gross rental income based on the cash passing rents at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with estimated transaction costs resulting from hypothetical disposal of investment properties.		**6.22%**		6.46%
EPRA 'topped-up' NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods and other incentives.		**6.12%**		6.44%
EPRA Vacancy Rate	Estimated Rental Value (ERV) of vacant space devided by the ERV of the whole portfolio.		**4.44%**		3.30%

1 These data are not compulsory according to the Sicafi regulation and are not subject to verification by public authorities. The auditor verified whether the "EPRA Earnings", "EPRA NAV" and "EPRA NNNAV" ratios are calculated according to the definitions included in the "EPRA Best Practices Recommendations" 2010 and if the financial data used in the calculation of these ratios comply with the accounting data included in the audited consolidated financial statements.

EPRA Earnings and EPRA Earnings per share (x €1,000)

	2010	2009
Earnings per IFRS income statement	**83,796**	32,450
Adjustments to calculate EPRA Earnings	**35,396**	72,241
To exclude		
(i) Changes in fair value of investment properties and properties held for sale	**27,331**	64,299
(ii) Gains or losses on disposal of investment properties	**-7,425**	-2,956
(iii) Gains or losses on disposal of properties held for sale	**172**	0
(v) Goodwill impairment	**0**	525
(vi) Changes in fair value of financial instruments (*IAS 39*)	**13,757**	12,301
(vii) Costs & interests on acquisitions and joint ventures	**-950**	719
(viii) Deferred tax in respect of EPRA adjustments	**2,112**	-2,174
(x) Minority interests in respect of the above	**400**	-472
EPRA EARNINGS	**119,192**	104,691
Number of shares	**14,863,795**	14,009,389
EPRA EARNINGS PER SHARE (in €)	**8.02**	7.47

EPRA Net Asset Value (NAV) (x €1,000)

	2010	2009
NAV per the financial statements	**1,459,782**	1,400,904
NAV per share per the financial statements (in €)	**98.21**	100.00
Diluted NAV, after the exercise of options, convertibles and other equity interests	**1,459,782**	1,400,904
To exclude		
(iv) Fair value of the financial instruments	**81,352**	67,077
(v.a) Deferred tax	**137,522**	136,910
(v.b) Goodwill as a result of deferred tax	**-101,705**	-101,705
EPRA NAV	**1,576,950**	1,503,186
Number of shares	**14,863,795**	14,009,389
EPRA NAV PER SHARE (in €)	**106.09**	107.30

EPRA Triple Net Asset Value (NNNAV) (x €1,000)

	2010	2009
EPRA NAV	**1,576,950**	1,503,186
To include		
(i) Fair value of the financial instruments	**-81,352**	-67,077
(iii) Deferred tax	**-35,817**	-35,205
EPRA NNNAV	**1,459,782**	1,400,904
Number of shares	**14,863,795**	14,009,389
EPRA NNNAV PER SHARE (in €)	**98.21**	100.00

EPRA Net Initial Yield (NIY) and EPRA 'topped-up' NIY (x €1,000)

		2010					
		Offices	Nursing homes/clinics Belgium	Nursing homes/clinics France	Pubstone	Others	TOTAL
Investment properties		1,690,983	554,079	356,980	395,557	44,487	3,042,086
Assets held for sale				-170			-170
Development projects		-4,126	-34,162			-4,368	-42,656
Properties available for lease		1,686,857	519,917	356,810	395,557	40,119	2,999,260
Estimated transaction costs resulting from hypothetical disposal of investment properties		42,171	12,998	17,687	36,198	1,138	110,192
Gross up completed property portfolio valuation	B	**1,729,028**	**532,915**	**374,497**	**431,755**	**41,257**	**3,109,452**
Annualised cash passing rental income		119,414	32,511	24,508	28,549	2,951	207,932
Property charges		-12,947	-207	-86	-502	-641	-14,383
Annualised net rental income	A	**106,467**	**32,304**	**24,422**	**28,047**	**2,310**	**193,549**
Rent-free periods expiring within 12 months and other lease incentives		-3,128					-3,128
Topped-up net annualised rental income	C	**103,339**	**32,304**	**24,422**	**28,047**	**2,310**	**190,421**
EPRA NIY	A/B	6.16%	6.06%	6.52%	6.50%	5.60%	6.22%
EPRA 'TOPPED-UP' NIY	C/B	5.98%	6.06%	6.52%	6.50%	5.60%	6.12%

EPRA Vacancy rate (x €1,000)

		2010					
		Offices	Nursing homes/clinics Belgium	Nursing homes/clinics France	Pubstone	Others	TOTAL
Rental space (in m²)		837,239	292,599	214,661	343,648	26,965	1,715,112
ERV[1] of vacant space	A	9,189	0	0	0	0	9,189
ERV[1] of the total portfolio	B	122,038	31,120	24,830	26,454	2,595	207,037
EPRA VACANCY RATE	A/B	7.53%	0.00%	0.00%	0.00%	0.00%	4.44%

EPRA Evolution of gross rental income (x €1,000)

	2009	2010				
Segment	Gross rental income[2]	Gross rental income - At comparable perimeter vs. 2009	Acquisitions	Disposals	Regularisation of rental income related to previous periods	Gross rental income - At current perimeter
Offices	**139,540**	**135,857**	**1,891**	**-7,281**	**611**	**131,077**
Nursing homes/clinics Belgium	23,737	23,930	5,674	-20	173	29,756
Nursing homes/clinics France	22,466	22,760	1,451	-91	-35	24,084
Nursing homes/clinics	**46,203**	**46,689**	**7,124**	**-111**	**138**	**53,840**
Pubstone Belgium	18,627	18,582	18	0	119	18,719
Pubstone Netherlands	9,360	9,366	-	0	0	9,366
Pubstone	**27,987**	**27,948**	**18**	**0**	**119**	**28,085**
Others	**5,139**	**5,122**	**-**	**-957**	**121**	**4,286**
TOTAL PORTFOLIO	218,869	215,616	9,034	-8,349	989	217,289
Reconciliation with IFRS consolidated income statement						
Writeback of lease payments sold and discounted						3,453
TOTAL	218,869					220,742

1 ERV = Estimated Rental Value. 2 Lease payments sold included.

2009					
Offices	Nursing homes/clinics Belgium	France	Pubstone	Others	TOTAL
1,780,863	471,162	331,510	390,222	67,734	3,041,491
-585		-170			-755
-22,711	-34,935			-2,037	-59,683
1,757,567	436,227	331,340	390,222	65,697	2,981,054
43,939	10,906	16,458	35,665	1,769	108,737
1,801,506	**447,133**	**347,798**	**425,887**	**67,466**	**3,089,790**
127,257	27,486	23,754	27,884	4,801	211,182
-11,013	-138	130	-615	-77	-11,712
116,244	**27,348**	**23,884**	**27,269**	**4,724**	**199,470**
-542					-542
115,702	**27,348**	**23,884**	**27,269**	**4,724**	**198,928**
6.45%	6.12%	6.87%	6.40%	7.00%	6.46%
6.42%	6.12%	6.87%	6.40%	7.00%	6.44%

2009					
Offices	Nursing homes/clinics Belgium	France	Pubstone	Others	TOTAL
860,311	253,817	212,131	306,498	51,204	1,683,961
6,838	0	0	0	0	6,838
126,230	26,877	23,230	26,325	4,515	207,178
5.42%	0.00%	0.00%	0.00%	0.00%	3.30%

Investment properties - rental data (x €1,000)

Segment	Gross rental income of the period[1]	Net rental income of the period	Available rental area (in m²)	Passing rent at the end of the period	ERV[2] at the end of the period	Vacancy rate at the end of the period
	2010					
Offices	**134,697**	**130,613**	**837,239**	**119,414**	**122,038**	**7.53%**
Nursing homes/clinics Belgium	29,756	29,756	292,599	32,511	31,120	0.00%
Nursing homes/clinics France	24,084	24,084	214,661	24,508	24,830	0.00%
Nursing homes/clinics	**53,841**	**53,841**	**507,260**	**57,019**	**55,950**	**0.00%**
Pubstone Belgium	18,719	18,719	296,223	19,104	17,622	0.00%
Pubstone Netherlands	9,366	9,366	47,425	9,445	8,832	0.00%
Pubstone	**28,085**	**28,085**	**343,648**	**28,549**	**26,454**	**0.00%**
Others	**3,934**	**3,477**	**26,965**	**2,951**	**2,595**	**0.00%**
TOTAL PORTFOLIO	220,556	216,015	1,715,112	207,932	207,037	4.44%

Reconciliation with IFRS consolidated income statement		
Income on redevelopments	186	186
TOTAL	220,742	216,200

Investment properties - valuation data (x €1,000)

Segment	Fair value of portfolio	Changes in fair value over the period	EPRA Net Initial Yield	Changes in fair value over the period
	2010			
Offices	**1,686,857**	**-61,396**	**6.16%**	**-3.5%**
Nursing homes/clinics Belgium	519,917	11,255	6.06%	2.2%
Nursing homes/clinics France	356,810	20,855	6.52%	6.2%
Nursing homes/clinics	**876,727**	**32,110**	**6.25%**	**3.8%**
Pubstone Belgium	249,954	2,348	6.82%	1.0%
Pubstone Netherlands	145,603	485	5.91%	0.3%
Pubstone	**395,557**	**2,833**	**6.50%**	**0.7%**
Others	**40,119**	**-335**	**5.60%**	**-0.8%**
TOTAL PORTFOLIO	2,999,260	-26,788	6.22%	-0.9%

Reconciliation with IFRS consolidated income statement	
Investment properties under development	42,656
TOTAL	3,041,916

Investment properties - lease data (x €1,000)

Segment	Average lease length (in years)		End of leases: Passing rents of the leases maturing in			ERV[2] on leases maturing in		
	Until the *break*	Until the end of the lease	Year 1	Year 2	Year 3-5	Year 1	Year 2	Year 3-5
Offices	**6.7**	**7.4**	**4,331**	**16,270**	**24,620**	**4,695**	**16,258**	**22,766**
Nursing homes/clinics Belgium	24.1	24.1	-	-	-	-	-	-
Nursing homes/clinics France	8.9	8.9	56	-	3,029	80	-	2,760
Nursing homes/clinics	**17.6**	**17.6**	**56**	**-**	**3,029**	**80**	**-**	**2,760**
Pubstone Belgium	19.8	19.8	-	-	672	-	-	620
Pubstone Netherlands	19.8	19.8	-	-	332	-	-	311
Pubstone	**19.8**	**19.8**	**-**	**-**	**1,005**	**-**	**-**	**931**
Others	**12.9**	**14.8**	**114**	**-**	**423**	**191**	**-**	**498**
TOTAL PORTFOLIO	11.5	12.0	4,501	16,270	29,077	4,966	16,258	26,955

1 Lease payments sold included. 2 ERV = Estimated Rental Value.

2009					
Gross rental income of the period[1]	Net rental income of the period	Available rental area (in m²)	Passing rent at the end of the period	ERV[2] at the end of the period	Vacancy rate at the end of the period
139,051	**135,886**	**860,311**	**127,257**	**126,230**	**5.42%**
23,737	23,850	253,817	27,486	26,877	0.00%
22,466	22,466	212,131	23,754	23,230	0.00%
46,203	**46,316**	**465,948**	**51,240**	**50,107**	**0.00%**
18,627	18,627	236,601	18,653	17,601	0.00%
9,360	9,360	69,897	9,231	8,724	0.00%
27,987	**27,987**	**306,498**	**27,884**	**26,325**	**0.00%**
5,502	**5,200**	**51,204**	**4,801**	**4,515**	**0.00%**
218,743	215,389	1,683,961	211,182	207,177	3.30%
126	126				
218,869	215,515				

2009			
Fair value of portfolio	Changes in fair value over the period	EPRA Net Initial Yield	Changes in fair value over the period
1,757,567	**-43,215**	**6.45%**	**2.2%**
436,227	-3,231	6.12%	-0.7%
331,340	-10,226	6.87%	-3.0%
767,567	**-13,457**	**6.44%**	**-1.7%**
245,668	-1,629	6.73%	-10.9%
144,554	-5,573	5.82%	-2.4%
390,222	**-7,202**	**6.40%**	**-2.0%**
65,697	**-1,347**	**7.00%**	**-2.4%**
2,981,054	-65,221	6.46%	-2.0%
59,683			
3,040,736			

Revised leases					
Passing rents of the leases subject to revision in			ERV[2] of the leases subject to revision in		
Year 1	Year 2	Year 3-5	Year 1	Year 2	Year 3-5
7,373	**21,475**	**29,531**	**7,859**	**20,827**	**28,138**
-	-	-	-	-	-
56	-	3,029	80	-	2,760
56	**-**	**3,029**	**80**	**-**	**2,760**
-	-	672	-	-	620
-	-	332	-	-	311
-	**-**	**1,005**	**-**	**-**	**931**
114	**-**	**943**	**191**	**-**	**894**
7,543	21,475	34,508	8,129	20,827	32,724

management report
> events after 31.12.2010.

Amendment of articles

A first Extraordinary General Meeting to consider the amendment of several points of the company articles of association was convened on 11.03.2011. Since the necessary quorum was not reached, a new Extraordinary General Meeting was convened on 29.03.2011.

The shareholders will be proposed to bring the articles into line with the new *Royal Decree on Sicafis of 07.12.2010*. The main changes concern:

- Cofinimmo's capacity, as public Sicafi, to request the Sicafi institutional regime for its controlled subsidiaries;
- the capacity to limit or annul the preference right on the issuing of new shares as long as an irreducible allocation right is granted to existing shareholders;
- the capacity to issue convertible bonds;
- the capacity to offer shareholders the choice of receiving their dividend in cash or in shares;
- the reconstitution of the authorised capital at the level of the issued share capital.

It will also be proposed to the Shareholders' Meeting, following the provisions foreseen in the Company Code, to reduce the non-distributable reserve item "Share premium account" by transfer to the "Result carried forward from previous years" item for an amount of €214,087,000. The reason for this transfer is that Cofinimmo has, on its mergers by absorption of other companies since 2004 and up to 2010, transferred not only the capital and share premium account of the absorbed companies to the corresponding shareholders' equity items (Capital and Share premium account) of the absorber Cofinimmo, but also the gains made at this time by the absorbed companies, by recording them in the item "Share premium account". The advantage of this accounting method was that it kept the Cofinimmo share's par value unchanged.

A more classic accounting method for mergers which consisted in recording the gains in the reserves (applied up to 2003), was to allocate the balance sheet items of the absorbed companies to the same balance sheet items of Cofinimmo, the absorber. Looking back, the method followed since 2004 has raised the minimum threshold below which, by virtue of Article 617 of the Company Code (and its interpretation in the new Royal Decree on Sicafis), a dividend distribution cannot lower the net asset value.

The reclassification of the non-distributable reserve is carried out within the same context.

Cofinimmo carried out these reclassifications in its shareholders' equity in order to guarantee the dividend distribution.

Appointments
At the General Meeting of 29.04.2011, the term of office of **Mr André Dirckx**, Director and Chairman of the Board since 04.07.2001, will expire. In accordance with Appendix A of the Corporate Governance Code 2009 and Article 526ter of the Company Code, which provide for a maximum of 3 consecutive terms of office for an independent Director in the Board of Directors, this term of office will not be renewed.

Under his direction, Cofinimmo has experienced a remarkable growth and initiated with success its diversification policy allowing the company to weather the storms whipped up by the economic crisis since 2007 with greater serenity. With Mr André Dirckx at the helm, the work of the Board has been conducted rigorously and in a balanced manner, whilst respecting the different points of view of each Director. On behalf of his colleagues, the shareholders and all the staff, the company thanks him for his unwavering commitment.

The Board of Directors will appoint Mr André Bergen as Chairman. Mr Bergen holds a seat on the Board since the Ordinary General Meeting of 2010 and is equipped with banking experience acquired within the ex-Générale de Banque and as former Chief Executive Officer of KBC.

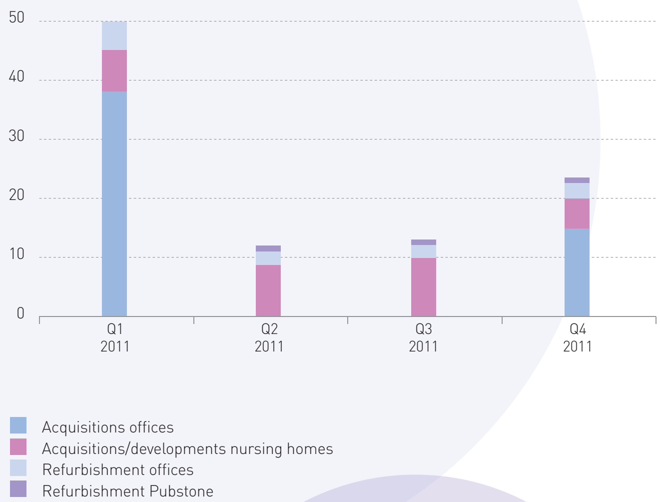
Mr Jean Franken, Director, Member of the Executive Committee and Chief Operating Officer of Cofinimmo has expressed his desire to retire at the end of next June. Mr Jean Franken joined Cofinimmo in 1997 and has made a notable contribution to the operations and development of the company, whose assets have quintupled since then. The Board of Directors would like to thank him for his valuable collaboration and accedes with regret to his request.

Subject to the preliminary approval by the *Banking, Finance and Insurance Commission*, Mr Jean Franken will be replaced as Chief Operating Officer and Member of the Cofinimmo Executive Committee by Mr Xavier Denis, who will also be proposed as Director of the company to shareholders at the Ordinary General Meeting of 29.04.2011. Mr Xavier Denis, of Belgian and French nationalities, aged 38, is a civil engineer architect (Université Catholique de Louvain) and *Master of Business Administration* (Insead). After working initially at the Chapman Taylor and HOK Sport architectural practices in London, he joined Cofinimmo in 2002 as Head of Project Development & Area Manager. Mr Xavier Denis is also Director of *Pubstone* and Chairman of the Investors Committee of UPSI (Union Professionnelle du Secteur Immobilier).

management report
> forecasts 2011.

€98 million: investments in 2011.

Investments in 2011 (in € million)



€119 million: planned divestments.

Assumptions

Valuation of assets

The *fair value*, which is the *investment value* of the properties of which the transaction costs are deducted, is taken over in the consolidated balance sheet. For the 2011 provisional balance sheet, this valuation is entered as an overall figure for the portfolio, increased by major renovation expenses.

Maintenance and repairs – Major renovation works[1]

The forecasts by building include both the repairs and maintenance costs, which are entered under operating costs, and major renovation costs, which are capitalised and met from self-financing and borrowing. The upkeep and repair expenses taken into account in the forecast are respectively €11.7 million for office properties and €2.7 million for the pubs.

Investments[1] and divestments

The following investment and divestment projects are taken into account in the forecast:

- the acquisition during the second quarter of 2011 of the office buildings **Avenue Building** and **London Tower** located in Antwerp for an approximate value of €38.0 million;
- the acquisition during the fourth quarter 2011 of the **Dendermonde Police Station** for an approximate value of €15.0 million;
- the acquisition of **nursing homes** in Belgium and France for a total of €31.0 million resulting from the delivery of new units or extension of existing units;
- the **disposal of office properties** for a total amount of €119.1 million during the first half of 2011.

Following these investments and divestments, and in the absence of other transactions, the weight of the offices within the global portfolio will be reduced to approximately 50% and the nursing home share will increase to around 30%.

Pubstone – exit tax

The promulgation of the Belgian *Royal Decree of 07.12.2010* on Sicafis introduces the institutional Sicafi status, enabling Cofinimmo's subsidiaries to request for this status against payment of an *exit tax*. The forecast takes this possibility into account during the first half of 2011 for the company *Pubstone* SA, owner of the Group's pubs in Belgium. The amount of the exit tax is estimated at €50 million.

1 This hypothesis is under the company's control, pursuant to Regulation 809/2004 of the European Commission.

Rents

Rent forecasts include assumptions for each lease as to tenant departures, analysed on a case-by-case basis, and, in the event of departure of tenants, refurbishment costs, a period of rental vacancy, rental charges and taxes on unlet space plus agency commission when the space is relet. Letting forecasts are based on the present market situation, without assuming either a possible upturn or deterioration in the market. Property result also incorporates the writeback of lease payments sold and discounted relating to the gradual reconstitution of the full value of buildings for which the leases have been sold to a third party. A variation of 1% either way in the *occupancy rate* leads to a cumulative increase or reduction in the *net current result* per share per annum of €0.13. Current contracts are index-linked.

Inflation

The inflation rate used for the evolution of rents is 2.0% for the leases being indexed in 2011. The sensitivity of the forecast to changes in the inflation rate is small over the period considered. A variation of 0.5% either way from the predicted inflation rate leads to a cumulative increase or reduction in the net current result per share per annum of €0.07.

Financial expenses

The calculation of financial charges is based on the assumption that interest rates will start to rise again, as anticipated by the future rate curve, and takes into account the current loan contracts. Considering the hedging instruments in place for future years, the cost of debt estimated in 2011 is 4.13% (margins and costs of hedging instruments included).

Consolidated income statement - Analytical form (x €1,000)

	2010	**2011**
NET CURRENT RESULT		
Rental income, net of rental-related expenses	195,092	**183,492**
Writeback of lease payments sold and discounted (non-cash)	21,108	**20,494**
Taxes and charges on rented properties not recovered	-258	**527**
Redecoration costs, net of tenant compensation for damages	-1,622	**-906**
Property result	214,320	**203,607**
Technical costs	-3,269	**-4,720**
Commercial costs	-1,357	**-2,097**
Taxes and charges on unlet properties	-3,334	**-2,651**
Property result after direct property costs	206,360	**194,139**
Property management costs	-15,031	**-14,389**
Property operating result	191,329	**179,750**
Corporate management costs	-6,333	**-6,268**
Operating result (before result on portfolio)	184,996	**173,482**
Financial income (IAS 39 excluded)	6,036	**3,428**
Financial charges (IAS 39 excluded)	-64,373	**-63,142**
Revaluation of derivative financial instruments (IAS 39)	-13,757	
Taxes	-7,224	**-4,151**
Net current result[1]	105,678	**109,617**
Minority interests	-243	**-660**
Net current result – Group share	105,435	**108,957**
Average number of outstanding shares entitled to share in the result of the period	14,863,795	**14,863,795**
Net current result per share – Group share (in €)	7.09	**7.33**
Net current result per share – Group share – excl. IAS 39 impact (in €)	8.02	**7.33**

1 *Net result* excluding gains or losses on disposals of investment properties, changes in fair value of investment properties and exit tax.

A forward projection of the future market values of the properties is uncertain, so that no reliable assessed forecast can be given at the present time for the result on portfolio. This result will depend on the tendencies on the rental market, the capitalisation rates as well as the anticipated renovation costs of the buildings.

The disposal, already agreed and for cash, of several assets to various counterparties, of which the realisation is nevertheless subject to administrative authorisations, could lead to a realised result on portfolio of €0.54 per share, compared to €0.49 realised in 2010.

Shareholders' equity will evolve depending on the current result, the *result on portfolio* and the dividend distribution. If necessary, the company will comply with the provisions of Article 54 of the Royal Decree of 07.12.2010[1].

Shareholders' equity is presented before distribution of the dividends of the financial year 2010.

Consolidated balance sheet (x €1,000)

	31.12.2010	**31.12.2011**
Non-current assets	3,304,794	**3,224,932**
Goodwill	164,012	**136,949**
Investment properties	3,041,916	**2,991,158**
Financial lease receivables	58,349	**56,307**
Other non-current assets	40,517	**40,517**
Current assets	77,112	**73,906**
Assets held for sale	170	
Financial lease receivables	2,780	**2,780**
Cash and cash equivalents	3,265	**3,265**
Other current assets	70,897	**67,861**
TOTAL ASSETS	3,381,906	**3,298,838**
Shareholders' equity	1,466,878	**1,425,524**
Shareholders' equity attributable to shareholders of parent company	1,459,781	**1,418,011**
Minority interests	7,097	**7,514**
Liabilities	1,915,028	**1,873,314**
Non-current liabilities	1,448,760	**1,425,897**
Non-current financial debts	1,226,815	**1,278,143**
Other non-current liabilities	221,945	**147,754**
Current liabilities	466,268	**447,417**
Current financial debts	313,730	**321,727**
Other current liabilities	152,538	**125,690**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,381,906	**3,298,838**
DEBT RATIO	47.50%	**50.05%**

1 This Article lays down the obligation to elaborate a financial plan completed by an execution calendar describing the measures taken in order to avoid the consolidated debt ratio exceeding 65% of the consolidated assets. This plan is to be addressed to the CBFA.

Dividends
The policy on distribution is proposed by the Board of Directors to the General Meeting at the end of each financial year.

Based on its existing estimates and in the absence of major and unforeseen events, the company has set the objective of distributing a dividend for the year 2011 (payable in 2012) equivalent to that of FY 2010, i.e. €6.50 gross per share.

Caveat
The distribution of a dividend by the Sicafi constitutes an obligation established by Article 27 of the Royal Decree of 07.12.2010, which applies without prejudice to the provisions of Articles 617 and following of the Company Code and of their accounting implications. In order to guarantee the future dividend distribution, Cofinimmo will carry out the necessary reclassifications in its shareholders' equity and puts forward to an Extraordinary General Meeting convened on 29.03.2011 a resolution as described on page 54.

The forecast consolidated balance sheet and income statement are projections, the achievement of which depends, more particularly, on trends in the property and financial markets. They do not constitute a commitment on the part of the company, and have not been certified by the company's statutory auditor.

However, the auditor, Deloitte Company Auditors SC s.f.d. SCRL represented by Mr Ludo De Keulenaer, has confirmed that the forecasts have been drawn up properly on the indicated basis and that the accounting basis used for the purposes of this forecast are in conformity with the accounting methods employed by Cofinimmo SA in preparing its consolidated accounts using accounting methods in accordance with IFRS as executed by the Belgian Royal Decree of 07.12.2010.

€6.50/share: gross dividend forecast for 2011.

management report

> corporate governance statement.

> Cofinimmo sees that it maintains high standards of corporate governance and continues to constantly assess its methods against the principles, practices and requirements of this field.

Code of reference

This corporate governance statement adheres to the provisions of the Belgian Corporate Governance Code 2009 ('Code 2009') and of the Law of 06.04.2010 amending the Company Code.

The Royal Decree of 06.06.2010 recognised Code 2009 as the only code applicable. This Code is available on the website of the Official Belgian Gazette, and on the website **www.corporategovernancecommittee.be**. The Board of Directors of Cofinimmo declares that the company has adopted Code 2009 as its code of reference.

The Board of Directors declares that to its knowledge the corporate governance exercised fully complies with the *Corporate Governance Code 2009*, except for the duration of the term of office of Mr Jean Franken. Indeed, at the 2008 Shareholders' Ordinary General Meeting, Mr Jean Franken's term of office was exceptionally renewed for a period of 5 years in order to stagger the respective terms of the executive Directors. This duration is contrary to provision 4.6 of Code 2009.

The company's Corporate Governance Charter can be viewed on its website **www.cofinimmo.com** on the "Corporate Governance" page. Its latest adaptation was on 09.02.2011.

Internal audit and risk management

In accordance with the Corporate Governance rules and with the several laws applicable to collective investment bodies, Cofinimmo has set up a risk management and internal control procedure.

For this, the company has chosen as reference procedure the Enterprise Risk Management (*ERM*) model developed by *COSO* (Committee of Sponsoring Organizations of the Treadway Commission). COSO (**www.coso.org**) is an organisation that stems from the private sector and whose purpose is to promote the improvement of the quality of financial reporting through the application of business ethics rules, an effective internal control system and corporate governance rules.

The ERM model has 6 components:

- internal environment;
- setting of objectives and risk appetite:
- identification, analysis and control of risks;
- control activities;
- information and internal communication;
- surveillance and monitoring.

Internal environment

The internal environment includes the company's risk philosophy, integrity, ethical values, persons' skills, the way in which the Executive Committee assigns authority and responsibilities and trains its staff, all under the control of the Board of Directors.

At Cofinimmo, risk management is embodied in the business culture by means of:

- corporate governance rules and the existence of an Audit Committee mainly composed of independent Directors, of a Nomination, Remuneration and Corporate Governance Committee, of an Internal Auditor, Risk Manager, Management Controller and Compliance Officer;
- the Executive Committee's integration of the notion of risk for any investment, transaction or commitment with a significant impact on the company's objectives;
- the existence of a Code of Conduct dealing with conflicts of interest, professional secrecy, purchase and sale of shares, prevention of misuse of corporate funds, acceptance of business gifts, communication and respect for individuals;
- adherence to task separation principles and the application of rules regarding delegation of powers clearly established at all levels of the company;
- the existence in the human resources area of selection criteria, personnel hiring rules, a training policy, a periodic performance assessment procedure and the fixing of annual objectives;
- the follow-up of procedures and the formalisation of processes.

External actors also participate in this risk control environment, in particular the *Banking, Finance and Insurance Commission*, company auditors, legal consultants, independent real estate experts, banks, the Standard & Poor's CRA, financial analysts and shareholders.

Setting of objectives and risk appetite

The strategy is determined annually by the Board of Directors on the basis of a proposal of the Executive Committee. It is then translated into operating, conformity and reporting objectives at the company's several operating levels, from the most global level to its application in functional units.

A budget, which constitutes the figures for the company's objectives, is drawn up annually and checked every quarter. It includes both forecasted revenue items such as rents for the year and also property costs linked to the management and development of real estate assets and financial costs linked to the business finance structure. The budget is approved by the Executive Committee and then submitted to the Board of Directors, which then approves it.

Identification, analysis and control of risks

This point includes the identification of risk events, their analysis and the measures chosen to respond to them in an efficient manner.

An in-depth risk analysis is carried out periodically in collaboration with all levels of the organisation, each for its respective area of competence. This analysis is done on the basis of the strategic choices and of the legal and environmental constraints within which the company evolves. It includes an identification of possible risk events, their probability of occurrence and their impact on objectives viewed from different angles: financial, legal, operational, counterparty, property assets and reputation. The analysis is formalised in a document presented and discussed at an Executive Committee meeting and updated throughout the year according to the evolution of activities and new commitments made taking into account the lessons of the past. Furthermore, once a year it is submitted to the Audit Committee, which will use it, among other things, to decide on what audit assignments are to be assigned to the Internal Auditor.

Control activities

Controls are carried out in the various departments of Cofinimmo in response to the several risks identified:

- at financial level, the deviations between the estimated budget and the realised result are reviewed quarterly by the Executive Committee, the Audit Committee and the Board of Directors;
- at credit risk level: the solvency of the most important clients, i.e. those constituting more than 5% of rental revenue, is analysed twice yearly by the financial department. Similarly, the amounts and validity of the rental guarantees established by all tenants are checked quarterly by the operational teams;
- at rental level: half-yearly analysis of rental vacancy, lease terms and risks and opportunities in terms of rental revenue;
- at accounting level: the use of an *ERP* (Enterprise Resource Planning, an integrated management software), this being SAP, includes a number of automatic checks. SAP includes both all the accounting and financial aspects, including consolidation operations, and all aspects linked to the real estate business (i.e. follow-up of rental contracts, rent bills, statement of charges, etc.);
- at treasury level: use of different sources of finance and banks limits the concentration risk;
- the risk linked to the interest rate is limited by the application of a coverage policy for a minimum of 50% of the notional amount borrowed on a 3-year sliding scale;
- the use of cash flow software facilitates the day-to-day follow-up of cash flow positions and *cash-pooling* operations;
- the application of the dual signature principle[1] within the limits of delegations of power regarding any commitment vis-à-vis a third party, whether this involves asset acquisition, rental transactions, orders of any type, approvals of invoices and payments;
- the use of a *workflow* software in the different stages of the sales business (rental activity), stepping up controls at the procedure's key stages;
- the recording of the COFP1 and COFP2 registered shares movements is realised in a secure IT application, developed and made available by Belgium's central depository Euroclear; the registered ordinary shares are currently recorded in the Capitrack program of Euroclear.

Information and internal communication

Information and communication from and to the several levels of the company is based on work meetings and on reporting:

- the Management Report, drawn up quarterly by the Consolidation and Reporting entity, details the situation of the income statement, the key performance indicators, the acquisitions/sales situation and their impact on the results and cash flow positions. It is distributed to management, heads of department and key individuals. This is discussed in detail by the Executive Committee, the Audit Committee and the Board of Directors;
- the Operating Report, drawn up by the same entity, details the rental situation of buildings and its forecasts, shedding light on the rental risk;
- similarly, each department periodically draws up specific reports regarding its own activities.

The Executive Committee meets every week; it systematically reviews the important points of the company's operations and business (investments/sales, cash flow, staff, etc.). Minutes are drawn up for each meeting with, if necessary, an action plan for the implementation of the decisions taken at the meeting.

Surveillance and monitoring

A complete accounting closing is carried out quarterly, following the same procedures as for the end of year, and the consolidated accounts are drawn up. Key indicators are calculated and analysed. These data are collected in the Management and Operating Reports dealt with in the above point. They are discussed and analysed by the Executive Committee and Board of Directors. Similarly, each department collects pertinent information at its own level, which is analysed quarterly and compared to the objectives set for the year.

During the course of the year, the Executive Committee asks each head of department to submit a round-up of the evolution of its own activities.

The company also has an Internal Auditor whose assignments cover the several procedures. The results of the audits are submitted to the Audit Committee, which controls the implementation of the recommendations, and to the Board of Directors.

1 Article 18 of the company articles of association currently does not include this dual signature but the internal policy relating to delegations of power incorporates this principle.

Shareholders structure[1] (at 31.12.2010)

Company	Sector	Number of ordinary shares	%	Number of preference shares	Total number of shares (voting rights)	%
Dexia SA[2]	Insurance	816,307	5.97%	291,706	1,108,013	7.43%
Cofinimmo Group (own shares)		52,607	0.38%		52,607	0.35%
Number of shares issued		13,667,092	100.00%	1,249,310	14,916,402	100.00%
Free float[3]			93.65%			92.22%

The Board of Directors declares that the above-mentioned shareholders do not have different voting rights.

Decision-making bodies

Board of Directors

Current composition

According to the general principles governing the composition of the Board, as adopted on a proposal by the Nomination, Remuneration and Corporate Governance Committee, the Board generally comprises 12 Directors, including 8 non-executive Directors, 4 of whom are independent, and 4 executive Directors (members of the Executive Committee). Since the General Shareholders' Meeting of 2010 and the appointment of Mr André Bergen as independent Director, the Board is exceptionally and temporarily composed of 13 members, 5 of them being independent Directors. Directors are appointed for a maximum of 4 years[4] by the shareholders at the General Meeting and may be dismissed by the same at any time. They are re-electable.

The independent Directors strictly comply with the independence criteria set out in Article 526ter of the Belgian Company Code and Appendix A of the Corporate Governance Code 2009, as follows:

- not be an employee, member of the managerial personnel, member of the Executive Committee, responsible for the day-to-day management, executive Director or member of the executive personnel of Cofinimmo, or of a connected company, and not have occupied a similar position during the 5 years preceding their appointment;
- not receive or have received from Cofinimmo or a connected company any remuneration or any other significant financial benefit other than those associated with their term of office;
- not be a dominant shareholder or have a shareholding of more than 10% in Cofinimmo -either alone or jointly with a company controlled by the Director- or be a Director or member of the managerial personnel of such a shareholder or represent it. Directors with a shareholding of less than 10% may not subject the acts of disposal relating to these shares or the exercise of the rights relating to them to contractual stipulations or to unilateral commitments to which they have subscribed. Directors may not under any circumstances represent such a shareholder;
- not have or have had during the preceding year, and not to be likely to have a significant commercial relationship with Cofinimmo or a connected company, either directly or as a partner, shareholder, Director, senior executive or member of the management personnel for an organisation that has a relationship of this type;
- not be, and not have been during the past 3 years, a partner or employee of the present or a former auditor of Cofinimmo or a connected company;
- not be an executive member of the management body of another company in which an executive Director of the company sits as non-executive member of the management or supervisory body, and not to have other significant links with the Cofinimmo executive Directors by virtue of an involvement in other companies or bodies;
- not have carried out more than 3 terms of office as non-executive Director within Cofinimmo, without it being possible for this period to exceed 12 years;
- not have within the company a spouse, legal cohabitant, kin or relatives by affinity once removed holding the office of Director, member of the Executive Committee or a managerial position.

The Board meets a minimum of 8 times a year. Exceptional circumstances may necessitate the Board holding one or more additional meetings. During 2010, the Board met on 11 occasions. Before the meeting, each Board member receives the documents containing the proposals of the Executive Committee on which he must decide.
In the event of a vote, decisions are taken by simple majority.
In the event of a tie, the Chairman has the casting vote.

1 Situation based on the shareholding notifications received in accordance with the Law of 02.05.2007. Any modifications notified since 31.12.2010 have been published according to the provisions of the above-mentioned Law and can be consulted on the company's website **www.cofinimmo.com**, under the heading "Investor Relations & Media/Share Information/Shareholder Structure". 2 Dexia SA is the parent company of Dexia Bank Belgium SA, which in turn is the parent company of Dexia Insurance Belgium SA. Dexia Insurance Belgium SA is the parent company of the companies Corona, DIB Invest, Sepia, DIS Finance and Assurance Asset Management Company. 3 This free float calculation, commonly used by Euronext, includes all shareholders holding individually less than 5% of the capital. 4 Until the 2010 General Meeting, Directors were appointed for 3 years.

Functions and terms of office of the Directors in the Cofinimmo Board and/or its Committees

	Name Function	Year of birth	Sex	Nationality	Term of office started	Last renewal	Term of office ended
1	**André Dirckx** Chairman of the Board Independent Director, within the meaning of Article 526ter of the Company Code Member of the Nomination, Remuneration and Corporate Governance Committee	1936	M	Belgian	04.07.2001	25.04.2008	29.04.2011
2	**André Bergen** Independent Director, within the meaning of Article 526ter of the Company Code[1]	1950	M	Belgian	30.04.2010	-	26.04.2013
3	**Jean-Edouard Carbonnelle** Executive Director	1953	M	Belgian	30.04.1999	25.04.2008	27.04.2012
4	**Xavier de Walque** Director (representing the shareholder Dexia) Member of the Nomination, Remuneration and Corporate Governance Committee	1965	M	Belgian	24.04.2009	-	27.04.2012
5	**Chevalier Vincent Doumier** Director (representing the shareholder Compagnie du Bois Sauvage) Member of the Audit Committee	1955	M	Belgian	28.04.2006	24.04.2009	27.04.2012
6	**Serge Fautré** Managing Director	1960	M	Belgian	26.04.2002	25.04.2008	29.04.2011
7	**Jean Franken** Executive Director	1948	M	Belgian	25.04.1997	25.04.2008	26.04.2013
8	**Robert Franssen** Director (representing the shareholder Allianz Belgium)	1955	M	Belgian	19.02.2004	25.04.2008	29.04.2011
9	**Gaëtan Hannecart** Independent Director, within the meaning of Article 526ter of the Company Code Chairman of the Nomination, Remuneration and Corporate Governance Committee	1964	M	Belgian	28.04.2006	24.04.2009	27.04.2012
10	**Françoise Roels** Executive Director	1961	F	Belgian	27.04.2007	30.04.2010	26.04.2013
11	**Alain Schockert** Director (representing the shareholder Bank Degroof)	1950	M	Belgian	27.04.2007	30.04.2010	26.04.2013
12	**Gilbert van Marcke de Lummen** Independent Director, within the meaning of Article 526ter of the Company Code Chairman of the Audit Committee	1937	M	Belgian	30.04.2004	30.04.2010	26.04.2013
13	**Baudouin Velge** Independent Director, within the meaning of Article 526ter of the Company Code Member of the Audit Committee	1955	M	Belgian	28.04.2006	24.04.2009	27.04.2012

2 5 6 7 9 10 12 1 4 11 13 3 8

1 Since 30.04.2010.

Other functions and offices held by the Directors of the Cofinimmo Board currently or in the past 5 years

André Dirckx

Current function: -

Current or previous offices: Les Petits Riens ASBL, Euronext NV[1], NYSE Euronext[1]

André Bergen

Current function: Director of NYSE Euronext (11 Wall Street, New York, NY 10005, USA)

Current or previous offices: NYSE Euronext NY, Ahlers SA, NIBC bank (The Hague), Sapient Investment Managers (Cyprus), Zuhair Fayez Partners (Saudi Arabia), King Baudouin Foundation, Fund for Scientific Research, Flemish industry association (VOKA), Walloon industry association (UWE), Festival of Flanders (Ghent), KBC Group[1], KBC Bank[1]

Jean-Edouard Carbonnelle

Current function: Chief Financial Officer (CFO) of Cofinimmo SA (Boulevard de la Woluwe 58, 1200 Brussels)

Current or previous offices: Société Royale d'Économie Politique de Belgique ASBL, SIGEFI Nord Gestion SAS (FR), Société d'Habitations de Tournai SA, *EPRA* Taxation Committee

Xavier de Walque

Current function: Vice-Chairman of the Executive Committee and Chief Financial Officer of Dexia Bank Belgium SA (Boulevard Pachéco 44, 1000 Brussels)

Current or previous offices: Dexia Insurance Belgium, and several companies of the Dexia Group, Maison de la Radio Flagey SA[1], Financial Security Assurances[1]

Chevalier Vincent Doumier

Current function: Managing Director and Chairman of the Executive Committee of Compagnie du Bois Sauvage SA (Rue du Bois Sauvage 17, 1000 Brussels)

Current or previous offices: Ceran ILC, Codic International SA, Ter Beke SA, Bank Degroof SA, John Berenberg Gossler & Co KG (D), and several companies of the Compagnie du Bois Sauvage Group, Finaspil SA, Assainissement & Amélioration du Logement Populaire SCRL, Les Petits Riens ASBL, Centre Interdiocésain ASBL, Cercle Royal Gaulois Artistique et Littéraire ASBL, Recticel SA, Compagnie Financière du Château SA[1], Fauchon Group[1], Trade Credit Re Insurance Company (TCRé) SA[1], Nanocyl SA[1]

Serge Fautré

Current function: Chief Executive Officer (CEO) of Cofinimmo SA (Boulevard de la Woluwe 58, 1200 Brussels)

Current or previous offices: La Mondiale (FR), Union Professionnelle du Secteur Immobilier (UPSI), European Public Real Estate Association (EPRA)[1]

Jean Franken

Current function: Chief Operating Officer (COO) of Cofinimmo SA (Boulevard de la Woluwe 58, 1200 Brussels)

Current or previous offices: Union Professionnelle du Secteur Immobilier (UPSI)[1]

Robert Franssen

Current function: Chairman of the Executive Committee of Allianz Belgium SA (Rue de Laeken 35, 1000 Brussels)

Current or previous offices: Several companies of the Allianz Group, Mondial Assistance Europe, Anpi ASBL, Assuralia Association Professionnelle, Portima Société Coopérative, Assurcard SA[1]

Gaëtan Hannecart

Current function: Managing Director and Chairman of the Executive Committee of Matexi Group SA (Franklin Rooseveltlaan 180, 8790 Waregem)

Current or previous offices: Home Invest Belgium SA, Union Professionnelle du Secteur Immobilier (UPSI), Network for Training Entrepreneurship ASBL (NFTE Belgium), Itinera Institute ASBL, Real Dolmen SA, Matexi Group SA, as well as several companies of this Group

Françoise Roels

Current function: Secretary General & Group Counsel of Cofinimmo SA (Boulevard de la Woluwe 58, 1200 Brussels)

Current or previous offices: Euroclear Pension Fund OFP, Women on Board ASBL, Institut des Juristes d'Entreprise[1]

Alain Schockert

Current function: Managing Director and member of the Executive Committee of Bank Degroof SA (Rue de l'Industrie 44, 1040 Brussels)

Current or previous offices: Brocsa SA, and several companies of the Degroof Group

Gilbert van Marcke de Lummen

Current function: Director of D'Ieteren SA (Rue du Mail 50, 1050 Brussels)

Current or previous offices: D'Ieteren SA, Maison de la Radio Flagey SA[1], Belron SA (L)[1], Avis Europe PLC (UK)[1]

Baudouin Velge

Current function: Managing Director of Interel Belgium SA (Avenue de Tervuren 402, 1150 Brussels)

Current or previous offices: Bekaert SA, BECI, Ducroire, Fondation Bernheim, École pour le Management (EPM) SA, BT Belux SA[1], EuroCommerce AISBL[1], FEDIS ASBL[1], FEB ASBL[1]

1 Previous offices.

Renewals of offices proposed to shareholders at the Ordinary General Meeting

The renewal of the terms of office of Messrs Serge Fautré and Robert Franssen will be put to shareholders at the Ordinary General Meeting of 29.04.2011. If appointed[1], their term of office will run until 24.04.2015.

New term of office proposed to shareholders at the Ordinary General Meeting

Mr Jean Franken expressed his wish to take his retirement and has therefore resigned as member of the Executive Committee and executive Director of the company with effect as of 01.07.2011. As replacement as of the same date, the Board of Directors will submit Mr Xavier Denis' appointment to shareholders at the Ordinary General Meeting of 29.04.2011. If appointed[1], his term of office will run until 24.04.2015.

Role of the Board of Directors

The role of the Board of Directors is to:

- adopt the strategic guidelines for the company, either on its own initiative or as proposed by the Executive Committee;
- oversee the quality of management and its compliance with the chosen strategy;
- examine the quality of information given to investors and the public;
- ensure that all the Directors, who are jointly and severally responsible for the interests of the company and for the development of Cofinimmo, are acting independently;
- deal with all matters linked to its legal responsibilities (approval of the strategy and budget, adoption of the annual, half-yearly and quarterly accounts, use of the authorised capital, approval of the merger or demerger reports, convening of the Ordinary and Extraordinary General Meetings, organisation of the decision-making bodies and appointment of their members).

Activity report of the Board of Directors

Apart from the recurrent subjects dealt with by the Board, it has also taken decisions on various matters, including the following:

- the merger by absorption of 2 companies of the Cofinimmo Group (Immo Noordkustlaan SA and City-Link SA);
- the in-kind contribution of the securities of the company Prinsenpark SA;
- the constant follow-up of the finance plan;
- the examination and selection of guidelines for Cofinimmo's development, diversification and strategy;
- the proposal to renew the office of a non-executive Director (Mr Robert Franssen) as representative of the shareholder Allianz Belgium, and of the Managing Director (Mr Serge Fautré);
- the proposal to appoint as executive Director and member of the Executive Committee Mr Xavier Denis with effect as of 01.07.2011;
- the adoption of a Risk Management reference framework and the review of the *Risk Assessment* of the Cofinimmo Group and of the various assignments of the Internal Auditor;
- the *private placement* of a 3-year bond for a total of €50 million;
- the sale on the market of 747,500 own shares;
- the delisting of the Cofinimmo ordinary share from NYSE Euronext Paris;
- the assessment of its own functioning;
- the analysis and approval of investment projects.

Audit Committee

The Audit Committee is composed of 3 Directors, 2 of them being independent. These are Messrs Gilbert van Marcke de Lummen (Chairman), Vincent Doumier and Baudouin Velge. The members of the Executive Committee do not form part of the Audit Committee but the Chief Executive Officer and the Chief Financial Officer attend the meetings. The Chairman of the Board of Directors is not a member of the Audit Committee but is permanently invited to all this Committee's meetings. He nevertheless does not participate in voting. Through their professional experience, the members of the Audit Committee have the necessary competence -both individually and collectively- to guarantee the effective working of the Committee.

Messrs Gilbert van Marcke de Lummen and Baudouin Velge strictly comply with the independence principles in accordance with Article 526ter of the Company Code. Through their professional experience, they have at their disposal the sufficient aptitudes as regards accounting and auditing matters.

Role of the Audit Committee

The role of the Audit Committee is to:

- monitor the process of compiling financial information;
- monitor the effectiveness of the company's internal control and risk management mechanisms;
- monitor the internal audit and its effectiveness;
- monitor the statutory audit of the annual and consolidated accounts, including the questions and recommendations made by the auditor charged with auditing the consolidated accounts;
- examine and monitor the independence of the auditor charged with auditing the consolidated accounts, in particular concerning the provision of additional services to the company.

The current composition of the Audit Committee and the tasks assigned to it fulfil the conditions imposed by the Law of 17.12.2008 concerning the creation of an Audit Committee in listed and finance companies. The Audit Committee's operating rules are detailed in the charter of the Audit Committee, which can be viewed on the website **www.cofinimmo.com** on the "Corporate Governance" page.

1 Their appointment is also subject to the approval of the Banking Commission.

Activity report of the Audit Committee

During the course of 2010, the Audit Committee met on 4 occasions. Apart from the matters that fall within its mission to guarantee the accuracy and truthfulness of the reporting of Cofinimmo's annual and half-yearly accounts, the quality of the internal and external audit and the information provided to the market, the following points have been dealt with:

- the review of the recommendations made by the auditor concerning internal audit procedures;
- the proposal of a Risk Management reference framework and the review of the Cofinimmo Group's Risk Assessment;
- the assessment of its own functioning;
- the reports of the Internal Auditor concerning the payment of dividends, the conversion of preference shares, the dematerialisation of securities and the nursing homes segment.

During 2010, the statutory auditor and the Internal Auditor addressed the Audit Committee on one occasion, in the absence of the members of the Executive Committee.

Nomination, Remuneration and Corporate Governance Committee

The Nomination, Remuneration and Corporate Governance Committee is formed by 3 members of the Board of Directors, 2 of them being independent. These are Messrs Gaëtan Hannecart (Chairman), André Dirckx and Xavier de Walque. The members of the Executive Committee are not part of the Nomination, Remuneration and Corporate Governance Committee. Messrs Gaëtan Hannecart and André Dirckx strictly comply with the independence principles defined by Article 526ter of the Company Code, and, along with Mr Xavier de Walque are sufficiently competent in remuneration policy matters to guarantee the appropriate working of the Committee.

Role of the Nomination, Remuneration and Corporate Governance Committee

The role of the Nomination, Remuneration and Corporate Governance Committee is to assist the Board by:

- issuing recommendations for the composition of the Board of Directors and its Committees and for validating the independence of its members;
- helping to select, evaluate and appoint members of the Board and of the Executive Committee;
- helping to determine the remuneration of the members of the Board of Directors and of the Executive Committee and applying it;
- drawing up a remuneration report;
- analysing and preparing recommendations on all matters connected with Corporate Governance.

The current composition of the Nomination, Remuneration and Corporate Governance Committee and the tasks assigned to it fulfil the conditions imposed by the Law of 06.04.2010, inserting an Article 526quater in the Company Code. The Nomination, Remuneration and Corporate Governance Committee's operating rules can be viewed in its charter on the website **www.cofinimmo.com** on the "Corporate Governance" page.

Activity report of the Nomination, Remuneration and Corporate Governance Committee

During 2010, the Committee met on 6 occasions. The main matters considered were the following:

- review of the remuneration policy for the members of the Executive Committee;
- determination of the remuneration of the executive Directors so that it remains in line both with market levels and with the responsibilities assumed by them;
- assessment of its own functioning;
- assessment of the Board of Directors;
- drawing up of a remuneration report;
- analysis of the results of the 360° assessment of the Executive Committee;
- adaptation of the Corporate Governance charters to the new Belgian Corporate Governance Code 2009 and the Law of 06.04.2010 reinforcing corporate governance in companies;
- proposal to renew the office of a Director representing the shareholder Allianz Belgium (Mr Robert Franssen) and of the Managing Director (Mr Serge Fautré);
- identification of a successor for the Chief Operating Officer position and the proposal to appoint him as executive Director at the Ordinary General Meeting.

Executive Committee

The Executive Committee, in accordance with Article 524bis of the Company Code, is composed, apart from its Chairman Serge Fautré (CEO), of 3 executive Directors: Messrs Jean-Edouard Carbonnelle (CFO) and Jean Franken (COO), and Mrs Françoise Roels (Secretary General & Group Counsel). Each Committee member has a specific area of responsibility. The Committee meets every week and is responsible for the operational management of the company.

In accordance with Article 38 of the Law of 20.07.2004 concerning certain forms of collective management of investment portfolios, the members of the Executive Committee are effective leaders within the meaning of this Article and are also responsible for the day-to-day running of the company. The Executive Committee's operating rules are detailed in its charter, which can be viewed on the website **www.cofinimmo.com** on the "Corporate Governance" page.

Role of the Executive Committee

Its role is to:

- propose the company strategy to the Board of Directors;
- execute this strategy retained by the Board of Directors, including the decisions to acquire or dispose of buildings or shares of real estate companies;
- carry out the day-to-day management of the company and report on these matters to the Board of Directors.

2 4 1 3

Current composition

① **Serge Fautré**

Chief Executive Officer

Joined Cofinimmo in March 2002. Before that, he was Finance Director of the Internet Business Unit and Director of the Treasury and Finance Group of Belgacom. Between 1994 and 1999, he was a member of the Executive Committee of the bank JP Morgan Belgium, and from 1992 to 1994 headed the Corporate Finance Department in the Glaverbel Group. Prior to that, he worked at Citibank, first in Brussels and then in London. He began his professional career in New York at J. Henri Schroder Bank and Trust Company. He graduated in Economics (UCL 1982) and holds a *Master of Business Administration* (Chicago 1983).

② **Jean-Edouard Carbonnelle**

Chief Financial Officer

Joined Cofinimmo in November 1998. Before that, he worked in the Group Société Générale of Belgium, first in this holding company and subsequently as Director and Chief Financial Officer of the Diamant Boart Group (abrasive tools) and member of the Executive Committee of Sibéka (diamonds) and lastly, briefly, as Investor Relations Manager at Union Minière (non-ferrous metals). He began his professional career in the department of industrial and mining projects at the World Bank. He is a graduate of the Solvay Business School (1976) and holds a Master of Business Administration (Wharton 1977).

③ **Jean Franken**

Chief Operating Officer

Has been responsible for all operations relating to the Cofinimmo property portfolio since 1997. Active in the sector since the beginning of his career, he was successively responsible for the construction of buildings, the development of projects including the Keiberg Business Park in Zaventem and the management of office property portfolios. He is a Civil Engineer (UCL 1971).

④ **Françoise Roels**

Secretary General & Group Counsel

Joined Cofinimmo in August 2004. She heads up the legal department and has charge of the Company's General Secretariat. She is the Compliance Officer of Cofinimmo and is also responsible for aspects connected with the shareholders and relations with the Belgian financial supervisory authorities. Before coming to Cofinimmo, Françoise Roels worked for the law office Loyens, for Euroclear/JP Morgan and for the Belgacom Group. She had responsibility for tax affairs and Corporate Governance. She is a law graduate (RUG 1984), examinee in philosophy (RUG 1984) and holds a certificate in taxation (École Supérieure des Sciences Fiscales 1986).

Performance evaluation of the Board of Directors and its Committees

Under the direction of its Chairman, the Board of Directors conducts regular evaluations, at least every 2 or 3 years, of its size, composition, performance and that of its Committees as well as its interaction with the Executive Committee.

The 4 objectives of this evaluation are to:

- appraise the functioning of the Board of Directors or the Committee concerned;
- ascertain whether important matters are prepared and discussed adequately;
- evaluate the actual contribution of each Director by his presence at meetings of the Board of Directors and the Committees, and his constructive involvement in the discussions and decision-making; and,
- ascertain whether the current composition of the Board of Directors or the Committees is appropriate.

The performances of the Board of Directors are assessed by means of a procedure established by the Chairman of the Board, the Secretary General and the Nomination, Remuneration and Corporate Governance Committee. The procedure is launched following a decision by the Board of Directors. The exercise of the assessment takes the form of a written procedure that takes into account the company's strategy, its financial situation and its place in the economic environment. The Nomination, Remuneration and Corporate Governance Committee, in a preparatory session, draws up a questionnaire to which the Directors are required to reply individually. The questionnaire deals with the following subjects: the functioning of the Board of Directors, its culture, its composition, the information given to the Board of Directors, its relationship with the Executive Committee, its relationship with the Committees and with the Chairman of the Board. The procedure also enables Directors to raise points not dealt with by the questionnaire. The Directors' replies and comments are then examined by the Nomination, Remuneration and Corporate Governance Committee, which studies them and makes all useful recommendations to the Board of Directors.

On each office renewal, the Board proceeds, under the guidance and with the contribution of the Nomination, Remuneration and Corporate Governance Committee, to the assessment of the concerned Director. On this occasion, the Nomination, Remuneration and Corporate Governance Committee reviews the Board members' skills/experience grid and ensures that the Board's composition is always adequate. The Nomination, Remuneration and Corporate Governance Committee then makes its recommendation regarding the office that is about to expire to the Board of Directors who then decides on whether to submit it to shareholders at the General Meeting.

The non-executive Directors carry out a regular evaluation, at least once a year, of their interaction with the Executive Committee. It is put on the agenda of a restricted Board of Directors meeting, in the absence of the members of the Executive Committee, held at least once a year.

Management

The Executive Committee is assisted by a team of Managers, each of whom reports directly to one of the members of the Executive Committee and assumes the responsibility in a specific managerial domain.

	Name	Function
1	Sébastien Berden	Business Development Manager
2	Benjamin Bostoen	Head of Information Technology & Organisation
3	Chantal Cabuy	Human Resources Manager
4	Ingrid Daerden	Group Treasurer
5	France Delobbe	Corporate Legal Officer
6	Xavier Denis	Area & Development Manager
7	Andrée Doucet	Corporate Legal Officer
8	Laurence Gacoin	Area & Development Manager
9	Ellen Grauls	Investor Relations Manager
10	Marc Hellemans	Head of Corporate Finance & International Development
11	Dirk Huysmans	Area & Development Manager
12	Pascale Minet	Head of Accounting
13	Ingrid Schabon	Corporate Communications Manager
14	Domien Szekér	Head of Project Management
15	Jean Van Buggenhout	Head of Quality Management & Internal Audit
16	Sophie Wattiaux	Corporate Legal Officer

Rules and procedures

Rules concerning conflicts of interest

In compliance with Article 523 of the Company Code, any member of the Board of Directors who, whether directly or indirectly, has a financial interest which conflicts with a decision or operation involving the Board of Directors, may not attend the proceedings of this Board.

In certain circumstances, the following situations may also give rise to the application of Article 523 of the Company Code and may be considered as potential conflicts of interest:

- regarding the Directors appointed on a proposal by Dexia, Bank Degroof, Compagnie du Bois Sauvage and Allianz Belgium: if transactions arise between these respective companies and Cofinimmo for which these companies have an opposing interest to that of Cofinimmo;
- regarding Mr Gaëtan Hannecart: if transactions arise between Cofinimmo and the Matexi Group of which Mr Gaëtan Hannecart is Managing Director and for which the Matexi Group would have an opposing interest to that of Cofinimmo.

In view of the absence of any conflict of interest, the Board of Directors did not draw up any report for the year 2010, in application of Articles 523 and 524 of the Company Code.

Reference is also made to Article 18 of the *Royal Decree of 07.12.2010* where one of the persons referred to in this Article (Director, administrator, depository or financial sponsor of the Sicafi, etc.) acts as counterparty in an operation undertaken with the Sicafi or a company controlled by it.

Code of Conduct

The company's Code of Conduct explicitly stipulates that the members of the Company Bodies and of the Personnel undertake to refrain from seeking from third parties, and to refuse, any remuneration, in cash or in kind, or any personal advantage offered by reason of their professional association with the company.

Acquisition & sale of Cofinimmo shares (*insider trading*)

In accordance with the principles and values of the company, Cofinimmo has inserted in its Code of Conduct the rules (*Dealing Code*) to be followed by Directors and designated persons wishing to negotiate financial instruments issued by Cofinimmo. In particular, this Dealing Code prohibits them from buying and selling Cofinimmo shares during a period of one month preceding the publication of the periodic results and a period of one day following this publication. With respect to the implementation of the Belgian Corporate Governance Code within Cofinimmo, the rules of the Code of Conduct have been brought into line with the Royal Decree of 05.03.2006 relating to insider trading, the fair presentation of investment recommendations and the indication of conflicts of interest.

Judicial and arbitration procedures

The Executive Committee of Cofinimmo SA declares that there exists no government intervention, proceeding or arbitration procedure that may have a significant influence, or may have had such an influence in the recent past, on the financial position or profitability of the Sicafi and that, as far as is known, there are no situations or facts that could give rise to such government intervention, proceeding or arbitration procedure.

Compliance Officer

Françoise Roels, Secretary General & Group Counsel, is the Compliance Officer of Cofinimmo. Her duties consist of ensuring that the Code of Conduct as well as, more generally, all prevailing laws and regulations are observed. She is also the company's Risk Manager, being responsible for identifying and managing risk events potentially affecting the organisation.

Research and development

The Cofinimmo Group did not carry out any research and development activity during 2010, except for the construction and large-scale renovation projects which are mentioned in the subchapter "Transactions and performances in 2010".

Power of representation

The company is validly represented in all acts by 2 Directors. Without prejudice to the acts of disposal concerning a real estate asset for which the company must be represented by 2 Directors acting jointly, as stipulated by Article 9 of the Royal Decree of 07.12.2010 relating to Sicaf immobilières, and Article 21 of the articles of association of the company, the following persons may represent and validly commit the company for all acts and all obligations with regard to all third parties or authorities, public or private, by the joint signature of 2 of them:

- Serge Fautré, Managing Director, Chairman of the Executive Committee;
- Jean-Edouard Carbonnelle, executive Director, member of the Executive Committee;
- Jean Franken, executive Director, member of the Executive Committee;
- Françoise Roels, executive Director, member of the Executive Committee;
- Andrée Doucet, Corporate Legal Officer.

A specific delegation has also been organised for treasury operations.

Cofinimmo's articles of association

Extracts from the Cofinimmo articles of association are published on page 177 of the Annual Financial Report. Their most recent revisions date from the Extraordinary General Shareholders' Meeting of 25.06.2010 and Board Meetings of 09.02.2010, 29.04.2010, 30.08.2010, 05.10.2010 and 02.11.2010[1].

1 In 2011, a new revision of the articles of association took place on 02.02.2011.

Information required under Article 34 of the Royal Decree of 14.11.2007[1]

Capital structure[2]

The share capital stands at €799,349,172.22 and is divided into 14,916,402 fully paid-up shares, each of which represents an equal share, of which 13,667,092 ordinary shares without par value, and 1,249,310 preference shares without par value, that is a series of 561,727 preference shares P1 and a series of 687,583 preference shares P2. Each preference share carries a dividend payable by priority over the dividends payable on the ordinary shares. The gross annual amount of the priority dividend is €6.37 per preference share.

Preference shares are convertible into ordinary shares at the option of their holders exercised in the cases referred to in Article 10bis of the articles of association. More specifically, preference shares are convertible into ordinary shares, in one or more tranches, at the option of their holders exercised in the following cases:

- during the 10 final calendar days of each civil quarter;
- at any time during a period of one month following the notification of the implementation of the promise of sale referred to below; and,
- in the event of liquidation of the company, during a period starting 15 days after publication of the decision to liquidate and ending on the day before the General Meeting closing the liquidation.

Conversion will be at the rate of one ordinary share for one preference share. Conversion will be considered to take place with effect on the date of sending the application for conversion. The application for conversion must be sent to the company by the holder of preference shares by registered letter, indicating the number of preference shares for which conversion is requested. Before 01.05.2009, the start of the first conversion opportunity, each holder of preference shares received a letter containing information on the procedure to be followed.

The subscription or acquisition of preference shares implies a commitment to sell such shares to a third party designated by the company (*call option*) dating from the 15th year following their issue, subject to the conditions and in accordance with the procedure defined in Article 10bis of the articles of association. Finally, the preference share has priority in the case of liquidation.

Capital structure[2]

Shares	Number	Capital (in €)	%
Ordinary (COFB)	13,667,092	732,400,346.93	91.62
Preference (COFP1)	561,727	30,102,189.25	3.77
Preference (COFP2)	687,583	36,846,636.04	4.61
TOTAL	14,916,402	799,349,172.22	100.00

1 Relating to the obligations of issuers of financial instruments admitted to negotiation on a regulated market – also see the Law of 01.04.2007 relating to public acquisition offers. 2 On the closing date of this Annual Financial Report.

Stock option plan

The members of the Executive Committee and the Management benefit from a share option plan as explained on page 76 of the present Report. In the event of a merger, (partial) split-up or division of shares in the company or other similar transactions, the number of outstanding options at the date of this transaction and their respective exercise prices may be adapted in line with the rate of exchange applied to the existing company shares. In that case, the Cofinimmo Board of Directors will determine the precise conditions for this adaptation. In the event of a change in control, the accepted options are deemed to be immediately and fully acquired and become exercisable with immediate effect.

Authorised capital[1]

The Board of Directors is expressly empowered to increase the share capital in one or more tranches up to a maximum amount of €640,000,000.00 on the dates and according to the procedures to be decided by the Board of Directors, in accordance with Article 603 of the Company Code. This authorisation is granted for a period of 5 years from the publication date (22.02.2008) in the annexes of the Belgian Official Gazette (Moniteur belge) of the minutes of the Extraordinary General Shareholders' Meeting of 21.01.2008. This Meeting expressly authorised the Board of Directors to carry out one or more capital increases in the event of a takeover bid, following receipt by the company of the communication referred to in Article 607 of the Company Code. This authorisation does not restrict the powers of the Board of Directors to undertake operations utilising authorised capital other than those referred to by Article 607 of the Company Code. To date, the Board of Directors has used this faculty for the capital increase by in-kind contribution decided on 20.03.2008 to the tune of €26,465,277.02, for the capital increase by in-kind contribution decided on 16.12.2009 to the tune of €12,062,707.00, and for the capital increase by in-kind contribution decided on 05.10.2010 to the tune of €6,089,999.00 such that the amount by which the Board of Directors can increase subscribed capital in the context of authorised capital is €595,382,016.98.

Decision-making bodies

Directorships may be summarily revoked. In the event that one or more offices become vacant, the remaining Directors on the Board have the right provisionally to arrange for a replacement until the next General Meeting, on which occasion a final election will take place. For the purposes of modifying the articles of association, there are no rules other than those laid down by the Company Code.

Repurchase of shares[1]

The Board of Directors is specially authorised, for a period of 3 years from the date of publication on 13.02.2009 of the minutes of the Extraordinary General Meeting of 21.01.2009, to acquire, take as security and transfer on behalf of Cofinimmo, own shares of the company without a prior decision by the General Meeting, where this acquisition or this transfer is necessary in order to prevent serious and imminent harm to the company. Furthermore, during a period of 5 years following the holding of the above-mentioned Meeting of 21.01.2009, the Board of Directors may obtain by acquisition, take as security and transfer (even outside the stock exchange) on behalf of Cofinimmo, own shares of the company at a unit price that may not be less than 85% of the closing market price on the day preceding the date of the transaction (acquisition, sale and taking as security) and that may not be more than 115% of the closing market price on the day preceding the date of the transaction (acquisition, taking as security) whereby Cofinimmo may at no time hold more than 20% of the total issued shares. At the date on which this Annual Financial Report was adopted, Cofinimmo SA held 52,607 own shares.

Contractual terms of the members of the Executive Committee

The contractual terms of the Director members of the Executive Committee are described on page 77 of this Annual Financial Report.

Change of control

The public bonds subscription offer in Belgium of 22.10.2009 contains a change of control clause providing for a 1.25% increase in the annual interest rate on the bonds in the case where a change of control should occur, and a *Rating* Downgrade (i.e. the attribution to the issuer by a Rating Agency of a score below the *Investment Grade*) would be applied during the change of control. This new interest rate will apply with effect from the interest period following the Rating Downgrade concerned. This change of control clause was ratified by shareholders at the Ordinary General Meeting of 30.04.2010.

1 A modification of the Articles related to these topics will be submitted to the approval of the Extraordinary General Shareholders' Meeting of 29.03.2011.

Remuneration Report drawn up by the Nomination, Remuneration and Corporate Governance Committee

This Remuneration Report complies with the provisions of the Corporate Governance Code 2009 and already anticipates to a great extent the application, as of FY 2011, of Article 96§3, point 2 of the Company Code, as introduced by the Law of 06.04.2010.

Internal procedures

During 2010, the policy regarding Directors' remuneration was drawn up on the following basis:

Non-executive Directors

The principle of continuity with the past has been maintained. The policy adopted by shareholders at the Ordinary General Meeting of 28.04.2006 on the proposal of the Board of Directors and the Nomination, Remuneration and Corporate Governance Committee remains applicable. The Nomination, Remuneration and Corporate Governance Committee regularly exercises a benchmark with the remuneration of the non-executive Directors of other listed Belgian companies of comparable size in order to ensure that the remuneration is always appropriate and in line with market practice taking into account the company's size, its financial situation and its position within the Belgian economic environment, and the level of responsibility assumed by the Directors.

Members of the Executive Committee

The agreements signed with each member of the Executive Committee in 2007 have been applied. The remuneration policy is in line with the provisions of the Law of 06.04.2010. Currently, the Board of Directors has no intention to change the remuneration policy for FYs 2011 and 2012.
The remuneration of the members of the Executive Committee is determined by the Board of Directors on the basis of the recommendations of the Nomination, Remuneration and Corporate Governance Committee.

The Nomination, Remuneration and Corporate Governance Committee annually analyses the remuneration policy applicable to the members of the Executive Committee and checks whether a change to it is necessary in order to attract, hold onto and motivate them and that it is reasonable taking into account the size of the company. The overall remuneration level as well as the breakdown of its various components and their terms and conditions are analysed. This analysis is accompanied by a benchmarking exercise with the remuneration policies applicable to the members of the Executive Committee of other listed real estate companies. The Nomination, Remuneration and Corporate Governance Committee also sees that the target setting procedure determining short-term variable remuneration is in line with the company's risk appetite.

The Nomination, Remuneration and Corporate Governance Committee submits the result of its analysis and any reasoned recommendations to the Board of Directors for it to take a decision.

Remuneration of the non-executive Directors (in €)

Name	Attendance at Board Meetings	Attendance at Nomination, Remuneration and Corporate Governance Committee meetings	Attendance at Audit Committee meetings	Total remuneration	Number of shares held on 31.12.2010
André Dirckx	11/11	6/6	4/4	100,000	0
André Bergen	5/7	-/-	-/-	25,833	0
Jean-Edouard Carbonnelle	11/11	-/-	4/4	-/-[1]	450
Xavier de Walque	10/11	6/6	-/-	55,450	0
Chevalier Vincent Doumier	10/11	-/-	3/4	53,350	0
Serge Fautré	11/11	-/-	4/4	-/-[1]	0
Jean Franken	10/11	-/-	-/-	-/-	0
Robert Franssen	10/11	-/-	-/-	45,000	0
Gaëtan Hannecart	10/11	6/6	-/-	61,700	0
Françoise Roels	11/11	-/-	-/-	-/-	0
Alain Schockert	8/11	-/-	-/-	40,000	0
Gilbert van Marcke de Lummen	10/11	-/-	4/4	60,300	0
Baudouin Velge	10/11	-/-	4/4	54,050	0

1 Messrs Serge Fautré and Jean-Edouard Carbonnelle attend the Audit Committee meetings but their presence is not remunerated.

Remuneration of the non-executive Directors

The remuneration of the non-executive Directors is determined by the General Meeting on the proposal of the Board of Directors and according to the recommendation of the Nomination, Remuneration and Corporate Governance Committee. In accordance with the decision of the General Meeting of 28.04.2006, the remuneration for 2010 is:

- firstly, a basic remuneration of €20,000 for membership of the Board of Directors, €6,250 for membership of a Committee and €12,500 for chairing a Committee;
- and, secondly, Directors' attendance fees of €2,500 per session for participating at the meetings of the Board of Directors, and €700 per session for participating at the meetings of the Committees of the Board;
- the remuneration of the Chairman of the Board is set at €100,000 per year for all his responsibilities, both in the Board of Directors and in the Committees of the Board.

Non-executive Directors do not receive performance-related remuneration.

Remuneration of the members of the Executive Committee

The remuneration package of the members of the Executive Committee comprises the following elements: the fixed remuneration, the short-term variable remuneration, the long-term remuneration, the savings and provident scheme and the pension promises.

The **fixed remuneration** of the members of the Executive Committee is determined according to their individual duties and skills. It is allocated independently of any result, and is not indexed.

The **short-term variable remuneration** is intended to remunerate the collective and individual contribution of the members of the Executive Committee. Its amount is determined in function of the effective achievement of financial and quality objectives set and assessed annually by the Board of Directors on the proposal of the Nomination, Remuneration and Corporate Governance Committee. These objectives are set according to criteria, weighted depending upon their importance, approved by the Board of Directors on the proposal of the Nomination, Remuneration and Corporate Governance Committee.

The short-term variable remuneration is in principle ('target') 50% of the fixed annual remuneration, but can be higher without ever exceeding 75%. The variable remuneration is only paid once the budget has been attained up to at least 80%.

The analysis of the degree of achievement of the financial criteria is done on the basis of accounting and financial data analysed by the Audit Committee.

The Nomination, Remuneration and Corporate Governance Committee calculates what the short-term variable remuneration could be on the basis of the degree of achievement of the objectives. This calculation only serves as a guide for the definitive setting of the variable remuneration. Indeed, this will also take into account the specific situation of the company and of the market in general. The Nomination, Remuneration and Corporate Governance Committee then draws up a variable remuneration proposal and submits it to the Board of Directors, which in turn assesses the work of the Executive Committee, and definitively determines the amount of the variable remuneration to be granted.

There are no provisions concerning the recovery right of variable remuneration paid based on inexact financial data other than civil law provisions, being the application of the principle of undue payment.

For FY 2010, the performance assessment criteria were: the *net current result* per share (35%), the *occupancy rate* (10%), the *Loan-to-Value* ratio (30%), the operating margin (costs/revenue ratio, 10%) and leadership (15%).

The Nomination, Remuneration and Corporate Governance Committee has assessed the achievement of the 2010 objectives of the members of the Executive Committee and has proposed to the Board of Directors a short-term variable remuneration of 70% of the fixed annual remuneration. This proposal has been accepted by the Board of Directors.

For FY 2011, the granting of short-term variable remuneration will depend on the achievement of the following objectives: the net current result per share (35%), the costs/revenue ratio (10%), the occupancy rate of the office portfolio (10%), the Loan-to-Value ratio (20%) and the deployment of the diversification, the appropriate use of opportunities offered by the new Royal Decree and people management (25%).

The amount of the variable remuneration ('target') of the members of the Executive Committee, pursuant to the Law of 06.04.2010, not exceeding 25% of the total remuneration package, no staggering of the variable remuneration period is provided for, as decided by the Board of Directors of December 2010 based on the proposal of the Nomination, Remuneration and Corporate Governance Committee.

For all purposes, the Board of Directors will submit the non-staggering of the variable remuneration period to the approval of shareholders at the General Meeting.

The **long-term remuneration** is in the form of stock options offered for the first time in 2006, the main objectives being to maximise Cofinimmo's long-term value by linking management's interests to those of the shareholders and to strengthen its long-term outlook. No other stock option plans exist.

Stock options are granted in a discretionary manner to the members of the Executive Committee.

No objective is set in this respect. This remuneration is therefore not to be considered variable remuneration in accordance with the Law of 06.04.2010. An option's exercise period stands at 10 years as of the date of the offer. On the recommendation of the Nomination, Remuneration and Corporate Governance Committee, the Board of Directors decided in its session of 11.06.2009 to extend the period of exercise of options granted in 2006, 2007 and 2008 by 5 years, in application of the 'Loi de Relance Économique' of 27.03.2009.

Stock options can only be exercised after the expiry of the 3rd calendar year following the year in which the stock options are granted. If the options have not been exercised at the end of the period of exercise, they become null and void ipso facto. The vesting is carried out as follows: 1/3 at the end of the 1st calendar year following the issue, 1/3 at the end of the 2nd calendar year following the issue and 1/3 at the end of the 3rd year following the issue.

In the event of voluntary or involuntary departure (excluding premature termination for serious reasons) of a beneficiary, the stock options accepted and vested can only be exercised during the first exercise window following the date of premature termination of contract. Options which have not been vested are cancelled. In the event of involuntary departure of a beneficiary for serious reasons, the stock options accepted, vested or not, but still not exercised, are cancelled.

These conditions governing acquiring and exercising options in the event of departure, whether voluntary or involuntary, shall apply without prejudice to the powers of the Board of Directors to apply waivers to these provisions in favour of the beneficiary, based on objective and relevant criteria.

The shares which may be acquired in connection with the exercise of the options are listed on Euronext Brussels; they are of the same type and carry the same rights as the Cofinimmo ordinary shares existing at the time of the offering. The shares are registered. The members of the Executive Committee do not benefit from other share-related payments.

A detailed description of the stock options plan can be seen in Appendix 2 of the Executive Committee's charter, which is available at the company's website (**www.cofinimmo.com**) in the "Corporate Governance" section.

Cofinimmo applies the standard IFRS 2 by recognising the fair value of the stock options on the date that they were granted over the period that the rights are vested (i.e. 3 years) according to the progressive acquisition method.

The annual charge for the progressive acquisition is entered on the income statement under personnel costs.

The **savings and provident scheme** and the **pension promises** are designed to reduce, to the extent possible, the differential between resources prior to and following retirement. The supplementary pensions are financed exclusively from Cofinimmo contributions. The members of the Executive Committee (the executive Directors) benefit from a group insurance plan of the defined contribution type with the company Ethias. The group insurance provides for (i) payment of a lump sum benefit to the insured person on reaching retirement age, (ii) payment of a lump sum death benefit, in the event that the insured person dies before retirement age, to the beneficiaries of the insured person (plus an additional sum in the case of death due to accident), (iii) payment of invalidity benefit in the case of accident or illness (other than work related), and (iv) exemption from insurance premiums in the case of accident or illness. The group insurance takes the form of a First Benefit policy and 'temporary death 1 year' cover, recalculated annually and guaranteeing a death benefit equal to, at the choice of the beneficiary, 0 - 0.5 - 1 - 1.8 - 2.7 - 3.6 or 4.5 times the reference remuneration (i.e. the total sum of the fixed remuneration allocated regularly plus an end-of-year bonus). The overall annual budget is firstly assigned to the 'Death' constituent and the outstanding amount to the 'Retirement' constituent. Liquidation at term may take place, at the discretion of the beneficiary, in the form of a lump sum or annuity. In addition, the members of the Executive Committee have access to an 'Individual pension commitment' insurance plan intended exclusively to pay a life insurance benefit or death benefit.

Other benefits

The annual costs of medical cover come to €3,246 for the CEO and €7,355 for the other members of the Executive Committee.

Cofinimmo provides them with a company vehicle whose annual cost for the company does not exceed €15,000 (excluding fuel). The company reimburses them for all professional expenses they incur in the context of their function. Members of the Executive Committee also have a PC and a mobile phone at their disposal.

The remuneration allocated in this way to the members of the Executive Committee covers all the benefits received within the Cofinimmo Group.

Stock options	Exercisable up to (at the latest)	Exercise price	Fair value (on date of issue)
Plan 2006	13.06.2021	€129.27	€26.92
Plan 2007	12.06.2022	€143.66	€35.79
Plan 2008	12.06.2023	€122.92	€52.47
Plan 2009	11.06.2019	€86.06	€51.62
Plan 2010	13.06.2020	€93.45	€44.50

Remuneration of the executive Directors (in €)

CEO[1]	
Fixed remuneration	347,000
Short-term variable remuneration paid for the financial year	212,900
TOTAL	559,900
Long-term remuneration:	
Stock options issued during the financial year (in number)	200
Savings and provident scheme	62,000
Pension promises	30,000
Other benefits[2]	31,366

Other members of the Executive Committee[1]	
Fixed remuneration	756,000
Short-term variable remuneration paid for the financial year	379,200
TOTAL	1,135,200
Long-term remuneration:	
Stock options issued during the financial year (in number)	2,700
Savings and provident scheme	186,000
Pension promises	150,000
Other benefits[2]	85,302

Contractual terms of the members of the Executive Committee

With a view to entrusting responsibility for day-to-day management to Director members of the Executive Committee, the company has concluded a service contract with them. This agreement is concluded for an unspecified period. The Directors have self-employed status and accomplish their duties in the absence of any form of subordination and with full autonomy and independence. However, they are guided in the performance of their duties by the guidelines and strategic decisions adopted by the Board of Directors and by compliance with the rules governing the responsibilities and operation of the Executive Committee. This contract may be terminated subject to advance notice of 24 months where the company initiates the termination or advance notice of 3 months in the event that a Director member of the Executive Committee initiates the termination, or else by payment of an equivalent indemnity compensating for the corresponding period of notice calculated on the basis of the emoluments prevailing at the time of termination. In the event that the company is the subject of a takeover and where, within a period of 5 years dating from this takeover, their contract is terminated or the scope of their responsibilities reduced, Cofinimmo will pay to the Director members of the Executive Committee an indemnity equivalent to 36 months' remuneration. Article 9 of the Law of 06.04.2010 indicates that this indemnity should be limited to 12 or, in some cases, 18 months. However, the Nomination, Remuneration and Corporate Governance Committee notes that these terms were fixed in management agreements signed with each member of the Executive Committee in 2007. Shareholders' approval is therefore not required on this point, in accordance with the same Article.

Should the Director members of the Executive Committee be unable to carry out their duties for reasons of incapacity (illness or accident), Cofinimmo will continue to pay them the fixed portion of their emoluments for a period of 2 months dating from the 1st day of incapacity. Thereafter, they receive an incapacity allowance (paid by an insurance company) equal to 70% of their total remuneration.

Stock options granted and accepted (in number)	Plan 2010	Plan 2009	Plan 2008	Plan 2007	Plan 2006
Serge Fautré	200	1,800	1,800	1,800	1,800
Jean-Edouard Carbonnelle	1,350	1,350	1,350	1,350	1,350
Jean Franken	0	0	0	1,350	1,350
Françoise Roels	1,350	1,000	1,000	1,000	1,000

Stock options exercised (in number)					
Serge Fautré	0	0	0	0	0
Jean-Edouard Carbonnelle	0	0	0	0	0
Jean Franken	0	0	0	0	0
Françoise Roels	0	0	0	0	0

1 With self-employed status, total cost to the company. 2 Medical cover, complementary insurance, invalidity benefit, company vehicle, PC, mobile phone.

Other parties involved

Certification of the accounts

An auditor appointed by the General Meeting of Shareholders must:

- certify the annual accounts and review the half-yearly accounts, as for any limited liability company;
- this being a Sicafi -a listed mutual fund- prepare special reports at the request of the Banking, Finance and Insurance Commission.

The auditor is Deloitte, Company auditors, represented by Mr Ludo De Keulenaer, auditor certified by the Banking, Finance and Insurance Commission, with registered office at 1831 Diegem, Berkenlaan 8B. The fixed remuneration of the auditor for reviewing and certifying Cofinimmo's company and consolidated accounts amounted to €107,199 (excluding VAT). Its fees for certifying the company accounts of Cofinimmo's subsidiaries came to €60,716. The fees of the Deloitte Group for its fiscal research and support assignments amounted to €109,259 during the financial year and mainly concern verifying the economic and financial data relative to acquisitions within the meaning of Article 133 § 7 of the Company Code.

The remuneration of the auditor for certifying the accounts of the French subsidiaries of the Group stands at €112,000.

Depository bank

Bank Degroof is the depository bank of Cofinimmo until 03.02.2011. The annual remuneration takes the form of a commission calculated as follows: 0.05‰ of the value of the assets, comprising the quarterly valuation of the property assets carried out by the expert (in *investment value*) plus the carrying value of the other assets, i.e. €151,281.

Real estate expertise

The real estate experts designated by Cofinimmo to certify the overall value of the Cofinimmo property portfolio are the firms DTZ Winssinger & Associates and Cushman & Wakefield.

DTZ Winssinger & Associates is represented by Messrs Benoît Forgeur and Fabian Daubechies. DTZ Winssinger & Associates (company number BE 0422 118 165), with registered office at Chaussée de la Hulpe, 166 in 1170 Brussels, was founded on 20.11.1981 for an unspecified term and is subject to Belgian legislation. It is specialised in the valuation of real estate in Belgium and is part of the DTZ Group, subsidiaries of which are property surveyors in France and the Netherlands. Mr Fabian Daubechies is a member of the Royal Institute of Chartered Surveyors (RICS) BeLux.

Cushman & Wakefield is represented by Messrs Koen Nevens MRICS and Kris Peetermans MRICS. Cushman & Wakefield (company number BE 0418 915 383) is a subsidiary of the offices in the Netherlands (General Partnership existing under the laws of the Netherlands), with registered offices at Strawinskylaan 3125, 1077 ZX Amsterdam. Its administrative and registered offices are established at Avenue des Arts 58 B7 in 1000 Brussels (the company is registered in Brussels under number 416 303). Since its foundation on 04.12.1978 the company values offices, retail and industrial properties in Belgium and Luxembourg. It is not supervised by an official authority.

In accordance with Article 29 of the Royal Decree of 07.12.2010, the experts carry out a valuation of all the properties in the portfolio of the Sicaf immobilière and its subsidiaries at the end of each financial year. The valuation forms the basis for the carrying value of the property assets in the balance sheet. Furthermore, at the end of each of the first 3 quarters of the year, the experts update the overall valuation made at the end of the previous financial year, by reference to market developments and the nature of the properties concerned. Finally, in accordance with the provisions of Article 31 of the same Royal Decree, any property which is to be acquired or disposed of by the Sicaf immobilière (or a company which it controls) is valued by the experts before the transaction. This transaction must be carried out at the value determined by the experts where the other party is a financial sponsor of the Sicaf immobilière (Cofinimmo does not have such a financial sponsor), the depository bank or any company with which the Sicaf immobilière, the depository bank or a financial sponsor is linked by participating interests or where any of the abovementioned parties gains any advantage from the transaction.

The valuation of a property consists of determining its value on a specific date, i.e. the price at which the property is likely to be exchanged between acquirers and sellers who are duly informed and wish to carry out such a transaction, without any account being taken of any special advantage between them. This value is known as the 'investment value' when it corresponds to the total price payable by the acquirer, including, where appropriate, the registration duties or VAT, if the acquisition is subject to VAT.

The fair value, within the meaning of the *IAS/IFRS* accounting principles, can be obtained by deducting from the investment value an appropriate portion of the registration duties and/or VAT. Transactions other than sales may lead to the mobilisation of the portfolio, or a portion thereof, as shown by the operations carried out by Cofinimmo since it acquired the status of Sicafi.

The experts' valuation depends in particular on the:

- location;
- age and type of building;
- state of repair and level of comfort;
- architectural aspect;
- gross/net surface areas;
- number of parking spaces;
- rental conditions;
- and for nursing homes/clinics the ratio operating cash flow before rents/rents.

The remuneration of the real estate experts, calculated quarterly on the basis of a fixed lump sum plus a fixed fee, amounted to €828,084 (excluding VAT) in 2010.

With regard to the new Royal Decree on Sicafis of 07.12.2010 recommending the rotation of the property valuers in order to assure the independent character of the property valuations, Cofinimmo has decided to terminate the contract concluded with Cushman & Wakefield and to appoint, in addition to DTZ Winssinger, PricewaterhouseCoopers to value its property portfolio. The latter will start its contract for the results as per 31.03.2011.

PricewaterhouseCoopers Enterprise Advisory LLC is represented by Messrs Jean-Paul Ducarme, Chairman of the Royal Institute of Chartered Surveyors BeLux (RICS) and Alexandre Goossens. PricewaterhouseCoopers Enterprise Advisory (company number BE 0415 622 333), with registered office at Woluwedal, 18 in 1932 Sint-Stevens-Woluwe was founded on 17.12.1975 for an unspecified term and is subject to Belgian legislation. It is specialised in professional services and more in particular real estate expertise business. PricewaterhouseCoopers is a member of the PricewaterhouseCoopers International Limited network. Each member-company of this network is a legally distinct independent entity.

PricewaterhouseCoopers' appointment was approved by the Banking, Finance and Insurance Commission.

management report
> corporate social responsibility.

> As a key player in a certain number of property segments, Cofinimmo recognises that it must conduct itself as a responsible and community-minded enterprise in relation to its physical environment and the communities within which it operates, endeavouring to surpass the minimum or statutory obligations.

To this end, Cofinimmo relies on its corporate values: creativity, team spirit and self-discipline, to which are added ethics and transparency.

The Group

- Fair value of the portfolio: **€3,041.92 million**
- Total rental area of the portfolio: **1,718,312m²**
- International presence: **Belgium, France, the Netherlands**
- Number of clients: **325**
- Number of staff members: **111**
- Free float zone: **90%**
- Number of suppliers: **870**

Cofinimmo's stakeholders

- Shareholders/Investors
- Clients
- Staff
- Communities
- Suppliers
- Financial/real estate partners
- Public authorities

Corporate values

- **CREATIVITY**
- **TEAM SPIRIT**
- **SELF-DISCIPLINE**
- **ETHICS**
- **TRANSPARENCY**

Key-word
RESPECT

ENVIRONMENT

Cofinimmo is aware that the protection and improvement of the environment in the broad sense call for concrete actions. In this field, its role is two-fold: that of a socially responsible enterprise and that of the long-term manager of a considerable, diversified property portfolio.

The company has undertaken to develop and manage its portfolio with respect for the environment and natural resources, also ensuring optimal management of the environmental risks and, indirectly, those incurred by its tenants.

It endeavours to reduce its ecological footprint and has an ongoing concern for sustainable development in all its dimensions. During construction or renovation work, the company examines every possibility to use sustainable materials. Furthermore, during the design and budget process, all those responsible at the various levels (developers, architects, engineers, consultants, etc.) are asked to pay particular attention to this aspect.

EPRA key performance indicators[1]

	Total annual consumption	Coverage	Average annual consumption/m²
Electricity	54.2 GWh	53%	123 kWh/m²
Gas[2]	69.5 GWh	78%	109 kWh/m²
CO_{2e} emissions	55,376 tonnes	53% (electricity) 78% (gas)	n.a.
Water	161,716m³	59%	239 l/m²
Waste	1,123 tonnes	44%	4.3 kg/m²

Definition of an environmental strategy:
the Green Committee

Cofinimmo has set up an in-house *Green Committee* with a view to the identification and ongoing assessment of all the factors susceptible to improving its ecological approach. This Committee, which meets once a fortnight, is composed of 9 people representing on the one hand the departments directly or indirectly involved in the property management of the vast Group portfolio (*Property*, *Project* and *Quality Management*) and on the other hand the departments providing the legal and communications support for this Committee. The members develop their environmental skills and:

- ensure the ongoing monitoring of the state-of-the-art and good practices in the field;
- ensure the sharing of expertise in-house and externally;
- propose concrete, economically rational measures allowing improvement of the environmental performances of the company, its portfolio and, by extension, the area rented by its tenants.

from left to right:
Eric Coiffard, Senior Property Manager
Wim Van De Velde, Property Manager
Geert Beullens, Senior Property Manager
Sophie Wattiaux, Corporate Legal Officer
Wim Plaum, Project Manager
Ingrid Schabon, Corporate Communications Manager
David Jouant, Senior Property Manager
Valérie De Vos, Legal Coordination Officer
Jean Van Buggenhout, Head of Quality Management

1 In accordance with the '*EPRA* Best Practices Recommendations on Sustainability' (**www.epra.com**). These data are calculated on the basis of the information in the possession of Cofinimmo as owner and manager of its property portfolio and that obtained from tenants. They relate solely to the office portfolio, since in the other sectors these environmental indicators are under the exclusive management of the tenants. The coverage indicates the percentage of the total rented area (837,239m²) covered by this reporting. 2 Standardised consumption, i.e. by applying the concept of degrees/day which takes account of the temperature variations observed from one year to another, allowing comparisons to be made relating to buildings at different times and in different locations.

Portfolio management

Systematic environmental risk management

Initial inventory of the properties/Quality of the soil, subsoil and groundwater

Before potentially acquiring any property, Cofinimmo carefully examines any non-conforming aspects and environmental risks. Their management is planned once the buildings are incorporated into the portfolio. Furthermore, it complies with the various obligations relating to the ground certificate introduced at regional and national levels. In order to forestall any pollution risks, where these may exist, Cofinimmo conducts a survey to ascertain the quality of the soil, the subsoil and groundwater, especially for properties in which activities involving risk are or have been taking place (fuel oil tanks, printing works, transformers, etc.). Where pollution is proven to exist, Cofinimmo takes all possible steps to define its scope in order to eliminate it. In addition, the company periodically checks the conformity of any of its installations which potentially represent a risk to the ground (leak tightness tests, retention basins, etc.).

Environmental and urban permits

Cofinimmo has environmental permits, issued by the authorities, to operate the registered installations it manages in its buildings. These are systematically updated in the event of changes in the law or in the technical installations. Moreover, for each building, it disposes of urban permits certifying the conformity of the construction or renovation works with the applicable legal provisions. Where the responsibility for obtaining urban and/or environmental permits lies with the tenants, Cofinimmo makes every effort to encourage them to apply for the permits in good time.

Technical audit/Tenant safety

The technical installations (boilers, air conditioning, transformers, lifts, etc.) and safety equipment (hydrants, extinguishers, fire alarm systems, etc.) in each building managed by Cofinimmo are periodically checked by independent professional bodies. In the case of buildings for which the tenant is responsible for technical and property-related matters, Cofinimmo endeavours to advise on the organisation of this verification and checks its standard and outcome.

In order to guarantee optimum safety for its clients, the company's Quality Management department also organises an annual survey of potential fire risks in its buildings, comprising a fire safety audit, evacuation exercises and an information campaign for its tenants. An external department for technical checks (SECT) carries out six-monthly checks that the lifts installed in the properties are operating safely and a 10-yearly risk analysis in accordance with European Directive 95/16/EC. These regular checks give rise to the preparation of a detailed programme of maintenance and improvement works.

Refrigerant fluids (CFCs)

Cofinimmo conducts an active policy to replace air conditioning units using CFCs which destroy the ozone layer of the Earth's atmosphere. Based on a precise inventory per type of used refrigerant fluid, the replacement of the air conditioning units will be continued in 2011 in order to reach the objective fixed by the European Commission consisting of withdrawing the fluorinated and organic gases so as to reduce the greenhouse effect between now and 2015. The company also ensures that its air conditioning installations are properly maintained.

Asbestos

All asbestos applications which present a risk to humans have been removed from the buildings. Residual and non-significant applications are the subject of a management plan that is reviewed yearly by accredited experts. In the event that any new evaluation concludes that the risk has become significant (material decomposing, new regulations, etc.), the application in question is obviously removed in accordance with the regulations in force. Moreover, when planning maintenance or refurbishment works, Cofinimmo makes use of these opportunities to remove any non-significant residues in advance. In 2010, 50 buildings were monitored. For 8 of them, an intervention has been scheduled in the short or medium term. The survey to identify the presence of asbestos and related risks is also conducted for each new investment.

Ambitious and responsible investment, renovation and redevelopment programmes

Rational investment and renovation policy

Cofinimmo owns a vast portfolio of buildings with different life cycles. Although they are subject to efficient, long-term management, the oldest buildings do not always have the best energy footprint, since the modern concept of sustainability did not yet exist when they were built. The replacement of these older assets from one day to the next is impracticable, both operationally and financially. For this reason, Cofinimmo has developed a rational renovation policy for its existing buildings with a view to bringing about a significant reduction in their energy consumption. Particular attention is paid to the possibilities of saving energy on heating, air conditioning and ventilation installations and improving insulation.

At the design stage of its construction projects, Cofinimmo places the emphasis on architecture which preserves the environment and on a choice of sustainable, low-energy techniques and materials.


Before
Transformation of the Bellevue nursing home
After

For both its development projects and its redevelopment projects, the company scrupulously respects the Belgian and European environmental requirements, seeking to surpass them. In particular, it anticipates draft laws and also integrates the market and economic trends in its investment programme. In order to meet these ambitious criteria, for each renovation or construction project it draws up, a very detailed list of interventions including guidelines and selection criteria to be taken into consideration. They relate in particular to the energy level (E) and the location of the building, its volume, thermal efficiency, insulation, glazing, the choice of sustainable or recyclable materials, etc.

Conversion opportunities

The company also seizes conversion opportunities if they offer potential for enhancing the value of the property. These conversions allow not only optimisation of their use, and therefore their environmental integration, but also the incorporation of sustainable, ecological systems into them. Moreover, through these conversions, Cofinimmo is able to best meet the demographic demands prevailing in the market. For example, in 2010, it completed the work on the transformation of an old office block into a nursing home (Bellevue, see Annual Financial Report 2009, page 28) and in 2012 it will embark on the conversion of the office blocks Livingstone and Science 15-17 into mixed usage (see pages 28 and 29).

Active arbitrage policy

Through the resulting recycling, Cofinimmo's office arbitrage strategy (see page 10) also makes a very significant contribution to the ongoing improvement of the overall ecological footprint of its portfolio.

Energy performance of the buildings

In the context of both **new constructions** and **major renovation projects**, Cofinimmo must comply with the legal requirements relating to the energy performance of buildings. In 2002, the European Union adopted Directive 2002/91/EC, which imposes in particular a maximum primary energy consumption level (*E-level*) for these buildings. This Directive was transposed in the 3 Belgian regions, as summarised hereby.

Energy performance (E) requirements of the buildings

Maximum E-level	Brussels Capital Region[1]	Flemish Region[2]	Walloon Region[3]
Offices	E 90	E 100	E ≤100
Nursing homes	Not applicable	Not applicable	Not applicable
Service flats	E 90	E 80	E ≤100

1 Brussels Capital Region Government Decree of 21.12.2007 determining the requirements regarding energy performance and indoor climate of buildings. 2 Flemish Government Decree of 11.03.2005 establishing the requirements regarding energy performance and indoor climate of buildings, amended by the Flemish Government Decree of 20.03.2009. 3 Walloon Government Decree of 17.04.2008 determining the method of calculation and the requirements, the authorisations and the sanctions applicable in the field of energy performance and indoor climate of buildings.

Comparison between the maximum energy performance (E) imposed by Law on the submission of the construction/renovation permit and that of the main projects carried out or in preparation

Projects carried out recently	Calculated E	Authorised maximum E
Offices		
Avenue Building	75	100
City Link	74 and 76[1]	100
London Tower (offices part)	74	100
West-End	69	100

Projects in progress or future	Target E	Authorised maximum E
Offices		
Livingstone 1[2]	60	90
Science 15-17[3]	60	90
Tervuren 270-272	75 to 90	Not applicable[4]
Service flats		
Weverbos	57 to 67[5]	80
Public-Private Partnership		
Dendermonde Police Station[6]	<35	100

For all Cofinimmo's development projects carried out, supervised or started since the entry into force of the legislation, these requirements are respected or surpassed so as to anticipate the future trend in this field. Where the projects are carried out under the responsibility of a promoter or the tenant, Cofinimmo provides advice and raises awareness.

For **existing buildings**, the European Directive provides for the introduction of an *EPB* certificate (energy performance certificate of a building) with a performance coefficient for each building. This European Directive will be transposed by the Belgian Regions. In anticipation of this future legislation, Cofinimmo selected a first sample of existing office buildings which will be subjected to an energy audit. These are the buildings Arts 19H, Loi 57 and Trône 98.

As regards the healthcare sector in which Cofinimmo is very active, only the ***service flats*** are subject to the E-level requirement, i.e. that applicable for residential property (see previous page). On the other hand, the **nursing homes**, and more particularly the new constructions and extensions, must meet an overall thermal insulation level (*K-level*) which defines the thermal quality of the building shell. The maximum statutory level authorised, which is also regulated by European Directive 2002/91/EC and which is applicable for all types of buildings, stands at 45. For this coefficient too, Cofinimmo endeavours to surpass the statutory obligations.

Renovation Tervuren 270-272

- Insulation of heat channels
- Equipment of the facade with efficient triple glazing
- Improvement of the insulation and impermeability of the roofs and creation of a green roof
- High-yield production installations with efficient regulation
- Installation of a combined heat and power system

E-level of the building before and after renovation

-75%

The Weverbos nursing home in Gentbrugge will have an insulation level of only K 25.

1 City Link is a group of 4 buildings; 2 of them have an E-level of 74, the other 2 a level of 76. 2 Also see page 29. 3 Also see page 28. 4 This renovation is not considered as major renovation subject to European Directive 2002/91/EC. 5 Depending on their location. 6 Also see page 43.

1



2

An active policy to reduce CO_2 emissions: green roofs and energy

Green roofs

Several buildings in the portfolio are equipped with a roof of vegetation (in whole or in part). The office blocks concerned are City Link in Antwerp, Maire 19 in Tournai and Tervuren 270-272 in Brussels, as well as the Fire Station of the City of Antwerp and the HEKLA Police Station (Antwerp region). Ecological roofs of this kind have been introduced in the nursing home sector too, as is the case for the institutions Damiaan in Tremelo, Zonneweelde in Keerbergen and, shortly, L'Orchidée in Ittre. These planted rooftops offer a large number of advantages, i.e. the reduction in water and pollution nuisance, excellent insulation and sound-proofing and a longer life-span. They absorb significant quantities of CO_2 by photosynthesis.

Green energy

Cofinimmo has had thermal or photovoltaic solar panels installed on certain roofs of its buildings allowing the radiation from the sun to be recovered and converted into energy which can be used for the production of domestic hot water (thermal solar panels) or electricity (photovoltaic solar panels). Examples include the Antwerp Fire Station and the Cofinimmo headquarters, as well as the nursing homes Damiaan in Tremelo, Les Trois Couronnes in Esneux, Lucie Lambert in Buizingen and Zonnewende in Aartselaar.

Furthermore, in 2010, following a tendering procedure, Cofinimmo signed a contract for the supply of green energy (i.e. produced from renewable energy sources, such as wind turbines, biomass, cogeneration, hydroelectricity, etc.) with a new Belgian supplier. This contract covers all the communal areas of the buildings under the company management. This change in subcontractor also allows better financial conditions to be obtained, which Cofinimmo passes on in full to its clients. In order to encourage its tenants to use green energy for their private areas, the company launched an awareness campaign in partnership with the selected energy supplier (see page 90).

To recap, Cofinimmo already opted for green energy at the end of 2007. Its use allows an economy of some 15,000 tonnes of CO_2/year, which is the equivalent of the production of 8 average wind turbines.

The communal areas of the portfolio are supplied with 100% green energy.

1 Green roofs - Fire Station - Antwerp
2 Green roofs - Nursing home Zonneweelde - Keerbergen

In 2010, the annual average consumption of electricity came to 123 kWh/m² and that of gas, mainly used to heat the buildings, to 109 kWh/m² (also see page 81). Cofinimmo has set the target of reducing this consumption each year, within the limits of the changing climate conditions, through ever more ad hoc energy management, the constant search to improve the energy efficiency of its portfolio and client awareness campaigns on the rational use of energy.

Environmental certification: beyond a commercial objective, the ambition for ongoing improvement

For Cofinimmo, obtaining an environmental certificate pursues a two-fold objective: on the one hand to improve the commercial competitiveness of its buildings and on the other hand to introduce processes for the ongoing improvement of the environmental performances of the portfolio.

BREEAM

With the aim of obtaining recognition for its efforts, Cofinimmo submitted an application for 'BREEAM In-Use' certification for 4 office buildings. These are the buildings **Avenue Building** including the offices part of the adjacent **London Tower**, **City Link**, **West-End** and its headquarters at **Woluwe 58**. BREEAM In-Use is a sub-programme of *BREEAM*[1] which certifies the process of cost reduction and improvement of the environmental performance of existing buildings. The fields analysed are very extensive, covering: Energy, Water, Materials, Transport, Waste, Pollution, Health and Welfare, Management, Land and Ecology. Following the certification process, a rating is given to the building and its property management (Acceptable, Pass, Good, Very Good, Excellent and Outstanding).

Without any major modification to the building, the 'BREEAM In-Use' certification is valid for 3 years.

BREEAM In-Use certification results

	Rating Building	Rating Property Management
Avenue Building, London Tower	Good	Good
City Link	Pass	Good
West-End	Pass	Good
Woluwe 58	Pass	Good

ISO 14001:2004

In 2008, the Environmental Management System (EMS) of 3 buildings of the office portfolio (Montoyer 40, Souverain 36 and Woluwe 58) was approved according to ISO 14001:2004[2]. These 3 buildings constitute a representative sample of the overall office portfolio of the company, i.e. multi-tenant buildings of varying quality and age. The certification confirms the soundness of the general environmental policy applied within the company. It has been translated into environmental targets, which are attainable and measurable by means of specific performance indicators. In 2011, Cofinimmo will submit an application for EMS certification for its entire office portfolio.

The Environmental Management System of several office blocks has been granted ISO 14001:2004 approval.

1 BREEAM (which stands for the 'BRE Environmental Assessment Method' developed by BRE, the British Building Research Establishment - www.breeam.org) sets the standard for best practice in sustainable design (i.e. being cautious with the use of natural resources).
2 ISO 14001:2004 specifies the requirements relating to an environmental management system allowing an undertaking to develop and implement a policy and objectives which take into account the legal requirements and the other requirements to which the undertaking has subscribed and other significant environmental aspects.

Headquarters' management

Carbon balance: a critical look at mobility within the undertaking

Cofinimmo has asked an outside specialised firm to draw up a carbon balance of its headquarters according to the ADEME method[1]. This study showed that, compared to the Brussels statistics, Cofinimmo's carbon balance in relation to energy use is 50% lower. This result was obtained thanks to the use of green electricity (see page 85). Similar positive comparative results were posted for waste treatment, in particular thanks to the measures taken in this field (see next page).

It also emerged that the transport of staff from their homes to the Cofinimmo headquarters and back is the key factor in the company's overall carbon balance and represents 72% of the total. This percentage is usual for Cofinimmo's company profile, but offers potential for improvement. To this end, an advanced, measurable action plan was drawn up. To date, it comprises:

- a Car Policy including a maximum threshold for CO_2 emissions acceptable per category of leased vehicles. It is expected that this measurement will reduce their CO_2 emissions by at least 7%;
- the extension of leasing contracts from 4 to 5 years since 2009, which has since allowed a reduction in leasing costs (with a constant car fleet) in the order of 10%;
- making alternative means of transport available to staff which have a lesser impact on environment –such as scooters and bicycles– for business travel use.

In 2011, other measures will be analysed to improve the mobility habits within the company.

1 This is a method for the audit of greenhouse gas emissions, both direct and those caused by the activities of a company, developed by the Agence de l'Environnement et de la Maîtrise de l'Énergie (French Environment and Energy Management Agency), a French public institution operating in the industrial and commercial sectors under the supervision of the Ministers for Ecology and Sustainable Development, among others (www.ademe.fr).

During the European Week for Waste Reduction, Cofinimmo reduced the quantity of in-house print-outs and drinks in non-environmentally-friendly packaging by 15% and 80% respectively.

Waste management: a cleaner environment in just a few moves

Cofinimmo encourages its staff to carry out selective sorting by making separate containers available and proposing appropriate waste collection solutions. In 2010, collective containers were installed at the company's headquarters to promote greater awareness and selective sorting by its staff. These measures allow the optimum cardboard-paper/other waste ratio, which is established at 75/25%[1], to be approached. At present, this ratio stands at 63%/37% within Cofinimmo.

Cofinimmo took part in the European Week for Waste Reduction, supported by the LIFE+ programme of the European Commission. The aim of this Week was to promote and label sustainable actions for the reduction and prevention of waste throughout Europe.

The action submitted by Cofinimmo was two-fold: (i) launch a waste reduction awareness campaign among its many tenants/ partners whilst encouraging them to participate in the European Week and (ii) encourage its own staff to undertake considerable reductions in drinks in tins or plastic bottles and in the volume of printing during that Week. The results recorded within Cofinimmo were very encouraging: the quantity of paper print-outs and drinks in non-environmentally-friendly packages fell by 15% and 80% respectively in relation to the usual weekly average. Cofinimmo has undertaken to prolong these efforts beyond this Week, by proposing healthier and more ecological drinks and snacks solutions to its staff, whilst rethinking its in-house printing procedures (see further).

Paper management: technology and recycling to preserve trees

Cofinimmo attaches particular importance to optimum management and archiving of its various working documents. For this purpose, an electronic document management software program, designed to digitise, organise and index the various information and documents within the organisation, was introduced as early as 2004 with a view to bringing about a substantial reduction in their 'paper' volume. To date, the program database contains 70,000 documents, that is to say 735,000 pages. In 2010, Cofinimmo implemented new software which will further promote digital document transmission. The emphasis was placed on the user-friendliness of the software so that it becomes a tool used in the daily work of all the staff. From now on, 100% of the documents received in paper format, of any type, are entered by means of prior scanning. The documents in electronic format (files and e-mails) can also easily be added in order to make the electronic document management a tool for centralising key information.

In addition to its impact on paper consumption, the adoption of this working method should also increase the efficiency of the process.

1 Source: Brussels Institute for Environmental Management.

Cofinimmo's official documents bear the FSC label and/or are printed on recycled paper.

100% Recycled Fiber

The number of Annual Financial Reports printed has been reduced by 70% since 2005.

In 2005, Cofinimmo launched an awareness campaign among its shareholders and investors, proposing to them digital solutions for the transmission of official documents, such as the documentation for the General Meetings and the Annual and Half-Yearly Financial Reports. So far, this campaign has allowed reductions of 50% and 70% respectively in the number of print-outs.
Furthermore, in 2010 Cofinimmo restructured its internet site (**www.cofinimmo.com**) offering easier access to the information by giving prominence to the actions in terms of corporate governance and corporate social responsibility.

Also in the concern to economise on paper, duplex printing is programmed by default on the computers of all staff members. Moreover, Cofinimmo encourages the use of large-capacity printers, also guaranteeing operational economies. The company also participates in a recycling programme in respect of its documents for destruction, in cooperation with a specialised firm.

Cofinimmo ensures that all its print-outs in-house are made on paper which has been recycled and bears the *FSC* (Forest Stewardship Council) label. This guarantees to consumers that the paper comes from sustainably managed forests. Cofinimmo also requests the use of this type of paper in printing work carried out by external firms.

Daily gestures: small streams lead to large rivers

In the conviction that a true environmental policy starts with small changes in daily life, Cofinimmo does not confine itself to large-scale initiatives to implement its ecological efforts. In every action it takes, it imposes green thinking. For instance, it has developed sleeves for CDs/DVDs in ecological cardboard, leases a hybrid corporate company car, makes BEBAT[1] containers available for recycled batteries, recycles the printer toners, offers ecological car-wash services (i.e. with dry, biodegradable products), turns off the lights in the drinks distributors, introduced 'Green Fridays' (i.e. Fridays without lifts), etc.

1 Fund for the collection of batteries.

Promotion of good practices amongst the tenants with regard to:

- water consumption
- energy consumption
- lighting
- waste recycling
- cleaning
- air quality
- mobility
- acoustics
- ecological materials and products

1,123 tonnes of sorted waste have been collected, of which 453 tonnes of paper/cardboard, 649 tonnes of class II waste[1], 17 tonnes of PMC and 4 tonnes of glass.

A joint resolution for a green future: raising the awareness of tenants and partners

Aware that a truly green portfolio cannot exist without the active participation of all users, Cofinimmo intends to exceed its own environmental responsibility by actively raising the awareness of its tenants, operators and partners to encourage them to also adopt the responsible ecological practices it puts into practice, in order in this way to promote overall taking into account of the ecological aspect.

Tenants: a real joint action plan to integrate the environmental stakes

Cofinimmo plays the role of true environmental adviser in relation to its many clients. For many years, it informs its tenants of its decisions with a favourable environmental impact for the communal areas managed by Cofinimmo and launches awareness campaigns to encourage them to extend this ecological modus operandi to their private areas. This refers in particular to proactive advice which is easily put into practice on the reduction of their water and energy consumption, the sorting and reduction of waste, optimisation of lighting and air quality, cleaning, the use of ecological materials and products, minimisation of transport, acoustic management, etc. Moreover, the company sends regular information flashes in which it tackles a variety of current topics, such as the European Week for Waste Reduction (see above), green energy, the hiring of Christmas trees with 100% natural decorations, etc., always with the aim of encouraging its clients to take ecological initiatives.

In 2010, Cofinimmo improved the sorted waste infrastructure. No fewer than 82 half-buried containers were placed to receive the waste from some thirty buildings. These large-capacity containers enabled reductions in the frequency of waste collection and therefore the transport needed for the handling of the waste and consequently the CO_2 emitted.

Cofinimmo's interest in mobility (see page 87) does not stop at its headquarters. In the concern for the accessibility of its buildings and the mobility of its tenants, it is participating as a partner in the 'MY MOVE' project (**www.mymove.eu**) initiated by D'Ieteren Auto. Under this project, D'Ieteren is testing an 'intelligent sharing' system of electric bicycles and electric or very low CO_2 emission cars. The offer is intended in particular for companies installed in business parks or in multi-tenant commercial buildings. The partnership with D'Ieteren aims to test it with Cofinimmo's clients. In 2011, Cofinimmo will monitor the introduction of the 'MY MOVE' service with its various tenants in the Omega Court office block.

1 General waste: all household, municipal and bulky waste (including the residues from sorting PMC waste) not sorted on collection and intended for the class II storage centre or for incineration.

With a view to improving urban mobility, the company gives preference to owning buildings located close to public transport facilities in order to offer tenants a working or living environment which is easily accessible by alternative transport and therefore indirectly to reduce CO_2 emissions.

Any potential tenant is also made aware of the ecological actions implemented by Cofinimmo. In the marketing documentation for its properties, the company provides with the greatest transparency all the information relating to the property proposed. It also integrates into it details of available access to transport. For the new constructions, the energy levels (E) are announced; the same applies for the buildings with environmental certification.

Subcontractors: the integration of good practices from the start

Cofinimmo invites any partner involved in the development of its portfolio (promoters, architects, engineers, consultants, etc.) to pay particular attention to improving the environmental aspect from the design stage of the project.

It expects its subcontractors to adopt responsible, sustainable practices and to use environmentally-compatible materials. This will constitute a selection criterion during tendering procedures and a separate clause in cooperation contracts. For all building maintenance operations, for example, Cofinimmo asks subcontractors to use products with minimum impact on the environment.

Cofinimmo also requires any party involved in construction or renovation work to ensure strict compliance with all legal, environmental and safety requirements, as well as those relating to working conditions.

Furthermore, during its construction or renovation projects, it encourages all parties involved to participate in a programme for the recovery and recycling of materials removed during the works.

Cofinimmo has signed a framework agreement with its carpet suppliers regarding the laying of ecological carpets for its office refurbishing projects.

HUMAN RESOURCES

Cofinimmo endeavours to promote the professional and personal development of its staff by offering them jobs with an attractive content and a motivating working environment and by contributing to nurturing their talents. Moreover, it focuses on promoting diversity and equal opportunities among its staff.

The staff members are closely involved in putting Cofinimmo's vision of corporate social responsibility into practice. It considers that its 4 priorities (Environment, Human Resources, Communities, Values) are inextricably linked and expects its staff to support them both individually and jointly.

Staff level

At 31.12.2010, Cofinimmo employed 111 staff (average age 37 years), of whom 60% are university graduates and 21% have a qualification at post-graduate level. About 56% of the staff are working on client and portfolio management, with the remaining personnel employed in support activities. The staff total breaks down into 67% female and 33% male employees. In 2010, 6 staff members were taken on with just 3 departures. Absenteeism, as in previous years, is low, at just 2% of the total number of days worked.

Diversity

At the end of 2007, Cofinimmo put in place a two-year Diversity Plan intended to prevent any type of discrimination relating to age, sex and origin. Cofinimmo is one of the first 4 companies to have received the 'Diversity Label' granted by the Brussels Capital Region for its 2007-2009 plan. This plan may today be considered as the first step in the approach and reflects the company's wish not to exclude any population group from its staff. Since then, it has ensured consolidation of all approaches along these lines.

It is with this objective that it signed an agreement at the beginning of the year on a Consolidation Plan, based on the Anti-Discrimination Order adopted on 04.09.2008 and the Brussels Capital Government Decree of 07.05.2009. These 2 texts provide Brussels firms with a framework enabling them to put their commitment to diversity into practice, both by adopting a Consolidation Plan and by applying for a Diversity Label.
Cofinimmo's plan was adopted on 23.02.2010. It commits the company to reinforcing its initiatives in this respect, which is expressed at various levels:

- that of recruitment, by strengthening the interactions with young people in particular;
- that of human resources management, by offering coaching and training in stress management;
- that of external positioning of the company, by continuing actions on networking and testimonies on the issue of diversity.

Remuneration

The remuneration packages offered by Cofinimmo are determined by reference to market remuneration for similar posts and the salary is based on identical criteria for each employee, while taking into account an objective job classification. It includes a retirement benefit plan, a profit-sharing scheme and, since 2009, a non-recurrent bonus linked to the results of the company. The profit-sharing scheme amounted to €328,544 in 2010. The members of the Group's Executive Committee and management benefit from a stock option plan designed to cement company loyalty by allying their interests with the results of the Group. In 2010, a total of 5,740 stock options were granted, representing a fair value of €255,430 (see Note 46 page 164).

Nurturing talent

In 2010, a period of considerable economic uncertainty, Cofinimmo continued its efforts to nurture talent, aware, more than ever, that its human capital constitutes a major strength which is likely to differentiate it from other firms in the same sector. Having obtained the *'Investor in People'* label, Cofinimmo has for 5 years been underlining the essential deployment of knowledge.

The HR department, in cooperation with the line managers and staff, draws up a personal development plan covering languages, information and communication technologies, technical subjects and *soft skills* (communication, speaking in public, conflict management, etc.).

Special attention is devoted to the manager coaching aspect, with managers receiving training in this field each year. The skills they acquire enable them to meet the needs and expectations of their fellow staff members who are ever keener to learn.

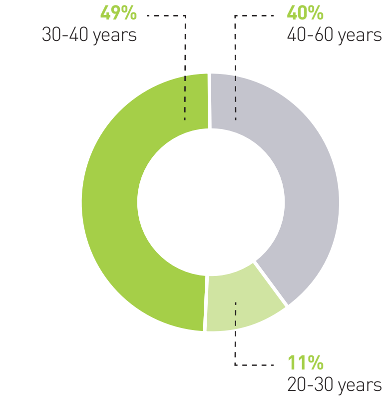
In tandem with the more traditional training courses, the company offers its staff the opportunity to pursue longer-term training at post-graduate level, both in Belgium and, more exceptionally, abroad.

Over 80% of the staff attended one or more training courses in 2010, representing a total of 2,600 hours and a budget equivalent to nearly 1.7% of the gross salary bill, distributed equitably among all the staff (men/women, younger/older employees, ...). Of a total of 386 days of training followed by the staff, 64 focused on the various themes of corporate responsibility, diversity management, environment, energy performance of buildings and sustainable development.

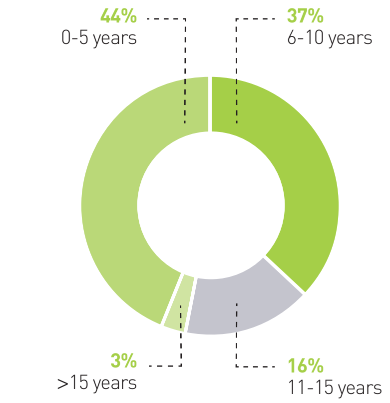
Cofinimmo's Legal Department has been granted the award of 'Most Innovative Legal Department' by the Belgian Legal Awards Committee under the patronage of José Manuel Barroso, President of the European Commission.

Belgian
Legal Awards
2010

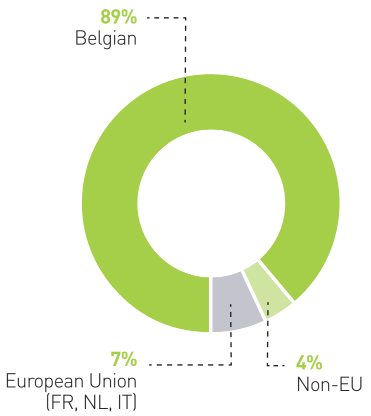
Staff members by age group (in %)



Seniority (in %)



Nationalities of staff (in %)



Wellbeing and Satisfaction

Always attentive to knowing and improving the level of satisfaction of its staff, Cofinimmo, with the support of Euro-Vote, conducted a satisfaction survey in 2010 (90% participation rate), which focused on the main themes of credibility of the management, respect, equity, pride in belonging and solidarity.

It emerged that 96% of the respondents said they were happy to work for Cofinimmo, proud of their achievements and satisfied with the recognition given to their personal contribution. The other positive points found included in particular dialogue with the hierarchy and the empowerment and autonomy they enjoy, the possibility for ongoing training and non-discrimination.

Cofinimmo had chosen Euro-Vote to assist it in this operation on account of its approach of 'transforming opinion into donations', thereby offering financial support to humanitarian projects. The 90% participation by employees allowed 4 associations to receive support: Handicap International (purchase of prostheses), Helvetas (water treatment), Planète Urgence (planting trees) and Alter Eco (school education for children).

Persons benefiting from flexi-time (part-time): **23%**

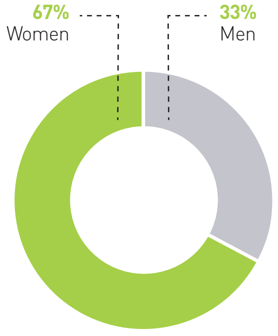
Alternative contracts (temporary): **3%**

>**80%** have followed training

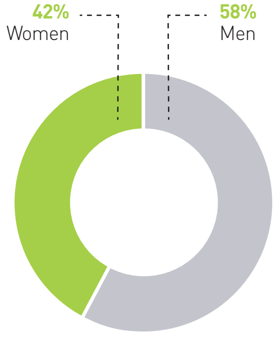
Participation in satisfaction survey: **90%**

Annual performance assessment: **100%**

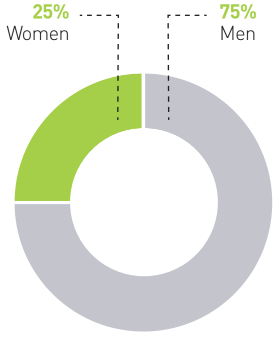
Men/Women (entire staff) (in %)



Men/Women (Management) (in %)



Men/Women (Executive Committee) (in %)



Performance assessment

In the concern to meet the expectations of its staff, Cofinimmo asks its managers to hold (at least) 2 formal assessment interviews per year.

The annual interview at the end of the year reviews (after the self-assessment of the staff member) various generic and specific skills and the level of adhesion to the company values. It is also at this time that the manager, in agreement with the staff member, determines the objectives for the coming year and the means to achieve them (training, equipment, support, coaching, ...). These objectives are in line with the corporate objectives set by the Board of Directors.

Internal communication by the management

Regularly and transparently, the Management undertakes proactive, dynamic communication with all its teams.
In this it presents:

- the Group strategy and its reorientations and the chain reaction which the strategic choices have at the level of the individual objectives;
- the annual and half-yearly results, as well as the forecasts for the coming years;
- the significant acquisitions and sales.

To achieve this, although it gives preference to dialogue and meetings, it also takes advantage of tools such as the intranet or internal television circuit. Each team or each business sector can post documents on the intranet, allowing everyone to have at their disposal, in real time, all the information essential to understanding the company and its activities.

Cofinimmo in this way encourages the sharing of information between its various entities. This interdepartmental interactivity reflects its desire to cultivate a true team spirit, one of its 3 corporate values.

COMMUNITIES

Cofinimmo's activities are not confined to making available high-quality places for tenants to live and work or to pursuing purely financial or profitability objectives. It is sustained by a wide variety of external relations, thanks to which the company is able to evolve and grow under optimum conditions.

The dynamism of Cofinimmo's properties stems from their many tenants from a large number of walks of life. Cofinimmo assumes the duty of always listening and being available to them.

Within the real estate market in which the company operates, it wishes to create joint mobilisation, more specifically in the promotion and protection of the property sector as a whole.

In relation to its investors, Cofinimmo's main aim consists in protecting and remunerating appropriately, fairly and regularly the confidence they show in participating in it.

Its external partners, which it chooses carefully, are very closely involved in the vision of the company, enabling a line of conduct to be pursued together based on respect, professionalism and ethics.

Indices in which Cofinimmo is included:

- **BEL20**
- **Euronext 150**
- **MSCI**
- **EPRA Europe**
- **GPR250**

Cofinimmo is meticulous in maintaining its relations with its various partners and wishes to make a real contribution to any sector development and economic or community initiative.

Urban responsibility

Through its investments, the company seeks to play a part in the development of the towns where it is present, helping certain districts to redevelop and in this way promoting urban and social renewal. It also endeavours to put across a positive image of the real estate sector in general and its investments in particular.

Economic promotion

Brussels, the capital of Europe, is the home base of Cofinimmo. The company wants to actively participate in promoting and developing Belgium and its Regions. When holding its road shows and other presentation events abroad, it constantly seeks to promote the investments and facilities in Belgium to investors. As a member of local or national chambers of commerce (BECI - Brussels Enterprises Commerce and Industry, VOKA - Vlaams Netwerk van Ondernemingen) or *think-tanks* such as Aula Magna, it seeks to contribute towards furthering long-term economic growth and social protection at national and regional levels. It is also active in Business & Society Belgium, a network and source of inspiration for companies and associations of companies wishing to integrate corporate social responsibility in their management and activities.

Market position

Cofinimmo plays a leading role in any discussions on urban and property development in its markets. It is a member of Antwerp Headquarters, the European Public Real Estate Association (EPRA), the Fonds Quartier Européen, the International Facility Management Association (IFMA), the Real Estate Society (RES), the Royal Institution of Chartered Surveyors (RICS), the Union Professionnelle du Secteur Immobilier (UPSI) and the Urban Land Institute (ULI). It participated in the introduction of the Investment Property Database (IPD) in Belgium and sponsors the Club Bruocsella (club of corporate sponsors created by the Promethea Foundation) which supports cultural, social or architectural projects affecting the urban environment in the Brussels Region, and the non-profit association Conservamus, which is preparing the renovation of the Brussels Royal Conservatory building complex.

Its presence within major stock exchange indices (BEL20, Euronext 150, *MSCI*, *EPRA Europe* and *GPR250*) is evidence of the recognition of its position nationally and internationally.

Cofinimmo's stakeholders

- Shareholders/Investors
- Clients
- Staff
- Communities
- Suppliers
- Financial/real estate partners
- Public authorities

Financial responsibility

The viability of Cofinimmo is underpinned by its long-term leases with partners of the highest calibre, giving it considerable stability and allowing it to pursue a long-term strategy. Its portfolio diversification serves to enhance its risk profile and rental income. The company is constantly attentive to its financial equilibrium and future growth.

Its profitability in fact enables Cofinimmo to assume its responsibilities and to pursue its business. It serves as a measure of both economic efficiency and value creation.

Apart from the fact that it must meet the criteria of its clients, any investment must enable it to respect its obligations towards both lenders and shareholders.

Responsibility to its tenants

Cofinimmo must secure the loyalty of its clients by offering goods and services of value in terms of price, quality, safety and environmental impact, developed thanks to the required technological, environmental and commercial expertise.

It offers quality living and working space which caters for the activities and requirements of the occupants. It is in a position to offer public authorities and citizens quality buildings for very specific uses. By investing in nursing homes, Cofinimmo is seeking both to meet the growing demographic needs by providing a secure and comfortable environment for the elderly and to assist the operators by easing the burden of managing their properties.

Responsibility to the investors

Cofinimmo must protect its shareholders' investment to maximise value creation and the return on their investment.

On account of its market position as a company floating issues for public subscription, Cofinimmo adopts a transparent communications policy and takes care to maintain its good reputation.

To achieve this, it draws up communication plans and organises road shows with private or institutional investors and is regularly present at investor fairs. These contacts provide opportunities for dialogue, to discover how investors perceive Cofinimmo's image and to reply to their questions.

Cofinimmo devoted 10% of its communications budget to the financial support of social projects and charitable works.

All the meals that the staff members distributed during Opération Thermos were homemade.

Relations with its suppliers
Cofinimmo seeks to maintain sustained, mutually beneficial relations with its product suppliers and service providers, works and maintenance contractors. It ensures that the goods and services acquired and the methods used to procure them meet the highest requirements in terms of respect of the laws, ethics and the environment. In particular, Cofinimmo staff members are called on to respect the Code of Conduct in relations with suppliers and service providers, with a view to establishing and preserving relations with them which respect the interests of both parties.

Relations with the authorities
Cofinimmo cooperates with the authorities in the context of the tightening up of the financial legislation following the market crisis in order to develop quality supervision rules. These rules should both promote stability of listed property sector firms and support their development.

The company played an active part in the modernisation of the legislative framework for Sicafis, which led to the *Royal Decree of 07.12.2010*.

Relations with the community
Cofinimmo wishes to make a real contribution to community life and harness its good standing to benefit charitable works.

Accordingly, in 2010, it supported numerous humanitarian and social projects, such as the Erasme Foundation, Mimi Fondation, La Ligue Belge de la Sclérose en Plaques, Les Petits Riens, Live 2010, United Fund for Belgium, the humanitarian project Samilia, etc.

Furthermore, the staff members of Cofinimmo become personally involved in various initiatives to bring aid to those in need or in difficulty.
The company has a large number of regular blood donors, who attend the twice-yearly sessions organised at the company in cooperation with the Red Cross. The average participation rate is above 50%.

In addition, since 2005, the staff of the company play an active role in Opération Thermos, an initiative of a non-profit association of the same name, which offers meals to the homeless at the Brussels Central Station. It was during Christmas, a particularly difficult period when the poor feel vulnerable, that Cofinimmo wished to provide its support in 2010. For this, as every year, it was able to count on the considerable mobilisation of its staff, who wished to offer a hot, completely homemade meal.

VALUES

Cofinimmo is proud to extol fundamental values, such as creativity, team spirit and self-discipline, to which are added its ethics and transparency guidelines.

Its values and principles are applied in all its actions, large and small, and must provide the foundation for the behaviour expected from every member of the company bodies and staff of Cofinimmo.

The application of these principles assume various forms in its Board of Directors, Committees and working groups and is accompanied by a set of procedures, the purpose of which is to ensure that everyone knows the principles of good conduct and applies them in all their actions, with their conduct matching their intentions.

These factors, values, principles and procedures together form an integrated whole. They are experienced daily in the company and serve as guiding principles for the activities and processes, as well as for relations with clients, suppliers and service providers.

Creativity

Creativity is one of the key factors of the efficiency and competitiveness of an organisation. The emergence of new ideas, duly evaluated, in particular allows experiments to be launched with new activities or improvements to be made to those in place. Within Cofinimmo, it is the fruit of a process of reflexion and ongoing questioning at all levels of the hierarchy.

Team spirit

Working together is to become aware of the challenges of a company and to contribute jointly to concrete solutions. The dynamism generated by this cohesion also reinforces the feeling of belonging to the company, which serves to boost motivation and efficiency. At Cofinimmo, this value is highlighted thanks to the many initiatives which aim to involve the staff in carrying out corporate objectives and thanks to the support that the management is keen to provide.

Self-discipline

The success of a company is linked to the precision and correctness of its actions and to the intellectual demands made of its staff. The present context encourages all companies more than ever to act consistently in the application of its objectives and to show discipline. Self-discipline provides a framework, a structure, thereby ensuring a natural solidity for the company. Moreover, it contributes to its image. Cofinimmo asks a lot of its partners, but does the same for its in-house operation.

Ethics

Cofinimmo stresses the principles of honesty, integrity and fairness in all fields and in relation to all its staff members and expects the same attitude from third parties with which it has business relations. Offering directly or indirectly, seeking and accepting advantages, either direct or disguised in whatsoever form, are unacceptable practices.

The members of the company bodies and staff must avoid any conflict of interests between their role in the company and their other activities, professional or private. All transactions carried out on behalf of Cofinimmo must be recorded with the greatest accuracy and honesty in the company accounts in accordance with the established procedures.

Its internal Code of Conduct, distributed to all staff members, emphasises the key values of professional life, that is to say honesty, self-discipline, integrity and respect of others.

Transparency

Precisely, fairly and within the time limits announced, Cofinimmo provides its clients, shareholders, lenders, the public authorities and any third party so requesting with all relevant information concerning its activities, subject, naturally, to duly justified obligations of confidentiality.

It applies a policy of proximity communication, which is supported by a management and an in-house corporate communications and investor relations team available to any person interested.

Cofinimmo stresses the principles of honesty, integrity and fairness in all fields.

Objectives 2011

Environment

Portfolio management

- Aim systematically for better energy performance than that imposed by Law for new constructions
- Measure and improve the energy performance of the existing office properties
- Perfect the reporting of energy consumption
- Obtain ISO 14001:2004 certification for the Environmental Management System of the entire office portfolio
- Obtain BREEAM certification for the future redevelopments and new constructions of offices

Headquarters' management

- Progressively replace individual printers by high-performance centralised printers
- Broaden the mobility plan

Awareness campaign for tenants & partners

- Integrate a separate clause relating to the adoption of sustainable practices by subcontractors in contracts and tendering procedures as selection criterion
- Integrate ecological and energy practices in the new leases, including extensions and renewals, allowing a more formal commitment to be obtained from the tenant
- Create a formal user guide including ecological advice for any new tenant
- Support projects promoting mobility with a favourable impact on the environment, such as the D'Ieteren 'MY MOVE' project which consists in pooling bicycles and electric/low consumption cars

Communication

- Introduce GRI reporting[1]

Human Resources

- Optimise recruitment policies and processes
- Boost the team spirit constantly
- Extend reliable, consistent, educational in-house communication
- Develop managerial skills on an ongoing basis

Communities

- Organise at least 2 evening meetings with private investors
- Participate more often in company debates relating to the property sector and its sustainable aspects
- Deploy the company strategy in terms of community minded initiatives

Corporate objectives 2011:

- Deploy the portfolio diversification
- Reinforce the team spirit
- Accomplish opportunities offered by the new Royal Decree of 07.12.2010

1 Global Reporting Initiative is developing guidelines applicable in the field of sustainable development enabling companies to draw up transparent, reliable reporting on this subject (**www.globalreporting.org**).

management report

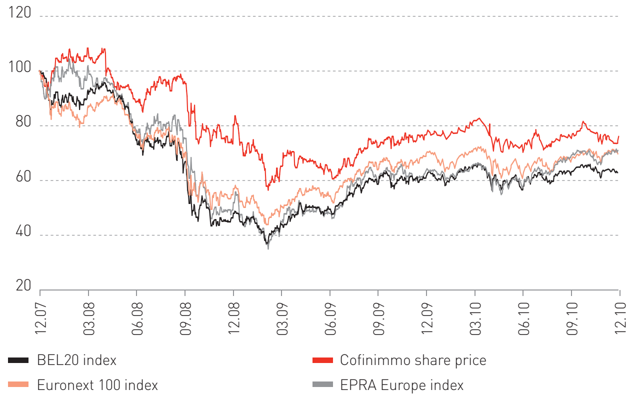
> cofinimmo in the stock market.

> Cofinimmo offers private and institutional investors, from Belgium and abroad, who are seeking a moderate risk profile combined with a high *dividend yield*, 3 listed instruments:

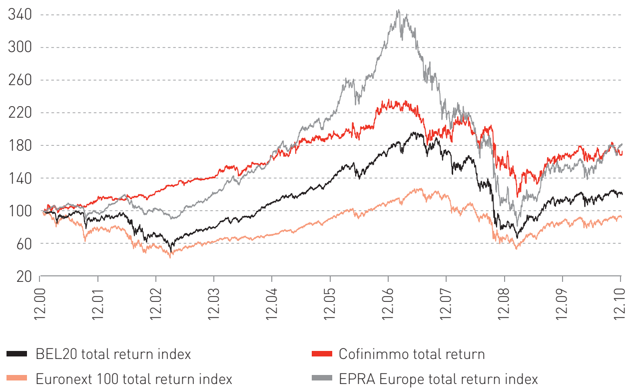
- the ordinary share;
- the preference share;
- the bonds.

These instruments offer slightly different risk, liquidity and return profiles.

Trend in the share price (in %)



Total returns (in %)



The ordinary share

The Cofinimmo ordinary shares have been listed on NYSE Euronext Brussels (ticker: COFB) since 1994. Until 15.11.2010, they were also listed on NYSE Euronext Paris. However, following changes to the SIIC regime, it is no longer a regulatory requirement to have a listing on a domestic stock exchange. Cofinimmo has therefore decided to delist its shares from NYSE Euronext Paris. This delisting has no impact whatsoever on Cofinimmo's day-to-day operations in France, where the company continues to have an active presence. Moreover, Cofinimmo will continue to benefit from the French fiscal SIIC regime.

The share is included in the BEL20, Euronext 150 and *MSCI* indices. It is also included in the *EPRA Europe* and *GPR250* real estate indices. Cofinimmo is the foremost real estate investment company of the BEL20.

Stock market context and trend in Cofinimmo share

After the substantial price variations which characterised the years 2008 and 2009 with extremes of €49 and €40 respectively, 2010 returned to relative stability in the ordinary share price, which fluctuated within a range of €15, with a high of €105.30 on 09.04.2010 and a low of €90.25 on 25.05.2010. The closing price for the year of €97.41 is close to the average price of €97.59.

The fall in the price of the Cofinimmo share in May mirrored the doubts about the permanency of the composition of the euro zone and the ensuing weakness of the euro.

The graph hereby illustrates the stock market performances -taking into account the reinvestment of the dividend- of the Cofinimmo share compared to the BEL20, Euronext 100 and EPRA Europe indices over the past 10 years. During the same period, Cofinimmo generated a return of 129.61%, or an average annual return of 8.66%, whereas the BEL20 and Euronext 100 indices experienced variations of 21.16% and -6.30% correspondingly, which tallies with average annual returns of 1.94% and -0.65% respectively. Also during this period, the EPRA total return index rose 82.80%, which represents an annual performance equivalent to 6.21%.

Gross dividend proposed to the General Meeting: €6.50.

Annual gross total return: 5.37%.

Share price vs. revalued net asset (in €)

Cofinimmo share liquidity

Also in 2010, Cofinimmo continued to put effort into enhancing the liquidity of its share. Accordingly, it organised regular road shows and invested in publicity campaigns. With a *market capitalisation* of the ordinary shares standing at €1.33 billion and an average daily volume of €3.0 million or over 31,000 shares, Cofinimmo's liquidity level is sufficient to keep it on the radar screen of the major institutional investors.

ISIN BE0003593044	**2010**	2009	2008
Share price (in €)			
Highest	**105.30**	111.24	142.00
Lowest	**90.25**	71.17	93.01
At year-end	**97.41**	98.61	94.52
Average	**97.59**	89.58	120.57
Dividend yield[1]	**6.66%**	7.26%	6.47%
Gross return[2] (over 12 months)	**5.37%**	13.85%	-22.31%
Dividend[3] (in €)			
Gross	**6.50**[4]	6.50	7.80
Net	**5.53**[4]	5.53	6.63
Volume			
Average daily volume	**31,087**	34,917	37,638
Annual volume	**8,113,577**	8,938,724	9,672,909
Number of shares entitled to share in the consolidated results of the year	**13,614,485**	12,682,696	11,846,772
Market capitalisation at year-end (x €1,000)	**1,326,187**	1,250,641	1,072,286
Free float zone[5]	**90%**	90%	85%
Velocity[5]	**67.00%**	75.72%	90.06%
Adjusted velocity[5]	**74.45%**	84.14%	105.96%
***Pay out* ratio**[6]	**81.05%**	87.01%	106.85%

1 Gross dividend to average annual share price. 2 Appreciation in price + dividend yield.
3 *Withholding tax* on dividends paid is 15%. 4 Forecast. 5 According to the Euronext method.
6 In the *net current result* - Group share, *IAS 39* impact excluded.

The preference share

The preference shares are listed on NYSE Euronext Brussels (tickers: COFP1 for the first series issued on 30.04.2004 and COFP2 for the series issued on 26.05.2004). They are registered, with voting rights, and convertible into ordinary shares since 01.05.2009 (1 for 1)[1]. At 31.12.2010, 250,456 preference shares were already converted into ordinary shares.

In 2019, Cofinimmo can purchase the unconverted shares at their issue price (see also the section "Capital structure" in the "Corporate Governance Statement", page 72).

ISIN BE0003811289 (COFP1)/ISIN BE0003813301 (COFP2)	**COFP1 2010**	COFP1 2009	**COFP2 2010**	COFP2 2009
Share price (in €)				
At year-end	**93.00**	95.00	**90.52**	91.75
Average	**94.17**	93.29	**92.83**	87.58
Dividend yield[2]	**6.76%**	6.83%	**6.86%**	7.27%
Gross return[3] (over 12 months)	**4.60%**	7.24%	**5.60%**	5.04%
Dividend[4] (in €)				
Gross	**6.37**[5]	6.37	**6.37**[5]	6.37
Net	**5.41**[5]	5.41	**5.41**[5]	5.41
Volume				
Average daily volume[6]	**2,453**	728	**150**	108
Annual volume	**24,531**	11,640	**6,916**	6,993
Number of shares	**561,727**	589,605	**687,583**	737,088
Market capitalisation at year-end (x €1,000)	**52,241**	56,013	**62,240**	67,628

1 See also page 72. 2 Gross dividend to average annual share price. 3 Appreciation in price + dividend yield. 4 Withholding tax on dividends paid is 15%. 5 Forecast. 6 Average calculated on the trading days on which a volume was registered.

The bonds

Cofinimmo issued 3 bonds. The first was issued by Cofinimmo Luxembourg SA in 2004, redeemed in 2014 at its nominal value (€100 million). It is listed on NYSE Euronext Brussels and on the Luxembourg stock exchange. The second bond was issued by Cofinimmo SA in 2009 and will be redeemed in 2014 at its nominal value of €100 million. It is listed on NYSE Euronext Brussels. The last bond was issued in 2010 by Cofinimmo SA and will be redeemed in 2013 at its nominal value of €50 million. It is also listed on NYSE Euronext Brussels.

(in %)

ISIN XS0193197505 (Cofinimmo Luxembourg SA 2004-2014)	2010	2009	2008
Market price			
At year-end	**103.77**	99.56	91.98
Average	**104.51**	96.53	97.69
Average yield to maturity (average for the year)	**4.01**	6.05	5.78
Effective yield at issue	**5.064**	5.064	5.064
Interest coupon			
Gross (per tranche of €100)	**5.25**	5.25	5.25
Net (per tranche of €100)	**4.46**	4.46	4.46
Number of securities	**1,000,000**	1,000,000	1,000,000

(in %)

ISIN BE0002171370 (Cofinimmo SA 2009-2014)	2010	2009	2008
Market price			
At year-end	**102.82**	102.43	-
Average	**103.63**	103.18	-
Average yield to maturity (average for the year)	**4.07**	4.27	-
Effective yield at issue	**4.54**	4.54	-
Interest coupon			
Gross (per tranche of €1,000)	**5.00**	5.00	-
Net (per tranche of €1,000)	**4.25**	4.25	-
Number of securities	**100,000**	100,000	-

(in %)

ISIN BE6202995393 (Cofinimmo SA 2010-2013)	2010	2009	2008
Market price			
At year-end	**97.83**	-	-
Average	**97.80**	-	-
Average yield to maturity (average for the year)	**3.79**	-	-
Effective yield at issue	**2.936**	-	-
Interest coupon			
Gross (per tranche of €50,000)	**2.936**	-	-
Net (per tranche of €50,000)	**2.496**	-	-
Number of securities	**1,000**	-	-

Shareholders structure[1] (at 31.12.2010)

Company	Sector	Number of ordinary shares	%	Number of preference shares	Total number of shares (voting rights)	%
Dexia SA[2]	Insurance	816,307	5.97	291,706	1,108,013	7.43
Cofinimmo Group (own shares)		52,607	0.38		52,607	0.35
Number of shares issued		13,667,092	100.00	1,249,310	14,916,402	100.00
Free float[3]			93.65			92.22

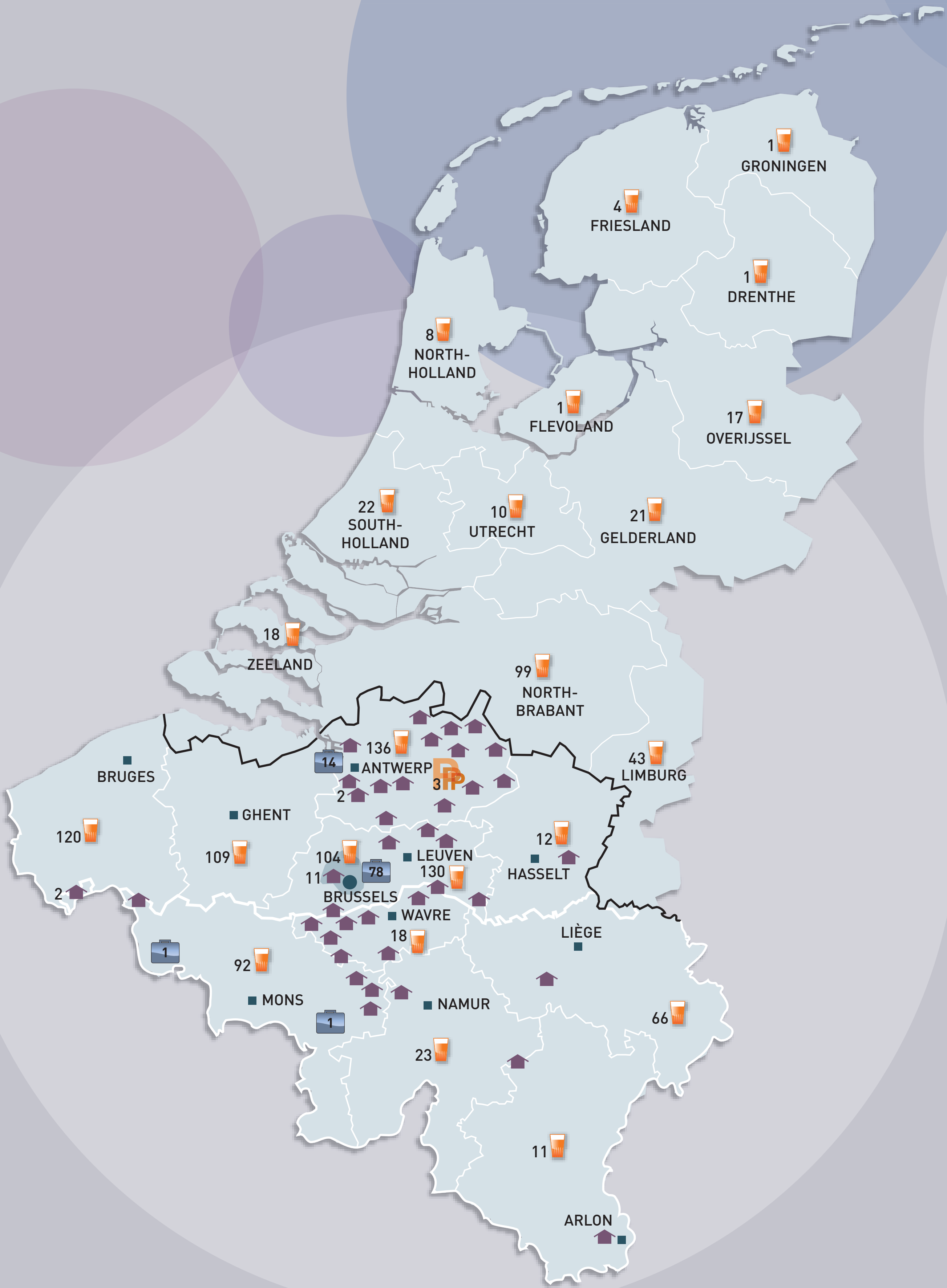
The Board of Directors declares that the above-mentioned shareholders do not have different voting rights.

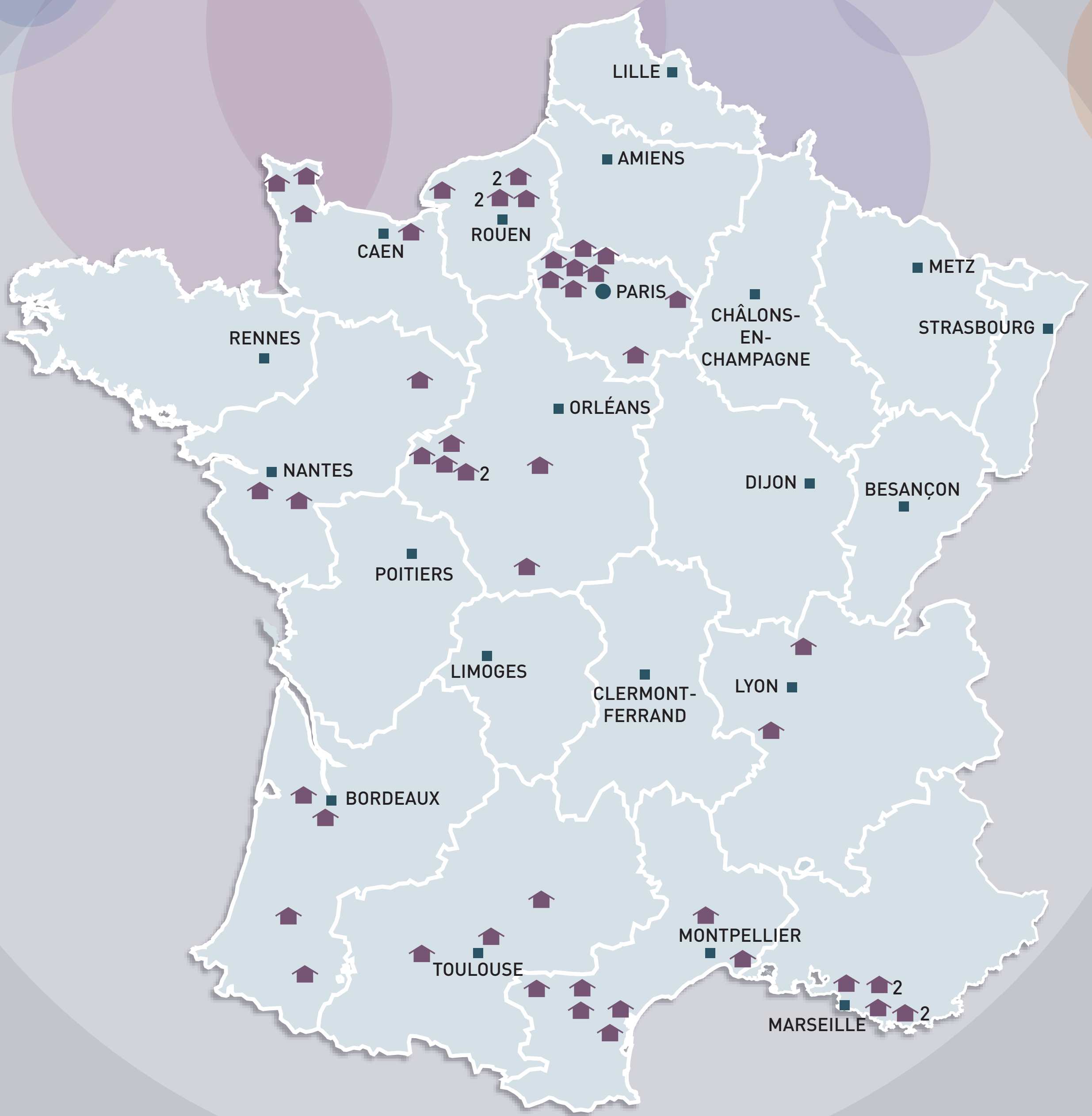
Shareholders calendar

Ordinary General Meeting for 2010	29.04.2011
Intermediate declaration: results at 31.03.2011	03.05.2011
Dividend payment date (ordinary and preference shares)[4]	
Coupon detach date (*Ex date*)[5]	04.05.2011
Record date[6]	06.05.2011
Dividend payment date	11.05.2011
Financial service	Bank Degroof (principal paying agent) or any other financial institution
Coupons	
Ordinary share	Coupon No 19
Preference share	Coupons No 7 (COFP2) and No 8 (COFP1)
Half-yearly Financial Report: results at 30.06.2011	01.08.2011
Intermediate declaration: results at 30.09.2011	02.11.2011
Annual press release: results at 31.12.2011	10.02.2012
Ordinary General Meeting for 2011	27.04.2012

1 Situation based on the shareholding notifications received in accordance with the Law of 02.05.2007. Any modifications notified since 31.12.2010 have been published according to the provisions of the above-mentioned Law and can be consulted on the company's website **www.cofinimmo.com**, under the heading "Investor Relations & Media/Share Information/Shareholder Structure". 2 Dexia SA is the parent company of Dexia Bank Belgium SA, which in turn is the parent company of Dexia Insurance Belgium SA. Dexia Insurance Belgium SA is the parent company of the companies Corona, DIB Invest, Sepia, DIS Finance and Assurance Asset Management Company. 3 This free float calculation, commonly used by Euronext, includes all shareholders holding less than 5% of the capital. 4 Subject to approval of the Ordinary General Meeting of 29.04.2011. 5 Date from which the share is traded without a right of payment of future dividends. 6 Date on which positions are closed in order to identify the shareholders who qualify to receive a dividend.

Geographic location





Offices/Other properties

x Nursing homes/clinics

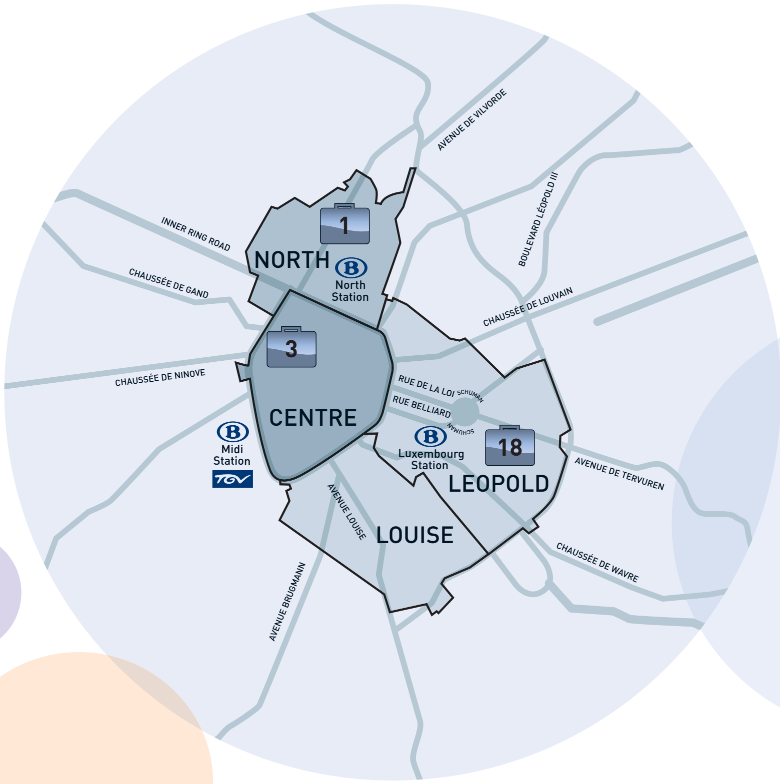
x Pubstone

x Public-Private Partnership (*PPP*)

(x = number of properties)

Office complexes are quantified according to the number of buildings they are made of.

Central Business District (CBD)



Market characteristics

Offices

Brussels

A key feature of the Brussels office market is the large presence of government institutions, both Belgian and European. This market breaks down into 3 districts, each of which with its own distinct characteristics:

Central Business District (CBD)

This district, composed of 4 sub-districts, Brussels Centre, the Leopold District, Brussels North and the Louise District, constitutes the epicentre of the city.

The **Centre** is the area formed by the Pentagon of Brussels, the historic heart of the city, in which buildings are located such as the Royal Palace and the Federal Parliament. Offices in this area are traditionally occupied by Belgian public authorities and large Belgian companies.

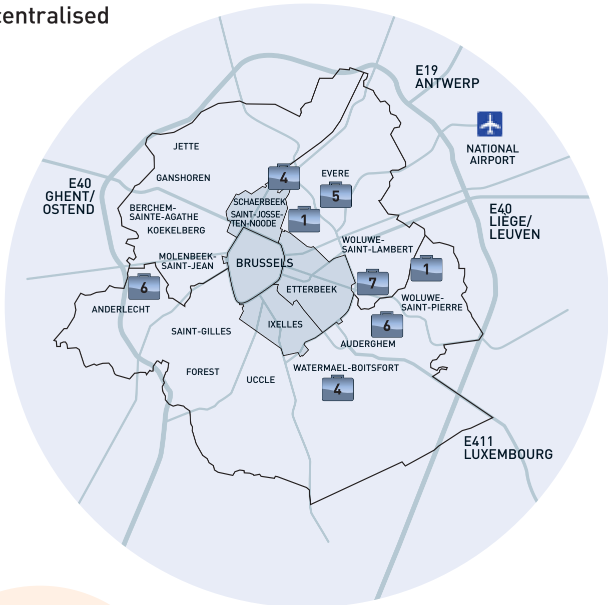
The **Leopold** District is the European heart of the city. It is centred on the Schuman roundabout, rue Belliard and rue de la Loi, and accommodates all the European institutions as well as numerous delegations, representations and associations working closely with them. A network of tunnels provides fast access to the national airport (20 minutes). The Brussels-Luxembourg railway station serves this district and the many restaurants and bars in the neighbouring Place de Luxembourg lend it its characteristic dynamism.

The **North** District, meanwhile, is a modern business quarter situated close to the North Station. Its typically high-rise buildings are occupied by Belgian and regional ministries, semi-public companies and large corporates.

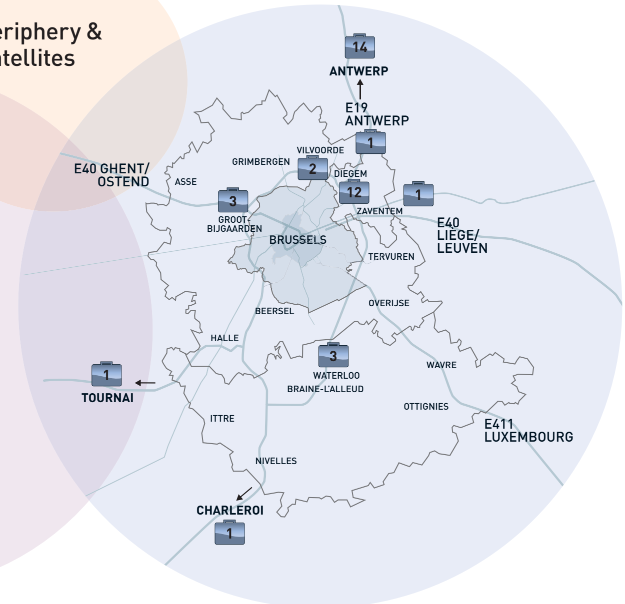
The **Louise** District to the south of the Brussels inner ring road is characterised by a mixture of prestige properties, such as offices, hotels, shops, etc., all benefiting from the cachet radiated by Avenue Louise, still one of the city's most prestigious avenues. The offices are chiefly occupied by lawyers, embassies and medium-sized private firms (insurance, financial operations, etc.). The Midi Station, which is the terminal for high-speed trains now running from Brussels to Amsterdam (110 minutes), Cologne (110 minutes), London (120 minutes) and Paris (80 minutes), recently saw the opening of a new business hub.

Within the CBD, take-up of office space is generally based on long-term rental contracts (9 to 27 years). The calibre and stability of the tenants means that this area enjoys the lowest vacancy rate, while rent levels here are the highest in the capital. Nevertheless, in 2010, on account of the low take-up by the European and Belgian institutions and the departures of certain large corporates, this district experienced a dip in its *occupancy rate*.

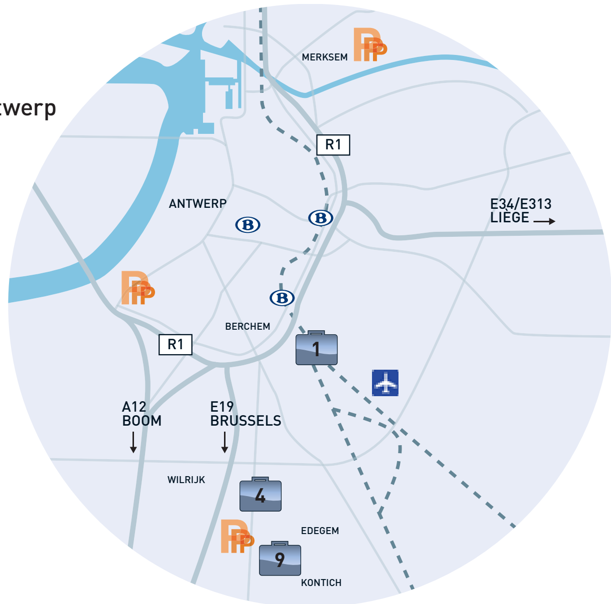
Decentralised



Periphery & Satellites



Antwerp



Decentralised

This district encompasses the remaining 19 municipalities of the Brussels Region. It offers an excellent working environment due to its residential setting and green space, easy access and the presence of multiple shopping facilities. Tenants in this area are generally medium to large private companies, willing to conclude classic 3-6-9-year leases.

Periphery & Satellites

This district, situated just outside the Brussels-Capital Region along the Brussels outer ring road, mainly houses private companies operating in such sectors as technology, IT, consultancy, pharmaceuticals and chemicals. The out-of-town location, advantageous tax regime of the Flemish and Walloon Regions compared with Brussels, as well as the presence of the national airport attract many multinationals to this area. However, the northern part of the Periphery (Zaventem-Diegem) is suffering from a high rate of vacant space due, among other factors, to the recent construction of various property complexes which still remain unoccupied at present. Leases concluded with tenants in this area are generally of the classic type and flexible, allowing them to be adapted rapidly to a market in a constant state of flux.

Antwerp

The city of Antwerp, with its port, is located in one of the most industrialised regions of Europe. Its office market is spread over 4 districts: the Port, the Centre, the Singel (the most sought-after area) and the Periphery. Occupants of the office buildings are a highly diverse mix.

Nursing homes

The nursing homes market is not characterised by local sub-markets with differing tenant and lease profiles as is the case for offices. For the entire Cofinimmo portfolio, long leases are concluded (usually 27 years in Belgium and 12 years in France) with operators each managing multiple sites. Nevertheless, the prime locations, i.e. in the city centre or in a desirable setting (e.g. riverside or at the sea) influence the rental potential or the possibility for reclassification in the event of the operator's departure.

Pubstone

The entire *Pubstone* portfolio is rented to AB InBev.
The properties in prime locations (i.e. in the hypercentre or town centre) offer the best redevelopment potential if they are vacated, whether as restaurants or as stores in busy shopping areas.

Consolidated property portfolio

The table illustrated on the following pages includes:

- the properties for which Cofinimmo receives rents;
- the properties with rents assigned in whole or in part to a third party, with Cofinimmo retaining ownership and the residual value. For these properties, the heading "*Contractual rents*" comprises the reconstitution of lease payments sold and discounted and, where appropriate, the portion of unsold rents[1];
- the various projects & renovations in progress.

This table does not include the properties which are the subject of a finance lease for which the lessees benefit from a purchase option at the end of the lease. This refers to the Antwerp Court of Justice, the Antwerp Fire Station and the HEKLA Police Station.

To recap, the rental situation concerning these buildings is as follows:

Properties	Superstructure (in m²)	Contractual rents[2] (x €1,000)	Occupancy rate	Tenant
Antwerp Court of Justice	72,131	1,270	100%	Buildings Agency (Belgian Federal State)
Antwerp Fire Station	23,585	190	100%	City of Antwerp
HEKLA Police Station	4,805	583	100%	Police

All properties in the consolidated portfolio are held by Cofinimmo SA, with the exception of those asterisked (*) which are held (wholly or partially) by one of its subsidiaries (see also page 162).

For pictures and detailed descriptions of all the properties, reference is made to the company Internet site (**www.cofinimmo.com**) under the heading "Property Portfolio".

1 See also Note 21 on page 146. 2 It concerns the portion of unassigned rents, which varies from 4.0% to 100.0% according to the buildings.

(at 31.12.2010)

Properties	Year of construction/ last renovation (extension)	Superstructure (in m²)	Contractual rents (x €1,000)	Occupancy rate	Rents + ERV on unlet (x €1,000)	Estimated Rental Value (ERV) (x €1,000)
OFFICES		**622,279**	**98,120**	**91%**	**107,236**	**100,672**
Brussels Centre & North		**1,917**	**0**	**0%**	**306**	**306**
Royale 94	1987	1,917	0	0%	306	306
Brussels Leopold & Louise District		**141,321**	**28,533**	**94%**	**30,468**	**27,994**
Arts 19H	1996	11,099	2,029	100%	2,029	1,877
Arts 47	2008	6,915	1,304	100%	1,304	1,111
Auderghem 22-28	2002	5,853	1,382	93%	1,491	1,253
Da Vinci, Cortenbergh 107	1993	7,435	2,370	100%	2,370	1,729
Guimard 10-12	1995	10,796	2,565	100%	2,565	2,149
Livingstone 1 & 2	1996	34,777	6,564	100%	6,564	6,615
Loi 57	2000	10,279	2,009	100%	2,009	2,037
Loi 227	2009	5,615	1,171	82%	1,431	1,192
Montoyer 14	2005	3,807	750	100%	750	663
Montoyer Science	1993	12,798	3,642	99%	3,666	3,049
Science 15-17	1995	17,722	3,231	100%	3,231	3,290
Square de Meeûs 23	2010	8,468	417	22%	1,898	1,906
Trône 98	2005	5,757	1,099	95%	1,160	1,124
Brussels Decentralised		**288,716**	**42,338**	**88%**	**47,886**	**46,233**
Bourget 40 Leopold Square*	1998	14,641	1,803	100%	1,803	2,190
Bourget 42 Leopold Square*	2001	25,753	4,931	98%	5,044	4,349
Bourget 44 Leopold Square	2001	14,085	1,117	45%	2,498	2,260
Bourget 50 Leopold Square	2000	5,043	771	99%	777	780
Brand Whitlock 87-93	1991	6,066	1,118	100%	1,123	964
Colonel Bourg 105	2001	2,634	322	88%	366	334
Colonel Bourg 122	2009	4,129	625	100%	626	622
Corner Building	2011	3,424	613	100%	613	502
Georgin 2 (RTL House)	2005	17,439	2,811	100%	2,811	2,640
Herrmann-Debroux 44-46	1994	9,666	1,296	87%	1,484	1,542
Moulin à Papier 55	2010	3,387	416	85%	487	547
Omega Court*	2008	16,556	1,941	67%	2,877	2,933
Paepsem Business Park	1992	26,597	2,292	83%	2,751	2,604
Serenitas	1995	19,823	2,742	79%	3,467	3,195
Souverain 24	1994	3,897	688	100%	691	694
Souverain 25	1987	57,415	10,734	100%	10,734	10,373
Souverain 36	2000	8,310	781	53%	1,468	1,528
Tervuren 270-272	1998	20,773	2,806	83%	3,395	3,577
Woluwe 34	1974	6,680	790	75%	1,050	976
Woluwe 58 (+ parking St-Lambert)	2001	3,868	727	100%	727	714
Woluwe 62	1988	3,422	491	87%	562	526
Woluwe 102	2008	8,090	1,333	100%	1,335	1,302
Woluwe 106-108	2009	7,018	1,190	99%	1,197	1,079
Brussels Periphery		**74,837**	**9,884**	**90%**	**10,967**	**10,375**
Leuvensesteenweg 325	1975 (2006)	6,059	487	93%	526	457
Park Hill	2000	17,861	2,165	91%	2,375	2,186
Park Lane	2000	31,863	5,154	92%	5,599	5,122
West-End	2009	10,020	1,381	78%	1,770	1,734
Woluwelaan 151	1997	9,034	697	100%	697	875
Brussels Satellites		**8,054**	**1,169**	**92%**	**1,265**	**1,277**
Waterloo Office Park I	2004	2,289	332	85%	393	368
Waterloo Office Park J	2004	2,289	362	97%	371	364
Waterloo Office Park L	2004	3,476	475	95%	501	545
Antwerp Periphery		**32,984**	**4,558**	**97%**	**4,686**	**3,999**
Garden Square	1989	7,464	1,025	100%	1,030	872
Prins Boudewijnlaan 41	1991	6,007	815	97%	842	820
Prins Boudewijnlaan 43	1991	6,007	909	94%	966	820

Properties	Year of construction/ last renovation (extension)	Superstructure (in m²)	Contractual rents (x €1,000)	Occupancy rate	Rents + ERV on unlet (x €1,000)	Estimated Rental Value (ERV) (x €1,000)
Veldkant 31-33	2000	9,410	1,277	100%	1,283	1,003
Veldkant 35	1998	4,096	532	94%	566	485
Antwerp Singel		**26,916**	**4,046**	**99%**	**4,068**	**4,359**
City Link	2009	26,916	4,046	99%	4,068	4,359
Other Regions		**47,534**	**7,592**	**100%**	**7,592**	**6,131**
Albert I, Charleroi	2004	18,823	3,211	100%	3,211	2,129
Mechelen Station, Mechelen	2002	28,711	4,380	100%	4,380	4,002
RECONSTITUTION OF LEASE PAYMENTS SOLD AND DISCOUNTED - OFFICES		**214,960**	**21,294**	**100%**	**21,366**	**21,366**
Brussels Centre & North		**164,708**	**16,993**	**100%**	**16,993**	**16,993**
Egmont I*	2000	36,674	2,527	100%	2,527	2,527
Egmont II*	2008	22,616	1,083	100%	1,083	1,083
North Galaxy*	2005	105,418	13,383	100%	13,383	13,383
Brussels Leopold & Louise District		**26,593**	**2,595**	**97%**	**2,668**	**2,668**
Loi 56	2008	9,484	933	100%	933	933
Luxembourg 40	2007	7,927	698	100%	698	698
Nerviens 105	2009	9,182	933	100%	933	933
Square de Meeûs 23 (parking)	2009	-	31	30%	104	104
Brussels Decentralised		**20,199**	**1,259**	**100%**	**1,259**	**1,259**
Colonel Bourg 124	2002	4,137	48	100%	48	48
Everegreen	1996	16,062	1,210	100%	1,210	1,210
Other Regions		**3,460**	**447**	**100%**	**447**	**447**
Maire 19, Tournai	1996	3,460	447	100%	447	447
TOTAL OFFICES & RECONSTITUTION OF LEASE PAYMENTS SOLD AND DISCOUNTED		**837,239**	**119,414**	**93%**	**128,603**	**122,038**
NURSING HOMES/CLINICS		**507,260**	**57,019**	**100%**	**57,019**	**55,950**
Belgium		**292,599**	**32,511**	**100%**	**32,511**	**31,120**
Operator: Armonea		**135,482**	**13,465**	**100%**	**13,465**	**12,856**
Binnenhof, Merksplas	2008	3,053	392	100%	392	380
De Wyngaert, Rotselaar	2008 (2010)	6,451	700	100%	700	671
Den Brem, Rijkevorsel	2006	4,063	472	100%	472	447
Domein Wommelgheem, Wommelgem	2002	6,836	696	100%	696	682
Douce Quiètude, Aye	2007	5,147	405	100%	405	370
Euroster, Messancy	2004	6,392	1,068	100%	1,068	905
Heiberg, Beerse	2006	3,647	363	100%	363	356
Hemelrijck, Mol	2009	9,996	914	100%	914	909
Heydehof, Hoboken	2009	3,492	306	100%	306	298
La Clairière, Comines-Warneton	1998	2,437	239	100%	239	219
Laarsveld, Geel	2006 (2009)	6,400	822	100%	822	695
Le Castel, Brussels	2005	4,182	442	100%	442	431
Le Ménil, Braine-L'Alleud	1991	4,404	530	100%	530	501
Les Trois Couronnes, Esneux	2005	4,454	490	100%	490	463
L'Orchidée, Ittre	2003 (2010)	3,795	504	100%	504	496
L'Orée du Bois, Comines-Warneton	2004	5,387	520	100%	520	513
Millegem, Ranst	2009 (2010)	6,072	687	100%	687	673
Nethehof, Balen	2004 (2009)	6,677	553	100%	553	535
Parc, Biez	1977 (2010)	12,839	188	100%	188	195
Sebrechts, Brussels	1992	8,148	950	100%	950	934
't Smeedeshof, Oud-Turnhout	2003 (2009)	8,555	867	100%	867	848
Vogelzang, Herentals	2009 (2010)	8,759	865	100%	865	847
Vondelhof, Boutersem	2005 (2009)	4,296	492	100%	492	487
Operator: Calidus		**3,288**	**321**	**100%**	**321**	**324**
Zevenbronnen, Walshoutem	2001	3,288	321	100%	321	324

Properties	Year of construction/ last renovation (extension)	Superstructure (in m²)	Contractual rents (x €1,000)	Occupancy rate	Rents + ERV on unlet (x €1,000)	Estimated Rental Value (ERV) (x €1,000)
Operator: Medibelge		**18,510**	**1,944**	**100%**	**1,944**	**1,905**
Diamant, Brussels	1984	3,460	264	100%	264	276
L'Adret, Gosselies	1980	4,800	415	100%	415	408
Linthout, Brussels	1992	2,550	409	100%	409	385
Rinsdelle, Brussels	2001	3,200	492	100%	492	479
Top Senior, Tubize	1989	2,300	208	100%	208	204
Vigneron, Ransart	1989	2,200	157	100%	157	153
Operator: Orpea Belgium		**5,700**	**1,366**	**100%**	**1,366**	**1,207**
Lucie Lambert, Buizingen*	2004	5,700	1,366	100%	1,366	1,207
Operator: Senior Assist		**40,260**	**4,460**	**100%**	**4,460**	**4,136**
Bellevue, Brussels	2010	7,074	1,244	100%	1,244	1,017
Borsbeekhof, Borgerhout	1994	6,725	732	100%	732	672
Hof ter Dennen, Vosselaar	1982	2,292	263	100%	263	259
Le Colvert, Céroux-Mousty	1994	3,090	270	100%	270	295
Les Charmilles, Sambreville	1999	2,763	240	100%	240	242
Les Jours Heureux, Lodelinsart	2001	3,355	300	100%	300	301
Les Sittelles, Chastre	2004	1,929	300	100%	300	229
Maison Saint-Ignace, Brussels*	1995	8,708	722	100%	722	733
Parc, Nivelles	2002	4,324	389	100%	389	388
Operator: Senior Living Group		**89,359**	**10,955**	**100%**	**10,955**	**10,691**
Arcus, Brussels	2009	10,841	1,608	100%	1,608	1,456
Damiaan, Tremelo	2003 (2009)	13,356	1,321	100%	1,321	1,230
La Cambre, Brussels	1982	11,697	1,702	100%	1,702	1,688
Prinsenpark, Genk*	2006	8,174	700	100%	700	700
Romana, Brussels	1995	4,375	776	100%	776	776
Seigneurie du Val, Mouscron	1995 (2008)	6,797	1,020	100%	1,020	1,020
Van Zande, Brussels	2008	3,282	367	100%	367	361
Zonnetij, Aartselaar	2006 (2009)	6,809	634	100%	634	634
Zonneweelde, Keerbergen	1998 (2010)	6,106	667	100%	667	667
Zonneweelde, Rijmenam	2002	9,644	1,268	100%	1,268	1,268
Zonnewende, Aartselaar	1978 (2009)	8,278	891	100%	891	891
France		**214,661**	**24,508**	**100%**	**24,508**	**24,830**
Operator: Korian		**171,309**	**18,861**	**100%**	**18,861**	**19,785**
Bezons, Bezons*	1990	2,500	192	100%	192	600
Brocéliande, Caen*	2003	4,914	780	100%	780	550
Canal de l'Ourcq, Paris*	2004	4,550	815	100%	815	800
Champgault, Esvres-sur-Indre*	1975	2,200	157	100%	157	150
Chamtou, Chambray-lès-Tours*	1989	4,000	540	100%	540	400
Château de Gléteins, Jassans-Riottier*	1990	2,500	239	100%	239	400
Château de la Vernède, Conques-sur-Orbiel*	1995	3,789	462	100%	462	650
Domaine de Vontes, Esvres-sur-Indre*	1975	6,352	197	100%	197	600
Frontenac, Bram*	1990	3,006	192	100%	192	250
Grand Maison, L'Union*	2004	6,338	689	100%	689	600
Horizon 33, Cambes*	1990	3,288	325	100%	325	320
Hotelia Montpellier, Montpellier*	1972	6,201	782	100%	782	780
La Goélette, Equeurdreville-Hainneville*	2009	4,709	616	100%	616	450
La Pinède, Sigean*	1998	1,472	56	100%	56	80
Le Bois Clément, La Ferté-Gaucher*	2002	3,466	503	100%	503	450
Le Clos du Mûrier, Fondettes*	2008	4,510	523	100%	523	400
Le Jardin des Plantes, Rouen*	2004	3,000	241	100%	241	260
L'Ermitage, Louviers*	2007	4,013	434	100%	434	400
Les Amarantes, Tours*	1996	4,208	436	100%	436	520
Les Blés d'Or, Castelnau de Levis*	1989	3,695	443	100%	443	430
Les Hauts d'Andilly, Andilly*	2008	3,069	446	100%	446	380
Les Hauts de l'Abbaye, Montivilliers*	2008	4,572	477	100%	477	470

Properties	Year of construction/ last renovation (extension)	Superstructure (in m²)	Contractual rents (x €1,000)	Occupancy rate	Rents + ERV on unlet (x €1,000)	Estimated Rental Value (ERV) (x €1,000)
Les Jardins de l'Andelle, Perriers-sur-Andelle*	2009	3,348	402	100%	402	320
Les Luberons, Le Puy-Sainte-Réparade*	1990	4,127	433	100%	433	400
Les Meunières, Lunel*	1988	4,275	654	100%	654	350
Les Oliviers, Le Puy-Sainte-Réparade*	1990	4,130	430	100%	430	450
Les Ophéliades, Saint-Etienne*	2006	3,936	394	100%	394	400
Les Villandières, Vaucresson*	2008	4,373	658	100%	658	850
Lo Solelh, Béziers*	2010	2,760	227	100%	227	225
Montpribat, Montfort en Chalosse*	1980	5,364	635	100%	635	550
Pays de Seine, Bois le Roi*	2006 (2010)	6,460	1,076	100%	1,076	1,150
Rougemont, Le Mans*	2006	5,986	378	100%	378	400
Saint Gabriel, Gradignan*	2008	6,274	691	100%	691	640
Sainte Baum, Nans Les Pins*	1970	5,100	499	100%	499	700
Sartrouville, Sartrouville*	1960	3,546	338	100%	338	400
Siouville, Siouville-Hague*	1995	8,750	613	100%	613	1,100
Villa Eyras, Hyères*	1991	7,636	610	100%	610	650
Villa Saint Dominique, Rouen*	1988	4,149	767	100%	767	560
William Harvey, Saint-Martin-d'Aubigny*	1989	4,744	511	100%	511	700
Operator: Orpea/Méditer		**40,366**	**5,433**	**100%**	**5,433**	**4,855**
Belloy, Belloy*	2002	2,559	419	100%	419	350
Cuxac II, Cuxac-Cabardès*	1989	2,803	369	100%	369	170
Haut Cluzeau, Chasseneuil*	2002	2,512	371	100%	371	325
Hélio Marin, Hyères*	1975	12,957	1,621	100%	1,621	1,450
La Jonchère, Reuil Malmaison*	2007	3,731	714	100%	714	800
La Ravine, Louviers*	2000 (2010)	4,270	594	100%	594	550
La Salette, Marseille*	1995	3,582	562	100%	562	500
Las Peyrères, Simorre*	1969	1,895	145	100%	145	100
Le Clos Saint Sébastien, Saint Sébastien sur Loire*	2005	3,697	517	100%	517	450
Villa Napoli, Jurançon*	1950	2,360	120	100%	120	160
Operator: Mutualité de la Vienne		**1,286**	**106**	**100%**	**106**	**90**
Le Lac, Moncontour*	1991	1,286	106	100%	106	90
Operator: VP Investissements		**1,700**	**108**	**100%**	**108**	**100**
La Gaillardière, Vierzon*	1975	1,700	108	100%	108	100
PUBSTONE		**343,648**	**28,549**	**100%**	**28,549**	**26,454**
Belgium (821 properties*)		**296,223**	**19,104**	**100%**	**19,104**	**17,622**
Brussels Region		39,518	3,416	100%	3,416	3,298
Flemish Region		185,169	11,443	100%	11,443	10,591
Walloon Region		71,536	4,245	100%	4,245	3,734
The Netherlands (245 properties*)		**47,425**	**9,445**	**100%**	**9,445**	**8,832**
OTHERS		**26,965**	**2,951**	**100%**	**2,951**	**2,595**
Brussels Decentralised		**7,040**	**1,994**	**100%**	**1,994**	**1,610**
La Rasante	2004	7,040	1,994	100%	1,994	1,610
Brussels Periphery		**15,630**	**843**	**100%**	**843**	**794**
Mercurius 30	2001	6,100	520	100%	520	397
Woluwelaan 145	1977	9,530	323	100%	323	398
Antwerp Singel		**61**	**0**	**100%**	**0**	**0**
Avenue Building	2010	61	0	100%	0	0
Other Regions		**4,234**	**114**	**100%**	**114**	**191**
Ledeberg 438, Ghent	1982	4,234	114	100%	114	191
TOTAL INVESTMENT PROPERTIES & RECONSTITUTION OF LEASE PAYMENTS SOLD AND DISCOUNTED		**1,715,112**	**207,932**	**96%**	**217,121**	**207,037**

Properties	Year of construction/ last renovation (extension)	Superstructure (in m²)	Contractual rents (x €1,000)	Occupancy rate	Rents + ERV on unlet (x €1,000)	Estimated Rental Value (ERV) (x €1,000)
PROJECTS & RENOVATIONS OFFICES		**0**	**0**	**n.a.**	**0**	**0**
Antwerp Singel						
Avenue Building, London Tower						
LAND RESERVE OFFICES		**3,200**	**110.78**	**n.a.**	**110.78**	**142.58**
Brussels Centre & North			**2.71**		**2.71**	**2.71**
De Ligne			2.66		2.66	2.66
Meiboom 16-18			0.03		0.03	0.03
Pacheco 34			0.03		0.03	0.03
Brussels Decentralised			**2.66**		**2.66**	**2.66**
Twin House			2.66		2.66	2.66
Brussels Periphery		**3,200**	**100.26**		**100.26**	**132.06**
Keiberg Park			0.21		0.21	0.21
Kouterveld 6		3,200	100.00		100.00	131.80
Woluwe Garden 26, 30			0.05		0.05	0.05
Antwerp Periphery			**2.50**		**2.50**	**2.50**
Prins Boudewijnlaan 24A			2.50		2.50	2.50
Antwerp Singel			**2.55**		**2.55**	**2.55**
Lemanstraat 27			0.62		0.62	0.62
Plantin & Moretus			0.33		0.33	0.33
Quinten			0.21		0.21	0.21
Regent			0.21		0.21	0.21
Royal House			0.21		0.21	0.21
Uitbreidingstraat 2-8			0.45		0.45	0.45
Uitbreidingstraat 10-16			0.52		0.52	0.52
Other Regions			**0.10**		**0.10**	**0.10**
Avroy 35-39, Liège			0.10		0.10	0.10
PROJECTS & RENOVATIONS NURSING HOMES/CLINICS		**0**	**0**	**n.a.**	**0**	**0**
Damiaan, Tremelo						
Heiberg, Beerse						
Parc, Biez						
Top Senior, Tubize						
t' Smeedeshof, Oud-Turnhout						
Weverbos, Gentbrugge						
Wipstraat, Antwerp						
LAND RESERVE NURSING HOMES/CLINICS		**0**	**20**	**n.a.**	**20**	**20**
L'Orée du Bois, Comines-Warneton			20		20	20
Sur Seaumont, Aye						
PROJECTS & RENOVATIONS OTHERS		**0**	**86**	**n.a.**	**86**	**86**
Brussels Decentralised			**86**		**86**	**86**
La Rasante			86		86	86
GENERAL TOTAL PORTFOLIO		**1,718,312**	**208,150**		**217,339**	**207,287**

Report by the real estate expert

Brussels, 19 January 2011

Ladies, Gentlemen,

Context

We have been instructed by Cofinimmo to value its property portfolio at 31 December 2010, in the context of the preparation of the financial statements at that date.

Our firm possesses sufficient knowledge of the property markets in which Cofinimmo is active, as well as the required recognised professional qualifications to carry out this valuation. Our assignment has been carried out with complete independence.

Consistently with market practice, our assignment has been carried out on the basis of information provided by Cofinimmo relating to the tenancy situation, costs and taxes borne by the landlord, works to be carried out, as well as any other element which could have an influence on the value of the properties. We have assumed this information to be correct and complete.

As specifically mentioned in our reports, our valuation does not constitute in any way a survey of the structural and technical quality of the properties or an analysis of the possible presence of harmful materials. These elements are well known to Cofinimmo, which manages its property with professionalism and carries out a technical and legal *due diligence* prior to the acquisition of each property.

The property market

Introduction

Overall, the trend was relatively stable in 2010, with only the office segment showing a negative trend. The faltering corporate growth led to a general cost-cutting policy. The rental market suffered in terms of both the level of take-up, which remains quite low, and relocations, which are often accompanied by a reduction in rented space. Consequently, the vacancy rate rose and the level of rents came under pressure during the many lease renegotiations which occurred in the second half of the year. Nevertheless, the last months of 2010 showed the first signs of an upturn in the office sector in terms of investments, although without returning to the high levels observed in the boom years. Emphasis can be placed on the recent "sustainable" property developments or "green buildings" which, despite a continued high vacancy rate, are already benefiting from market enthusiasm on account of the quality of their fundamentals.

Cofinimmo's other business sectors, i.e. the nursing homes, *Pubstone* and Public-Private Partnerships, still meet with keen interest in the market. These segments are characterised by long leases and very sound tenants in the majority of cases. These diversified segments are holding up quite well in a still rather fragile economic and financial environment.

Office supply and demand

The demand for offices is dominated by investors above all seeking secure long-term cash flows. Another major trend emerging during 2010 is the differentiation of risk premiums demanded by investors for prime and non-prime properties. The lower quality properties are penalised more severely than they were during the boom period pre-October 2008.

The overabundance of office space is starting to stabilise, but is still structurally too great. This vacancy rate is expected to rise slightly further with the arrival on the market of a series of speculative projects started before the crisis. The rental market will take several years to absorb such a supply, with a vacancy rate on the Brussels rental market currently exceeding 12%, representing a supply of offices immediately available at end-2010 in the order of 1,600,000 square metres. What is more, both face rents and economic rents (disregarding advantages to tenants granted by the landlord, such as free benefits) have fallen considerably compared to their level at the beginning of 2010.

For its part, the take-up of offices in Brussels came to nearly 517,000 square metres over the year 2010 as a whole.

The market for nursing homes

In 2010, the nursing home sector had the opportunity to prove its attractiveness in the current economic climate, especially with investors who have responded to the real needs for additional space to house the elderly.

The fundamentals behind the enthusiasm for this sector are:

- Ageing, and the evolution of the demographic structure in Belgium (and Europe) in general, are obviously the main drivers of the need for the construction of new nursing homes. It is estimated that there could be three times as many people staying in this kind of institution by 2050 as there are today.
- While the allocation of new subsidised nursing home beds is strictly regulated by the public authorities, there are still many opportunities and several locations look promising.
- There are proportionally fewer nursing homes in Flanders; this region therefore has a greater comparative growth potential when it comes to facilities of this kind.

The security of long-term leases is an advantage for this type of investment, whereas the quality of the management of the operating groups is naturally decisive to ensure the long-term payment of rents. There is no certainty about the current level of subsidies received by the operators. However, it appears that mechanisms are being put into place to ensure the care of dependant elderly people and to bear the cost of this in the future.

In conclusion, the nursing home sector, which is very defensive in nature, remains attractive for investors who are still seeking potential acquisitions of existing nursing homes or projects in progress or to be developed.

The pubs market (Pubstone)

Cofinimmo's subsidiary, Pubstone, is present in the cafés/pubs property sector and has a diversified risk profile located at the intersection between commercial property, with often well-located ground-floor catering facilities in both small and large towns of Belgium and the Netherlands, and rental buildings with upper floors often used for residential purposes. These two segments, considered separately, have withstood the crisis particularly well.

The pubs market and their real estate value are obviously dependent on the quality of their locations and significant variations are also observed according to the regions, provinces or municipalities, on the one hand, and according to the quality, state of maintenance and configuration of the property, on the other.

The observed yields for pubs may also vary according to the lease term, the level of visit of the establishment or the type of customer, which obviously can be observed only on a case-by-case basis, after visiting the premises. Sometimes it is necessary to take into account the historical and heritage value of a building which in some cases (in Bruges, Leuven, Brussels or Antwerp, for example) may be considerable.

The Pubstone portfolio as a whole remained relatively stable in 2010 and its value even rose slightly. In fact, certain discounts on properties which are less well located and/or in less good a state of maintenance were amply offset by a level of rent indexation of 2.55% in Belgium and 1.62% in the Netherlands. Once again the lease concluded between Cofinimmo and AB InBev can be considered as an effective buffer between any turbulence in the hotels, restaurants and cafés sector and property assets of the Pubstone portfolio.

Finally, as regards the liquidity of this part of the portfolio, a two-fold particularity should be mentioned: on the one hand, it is labelled as an institutional product on account of the long-term lease with a single counterparty (AB InBev), and on the other hand it can be sold individually to local small-scale investors and even to the current tenants willing to pay an agreed value.

The investment market

The recovery in the property investment market is still perceptible, although it remains rather limited. Investment in the real estate market in Belgium (all sectors) came to EUR 1.64 billion. The office market accounts for nearly 45% of this amount, with an investment volume of EUR 749 million. This figure was sustained by the activity on the part of owner-occupiers. Belgian investors account for nearly 80% of this investment market.

Institutional investors are all on the look-out more than ever for Triple A assets, which are new buildings, well located, with a low level of vacancies and leased long-term to blue-chip companies or to national or international public institutions. The attractiveness of railway stations is also noticeable.

Returns have tended to decrease by a few tenths of basis points for prime buildings. This results mainly from the revival of the credit market following the recovery of the banks and an asset allocation policy on the part of insurance companies and pension funds in favour of property.

The dip in returns must be put into perspective with the rents, which have already undergone a correction of 10% to 20%, which consequently limits the potential of a risk of a future fall in property values.

In this difficult environment in the office real estate market, Cofinimmo continues to refocus its strategy:

1. by investing in more recent, efficient buildings, meeting occupants' current and future needs, in order to increase its chances of attracting new tenants or relocating existing tenants seeking premises better suited to their needs;
2. by investing in nursing homes (in Belgium and France) which offer a predictable, stable income with low risk over the long term in view of demand becoming better balanced given the ageing of the population;
3. by investing in the retail sector (Pubstone), which provides added value, while representing a stable income over the long term, given the structure of the lease and the particular resilience of the tenant;
4. by seeking investments with sound counterparties in real estate projects of the Public-Private Partnership type, offering optimum security and predictability of income, given the length and structure of the leases.

In conclusion, Cofinimmo's current portfolio presents increased diversification, given the continuous reduction in the weight of the office sector and an increase in new assets offering interesting diversification in sectors without structural overcapacity and, through the rental conditions, providing a more profitable risk profile than that of offices.

Opinion
We confirm that our valuation has been carried out in accordance with national and international standards (International Valuation Standards/Royal Institution of Chartered Surveyors) and their application procedure, especially as far as SICAFI valuations are concerned.

The ***investment value*** is defined as the most likely value that could reasonably be obtained under normal sales conditions between willing and well-informed parties, before deduction of transaction costs.

The investment value does not reflect future capital expenditures that will enhance the properties or future advantages derived from such expenditures.

It is based on the present value of net future rental income for each property, minus the maintenance costs payable by the landlords.

The yield used depends mainly on rates observed on the property investment market, taking into account the location and the quality of the buildings and the tenants at valuation date.

The future rental income is estimated on the basis of existing contractual rental income and the property market's expectations for each property in the ensuing periods.

Transaction costs
The sale of a property is in theory subject to transaction costs payable to the State. The amount of this fee depends in particular on the method of sale, the profile of the purchaser and the location. The first two conditions and therefore the amount of the fees to be paid are known only once the sale has been concluded.

The track record of the sales of properties on the Belgian market during the period from 2003 to 2005 shows that transaction costs amount to 2.5% on average.

Therefore the likely sale value for buildings worth over EUR 2,500,000, excluding transaction costs, corresponding to the *fair value* as defined by the *IAS/IFRS* reference system, can be obtained by deduction of transaction costs equivalent to 2.5% from the investment value. This rate of 2.5% will be reviewed periodically and adapted if the variation observed on the institutional market exceeds +/-0.5%. During the year 2010, this rate remains applicable, the average of the transactions observed more recently in the institutional market not having shown a significant variation. The registration fees have been deducted for the other buildings.

Investment value and sale value (fair value)
In the light of the comments made above, we confirm that **the investment value of the Cofinimmo property portfolio at 31 December 2010 amounts to a total of EUR 3,153,173,900** (THREE BILLION, ONE HUNDRED AND FIFTY-THREE MILLION, ONE HUNDRED AND SEVENTY-THREE THOUSAND, NINE HUNDRED EUROS).

The most likely sale value corresponding to the fair value of the Cofinimmo property portfolio at 31 December 2010, within the meaning of the IAS/IFRS reference system, amounts to a total of EUR 3,041,915,700 (THREE BILLION, FORTY-ONE MILLION, NINE HUNDRED AND FIFTEEN THOUSAND, SEVEN HUNDRED EUROS).

On this basis, the yield on rentals received or under contract, including assets under sale of receivables, excluding projects, land and buildings under renovation and after taking into account a fictitious rent for premises occupied by Cofinimmo, amounts to 6.69% of the investment value.

Assuming the properties to be fully let, the yield would rise to 6.98% of the investment value.

The investment buildings have an occupancy rate of 95.77%.

The average level of contractual rent (excluding projects and buildings under renovation and assets under sale of receivables) is 4.87% above the current average estimated rental value.

The distribution of the assets is as follows:

Offices	55.0%
Nursing homes/clinics	29.9%
Pubstone	13.6%
Others	1.5%
	100.0%[1]

Yours faithfully,

Winssinger & Associates SA/NV

Fabian Daubechies[2] - MRICS
Director

Benoît Forgeur[2]
Managing Director

1 Of which 46.95% are let on the long term (>12 years) to the Belgian State, the European Commission, AB InBev, operators of nursing homes, Aspria and RTL. 2 SPRL/BVBA.

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Consolidated income statement (x €1,000)

	Notes	2010	2009
A. NET RESULT			
Rental income	6	**195,387**	200,572
Writeback of lease payments sold and discounted	6	**21,108**	17,655
Rental-related expenses	6	**-295**	-2,712
Net rental income	5, 6	**216,200**	215,515
Recovery of property charges	7	**795**	209
Recovery income of charges and taxes normally payable by the tenant on let properties	8	**35,279**	46,114
Costs payable by the tenant and borne by the landlord on rental damage and redecoration at end of lease	7	**-2,417**	-1,329
Charges and taxes normally payable by the tenant on let properties	8	**-35,537**	-46,215
Property result		**214,320**	214,294
Technical costs	9	**-3,269**	-3,856
Commercial costs	10	**-1,357**	-1,475
Taxes and charges on unlet properties		**-3,334**	-1,806
Property management costs	11	**-15,031**	-15,602
Property charges		**-22,991**	-22,739
Property operating result		**191,329**	191,555
Corporate management costs	11	**-6,333**	-6,369
Operating result before result on portfolio		**184,996**	185,186
Gains or losses on disposals of investment properties	5, 12	**7,253**	2,956
Changes in fair value of investment properties	5, 13, 22	**-27,331**	-64,299
Other results on portfolio	5, 14	**-957**	-550
Operating result		**163,961**	123,293
Financial income	15	**6,036**	20,869
Net interest charges	16	**-63,280**	-82,123
Other financial charges	17	**-1,093**	-11,491
Changes in fair value of financial assets and liabilities	18	**-13,757**	-12,301
Financial result		**-72,094**	-85,046
Pre-tax result		**91,867**	38,247
Corporate tax	19	**-7,224**	-7,283
Exit tax		**-205**	1,482
Taxes		**-7,429**	-5,801
Net result		**84,438**	32,446
Minority interests		**-642**	4
NET RESULT - GROUP SHARE	32	**83,796**	32,450
NET CURRENT RESULT - GROUP SHARE[1]	32	**105,435**	92,390
RESULT ON PORTFOLIO - GROUP SHARE	32	**-21,639**	-59,940
B. OTHER ELEMENTS OF THE GLOBAL RESULT			
Impact on fair value of estimated transaction costs resulting from hypothetical disposal of investment properties		**-468**	1,301
Changes in the effective part of the fair value of authorised cash flow hedge instruments		**-12,979**	-16,396
Other elements of the global result		**-13,447**	-15,095
Minority interests		**25**	-22
Other elements of the global result - Group share		**-13,422**	-15,117
C. GLOBAL RESULT		**70,991**	17,351
Minority interests		**-617**	-18
Global result - Group share		**70,374**	17,333

Result per share - Group share (in €)

	Notes	2010	2009
Net current result	32	**7.09**	6.59
Result on portfolio	32	**-1.45**	-4.28
Net result	32	**5.64**	2.31

1 Net result excluding gains or losses on disposals of investment properties and changes in fair value of investment properties.

Consolidated balance sheet (x €1,000)

	Notes	31.12.2010	31.12.2009
Non-current assets		**3,304,794**	3,308,866
Goodwill	5, 20	**164,012**	163,924
Intangible assets	23	**1,427**	1,984
Investment properties	5, 21	**3,041,916**	3,040,736
Other tangible assets	23	**539**	723
Non-current financial assets	24	**38,522**	34,470
Finance lease receivables	25	**58,349**	66,956
Trade receivables and other non-current assets		**29**	73
Current assets		**77,112**	93,818
Assets held for sale	5, 26	**170**	755
Current financial assets	24	**9,227**	8,603
Finance lease receivables	25	**2,780**	2,762
Trade receivables	27	**18,864**	12,490
Tax receivables and other current assets	28	**22,137**	46,730
Cash and cash equivalents		**3,265**	2,343
Deferred charges and accrued income	29	**20,669**	20,135
TOTAL ASSETS		**3,381,906**	3,402,684
Shareholders' equity		**1,466,878**	1,409,057
Shareholders' equity attributable to shareholders of parent company		**1,459,781**	1,400,904
Capital	30	**796,528**	750,715
Share premium account	30	**513,093**	479,541
Reserves	31	**66,364**	138,198
Net result of the year		**83,796**	32,450
Minority interests		**7,097**	8,153
Liabilities		**1,915,028**	1,993,627
Non-current liabilities		**1,448,760**	1,587,615
Provisions	34	**19,234**	17,766
Non-current financial debts	36	**1,226,815**	1,381,474
Other non-current financial liabilities	24, 37	**69,693**	51,522
Deferred taxes	35	**133,018**	136,853
Current liabilities		**466,268**	406,012
Current financial debts	36	**313,730**	244,659
Other current financial liabilities	24, 37	**62,780**	63,233
Trade debts and other current debts	38	**62,631**	69,555
Accrued charges and deferred income	39	**27,127**	28,565
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,381,906**	3,402,684

Calculation of debt ratio (x €1,000)

		2010	2009
Non-current financial debts		**1,226,815**	1,381,474
Other non-current financial liabilities (except for hedging instruments)	+	**3,373**	4,564
Current financial debts	+	**313,730**	244,659
Other current financial liabilities (except for hedging instruments)	+		41
Trade debts and other current debts	+	**62,631**	69,555
Total debt	=	**1,606,549**	1,700,293
Total assets	/	**3,381,906**	3,402,684
DEBT RATIO	=	**47.50%**	49.97%

Cash flow statement[1] (x €1,000)

	Notes	2010	2009
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,343**	25,448
Operating activities			
Net result of the period		**83,796**	32,450
Adjustments for interest charges and income		**57,713**	88,402[2]
Adjustments for gains and losses on disposal of property assets		**-7,253**	-2,956[3]
Adjustments for gains and losses on disposal of financial assets		**-1,259**	-13,603[4]
Adjustments for non-cash charges and income	40	**17,215**	52,421
Changes in working capital	41	**2,146**	-13,006
CASH FLOW RESULTING FROM OPERATING ACTIVITIES		**152,358**	143,708
Investment activities			
Investments in intangible assets and other tangible assets		**-436**	-891
Acquisitions of investment properties	42	**-625**	-44,574[5]
Extensions of investment properties	42	**-30,824**	-57,205[5]
Investments in investment properties	42	**-19,000**	-29,074[5]
Acquisitions of consolidated subsidiaries	4	**-23,376**	-32,209
Disposals of investment properties	42	**99,800**	290,488[5]
Disposals of assets held for sale	42	**446**	337
Payment of exit tax		**-5,013**	-17,773
Disposal and reimbursement of finance lease receivables		**10,654**	57,686
Other cash flows from investment activities			3,599
CASH FLOW RESULTING FROM INVESTMENT ACTIVITIES		**31,626**	170,384
Financing activities			
Acquisition of own shares		**-700**	
Disposal of own shares		**69,033**	97,374
Dividends paid to shareholders		**-90,980**	-98,945
Reacquisition of minority interests		**-101**	-212
Increase in financial debts		**50,391**	
Decrease in financial debts		**-139,788**	-226,433
Financial income received		**5,790**	223[6]
Financial charges paid		**-64,316**	-95,903[6]
Other cash flows from financing activities		**-12,391**[7]	-13,301[7]
CASH FLOW RESULTING FROM FINANCING ACTIVITIES		**-183,062**	-337,197
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**3,265**	2,343

1 The presentation of the cash flow statement was revised in 2010 in order to make reading easier. For this reason the presentation of the 2009 figures was modified slightly and some amounts have changed section in relation to the presentation in 2009. 2 In 2009, the amount of K€88,402 was included under the section "Adjustments for interest charges" itself included under the section "Non-cash charges and income". 3 In 2009, the losses and gains from the disposal of property assets were not deducted from the result and were consequently not considered in the item on "Disposal of investment properties". 4 In 2009, the losses and gains from the disposal of financial assets were not deducted from the result and were consequently not considered in the item on "Disposal and reimbursement of finance lease receivables". 5 In 2009, the evolution of cash flow related to the portfolio was detailed in the accounting item under "Properties available for lease" for K€171,092 and under "Development projects" for K€-14,413. These amounts represented the net accounting value. In the cash flow statement for 2010, the cash flow is divided according to activity type. The amounts for 2009 have been recalculated to correspond to the segments for 2010. The capital gain realised on the sale of property assets, i.e. K€2,956 for 2009, was added to the "Disposal of investment properties" section. 6 In 2009, the "Financial income received" of K€223 and the "Financial charges paid" for K€-95,903 were presented under the section "Interests paid" for an amount of K€-95,680 in 2009. 7 The amounts included in "Other cash flows from financing activities" mainly break down in amounts paid for the acquisition of derived financial instruments (K€5,200 for 2010 and K€3,809 for 2009) and amounts paid for restructuring derived financial instruments (K€7,367 in 2010 and K€8,836 in 2009).

Consolidated statement of change in shareholders' equity (x €1,000)

	Capital	Share premium account	Reserves[1]	Net result of the year	Equity Parent company	Minority interests	Share-holders' equity
AT 01.01.2009	669,213	441,966	262,698	-5,293	1,368,584	8,658	1,377,242
Appropriation of the 2008 net result			-5,293	5,293			
Elements directly recognised in shareholders' equity							
Cash flow hedge			-16,396		-16,396		-16,396
Impact on fair value of estimated transaction costs resulting from hypothetical disposal of investment properties			1,301		1,301		1,301
Result of the period				32,450	32,450	-4	32,446
Minority interests						-501	-501
Transfer to tax-exempt reserves			-1,294		-1,294		-1,294
Others			-1,017		-1,017		-1,017
SUB-TOTAL	669,213	441,966	239,999	32,450	1,383,628	8,153	1,391,781
Issue of new shares	12,063	9,797			21,860		21,860
Acquisitions/Disposals of own shares	69,439	27,778	157		97,374		97,374
Dividends			-101,958		-101,958		-101,958
AT 31.12.2009	750,715	479,541	138,198	32,450	1,400,904	8,153	1,409,057
Appropriation of the 2009 net result			32,450	-32,450			
Elements directly recognised in shareholders' equity							
Cash flow hedge			-12,979		-12,979		-12,979
Impact on fair value of estimated transaction costs resulting from hypothetical disposal of investment properties			-443		-443		-443
Result of the period				83,796	83,796	642	84,438
Minority interests						-1,698	-1,698
Transfer to tax-exempt reserves			-1,587		-1,587		-1,587
Others			1,901		1,901		1,901
SUB-TOTAL	750,715	479,541	157,540	83,796	1,471,592	7,097	1,478,689
Issue of new shares	6,090	4,942			11,032		11,032
Acquisitions/Disposals of own shares	39,723	28,610			68,333		68,333
Dividends			-91,176		-91,176		-91,176
AT 31.12.2010	**796,528**	**513,093**	**66,364**	**83,796**	**1,459,781**	**7,097**	**1,466,878**

1 See Note 31.

> notes to the consolidated accounts.

Note 1. General business information

Cofinimmo SA (the "Company") is a public Sicaf immobilière (Société d'Investissement Immobilière à Capital Fixe publique - public fixed capital real estate investment trust) organised under Belgian Law with registered offices in 1200 Brussels (Boulevard de la Woluwe, 58).

The consolidated financial statements of the company for the financial year ended 31.12.2010 comprise the company and its subsidiaries (together referred to as the "Group"). The scope of consolidation has changed since 31.12.2009. The Extraordinary General Meeting of 25.06.2010 approved the mergers by absorption of 2 limited liability companies acquired in 2009, with a view to simplifying the organisation of the Group and to transferring the assets held by these subsidiaries to the Sicafi tax regime (see page 174). Furthermore, 3 new subsidiaries were acquired during 2010. The consolidation scope at 31.12.2010 is presented on page 161 of this Annual Financial Report.

The consolidated financial statements and company accounts were authorised for issue by the Board of Directors on 24.03.2011 and will be proposed for approval by the Annual Shareholders' Meeting on 29.04.2011. The Auditor Deloitte, Company Auditors, represented by Mr Ludo De Keulenaer, has completed its audit work and confirmed that the accounting information contained in the Annual Financial Report calls for no reservation on his part and is in agreement with the financial statements adopted by the Board.

The accounting principles and methods adopted for the preparation of the financial statements are identical to those used for the annual financial statements for the financial year 2009.

Note 2. Significant accounting methods

A. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union.

Moreover, the Group has chosen not to anticipate the application of the new standards and interpretations, or their modifications, issued before the publication date of the annual accounts but not in force at the closing date. It concerns IAS 12, IAS 24, IAS 32, IFRS 7, IFRS 9 and IFRIC 19.

The Group is of the opinion that the application of the standards and interpretations mentioned above will not have a significant impact.

The preparation of financial statements requires the company to make significant judgments that affect the application of accounting methods (such as for example the determination of the classification of lease contracts) and to proceed to certain estimates (in particular the estimate of the provisions). These assumptions are based on the management's experience, on the assistance from third parties (real estate experts) and on various other factors that are believed to be reasonable. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

B. Basis of preparation

The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical costs basis except that the following assets and liabilities are stated at their fair value: investment properties and derivative financial instruments.

Certain financial figures in this Annual Financial Report have been rounded up and, consequently, the overall totals in this Report may differ slightly from the exact arithmetical sum of the preceding figures.

Finally, certain reclassifying can intervene between the publication dates of the annual results and of the Annual Financial Report.

C. Basis of consolidation

I Subsidiaries

Subsidiaries are those enterprises controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The subsidiaries' financial statements cover the same accounting period as that of the company. Minority interests represent interests in subsidiaries not directly or indirectly held by the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

II Jointly controlled entities
Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement or following a distribution of shares amongst a limited number of shareholders. The consolidated financial statements include the Group's share of total recognised gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases. The joint controlled entities' financial statements cover the same accounting period as that of the company.

III Transactions eliminated on consolidation
Intra-group balances and transactions, and any gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Gains arising from transactions with joint controlled entities are eliminated to the extent of the Group's interest in the enterprise. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

A list of the Group companies is included in Note 45 to the consolidated financial statements.

D. Goodwill and business combinations
When the Group takes control of an integrated combination of activities and assets corresponding to the definition of business according to IFRS 3 - "Business combinations", assets, liabilities and any contingent liabilities of the business acquired are recorded separately at fair value at the acquisition date. The goodwill represents the positive variation between the acquisition costs (excluding acquisition-related costs) plus any minority interests and the fair value of the acquired net assets. If this difference is negative ("negative goodwill"), it is immediately recorded in the results after confirmation of the values.

After its initial recording, the goodwill is not amortised but submitted to an impairment test realised at least every year with the cash generating units to which the goodwill was allocated. If the book value of a cash generating unit exceeds its value in use, the resulting writedown is recorded in the results and first allocated in reduction of the possible goodwill and than to the other assets of the unit, proportionally to their book value. A depreciation booked on a goodwill is not written back during a subsequent year.

In accordance with IFRS 3, the goodwill can be set temporarily at the acquisition and adjusted within the 12 following months.

In the event of the disposal of a cash generating unit, the amount of goodwill that is allocated to this unit is included in the determination of the result of the disposal.

E. Translation of foreign currencies
I Foreign entities
There is no subsidiary whose financial statements are denominated in a currency other than the euro on the balance sheet date.

II Foreign currency transactions
Foreign currency transactions are recognised initially at exchange rates prevailing at the date of the transaction. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the then prevailing currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial income or a financial charge.

F. Derivative financial instruments
The Group uses derivative financial instruments (Interest Rate Swaps, purchase of CAP options, sale of FLOOR options) to hedge its exposure to interest rate risks arising from operational, financing and investment activities.

CAP
A CAP is an interest rate option. The buyer of a CAP buys the right to pay a maximum interest rate for a specific period. He only exercises this right if the short-term rate exceeds the CAP's interest rate level. In order to buy a CAP, the buyer pays a premium to the counterparty. By buying a CAP, Cofinimmo obtains a guaranteed maximum rate at which it can borrow. The CAP therefore hedges against unfavourable rate increases.

FLOOR
A FLOOR is an interest rate option. The buyer of a FLOOR buys the right to benefit from a minimum interest rate for a specific period. He only exercises this right if the short-term rate falls below the FLOORs interest rate level. The seller of a FLOOR sells the right to benefit from a minimum interest rate for a specific period and will thus have to pay this rate to the buyer, even if it is higher than the market rate. By selling a FLOOR, Cofinimmo receives a premium paid directly by the buyer.

Through the combination of the purchase of a CAP and the sale of a FLOOR Cofinimmo ensures itself of an interest rate that is fixed in a corridor between a minimum rate (the rate of the FLOOR) and a maximum rate (the rate of the CAP), whilst limiting the cost of the premium paid for this insurance. For the year 2011 this corridor is fixed between 2.50% and 3.00% for an amount of €1,250 million.

The bought CAP options and sold FLOOR options are detailed in Note 24.

Interest Rate Swap (IRS)
An Interest Rate Swap (IRS) is an interest rate forward contract, unlike CAPs or FLOORs, which are interest rate options. With an IRS Cofinimmo exchanges a floating interest rate against a fixed interest rate or vice versa.

As part of its hedging policy of financial charges, Cofinimmo has contracted Interest Rate Swaps to exchange floating rates against fixed rates.

With regard to the 2 bond loans it has issued in 2004 and 2009 at a fixed rate, Cofinimmo has furthermore contracted Interest Rate Swaps in order to exchange fixed rates against floating rates. The increase in floating rates is hedged via CAP options bought by the Group. The combination of these IRS contracts and CAP options allows Cofinimmo to benefit from the decrease in interest rates (compared to the initial fixed rates of the bond loans) whilst protecting itself against an increase of these rates via the CAP options.

The IRS contracts are detailed in Note 24.

Cancellable Interest Rate Swap
A Cancellable Interest Rate Swap is the combination of a classic IRS with the sale by the buyer of an option for the bank to cancel the Swap as from a certain date. Cofinimmo has contracted Cancellable Interest Rate Swaps to exchange floating interest rates against fixed interest rates as part of its hedging policy of financial charges. The sale of this cancellation option allowed reducing the guaranteed fixed rates during the whole period.

The Cancellable Interest Rate Swaps are detailed in Note 24.

In accordance with its financial policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost (possible ancillary costs included) and are remeasured to fair value at subsequent reporting dates.

The fair value of Interest Rate Swaps, CAP options, FLOOR options and other derivative instruments is the estimated amount the Group would receive or pay to close the position at the balance sheet date, taking into account the then prevailing spot and forward interest rates, the value of the option and the creditworthiness of the counterparties.

Revaluation is carried out for all derivative products on the basis of the same hypotheses as to rate curve and volatility using an application of the independent provider of market data Bloomberg. This revaluation is compared with the one given by the banks, and any significant discrepancy between the two revaluations is documented.

The accounting treatment depends upon the qualification of the derivative instrument as a hedging instrument and on the type of hedging. A hedging relationship qualifies for hedge accounting if, and only if, all the following conditions are met:
- at the inception of the hedge, there is a formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

I Fair value hedges
Where a derivative financial instrument hedges the exposure to changes in fair value of a recognised asset or liability or a unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk, any resulting gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

II Cash flow hedges
Where a derivative financial instrument hedges the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecasted transaction, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When the firm commitment or the forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement.

When a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

G. Hedging of future interest charges on borrowings
The Group being owner of a portfolio of properties over the long term, it is highly probable that its borrowings which finance a large share of this portfolio will be refinanced when they become due by other borrowings. Hence the total financial indebtness of the company presents a high probability to be rolled over for an undetermined long period. For total costs efficiency reasons the debt funding policy of the Group separates the sourcing of borrowings (liquidity and margins on floating rates) from the management of interest rate charges and risks (fixing and hedging of future floating interest rates). Borrowed funds are normally raised at floating rates and if a borrowing is contracted at a fixed rate, an Interest Rate Swap will generally be entered into to swap it to floating. The Group then hedges over certain periods certain portions of its total indebtness (macro hedging) through entering contracts with banks on interest rate derivative instruments. Counterparty banks in these contracts are generally different from the funding banks. However the Group is taking careful care to match the periods and fixing dates of the interest rate derivative contracts with the roll periods and interest rate fixing dates of its borrowing contracts so that the hedges are effective.

If the derivative instrument hedges an underlying debt which was raised at floating rate, the hedge relationship is qualified as a cash flow hedge, whilst if it hedges an underlying debt raised at fixed rate it is qualified as a fair value hedge.

For hedging strategies using CAP or FLOOR options, only the intrinsic element is designated as the hedging instrument.

H. Properties available for lease

Investment properties are properties which are held to earn rental income for the long term. In accordance with IAS 40, investment properties are stated at fair value. External independent valuers determine the real estate portfolio value every 3 months. Any gain or loss arising, after the acquisition of a property, from a change in its fair value is recognised in the income statement. Rental income from investment property is accounted for as described under (S). The valuers carry out the valuation on the basis of the method of calculating present value of the rental income in accordance with the "International Valuation Standards/RICS Valuation Standards", established by the International Valuation Standards Committee/Royal Institute of Chartered Surveyors, as set out in the corresponding report. This value referred to hereafter as the "investment value", corresponds to the price that a third-party investor would be disposed to pay in order to acquire each of the properties making up the portfolio of assets and in order to benefit from their rental income while assuming the related charges, without deduction of transfer taxes. The disposal of an investment property is usually subject to the payment to the public authorities of transfer taxes or value added tax. In Belgium, transfer taxes range from 0 to about 12.5%, depending on the mode of transfer of ownership, the location of the property and the characteristics of the purchaser. These amounts can only be determined once the disposal has been finalised and no reliable estimate can be made in advance. Transaction costs are recorded directly in the shareholder's equity; any adjustment made subsequently is recognised in the income statement.

A portion of transfer tax of 2.5% is deducted by the valuers from the investment value of the investment properties to establish the fair value of the investment properties, as evidenced in their expert report (see Note 21). If an investment property becomes owner-occupied, it is reclassified as asset held for own use and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

I. Development projects

Property that is being constructed or developed for future use as investment property is classified as development projects and stated at fair value until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property, always at fair value.

All costs directly associated with the purchase and construction, and all subsequent capital expenditures qualifying as acquisition costs are capitalised. Provided the project exceeds one year, interest expenses are capitalised at a rate reflecting the average borrowing cost of the Group.

J. Property let for long periods

I Types of long leases

Under Belgian law, properties can be let for long periods under 2 different regimes:

- long ordinary leases: the obligations of the lessor under the lease remain essentially those under any lease, for instance to ensure that space in a state of being occupied is available to the lessee during the whole term of the lease which obligation is met by the lessor bearing the owner's part of maintenance costs (other than rental) and the cost of insuring the building against fire and other causes of damages;
- long leases which involve the assignment of a real right ("droit réel") by the assignor to the assignee: in this case ownership passes temporarily to the assignee who will bear a.o. maintenance (other than rental) and insurance costs. Three contract types fall under this category: (a) the "bail emphytéotique" which must last a minimum of 27 years and a maximum of 99 years and can apply to land and/or construction; (b) the "droit de superficie" which may not exceed 50 years but has no minimum duration and concerns bare land and; (c) the "droit d'usufruit" which may not exceed 30 years and has no minimum duration and can apply to land and construction or bare land. Under all these contracts, the assignor keeps a residual right in that it will recover full ownership of the property at the end of the term of assignment, including the ownership of constructions erected by the assignee, with or without indemnity for these constructions depending on contractual conditions. A purchase option for the residual right may however have been granted which the lessee can exercise during or at the end of the lease.

II Long lease qualifying as finance lease receivable

Provided these leases meet the criteria of a finance lease under IAS 17 § 10, at their inception the Group as assignor will present them as a receivable for an amount equal to the net investment in the lease agreement. The difference between this latter amount and the book value of the leased property (excluding the value of the residual right kept by the Group) at the inception of the lease will be recorded in the income statement of the period. Any payment made periodically by the lessee will be treated by the Group partly as a repayment of the principal and partly as a financial income based on a pattern reflecting a constant periodic rate of return to the Group.

At each closing date, the residual right kept by the Group will be accounted for at its fair value. This value will increase each year and will correspond at the end of the lease to the market value of full ownership. These increases will be accounted for under "Changes in fair value of investment properties" in the income statement.

Conversely if Cofinimmo is assignee in a financial lease as defined by IAS 17, it will recognise an asset at an amount equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments, the corresponding amount being recorded as a financial debt. The rents accruing from tenants will be recorded under rental income. The subsequent effective payments to the assignor during the term of the lease will be recorded under financial charges for the amount of the discount element and for the remainder contribute to the amortisation of the related financial debt. At each closing date, the temporarily assigned right will be accounted for at its fair value in accordance with IAS 40 - "Investment properties"; the progressive loss in value resulting from the passage of time being recorded as "Changes in fair value of investment properties" in the income statement.

III Sale of future lease payments under a long lease not qualifying as a finance lease receivable

The amount collected by the Group as a result of the sale of the future lease payments will be recognised in deduction of the property's value to the extent that this sale of lease payments is opposable to third parties and that as a consequence the market value of the property is reduced by the amount of the future lease payments sold. The progressive reconstitution of the lease payments sold will be recognised in the income statement under the caption "Writeback of lease payments sold and discounted".

Separately in the income statement the changes in fair value of the property will be recorded under the heading "Changes in fair value of investment properties".

K. Other property

I Assets held for own use

In accordance with the alternative method allowed by IAS 16 § 31, the part of the property used by the company itself as headquarters is stated at market value. It appears under "Assets held for own use".

II Subsequent expenditure

Expenditure incurred to refurbish a property that is accounted for separately, is capitalised. Other expenditure is capitalised only when it increases the future economic benefits embodied in the item of property. All other expenditures in the income statement are recorded as costs (see T II).

III Depreciation

Investment properties whether land obviously or constructions are not depreciated but posted at fair value (see H). A depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the following items:

- fixture and fittings 4-10 years;
- furniture 8-10 years;
- computer hardware 4 years;
- software 4 years.

IV Assets held for sale

Assets held for sale (investment properties) are presented separately in the balance sheet at a value corresponding to their fair value, possibly transaction costs excluded.

V Depreciation (Impairment)

The other assets are subject to a depreciation test only if there is an indication showing their book value will not be recoverable by their use or sale.

L. Long-term receivables

Long-term receivables are valued on the basis of their present value at the interest rate prevailing at the time of their issuing. If they are indexed to an inflation index, conservative assumptions concerning inflation are also used for the determination of the present value. If recourse is taken to a derivative financial instrument providing cover, the market interest rate for this instrument will serve as the reference rate for calculating the market value of the receivable concerned at the close of each accounting period. In this case, the entire unrealised gain generated by the valuation at market value of the receivable is limited to the unrealised loss relating to the valuation at market value (see F I) of the cover instrument. Conversely, any unrealised loss generated by the receivable will be passed through the income statement in its entirety.

M. Cash and cash equivalents

Cash and cash equivalents comprise call deposits, cash and short-term investments.

N. Share capital

I Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as deduction, net of tax, in equity from the proceeds.

II Preference share capital

Preference share capital is classified as equity if it meets the definition of an equity instrument under IAS 32.

III Repurchase of shares

When share capital recognised as equity is repurchased by the Group, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are presented as a deduction from headings "Capital" and "Share premium account". The proceeds on sales of own shares are directly included in net equity with no impact on the income statement.

IV Dividends

Dividends are recognised as debt when they are approved by the General Shareholders' Meeting.

O. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Upfront fees payable to lenders or legal fees are for example integrated into the effective interest rate calculation. Fixed rate borrowings are expressed at their amortised nominal value. If however interest on a fixed rate borrowing is swapped into a floating by virtue of a matching Interest Rate Swap derivative contract, in conformity with fair value hedge accounting under IAS 39 § 86, the unamortised balance of the fixed rate borrowing is stated at market value as is the derivative itself (see F I).

P. Employee benefits

The Group funds a defined contribution pension scheme for its employees which is entrusted to an insurance company and thus independent from the Group. Contributions paid during the accounting period are charged to income.

Q. Provisions

A provision is recognised in the balance sheet when the Group has a legal or contractual obligation as a result of a past event, and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at the adequate market rate reflecting, where appropriate, the risk specific to the liability.

R. Trade and other payables

Trade and other payables are stated at cost.

S. Revenue

Revenue includes gross rental income, service and management fees from properties. Costs of rent free periods and client incentives are recognised over the related lease term.

T. Expenses

I Services costs

Services costs paid, as well as those borne on behalf of the tenants, are included in direct property expenses. Their reclaiming from the tenants is presented separately.

II Works carried out on properties

Works carried out which are the responsibility of the building owner are recorded in the accounts in 3 different ways, depending on the type of work concerned:

- expenditure on maintenance and repairs which does not add any extra functionality to or increase the standard of comfort of the building is considered current expenditure for the period, and property costs;
- extensive renovation works: these are normally undertaken at intervals of 25 to 35 years and involve virtually reconstructing the building whereby, in most cases, the existing carcass work is reutilised and state-of-the-art building techniques applied. On completion of such renovation works, the property can be considered as new and the expenditures are capitalised;
- improvement works: these are works carried out on an occasional basis to add functionality to the property or significantly enhance the standard of comfort, thus making it possible to raise the rent and, hence, the estimated rental value. The costs of these works are capitalised by reason of the fact that and in so far as the expert normally recognises a pro tanto appreciation in the value of the property. Example: installation of an air conditioning system where one did not previously exist.

The works for which expenses are capitalised are identified in accordance with the above criteria during the budget preparation stage. Expenses to be capitalised concern materials, contractor works, technical studies, internal costs, architect's fees and interests during construction.

III Commission paid to real estate brokers and other transaction costs

Commissions relating to property rentals are entered in current expenditure for the year. Commissions relating to the acquisition of properties, transfer duties, notary fees and other ancillary costs are considered as transaction costs and included in the acquisition cost of the acquired property. These costs are also considered as part of the acquisition cost when the purchase is done through a business combination. Commissions on property sales are deducted from the sale price obtained to determine the gain or loss made.

Property valuation costs and technical valuation costs are always entered in current expenditure, in the caption commercial costs.

IV Financial result

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and gains and losses on hedging instruments that are recognised in the income statement (see G). Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement on the date that the dividend is declared.

U. Income tax

Income tax on the profit or loss for the year comprises current tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

V. Exit tax

An exit tax is the tax on the capital gain that arises upon approval of a non-Sicafi company as a Sicafi or merger of a non-Sicafi company with a Sicafi. When the non-Sicafi company first enters the consolidation scope of the Group, a provision for exit tax liability is recorded simultaneously with a revaluation gain on the property corresponding to the market value of the property and taking into account a forecasted merger date. Any subsequent adjustment to this exit tax liability is recognised in the income statement. Where approval or merger takes place, the provision becomes a debt and any difference is also recognized in the income statement.

W. Stock option

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 46.

Note 3. Operational and financial risk management

The Group actively manages its client base in order to minimise vacancies and tenant turnover in the office segment. The property management team is responsible for swiftly resolving tenant complaints while the commercial team maintains regular contact with them so as to offer alternative solutions from within the portfolio should tenants require more or less space. Although this activity is fundamental to protecting rental income, it has little impact on the price at which a vacant property can be let, as that depends on prevailing market conditions. Nearly 100% of the lease contracts include a provision whereby rents are annually indexed. Before accepting any new client, a credit risk analysis is requested from an outside rating agency. An advance deposit or bank guarantee is usually required from non-public sector tenants corresponding to 6 months rent.

Rents are payable in advance, on a monthly, quarterly or yearly basis. A quarterly provision covering property charges and taxes incurred by the Group but contractually rechargeable to tenants is also requested. The level of rental defaults recorded net of recoveries represents 0.089% of total turnover over the period 1996-2010. A serious deterioration in the general economic situation is likely to magnify losses on lease receivables, particularly in the office sector. The possible insolvency of a major tenant can represent a significant loss for Cofinimmo as well as an unexpected vacancy or even having to rent out the vacant space at a price below the level of the broken contract.

By operating risk, Cofinimmo means the risk of losses due to inadequacies in the company's procedures or failures in its management. Direct operating costs are driven essentially by 2 factors:

- the age and quality of buildings which determine the level of maintenance and repair expenses, both closely monitored by the property management team, while the execution of works is outsourced;
- the vacancy level of office properties and tenant turnover which determine the level of expenses for unlet space, the letting fees, refurbishment costs, incentives granted to new clients, ... which the active commercial management of the portfolio is designed to minimise.

Construction and refurbishment projects are prepared and supervised by the Group's project management team with a mandate to complete them on time and on budget. For managing large-scale projects, specialised outside companies are brought in by the Group.

The risk of buildings being destroyed by fire or other disastrous events is insured for a total reconstruction value of €1,792.45[1] million in relation to a fair value for the investment properties of €1,554.07 million at 31.12.2010, including the value of the land. Cover has been obtained for the resulting vacant lets. Cofinimmo also assumes its public liability as the building owner or project supervisor.

The Group contracts nearly all its financial debt at floating rate or if at fixed rate, conversion immediately follows to floating rate so as to take advantage of low short-term rates. However, financial charges being exposed to hikes in rates, the policy of the Group consists in locking in interest rates over a rolling period of a minimum 3 years for at least 50% and 90% of the consolidated financial debt. In accordance with this policy, Cofinimmo uses derivative financial instruments, mainly Interest Rate Swaps and CAP and FLOOR options, to ensure the fixing of its interest rate in a corridor between a minimum and a maximum rate (see page 46).

The cover period of a minimum 3 years was chosen, on the one hand, to offset the depressive effect this time lag would have on the net income and, on the other hand, to forestall the adverse impact of any rise in European short-term interest rates not accompanied by a simultaneous increase in national inflation. Finally, a rise in real interest rates would probably be accompanied or quickly followed by a revival of overall economic activity which would give rise to more robust rental conditions and subsequently benefit the net result.

Simulations conducted show that the net income is historically sensitive to fluctuations in interest rates. However, in 2011, assuming that the structure and level of debt remain constant compared to 31.12.2010 and taking into account the hedging instruments put in place for 2011, an increase or decrease in interest rates of 0.5% would lead to an inverse change of the financial charges of €0.67 million.

1 This amount does not include the insurances taken during the works nor those for which the occupants are contractually liable (i.e. for nursing homes in Belgium and France, pubs in the Pubstone portfolio and some office properties) nor those relating to finance leases.

The average rate without margin on the closing date, as well as the fair value of the derivative instruments, are shown below. In accordance with IFRS 7, a 1% sensitivity analysis was carried out of the various interest rates without margin applied to the debt and derivative instruments.

Impact of a 1% interest rate variation on the average interest rate of the debt and on the fair value of financial instruments (based on the debt and derivative positions at the closing date) (x €1,000,000)

		31.12.2010	31.12.2009
Average interest rate		**4.18%**[1]	3.89%
Fair value of derivative instruments		**-81.35**	-67.08
	+1%		
Average interest rate		**4.09%**	4.05%
Fair value of derivative instruments		**6.75**	-61.79
	-1%[2]		
Average interest rate		**4.26%**	3.71%
Faire value of derivatives instruments		**-160.65**	-69.72

The Group may also hedge on a case by case basis against fluctuations of the underlying interest rates the value of financial assets consisting in receivables derived from long-term lease contracts (generally indexed) by entering into Interest Rate Swap contracts. The underlying inflation risk is however not hedged.

The Group is currently not exposed to any exchange risk.

Note 4. Business combinations

There was no acquisition during the 2010 financial year that is treated as a business combination in accordance with the IFRS 3 standard.

As a reminder, Cofinimmo has operated two business combinations in the past, one being the acquisition of 90% of the company Immobrew SA (renamed Pubstone SA since then) in 2007 and the other being the acquisition of Médimur (renamed Cofinimmo France) in 2008.

For more details on these two transactions, please refer to Note 4, page 104 of the 2009 Annual Financial Report.

Furthermore, Cofinimmo realised company acquisitions in 2010 that do not qualify for business combinations according to the IFRS 3 standard.

Net amount paid for the acquisition of consolidated subsidiaries (x €1,000)

	2010
Amount paid in cash for the acquisition of companies	**-23,673**
Cash included in the acquisition balance sheet of the companies acquired	**297**
Net amount paid for the acquisition of consolidated subsidiaries	**-23,376**
Fair value of investment properties included in the companies acquired	**36,546**[3]

1 The average effective interest rate on borrowings over the year 2010 amounts to 4.33% as mentioned in Note 16. 2 On 31.12.2009 and on 31.12.2010, the interest rate without margins was 0.40% and 0.90% respectively. Rather than applying a 1% decrease to this rate, the sensitivity analysis relates to the application of interest rates without margin of 0%. 3 See Note 42.

Note 5. Segment information

In fair value, offices represent 55.6% of the portfolio, nursing homes and clinics 29.9%, pubs 13.0% and the other business sectors 1.5%. The different property segments are described on pages 18 to 43.

(x €1,000)

	OFFICES									
	BRUSSELS CBD[1]		BRUSSELS DECENTRALISED		BRUSSELS PERIPHERY		ANTWERP		OTHER REGIONS	
INCOME STATEMENT	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Net rental income	**65,429**	65,021	**41,616**	45,802	**10,779**	11,175	**4,364**	4,650	**8,424**	9,238
Property result after direct property costs	**63,878**	62,770	**35,970**	42,679	**9,538**	10,072	**3,576**	3,537	**8,226**	8,980
Property management costs										
Corporate management costs										
Gains or losses on disposals of investment properties	**4,817**	1,224		-331	**-72**	282		-8		
Changes in fair value of investment properties	**-27,638**	-6,394	**-30,234**	-31,512	**-1,081**	-2,207	**-3,838**	-3,189	**943**	1,082
Other results on portfolio			**-15**			-20		-977		
Operating result										
Financial result										
Taxes										
NET RESULT										
NET RESULT - GROUP SHARE										
BALANCE SHEET										
Assets										
Goodwill										
Investment properties	**692,964**	747,573	**633,043**	653,677	**149,350**	144,381	**107,108**	109,835	**108,518**	114,417
Of which: Development projects	**1,370**	20,448	**187**	928	**291**	279	**2,226**	1,753	**53**	50
Assets held for own use			**8,881**	9,429						
Assets held for sale		585								
Other assets										
TOTAL ASSETS										
Shareholders' equity and Liabilities										
Shareholders' equity										
Shareholders' equity attributable to shareholders of parent company										
Minority interests										
Liabilities										
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES										

1 Central Business District.

NURSING HOMES/CLINICS				PUBSTONE				OTHERS		UNALLOCATED AMOUNTS		TOTAL	
BELGIUM		FRANCE		BELGIUM		THE NETHERLANDS							
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
29,756	23,850	**24,084**	22,466	**18,719**	18,627	**9,366**	9,360	**3,663**	5,326			**216,200**	215,515
29,508	23,712	**23,938**	22,483	**18,474**	18,319	**9,063**	9,054	**4,189**	5,551			**206,360**	207,157
										-15,031	-15,602	**-15,031**	-15,602
										-6,333	-6,369	**-6,333**	-6,369
99	29	**27**	1	**2,228**	1,654		105	**135**		**19**		**7,253**	2,956
11,238	-2,170	**20,855**	-10,226	**2,348**	-2,154	**485**	-5,574	**-522**	-1,805	**113**	-150	**-27,331**	-64,299
148				**-1,649**	1,621	**-252**	-928			**811**	-246	**-957**	-550
												163,961	123,293
										-72,094	-85,046	**-72,094**	-85,046
										-7,429	-5,801	**-7,429**	-5,801
												84,438	32,446
												83,796	32,450
		26,929	26,929	**97,833**	97,745	**39,250**	39,250					**164,012**	163,924
554,079	471,162	**356,810**	331,340	**249,954**	245,668	**145,603**	144,554	**44,487**	78,129			**3,041,916**	3,040,736
34,161	30,536							**4,368**	2,037			**42,656**	56,031
												8,881	9,429
		170	170									**170**	755
										175,808	197,269	**175,808**	197,269
												3,381,906	3,402,684
										1,466,878	1,409,057	**1,466,878**	1,409,057
										1,459,781	1,400,904	**1,459,781**	1,400,904
										7,097	8,153	**7,097**	8,153
										1,915,028	1,993,627	**1,915,028**	1,993,627
												3,381,906	3,402,684

Note 6. Rental income and rental-related expenses (x €1,000)

	2010	2009
Rental income		
Gross potential income	**211,286**	210,607
Vacancy	**-11,357**	-6,681
Rents[1]	**199,929**	203,926
Cost of rent free periods	**-4,743**	-2,966
Concessions granted to tenants	**-1,164**	-917
Indemnities for early termination of rental contracts	**1,365**	529
SUB-TOTAL	**195,387**	200,572
Writeback of lease payments sold and discounted	**21,108**	17,655
Rental-related expenses		
Rent payable on rented premises	**-80**	-2,006
Writedowns on trade receivables	**-676**	-719
Writeback of writedowns on trade receivables	**461**	13
SUB-TOTAL	**-295**	-2,712
TOTAL	**216,200**	215,515

The Group leases out its properties under operating leases and finance leases. Only revenues of operating leases appear under rental income.

The amount under "Writeback of lease payments sold and discounted" represents the difference of the discounted value, at the beginning and at the end of the year, of the future inflation-linked payments on the lease contracts whose receivables have been sold. The writeback through the income statement allows for a gradual reconstitution of the gross initial value of the concerned buildings at the end of the lease. It is a recurring and non-cash income item. The change in the fair value of these buildings is determined by the independent valuer and is taken as profit or loss under the caption "Changes in fair value of investment properties". This time, it is a non-recurring item as it depends on the valuer's assumptions as to future market conditions.

Total rental income

Where a lease is classified as a finance lease, the property is considered to be disposed of and the Group to have an interest in a finance lease instead. Payments received on the finance leases are split between "capital" and "interest": the capital element being taken to the balance sheet and offset against the Group's interest in the finance lease; the interest element to the income statement. Therefore, only the part of the rents relating to interests flows through the income statement.

Total income generated from the Group's properties, through operating and finance leases (x €1,000)

	2010	2009
Rental income from operating leases	**195,387**	200,572
Interest income in respect of finance leases	**2,933**	1,911
Capital receipts in respect of finance leases	**9,473**	37,623
TOTAL	**207,793**	240,106

Total future aggregate minimum rental receivables under non-cancellable operating leases and finance leases in effect at 31.12 (x €1,000)

	2010	2009
Within one year	**207,605**	223,270
Between one and five years	**518,183**	522,592
Beyond five years	**1,705,503**	1,715,779
TOTAL	**2,431,291**	2,461,641

1 Includes the income guaranteed by the developers substituting rents.

Note 7. Net redecoration expenses (x €1,000)

	2010	2009
Costs payable by tenants and borne by the landlord on rental damage and refurbishment at end of lease	**-2,417**	-1,329
Recovery of property charges	**795**	209
TOTAL	**-1,622**	-1,120

The recovery of property charges is only made up of indemnities on rental damage.

Note 8. Charges and taxes not recovered from the tenant on let properties (x €1,000)

	2010	2009
Recovery income of charges and taxes normally payable by the tenant on let properties	**35,279**	46,114
Rebilling of rental charges invoiced to the landlord	**17,412**	25,051
Rebilling of withholding taxes and other taxes on let properties	**17,867**	21,063
Rental charges and taxes normally payable by the tenant on let properties	**-35,537**	-46,215
Rental charges invoiced to the landlord	**-17,458**	-24,972
Withholding taxes and other taxes on let properties	**-18,079**	-21,243
TOTAL	**-258**	-101

Under usual lease terms these charges and taxes are borne by the tenants through rebilling. However a number of lease contracts of the Group provide otherwise, leaving the taxes or the charges to be borne by the landlord.

Note 9. Technical costs (x €1,000)

	2010	2009
Recurrent technical costs	**2,966**	3,667
Repairs	**1,952**	3,373
Insurance premia	**1,014**	294
Non-recurrent technical costs	**303**	189
Major repairs (building companies, architects, engineering offices, ...)[1]	**212**	169
Damage expenses	**91**	20
Losses providing from disasters and subject to insurance cover	**402**	208
Insurance compensation for losses providing from disasters	**-311**	-188
TOTAL	**3,269**	3,856

Note 10. Commercial costs (x €1,000)

	2010	2009
Letting fees paid to real estate brokers	**927**	874
Advertising	**54**	47
Fees paid to lawyers and other experts	**376**	554
TOTAL	**1,357**	1,475

1 Except for capital expenditures.

Note 11. Management costs

Management costs are split between property management costs and other costs.

Property management costs

These costs comprise the costs of personnel responsible for this activity, the operational costs of the company headquarters and fees paid to third parties. The management fees collected from tenants covering partially the costs of the property management activity are deducted.

The portfolio is entirely managed internally. The internal costs of property management are divided as follows:

(x €1,000)

	2010	2009
Office charges	**2,557**	2,157
IT	**1,361**	1,069
Others	**1,196**	1,088
Fees paid to third parties	**3,943**	3,073
Recurrent	**1,999**	2,106
Real estate valuers	**978**	984
Lawyers	**160**	331
Others	**861**	791
Non-recurrent	**1,944**	967
Mergers and acquisitions (other than business combinations)	**1,944**	967
Public relations, communication and advertising	**530**	505
Personnel expenses	**9,852**	10,813
Salaries	**7,800**	8,518
Social Security	**1,376**	1,715
Pensions and other benefits	**676**	580
Management fees earned from tenants	**-2,226**	-1,232
Lease contract related fees	**-2,046**	-989
Fees for additional services	**-180**	-243
Taxes and regulatory fees	**257**	169
Depreciation charges on office furniture	**118**	117
TOTAL	**15,031**	15,602

Corporate management costs

Corporate management costs cover the overheads of the company as a legal entity with a stock exchange listing and as a Sicaf immobilière. These expenses are incurred in order to provide complete and continued information, economic comparability with other types of investment and liquidity for the shareholder's indirect participation in a property portfolio. Certain costs of studies relating to the company's expansion also come under this category.

(x €1,000)

	2010	2009
Office charges	**316**	294
IT	**142**	67
Others	**174**	227
Fees paid to third parties	**549**	541
Recurrent	**460**	225
Lawyers	**43**	-48
Auditors	**389**	230
Others	**28**	43
Non-recurrent	**89**	316
Public relations, communication and advertising	**520**	574
Personnel expenses	**3,470**	3,600
Salaries	**3,040**	3,106
Social Security	**312**	387
Pensions and other benefits	**118**	107
Taxes and regulatory fees	**1,478**	1,360
TOTAL	**6,333**	6,369

The fixed emoluments of Deloitte, Company Auditors for reviewing and certifying Cofinimmo's company and consolidated accounts amounted to €107,199 (excluding VAT). Its emoluments for certifying the company accounts of Cofinimmo's subsidiaries amounted to €60,716 (excluding VAT).

(x €1,000)

	2010
Emoluments for the company auditor	**192**
Emoluments for the execution of a mandate of company auditor	**168**
Emoluments for exceptional performance or special assignments within the Group	**24**
Other certification assignments	**20**
Other assignments external to the auditing duties	**4**
Emoluments for people with whom the auditor is connected	**85**
Emoluments for exceptional activities or special assignments within the Group	**85**
Other certification assignments	**8**
Tax advisory duties	**77**
TOTAL	**277**

The emoluments of the Company Auditor (non Deloitte) for the Group's French companies amounted to K€112.

Note 12. Gains or losses on disposals of investment properties (x €1,000)

	2010	2009
Net sale of properties (selling price - transaction costs)	**100,245**	60,636
Investment value of properties sold	**-94,780**	-59,346
Fair value of properties sold	**-92,447**	-57,719
Writeback of the impact on fair value of estimated transaction costs resulting from hypothetical disposal of investment properties	**-2,333**	-1,627
Others	**1,788**	1,666
TOTAL	**7,253**	2,956

The 2.5% reduction in fair value corresponding to the future hypothetical transaction fees is deducted directly from capital and reserves on the acquisition of properties. When the properties are sold, this amount must therefore be deducted from the difference between the price obtained and the book value of these properties in order to calculate the gain actually made.

Note 13. Changes in fair value of investment properties (x €1,000)

	2010	2009
Positive changes in fair value of investment properties	**39,681**	23,906
Negative changes in fair value of investment properties	**-67,012**	-88,205
TOTAL	**-27,331**	-64,299

The breakdown of the changes in fair value of the properties is exhibited in Note 22.

Note 14. Other result on portfolio (x €1,000)

	2010	2009
Change in deferred taxes[1]	**-1,907**	693
Change in fair value of other non-financial assets	**133**	-733
Other	**817**	-510
TOTAL	**-957**	-550

Note 15. Financial income (x €1,000)

	2010	2009
Interests and dividends received	**1,770**	1,911
Interest receipts in respect of finance lease receivables	**2,933**	3,271
Net realised gains on disposals of finance lease and similar receivables	**1,259**	15,603
Other financial income	**74**	84
TOTAL	**6,036**	20,869

1 See Note 35.

Note 16. Net interest charges (x €1,000)

	2010	2009
Nominal interests on loans with amortised cost	**21,912**	30,578
Bilateral loans - floating rate	**11,577**	17,810
Syndicated loans - floating rate	**3,817**	6,645
Treasury bills - floating rate	**1,311**	2,842
Investment credits - floating or fixed rate	**131**	258
Debenture loan - fixed rate	**5,076**	3,023
Charges relating to authorised hedging instruments	**38,827**	50,548
Authorised hedging instruments qualifying for hedge accounting	**31,220**	39,127
Authorised hedging instruments not qualifying for hedge accounting	**7,607**	11,421
Income relating to authorised hedging instruments		-507
Authorised hedging instruments qualifying for hedge accounting		-507
Other interest charges	**2,541**	1,504
TOTAL	**63,280**	82,123

The effective charge for interests on borrowings, including all bank margins and the amortization of premia paid on hedging instruments relating to the period is K€68,239, which corresponds to the average effective interest rate of loans of 4.33%.

Note 17. Other financial charges (x €1,000)

	2010	2009
Bank costs and other commissions	**617**	478
Net realised losses on disposals of financial assets	**6**	15
Others	**470**	10,998
Restructuring costs of authorised hedging instruments		9,626
Others	**470**	1,372
TOTAL	**1,093**	11,491

Note 18. Changes in fair value of financial assets and liabilities (x €1,000)

	2010	2009
Authorised hedging instruments qualifying for hedge accounting	**+1,494**[1]	-8,294
Authorised hedging instruments not qualifying for hedge accounting	**-15,251**[2]	-4,007
TOTAL	**-13,757**	-12,301

Only the changes in the ineffective part of the fair value of cash flow hedging instruments, as well as the changes in fair value of trading instruments, are taken into account. The changes in the effective part of the fair value of cash flow hedging instruments are booked directly under equity.

Note 19. Corporate tax (x €1,000)

	2010	2009
Parent company	**2,100**	1,546
Pre-tax result	**72,525**	36,392
Result exempted from income tax due to the Sicafi regime	**-72,525**	-36,392
Taxable result based on non-deductible costs	**3,671**	3,669
Tax rate of 33.99%	**1,248**	1,247
Others	**852**	299
Subsidiaries	**5,124**	5,737
TOTAL	**7,224**	7,283

The non-deductible costs chiefly comprise the office tax in the Brussels-Capital Region. The heading "Others" chiefly comprises taxes related to the merged companies. Subsidiaries are not granted the Sicafi regime.

Tax on subsidiaries chiefly comprises tax on the Pubstone entities for a total of K€4,487.

1 The gross amounts are respectively an income of K€41,871 and a charge of K€40,377. 2 The gross amounts are respectively an income of K€6,942 and a charge of K€22,193.

Note 20. Goodwill

Pubstone

Cofinimmo's acquisition in 2 stages (31.10.2007 and 27.11.2008) of 89.90% of the shares of Pubstone Group SA (formerly Express Properties SA) (see page 31 of the Annual Financial Report 2008) generated a goodwill for Cofinimmo resulting from the positive difference between the acquisition cost and the Cofinimmo's share in the fair value of the net asset acquired. More specifically, this goodwill results from:

- the positive difference between the value offered at the acquisition for the property assets (on which the price paid for the shares was based) and the fair value of those property assets (this being expressed after deduction of the transaction costs standing at 10.0% to 12.5% in Belgium and 6.0% in the Netherlands);
- and the deferred tax corresponding to the theoretical hypothesis imposed by the IAS/IFRS standards of an immediate disposal of all pubs at closing date. A tax rate of respectively 34% and 25% for the assets located in Belgium and in the Netherlands has been applied to the difference between the tax value and the market value of the assets at the acquisition.

Cofinimmo France

Cofinimmo's acquisition of 100% of the shares of Cofinimmo France (formerly Médimur) on 20.03.2008 generated a goodwill for Cofinimmo from the positive difference between the acquisition cost and the fair value of the acquired net assets. More precisely, this goodwill results from the positive difference between the value offered for the property assets at the acquisition (on which the price paid for the shares was based) and the fair value of those property assets (being expressed after deduction of the transaction cost standing at 6.2% in France).

Changes in goodwill in 2010 (x €1,000)

	Pubstone Belgium	Pubstone The Netherlands	Cofinimmo France	TOTAL
COST				
AT 01.01	99,725	39,250	26,929	165,904
Changes in goodwill subsequent to the squeeze out of the minority interests of Pubstone SA	88			88
AT 31.12	99,813	39,250	26,929	165,992
WRITEDOWNS				
AT 01.01	1,980			1,980
Writedowns recorded during the year				
AT 31.12	1,980			1,980
CARRYING AMOUNT				
AT 01.01	97,745	39,250	26,929	163,924
AT 31.12	97,833	39,250	26,929	164,012

Impairment test

At the end of the year 2010, the goodwill was subject to an impairment test (conducted on the groups of buildings to which it was allocated by country), comparing the net carrying amount of the groups of buildings (i.e. their fair value plus the goodwill allocated at 100% and less the deferred taxes) with their value in use.

The result of this test (illustrated in the table below) indicates that there is no impairment to be recorded in the goodwill.

Hypotheses used in the calculation of the value in use of Pubstone

A projection was drawn up of future net cash flow over 27 years for the operating result and the sales of properties. Over these 27 years, an attrition rate is taken into consideration based on the terms of the lease signed with AB InBev. The vacated pubs are all presumed to have been sold. A residual value is calculated at the 28^{th} year. The sales price of the properties and the residual value are based on the average asset value assigned by the expert per m² at 31.12.2010, indexed. The indexation considered for these cash flows is 2% per annum. The discount rate used is 6.25%[1].

[1] 6.50% in 2009.

Hypotheses used in the calculation of the value in use of Cofinimmo France

A projection was drawn up of future net cash flow over 27 years. The hypothesis adopted is the renewal of all the leases during a 27-year period. The cash flow comprises the present indexed rent up to the known date of the first renewal of the lease. After this date, the cash flow considered is the indexed allowable rent. Allowable rents are rents estimated by the expert, stated in its valuation of the portfolio at 31.12.2010, which are considered sustainable in the long-term in terms of the profitability of the activity of the operating lessee. At the 28th year, a residual value is calculated per property. The indexation considered for these cash flows is 2% per annum. The discount rate used is 6.25%[1].

(x €1,000)

BUILDING GROUP	Goodwill	Net carrying amount	Capped value in use	Impairment
Pubstone Belgium	97,833	347,787	347,787	
Pubstone the Netherlands	39,250	184,853	184,853	
Cofinimmo France	26,929	239,060	239,060	
TOTAL	164,012	771,700	771,700	

Sensitivity analysis of the value in use when the 2 main variables of the impairment test vary by 0.10%

BUILDING GROUP	0.10% variation in inflation	0.10% variation in the discount rate
Pubstone Belgium	1.38%	1.32%
Pubstone the Netherlands	1.39%	1.34%
Cofinimmo France	1.30%	1.25%

Note 21. Investment properties (x €1,000)

	2010	2009
Properties available for lease	**2,990,379**	2,975,276
Development projects	**42,656**	56,031
Assets held for own use	**8,881**	9,429
TOTAL	**3,041,916**[3]	3,040,736

Properties available for lease (x €1,000)

	2010	2009
AT 01.01	**2,975,276**	3,075,316
Capital expenditures	**19,281**	56,934
Acquisitions	**47,181**	138,429
Transfers from/to Assets held for sale		-585
Transfers from/to Development projects	**44,734**	8,023
Sales/Disposals (fair value of assets sold/disposed of)	**-90,986**	-256,691
Writeback of lease payments sold and discounted	**21,108**	17,579
Increase/Decrease in fair value[4]	**-26,239**	-65,128
Others	**24**	1,399
AT 31.12	**2,990,379**	2,975,276

Investment properties are accounted for at fair value using the fair value model in accordance with IAS 40. This fair value is the price at which a property could be exchanged between knowledgeable and willing parties in normal competitive conditions. It is determined by the independent valuers in a two step approach.

In the **first step** the valuers determine the investment value of each property based on the present value of the net future rental income. The yield used depends essentially on market rates applied in the property investment market, taking into consideration the location and the quality of the property and of the tenant at the valuation date. Future rental income is estimated based on current lease and reasonable assumptions about rental income from future leases in the light of current conditions. This value is the price that an investor (or hypothetical buyer) would be ready to pay to acquire the property in order to earn rentals and to achieve a certain return on his investment.

In a **second step** the valuers deduct from the investment value an estimated amount for the transaction costs that the buyer or seller must pay in order to carry out a transfer of ownership. The investment value less the estimated transaction costs is the fair value in the meaning of IAS 40.

1 6.50% in 2009. 2 Including goodwill. 3 The fair value of the investment properties subject to disposal of receivables is K€300,397.07. 4 Note 22 reconciles the total change in fair value of the investment properties.

In **Belgium**, the transfer of ownership of a property is subject to the payment of transfer taxes. The amount of these taxes depends on the method of transfer, the type of purchaser and the location of the property. The first 2 elements, and therefore the total amount of taxes to be paid, are only known once the transfer has been completed.

The range of taxes for the major types of property transfer includes:
- sale of properties: 12.5% for properties situated in the Brussels-Capital Region and in the Walloon Region, 10% for properties situated in the Flemish Region;
- sale of real estate under the rules governing estate traders: 5.0 to 8.0%, depending on the Region;
- surface and long lease agreements for real estate (up to 50 years for surface rights and up to 99 years for the long lease right): 0.2%;
- sales of properties where the purchaser is a public body (e.g. an agency of the European Union, the Federal Government, a regional government or a foreign government): tax exempt;
- contribution in kind of real estate property against the issue of new shares in favour of the contributing party: tax exempt;
- sale of shares of a real estate company: no taxes;
- merger, split and other forms of company restructuring: no taxes, etc.

The effective rate of the transfer tax therefore varies from 0 to 12.5%, whereby it is not possible to predict which rate would apply to the transfer of a given Belgian property before that transfer has effectively taken place.

In January 2006 all independent valuers[1] who carry out the periodic valuation of the Belgian Sicafis' real estate portfolios were asked to compute a weighted average transaction cost percentage to apply on the Sicafis' real estate portfolios based on supporting historical data. For transactions concerning properties with an overall value exceeding €2.5 million, given the range of different methods for property transfers applying in Belgium (see above), the valuers have calculated on the basis of a representative sample of 220 transactions taking place in the market between 2003 and 2005 and totalling €6.0 billion, that the weighted average transfer tax comes to 2.5%; this percentage is reviewed annually and if necessary adjusted at each 0.5% threshold.

For transactions concerning properties with an overall value of less than €2.5 million, transaction costs of between 10.0 and 12.5% would apply, depending on the region in which the property is located in Belgium.

As at 01.01.2004 (date of transition to IAS/IFRS) the transaction costs deducted from the investment value of the real estate portfolio amounted to €45.5 million and have been accounted for under a separate caption of equity entitled "Impact on fair value of estimated transaction costs resulting from hypothetical disposal of investment properties".

The 2.5% transaction costs have been applied to the subsequent acquisitions of buildings.

At 31.12.2010 this amount was €111.26 million or €7.49 per share, taking account the acquisitions of the financial year and the change in investment value during the financial year.

It is worth noting that for Cofinimmo SA alone the average gain in relation to the investment value realised on the disposal of assets operated since the changeover to the Sicafi regime in 1996 equals 10.81%. Over that period Cofinimmo SA has undertaken 96 asset disposals for a total of €1,240.93 million. This gain would have been 13.35% had the 2.5% deduction been applied as from 1996.

The transaction costs applied on the properties located in **France** and the **Netherlands** come to 5.11% and 6.00% respectively.

On 21.04.2005 the Cofinimmo Group sold to Fortis Bank SA all the future lease payments relating to the 18-year lease contract with the Buildings Agency for the North Galaxy building which it fully owns.

On 22.12.2008 the Cofinimmo Group sold to a subsidiary of the Société Générale SA the usufruct receivables for an initial period of 15 years payable by the European Commission and relating to the Loi 56, Luxembourg 40 and Everegreen buildings which Cofinimmo owns in Brussels. The usufruct from these 3 buildings ends between December 2020 and April 2022. Cofinimmo retains bare ownership and the indexation part of the receivables from the Luxembourg 40 building was not sold.

On 20.03.2009 the Cofinimmo Group sold to a subsidiary of Société Générale SA the usufruct receivables for an initial period of 15 years payable by the European Commission and relating to the Nerviens 105 building located in Brussels. The usufruct ends in May 2023. Cofinimmo retains bare ownership of the building.

1 Cushman & Wakefield, de Crombrugghe & Partners, Winssinger & Associés, Stadim and Troostwijk-Roux.

On 23.03.2009 the Cofinimmo Group sold to Fortis Bank SA 90% of the finance lease receivables payable by the City of Antwerp relating to the Fire Station. At the end of the financial lease, the building will automatically be transferred to the City of Antwerp for free. The Cofinimmo Group also sold on the same date and to the same bank lease receivables payable by the Belgian State relating to the Colonel Bourg 124 building in Brussels and the Maire 19 building in Tournai. Cofinimmo retains ownership of these 2 buildings.

On 28.08.2009 the Cofinimmo Group sold to BNP Paribas Fortis SA 96% of the lease receivables pertaining to 2011 and the following years relating to the Egmont I and Egmont II buildings.

The leases related to the North Galaxy, Colonel Bourg 124, Maire 19, Egmont I and Egmont II buildings, as well as the usufructs from the Loi 56, Luxembourg 40, Everegreen and Nerviens 105 buildings do not qualify as financial leases. The fair value of these properties after the sale of their rental income or usufruct receivables corresponds to the difference between their market value, including the future rental income or lease receivables, and the discounted value of the future rental income or lease payments sold. In fact, by virtue of Article 1690 of the Belgian Civil Code, a third party wishing to buy the North Galaxy, Colonel Bourg 124, Maire 19, Egmont I and Egmont II buildings would be deprived of the right to receive rental income on that property until the end of the lease. Likewise, in the case of the Loi 56, Luxembourg 40, Everegreen and Nerviens 105 buildings, the buyer would be deprived of the receivables until the expiry of the right of usufruct.

Although neither specifically foreseen nor forbidden under IAS 40, the derecognition from the gross value of the properties of the residual value of the future receivables sold allows, in the opinion of the Board of Directors of Cofinimmo, a true and fair presentation of the value of the properties in the consolidated balance sheet which corresponds to the independent valuer's assessment of the properties, as required by Article 29 § 1 of the Royal Decree of 07.12.2010.

Development projects (x €1,000)

	2010	2009
AT 01.01	**56,031**	49,001
Investments	**32,082**	27,081
Acquisitions	**697**	
Transfer from/to Properties available for lease	**-44,734**	-8,023
Sales/Disposals (fair value of assets sold/disposed of)	**-876**	-13,018
Writeback of lease payments sold and discounted		76
Increase/Decrease in fair value[1]	**-544**	914
AT 31.12	**42,656**	56,031

Assets held for own use (x €1,000)

	2010	2009
AT 01.01	**9,429**	10,064
Increase/Decrease in fair value[1]	**-548**	-635
AT 31.12	**8,881**	9,429

1 Note 22 reconciles the total change in fair value of the investment properties.

Note 22. Breakdown of the changes in fair value of investment properties (x €1,000)

	2010	2009
Properties available for lease	**-26,239**	-65,128
Development projects	**-544**	914
Assets held for own use	**-548**	-635
TOTAL	**-27,331**	-64,849

This section includes the change in fair value of investment properties and other properties.

The total portfolio of investment properties is estimated by the experts at 31.12.2010 based on a market rate of 6.98% applied to the contractual rents increased by the estimated rental value on unlet space (see Report of the real estate expert on page 118). A 0.10% variation of this market rate would give rise to a variation of the portfolio fair value of €44.5 million.

Note 23. Intangible assets and Other tangible assets (x €1,000)

	Intangible assets		Other tangible assets	
	2010	2009	**2010**	2009
AT 01.01	**1,984**	1,840	**723**	942
Acquisitions of the year	**417**	833	**27**	57
IT Software	**417**	833		
Office fixtures and fittings			**27**	57
Depreciation of the year	**828**	689	**210**	276
IT software	**828**	689		
Office fixtures and fittings			**210**	276
Disposals of the year	**146**		**1**	
IT Software	**146**			
Office fixtures and fittings			**1**	
AT 31.12	**1,427**	1,984	**539**	723

The intangible assets and other tangible assets are exclusively assets held for own use.

Depreciation rates used depending on the economic life:

- IT software: 25%;
- fixtures: 10 to 12.5%;
- fittings: 25%.

Note 24. Derivative financial instruments

The financial risk management policy of Cofinimmo is explained on page 5 of this Annual Financial Report 2010.

Cash flow hedges (x €1,000)

Period	Option	Strike	Yearly amount
2011	CAP bought	3.00%	1,500,000
2012-2013	CAP bought	3.75%	1,500,000
2014-2015	CAP bought	4.25%	1,400,000
2016	CAP bought	4.50%	1,000,000
2017	CAP bought	5.00%	1,000,000
2011	FLOOR sold	2.50%	250,000
2011	FLOOR sold	3.00%	1,000,000
2012-2013	FLOOR sold	3.00%	1,250,000
2014-2015	FLOOR sold	3.00%	1,400,000
2016-2017	FLOOR sold	3.00%	1,000,000

For the years 2011 to 2017, Cofinimmo projects to maintain a property portfolio partially financed through debt, so that it will owe an interest flow to be paid, which forms the element covered by the derivative financial instruments described above.

Cofinimmo SA has also concluded an Interest Rate Swap starting on 01.12.2008 for an initial notional amount of €30.8 million, whereby the company pays the Euribor 1 year +0.20% and receives a fixed interest rate of 4.8002%, maturing in December 2044. The notional amount decreases from year to year, until it reaches €0 at its maturity.

Fair value hedges

Cofinimmo Luxembourg has contracted an Interest Rate Swap whereby the company pays the Euribor 3 months +0.80% and receives a fixed interest rate of 5.25% related to the payable coupon regarding the €100 million bond loan maturing on 15.07.2014 that it has issued in 2004.

Cofinimmo SA has contracted an Interest Rate Swap whereby the company pays the Euribor 3 months +2.22% and receives a fixed interest rate of 5.00% related to the payable coupon regarding the €100 million bond loan maturing on 25.11.2014 that it has issued in 2009.

Cofinimmo SA has contracted an Interest Rate Swap whereby the company pays the Euribor 3 months +1.62% and receives a fixed interest rate of 2.936% related to the payable coupon regarding the €50 million bond loan maturing on 29.09.2013 that it has issued in 2010.

Held for trading

The Group has contracted several Cancellable Interest Rate Swaps. These instruments, booked as trading, combine a classic IRS, whereby the company pays a fixed interest rate and receives a floating interest rate, and the sale by Cofinimmo of an option for the bank to cancel this Swap from a certain date onwards. The sale of this option allowed reducing the guaranteed fixed rate during the whole period.

Period	Option	Strike	Floating rate	Yearly amount (x €1,000)	First option	Frequency of option
2010-2018	Cancellable IRS	4.10%	Euribor 3 months	140,000	15.10.2011	Annual
2011-2013	Cancellable IRS[1]	3.71%	Euribor 1 month	300,000	n.a.	every 6 months (€50M every month)

At 31.12.2010 two FLOORS were requalified from cash flow hedging to trading[2]:

Period	Option	Strike	Yearly amount
2011	FLOOR sold	3.00%	250,000
2012	FLOOR sold	3.00%	250,000

1 Synthetic derivative resulting from 5 derivative instruments whose strikes vary between 3.53% and 4.03%. 2 The amount in the income statement relating to the reclassification is K€7,501.

Fair value of hedging instruments[1] (x €1,000)

	31.12.2010 Assets	31.12.2010 Liabilities	31.12.2009 Assets	31.12.2009 Liabilities
Cash flow hedges				
CAP options bought	**30,025**		25,853	
FLOOR options sold		**81,105**		73,001
Interest Rate Swaps		**5,315**		4,044
Fair value hedges				
Interest Rate Swaps	**8,517**		8,624	
Trading				
Interest Rate Swaps	**9,207**	**34,232**	8,596	33,105
FLOOR options sold		**8,449**		
TOTAL	**47,749**	**129,101**	43,073	110,150

Non-current and current parts of the fair value of hedging instruments (x €1,000)

Non-current	**38,522**	**66,321**	34,470	46,958
Current	**9,227**	**62,780**	8,603	63,192
TOTAL	**47,749**	**129,101**	43,073	110,150

As at reporting date, the shareholders' equity included the effective part of the changes in fair value of financial assets and liabilities corresponding to the derivative financial instruments, qualified as cash flow hedges.

Effective part of the changes in fair value of the derivative financial instruments, qualified as cash flow hedge (x €1,000)

	2010	2009
AT 01.01	**-47,083**	-30,687
Variation in the effective part of the changes in fair value of the derivative financial instruments	**-20,479**	22,429
Transfer to the income statement of the intrinsic value of the derivative financial instruments active during the year	**7,501**	-38,825
AT 31.12	**-60,061**	-47,083

Ineffective part of the changes in fair value of the derivative financial instruments, qualified as cash flow hedge (x €1,000)

AT 01.01	**-7,291**	-7,835
Variation in the ineffective part of the changes in fair value of the derivative financial instruments	**7,071**	544
AT 31.12	**-220**	-7,291

Note 25. Finance lease receivables

The Group has concluded finance leases for several buildings, of which the Court of Justice of Antwerp, for 36 years. The Group has also granted financing linked to refitting works to certain tenants. Long lease rights have been granted on certain assets. The average implicit yield of these finance lease contracts amounts to 5.80% in 2010 (2009: 5.62%). During the year 2010, conditional rents (indexation) were registered in the income statement for the period for an amount of €0.10 million (2009: €0.10 million).

(x €1,000)

	2010	2009
Less than 1 year	**5,382**	6,793
More than 1 year but less than 5 years	**17,287**	24,588
More than 5 years	**163,257**	166,509
Minimum lease payments	**185,926**	197,890
Deferred financial income	**-124,797**	-128,172
Present value of minimum lease payments	**61,129**	69,718
Non-current finance lease receivables	**58,349**	66,956
At more than 1 year but less than 5 years	**16,726**	24,128
At more than 5 years	**41,623**	42,828
Current finance lease receivables	**2,780**	2,762

The market value of these finance lease receivables at 31.12.2010 is estimated at €68.60 million.

1 Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instruments held by Cofinimmo at fair value are all classified as level 2 (derivative financial instruments).

Note 26. Assets held for sale (x €1,000)

	2010	2009
AT 01.01	**755**	507
Transfer from Investment properties		585
Disposal of assets during the year	**-585**	-337
AT 31.12	**170**	755

All the assets held for sale are investment properties.

Note 27. Current trade receivables (x €1,000)

	2010	2009
Gross trade receivables		
Gross commercial receivables which are due	**15,003**	10,357
Gross commercial receivables which are not due	**3,861**	2,133
Bad and doubtful receivables	**1,731**	1,556
Provision for impairment of receivables (-)	**-1,731**	-1,556
TOTAL	**18,864**	12,490

The Group has recognised a net charge of K€215 (2009: K€706) for the impairment of its trade receivables during the year ended 31.12.2010. The Board of Directors considers that the carrying amount of trade receivables approximate their fair value.

Provision for impairment of receivables (x €1,000)

	2010	2009
AT 01.01	**1,556**	1,261
Use	**-40**	-411
Provisions charged to income statement	**676**	719
Provision writebacks credited to income statement	**-461**	-13
AT 31.12	**1,731**	1,556

Note 28. Tax receivables and other current assets (x €1,000)

	2010	2009
Taxes	**8,227**	30,747
Others	**13,910**	15,983
TOTAL	**22,137**	46,730

The other current assets are mainly (withholding) taxes and other charges to be reinvoiced.

Note 29. Deferred charges and accrued income (x €1,000)

	2010	2009
Rent free periods and incentives granted to tenants to be spread	**4,587**	2,984
Property charges paid in advance	**10,347**	12,498
Prepaid interest and other financial charges	**5,735**	4,653
TOTAL	**20,669**	20,135

Note 30. Share capital and share premium[1]

	Ordinary shares		Convertible preference shares		TOTAL	
(in number)	**2010**	2009	**2010**	2009	**2010**	2009
Number of shares (A)						
AT 01.01	**12,705,070**	11,344,545	**1,326,693**	1,499,766	**14,031,763**	12,844,311
Issued against contribution in kind	**113,577**	224,967			**113,577**	224,967
Issued in mergers to Group subsidiaries	**771,062**	962,485			**771,062**	962,485
Conversion of preference shares into ordinary shares	**77,383**	173,073	**-77,383**	-173,073		
AT 31.12	**13,667,092**	12,705,070	**1,249,310**	1,326,693	**14,916,402**	14,031,763
Own shares held by the Group (B)						
AT 01.01	**22,374**	356,876			**22,374**	356,876
Issued in mergers to Group subsidiaries	**771,062**	962,485			**771,062**	962,485
Own shares sold/purchased - net	**-740,829**	-1,296,987			**-740,829**	-1,296,987
AT 31.12	**52,607**	22,374			**52,607**	22,374
Shares outstanding (A-B)						
AT 01.01	**12,682,696**	10,987,669	**1,326,693**	1,499,766	**14,009,389**	12,487,435
AT 31.12	**13,614,485**	12,682,696	**1,249,310**	1,326,693	**14,863,795**	14,009,389

	Ordinary shares		Convertible preference shares		TOTAL	
(x €1,000)	**2010**	2009	**2010**	2009	**2010**	2009
Capital						
AT 01.01	**679,970**	589,239	**70,745**	79,974	**750,715**	669,213
Issued against contribution in kind	**6,090**	12,063			**6,090**	12,063
Own shares sold/purchased - net	**39,723**	69,439			**39,723**	69,439
Conversion of preference shares into ordinary shares	**4,126**	9,229	**-4,126**	-9,229		
AT 31.12	**729,909**	679,970	**66,619**	70,745	**796,528**	750,715
Share premium account						
AT 01.01	**409,582**	362,881	**69,959**	79,085	**479,541**	441,966
Issued against contribution in kind	**4,942**	9,797			**4,942**	9,797
Own shares sold/purchased - net	**28,610**	27,778			**28,610**	27,778
Conversion of preference shares into ordinary shares	**4,081**	9,126	**-4,081**	-9,126		
AT 31.12	**447,215**	409,582	**65,878**	69,959	**513,093**	479,541

Categories of shares

The Group has issued 2 categories of shares:

Ordinary shares: the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the General Shareholders' Meetings of the company. The par value of each ordinary share is €53.62 at 31.12.2010. The ordinary shares are listed on Euronext Brussels.

Convertible preference shares: the preference shares were issued in 2004 in 2 distinct series which both feature the following main characteristics:

- priority right to an annual fixed gross dividend of €6.37 per share, capped at this level and non-cumulative;
- priority right in case of liquidation to a distribution equal to the issue price of these shares, capped at this level;
- option for the holder to convert his preference shares into ordinary shares from the 5th anniversary of their issue date (01.05.2009), at a rate of one ordinary share for one preference share;
- option for a third party designated by Cofinimmo (for example one of its subsidiaries) to purchase in cash and at their issue price, from the 15th anniversary of their issue, the preference shares that have not yet been converted;
- the preference shares are registered, listed on Euronext Brussels First Market and carry a voting right identical to that for the ordinary shares.

The first series of preference shares was issued at €107.89 and the second at €104.40 per share. The par value of both series is €53.33 per share.

1 It will be proposed to the Extraordinary General Meeting of 29.03.2011, following the conditions foreseen in the Company Code for a reduction in capital, to reduce the non-distributable reserve "Share premium account" through a transfer to "Result carried forward from previous years" for an amount of €214,087,000 (see page 54).

Shares held by the Group: at 31.12.2010, the Group held 52,607 ordinary Cofinimmo shares, all of which were held by Cofinimmo SA (31.12.2009: 22,374).

Authorised capital

The Shareholders' Meeting of the Company has authorised the Board of Directors on 21.01.2008 to issue new capital for an amount of €640,000,000 and for a period of 5 year. At 31.12.2010, the Board had made use of this authorisation for a total amount of €44,617,983.02, of which €6,089,999 in 2010. Hence the remaining authorised capital amounts to €595,382,016.98 at that date. This authorised capital is based on the par value of the ordinary or preference shares of €53.33 per share before 31.12.2007 and €53.62 per ordinary share subsequently.

Note 31. Reserves (x €1,000)

	2010	2009
Legal reserve of the subsidiaries	**35**	35
Reserve for the balance of changes in fair value of investment properties	**-28,617**	89,594
Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	**-64,128**	-64,510
Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting	**-60,061**	-47,083
Others	**219,135**	160,162
Non-distributable reserves	**1,557**	1,039
Tax-exempt reserves	**-4,859**	-3,272
Deferred income and distributable reserves	**222,437**	162,395
TOTAL	**66,364**	138,198

The reserves are presented before appropriation of the result of the period.

Note 32. Result per share

Result attributable to ordinary and preference shares[1] (x €1,000)

	2010	2009
Net current result attributable to ordinary and preference shares	**105,435**	92,390
Net current result for the year	**105,678**	92,857
Minority interests	**-243**	-467
Result on portfolio attributable to ordinary and preference shares	**-21,639**	-59,940
Result on portfolio for the year	**-21,240**	-60,411
Minority interests	**-399**	471
Net result attributable to ordinary and preference shares	**83,796**	32,450
Net result for the year	**84,438**	32,446
Minority interests	**-642**	4

Result per share (in €)

	2010	2009
Number of ordinary and preference shares entitled to share in the result of the year	**14,863,795**	14,009,389
Net current result per share - Group share	**7.09**	6.59
Result on portfolio per share - Group share	**-1.45**	-4.28
Net result per share - Group share	**5.64**	2.31

The calculation of the result per share at balance sheet date is based on the net current result/net result attributable to ordinary and preference shareholders of K€105,435 (2009: K€92,390)/K€83,796 (2009: K€32,450) and a number of ordinary and preference shares outstanding and entitled to share in the result of the period ended 31.12.2010 of 14,863,795 (2009: 14,009,389).

1 The amounts relating to the year 2009 have not been changed but the sign of the minority interests has been amended in order to facilitate the reading of the note.

Note 33. Dividends per share[1] (in €)

	Paid in 2010	Paid in 2009
Gross dividends for ordinary shareholders	**82,749,608.50**	92,404,821.60
Gross dividend per ordinary share	**6.50**	7.80
Net dividend per ordinary share	**5.5250**	6.6300
Gross dividends for preference shareholders	**8,102,697.33**	9,553,509.42
Gross dividend per preference share	**6.37**	6.37
Net dividend per preference share	**5.4145**	5.4145

A gross dividend for ordinary shares in respect of 2010 of €6.50 per share (net dividend per share €5.525), amounting to a total dividend of €88,494,152.50, is to be proposed at the Ordinary General Meeting on 29.04.2011. Indeed, at the closing date, the number of ordinary shares entitled to the 2010 dividend amounts to 13,614,485. The Board of Directors proposes to suspend the right to dividend for the 34,785 own ordinary shares still held by Cofinimmo under its stock option plan and to cancel the right to dividend of the remaining 17,822 own shares. A gross dividend for preference shares in respect of 2010 of €6.37 per share (net dividend per share €5.4145), amounting to a total dividend of €7,958,104.70, is to be proposed at the Ordinary General Meeting on 29.04.2011. Indeed, at the closing date, the number of preference shares entitled to the 2010 dividend stands at 1,249,310.

Note 34. Provisions (x €1,000)

	2010	2009
AT 01.01	**17,766**	11,875
Amounts charged to income statement	**3,270**	7,672
Use	**-324**	-51
Writebacks credited to income statement	**-1,478**	-1,730
AT 31.12	**19,234**	17,766

Provisions are built up and correspond to a contingent quota of the cost of works the Group has committed to undertake on several buildings. Moreover, the Group has built up provisions to face its potential commitments vis-à-vis tenants or third parties. These provisions correspond to the best estimate of outgoing resources considered as likely by the Board of Directors.

Note 35. Deferred taxes (x €1,000)

	2010	2009
Exit tax	**11,824**	16,090
Deferred taxes	**121,194**	120,763
TOTAL	**133,018**	136,853

The exit tax pertains to Cofinimmo France following the adoption of the SIIC regime by the French subsidiary in January 2009. This exit tax is based upon the gains resulting from the valuation of the properties, i.e. the difference between the value of the properties as estimated by the valuer on 31.12.2008 and the net book value of these properties at the same date. The taxation rate applied to this figure stands at 19%. The payment of the exit tax is spread over 4 years. The first payments took place in December 2009 and 2010 for a total amount of €10.03 million.

The deferred taxes pertain to the Pubstone SA, Pubstone Properties I BV and Pubstone Properties II BV subsidiaries. With regard to Pubstone SA, Belgian subsidiary, the deferred tax represents the 34% taxation of the gains which would be realised on disposals of assets, taking into account a spreading of this taxation in case the realised gains are reinvested. For this calculation, a disposal scenario of the assets considered as realistic by the Board of Directors is taken into account, namely:

- no disposal of assets during the first 6 years of the lease;
- vacancy of half of the surfaces that can contractually be vacated (1.75% per year) as from the 7th year of the lease (2013), with consequent sale of the first half of the vacated surfaces and rehabilitation of the second half of the vacated surfaces;
- reinvestment of the realised gains on the disposal of the first half of the vacated surfaces and spreading of their taxation over the lifespan of the new assets, namely 33 years.

This calculation is conducted until half of the leased surfaces are vacated.
The Royal Decree of 07.12.2010 authorises subsidiaries of public Sicafi to seek their approval as institutional Sicafi in which case they are liable to pay the exit tax at a rate of 16.995% on the gains from revaluation. Pubstone SA may request such an approval in 2011. With regard to Pubstone Properties I BV and Pubstone Properties II BV, Dutch subsidiaries, the deferred tax represents the 25% taxation of the difference between the investment value of the assets and their net book value.

1 Based on the results of the parent company.

Note 36. Financial debts (x €1,000)

	2010	2009
Interest-bearing borrowings	**1,540,545**	1,626,133
TOTAL	**1,540,545**	1,626,133
Non-current	**1,226,815**	1,381,474
Current	**313,730**	244,659
TOTAL	**1,540,545**	1,626,133

Interest-bearing borrowings (x €1,000)

	2010	2009
Non-current		
Bilateral loans - floating rate	**855,364**	907,540
Syndicated loans - floating rate	**90,000**	245,000
Treasury bills - floating rate	**15,000**	15,000
Debenture loans - fixed rate	**258,517**	208,624
Others - floating or fixed rate	**7,934**	5,310
SUB-TOTAL	**1,226,815**	1,381,474
Current		
Bilateral loans - floating rate	**200,000**	100,000
Treasury bills - floating rate	**106,150**	131,250
Overdrafts - floating rate	**7,550**	13,406
Others - floating or fixed rate	**30**	3
SUB-TOTAL	**313,730**	244,659
TOTAL	**1,540,545**	1,626,133

The heading "Others" chiefly comprises investment credits.

Maturity of non-current loans (x €1,000)

	2010	2009
Between 1 and 2 years	**205,000**	200,000
Between 2 and 5 years	**801,029**	794,878
Over 5 years	**220,786**	386,596
TOTAL	**1,226,815**	1,381,474

Allocation between floating rate loans and fixed rate loans (non-current and current) (x €1,000)

	2010	2009
Floating rate loans	**1,282,028**	1,417,509
Fixed rate loans	**258,517**	208,624
TOTAL	**1,540,545**	1,626,133

The fixed rate debenture loans have been immediately converted to floating rate[1].

Non-current undrawn borrowing facilities[2] (x €1,000)

	2010	2009
Expiring within one year		33,333
Expiring after one year	**568,400**	367,457

The fair value of the bond issues of 2004, 2009 and 2010 for a total amount of €258.52 million fluctuates in accordance with the risk covered, i.e. the risk-free rate, and consequently takes into account a constant credit margin of 1.75%, which corresponds to the margin paid at the time of issue in 2004, 2009 and 2010. This fair value differs from the redemption value on maturity in 2013 and 2014, i.e. €250 million, and the market value, i.e. €255.5 million at 31.12.2010 (based on the daily quotation on Bloomberg, for guidance).

1 See paragraph on interest rate risk management on page 5 of the Annual Financial Report 2010. 2 The undrawn lines extensively cover the emissions of short term treasury bills, amounting to €106.2 million on 31.12.2010.

Note 37. Other financial liabilities (x €1,000)

	2010	2009
Authorised hedging instruments	**129,101**	110,150
Others	**3,372**	4,605
TOTAL	**132,473**	114,755
Non-current	**69,693**	51,522
Current	**62,780**	63,233
TOTAL	**132,473**	114,755

The section "Others" essentially includes the cash guarantees received on the part of lessees.

Note 38. Trade debts and other current debts (x €1,000)

	2010	2009
Exit tax	**4,504**	56
Others	**58,127**	69,499
Suppliers	**29,019**	29,611
Taxes, social charges and salaries debts	**19,119**	23,429
Taxes	**17,871**	21,712
Social charges	**254**	461
Salaries debts	**994**	1,256
Others	**9,989**	16,459
Urban charges	**406**	612
Dividend coupons	**347**	3,319
Provision for withholding taxes and other taxes	**5,040**	5,109
Pubstone dividend coupons	**1,322**	1,323
Various	**2,874**	6,096
TOTAL	**62,631**	69,555

Note 39. Accrued charges and deferred income (x €1,000)

	2010	2009
Rental income received in advance	**15,528**	15,710
Interest and other financial charges accrued and not due	**9,382**	10,133
Others	**2,217**	2,722
TOTAL	**27,127**	28,565

Note 40. Non-cash charges and income (x €1,000)

	2010	2009
Charges and income related to operating activities	**4,041**	40,870
Changes in fair value of investment properties (+/-)	**27,331**	64,299
Writeback of lease payments sold and discounted	**-21,108**	-17,655
Movements in provisions and stock options (+/-)	**1,748**	-3,875
Depreciation/Writedown (or writeback) on intangible and tangible assets (+/-)	**1,177**	965
(Writeback of) Losses on current assets (+/-)	**215**	709
Others	**-5,322**	-3,573
Charges and income related to financing activities	**13,174**	11,551
Changes in fair value of financial assets and liabilities	**13,757**	12,301
Others	**-583**	-750
TOTAL	**17,215**	52,421[1]

1 In relation to the cash flow statement published in the Annual Financial Report of 2009, the item "Elimination of interest charges" for K€88,402 in 2009 has been transferred from "Non-cash charges and income" to "Elimination of interest charges and income". In the same way the item "Interests paid" for K€-95,680 in 2009 has been transferred from the "Non-cash charges and income" to "Financial income received" and "Financial charges paid" included in the cash flow statement.

Note 41. Change in working capital requirements (x €1,000)

	2010	2009
Movements in asset items	**19,753**	10,389
Trade receivables	**-6,519**	4,675
Tax receivables	**22,615**	6,423[1]
Other short-term assets	**2,556**	-5,570[1]
Deferred charges and accrued income	**1,101**	4,861
Movements in liability items	**-17,607**	-23,395
Trade debts	**-3,780**	-4,362[2]
Taxes, social charges and salaries debts	**-4,874**	300
Other current debts	**-8,207**	5,875[2]
Accrued charges and deferred income	**-746**	-25,208
TOTAL	**2,146**	-13,006

Note 42. Change in portfolio per segment during the year 2010

The tables below show the movements on the portfolio per segment during the year 2010 in order to specify the amounts included in the cash flow statement.

The amounts included in the cash flow statement and in the table below are shown in investment value.

Acquisitions of investment properties

The acquisitions realised during the year are realised in three ways:

- acquisition of the property directly in cash, included in the section "Acquisitions of investment properties" in the cash flow statement;
- acquisition in cash of shares in the company owning the property, included in the section "Acquisitions of consolidated subsidiaries" in the cash flow statement;
- acquisition of the company owning the property against the issue of Cofinimmo shares. These transactions are not included in the cash flow statement as they are non cash.

Heading	Type of acquisition	Offices	Nursing homes/clinics		Pubstone	Others	**Total**
			Belgium	France			
Properties available for lease	Direct properties				487		**487**
	Companies in cash	3,111	33,435				**36,546**
	Companies against shares		11,370				**11,370**
	Sub-total	3,111	44,805		487		**48,403**
Development projects	Direct properties					139	**139**
	Companies in cash						
	Companies against shares		576				**576**
	Sub-total		576			139	**715**
TOTAL		3,111	45,381		487	139	**49,118**

The amount of K€625 included in the cash flow statement under the section "Acquisitions of investment properties" includes the amount of direct property acquisitions, i.e. K€487 in property available for lease and K€139 in development projects.

1 In the cash-flow statement published in the 2009 Annual Financial Report, the total of the changes in current financial assets (K€-225), the tax receivables (K€6,423) and other short-term assets (K€-5,570) were included in "Tax receivables and other current assets" for a total of K€628. In the cash-flow statement in this Annual Financial Report, the changes in current financial assets are included in the section "Others cash flows from financing activities". 2 In the cash flow statement published in the 2009 Annual Financial Report, the total of "Trade debts" and of "Other current debts" was included in "Trade debts" for a total of K€1,513.

Extensions of investment properties

Extensions of investment properties are financed in cash and are included in the “Extensions of investment properties” section in the cash flow statement.

Heading	Offices	Nursing homes/clinics Belgium	Nursing homes/clinics France	Pubstone	Others	**Total**
Properties available for lease		4,553	5,282			**9,835**
Development projects		24,967			909	**25,876**
TOTAL		29,520	5,282		909	**35,711**
Amount paid in cash		24,843	5,282		699	**30,824**
Change to the provisions		4,677			210	**4,887**
TOTAL		29,520	5,282		909	**35,711**

Investments in investment properties

Investments in investment properties are financed in cash and are included in the “Investments in investment properties” section in the cash flow statement.

Heading	Offices	Nursing homes/clinics Belgium	Nursing homes/clinics France	Pubstone	Others	**Total**
Properties available for lease	7,328	269	135	2,591	-100	**10,223**
Development projects	7,009					**7,009**
TOTAL	14,337	269	135	2,591	-100	**17,232**
Amount paid in cash	16,373		135	2,591	-100	**19,000**
Change to the provisions	-2,036	269				**-1,767**
TOTAL	14,337	269	135	2,591	-100	**17,232**

Disposals of investment properties

The amounts included in the cash flow statement under the section “Disposals of investment properties” represent the net price received in cash from the buyer.

This net price is made of the net book value of the property at 31.12.2009 and the net gain or loss realised on the sale after the deduction of the transaction costs.

Heading		Offices	Nursing homes/clinics Belgium	Nursing homes/clinics France	Pubstone	Others	**Total**
Properties available for lease	Net book value	67,329	800	573	335	24,246	**93,283**
	Result on the disposal of the asset	4,899	99	27	458	135	**5,619**
	Net sales price received	72,228	899	600	793	24,381	**98,901**
Development projects	Net book value		898				**898**
	Result on the disposal of the asset						
	Net sales price received		898				**898**
TOTAL		72,228	1,797	600	793	24,381	**99,800**

Disposals of assets held for sale

The amounts included in the cash flow statement under the section “Disposals of assets held for sale” represent the net price received in cash from the buyer.

This net price includes the net book value of the property at 31.12.2009 as well as the net loss or gain realised on the sale after deduction of the transaction costs.

Heading		Offices	Nursing homes/clinics Belgium	Nursing homes/clinics France	Pubstone	Others	**Total**
Assets held for sale	Net book value	600					**600**
	Result on the disposal of the asset	-154					**-154**
	Net sales price received	446					**446**
TOTAL		446					**446**

Note 43. Contingent rights and liabilities

Acquisitions/Disposals

- Cofinimmo has undertaken to acquire the company AMCA SA after delivery of the works, foreseen in 2011.
- Cofinimmo has undertaken to acquire the nursing home extensions and new constructions realised by Armonea SA (as a long lease holder or contracting partner) on the land plots Cofinimmo has acquired by the transaction with Group Van Den Brande (now Armonea).
- Cofinimmo has signed call and put options relating to the freehold of a plot of land located in Gentbrugge intended for the construction of a nursing home which will be operated by Foyer de la Femme ASBL.
- The shares in the company Belliard III-IV Properties SA held by Cofinimmo are subject to a purchase option. The exercise of this option is subject to the fulfilment of certain specific conditions.
- AB InBev and Cofinimmo have undertaken to re-establish a future 90% interest (rather than the present 89.9%) for the Cofinimmo Group in the capital of the entity owning the Belgian pubs portfolio.
- With regard to the assignment of current lease receivables with the Buildings Agency (Belgian State) on the Antwerp Court of Justice, the balance of the receivables not assigned has been pledged in favour of a bank, subject to certain conditions. Cofinimmo has furthermore undertaken to grant a mortgage and a mortgage mandate on the site.
- With regard to the assignment of lease receivables with the Buildings Agency (Belgian State) on the North Galaxy, Egmont I, Egmont II, Maire 19 and Colonel Bourg 124 buildings, as well as the assignment of lease receivables with the City of Antwerp on the Fire Station, the shares of Galaxy Properties SA, Egmont Properties SA, Belliard I-II SA and a SPV to be set up have been pledged in favour of a bank, subject to certain conditions, as well as a deposit of €1.0 million for maintenance and insurance costs payable by the owner in the case of the North Galaxy building. Cofinimmo has furthermore obtained the issuing of guarantees in favour of the bank which can be exercised, subject to certain conditions.
- Cofinimmo has granted a rental income guarantee on the occasion of the disposal of part of its portfolio located in the Brussels periphery and in Wavre.
- Cofinimmo has granted a purchase option to the HEKLA Police in Antwerp on the property granted under long lease to this entity, to be taken up on the expiry of the long lease.
- Cofinimmo has agreed to several preferential rights and/or purchase options to the long lease holder ("emphytéote"), at market value, on a part of its nursing homes and clinics portfolio.
- With regard to tendering, Cofinimmo generally issues commitments to obtain bank guarantees.
- As a general rule, Cofinimmo benefits from liability guarantees issued by the sellers of shares in real estate companies it has acquired.

Miscellaneous

- With regard to its lease agreements, Cofinimmo receives a rental guarantee (in cash or as a bank guarantee) of an amount generally representing 6 months of rent.
- With regard to the transfer against a structured deposit to an external trustee (JPA Properties SPRL administered by Intertrust (Belgium)) of the finance lease discharge obligation with respect to Justinvest Antwerpen SA concerning the Antwerp Court of Justice, the matching deposit has been pledged in favour of Cofinimmo SA. The benefit of the pledge has been transferred in favour of a bank, subject to certain conditions.
- Cofinimmo has a call option on the issued preference shares (Art. 10bis of the articles of association).
- Cofinimmo has undertaken to find a buyer for the Notes falling due in 2027 issued by Cofinimmo Lease Finance (see page 42 of the 2001 Annual Financial Report) for the eventuality that a withholding tax would be applicable to the interest on these Notes following a change in the fiscal laws affecting holders resident in Belgium or the Netherlands.

Note 44. Commitments

The Group has capital commitments of K€148,562 (31.12.2009: K€129,629) in respect of capital expenditures contracted for at the balance sheet date but not yet incurred, for new property construction and for refurbishments.

Note 45. Consolidation criteria and scope

Consolidation criteria

The consolidated financial statements group together the accounts of the parent company and those of the subsidiaries, as drawn up at the end of the financial year. Consolidation is achieved by applying the following consolidation methods.
Full consolidation consists of incorporating the entire assets and liabilities of the subsidiaries as well as the income and charges. Minority interests are shown in a separate caption on both the balance sheet and the income statement.
The full consolidation method is applied where the parent company has exclusive control provided that the holding is of a lasting character. The consolidated financial statements have been prepared at the same date as that on which the consolidated subsidiaries prepared their own financial statements.

Consolidation perimeter

NAME AND ADDRESS OF REGISTERED OFFICE Fully consolidated enterprises	VAT or national number (NN)	Direct and indirect shareholding and voting rights (in %)
BELLIARD I-II PROPERTIES SA Boulevard de la Woluwe 58, 1200 Brussels	BE 832 136 571	100.00
BELLIARD III-IV PROPERTIES SA Boulevard de la Woluwe 58, 1200 Brussels	BE 475 162 121	100.00
BOLIVAR PROPERTIES SA Boulevard de la Woluwe 58, 1200 Brussels	BE 878 423 981	100.00
COFINIMMO FRANCE SA Avenue de l'Opéra 27, 75001 Paris (France)	FR 88 487 542 169	100.00
SAS IS II Avenue de l'Opéra 27, 75001 Paris (France)	FR 74 393 097 209	100.00
SCI AC Napoli Avenue de l'Opéra 27, 75001 Paris (France)	FR 71 428 295 695	100.00
SCI Beaulieu Avenue de l'Opéra 27, 75001 Paris (France)	FR 50 444 644 553	100.00
SCI Chamtou Avenue de l'Opéra 27, 75001 Paris (France)	FR 11 347 555 203	100.00
SCI Cuxac II Avenue de l'Opéra 27, 75001 Paris (France)	FR 18 343 262 341	100.00
SCI de l'Orbieu Avenue de l'Opéra 27, 75001 Paris (France)	FR 14 383 174 380	100.00
SA Domaine de Vontes Avenue de l'Opéra 27, 75001 Paris (France)	FR 67 654 800 135	100.00
SCI du Donjon Avenue de l'Opéra 27, 75001 Paris (France)	FR 06 377 815 386	100.00
SNC du Haut Cluzeau Avenue de l'Opéra 27, 75001 Paris (France)	FR 39 319 119 921	100.00
SARL Hypocrate de la Salette Avenue de l'Opéra 27, 75001 Paris (France)	not subject to tax NN 388 117 988	100.00
SCI La Nouvelle Pinède Avenue de l'Opéra 27, 75001 Paris (France)	FR 78 331 386 748	100.00
SCI Privatel INVESTISSEMENT Avenue de l'Opéra 27, 75001 Paris (France)	FR 13 333 264 323	100.00
SCI RÉSIDENCE Frontenac Avenue de l'Opéra 27, 75001 Paris (France)	FR 80 348 939 901	100.00
SCI Sociblanc Avenue de l'Opéra 27, 75001 Paris (France)	not subject to tax NN 328 781 844	100.00
COFINIMMO LUXEMBOURG SA Boulevard Grande-Duchesse Charlotte 65, 1331 Luxembourg (Luxembourg)	not subject to tax NN 100 044	100.00
COFINIMMO SERVICES SA Boulevard de la Woluwe 58, 1200 Brussels	BE 437 018 652	100.00
EGMONT PROPERTIES SA Boulevard de la Woluwe 58, 1200 Brussels	BE 891 801 042	100.00
EPRIS SA Boulevard de la Woluwe 58, 1200 Brussels	BE 458 706 961	100.00
GALAXY PROPERTIES SA Boulevard de la Woluwe 58, 1200 Brussels	BE 872 615 562	100.00
LEOPOLD BASEMENT SA Boulevard de la Woluwe 58, 1200 Brussels	BE 861 977 038	100.00
LEOPOLD SQUARE SA Boulevard de la Woluwe 58, 1200 Brussels	BE 465 387 588	100.00
MAISON SAINT IGNACE SA Boulevard de la Woluwe 58, 1200 Brussels	BE 452 711 074	100.00
PRINSENPARK SA Boulevard de la Woluwe 58, 1200 Brussels	BE 465 645 233	100.00
PUBSTONE GROUP SA Boulevard de la Woluwe 58, 1200 Brussels	BE 878 010 643	89.90
PUBSTONE SA Boulevard de la Woluwe 58, 1200 Brussels	BE 405 819 096	89.66
PUBSTONE HOLDING BV Prins Bernhardplein 200, 1097 JB Amsterdam (The Netherlands)	not subject to tax NN 8185 89 723	89.66[1]
PUBSTONE PROPERTIES I BV Prins Bernhardplein 200, 1097 JB Amsterdam (The Netherlands)	NL 00.11.66.347.B.01	89.66[1]
PUBSTONE PROPERTIES II BV Prins Bernhardplein 200, 1097 JB Amsterdam (The Netherlands)	NL 00.26.20.005.B.01	89.66[1]

1 Economic interest.

Belliard I-II Properties SA holds the residual rights to the property, charged with a right in a long lease (emphytéose).

Belliard III-IV Properties SA holds the residual rights to the property, charged with a right in a long lease (emphytéose).

Bolivar Properties SA owns the freehold of Omega Court.

Cofinimmo France SA owns directly or indirectly 37 healthcare institutions in France :

- 14 aftercare and rehabilitation clinics ("cliniques de Soins de Suite et de Rééducation, SSR"): Belloy in Belloy, Bezons in Bezons, Brocéliande in Caen, Canal de l'Ourcq in Paris, Château de Gléteins in Janssans-Riottier, Château de la Vernède in Conques-sur-Orbiel, Hélio Marin in Hyères, La Pinède in Sigean, La Ravine in Louviers, La Salette in Marseille, Montpribat in Montfort en Chalosse, Sainte Baume in Nans Les Pins, Siouville in Siouville-Hague and William Harvey in Saint-Martin-d'Aubigny;
- 6 psychiatric clinics: Champgault in Esvres-sur-Indre, Domaine de Vontes in Esvres-sur-Indre, Haut Cluzeau in Chasseneuil, Horizon 33 in Cambes, La Gaillardière in Vierzon and Pays de Seine in Bois le Roi;
- 17 nursing homes ("Établissements d'Hébergement pour Personnes Âgées Dépendantes, EHPAD"): Chamtou in Chambray-lès-Tours, Cuxac II in Cuxac-Cabardès, Frontenac in Bram, Grand Maison in L'Union, La Goélette in Equeurdreville-Hainneville, La Jonchère in Reuil Malmaison, Las Peyrères in Simorre, Le Bois Clément in La Ferté-Gaucher, Le Clos du Mûrier in Fondettes, Le Clos Saint Sébastien in Saint Sébastien sur Loire, Le Jardin des Plantes in Rouen, Le Lac in Moncontour, Les Hauts d'Andilly in Andilly, Les Jardins de l'Andelle in Perriers-sur-Andelle, Saint Gabriel in Gradignan, Villa Napoli in Jurançon and Villa Saint Dominique in Rouen.

Cofinimmo SA also has a branch in France, through which it owns 14 medical institutions in France: Hotelia Montpellier in Montpellier, L'Ermitage in Louviers, Les Amarantes in Tours, Les Blés d'Or in Castelnau de Levis, Les Hauts de l'Abbaye in Montivilliers, Les Lubérons in Le Puy-Sainte-Réparade, Les Meunières in Lunel, Les Oliviers in Le Puy-Sainte-Réparade, Les Ophéliades in Saint-Etienne, Les Villandières in Vaucresson, Lo Solelh in Béziers, Rougemont in Le Mans, Sartrouville in Sartrouville and Villa Eyras in Hyères.

Cofinimmo Luxembourg SA has issued a 10-year debenture loan guaranteed by Cofinimmo SA. Its resources are used to finance other Group companies. The subsidiary also owns an interest in Leopold Square.

Cofinimmo Services SA is responsible for the management of the Cofinimmo properties. It does not act on behalf of third parties.

Egmont Properties SA holds a right in a long lease on the Egmont I and II buildings.

Epris SA owns the nursning home Lucie Lambert in Buizingen.

Galaxy Properties SA holds a right in a long lease of 27 years on the North Galaxy building.

Leopold Basement SA owns a part of the basement of the building situated at Avenue du Bourget 42 in Brussels.

Leopold Square SA owns the freehold of the land under the buildings located in Brussels Avenue du Bourget 40 and in Diegem Avenue Mommaerts 16. This subsidiary also holds participating interests in the companies Belliard I-II Properties SA, Bolivar Properties SA, Cofinimmo Services SA, Egmont Properties SA and Galaxy Properties SA.

Maison Saint Ignace SA owns the nursing home of the same name in Brussels.

Prinsenpark SA owns the nursing home of the same name in Genk.

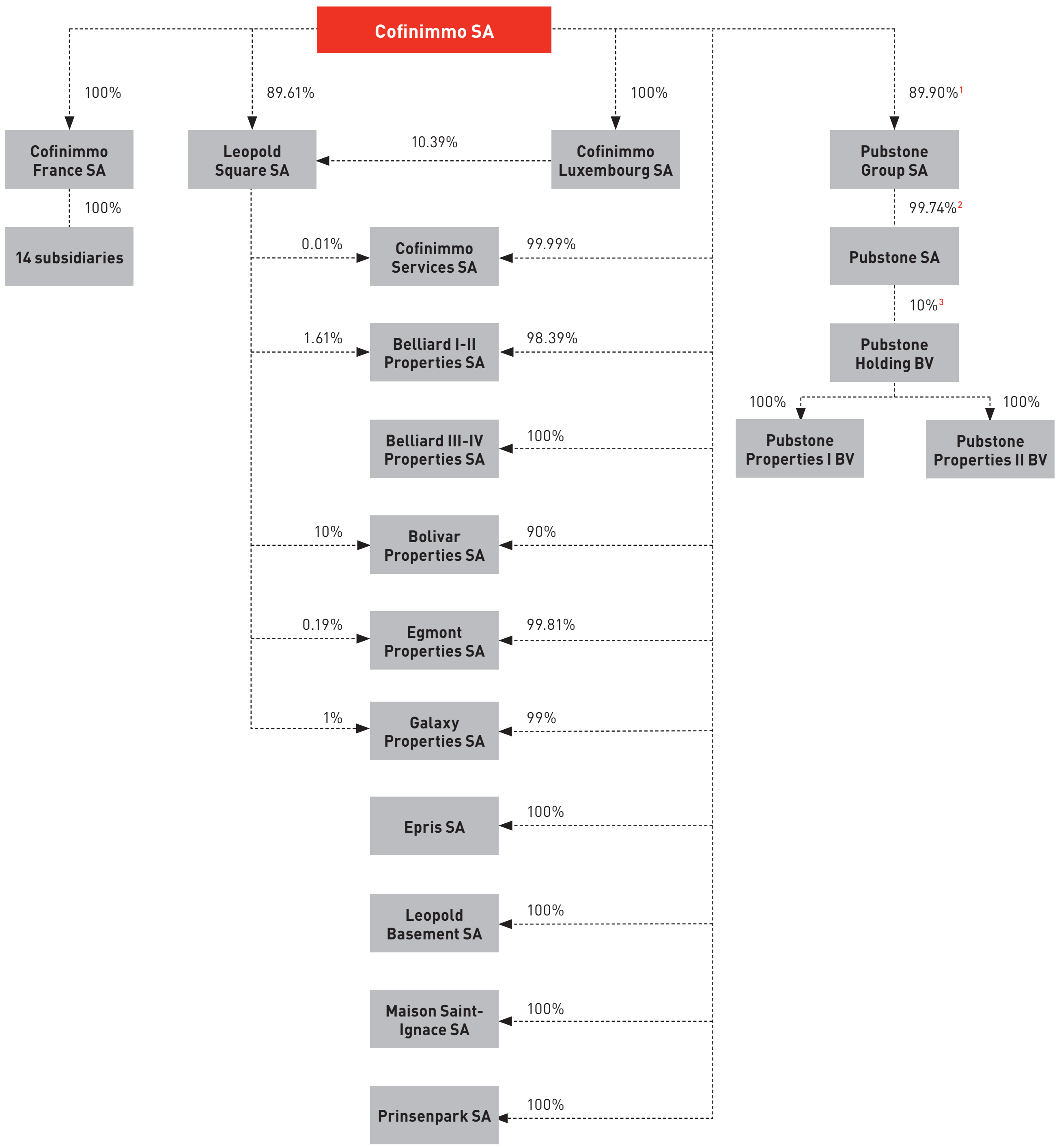
Pubstone Group SA holds a controlling interest in the company Pubstone SA.

Pubstone SA holds 821 pubs in Belgium and an interest in the company Pubstone Holding BV.

Pubstone Holding BV owns the companies Pubstone Properties I BV and Pubstone Properties II BV.

Pubstone Properties I BV owns 199 pubs in the Netherlands.

Pubstone Properties II BV owns 46 pubs in the Netherlands.



1 10.10% of the shares held by AB InBev Belgium SA. 2 0.07% of the shares held by AB InBev Belgium SA, 0.05% of the shares held by Brasserie Gheens SA and 0.14% of the shares held by Cavenor SA. 3 Majority of the votes.

Note 46. Payments based on shares

Option plan on shares

In 2006, Cofinimmo has launched a stock option plan by which 8,000 stock options were granted to the management of the Group. This plan was relaunched during each subsequent year. In 2010 a total of 5,740 stock options has been granted. Vesting is over 3 years. At the time of exercise, the beneficiaries will pay a strike price of €93.45 per share for the 2010 plan, in exchange for the delivery of the shares. In the event of a voluntary or involuntary departure (with the exception of dismissal on ground of misconduct) of a beneficiary, the accepted and vested stock options will only be exercisable during the first exercise window after the date of the contract breach. The non-vested options will be cancelled. In the event of an involuntary departure due to misconduct, the accepted stock options, vested or not, will be cancelled.

These conditions for the acquisition and exercise periods of the options in case of departure, voluntary or involuntary, will be applied without prejudice of the Board of Directors for the members of the Executive Committee or the Executive Committee for the other beneficiaries to authorise derogations to these dispositions, based on objective and pertinent criteria in the advantage of the beneficiary.

Evolution of the number of stock options

	Plan 2010	Plan 2009	Plan 2008	Plan 2007	Plan 2006
AT 01.01.2010	**0**	7,215	6,730	7,300	7,800
Granted	**5,740**	0	0	0	0
Cancelled	**0**	0	0	0	0
Exercised	**0**	0	0	0	0
Expired	**0**	0	0	0	0
AT 31.12.2010	**5,740**	7,215	6,730	7,300	7,800
Exercisable at 31.12.2010	**0**	0	0	7,300	7,800
Strike price (in €)	**93.45**	86.06	122.92	143.66	129.27
Last date for exercising options	**13.06.2020**	11.06.2019	12.06.2023[1]	12.06.2022[1]	13.06.2021[1]
Fair value of the options at the date of granting (x €1,000)	**255.43**	372.44	353.12	261.27	215.36

Cofinimmo applies the IFRS2 standard by recognising over the vesting period (namely 3 years) the fair value of the stock options at the date of granting according to the progressive acquisition method. The annual cost of the progressive vesting is recognised in personnel charges in the income statement.

Fair value of the stock options at the date of granting and assumptions used - weighted average

	Plan 2010
Valuation model	**Black & Scholes**
Contractual life of the options	**10 year**
Estimated duration	**8 year**
Strike price (in €)	**93.45**
Volatility (average last 3 years)	**14.46%**
Risk free interest rate	**«Euro Swap Annual Rate»**
Fair value of the options at the date of granting[2] (x €1,000)	**255.43**

Note 47. Average number of persons linked by an employment contract or by permanent service contract

	2010	2009
Average number of persons linked by an employment contract or by a permanent service contract	**105**	105
Employees	**101**	101
Executive management personnel	**4**	4
FULL TIME EQUIVALENT	**101**	101

Note 48. Related party transactions

The emoluments and insurance premiums, borne by Cofinimmo and its subsidiaries, for the benefit of members of the Board of Directors, charged to the income statement, amounted to €2,404,427. The pages 74 and 77 of the Annual Financial Report include tables on remuneration of the non-executive and executive Directors.

The difference between the amount of the income statement and that stated in the tables is explained by movements in provisions.

The Directors are not beneficiaries of the profit-sharing scheme which exclusively concerns the employees of the Group.

1 In accordance with the Law on economic stimulation of 27.03.2009, the exercise period for the stock option plans of 2006 to 2008 has been extended from 10 to 15 years with the approval of the beneficiaries, without any additional fiscal costs. 2 Spread over 3 years.

annual accounts
> statutory auditor's report.

Diegem, 25 March 2011

To the shareholders,

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Cofinimmo SA/NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as executed by the Royal Decree of 7 December 2010 with respect to public real estate investment trusts. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 3,381,906 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 83,796 (000) EUR.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 283,207 (000) EUR and a total profit/(loss) of 24,165 (000) EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2010, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as executed by the Royal Decree of 7 December 2010 with respect to public real estate investment trusts.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

The statutory auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises, BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Ludo De Keulenaer

Income statement (abbreviated format) (x €1,000)

	2010	2009
A. NET RESULT		
Rental income	**149,226**	156,153
Writeback of lease payments sold and discounted	**21,108**	17,655
Rental-related expenses	**-516**	-2,562
Net rental income	**169,818**	171,246
Recovery of property charges	**795**	209
Recovery of rental charges and taxes normally payable by the tenant on let properties	**16,278**	17,921
Costs payable by the tenant and borne by the landlord on rental damage and refurbishment at end of lease	**-16,092**	-17,733
Charges and taxes normally payable by the tenant on let properties	**-2,383**	-1,329
Property result	**168,416**	170,314
Technical costs	**-2,304**	-2,962
Commercial costs	**-894**	-669
Taxes and charges on unlet properties	**-3,027**	-2,127
Property management costs	**-11,177**	-12,391
Other property charges	**-3**	-2
Property charges	**-17,405**	-18,151
Property operating result	**151,011**	152,163
Corporate management costs	**-6,034**	-6,247
Operating result before result on portfolio	**144,977**	145,916
Result on disposals of investment properties	**5,060**	-3,584
Changes in fair value of investment properties	**-42,975**	-56,824
Operating result	**107,062**	85,508
Financial income	**71,580**	36,167
Net interest charges	**-52,770**	-70,637
Other financial charges	**-2,716**	-17,340
Changes in fair value of financial assets and liabilities	**-100,082**	-12,301
Financial result	**-83,988**	-64,111
Pre-tax result	**23,074**	21,397
Corporate tax	**-2,100**	-947
Exit tax		1
Taxes	**-2,100**	-946
NET RESULT FOR THE YEAR	**20,974**	20,451
B. OTHER ELEMENTS OF THE GLOBAL RESULT		
Impact on fair value of estimated transaction costs and rights resulting from the hypothetical disposal of investment property	**-130**	595
Changes in the effective part of the fair value of authorised cash flow hedge instruments	**-12,979**	-16,396
Other elements of the global result	**-13,109**	-15,801
C. GLOBAL RESULT	**7,865**	4,650

Appropriation account (x €1,000)

	2010	2009
A. NET RESULT	**20,974**	20,451
B. TRANSFER OF RESERVES	**75,842**	70,762
Transfer from the reserve of the negative balance of changes in fair value of investment properties	**159,474**	100,519
Fiscal year	**131,693**	56,825
Previous years	**27,781**	43,694
Transfer to the reserve of the estimated transaction costs resulting from hypothetical disposal of investment properties	**-358**	-739
Fiscal year	**-358**	-739
Tranfer from the reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting	**7,071**	
Fiscal year	**7,071**	
Tranfer from the reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting	**1,311**	
Fiscal year	**1,311**	
Transfer to other reserves	**-226**	-189
Transfer to result carried forward from previous years	**-91,430**	-28,829
C. REMUNERATION OF THE CAPITAL	**-96,452**	-90,889
D. REMUNERATION OF THE CAPITAL OTHER THAN C	**-365**	-324
E. RESULT TO BE CARRIED FORWARD	**260,580**	151,610

Balance sheet (abbreviated format) (x €1,000)

	31.12.2010	31.12.2009
Non-current assets	**2,884,906**	2,948,302
Intangible assets	**237**	254
Investment properties	**2,343,146**	2,329,449
Other tangible assets	**508**	708
Non-current financial assets	**482,664**	550,889
Finance lease receivables	**58,348**	66,956
Trade receivables and other non-current assets	**3**	46
Current assets	**54,699**	70,538
Assets held for sale		585
Current financial assets	**9,227**	8,603
Finance lease receivables	**2,780**	2,761
Trade receivables	**15,892**	7,007
Tax receivables and other current assets	**9,565**	34,898
Cash and cash equivalents	**26**	63
Deferred charges and accrued income	**17,209**	16,621
TOTAL ASSETS	**2,939,605**	3,018,840

Shareholders' equity	**1,459,781**	1,446,800
Capital	**799,349**	751,915
Share premium account	**595,329**	556,853
Reserves[1]	**44,129**	117,581
Net result of the year	**20,974**	20,451
Liabilities	**1,479,824**	1,572,040
Non-current liabilities	**1,049,399**	1,184,228
Provisions	**19,055**	17,472
Non-current financial debts	**963,996**	1,119,773
Other non-current financial liabilities	**66,348**	46,983
Current liabilities	**430,425**	387,812
Current financial debts	**313,701**	244,658
Other current financial liabilities	**47,069**	63,192
Trade debts and other current debts	**49,464**	58,256
Accrued charges and deferred income	**20,191**	21,706
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,939,605**	3,018,840

1 Reserves include the item "Reserve for own shares" for K€-5,124 at 31.12.2010.

Obligation to distribute dividends according to the Royal Decree of 07.12.2010 concerning Sicafis (x €1,000)

	2010	2009
Net result	**20,974**	20,451
Depreciation (+)	**337**	350
Losses (+)	**648**	572
Writeback of writedowns (-)	**-461**	-13
Writeback of lease payments sold and discounted (-)	**-21,108**	-17,655
Other non-cash elements (+/-)	**11,656**	12,301
Result on disposals of property assets (+/-)	**-5,060**	3,584
Changes in fair value of investment properties (+/-)	**131,401**	56,824
Corrected result (A)	**138,387**	76,414
Realised gains and losses[1] on property assets during the year (+/-)	**32,788**	-4,811
Realised gains and losses[1] on property assets during the year, exonerated from the obligation to distribute if reinvested within 4 years (-)	**-34,213**	-6,465
Realised gains on property assets previously exonerated from the obligation to distribute and that were not reinvested within 4 years (+)		
Net gains on realisation of property assets non-exonerated from the distribution obligation (B)	**-1,425**	-11,276
TOTAL (A+B) X 80%	**109,570**	52,110
DEBT DECREASE (-)	**-95,526**	-145,370
OBLIGATION TO DISTRIBUTE DIVIDENDS	**14,044**	

Shareholders' equity that can not be distributed according to Article 617 of the Company Code (x €1,000)[2]

	2010	2009
Net assets	**1,459,781**	1,446,800
Distribution of dividends and profit-sharing plan for financial year 2010	**-97,043**	-91,365
Net assets after distribution (A)	**1,362,738**	1,355,435
Paid-up capital or, if greater, subscribed capital	**799,349**	751,915
Share premium account unavailable for distribution according to the articles of association	**595,329**	556,853
Reserve of the positive balance of the changes in fair value of the investment properties		103,266
Reserves for estimated transaction costs resulting from hypothetical disposal of investment properties	**-60,814**	-61,042
Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting	**-67,132**	-47,083
Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting	**-1,311**	
Other reserves declared non-distributable by the General Meeting of Shareholders	**2,148**	1,039
Non-distributable equity according to Article 617 of the Company Code (B)	**1,267,569**	1,304,948
Margin remaining after distribution of dividends for financial year 2010 (A-B)	**95,168**	50,487

1 In relation to the acquisition value, increased by the costs for property renovation. 2 In 2010 the non-distributable equity is presented after appropriation of the result.

standing document
> general information.

The company attaches great importance to open and comprehensive communications aimed at all its stakeholders.

Company name

Cofinimmo: Sicaf immobilière ("Société d'investissement immobilière à capital fixe publique de droit belge" - fixed public capital real estate investment trust incorporated under Belgian law).

Registered and administrative offices

The registered and administrative offices are established at 1200 Brussels, Boulevard de la Woluwe 58 (Tel. + 32 2 373 00 00). The registered offices may be transferred to any other place in Belgium by a simple decision of the Board of Directors.

Register of Legal Persons

The company is entered in the Register of Legal Persons (R.L.P.) of Brussels under No. 0426 184 049. Its VAT number is BE 0426 184 049.

Constitution, legal form and publication

Cofinimmo was set up as a limited liability company incorporated under Belgian law (Société Anonyme) on 29.12.1983, by deed enacted before Notary André Nerincx in Brussels, published in the annexes to the Belgian Official Gazette (Moniteur belge) of 27.01.1984, under number 891-11. The company has the legal form of a limited liability company incorporated under Belgian law. Since 01.04.1996, Cofinimmo has been recognised as a Sicaf immobilière ("Société d'investissement immobilière à capital fixe publique de droit belge" - fixed public capital real estate investment trust incorporated under Belgian Law), registered with the Banking, Finance and Insurance Commission.

It is subject to the legal provisions of closed-end investment companies, as stipulated in Article 19 of the Law of 20.07.2004 regarding certain types of collective administration of investment portfolios. The company has opted for the category investments foreseen in Article 7, § 1, 5° (real estate properties) of this Law.

The company is subject to the provisions of Book II of the above mentioned Law of 20.07.2004 regarding certain types of collective administration of investment portfolios, as well as to the Royal Decree of 07.12.2010, regarding Sicaf immobilières.

The articles of association have been amended on various occasions, the last of which was on 02.02.2011 by deed enacted before Associate Notary Gérald Snyers d'Attenhoven in Brussels, published in the annexes to the Belgian Official Gazette (Moniteur belge) of 23.02.2011 under number 11029111.

The company makes issues for general subscription within the meaning of Article 438 of the Company Code.

Duration

The company is constituted for an unlimited term.

Activities of the company

Article 3 of the articles of association

The company's principal activity is the collective investment in real estate.

Consequently, as principal activity, the company invests in real estate, which includes properties as defined by Articles 517 ff. of the Civil Code, real rights on properties, shares with voting rights issued by affiliated property companies, option rights on properties, the shares of other real estate investment trusts included in the list referred to in Article 31 or Articles 127 and following under the Law of 20.07.2004 regarding certain types of collective administration of investment portfolios, real estate certificates, rights arising from contracts which bestow one or several assets on the company under property leasing, as well as all other assets, shares or rights which qualify as real estate assets under the above-mentioned Law, or any other activity which may be authorised under the regulations applicable to the company.

As accessory activity, the company may carry out all operations or studies which relate to real estate assets as described above and carry out any actions which relate to real estate assets such as the purchase, renovation, fitting out, letting, sub-letting, management, exchange, sale, development, transfer to common ownership, investment, whether by merger or otherwise, in any enterprise with similar or complementary activities, provided that regulations applicable to fixed capital real estate investment trusts are respected, and, in general terms, any operations directly or indirectly linked to the company's activities. The company may not act as a real estate developer except on an occasional basis. The company may also lease out real estate, with or without an option to buy.

Also as an accessory or temporary activity, the company may invest in securities, other than those described above, and hold short-term liquid funds. Such investments shall be diversified in order to ensure the adequate spreading of risk. Such investments shall also be made in accordance with the criteria set out in the Royal Decree of the 04.03.1991 on certain investment funds. If the company does hold such securities, the investment in these securities shall be compatible with the short to medium term investment policy of the company, and the securities shall be listed on the stock exchange of a member state of the European Union or negotiable on a regularly functioning and regulated market of a member state of the European Union, which is recognised and open to the public and of which the liquidity is assured. Short-term liquid funds may be held in any currency as current or deposit accounts or in the form of any money market instrument which can easily be converted. The company may lend securities under conditions permitted by the Law.

Cofinimmo may not modify its activities through application of Article 559 of the Company Code, as this Article is not applicable to Sicaf immobilières, as set out in Article 19 of the Law of 20.07.2004 regarding certain types of collective administration of investment portfolios.

Financial year

The financial year starts on 1 January and ends on 31 December of each year.

Places at which documents accessible to the public may be consulted

The company's articles of association may be consulted at the clerk's office of the Brussels Commercial Court as well as on the website **www.cofinimmo.com**.

The company and consolidated accounts of the Cofinimmo Group are filed at the National Bank of Belgium, in accordance with the legal provisions governing the matter. Decisions with regard to the appointment and resignation of members of the Board of Directors are published in the annexes of the Belgian Official Gazette (Moniteur belge).

Notices convening General Meetings are published in the annexes of the Belgian Official Gazette and in 2 financial daily newspapers. These notices and all documents relating to the General Meetings are simultaneously available on the website **www.cofinimmo.com**.

All press releases and other financial information given out by the Cofinimmo Group since the beginning of 2002 can be consulted on the website **www.cofinimmo.com**. The Annual Reports and Annual Financial Reports may be obtained from the registered offices or consulted on the website **www.cofinimmo.com**. They are sent each year to the holders of registered shares and to any parties expressing a wish to receive them. They include reports by the real estate expert and the statutory auditor.

Declarations

Responsible persons

The Board of Cofinimmo SA assumes responsibility for the content of this Annual Financial Report, subject to the information supplied by third parties, including the reports of the statutory auditor and the real estate expert.

The Board, composed as described on page 64, declares that to the best of its knowledge:

- this Annual Financial Report contains a fair and true statement of the important events and, as the case may be, of major transactions between related parties, which have occurred during the year, and of their incidence on the financial statements;
- this Report has no omissions likely significantly to modify the scope for any statements made in this Annual Financial Report;
- the financial statements, established in conformity with the applicable accounting standards have been submitted to the statutory auditor for a complete audit review and give a fair and true image of the portfolio, financial situation and results of Cofinimmo and its subsidiaries incorporated in the consolidation; moreover the Management report includes a perspective for the coming year result as well as a comment on the risks and uncertainties confronting the company (see page 2).

Forecast information

This Annual Financial Report contains forecast information based on company plans, estimates and projections, as well as on its reasonable expectations concerning external events and factors. By its nature, this forecast information is subject to risks, uncertainties and other factors that may have the consequence that the results, financial situation, performance and actual figures differ from this information. Taking into account these uncertain factors, statements regarding future developments can not be considered as a guarantee whatsoever.

Declaration concerning the Directors

The Board of Directors of Cofinimmo SA declares that, to the best of its knowledge:

- none of the Directors has ever been convicted for a fraud-related offence, that no official and/or public accusation has been expressed or any sanctions ever imposed by a legal or supervisory authority, that no Director has been prohibited by court to act as a member of the Directing body and that in this capacity they have never been implicated in a bankruptcy;
- that no employment contract has been concluded with the Directors, either with the Sicafi, or with its Executive Committee, which provides for the payment of indemnities upon termination of the employment contract, except for the comment in the section "Contractual terms of the members of the Executive Committee" in the "Corporate Governance Statement" chapter.

Declaration concerning information from third parties

The information published in this Report provided by third parties, such as the Report by the real estate expert and the Statutory auditor's report, has been included with the consent of the person who has vouched for the content, form and context of this part of the registration document. This information has been faithfully reproduced and, as far as the Board of Directors knows and is able to assure in the light of data published by this third party, no facts have been omitted that might render the information reproduced incorrect or misleading.

Historical financial information referred to by reference
The Annual Reports and Annual Financial Reports since financial year 2001, which comprise the company accounts, the consolidated annual accounts and the Statutory auditor's report, as well as the Half Year Reports and the Half-Yearly Financial Reports can be consulted on the website **www.cofinimmo.com** ("Investor Relations & Media/Reports and Publications").

Fiscal regimes

The Sicaf immobilière (Sicafi)

The Sicaf immobilière ("Société d'investissement immobilière à capital fixe publique" - public fixed capital real estate investment trust) regime, is a collective property investment organisation created in 1995 disposing of a similar regime such as exists in numerous countries: Real Estate Investment Trusts (REITs) in the US, Fiscale Beleggingsinstellingen (FBI) in the Netherlands, G-REITs in Germany, Sociétés d'Investissements Immobiliers Cotées (SIIC) in France and UK-REITs in the UK.

This regime is currently governed by the Royal Decree of 07.12.2010 which replaces the previous texts.

The Law of 23.12.1994 regulated the tax effects on existing companies of transformation into a Sicaf immobilière.

The main characteristics of a public Sicaf immobilière are as follows:

- closed-end company;
- stock exchange listing;
- activity limited to real estate investment; if necessary, the Sicafi can invest its assets in listed securities;
- possibility for the Belgian subsidiaries of the public Sicaf immobilière to obtain the regime of institutional Sicafi;
- risk diversification: no more than 20% of total consolidated assets invested in a single property;
- consolidated debt limited to 65% of the market value of the company's assets; the amount of sureties and mortgages is limited to 50% of the total fair value of the properties and to 75% of the value of the mortgaged property;
- very strict rules governing conflicts of interest;
- regular valuation of the asset portfolio by independent real estate valuers;
- properties carried at their fair value;
- no depreciation;
- results (rental income and capital gains on sales less operating expenses and financial charges) are tax exempt;
- at least 80% of the sum of the corrected result[1] and the net gains on realised disposals of real estate assets not exempted to the compulsory distribution are subject to compulsory distribution; the decrease in debt during the year can however be subtracted from the amount to be distributed;
- withholding tax of 15%, giving relief for physical persons residing in Belgium. No withholding tax is deducted for non-resident investors who are not engaged in a profit-making activity.

Companies applying for approved public or institutional Sicaf immobilière status, or which merge with a Sicaf immobilière, are subject to an exit tax, which is treated in the same way as a liquidation tax, on net unrealised gains and on tax-exempt reserves, at a rate of 16.5% (increased by a supplementary crisis tax uplift of 3%, giving a total of 16.995%).

Cofinimmo obtained its approved Sicaf immobilière status on 01.04.1996.

"Société d'Investissements Immobiliers Cotée" (SIIC)

The "Société d'Investissements Immobiliers Cotée" (SIIC) regime, introduced by Finance Law No 2002-1575 of 30.12.2002, authorises real estate companies to be set up in France which are subject to a specific tax regime, similar to the Sicafi regime in Belgium.

Cofinimmo opted for the SIIC regime with effect from 04.08.2008, as did Cofinimmo France and its subsidiaries with effect from 23.01.2009. This regime allows Cofinimmo to benefit from exemption from corporate income tax, in respect of its branch in France, on its rental income and the capital gains it realises, in exchange for an obligation to distribute 85% of its profits.

The main characteristics of the SIIC are as follows:

- exemption from corporate income tax of the fraction of the profit arising from i) property lets, ii) capital gains on property disposals, iii) gains on the disposal of shares in partnerships or subsidiaries subject to corporate income tax having opted for the SIIC regime, iv) the proceeds distributed by their subsidiaries having opted for the SIIC regime, and v) shares in profits of partnerships;
- profit distribution obligation: 85% of the exempted profits arising from rental income, 50% of the exempted profits arising from disposal of property, shares in partnerships and subsidiaries subject to the SIIC regime, and 100% of the dividends distributed to them by their subsidiaries subject to corporate income tax having opted for the SIIC regime;
- payment of an exit tax at the rate of 19% on unrealised capital gains relating to properties held by the SIIC or its subsidiaries subject to corporate income tax having opted for the SIIC regime, and to the shares in partnerships not subject to corporate income tax.

Cofinimmo does not have a status similar to that of the Sicafi in the Netherlands.

1 Calculated according to the schemes of chapters 3 and 4 of Appendix C of the Royal Decree of 07.12.2010.

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> share capital.

Issued capital
The capital is fully paid-up.

Share capital
The shares have no par value.

Schedule of changes
The history of the share capital changes can be consulted in the 2009 Annual Financial Report as well as in Article 8 of the company articles of association. These documents are available on the website of the company (**www.cofinimmo.com**) under the captions "Investor Relations & Media/Reports and Publications/Annual Financial Reports" and "Investor Relations & Media/Reports and Publications/Other Official Documents".

Schedule of changes in 2010

Date	Amount (€) of share capital	Type of transaction
31.12.09		Situation at 31.12.2009
31.03.10		Conversion 1st quarter 2010
25.06.10	11,842,030.62	Merger by absorption of Immo Noordkustlaan SA
25.06.10	29,502,313.82	Merger by absorption of City-Link SA
30.06.10		Conversion 2nd quarter 2010
30.09.10		Conversion 3rd quarter 2010
05.10.10	6,089,999.00	Non-cash contribution of Prinsenpark SA
31.12.10		Conversion 4th quarter 2010
31.12.10		Situation at 31.12.2010

Description type of shares
At 31.12.2010 Cofinimmo had issued 13,667,092 ordinary shares. In order to modify the rights attaching to these, the procedure referred to in the articles of association, as provided by Law, is applicable.

In addition to the ordinary shares, Cofinimmo issued 2 series of preference shares in 2004.
The key features of the preference shares are:

- priority right to an annual fixed gross dividend of €6.37 per share, capped at this amount, which represents a gross yield of 5.90% compared to the subscription price or a net yield of 5.02% after deduction of the 15% withholding tax;
- priority right in case of liquidation to a distribution equal to the issue price, capped at this amount;
- option for the holder to convert his preference shares into ordinary shares from the 5th anniversary of their issue date (01.05.2009), at a rate of one new ordinary share for one preference share (see also page 72);
- option for a third party designated by Cofinimmo (for example one of its subsidiaries) to purchase in cash and at their issue price, from the 15th anniversary of their issue, the preference shares that have not yet been converted;
- the preference shares are registered, listed on Euronext Brussels First Market and carry a voting right identical to that for ordinary shares.

Issue price (€)	Amount (€) of the net contribution to the shareholders' equity[1]	Number of ordinary shares	Total number of ordinary shares after the transaction	Number of preference shares COFP1	Total number of preference shares COFP1 after the transaction	Number of preference shares COFP2	Total number of preference shares COFP2 after the transaction	Total number of preference shares after the transaction	Total share capital after the transaction
			12,705,070		589,605		737,088	1,326,693	751,914,828.78
		+54,684	12,759,754	-7,399	582,206	-47,285	689,803	1,272,009	751,914,828.78
97.11	21,446,840.61	+220,851	12,980,605	0	582,206	0	689,803	1,272,009	763,756,859.40
97.11	53,430,990.21	+550,211	13,530,816	0	582,206	0	689,803	1,272,009	793,259,173.22
		+20,398	13,551,214	-20,000	562,206	-398	689,405	1,251,611	793,259,173.22
		+2,093	13,553,307	-400	561,806	-1,693	687,712	1,249,518	793,259,173.22
97.13	11,032,000.00	+113,577	13,666,884	0	561,806	0	687,712	1,249,518	799,349,172.22
		+208	13,667,092	-79	561,727	-129	687,583	1,249,310	799,349,172.22

The 1st series of 702,490 preference shares (denomination on Euronext: COFP1) was issued on 30.04.2004, the 2nd series (797,276 shares - denomination on Euronext: COFP2) on 26.05.2004. The characteristics of these series of preference shares are identical, with the exception of the issue price (€107.89 for the COFP1 vs. €104.44 for the COFP2) which represents the purchase price.

1 According to the accounting rules for Belgian Sicaf immobilières.

Evolution of the conversion of the preference shares into ordinary shares

	Converted COFP1 shares	Converted COFP2 shares
From 01.05.2009 to 10.05.2009	28,348	45,578
From 21.06.2009 to 30.06.2009	81,743	10,083
From 21.09.2009 to 30.09.2009	0	933
From 22.12.2009 to 31.12.2009	2,794	3,594
From 22.03.2010 to 31.03.2010	7,399	47,285
From 21.06.2010 to 30.06.2010	20,000	398
From 21.09.2010 to 30.09.2010	400	1,693
From 22.12.2010 to 31.12.2010	79	129

Authorised capital

At 31.12.2010 the amount of the authorised capital was €595,382,016.98 (see Note 30, page 154).

Changes in holding of treasury shares (own shares)

The number of treasury shares held by the Cofinimmo Group on 01.01.2010 came to 22,374.

On 16.04.2010 Cofinimmo SA acquired on the stock exchange 6,671 treasury shares in order to hedge option positions issued within the framework of its stock options plan.

On the mergers by absorption of Immo Noordkustlaan SA and City-Link SA on 25.06.2010, Leopold Square SA, a company controlled 100% directly and indirectly by Cofinimmo, was allocated 771,062 ordinary Cofinimmo shares. All these shares carry entitlement to a share in the results with effect from 01.01.2010.

Between June and August 2010, Leopold Square disposed on the stock exchange of 747,500 ordinary treasury shares for a net average price of €92.35 per share. Furthermore, on 06.10.2010 Leopold Square sold its 23,562 remaining shares to Cofinimmo for a price of €97.13.

The number of treasury shares held by the Cofinimmo Group on 31.12.2010 thus came to 52,607 (exclusively held by Cofinimmo SA), which represents a level of self-ownership of 0.35%.

Shareholders

The shareholders structure is described in the chapter "Cofinimmo in the stock market" on page 106 of this Report. It can also be consulted on the company's website **www.cofinimmo.com** under the caption "Investor Relations & Media/Share Information/Shareholder Structure".

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> extracts from the articles of association[1].

Summary of modifications in 2010

- Addition of a new Article 12bis entitled "Other securities";
- Addition of a new Article 28bis entitled "General Meetings of Bondholders".

Capital

Article 7, Point 2 - Authorised capital

The Board of Directors is expressly empowered to increase share capital in one or several tranches up to a maximum amount of six hundred and forty million euros (€640,000,000.00) on the dates and according to the procedures to be decided by the Board of Directors, in accordance with Article 603 of the Company Code. In the case of a capital increase accompanied by the payment or entry in the accounts of a share premium, only the amount assigned to the capital will be subtracted from the remaining available amount of the authorised capital.

This authorisation is granted for a period of five years from the date of publication in the annexes of the Belgian Official Gazette (Moniteur belge) of the minutes of the Extraordinary General Meeting of 21.01.2008.

For any capital increase, the Board of Directors fixes the price, the share premium, where appropriate, and the issue conditions for new shares, unless a decision on these elements is taken by the General Shareholders' Meeting itself.

Share capital increases which are thus decided by the Board of Directors may be carried out by subscription for cash or by non-cash contributions, provided that the legal provisions are respected, or by incorporation of reserves or the share premium account, with or without the creation of new shares, and increases may give rise to the issue of Ordinary Shares or Preference Shares or of shares with or without voting rights. These capital increases may also be carried out by the issue of convertible bonds or subscription rights -whether or not attached to another security- which can give rise to the creation of Ordinary Shares or Preference Shares or of shares with or without voting rights.

Notwithstanding the authorisation given to the Board of Directors in accordance with the foregoing, the Extraordinary General Meeting held on 21.01.2008 expressly authorised the Board of Directors, in accordance with the provisions of Article 607 of the Company Code, to carry out one or more capital increases, notably by non-cash contribution, in the event of a takeover bid, following receipt by the company of the communication referred to in Article 607 of the Company Code.

1 It will be proposed to the shareholders at the Extraordinary General Meeting of 29.03.2011 to bring the company articles into line with the new Royal Decree on Sicafis of 07.12.2010 (see the day's agenda published on the company's website – **www.cofinimmo.com**).

Capital increases carried out by the Board of Directors by virtue of the said authorisation shall be scored against the remaining available capital within the meaning of this Article. This authorisation does not restrict the powers of the Board of Directors to undertake operations utilising authorised capital other than those referred to by Article 607 of the Company Code.

Where capital increases decided in accordance with these authorisations involve a share premium, the amount thereof, after charging any expenses, shall be allocated to an account not available for distribution known as a "share premium account" which shall constitute, like the capital, the guarantee of third parties and may not be reduced or annulled except by decision of the General Meeting deliberating subject to the conditions of quorum and majority required for reducing the capital, under reservation of its incorporation in the capital.

Article 7, Point 3 - Acquisition and transfer of own shares
The company may obtain by acquisition or take as security its own shares subject to the conditions laid down by Law. It is authorised to transfer title to shares acquired by the company, on or off the stock market, under the conditions laid down by the Board of Directors, without prior authorisation of the General Meeting.

The Board of Directors is specially authorised, for a period of three years from the date of publication of the Extraordinary General Meeting of 21.01.2009, to acquire, accept as security and transfer on behalf of Cofinimmo, the own shares of the company without a prior decision by the General Meeting, where this acquisition or this transfer is necessary in order to prevent serious and imminent harm to the company.

Furthermore, during a period of five years following the holding of the said Meeting of 21.01.2009, the Board of Directors may acquire, accept as security and transfer (even outside the stock exchange) on behalf of Cofinimmo, the own shares of the company at a unit price that may not be less than eighty-five percent (85%) of the closing market price on the day preceding the date of the transaction (acquisition, sale and acceptance as security) and that may not be more than one hundred and fifteen percent (115%) of the closing market price on the day preceding the date of the transaction (acquisition, acceptance as security) whereby Cofinimmo may at no time hold more than twenty percent of the total issued shares.

The authorisations referred to above include the acquisitions and transfers of company shares by one or more direct subsidiaries of this company, within the meaning of the legal provisions relating to acquisition of shares in their parent company by subsidiary companies.

The authorisations referred to above cover both Ordinary Shares and Preference Shares.

Article 7, Point 4 - Capital increases
All capital increases will be carried out in accordance with Articles 581 ff. of the Company Code, without prejudice to Article 11 below. Furthermore, the company is required to comply with the rules prescribed in the event of the public issue of company shares, contained in Article 75 § 1 of the Law of 20.07.2004 concerning certain forms of collective management and in Articles 28 ff. of the Royal Decree of 10.04.1995 relating to Sicaf Immobilières.

Capital increases by way of non-cash contributions are subject to the rules prescribed by Articles 601 and 602 of the Company Code.

In addition, and in accordance with Article 11 § 2 of the Royal Decree of 10.04.1995 on Sicaf immobilières, the following conditions must be met:

1° the identity of the party making the contribution must be mentioned in the report referred to in Article 602 § 1 of the Company Code, as well as in the notice convening the General Meeting which is to take a decision on the capital increase;

2° the issue price may not be lower than the average quoted price during the 30 days preceding the contribution;

3° the report referred to in point 1 above must also indicate the impact of the proposed contribution on the situation of the old shareholders, in particular concerning their portion of the profits and the capital.

Shares

Article 10 - Types of shares
The shares are without par value.

The shares are divided into two categories: ordinary shares (referred to as "Ordinary Shares" in these articles of association) and preference shares (referred to as "Preference Shares" in these articles of association). The Preference Shares confer the rights and have the characteristics set out in Article 10bis of the articles of association.

The Ordinary Shares are registered, bearer or dematerialised shares, at the choice of the owner or holder (hereafter "the Shareholder") and within the limits laid down by the Law. The Shareholder may, at any time and at no cost to himself, request that these shares be converted into registered or dematerialised shares. However, the Ordinary Shares are registered for as long as they are not fully paid-up. The Preference Shares are, and shall remain, registered.

All dematerialised shares are represented by an entry in the Shareholder's account held by an accredited account holder or settlement institution. A register of registered shares is held at the registered office of the company and, where appropriate and permitted by Law, this register may take electronic form. Shareholders may consult the register with respect to their shares.

Bearer shares in the company, already issued and entered in the share account at 01.01.2008, exist in dematerialised form from that date. The other bearer shares will also be converted automatically into dematerialised shares as and when their entry in the share account is requested by the Shareholder with effect from 01.01.2008. On expiry of the deadlines laid down by the legislation concerning the abolition of bearer shares, those bearer shares for which conversion has not yet been requested will be converted automatically into dematerialised shares and entered in the share account by the company.

Article 10bis - Preference Shares

In addition to the Ordinary Shares, the company may issue Preference Shares, against a cash or non-cash contribution, or in connection with a merger. The Preference Shares confer the rights and have the characteristics set out below:

1. Preference Dividends

1.1. Each Preference Share carries entitlement to a dividend payable by priority in relation to the dividend payable on Ordinary Shares (hereafter "Preference Dividend").

The annual gross amount of the Preference Dividend is six euros thirty-seven cents (€6.37) per Preference Share. The Preference Dividend is only due, in full or in part, where there exist distributable profits within the meaning of Article 617 of the Company Code and where the company's General Meeting decides to distribute dividends. Accordingly, in the event that during any given year, no distributable profits within the meaning of Article 617 of the Company Code exist, or that the General Meeting were to decide not to pay out dividends, no Preference Dividend will be paid to the holders of Preference Shares. Furthermore, in the event that during any given year, the level of distributable profits within the meaning of Article 617 of the Company Code does not permit payment of the full amount of the Preference Dividend, or that the General Meeting were to decide to distribute dividends the amount of which is insufficient to pay the full Preference Dividend, the holders of Preference Shares will only receive the amounts distributed.

1.2. The Preference Shares do not confer rights to the distribution of profits other than the Preference Dividend, with the proviso of their priority right in the event that the company is liquidated, as indicated in point 5 below. It follows that the dividend to be distributed among the Preference Shares may never exceed the annual gross amount of the Preference Dividend, namely six euros thirty-seven cents (€6.37) per Preference Share.

1.3. The Preference Dividend is released for payment on the same day as the dividend payable on the Ordinary Shares except in the event of requirements relating to the Market or to compliance with legal provisions, provided that the delay does not exceed 10 working days. The distributable profit which it has been decided to distribute will first be paid to the holders of Preference Shares, for the amount of six euros thirty-seven cents (€6.37) per Preference Share. Any amount remaining from the distributable profit which it has been decided to distribute will next be paid to the holders of Ordinary Shares. In the event that, during any given year, no dividend is released for payment on the Ordinary Shares, the Preference Dividend will be released for payment on 1 June of that year.

1.4. The Preference Dividend is non-cumulative. This means that in the event that the dividend is paid only in part or not at all during one or more years, the holders of Preference Shares will not be able to recover, during the subsequent year or years, the difference between any amount or amounts that may have been paid and the amount of six euros thirty-seven cents (€6.37) per Preference Share.

1.5. In the event that, during any given year, the Board of Directors were to decide to distribute a dividend on the Ordinary Shares payable other than in cash, the Preference Dividend will be payable in cash, or according to the same method as for the Ordinary Shares, at the option of each of the holders of Preference Shares.

2. Conversion

The Preference Shares are convertible into Ordinary Shares, on one or more occasions, at the option of their holders exercised in the following cases:

1° from the fifth anniversary of their issue date, that is from May first to May ten of that year and subsequently during the last ten days of each quarter of the calendar year;

2° at any time during a period of one month following notification of the exercise of the call option referred to below; and

3° in the event of the company being liquidated, during a period commencing two weeks after publication of the liquidation decision and ending on the day before the General Meeting convened to conclude the liquidation process.

The conversion rate will be one Ordinary Share for one Preference Share.

The conversion will be carried out by issuing new Ordinary Shares, without increasing the company's capital. The company's Board of Directors may have the conversions carried out recorded in an authentic document. These official records may be grouped together at the end of each civil quarter, on the understanding that the conversion will be deemed to have taken effect on the date of dispatch of the request for conversion. The conversion request must be addressed to the company by the holder of the Preference Shares by registered post, indicating the number of Preference Shares for which conversion is requested.

3. Call option

As from the fifteenth year following their issue, the third party designated by the company may purchase for cash all or a portion of the unconverted Preference Shares. However, this purchase may only take place (1) at the earliest forty-five days after the company's Board of Directors has given notification of its decision to exercise the call option, and provided that the Preference Shares concerned have not in the meantime been converted into Ordinary Shares by their holders; and (2) only after any Preference Dividends relating to the year preceding notification of the exercise of the call option have been paid to the holders of Preference Shares.

In the event that the purchase involves only a portion of the unconverted Preference Shares, it would be applied to each holder of Preference Shares, proportionately to the number of Preference Shares held.

Furthermore, should it be the case, in whatever manner, that the unconverted Preference Shares represent no more than two and a half percent (2.5%) of the total number of Preference Shares originally issued, the third party designated by the company may purchase the balance of the unconverted Preference Shares, as from the fifth year following their issue date, at the earliest forty-five days after the company's Board of Directors has given notification of its decision to exercise the call option, and provided that the Preference Shares concerned have not in the meantime been converted into Ordinary Shares by their holders.

The purchase of the unconverted Preference Shares will be made at a price equal to their issue price (capital and share premium, where applicable).

The call option will be exercised by means of notification given by the third party designated by the company, addressed to each of the holders of Preference Shares concerned, by registered letter, of its decision to purchase Preference Shares. This notification will indicate the number of Preference Shares to be sold by the holder of the Preference Shares concerned. Transfer of title will take place forty-five days following this notification, by means of payment of the price by transfer to the bank account to be indicated by the holders of Preference Shares in response to the notification.

The subscription or acquisition, on whatsoever grounds, of Preference Shares implies the obligation by the holder of Preference Shares to sell to the third party designated by the company, within forty-five days of the above mentioned notification, the Preference Shares, the purchase of which has been duly decided upon by virtue of this provision. This subscription or this acquisition also entails an irrevocable mandate given to the company to enter the required particulars in the shareholders' register as a record of transfer of the Preference Shares.

In the event of the holder of Preference Shares failing to present the Preference Shares, the purchase of which has been duly decided upon, within forty-five days of the notification of the exercise of the call option, the shares not presented will automatically be deemed to have been transferred to the third party designated by the company, subject to deposit of the price with the Caisse des Dépôts et Consignations.

4. Voting right

Each Preference Share carries one voting right at the General Shareholders' Meeting identical to that carried by an Ordinary Share.

5. Priority in the event of liquidation

In the event that the company is liquidated, each Preference Share will receive by priority, from the net assets of the company remaining after discharge of all debts, charges and liquidation expenses, an amount in cash equal to the paid-up issue price (capital and share premium, where applicable) of the Preference Share concerned.

The Preference Shares will not participate in the distribution of any liquidation surplus. From this it follows that the amount distributed to the Preference Shares in the event of liquidation may never exceed the issue price (capital and share premium, where applicable) of the Preference Shares.

In the event of the liquidation of the company, whether voluntary or compulsory, the holders of Preference Shares will automatically have the right to convert the Preference Shares into Ordinary Shares during a period commencing two weeks following publication of the liquidation decision and ending on the day before the General Meeting convened to conclude the liquidation process, on the understanding that the holders of Preference Shares will be informed by the liquidator, prior to this meeting, of the result of the liquidation operations.

No distribution will be made to the shareholders before the expiry of this conversion period except where all the Preference Shares have been converted into Ordinary Shares.

6. Maximum percentage of Preference Shares

The Preference Shares may not represent in total more than fifteen percent (15%) of the company share capital following their issue, unless otherwise decided by at least a seventy-five percent (75%) majority of the votes in each share class.

In addition, the company may not issue Preference Shares, or reduce the share capital in such a way that the Preference Shares represent in total more than fifteen percent (15%) of the company share capital, or carry out any other operation which has this effect, unless otherwise decided by at least a seventy-five percent (75%) majority of the votes in each share class.

7. Modification of the rights attached to the different classes of shares

In accordance with Article 560 of the Company Code, any decision to modify the rights of Preference Shares or to replace these Preference Shares with another class of shares may only be taken provided that, for each class of shares, the required terms and conditions concerning presence and majority are met in order for the articles of association to be modified.

8. Form

The Preference Shares are, and shall remain, registered.

Article 11 - Preferential rights

Shareholders' preferential rights in the event of a cash subscription, as foreseen in Article 596 of the Company Code, may not be suspended.

Shareholding

Article 12 - Declaration and disclosure of significant holdings

Any natural or legal person who acquires company shares with a voting right attached, whether or not these are shares in the registered capital, is bound to notify the company and the Banking, Finance and Insurance Commission of the number of shares held when the voting rights attached to these shares reach five percent or more of the total voting rights existing at the time of the facts giving rise to the declaration.

This declaration is also compulsory in the event of the additional acquisition of shares referred to in the first paragraph where, as a consequence of this acquisition, the voting rights attached to the shares held reaches five percent or a multiple of five percent of the total voting rights existing at the time of the facts giving rise to the declaration.

This declaration is also compulsory in the event of the disposal of shares where, as a consequence of the disposal, the number of voting rights falls below the thresholds referred to in the first or second paragraphs.

For the purpose of applying this Article, reference is made to the Law of 02.05.2007 concerning publicity of major participations in issuers whose shares have been admitted to trading on a regulated market and comprising various provisions.

Article 12bis - Other securities

The company is authorised to issue subscription-rights and bonds (ordinary or other type) within the limits laid down by Law.

Administration and Supervision

Article 13 - Composition of the Board of Directors

The company is administered by a Board composed of at least five members, appointed for a maximum term of six years by the General Shareholders' Meeting and who may be removed at any time by that body. Their mandates are renewable.

The General Meeting must appoint at least three independent Directors from among the members of the Board of Directors. For this purpose, an independent Director is understood to be a Director who meets the criteria laid down in Article 524 § 4, paragraph 2 of the Company Code.

The mandate of out-going Directors, who have not been re-elected, ends immediately following the General Meeting which conducted the re-election procedure.

In the event that one or more mandates are not filled, the remaining Directors, at a meeting of the Board, shall be empowered provisionally to designate a replacement for the period until the next General Meeting, which shall hold the final election. This right becomes an obligation whenever the number of Directors effectively in office no longer reaches the statutory minimum.

Where a legal person is appointed Director of the company, this legal person is required to appoint from among its members, managers, Directors or personnel, a permanent representative responsible for performing these duties on behalf of and for account of this legal person.

The Director appointed to replace another Director shall serve out the term of the Director he is replacing.

The Directors have the necessary professional integrity and appropriate experience to perform their duties.

Their remuneration, where applicable, may not be linked directly or indirectly to the operations carried out by the Sicaf immobilière.

Article 17 - Audits
The company audits are assigned to one or more auditors authorised by the Banking, Finance and Insurance Commission.

Article 19 - Payments
Unless otherwise decided by the General Meeting, the Director's term is gratuitous.

Article 21 - Representation of the company and signature of documents
Except where the Board of Directors has delegated special powers of representation, the company is represented in all its acts, including those involving a public official or ministerial officer, either by two Directors or, within the limits of the powers conferred to the Executive Committee, by two members of the said Committee acting jointly or, within the limits of their powers of day-to-day management, by those persons delegated such powers, acting jointly.

The company is further validly represented by special authorised representatives of the company within the limits of the term of office granted to them for this purpose by the Executive Committee or, in its absence, by the Board of Directors or, within the limits of their powers of day-to-day management, by those persons delegated such powers. However, in accordance with the Royal Decree of 10.04.1995, for all acts of disposal concerning real estate within the meaning of the aforementioned Royal Decree, the company shall be represented by at least two Directors acting jointly.

General Meetings

Article 22 - Meetings
The Annual General Meeting shall be held ipso jure on the last Friday of the month of April at three-thirty in the afternoon.

Should this day be a public holiday, the Meeting shall take place on the next working day at the same time, not including Saturday or Sunday.

The Ordinary or Extraordinary General Meetings shall be held at the place indicated in the notice convening the Meeting.

The threshold above which one or more shareholders may, in accordance with Article 532 of the Company Code, require that a General Meeting be held in order to submit one or more proposals at that meeting, is fixed at five percent of all the shares with voting rights.

Article 23 - Deposit of shares - Admission to the General Meeting
In order to be admitted to the General Meeting, all owners of bearer shares must deposit their shares at the registered office or at the places indicated in the notices convening the Meeting, three working days prior to the scheduled date for the General Meeting. The owners of bearer shares must produce a receipt of deposit for their shares at the place indicated in the notice convening the Meeting, at least three working days prior to the General Meeting.

The Shareholders of registered shares simply need to notify the company of their intention of attending the Meeting, sent by ordinary letter, fax or e-mail at least three working days prior to the date on which the Meeting is convened.

Three working days prior to the General Meeting, the owners of dematerialised shares must deposit, at the places designated by the Board of Directors, an attestation prepared by the holder of the authorised account or by the settlement institution declaring the non-availability of the shares until the date of the General Meeting.

Article 24 - Representation
All owners of shares entitling them to attend the General Meeting may arrange to be represented by an authorised representative, whether or not this person is a shareholder.

The Board of Directors may adopt the proxy form and require that this be deposited at the place indicated by the Board three working days prior to the General Meeting.

Co-owners, usufructuaries, bare owners, creditors and pledgors must arrange to be represented respectively by one and the same person.

Article 24bis - Voting by correspondence
By authorisation given by the Board of Directors in its notice convening the Meeting, shareholders will be authorised to vote by correspondence using a form prepared by the company. This form must include the date and venue of the Meeting, the items on the agenda and, for each of these, a space allowing a vote to be made for or against the motion, or to abstain. It must be expressly stipulated that the form must be signed, the signature certified and this form sent by registered letter at least three full days before the date of the Meeting.

Article 25 - Bureau
Every General Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the Managing Director or, should he also be absent, by the person designated by the Directors present.

The Chairman designates the secretary.
The Meeting shall choose two scrutineers.
The Directors present complete the bureau.

Article 26 - Number of votes
Each share, Ordinary or Preference share, confers entitlement to one vote, save in the cases in which voting rights are suspended by the Company Code.

Article 28bis - General Meetings of Bondholders
The Board of Directors and the auditor(s) of the company can convene the bondholders for a General Meeting of Bondholders. They have to convene also a General Meeting when asked by bondholders representing one fifth of the total amount of the bonds in circulation. The notice convening the Meeting must contain an agenda and must be established in accordance with the Company Code. To be admitted to the General Meeting of Bondholders, the Bondholders must conform to the formalities provided in Article 571 of the Company Code and to possible formalities provided by the conditions relating to the issue of bonds or in the notice convening the Meeting.

Accounting procedures - Appropriation of profits

Article 30 - Distribution
The company has an obligation to distribute, as remuneration of the capital, at least eighty percent of the net income, being equal to the amount of the corrected result for the year and the net gains on the disposal of properties not exempt from the distribution obligation -the corrected result and net gains being calculated according to the procedure set out in section three of the annex to the Royal Decree of 21.06.2006 concerning the accounting systems, annual accounts and consolidated accounts of public Sicaf immobilières, and amending the Royal Decree of 10.04.1995 concerning Sicaf immobilières- decreased by the amounts corresponding to the net decrease in indebtedness during the year, whereby this indebtedness is defined in the aforementioned Royal Decree.

By decision of the Extraordinary General Meeting held on 27.04.2007, the Board of Directors was authorised to distribute to the employees of this company a share in the profits for a maximum amount of zero point sixty-five percent (0.65%) of the profit for the financial year, for a period of five years, the first distributable profit being that for the financial year two thousand and seven.

The provisions of this Article 30, paragraphs 1 to 4, may only be modified where the resolutions are supported by a majority of at least seventy-five percent (75%) of the votes for each class of shares, on the understanding that such a modification may not in any circumstances take place if it does not comply with the regulations applying to the company.

Liquidation - Winding up

Article 32 - Loss of capital
In the event that half or three quarters of the capital is lost, the Directors must place the question of the company's liquidation before the General Meeting, in accordance with the formal requirements set out in Article 633 of the Company Code.

> glossary.

Adjusted velocity
Velocity multiplied by the free float zone.

Banking, Finance and Insurance Commission
The autonomous authority governing financial and insurance markets in Belgium.

Break
First option to terminate a lease.

BREEAM
Building Research Establishment Environmental Assessment Method; method assessing building's environmental efficiency (**www.breeam.org**).

Call option
A right to purchase a specific financial instrument at a preset price and during a determined period.

CAP
A CAP is an interest-rate option. The buyer of a CAP is paying for the right to borrow at an interest rate fixed for a specific period. The buyer only exercises this right if the short-term rate exceeds the CAP's interest rate level. In order to buy a CAP, the buyer pays a premium to the counterparty. By buying a CAP, Cofinimmo obtains a guaranteed maximum rate at which it can borrow. The CAP therefore hedges against unfavourable rate increases.

Cash-pooling
Management and transfer of intra-subsidiary cash resources.

Contractual rents
Rents as defined contractually in leases in force at the closing date, before deducting rental gratuities or other incentives granted to the tenants.

Corporate Governance Code 2009
Belgian corporate governance code drawn up by the Corporate Governance Commission including the governance practices and provisions to be adhered to by companies subject to Belgian law whose shares are listed on a regulated market.

COSO
Committee of Sponsoring Organizations of the Treadway Commission. Commission that has established an internal control reference and a framework for evaluating its efficiency.

Dealing Code
Code of Conduct stipulating the rules to be followed by the Directors and Designated Persons who wish to trade the financial instruments issued by the company.

Debt ratio
Legal ratio calculated according to the regulation on Sicafis as financial and other debts divided by the total assets.

Derivatives
As a borrower, Cofinimmo seeks to hedge against any short-term rise in interest rates. It is possible to hedge this interest rate risk to a limited extent by using derivatives (the purchase of a CAP, possibly accompanied by selling a FLOOR; IRS contracts).

Design-Build-Finance-Maintain
Complete real estate project assignment including the design, construction, financing and upkeep of a property.

Disposal value
Book value of the buildings as used in the IAS/IFRS balance sheet, calculated by deducting from the investment value a portion of transfer taxes set by the real estate valuers at 2.5%. However, for properties with an overall value of less than €2.5 million, the taxes to deduct are the registration taxes of 10 and 12.5%, depending on the region in which the property is located. This disposal value is used as fair value in Cofinimmo's IAS/IFRS financial accounts.

Dividend yield
Gross dividend divided by the average stock market price of the share during the year.

Double net
Rental contracts (leases) or so-called 'double net' yields imply that the maintenance costs are, to a greater or lesser extent, payable by the owner (leaser). These costs include those for the maintenance of roofs, walls and façades, technical and electrical installations, surroundings, water supply and drainage systems. This mainly concerns office properties. Part or all of these maintenance costs can be charged to the lessee in the special provisions of the lease. Where all costs are thus paid, these are called 'triple net' contracts.

Due diligence
Procedure that provides a full, certified inventory of a company (accounting, economic, legal and fiscal aspects, ...) before a financing or acquisition operation.

EBIT
Current Earnings Before Interest and Taxes. Operating result. Net current result before interests and taxes. Under Sicafi regime, Cofinimmo must not amortise its properties. EBIT + the changes in fair value of investment properties is therefore equal to EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation).

EBITDAR
Earnings Before Interests, Taxes, Depreciation, Amortisation and Rents. Cash flow before payment of rents, interest charges and income, and taxes.

EHPAD
Établissement d'Hébergement pour Personnes Âgées Dépendantes: in France this is the most widespread form of institution for the elderly.

E-level
Maximum primary energy consumption level of a building.

EPB
Energy Performance of a Building. This index, issuing from European Directive 2002/91/EC, expresses the quantity of energy required to meet the various needs for a normal use of a building. The latter results from a calculation that takes into account the various factors that influence energy demand (insulation, ventilation, solar and internal contributions, heating system, ...).

EPRA
The European Public Real Estate Association is an organisation grouping together the listed European real estate companies with the aim of promoting this sector and making it more attractive compared to direct real estate investment by offering greater liquidity, accessibility and transparency of the companies (**www.epra.com**).

EPRA Europe
European stock exchange index (excluding Great Britain) of the FTSE EPRA/NAREIT Global Real Estate. Index composed of representative European commercial property stocks created by EPRA.

ERM
Enterprise Risk Management. See Risk Management.

ERP
Enterprise Resource Planning, i.e. an integrated management tool.

Ex date
Date as of which stock exchange trading takes place without the right to the payment of the dividend to come (due to 'detachment of the coupon' that formerly represented the dividend), i.e. 3 working days after the Ordinary General Meeting of Shareholders.

Exit tax
Companies applying for approved Sicaf immobilière regime, or which merge with a Sicaf immobilière, are subject to what is known as an exit tax. This tax, equivalent to a liquidation tax on net unrealised gains and on tax-exempt reserves, is 16.5% (increased by a supplementary crisis tax uplift of 3%, giving a total of 16.995%).

Fair value
Disposal value (see this term) of investment properties according to the IAS/IFRS accounting principles, i.e. after deduction of transaction costs, as established by the independent real estate expert.

FLOOR
A FLOOR is an interest rate option. The buyer of a FLOOR buys the right to benefit from a minimum interest rate for a specific period. He only exercises this right if the short-term rate falls below the FLOOR's interest rate level. The seller of a FLOOR sells the obligation to pay a minimum interest rate for a specific period and will thus have to pay this rate to the buyer, even if it is higher than the market rate. By selling a FLOOR, Cofinimmo receives a premium paid directly by the buyer which partially or entirely finances the premium paid for buying a CAP.

Free float
Percentage of shares held by the public. According to the Euronext and EPRA definitions, this concerns all shareholders who own less than 5% of the total number of shares.

Free float zone
The tranche in which the free float is situated according to the Euronext calculation method.

FSC
Forest Stewardship Council. Ecolabel that guarantees that sustainable forestry techniques are adhered to on producing a product (paper, furniture, ...).

GPR250
Global Property Research 250 is the stock exchange index of the 250 largest listed property companies worldwide.

Green Committee
Committee responsible for obtaining and sharing information and issuing advice on sustainable development matters.

Help Desk
Support centre responsible for responding to tenants' support requests.

IAS/IFRS
The international accounting standards (IAS, International Accounting Standards/IFRS, International Financial Reporting Standards) drawn up by the International Accounting Standards Board (IASB), for the preparation of financial statements.

IAS 39
IAS 39 is an IAS/IFRS standard that sets out the way in which a company has to classify and evaluate its financial instruments in its balance sheet. It requires that all derivatives be booked in the balance sheet at their fair value.

IBGE
Institut Bruxellois pour la Gestion de l'Environnement (**www.ibgebim.be**): Brussels-Capital Region environmental protection authority.

(Initial) gross rental yield
The ratio between the (initial) rent of an acquired asset and its acquisition value, transaction costs not deducted.

Insider trading
This term refers to the infringement committed by an individual who takes advantage from information obtained through his professional occupancy in order to speculate on stock-market developments, cf. Article 25 of the Law of 02.08.2002.

Investment grade
Investment grades are ratings from AAA to BBB- given by rating agencies based on the Standard & Poor's scale, indicating the company's risk level.

Investment value
Value of the portfolio as established by the independent real estate expert, of which transaction costs are not deducted.

Investor in People
British standard certifying that the company makes a real investment in its employees at all levels of the company.

IRS
Interest Rate Swap. An IRS is a forward agreement on interest rates, unlike a CAP or a FLOOR, which are options on an interest rate. Through an IRS, Cofinimmo swaps a floating interest rate for a fixed interest rate, or the other way round.

K-level
Total thermal insulation level of a building, which characterises the thermal quality of the building's shell.

Loan-to-Value
Conventional debt ratio defined in agreements with bankers as net financial debts divided by the fair value of the property portfolio and financial lease receivables.

Long lease
A temporary right in rem which consists in having full use of a property belonging to another party, in return for making an annual payment to the owner in recognition of his right of ownership. Under Belgian law a long lease may be concluded for a period of not less than 27 years and not more than 99 years.

Market capitalisation
Closing stock market price multiplied by the total number of outstanding shares on that date.

Master of Business Administration
International higher-education degree of the highest level within the field of business management in general.

MSCI
European stock market index launched by Morgan Stanley Capital International gathering listed companies worldwide.

Net current cash flow
Net current result (Group share) before the result on portfolio plus (+) contributions to depreciations, value reductions on trade receivables and constitutions and writebacks of provisions less (-) non-cash items such as writebacks of lease payments sold and discounted, positive and negative changes in the fair value of financial instruments and the extent of benefits and concessions granted to tenants.

Net current result
Operating result plus financial result (financial income - financial charges) minus income taxes.

Net result
Net current result + result on portfolio (realised gains/losses + changes in the portfolio's fair value).

Occupancy rate
The occupancy rate is calculated by dividing the (indexed) contractual rents of leases in progress by the sum of these contractual rents and of the estimated rental values of vacant space, the latter being calculated on the basis of the level of current rents on the market.

One-stop-shopping
The opportunity to procure various linked products or services at a single time and from a single supplier.

Operating margin
Operating result in relation to net rents.

Pay-out
Percentage of the net current result distributed in the form of a dividend.

PPP (Public-Private Partnership)
Partnership between the public and private sector regarding projects with a public destination: urban renovation, infrastructure works, public buildings, etc.

Private placement
Fund-raising from a limited number of (institutional) investors without approaching public sources.

Project Management
Management of property construction or renovation projects. Cofinimmo has an in-house team of project managers (architects, engineers, designers, ...), who work exclusively for the company.

Property Management
Daily management of operational property assets. Cofinimmo has an in-house team of property managers who work exclusively for the company.

Pubstone
Sub-group of Cofinimmo, which owns pubs in Belgium and the Netherlands acquired in 2007 from the brewer AB InBev.

Quality Management
Management and control of products and services provided by persons or companies outside Cofinimmo.

Rating
Ratings are awarded by specialised agencies (Standard & Poor's for Cofinimmo) as an estimate of the short or long-term financial soundness of a company. These ratings influence the interest rate at which a company can raise financing.

Record date
Date on which the positions are closed in order to identify the shareholders who qualify to receive a dividend. i.e. 2 working days after the ex date.

REIT
Real Estate Investment Trust. Listed property investment trust as existing in the United States.

Result on portfolio
Realised and unrealised gains or losses compared to the last valuation by the real estate expert, including the amounts of exit tax due following the entry of the assets of the absorbed companies into the Sicafi regime.

Revalued Net Assets
Net Asset Value (NAV) = Equity estimated at its market value, which is obtained by the difference between the company's assets and liabilities (these both being presented directly in market value on the Cofinimmo balance sheet). This value is calculated at the company on the basis of information relating to property valuations provided by the independent property valuers.

Risk Assessment
The quantitative or qualitative determination of risks linked to a situation or a threat.

Risk Management
Process designed to identify the potential events likely to affect the organisation and to manage the risks within the limits of its risk appetite.

Royal Decree of 10.04.1995
Initial Royal Decree concerning Sicaf immobilières.

Royal Decree of 21.06.2006
Royal Decree concerning the accounting, annual accounts and consolidated accounts of public Sicaf immobilières and amending the Royal Decree of 10.04.1995.

Royal Decree of 07.12.2010
Royal Decree amending the provisions of the Royal Decree of 10.04.1995 and those of the Royal Decree of 21.06.2006.

Service flats
Flats providing accommodation to (semi)-autonomous elderly persons combined with domestic and meal services.

Soft skills
Interpersonal and behavioural capacities.

SSR
Soins de Suite et de Réadaptation: aftercare and rehabilitation clinics providing rehabilitation care to a patient following a stay in hospital for a health complaint or surgery.

Swap
Swap Rate = interbank rate.

Take-up
The occupancy of rented space.

Think-tank
Private institution bringing together experts who identify and issue ideas in a specific field.

Triple net
Rental contracts or so-called 'triple net' yields imply that the upkeep costs (see 'Double net') are, to a greater or lesser extent, payable by the tenant (lessee). This mainly concerns the leases of healthcare establishments.

Velocity
This parameter indicates the speed of circulation of the share and is obtained by dividing the total volume of shares exchanged over the year by the total number of shares.

Withholding tax
Tax withheld by a bank or by another financial intermediary on payment of a dividend. For Cofinimmo, the percentage withheld is 15%.

Workflow
Information and processes flow within an organisation.

Cofinimmo

Boulevard de la Woluwedal 58
B - 1200 Brussels
Tel. +32 2 373 00 00
Fax +32 2 373 00 10
R.L.P. of Brussels
VAT: BE 0426 184 049
www.cofinimmo.com

SEND US YOUR FEEDBACK
info@cofinimmo.be

FOR MORE INFORMATION
Ellen Grauls
Investor Relations Manager

Ingrid Schabon
Corporate Communications Manager

EDITORS
Stéphanie Lempereur
Ingrid Schabon

DESIGN AND REALISATION
www.landmarks.be

PICTURES
Buildings: Yvan Glavie, Sara Peeters, Archi 2000, Van Acker & Partners, Korian
Portraits: David Plas

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This English Annual Financial Report is a translation of the French Annual Financial Report. Only the French Annual Financial Report forms legal evidence. The Annual Financial Report was translated under the responsibility of Cofinimmo. The French Annual Financial Report is available upon request at the company's registered office.

This document contains regulated information within the meaning of the Royal Decree of 14.11.2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

This Annual Financial Report is a registration document in the sense of Article 28 of the Law of 16.06.2006 on public offering of investment instruments and the admission of investment instruments authorised to trading on a regulated market. It has been approved by the CBFA in accordance with Article 23 of the aforementioned Law, on 29.03.2011.


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