Befimmo

Half-Yearly Financial Report 2015

Key events

> Strategic acquisition of the Gateway building (Brussels airport)

> Stable fair value of portfolio at constant perimeter

> Net asset value of €55.61 per share

> EPRA earnings of €1.95 per share, in line with forecasts

> Dividend forecast confirmed (€3.45 gross per share) for the 2015 fiscal year

Friday 31 July 2015 | 8.00 AM

Regulated information

Half-yearly accounts for the period from 01.01.2015 to 30.06.2015

Summary

Befimmo SA announces solid results for the first half of the 2015 fiscal year

- Strategic acquisition of the Gateway building (Brussels airport)
- Stable fair value of portfolio at constant perimeter
- Net asset value of €55.61 per share
- EPRA earnings of €1.95 per share, in line with forecasts
- Dividend forecast confirmed (€3.45 gross per share) for the 2015 fiscal year

Brussels, 31 July 2015 | Six months into the fiscal year, Befimmo is reporting solid results. The fair value of the portfolio is stable at constant perimeter (-0.05% over the half-year) and EPRA earnings amounts to €1.95 per share. Against this background, Befimmo confirms the dividend forecast (€3.45 gross per share) for the 2015 fiscal year.

A very nice strategic acquisition was made during the first half of the fiscal year. The Gateway project (34,000 m² off-plan), boasting a unique location in the heart of Brussels airport and let for a fixed 18-year term to a top-class tenant (Deloitte), is fully in line with Befimmo's investment strategy. This project represents an investment of about €140 million (of which €61 million have already been booked).

In a sluggish Brussels office rental market, the Befimmo sales teams managed to sign new leases and renewals for 8,440 m² during this first half of the fiscal year, in relation to 6,555 m² during the first half of last year.

On this basis, Befimmo announced a weighted average duration of leases of 8.78 years, with an occupancy rate of 93.7%.

Over the first half of the 2015 fiscal year, Befimmo invested €5.85 million in works in its existing portfolio. This figure includes the investments specifically devoted to optimise the energy performances. This includes, among others, the ongoing renovation projects of the buildings Brederode 9, Namur 48 and Guimard.

At constant perimeter, the portfolio remained stable during this first half (-0.05%). As at 30 June 2015, the fair value was €2,346.8 million, as against a value of €2,285.2 million as at 31 December 2014.

EPRA earnings amounted to €43.2 million as against €43.0 million for the first half of 2014. Given the increase in the average number of shares (+0.6 million), the EPRA earnings per share amounted to €1.95 as at 30 June 2015, compared with €2.00 as at 30 June 2014.

As at 30 June 2015, Befimmo’s total net asset value amounts to €1,231 million. The net asset value is therefore €55.61 per share, as against €54 per share as at 31 December 2014.

Befimmo concluded several financing transactions affecting its financial structure. It has set up several European private placements for a total amount of €64 million (over durations of 7 and 10 years). Furthermore, it has reviewed the conditions of three bilateral lines over a total amount of €135 million. The Company has also significantly strengthened its portfolio of instruments to hedge the interest rate risk.

As at 30 June 2015, the Befimmo’s debt ratio (LTV) amounts to 47.43%, the average annualised financing cost over the first six months of the fiscal year is 2.82% and the weighted average duration of debts is 3.65 years.

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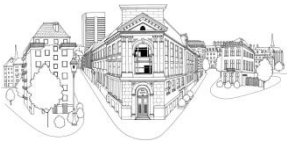
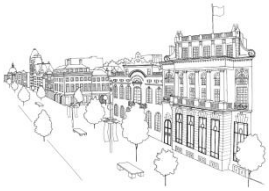




The Board of Directors met on 29 July 2015 to prepare the consolidated half-yearly financial statements as at 30 June 2015.

Any reference to the portfolio, assets, figures or activities of Befimmo should be understood on a consolidated basis, to include those of the subsidiaries, except where clear from the context or expressly stated otherwise.

Interim management report

Key event of the half-year

Acquisition of the Gateway project (Brussels airport)

During the first half of the fiscal year, Beway SA, 100% subsidiary of Befimmo, acquired the Gateway project (34,000 m² off-plan) from the developers Codic and Immobel.

This project represents an investment of about €140 million (of which €61 million have already been booked), in line with the fair value determined by an independent real-estate expert and with market yields (initial yield of 4.65%). During the first half of the fiscal year, Beway acquired the leasehold on the land (with a remaining duration of 98 years) and full ownership of the current building. It becomes the owner of all the new constructions as the works proceed. The transaction will be completed upon the handover of the building, expected before the end of 2016, when the fixed-term lease of 18 years concluded with Deloitte will start.

As of the start of the lease this operation should have a positive impact on the EPRA earnings per share of approximately €0.18 (full-year impact), according to the outlook published in the Annual Financial Report 2014.

For more information, please see the press releases of 10 March 2015 and 27 April 2015 published on the Befimmo website (www.befimmo.be).

Key features of the investment:

- Exceptional and strategic location in the heart of the airport, next to the tarmac
- Quality of the building
- Let for 18 years to a top-class tenant, Deloitte
- Excellent accessibility:
  station beneath the building
  - High-speed train
  - Easy connections to Belgian city centres and foreign destinations
- BREEAM "Excellent" in Design phase

Gateway

Other events of the half-year

Ongoing projects

Befimmo continually invests in its portfolio to meet the needs of its tenants and to keep its properties at a high level of quality, attractiveness and occupancy.

Over the first half of the 2015 fiscal year, Befimmo invested €5.85 million in its portfolio, including the investments specifically devoted to optimise the energy performances.

The projects in progress are:

- **Brederode 9 and Namur 48 | Centre | Brussels CBD:**
  The Brederode 9 and Namur 48 buildings are undergoing a major renovation for a total amount of around €14 million. These buildings will once again be available for rent from mid-2016. Befimmo aims to achieve a "Very Good" rating for the BREEAM certification in the Post Construction phase of the Brederode 9 building.
- **Guimard | Leopold district | Brussels CBD:**
  After the end of the current lease, in late 2015, Befimmo will begin major renovation work in the Guimard building for a total amount of around €12 million. The permit request is currently ongoing. Befimmo is aiming for a BREEAM "Excellent" certification in the Design and Post Construction phases.
- **Paradis Express | Guillemins - Liège:**
  In the course of the first half of the fiscal year, Fedimmo selected the "Paradis Express" team (architects: A2M, Greisch, Jaspers & Eyers Architects) as the winner of the call for projects procedure launched in late 2013 for the development of the site adjacent to the Paradis Tower that Fedimmo owns. The project involves the construction of an eco-neighbourhood (measuring about 35,000 m²) offering a mix of offices, housing and local shops. The project is subject to an impact assessment and one or more applications for a single permit. The project will be implemented gradually, together with a partner for the residential part, when the occupancy risk has been adequately covered.

Paradis Express

Guimard

Energy investments

During the first half of the fiscal year, Befimmo continued its multi-annual investment programme to improve the energy performance of its operational buildings (Befimmo's portfolio excluding Fedimmo).

These investments primarily cover the upgrade of the elevators in the **Brederode Corner** building in the centre of Brussels and the renovation of the roof covering of a building in the **Fountain Plaza** park in the Brussels periphery.

Other investments and charges

Befimmo carried out other investment works during the first half-year of the fiscal year, including the renovation of the common areas and the available space in the **Fountain Plaza** park in the Brussels periphery.

Blue Tower

It also obtained the building permit for the renovation of the entrance and the entrance lobby of the **Blue Tower** building in the Louise district of Brussels. In this building, Befimmo has already started the works for the organisation of flexible meeting rooms equipped with smartboards, to be let by the hour to tenants of the building via an online platform. This is a "New Ways of Working" project and part of Befimmo's approach for offering innovative services and solutions to its tenants. All works should be completed by the end of the year.

During the first half of the fiscal year the other investments amounted to a total of €1.24 million.

In addition, expenditure charged to the income statement included €4.59 million for maintenance, repair and refurbishment in the portfolio.

Sale of buildings

During the first half of the 2015 fiscal year, Fedimmo sold properties that were no longer strategic in view of the short durations of the leases signed with the Belgian Government. On the expiry of the leases, these buildings would require conversion to other uses that do not tally with the Company's "pure player" strategy.

- **Sale of the Stassart building | Namur**
  On 9 June 2015, Fedimmo sold the Stassart building at a price of €2.7 million, generating a capital gain of €0.45 million in relation to the latest fair value determined by an independent real-estate expert.
- **Sale of the Kasteelstraat 19 building | Izegem**
  The Kasteelstraat 19 building was sold on 19 June 2015 at a price of €2.4 million, generating a capital gain of €0.52 million in relation to the latest fair value determined by an independent real-estate expert.

Preparation of the major five-year projects

WTC IV | North area | Brussels CBD

WTC IV

The WTC IV project, located in the North area of Brussels, involves the construction of the new tower of the WTC complex, a "passive"[1] tower of almost 53,500 m². It is a new building, independent of the other three towers of the complex which creates an individual identity that is especially efficient and sustainable in the broad sense. The project was rated "Outstanding" in its BREEAM Design-phase certification.

The "all-in" construction cost of this project is estimated at €150 million.

This project is available to let off-plan to major tenants, whether public or private.

Quatuor | North area | Brussels CBD

Quatuor

Since the current lease expires in the course of 2017, and no later than early 2018, Befimmo is planning a new project, the Quatuor, to replace the Noord Building, while maintaining the option of a refurbishment of the existing building. The strategic location of this building near the metro and Brussels North, one of the busiest railway stations in Belgium, and its visibility alongside the boulevard of the Brussels "inner ring", is a real opportunity for future occupants, whether public institutions, or private or corporate tenants.

Befimmo applied, during the 2014 fiscal year, for planning and environmental permits for the Quatuor project. In this scenario, the current Noord Building would then be demolished after the expiry of the current lease.

The new complex (60,000 m²) would be made up of four office buildings forming a single architectural unit, designed to ensure maximum flexibility in terms of occupation.

In designing the building, Befimmo aims to achieve an "Excellent" rating in the BREEAM Design phase.

The "all-in" construction cost of the project is estimated at €150 million.

WTC II | North area | Brussels CBD

Befimmo has already begun the necessary studies to fully renovate the WTC Tower II, located in the heart of Brussels North district, opposite the Brussels-North railway station. This renovation project would be, as the case may be, considered in 2019, after the end of the current lease.

[1] As per the Brussels legislation applied in 2015.

Property report

	30.06.2015	31.12.2014
Fair value of portfolio (€ million)	2 346.8	2 285.2
Occupancy rate of properties available for lease	93.68%	94.07%
Weighted average duration of leases	8.78 years	8.64 years
Gross initial yield on properties available for lease	6.19%	6.28%
Gross potential yield on properties available for lease	6.61%	6.68%

Property portfolio

Change in fair values of the property portfolio

Fair value of Befimmo's consolidated portfolio per geographical area

Offices	Change over the half-year[a] (in %)	Proportion of portfolio[b] (30.06.2015) (in %)	Fair value (30.06.2015) (€ million)	Fair value (31.12.2014) (€ million)	Fair value (30.06.2014) (€ million)
Brussels centre (CBD)	-0.69%	52.3%	1 227.1	1 233.5	1 240.1
Brussels decentralised	-4.65%	4.0%	92.8	97.1	72.1
Brussels periphery	-3.01%	6.0%	141.2	144.3	154.3
Flanders	1.54%	20.9%	490.9	483.3	471.6
Wallonia	4.22%	7.9%	186.4	179.8	67.6
Luxembourg city	2.55%	3.7%	86.7	84.6	84.8
Properties available for lease	*-0.01%*	*94.8%*	*2 225.2*	*2 222.6*	*2 090.4*
Properties that are being constructed or developed for own account in order to be leased	*-0.57%*	*5.1%*	*119.6*	*60.7*	*155.8*
Investment properties	**-0.04%**	**99.9%**	**2 344.7**	**2 283.3**	**2 246.2**
Properties held for sale	**-7.35%**	**0.1%**	**2.1**	**2.0**	**1.4**
Total	**-0.05%**	**100.0%**	**2 346.8**	**2 285.2**	**2 247.6**

[a] The change over the past half-year is the change in fair value between 1 January 2015 and 30 June 2015 (excluding the amount of the acquisition, investments and disinvestments).
[b] The proportion of portfolio is calculated on the basis of the fair value of the portfolio as at 30 June 2015.

Changes in perimeter between 31 December 2014 and 30 June 2015: (i) integration of the construction project of the Gateway building within the category of properties that are being constructed or developed for own account in order to be leased, and (ii) the sale of the Stassart and the Kasteelstraat 19 buildings.

The fair value of Befimmo's consolidated portfolio as at 30 June 2015 was €2,346.8 million, as against a value of €2,285.2 million as at 31 December 2014.

This evolution includes:

- the renovation works in the portfolio;
- the addition to the portfolio of the Gateway project (as the construction works progress);
- the sale of the Stassart and Kasteelstraat 19 buildings;
- the changes in fair value booked to the income statement (IAS 40).

Excluding the amount of the acquisition, investments and disinvestments, the value of the portfolio held steady overall (-€1.1 million or -0.05%) over the first half of the fiscal year.

Rotation of real-estate experts

Pursuant to the Royal Decree of 13 July 2014 on BE-REITs, since the mandates of the experts, JLL, DTZ-Winssinger & Associés and PricewaterhouseCoopers, expired on 31 December 2014, new three-year valuation mandates were given from 1 January 2015 to JLL and CBRE, distributed as follows:

- JLL values the part of the Befimmo and Fedimmo property portfolio on long or potentially long leases (i.e. let for >9 years in Brussels and its hinterland and >6 years in the regions);
- CBRE values the part of the Befimmo and Fedimmo property portfolio mostly let under conventional 3/6/9-year leases.

JLL has the task of coordinating these valuations.

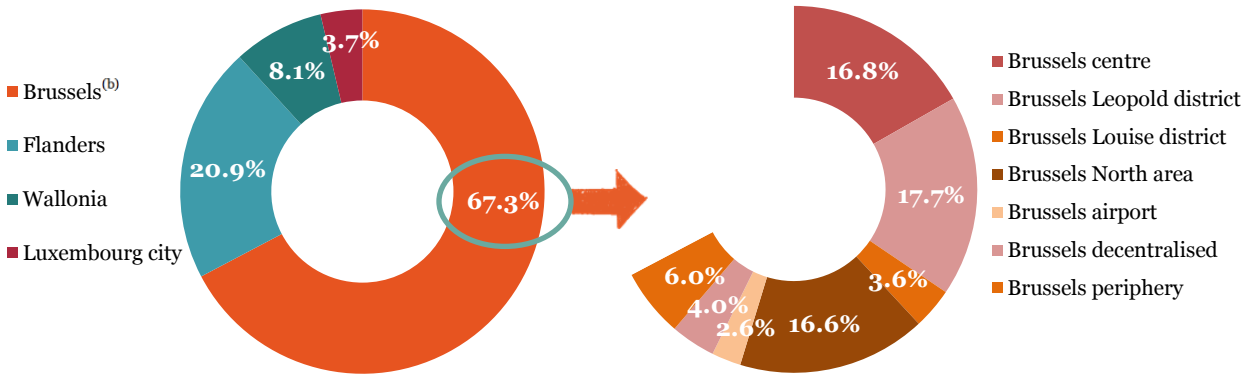
Comment on changes in values over the first half of the 2015 fiscal year

This rotation of experts within the Befimmo consolidated portfolio broadly confirmed the valuation of the portfolio.

Two trends were established during the first half of the fiscal year:

- The buildings in the portfolio with good locations and with income secured through long ongoing leases have benefited from the yield compression for such properties;
- Meanwhile, the other buildings in the portfolio, located in the decentralised zone and the periphery of Brussels and/or with leases approaching expiry, have seen further declines in value.

Geographical breakdown[a]



[a] The proportions are expressed on the basis of fair value of the investment properties as at 30 June 2015.
[b] Brussels: this means Brussels and its economic hinterland, i.e. CBD, decentralised, periphery and Brussels airport.

New rentals and lease renewals

During the first half of the 2015 fiscal year, Befimmo signed new leases and lease renewals for some 8,440 m² of space, with offices accounting for just over 6,000 m², nearly 1,900 m² being multi-purpose or archive space and some 500 m² of commercial spaces, compared with 6,555 m² in the first half of the 2014 fiscal year.

These new leases were agreed on terms that are overall in line with the assumptions made when preparing the three-year outlook, as published in the Annual Financial Report 2014.

Befimmo is pursuing its objective of securing the loyalty of its rental customers by continuing to focus on satisfying their needs and offering them, among others, buildings that are technically top range.

Occupancy rate and weighted average duration of leases

The occupancy rate of the properties available for lease was 93.7% at 30 June 2015 (compared with 94.1% as at 31 December 2014). For all the investment properties[2], the occupancy rate at 30 June 2015 amounts to 92.9% (compared with 92.3% as at 31 December 2014).

As at 30 June 2015, the weighted average duration of current leases was 8.78 years as against 8.64 years at 31 December 2014.

Tenants (as at 30.06.2015)

Public sector	Weighted average duration[(a)] (in years)	Percentage of the current rent[(b)] (in %)
Federal		50.4%
Flemish Region		6.1%
Belgian public sector	***10.06***	***56.4%***
European Commission		5.8%
European Parliament		3.1%
Representations		0.6%
European public sector	***9.69***	***9.5%***
Total public-sector tenants	**10.00**	**66.0%**

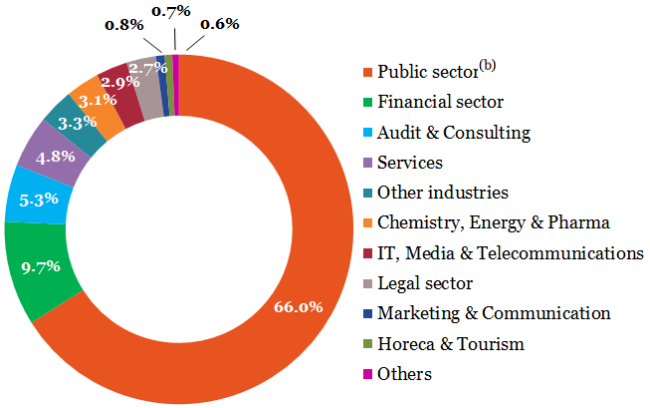
Private sector - top 5	Weighted average duration[(a)] (in years)	Percentage of the current rent[(b)] (in %)
BNP Paribas and affiliated companies		6.3%
Deloitte Services & Investments NV		4.6%
Beobank (Crédit Mutuel Nord Europe)		2.0%
Linklaters		1.9%
Sheraton (EMEA headquarters)		1.4%
Total private-sector top-5 tenants	**10.34**	**16.1%**

Other tenants	Weighted average duration[(a)] (in years)	Percentage of the current rent[(b)] (in %)
+/- 220 tenants	2.84	17.9%
Total of portfolio	**8.78**	**100.0%**

[(a)] Weighted average duration of leases, i.e. the sum of (annual current rent for each lease multiplied by the remaining duration up to the first break in that lease) divided by the total annual current rent of the portfolio.
[(b)] Current annual rent at the closing date plus future rent on signed leases, as reviewed by the real-estate experts.

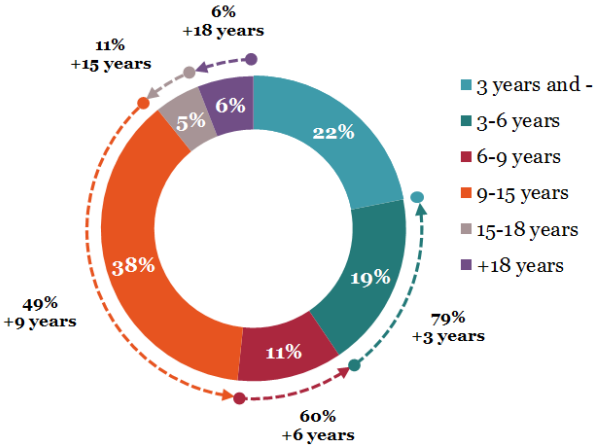
[2] This includes properties that are being constructed or developed for own account in order to be leased.

Tenants[a]



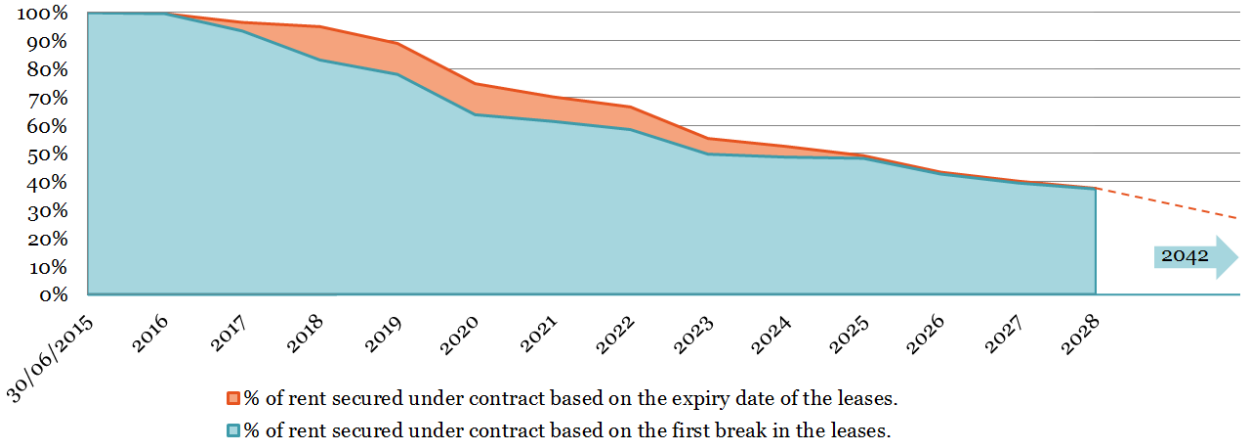
[a] The proportions are expressed on the basis of the annual current rent as at 30 June 2015.
[b] Public sector: Belgian public institutions (federal & regional), European institutions and representations.

Residual duration of leases up to the next break[a]



[a] The proportions are expressed on the basis of the annual current rent as at 30 June 2015.

Percentage of rent guaranteed under contract on the basis of the remaining term of the leases in the consolidated portfolio[a] (for ongoing and signed future leases) (in %)



[a] Rents for future years calculated on the basis of the present situation, assuming that each tenant leaves at the first break and that no further lease is agreed in relation to the current rent as at 30 June 2015.

Global rental yield

	Properties available for lease		Investment properties[c]	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Initial yield[a]	6.19%	6.28%	5.95%	6.13%
Potential yield[b]	6.61%	6.68%	6.37%	6.61%

[a] The initial yield corresponds to the overall rental yield calculated on current rents.
[b] The potential yield corresponds to the overall rental yield calculated on current rents plus the estimated rental value of vacant premises.
[c] Comprising properties that are being constructed or developed for own account in order to be leased.

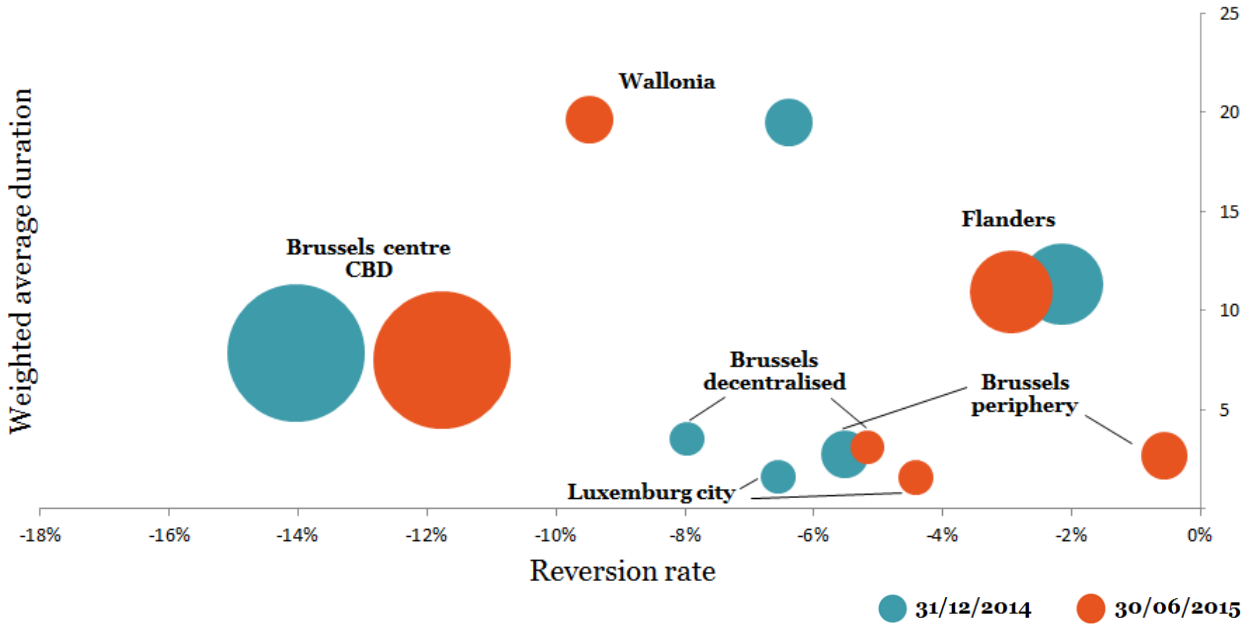
Reversion rate

As at 30 June 2015, the reversion rate of the portfolio amounts to -8.17%, compared with -9.69% as at 31 December 2014.

The EPRA earnings forecasts[3] presented over the next three fiscal years take account of a potential reversion on the expiry of the current leases.

	Current rent[(a)] (€ thousand)	Proportion of rents[(b)] (in %)	Weighted residual average duration[(c)] 1st break (in years)	Reversion rate[(d)] (in %)
Brussels centre (CBD)	82 356	58.3%	7.48	-11.76%
Brussels decentralised	4 979	3.5%	3.10	-5.16%
Brussels periphery	9 430	6.7%	2.67	-0.57%
Wallonia	9 842	7.0%	19.61	-9.49%
Flanders	29 305	20.7%	10.93	-2.94%
Luxembourg city	5 363	3.8%	1.56	-4.42%
Properties available for lease	**141 276**	**100.0%**	**8.78**	**-8.17%**

(a) The current rent at the closing date plus future rent on signed leases as at 30 June 2015 as reviewed by the real-estate experts.
(b) The proportion of rents is calculated on the basis of the current rent as at 30 June 2015.
(c) Weighted average duration of leases, i.e. the sum of (annual current rent for each lease multiplied by the term remaining up to the first break in the lease) divided by the total current annual rent of the portfolio. This duration is calculated taking into account current projects.
(d) Reversion rate: 1-[(current rent + estimated rental value of vacant space)/estimated rental value of total space].



[3] For more information, please consult Befimmo's Annual Financial Report 2014 on pages 74 to 79.

Real-estate markets[4]

Brussels office property market

Rental real-estate market – Demand

Demand on the Brussels office property market was around 169,000 m² in the first half of the fiscal year, as against 243,678 m² in the first half of the 2014 fiscal year. Unlike previous years, this demand comes mainly from the private sector. Indeed, the private sector accounts for almost 72% of transactions on the market. By comparison, during the first half of the 2014 fiscal year, 61% of demand came from the public sector.

The most important transactions include the Treurenberg building (10,000 m²) in the centre of Brussels, let to the Single Resolution Board of the European Union. The Marie de Bourgogne building (3,000 m²) in the Leopold district is to house the Bundesverband der Deutschen Industrie and, finally, the Foyer Bruxellois is to take occupancy of the Impératrice building (3,000 m²) located in the centre of Brussels.

Over the coming months, the public sector should be a major player in the market, especially the European institutions, which are due to launch tenders in the framework of their future office occupancy strategy. Furthermore, procedures already launched by the European Parliament (13,000 m²) and the Commission (25,000 m²) in this context are in progress.

The limited demand on the market, on the other hand, is due to the uncertain economic climate. Quite small transactions are being concluded with the private sector, mainly in the periphery and decentralised areas, as companies seek to take advantage of competitive market conditions.

The development market – Supply

During the 2015 fiscal year, some 66,000 m² of new office space will be handed over onto the Brussels market, 50,000 m² of which are speculative projects, where there is no prior commitment from a tenant. Despite their caution, developers are returning to the market selectively and in the best central districts. The number of speculative projects for 2016 and 2017 remains low, with 134,443 m² and 93,479 m² of office space respectively expected on the market.

The volume of handovers is still generally limited on the Brussels market because developers are quite reluctant to build new speculative projects and the banks are reluctant to fund them. The only exceptions are high-quality prime projects. The market for new buildings is therefore currently dominated by handovers of “build-to-order” projects.

For instance, only 6% of vacant offices on the market were classed as "Grade A", while from 2001 to 2010, between 20% and 25% of the vacant stock was of that grade. It is estimated that this figure will decline further to 5% by 2016. Ultimately, this could therefore lead to a real lack of "Grade A" office buildings on the Brussels market, particularly in the CBD.

Rental vacancy

As at 30 June 2015, rental vacancies declined slightly to 10.52% as against 10.63% at 31 December 2014.

In the Central Business District, vacancy rates are around 6% in the Leopold district and North area. The city centre is doing even better with 4%, which marks a return to pre-crisis vacancy levels.

[4] Source: CBRE – 30 June 2015.

Conversely, the decentralised and periphery markets are still under pressure, with vacancy rates of 14% and 24% respectively.

Rental values

Prime rent held steady over the first 6 months of the fiscal year, at €285/m². Weighted average rents stand at €164 per m². The shortfall of “Grade A” office space (6% of the vacant space) could foster an upward trend in rents in the Brussels CBD. As an indication, rents advertised for some "Grade A" office buildings recently put on the market reach record levels, ranging from €320 to €350/m².

In the current economic climate, however, rental gratuities and concessions to tenants in existing buildings still remain relatively high, especially in the periphery and decentralised areas.

Investment market

In the first six months of the year, nearly €509 million were invested in office buildings in Brussels, as against €1.8 billion throughout 2014.

Yields on "conventional" leases (3/6/9 years) in the "prime" category fell slightly to around 5.5%. Properties of the same type but let long-term are valued below 5%, and the decline of those yields could continue up to around 4%.

Brederode 13

Office property market in Luxembourg

Rental real-estate market – Demand

Demand for office space in Luxembourg is still growing. Take-up was 86,905 m² during the first half of the year, as against 71,161 m² over the first half of 2014.

Most of this growth is take-up by the public sector and the European institutions in particular. The European Commission, which is looking for 58,000 m² in total, has signed a contract for 11,291 m² in the Laccolith building and 13,624 m² in the Ariane I, II and III building, the former headquarters of PWC (Gasperich). These are temporary offices as in 2020 the Commission will move into a new building, the Jean Monnet II complex. Furthermore, the European Investment Bank will take occupancy of 4,128 m² in building C of the President complex (Kirchberg), also while awaiting its new headquarters.

Some major transactions with the private sector also materialised over the half-year. On one hand, Amazon leased an additional 1,185 m² in its Rives de Clausen building (CBD) and a further 2,114 m² in its Square building (Kirchberg); on the other hand, Kneip Communication took up 3,750 m² in the Atrium Business Park (Bertrange).

The development market – Supply

The number of speculative projects handed over onto the market remains very limited; 17,185 m² are expected on the market in 2015, while in 2016 the figure would rise to 29,928 m², out of a total of 249,781 m² for the two years. For 2017, new projects measuring 106,536 m² are expected, 98,894 m² of which unsecured.

Rental vacancy

The average vacancy rate stood at 5.32% on the Luxembourg market, with little space immediately available in the centre: vacancies in the CBD are 2.76%, in Kirchberg, 3.07% and in the station district, 3.09%. Transactions with the European institutions have had a positive impact on the vacancy rate in Gasperich, falling to 4.82% at 30 June 2015.

Rental values

In this market situation, prime rent is €46/m²/month in the CBD and €33/m²/month in the Kirchberg and Station districts.

Luxembourg investment market

Over the first six months of the year, nearly €273 million were invested in office buildings in Luxembourg.

Yields on "conventional" leases (3/6/9 years) are around 5.2%. Lower yields were noticed for office buildings let on longer leases.

Investors are more inclined to buy buildings on long-term leases at record yields. However, they are also interested in project buildings or with some vacancies to take advantage of the lack of immediately available space and a possible rise of rents.

Axento

Conclusions of the coordinating real-estate expert

To the Board of Directors Befimmo SA
Parc Goemaere - Chaussée de Wavre 1945 - 1160 Brussels

Dear Mesdames,
Dear Sirs,

Re: Valuation of the real-estate portfolio of Befimmo as at 30th June 2015.

Context
In accordance with Chapter III, Section F of the law of 12th of May 2014 on BE-REITs, Befimmo has instructed an independent valuer to provide an opinion of value for its portfolio as at 30th June 2015. We have been mandated to value part of the Befimmo and Fedimmo portfolios mainly let on long or potentially long term, while CBRE Valuation Services have been mandated to value part of the Befimmo and Fedimmo portfolios mostly let on conventional 3/6/9 year leases. Furthermore we have consolidated the results of the valuation of which the main conclusions are listed hereunder.

Jones Lang LaSalle has been active in Belgium since 1965 and has a long track record in valuing professional real estate. CBRE Valuation Services also indicate that they benefit from sufficient knowledge of the property markets in which Befimmo and Fedimmo are active, as well as the required professional qualifications and recognition to fulfil this assignment. The mission of the valuers has been carried out in full independence.

Consistently with market practice, our mission has been carried out on the basis of information provided by Befimmo, in particular relating to 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 assets' value. 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 quality or technical survey of the properties, nor an analysis of the possible presence of deleterious materials. These elements are well known by Befimmo, which carries out a technical and legal due diligence prior to the acquisition of each property.

Opinion
The investment value is defined as the most likely value that could reasonably be obtained on the date of valuation in normal sales conditions between willing and well-informed parties before deduction of transaction costs.

As our principal valuation method we have adopted a static capitalisation approach and also carried out a simple "sanity check" in terms of price per square meter.

The static capitalisation is carried out in the form of a "Term and Reversion" valuation, with the current income based on contractual rents capitalised until the end of the current contract, and the ERV capitalised in perpetuity and brought to a net present value. It should be noted that this method of valuation applies a multiplier to the current and future expected rent that is based on analysis of sales of comparable properties in the market. The multiplier depends on the yield that investors require when acquiring in this market. The yield reflects the risks intrinsic to the sector (future voids, credit risk, maintenance obligations, etc.). Where there are unusual factors specific to the property, then an explicit correction is made either, for example:

- Non-recovered charges or taxes in a market where recovery from the tenant is usual;
- Renovation work or deferred repairs necessary at the date of valuation in order to continue to receive the rent;
- Unusual outgoing costs.

It is important to understand the distinction between this "capitalisation" approach and the discounted cash flow method where future growth and inflation are explicit. This difference is why discount rates in a discounted cash flow valuation are higher than yields in a static capitalisation approach.

The yields used are based on the valuer's judgement in comparison with evidence of comparable sales. Factors in the market that determine yield are numerous, and different factors are of importance to different buyers. The following criteria are often taken into account: the quality of the tenant and duration of the lease, the location, the state of repair, the age and the architectural quality of the building and also the efficiency of the building (gross to net ratio/parking ratio).

Ultimately it is supply and demand in the investment market that determines the price. For the financial accounting of a BE-REIT and in accordance with the IAS/IFRS norms it is common practice to use the fair value. Following a press release of the Belgian Association of Asset Managers (BEAMA), dated 8 February 2006, the fair value can be obtained by subtracting 2.5% transaction costs from properties with an investment value of more than €2,500,000. For properties with an investment value under €2,500,000 registration duties of 10% or 12.5% should be subtracted, depending on the region where they are situated.

In the light of all comments mentioned above, we confirm that the investment value of the consolidated Befimmo property portfolio as at 30th June 2015 amounts to a total of

2,406,450,272 €
(TWO BILLION FOUR HUNDRED AND SIX MILLION FOUR HUNDRED FIFTY THOUSAND TWO HUNDRED SEVENTY TWO EUROS);

this amount includes the valuation of the buildings which have been carried out by CBRE Valuation Services.

The most likely sale value corresponding to the fair value of the consolidated Befimmo property portfolio as at 30th June 2015 amounts to a total of

2,346,842,282 €
(TWO BILLION THREE HUNDRED FORTY SIX MILLION EIGHT HUNDRED FORTY TWO THOUSAND TWO HUNDRED EIGHTY TWO EUROS);

this amount includes the valuation of the buildings which have been carried out by CBRE Valuations services.

On this basis, the initial yield of the portfolio with properties available for lease is 6.19%. Should the vacant accommodation be fully let at estimated rental value, the initial yield would be 6.61% for the same portfolio.

The occupation rate of the portfolio with properties available for lease is 93.68%. For the total portfolio of investment properties this rate is 92.94%.

The average level of passing and contractual rent is currently approximately +/-8.17% above the current estimated rental value of the portfolio with properties held for letting.

The property portfolio comprises:

Offices	**Fair value (€ million)**	**(in %)**
Properties available for lease	*2 225.2*	*94.8%*
Brussels centre (CBD)	1 227.1	52.3%
Brussels decentralised	92.8	4.0%
Brussels periphery	141.2	6.0%
Wallonia	186.4	7.9%
Flanders	490.9	20.9%
Luxembourg City	86.7	3.7%
Properties that are being constructed or developed for own account in order to be leased	*119.6*	*5.1%*
Properties held for sale	*2.1*	*0.1%*
Total	**2 346.8**	**100.0%**

Yours sincerely,

Brussels, 7TH July 2015

R.P. Scrivener FRICS
National Director
Head of Valuation and Consulting
On behalf of Jones Lang LaSalle

Social Responsibility

Befimmo has incorporated the principles of Social Responsibility into its strategy, and these are reflected in the environmental, economic and social aspects of its day-to-day operations. Over the years it has built a strategy of Social Responsibility based on the topics of importance to Befimmo and its stakeholders.

Befimmo is convinced that, in time, a proactive approach leads to a strong position in terms of reputation and improved profitability; since 2008 it has gradually evolved from a qualitative environmental policy to a true, proactive Social Responsibility policy, integrated into its overall strategy. It recognises that effective governance over the long term requires a committed approach, designed to anticipate its risks and control its costs. Indeed, identifying the risks that could affect Befimmo, it is putting in place the necessary measures to anticipate these risks and limit their potential impact. It undertakes to take account, as far as possible, of the expectations of its stakeholders in devising its strategy and to establish an open dialogue and constructive consultation with them.

By the end of 2013, Befimmo has initiated a process of regular dialogue with all its stakeholders to improve continuously its positioning as a responsible company and landlord. It determined its materiality matrix, which has enabled Befimmo to fine-tune its Social Responsibility strategy, while identifying (and prioritising) environmental, economic and social challenges grouped into four major themes: the environment, the team, the tenants and governance. The response to these priorities is reflected in specific measures as well as in qualitative and quantitative objectives that are set out in more detail in the Social Responsibility Programme[5]. In this way, since almost 2 years, Befimmo's team follows and manages the specific measures published in this Programme to achieve the objectives set.

Specifically, Befimmo has continues its efforts to cut the energy consumption (gas, electricity and water) and waste production through, among other measures, energy investment in its buildings (described before), improving the rating of BREEAM In-Use certifications, and educating and inspiring its rental customers.

Furthermore, since the beginning of the fiscal year, Befimmo continues with this dialogue, seeking to achieve a balance between the various stakeholders and the challenges it regularly faces, notably by working on the following concrete actions:

- analysis of its value chain and improvement of its existing sustainable procurement conditions in cooperation with its suppliers;
- development of an helpdesk and extranet to improve and facilitate communication with its rental customers;
- analysis of the working environment with a view to improving it and better responding to the needs of its team. This analysis is part of a comprehensive debate on the changing world of work.

Befimmo regards Social Responsibility as a part of its strategy, taking opportunities to improve its performances and create value in the medium and long term for all its stakeholders. Befimmo strives to differentiate itself and also to become a benchmark for Social Responsibility.

[5] The materiality matrix, priority topics, stakeholders' expectations and Social Responsibility Programme are published on the Company's website: www.befimmo.be.

External stakeholders - questionnaires

As it did in the previous years, Befimmo participated during the first half of the fiscal year in reporting of carbon emissions from its activities by answering the "Carbon Disclosure Project"[6] questionnaire. CDP is an independent, non-profit organisation that aims to reduce greenhouse-gas emissions by businesses and cities. It achieves this by means of a global database of greenhouse-gas emissions. This organisation acts on behalf of 822 investors representing more than US$95 trillion in assets.

Furthermore, Befimmo also answered the "Global Real Estate Sustainability Benchmark"[7] and VIGEO[8] questionnaires.

Triomphe

6 www.cdproject.net
7 https://www.gresb.com
8 www.vigeo.com

Financial report

	30.06.2015	31.12.2014
Shareholders' equity (€ million)	1 231.01	1 195.45
Net asset value (in € per share)	55.61	54.00
EPRA NAV (in € per share)	55.55	54.38
EPRA NNNAV (in € per share)	54.80	52.80
Average annualised financing cost (in %)[a]	2.82%[b]	3.16%
Weighted average duration of debts (in years)	3.65	3.82
Debt ratio according to the Royal Decree (in %)	49.61%	47.48%
Loan-to-value (in %)[c]	47.43%	45.21%

	30.06.2015 (6 months)	30.06.2014 (6 months)
Number of shares issued	*22 673 609*	*22 062 701*
Number of shares not held by the group	*22 138 280*	*21 534 086*
Average number of shares not held by the group during the period	*22 138 280*	*21 534 086*
Net result (in € per share)	2.47	1.79
Net current result (in € per share)	2.00	2.02
EPRA earnings (in € per share)	1.95	2.00
Return on shareholders' equity (in €)[d]	3.83	3.35
Return on shareholders' equity (in %)[d]	7.14%	6.23%

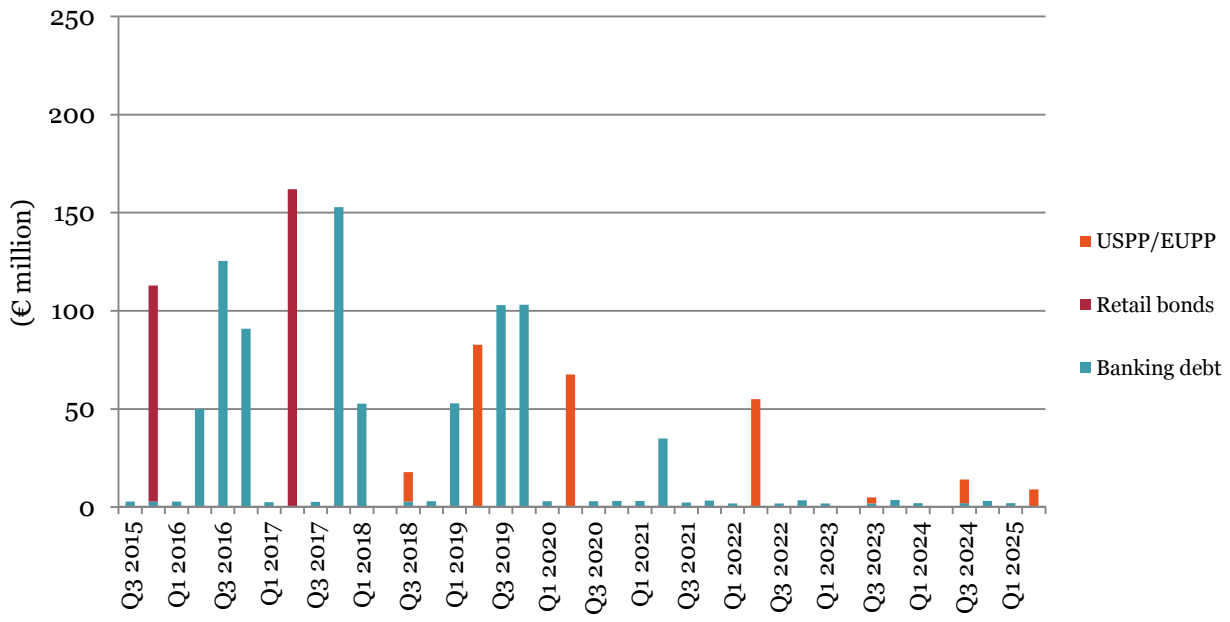
[a] *Including margin and hedging costs.*
[b] *Calculated over a 6-month period ending at the closing of the half-year.*
[c] *Loan-to-value (LTV): [(nominal financial debts – cash)/fair value of portfolio].*
[d] *Calculated over a 12-month period ending at the closing of the half-year, taking into account the gross dividend reinvestment and the participation in the optional dividend.*

Financial structure

Financing arranged

During the first half of the fiscal year, Befimmo has set up several European private placements for an amount of €64 million over durations of 7 and 10 years. Furthermore, the Company has also reviewed the conditions of three bilateral lines over a total amount of €135 million. At constant perimeter, and taking into account the acquisition of the Gateway project, the Company needs no further financing before the third quarter of 2016. The graph hereafter illustrates the maturities for commitments.

Maturities for commitments by quarter (as at 30.06.2015)



Main characteristics of the financial structure

As at 30 June 2015, Befimmo's financial structure had the following main characteristics:

- confirmed financing totalling €1,353.8 million (including 61.9% bank financing), €1,113.7 million of which were in use. The volume of unused lines is determined on the basis of the Company's liquidity criteria, taking account of the maturities of the financing agreements and the renovation commitments planned for the coming years;
- a debt ratio of 49.61%[9];
- an LTV ratio of 47.43%[10];
- a weighted average duration of debts of 3.65 years;
- 52.7% of total debts at fixed rates (including IRS);
- an average annualised financing cost (margin and hedging cost included) amounting to 2.82% over the half-year, compared with 3.16% for the first half of 2014.

On 22 May 2015 the Standard & Poor's rating agency confirmed the rating of BBB/outlook stable for Befimmo's long-term borrowings and A-2 for its short-term borrowings.

[9] The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.
[10] Loan-to-value ("LTV") = [(nominal financial debts – cash)/fair value of portfolio].

To reduce its financing costs, Befimmo has a commercial paper programme for an amount up to €500 million, €410 million of which was in use for short-term issues and €49 million for long-term issues as at 30 June 2015. For short-term issues, this programme has backup facilities consisting of the various credit lines arranged. The documentation for this programme also covers the European private debt placements.

Hedging the interest rate and exchange risk

The interest rate hedging policy is designed to hedge a decreasing portion of borrowings over a 10-year period. The objectives and implementation of this policy are regularly reviewed. The choice and level of instruments is based on an analysis of rate forecasts by a number of banks, and arbitrage between the cost of the instrument and its level and type of protection. The Company's hedging policy also aims to limit variations in financial charges under existing covenants and to protect EPRA earnings as required to pay out the forecast dividend.

Befimmo holds a portfolio of instruments to hedge (i) the interest rate risk, consisting of IRS, CAP and COLLAR[11], and (ii) the exchange-rate risk on its fixed-rate United States private placement (USPP) by holding Cross Currency Swaps.

This policy allows the Company to take advantage of falling interest rates in a period of low economic context on part of borrowings, while limiting the volatility of financial charges by fixing rates on the remainder of borrowings (either directly by arranging financing at fixed rates or by purchasing IRS type hedging instruments). The impact of rising interest rates on financial charges is also mitigated by the hedge options (CAP). Such a hedging and financing structure creates a situation in which the result is still sensitive to changing interest rates. The package of instruments currently in place gives the Company a hedge ratio of 81%[12] as at 30 June 2015. The hedge ratio remains above 80% until the third quarter of 2017 and above 50% until the third quarter of 2019.

As part of its hedging policy, the Company carried out various operations on hedging instruments over the half-year:

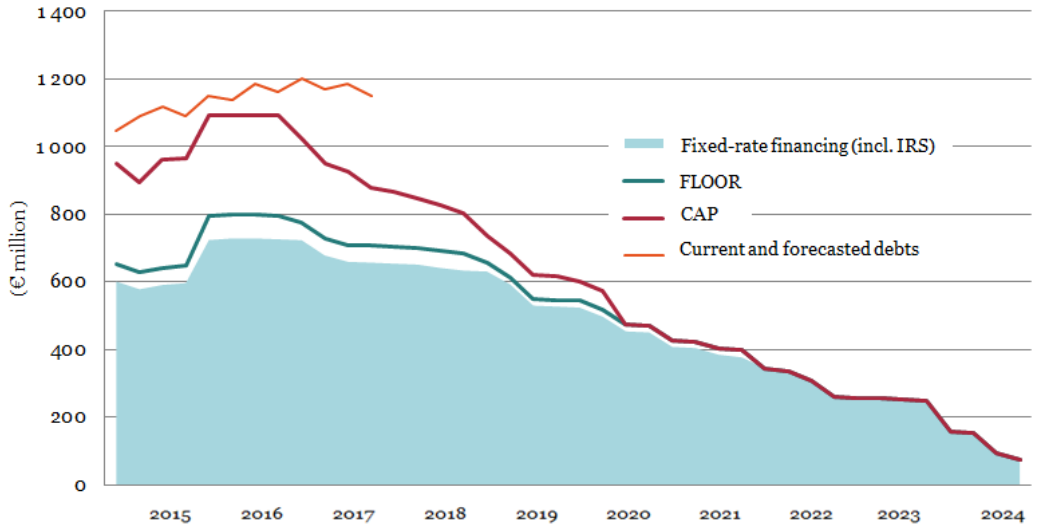
- it bought seven IRS worth a notional total of €175 million covering the period from January 2016 to January 2024 (€75 million), to July 2024 (€50 million), and to April 2025 (€50 million);
- it bought two CAP at 0.50% (€30 million) and 0.85% (€25 million) respectively, covering a period of 5 years starting in July 2015;
- the acquisition of a COLLAR at (0.5475% - 1.15%) (€20 million), covering a period of 6 years, starting in January 2016.

In January 2015, Befimmo reorganised three IRS for a notional of €70 million and placed their level at market rate for the first years of hedging (2016 and 2017). Furthermore, in April 2015, Befimmo also restructured its cross currency swaps for a notional total of €150 million and placed their hedging level at the market rate.

[11] Buying a COLLAR limits the impact of the rise in interest rates (CAP), but also involves an undertaking to pay a minimum rate (FLOOR).

[12] Hedge ratio = (nominal fixed-rate borrowings + notional rate of IRS and CAP)/total borrowings.

Evolution of the portfolio of hedging instruments and existing fixed-rate debts (as at 30.06.2015) (in € million)



Annual average		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CAP	Notional (€ million)	351	366	264	190	94	47	20	-	-	-
	Average rate (in %)	1.78%	1.49%	1.38%	1.32%	0.83%	0.87%	1.15%	1.15%	-	-
FLOOR	Notional (€ million)	50	70	51	50	22	20	20	-	-	-
	Average rate (in %)	1.09%	0.94%	0.72%	0.71%	0.57%	0.55%	0.55%	0.55%	-	-
Fixed-rate financing (incl. IRS)	Notional (€ million)	592	727	679	645	570	481	393	311	253	120
	Average rate[(a)] (in %)	1.88%	1.22%	1.08%	1.28%	1.35%	1.48%	1.37%	1.15%	1.02%	1.17%

[(a)] *Average fixed rate excluding credit margin.*

Financial results

Net asset value as at 30 June 2015

As at 30 June 2015, Befimmo's total net asset value amounts to €1,231.01 million.

The net asset value is therefore €55.61[13] per share, as against €54.00 per share as at 31 December 2014.

	(€ million)	(€ per share)	Number of shares not held by the group
Net asset value as at 31 December 2014	**1 195.45**	**54.00**	**22 138 280**
Payment of final dividend of the 2014 fiscal year (distributed in May 2015)	-19.04		
Result as at 30 June 2015	54.72		
Other elements of comprehensive income - actuarial gains and losses on pension obligations	-0.11		
Net asset value as at 30 June 2015	**1 231.01**	**55.61**	**22 138 280**

	30.06.2015	31.12.2014
EPRA NAV (€ per share)	55.55	54.38
EPRA NNNAV (€ per share)	54.80	52.80

The calculation methods of the EPRA NAV and NNNAV are detailed on page 66 of Befimmo's Annual Financial Report 2014 (www.befimmo.be).

Paradis Tower

[13] The half-yearly accounts are subject to a limited review, while the annual accounts are audited.

Trend of results

(€ thousand)	30.06.2015	30.06.2014
Net rental result	71 000	68 877
Net property charges	-7 294	-7 495
Property operating result	**63 706**	**61 383**
Corporate overheads	-4 119	-4 809
Other operating income and charges	-1 448	910
Operating result before result on portfolio	**58 139**	**57 484**
Operating margin	***81.9%***	***83.5%***
Gains or losses on disposals of investment properties	971	410
Net property result	**59 110**	**57 893**
Financial result (excl. changes in fair value of financial assets and liabilities)	-14 566	-13 963
Corporate taxes	-633	-523
Net result before changes in fair value of investment properties and financial assets and liabilities	**43 911**	**43 408**
Changes in fair value of investment properties	-1 083	11 006
Changes in fair value of financial assets and liabilities	11 890	-15 827
Changes in fair value of financial assets and liabilities and investment properties	**10 806**	**-4 821**
Net result	54 718	38 586
Net current result	44 175	43 408
EPRA earnings	43 203	42 998
Net result (€/share)	**2.47**	**1.79**
Net current result (€/share)	**2.00**	**2.02**
EPRA earnings (€/share)	**1.95**	**2.00**

Events with an impact on the perimeter of the Company

The perimeter of the Company was changed during the first six months of the 2015 fiscal year following the sales of the buildings Stassart in Namur and Kasteelstraat 19 in Izegem.

The comparison of data per share is also affected by the fact that in November 2014 the Company made a contribution in kind of the Rue aux Choux building in Brussels, which led to the creation of 186,853 shares, and by the 424,055 shares issued in the context of the optional dividend in December 2014.

Analysis of the net result

The consolidated analytical income statement includes all data published as at 30 June 2015.

The analysis of the result is based on a comparison with data from the first half of 2014.

The **net rental result** rose by €2.1 million or 3.1% compared with the previous year.

This increase is explained by the combined impact of:

- a one-time effect related to the commencement of the 27.5 year lease in the new Paradis Tower while the lease on the old building, due to be demolished, was still running until 31 March 2015.
- the receipt of a compensation payment for an early departure, booked partly to rental income and partly to net property charges, depending on the nature of the components of the compensation;
- all the other items, namely the change in perimeter, terminating leases, new leases, and indexing, which broadly cancel each other out.

Net property charges are slightly down compared with last year. This results from the reception of a compensation for early departures, a fall in commercial costs and project study costs, partly compensated by the application of interpretation of IFIRC 21. The latter requires real-estate taxes for the whole year to be recognised as from 1 January and results in an increase of property charges of €1.4 million. Net property charges are in line with the forecasts.

The **property operating result** is therefore up €2.3 million (3.8%).

Overheads were down €0.7 million or 14% compared with 2014. This decrease is mainly due to a decrease in legal fees (including costs associated with the new BE-REIT law) borne in 2014, taxes and expenditure on the study of projects outside the scope of the portfolio.

Other operating income and charges amounted to -€1.4 million, mainly due to the negative impact on this heading of the IFRS restatement of rental gratuities included in income (€1.3 million), while the impact was positive last year (+€0.8 million).

A **gain** of €0.9 million was realised on the sale of two buildings in the Fedimmo portfolio.

The **change in fair value of the investment properties** (excluding the amount of the acquisition, investments and disinvestments) was -€1.1 million (-0.05%) over the half-year, as against +€11 million (+0.49%) over the first six months of 2014.

The **obtained financial result** (excluding changes in fair value of financial assets and liabilities) fell from -€14.0 million in the first half of 2014 to -€14.6 million in the first half of 2015. The average financial debt over the first half of the fiscal year was €1,068.9 million as against €1,004.2 million for the first half of 2014.

Net interest charges were slightly up on the first half of 2014, mainly due to the handover in 2014 of major investment projects for which interim interest was capitalised. Excluding this effect, additional financial charges relating to the higher average level of the Company's debt were more than offset by falling floating and fixed interest rates, resulting in an average annualised financing cost (including hedging margin and cost) of 2.82% over the period, as against 3.16% for the first half of 2014.

The **change in fair value of the financial assets and liabilities** was +€11.9 million as against -€15.8 million over the first six months of 2014. Most of the increase seen in 2015 reflects the rise in the interest rate curve at the end of the half-year, while the Company had made significant additions of IRS to its portfolio of hedging instruments before the increase.

All of these factors mentioned above, some of which are one-time effects, add up to a **net result** of €54.7 million as at 30 June 2015, compared with €38.6 million as at 30 June 2014.

EPRA earnings is at €43.2 million as against €43.0 million for the first half of 2014. Given the increase in the average number of shares (+0.6 million), **EPRA earnings per share** amounted to €1.95 at 30 June 2015. This apparent improvement on the forecasts for the year is explained mainly by temporal effects (notably compensation for early departure).

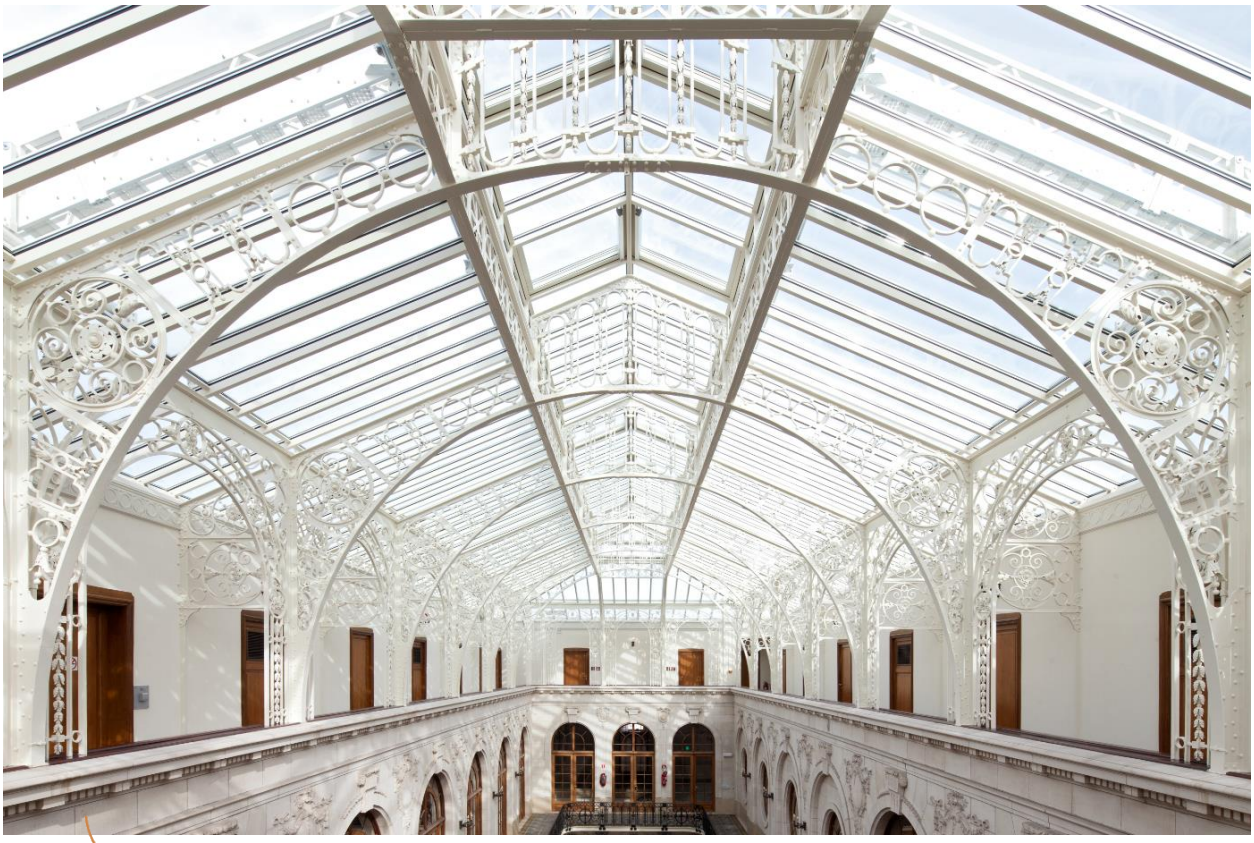
EPRA Best Practices

EPRA indicators	EPRA definitions[a]		30.06.2015	30.06.2014
EPRA earnings	Recurring earnings from core operational activities	€ thousand	43 203	42 998
		€/share	1.95	2.00
EPRA cost ratio	Ratio of overhead and operating expenses on gross rental income	Incl. vacancy costs	16.32%	18.07%
		Excl. vacancy costs	11.63%	15.42%
(i) EPRA Net Initial Yield (NIY)	Annualised rental income[b] based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs	in %	5.91%	6.55%
(ii) EPRA Topped-up NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	in %	6.02%	6.63%
EPRA Like-for-Like Net Rental Growth	Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described	in %	-0.49%	-4.22%
EPRA indicators	**EPRA definitions[a]**		**30.06.2015**	**31.12.2014**
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long term investment property business model	€ thousand	1 229 772	1 203 893
		€/share	55.55	54.38
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes	€ thousand	1 213 233	1 168 954
		€/share	54.80	52.80
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	in %	6.84%	6.50%

[a] *Source: EPRA Best Practices (www.epra.com).*
[b] *For Befimmo, the annualised rental income is equivalent to the current rent at the closing date (plus future rent on signed leases, as reviewed by the real-estate experts).*

Subsequent key event to the closing

Apart from routine management, no particular subsequent events to the closing are to be reported.



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Befimmo on the stock market

	30.06.2015 (6 months)	31.12.2014 (12 months)	30.06.2014 (6 months)
Number of shares issued	22 673 609	22 673 609	22 062 701
Number of shares not held by the group	22 138 280	22 138 280	21 534 086
Average number of shares not held by the group	22 138 280	21 570 715	21 534 086
Highest share price (in €)	69.70	63.70	56.18
Lowest share price (in €)	54.03	49.14	49.14
Closing share price (in €)	54.85	60.21	55.67
Number of shares traded[(a)]	10 913 732	12 777 448	5 437 864
Average daily volume[(a)]	87 310	50 108	42 154
Free float velocity[(a)]	65%	77%	35%
Distribution ratio (in relation to the EPRA earnings)	-	89%	-
Gross dividend (in € per share)	-	3.45	-
Gross yield[(b)]	6.29%	5.73%	6.20%
Return on share price[(c)]	4.56%	26.47%	22.35%

[(a)] Source: Kempen & Co. Based on trading on all platforms.
[(b)] Gross dividend divided by the closing share price.
[(c)] Calculated over a 12-month period ending at the closing of the period, taking into account the gross dividend reinvestment and the participation in the optional dividend.

Trend of the share price

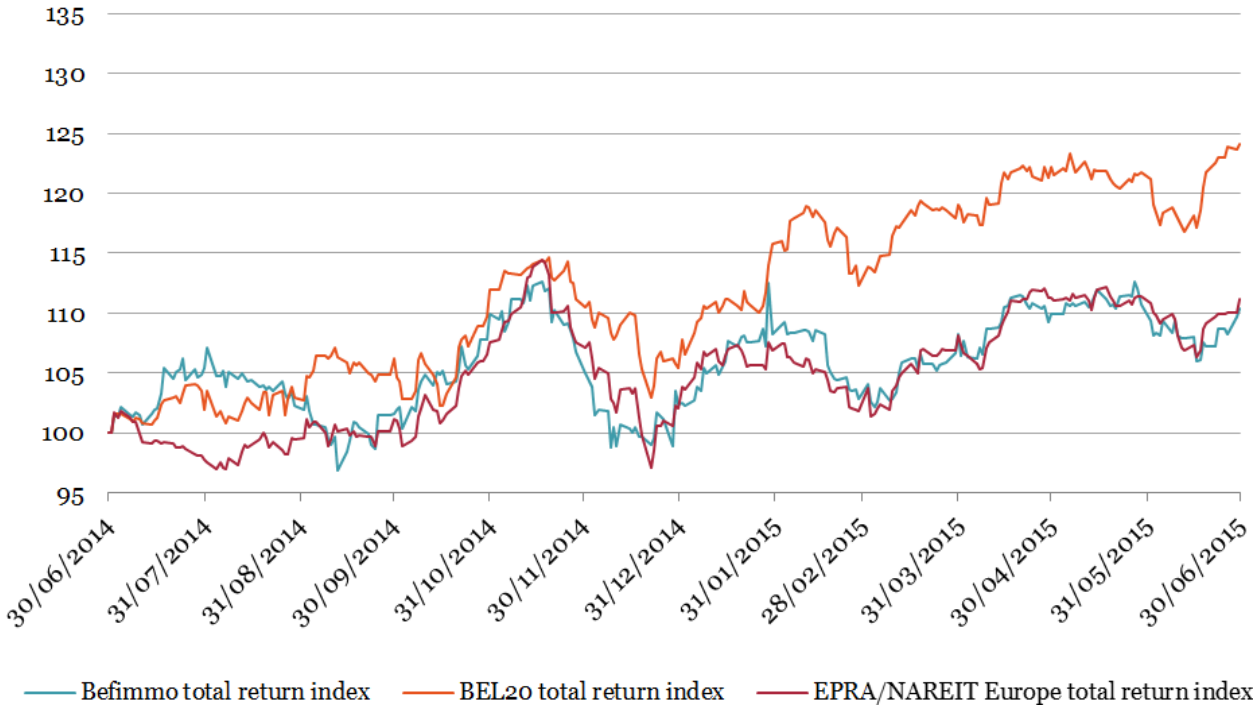
The Befimmo share closed at €54.85 on 30 June 2015, as against €60.21 at 31 December 2014. Befimmo's market capitalisation stood at €1.2 billion at 30 June 2015.

At this share price, the share returns a dividend yield of 6.3% and is being traded at a discount of -1.36% in relation to net asset value.

During the first half of the fiscal year, the daily trading volume was around 87,000 shares, which is a strong increase compared with last year.

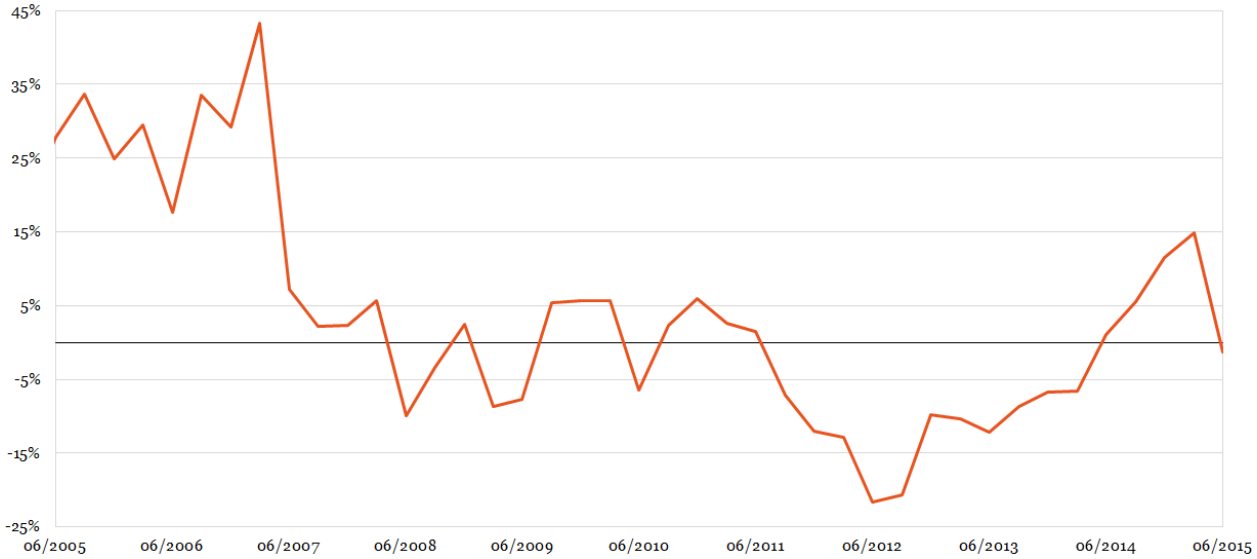
The graph hereafter illustrates the year-on-year performance of the share.

Evolution of the Befimmo total return index relative to BEL 20 and EPRA/NAREIT Europe (over one year)[a]



[a] *Source: KBC Securities.*

Premium and discount of the share price in relation to the net asset value on a 10-year period



Dividend forecast

Unless other factors intervene, and at this stage of the fiscal year, the Board of Directors confirms the dividend forecast for the fiscal year (€3.45 gross per share). It considers to distribute an interim dividend for the fiscal year, as from Friday 18 December 2015. This interim payment should amount to €2.59 gross per share, while the decision to declare a final dividend of €0.86 gross per share for the 2015 fiscal year could be placed on the agenda of the Ordinary General Meeting of shareholders to approve the accounts at 31 December 2015, to be held on 26 April 2016.

Information to the shareholders

Corporate governance

Composition of the Befimmo Board of Directors

On 28 April 2015, the Ordinary General Meeting of Befimmo appointed Mrs Sophie Malarme-Lecloux as independent Director, for a two-year term ending at the close of the Ordinary General Meeting of 2017.

Mrs Sophie Malarme-Lecloux *(1970) holds a Master in Business Administration - Solvay (ULB). She started her career in 1994 at IBM Belgium, as Financial Analyst before joining in 1998 ING Brussels as Account Manager in Corporate Banking. In 2002, her career continued at Sofina, where she held various responsibilities in the executive bodies of the finance and investment team. She is currently Senior Investment Manager and has a more than 9 years of experience as director.*

The law of 12 May 2014 on BE-REITs provides that the functions of directors, executive officers and those in charge of independent control functions must be carried out by natural persons. Directorships held by legal persons that were current when a former Sicafi was converted into a BE-REIT may however continue until they expire. Pursuant to these transitional statutory provisions, the Directorships held by Alain Devos SPRL, BDB Management SPRLu, Etienne Dewulf SPRL and Roude BVBA, that were current when Befimmo adopted BE-REIT status[14], continued until they expired on 28 April 2015.

The Ordinary General Meeting of 28 April 2015 has then appointed the natural persons who were previously the permanent representatives of these legal persons as Directors:

- Mr Alain Devos for a three-year period ending at the close of the Ordinary General Meeting of 2018;
- Mr Benoît De Blieck for a four-year period ending at the close of the Ordinary General Meeting of 2019;
- Mr Etienne Dewulf for a three-year period ending at the close of the Ordinary General Meeting of 2018; and
- Mr Jacques Rousseaux for a one-year period ending at the close of the Ordinary General Meeting of 2016.

This Meeting also renewed the Directorship of Mr Hugues Delpire as an independent Director for a further four-year period ending at the close of the Ordinary General Meeting of 2019 as well as the Directorship of Mr Benoît Godts for a further two-year period ending at the close of the Ordinary General Meeting of 2017.

As a reminder, when considering the criterion of a maximum of three consecutive mandates, for a total period lasting no more than twelve years, in the same Board of Directors (one of the independence criteria provided for by article 526ter of the Code of Company Law), the Company takes into account the mandates already executed as an independent Director – as a natural person or as representative of a legal person – of Befimmo SA or its former managing agent (before the transformation of Befimmo into a limited liability company on 20 December 2012).

Finally, the directorship of MarcVH-Consult BVBA, represented by its permanent representative, Mr Marcus Van Heddeghem, expired in April 2015. The Board of Directors thanks Mr Van Heddeghem for his contribution to the development of the Company over many years.

[14] As at 13 November 2014.

The composition of the Board is as follows:

Position on the Board	Directorship expiry date
Alain Devos Chairman, non-executive Director	Ordinary General Meeting 2018
Benoît De Blieck Managing Director	Ordinary General Meeting 2019
SPRL A.V.O. Management represented by its permanent representative, Mrs. Annick Van Overstraeten non-executive Director, independent	Ordinary General Meeting 2016
Hugues Delpire non-executive Director, independent	Ordinary General Meeting 2019
Etienne Dewulf non-executive Director, independent	Ordinary General Meeting 2018
Sophie Goblet non-executive Director, independent	Ordinary General Meeting 2017
Benoît Godts non-executive Director, linked to a shareholder	Ordinary General Meeting 2017
SPRL Kadees represented by its permanent representative, M. Kurt De Schepper non-executive Director, linked to a shareholder	Ordinary General Meeting 2016
Sophie Malarme-Lecloux non-executive Director, independent	Ordinary General Meeting 2017
Jacques Rousseaux non-executive Director	Ordinary General Meeting 2016
Guy Van Wymersch-Moons non-executive Director, linked to a shareholder	September 2017

Key dates for shareholders

Interim statement as at 30 September 2015	Thursday 29 October 2015[(a)]
Pay-out of the interim dividend for the 2015 fiscal year upon presentation of coupon No 29	
> *Ex-date*	*Wednesday 16 December 2015*
> *Record date*	*Thursday 17 December 2015*
> *Pay-out date*	*from Friday 18 December 2015*
Publication of the annual results as at 31 December 2015	Thursday 18 February 2016[(a)]
Online publication of the Annual Financial Report 2015	Friday 25 March 2016
Ordinary General Meeting for the fiscal year closing as at 31 December 2015	Tuesday 26 April 2016
Pay-out of the final dividend for the 2015 fiscal year upon presentation of coupon No 30	
> *Ex-date*	*Wednesday 4 May 2016*
> *Record date*	*Thursday 5 May 2016*
> *Pay-out date*	*from Friday 6 May 2016*

[(a)] *Publication after closing of the stock exchange.*

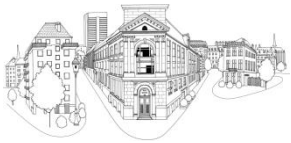
Shareholding structure as at 30 June 2015

The Company introduced a statutory declaration threshold of 3% for the application of the legal rules relating to notification of large holdings in issuers whose shares are admitted for trading on a regulated market.

According to the transparency notifications or the information received from the shareholder, the share ownership of Befimmo SA is structured as follows:

Declarants	Number of shares (declared) the day of the statement	Based on the transparency declarations or based on the information received from the shareholder	(in %)
Befimmo SA	*535 329*	*30.06.2015*	*2.4%*
Ageas and affiliated companies	2 393 476	10.02.2015	10.6%
AXA Belgium SA	2 382 216	16.12.2014	10.5%
BlackRock Inc.	664 130	06.02.2014	2.9%
Other shareholders under the statutory threshold	16 698 458	10.02.2015	73.6%
Total	**22 673 609**		**100%**

Condensed financial statements



Consolidated condensed statement of comprehensive income (€ thousand)

		30.06.15	30.06.14
I.	(+) Rental income	71 212	69 167
III.	(+/-) Charges linked to letting	-212	-290
NET RENTAL RESULT		**71 000**	**68 877**
IV.	(+) Recovery of property charges	4 174	4 771
V.	(+) Recovery of rental charges and taxes normally paid by tenants on let properties	25 126	13 160
VII.	(-) Rental charges and taxes normally paid by tenants on let properties	-25 206	-13 226
VIII.	(+/-) Other revenue and charges for letting	478	214
PROPERTY RESULT		**75 573**	**73 797**
IX.	(-) Technical costs	-5 026	-5 927
X.	(-) Commercial costs	-262	-482
XI.	(-) Charges and taxes on unlet properties	-3 345	-1 830
XII.	(-) Property management costs	-1 125	-1 368
XIII.	(-) Other property charges	-2 109	-2 808
	(+/-) Property charges	**-11 866**	**-12 414**
PROPERTY OPERATING RESULT		**63 706**	**61 383**
XIV.	(-) Corporate overheads	-4 119	-4 809
XV.	(+/-) Other operating income and charges	-1 448	910
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		**58 139**	**57 484**
XVI.	(+/-) Gains and losses on disposals of investment properties	971	410
XVIII.	(+/-) Changes in fair value of investment properties	-1 083	11 006
OPERATING RESULT		**58 027**	**68 899**
XX.	(+) Financial income	330	36
XXI.	(-) Net interest charges	-13 195	-12 705
XXII.	(-) Other financial charges	-1 700	-1 294
XXIII.	(+/-) Changes in fair value of financial assets and liabilities	11 890	-15 827
	(+/-) Financial result	**-2 676**	**-29 790**
PRE-TAX RESULT		**55 351**	**39 109**
XXV.	(-) Corporation tax	-633	-523
	(+/-) Taxes	**-633**	**-523**
NET RESULT		**54 718**	**38 586**
BASIC NET RESULT AND DILUTED (€/share)		**2.47**	**1.79**
Other comprehensive income - actuarial gains and losses - non-recyclable		-112	-1 141
TOTAL COMPREHENSIVE INCOME		**54 605**	**37 446**

The increase in the amounts under headings V., VII. and XI. are due mainly to the application of the interpretation of IFRIC 21, which requires property taxes for the whole year to be carried as from 1 January. The application of the interpretation of IFRIC 21 to the accounts as at 30 June 2014 would entail an increase in net property charges of €1.6 million.

Consolidated condensed statement of financial position
(€ thousand)

ASSETS		30.06.15	31.12.14
I.	**Non-current assets**	**2 418 113**	**2 322 040**
A.	Goodwill	14 569	14 808
C.	Investment properties	2 344 744	2 283 268
D.	Other property, plant and equipment	792	709
E.	Non-current financial assets	56 278	21 461
F.	Finance lease receivables	1 729	1 794
II.	**Current assets**	**54 082**	**31 891**
A.	Properties held for sale	2 098	1 967
B.	Current financial assets	1 347	1 740
C.	Finance lease receivables	129	128
D.	Trade receivables	36 644	20 529
E.	Tax receivables and other current assets	10 655	3 562
F.	Cash and cash equivalents	707	82
G.	Deferred charges and accrued income	2 501	3 883
TOTAL ASSETS		**2 472 195**	**2 353 931**

SHAREHOLDERS' EQUITY AND LIABILITIES		30.06.15	31.12.14
TOTAL SHAREHOLDERS' EQUITY		**1 231 014**	**1 195 448**
I.	**Equity attributable to shareholders of the parent company**	**1 231 014**	**1 195 448**
A.	Capital	319 066	319 066
B.	Share premium account	688 688	688 688
C.	Reserves	168 543	175 070
D.	Net result for the fiscal year	54 718	12 624
LIABILITIES		**1 241 180**	**1 158 483**
I.	**Non-current liabilities**	**583 586**	**557 623**
B.	Non-current financial debts	567 973	534 261
	a. Credit institution	131 456	175 880
	c. Other	436 518	358 381
	Bond issues	*161 876*	*161 842*
	EUPP	*93 798*	*30 000*
	USPP	*179 273*	*164 579*
	Guarantees received	*1 572*	*1 960*
C.	Other non-current financial liabilities	15 613	23 362
II.	**Current liabilities**	**657 594**	**600 859**
A.	Provisions	2 879	2 854
B.	Current financial debts	575 317	514 301
	a. Credit institution	55 298	30 763
	c. Other	520 019	483 538
	Bond issues	*110 019*	*110 038*
	Commercial papers[(a)]	*410 000*	*373 500*
C.	Other current financial liabilities	-	161
D.	Trade debts and other current debts	54 029	57 277
E.	Other current liabilities	4 038	4 607
F.	Accrued charges and deferred income	21 331	21 659
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2 472 195**	**2 353 931**

[(a)] *Although the commercial paper should be recorded as a current liability as per IAS 1, the Company has confirmed bank lines in excess of one year as a back-up for the commercial paper.*

Consolidated condensed cash flow statement (€ thousand)

	30.06.15	30.06.14
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	**82**	**1 524**
Operating activities (+/-)		
Net result for the period (6 months)	54 718	38 586
Result on disposal of investment properties	-971	-410
Financial result (excl. changes in fair value of financial assets and liabilites)	14 566	13 963
Taxes	633	523
Items with no effect on cash flow to be extracted from earnings		
Fair value adjustment for investment buildings (+/-)	1 083	-11 006
Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-)	-11 890	15 827
Loss of (gain in) value on trade receivables (+/-)	-80	79
Goodwill impairment	121	-
Amortisation / Loss of (gain in) value on property, plant and equipment (+/-)	162	211
Adjustments of provisions and of the pension liabilities without treasury impact (+/-)	-87	-3 346
Taxes paid	-356	-238
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS	**57 899**	**54 190**
Change in assets items	-22 082	-8 368
Change in liabilities items	1 614	-22 726
CHANGE IN WORKING CAPITAL REQUIREMENTS	**-20 468**	**-31 094**
CASH FLOW FROM OPERATING ACTIVITIES	**37 431**	**23 096**
Investments (-) / Disposals (+)		
Investment properties		
Investments	-15 095	-33 980
Disposals	4 942	2 118
Acquisition of the Gateway projet	-57 399	-
Other property, plant and equipment	-245	-438
Hedging instruments and other financial assets	-16 960	-260
CASH FLOW FROM INVESTMENT ACTIVITIES	**-84 756**	**-32 559**
Financing (+/-)		
Increase (+)/Decrease (-) in financial debts	80 019	39 894
Interest paid	-13 029	-13 708
Final dividend Befimmo 2013	-	-17 227
Final dividend Befimmo 2014	-19 039	-
CASH FLOW FROM FINANCING ACTIVITIES	**47 950**	**8 959**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**625**	**-504**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (6 MONTHS)	**707**	**1 021**

With a view to establishing a consolidated cash flow statement in line with the income statement and with industry practice, the Company has decided to book cash flows related to interest payments under "Cash flow from financing activities". The consolidated cash flow statement as at 30 June 2014 is presented taking into account this reclassification, namely by reclassifying the sum of -€13.9 million under "Cash flow from financing activities", from "Cash flow from operating activities" (€12.8 million) and "Cash flow from investment activities" (€1.1 million). Before reclassification, these headings amounted to +€22.8 million, +€10.3 million and -€33.6 million respectively.

Consolidated condensed cash flow statement (€ thousand)

	Capital	Share premium account	Reserves	Net result of the fiscal year	Total shareholders' equity
EQUITY AS AT 31.12.13	**310 293**	**662 080**	**170 252**	**22 989**	**1 165 614**
Appropriation of the result	-	-	22 989	-22 989	**-**
Dividend distributed	-	-	-17 227	-	**-17 227**
Final dividend of the 2013 fiscal year Befimmo	-	-	-17 227	-	**-17 227**
Total comprehensive income (6 months)	-	-	-1 141	38 586	**37 446**
EQUITY AS AT 30.06.14	**310 293**	**662 080**	**174 873**	**38 586**	**1 185 833**
Purchase of own shares within the framework of the BE-REIT status change[(a)]	-	-	-413	-	**-413**
Capital increase linked to the contribution in kind of the Rue aux Choux 35 building	2 638	8 057	-	-	**10 695**
Interim dividend	6 135	18 551	-	-56 240	**-31 554** [(b)]
Befimmo 2014 interim dividend	-	-	-	-56.240	**-56 240**
Capital increase	6 135	18 551	-	-	**24 686**
Total comprehensive income (6 months)	-	-	610	30 277	**30 887**
EQUITY AS AT 31.12.14	**319 066**	**688 688**	**175 070**	**12 624**	**1 195 448**
Appropriation of the result	-	-	12 624	-12 624	**-**
Dividend distributed	-	-	-19 039	-	**-19 039**
Final dividend of the 2014 fiscal year Befimmo	-	-	-19 039	-	**-19 039**
Total comprehensive income (6 months)	-	-	-112	54 718	**54 605**
EQUITY AS AT 30.06.15	**319 066**	**688 688**	**168 543**	**54 718**	**1 231 014**

[(a)] *Change of status in a public BE-REIT approved by the Extraordinary General Meeting of shareholders on 21 October 2014.*

[(b)] *The amount of -€31,554 thousand is the sum of the portion of the interim dividend paid in cash plus the withholding tax on the whole of the interim dividend (paid in cash or as a contribution to Befimmo's capital).*

Notes to the consolidated condensed financial statements

General business information

Befimmo ("the Company") is a public BE-REIT (Société Immobilière Réglementée/Gereglementeerde Vastgoedvennootschap). It is organised as a "Société Anonyme" (Limited-Liability Company). Its registered office is at Chaussée de Wavre 1945, 1160 Brussels (Belgium).

The Company closes its fiscal year at 31 December. Befimmo has a 100% holding, directly or indirectly, in its subsidiaries Axento SA, Befimmo Property Services SA, Beway SA, Fedimmo SA, Meirfree SA and Vitalfree SA. All the subsidiaries of Befimmo SA close their fiscal years at 31 December.

The Company is presenting consolidated condensed financial statements as at 30 June 2015.

The Board of Directors of Befimmo SA adopted the consolidated condensed financial statements for this fiscal year and authorised its publication on 29 July 2015.

The Company's business is the provision of office premises and associated services.

As at 30 June 2015, the premises provided consisted of quality office buildings in Brussels, other Belgian cities, and the Grand Duchy of Luxembourg, two thirds of which are let to public institutions and the remainder to multinationals and Belgian companies.

The Company is listed on Euronext Brussels and is in the Bel 20 index.

Significant accounting policies

The condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted within the European Union.

The significant accounting policies are as set out in the Annual Financial Report 2014 (pages 168 to 174) which can be found on the Company's website (www.befimmo.be).

On 1 January 2015, the Company applied the requirements of the interpretation of IFRIC 21. From then on, at the beginning of the year, it recognised all property taxes due for the year. Most of these taxes are charged back to tenants, however, and the invoices to be issued were therefore booked immediately. The application of this standard therefore affects only the timing of the recognition of the result on the one hand – immediate booking of the annual property taxes for which it is liable – and on the other, receivables and payables until the enrolment by the Belgian tax authorities is received.

New standards and interpretations enter into force in 2015, but do not impact the principles of recognition and measurement.

Significant accounting judgments and main sources of uncertainty regarding estimates

The significant accounting judgments and main sources of uncertainty regarding estimates are identical to those set out in the Annual Financial Report 2014 (page 175) which can be found on the Company's website at www.befimmo.be.

Segment information

(€ thousand)	Brussels centre (CBD)		Brussels decentralised		Brussels periphery		Brussels airport	
	30.06.15 (6 months)	30.06.14 (6 months)	30.06.15 (6 months)	30.06.14 (6 months)	30.06.15 (6 months)	30.06.14 (6 months)	30.06.15 (6 months)	30.06.14 (6 months)
INCOME STATEMENT								
A. Rental income	39 998	39 198	2 495	2 484	5 116	4 597	-	-
B. Property operating result	36 604	35 661	667	1 745	4 631	3 362	-79	-
C. Change in fair value of investment properties	-9 191	2 854	-4 523	-878	-4 388	-2 168	-81	-
D. Gains and losses on disposal of buildings	-	-	-	-	-	-	-	-
E. SEGMENT RESULT (= B+C+D)	**27 413**	**38 515**	**-3 856**	**867**	**242**	**1 194**	**-160**	**-**
Percentage by segment	43.1%	52.9%	-6.1%	1.2%	0.4%	1.6%	-0.3%	-
F. Corporate overheads								
G. Other operating income and charges								
H. Financial result								
I. Income tax								
NET RESULT (= E+F+G+H+I)								
	30.06.15	31.12.14	30.06.15	31.12.14	30.06.15	31.12.14	30.06.15	31.12.14
BALANCE SHEET								
Assets								
Goodwill	7 391	7 391	-	-	-	-	-	-
Investment properties and assets held for sale	1 283 075	1 289 068	92 823	97 053	141 189	144 324	60 616	-
of which investments and acquisitions during the year	*3 198*	*37 277*	*294*	*5 664*	*1 253*	*6 055*	*60 698*	-
Other assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	**1 290 466**	**1 296 459**	**92 823**	**97 053**	**141 189**	**144 324**	**60 616**	**-**
Percentage by segment	52.2%	55.1%	3.8%	4.1%	5.7%	6.1%	2.5%	-
TOTAL LIABILITIES	-	-	-	-	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY								
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY								

Wallonia		Flanders		Luxembourg city		Unallocated amounts		Total	
30.06.15 (6 months)	30.06.14 (6 months)	30.06.15 (6 months)	30.06.14 (6 months)	30.06.15 (6 months)	30.06.14 (6 months)	30.06.15 (6 months)	30.06.14 (6 months)	30.06.15 (6 months)	30.06.14 (6 months)
5 874	5 311	15 159	15 002	2 569	2 575	-	-	**71 212**	**69 167**
5 454	4 571	14 060	13 713	2 369	2 331	-	-	**63 706**	**61 383**
7 662	7 089	7 283	2 039	2 155	2 069	-	-	**-1 083**	**11 006**
450	410	521	-	-	-	-	-	**971**	**410**
13 566	**12 070**	**21 864**	**15 753**	**4 524**	**4 400**	**-**	**-**	**63 594**	**72 798**
21.3%	16.6%	34.4%	21.6%	7.1%	6.0%	-	-	**100%**	**100%**
						-4 119	-4 809	**-4 119**	**-4 809**
						-1 448	910	**-1 448**	**910**
						-2 676	-29 790	**-2 676**	**-29 790**
						-633	-523	**-633**	**-523**
								54 718	**38 586**
30.06.15	**31.12.14**	**30.06.15**	**31.12.14**	**30.06.15**	**31.12.14**	**30.06.15**	**31.12.14**	**30.06.15**	**31.12.14**
1 531	1 707	5 647	5 710	-	-	-	-	**14 569**	**14 808**
191 485	184 933	490 906	485 287	86 749	84 571	-	-	**2 346 842**	**2 285 235**
942	*47 401*	*136*	*630*	*23*	*-191*	-	-	***66 543***	***96 837***
1 833	1 897	-	-	-	-	108 951	51 991	**110 784**	**53 888**
194 849	**188 537**	**496 553**	**490 997**	**86 749**	**84 571**	**108 951**	**51 991**	**2 472 195**	**2 353 931**
7.9%	8.0%	20.1%	20.9%	3.5%	3.6%	4.4%	2.2%	**100%**	**100%**
-	-	-	-	-	-	**1 241 180**	**1 158 483**	**1 241 180**	**1 158 483**
						1 231 014	**1 195 448**	**1 231 014**	**1 195 448**
						2 472 195	**2 353 931**	**2 472 195**	**2 353 931**

Financial result

The financial result (excluding changes in the fair value of financial assets and liabilities) was -€14.6 million in the first half of 2015, compared with -€14.0 million in the first half of 2014.

Net interest charges were slightly up on the first half of 2014, mainly due to the handover in 2014 of major investment projects for which interim interests were capitalised. Excluding this effect, additional financial charges relating to the higher average level of the debt were more than offset by falling floating and fixed interest rates of the Company, resulting in an average annualised financing cost (including hedging margin and cost) of 2.82% over the half-year, as against 3.16% for the first half of 2014. The slight increase in *Other financial charges* is due mainly to higher commission for reserving bank lines.

The change in fair value of the financial assets and liabilities was +€11.9 million as against -€15.8 million over the first six months of 2014. Most of the increase seen in 2015 reflects the rise in the interest rate curve at the end of the half-year, while the Company had made significant additions of IRS to its portfolio of hedging instruments before the increase.

(€ thousand)		30.06.15 (6 months)	30.06.14 (6 months)
(+)	**XX. Financial income**	**330**	**36**
(+)	Interests and dividends received	289	1
(+)	Fees for finance leases and similar	41	35
(+)	Net gains realised on sale of financial assets	0	-
(+/-)	**XXI. Net interest charges**	**-13 195**	**-12 705**
(-)	Nominal interest on loans	-13 561	-12 740
(-)	Reconstitution of the face value of financial debts	-250	-218
(-)	Other interest charges	-26	-29
(+)	Proceeds of authorised hedging instruments	5 256	5 257
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*5 256*	*5 257*
(-)	Charges of authorised hedging instruments	-4 615	-4 975
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-4 615*	*-4 975*
(-)	**XXII. Other financial charges**	**-1 700**	**-1 294**
(-)	Bank charges and other commissions	-1 558	-1 294
(-)	Net losses realised on sale of financial assets	-142	-
(+/-)	**XXIII. Changes in fair value of financial assets and liabilities**	**11 890**	**-15 827**
(+/-)	Authorised hedging instruments	26 584	-11 718
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*26 584*	*-11 718*
(+/-)	Others	-14 694	-4 108
(+/-)	**Financial result**	**-2 676**	**-29 790**

Goodwill

Befimmo's acquisition of Fedimmo in 2006 generated goodwill from the positive difference between the acquisition cost (including transaction costs) and Befimmo's share in the fair value of the net asset acquired. The method of recording this goodwill is described in the Annual Financial Report 2014 (pages 184 and 185). A reduction in goodwill of €118 thousand was booked upon the sale of the buildings Stassart in Namur and Kasteelstraat 19 in Izegem in June 2015. The goodwill associated with the sold building was reversed in order to be incorporated into the calculation of the result of the realised sale.

Impairment test

As at 30 June 2015, the goodwill was subject to an impairment test, in accordance with the method described in the Annual Financial Report 2014 (page 185). The result of this test indicates that impairment must be made on the CGU (Cash-Flow Generating Units) Wallonia for an amount of €121 thousand. This impairment was booked to heading XV. of the income statement, *"Other operating income and charges"*.

Investment properties

(€ thousand)	
Carrying value as at 31.12.2013	**2 184 142**
of which: - Investment properties	*2 184 142*
- Assets held for sale	*-*
Acquisitions	-213
Other investments	54 133
Disposals	-1 507
Changes in fair value	11 006
Carrying value as at 30.06.2014	**2 247 561**
of which: - Investment properties	*2 246 192*
- Assets held for sale	*1 369*
Acquisitions	15 238
Other investments	27 679
Disposals	-3 515
Changes in fair value	-1 727
Carrying value as at 31.12.2014	**2 285 235**
of which: - Investment properties	*2 283 268*
- Assets held for sale	*1 967*
Acquisitions	60 698
Other investments	5 846
Disposals	-3 853
Changes in fair value	-1 083
Carrying value as at 30.06.2015	**2 346 842**
of which: - Investment properties	*2 344 744*
- Assets held for sale	*2 098*

In November 2014, Befimmo acquired the building Rue aux Choux in Brussels as a contribution in kind. Consideration for this contribution was paid as 70% in new Befimmo shares and 30% in cash. The building has an conventional value of €15.2 million, in line with the fair value determined by an independent real-estate expert. The annual current rent at the acquisition date was €1.1 million.

During the first half of fiscal year 2015, Beway SA, a 100% subsidiary of Befimmo, acquired the Gateway project (34,000 m² off-plan) from the developers Codic and Immobel. This project represents an investment of some €140 million and an initial yield of 4.65%. During the first half, Beway acquired the leasehold on the land (with a remaining duration of 98 years) and full ownership of the current building. It will become the owner of all the new constructions as the works progress. The fair value of the project, in its current state as at 30 June 2015, was €60.6 million.

During the 2014 fiscal year, Befimmo invested €81.8 million in its properties, the lion's share of which was allocated to building the new Finance Centre in Liège (Paradis Tower) (€47.0 million) and the renovation of the Brederode 13 building (€10.1 million).

The first half of 2015, Befimmo has invested a total of €5.8 million in a number of smaller scale projects in its buildings.

Finally, during 2014, Befimmo also sold five properties in Wallonia; in the first half, the building rue Pépin 5 in Namur and, in the second half, the buildings rue Rennequin-Sualem 28 in Liège, as well as rue Pepin 22, rue Pépin 31 and rue Henri Lemaître 3, all three located in Namur. These five buildings made a contribution to the property operating result of some €330 thousand in the first half of 2014 and €175 thousand in the second half of 2014.

During the first half of 2015, Befimmo sold the buildings Stassart in Namur and Kasteelstraat 19 in Izegem which, from 1 January 2015 until their dates of sale, contributed some €213 thousand to the property operating result.

Financial assets and liabilities

At constant perimeter, the Company needs no further financing before the third quarter of 2016. The chapter "Financial structure" on page 22 of this Report contains detailed information on the subject.

In order to limit the risks related to changes in interest rates, the Company acquires hedging instruments. As at 30 June 2015, the hedging ratio was 81.0%. The table hereafter lists all the hedging instruments owned by the Company at 30 June 2015.

	Level in IFRS	Class in IFRS	CURRENCY Notional amount (millions)	CURRENCY Interest rate	€ Notional amount (millions)	€ Interest rate	Period of hedge		Reference interest rate
CAP bought	2	Option			25	3.50%	Jan. 2012	Jan. 2016	Euribor 1 month
CAP bought	2	Option			25	2.00%	Jan. 2013	Jan. 2019	Euribor 3 month
CAP bought	2	Option			25	1.00%	Febr. 2013	Febr. 2017	Euribor 3 month
CAP bought	2	Option			50	1.50%	Sept. 2013	Sept. 2017	Euribor 3 month
CAP bought	2	Option			50	1.50%	Jan. 2014	Jan. 2017	Euribor 3 month
CAP bought	2	Option			25	2.25%	Jan. 2014	Oct. 2018	Euribor 3 month
CAP bought	2	Option			20	1.50%	Febr. 2014	Febr. 2018	Euribor 3 month
CAP bought	2	Option			15	1.30%	May 2014	May 2018	Euribor 3 month
CAP bought	2	Option			15	0.75%	Jan. 2015	Jan. 2020	Euribor 3 month
CAP bought	2	Option			15	0.30%	Jan. 2015	Jan. 2019	Euribor 3 month
CAP bought	2	Option			30	0.50%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			25	0.85%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			20	3.50%	Jan. 2012	Jan. 2017	Euribor 3 month
FLOOR[a] sold	2	Option			20	1.51%	Jan. 2012	Jan. 2017	Euribor 3 month
CAP bought	2	Option			30	2.25%	July 2012	Jan. 2019	Euribor 1 month
FLOOR[a] sold	2	Option			30	0.82%	July 2012	Jan. 2019	Euribor 1 month
CAP bought	2	Option			20	1.15%	Jan. 2016	Jan. 2022	Euribor 3 month
FLOOR[a] sold	2	Option			20	0.55%	Jan. 2016	Jan. 2022	Euribor 3 month
Receiver's IRS	2	Forward			100	3.12%	April 2011	April 2017	Euribor 3 month
Payer's IRS	2	Forward			25	1.51%	July 2012	July 2021	Euribor 1 month
Payer's IRS	2	Forward			25	1.41%	Sept. 2013	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			25	1.57%	Sept. 2013	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			15	0.84%	May 2014	May 2019	Euribor 3 month
Payer's IRS	2	Forward			20	1.58%	July 2014	July 2022	Euribor 3 month
Payer's IRS	2	Forward			15	1.40%	July 2014	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			15	1.08%	Sept. 2015	Sept. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.50%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.49%	Jan. 2016	April 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.47%	Jan. 2016	July 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.41%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.41%	Jan. 2016	April 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.42%	Jan. 2016	July 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.72%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			40	3.90%	Jan. 2016	Jan. 2018	Euribor 3 month
Receiver's IRS	2	Forward			40	3.90%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			20	0.11%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			20	0.09%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			30	0.12%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			40	2.84%	Jan. 2018	Jan. 2021	Euribor 3 month
Payer's IRS	2	Forward			30	2.99%	Jan. 2018	Jan. 2022	Euribor 3 month
CCS[b]	2	Forward	75 USD	4.83%	56	2.77%	May 2012	May 2019	Fix USD for Fix EUR
CCS[b]	2	Forward	22 GBP	4.90%	26	2.76%	May 2012	May 2019	Fix GBP for Fix EUR
CCS[b]	2	Forward	90 USD	5.05%	67	2.92%	May 2012	May 2020	Fix USD for Fix EUR

[a] *The sale of a FLOOR implies a commitment to pay a minimum interest rate. A FLOOR is sold only at the same time as a CAP is purchased, for the same notional amount and equivalent maturity. The combined purchase of a CAP and sale of a FLOOR is a COLLAR.*

[b] *The interest rates in EUR are marge inclusive for the CCS. The rates are applicable as from 1 June 2015.*

Since most of the financial assets are short-term, their nominal amount is almost equivalent to their fair value. Only financial hedging instruments are recorded at their fair value.

The balance sheet liabilities consist mainly of financial debts. Debts at floating rates have a carrying amount equivalent to their fair value, while fixed-rate loans are either recognised at fair value (estimated by calculating an update of future flows – this approach was chosen for the US Private Placement only, which has its own specific exchange and interest-rate hedging also assessed at fair value) or carried in the accounts at amortised cost (this applies to the two retail bond issues, the European private placements and the debts related to the assignment of future rents and usufruct fees).

The other liabilities items are short-term, so their nominal amount is almost equivalent to their fair value.

Financial assets and liabilities carried at fair value

Befimmo does not practice hedge accounting for the financial hedging instruments it holds. These instruments are therefore regarded as trading instruments under IFRS standards, and changes in their fair value are booked directly and entirely to the income statement. Even though the instruments in question are considered trading instruments under IFRS standards, they are intended solely for hedging the risk of rising interest rates, and not for speculative purposes.

The fair value of financial hedging instruments is defined using data that are indirectly observable, but which are not prices quoted on an active market. The IRS, CCS, CAP and COLLAR contracts therefore belong to level 2 of the fair-value hierarchy, as defined in standard IFRS 7 – *Financial Instruments: Disclosures*. The fair value of these contracts is determined at the balance sheet date and includes the credit value adjustments (CVAs) and debit value adjustments (DVAs) as per IFRS 13 standard. The CVAs and DVAs of the financial hedging instruments are calculated on the basis of listed bonds or, alternatively, Credit Default Swaps of counterparty banks on the one hand and listed Befimmo bonds on the other hand.

Befimmo obtained this information from an independent specialist company. The Company also checks them for consistency with the valuations coming from counterparty financial institutions (fair value excluding CVAs/DVAs).

The fair value of the various classes of hedging instruments is set out hereafter:

(in € thousand)		Balance sheet item as at 30.06.2015		
Classification by IFRS	Level in IFRS	I.E.b. Assets at fair value through the result	I.C. & II.C. Other current and non-current financial liabilities	Market value of the financial hedging instruments per class
Option	2	1 172	-1 380	-208
Forward	2	15 844	-14 233	1 611
CCS	2	33 759	-	33 759
		50 774	**-15 613**	**35 161**

(in € thousand)		Balance sheet item as at 31.12.2014		
Classification by IFRS	Level in IFRS	I.E.b. Assets at fair value through the result	I.C. & II.C. Other current and non-current financial liabilities	Market value of the financial hedging instruments per class
Option	2	258	-1 548	-1 290
Forward	2	10 032	-21 975	-11 943
CCS	2	4 994	-	4 994
		15 284	**-23 523**	**-8 240**

The Company does not offset the value of its financial instruments booked to the assets and liabilities in the balance sheet. The financial assets and financial liabilities shown in the financial situation are therefore gross amounts.

The USPP debt included in the balance sheet item I.B.c. is recognised at fair value (level 2). The fair value option under IAS 39 was adopted, the debt being covered by specific rate and exchange hedging and also measured at fair value. The fair value of the USPP debt is determined by updating future cash flows on the basis of the observed market interest rate curves (in US Dollar and Pound Sterling) at the closing date of these accounts, plus the credit margin. The notional amount determined in this way is converted at the closing exchange rate to obtain the fair value in Euro.

Financial assets and liabilities carried at amortised cost

As mentioned under Significant Accounting Policies, the value of the assets and liabilities approximates to their fair value, except for:

- the financings relating to the assignments of receivables from future rents/future usufruct fees, structured at fixed rates, of a residual total amount of €91.0 million as at 30 June 2015;
- the two bond issues;
- the 6 European private placements issued under CP/MTN documentation.

The financial conditions of these long-term borrowings may no longer correspond to the current market conditions, giving rise to a difference between the carrying amount of the liabilities on the face of the balance sheet and their fair values. The table hereafter compares, for information purposes, the carrying amount of the total fixed-rate borrowings (excluding the USPP debt which is already carried at its fair value) with their fair value at the end of the first half of 2015.

The fair value of the assigned receivables for future rents/future usufruct fees and for the European private placement debt are estimated by updating the future expected cash flows using the 0-coupon yield curve of 30 June 2015, plus the credit margin (level 2). The fair value of the bond issues is, in turn, obtained from the quoted market prices (level 1).

The fair value of these financings is given in the table hereafter as an indication.

(€ thousand)	Level	Fair value	Book value
Retail bonds	1	281 655	271 895
EUPP	2	49 210	49 000
Sales of receivables	2	98 923	90 951

Statutory Auditor's report

Befimmo NV/SA

Report on review of the consolidated interim financial information for the six-month period ended 30 June 2015

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated condensed statement of financial position as at 30 June 2015, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed cash flow statement for the period of six months then ended, as well as the notes to the consolidated condensed financial statements.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Befimmo NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

The consolidated condensed statement of financial position shows total assets of 2.472.195 (000) EUR and the consolidated condensed income statement shows a consolidated net result (group share) for the period then ended of 54.718 (000) EUR.

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – *Review of interim financial information performed by the independent auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Befimmo NV/SA has not been prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

Diegem, 29 July 2015

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Rik Neckebroeck

Risk factors

This chapter covers the identified risks that could affect the Company, including a description of the measures it has taken to anticipate and limit the potential impact of those risks. Note that undertaking includes risk-taking and thus it is impossible to eliminate the potential impact of all risks identified; therefore the residual risk has to be borne by the Company and, indirectly, by its shareholders. The current economic and financial situation may accentuate certain risks to Befimmo's business.

This list of risks is based on information known at the time of writing of this Report, though other risks, which may be unknown, improbable or quite unlikely to have an adverse effect on the Company, its business or its financial situation, may of course exist. The list of risks in this chapter is not exhaustive.

Main market-related risks

Risk of segmental and geographical concentration

Description of risk

Befimmo's portfolio is not very diversified in terms of segment and geography. It is composed of office buildings located mainly in Brussels and its Economic Hinterland (accounted for 67.3%[15] of the portfolio as at 30 June 2015).

Potential impact

Owing to the concentration of its portfolio by segment and geographically, the Company is sensitive to developments in the Brussels office property market.

Mitigation and control measures

Befimmo's investment strategy is focused on quality office buildings located in areas where scarcity generates value, such as the Central Business Districts in Belgium and the Grand Duchy of Luxembourg, which in principle means that the buildings are more attractive and hence occupancy rates are higher. This makes Befimmo less sensitive to any deterioration of the market.

Risks related to rental vacancy

Description of risks

The office property market is currently characterised by higher supply than demand.

The Company is exposed to the risks of its tenants leaving, and renegotiating their leases. The risks include: lost and/or reduced income, risk of negative reversion on rents, risk of pressure on renewal conditions and to grant periods of gratuities, risk of decline in fair value, etc. Befimmo is also exposed to the impact of its tenants' policy to optimise their needs for office space.

[15] Calculated on the basis of fair value.

Potential impact

The realisation of this risk could lead to a decline in occupancy rates and a reduction in the operating result of the portfolio. On an annual basis, a 1% fluctuation in the occupancy rate of the Company's portfolio would have an impact of some €1.24 million on the property operating result.

The direct costs related to rental vacancy, namely charges and taxes on unlet properties, are estimated at -€3.34 million on an annual base, or about 2.38% of total rental income.

Mitigation and control measures

To mitigate these risks, the Company invests in quality buildings and actively manages its relationship with its customers to maintain their satisfaction at a high level. The incorporation of the property management business gives the Company direct control over this important activity for its day-to-day relationship with its tenants.

The constancy of Befimmo's cash flow depends mainly on its rental income being secured over the long term. The Company therefore strives to ensure that a large proportion of its portfolio is let on long-term leases and/or to multiple tenants, which helps to spread the rental risks.

Since December 2006 (with the acquisition of Fedimmo), the average duration of Befimmo leases has remained around 9 years.

Risks associated with tenants

Description of risks

The Company is exposed to the risks related to the financial default of its tenants.

Potential impact

The financial default of tenants can lead to a loss of rental income, an increase in property charges for the Company where rental charges cannot be recovered and the appearance of unexpected rental vacancies. The Company is exposed to the risk of agreeing a new lease on less favourable terms.

Mitigation and control measures

To limit the risk of default, the Company makes a prior analysis of the financial health of its prospective customers. Moreover, in line with standard market practice, private-sector tenants are required to provide a rental guarantee. Public-sector tenants (the Belgian Federal State, Flemish Region and European institutions), which account for a substantial proportion of the Company's portfolio (66%[16] as at 30 June 2015), do not generally give rental guarantees, however. Moreover, a permanent monitoring procedure of the outstanding receivables is applied.

Main risks related to the property portfolio

Risk related to the fair value of the properties

Description of risk

The Company is exposed to the risk of a decline in the fair value of its portfolio as valued by independent experts.

[16] Calculated on the basis of the current rent.

The Company is also exposed to the risk of the real-estate experts over-valuing or under-valuing its properties in relation to market reality. This risk is accentuated in the market segments in which the limited number of transactions gives the experts few points of comparison, which is now particularly true for the decentralised areas and periphery of Brussels (9.98%[17] of the portfolio), and more generally in the Belgian provincial towns.

Potential impact

A decline in the fair value of the portfolio has an impact on the Company's net result, equity, debt and LTV ratio.

Based on the data as at 30 June 2015, a 1% decrease in the value of the property assets would have an impact of around -€23.5 million on the net result, entailing a change of around -€1.06 in the net asset value per share and around +0.49% in the debt ratio[18] and around +0.48% in the LTV ratio.

Mitigation and control measures

The extent of the risks related to a decline in the fair value of the properties is mitigated by Befimmo's investment policy which is to invest in quality office buildings in good locations, offering stable income over the long term: such buildings historically have a less volatile fair value.

The regulations provide for the rotation of the independent experts. Befimmo regularly informs its experts, organising meetings and visits to buildings, among other things.

Risk related to inadequate insurance cover

Description of risk

The Company is exposed to the risk of major losses in its buildings.

Potential impact

A loss in a property entails the costs of repairing the damage. A major loss where its premises can no longer be occupied may lead to the termination of a lease, which could reduce the portfolio's operating income and diminish the fair value of the portfolio.

Mitigation and control measures

In order to mitigate this risk, the buildings in Befimmo's consolidated portfolio are covered by a number of insurance policies (fire, storm, water damage, etc.) covering loss of rent during a limited period, in principle for the time needed for reconstruction, for a total value (new reconstruction value, excluding the value of the land) of €2,125.5 million as at 30 June 2015.

Risk of deterioration of buildings

Description of risk

The Company is exposed to the risk of deterioration of its buildings through wear and tear, and the risk of obsolescence associated with the growing (legislative and societal) demands, mainly in terms of sustainable development (energy performance, etc.).

[17] Calculated on the basis of fair value as at 30 June 2015.
[18] The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.

Potential impact

The obsolescence and deterioration of a building increases the risk of rental vacancy and requires investments to bring the building into compliance with regulatory requirements and tenants' expectations.

Mitigation and control measures

Befimmo ensures that its property is maintained in a good state of repair and is kept at a high level in terms of energy, technical and other performance criteria by making an inventory of preventive and corrective maintenance work to be carried out, and establishing a works programme. Befimmo is also keen to have most of its buildings covered by "total guarantee"[19] maintenance contracts.

As at 30 June 2015, 70% of the consolidated portfolio was covered by such a "total guarantee" contract.

True to one of the key principles of sustainable development, "reduction at source"[20] of the environmental impact, Befimmo is closely monitoring the development of existing legislation, anticipating forthcoming legislation and analysing the sector studies in order to incorporate new management technologies and tools into its renovation projects as quickly as possible.

Risk related to the execution of works

Description of risk

When carrying out major works on the buildings in its portfolio, the Company is exposed to the risks of delays, overshooting the budget, environmental damage and organisational problems. It is also exposed to the risk of default and noncompliance with specifications by its building contractors.

Potential impact

Problems encountered during the execution of the work may adversely affect the Company's results owing to a loss of rental income and/or higher charges, and may also have an adverse impact on its reputation.

Mitigation and control measures

Detailed monitoring of technical, budgetary and planning aspects has been introduced to manage the risks associated with such works. Furthermore, the contracts with building contractors generally provide for a number of measures to limit these risks (price ceilings, delay penalties, etc.). Befimmo also regularly assesses its main suppliers and service providers, and in particular checks that its co-contractors have no unpaid social contributions or taxes.

Regarding environmental issues, specific measures – complying with and in some cases exceeding the requirements of the regulations in force – are incorporated into the specifications and contracts applying to successful tenderers. Compliance with these environmental measures is monitored while the works are in progress (notably by external environmental coordinators, ISO 14001 procedures, site audits, BREEAM assessors, etc.).

[19] A maintenance contract with a total guarantee facility covers all preventive and corrective maintenance activities to be carried out over the duration of the contract and sets a price cap which protects the owner against major unforeseen expenses.

[20] In other words, being proactive where possible, at the design stage of a project, rather than reacting, through corrective measures on an existing building.

Environmental risk

Description of risk

When managing its portfolio, the Company is exposed to environmental risks especially in terms of soil, water, air (high CO_2 emissions) and also noise pollution.

Potential impact

In view of its real-estate activity in the broad sense, the realisation of such risks could sustain damage to the environment and Befimmo could also incur significant costs and suffer damage to its reputation.

Mitigation and control measures

Befimmo adopts a responsible approach under which it has, for many years, aimed to take the necessary measures to reduce the environmental impact of the activities it controls and directly influences, such as its renovation and/or building projects, site checks, and compliance with the environmental permits for the operational portfolio.

Furthermore, the implementation of its Environmental Management System (EMS), which is ISO 14001 compliant, allows it better to anticipate environmental risks at both strategic level (acquisitions, major renovations, etc.) and operational level (building maintenance, use of buildings, etc.).

Risks related to mergers, demergers or acquisitions

Description of risk

Many of the buildings in the Befimmo real-estate portfolio were acquired in companies, which were then absorbed into or merged with Befimmo. Therefore, it cannot be precluded that the value of certain assets may have been over-estimated or that hidden liabilities have been transferred to the Company during such operations.

Potential impact

The realisation of the need to revalue certain assets or record certain liabilities could entail a financial loss to the Company.

Mitigation and control measures

The Company takes the usual precautions in operations of this type, mainly by carrying out due-diligence exercises on properties contributed and on absorbed or merged companies, that may involve obtaining guarantees.

Main economic and financial risks

Risk of inflation and deflation

Description of risk

Befimmo leases contain clauses indexing rents in relation to the evolution in the health index. The Company is therefore exposed to a risk of deflation on its income. Befimmo is also exposed to the risk that the costs it has to bear are indexed on a basis that changes faster than the health index.

Potential impact

The annual impact of the adjustment of rents can be estimated at €1.4 million on an annual basis (excluding protection) per percentage point change in the health index.

Mitigation and control measures

Regarding the risk of deflation, 90.70%[21] of the leases in Befimmo's consolidated portfolio are hedged, in line with standard practice, against the effect of any negative indexing (notably 43.58% provide for a minimum equal to the base rent and 47.12% contain a clause that sets a minimum of the last rent paid). The remaining 9.30% of the leases do not provide for any minimum rent.

In relationships with building contractors, Befimmo strives to limit this risk through contractual clauses.

Risk related to changes in interest rates

Description of risk

Financial charges are the main item in the Company's expenditure account. They are influenced by changes in interest rates on the financial markets.

Potential impact

Rising interest rates increase financial charges and decrease the net result and EPRA earnings.

Mitigation and control measures

The Company has implemented a policy of hedging its interest-rate risk, consisting of financing part of its borrowings at fixed rates and arranging IRS financial instruments or CAP options on a part of its borrowings at floating rates.

On the basis of total borrowings as at 30 June 2015, part of the debt (€587.21 million or 52,7% of the total) is financed at fixed rates (conventional fixed rates or rates fixed by IRS). The remaining borrowings, of €526,52 million, are at floating rates, part of them protected against rises by means of options instruments (CAP/COLLAR[22]).

Without hedging, based on the borrowings situation and the Euribor rates at 30 June 2015 (both assumed to be constant over a 12-month period), the impact of a 0.25% rise in market rates would raise financial charges by an estimated €1.38 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €1.30 million (annualised).

Based on the hedging arranged, the borrowings situation and the Euribor rates at 30 June 2015 (all assumed to be constant over a 12-month period), the impact of a 0.25% rise in market rates would raise financial charges by an estimated €0.83 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €0.75 million (annualised).

[21] Based on the current rent at 30 June 2015.

[22] A COLLAR subscription (buying a CAP or selling a FLOOR) limits the impact of the rise in interest rates (CAP), but also involves an undertaking to pay a minimum rate (FLOOR).

Risk related to changing credit margins

Description of risk

The Company's financing cost also depends on the credit margins charged by the banks and on the financial markets. These financing margins are regularly evaluated in the light of the global economic climate, and also of the regulations, especially in the banking sector (known as the "Basel III" requirements).

Potential impact

An increase in credit margins raises financial charges and therefore adversely affects EPRA earnings and the net result.

Mitigation and control measures

To limit this risk, the Company spreads the maturities of its financing over time and diversifies its sources of financing. It also seeks to use tools that enable it to optimise the level of margins paid (e.g. a short-term commercial paper programme associated with long-term back-up lines or assignments of receivables from future leases).

Currency risk

Description of risk

Befimmo invests solely in the euro zone and has no plans to take exchange risks in its property investments, earnings and financing. Nevertheless, in May 2012 it arranged a bond private placement in the United States (US Private Placement (USPP)) denominated in US Dollar and in Pound Sterling.

Potential impact

Carrying out financing transactions in foreign currencies exposes the Company to the impact of an adverse change in the exchange rate of the Euro against those currencies.

Mitigation and control measures

When the Company obtains finance outside the euro area, as it did in May 2012, it immediately hedges the entire currency transaction and conversion risk by acquiring Cross-Currency Swaps, which can fully offset fluctuations in the exchange rate on the Company's repayments of interest and capital.

Risk of a change in fair value of financial assets and liabilities carried at fair value

Description of risk

A change in the forecast movements of interest rates could alter the value of the financial assets and liabilities carried at fair value.

Potential impact

Had the Euro, US Dollar and Pound Sterling interest rate curves been 0.5% lower than the reference rate curves at 30 June 2015, the fair value of the financial assets and liabilities would have been €21.66 million less. In the opposite case, the fair value would have been €21.26 million more.

Changes in the Euro-US Dollar and Euro-Pound Sterling exchange rates can also have a significant impact on the fair value of the USPP financing, which is denominated in US Dollar and Pound Sterling.

Mitigation and control measures

The change in the accounting fair value of the USPP debt is mostly offset, however, by a change in the opposite direction of the Cross-Currency Swaps, hedging instruments arranged at the same time as the financing.

The impact of the change in fair value of the financial assets and liabilities can be partially mitigated by a combination of hedging instruments (options and swaps). As at 30 June 2015, the net fair value of all the hedging instruments was +€35.16 million.

Risk related to a change in the Company's rating

Description of risk

The Company's financing cost is influenced amongst other things by Standard & Poor's rating.

The rating is determined on the basis of an assessment of the Company's business risk and financial risk profiles.

Potential impact

Any downgrade of the rating would make it harder to obtain new financing, and if the rating were reduced from BBB to BBB-, would generate an additional financing cost estimated at €0.8 million, based on the debt structure as at 30 June 2015. Such a downgrade could also have an adverse impact on the Company's image with investors.

Mitigation and control measures

The Company regularly reviews the criteria (ratios) used to determine its rating and analyses the potential impact of its decisions on its rating, and the forecasted changes in these ratios.

Financial liquidity risk

Description of risk

Befimmo is exposed to a liquidity risk related to the renewal of its financing coming to maturity or for any additional funding needed to meet its commitments. The Company could also be exposed to this risk if its financing agreements were terminated.

Potential impact

The Company could be obliged to arrange new additional financing at a higher cost or sell some assets under less than ideal conditions.

Mitigation and control measures

To mitigate this risk, the Company diversifies its financing sources and their maturities. As at 30 June 2015, the ratio of debt provided by financing from 7 banking institutions was 53.6%. The remainder is provided by various bond issues (two retail bonds, a private bond placement in the United States (USPP) and two private bond placements in Europe).

At 30 June 2015, the Company had confirmed unused lines of €240.78 million including cash. The Company aims to cover this risk by keeping a defined amount in confirmed unused lines at all times.

In addition, article 24 of the Royal Decree of 13 July 2014 requires BE-REITs to devise a financial plan for the FSMA if the consolidated debt ratio exceeds 50%. As at 30 June 2015, Befimmo's debt ratio was 49.61%.

Risk related to counterparty banks

Description of risk

Arranging financing or a hedging instrument with a financial institution creates a counterparty risk of that institution defaulting.

Potential impact

The Company could find itself in a situation where it is unable to access the financing arranged or the cash flows to which it is entitled through hedging instruments.

Mitigation and control measures

Befimmo therefore takes care to diversify its banking relationships. As at 30 June 2015, the Company had a business relationship with several banks:

- the bank credit lines granted to Befimmo amounted to €747 million as at 30 June 2015. The banks, in alphabetical order, providing this finance are BayernLB, BECM (CM-CIC group), Belfius, BNP Paribas Fortis, ING, KBC and RBS;
- the counterparty banks for the hedging instruments are Belfius, BNP Paribas Fortis, ING, KBC and RBS.

Since Befimmo's financial model is based on structural borrowing, the amount of cash deposited with financial institutions is structurally very limited. It was €0.71 million as at 30 June 2015 compared with €1.02 million at 30 June 2014.

Risk related to obligations contained in financing agreements

Description of risk

The Company is exposed to the risk of its financing agreements being cancelled, renegotiated or terminated early should it fail to abide by the covenants it made when signing these agreements, notably regarding certain financial ratios. Furthermore, some financing agreements provide for payment of a penalty if they are terminated prematurely.

When the Company carries out a financing transaction on a foreign market, it is subject to laws and counterparties with which it is less familiar.

Potential impact

Any challenge to a financing agreement would expose the Company to having to arrange additional financing at a potentially higher cost or sell certain assets under less than ideal conditions.

Mitigation and control measures

The Company negotiates covenants with counterparties at levels consistent with its estimated forecasts of changes in those indicators, and regularly analyses any changes in those forecasts.

Main risks related to regulation

Regulations

Description of risk

The Company is exposed to changes in the law and increasingly numerous and complex regulations, and of possible changes in their interpretation or application by the authorities or the courts, notably fiscal regulations (e.g. provisions and circulars relating to withholding tax, notional interest or anti-abuse provisions) or environmental and urban development regulations.

Potential impact

Changes in and non-compliance with regulations expose the Company to risks of liability, civil, criminal or administrative convictions, and the risk of not obtaining or the non-renewal of permits. This could adversely affect the Company's business, its results, profitability, financial situation and/or outlook.

Mitigation and control measures

The Company has a legal team with the necessary skills to ensure strict compliance with regulations in force and proactively anticipate changes in the law (regulatory monitoring). It also regularly calls upon external consultants.

BE-REIT status

Description of risk

Should the Company lose approval for its BE-REIT status (SIR/GVV), it would no longer qualify for the transparent tax regime applicable to BE-REITs. The Company is also exposed to the risk of future adverse changes to that regime.

Potential impact

Loss of approval is also generally regarded as grounds for early repayment by acceleration of payment of financing taken out by the Company. Any future adverse changes in the BE-REIT regime could also lead to a decline in results or net asset value, increase the debt ratio (e.g. by applying new accounting rules), reduce the maximum debt ratio, or affect the extent to which a BE-REIT must distribute dividends to shareholders.

Mitigation and control measures

The Company has a legal team that ensures strict compliance with regulations in force and proactively anticipates changes in the law (regulatory monitoring). It also calls upon external consultants.

Tax regime

As a BE-REIT (SIR/GVV), the Company enjoys a specific tax regime. The legislator intended the BE-REIT to ensure a high degree of transparency for real-estate investments and distribute as much cash flow as possible while enjoying certain advantages. In particular, BE-REITs pay a reduced rate of corporation tax as long as at least 80% of the results are distributed. BE-REITs[23] are exempt from corporation tax on the results (rental income and capital gains realised minus operating costs and financial charges).

The exit tax is calculated taking account of the provisions of circular Ci.RH.423/567.729 of 23 December 2004, the interpretation or practical application of which is liable to change. The real value of a property, as referred to in the circular, is calculated after deduction of registration fees or VAT. This real value differs from (and so may be less than) the fair value of the property as set out in the BE-REIT's IFRS balance sheet. Any change to this circular could potentially entail an increase in the basis on which the exit tax is calculated. Befimmo complies in all respects with the regulations in force, and the provisions of the above-mentioned circular, for the calculation of exit taxes it owes in connection with the transactions on which the tax is due.

Risk of legal proceedings

Description of risk

The Company is a party to legal proceedings and may be involved in others in future.

Potential impact

At the time of writing, Befimmo is involved in a number of legal proceedings which, on the whole (according to the information available to the Company at the date of this Report), are unlikely to have a major impact on Befimmo, as the potential losses are highly unlikely to materialise and/or are of insignificant amounts.

Mitigation and control measures

The Company has a legal team with the skills needed to analyse its contractual commitments in its various areas of business and ensure strict compliance with the regulations. It also regularly calls upon external consultants.

Main operational risks

Operational risk

Description of risk

Risk of loss or loss of earnings resulting from inadequate or failed internal processes, people and systems or from external events (fraud, natural disasters, human error, failure of information systems, cybercrime, etc.).

The business continuity plan is defined as the set of measures in the event of a crisis, to ensure continuity of operations and essential services, possibly in degraded mode, and a planned resumption of business. It covers both functional and IT aspects.

Potential impact

Loss or theft of sensitive data, financial loss through fraud, interruption of business in the event of a failure of systems or processes.

[23] But not their subsidiaries, which are no institutional BE-REITs.

Mitigation and control measures

The Board of Directors has drafted a Corporate Governance Charter and a Code of Ethics. Befimmo's Code of Ethics requires ethical values to be observed in relations with its customers, team, partners and shareholders. These documents are brought to the attention of the members of the team, posted on the Company's intranet and can also be viewed on the Company's website. Furthermore, a disaster recovery plan has been devised.

Depending on the type of data, back-ups are organised by a variety of techniques (redundant infrastructure, daily back-ups online and on tape). Measures are taken to manage access to the Company's data. Outsourced IT support is provided by two partners under a service level agreement (SLA).

Risk related to team members

Description of risk

The Company is exposed to a risk of certain key members of staff leaving.

Potential impact

A loss of key skills in the Company could lead to a delay in achieving some of its objectives.

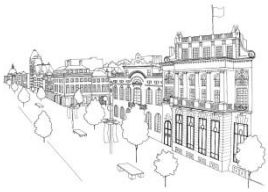
Mitigation and control measures

Befimmo pays special attention to the well-being of its employees. Pay is also in line with market rates.

Hence, Befimmo also attaches great importance to managing the skills of its team members.

Befimmo has introduced a process for the integration of new employees (mentoring system, etc.). Retirements are anticipated as much as possible and Befimmo ensures that know-how is passed on.

Statements



Statement by persons responsible

Mr Benoît De Blieck, Managing Director, and Mr Laurent Carlier, Chief Financial Officer of the Company, declare for and on behalf of Befimmo SA, that to the best of their knowledge:

a) the financial statements, prepared in accordance with the applicable accounting standards, give an accurate picture of the assets, financial situation and the results of the Company and the businesses included in the consolidation;

b) the management report contains an accurate account of the development of the business, results and situation of the Company and the businesses included in the consolidation, and a description of the main risks and uncertainties they face.

Central Gate

Profile

Befimmo is a public BE-REIT incorporated under Belgian law (SIR/GVV). It is bound by the law of 12 May 2014, and the Royal Decree of 13 July 2014 on BE-REITs.

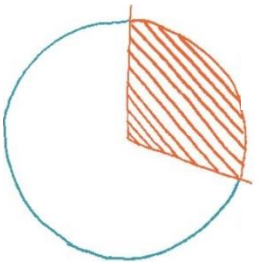
Befimmo has a pure player strategy, specialising in offering quality office buildings located in Brussels, other Belgian cities and the Grand Duchy of Luxembourg. Its portfolio is worth some €2.4 billion and comprises around a hundred office buildings with space totalling over 950,000 m².

Befimmo has a high-quality property portfolio with a high occupancy rate. To enhance its properties and maintain this high quality over the long term, Befimmo implements an annual investment programme that improves the quality and technical performances, particularly the energy performances.

Income from these buildings is recurring and relatively predictable; two thirds comes from public institutions with a high rating, under leases with an average remaining duration of around 10 years. Befimmo is pursuing its goal of carrying out in a responsible, transparent and sustainable manner the various tasks that make up its core business of real-estate operator: commercialisation, property management, renovation and construction for own account, investments and disinvestments.

Befimmo endeavours to incorporate the challenges of sustainable development into its strategic thinking and models its day-to-day activities on the principles of Social Responsibility.

Befimmo is listed on Euronext Brussels and has been included in the BEL 20 index since March 2009. As at 30 June 2015, its market capitalisation is €1.2 billion. Befimmo intends to offer its shareholders a dividend at a yield in line with its risk profile.



93%
Occupancy rate

€1.2 billion
Market capitalisation

Befimmo

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