Befimmo

HALF-YEARLY FINANCIAL REPORT 2017

# ◆ RESHAPING THE WORKPLACE ◆

## "A PROMISING FIRST HALF-YEAR"

## KEY EVENTS

- Quatuor: Building permit obtained and Beobank first major tenant
- Value crystallisation of the Brederode complex
- Fair value of property portfolio growth at constant perimeter (+0.7%)
- Half-yearly EPRA earnings of €1.92 per share, in line with forecasts
- Half-yearly net result of €3.69 per share
- Net asset value of €57.58 per share
- Dividend forecast confirmed (€3.45 gross per share) for the 2017 fiscal year

**Wednesday 19 July 2017 | 5.40 PM**

**Regulated information**

Half-yearly accounts for the period from 01.01.2017 to 30.06.2017

# SUMMARY

The signing, in March 2017, of an agreement with Beobank on the occupancy of a tower of about 22,000 m² in the Quatuor project and the obtention of the building permit[1] for this project on 30 June 2017 are promising for the successful pursuit of Befimmo's projects in the North Area.

This first half was also marked by the sale, in March 2017, of the Brederode complex through a 99-year leasehold for an amount of around €122 million, corresponding to an initial yield of 3.69% and generating a gain of €21.9 million.

Taking into account the lease to Beobank mentioned above, Befimmo's commercial teams signed leases and lease renewals for 40,625 m², which is a strong increase compared with 17,322 m² signed in the first half of last year.

In the course of the first half of the fiscal year, Befimmo invested €24.1 million in works within its portfolio. Besides the ongoing redevelopment and renovation projects such as the Guimard and Eupen projects, as well as the preparation of the development of the North Area, this amount includes Befimmo's multi-annual programme to improve the energy performances of its buildings.

As at 30 June 2017, the fair value amounts to €2,477.1 million, compared with €2,511.7 million as at 31 December 2016. Excluding investments and disinvestments, the value of portfolio increased by 0.7% during the half-year.

As at 30 June 2017, EPRA earnings per share amounts to €1.92 (€1.89 as at 30 June 2016), in line with forecasts, and the net result amounts to €3.69 per share.

The net asset value amounts to €57.58 per share as at 30 June 2017.

As at 30 June 2017, Befimmo's debt ratio ("LTV") amounts to 39.02%. The average financing cost is 2.13% as at 30 June 2017. At the end of the half-year, the weighted average duration of debts amounts to 4.97 years.

*As a reminder, since 3 July 2016, the "Alternative Performance Measures (APM)"[2] Guidelines of the European Securities Markets Authority (ESMA) have been applicable. The APMs within the Report are identified with a footnote at the first mention of the APM in this Report. The full list of APMs, their definition, their utility and the related reconciliation tables are included in Appendix I to this Report and are published on the Befimmo website: http://www.befimmo.be/en/investors/publications/alternativeperformance-measures.*

[1] The planning permit should be final in the course of September 2017.

[2] For more information, please consult Report "Final Report – ESMA Guidelines on Alternative Performance Measures" on the ESMA website (https://www.esma.europa.eu/).

# TABLE OF CONTENTS



The Board of Directors met on 18 July 2017 to prepare the consolidated half-yearly financial statements as at 30 June 2017.

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.

# 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 doing business involves taking risks and so it is not possible to eliminate the potential impact of all the risks identified, nor of any residual risk that therefore has to be borne by the Company and, indirectly, by its shareholders. The economic and financial situation and the current geopolitical context 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 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 therefore not exhaustive.**

# MAIN MARKET-RELATED RISKS

## RISK OF SEGMENTAL AND GEOGRAPHICAL CONCENTRATION

### DESCRIPTION OF RISK

The Befimmo portfolio is not very diversified in terms of segment and geography. It consists of office buildings, mainly located in Brussels and its economic Hinterland (67.58%[3] of the portfolio as at 30 June 2017). The vacancy rate for the Brussels office market was 9.26%[4] as at 30 June 2017 compared with 9.30% at the end of 2016, with significant differences according to the various sub-markets. Befimmo's portfolio was let with a spot occupancy rate[5] of 93.94% as at 30 June 2017 compared with a spot occupancy rate of 92.22% at the end of 2016.

### POTENTIAL IMPACT

Given this sectoral and geographical concentration, the Company is sensitive to developments in the Brussels office property market, which is characterised in particular by a significant presence of European institutions and related activities.

### MITIGATION AND CONTROL MEASURES

Befimmo's investment strategy is focused on quality office buildings, with a good location, good accessibility and a sufficient critical size, among other factors. Buildings must be well equipped and flexible, have an appropriate rental situation and a potential for value creation. This investment strategy makes the buildings more attractive to tenants and hence ensures a better spot occupancy rate. This makes Befimmo in principle less sensitive to any deterioration of the market.

## RISKS RELATED TO RENTAL VACANCY

### DESCRIPTION OF THE RISKS

The office property market is currently characterised by higher supply than demand. As at 30 June 2017, the spot occupancy rate[5] of Befimmo's portfolio was 93.94% (compared with 92.22% as at 31 December 2016). The Company is exposed to the risks of its tenants leaving, and of renegotiating their leases. These risks include, among others, the following: Risk of loss and / or reduced income, risk of negative reversion on rents, risk of decline in fair value, etc. Property owners are also impacted by tenants' policy decisions to optimise and make different uses of their office space (New Ways of Working, co-working, etc.).

### POTENTIAL IMPACT

If this risk were to materialise it would lead to a decline in spot occupancy rates and a reduction in the operating result of the portfolio. On an annual basis as at 30 June 2017, a 1% fluctuation in the spot occupancy rate of the Company's portfolio would have an impact of some €2.1 million on the property operating result, €0.08 on the net asset value per share and 0.08% on the debt ratio.

The direct costs related to rental vacancy, namely charges and taxes on unlet properties, were estimated at -€3.12 million on an annual basis, or about 2.20% of total rental income.

The Company may also be exposed to higher expenses in connection with the marketing of properties available for lease.

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[3] Calculated on the basis of the fair value of the investment properties, including projects.
[4] Source: CBRE as at 30 June 2017.
[5] For more information, please consult the Report on page 18 or the glossary of Befimmo's website: http://www.befimmo.be/en/glossary.

### MITIGATION AND CONTROL MEASURES

To mitigate these risks, the Company invests in quality properties. It has a professional sales team dedicated to finding new tenants and actively managing the relationship with its customers. Tenant satisfaction is a priority, and Befimmo strives to equip its buildings with that in mind.

Moreover, it is extending the range of services it offers and providing a personalised service to facilitate the everyday lives of its tenants.

The constancy of Befimmo's cash flow depends mainly on its rental income being secured. 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. As at 30 June 2017, the weighted average duration of Befimmo's current leases up to next break was 7.67 years.

## RISKS ASSOCIATED WITH TENANTS

### DESCRIPTION OF THE 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 where rental charges cannot be recovered and the appearance of unexpected rental vacancies. As described in the risks related to rental vacancy, the Company is in this case exposed to the risk of pressure on renewal conditions and to grant periods of gratuities etc. The ageing balance of trade receivables is to be found in the financial statements (note 32 on page 174 of the Annual Financial Report 2016).

### 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 Government, Flemish Region and European institutions), which occupy a substantial proportion of the Company's portfolio (68.65%[6] as at 30 June 2017), do not generally give rental guarantees, however, but do have a more limited risk profile. Moreover, a procedure of regular follow up of outstanding receivables is applied.

[6] Calculated on the basis of the gross current rent from lease agreements as at 30 June 2017.

# 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 independently valued every quarter by independent experts. The Company is also exposed to the risk of the real-estate experts over-valuing or under-valuing its properties in relation to their true market value.

A change in the value of properties may result from various factors specific to the property (change of occupation, technical condition, etc.) and/or its environment (general economic trends and interest rates, regulatory framework, geopolitical context, etc.).

This risk is accentuated in the market segments in which the limited number of transactions gives the experts few points of comparison, which still holds true to some extent for the decentralised areas and periphery of Brussels (9.37%[7] 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 ratio[8] and LTV[9]. A significant negative change in the fair value of the portfolio could have an impact on the Company's ability to distribute a dividend[10] if the cumulative negative changes in fair value were to exceed the total value of distributable and non-distributable reserves and the distributable portion of the share premiums.

Based on the data as at 30 June 2017, a 1% decline in the value of the property assets would have an impact of around -€24.8 million on the net result, entailing a change of around -€0.97 in the net asset value per share, around +0.40% in the debt ratio and around +0.39% in the LTV ratio.

As a matter of interest, the AMCA building in Antwerp, the Paradis Tower in Liège, the Gateway building at Brussels airport and the WTC Tower III in Brussels each account for between 5 and 10% of the fair value of the portfolio as at 30 June 2017.

### MITIGATION AND CONTROL MEASURES

The scale 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, on good leases: such buildings historically have a less volatile fair value. The regulations provide for the rotation of the independent experts, and Befimmo systematically informs its experts of changes to the status of its buildings by organising tours of the 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 the premises can no longer be occupied may lead to the termination of a lease, and hence an unexpected rental vacancy, which could reduce the portfolio's operating income and diminish the fair value of the building.

### MITIGATION AND CONTROL MEASURES

In order to mitigate this risk, the buildings in Befimmo's portfolio are covered by a number of insurance policies (risks of fire, storm, water damage, etc.) covering loss of rent for a limited period (in principle for the time needed for reconstruction), and also the cost of works, for a total value (new reconstruction value, excluding the value of the land) of €2,188.4 million at 30 June 2017. Befimmo has moreover a policy that covers terrorism risks.

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7 Calculated on the basis of the fair value of the investment properties as at 30 June 2017.

8 The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.

9 Loan to value ("LTV") = [(nominal financial debts – cash)/fair value of portfolio]. This is an Alternative Performance Measure. For more information, please consult Appendix I of this Report.

10 Please see the chapter "Appropriation of results (statutory accounts)" of the Annual Financial Report 2016.

# RISK OF DETERIORATION AND OBSOLESCENCE 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.).

## POTENTIAL IMPACT

The obsolescence and deterioration of a building increase the risk of rental vacancy and require investment to bring the building into compliance with regulatory requirements and tenants' expectations.

## MITIGATION AND CONTROL MEASURES

Befimmo ensures that its property is kept in a good state of repair and is upgraded 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" maintenance contracts[11].

At 30 June 2017, 86% 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"[12] of 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.

# RISKS RELATED TO THE EXECUTION OF WORKS

## DESCRIPTION OF THE RISKS

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 non-compliance with specifications by the contractors responsible for the works.

## POTENTIAL IMPACT

Problems encountered during the execution of the works may adversely affect the Company's results owing to a loss of rental income and/or a decline in value of the property and/or an increase in 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 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.).

# ENVIRONMENTAL RISKS

## DESCRIPTION OF THE RISKS

When managing its portfolio, the Company is exposed to environmental risks, notably in terms of pollution, soil, water, air (high $CO_2$ emissions) and also noise pollution. It is also exposed to the risk of not achieving its targets for improving its environmental performance and of losing the certifications (BREEAM, ISO 14001, etc.) that it was received.

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[11] 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.

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

### POTENTIAL IMPACT

In view of its real-estate activity in the broad sense, if such risks were to materialise, the environment could sustain damage and Befimmo could also incur significant costs and suffer damage to its reputation with its stakeholders. The occurrence of an environmental risk could, in some cases, also have an adverse impact on the fair value of the portfolio.

### 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, for its renovation and/or building projects, site checks, and for the operational portfolio compliance with the environmental permits.

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.).

It also devotes the necessary resources, both internal and external, to analysing its environmental performance and the potential for improvement, and ensuring compliance with the requirements associated with certifications obtained.

## RISK RELATED TO MERGERS, DEMERGERS OR ACQUISITIONS

### DESCRIPTION OF RISK

Many of the buildings in the Befimmo real-estate portfolio were acquired through companies, which were generally then absorbed into or merged with Befimmo. There is therefore a risk 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 full due-diligence exercises (accounts, taxation, etc.) on properties contributed and on absorbed or merged companies that may involve obtaining guarantees.

## RISK RELATED TO CO-OWNERSHIP

### DESCRIPTION OF RISK

Some properties in the Befimmo portfolio are co-owned. Co-ownerships are governed by the Civil Code and provide in particular that important decisions other than the routine management of the co-ownership, when it involves major work affecting the common parts of the building, must be taken by special majorities. Furthermore, no single co-owner may ever have a majority voting power in relation to all other co-owners present or represented.

### POTENTIAL IMPACT

Important decisions must be taken by qualified majority voting, which could have an impact on the time needed to carry out major works or even the feasibility of certain projects.

### MITIGATION AND CONTROL MEASURES

Befimmo generally endeavours to limit its ownership of co-owned assets. 6.06%[13] of the portfolio is co-owned.

[13] On the basis of the fair value as at 30 June 2017.

# RISKS RELATED TO NON-COMPLIANCE OF THE BUILDINGS WITH THE APPLICABLE REGULATIONS

## DESCRIPTION OF THE RISKS

The Company is exposed to the inflation of, and increasingly complex, regulatory standards applicable to the buildings in its portfolio. This trend requires the Company to keep up to date at all times with these new rules and to bring its buildings in conformity with the applicable standards.

The Company runs the risk that one or more of its properties do not immediately meet all the applicable new standards and regulations.

## POTENTIAL IMPACT

The adoption of new rules applicable to the properties in the Company's portfolio may necessitate additional investments and thereby entail increased costs to the Company and/or delays in ongoing projects (renovation, etc.).

Non-compliance of a building with all the applicable regulations is liable to have an impact at several levels for the Company: the valuation of the property may be adversely affected by non-compliance with any regulation; the Company may be liable for civil, administrative or criminal fines; tenants or other third parties may hold the Company liable for non-compliance (e.g. in case of fire for failing to comply with safety standards).

More generally, non-compliance with the regulations for one or more properties owned by the Company, and the potential consequences of that, are liable to have an adverse impact on the Company's reputation, business and results.

## MITIGATION AND CONTROL MEASURES

To manage these risks, the Company has put in place the necessary procedures (i) to anticipate these new standards and regulations (legal and regulatory monitoring), (ii) to check the compliance of buildings newly acquired (technical due diligence) and in the portfolio (product manager in charge of regulatory compliance, checks on compliance with standards and regulations, notably related to the environment) and, (iii) to bring the building concerned immediately into compliance by adopting these new standards and regulations (project management). Tenants are also made aware of their obligations in this regard by a clause in the standard lease.

# MAIN ECONOMIC AND FINANCIAL RISKS

## RISK OF INFLATION AND DEFLATION

### DESCRIPTION OF RISK

Befimmo leases contain clauses indexing rents to changes 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 impact of the adjustment of rents can be estimated at €1.4 million on an annual basis (not including protection) per percentage point change in the health index.

### MITIGATION AND CONTROL MEASURES

Regarding the risk of deflation, 90.21%[14] of the leases in Befimmo's consolidated portfolio are hedged, in line with standard practice, against the effect of any negative indexing (44.68% provide for a minimum equal to the base rent while 45.53% contain a clause that sets a minimum of the last rent paid). The remaining 9.79% of the leases do not provide for any minimum rent.

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

## RISK ASSOCIATED WITH CHANGING INTEREST RATES

### DESCRIPTION OF RISK

Financial charges are the Company's main item of expenditure. They are heavily influenced by interest rates on the financial markets.

### POTENTIAL IMPACT

Rising interest rates increase financial charges and decrease the net result and EPRA earnings[15].

In the context of current interest rates, the practice of some banks to set a 0% floor on Euribor, used as reference in financing contracts, has an adverse impact on financial charges. This practice can also create distortion between the floating rates used in financing contracts and IRS type hedging contracts.

A change in interest rates could also have an impact, with a delayed effect, on valuations of the properties in the portfolio

### 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 part of its borrowings at floating rates.

On the basis of total borrowings as at 30 June 2017, a debt of €786.9 million (or 81.4% of the total) is financed at fixed rates (conventional fixed rates or rates fixed by IRS). The remainder of the debt, €180.0 million, is financed at floating rates, but is completely hedged against rising interest rates by means of optional instruments (CAP/COLLAR[16]).

Without taking account of hedging, on the basis of the borrowings situation and the Euribor rates at 30 June 2017 (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 €1.5 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €1.5 million (annualised).

Taking account of the hedging arranged, the borrowings situation and the Euribor rates at 30 June 2017 (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 €0.3 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €0.3 million (annualised).

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[14] On the basis of the gross current rent from lease agreements as at 30 June 2017.

[15] This is an Alternative Performance Measure. For more information, please consult the chapter "EPRA Best Practices" on page 41 of the current Report.

[16] Buying a COLLAR (buying a CAP and selling a FLOOR) places a ceiling (CAP) on the impact of a rise in interest rates, 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 the financial markets. These financing margins change in line with the global economic climate, and also with the regulations, especially in the banking sector (known as the "Basel III" and "Basel IV" requirements) and the insurance sector (known as the "CRD IV" regulation).

## 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[17] of its financing over time and diversifies its sources[18] of financing.

It also seeks to optimise the use of its financing by giving preference to financing with the lowest margins (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 currency risks in its investments, income or financing. Nevertheless, in May 2012 it arranged a private bond placement in the United States (US Private Placement (USPP)) denominated in US Dollars and Pound Sterling, maturing in 2019 and 2020.

## 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 in currencies other than the Euro, as it did in May 2012, it immediately hedges the entire currency transaction and conversion risk by acquiring Cross Currency Swaps, which 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 and exchange rates alters the value of the financial assets and liabilities carried at fair value.

## POTENTIAL IMPACT

Had the Euro, US Dollar and Euro-Pound Sterling interest rate curves been 0.5% lower than the reference rate curves at 30 June 2017, the change in fair value of the financial assets and liabilities would have been -€23.38 million. In the opposite case, the change would have been +€22.63 million.

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 debt, which is denominated in US Dollar and Pound Sterling.

## MITIGATION AND CONTROL MEASURES

The change in fair value of the USPP debt is more than offset, however, by a change in the opposite direction of the Cross Currency Swaps (CCS), hedging instruments arranged at the same time as the financing.

The impact of the change in fair value of the financial assets and liabilities at fixed rates can be partially mitigated by a combination of hedging instruments (options and swaps).

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[17] For more information, see page 34 of the Report.
[18] For more information, see page 35 of the Report.

As at 30 June 2017, the net fair value of all the hedging instruments, including the cumulated variation of the fair value of the USPP debt, was -€9.19 million.

Part of Befimmo's borrowings (62.57%) are arranged at floating rates, which therefore means that the debt does not change in value in line with changes in the outlook for interest rates.

# RISK RELATED TO A CHANGE IN THE COMPANY'S RATING

## DESCRIPTION OF RISK

The Company's financing cost is influenced mainly by the rating given by the agency Standard & Poor's. The rating is determined on the basis of an assessment of the risk profile of the activity and the Company's financial profile.

## POTENTIAL IMPACT

Any downgrade of the rating would make it harder to obtain new financing and, if the rating were reduced by one notch from BBB to BBB-, would generate an additional financing cost estimated at €0.82 million, based on the debt structure as at 30 June 2017. 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 any changes in the rating, and the forecast changes in the ratios.

# FINANCIAL LIQUIDITY RISK

## DESCRIPTION OF RISK

Befimmo is exposed to a liquidity risk related to the renewal of its financing as it reaches 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 additional financing at a higher cost or to sell some assets under less than ideal conditions.

## MITIGATION AND CONTROL MEASURES

To mitigate this risk, the Company has put in place a financial policy which in particular diversifies the sources and maturities of its financing. As at 30 June 2017, the ratio of debt provided by financing from 7 banking institutions was 65.71%. The remainder is provided by various bond issues (one private bond placement in the United States (USPP) and a number of private placements in Europe).

As at 30 June 2017, the Company had confirmed unused lines of €297.67 million including cash. The Company aims to cover this risk by keeping a defined amount in confirmed unused lines at all times. The amount of net interest charges was €9.42 million at 30 June 2017.

In addition, article 24 of the Royal Decree of 13 July 2014 requires BE-REITs to prepare a financial plan for the FSMA if the consolidated debt ratio exceeds 50%.

As at 30 June 2017, Befimmo's debt ratio was 41.01%, compared with 44.65% as at 31 December 2016.

# RISK RELATED TO COUNTERPARTY BANKS

## DESCRIPTION OF RISK

Arranging finance 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 and to work with banks that have an adequate rating. As at 30 June 2017, the Company had a business relationship with several banks:

- The bank credit lines granted to Befimmo amounted to €857.4 million at 30 June 2017. The banks, in alphabetical order, providing this finance are Agricultural Bank of China Luxembourg, Banque Degroof, BECM (CM-CIC group), Belfius, BNP Paribas Fortis, ING and KBC;
- The counterparty banks for the hedging instruments are BECM (CM-CIC group), 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 €0.3 million as at 30 June 2017 compared with €0.2 million as at 31 December 2016.

## 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 those 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 its counterparties at levels consistent with its estimated forecasts of changes in those indicators, and regularly analyses any changes in those forecasts.

## RISK RELATED TO BREXIT

### DESCRIPTION OF RISK

On 23 June 2016, 51.8% of the population of the United Kingdom voted in a referendum for their country to leave the European Union. On 29 March 2017, the British Prime Minister triggered the process of leaving the European Union. In accordance with the European Treaties, the UK will leave at the end of a two-year period, allowed for the organisation of the exit process and the discussion of any new form of partnership.

### POTENTIAL IMPACT

This process creates volatility in the financial markets and uncertainty about the future relationship between the United Kingdom and the European Union. Opinions on the impact of the BREXIT are divided, some viewing it as a risk. The uncertainty may have a general impact on the economic situation, including reducing liquidity on the financial and real-estate markets, and may delay or call into question certain financial or real-estate operations, or even affect their value.

### MITIGATION AND CONTROL MEASURES

Befimmo is closely monitoring developments on this issue and is conducting its business with additional caution.

# MAIN RISKS RELATED TO REGULATION

## REGULATION

### DESCRIPTION OF RISK

Through its activities, the Company is exposed to changes in (Belgian, European and international) legislation and increasingly numerous and complex regulations, and of possible changes in their interpretation or application by the authorities or the courts, notably accounting, fiscal (e.g. provisions and circulars relating to withholding tax or anti-abuse provisions), environmental, urban-development and public-procurement 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 calls upon external consultants.

## BE-REIT STATUS

### DESCRIPTION OF RISK

Should the Company lose its BE-REIT status, 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 the status is also generally regarded as grounds for early repayment by acceleration of payment of loans 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, 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 a maximum of cash flow while enjoying certain advantages. In particular, BE-REITs pay a reduced rate of corporation tax as long as at least 80% of the cash flows are distributed (calculated on the basis of article 13 of the Royal Decree of 13 July 2014). BE-REITs[19] 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 that circular, is calculated after deducting the 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.

[19] But this does not apply to its subsidiaries which are not institutional BE-REITs.

# RISK OF LEGAL PROCEEDINGS

## DESCRIPTION OF RISK

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

### POTENTIAL IMPACT

The Company is exposed to the risk of loss or theft of sensitive data, financial loss through fraud, interruption of business in the event of a failure of systems or processes.

### MITIGATION AND CONTROL MEASURES

The Company has a corporate governance charter and a code of ethics drawn up by the Board of Directors.

The code of ethics requires ethical values to be observed in relations with its customers, staff, partners and shareholders. These documents are made available to team members by posting on the intranet site and can also be consulted on the Company's website. A business continuity plan has been devised, consisting of measures which, in the event of a crisis, allowing operations and essential services to continue, possibly in degraded mode, and a planned resumption of business. It covers both functional and IT aspects.

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 the risk of departure of certain "key" members of staff.

### 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. Furthermore, its pay scales are in line with market rates.

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

The Company has introduced a procedure for monitoring the induction of new employees (mentoring system, etc.). Departures are prepared for as early as possible and Befimmo ensures that know-how is passed on.

# INTERIM MANAGEMENT REPORT

# KEY EVENTS OF THE HALF-YEAR

## QUATUOR PROJECT

### BEOBANK FIRST MAJOR TENANT OF THE QUATUOR

In March 2017, Befimmo signed an agreement[20] with Beobank on the occupancy of a tower of about 22,000 m² in the Quatuor[21] project (60,000 m² - Brussels North Area). The agreement provides for the building to be made available for a fixed term of 15 years as from its hand-over in the course of 2020. Within this framework, the current lease of Beobank in the La Plaine building (15,180 m² - Brussels decentralised) will be extended until that date. A third of the Quatuor project is thus already pre-let more than 3 years before hand-over.

### PERMIT OBTENTION

Befimmo has obtained the environmental and planning[22] permits needed to build the Quatuor complex. Works on the new complex should start in the course of the first quarter of 2018 and take approximately 36 months. The "all-in" construction cost of the project is estimated at €150 million.

## VALUE CRYSTALLISATION OF THE BREDERODE COMPLEX

In late March 2017, Befimmo granted a 99-year leasehold on the Brederode[23] complex to CBRE Global Investors (on behalf of one of its SMA[24] clients) for an amount of around €122 million, corresponding to an initial yield of 3.69%.

This operation generates a net capital gain of €21.9 million or €0.85 per share and reduces the LTV ratio by 3.3% (in absolute terms, calculated on the bases of the ratio as at 31 December 2016).

This operation is in line with the objective of punctually crystallising value, in a Brussels office market where the search for yields in an environment of low interest rates creates opportunities for quality properties, which are well-located and occupied on a long-term basis.

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[20] Under the condition precedent of obtaining the permit.
[21] For more information, please consult page 26 and 65 of the Annual Financial Report 2016.
[22] The planning permit should be final in the course of September 2017.
[23] This concerns the Brederode 13 (11,340 m²), Brederode 9 (6,864 m²) and Namur 48 (1,517 m²) buildings. For more information, please consult pages 36, 37 and 65 of the Annual Financial Report 2016.
[24] "Separate Managed Accounts".

# PROPERTY REPORT

In the absence of a standardised reference system for the real-estate indicators, Befimmo conducted, over the past half-year, an in-depth analysis of the methods for calculating its main indicators, assisted in this exercise by the consultant PwC. This analysis brought us to make some minor changes to the definitions and its real-estate indicators. Befimmo will now calculate its indicators on the basis of these slightly adapted definitions set out below and presents in this Report in full transparency its real-estate indicators at the end of the half-year 2017 in relation to the end of the 2016 fiscal year, both as published in February 2017 and restated on the basis of the new definitions.

- **Gross current rent from lease agreements**: The annualised total of the rents of current Befimmo leases at the balance sheet date, not taking account of current gratuities or rents under leases commencing after the balance sheet date concerned.
- **Potential rent**: The gross current rent from lease agreements as defined above, plus the estimated rental value of unoccupied space at the balance sheet date.
- **Gross current yield on properties available for lease**: The ratio between the gross current rent from lease agreements and the “deed-in-hands” value of properties available for lease.
- **Gross potential yield on properties available for lease**: The ratio between the potential rent and the "deed-in-hands" value of properties available for lease.
- **Current gross yield on investment properties**: The ratio between the gross current rent from lease agreements and the "deed-in-hands" value of investment properties.
- **“Spot” occupancy rate of properties available for lease**: The ratio between the estimated rental value of space occupied at the balance sheet date and the total estimated rental value of properties available for lease.
- **Availability rate of properties available for lease**: The ratio between the estimated rental value of space not covered by a tenancy agreement at the balance sheet date (whether this agreement has already commenced or commences only after the balance sheet date) and the estimated total rental value of properties available for lease. This rate corresponds to the EPRA Vacancy Rate[25] as defined and presented on page 41 of the current Half-Yearly Financial Report.
- **Weighted average duration of current leases until their next break**: The ratio of (i) the sum of the gross current rents from lease agreements for each lease of properties available for lease multiplied by their respective remaining duration from the balance sheet date to their next break and (ii) the total gross current rent from lease agreements of properties available for lease.
- **Weighted average duration of current leases until final expiry**: The ratio of (i) the sum of the gross current rents from lease agreements for each lease of properties available for lease multiplied by their respective remaining duration from the balance sheet date to their final expiry date and (ii) the total gross current rent from lease agreements of properties available for lease.
- **Reversion of properties available for lease**: The potential for revising the rents of the portfolio of properties available for lease in relation to the estimated rental value of the portfolio, expressed as a percentage and calculated using the following formula: 1 - the ratio between the potential rent of properties available for lease and the total estimated rental value of properties available for lease.

This list of property indicators can also be found in the glossary published on Befimmo’s website: http://www.befimmo.be/en/glossary.

[25] This is an Alternative Performance Measure. For more information, please consult the chapter “EPRA Best Practices” on page 41.

# PROPERTY KEY FIGURES

| | 30.06.2017 | 31.12.2016 Restated[26] | 31.12.2016[27] |
|---|---|---|---|
| Fair value of portfolio (in € million) | 2 477.1 | not restated | 2 511.7 |
| Gross initial yield on properties available for lease | 6.13% | 5.95% | 6.07% |
| Gross potential yield on properties available for lease | 6.49% | 6.41% | 6.40% |
| "Spot" occupancy rate of properties available for lease | 93.94% | 92.22% | 94.79% |
| Weighted average duration of current leases up to next break | 7.67 years[28] | 8.10 years[28] | 8.07 years |
| Weighted average duration of current leases up to final expiry | 8.22 years | 8.61 years | 8.67 years |
| Reversion rate of properties available for lease | -9.98%[29] | -9.53%[29] | -9.50% |
| EPRA Vacancy Rate[30] | 5.20% | not restated | 5.71% |
| EPRA Net Initial Yield (NIY) | 5.83% | not restated | 5.65% |
| EPRA Topped-up NIY | 6.04% | not restated | 5.81% |

# RENOVATION AND CONSTRUCTION PROJECTS

| | Rental space | Location | Start of the works | Completion of the works | Type | Investment realised in the 1st half-year of 2017 (in € million) | Total investment realised until 30 June 2017 | Total investment (in € million) |
|---|---|---|---|---|---|---|---|---|
| ***Ongoing projects*** | | | | | | ***16.8*** | ***40.7*** | |
| Guimard | 5 500 m² | Brussels CBD, Leopold | Q1 2016 | Q3 2017 | Renovation | 7.5 | 11.7 | 13 |
| Eupen - Rathausplatz | 7 200 m² | Wallonia, Eupen | Q1 2017 | Phase 1: Q3 2018<br>Phase 2: Q4 2019 | Renovation - Construction | 2.4 | 2.4 | 14 |
| Quatuor Building | 60 000 m² | Brussels CBD, North | 2018 | 2020 | Demolition and construction | 3.2 | 4.9 | 150 |
| Paradis Express | 35 000 m² | Wallonia, Liège | 2018 | 2020 | Construction | 0.4 | 1.3 | 50[31] |
| WTC II | to be confirmed | Brussels CBD, North | to be confirmed | to be confirmed | to be confirmed | 2.2 | 2.7 | |
| WTC IV | 53 500 m² | Brussels CBD, North | | Depending on leasing prospects | Construction | 1.0 | 17.7 | 140 |
| ***Energy investments and others*** | | | | | | ***7.2*** | | |
| **Total** | | | | | | **24.1** | | |

[26] Figures restated on the basis of the new definitions of the real-estate indicators mentioned on page 18 of this Report.
[27] Figures as published in the Annual Financial Report 2016.
[28] Excluding the Noord Building and the WTC II buildings, the weighted average duration of leases up to next break would be 9.21 years as at 31 December 2016 and 8.86 years as at 30 June 2017.
[29] Excluding the Noord Building and the WTC II buildings, the reversion would be -4.99% as at 31 December 2016 and -5.03% as at 30 June 2017.
[30] Corresponding to the availability rate of properties available for lease.
[31] "All-in" construction cost of the office part (21,000 m²).

## GUIMARD | 5,500 M² | BRUSSELS CBD | LEOPOLD DISTRICT

In early 2016, Befimmo began a full renovation of the Guimard building, costing a total of around €13 million. This building, which enjoys a strategic location in the heart of the Leopold district in Brussels, will be ready to welcome new occupants as from the third quarter of the 2017 fiscal year and is already attracting interest among prospective tenants.

For this project, Befimmo is aiming for a BREEAM "Excellent" certification in the Design and Post Construction phases.

Based on a multi-tenant occupancy with "conventional 9 year" leases, the expected yield on the total investment should be around 5.00%.

## EUPEN – RATHAUSPLATZ 2 TO 10 | 7,200 M² | WALLONIA

Befimmo has been awarded the development contract for works organised by the Buildings Agency, for the provision of a new courtroom in Eupen. In performance of this contract, in early 2017 Befimmo acquired the land and existing structures and began the works; the implementation in several phases will be spread over a period of 30 months. The project, costing a total of €14 million, consists of (i) the demolition of an existing building and the reconstruction of a new complex of 5,300 m² and (ii) a major renovation of a second existing building of 1,900 m². The lease, with a base rent of approximately €900,000 and a duration of 25 years, will commence on completion of each phase of the works. The project has a 5.25% yield on investment at the start of the lease.

## QUATUOR BUILDING | 60,000 M² | BRUSSELS CBD | NORTH AREA

The Noord Building will be demolished in early 2018, as soon as the current lease ends, thus making way for the construction of the new project, the Quatuor (four towers, which together form one complex of 60,000 m²). This building in the North area has a strategic location facing the city centre, close to the metro and the Gare du Nord, one of the busiest railway stations in Belgium. This, together with the quality of its design and its environmental performance, make it an opportunity in the CBD, currently characterised by an acknowledged shortage of quality (Grade A) space.

Befimmo has obtained the environmental and planning[32] permits needed to build the Quatuor complex. Works on the new complex should start in the course of the first quarter of 2018 and take approximately 36 months. The "all-in" construction cost of the project is estimated at €150 million.

Based on a multi-tenant occupancy with "conventional 9 year" leases, the expected yield on the total investment value should exceed 5.30%.

## PARADIS EXPRESS | 35,000 M² | LIÈGE | GUILLEMINS

The "Paradis Express" project, located in the immediate proximity of the station Liège-Guillemins (HST), involves the construction of an eco-neighbourhood offering a mix of offices, housing and local shops. The single permit has been applied for during the first quarter of the 2017 fiscal year. Befimmo aims to achieve a BREEAM "Outstanding" certification in the Design phase.

The "all-in" construction cost of the office part (21,000 m²) of this project is estimated at €50 million. Based on a multi-tenant occupancy with "conventional 9 year" leases, the expected yield on the total investment value should exceed 6.00%. It is expected that the residential part will be sold to a specialist third party once the permit has been obtained.

[32] The planning permit should be final in the course of September 2017.

## WTC II | BRUSSELS CBD | NORTH AREA

After 46 years of uninterrupted occupation by Belgian Government departments, the current lease with the Buildings Agency in Tower II of the WTC will expire in December 2018. Within the framework of the co-ownership of Towers I and II, Befimmo is working on a number of scenarios for this site, in a perfect location opposite the gare du Nord, to redevelop it into a multifunctional value-creating project.

A total of around €2.7 million was invested in this redevelopment project, the outlines of which should be presented to the shareholders in the course of the second half of the 2017 fiscal year.

## WTC IV | 53,500 M² | BRUSSELS CBD | NORTH AREA

The WTC IV project relates to the construction of a new passive tower, independent from the other three towers of the WTC complex. The "all-in" construction cost of the project is estimated at some €140 million. The permit is being implemented. The building work is being carried out in step with commitments by prospective tenants. The project has a BREEAM "Outstanding" certification in the Design phase.

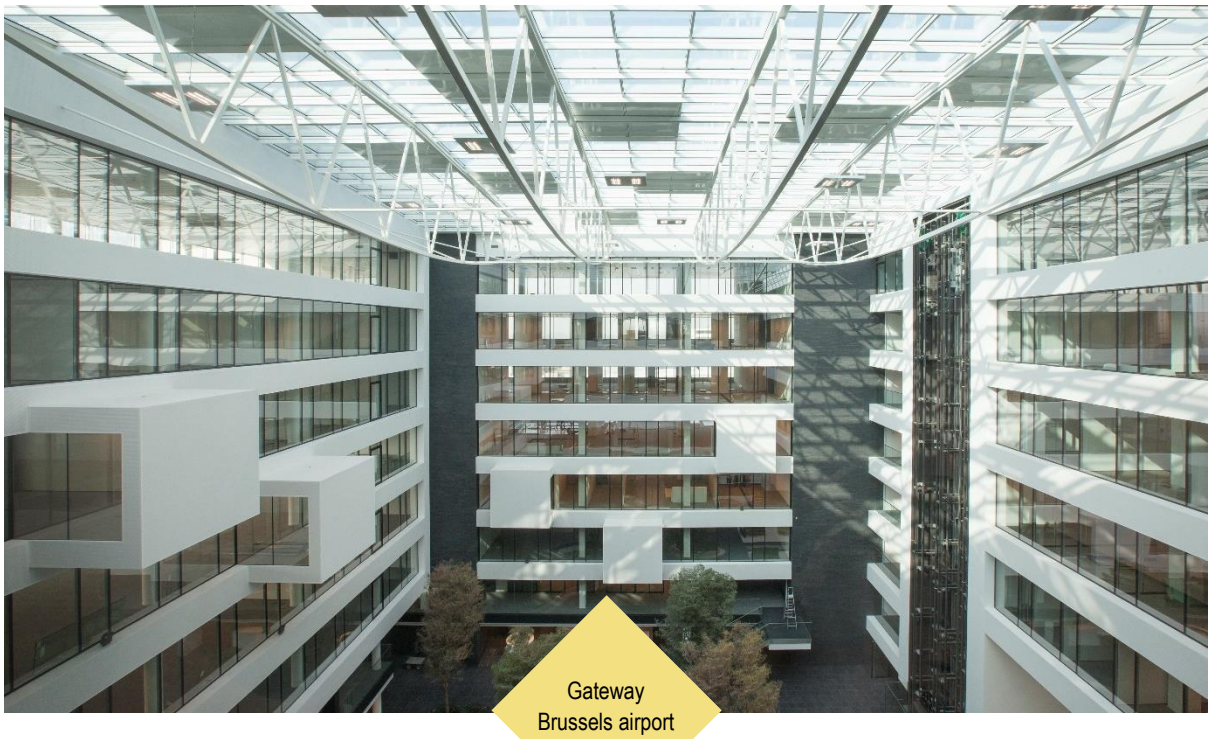
Based on a multi-tenant occupancy with "conventional 9 year" leases, the expected yield on the development cost should be around 6.50%.

## ENERGY INVESTMENTS AND OTHERS IN THE OPERATIONAL PORTFOLIO

During the first half of the fiscal year, the amount of the energy investments and other investments is €7.2 million.

These investments are carried out to improve the energy performance of the operational and to offer a better user experience to tenants.

Expenditure charged to the income statement included an amount of €4.26 million also for maintenance, repair and refurbishment in the portfolio.



Gateway
Brussels airport

# PROPERTY PORTFOLIO

## CHANGE IN FAIR VALUES[33] OF THE PROPERTY PORTFOLIO

### Fair value of Befimmo's consolidated portfolio by geographical area

| Offices | Change over the half-year[34] (in %) | Proportion of portfolio[35] (30.06.2017) (in %) | Fair value (30.06.2017) (in € million) | Fair value (31.12.2016) (in € million) | Fair value (30.06.2016) (in € million) |
|---|---|---|---|---|---|
| Brussels CBD and similar[36] | -0.31% | 52.1% | 1 289.8 | 1 423.0 | 1 224.5 |
| Brussels decentralised | -3.16% | 3.6% | 88.5 | 88.4 | 90.4 |
| Brussels periphery | -3.41% | 5.8% | 143.6 | 147.0 | 147.0 |
| Flanders | -0.18% | 19.8% | 490.5 | 493.4 | 490.5 |
| Wallonia | 1.71% | 7.9% | 196.8 | 194.2 | 191.4 |
| Luxembourg city | 3.49% | 4.1% | 102.7 | 99.3 | 87.8 |
| *Properties available for lease* | *-0.26%* | *93.3%* | *2 311.9* | *2 445.3* | *2 231.6* |
| *Properties that are being constructed or developed for own account in order to be leased* | *16.40%* | *6.7%* | *165.2* | *66.3* | *195.1* |
| **Investment properties** | **0.70%** | **100.0%** | **2 477.1** | **2 511.7** | **2 426.7** |
| **Properties held for sale** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **0.70%** | **100.0%** | **2 477.1** | **2 511.7** | **2 426.7** |

As at 30 June 2017, the fair value of Befimmo's consolidated portfolio was €2,477.1 million, as against €2,511.7 million as at 31 December 2016.

This change in value incorporates:

- the disinvestments carried out:
  - the granting of a 99-year leasehold on the Brederode complex; and
  - the sale of the Liège-Digneffe and Ninove buildings at values in line with their fair value;
- the investments carried out;
- the changes in fair value booked to the income statement.

Excluding the amount of the investments and the disinvestments, the change in value of the portfolio amounted to +17.2 million (+0.7%) over this first quarter of the fiscal year.

[33] These values are established in application of the IAS 40 standard which requires investment properties to be booked at "fair value". Fair value is obtained by deducting the average costs for transactions established by independent real-estate experts, from the "investment value". These costs amount to (i) 2.5% for property worth more than €2.5 million and (ii) 10% (Flanders) or 12.5% (Wallonia and Brussels) for property worth less than €2.5 million.

[34] The change over the half-year is the change in fair value between 1 January 2017 and 30 June 2017 (excluding the amount of investments and disinvestments).

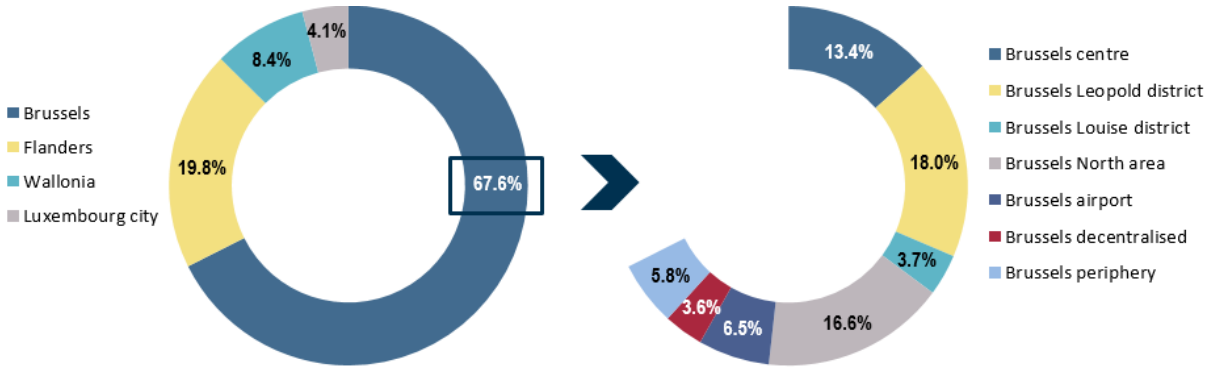
[35] The proportion of portfolio is calculated based on the fair value of the portfolio as at 30 June 2017.

[36] Including the Brussels airport zone, in which the Gateway building is situated.

## COMMENT ON CHANGES IN VALUE DURING THE FIRST QUARTER OF THE 2017 FISCAL YEAR

On the portfolio of properties available for lease, two trends were pursued during the first half of the year, namely: (i) the properties in the portfolio located in city centres which have revenues under long leases have benefited from the continuing pressure on yields in the market, while (ii) other properties in the portfolio presenting vacancy, or in which the lease is nearing expiry, have suffered declines in value, mostly in the Brussels decentralised and periphery zones. In the portfolio of properties that are being constructed or developed for own account, note that the important change in value recorded during the half-year is related mainly to the real-estate expert taking account of the pre-letting of 22,000 m² of space to Beobank for a fixed duration of 15 years and the procurement of the building and environmental permits for the Quatuor project.

### Geographical breakdown[37]




## NEW RENTALS AND LEASE RENEWALS

During the first half of the 2017 fiscal year, Befimmo signed new leases and lease renewals for about 40,625 m² of space, with offices accounting for some 37,860 m² and nearly 2,760 m² being multi-purpose or archive space, compared with 17,322 m² in the first half of the 2016 fiscal year.

This area takes account of (i) the agreement signed with Beobank for the take-up of a tower of 22,000 m² in the Quatuor project (60,000 m²), located in the Brussels North Area, and (ii) the award of a public development contract for works organised by the Buildings Agency, to provide a new courthouse (approximately 7,200 m²) in Eupen.

Note that the Brederode complex left the portfolio during the half-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 2016.

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.

## SPOT OCCUPANCY RATE AND WEIGHTED AVERAGE DURATION OF CURRENT LEASES

The spot occupancy rate of properties available for lease was 93.94% at 30 June 2017, as compared with the rate of 92.22% as at 31 December 2016, restated on the basis of the new definitions (the published occupancy rate as at 31 December 2016 before the definitions were adapted was 94.79%).

[37] The proportions are expressed on the basis of the fair value of the investment properties as at 30 June 2017.

The weighted average duration of current leases until their next break[38] was 7.67 years as at 30 June 2017, as against 8.10 years as at 31 December 2016, restated on the basis of the new definitions (this duration was 8.07 years as at 31 December 2016 before the definitions were adapted). The weighted average duration of current leases until their final expiry date was 8.22 years as at 30 June 2017.

Note that Befimmo calculates the weighted average duration of current leases only on the basis of properties available for lease; the leases of buildings at the project stage, which will take effect only on completion of the works, as is the case in particular for the Quatuor project let to Beobank for 15 years and the Eupen project let to the Buildings Agency for 25 years, are therefore not included in the calculation of this ratio.

### Tenants (as at 30.06.2017)

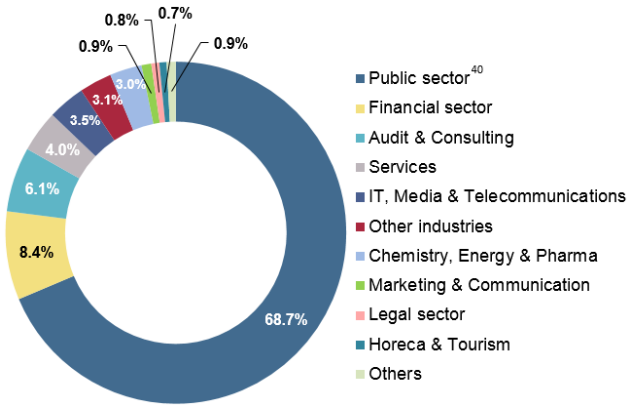
| Public sector | Weighted average duration up to next break (in years) | Weighted average duration up to final expiry (in years) | Percentage of gross current rent from lease agreements (in %) |
|---|---|---|---|
| Belgian State | | | 52.4% |
| Flemish Region | | | 6.4% |
| ***Belgian public sector*** | ***8.41*** | ***8.44*** | ***58.8%*** |
| European Commission | | | 6.1% |
| European Parliament | | | 3.3% |
| Representations | | | 0.5% |
| ***European public sector*** | ***7.86*** | ***8.02*** | ***9.9%*** |
| **Total public-sector tenants** | **8.33** | **8.38** | **68.7%** |

| Private sector - top 5 | Weighted average duration up to next break (in years) | Weighted average duration up to final expiry (in years) | Percentage of gross current rent from lease agreements (in %) |
|---|---|---|---|
| BNP Paribas and affiliated companies | | | 5.2% |
| Deloitte Services & Investments NV | | | 4.8% |
| Beobank (Crédit Mutuel Nord Europe) | | | 2.1% |
| Docler Holding | | | 1.1% |
| Fedex | | | 0.7% |
| **Total private-sector top-5 tenants** | **9.95** | **10.72** | **13.9%** |

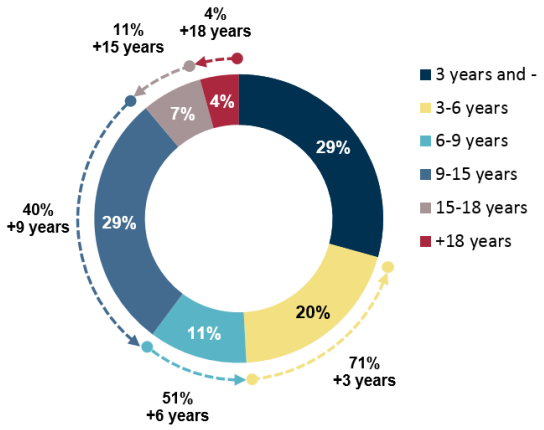
| Other tenants | Weighted average duration up to next break (in years) | Weighted average duration up to final expiry (in years) | Percentage of gross current rent from lease agreements (in %) |
|---|---|---|---|
| ±230 tenants | 3.21 | 5.62 | 17.4% |
| **Total of portfolio** | **7.67** | **8.22** | **100%** |

[38] Excluding the Noord Building and WTC II, the weighted average duration of leases until their next break was 9.21 years as at 31 December 2016 and 8.86 years as at 30 June 2017.

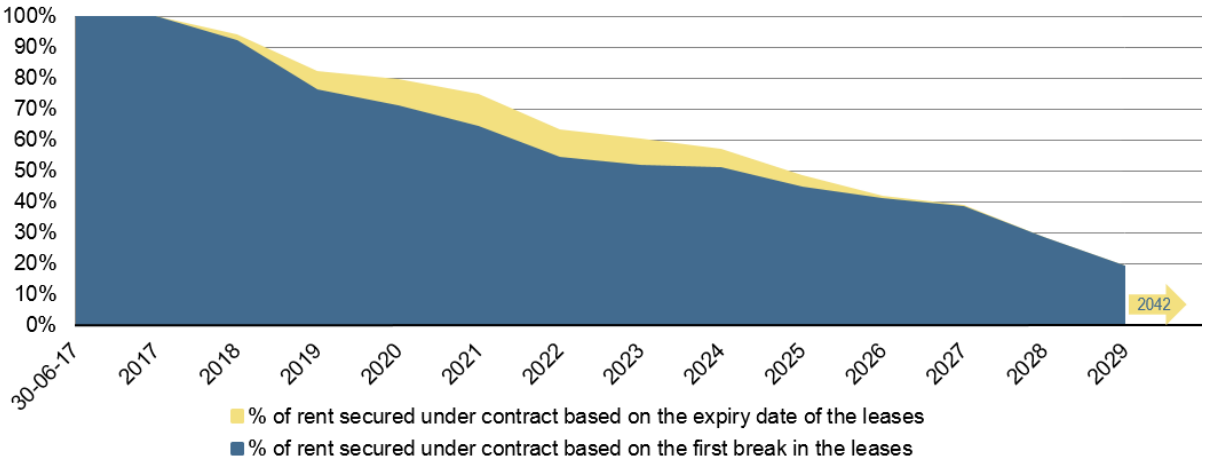
## Tenants[39]




## Duration of leases[39]




## Percentage of rent guaranteed under contract on the basis of the remaining term of the leases in the consolidated portfolio[41] (gross current rent from lease agreements) (in %)




## OVERALL RENTAL YIELD

| | Properties available for lease | | | Investment properties[42] | | |
|---|---|---|---|---|---|---|
| | 30.06.2017 | 31.12.2016 Restated[43] | 31.12.2016[44] | 30.06.2017 | 31.12.2016 Restated[43] | 31.12.2016[44] |
| **Gross initial yield** | 6.13% | 5.95% | 6.07% | 5.74% | 5.79% | 5.89% |
| **Gross potential yield** | 6.49% | 6.41% | 6.40% | | | |

39 The proportions are expressed on the basis of the gross current rent from lease agreements as at 30 June 2017.
40 Public sector: Belgian public institutions (federal and regional) and European institutions.
41 Rents for future years calculated on the basis of the present situation, assuming that each tenant leaves at the next break and that no further lease is agreed in relation to the gross current rent from lease agreements as at 30 June 2017.
42 Taking into account the properties that are being constructed or developed for own account in order to be leased.
43 Figures restated on the basis of the new definitions of the real-estate indicators described on page 18 of the current Report.
44 Figures as published in the Annual Financial Report 2016.

## REVERSION

The reversion rate gives an indication of the impact on current rents of a sudden termination of the leases in the portfolio and simultaneous reletting of it at market rents. This ratio does not take account of any planned future investments or the resulting level of rents. It is based on the estimated rental value of the buildings in their present condition, and is not representative of the potential for value creation in the Befimmo portfolio.

As at 30 June 2017, the reversion rate of the properties available for lease[45] amounts to -9.98%, compared with -9.53% as at 31 December 2016 on the basis of the new definitions (and compared with -9.50% as at 31 December 2016 before the adjustment of the definitions). This evolution is mainly linked to the indexation of the current rents of some important leases.

The EPRA earnings forecasts[46] presented over the next three fiscal years take account of a potential reversion of rents on the expiry of the current leases.

### Reversion of rents (as at 30.06.2017)

| | gross current rent from lease agreements (in € thousand) | Proportion of rents[47] (in %) | Weighted residual average duration up to next break (in years) | Weighted residual average duration up to final expiry (in years) | Reversion (in %) |
|---|---|---|---|---|---|
| Brussels CBD and similar | 86 262 | 59.4% | 6.68 | 7.37 | -14.28% |
| Brussels decentralised | 5 460 | 3.8% | 4.31 | 4.92 | -5.55% |
| Brussels periphery | 9 668 | 6.7% | 2.18 | 5.06 | 1.29% |
| Wallonia | 9 732 | 6.7% | 18.54 | 18.54 | -9.49% |
| Flanders | 29 643 | 20.4% | 9.30 | 9.33 | -5.79% |
| Luxembourg city | 4 527 | 3.1% | 2.46 | 5.83 | -2.33% |
| **Properties available for lease** | **145 292** | **100.0%** | **7.67** | **8.22** | **-9.98%** |

[45] Excluding the Noord Building and the WTC II buildings, the reversion rate would be -4.99% as at 31 December 2016 and -5.03% as at 30 June 2017.

[46] For more information, please consult Befimmo's Annual Financial Report 2016 on pages 66 to 70.

[47] The proportion of rents is calculated on the basis of the gross current rent from lease agreements as at 30 June 2017.

# OFFICE PROPERTY MARKETS[48]

## BRUSSELS

### Rental market

Take-up on the Brussels office property market was 216,454 m² during the first half of the 2017 fiscal year, as against 284,215 m² during the first half of 2016. Most demand comes from the private sector (61% by volume). The pre-letting to Beobank of 22,000 m² in Befimmo's Quatuor project was one of the main transactions of the half-year.

### Development market

No major projects were completed during the first half of 2017, but some 100,000 m² of new office space will be handed over in the second half of 2017, 17,000 m² of which will be speculative. Developers are still cautious and are returning to the market selectively and in the best central districts. The market for new buildings is currently dominated by handovers of build-to-order projects.

Only 3.5% of vacant office space on the market is of "Grade A[49]", while between 2001 and 2011, that grade accounted for between 20% and 30% of vacant stock. Ultimately, the limited volume of speculative projects could therefore lead to a real lack of "Grade A" office buildings on the Brussels market, particularly in the CBD.

For 2018, on the other hand, of the 188,941 m² of office space expected on the market, some 107,000 m² are speculative projects.

### Rental vacancies

The trend of a declining vacancy rate is continuing. At 30 June 2017, rental vacancies stood at 9.26% as against 9.30% at 31 December 2016.

The average vacancy rate in the Central Business District is 5.20%. Specifically, vacancy rates were 5.20% in the Leopold district, 4.93% in the city centre and 3.59% in the North Area. In that area, we nevertheless expect an increase in the vacancy rate over the coming years since major leases are due to expire from the end of 2017.

Conversely, the decentralised and periphery markets are still under pressure, with vacancy rates of 11.53% and 22.14% respectively.

The general decline in vacancies in recent years is due to a combination of the small number of new speculative buildings coming onto the market and the conversion of a substantial number of structurally vacant offices for use as housing, hotels and nursing homes. Some 30,235 m² of office space have already been converted in 2017. Most conversions occurred in the decentralised area of Brussels, although there was also a limited number of conversions in areas such as the Leopold district and the North Area.

### Rental values

After years of stability, "prime rent" on the Brussels office market has risen to a record level of €310 per m² per year compared with €285 per m² at 31 December 2016.

Weighted average rents are at €156 per m². In the current economic climate, rental gratuities and concessions to tenants in existing buildings are declining in the CBD but still remain high in the decentralised and periphery markets.

Generally speaking, the space still available on the market is of "Grade B[50]" or "C[51]".

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48 Source: CBRE – 30 June 2017.
49 Grade A: buildings up to 5 years old.
50 Grade B: buildings between 5 and 10 years old.
51 Grade C: buildings over 10 years old.

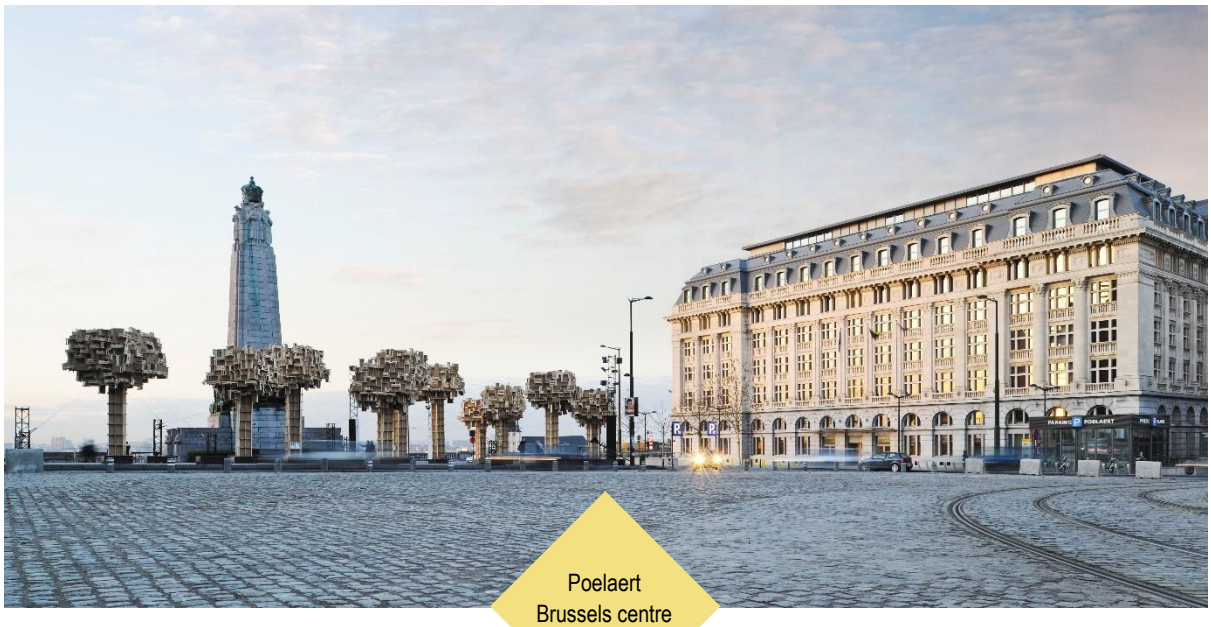
## Investment market

Over the first half of the year, €660 million were invested in office buildings in Brussels, €486 million of which in the first quarter and €171 million in the second quarter. This half-yearly volume is slightly below the €823 million recorded during the first half of 2016.

These notably include:

- acquisition of Meeûs 8-16 (Leopold district) by Korea Investment & Securities and Hana Asset Management;
- granting of a 99-year leasehold on the Brederode I complex (Brussels centre) to a client of CBRE Global Investors;
- acquisition of the Airport Plaza (Brussels Airport) by Dream Global REIT;
- sale of the Galilée 5 building (Brussels North area) by Belfius to the Belgian Government.

Yields on buildings in the CBD on conventional (3/6/9-year) leases in the "prime" category declined a little further to around 4.5%. Meanwhile, properties of the same type but let long-term to high-rating tenants are earning yields of around 3.5%.



Poelaert
Brussels centre

## GRAND DUCHY OF LUXEMBOURG

### Rental market

Demand for office space in Luxembourg reached a solid level of 144,000 m² during the first half of the 2017 fiscal year, as against 124,000 m² in the first half of 2016. Hence, the trend of growing take-up recorded in 2016 seems to be continuing.

### Development market

In 2017 the development pipeline is rising in relation to 2016. 95,400 m² are were handed over onto the market in the course of the first half of 2017. 31,700 m² extra are expected in 2017, 22,000 m² of which are speculative.

### Rental vacancy

The vacancy rate averaged 5.5% on the Luxembourg market, and thus remains unchanged compared with 31 December 2016.

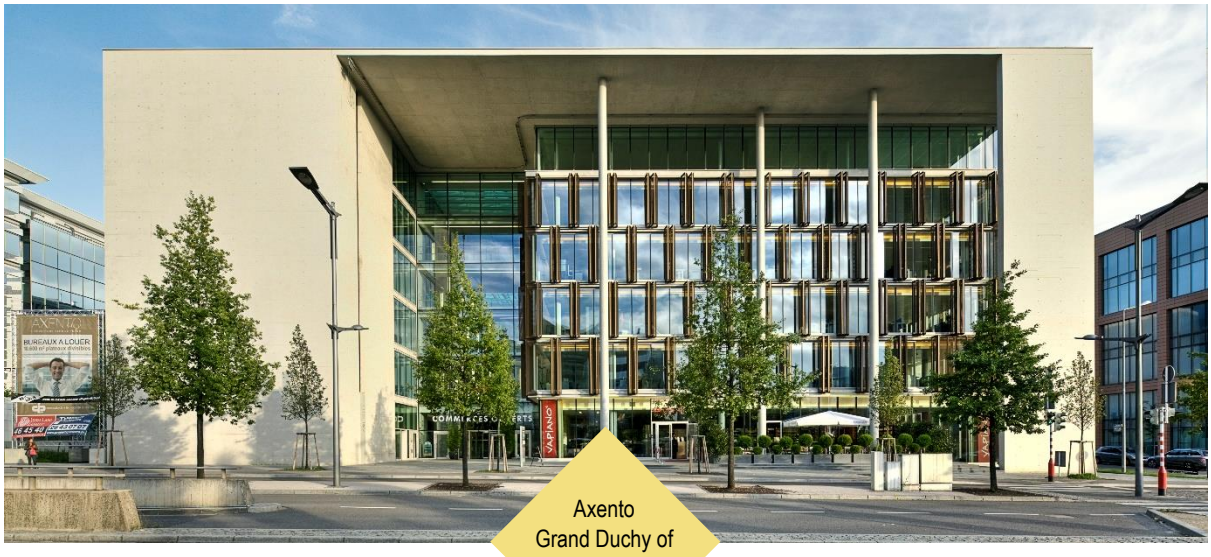
### Rental values

In this market situation, prime rent is €50/m²/month in the CBD, €35/m²/month in the Kirchberg district and €37 €/m²/month in the Station district.

### Investment market

Over the half-year, nearly €353 million were invested in office buildings, as against €309 million during the first half of 2016.

Yields on “conventional” (3/6/9-year) leases were around 5%. Yields were lower for office buildings on longer leases.



Axento
Grand Duchy of
Luxembourg

# CONCLUSIONS OF THE COORDINATING REAL-ESTATE EXPERT

**Conclusions of the real-estate expert coordinator**
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 2017.

**Context**

In accordance with Chapter III, Section F of the law of 12th of May 2014 on B-REITs, Befimmo has instructed an independent valuer to provide an opinion of value for its portfolio as at 30th June 2017. 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 and as confirmed in the press release of the BE-REIT Association dated 10 November 2016, 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 2017 amounts to a total of

€ 2,539,921,000

(Two billion five hundred thirty nine million nine hundred twenty one thousand 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 2017 amounts to a total of

€ 2,477,102,748

(Two billion four hundred seventy seven million one hundred and two thousand seven hundred and forty eight 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 stood at 6.13%. Should the vacant accommodation be fully let at estimated rental value, the initial yield is 6.49% for the same portfolio.

The occupation rate of the portfolio with properties available for lease is 93.94%.

The average level of passing and contractual rent is currently approximately +/- 9.98% above the current estimated rental value of the portfolio with properties held for letting.

The property portfolio comprises:

| Offices | Fair value (in € million) | (in %) |
|---|---|---|
| *Properties available for lease* | *2 311.9* | *93.3%* |
| Brussels CBD and similar[52] | 1 289.8 | 52.1% |
| Brussels decentralised | 88.5 | 3.6% |
| Brussels periphery | 143.6 | 5.8% |
| Wallonia | 196.8 | 7.9% |
| Flanders | 490.5 | 19.8% |
| Luxembourg City | 102.7 | 4.1% |
| *Properties that are being constructed or developed for own account in order to be leased* | *165.2* | *6.7%* |
| *Properties held for sale* | - | - |
| **Total** | **2 477.1** | **100.0%** |

Yours sincerely,
Brussels, 7th July 2017

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

[52] Including the Brussels airport zone, where the Gateway building is situated.

# SOCIAL RESPONSIBILITY

Befimmo has integrated the principles of Social Responsibility into its strategy and day-to-day operations, anticipating economic, societal and environmental developments. Over the years it has built a strategy and devised a CSR policy based on the topics of importance to Befimmo and its stakeholders.

With the aim of continuously improving its position as a responsible business and landlord, Befimmo maintains an ongoing dialogue with all its stakeholders. This has enabled it to identify its priority environmental, economic and social challenges. These have been grouped into four pillars: the environment, the team, the tenants and governance. Befimmo seeks to strike a balance between the expectations of its stakeholders and the challenges it regularly faces.

For each of these challenges, Befimmo undertakes to take initiatives that are relevant to both its own interests and the society in which it operates. It responds to these challenges in terms of concrete action and long-term quantifiable and measurable goals, which are detailed in the CSR Action Plan[53] prepared by the management and the team. Early 2017, Befimmo has aligned its Action Plan with 6 of the 17 Sustainable Development Goals[54] published by the United Nations "to transform our world".

Specifically, in 2017, Befimmo continued its efforts to optimise energy (gas & electricity) and water consumption, production of renewable energy and the production and treatment of waste in its buildings, with a view to keeping them in compliance with ever-stricter standards.

At a time when ways of working, and more specifically the use of office space, are evolving markedly, where the sharing economy is in full swing and the technological revolution is under way, Befimmo, as a real-estate operator specialising in high-quality office buildings, aims to be proactive and innovative, transforming these changes into opportunities. It is developing sustainable flexibility and reversibility of its spaces by making a wide range of customised and integrated services available to its tenants to give them a better user experience. It equips its buildings optimally by pooling new facilities and offering services shared within the entire portfolio to facilitate the everyday lives of its rental customers.

2017 is also a year of transition for Befimmo. Befimmo plans to go even further in terms of its social responsibility policy and reporting, by (i) moving from GRI-G4[55] to GRI Standards, which involves updating its materiality matrix and a thorough review its CSR policy, (ii) considering the possibility of following an approach that enables Befimmo to set long-term targets, up to 2030, for cutting greenhouse gas emissions (as recommended by IPCC[56] scientists), thereby making its own contribution to limiting the rise in global average temperature to below 2°C, in line with the decision of COP21.

Befimmo regards Social Responsibility as a part of its strategy, taking opportunities to improve its performance and create value in the medium and long term for all its stakeholders.

## EXTERNAL STAKEHOLDERS - QUESTIONNAIRES

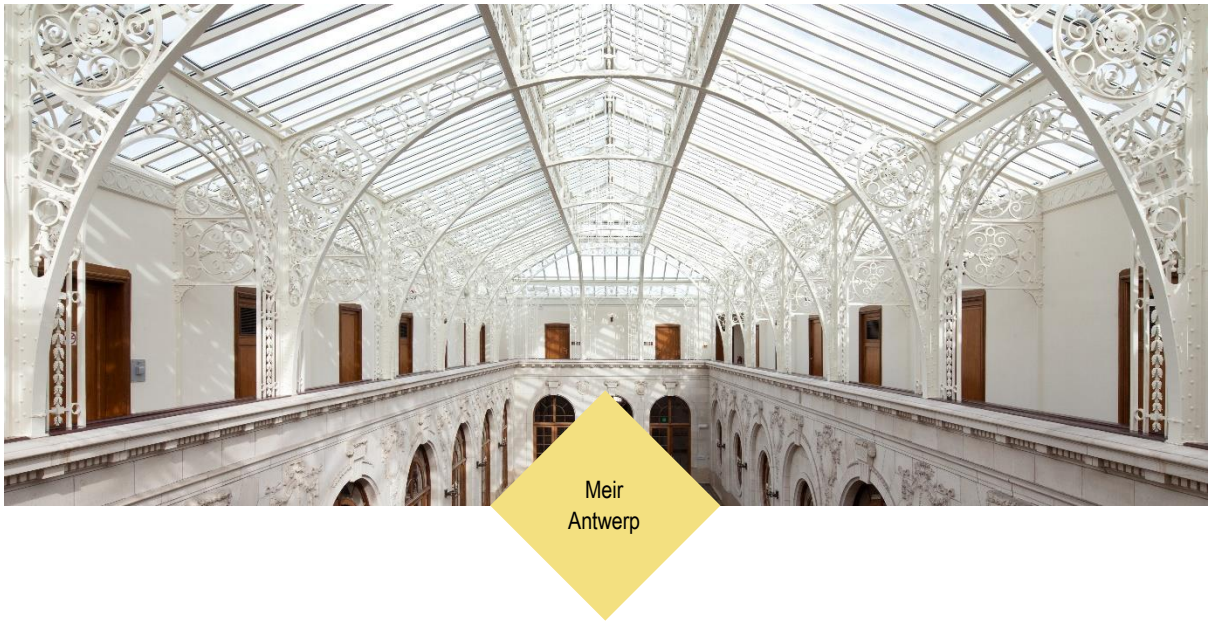
As it did in the previous years, Befimmo participated in the Carbon Disclosure Project (CDP)[57] and the Global Real Estate Sustainability Benchmark (GRESB)[58] questionnaires, supported by a large number of international institutional investors, thus addressing issues related to its Social Responsibility and more specifically the carbon emissions related to its activities. In the light of its remarkable results, Befimmo has achieved the status of "Leadership" (CDP) and "Green Star" (GRESB).

53 The Action Plan for the 2017 fiscal year: http://www.befimmo.be/en/investors/publications/csr-action-plans
54 http://www.un.org/sustainabledevelopment/sustainable-development-goals/
55 www.globalreporting.org
56 Intergovernmental Panel on Climate Change, established in 1988 by the World Meteorological Organization.
57 www.cdproject.net
58 https://www.gresb.com

# FINANCIAL REPORT

| | 30.06.2017 | 31.12.2016 |
|---|---|---|
| Shareholders' equity (in € million) | 1 472.97 | 1 401.35 |
| Net asset value (in € per share) | 57.58 | 54.78 |
| EPRA NAV[59] (in € per share) | 57.95 | 55.49 |
| EPRA NNNAV[59] (in € per share) | 57.30 | 54.30 |
| Average annualised financing cost[60] (in %) | 2.13%[61] | 2.26% |
| Weighted average duration of debts (in years) | 4.97 | 3.66 |
| Debt ratio according to the Royal Decree (in %) | 41.01% | 44.65% |
| Loan-to-value[62] (in %) | 39.02% | 42.33% |

| | 30.06.2017 (6 months) | 30.06.2016 (6 months) |
|---|---|---|
| *Number of shares issued* | *25 579 214* | *23 021 293* |
| *Average number of shares during the period* | *25 579 214* | *23 021 293* |
| Net result (in € per share) | 3.69 | 0.41 |
| EPRA earnings (in € per share) | 1.92 | 1.89 |
| Return on shareholders' equity[63] (in € per share) | 7.00 | 2.22 |
| Return on shareholders' equity[63] (in %) | 13.28% | 4.10% |




59 This is an Alternative Performance Measure. For more information, please consult the chapter "EPRA Best Practices" on page 41.

60 Including margin and hedging costs. This is an Alternative Performance Measure. For more information, please consult Appendix I to this Report.

61 Calculated over a 6-month period.

62 Loan-to-value ("LTV"): [(nominal financial debts – cash)/fair value of portfolio].

63 Calculated over a 12-month period ending at the closing of the half-year, taking into account the gross dividend reinvestment, if applicable the participation in the optional dividend and, if applicable the participation in the capital increase. This is an Alternative Performance Measure. For more information, please consult Appendix I to this Report.

# FINANCIAL STRUCTURE AND HEDGING POLICY

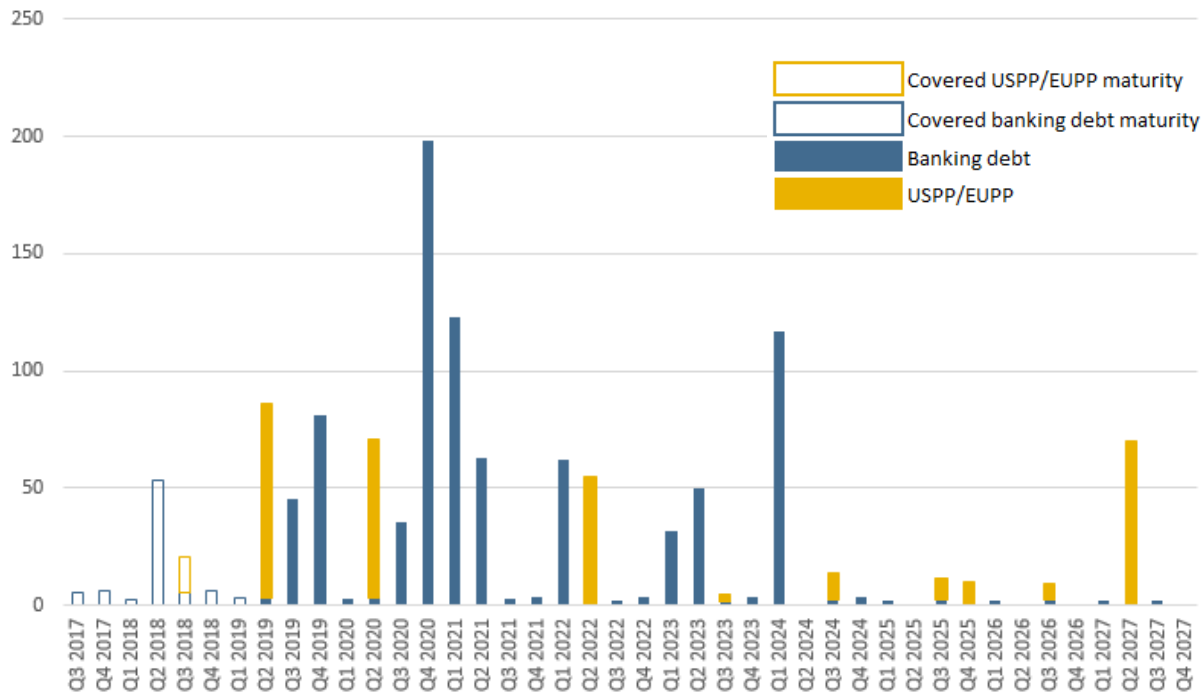
## FINANCING ARRANGED

During the first quarter of the fiscal year, Befimmo carried out the following financial operations:

- renegotiation and extension of a bank line for a total amount of €135 million with maturities of 4 to 7 years;
- renegotiation and extension of a bank line for a total amount of €90 million with a maturity of 7 years;
- renegotiation and extension of a bank line for a total amount of €50 million with a maturity of 6 years;
- the execution of a private placement of debt at fixed rates for an amount of €70 million over 10 years (€60 million in April, followed by a TAP[64] of €10 million in June);
- anticipatory partial annulment of a bank line expiring in 2019 for an amount of €25 million.

On this basis, and all other things being equal, the Company has covered its financing needs until the end of the first quarter of 2019.

### Maturities of commitments by quarter (as at 30.06.2017)




[64] A tap issue is a procedure that allows borrowers to sell bonds or other short-term debt instruments from past issues. The bonds are issued at their original face value, maturity and coupon rate, but sold at the current market price.

## MAIN CHARACTERISTICS OF THE FINANCIAL STRUCTURE

As at 30 June 2017, Befimmo's financial structure had the following main characteristics:

- confirmed credit facilities for a total sum of €1,264.28 million, €966.9 million of which was 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/acquisition commitments planned for the coming years;
- a debt ratio of 41.01%[65] (compared with 44.65% as at 31 December 2016);
- an LTV ratio of 39.02%[66] (compared with 42.33% as at 31 December 2016);
- a weighted average duration of debts of 4.97 years (compared with 3.66 years as at 31 December 2016);
- an average financing cost (including hedging margin and costs) of 2.13% over the past half-year;
- 81.4% of total debt at fixed rates (including IRS) compared with 67.4% as at 30 June 2016.

On 23 May 2017, 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.

To reduce its financing costs, Befimmo has a commercial paper programme for an amount up to €600 million, €443.5 million of which was in use as at 30 June 2017 for short-term issues and €66.25 million for long-term issues. 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-RATE RISK

Befimmo holds a portfolio of instruments to hedge (i) the interest rate risk, consisting of IRS, CAP and COLLAR[67], and (ii) the exchange-rate risk on its fixed-rate United States private placement (USPP) by holding Cross Currency Swaps.

The package of instruments in place gives the Company a hedge ratio of 101.0%[68] as at 30 June 2017. The hedge ratio remains above 80% until the second quarter of 2019 included and above 50% until the second quarter of 2022 included.

Within the framework of its hedging policy, Befimmo restructured, in the course of the first half of the fiscal year, two IRS for an initial notional total of €35 million, which moved their expiry date to early 2027 and brought their notional total to €50 million.

Moreover, following the private placement of debt carried out in April 2017, it cancelled two short-term hedging instruments (one COLLAR for a notional of €30 million and one IRS for a notional of €25 million).

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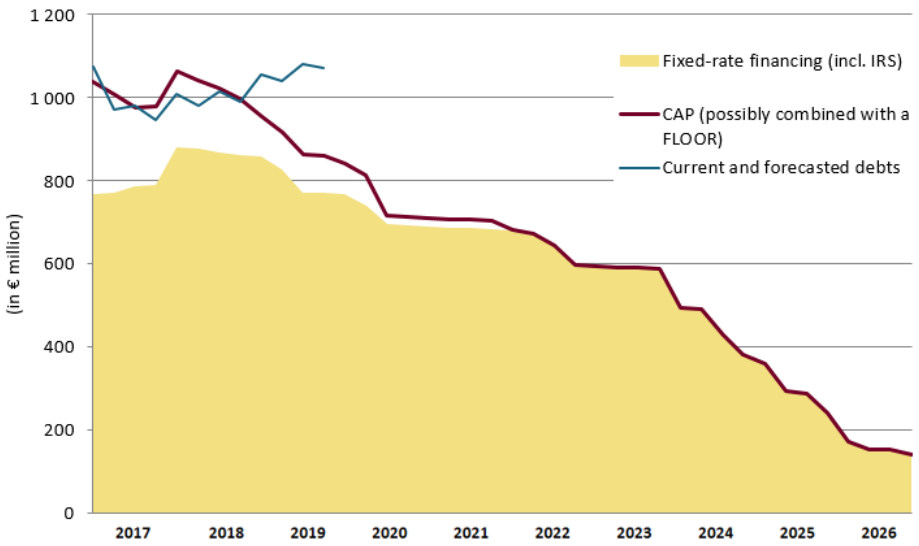
65 The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.

66 Loan-to-value ("LTV"): [(nominal financial debts – cash)/fair value of portfolio].

67 Subscription to a COLLAR places a ceiling on the rise in interest rates (CAP), but also involves an undertaking to pay a minimum rate (FLOOR).

68 Hedge ratio = (nominal fixed-rate borrowings + notional rate of IRS and CAP)/total borrowings. This ratio takes account of the optional hedging instruments (caps) that are nearing maturity (February 2018 to January 2019) and which no longer have any market value following the fall in interest rates (namely four cap positions with a total notional amount of €85 million at hedging interest rates of between 1.30% and 2.25%). Excluding these instruments, the hedge ratio would be 92.2%.

## Evolution of the portfolio of hedging instruments and fixed-rate debts (as at 30.06.2017)




| Annual average | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CAP | Notional (€ million) | 221 | 160 | 92 | 47 | 20 | 0 | - | - | - | - |
| | Average rate (in %) | 1.26% | 1.15% | 0.81% | 0.87% | 1.15% | 1.15% | - | - | - | - |
| FLOOR | Notional (€ million) | 21 | 20 | 20 | 20 | 20 | 0 | - | - | - | - |
| | Average rate (in %) | 0.59% | 0.55% | 0.55% | 0.55% | 0.55% | 0.55% | - | - | - | - |
| Fixed-rate financing (incl. IRS) | Notional (€ million) | 779 | 872 | 806 | 724 | 687 | 648 | 591 | 449 | 295 | 155 |
| | Average rate[69] (in %) | 1.02% | 0.94% | 0.95% | 0.98% | 0.97% | 0.93% | 0.85% | 0.84% | 0.82% | 0.82% |

[69] Average fixed rate excluding credit margin.

# FINANCIAL RESULTS

## NET ASSET VALUE AS AT 30 JUNE 2017

As at 30 June 2017, Befimmo's total net asset value was €1,472.97 million.

The net asset value is therefore €57.58[70] per share, as against €54.78 per share as at 31 December 2016.

| | (in € million) | (in € per share) | Number of shares issued |
|---|---|---|---|
| **Net asset value as at 31 December 2016** | **1 401.35** | **54.78** | **25 579 214** |
| Payment of final dividend of the 2016 fiscal year (distributed in May 2017) | -23.02 | | |
| Result as at 30 June 2017 | 94.47 | | |
| Other elements of comprehensive income - actuarial gains and losses on pension obligations | 0.17 | | |
| **Net asset value as at 30 June 2017** | **1 472.97** | **57.58** | **25 579 214** |

| | 30.06.2017 | 31.12.2016 |
|---|---|---|
| EPRA NAV (€ per share) | 57.95 | 55.49 |
| EPRA NNNAV (€ per share) | 57.30 | 54.30 |

The calculation methods of the EPRA NAV and NNNAV are detailed on page 67 of this Report.

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

## TREND OF RESULTS

### Condensed consolidated income statement

| (in € thousand) | 30.06.2017 | 30.06.2016 |
|---|---|---|
| Net rental result | 71 994 | 67 984 |
| *Net rental result excluding spreading* | *70 859* | *67 822* |
| *Spreading of gratuities/concessions* | *1 135* | *162* |
| Net property charges[71] | -5 317 | -8 372 |
| **Property operating result** | **66 677** | **59 612** |
| Corporate overheads | -5 389 | -4 226 |
| Other operating income & charges[71] | -1 127 | - 162 |
| **Operating result before result on portfolio** | **60 161** | **55 224** |
| ***Operating margin[71]*** | ***83.6%*** | ***81.2%*** |
| Gains or losses on disposals of investment properties | 22 144 | 12 |
| **Net property result[71]** | **82 305** | **55 236** |
| Financial result (excl. changes in fair value of financial assets and liabilities)[71] | -10 552 | -11 134 |
| Corporate taxes | - 588 | - 590 |
| **Net result before changes in fair value of investment properties and financial assets and liabilities[71]** | **71 164** | **43 512** |
| | | |
| Changes in fair value of investment properties | 17 207 | -5 791 |
| Changes in fair value of financial assets and liabilities | 6 098 | -28 372 |
| **Changes in fair value of investment properties & financial assets and liabilities** | **23 305** | **-34 163** |
| | | |
| Net result | 94 469 | 9 348 |
| EPRA earnings | 49 020 | 43 499 |
| | | |
| **Net result (in € per share)** | **3.69** | **0.41** |
| **EPRA earnings (in € per share)** | **1.92** | **1.89** |

[71] This is an Alternative Performance Measure. For more information, please consult Appendix I to this Report.

## EVENTS WITH AN IMPACT ON THE PERIMETER OF THE COMPANY

The Company's perimeter was changed during the first six months of the 2017 fiscal year, mainly by the granting of a 99-year leasehold on the Brederode complex. In 2016, it has also evolved mainly due to the gradual acquisition of the Gateway building, which was handed over at the end of the fiscal year.

The comparison of the data per share is also impacted by the increase in the average number of shares in circulation (increase of 2,557,921 shares in September 2016 following the capital increase).

## ANALYSIS OF THE NET RESULT

The condensed consolidated income statement includes the data published on 30 June 2017. The result analysis is based on a comparison with the data for the first half of 2016.

The year-on-year increase in **Net rental result** of 5.9% is largely due to the contribution of the Gateway building (lease commenced in December 2016). However, the rise is mitigated due to the granting of a 99-year leasehold on the Brederode complex. Irrespective of this impact, the "Like-for-Like" net rental result[72] is up 1.92% on the same period of the previous year.

**Net property charges** were down from €8.4 million to €5.3 million. This change is mainly due, firstly, to a one-off impact in the first quarter of 2017 related to the return of a reserve fund and, secondly, to the reduction in rental charges and taxes on unlet property (following leases signed this year and last year, notably in the Schuman and Triomphe buildings). In addition, the application of IFRIC 21 has a recurring seasonal effect on property charges.

**Corporate overheads** amounted to €5.4 million compared with €4.2 million at the same period last year. The change in overheads is explained mainly by a one-off effect in 2016 (tax refund).

The **Operating result before result on portfolio** is therefore up €4.9 million (+8.9%).

The **Gains or losses on disposals of investment properties** of €22.1 million is due mainly to the granting of a 99-year leasehold on the Brederode complex in March 2017.

The **Financial result** (excluding changes in the fair value of financial assets and liabilities) improved from -€11.1 million in the first half of 2016 to -€10.6 million in the first half of 2017. This improvement is explained by a fall in the Company's average fixed financing rate, as a result among other things of the refund of the retail bond of €162 million which matured in April 2017. The lower financial charges are also explained by a reduction in the average volume of debt of €75 million, following the capital increase carried out in September 2016 and the granting of a 99-year leasehold on the Brederode complex in March 2017. However, this change is partially offset by a reduction in financial income of €0.6 million corresponding to the remuneration paid, in first half of 2016, by the joint venture Codic Immobel as advances for the construction of the Gateway building, handed over in December 2016.

As at 30 June 2017, the **Net result** was €94.5 million as against €9.3 million as at 30 June 2016. The change in fair value of the investment properties (excluding the amount of investments and disinvestments) amounted to €17.2 million, an increase of 0.70%. The change in fair value of the financial assets and liabilities was €6.1 million, reflecting the rise in medium- and long-term interest rates at the end of the half-year, as against -€28.4 million one year earlier.

**EPRA earnings** were €49.0 million at 30 June 2017, up 12.7% in relation to €43.5 million at 30 June 2016. **EPRA earnings** per share of €1.92 is therefore slightly up year-on-year, despite the increase in the number of shares following the capital increase in September 2016.

The **Net result per share** is €3.69.

[72] This is an Alternative Performance Measure. For more information, please consult Appendix I of this Report.

## Condensed consolidated balance sheet

| (in € million) | 30.06.2017 | 31.12.2016 |
|---|---|---|
| Investment and held for sale properties | 2 477.1 | 2 511.7 |
| Other assets | 91.2 | 101.4 |
| **Total assets** | **2 568.3** | **2 613.1** |
| Shareholders' equity | 1 473.0 | 1 401.3 |
| Financial debts | 988.9 | 1 098.0 |
| non current | 515.6 | 538.7 |
| current[73] | 473.3 | 559.2 |
| Other debts | 106.5 | 113.7 |
| **Total equity & liabilities** | **2 568.3** | **2 613.1** |
| | | |
| **LTV** | **39.02%** | **42.33%** |

As at 30 June 2017, 96% of the assets side of the balance sheet consisted of investment properties carried at fair value, assessed by independent real-estate experts in accordance with IAS 40.

The other assets consist mainly of goodwill recognised on the acquisition of Fedimmo in 2006 (€14.3 million), hedging instruments (€29.5 million) and trade receivables (€34.8 million).

Shareholders' equity accounts for 57% of sources of finance. Non-current financial debts comprise €162 million in bank debt, €181 million in a number of European private placements and the equivalent of €170 million (at fair value) in a United States private placement (USPP). Current financial debts consist mainly of € 443 million in short-term commercial paper, for which the Company has confirmed banking lines of more than one year as a backup.

Other liabilities consist mainly of hedging instruments (€18 million), trade and other payables (€50 million; suppliers, pre-payments and withholding and other taxes) and accrued charges and deferred income (principally €24 million in property income received in advance).

[73] According to IAS 1 the commercial paper needs to be recorded as a current liability. It is important to note that the Company has confirmed bank lines in excess of one year as a back-up for the commercial paper.

# EPRA BEST PRACTICES

## KEY PERFORMANCE INDICATORS - DEFINITION & USE

The Statutory Auditor verified that the EPRA ratios were calculated in accordance with the definitions and that the financial data used for the calculation of these ratios correspond with the accountancy data, as included in the consolidated financial statements.

| EPRA indicators | EPRA definition[74] | EPRA use[74] | | 30.06.2017 | 30.06.2016 |
|---|---|---|---|---|---|
| EPRA earnings | Earnings from operational activities. | A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings. | in € thousand<br>in € per share | 49 020<br>1.92 | 43 499<br>1.89 |
| EPRA Cost Ratio[75] | Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income. | A key measure to enable meaningful measurement of the changes in a company's operating costs. | Incl. vacancy costs<br>Excl. vacancy costs | 15.10%<br>12.42% | 18.88%<br>14.69% |
| EPRA Like-for-Like Net Rental Growth[75] | 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. | Provide information (in %) on the growth in net rental income (property charges deducted) at constant perimeter of the portfolio (excluding the impact of acquisitions and disposals) [76]. | in % | 5.07% | -0.49% |
| **EPRA indicators** | **EPRA definition[74]** | **EPRA use[74]** | | **30.06.2017** | **31.12.2016** |
| EPRA NAV | Net Asset Value adjusted to include properties and other investment interests at fair value[77] and to exclude certain items not expected to crystallise in a long-term investment property business model. | Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy. | in € thousand<br>in € per share | 1 482 315<br>57.95 | 1 419 287<br>55.49 |
| EPRA NNNAV | EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes. | Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real-estate company. | in € thousand<br>in € per share | 1 465 755<br>57.30 | 1 388 912<br>54.30 |
| (i) EPRA Net Initial Yield (NIY) | Annualised rental income[78] based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the fair value[77] of the property, increased with (estimated) purchasers' costs. | A comparable measure for portfolio valuations.<br><br>This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y. | in % | 5.83% | 5.65% |
| (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 % | 6.04% | 5.81% |
| EPRA Vacancy Rate | Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio. | A "pure" (%) measure of investment property space that is vacant, based on ERV. | in % | 5.20% | 5.71% |

74 Source: EPRA Best Practices (www.epra.com).
75 This is an Alternative Performance Measure.
76 Because EPRA doesn't publish the purpose of the EPRA Like-for-Like Net Initial Yield, Befimmo wrote it.
77 According to the BE-REIT legislation, the buildings of portfolio of Befimmo are booked at their fair value.
78 For Befimmo, the annualised rental income is equivalent to the gross current rent from lease agreements at the closing date plus future rent on leases signed, as reviewed by the real-estate experts.

# SUBSEQUENT KEY EVENTS TO THE CLOSING

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

# BEFIMMO ON THE STOCK MARKET

| | 30.06.2017 (6 months) | 31.12.2016 (12 months) | 30.06.2016 (6 months) |
|---|---|---|---|
| Number of shares issued | 25 579 214 | 25 579 214 | 23 021 293 |
| Average number of shares during the period | 25 579 214 | 23 692 223 | 23 021 293 |
| Highest share price (in €) | 54.12 | 61.20 | 61.06 |
| Lowest share price (in €) | 50.31 | 48.60 | 48.60 |
| Closing share price (in €) | 52.06 | 53.36 | 57.90 |
| Number of shares traded[79] | 9 050 262 | 16 916 343 | 8 840 935 |
| Average daily volume[79] | 71 262 | 65 822 | 69 614 |
| Free float velocity[79] | 47% | 87% | 51% |
| Distribution ratio (in relation to the EPRA earnings) | - | 94% | - |
| Gross dividend[80] (in € per share) | - | 3.45 | - |
| Gross yield[81] | 6.63% | 6.47% | 5.96% |
| Return on share price[82] | -3.36% | 3.88% | 12.15% |

## EVOLUTION OF THE BEFIMMO SHARE

The Befimmo share closed at €52.06 on 30 June 2017, as against €53.36 at 31 December 2016. Befimmo's market capitalisation stood at €1.3 billion at 30 June 2017.

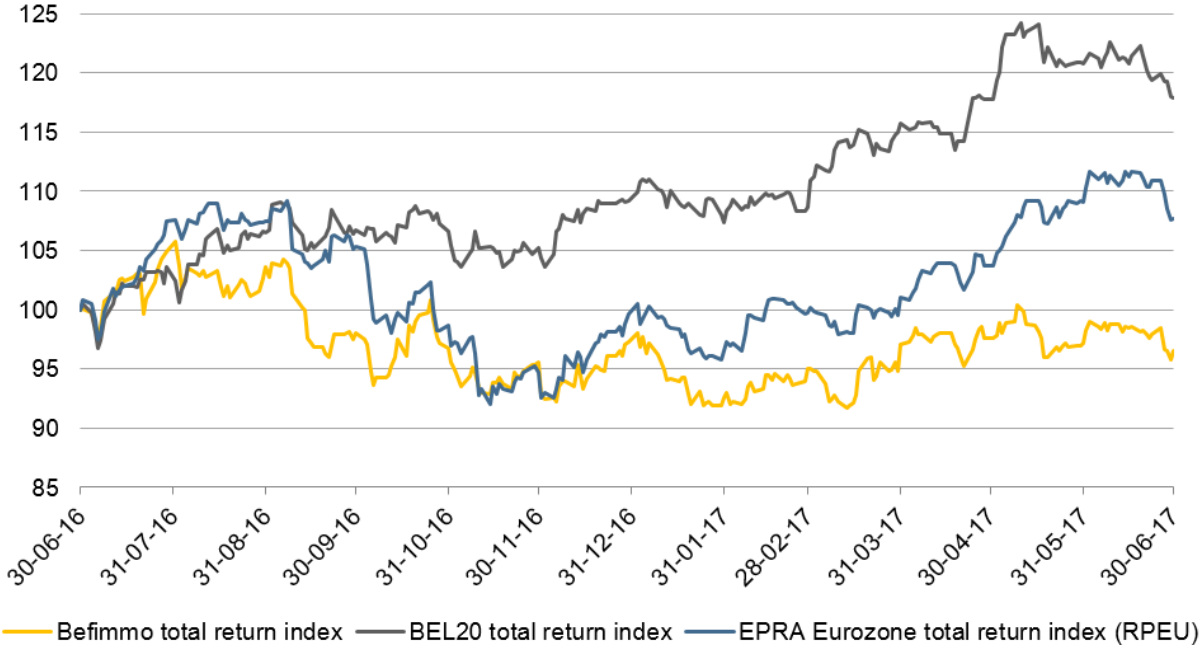
At this share price, the share returns a dividend yield of 6.63% and is being traded at a discount of 9.59% in relation to net asset value.

During the first half of the fiscal year, the daily trading volume was around 71,000 shares.

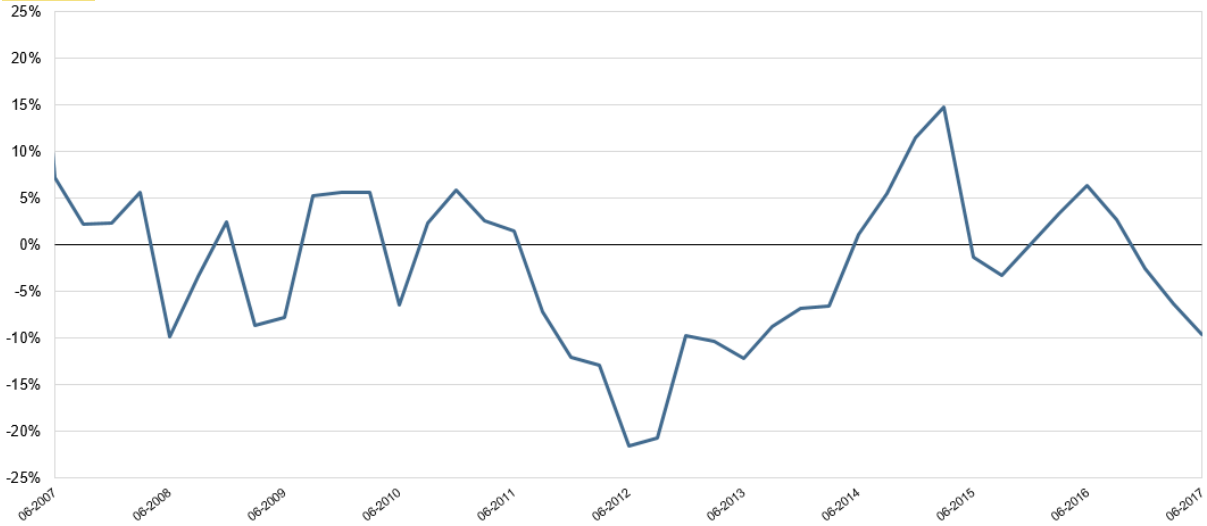
The graph hereafter illustrates the year-on-year performance of the share.

[79] Source: Kempen & Co. Based on trading on all platforms.
[80] Subject to a withholding tax of 27% until December 2016 and of 30% as from January 2017.
[81] Gross dividend divided by the closing share price.
[82] Calculates over a 12-month period ending at the closing of the fiscal year, taking into account the gross dividend reinvestment, if applicable the participation in the optional dividend and, if applicable the participation in the capital increase.

PERFORMANCE OF BEFIMMO'S TOTAL RETURN INDEX IN RELATION TO THE TOTAL RETURN INDEX OF THE BEL 20 AND THE EPRA EUROZONE (RPEU) INDEXES (OVER ONE YEAR)[83]




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 Thursday 21 December 2017. 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 2017 fiscal year could be placed on the agenda of the Ordinary General Meeting of shareholders to approve the accounts at 31 December 2017, to be held on 24 April 2018.

[83] Source: KBC Securities.

# INFORMATION TO THE SHAREHOLDERS

## CORPORATE GOVERNANCE

### COMPOSITION OF THE BEFIMMO BOARD OF DIRECTORS

On 25 April 2017, Befimmo's Ordinary General Meeting definitively appointed Mrs Barbara De Saedeleer as independent Director for a term of two years ending at the closing of the 2019 Ordinary General Meeting. Mrs De Saedeleer was temporarily appointed by the Board of Directors on 14 February 2017 in order to replace Mrs Annick Van Overstraeten, who had resigned.

This Meeting also renewed the directorships of:

- Mrs Sophie Malarme-Lecloux, as an independent Director, for a period of four years, ending at the closing of the 2021 Ordinary General Meeting;
- Mrs Sophie Goblet, as an independent Director, for a period of four years, ending at the closing of the 2021 Ordinary General Meeting;
- Mr Benoît Godts, as a non-executive Director, for a period of two years, ending at the closing of the 2019 Ordinary General Meeting;
- Mr Guy Van Wymersch-Moons, as a non-executive Director, for a period of four years, ending at the closing of the 2021 Ordinary General Meeting.

The composition of the Board is as follows:

| Directorship on the Board | Directorship expiry date |
|---|---|
| **Alain Devos**<br>Chairman, non-executive Director | Ordinary General Meeting 2018 |
| **Benoît De Blieck**<br>Managing Director | Ordinary General Meeting 2019 |
| **Hugues Delpire**<br>non-executive Director, independent | Ordinary General Meeting 2019 |
| **Barbara De Saedeleer**<br>non-executive Director, independent | Ordinary General Meeting 2019 |
| **Kurt De Schepper**<br>non-executive Director, linked to a shareholder | Ordinary General Meeting 2020 |
| **Etienne Dewulf**<br>non-executive Director, independent | Ordinary General Meeting 2018 |
| **Sophie Goblet**<br>non-executive Director, independent | Ordinary General Meeting 2021 |
| **Benoît Godts**<br>non-executive Director, linked to a shareholder | Ordinary General Meeting 2019 |
| **Mme Sophie Malarme-Lecloux**<br>non-executive Director, independent | Ordinary General Meeting 2021 |
| **Guy Van Wymersch-Moons**<br>non-executive Director, linked to a shareholder | Ordinary General Meeting 2021 |

# KEY DATES FOR SHAREHOLDERS

| | |
|---|---|
| Interim statement as at 30 September 2017 | Thursday 26 October 2017[84] |
| Payment of the interim[85] dividend of the 2017 fiscal year on presentation of coupon No 34 | |
| *- Ex-date* | *Tuesday 19 December 2017* |
| *- Record date* | *Wednesday 20 December 2017* |
| *- Payment date* | *from Thursday 21 December 2017* |
| Publication of the annual results as at 31 December 2017 | Thursday 8 February 2018[84] |
| Online publication of the Annual Financial Report 2017 | Friday 23 March 2018 |
| Ordinary General Meeting of the fiscal year closing as at 31 December 2017 | Tuesday 24 April 2018 |
| Payment of the final[86] dividend of the 2017 fiscal year on presentation of coupon No 35 | |
| *- Ex-date* | *Wednesday 2 May 2018* |
| *- Record date* | *Thursday 3 May 2018* |
| *- Payment date* | *from Friday 4 May 2018* |

# SHAREHOLDING STRUCTURE AS AT 30 JUNE 2017

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 received, the share ownership of Befimmo SA is structured as follows:

| Declarants | Number of shares (declared) on the date of declaration | On the basis of transparency declarations or of information received from the shareholder | (%) |
|---|---|---|---|
| Ageas and affiliated companies | 2 647 540 | 27.09.2016 | 10.4% |
| AXA Belgium SA | 2 741 438 | 27.09.2016 | 10.7% |
| BlackRock Inc. | 769 229 | 13.12.2016 | 3.0% |
| Other shareholders below statutory threshold | 19 421 007 | 13.12.2016 | 75.9% |
| **Total** | **25 579 214** | | **100%** |

On the basis of transparency declarations or of information received from the shareholder.

84 Publication after closing of the stock exchange.
85 Subject to a decision of the Board of Directors.
86 Subject to a decision of Ordinary General Meeting.

# CONDENSED FINANCIAL STATEMENTS

## CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME (IN € THOUSAND)

| | | Notes | 30.06.17 | 30.06.16 |
|---|---|---|---|---|
| I. | (+) Rental income | | 72 194 | 68 281 |
| III. | (+/-) Charges linked to letting | | - 201 | - 297 |
| **NET RENTAL RESULT** | | | **71 994** | **67 984** |
| IV. | (+) Recovery of property charges | | 2 613 | 2 769 |
| V. | (+) Recovery of rental charges and taxes normally paid by tenants on let properties | | 26 106 | 25 693 |
| VII. | (-) Rental charges and taxes normally paid by tenants on let properties | | -25 149 | -25 536 |
| VIII. | (+/-) Other revenue and charges for letting | | 1 543 | 160 |
| **PROPERTY RESULT** | | | **77 107** | **71 070** |
| IX. | (-) Technical costs | | -4 540 | -3 986 |
| X. | (-) Commercial costs | | - 317 | - 693 |
| XI. | (-) Charges and taxes on unlet properties | | -1 936 | -2 865 |
| XII. | (-) Property management costs | | -1 496 | -1 242 |
| XIII. | (-) Other property charges | | -2 141 | -2 673 |
| | **(+/-) Property charges** | | **-10 430** | **-11 458** |
| **PROPERTY OPERATING RESULT** | | | **66 677** | **59 612** |
| XIV. | (-) Corporate overheads | | -5 389 | -4 226 |
| XV. | (+/-) Other operating income and charges | | -1 127 | - 162 |
| **OPERATING RESULT BEFORE RESULT ON PORTFOLIO** | | | **60 161** | **55 224** |
| XVI. | (+/-) Gains and losses on disposals of investment properties | | 22 144 | 12 |
| XVIII. | (+/-) Changes in fair value of investment properties | | 17 207 | -5 791 |
| **OPERATING RESULT** | | | **99 511** | **49 444** |
| XX. | (+) Financial income | 5 | 242 | 795 |
| XXI. | (-) Net interest charges | 5 | -9 416 | -10 454 |
| XXII. | (-) Other financial charges | 5 | -1 378 | -1 475 |
| XXIII. | (+/-) Changes in fair value of financial assets and liabilities | 5 | 6 098 | -28 372 |
| | **(+/-) Financial result** | | **-4 454** | **-39 506** |
| **PRE-TAX RESULT** | | | **95 057** | **9 938** |
| XXV. | (-) Corporation tax | | - 588 | - 590 |
| | **(+/-) Taxes** | | **- 588** | **- 590** |
| **NET RESULT** | | | **94 469** | **9 348** |
| | | | | |
| **BASIC NET RESULT AND DILUTED (in € per share)** | | | **3.69** | **0.41** |
| | | | | |
| Other comprehensive income - actuarial gains and losses - pension liabilities | | | 171 | -2 004 |
| **TOTAL COMPREHENSIVE INCOME** | | | **94 640** | **7 344** |

# CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION (IN € THOUSAND)

| ASSETS | | Notes | 30.06.17 | 31.12.16 |
|---|---|---|---|---|
| **I.** | **Non-current assets** | | **2 527 063** | **2 573 948** |
| A. | Goodwill | 6 | 14 281 | 14 494 |
| C. | Investment properties | 7 | 2 477 103 | 2 511 658 |
| D. | Other property, plant and equipment | | 2 337 | 2 465 |
| E. | Non-current financial assets | 8 | 31 362 | 43 801 |
| F. | Finance lease receivables | | 1 980 | 1 530 |
| **II.** | **Current assets** | | **41 255** | **39 104** |
| A. | Properties held for sale | 7 | - | - |
| B. | Current financial assets | 8 | 2 330 | 2 911 |
| C. | Finance lease receivables | | 135 | 133 |
| D. | Trade receivables | | 34 779 | 19 995 |
| E. | Tax receivables and other current assets | | 1 735 | 11 568 |
| F. | Cash and cash equivalents | | 291 | 153 |
| G. | Deferred charges and accrued income | | 1 985 | 4 344 |
| **TOTAL ASSETS** | | | **2 568 317** | **2 613 052** |

| SHAREHOLDERS' EQUITY AND LIABILITIES | | Notes | 30.06.17 | 31.12.16 |
|---|---|---|---|---|
| **TOTAL SHAREHOLDERS' EQUITY** | | | **1 472 967** | **1 401 349** |
| **I.** | **Equity attributable to shareholders of the parent company** | | **1 472 967** | **1 401 349** |
| A. | Capital | | 357 871 | 357 871 |
| B. | Share premium account | | 792 641 | 792 641 |
| C. | Reserves | | 227 986 | 219 134 |
| D. | Net result for the fiscal year | | 94 469 | 31 702 |
| **LIABILITIES** | | | **1 095 350** | **1 211 703** |
| **I.** | **Non-current liabilities** | | **534 385** | **564 325** |
| A. | Provisions | | 1 965 | 257 |
| B. | Non-current financial debts | 8 | 515 553 | 538 747 |
| | a. Credit institution | | 161 597 | 242 093 |
| | c. Other | | 353 956 | 296 654 |
| | *EU Private Placement* | | *180 943* | *111 092* |
| | *US Private Placement* | | *170 354* | *183 206* |
| | *Guarantees received* | | *2 660* | *2 356* |
| C. | Other non-current financial liabilities | 8 | 16 867 | 25 321 |
| **II.** | **Current liabilities** | | **560 965** | **647 378** |
| A. | Provisions | | 4 764 | 3 831 |
| B. | Current financial debts | 8 | 473 340 | 559 239 |
| | a. Credit institution | | 29 840 | 72 261 |
| | c. Other | | 443 500 | 486 978 |
| | *Retail bond issues* | | *-* | *161 978* |
| | *Commercial papers* [87] | | *443 500* | *325 000* |
| C. | Other current financial liabilities | 8 | 868 | 15 |
| D. | Trade debts and other current debts | | 49 952 | 44 774 |
| E. | Other current liabilities | | 2 316 | 5 588 |
| F. | Accrued charges and deferred income | | 29 725 | 33 932 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | | **2 568 317** | **2 613 052** |

[87] 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 (IN € THOUSAND)

| | 30.06.17 | 30.06.16 |
|---|---|---|
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR** | **153** | **215** |
| **Operating activities (+/-)** | | |
| Net result for the period (6 months) | 94 469 | 9 348 |
| Result on disposal of investment properties | -22 144 | - 12 |
| Financial result (excl. changes in fair value of financial assets and liabilites) | 10 552 | 11 134 |
| Taxes | 588 | 590 |
| **Items with no effect on cash flow to be extracted from earnings** | | |
| Fair value adjustment for investment buildings (+/-) | -17 207 | 5 791 |
| Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-) | -6 098 | 28 372 |
| Loss of (gain in) value on trade receivables (+/-) | - 62 | 16 |
| Amortisation / Loss of (gain in) value on property, plant and equipment (+/-) | 336 | 219 |
| Adjustments of provisions and of the pension liabilities without treasury impact (+/-) | - 37 | 402 |
| Taxes paid | - 220 | - 258 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS** | **60 177** | **55 603** |
| Change in assets items | -3 433 | -4 552 |
| Change in liabilities items | -6 290 | -4 015 |
| **CHANGE IN WORKING CAPITAL REQUIREMENTS** | **-9 723** | **-8 567** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **50 454** | **47 037** |
| **Investments (-) / Disposals (+)** | | |
| Investment properties | | |
| Investments | -16 124 | -14 775 |
| Disposals | 123 121 | 506 |
| Acquisition of the Gateway projet | - | -18 561 |
| Acquisition of redevelopment projects | -22 474 | - |
| Other property, plant and equipment | - 800 | - 323 |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | **83 724** | **-33 153** |
| **Financing (+/-)** | | |
| Increase (+)/Decrease (-) in financial debts | -4 207 | 10 258 |
| European private bond placements | 70 000 | 7 250 |
| Reimbursement retail bond April 2011 | -162 000 | - |
| Interest paid | -12 349 | -11 747 |
| Hedging instruments and other financial assets | -2 462 | - |
| Final dividend Befimmo 2015 | - | -19 798 |
| Final dividend Befimmo 2016 | -23 021 | - |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **-134 040** | **-14 037** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **138** | **- 153** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (6 MONTHS)** | **291** | **62** |

# CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (IN € THOUSAND)

| | Capital | Share premium account | Reserves | Net result of the fiscal year | Total shareholders' equity |
|---|---|---|---|---|---|
| **EQUITY AS AT 31.12.15** | **323 661** | **702 548** | **198 497** | **40 589** | **1 265 295** |
| Appropriation of the result | - | - | 40 589 | -40 589 | **-** |
| Dividend distributed | - | - | -19 798 | - | **-19 798** |
| Final dividend of the 2015 fiscal year Befimmo | - | - | -19 798 | - | **-19 798** |
| Total comprehensive income (6 months) | - | - | -2 004 | 9 348 | **7 344** |
| | | | | | |
| **EQUITY AS AT 30.06.16** | **323 661** | **702 548** | **217 283** | **9 348** | **1 252 841** |
| Capital increase – 27 September 2016 | 34 210 | 90 094 | - | - | **124 303** |
| Interim dividend | - | - | - | -58 704 | **-58 704** |
| Befimmo 2016 interim dividend | - | - | - | -58 704 | **-58 704** |
| Total comprehensive income (6 months) | - | - | 1 851 | 81 058 | **82 909** |
| | | | | | |
| **EQUITY AS AT 31.12.16** | **357 871** | **792 641** | **219 134** | **31 702** | **1 401 349** |
| Appropriation of the result | - | - | 31 702 | -31 702 | **-** |
| Dividend distributed | - | - | -23 021 | - | **-23 021** |
| Final dividend of the 2016 fiscal year Befimmo | - | - | -23 021 | - | **-23 021** |
| Total comprehensive income (6 months) | - | - | 171 | 94 469 | **94 640** |
| | | | | | |
| **EQUITY AS AT 30.06.17** | **357 871** | **792 641** | **227 986** | **94 469** | **1 472 967** |

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

## 1. 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 close their fiscal years at 31 December.

The Company is presenting consolidated condensed financial statements as at 30 June 2017.

The Board of Directors of Befimmo SA adopted the consolidated condensed financial statements for this fiscal year and authorised its publication on 18 July 2017.

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

As at 30 June 2017, the premises provided consisted of quality office buildings in Belgium, mainly in Brussels and in the main 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.

## 2. 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 2016 (pages 150 to 157) which can be found on the Company's website (www.befimmo.be).

New amendments to existing standards enter into force in 2016, but do not impact the principles of recognition and measurement.

## 3. 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 2016 (page 157) which can be found on the Company's website at www.befimmo.be.

# 4. SEGMENT INFORMATION

The description of Befimmo's consolidated portfolio is set out in the chapter "Property portfolio" of the management report.

| | Brussels CBD and similar | | Brussels decentralised | | Brussels periphery | |
|---|---|---|---|---|---|---|
| (in € thousand) | 30.06.17 (6 months) | 30.06.16 (6 months) | 30.06.17 (6 months) | 30.06.16 (6 months) | 30.06.17 (6 months) | 30.06.16 (6 months) |
| **INCOME STATEMENT** | | | | | | |
| A. Rental income | 43 175 | 39 814 | 2 637 | 2 508 | 4 582 | 4 285 |
| B. Property operating result | 42 030 | 35 582 | 1 567 | 1 025 | 3 332 | 3 255 |
| C. Change in fair value of investment properties | 18 688 | - 3 361 | - 2 890 | - 1 513 | - 5 063 | - 1 625 |
| D. Gains and losses on disposal of buildings | 21 871 | - | - | - | - | - |
| **E. SEGMENT RESULT (= B+C+D)** | **82 589** | **32 221** | **- 1 323** | **- 488** | **- 1 731** | **1 630** |
| Percentage by segment | 77.9% | 59.9% | -1.2% | -0.9% | -1.6% | 3.0% |
| F. Corporate overheads | | | | | | |
| G. Other operating income and charges | | | | | | |
| H. Financial result | | | | | | |
| I. Income tax | | | | | | |
| **NET RESULT (= E+F+G+H+I)** | | | | | | |
| | | | | | | |
| | 30.06.17 | 31.12.16 | 30.06.17 | 31.12.16 | 30.06.17 | 31.12.16 |
| **BALANCE SHEET** | | | | | | |
| **Assets** | | | | | | |
| Goodwill | 7 391 | 7 391 | - | - | - | - |
| Investment properties and assets held for sale | 1 442 126 | 1 483 801 | 88 452 | 88 398 | 143 570 | 147 015 |
| *of which investments and acquisitions during the year* | *34 844* | *95 229* | *2 944* | *3 358* | *1 618* | *5 468* |
| Other assets | 543 | - | - | - | - | - |
| **TOTAL ASSETS** | **1 450 060** | **1 491 192** | **88 452** | **88 398** | **143 570** | **147 015** |
| Percentage by segment | 56.5% | 57.1% | 3.4% | 3.4% | 5.6% | 5.6% |
| **TOTAL LIABILITIES** | | | | | | |
| **TOTAL SHAREHOLDERS' EQUITY** | | | | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |

| Wallonia | | Flanders | | Luxembourg city | | Unallocated amounts | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| 30.06.17 (6 months) | 30.06.16 (6 months) | 30.06.17 (6 months) | 30.06.16 (6 months) | 30.06.17 (6 months) | 30.06.16 (6 months) | 30.06.17 (6 months) | 30.06.16 (6 months) | 30.06.17 (6 months) | 30.06.16 (6 months) |
| | | | | | | | | | |
| 4 816 | 4 852 | 14 720 | 14 749 | 2 265 | 2 072 | - | - | **72 194** | **68 281** |
| 4 321 | 4 367 | 13 357 | 13 703 | 2 069 | 1 680 | - | - | **66 677** | **59 612** |
| 3 920 | 2 608 | - 913 | - 2 843 | 3 465 | 943 | - | - | **17 207** | **-5 791** |
| - 149 | 12 | 423 | - | - | - | - | - | **22 144** | **12** |
| **8 092** | **6 988** | **12 867** | **10 859** | **5 534** | **2 623** | **-** | **-** | **106 027** | **53 833** |
| 7.6% | 13.0% | 12.1% | 20.2% | 5.2% | 4.9% | - | - | **100%** | **100%** |
| | | | | | | - 5 389 | - 4 226 | **- 5 389** | **- 4 226** |
| | | | | | | - 1 127 | - 162 | **- 1 127** | **- 162** |
| | | | | | | - 4 454 | - 39 506 | **- 4 454** | **- 39 506** |
| | | | | | | - 588 | - 590 | **- 588** | **- 590** |
| | | | | | | | | **94 469** | **9 348** |
| | | | | | | | | | |
| 30.06.17 | 31.12.16 | 30.06.17 | 31.12.16 | 30.06.17 | 31.12.16 | 30.06.17 | 31.12.16 | 30.06.17 | 31.12.16 |
| | | | | | | | | | |
| | | | | | | | | | |
| 1 329 | 1 456 | 5 561 | 5 647 | - | - | - | - | **14 281** | **14 494** |
| 208 922 | 199 043 | 491 293 | 494 139 | 102 740 | 99 262 | - | - | **2 477 103** | **2 511 658** |
| *6 946* | *1 701* | *161* | *250* | *13* | *- 217* | - | - | ***46 526*** | ***105 788*** |
| 1 572 | 1 638 | - | - | - | - | 74 818 | 85 262 | **76 933** | **86 901** |
| **211 823** | **202 137** | **496 854** | **499 786** | **102 740** | **99 262** | **74 818** | **85 262** | **2 568 317** | **2 613 052** |
| 8.2% | 7.7% | 19.3% | 19.1% | 4.0% | 3.8% | 2.9% | 3.3% | **100%** | **100%** |
| | | | | | | **1 095 350** | **1 211 703** | **1 095 350** | **1 211 703** |
| | | | | | | **1 472 967** | **1 401 349** | **1 472 967** | **1 401 349** |
| | | | | | | **2 568 317** | **2 613 052** | **2 568 317** | **2 613 052** |

# 5. FINANCIAL RESULT

The financial result (excluding changes in the fair value of financial assets and liabilities) was -€10.6 million in the first half of 2017, compared with -€11.1 million in the first half of 2016.

“Financial income” was down €0.6 million owing to the remuneration paid at the first half of 2016 by the joint venture Codic Immobel for cash advances related to the construction of the Gateway building, which was handed over in December 2016.

"Net interest charges" were down €1.0 million in relation to the first half of 2016, as a result, firstly, of the Company’s lower average fixed rate excluding credit margin, related, among other things, to the repayment of the retail bond of €162 million which matured in April 2017 and, secondly, to the reduction in the average volume of the debt of €75 million in relation to comparable periods. This lower volume of debt is related to the effect of the capital increase carried out in September 2016 and to the granting of the 99-year leasehold on the Brederode complex in March 2017. The average annualised financing cost (including hedging margin and cost) was 2.13% over the half-year, compared with 2.21% for the first half of 2016. The slight decrease in "Other financial charges" was explained mainly by the decrease of the charges related to the bank guarantees.

The change in fair value of the financial assets and liabilities was +€6.1 million as against -€28.4 million over the first six months of 2016. The fair value of the financial hedging instruments (mainly IRS, €6.3 million), acquired as part of the Company’s hedging policy, was positively impacted by the significantrise in medium- and long-term interest rates at the end of the half-year.

| (in € thousand) | | 30.06.17 (6 months) | 30.06.16 (6 months) |
|---|---|---|---|
| **(+)** | **XX. Financial income** | **242** | **795** |
| (+) | Interests and dividends received | 174 | 746 |
| (+) | Fees for finance leases and similar | 68 | 49 |
| **(+/-)** | **XXI. Net interest charges** | **-9 416** | **-10 454** |
| (-) | Nominal interest on loans | -9 587 | -11 186 |
| (-) | Reconstitution of the face value of financial debts | - 124 | - 242 |
| (-) | Other interest charges | - 28 | - 35 |
| (+) | Proceeds of authorised hedging instruments | 5 964 | 6 205 |
| | *Authorised hedging instruments not qualifying for hedge accounting under IFRS* | *5 964* | *6 205* |
| (-) | Charges of authorised hedging instruments | -5 642 | -5 197 |
| | *Authorised hedging instruments not qualifying for hedge accounting under IFRS* | *-5 642* | *-5 197* |
| **(-)** | **XXII. Other financial charges** | **-1 378** | **-1 475** |
| (-) | Bank charges and other commissions | -1 378 | -1 475 |
| (-) | Net losses realised on sale of financial assets | - 1 | - |
| **(+/-)** | **XXIII. Changes in fair value of financial assets and liabilities** | **6 098** | **-28 372** |
| (+/-) | Authorised hedging instruments | -6 754 | -30 940 |
| | *Authorised hedging instruments not qualifying for hedge accounting under IFRS* | *-6 754* | *-30 940* |
| (+/-) | Others | 12 852 | 2 568 |
| **(+/-)** | **Financial result** | **-4 454** | **-39 506** |

# 6. 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 2016 (page 166). A reduction in goodwill of €212 thousand was booked upon the sale of the buildings located avenue Emile Digneffe in Liège and Bevrijdingslaan in Ninove. The goodwill associated with the sold buildings was reversed in order to be incorporated into the calculation of the result of the realised sales.

## IMPAIRMENT TEST

As at 30 June 2017, the goodwill was subject to an impairment test, in accordance with the method described in the Annual Financial Report 2016 (page 167). The result of this test indicates that no impairment must be made.

# 7. INVESTMENT PROPERTIES

| (in € thousand) | |
|---|---|
| **Carrying value as at 31.12.2015** | **2 388 290** |
| *of which: - Investment properties* | *2 387 806* |
| *- Assets held for sale* | *484* |
| Acquisitions | 74 308 |
| Other investments | 31 481 |
| Disposals | - 3 542 |
| Changes in fair value | 21 121 |
| **Carrying value as at 31.12.2016** | **2 511 658** |
| *of which: - Investment properties* | *2 511 658* |
| *- Assets held for sale* | - |
| Acquisitions | 22 474 |
| Other investments | 24 052 |
| Disposals | - 98 287 |
| Changes in fair value | 17 207 |
| **Carrying value as at 30.06.2017** | **2 477 103** |
| *of which: - Investment properties* | *2 477 103* |
| *- Assets held for sale* | - |

In the first half of 2017, Befimmo carried out various acquisitions for a total amount of €22.5 million in the context of its redevelopment projects.

During the first half of the 2015 fiscal year, Beway SA, a 100% Befimmo subsidiary, acquired the Gateway project, located in the Brussels Airport area, by acquiring the leasehold on the land for a remaining term of 98 years, and the freehold of the existing building and the buildings in the process of completion. At 31 December 2016, the building had been handed over and the total invested was €149.78 million, including €74.3 million during 2016.

During the first half of 2017, Befimmo invested a total of €24.1 million in its buildings. The main investments related to the renovation of the Guimard and Triomphe buildings and to the Quatuor and Eupen projects.

During 2016, Befimmo invested a total of €31.5 million in its buildings. The investments related mainly to the renovation of the Brederode 9 and Namur 48 buildings, the Guimard building, the Blue Tower and the Goemaere building.

During the first half of 2017, Befimmo granted a 99-year leasehold on the Brederode complex, for an amount of €122 million. The complex contributed €698 thousand to the operating result of the buildings in 2017. Furthermore, Fedimmo sold the buildings at avenue Emile Digneffe in Liège and Bevrijdingslaan in Ninove, which together contributed some €14 thousand to the operating result of the buildings.

In 2016, Befimmo sold the building at 59 rue Large in Chênée (Wallonia) and the Jean Dubrucq building located in decentralised Brussels. From 1 January 2016 until the date of the sale, these two buildings contributed to the property operating result to the tune of €77 thousand.

# 8. FINANCIAL ASSETS AND LIABILITIES

At constant perimeter, the Company needs no further financing before the end of the first quarter of 2019. The chapter "Financial structure and hedging policy" on page 34 of this Report contains detailed information on the subject.

In order to limit the risks related to changes in interest and exchange rates, the Company acquires hedging instruments. As at 30 June 2017, the hedge ratio was 101.0%. The table hereafter lists all the hedging instruments owned by the Company at 30 June 2017.

| | | | CURRENCY | | € | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Level in IFRS | Class in IFRS | Notional amount (millions) | Interest rate | Notional amount (millions) | Interest rate | Period of hedge | | Reference interest rate |
| 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 | | | 25 | 2.25% | Jan. 2014 | Oct. 2018 | Euribor 3 month |
| CAP bought | 2 | Option | | | 25 | 2.00% | Jan. 2013 | Jan. 2019 | Euribor 3 month |
| CAP bought | 2 | Option | | | 15 | 0.30% | Jan. 2015 | Jan. 2019 | Euribor 3 month |
| CAP bought | 2 | Option | | | 15 | 0.75% | Jan. 2015 | Jan. 2020 | 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 | 1.15% | Jan. 2016 | Jan. 2022 | Euribor 3 month |
| FLOOR[88] sold | 2 | Option | | | 20 | 0.55% | Jan. 2016 | Jan. 2022 | Euribor 3 month |
| | | | | | | | | | |
| Payer's IRS | 2 | Forward | | | 20 | 1.58% | Jan. 2018 | July 2022 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 1.41% | Dec. 2017 | Sept. 2022 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 1.57% | Dec. 2017 | Sept. 2022 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 15 | 1.40% | July 2014 | Jan. 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 | 0.41% | Jan. 2016 | Jan. 2024 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.72% | Jan. 2016 | Jan. 2024 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.47% | Jan. 2016 | July 2024 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.42% | Jan. 2016 | July 2024 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 15 | 1.08% | Sept. 2015 | Sept. 2024 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 20 | 0.84% | Oct. 2015 | Oct. 2024 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 20 | 0.81% | Oct. 2015 | Oct. 2024 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 20 | 0.79% | Febr. 2016 | Feb. 2025 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.49% | Jan. 2016 | Apr. 2025 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.41% | Jan. 2016 | Apr. 2025 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 30 | 0.91% | Oct. 2015 | Oct. 2025 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.59% | Nov. 2016 | Nov. 2025 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 30 | 0.58% | Jan. 2016 | Jan. 2026 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 30 | 0.85% | Febr. 2016 | Feb. 2026 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.30% | June 2017 | Dec. 2026 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.69% | April 2017 | Jan. 2027 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 0.82% | Febr. 2017 | Febr. 2027 | Euribor 3 month |
| Receiver's IRS | 2 | Forward | | | 30 | 0.12% | Jan. 2016 | Jan. 2018 | 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 |
| Receiver's IRS | 2 | Forward | | | 20 | 0.11% | April 2017 | Jan. 2018 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 15 | 0.84% | May 2014 | May 2019 | Euribor 3 month |
| Receiver's IRS | 2 | Forward | | | 15 | 0.84% | Febr. 2017 | May 2019 | Euribor 3 month |
| Payer's IRS | 2 | Forward | | | 25 | 1.51% | July 2012 | July 2021 | Euribor 1 month |
| Receiver's IRS | 2 | Forward | | | 25 | 1.51% | March 2017 | July 2021 | Euribor 1 month |
| Payer's IRS | 2 | Forward | | | 30 | 2.99% | Jan. 2018 | Jan. 2022 | Euribor 3 month |
| Receiver's IRS | 2 | Forward | | | 30 | 2.99% | Jan. 2018 | Jan. 2022 | Euribor 3 month |
| | | | | | | | | | |
| CCS[89] | 2 | Forward | 75 USD | 4.83% | 56 | 2.77% | May 2012 | May 2019 | Fix USD for Fix EUR |
| CCS[89] | 2 | Forward | 22 GBP | 4.90% | 26 | 2.76% | May 2012 | May 2019 | Fix GBP for Fix EUR |
| CCS[89] | 2 | Forward | 90 USD | 5.05% | 67 | 2.92% | May 2012 | May 2020 | Fix USD for Fix EUR |

[88] 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.

[89] The interest rates in EUR are margin inclusive for the CCS. The rates are applicable as from 1 June 2015.

## 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 and exchange 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 of 30.06.2017 | |
|---|---|---|---|
| **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** |
| Option | 2 | 101 | - 472 |
| Forward | 2 | 7 592 | -16 320 |
| CCS | 2 | 21 844 | - 942 |
| | | **29 537** | **-17 734** |

| (in € thousand) | | Balance sheet item as of 31.12.2016 | |
|---|---|---|---|
| **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** |
| Option | 2 | 143 | -1 420 |
| Forward | 2 | 7 142 | -23 794 |
| CCS | 2 | 34 145 | -122 |
| | | **41 430** | **-25 336** |

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 which are included in the Annual Financial Report 2016 (pages 150 to 157), the value of the recorded assets and liabilities approximates to their fair value, except for:

- the financing relating to the assignments of receivables from future rents/future usufruct fees, structured at fixed rates, of a residual total at 30 June 2017 of €75.4 million;
- several European private placements at fixed rates for a total amount of €136.1 million.

The fixed rates and margins set for these long-term borrowings may no longer correspond to the current market rates and margins, 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 below compares, for information purposes, the carrying amount of the fixed-rate borrowings (excluding the USPP debt which is already carried at fair value) with their fair value at the end of the first half of 2017.

The fair value of the assigned receivables for future rents/future usufruct fees and for the European private debt placements is estimated by updating the future expected cash flows using the 0-coupon yield curve for 30 June 2017, plus a margin to take account of the Company's credit risk (level 2). The fair value of the bond issue is, in turn, obtained from the quoted market prices (level 1).

The fair value of this financing is given in the table below as an indication.

| (in € thousand) | Level | Fair value | Book value |
|---|---|---|---|
| EUPP | 2 | 136 606 | 136 085 |
| Sales of receivables | 2 | 82 379 | 75 369 |

# STATUTORY AUDITOR'S REPORT

## REPORT OF THE STATUTORY AUDITOR TO THE SHAREHOLDERS OF BEFIMMO SA ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2017 AND FOR THE SIX MONTH PERIOD THEN ENDED

### INTRODUCTION

We have reviewed the accompanying interim consolidated condensed statement of financial position of Befimmo SA (the "Company"), and its subsidiaries as at 30 June 2017 and the related consolidated condensed statement of comprehensive income, the consolidated cash flow statement for the six month period then ended and the notes to the interim consolidated condensed financial statements, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 2.568.317 thousand and the consolidated condensed income statement shows a net result for the six month period then ended of € 94.469 thousand. The board of directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

### SCOPE OF REVIEW

We conducted our review in accordance the International Standard on Review Engagements 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 conducted in accordance with the International Standards on Auditing 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.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material aspects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

Brussels, 18 July 2017

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Ernst & Young Réviseurs d'Entreprises SCCRL
Statutory auditor
represented by
Christel Weymeersch*
Partner
* Acting on behalf of a BVBA/SPRL

18CW0012

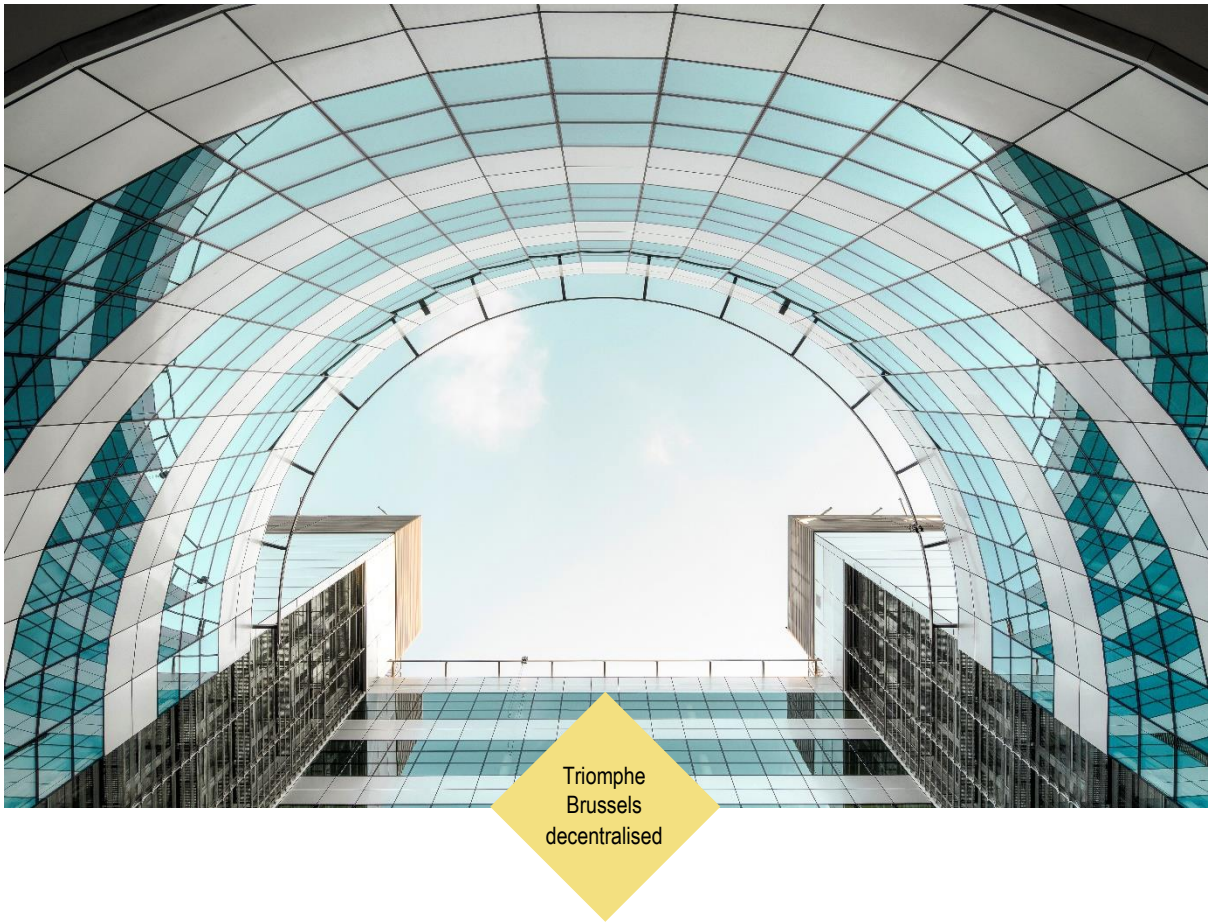
# STATEMENT

## 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.



# PROFILE

Befimmo is a real-estate operator pursuing a specialist ("pure player") strategy in office buildings located in Belgium, mainly in Brussels and in the main Belgian cities, and the Grand Duchy of Luxembourg. Its portfolio is worth some €2.5 billion and comprises around a hundred office buildings with space of around 900,000 m².

Befimmo offers its rental customers quality properties that are flexible, efficient, well-equipped and located near major transport hubs. As a specialist in office buildings, Befimmo offers a wide range of personalised and integrated services and provides optimum facilities in its properties to facilitate the everyday lives of its rental customers. By building a relationship of trust with its customers, Befimmo seeks to maintain a high occupancy rate of its portfolio, which generates recurring and predictable revenue.

Befimmo takes a responsible attitude in carrying out the various tasks inherent in its business of real-estate operator: investment, commercialisation, providing services and facilities, renovation and construction for own account, and disinvestment. It places the challenges of Social Responsibility at the heart of its strategic thinking.

Befimmo is listed on Euronext Brussels. As at 30 June 2017, its market capitalisation was €1.3 billion. Befimmo offers its shareholders a solid dividend and a yield in line with its risk profile.

Befimmo is a BE-REIT (SIR/GVV). It is subject to the law of 12 May 2014 and the Royal Decree of 13 July 2014 on BE-REITs.

Fountain Plaza
Brussels
periphery

# APPENDICES

## APPENDIX I: ALTERNATIVE PERFORMANCE MEASURES

### GLOSSARY OF THE "ALTERNATIVE PERFORMANCE MEASURES"

| Alternative Performance Measure | Definition | Use |
|---|---|---|
| **Net property charges** | The sum of various property charges, net of amounts recoverable from tenants (corresponds to the sum of headings IV to XIII of the consolidated statement of total comprehensive income). | Gives an overview of all net property charges. |
| **Other operating income and charges (excluding goodwill impairment)** | Heading XV 'Other operating income and charges' minus any goodwill impairment. | Used to compare forecasts and actual figures in heading XV 'Other operating income and charges'. Any goodwill impairment is not budgeted. |
| **Operating margin** | 'Operating result before result on portfolio' divided by 'Net rental result'. | Used to assess the Company's operating performance. |
| **Net property result** | 'Operating result before result on portfolio' plus heading XVI 'Gains and losses on disposals of investment properties'. | Used to identify the operating profit before changes in the fair value of investment property. |
| **Financial result (excluding changes in fair value of financial assets and liabilities and close-out costs)** | 'Financial result' minus heading XXIII 'Changes in fair value of financial assets and liabilities' and any gains or losses realised on financial assets and liabilities (i.e. close-out costs). | Used to compare forecasts and actual figures in the financial results. |
| **Net result before changes in fair value of investment properties and financial assets and liabilities** | 'Net result' minus heading XVIII 'Changes in fair value of investment property' and heading XXIII 'Changes in fair value of financial assets and liabilities'. | Used to identify the net result before changes in the fair value of investment property and of the financial assets and liabilities. |
| **"Like-for-Like" net rental result** | Net rental result of properties available for lease at constant perimeter for two consecutive periods. The 'Like-for-Like' scope is calculated on the basis of the EPRA definition. | Used to measure the change in rental income of properties available for lease at constant floor area for two consecutive periods. |
| **Loan-to-value ("LTV")** | Nominal financial debt minus balance sheet heading II.F. 'Cash and cash equivalents', divided by the sum of balance sheet headings I.C. "Investment property" and II.A. 'Properties held for sale'. Nominal financial debts are the accounting financial debts excluding IFRS adjustments, in other words excluding the reassessment at fair value of financial assets and liabilities and the smoothing of debt issuance costs. | This is the debt ratio calculated on the basis of the fair value of the property portfolio. |
| **Average (annualised) financing cost** | Annualised interest paid over the reporting period, including the credit margin, the cost of the hedging instruments and liquidity cost, divided by the average nominal financial debt over the period concerned. | Used to measure the average cost of the Company's financial debt. |
| **Return on shareholders' equity (in € per share)** | The return obtained by an investor over a 12-month period ending at the close of the period, assuming the reinvestment of dividends and the participation in operations to strengthen the Company's capital. The calculation is based on the average number of shares not held by the group over a 12-month period. | Used to measure the profitability over 12 months (in €/share) of a shareholder's investment on the basis of the value of shareholders' equity. |
| **Return on shareholders' equity (in %)** | The internal rate of return earned by an investor over a 12-month period ending at the close of the period, assuming the reinvestment of dividends and the participation in operations to strengthen the Company's capital. The calculation is based on the average number of shares not held by the group over a 12-month period. | Used to measure the profitability over 12 months (in %) of a shareholder's investment on the basis of the value of shareholders' equity. |

# RECONCILIATION TABLES OF THE "ALTERNATIVE PERFORMANCE MEASURES"

## AVERAGE (ANNUALISED) FINANCING COST

| (in thousand €) | 30-06-17 | 30-06-16 |
|---|---|---|
| Interest paid | 10 895 | 12 146 |
| Annualised interest paid (A) | 21 789 | 24 291 |
| Average nominal financial debt (B) | 1 022 294 | 1 097 485 |
| **Average (annualised) financing cost (A/B)** | **2,13%** | **2,21%** |

## LOAN-TO-VALUE

| (in thousand €) | 30-06-17 | 31-12-16 |
|---|---|---|
| Nominal financial debts (A) | 966 902 | 1 063 413 |
| II. F. Cash and cash equivalents (B) | 291 | 153 |
| | | |
| I. C. Investment properties (D) | 2 477 103 | 2 511 658 |
| II. A. Assets held for sale (E) | - | - |
| **Fair value of portfolio at the closing date (C = D+E)** | **2 477 103** | **2 511 658** |
| | | |
| **Loan-to-value (A-B)/C** | **39.02%** | **42.33%** |

## NET RENTAL RESULT IN “LIKE-FOR-LIKE”

| (in thousand €) | 30-06-17 | 30-06-16 |
|---|---|---|
| Net rental result (A) | 71 994 | 67 984 |
| Net rental result linked to changes in perimeter (B) | 4 470 | 1 580 |
| Net rental result on properties not available for lease (C) | 914 | 1 051 |
| **Net rental result in “Like-for-Like” (A-B-C)** | **66 609** | **65 353** |

## NET RESULT BEFORE CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES AND FINANCIAL ASSETS AND LIABILITIES

| (in thousand €) | 30-06-17 | 30-06-16 |
|---|---|---|
| Net result (A) | 94 469 | 9 348 |
| XVIII. Changes in fair value of investment properties (B) | 17 207 | -5 791 |
| XXIII. Changes in fair value of financial assets and liabilities (C) | 6 098 | -28 372 |
| **Net result before changes in fair value of investment properties and financial assets and liabilities (A-B-C)** | **71 164** | **43 512** |

## FINANCIAL RESULT (EXCL. THE CHANGES IN FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES AND CLOSE-OUT COSTS)

| (in thousand €) | 30-06-17 | 30-06-16 |
|---|---|---|
| Financial result (A) | -4 454 | -39 506 |
| XXIII. Changes in fair value of financial assets and liabilities (B) | 6 098 | -28 372 |
| Net losses realised on financial assets and liabilities: close-out costs (C) | - | - |
| **Financial result (excl. the changes in fair value of the financial assets and liabilities and close-out costs) (A-B-C)** | **-10 552** | **-11 134** |

## NET PROPERTY RESULT

| (in thousand €) | 30-06-17 | 30-06-16 |
|---|---|---|
| Operating result before result on portfolio | 60 161 | 55 224 |
| XVI. Gains or losses on disposals of investment properties | 22 144 | 12 |
| **Net property result** | **82 305** | **55 236** |

## OPERATING MARGIN

| (in thousand €) | 30-06-17 | 30-06-16 |
|---|---|---|
| Operating result before result on portfolio (A) | 60 161 | 55 224 |
| Net rental result (B) | 71 994 | 67 984 |
| **Operating margin (A/B)** | **83.6%** | **81.2%** |

## OTHER OPERATING INCOME AND CHARGES (EXCLUDING GOODWILL IMPAIRMENT)

| (in thousand €) | 30-06-17 | 30-06-16 |
|---|---|---|
| XV. Other operating income and charges (A) | -1 127 | - 162 |
| Goodwill impairment (B) | - | - |
| **Other operating income and charges (excluding goodwill impairment) (A-B)** | **-1 127** | **- 162** |

## NET PROPERTY CHARGES

| (in thousand €) | 30-06-17 | 30-06-16 |
|---|---|---|
| IV. Recovery of property charges | 2 613 | 2 769 |
| V. Recovery of rental charges and taxes normally paid by tenants on let properties | 26 106 | 25 693 |
| VI. Costs payable by the tenant and borne by the landlord on rental damage and redecoration at end of lease | - | - |
| VII. Rental charges and taxes normally paid by tenants on let properties | -25 149 | -25 536 |
| VIII. Other revenue and charges for letting | 1 543 | 160 |
| IX. Technical costs | -4 540 | -3 986 |
| X. Commercial costs | - 317 | - 693 |
| XI. Charges and taxes on unlet properties | -1 936 | -2 865 |
| XII. Property management costs | -1 496 | -1 242 |
| XIII. Other property charges | -2 141 | -2 673 |
| | | |
| **Net property charges** | **-5 317** | **-8 372** |

# APPENDIX II: TABLES OF THE EPRA BEST PRACTICES RECOMMENDATIONS[90]

## EPRA EARNINGS

| (in € thousand) | 30.06.2017 | 30.06.2016 |
|---|---|---|
| **Net result IFRS** | **94 469** | **9 348** |
| **Net result IFRS (in € per share)** | **3.69** | **0.41** |
| Adjustments to calculate EPRA earnings | | |
| To exclude: | | |
| I. Changes in fair value of investment properties and properties held for sale | - 17 207 | 5 791 |
| II. Result on disposals of investment properties | - 22 144 | - 12 |
| VI. Changes in fair value of financial assets and liabilities and close-out costs | - 6 098 | 28 372 |
| **EPRA earnings** | **49 020** | **43 499** |
| **EPRA earnings (in € per share)** | **1.92** | **1.89** |

## EPRA COST RATIO

| (in € thousand) | 30.06.2017 | 30.06.2016 |
|---|---|---|
| **Net administrative and operating expenses in the income statement** | **-10 899** | **-12 895** |
| III. (+/-) Rental charges | -201 | -297 |
| Net property charges | -5 317 | -8 372 |
| XIV. (-) Corporate overheads | -5 389 | -4 226 |
| XV. (+/-) Other operating income and charges | -1 127 | -162 |
| Exclude: | | |
| i. Impact of the spreading of gratuities | 1 135 | 162 |
| **EPRA costs (including direct vacancy costs) (A)** | **-10 899** | **-12 895** |
| XI. (-) Charges and taxes on unlet properties | 1 936 | 2 865 |
| **EPRA costs (excluding direct vacancy costs) (B)** | **-8 963** | **-10 030** |
| I. (+) Rental income | 72 194 | 68 281 |
| **Gross rental income (C)** | **72 194** | **68 281** |
| **EPRA Cost Ratio (including direct vacancy costs) (A/C)** | **15.10%** | **18.88%** |
| **EPRA Cost Ratio (excluding direct vacancy costs) (B/C)** | **12.42%** | **14.69%** |

[90] The definitions of the EPRA indicators are published on page 41 of this Report.

## EPRA NAV & NNNAV

| (in € thousand) | 30.06.2017 | 31.12.2016 |
|---|---|---|
| **Net asset value** | **1 472 967** | **1 401 349** |
| **Net asset value (in € per share)** | **57.58** | **54.78** |
| **To include:** | | |
| II. Revaluation at fair value of finance lease credit | 154 | 184 |
| **To exclude:** | | |
| IV. Fair value of financial instruments | 9 193 | 17 753 |
| **EPRA NAV** | **1 482 315** | **1 419 287** |
| **EPRA NAV (in € per share)** | **57.95** | **55.49** |
| **To include:** | | |
| I. Fair value of financial instruments | - 9 193 | - 17 753 |
| II. Revaluations at fair value of fixed-rate loans | - 7 366 | - 12 621 |
| **EPRA NNNAV** | **1 465 755** | **1 388 912** |
| **EPRA NNNAV (in € per share)** | **57.30** | **54.30** |

## EPRA NET INITIAL YIELD (NIY) & TOPPED-UP (NIY)

| (in € thousand) | 30.06.2017 | 31.12.2016 |
|---|---|---|
| Investment properties and properties held for sale | 2 477 103 | 2 511 658 |
| To exclude: | | |
| Properties that are being constructed or developed for own account in order to be leased | - 165 202 | - 66 327 |
| Properties held for sale | - | - |
| Properties available for lease | 2 311 901 | 2 445 330 |
| To include: | | |
| Allowance for estimated purchasers' cost | 58 563 | 61 997 |
| **Investment value of properties available for lease (B)** | **2 370 464** | **2 507 327** |
| Annualised cash passing rental income | 141 678 | 148 028 |
| To exclude: | | |
| Property charges[91] | - 3 401 | - 6 402 |
| **Annualised net rents (A)** | **138 277** | **141 626** |
| To include: | | |
| - Notional rent expiration of rent free periods or other lease incentives | 3 680 | 1 764 |
| - Future rent on signed contracts | 1 228 | 2 410 |
| **Topped-up annualised net rents (C)** | **143 185** | **145 801** |
| **(in %)** | | |
| **EPRA Net Initial Yield (A/B)** | **5.83%** | **5.65%** |
| **EPRA Topped-up Net Initial Yield (C/B)** | **6.04%** | **5.81%** |

## EPRA VACANCY RATE

| (in € thousand) | 30.06.2017 | 31.12.2016 |
|---|---|---|
| Estimated rental value (ERV) on vacant space (A) | 7 268 | 8 372 |
| Estimated rental value (ERV) (B) | 139 812 | 146 673 |
| **EPRA vacancy rate of properties available for lease (A)/(B)** | **5.20%** | **5.71%** |

[91] The scope of the property charges to be excluded for calculating the EPRA Net Initial Yield is defined in the EPRA Best Practices and does not correspond to "property charges" as presented in the consolidated IFRS accounts.

# EPRA LIKE-FOR-LIKE RENTAL GROWTH

| Segment | 30.06.2017 | | | | | | 30.06.2016 | | | | | | Evolution |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (in € thousand) | Properties owned throughout 2 consecutive years | Acquisitions | Disposals | Properties held for sale | Properties that are being constructed or developed[92] | Total net rental income[93] | Properties owned throughout 2 consecutive years | Acquisitions | Disposals | Properties held for sale | Properties that are being constructed or developed[92] | Total net rental income[93] | Properties owned throughout 2 consecutive years |
| Brussels CBD and similar | 37 352 | 3 460 | 698 | | 906 | 42 416 | 35 215 | 0 | 1 369 | | 820 | 37 404 | 6.07% |
| Brussels decentralised | 1 689 | | | | | 1 689 | 1 101 | | 45 | | | 1 146 | 53.40% |
| Brussels periphery | 3 523 | | | | | 3 523 | 3 447 | | | | | 3 447 | 2.23% |
| Wallonia | 4 726 | | - 15 | | 14 | 4 724 | 4 600 | | - 31 | | 118 | 4 686 | 2.73% |
| Flanders | 14 013 | | 30 | | - 8 | 14 035 | 14 289 | | 39 | | 34 | 14 361 | -1.93% |
| Luxembourg city | 2 210 | | | | | 2 210 | 1 798 | | | | | 1 798 | 22.95% |
| **Total** | **63 514** | **3 460** | **712** | | **912** | **68 598** | **60 449** | **0** | **1 422** | | **972** | **62 843** | **5.07%** |
| **Reconciliation to the consolidated IFRS income statement** | | | | | | | | | | | | | |
| **Net rental income related to:** | | | | | | | | | | | | | |
| - Properties booked as financial leases (IAS 17) | | | | | | - 6 | | | | | | - 1 | |
| - Non-recurring element: restitution of reserve funds | | | | | | 1 462 | | | | | | | |
| **Other property charges** | | | | | | **- 3 378** | | | | | | **- 3 230** | |
| **Property operating result in the consolidated IFRS income statement** | | | | | | **66 677** | | | | | | **59 612** | |

92 These are properties that are being constructed or developed for own account in order to be leased.

93 The total "Net rental income" defined in EPRA Best Practices, reconciled with the consolidated IFRS income statement, corresponds to the "Property operating result" of the consolidated IFRS accounts.

Befimmo

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