CREATING VALUE IN REAL ESTATE SINCE 1995

20 YEARS

HALF-YEARLY FINANCIAL REPORT 2016

BUILDING STORIES
STORIES OF BUILDINGS

Key events

- Stable fair value of portfolio at constant perimeter (-0.24%)
- Net asset value of €54.42 per share
- EPRA earnings of €1.89 per share, in line with forecasts
- Dividend forecast confirmed (€3.45 gross per share) for the 2016 fiscal year

Wednesday 20 July 2016 | 5.40 PM
Regulated information
Half-yearly accounts for the period from 01.01.2016 to 30.06.2016

SUMMARY

During the first half of the 2016 fiscal year, Befimmo signed some nice lease transactions. It secured, among others, the loyalty of the tenant from the Empereur building (5,700 m²), located in the centre of Brussels, which extended its lease contract for a 9-year duration until 2027 and it signed two new lease agreements for 2,500 m² in the Schuman 3 building, located in the heart of the Brussels Leopold district. In total, Befimmo's commercial teams signed leases and lease renewals for 17,322 m², which is a strong increase compared with 8,440 m² signed at the first half of last year. In this way, Befimmo announces a weighted average duration of leases of 8.30 years and an occupancy rate of 93.68%.

In the course of the first half of the fiscal year, Befimmo invested €19.2 million in works within its portfolio. Besides the ongoing redevelopment and renovation projects such as the Guimard, Brederode 9 and Namur 48 projects, this number includes its multi-annual programme to improve the energy performances of the buildings.

At constant perimeter, the value of portfolio showed a change of -0.24% during the half-year and thus remains stable. As at 30 June 2016, the fair value amounts to €2,426.7 million, compared with €2,388.3 million as at 31 December 2015.

The net asset value amounts to €54.42 per share as at 30 June 2016.

As at 30 June 2016, EPRA earnings per share amounts to €1.89 (€1.95 as at 30 June 2015), in line with forecasts.

As at 30 June 2016, Befimmo's debt ratio ("LTV") amounts to 45.64%. The average financing cost is 2.23% as at 30 June 2016. At the end of the half-year, the weighted average duration of debts amounts to 3.84 years.

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The Board of Directors met on 19 July 2016 to prepare the consolidated half-yearly financial statements as at 30 June 2016.

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 current economic and financial climate 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 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 (68.14%[1] of the portfolio as at 30 June 2016). The vacancy rate of the Brussels office market was 9.69%[2] as at 30 June 2016 compared with 10.10% at the end of 2015. Befimmo's portfolio is leased to the occupancy rate[3] of 93.68% at 30 June 2016 compared with 94.15% at the end of 2015.

Potential impact

Owing to the concentration of its portfolio by segment and geography, the Company is sensitive to developments in the Brussels office property market, which is characterised, amongst others, by the large presence of European institutions and the activities related thereto.

Mitigation and control measures

Befimmo's investment strategy is focused on quality office buildings, with an ideal location, good accessibility and a sufficient critical size, among other factors. Buildings must be well equipped and flexible, in an appropriate rental situation and with potential for value creation. The buildings are located in Belgium, mainly in Brussels and in the main Belgian cities, and the Grand Duchy of Luxembourg. In principle, this investment strategy makes the buildings more attractive and hence ensures a better occupancy rate. This makes Befimmo less sensitive to any deterioration of the market.

Risks related to rental vacancy

Description of risk

The office property market is currently characterised by higher supply than demand. As at 30 June 2016, the occupancy rate[3] of Befimmo's portfolio was 93.68% (compared with 94.15% as at 31 December 2015). The Company is exposed to the risks of its tenants leaving, and renegotiating their leases. These risks include the following: risk of lost and/or reduced income, risk of negative reversion on rents, risk of pressure on renewal conditions and to grant periods of gratuities, risk of decline in fair value, etc. Befimmo is also exposed to the impact of tenants' policy to optimise their needs for office space.

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1 Calculated on the basis of fair value of investment properties.
2 Source: CBRE as at 30 June 2016.
3 Current rents/(current rents + estimated rental value for vacant space). Calculated on the basis of properties available for lease.

Potential impact

If this risk were to materialise it would lead to a decline in occupancy rates and a reduction in the operating result of the portfolio. On an annual basis as at 30 June 2016, a 1% fluctuation in the occupancy rate of the Company's portfolio would have an impact of some €1.9 million on the property operating result, of €0.08 on the net asset value per share and of 0.08% on the debt ratio.

The direct costs related to rental vacancy, namely charges and taxes on unlet properties, were estimated at -€3.88 million a year, or about 2.83% of total rental income.

The Company could also be exposed to higher expenses as part of the commercialisation of the properties available for lease.

Mitigation and control measures

To mitigate these risks, the Company invests in quality buildings and actively manages its relationship with its customers. Tenant satisfaction is a priority, and Befimmo strives to equip its buildings with that in mind.

Moreover, Befimmo offers a personalised and full service (property management, space planning and project management, environmental support and facility management) 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 property portfolio is let on long-term leases and/or to multiple tenants, which helps to spread the rental risks. As at 30 June 2016, the average duration of Befimmo's leases was 8.30 years.

Risks associated with tenants

Description of risk

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 to 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 aging balance of trade receivables is located in the financial statements (note 32 on page 182 of the Annual Financial Report 2015).

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 (66.26%[4] as at 30 June 2016), do not generally give rental guarantees, however, but do have a more limited risk profile. Moreover, outstanding receivables are monitored regularly.

[4] Calculated on the basis of the annual current rent as at 30 June 2016.

MAIN RISKS RELATED TO THE PROPERTY PORTFOLIO

Risk related to the fair value of the properties

Description of risk

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

This risk is accentuated in the market segments in which the limited number of transactions gives the experts few points of comparison, which is now still true for the decentralised areas and periphery of Brussels (9.79%[5] 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 and LTV. A significant negative change in the fair value of the portfolio could have an impact on the Company's ability to distribute a dividend[6] 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 2016, a 1% change in the value of the property assets would have an impact of around -€24.27 million on the net result, entailing a change of around -€1.05 in the net asset value per share and around +0.48% in the debt ratio[7] and around +0.46% in the LTV ratio.

For information purposes, the AMCA building in Antwerp, the Paradis Tower in Liège and the WTC Tower III in Brussels individually represent between 5 and 10% of the fair value of the portfolio as at 30 June 2016.

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, enjoying an appropriate rental situation: such buildings historically have a less volatile fair value. The regulations provide for the rotation of the independent experts and Befimmo regularly informs its experts, 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 therefore to 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 the time needed for reconstruction, for a total sum (new reconstruction value, excluding the value of the land) of €2,113.3 million at 30 June 2016. Befimmo has an insurance policy covering terrorism.

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5 Calculated on the basis of fair value of investment properties as at 30 June 2016.
6 Please see the chapter "Appropriation of results (statutory accounts)" of the Annual Financial Report 2015.
7 The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.

Risk of land use designation

Description of risk

Befimmo can exceptionally be exposed to the risk of partial and temporary occupation by the tenant, in particular situations, of its buildings let long-term, for an appropriation other than offices.

Potential impact

A partial and temporary occupation of an office building for a different use could eventually have an impact on its future land use designation, which could affect its value.

Mitigation and control measures

Befimmo encourages its tenants to limit the occupation of office buildings for other uses. Should this arise, Befimmo takes the necessary precautions by limiting this situation in time.

Risk of deterioration of buildings

Description of risk

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

Potential impact

The obsolescence and deterioration of a building increases the risk of rental vacancy and requires 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 performance, etc. 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[8].

As at 30 June 2016, 74.44%[9] 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"[10] 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.

Risk related to the execution of works

Description of risk

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

Potential impact

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

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8 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.

9 For the Paradis Tower building, it is a manufacturer's guarantee until the end of 2016, which will become from then on a total guarantee.

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

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, among others, the social and fiscal debts of its co-contractors. 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 risk

Description of risk

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

Potential impact

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

Mitigation and control measures

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

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

Risks related to mergers, demergers or acquisitions

Description of risk

Many of the buildings in the Befimmo real-estate portfolio were acquired 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 jointly owned. The co-ownership system, governed by the Civil Code, provides that important decisions other than the routine management of the co-ownership, especially those involving for example major works affecting the common parts of the building, must be taken by special majorities. Furthermore, a single co-owner may never hold 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 implementation times of major works or even the feasibility of some projects.

Mitigation and control measures

Befimmo generally endeavours to limit its ownership of jointly-owned properties.

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 annual 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, 90.56%[11] of the leases in Befimmo's consolidated portfolio are hedged, in line with standard practice, against the effect of any negative indexing (43.59% provide for a minimum equal to the base rent and 46.98% contain a clause that sets a minimum of the last rent paid). The remaining 9.44% 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.

In the context of current interest rates, the practice of some banks to set a floor on the Euribor at 0%, used as reference in financing contracts, has a negative impact on financial charges, and makes that SWAP agreements do not necessarily fully match the floating rate profile of the Company's debt.

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 the risk of rise of the interest-rate, 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 2016, a debt of €746.79 million (or 67.42% of the total) is financed at fixed rates (conventional fixed rates or rates fixed by IRS). The remainder of the debt, €360.82 million, is financed at floating rates, part of which is hedged against rising interest rates by means of optional instruments (CAP and COLLAR[12]).

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[11] Calculated on the basis of the annual current rent as at 30 June 2016.

[12] Subscription to 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).

Without taking account of hedging, on the basis of the borrowings situation and the Euribor rates at 30 June 2016 (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 €1.62 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €1.62 million (annualised).

Taking account of the hedging arranged, the borrowings situation and the Euribor rates at 30 June 2016 (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 €0.71 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €0.71 million (annualised).

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" requirements).

Potential impact

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

Mitigation and control measures

To limit this risk, the Company spreads the maturities of its financing over time and diversifies its sources of financing.

It also seeks to 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.

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 can fully offset fluctuations in the exchange rate on the Company's repayments of interest and capital.

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

Description of risk

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

Potential impact

Had the Euro, US Dollar and Pound Sterling interest rate curves been 0.5% lower than the reference rate curves at 30 June 2016, the change in fair value of the financial assets and liabilities would have been -€25.39 million. In the opposite case, the change in fair value would have been +€24.55 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 Dollars 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, 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). As at 30 June 2016, the net fair value of all the hedging instruments was +€3.87 million.

Part of Befimmo's borrowings (32.58%) 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 Standard & Poor's rating. The rating is determined on the basis of an assessment of 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 from BBB to BBB-, would generate an additional financing cost estimated at €0.83 million, based on the debt structure as at 30 June 2016. 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 coming to maturity or for any additional funding needed to meet its commitments. The Company could also be exposed to this risk if its financing agreements were terminated.

Potential impact

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

Mitigation and control measures

To mitigate this risk, the Company diversifies the sources and maturities of its financing. As at 30 June 2016, the ratio of debt provided by financing from 8 banking institutions was 61.8%. The remainder is provided by various bond issues (one retail bond, one private bond placement in the United States (USPP) and six private placements in Europe).

As at 30 June 2016, the Company had confirmed unused lines for an amount of €254.2 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 the net financial charges was €10.5 million as at 30 June 2016.

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 2016, Befimmo's debt ratio was 48.53% compared with 48.37% as at 31 December 2015.

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 with a sufficient rating. As at 30 June 2016, the Company had a business relationship with several banks:

- The bank credit lines granted to Befimmo amounted to €855 million as at 30 June 2016. 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, KBC and RBS;
- 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 €0.1 million as at 30 June 2016 compared with €0.2 million as at 31 December 2015.

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 United Kingdom population voted in favour of the country leaving the European Union during a referendum. At the writing date of this Half-Yearly Financial Report, no official request has been submitted by the British government within this framework to the European Union.

Potential impact

The result of this vote creates volatility on the financial markets and an uncertainty on future relations between the United Kingdom and the European Union. Opinions on a BREXIT impact are mixed; some see it as a risk. The situation of uncertainty could, in general, have an impact on the economic situation, and notably decrease the liquidity on financial and real-estate markets, delay or reconsider some financial or real-estate operations, and even affect their value.

Mitigation and control measures

Befimmo monitors the evolution of this situation closely and reinforces the cautiousness it uses while managing its business.

MAIN RISKS RELATED TO REGULATION

Regulation

Description of risk

The Company is exposed to changes in the law and increasingly numerous and complex regulations, and of possible changes in their interpretation or application by the authorities or the courts, notably fiscal regulations (e.g. provisions and circulars relating to withholding tax or anti-abuse provisions) and 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 approval for 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 approval is also generally regarded as grounds for early repayment by acceleration of loans contracted by the Company. Any future adverse changes in the BE-REIT regime could also lead to a decline in results or net asset value, increase the debt ratio (e.g. by applying new accounting rules), reduce the maximum debt ratio, or affect the extent to which a BE-REIT must distribute dividends to shareholders.

Mitigation and control measures

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

Tax regime

As a BE-REIT (SIR/GVV), the Company enjoys a specific tax regime. The legislator intended the BE-REIT to ensure a high degree of transparency for real-estate investments and distribute as much cash flow as possible while enjoying certain advantages. In particular, BE-REITs pay a reduced rate of corporation tax as long as at least 80% of the "cash flows" are distributed (calculated on the basis of article 13 of the Royal Decree of 13 July 2014). BE-REITs[13] are exempt from corporation tax on the results (rental income and capital gains realised minus operating costs and financial charges).

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

[13] 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. In that connection, Befimmo wishes to clarify that the legal proceedings relating to the award of the development contract for the provision of a building to house the Federal Public Service for Finance ("Finance FPS") in Liege, brought in 2009, are ongoing[14]. Meanwhile, all the judicial appeals relating to the granting of the permits (before the Council of State) have been dismissed.

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 respected 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 is defined as the set 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.

[14] For more information, please consult page 17 of the Annual Financial Report 2013 (www.befimmo.be).

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.

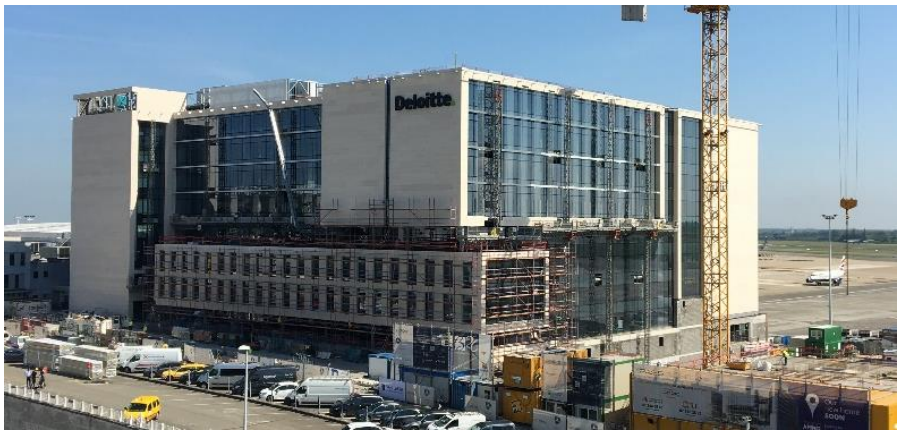
Befimmo has introduced a procedure for monitoring the induction of new employees (mentoring system, etc.). Departures are prepared for early as much as possible and Befimmo ensures that know-how is passed on.

INTERIM MANAGEMENT REPORT

KEY EVENTS OF THE HALF-YEAR

Gateway | 34,000 m² | Brussels airport

The Gateway building, which Befimmo acquired early 2015 (leasehold of 97 years), embodies a comprehensive redevelopment of the old Brussels airport terminal. The construction works of the building, let for 18 years to Deloitte, continue according to schedule. Befimmo becomes owner of the constructions of Gateway according to its development. The transaction (for a total amount of about €140 million) will be completed upon the handover of the building, expected for the end of the third quarter of the fiscal year. As at 30 June 2016, €101 million have already been invested. The Gateway building has a BREEAM "Outstanding" certification in the Design phase.



GATEWAY, BRUSSELS AIRPORT

Ongoing construction, redevelopment and renovation projects

	Rental space	Location	Completion foreseen	Type	Investment during the 1st half of 2016 (in € million)	Total investment (in € million)
Ongoing projects					***15.9***	
Brederode 9 and Namur 48	8 200 m²	Brussels CBD, centre	Third quarter 2016	Renovation	8.6	15
Blue Tower	24 000 m²	Brussels CBD, Louise	July 2016	Renovation	2.5	3.3
Guimard	5 400 m²	Brussels CBD, Leopold	Second quarter 2017	Renovation	1.6	12
Ikaros Business Park	3 250 m²	Brussels periphery	Third quarter 2016	Renovation	2.7	3.2
WTC IV	53 500 m²	Brussels CBD, North	According to commercialisation	Construction	0.5	140[15]
Energy investments and others					***3.3***	
Total					**19.2[16]**	

[15] For more information please consult the Annual Financial Report 2015 on page 71.
[16] This amount does not take into account the progressive acquisition of the Gateway building.

Brederode 9 - Namur 48 | 8,200 m² | Brussels CBD | Centre

The Brederode 9 - Namur 48 buildings are undergoing a major renovation for a total amount of about €15 million. These buildings will once again be available for rent in the course of the third quarter of 2016. They are already attracting serious interest for take-up. Brederode 9 has a BREEAM "Very Good" certification in the Design phase.

Guimard | 5,400 m² | Brussels CBD | Leopold district

The full renovation works of the Guimard building for a total amount of around €12 million are ongoing. This building benefits from a strategic location in the heart of the Leopold district in Brussels, and will be ready to welcome new occupants as from the second quarter of the 2017 fiscal year. The commercialisation of the building is ongoing. Befimmo is aiming for a BREEAM "Excellent" certification in the Design and Post Construction phases for this project.

WTC IV | 53,500 m² | Brussels CBD | North area

The WTC IV project relates to the construction of a new passive[17] tower on block 2 of the WTC complex. The project, which is particularly efficient and durable in the broadest sense of that term, has a BREEAM "Outstanding" certification in the Design phase. The "all-in" construction cost of the project is estimated at €140 million. The permit is implemented. This project is therefore available to be let off-plan to major tenants, whether public or private. Building works proceed on the basis of commitments by prospective tenants.

BREDERODE 9 - NAMUR 48, BRUSSELS CENTRE

WTC IV, BRUSSELS NORTH AREA

GUIMARD, BRUSSELS LEOPOLD DISTRICT

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

Important future construction, redevelopment and renovation projects

Quatuor Building | 60,000 m² | Brussels CBD | North area

As the lease of the Noord Building comes to an end no later than early 2018, Befimmo has developed a new project that complies fully with the standards of quality and performance expected by the occupants, the Quatuor Building (60,000 m² of offices). Consisting of four independent office towers, enjoying a strategic location and forming a very fine architectural unit, it will replace the current "Noord Building" (36.800 m² of offices), which was built specifically for its occupant in the late 1980s, and which is to be demolished.

The urban-development and environmental permits for the Quatuor project (which were applied for on 23 September 2014), should in principle be obtained by the end of 2016.

The strategic location of this building in the North area facing the city centre, close to the metro and the Gare du Nord, one of the busiest railway stations in Belgium, together with the quality of its design, make it one of the most promising development projects in the CBD for the coming years.

In the current context of a notable shortage of quality space (Grade A) in the Brussels CBD, this project is a real opportunity for future occupants, especially since it has been designed to ensure maximum flexibility for occupation and it will attain the highest levels of environmental performance.

Work on the new complex could begin in early 2018 and should last 30 to 36 months. The "all-in" construction cost of the project is estimated at €150 million. The expected return on this investment is estimated at more than 6.5%.

Paradis Express | 35,000 m² | Liège | Guillemins

The “Paradis Express” project involves the construction of an eco-neighbourhood (measuring about 35,000 m²) offering a mix of offices, housing and local shops. Befimmo is now preparing the introduction of an application for a single permit. Befimmo plans to sell the residential portion of the project to a specialist partner, while it will develop the office space according to the commercialisation. The negotiations with this potential partner for the residential part of the project are ongoing. The permit request should then be introduced.

WTC II | 49,400 m² | Brussels CBD | North area

After 46 years of uninterrupted occupation by Belgian State 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 redevelopment scenarios to upgrade this site, located in the CBD opposite the North Station, with a view to handing it over to a new occupant, thereby generating value.

QUATUOR BUILDING,
BRUSSELS NORTH AREA

WTC II,
BRUSSELS NORTH AREA

PARADIS EXPRESS,
LIÈGE

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 €3.3 million.

The Company continued its multi-annual investment programme to improve the energy performance of its operational buildings (Befimmo's portfolio excluding Fedimmo).

Furthermore, in the context of changing working methods and in order to offer a better user experience to tenants, Befimmo is gradually equipping its buildings with facilities such as shared meeting rooms, restaurants, spaces for nurseries, a fitness centre, etc., taking into account the specific characteristics of the buildings (rental situation, location, etc.).

Expenditure charged to the income statement included an amount of €3.65 million also for maintenance, repair and refurbishment in the portfolio.

PROPERTY REPORT

	30.06.2016	31.12.2015
Fair value of portfolio (in € million)	2 426.7	2 388.3
Occupancy rate of properties available for lease	93.68%	94.15%
Weighted average duration of leases	8.30 years	8.60 years
Gross initial yield on properties available for lease	6.19%	6.19%
Gross potential yield on properties available for lease	6.61%	6.58%

Property portfolio

Change in fair values[18] of the property portfolio

Fair value of Befimmo's consolidated portfolio by geographical area

Offices	Change over the half-year[19] (in %)	Proportion of portfolio[20] (30.06.2016) (in %)	Fair value (30.06.2016) (in € million)	Fair value (31.12.2015) (in € million)	Fair value (30.06.2015) (in € million)
Brussels centre (CBD)	-0.39%	50.5%	1 224.5	1 226.0	1 227.1
Brussels decentralised	-1.65%	3.7%	90.4	91.8	92.8
Brussels periphery	-1.09%	6.1%	147.0	144.7	141.2
Flanders	-0.58%	20.2%	490.5	493.2	490.9
Wallonia	1.41%	7.9%	191.4	187.9	186.4
Luxembourg city	1.09%	3.6%	87.8	86.8	86.7
Properties available for lease	*-0.32%*	*92.0%*	*2 231.6*	*2 230.4*	*2 225.2*
Properties that are being constructed or developed for own account in order to be leased	*0.75%*	*8.0%*	*195.1*	*157.4*	*119.6*
Investment properties	**-0.24%**	**100.0%**	**2 426.7**	**2 387.8**	**2 344.7**
Properties held for sale	**-9.94%**	**-**	**-**	**0.5**	**2.1**
Total	**-0.24%**	**100.0%**	**2 426.7**	**2 388.3**	**2 346.8**

The fair value of Befimmo's consolidated portfolio as at 30 June 2016 was €2,426.7 million, as against a value of €2,388.3 million as at 31 December 2015.

This evolution includes:

- the renovation works in the portfolio;
- the addition to the portfolio of the Gateway building (as the construction works progress);
- the sale of the Chênée building (at a price in line with the latest fair value determined by an independent real-estate expert);
- the changes in fair value booked to the income statement (IAS 40).

[18] 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.

[19] The change over the half-year is the change in fair value between 1 January 2016 and 30 June 2016 (excluding the amount of investments and the disinvestment).

[20] The proportion of the portfolio is calculated on the basis of the fair value of the portfolio as at 30 June 2016.

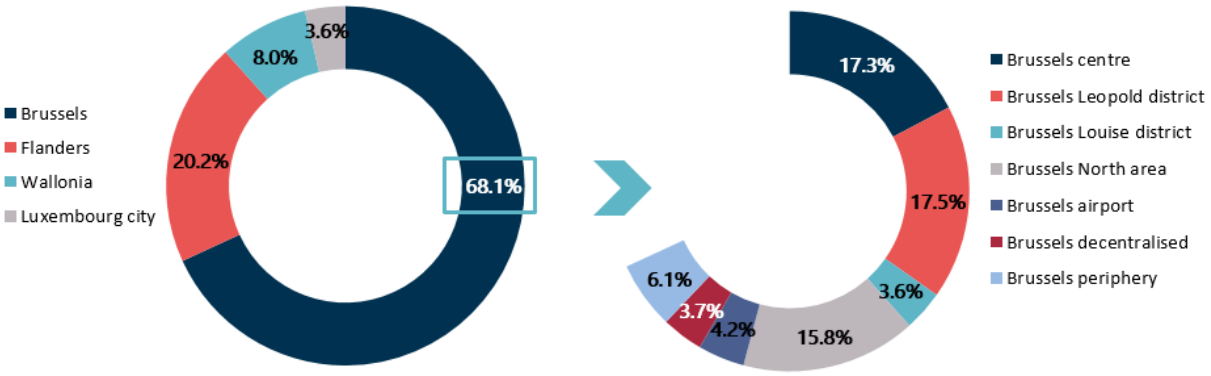
Excluding the amount of the investments and the disinvestment, the value of the portfolio amounts to -€5.8 million or -0.24% over the first half of the fiscal year.

Comment on changes in values over the first half of the 2016 fiscal year

Two trends emerged during the first half:

- Overall, the buildings in the portfolio with good locations and with income secured through long ongoing leases have benefited from the yield compression for such properties;
- Meanwhile, the buildings in the portfolio with leases expiring in the near future have seen further declines in value.

Geographical breakdown[21]



New rentals and lease renewals

During the first half of the 2016 fiscal year, Befimmo signed new leases and lease renewals for 17,322 m² of space, with offices accounting for some 15,800 m² and nearly 1,500 m² being multi-purpose or archive space, compared with 8,440 m² in the first half of the 2015 fiscal year.

Befimmo signed notably a lease extension of 9 years (until 2027) with the VDAB in the Empereur building (5,700 m²) under equivalent economic terms. In the Schuman 3 building, located in the heart of the Brussels Leopold district, Befimmo signed two new lease agreements for a total of 2,500 m². The building is now approximately 85% let. In the Grand Duchy of Luxembourg, in the Axento building, more than half of the vacated space in January 2016 were re-let.

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 2015.

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.

[21] The proportions are expressed on the basis of the fair value of the investment properties as at 30 June 2016.

Occupancy rate[22] and weighted average duration of leases

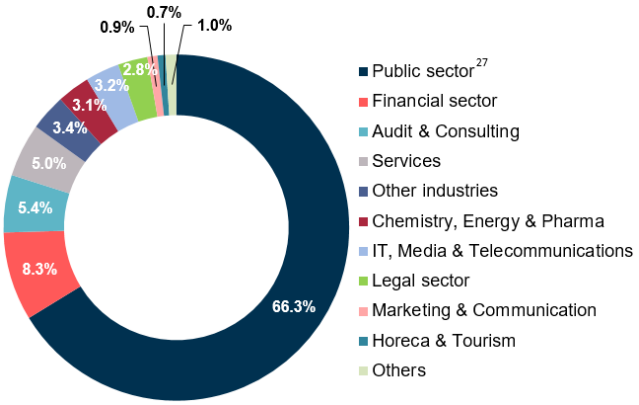
The occupancy rate of the properties available for lease was 93.68% at 30 June 2016 (compared with 94.15% as at 31 December 2015). For all the investment properties[23], the occupancy rate at 30 June 2016 amounts to 92.08% (compared with 92.64% as at 31 December 2015).

As at 30 June 2016, the weighted average duration of current leases is 8.30 years as against 8.60 years at 31 December 2015.

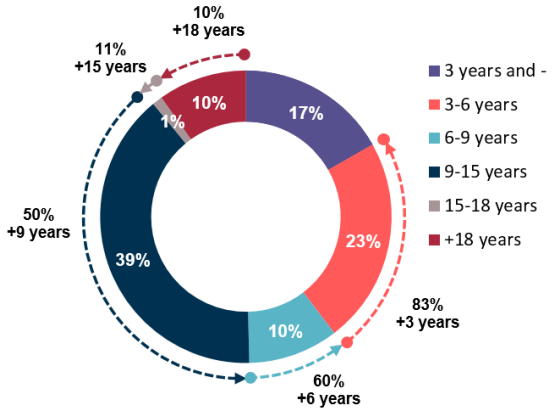
Tenants (as at 30.06.2016)

Public sector	Weighted average duration[24] (in years)	Percentage of the current rent[25] (in %)
Federal		50.4%
Flemish Region		6.1%
Belgian public sector	***9.33***	***56.5%***
European Commission		5.9%
European Parliament		3.2%
Representations		0.6%
European public sector	***8.71***	***9.7%***
Total public-sector tenants	**9.24**	**66.3%**
Private sector - top 5	**Weighted average duration[24] (in years)**	**Percentage of the current rent[25] (in %)**
BNP Paribas and affiliated companies		5.0%
Deloitte Services & Investments NV		4.7%
Beobank (Crédit Mutuel Nord Europe)		2.0%
Linklaters		1.9%
Starwood		1.4%
Total private-sector top-5 tenants	**10.61**	**15.0%**
Other tenants	**Weighted average duration[24] (in years)**	**Percentage of the current rent[25] (in %)**
±230 tenants	3.10	18.7%
Total of portfolio	**8.30**	**100%**

Tenants[26]



Duration of leases[26]



[22] Occupancy rate = current rents (including the rent for space let but for which the lease has yet to begin)/(current rent + estimated rental value for vacant space).

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

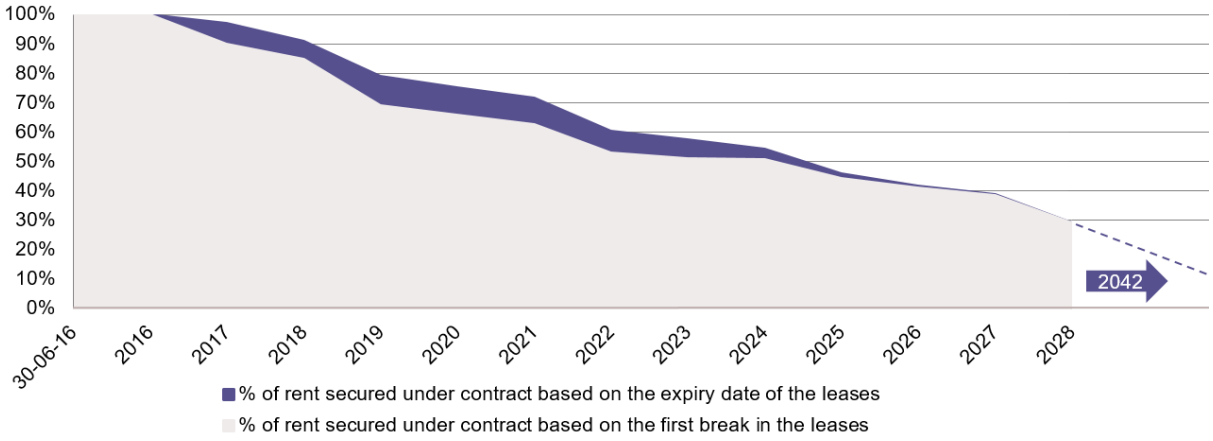
[24] Weighted average duration of leases, i.e. the sum of (annual current rents for each lease multiplied by the remaining duration up to the first break in the lease) divided by the total annual current rent of the portfolio.

[25] Annual current rent at the closing date plus future rent on signed leases, as reviewed by the real-estate experts.

[26] The proportions are expressed on the basis of the current rent as at 30 June 2016.

[27] Public sector: Belgian public institutions (federal & regional) and European institutions.

Percentage of rent guaranteed under contract on the basis of the remaining term of the leases in the consolidated portfolio[28] (for ongoing and signed future leases) (in %)



Overall rental yield

	Properties available for lease		Investment properties[29]	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Gross initial yield[30]	6.19%	6.19%	5.87%	5.90%
Gross potential yield[31]	6.61%	6.58%	6.35%	6.32%

Reversion rate

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 2016, the reversion rate of the properties available for lease amounts to -8.89%, compared with -8.41% as at 31 December 2015. This evolution is mainly linked to the indexation of the current rents of some important leases.

The EPRA earnings forecasts[32] presented over the next three fiscal years take account of a potential reversion of rents on the expiry of the current leases.

[28] Rents for future years calculated on the basis of the present situation, assuming that each tenant leaves at the first break and that no further lease is agreed in relation to the current rent as at 30 June 2016.

[29] Taking into account the properties that are being constructed or developed for own account in order to be leased.

[30] Gross initial yield = current rents (including the rent for space let but for which the lease has yet to begin)/deed-in-hands value.

[31] Gross potential yield = current rents (including the rent for space let but for which the lease has yet to begin), plus the estimated rental value of vacant space/deed-in-hands value.

[32] For more information, please consult Befimmo's Annual Financial Report 2015 on pages 68 to 74.

Reversion rate of rents (as at 30.06.2016)

	Current rent[33] (€ thousand)	Proportion of rents[34] (in %)	Weighted residual average duration[35] 1st break (in years)	Reversion rate[36] (in %)
Brussels centre (CBD)	83 220	58.7	6.81	-12.80
Brussels decentralised	5 761	4.1	3.12	-6.40
Brussels periphery	9 460	6.7	2.64	1.70
Wallonia	9 811	6.9	19.08	-11.43
Flanders	29 165	20.6	10.24	-4.20
Luxembourg city	4 317	3.0	2.86	-2.30
Properties available for lease	**141 733**	**100.0**	**8.30**	**-8.89**

[33] The annual current rent at the closing date plus future rent on leases signed as at 30 June 2016, as reviewed by the real-estate experts.
[34] The proportion of rents is calculated on the basis of the current rent as at 30 June 2016.
[35] Weighted average duration of leases, i.e. the sum of (annual current rent for each lease multiplied by the term remaining up to the first break in the lease) divided by the total annual current rent of the portfolio. This duration is calculated taking into account current projects.
[36] Reversion rate: 1-[(current rent + estimated rental value of vacant space)/estimated rental value of total space].

Office property markets[37]

Brussels

Rental market

Demand on the Brussels office property market amounts to 284,215 m² in the first half of the 2016 fiscal year, as against 169,000 m² in the first half of the 2015 fiscal year. This demand comes mainly from the public sector (58% of the volume).

During this first half of the fiscal year, demand reached the highest level of quarterly take-up since 2009. Several transactions with the public sector came to fruition during the first half of 2016. First, the Brussels police acquired the De Ligne project (39,500 m²) in the city centre. In addition, the City of Brussels will take occupancy of Centre 58 (renamed Brucity - 37,000 m²) and the Buildings Agency has leased 30,000 m² in the Pacheco 44 building, belonging to Belfius bank (whose unique shareholder is the Belgian State), also in the city centre. Major public-sector transactions also include the take-up of Merode (Cours St.-Michel - 12,750 m²) and Black Pearl (11,013 m²) by the European Commission in the Leopold district.

The private sector was also active in the rental market during the first half of the year; among others, DKV leased 10,394 m² in Central Plaza in central Brussels, Loyens & Loeff took up 7,492 m² in the Porte de Tervueren building in the Leopold district and Aliaxis concluded a lease for 4,216 m² in Befimmo's Triomphe building, located in the decentralised area of Brussels.

Development market

During the half-year, some 70,000 m² of new office space were handed over onto the market, including only one speculative project of 4,000 m², which is already let to the Brussels-Capital Region. Despite their caution, developers are returning to the market selectively and in the best central districts. The number of speculative projects for 2016 and 2017 remains low; 170,000 m² and 150,600 m² of office space respectively are expected to come onto the market, only 83,000 m² of which are speculative projects. The market for new buildings is therefore currently dominated by build-to-suit projects.

Currently, only 5.8% of vacant office space on the market is of "Grade A", while between 2001 and 2010, that grade accounted for between 20% and 25% of the 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.

Rental vacancy

The falling trend in vacancy rates is continuing and since the start of the year, vacancy stood under 10% for the first time since 2008. As at 30 June 2016, rental vacancy is 9.69%, compared with 10.10% at 31 December 2015.

In the Central Business District, the average vacancy rate is 5.52%. In particular, vacancy rates of 5.39% in the Leopold district and 5.70% in the North area are registered. In the latter area, an increase of the vacancy rate is to be expected within the next years, due to important leases reaching their final expiry date at the end of 2017. The city centre is doing even better, at 5.12%, which marks a return to pre-crisis vacancy levels.

Conversely, the decentralised and periphery markets are still under pressure, with vacancy rates of 12.51% and 22.59% respectively.

[37] Source: CBRE – 30 June 2016.

The overall declining trend in vacancies the last 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. In 2016, 42,700 m² of office space have already been converted. 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

"Prime rent" held steady over the half-year, at €285 per m². Weighted average rents are at €150 per m². In the current economic climate, rental gratuities and concessions to tenants in existing buildings still remain stable, albeit relatively high, especially in the decentralised and periphery markets.

Generally speaking, the space still available on the market is of "Grade B[38]" or "C[39]". In the event of an economic recovery, the lack of readily available "Grade A[40]" office buildings could hold up rental values.

Investment market

Over the first half of the fiscal year, €823 million was invested in office buildings in Brussels, as against €509 million during the first half of the 2015 fiscal year.

This includes among others:

- the sale of the Ellipse Building (North area) by AG Real Estate;
- the acquisition of the Astro Tower (Leopold district) by Patrizia Immobilien for an amount of €167.5 million;
- the sale of the Royal Depot (Tour & Taxis) to Leasinvest for an amount of €108 million;
- the acquisition of the Black Pearl building (Leopold district) by Real IS for an amount of €55 million;
- Triuva acquired the Nordic House (Leopold district) for an amount of €25 million;
- the acquisition of the Cortenbergh 71 building by Rockspring for an amount of €24.5 million.

Yields on CBD buildings on conventional (3/6/9-year) leases in the "prime" category still slightly decreased to around 5%. Properties of the same type but let long-term to high-rating tenants are earning yields well below 5%, of the order of 4%.

[38] Grade B: age of buildings between 5 and 10 years.
[39] Grade C: age of buildings of more than 10 years.
[40] Grade A: age of buildings between 0 and 5 years.

Grand Duchy of Luxembourg

Rental market

Demand for office space in Luxembourg reached a solid level of 124,000 m² during the first half of the 2016 fiscal year, as against 86,905 m² in the first half of 2015. Hence, the trend of growing take-up recorded in 2015 seems to be continuing, even without any activity on the market on the part of the European Commission in 2016. During this first half of the year, most of the new leases are with tenants in the banking and finance sector.

Development market

In 2016 the development pipeline is still limited in relation to recent years. Some 97,000 m² are due to be handed over onto the market, only 33,000 m² of which are speculative projects.

Rental vacancy

The vacancy rate averaged 5.5% on the Luxembourg market, and thus remains unchanged compared with 31 December 2015.

Rental values

In this market situation, prime rent is €46/m²/month in the CBD and €35/m²/month in the Kirchberg and Station districts.

Investment market

Over the half-year, nearly €309 million were invested in office buildings, as against €273 million during the first half of 2015.

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

Investors are indeed showing a preference for buildings let long-term at record yields. However, they are also interested in off-plan buildings or those with low vacancies, to take advantage of the lack of readily available space and the possibility of raising rents. During this first half of the year, investors have also shown an interest in some buildings on the periphery.

Conclusions of the coordinating real-estate expert

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

Dear Mesdames, Dear Sirs,

Re: Valuation of the real-estate portfolio of Befimmo as at 30th June 2016.

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 2016. We have been mandated to value part of the Befimmo and Fedimmo portfolios mainly let on long or potentially long term, while CBRE Valuation Services have been mandated to value part of the Befimmo and Fedimmo portfolios mostly let on conventional 3/6/9 year leases. Furthermore we have consolidated the results of the valuation of which the main conclusions are listed hereunder.

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

Consistently with market practice, our mission has been carried out on the basis of information provided by Befimmo, in particular relating to tenancy situation, costs and taxes borne by the landlord, works to be carried out, as well as any other element which could have an influence on the assets' value. We have assumed this information to be correct and complete. As specifically mentioned in our reports, our valuation does not constitute in any way a quality or technical survey of the properties, nor an analysis of the possible presence of deleterious materials. These elements are well known by Befimmo, which carries out a technical and legal due diligence prior to the acquisition of each property.

Opinion

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

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

The static capitalisation is carried out in the form of a "Term and Reversion" valuation, with the current income based on contractual rents capitalised until the end of the current contract, and the ERV capitalised in perpetuity and brought to a net present value. It should be noted that this method of valuation applies a multiplier to the current and future expected rent that is based on analysis of sales of comparable properties in the market.

The multiplier depends on the yield that investors require when acquiring in this market. The yield reflects the risks intrinsic to the sector (future voids, credit risk, maintenance obligations, etc.). Where there are unusual factors specific to the property, then an explicit correction is made either, for example:

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

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

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

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

properties with an investment value under €2,500,000 registration duties of 10% or 12.5% should be subtracted, depending on the region where they are situated.

In the light of all comments mentioned above, we confirm that the investment value of the consolidated Befimmo property portfolio as at 30th June 2016 amounts to a total of

€2,488,421,000
(TWO BILLION FOUR HUNDRED EIGHTY EIGHT MILLION FOUR 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 2016 amounts to a total of

€2,426,660,398
(TWO BILLION FOUR HUNDRED TWENTY SIX MILLION SIX HUNDRED SIXTY THOUSAND THREE HUNDRED NINETY 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 is 6.19%. Should the vacant accommodation be fully let at estimated rental value, the initial yield would remained at 6.61% for the same portfolio. The occupation rate of the portfolio with properties available for lease is 93.68%. For the total portfolio of investment properties this rate is 92.08%.

The average level of passing and contractual rent is currently approximately +/- 8.89% 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	*2 231.6*	*92.0%*
Brussels centre (CBD)	1 224.5	50.5%
Brussels decentralised	90.4	3.7%
Brussels periphery	147.0	6.1%
Wallonia	191.4	7.9%
Flanders	490.5	20.2%
Luxembourg City	87.8	3.6%
Properties that are being constructed or developed for own account in order to be leased	*195.1*	*8.0%*
Properties held for sale	-	-
Total	**2 426.7**	**100%**

Yours sincerely,

Brussels, 30th June 2016

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

SOCIAL RESPONSIBILITY

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

Since 2013, Befimmo continues a process of regular dialogue with all its stakeholders to improve continuously its positioning as a responsible company and landlord. It determined its materiality matrix, which has enabled Befimmo to fine-tune its Social Responsibility strategy, while identifying (and prioritising) environmental, economic and social challenges grouped into four major themes: the environment, the team, the rental customers and governance. The response to these priorities is reflected in specific measures as well as in qualitative and quantitative objectives that are set out in more detail in the Social Responsibility Programme[41]. The Befimmo team follows and manages the specific measures published in this Programme to achieve the objectives set.

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

Furthermore, since the beginning of the fiscal year, Befimmo continues with this dialogue, seeking to achieve a balance between the various stakeholders and the challenges it regularly faces, notably by working on the improvement of its working environment with a view to responding to the needs of its team. This project is part of a comprehensive debate on the changing working methods. The works will start by the end of July and will end in the course of the month of November. For more information, please consult the Befimmo website: http://www.befimmo.be/en/befimmo-moving-least-temporarily.

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

External stakeholders - questionnaires

As it did in the previous years, Befimmo participated during the first half of the fiscal year in reporting of carbon emissions from its activities by answering the “Carbon Disclosure Project”[42] questionnaire.

Furthermore, Befimmo also answered the “Global Real Estate Sustainability Benchmark”[43] questionnaire.

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

42 www.cdproject.net

43 https://www.gresb.com

FINANCIAL REPORT

	30.06.2016	31.12.2015
Shareholders' equity (in € million)	1 252.84	1 265.29
Net asset value (in € per share)	54.42	54.96
EPRA NAV (in € per share)	55.60	54.91
EPRA NNNAV (in € per share)	53.65	54.30
Average annualised financing cost[44] (in %)	2.23%[45]	2.66%
Weighted average duration of debts (in years)	3.84	3.99
Debt ratio according to the Royal Decree (in %)	48.53%	48.37%
Loan-to-value[46] (in %)	45.64%	45.66%

	30.06.2016 (6 months)	30.06.2015 (6 months)
Number of shares issued	*23 021 293*	*22 673 609*
Number of shares not held by the group	*23 021 293*	*22 138 280*
Average number of shares not held by the group during the period	*23 021 293*	*22 138 280*
Net result (in € per share)	0.41	2.47
Net current result (in € per share)	1.89	2.00
EPRA earnings (in € per share)	1.89	1.95
Return on shareholders' equity[47] (in €)	2.22	3.83
Return on shareholders' equity[47] (in %)	4.10%	7.14%

44 Including margin and hedging costs.
45 Calculated over a 6-month period.
46 Loan-to-value ("LTV"): [(nominal financial debts – cash)/fair value of portfolio].
47 Calculated over a 12-month period ending at the closing of the quarter, taking into account the gross dividend reinvestment and the participation in the optional dividend.

Financial structure

Financing arranged

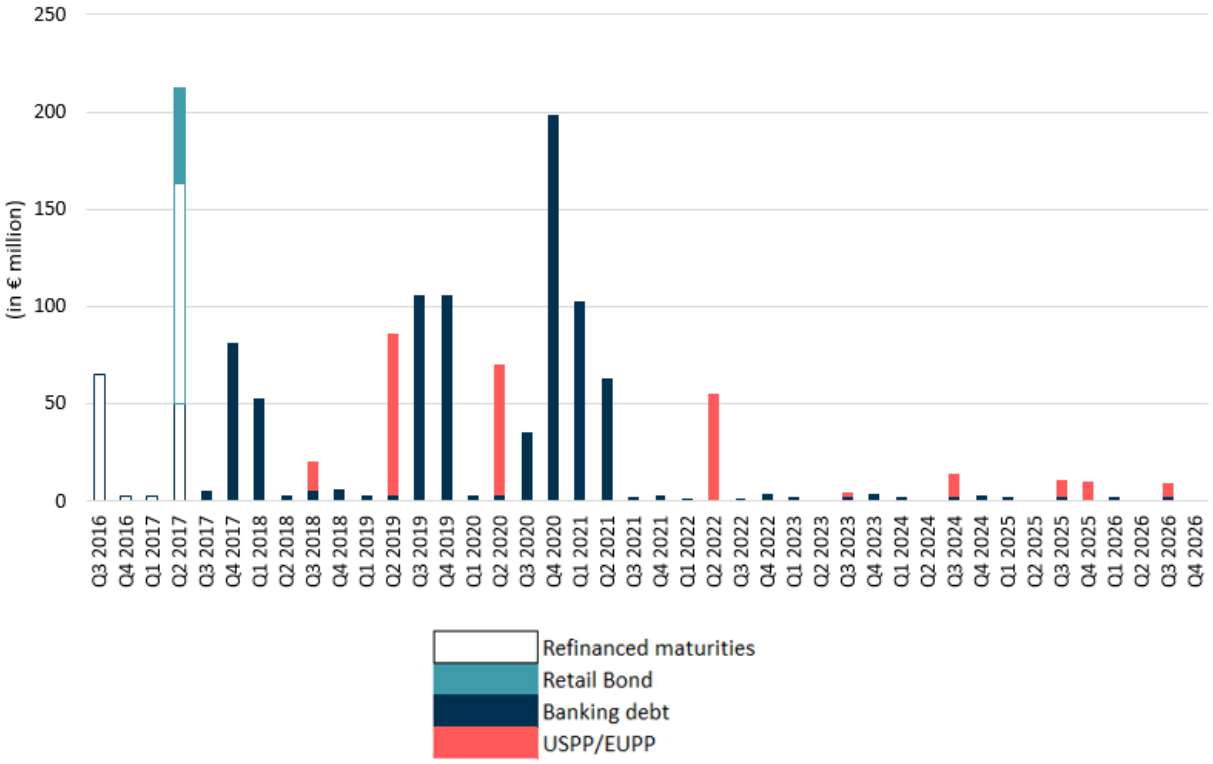
Within the framework of its overall financing programme, Befimmo carried out several operations in the course of the first half of 2016.

The Company:

- renegociated and prolonged a bank line for an amount of €100 million over 5 years;
- signed two bank financing lines for a total amount of €50 million over 5 years; and
- carried out a private placement of debt for an amount of €7.25 million over 10 years.

On this basis, and all other things being equal, the Company covered its financing needs until the end of March 2017.

Maturities of commitments by quarter (as at 30.06.2016)



Main characteristics of the financial structure

As at 30 June 2016, Befimmo's financial structure had the following main characteristics:

- confirmed credit facilities for a total sum of €1,361.8 million, €1,107.6 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 48.53%[48] (compared with 48.37% as at 31 December 2015);
- an LTV ratio of 45.64%[49] (compared with 45.66% as at 31 December 2015);

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

- a weighted average duration of debts of 3.84 years;
- an average annualised financing cost (including hedging margin and costs) of 2.23% over the half-year;
- 67.4% of total debt at fixed rates (including IRS) compared with 52.7% as at 30 June 2015.

On 26 May 2016, 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, €351 million of which was in use as at 30 June 2016 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

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

Befimmo holds a portfolio of instruments to hedge (i) the interest rate risk, consisting of IRS, CAP and COLLAR[50], and (ii) the exchange-rate risk US Dollar and Pound Sterling on its fixed-rate United States private placement (USPP) by holding Cross Currency Swaps.

In an adverse economic climate, this policy allows the Company to take advantage of falling interest rates on part of borrowings, while limiting the volatility of financial charges by fixing rates on the remainder of borrowings (either directly by arranging financing at fixed rates or by purchasing IRS type hedging instruments). The impact of rising interest rates on financial expenses is also mitigated by the hedge options (CAP). Such a hedging and financing structure creates a situation in which the result is still sensitive to changing interest rates.

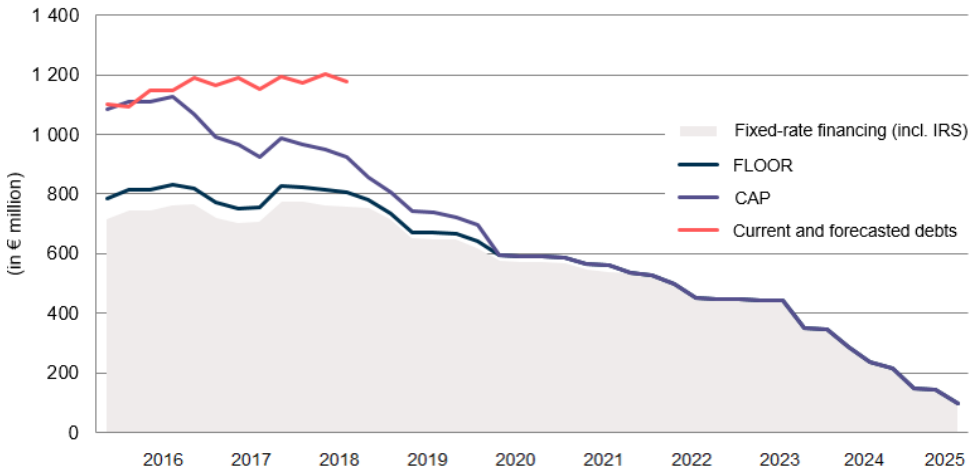
The package of instruments in place gives the Company a hedge ratio of 100%[51] as at 30 June 2016. The hedge ratio remains above 80% until the second quarter of 2018 included and above 50% until the second quarter of 2020 included.

As part of its hedging policy and over the half-year, the Company arranged two IRS for a notional of €55 million, expiring at the end of 2025.

[50] 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).

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

Evolution of the portfolio of hedging instruments and fixed-rate debts (as at 30.06.2016)



Annual average		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CAP	Notional (in € million)	366	264	190	94	47	20	-	-	-	-
	Average rate (in %)	1.49%	1.38%	1.32%	0.83%	0.87%	1.15%	1.15%	-	-	-
FLOOR	Notional (in € million)	70	51	50	22	20	20	-	-	-	-
	Average rate (in %)	0.94%	0.72%	0.71%	0.57%	0.55%	0.55%	0.55%	-	-	-
Fixed-rate financing (incl. IRS)	Notional (in € million)	741	723	767	692	604	556	503	446	304	150
	Average rate[52] (in %)	1.21%	1.06%	1.01%	1.03%	1.09%	1.07%	1.00%	0.91%	0.92%	0.98%

[52] Average fixed rate excluding credit margin.

Financial results

Net asset value as at 30 June 2016

As at 30 June 2016, Befimmo's total net asset value was €1,252.84 million.

The net asset value is therefore €54.42[53] per share, as against €54.96 per share as at 31 December 2015.

	(in € million)	(in € per share)	Number of shares not held by the group
Net asset value as at 31 December 2015	**1 265.29**	**54.96**	**23 021 293**
Payment of final dividend of the 2015 fiscal year (distributed in May 2016)	- 19.80		
Result as at 30 June 2016	9.35		
Other elements of comprehensive income - actuarial gains and losses on pension obligations	- 2.00		
Net asset value as at 30 June 2016	**1 252.84**	**54.42**	**23 021 293**

	30.06.2016	31.12.2015
EPRA NAV (in € per share)	55.60	54.91
EPRA NNNAV (in € per share)	53.65	54.30

The calculation methods of the EPRA NAV and NNNAV are detailed on page 60 of Befimmo's Annual Financial Report 2015 (www.befimmo.be).

[53] 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)	30.06.2016	30.06.2015
Net rental result	67 984	71 000
Net property charges	-8 372	-7 294
Property operating result	**59 612**	**63 706**
Corporate overheads	-4 226	-4 119
Other operating income and charges	- 162	-1 448
Operating result before result on portfolio	**55 224**	**58 139**
Operating margin	***81.2%***	***81.9%***
Gains or losses on disposals of investment properties	12	971
Net property result	**55 236**	**59 110**
Financial result (excl. changes in fair value of financial assets and liabilities)	-11 134	-14 566
Corporate taxes	- 590	- 633
Net result before changes in fair value of investment properties and financial assets and liabilities	**43 512**	**43 911**
Changes in fair value of investment properties	-5 791	-1 083
Changes in fair value of financial assets and liabilities	-28 372	11 890
Changes in fair value of financial assets and liabilities and investment properties	**-34 163**	**10 806**
Net result	9 348	54 718
Net current result	43 512	44 175
EPRA earnings	43 499	43 203
Net result (in € per share)	**0.41**	**2.47**
Net current result (in € per share)	**1.89**	**2.00**
EPRA earnings (in € per share)	**1.89**	**1.95**

Events with an impact on the perimeter of the Company

The Company's floor area changed in the first six months of fiscal year 2016 following the sale of the Chênée building and the gradual acquisition of the Gateway building (where the lease will take effect at the end of the third quarter of the fiscal year).

The comparison of data per share is also impacted by the increase in the average number of shares outstanding (private placement of 535,329 shares in November 2015 and creation of 347,684 shares as part of the optional dividend in December 2015).

Analysis of the net result

The condensed consolidated income statement includes the data published on 30 June 2016. The analysis of the result is based on a comparison with the data for the first half of 2015.

The **rental income** on a "like-for-like"[54] basis is almost stable (-0.31%).

The decline in net rental result of -€1.8 million (excluding the impact of smoothing of gratuities of -€1.2 million, which is cancelled out in the other operating income and charges) is mainly explained by:

- the Guimard building which is now undergoing a heavy renovation, whereas it generated a rent of €0.5 million in the first half of the 2015 fiscal year;
- the fact that no compensation for an early departure was registered (against +€0.9 million during the first half of the 2015 fiscal year).

Net property charges rose from €7.3 million to €8.4 million (up €1.1 million or +15%) compared with the same period in 2015. This change is due mainly to the one-time impact of the receipt, in the first half of fiscal year 2015, of a compensation payment for early departure. Furthermore, following an increase in the number of leases signed during the half-year, commercial expenses increased slightly in relation to the same period last year. The other items offset one another overall. Net real-estate charges are nevertheless in line with the outlook.

Overheads remained stable in relation to the same period of fiscal year 2015.

The **operating result before the portfolio result** is therefore down €2.9 million (-5.0%).

The **change in fair value of investment properties** (excluding the amount of the acquisition, investments and the disinvestment) amounts to -€5.8 million (-0.24%) over the period, as against -€1.1 million (-0.05%) over the first six months of 2015.

The **realised financial result** (excluding changes in fair value of financial assets and liabilities) improved substantially from -€14.6 million in the first half of 2015 to -€11.1 million in the first half of 2016. This improvement in the financial charges is explained mainly by the Company's lower average fixed rate excluding credit margin following, among others, the repayment of the retail bond for €110 million, which matured in December 2015.

The **change in fair value of the financial assets and liabilities** was -€28.4 million as against -€11.9 million over the first six months of 2015. The fair value of the financial instruments (mainly IRS, -€25.5 million), acquired as part of the Company's hedging policy[55] was adversely impacted by the significant decline in medium- and long-term interest rates over the half-year.

The combination of the items listed above showed a net result of €9.3 million as at 30 June 2016 compared with €54.7 million as at 30 June 2015.

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[54] The "like-for-like" scope is calculated on the basis of the EPRA definition.

[55] For more information, please see pages 33 and 34 of this Half-Yearly Financial Report.

EPRA earnings were stable at €43.5 million, as against €43.2 million for the first half of 2015. In view of the higher average number of shares outstanding, EPRA earnings per share amounted to €1.89 as at 30 June 2016, compared with €1.95 as at 30 June 2015.

Condensed consolidated balance sheet

(in € million)	30.06.2016	31.12.2015
Investment and held for sale properties	2 426.7	2 388.3
Other assets	105.0	111.9
Total assets	**2 531.7**	**2 500.2**
Shareholders' equity	1 252.8	1 265.3
Financial debts	1 139.0	1 123.9
non current	568.4	659.4
current	570.6	464.5
Other debts	139.8	111.0
Total equity & liabilities	**2 531.7**	**2 500.2**
LTV	**45.64%**	**45.66%**

Current financial liabilities are mostly made up of:

- short-term commercial paper (for an amount to €351 million) for which the Company has confirmed bank lines at one year as a back-up;
- a “retail bond” (for an amount of €162 million), issued in April 2011 and reimbursed in April 2017.

Most of the change in fair value of the investment property is accounted for by investments in the portfolio. Investments also led to a slight increase in financial debts.

The other liabilities were impacted mainly by the adjustment in the value of the financial hedging instruments.

EPRA BEST PRACTICES

EPRA indicators	EPRA definitions[56]		30.06.2016	30.06.2015
EPRA earnings	Recurring earnings from core operational activities	in € thousand in € per share	43 499 1.89	43 203 1.95
EPRA cost ratio	Ratio of overhead and operating expenses on gross rental income	Incl. vacancy costs Excl. vacancy costs	18.88% 14.69%	16.32% 11.63%
(i) EPRA Net Initial Yield (NIY)	Annualised rental income[57] based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs	in %	5.74%	5.73%[58]
(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 %	5.88%	5.83%[58]
EPRA Like-for-Like Net Rental Growth	Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described	in %	-0.49%	-0.49%[58]
EPRA indicators	**EPRA definitions[56]**		**30.06.2016**	**31.12.2015**
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long term investment property business model	in € thousand in € per share	1 280 076 55.60	1 264 109 54.91
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes	in € thousand in € per share	1 234 987 53.65	1 250 007 54.30
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	in %	6.88%	6.35%

56 Source: EPRA Best Practices (www.epra.com).

57 For Befimmo, the annualised rental income is equivalent to the current rent at the closing date (plus future rent on signed leases, as reviewed by the real-estate experts).

58 The figures published in the Half-Yearly Financial Report 2015 were adapted to take into account the annualisation of the "property outgoings".

SUBSEQUENT KEY EVENTS TO THE CLOSING

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

BLUE TOWER, BRUSSELS LOUISE DISTRICT

BEFIMMO ON THE STOCK MARKET

	30.06.2016 (6 months)	31.12.2015 (12 months)	30.06.2015 (6 months)
Number of shares issued	23 021 293	23 021 293	22 673 609
Number of shares not held by the group	23 021 293	23 021 293	22 138 280
Average number of shares not held by the group	23 021 293	22 198 549	22 138 280
Highest share price (in €)	61.06	69.70	69.70
Lowest share price (in €)	48.60	53.59	54.03
Closing share price (in €)	57.90	55.00	54.85
Number of shares traded[59]	8 840 935	20 379 355	10 913 732
Average daily volume[59]	69 614	79 607	87 310
Free float velocity[59]	51%	116%	65%
Distribution ratio (in relation to the EPRA earnings)	-	89%	-
Gross dividend[60] (in € per share)	-	3.45	-
Gross yield[61]	5.96%	6.27%	6.29%
Return on share price[62]	12.15%	-2.92%	4.56%

Evolution of the Befimmo share

The Befimmo share closed at €57.90 on 30 June 2016, as against €55.00 at 31 December 2015. Befimmo's market capitalisation stood at €1.3 billion at 30 June 2016.

At this share price, the share returns a dividend yield of 5.96% and is being traded at a premium of 6.39% in relation to net asset value.

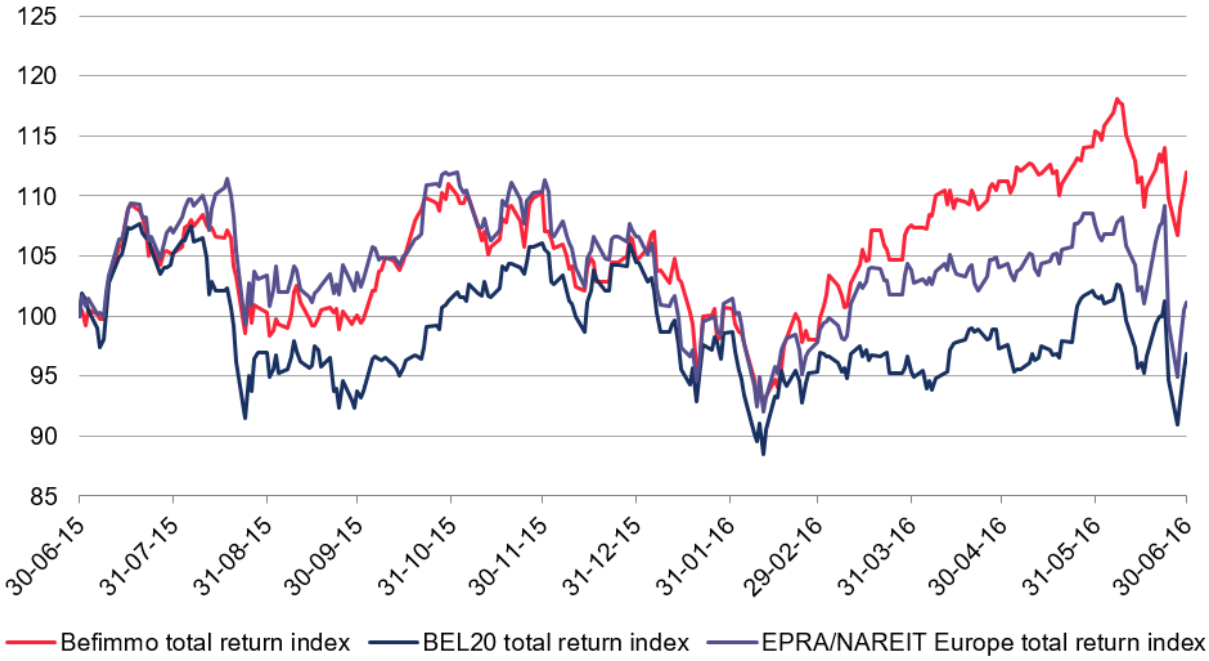
During the first half of the fiscal year, the daily trading volume was around 69,600 shares.

On 4 March 2016, the new composition of the BEL20 index was announced by Euronext Brussels. As from 21 March 2016, the Befimmo share is no longer a part of this index.

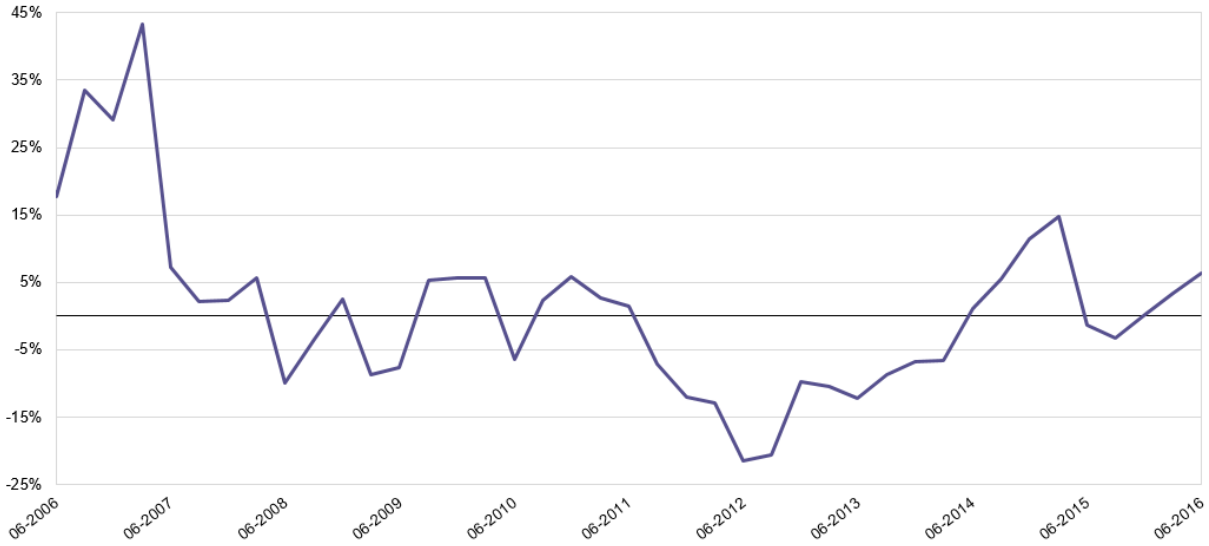
The graph hereafter illustrates the year-on-year performance of the share.

59 Source: Kempen & Co. Based on trading on all platforms.
60 Subject to a withholding tax of 27% as from January 2016.
61 Gross dividend divided by the closing share price.
62 Calculated over a 12-month period ending at the closing of the period, taking into account the gross dividend reinvestment and the participation in the optional dividend.

Evolution of the Befimmo total return index relative to BEL20 and EPRA/NAREIT Europe (over one year)[63]



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 Wednesday 21 December 2016. 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 2016 fiscal year could be placed on the agenda of the Ordinary General Meeting of shareholders to approve the accounts at 31 December 2016, to be held on 25 April 2017.

[63] Source: KBC Securities.

INFORMATION TO THE SHAREHOLDERS

Corporate governance

Composition of the Befimmo Board of Directors

On 26 April 2016, the Ordinary General Meeting of Befimmo appointed Mrs Annick Van Overstraeten as independent non-executive Director and Mr Kurt De Schepper as non-executive Director for a four-year term ending at the close of the Ordinary General Meeting of 2020.

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

Finally, the directorship of Mr Jacques Rousseaux expired in April 2016. The Board of Directors thanks Mr Rousseaux for his contribution to the development of the Company over many years.

The composition of the Board is as follows:

Name and position on the Board	Directorship expiry date
Alain Devos Chairman, non-executive Director	April 2018
Benoît De Blieck Managing Director	April 2019
Hugues Delpire non-executive Director, independent	April 2019
Kurt De Schepper non-executive Director	April 2020
Etienne Dewulf non-executive Director, independent	April 2018
Sophie Goblet non-executive Director, independent	April 2017
Benoît Godts non-executive Director, linked to a shareholder	April 2017
Mme Sophie Malarme-Lecloux non-executive Director, independent	April 2017
Annick Van Overstraeten non-executive Director, independent	April 2020
Guy Van Wymersch-Moons non-executive Director, linked to a shareholder	September 2017

Befimmo's Exective Officers

Pursuant to article 14(3) of the law of 12 May 2014 on BE-REITs, the executive management of Befimmo is now entrusted to four individuals, known as Executive Officers. Following its self-assessment exercise carried out at the end of 2015, the Board of Directors decided, among others, to start discussions on whether to broaden the powers delegated to the Executive Officers, in view of the development of Befimmo's business and organisation since its creation[64].

[64] See the Annual Financial Report 2015, page 132.

During its meeting of 19 July 2016, the Board of Directors took the decision in principle to implement a Management Committee pursuant to article 524 bis of the Code of Company Law. This Management Committee, which will be implemented before the end of 2016, will be composed of the four current Executive Officers.

Key dates for shareholders

Interim statement as at 30 September 2016	Thursday 27 October 2016[65]
Payment of the interim[66] dividend of the 2016 fiscal year on presentation of coupon No 31 - *Ex-date* - *Record date* - *Payment date*	 *Monday 19 December 2016* *Tuesday 20 December 2016* *from Wednesday 21 December 2016*
Publication of the annual results as at 31 December 2016	Thursday 16 February 2017[65]
Online publication of the Annual Financial Report 2016	Friday 24 March 2017
Ordinary General Meeting of the fiscal year closing as at 31 December 2016	Tuesday 25 April 2017
Payment of the final[66] dividend of the 2016 fiscal year on presentation of coupon No 32 - *Ex-date* - *Record date* - *Payment date*	 *Wednesday 3 May 2017* *Thursday 4 May 2017* *from Friday 5 May 2017*

Shareholding structure as at 30 June 2016

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)	Date of the statement	(in %)
Ageas and affiliated companies	2 393 476	10.02.2015	10.4%
AXA Belgium SA	2 467 295	15.12.2015	10.7%
BlackRock Inc.	664 130	06.02.2014	2.9%
Other shareholders under the statutory threshold	17 496 392	15.12.2015	76.0%
Total	**23 021 293**		**100%**

Based on the transparency declarations or based on the information received from the shareholder.

[65] Publication after closing of the stock exchange.
[66] Subject to a decision of the Board of Directors.

CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME (IN € THOUSAND)

		Notes	30.06.16	30.06.15
I.	(+) Rental income		68 281	71 212
III.	(+/-) Charges linked to letting		- 297	- 212
NET RENTAL RESULT			**67 984**	**71 000**
IV.	(+) Recovery of property charges		2 769	4 174
V.	(+) Recovery of rental charges and taxes normally paid by tenants on let properties		25 693	25 126
VII.	(-) Rental charges and taxes normally paid by tenants on let properties		-25 536	-25 206
VIII.	(+/-) Other revenue and charges for letting		160	478
PROPERTY RESULT			**71 070**	**75 573**
IX.	(-) Technical costs		-3 986	-5 026
X.	(-) Commercial costs		- 693	- 262
XI.	(-) Charges and taxes on unlet properties		-2 865	-3 345
XII.	(-) Property management costs		-1 242	-1 125
XIII.	(-) Other property charges		-2 673	-2 109
	(+/-) Property charges		**-11 458**	**-11 866**
PROPERTY OPERATING RESULT			**59 612**	**63 706**
XIV.	(-) Corporate overheads		-4 226	-4 119
XV.	(+/-) Other operating income and charges		- 162	-1 448
OPERATING RESULT BEFORE RESULT ON PORTFOLIO			**55 224**	**58 139**
XVI.	(+/-) Gains and losses on disposals of investment properties		12	971
XVIII.	(+/-) Changes in fair value of investment properties		-5 791	-1 083
OPERATING RESULT			**49 444**	**58 027**
XX.	(+) Financial income	5	795	330
XXI.	(-) Net interest charges	5	-10 454	-13 195
XXII.	(-) Other financial charges	5	-1 475	-1 700
XXIII.	(+/-) Changes in fair value of financial assets and liabilities	5	-28 372	11 890
	(+/-) Financial result		**-39 506**	**-2 676**
PRE-TAX RESULT			**9 938**	**55 351**
XXV.	(-) Corporation tax		- 590	- 633
	(+/-) Taxes		**- 590**	**- 633**
NET RESULT			**9 348**	**54 718**
BASIC NET RESULT AND DILUTED (in € per share)			**0.41**	**2.47**
Other comprehensive income - actuarial gains and losses - pension liabilities			-2 004	- 112
TOTAL COMPREHENSIVE INCOME			**7 344**	**54 605**

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION (IN € THOUSAND)

ASSETS		Notes	30.06.16	31.12.15
I.	**Non-current assets**		**2 485 017**	**2 459 828**
A.	Goodwill	6	14 494	14 552
C.	Investment properties	7	2 426 660	2 387 806
D.	Other property, plant and equipment		1 101	997
E.	Non-current financial assets	8	41 165	54 809
F.	Finance lease receivables		1 597	1 664
II.	**Current assets**		**46 638**	**40 406**
A.	Properties held for sale	7	-	484
B.	Current financial assets	8	4 243	1 814
C.	Finance lease receivables		132	131
D.	Trade receivables		36 525	21 226
E.	Tax receivables and other current assets		2 767	12 996
F.	Cash and cash equivalents		62	215
G.	Deferred charges and accrued income		2 909	3 540
TOTAL ASSETS			**2 531 655**	**2 500 234**

SHAREHOLDERS' EQUITY AND LIABILITIES		Notes	30.06.16	31.12.15
TOTAL SHAREHOLDERS' EQUITY			**1 252 841**	**1 265 295**
I.	**Equity attributable to shareholders of the parent company**		**1 252 841**	**1 265 295**
A.	Capital		323 661	323 661
B.	Share premium account		702 548	702 548
C.	Reserves		217 283	198 497
D.	Net result for the fiscal year		9 348	40 589
LIABILITIES			**1 278 814**	**1 234 939**
I.	**Non-current liabilities**		**606 195**	**674 530**
A.	Provisions		2 056	-
B.	Non-current financial debts	8	568 355	659 360
	a. Credit institution		274 702	209 080
	c. Other		293 653	450 280
	Retail bond issues		*-*	*161 910*
	EU Private Placement		*111 077*	*103 813*
	US Private Placement		*180 240*	*182 809*
	Guarantees received		*2 335*	*1 749*
C.	Other non-current financial liabilities	8	35 784	15 169
II.	**Current liabilities**		**672 619**	**560 410**
A.	Provisions		2 589	2 239
B.	Current financial debts	8	570 648	464 547
	a. Credit institution		57 704	70 797
	c. Other		512 944	393 750
	Retail bond issues		*161 944*	*-*
	Commercial papers[67]		*351 000*	*393 750*
C.	Other current financial liabilities	8	200	-
D.	Trade debts and other current debts		65 769	56 483
E.	Other current liabilities		4 559	4 920
F.	Accrued charges and deferred income		28 854	32 221
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**2 531 655**	**2 500 234**

[67] 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)

	30.06.16	30.06.15
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	**215**	**82**
Operating activities (+/-)		
Net result for the period (6 months)	9 348	54 718
Result on disposal of investment properties	- 12	- 971
Financial result (excl. changes in fair value of financial assets and liabilites)	11 134	14 566
Taxes	590	633
Items with no effect on cash flow to be extracted from earnings		
Fair value adjustment for investment buildings (+/-)	5 791	1 083
Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-)	28 372	-11 890
Loss of (gain in) value on trade receivables (+/-)	16	- 80
Goodwill impairment	-	121
Amortisation / Loss of (gain in) value on property, plant and equipment (+/-)	219	162
Adjustments of provisions and of the pension liabilities without treasury impact (+/-)	402	- 87
Taxes paid	- 258	- 356
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS	**55 603**	**57 899**
Change in assets items	-4 552	-22 082
Change in liabilities items	-4 015	1 614
CHANGE IN WORKING CAPITAL REQUIREMENTS	**-8 567**	**-20 468**
CASH FLOW FROM OPERATING ACTIVITIES	**47 037**	**37 431**
Investments (-) / Disposals (+)		
Investment properties		
Investments	-14 775	-15 095
Disposals	506	4 942
Acquisition of the Gateway project	-18 561	-57 399
Other property, plant and equipment	- 323	- 245
CASH FLOW FROM INVESTMENT ACTIVITIES	**-33 153**	**-67 797**
Financing (+/-)		
Increase (+)/Decrease (-) in financial debts	10 258	16 019
European private bond placements	7 250	64 000
Interest paid	-11 747	-13 029
Hedging instruments and other financial assets	-	-16 960
Final dividend Befimmo 2015	-19 798	-
Final dividend Befimmo 2014	-	-19 039
CASH FLOW FROM FINANCING ACTIVITIES	**-14 037**	**30 991**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**- 153**	**625**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (6 MONTHS)	**62**	**707**

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (IN € THOUSAND)

	Capital	Share premium account	Reserves	Net result of the fiscal year	Total shareholders' equity
EQUITY AS AT 31.12.14	**319 066**	**688 688**	**175 070**	**12 624**	**1 195 448**
Appropriation of the result	-	-	12 624	-12 624	**-**
Dividend distributed	-	-	-19 039	-	**-19 039**
Final dividend of the 2014 fiscal year Befimmo	-	-	-19 039	-	**-19 039**
Total comprehensive income (6 months)	-	-	- 112	54 718	**54 605**
EQUITY AS AT 30.06.15	**319 066**	**688 688**	**168 543**	**54 718**	**1 231 014**
Private placement of own shares - 30 November 2015	- 403	-	29 711	-	**29 308**
Interim dividend	4 998	13 859	-	-57 338	**-38 481** [68]
Befimmo 2015 interim dividend	-	-	-	-57 338	**-57 338**
Capital increase	4 998	13 859	-	-	**18 857**
Total comprehensive income (6 months)	-	-	243	43 210	**43 453**
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**

[68] The amount of -€38.481 thousand is the sum of the portion of the interim dividend paid in cash plus the withholding tax on the whole of the interim dividend (paid in cash or as a contribution to Befimmo's capital).

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

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 2016.

The Board of Directors of Befimmo SA adopted the consolidated condensed financial statements for this fiscal year and authorised its publication on 19 July 2016.

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

As at 30 June 2016, 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 2015 (pages 158 to 164) 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 2015 (page 165) 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 centre (CBD)		Brussels decentralised		Brussels periphery	
(in € thousand)	30.06.16 (6 months)	30.06.15 (6 months)	30.06.16 (6 months)	30.06.15 (6 months)	30.06.16 (6 months)	30.06.15 (6 months)
INCOME STATEMENT						
A. Rental income	39 814	39 998	2 508	2 495	4 285	5 116
B. Property operating result	35 719	36 604	1 025	667	3 255	4 631
C. Change in fair value of investment properties	- 4 893	- 9 191	- 1 513	- 4 523	- 1 625	- 4 388
D. Gains and losses on disposal of buildings	-	-	-	-	-	-
E. SEGMENT RESULT (= B+C+D)	**30 826**	**27 413**	**- 488**	**- 3 856**	**1 630**	**242**
Percentage by segment	57.3%	43.1%	-0.9%	-6.1%	3.0%	0.4%
F. Corporate overheads						
G. Other operating income and charges						
H. Financial result						
I. Income tax						
NET RESULT (= E+F+G+H+I)						
	30.06.16	31.12.15	30.06.16	31.12.15	30.06.16	31.12.15
BALANCE SHEET						
Assets						
Goodwill	7 391	7 391	-	-	-	-
Investment properties and assets held for sale	1 314 138	1 305 051	90 432	91 849	147 036	144 703
of which investments and acquisitions during the year	13 980	14 883	96	662	3 958	4 570
Other assets	-	-	-	-	-	-
TOTAL ASSETS	**1 321 528**	**1 312 442**	**90 432**	**91 849**	**147 036**	**144 703**
Percentage by segment	52.2%	52.5%	3.6%	3.7%	5.8%	5.8%
TOTAL LIABILITIES						
TOTAL SHAREHOLDERS' EQUITY						
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY						

Brussels airport		Wallonia		Flanders		Luxembourg city		Unallocated amounts		Total	
30.06.16 (6 months)	30.06.15 (6 months)	30.06.16 (6 months)	30.06.15 (6 months)	30.06.16 (6 months)	30.06.15 (6 months)	30.06.16 (6 months)	30.06.15 (6 months)	30.06.16 (6 months)	30.06.15 (6 months)	30.06.16 (6 months)	30.06.15 (6 months)
-	-	4 852	5 874	14 749	15 159	2 072	2 569	-	-	**68 281**	**71 212**
- 137	- 79	4 367	5 454	13 703	14 060	1 680	2 369	-	-	**59 612**	**63 706**
1 532	- 81	2 608	7 662	- 2 843	7 283	943	2 155	-	-	**- 5 791**	**- 1 083**
-	-	12	450	-	521	-	-	-	-	**12**	**971**
1 394	**- 160**	**6 988**	**13 566**	**10 859**	**21 864**	**2 623**	**4 524**	**-**	**-**	**53 833**	**63 594**
2.6%	-0.3%	13.0%	21.3%	20.2%	34.4%	4.9%	7.1%	-	-	**100%**	**100%**
								- 4 226	- 4 119	**- 4 226**	**- 4 119**
								- 162	- 1 448	**- 162**	**- 1 448**
								- 39 506	- 2 676	**- 39 506**	**- 2 676**
								- 590	- 633	**- 590**	**- 633**
										9 348	**54 718**
30.06.16	31.12.15	30.06.16	31.12.15	30.06.16	31.12.15	30.06.16	31.12.15	30.06.16	31.12.15	30.06.16	31.12.15
-	-	1 456	1 514	5 647	5 647	-	-	-	-	**14 494**	**14 552**
101 900	75 089	194 870	191 614	490 521	493 163	87 763	86 820	-	-	**2426660**	**2388290**
25 280	75 430	1 084	2 323	201	152	-	1	-	-	**44 598**	**98 022**
-	-	1 704	1 769	-	-	-	-	88 797	95 624	**90 501**	**97 392**
101 900	**75 089**	**198 030**	**194 896**	**496 168**	**498 810**	**87 763**	**86 820**	**88 797**	**95 624**	**2531655**	**2500234**
4.0%	3.0%	7.8%	7.8%	19.6%	20.0%	3.5%	3.5%	3.5%	3.8%	**100%**	**100%**
								1278814	**1234939**	**1278814**	**1234939**
								1252841	**1265295**	**1252841**	**1265295**
								2531655	**2500234**	**2531655**	**2500234**

5. Financial result

The financial result (excluding changes in the fair value of financial assets and liabilities) was -€11.1 million in the first half of 2016, compared with -€14.6 million in the first half of 2015.

“Financial income” was up €0.5 million owing to the remuneration paid by the joint venture Codic Immobel for cash advances related to the construction of the Gateway building.

"Net interest charges" were down €2.7 million in relation to the first half of 2015, owing mainly to lower average fixed rate excluding the Company’s credit margins due to, among others, the repayment of the retail bond for €110 million that matured in December 2015. Excluding this effect, the additional financial charges related to the increase in the average volume of debt was more than offset by the fall in the Company’s floating interest rates. The average annualised financing cost (including hedging margin and cost) was 2.23% over the half-year, compared with 2.82% for the first half of 2015. The slight decrease in "Other financial charges" was explained mainly by the realisation in 2015 of a net loss on the sale of financial assets.

The change in fair value of the financial assets and liabilities was -€28.4 million as against +€11.9 million over the first six months of 2015. The fair value of the financial hedging instruments (mainly IRS, -€25.5 million), acquired as part of the Company’s hedging policy, was adversely impacted by the significant decline in medium- and long-term interest rates over the half-year.

(in € thousand)		30.06.16 (6 months)	30.06.15 (6 months)
(+)	**XX. Financial income**	**795**	**330**
(+)	Interests and dividends received	746	289
(+)	Fees for finance leases and similar	49	41
(+)	Net gains realised on sale of financial assets	-	0
(+/-)	**XXI. Net interest charges**	**-10 454**	**-13 195**
(-)	Nominal interest on loans	-11 186	-13 561
(-)	Reconstitution of the face value of financial debts	- 242	- 250
(-)	Other interest charges	- 35	- 26
(+)	Proceeds of authorised hedging instruments	6 205	5 256
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*6 205*	*5 256*
(-)	Charges of authorised hedging instruments	-5 197	-4 615
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-5 197*	*-4 615*
(-)	**XXII. Other financial charges**	**-1 475**	**-1 700**
(-)	Bank charges and other commissions	-1 475	-1 558
(-)	Net losses realised on sale of financial assets	-	-142
(+/-)	**XXIII. Changes in fair value of financial assets and liabilities**	**-28 372**	**11 890**
(+/-)	Authorised hedging instruments	-30 940	26 584
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-30 940*	*26 584*
(+/-)	Others	2 568	-14 694
(+/-)	**Financial result**	**-39 506**	**-2 676**

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 2015 (page 174). A reduction in goodwill of €58 thousand was booked upon the sale of the building located rue Large in Chênée. The goodwill associated with the sold building was reversed in order to be incorporated into the calculation of the result of the realised sale.

Impairment test

As at 30 June 2016, the goodwill was subject to an impairment test, in accordance with the method described in the Annual Financial Report 2015 (page 174). The result of this test indicates that no impairment must be made.

7. Investment properties

(in € thousand)	
Carrying value as at 31.12.2014	**2 285 235**
of which: - Investment properties	*2 283 268*
- Assets held for sale	*1 967*
Acquisitions	60 698
Other investments	5 846
Disposals	- 3 853
Changes in fair value	- 1 083
Carrying value as at 30.06.2015	**2 346 842**
of which: - Investment properties	*2 344 744*
- Assets held for sale	*2 098*
Acquisitions	14 733
Other investments	16 746
Disposals	- 2 098
Changes in fair value	12 067
Carrying value as at 31.12.2015	**2 388 290**
of which: - Investment properties	*2 387 806*
- Assets held for sale	*484*
Acquisitions	25 389
Other investments	19 209
Disposals	- 436
Changes in fair value	- 5 791
Carrying value as at 30.06.2016	**2 426 660**
of which: - Investment properties	*2 426 660*
- Assets held for sale	*-*

During the first half of fiscal year 2015, Beway SA, a 100% subsidiary of Befimmo, acquired the Gateway project (34,000 m² off-plan) from the developers Codic and Immobel. This project represents an investment of some €140 million and an initial yield of 4.65%. Beway acquired the leasehold on the land (with a remaining duration of 97 years) and full ownership of the current building. It will become the owner of all the new constructions as the works progress. As at 30 June 2016, the total invested amount is €100.7 million.

In 2015, the amount invested in work in the Befimmo and Fedimmo portfolio amounted to €22.6 million. Investments focused on the WTC IV project (€7.10 million) - the permit for which has been implemented - and the ongoing renovation of the Brederode 9 and Namur 48 buildings (€4.08 million). It was also in 2015 that work began on the Guimard project (€0.5 million).

During the first half of 2016, Befimmo invested a total of €19.2 million in its buildings. The main investments related to the renovation of the Brederode 9 and Namur 48 buildings (€8.6 million), the Guimard building (€1.6 million) and the Blue Tower (€2.5 million), and various spaces in the Ikaros Business Park (€2.7 million).

During fiscal year 2015, the Company completed the sale of two buildings in Wallonia (Mons 2 and the Stassart building located at avenue Stassart 9 in Namur) and a building in Flanders, located at Kasteelstraat 19 in Izegem. From 1 January 2015 until the date of the sale, these three buildings contributed to the property operating result to the tune of €0.21 million.

During the first half of 2016, Fedimmo sold the building in Rue Large in Chênée, which did not contribute to the property operating result in 2016.

8. Financial assets and liabilities

At constant perimeter, the Company needs no further financing before the end of the first quarter of 2017. The chapter "Financial structure" on page 32 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 2016, the hedge ratio was 100%. The table hereafter lists all the hedging instruments owned by the Company at 30 June 2016.

			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			25	2.00%	Jan. 2013	Jan. 2019	Euribor 3 month
CAP bought	2	Option			25	1.00%	Febr. 2013	Febr. 2017	Euribor 3 month
CAP bought	2	Option			50	1.50%	Sept. 2013	Sept. 2017	Euribor 3 month
CAP bought	2	Option			50	1.50%	Jan. 2014	Jan. 2017	Euribor 3 month
CAP bought	2	Option			25	2.25%	Jan. 2014	Oct. 2018	Euribor 3 month
CAP bought	2	Option			20	1.50%	Febr. 2014	Febr. 2018	Euribor 3 month
CAP bought	2	Option			15	1.30%	May 2014	May 2018	Euribor 3 month
CAP bought	2	Option			15	0.75%	Jan. 2015	Jan. 2020	Euribor 3 month
CAP bought	2	Option			15	0.30%	Jan. 2015	Jan. 2019	Euribor 3 month
CAP bought	2	Option			30	0.50%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			25	0.85%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			20	3.50%	Jan. 2012	Jan. 2017	Euribor 3 month
FLOOR[69] sold	2	Option			20	1.51%	Jan. 2012	Jan. 2017	Euribor 3 month
CAP bought	2	Option			30	2.25%	July 2012	Jan. 2019	Euribor 1 month
FLOOR[69] sold	2	Option			30	0.82%	July 2012	Jan. 2019	Euribor 1 month
CAP bought	2	Option			20	1.15%	Jan. 2016	Jan. 2022	Euribor 3 month
FLOOR[69] sold	2	Option			20	0.55%	Jan. 2016	Jan. 2022	Euribor 3 month
Receiver's IRS	2	Forward			100	3.12%	April 2011	Apr. 2017	Euribor 3 month
Payer's IRS	2	Forward			25	1.51%	July 2012	July 2021	Euribor 1 month
Payer's IRS	2	Forward			25	1.41%	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			20	1.58%	Jan. 2018	July 2022	Euribor 3 month
Payer's IRS	2	Forward			15	0.84%	May 2014	May 2019	Euribor 3 month
Payer's IRS	2	Forward			15	1.40%	July 2014	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			15	1.08%	Sept. 2015	Sept. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.50%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.49%	Jan. 2016	Apr. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.47%	Jan. 2016	July 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.41%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.41%	Jan. 2016	Apr. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.42%	Jan. 2016	July 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.72%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			20	0.84%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			30	0.91%	Oct. 2015	Oct. 2025	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	0.59%	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			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			30	0.12%	Jan. 2016	Jan. 2018	Euribor 3 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[70]	2	Forward	75 USD	4.83%	56	2.77%	May 2012	May 2019	Fix USD for Fix EUR
CCS[70]	2	Forward	22 GBP	4.90%	26	2.76%	May 2012	May 2019	Fix GBP for Fix EUR
CCS[70]	2	Forward	90 USD	5.05%	67	2.92%	May 2012	May 2020	Fix USD for Fix EUR

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

70 The interest rates in € 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 30.06.2016	
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	150	-2 136
Forward	2	9 487	-33 848
CCS	2	30 217	-
		39 853	**-35 984**

(in € thousand)		Balance sheet item as of 31.12.2015	
Classification by IFRS	**Level in IFRS**	**I.E.b. Assets at fair value through the result**	**I.C. & II.C.Other current and non current financial liabilities**
Option	2	542	-1 698
Forward	2	13 681	-13 471
CCS	2	35 756	-
		49 979	**-15 169**

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 2015 (pages 158 to 164), 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 2016 of €83.3 million;
- a bond issue carried out in April 2011 for an amount of €162 million;
- several European private placements at fixed rates for a total amount of €66.25 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 2016.

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 2016, 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
Retail bond	1	166 943	161 944
EUPP	2	69 442	66 250
Sales of receivables	2	93 162	83 277

STATUTORY AUDITOR'S REPORT

Befimmo NV/SA

Report on review of the consolidated interim financial information for the six-month period ended 30 June 2016

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated condensed statement of financial position as at 30 June 2016, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed cash flow statement for the period of six months then ended, as well as the notes to the consolidated condensed financial statements.

Report on the consolidated interim financial information

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

The consolidated condensed statement of financial position shows total assets of 2.531.655 (000) EUR and the consolidated condensed income statement shows a consolidated net result (group share) for the period then ended of 9.348 (000) EUR.

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

Scope of review

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

Conclusion

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

Diegem, 19 July 2016

The statutory auditor

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

STATEMENTS

Statement by persons responsible

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

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

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

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.

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 €2.4 billion and comprises around a hundred office buildings with space totaling over 850,000 m².

Befimmo offers its tenants quality properties that are flexible, efficient, well equipped and located near major transport hubs. As a specialist in office buildings, Befimmo offers a personalised and full service (property management, space planning and project management, environmental support and facility management), and provides optimum facilities in its properties (common meeting rooms, restaurant, catering, nursery, fitness centre, etc.) to facilitate the everyday lives of its tenants. 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 2016, its market capitalisation was €1.3 billion. Befimmo offers its shareholders a solid dividend and a yield in line with its risk profile.

Befimmo

Further information:

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