Befimmo

Public regulated real estate company
Limited liability company
Auderghem (1160 Brussels), 1945 Chaussée de Wavre
Register of Legal Entities No 0455.835.167 – VAT BE 455.835.167

(the "**Company**")

SPECIAL REPORT OF THE BOARD OF DIRECTORS
IN ACCORDANCE WITH ARTICLE 596 OF THE BELGIAN COMPANY CODE

[*The original version of this report is written in Dutch and French neither language taking preference over the other; this English version is an unofficial translation*]

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1. PURPOSE OF THIS REPORT

This special report (the "**Special Report**") has been prepared pursuant to Article 596 of the Belgian Company Code (the "**BCC**"). It has been adopted by the board of directors of the Company (the "**Board of Directors**") on 13 September 2016, in the context of a capital increase (the "**Capital Increase**") decided by the Board of Directors within the limits of the authorised capital with disapplication of the preferential subscription right of the existing shareholders of the Company (the "**Existing Shareholders**"), and the introduction of an irreducible priority allocation right (the "**Priority Allocation Right**"), in accordance with Article 26, §1 of the Law of 12 May 2014 on regulated real estate companies (*Loi relative aux sociétés immobilières réglementées / Wet betreffende de gereglementeerde vastgoedvennootschappen*) (the "**BE-REIT Law**").

This Special Report describes the context of the Capital Increase (see Section 2), the offering and the new shares (see Section 3), the reasons for the disapplication of the preferential subscription right (see Section 4), the determination of the issue price (see Section 5), as well as the financial consequences of the Capital Increase for Existing Shareholders as required by Article 596 of the BCC (see Section 6).

The preferential subscription right is not disapplied in favour of identified persons within the meaning of Article 598 of the BCC.

The auditors of the Company will, pursuant to Article 596 of the BCC, adopt a report on this Special Report.

On 13 September 2016, the Board of Directors will discuss and resolve on the Capital Increase pursuant to the terms and conditions described in Section 3 below.

2. CONTEXT OF THE CAPITAL INCREASE

The purpose of the Offering (as defined below) is to raise new financial means in order to pursue the Company's investment strategy in its core market of quality office buildings located in Belgium (mainly in Brussels and in other main Belgian cities) and the Grand Duchy of

Luxemburg, while maintaining a solid balance sheet in line with the Company's financial strategy (characterised by a target LTV ratio of around 50%).

The net proceeds of the Offering, provided it is fully subscribed for, are estimated to amount to EUR 124.351.184. These proceeds will mainly be used in the framework of the ongoing and future redevelopment, renovation and construction projects financed through equity combined with long-term debt, which will allow the Company to continue to create value for its shareholders while maintaining a well-balanced LTV ratio.

The Company intends to use part of the net proceeds in the framework of the redevelopment of the Noord building into the new **Quatuor building** (60,000 m²). The urban development and environmental permits were applied for on 23 September 2014 and are expected to be obtained early 2017. The works are expected to start early 2018, after the end of the current lease in the Noord Building (no later than early 2018), and last approximately 30 to 36 months. The Quatuor building will consist of four independent office towers enjoying a strategic location in the Brussels North area and forming a fine architectural unit. The project's total investment amount is estimated at approximately EUR 150 million (of which, as at 30 June 2016, EUR 1.1 million has been realised in total and EUR 0.1 million committed). The redevelopment project could generate a gross initial yield on construction cost of more than 6.5%.

In addition, the Company intends to use part of the net proceeds of the Offering to strengthen its balance sheet in the framework of its other committed ongoing construction, redevelopment and renovation projects, which mainly include the Gateway project (34,000 m²) and the Guimard building (5,400 m²) located in the heart of the Leopold district in Brussels.

Part of the net proceeds of the Offering could also be used in the framework of the following construction and redevelopment projects: the construction of a new passive office tower in the North area of Brussels, the WTC IV (53,500 m²), and the Paradis Express project in Liège (35,000 m²) involving the construction of an eco-neighbourhood offering a mix of offices (20,000 m²), housing and local shops.

For treasury management reasons, the net proceeds of the Offering are initially intended to be used to partially repay amounts drawn under credit facilities which remain available until maturity to fund current and future construction, redevelopment, renovation and acquisition projects when required.

Based on a fully subscribed Offering, the Company's LTV ratio, which amounted to 45.64% as at 30 June 2016, would decrease to an estimated 40.52%. This pro-forma calculation based on the information available as at 30 June 2016 does not take into account any other element that could have an impact on the total assets and on the debt position of the Company and hence on the LTV ratio.

3. DESCRIPTION OF THE OFFERING AND THE NEW SHARES

(a) *Capital Increase and Offering*

The Capital Increase will be decided by the Board of Directors within the limits of the Company's authorised capital. Pursuant to Article 7 of the articles of association of the Company, the amount of the authorised capital may not exceed, in case of a capital increase in cash with disapplication of the preferential subscription right of Existing Shareholders and introduction of a priority allocation right, EUR 66,892,898.30. The authorised capital for this type of capital increase has not yet been used since the authorisation was granted to the Board of Directors, and the balance therefore remains at EUR 66,892,898.30.

The Company is contemplating (i) an offering of 2,557,921 new shares without nominal value (the "**New Shares**") at an issue price (the "**Issue Price**") per New Share of EUR 49.75 on the basis of a ratio of 1 New Share for 9 Priority Allocation Rights (the "**Ratio**") (through a public offering in Belgium and an offering made pursuant to limitations that may apply under applicable securities laws in other jurisdictions) (the "**Priority Offering**"), and (ii) a subsequent private placement of the unexercised Priority Allocation Rights (the "**Scrips**") in an accelerated bookbuiliding process (the "**Scrips Private Placement**" and together with the Priority Offering, the "**Offering**").

The Company has appointed ING Belgium SA/NV and Kempen & Co N.V. as global coordinators (the "**Global Coordinators**") and ING Belgium SA/NV, Kempen & Co N.V., Belfius Bank SA/NV, BNP Paribas Fortis SA/NV and KBC Securities SA/NV as joint bookrunners (the "**Joint Bookrunners**") for the Offering.

(b) ***Priority Offering***

Each holder of ordinary shares of the Company will be granted 1 Priority Allocation Right, which will be represented by Coupon n°31, per ordinary share of the Company it holds on 14 September 2016. Subject to the restrictions set out in the Securities Note, holders of Priority Allocation Rights will then be entitled to subscribe for New Shares at the Issue Price on the basis of the Ratio from 15 September 2016 until 22 September 2016 included (the "**Subscription Period**"), except if a supplement to the prospectus is published. Once exercised, the holders of Priority Allocation Rights cannot revoke the exercise of the latter. Holders of Priority Allocation Rights who have not exercised such rights during the Subscription Period will no longer be able to exercise them. Priority Allocation Rights will be admitted to trading and will be listed on Euronext Brussels during the Subscription Period.

The Priority Allocation Rights and the New Shares will be publicly offered in Belgium only through the publication of the prospectus consisting of the Company's 2015 annual financial report approved by the FSMA as Registration Document on 22 March 2016, as well as the Securities Note (to which the 2016 First Quarter Interim Statement and the 2016 Half-Yearly Financial Report have been incorporated by reference) and the Summary approved by the FSMA on 13 September 2016. The Company has not registered the New Shares or the Priority Allocation Rights under the securities laws of any other jurisdiction. Therefore, in jurisdictions other than Belgium, the Priority Allocation Rights and the New Shares may only be traded in accordance with limitations that may apply under applicable securities laws.

(c) ***Scrips Private Placement***

Priority Allocation Rights which are not exercised during the Subscription Period will automatically convert into an equal number of Scrips. The Scrips will be offered by the Joint Bookrunners on behalf of the Company to qualified investors (outside the United States of America pursuant to Regulation S under the U.S. Securities Act of 1933, as amended) in an accelerated bookbuilding process, which is expected to take place on 23 September 2016.

Purchasers of Scrips in the Scrips Private Placement will irrevocably undertake to subscribe to a number of New Shares equal to the number of Scrips purchased by them multiplied by the Ratio at the Issue Price.

(d) ***Characteristics of the New Shares***

The New Shares will be ordinary shares of the Company, without nominal value, fully paid-up in cash upon their delivery and each representing an identical fraction of the Company's share capital. Each New Share will entitle its holder to one vote.

The New Shares will be dematerialised shares (delivered in book-entry form through the settlement system of Euroclear) or registered shares (recorded in the Company's share register). The New Shares are expected to be accepted for clearance through Euroclear, under the same ISIN code as the existing shares (ISIN BE0003678894). Payment for and delivery of the New Shares are expected to be made on 27 September 2016.

The New Shares shall only be profit sharing as from the date on which they are issued (*i.e.*, 27 September 2016, the "**Closing Day**"). In other words, the New Shares will be entitled to the dividend in respect of the current financial year (which started on 1 January 2016) calculated *pro rata temporis* as from the day on which the New Shares are issued (*i.e.*, 27 September 2016) until the end of the current financial year (*i.e.*, 31 December 2016). The right to a dividend *pro rata temporis* as from 1 January 2016 until the day before the Closing Day will be represented by Coupon n°32, and the New Shares will therefore be issued ex-Coupon n°32.

4. JUSTIFICATION OF THE DISAPPLICATION OF THE PREFERENTIAL SUBSCRIPTION RIGHT

The Board of Directors considers that a capital increase with disapplication of the preferential subscription right and the introduction of priority allocation right is currently the most appropriate option to raise capital in accordance with the Company's needs.

Pursuant to Article 593 of the BCC, preferential subscription rights must be offered for exercise during at least fifteen (15) calendar days. Conversely, pursuant to Article 26, §1 of the BE-REIT Law, in the event that the preferential subscription right is limited or cancelled, existing shareholders shall be granted a priority allocation right which must be offered for exercise during at least three (3) business days.

The main advantage of resorting to a capital increase with disapplication of the preferential subscription right, and hence allowing a shorter subscription period, is that it reduces the risk associated with market volatility.

In this Offering, the Board of Directors also tries to strike a balance between the advantages of a shorter subscription period and the interests of Existing Shareholders in particular retail investors. It is therefore contemplated that the Subscription Period will last six (6) business days, which should leave an appropriate amount of time to allow Existing Shareholders to effectively participate and exercise their rights.

Considering (i) the purpose of the Offering (raising funds needed to finance the projects described in Section 2), (ii) the benefits of a capital increase with disapplication of the preferential subscription right mentioned above, and (iii) the interest of the Existing Shareholders, the Board of Directors considers that a capital increase with priority allocation right, instead of a more classical offering with preferential subscription right, is in the Company's corporate interest.

5. DETERMINATION OF THE ISSUE PRICE

The Issue Price will be determined by the Board of Directors on 13 September 2016 after a discussion with, and upon the recommendation of, the Global Coordinators, taking into account a number of factors as is usual for this type of transaction.

6. DESCRIPTION OF THE IMPACT OF THE CAPITAL INCREASE ON THE POSITION OF EXISTING SHAREHOLDERS

(a) *Consequences in terms of intrinsic value*

The Issue Price is below the last published intrinsic value of the share of the Company (as at 30 June 2016) which amounted to EUR 54.42 per share (or EUR 52.70 per share on a pro-forma basis assuming a dividend correction of EUR 1.725 per share being the pro rata dividend for the first half of the financial year 2016).

Based on the assumption that the maximum number of New Shares is issued, the intrinsic value of the share would decrease from EUR 54.42 as at 30 June 2016 to EUR 53.84 or from EUR 52.70 to EUR 52.29 on a pro-forma basis, assuming a dividend correction of EUR 1.725 per share being the pro rata dividend for the first half of the financial year 2016.

(b) *Participation in the share capital and dilution of voting rights*

Existing Shareholders will not be subject to dilution of their voting rights or of their participation in the Company's share capital if they exercise the Priority Allocation Rights allocated to them in full.

To the extent that an Existing Shareholder does not exercise the Priority Allocation Rights allocated to it in full, its *pro rata* ownership and voting interest in the Company will be diluted.

In addition, an Existing Shareholder may also be diluted to the extent that the number of Priority Allocation Rights it is granted does not entitle it to a round number of New Shares in accordance with the Ratio.

The dilution (in percentage terms) of Existing Shareholders who fail to exercise (all or part) of their Priority Allocation Rights may be calculated as follows:

$$\frac{(S - s)}{S}$$

S = the total number of shares after the issuance of the New Shares pursuant to the Offering, *i.e.,* maximum 25,579,214.

s = the total number of existing shares prior to the issuance of the New Shares pursuant to the Offering (*i.e.,* 23,021,293 shares).

The consequences of the issuance of the New Shares in the context of the Offering are described below, assuming that an Existing Shareholder who holds 1% of the Company's share capital prior to the Offering (i) does not subscribe for any New Share or (ii) exercises 50% of its Priority Allocation Rights:

	Ownership in %
Prior to the issuance of the New Shares	1%
After the issuance of the New Shares, when not subscribing for any New Share	0.90%
After the issuance of the New Shares, when exercising 50%	0.95%

of its Priority Allocation Rights

(c) ***Financial dilution***

Existing Shareholders who (i) do not exercise the Priority Allocation Rights allocated to them (whether in full or in part) and (ii) are unable to, or do not, trade or sell their Priority Allocation Rights at their theoretical value (*i.e.*, a value corresponding to the difference between the theoretical ex-rights price and the share price at market close on 13 September 2016) could experience a financial dilution.

The maximum financial dilution, expressed in percentage of one share, that such Existing Shareholders could incur, would be 1.012 %. This percentage is based on the following formula:

$$\text{Financial dilution} = \frac{(Sp - Ip)}{Sp} \times \frac{S}{(s + S)} \times 100$$

Sp = the adjusted (for the pro rata dividend) closing price of the Befimmo share on Euronext Brussels on 13 September 2016 (the record date) (*i.e.,* EUR 55.35).

Ip = the Issue Price (*i.e.*, EUR 49.75).

S = the maximum number of New Shares (*i.e.*, 2,557,921).

s = the total number of shares prior to the Capital Increase (*i.e.*, 23,021,293 shares).

7. STATEMENT PURSUANT TO ARTICLE 37 OF THE BE-REIT LAW

Pursuant to Article 37 of the BE-REIT Law, the Company is required to communicate to the FSMA, and to disclose to the public, when certain persons, specifically mentioned in Article 37, §1 of the BE-REIT Law, act as a counterparty for, or obtain any financial advantage as a result of, any transactions made by the Company.

In the context of the Offering, some directors and managers, as well as AXA Belgium SA/NV and AG Insurance SA/NV and some of their subsidiaries, will have the opportunity to subscribe for New Shares, as Existing Shareholders.

In that respect, Axa Belgium SA/NV has committed to exercise its Priority Allocation Rights and to subscribe for the New Shares up to the percentage of its participation in the share capital of the Company (*i.e.*, 10.7%). In addition, AG Insurance SA/NV (and its affiliates) has indicated on 6 September 2016 that it has the intention to participate in the Offering pro rata its participation in the share capital in the Company (*i.e.*, 10.35%), provided that a number of criteria, relating among other things to market conditions and to the terms and conditions of the Offering, are met.

Furthermore, Mr. Benoît Godts, non-executive Director, holds 998 existing shares and Mr. Laurent Carlier, Chief Financial Officer, holds 180 existing shares. Mr. Benoît Godts and Mr. Laurent Carlier have each informed the Company that they have the intention to participate in the Offering.

Nevertheless, as set out above, the contemplated transaction is in the corporate interest of the Company and fits into the framework of its strategy. In addition, this transaction is realised under normal market conditions and does not provide any specific advantage to the persons mentioned in Article 37, §1 of the BE-REIT Law compared to other Exiting Shareholders.

8. CONCLUSION

In light of the considerations mentioned above, the Board of Directors is of the opinion that the Offering with the disapplication of the preferential subscription right of Existing Shareholders and the introduction of an irreducible Priority Allocation Right is in the corporate interest of the Company.

Brussels, 13 September 2016.

For the Board of Directors of Befimmo SA/NV,

Hugues Delpire
Director

Benoît De Blieck
Executive Director

Annick Van Overstraeten
Director

Sophie Goblet
Director

Sophie Malarme-Lecloux
Director

Guy Van Wymersch-Moons
Director

Benoît Godts
Director