THE ART OF REINVENTING SPACES [PART 2]

Half-Yearly Financial Report 2019

Befimmo

Thursday 18 July 2019 I 5.40 PM I Regulated information
Half-yearly accounts for the period from 01.01.2019 to 30.06.2019

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The Board of Directors met on 17 July 2019 to prepare the consolidated half-yearly financial statements as at 30 June 2019.

Consolidation basis:
Since 1 January 2019, Befimmo has the sole control of Silversquare Holding SA, and as a result, Silversquare Holding and its subsidiaries are included in the overall consolidation as of 30 June 2019.
The Befimmo businesses are presented in this Half-yearly Financial Report by business sector (real-estate operator and coworking).
The results presented in € per share are calculated based on the average number of shares not held by the group as at 30 June 2019 (i.e. 25 579 214 shares). The condensed Financial Statements are presented on a consolidated basis.

Real-estate and financial indicators:
The definitions of Befimmo's real-estate indicators are described in Appendix 2 to the Half-yearly Financial Report 2019. They are identified in a footnote the first time they occur.
Befimmo has fully committed to standardising its financial and social-responsibility reporting - with a view to improving the quality and comparability of the information - by adopting the EPRA reporting guidelines.

Alternative Performance Measures:
The Alternative Performance Measures (APM) guidelines of the European Securities Markets Authority (ESMA) have been applicable since 3 July 2016. The APMs used in this press release are identified in a footnote the first time they occur. The full list of APMs, with their definitions, purpose and relevant reconciliation tables are set out in Appendix 3 and Appendix 4 to this press release and are published on Befimmo's website: http://www.befimmo.be/en/investors/publications/alternative-performance-measures.

Promising start of the year

REAL-ESTATE OPERATOR BUSINESS

The Flemish Government has awarded Befimmo the public works contract for the design, construction and provision of a building in the North area of Brussels. The lease covers all the offices (70,000 m²) of the ZIN project (110,000 m²). It will start in 2023 and have a fixed duration of 18 years. The signing of the lease generates an initial unrealised increase in value of €49 million (IAS 40), taking into account the continued compression of the yields.

On the portfolio of redevelopment projects (office part, ±164,000 m²) a large volume is already secured, i.e. let several years before the end of the works. The pre-lease rate on these projects is currently 74%. In the first half of the year, Befimmo invested €37.7 million in works. These are mainly projects located in the Brussels Central Business District (CBD) (Brederode Corner, Quatuor, ZIN), a project located in the centre of Liège next to the Guillemins Station (Paradis Express) and the Eupen courthouse.

Since the start of the year, Befimmo has moreover let, re-let or renegotiated nearly 20,000 m² of office space, compared with 13,000 m² in the first half of 2018. This reflects the good dynamic in the Brussels office market in the first half of the year. Tenants are looking for quality office environments, in good locations that are easily accessible. The quality of the buildings in Befimmo's portfolio, and its projects, addresses these needs and the lack of Grade A buildings immediately available on the market.

At the end of the first half, the occupancy rate of properties available for lease is up and amounts to 95.46%.

Befimmo continues the rotation of its portfolio. It sold the Pavilion building in the Brussels CBD (Leopold district). The Pavilion benefits from the compression of yields in the office market. This operation, generating a capital gain of €10.0 million (€0.39 per share) compared to the fair value at the start of the year, was carried out at the right time in the building's life cycle that is still occupied by the European Commission for a residual period of around 6 years.

Befimmo also sold[1] the Eagle building, located in the Brussels periphery, earning a capital gain of €2.7 million (€0.11 per share) compared to the fair value at the start of the year. The sale of this mostly vacant property confirms Befimmo's desire to focus on its core city-centre portfolio and to dispose of properties that do not fit the strategic framework, particularly on account of their location.

As foreseen in the outlook and in accordance with the strategy of selling small Fedimmo properties located in the provinces, Fedimmo sold three buildings during the period[2] nearing the end of their leases, earning a capital gain of €0.5 million (€0.02 per share) in relation to the fair value as the fiscal year opened.

At 30 June 2019, the fair value of the portfolio was €2,685.7 million compared with €2,655.3 million at 31 December 2018. On a like-for-like basis, the value of the portfolio is rising 2.97% (€77.4 million), reflecting continued compression of yields and the lease signed in the ZIN.

FINANCIAL RESULTS

The EPRA earnings of the real-estate operator business amounts to €1.71 per share, compared with €1.91 per share as at 30 June 2018, and in line with the outlook (see page 19 for a detailed analysis of the result).

COWORKING BUSINESS

Silversquare operates five coworking spaces, including one in Befimmo's Triomphe building, earning a turnover of €3.4 million over the half year. The mature[3] spaces are occupied at 100% as at 30 June 2019, confirming the market appetite for coworking.

Silversquare is to open in the first semester of 2020 a new space in "The Platinum" building (7,200 m²), located in the Brussels CBD. In 2020 it will also extend

[1] After the closing of the first semester. This building is in the category "properties held for sale" as at 30 June 2019.

[2] Menen, Izegem and Kortrijk Ijzerkaai. In the latter case, the sale was completed after the end of the half-year. The Eagle Building and Kortrijk Ijzerkaai building are in the category "properties held for sale" as at 30 June 2019.

[3] A space is considered as mature after 3 years of existence.

the existing "Europe" (from 2,289 m² to 4,118 m²) and "Stéphanie" (from 2,129 m² to 3,805 m²) spaces, which are 100% occupied.

In Befimmo's portfolio, several new coworking spaces are under development, notably in Ikaros in Zaventem, which will open in September 2019, Central Gate in the Brussels city centre (opening in September 2020), and in the projects Paradis Express in Liège and Quatuor in the Brussels North area (opening in 2021).

These great achievements enable Befimmo and Silversquare to develop their Belux network of interconnected workspaces to better meet the increasingly flexible needs of the users of working environments. By 2020, this network should consist of 8 spaces (36,000 m²) in Brussels, its periphery, other Belgian cities and the Grand Duchy of Luxembourg.

FINANCIAL STRUCTURE

The forecasted consolidated EPRA earnings of the fiscal year, published in February 2019, was estimated at constant perimeter at €3.36 per share.
The consolidated net asset value (group share) is €59.24 per share at 30 June 2019, the debt ratio (LTV) is 40.68%.

At the Extraordinary General Meeting on 30 April 2019, Befimmo's proposed merger by absorption of Beway was approved unanimously. This merger led to the creation of 2,659,828 new ordinary Befimmo shares. These shares (still held by the group) were listed on the stock market in May 2019. These shares will be offered for sale to ensure the financing of Befimmo's accretive growth operations.

OUTLOOK AND DIVIDEND FORECAST

The consolidated forecasted EPRA earnings, published in February 2019, is estimated at €3.36 per share. Taking into account the sale of the Pavilion building, which realised a capital gain of €0.30[4] per share during the current fiscal year, the distributable[5] amount for the fiscal year is estimated at €3.66 per share. On the basis of the above, Befimmo confirms the dividend forecast of €3.45 gross per share for fiscal year 2019.

SUBSEQUENT[6] KEY EVENT TO THE CLOSING

None

[4] Net of the absence of income from the building in 2019.

[5] Forecasted consolidated EPRA earnings plus the realised capital gain (net of the absence of income from the building in 2019.) of €0.30 per share.

[6] In the sense that there are no events with an impact on the condensed consolidated financial statements as at 30 June 2019.

Interim management report

Property report

Befimmo operates a portfolio of quality work environments, well located with the aim of developing a Belux network of interconnected spaces with Silversquare. Most of its portfolio is located in the Central Business District of Brussels (61%), close to public transport. Befimmo meets the needs of users in a market characterised by a lack of "Grade A" space. The operational achievements, of which the (pre-)lettings, (re)developments and disposals, in the first half of the 2019 fiscal year confirm the dynamic of Befimmo and its market.

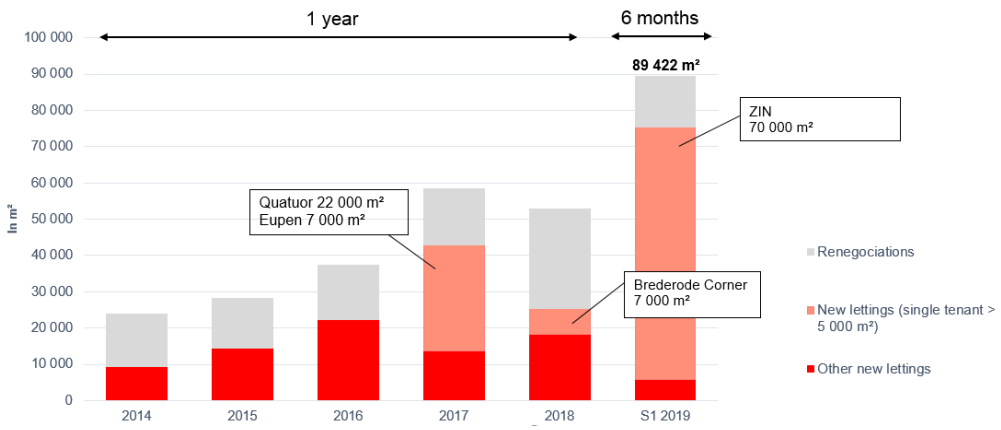
REAL-ESTATE OPERATOR ACTIVITY[7]

KEY FIGURES

	30.06.2019	31.12.2018
Fair value of portfolio (in € million)	2 685.7	2 655.3
Gross initial yield on properties available for lease[(a)]	5.43%	5.98%
Gross potential yield on properties available for lease[(a)]	5.67%	6.29%
"Spot" occupancy rate of properties available for lease[(a)]	95.46%	94.50%
Weighted average duration of current leases up to next break[(a)]	7.34 years	6.96 years[(b)]
Weighted average duration of current leases up to final expiry[(a)]	7.97 years	7.52 years
EPRA Vacancy Rate[(c)]	3.79%	4.28%
EPRA Net Initial Yield (NIY)	5.03%	5.69%
EPRA Topped-up NIY[(d)]	5.17%	5.80%

(a) This is a real-estate indicator. For more information, please consult Appendix 2 of this Report.
(b) Excluding the WTC 2, where the lease expired at the end of 2018, the weighted average duration of leases up to next break would be 7.75 years as at 31 December 2018.
(c) Corresponding to the availability rate of properties available for lease, calculated based on the ERV taking account of the future signed contracts.
(d) As from 31 March 2019 the "Future rent on signed contracts" is no longer included in the calculation of the EPRA Topped-up NIY. The percentage as of 31 December 2018 has therefore been restated based on this change.

RENTAL ACTIVITY



7 The scope of the real-estate operator business has changed since the beginning of the year, with the sale of the Pavilion, Menen and Izegem buildings. The Eagle building and Kortrijk Ijzerkaai are classed as buildings held for sale.

Main transactions of the first half:

- ZIN: Signing of the lease with the Flemish Community for the take-up of all offices (70,000 m²) of the ZIN project (110,000 m²). The lease will commence in 2023 and has a duration of 18 years. Until such time as the lease with the Flemish Administration in the ZIN project commences, and in line with the definitions of the real-estate indicators, this pre-let is not reflected in the real-estate indicators.
- Blue Tower: Extension of duration and surface of the Bain & Company lease (3,000 m²) for a duration of 6/3 years.
- Central Gate: Signature of a lease with Mediahuis (2,300 m²). The lease will commence in mid-2020[8] and has a duration of 9 years. In this way, Befimmo has already re-let part of the space that Alpha Crédit (a tenant since 1997) is to vacate at the end of 2019. These spaces will be renovated. This letting in the Central Gate building confirms the market's appetite for this iconic building, located opposite Brussels Central Station.
- Triomphe: Signing of a new lease (1,300 m²) for a 3/6/9-year duration. The lease will commence in early 2020[8].

SPOT OCCUPANCY RATE

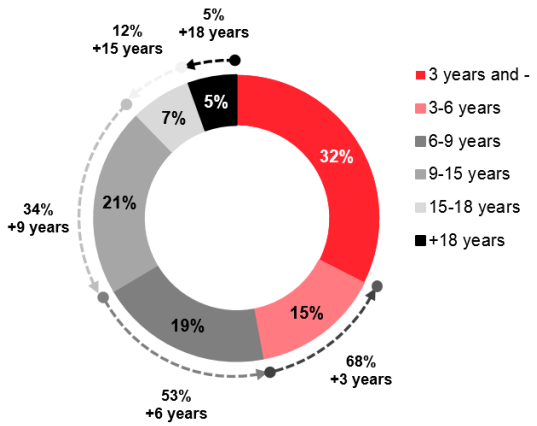
The spot occupancy rate of properties available for lease is up, despite the sale of the Pavilion building, and was 95.46% at 30 June 2019, as compared with the rate of 94.50% as at 31 December 2018.

WEIGHTED AVERAGE DURATION OF LEASES

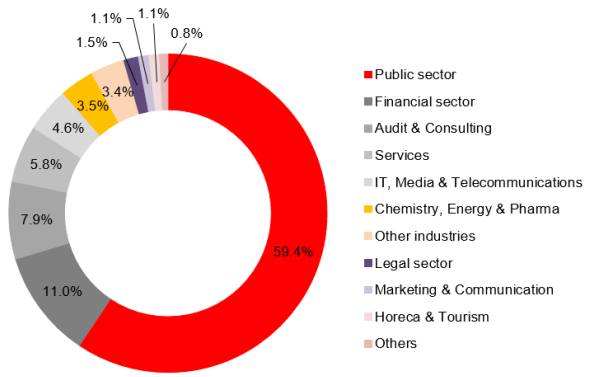
The weighted average duration of leases until their next maturity is up and is 7.34 years as at 30 June 2019, as compared with 6.96 years[9] as at 31 December 2019. The weighted average duration of leases until their final expiry date is 7.97 years as at 30 June 2019.

The longer duration of leases compared with 31 December 2018 is related mainly to WTC 2 leaving the portfolio of properties available for lease. Note that it will be replaced by the ZIN (110,000 m²), the office part of which (70,000 m²) is already fully pre-let for a duration of 18 years. In accordance with the definitions, this duration will be reflected in the real estate indicators only from the commencement of the lease in 2023.

Duration of leases[10]



Tenants by activity sector[10]

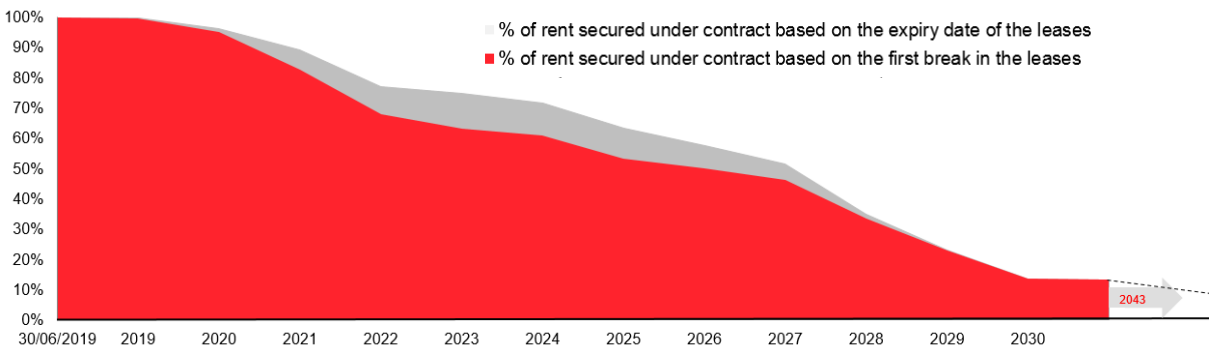


8 As long as the leases have not started, and according to the definitions, these rentals are not reflected in the real estate indicators.

9 Excluding WTC 2, where the lease expired at the end of 2018, the weighted average duration of leases up to next break would be 7.75 years as at 31 December 2018.

10 The proportions are expressed on the basis of the gross current rent from lease agreements as at 30 June 2019.

The percentage of rent guaranteed under contract on the basis of the remaining term of the leases in the consolidated portfolio[11] (gross current rent from lease agreements) (in %)



Tenants of the public sector and top 5 tenants of the private sector

Public sector	Weighted average duration up to next break (in years)	Percentage of the gross current rent from lease agreements (in %)
Federal		48.6%
Flemish Region		2.0%
Belgian public sector	***9.13***	***50.7%***
European Commission		3.5%
European Parliament		3.8%
Representations		1.5%
European public sector	***5.44***	***8.7%***
Total public-sector tenants	**8.59**	**59.4%**

Private sector - top 5	Weighted average duration up to next break (in years)	Percentage of the gross current rent from lease agreements (in %)
BNP Paribas and affiliated companies		5.7%
Deloitte Services & Investments NV		5.6%
Beobank (Crédit Mutuel Nord Europe)		2.4%
Docler Holding		1.6%
KPMG Luxemburg		1.3%
Total private-sector top-5 tenants	**9.36**	**16.6%**

Other tenants	Weighted average duration up to next break (in years)	Percentage of the gross current rent from lease agreements (in %)
+/- 230 tenants	3.47	24.0%
Total of portfolio	**7.34**	**100%**

[11] 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 2019.

FAIR VALUE[12] BY GEOGRAPHICAL AREA

As at 30 June 2019, the fair value of the portfolio was €2,685.7 million, as against €2,655.3 million as at 31 December 2018.

This change in value incorporates:

- the renovation or redevelopment (investments) works carried out in the portfolio;
- the divestments[13] made (the disposal of the buildings Pavilion, Menen and Izegem);
- the changes in fair value booked to the income statement (IAS 40).

On a like-for-like basis, the value of the portfolio (excluding the amount of investments and divestments) increased over the first half of the fiscal year (change of 2.97% or €77.4 million).

This increase in the value of the portfolio confirms the further compression of market yields and the quality of Befimmo's portfolio. The signing of the lease in the ZIN project generated an initial increase in value of €49 million. Excluding this impact, the increase in value would amount to €28.5 million, i.e. +1.09% over the half-year. In its valuation, the expert also took account of the signing of other leases. In general, Befimmo's portfolio continues to follow a number of trends: increases in value for city-centre buildings (82% of the portfolio) on long-term leases and decreases in value on buildings with a lease approaching expiry and/or which have less good locations (a smaller proportion of the portfolio, i.e. 18%).

Offices	Change over the semestre[(a)] (in %)	Proportion of portfolio[(b)] (30.06.2019) (in %)	Fair value (30.06.2019) (in € million)	Fair value (31.12.2018) (in € million)	Fair value (30.06.2018) (in € million)
Brussels CBD and similar[(c)]	0.69%	49.8%	1 337.4	1 440.6	1 448.8
Brussels decentralised	-1.71%	3.0%	80.5	81.7	79.3
Brussels periphery	-0.11%	4.5%	119.9	116.5	112.8
Flanders	0.50%	17.7%	475.0	474.3	476.3
Wallonia	0.44%	8.3%	222.8	220.2	202.9
Luxembourg city	10.21%	5.0%	135.0	122.6	113.8
Properties available for lease	*1.00%*	*88.3%*	*2 370.6*	2 455.8	2 433.9
Properties that are being constructed or developed for own account in order to be leased	*20.87%*	*11.6%*	*311.6*	*199.5*	*196.1*
Investment properties	**2.97%**	**99.9%**	**2 682.2**	**2 655.3**	**2 630.0**
Properties held for sale	**0.00%**	**0.1%**	**3.5**	**0.0**	**0.0**
Total	**2.97%**	**100.0%**	**2 685.7**	**2 655.3**	**2 630.0**

(a) The change over the semester is the change in fair value between 1 January 2019 and 30 June 2019 (excluding the amount of investments and divestments).

(b) The proportion of portfolio is calculated on the basis of the fair value of the portfolio as at 30 June 2019.

(c) Including the Brussels airport zone, in which the Gateway building is situated.

12 These values are established in application of the IAS 40 standard which requires investment properties to be booked at "fair value". The fair value of a building is its investment value, including registration fees and other transaction costs (also known as "deed-in-hands value") as calculated by an independent expert, minus a standard allowance of 10% (Flanders) or 12.5% (Wallonia and Brussels) for buildings with an investment value of less than €2.5 million, and 2.5% for buildings with an investment value of more than €2.5 million. This 2.5% allowance represents the average transaction costs actually paid in these transactions and is derived from an analysis by independent experts of a large number of transactions observed on the market. This accounting treatment is detailed in the press release issued by BeAMA on 8 February 2006 and confirmed in the press release of the BE-REIT Association of 10 November 2016. This rule is also applied for determining the fair value of property located in the Grand Duchy of Luxembourg.

13 It should be noted that the disposal deeds of the buildings Eagle building and Kortrijk Ijzerkaari have passed after the end of the half-year. Those buildings are held for sale as at 30 June 2019.

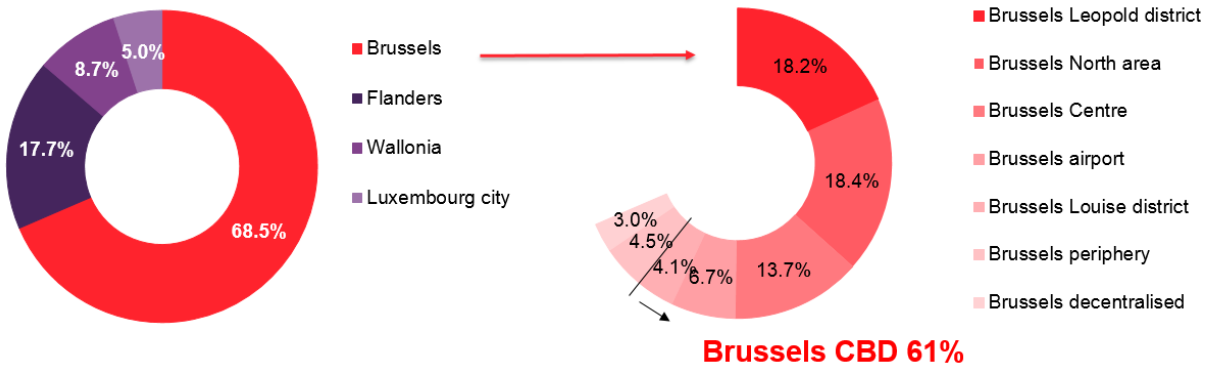
OVERALL RENTAL YIELD

	Properties available for lease		Investment properties [a]	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Gross initial yield	5.43%	5.98%	4.80%	5.53%
Gross potential yield	5.67%	6.29%		

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

The decline in yields between 31 December 2018 and 30 June 2019 is due mainly to the WTC 2 building leaving the portfolio of properties available for lease, in early 2019, which had a very high yield at 31 December 2018, coupled with the increase in value of certain properties in the portfolio (see also page 8 for more details).

Geographical breakdown of the portfolio[14]



[14] The proportions are expressed on the basis of the fair value of the investment properties as at 30 June 2019.

REDEVELOPMENT PROJECTS

Over the first half of the fiscal year, Befimmo invested 37.7 million € in its portfolio. The main renovation and construction projects are listed in the table below. For more information on these projects, please consult pages 32 to 37 of the Annual Financial Report 2018, which is available on the Befimmo website (www.befimmo.be).

On the portfolio of redevelopment projects (office part, ±164,000 m²) a large volume is already secured, i.e. pre-let several years before the end of the works. The pre-letting rate amounts currently to 74%.

	Rental space	Completion	Investment realised in 2019 (in € million)	Total investment realised until 30 June 2019 (in € million)	Total investment (in € million)	Yield on total investment (land included)	Rental situation	BREEAM certification
Committed ongoing projects								
Brederode Corner Brussels CBD, Centre	7 000 m²	Q1 2020	7.6	12.0	20	±5.3%	100% pre-let (6/9 years)	Excellent
Eupen Courthouse Wallonia, Eupen	7 200 m²	Phase 2[(a)]: Q4 2019	1.6	12.4	14	±5.4%	100% pre-let (24 years)	-
Paradis Express Wallonia, Liège	35 000 m²	2021	0.6	4.8				Excellent
Offices	*21 000 m²*				*50*	*> 6%*	*6 700 m²: pre-let under suspensive condition*	
Residential	*14 000 m²*						*1 building sold in state of future completion* *4 buildings: disposals being finalised*	
Quatuor Bruxelles CBD, North	60 000 m²	2020	9.9	31.8	157	> 5.3%	22 000 m² pre-let (15 years) 10 000 m² Silversquare coworking	Excellent/ Outstanding
ZIN Brussels CBD, North	110 000 m²	2023	9.9	24.5	375[(b)]	±4.5% (on all functions)		Excellent
Offices	*70 000 m²*						*100% pre-let (18 years)*	
Coworking & sport, hospitality, retail	*10 000 m²*						*Silversquare coworking (5 000 m²)*	
Hotel	*16 000 m²*						*Negotiation in progress*	
Residential	*14 000 m²*						*Commercialisation in 2023*	
Ongoing projects to be committed								
WTC 4 Brussels CBD, North	53 500 m²	Implementation of the permit	0.3	19.7	140	-	Development in case of pre-letting	Outstanding
Other investments (works related to coworking included)			***7.7***					

(a) The first phase of the construction of the Courthouse in Eupen was completed in 2018 and the lease on that phase commenced.

(b) « All-in » construction cost (including other functions than offices).

DISPOSALS

- In line with its dynamic portfolio management strategy, in the second quarter of the year, Befimmo sold the Pavilion building (18,000 m²), located in the Brussels CBD, generating a capital gain of €10.0 million (€0.39 per share) in relation to the fair value as the fiscal year opened. The building is still occupied by the European Commission for a residual duration of 6 years;
- In line with its strategy of focusing on its city-centre portfolio, Befimmo also sold[15] the Eagle building (7,400 m²), located in the Brussels periphery and mostly vacant, earning a capital gain of €2.7 million (€0.11 per share) compared with the fair value as the fiscal year opened;
- As foreseen in the outlook and in accordance with the strategy of selling small Fedimmo properties located in the provinces, Fedimmo sold three buildings during the period[16] nearing the end of their leases, earning a capital gain of €0.5 million (€0.02 per share) in relation to the fair value as the fiscal year opened.

COWORKING ACTIVITY

Befimmo and Silversquare aim to develop a Belux network of interconnected workspaces to better meet the increasingly flexible needs of the users of working environments. In 2020, this network should consist of 8 spaces (36,000 m²) in Brussels, its periphery, other Belgian towns and cities and the Grand Duchy of Luxembourg.

COWORKING SPACES PORTFOLIO

Spaces	Surface	Location
Silversquare Europe	2 289 m²	Leopold district, Brussels CDB
Silversquare Louise	3 289 m²	Louise district, Brussels CDB
Silversquare Luxembourg	2 209 m²	Railway station district, Luxembourg city, Grand Duchy of Luxembourg
Silversquare Stéphanie	2 129 m²	Leopold district, Brussels CDB
Silversquare Triomphe	4 285 m²	University district, Brussels decentralised
Total	**14 201 m²**	

In the first half of 2020, Silversquare is to open a new space in the Platinum building (7,200 m²), located in the Brussels CBD. It will also expand the existing spaces: "Europe" (from 2,289 m² to 4,118 m²) and "Stéphanie" (from 2,129 m² to 3,805 m²), now 100% occupied. In Befimmo's portfolio, several new coworking spaces are under development, notably in the Ikaros building in Zaventem, due to open in September 2019, the Central Gate building in Brussels city centre (opening in September 2020), and in the Paradis Express project in Liège and the Quatuor project in the North area of Brussels (both opening in 2021).

OCCUPANCY RATE

	Number of occupied desks (A)	Number of available desks (B)	Occupancy rate (A/B)
« Mature » coworking spaces[(a)]	956	956	**100%**
All coworking spaces	1 452	1 737	**83.6%**

[(a)] A space is considered as mature after 3 years of existence.

[15] Transaction foreseen after the end of the half-year. The building is in the category "properties held for sale" as at 30 June 2019.

[16] Menen, Izegem and Kortrijk Ijzerkaai. In the latter case, the sale was completed after the end of the half-year. The building Eagle and Kortrijk Ijzerkaar are in the category "properties held for sale" as at 30 June 2019.

Office property markets

All of the following information, covering Brussels and Luxembourg, comes from Cushman & Wakefield's databases, analyses and market reports on 30 June 2019.

THE BRUSSELS OFFICE MARKET

The Brussels office market relates to the area covered by the Brussels-Capital Region in the administrative sense of the term, along with part of Flemish Brabant and part of Walloon Brabant, which form the economic hinterland of Brussels. This area has a population of some 1,850,000 and provides more than a million jobs.

TAKE-UP

Take-up has already exceeded 344,000 m² in the first half of the year. It was mainly an exceptional first quarter with a take-up of more than 237,000 m² that made the first half of 2019 one of the best ever recorded. In 2018, take-up was approximately 361,000 m², with 138,000 m² in the first half. In terms of the number of transactions, performance in 2019 has been better than last year, with 187 transactions, as against 144 in the first half of 2018. Note also that 2019 has already seen the highest number of pre-letting transactions ever.

The major transactions so far include:

- 70,000 m² taken up by the Flemish community in the ZIN project (North area);
- 23,000 m² taken up in the PwC Campus (Airport periphery) by PwC;
- 17,000 m² rented by BPost in the Multi Tower (city centre);
- 16,500 m² taken up by WeWork, also in the Multi Tower (city centre);
- 14,500 m² rented by Fedex in Leopold Square (decentralised North east)

The public sector (European Union, Belgian federal, regional and local governments) has already contributed about 109,500 m² of take-up this year. Belgian administrations alone have already accounted for more than 21% of take-up so far. This is mainly due to the 70,000 m² pre-let by the Flemish Community in the ZIN project. Accordingly, take-up by the public sector represents a significant increase compared with the 53,000 m² observed in 2018. The private sector continues to grow for the fifth consecutive year and has already taken up around 235,000 m². The financial sector and consulting firms were very active over these two quarters, with 12% and 9% of take-up respectively.

Coworking

The coworking sector is continuing to expand remarkably in the Brussels office market and has already achieved 54,000 m² of take-up on 11 transactions in 2019, accounting for 16% of total take-up, the coworking sector is the second most active sector of the first half of the year. While the business started to make its mark in 2017, it was in 2018 that the sector saw strong growth in Brussels. Last year, the number of transactions doubled and take-up has more than tripled in relation to the sector's activity in 2017. Note that the main coworking operators are both Belgian companies and international companies. With its multiple coworking brands, the IWG group (±50,000 m² in Brussels) is the largest operator in Brussels, followed by WeWork (±41,000 m² in Brussels). The coworking market in Brussels currently accounts for some 1.4% of the office stock, a proportion that is fully in line with the European average (excluding the United Kingdom).

RECENT HAND-OVERS AND FUTURE PROJECTS

Since the start of the year, some 50,000 m² of office space have been handed over onto the Brussels market. Recent hand-overs include *The One* (0% occupied - negotiations are under way to achieve full occupancy) in the Leopold district, *City Docks* (62% occupied) in the Midi district and the *HD 54* (65% occupied) in the southern decentralised area.

Some 657,000 m² of new developments (speculative and pre-let) are currently under construction with an expected hand-over date between 2019 and 2021. The biggest partly risky developments launched in 2019 and 2020 include *Multi-Tower* (42,000 m² in the city centre, 31,500 m² of which are pre-let), the *Gare Maritime* building (45,000 m², 18,000 m² of which are pre-let in the city centre), the *Manhattan Center* (redevelopment of 41,000 m² in the North area, with 44% pre-let), and the *Quatuor* (62,000 m² in the North area) where Beobank has already pre-let 22,000 m²).

Other developments will join them in the coming years; the *Mobius II* building (34,000 m² in the North area), the *TVR* building (23,000 m² in the North area), and the *Copernicus* building (13,000 m² in the Leopold district).

All of these developments are attracting interest from tenants and should be at least partially pre-let before hand-over. This confirms that tenants are seeking quality and accessibility.

EVOLUTION OF RENTAL VACANCIES

Vacancies are continuing to fall, to 7.6% in the first half of the year, from 7.98% at the end of 2018. The vacancy rate is currently at its lowest level since 2001. The handover of new office space has slightly increased the availability of Grade A buildings (less than 5 years old). Grade A availability is still quite low with more or less 72,000 m² of vacant space (including 29,000 m² in *The One* which is in the process of negotiating full occupation).

End 2019 and 2020, the arrival on the market of several speculative developments could lead to a slight rise in the vacancy rate.

EVOLUTION OF RENTS

Prime rents rose at the end of 2018 and again during the second quarter of the year, reaching a record high of €320/m²/year. The scarcity of available quality space and the confidence of some owners in being able to earn high rents contributed to this significant price rise. The North area is also seeing a higher prime rent this year, from €210 to €220/m²/year. Average rents, on the other hand, are much more stable, between €165 and €170/m²/year for the entire Brussels market. Again, there are wide variations between districts.

As a consequence of the buildings recently put on the market or being handed over and the lack of available Grade A space, prime rents could reach €325/m²/year by the end of 2021.

OFFICE INVESTMENT MARKET

Investments in offices have so far reached a volume of €913 million in Brussels for 2019. Note, however, that the majority (60%) of the volume of investment in the Brussels office market comes from foreign investors. This means that Brussels is maintaining its strong position as a more stable investment choice for major foreign investors in relation to cities such as London, Paris and Frankfurt. We find not only that the appetite of foreign investors for the Brussels market remains high, but that there is still interest in all types of office products, both buildings with long-term leases and "value-added" products, although these are more difficult to sell. Investor profiles obviously differ, but there is clear interest everywhere.

Investments in office buildings in Brussels and the region together account for almost 47% of total investment volumes in 2019 in Belgium. Second was retail, with investments of 533 million euros, followed by retirement homes (12.5%) and the hotel sector (9.7%). Industry saw an investment volume of some 60 million euros.

Prime yields continue to be compressed as a result of the European Central Bank's policy of low interest rates and of competition among investors for the best products. At present, "prime" rates of return for buildings with 6/9-year leases are around 4.15% and are expected to remain stable at this level. "Prime" rates of return for properties on long-term leases are still at 3.65% but are expected to be compressed following the sale of the *Mondrian* building in the Leopold district.

OFFICE MARKET IN LUXEMBOURG

In the first half of 2019, take-up was 41,900 m² in the Luxembourg office market. The first two quarters of the year saw the lowest levels of take-up since 2009. Some 106 transactions took place in the first half of the year, which is also below the half-yearly average. This slow rental activity can be explained in part by the very low level of availability on the market.

The most significant transactions of the year include:

- 6,400 m² by Regus in the Impulse building in the Station district;
- 2,200 m² taken up by SNCD in the CBD;
- 1,900 m² of take-up by Triton in the Kirchberg.

The private sector, mainly banking and finance, and companies working in business services, have dominated take-up for many years. In the first half of 2019, this trend was confirmed.

RECENT HAND-OVERS AND FUTURE PROJECTS

So far in 2019, some 98,000 m² have been handed over in Luxembourg, principally the third *Court of Justice* tower (75,000 m²) in the Kirchberg and the Naos building (13.000 m²) in Esch-sur-Alzette.

For the rest of 2019 and 2020, more than 244,000 m² of space is under construction in Luxembourg. More than 193,000 m² of these projects are already pre-let, principally the 120,000 m² of the KAD project due to house the European Parliament.

There is a relatively limited number of speculative projects since they account for only 73,000 m² in a particularly dynamic market. Note however that 322,000 m² are on the drawing board, and could fill up the speculative pipeline in the coming months, owing in particular to the healthy market in Luxembourg. Hand-over should be postponed until 2022, however, in most cases.

EVOLUTION OF RENTAL VACANCIES

The Luxembourg market has one of the lowest vacancy rates in Europe, at around 3% at the end of the first half of 2019. The vacancy rate has been in constant decline since 2010, when it was close to 8%.

Today, there are significant differences between districts, since the CBD and the Kirchberg have a vacancy rate below 1.5% while in the decentralised districts it is around 8%.

The vacancy rate is expected to remain relatively low in the coming months on account of the scarcity of speculative developments.

EVOLUTION OF RENTS

Owing to the combined effect of a low vacancy rate and rising take-up, prime rents are logically under pressure. Occupants are seeking the best locations and buildings. These factors have driven up prime rents to €50/m²/month (€600/m²/year) in the CBD, the highest level ever seen in Luxembourg. And future rises cannot be ruled out. Prime rents have remained stable in the station district (€36/m²/month) and in the Kirchberg (€37/m²/month). There has been no significant change in prime rents in the periphery (€24/m²/month) or decentralised areas (€28.5/m²/month).

OFFICE INVESTMENT MARKET

As a result of the country's strong economic performance, a healthy owner-occupier market and the European Central Bank's monetary policy, the office investment market continued to perform strongly in 2018. More than €1.8 billion were invested in the office market over 2018, making it the second-best year on the Luxembourg investment market. In 2019, on the other hand, there has been a rather weak start to the year with €150 million invested. Despite the limited activity in the first half, the investment pipeline for the next quarter is quite promising with, among other things, the transactions on the *Terre Rouge* and *Naos* buildings nearing completion.

All sectors combined, the Luxembourg investment market attracted more than €253 million. The office sector dominates the investment market and accounts for nearly 60% of investment volume.

Prime yields continue to be compressed as a result of the European Central Bank's policy of low interest rates and of competition among investors for the best products. At the end of 2018, prime yields in Luxembourg fell to 4.0%, from 4.3% at the end of 2017 and 4.5% at the end of 2016. So far in 2019, there has been no change in prime yield rates.

Financial report

	30.06.2019	31.12.2018
Number of shares issued	*28 239 042*	*25 579 214*
Number of shares not held by the group	*25 579 214*	*25 579 214*
Average number of shares not held by the group during the period	*25 579 214*	*25 579 214*

CONSOLIDATED NET ASSET VALUE AND BALANCE SHEET

Evolution of the consolidated net asset value

	(in € per share)	(in € million)	Number of shares not held by the group
Net asset value as at 31 December 2018 (group share)	**56.42**	**1 443.2**	**25 579 214**
Final dividend of the 2018 fiscal year (payed in May 2019)		-22.0	
Net result (group share) as at 30 June 2019		101.2	
Other elements of comprehensive income - actuarial gains and losses on pension obligations		- 1.7	
Valuation of the put option held by minority shareholders, net of profit attributable to non-controlling interests		- 5.4	
Costs related to the merger of Beway		- 0.2	
Net asset value as at 30 June 2019 (group share)	**59.24**	**1 515.2**	**25 579 214**

	30.06.2019	31.12.2018
EPRA NAV (in € per share) (group share)	60.95	57.02
EPRA NNNAV (in € per share) (group share)	58.34	55.93

The calculation methods of the EPRA NAV and NNNAV are detailed on page 69 of this Report.

Condensed consolidated balance sheet

(in € million)	30.06.2019	31.12.2018
Investment and held for sale properties	2 707.5	2 655.3
Other assets[(a)]	98.3	79.8
Total assets	**2 805.8**	**2 735.1**
Shareholders' equity	1 515.2	1 443.2
Financial debts	1 133.6	1 178.5
non current	612.4	735.5
current[(b)]	521.3	443.0
Other debts	156.9	113.4
Total equity & liabilities	**2 805.8**	**2 735.1**
LTV	**40.68%**	**43.62%**

(a) As at 31 December 2018, the figures include the stake in Silversquare.

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

FINANCIAL RESULTS

REAL-ESTATE OPERATOR ACTIVITY

The figures hereafter cover the real-estate operator business. Since Befimmo did not consolidate the coworking business before 1 January 2019, these data are strictly comparable with the consolidated data presented as at 30 June 2018.

Condensed consolidated income statement

(in € thousand)	30.06.2019	30.06.2018
Net rental result	69 482	71 539
Net rental result excluding spreading	*68 565*	*71 121*
Spreading of gratuities/concessions	*917*	*417*
Net property charges[(a)]	-6 689	-5 345
Property operating result	**62 793**	**66 194**
Corporate overheads	-7 078	-6 586
Other operating income & charges	- 917	- 417
Operating result before result on portfolio	**54 798**	**59 190**
Operating margin[(a)]	***78.9%***	***82.7%***
Gains or losses on disposals of investment properties	10 317	-
Net property result[(a)]	**65 116**	**59 190**
Financial result (excl. changes in fair value of financial assets and liabilities)[(a)]	-12 907	-9 984
Corporate taxes	- 762	- 466
Net result before changes in fair value of investment properties and financial assets and liabilities[(a)]	**51 446**	**48 740**
Changes in fair value of investment properties	77 430	-8 037
Changes in fair value of financial assets and liabilities	-28 322	-1 994
Changes in fair value of investment properties & financial assets and liabilities	**49 108**	**-10 031**
Net result	100 555	38 708
EPRA earnings	43 776	48 740
Net result (in € per share)	**3.93**	**1.51**
EPRA earnings (in € per share)	**1.71**	**1.91**

(a) This is an Alternative Performance Measure. For more information, please consult Appendix 3 to this Report.

Trend of results

The scope of the real-estate operator business changed during fiscal year 2019 due mainly to the Pavilion building leaving the portfolio.

Net rental income like-for-like is up 4.5% as a result of the combined effect of new leases and indexing. Following the expiry of the lease of the WTC 2 building, the total net rental income is down 2.9% year-on-year. Furthermore, the absence of a compensation received in 2018 is more than offset by a compensation recorded in the first half of fiscal year 2019.

Net property charges are up by €1.3 million. Befimmo benefited from a positive differential between "flat-rate charges" paid by the lessee and "actual charges" passed on to the lessor for the lease of the WTC 2 building which expired at the end of December 2018.

The EPRA like-for-like net rental growth was 5.78% as at 30 June 2019.

Corporate overheads were €7.1 million as against €6.6 million last year. This evolution is due mainly to the increase in ICT costs, the expansion of the teams and project study costs related.

The operating result before result on portfolio was €54.8 million compared with €59.2 million last year.

The net property result was €65.1 million, up 10%, as a result of the effect of the disposal of the Pavilion building.

The financial result (excluding changes in the fair value of the financial assets and liabilities) was -€12.9 million. The increase in financial charges related to the increase in the average volume of debt by nearly 5% was limited thanks to good control of the average (annualised) cost of financing which was 1.98%. The increase in financial charges is due mainly to an exceptional charge (€2.7 million) related to the termination of a fixed-rate sale of receivables on the Pavilion building sold in May 2019. This restructured financing has now been arranged at a fixed rate in line with current market conditions.

The net result is sharply up. It amounts to €100.6 million compared with €38.7 million thanks to (i) the capital gain realised on the disposal of the Pavilion building (€10.0 million, €0.39 per share) and (ii) the positive change in the fair value of the investment properties (€77.4 million, or 2.97%), partially offset by the negative change in fair value of the financial assets and liabilities (-€28.3 million) reflecting the continuing decline in interest rates.

EPRA earnings amounts to €43.8 million as against €48.7 million last year. As the average number of shares not held by the group was constant over the two periods, the EPRA earnings per share, of €1.71, reflects the same trend. The net result per share amounted to €3.93, a significant increase compared with last year (€1.51 per share).

COMMENTS ON THE COWORKING ACTIVITY RESULTS

The turnover of the coworking business was €3.4 million over the half-year (in line with forecasts). Operating charges amounted to €2.1 million.

COMMENTS ON THE CONSOLIDATED FINANCIAL RESULTS

The consolidated net rental income was €72.8 million, up 1.8% over last year, reflecting the contribution of the coworking business. The net result (group share) was €101.2 million, up €62.5 million on last year. The consolidated EPRA earnings amounts to €1.72 per share against €1.91 per share compared to last year.

FINANCIAL STRUCTURE AND HEDGING POLICY

MAIN CHARACTERISTICS

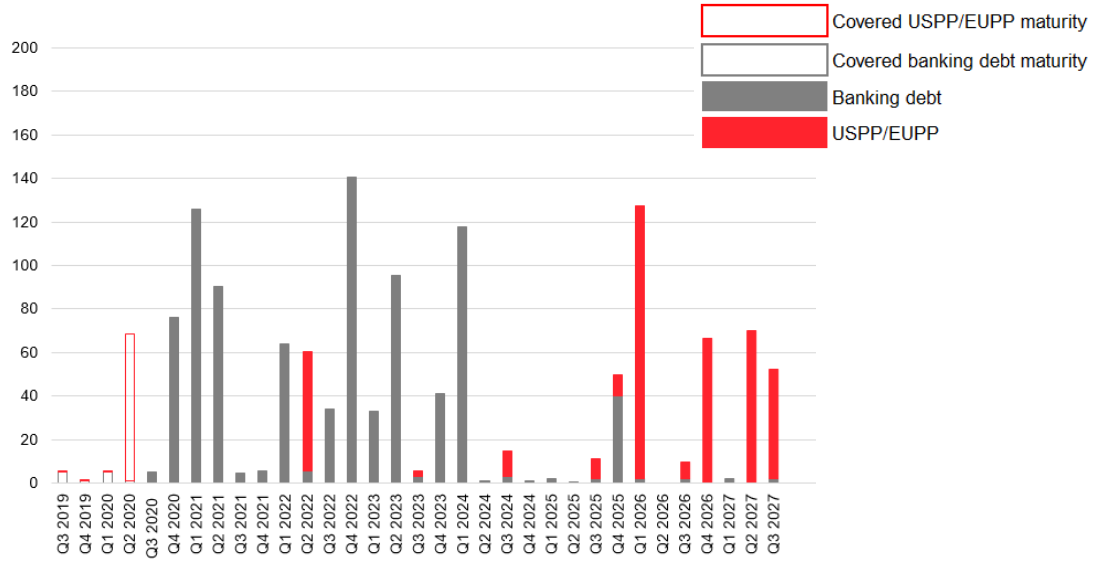
- Confirmed credit facilities for a total amount of €1,337 million (68.2% of which were bank loans), €1,095 million of which were in use. The volume of unused lines is determined on the basis of the Company's liquidity criteria, taking account of the maturities of the financing agreements and commitments planned for the coming years;
- 90.8% of total borrowings at fixed rates (including IRS);
- An average (annualised) financing cost (including hedging margin and costs) of 1.98%, compared with 2.01% for fiscal year 2018;
- A weighted average duration of the debt of 4.54 years (as against 4.84 years as at 31 December 2018);
- A debt ratio of 43.48%[17] (compared with 45.76% as at 31 December 2018);
- An LTV ratio of 40.68%[18] (compared with 43.62% as at 31 December 2018);
- A hedge ratio[19] of 99% (compared with 92.7% as at 31 December 2018);
- Rating of BBB/outlook stable for long-term borrowings and A-2 for short-term borrowings.

FINANCING ARRANGED

- Substituion of a fixed-rate sale of receivables on the Pavilion building, sold in May 2019, by a sale of receivables on the "Wiertz" building. This restructured financing has now been arranged at a fixed rate in line with current market conditions.
- Extension of the bilateral financing arrangement with the Agricultural Bank of China for a further year (2024);
- Fixed-rate European private bond placement over 8 years for a notional amount of €50 million, arranged after the end of the half-year.

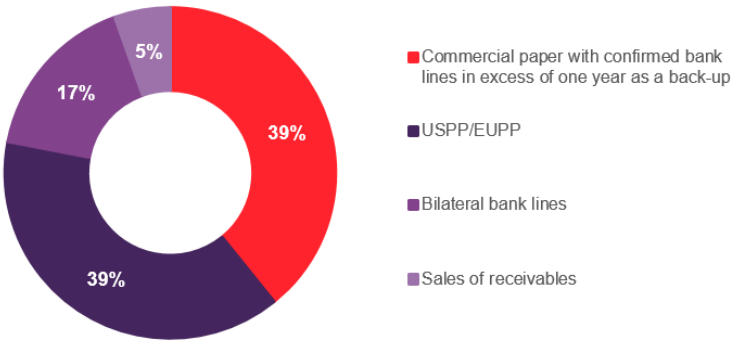
On this basis, and all other things being equal, the Company has covered its financing needs until 30 June 2020.

Maturities of commitments by quarter (as at 30.06.2019) (in € million)



[17] The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.
[18] Loan-to-value (LTV) = [(nominal financial debts – cash)/fair value of portfolio].
[19] Hedge ratio = (nominal fixed-rate borrowings + notional rate of IRS and CAPs)/total borrowings.

Debt distribution (as at 30.06.2019)



To reduce its financing costs, Befimmo has a commercial paper programme of a maximum amount of €600 million, €429.5 million of which was in use as at 30 June 2019 for short-term issues and €51.2 million for long-term issues. For short-term issues, this programme has back-up facilities consisting of the various credit lines arranged. The documentation for this programme also covers the European private placements of debt.

HEDGING THE INTEREST RATE AND EXCHANGE-RATE RISK

Befimmo holds a portfolio of instruments to hedge (i) the interest-rate risk, consisting of IRS, CAPs and COLLARs[20], and (ii) the exchange-rate risk on its fixed-rate United States private placement (USPP) by holding Cross Currency Swaps.

Befimmo has extended the maximum duration of its hedging policy, now with maturities of up to 20 years.

Operations carried out:

- arrangement of a new payer IRS for €50 million with a maturity of 10 years;
- arrangement of two payer IRSs with a total notional amount of €50 million and a total maturity of 18 years from January 2020;
- arrangement of a payer IRS for €30 million with a maturity of 8.5 years;

The package of instruments in place gives the Company a hedging ratio of 99% as at 30 June 2019. The hedge ratio remains above 70% until the second quarter of 2021 and above 50% until the fourth quarter of 2024 inclusive.

Evolution of the portfolio of hedging instruments and fixed-rate debts (as at 30.06.2019)

Annual average		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	→	2037	2038
CAP	Notional (€ million)	90	47	20	0	0	0	0	0	0	0	0	0	→	0	0
	Average rate [a] (in %)	0.78%	0.87%	1.15%	1.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	→	0.00%	0.00%
FLOOR	Notional (€ million)	20	20	20	0	0	0	0	0	0	0	0	0	→	0	0
	Average rate [a] (in %)	0.55%	0.55%	0.55%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	→	0.00%	0.00%
Fixed-rating financing (incl. IRS)	Notional (€ million)	975	1044	1008	969	911	844	776	641	443	177	75	50	→	50	0
	Average rate [a] (in %)	0.92%	0.90%	0.90%	0.89%	0.86%	0.84%	0.93%	0.91%	0.95%	0.86%	0.79%	0.86%	→	0.86%	0.00%

[a] Average fixed rate excluding credit margin.

[20] 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).

OUTLOOK AND DIVIDEND FORECAST

The assumptions used for making the forecasts[21] published in February 2019 indicate that (at constant perimeter) the consolidated EPRA earnings (group share) of €3.36 per share should be achieved in fiscal year 2019. Taking into account the disposal of the Pavilion building, which realised a capital gain[22] of €0.30 per share during the current fiscal year, the distributable amount of the fiscal year is estimated at €3.66 per share.

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 distributing an interim dividend for the fiscal year, as from Friday 20 December 2019. 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 2019 fiscal year could be placed on the agenda of the Ordinary General Meeting of shareholders to approve the accounts at 31 December 2019, to be held on 28 April 2020.

[21] For more information, please see pages 91 to 97 of the Annual Financial Report 2018.
[22] Net of the absence of income from the building in 2019.

EPRA Best Practices

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

EPRA INDICATORS – REAL-ESTATE OPERATOR BUSINESS

EPRA indicators	EPRA definition [a]	EPRA use[a]		30.06.2019	30.06.2018
EPRA earnings	Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	in € thousand	43 776	48 740
			in € per share	1.71	1.91
EPRA Cost Ratio	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	Incl. vacancy costs	19.81%	16.83%
			Excl. vacancy costs	17.75%	14.22%
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.	Provide information (in %) on the growth in net rental income (property charges deducted) at constant perimeter of the portfolio (excluding the impact of acquisitions and disposals)[b].	in %	5.78%	2.81%
EPRA indicators	**EPRA definition [a]**	**EPRA use[a]**		**30.06.2019**	**31.12.2018**
(i) EPRA Net Initial Yield (NIY)	Annualised rental income[d] based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value[c] of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	in %	5.03%	5.69%
(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 %	5.17%	5.80%
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant, based on ERV.	in %	3.79%	4.28%

(a) Source: EPRA Best Practices (www.epra.com)
(b) Because EPRA doesn't publish the use of the EPRA Like-for-Like, Befimmo wrote it.
(c) According to the BE-REIT legislation, the buildings of the portfolio of Befimmo are booked at their fair value.
(d) For Befimmo, the annualised rental income is equivalent to the gross annual current rent at the closing date plus future rent on leases signed, as reviewed by the real-estate experts.

EPRA INDICATORS – CONSOLIDATED

EPRA indicators	EPRA definition [a]	EPRA use[a]		30.06.2019	30.06.2018
EPRA earnings	Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	in € thousand	44 107	48 740
			in € per share	1.72	1.91
EPRA indicators	**EPRA definition [a]**	**EPRA use[a]**		**30.06.2019**	**31.12.2018**
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value[b] and to exclude certain items not expected to crystallise in a long-term investment property business model.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	in € thousand	1 559 027	1 458 489
			in € per share	60.95	57.02
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	Makes adjustments to EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real-estate company.	in € thousand	1 492 414	1 430 736
			in € per share	58.34	55.93

[a] Source: EPRA Best Practices (www.epra.com)
[b] According to the BE-REIT legislation, the buildings of the portfolio of Befimmo are booked at their fair value.

Befimmo on the stock market

KEY FIGURES

	30.06.2019 (6 months)	31.12.2018 (12 months)	31.12.2017 (12 months)
Number of shares issued	28 239 042	25 579 214	25 579 214
Number of shares not held by the group	25 579 214	25 579 214	25 579 214
Average number of shares not held by the group during the period	25 579 214	25 579 214	25 579 214
Highest share price (in €)	53.30	54.60	55.74
Lowest share price (in €)	47.35	46.70	50.31
Closing share price (in €)	50.60	48.55	53.55
Number of shares traded[(a)]	7 071 163	12 356 776	15 277 286
Average daily volume[(a)]	56 120	48 458	59 911
Free float velocity[(a)]	36%	66%	79%
Distribution ratio (in relation to the EPRA earnings)	-	94%	92%
Gross dividend[(b)] (in € per share)	3.45	3.45	3.45
Gross yield[(c)]	6.82%	7.11%	6.44%
Return on share price[(d)]	2.44%	-2.93%	6.98%

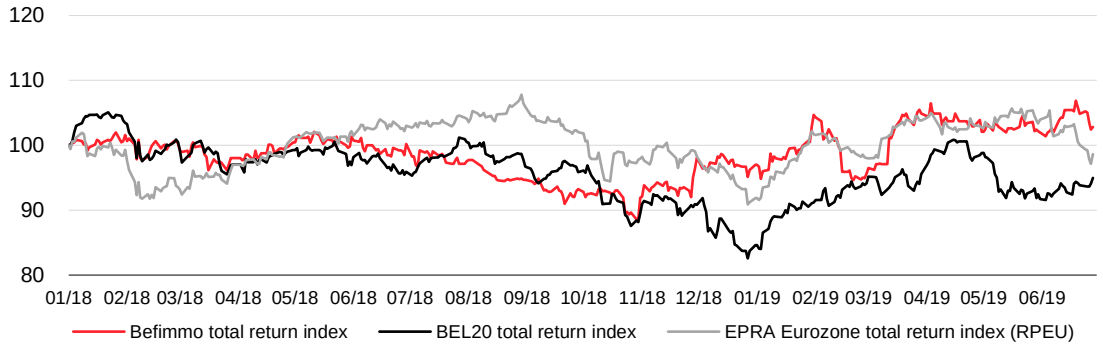
(a) Source: Kempen & Co. Based on trading on all platforms.
(b) Subject to a withholding tax of 30%.
(c) Gross dividend divided by the closing share price.
(d) Calculates over a 12-month period ending at the closing of the half-year, taking into account the gross dividend reinvestment.

EVOLUTION OF THE BEFIMMO SHARE

The Befimmo share closed at €50.60 on 30 June 2019, as against €48.55 at 31 December 2018. Befimmo's market capitalisation stood at €1.4 billion at 30 June 2019. At this share price, the share returns a dividend yield of 6.82% and is being traded at a discount of -14.58% in relation to net asset value. During the first half of the fiscal year, the average daily trading volume was around 56,120 shares.

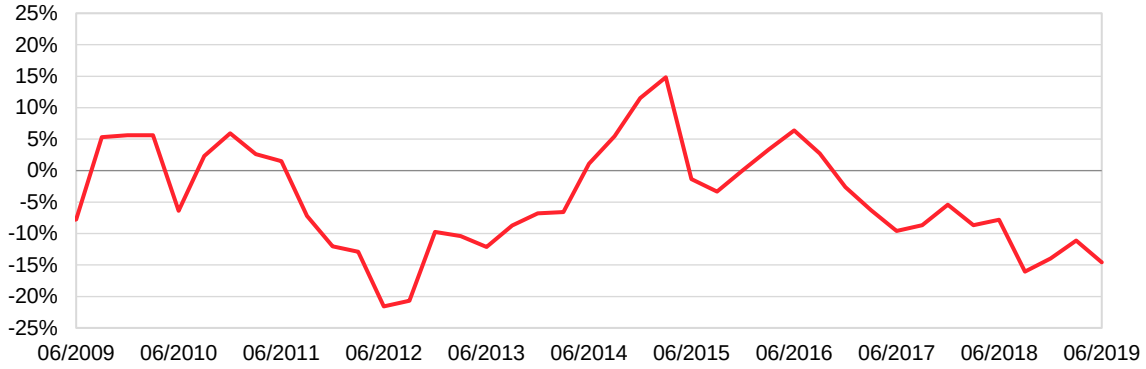
In a volatile market, Befimmo has demonstrated a strong performance since the beginning of 2018, outperforming the BEL20 total return index as well as the EPRA Eurozone total return index. This is illustrated in the graph below.

Performance of Befimmo's total return index in relation to the total return index of the BEL20 and the EPRA EUROZONE (RPUE) indexes (over one year)[23]



[23] Source: Kempen & Co.

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



Information to the shareholders

CORPORATE GOVERNANCE

During the Ordinary General Meeting of 30 April 2019, Mr Vincent Querton was appointed as Independent Director for a term of two years, ending at the closing of the 2021 Ordinary General Meeting.

The renewal of the following mandates has been proposed and approved during the Ordinary General Meeting of 30 April 2019:

- Renewal of the mandate of Mr Benoît De Blieck, as an Executive Director, for a period of three years, ending at the closing of the 2022 Ordinary General Meeting.
- Renewal of the mandate of Mr Benoît Godts, as a Director, linked to a shareholder, for a period of two years, ending at the closing of the 2021 Ordinary General Meeting.

Since 7 May 2019 the Audit Committee is composed of:

- Sophie Goblet, Chairman of the Audit Committee, Independent Director
- Sophie Malarme-Lecloux, Independent Director
- Benoît Godts, Non-Executive Director, linked to a shareholder

Since this same date, the Appointment and Remuneration Committee is composed of:

- Etienne Dewulf, Chairman of the Appointment and Remuneration Committee, Independent Director
- Alain Devos, Non-Executive Director, Chairman of the Board of Directors
- Vincent Querton, Independent Director

The composition of the Board is as follows:

Position on the Board	Directorship expiry date
Alain Devos Chairman, non-executive Director	Ordinary General Meeting 2021
Benoît De Blieck Managing Director	Ordinary General Meeting 2022
Wim Aurousseau non-executive Director, linked to a shareholder	Ordinary General Meeting 2020
Anne-Marie Baeyaert non-executive Director , independent	Ordinary General Meeting 2020
Sophie Goblet non-executive Director, independent	Ordinary General Meeting 2021
Sophie Malarme-Lecloux non-executive Director, independent	Ordinary General Meeting 2021
Vincent Querton non-executive Director, independent	Ordinary General Meeting 2021
Kurt De Schepper non-executive Director, linked to a shareholder	Ordinary General Meeting 2020
Etienne Dewulf non-executive Director , independent	Ordinary General Meeting 2022
Benoît Godts non-executive Director, linked to a shareholder	Ordinary General Meeting 2021

KEY DATE FOR SHAREHOLDERS

Interim statement as at 30 September 2019	Thursday 24 October 2019[a]
Payment of the interim[b] dividend of the 2019 fiscal year on presentation of coupon No 38	
- Ex-date	*Wednesday 18 December 2019*
- Record date	*Thursday 19 December 2019*
- Payment date	*Friday 20 December 2019*
Publication of the annual results as at 31 December 2019	Thursday 13 February 2020[a]
Online publication of the Annual Financial Report 2019	Friday 27 March 2020
Ordinary General Meeting of the fiscal year closing as at 31 December 2019	Tuesday 28 April 2020
Payment of the final[c] dividend of the 2019 fiscal year on presentation of coupon No 39	
- Ex-date	*Wednesday 6 May 2020*
- Record date	*Thursday 7 May 2020*
- Payment date	*Friday 8 May 2020*

(a) Publication after closing of the stock exchange.
(b) Subject to a decision of the Board of Directors.
(c) Subject to a decision of Ordinary General Meeting.

SHAREHOLDING STRUCTURE

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:

	Number of shares (declared) the day of the statement	Based on the transparency declarations or based on the information received from the shareholder	(in %)
Declarants			
AXA Belgium SA	2 741 438	30.04.2019	9.7%
Ageas and affiliated companies	2 641 047	30.04.2019	9.4%
BlackRock Inc.	769 229	13.12.2016	2.7%
Own shares			
Fedimmo SA (subsidiary at 100% of Befimmo SA)	2 659 828	30.04.2019	9.4%
Other shareholders under the statutory threshold	19 427 500	30.04.2019	68.8%
Total	**28 239 042**		**100%**

Condensed financial statements

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME (IN € THOUSAND)

		Notes	30.06.19	30.06.18
I.	(+) Rental income		72 871	71 667
III.	(+/-) Charges linked to letting		- 28	- 128
NET RENTAL RESULT			**72 843**	**71 539**
IV.	(+) Recovery of property charges		4 457	6 244
V.	(+) Recovery of rental charges and taxes normally paid by tenants on let properties		21 999	25 277
VII.	(-) Rental charges and taxes normally paid by tenants on let properties		-24 804	-24 403
VIII.	(+/-) Other revenue and charges for letting		332	552
PROPERTY RESULT			**74 826**	**79 208**
IX.	(-) Technical costs		-4 348	-5 900
X.	(-) Commercial costs		- 145	- 385
XI.	(-) Charges and taxes on unlet properties		-1 434	-1 866
XII.	(-) Property management costs		-1 383	-1 428
XIII.	(-) Other property charges		-3 447	-3 435
	(+/-) Property charges		**-10 758**	**-13 014**
PROPERTY OPERATING RESULT			**64 068**	**66 194**
XIV.	(-) Corporate overheads		-7 943	-6 586
XV.	(+/-) Other operating income and charges		- 917	- 417
OPERATING RESULT BEFORE RESULT ON PORTFOLIO			**55 208**	**59 190**
XVI.	(+/-) Gains and losses on disposals of investment properties		10 317	0
XVIII.	(+/-) Changes in fair value of investment properties		78 305	-8 037
OPERATING RESULT			**143 830**	**51 153**
XX.	(+) Financial income	5	302	457
XXI.	(-) Net interest charges	5	-9 749	-9 235
XXII.	(-) Other financial charges	5	-3 595	-1 206
XXIII.	(+/-) Changes in fair value of financial assets and liabilities	5	-28 322	-1 994
	(+/-) Financial result		**-41 364**	**-11 979**
PRE-TAX RESULT			**102 467**	**39 175**
XXV.	(-) Corporation tax		- 815	- 466
	(+/-) Taxes		**- 815**	**- 466**
NET RESULT			**101 652**	**38 708**
TOTAL COMPREHENSIVE INCOME (group share)			101 229	38 708
NON-CONTROLLING INTERESTS			423	-
BASIC NET RESULT AND DILUTED (in € per share)			**3.96**	**1.51**
Other comprehensive income - actuarial gains and losses - pension liabilities			-1 671	29
TOTAL COMPREHENSIVE INCOME			**99 981**	**38 738**
TOTAL COMPREHENSIVE INCOME (group share)			99 557	38 738
NON-CONTROLLING INTERESTS			423	-

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION (IN € THOUSAND)

ASSETS		Notes	30.06.2019	31.12.2018
I.	**Non-current assets**		**2 747 104**	**2 700 743**
A.	Goodwill	6	23 687	14 217
B.	Intangible assets		958	899
C.	Investment properties	7	2 704 005	2 655 324
	Fair value of portfolio (excluding Silversquare)		2 682 180	2 655 324
	Right of use - Fair value of Silversquare leases		21 825	-
D.	Other property, plant and equipment		6 235	1 021
E.	Non-current financial assets	8	8 887	27 497
F.	Finance lease receivables		3 333	1 784
II.	**Current assets**		**58 648**	**34 398**
A.	Properties held for sale	7	3 483	-
B.	Current financial assets	8	12 090	10 004
C.	Finance lease receivables		141	139
D.	Trade receivables		36 067	21 454
E.	Tax receivables and other current assets		2 246	52
F.	Cash and cash equivalents		2 774	591
G.	Deferred charges and accrued income		1 848	2 157
TOTAL ASSETS			**2 805 753**	**2 735 140**

SHAREHOLDERS' EQUITY AND LIABILITIES		Notes	30.06.2019	31.12.2018
TOTAL SHAREHOLDERS' EQUITY			**1 515 209**	**1 443 214**
I.	**Equity attributable to shareholders of the parent company**		**1 515 209**	**1 443 214**
A.	Capital		396 325	357 871
B.	Share premium account		853 656	792 641
C.	Reserves		164 000	276 104
D.	Net result for the fiscal year		101 229	16 597
II.	**Non controlling interests**		-	-
LIABILITIES			**1 290 543**	**1 291 926**
I.	**Non-current liabilities**		**674 650**	**760 478**
A.	Provisions		2 410	728
B.	Non-current financial debts	8	612 354	735 519
	a. Credit institution		229 182	297 319
	c. Other		383 173	438 200
C.	Other non-current financial liabilities		51 547	21 881
D.	Trade debts and other non-current debts		7 915	2 130
F.	Deferred tax - liabilities		422	219
II.	**Current liabilities**		**615 894**	**531 448**
A.	Provisions		4 929	5 039
B.	Current financial debts	8	521 280	443 012
	a. Credit institutions		11 131	13 674
	c. Other		510 150	429 338
C.	Other current financial liabilities	8	0	2 140
D.	Trade debts and other current debts		67 250	54 289
E.	Other current liabilities		2 077	4 099
F.	Accrued charges and deferred income		20 357	22 870
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**2 805 753**	**2 735 140**

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (IN € THOUSAND)

	30.06.19	30.06.18
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	**591**	**254**
Adjustment in the CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR following the change in consolidation scope (integration of Silversquare in the consolidation on 1 January 2019)	**1 560**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	**2 150**	
Operating activities (+/-)		
Net result for the period (6 months)	101 652	38 708
Variations in operating lease commitments (IFRS 16)	781	-
Result on disposal of investment properties	-10 317	-
Financial result (excl. changes in fair value of financial assets and liabilites)	13 042	9 984
Interest paid (incl. Financial charges IFRS 16)	-14 858	-10 106
Taxes	815	466
Taxes paid	- 165	- 318
Items with no effect on cash flow to be extracted from earnings		
Fair value adjustment for investment buildings (+/-)	-78 305	8 037
Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-)	28 322	1 994
Loss of (gain in) value on trade receivables (+/-)	- 236	36
Amortisation / Loss of (gain in) value on property, plant and equipment (+/-)	859	286
Adjustments of provisions (+/-)	- 380	-1 759
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS	**41 209**	**47 328**
Change in assets items	-15 991	-11 799
Change in liabilities items	-6 619	2 431
CHANGE IN WORKING CAPITAL REQUIREMENTS	**-22 609**	**-9 368**
CASH FLOW FROM OPERATING ACTIVITIES	**18 600**	**37 960**
Investments (-) / Disposals (+)		
Investment properties		
Investments	-23 357	-21 055
Disposals	93 937	-
Acquisition of the Arts 56 building (cash amount)	-	-114 351
Acquisition in the framework of redevelopment projects	- 305	-
Other property, plant and equipment	- 852	- 242
CASH FLOW FROM INVESTMENT ACTIVITIES	**69 424**	**-135 647**
Financing (+/-)		
Increase (+) / Decrease (-) in financial debts	17 136	-4 116
European private bond placements	-	125 000
Reimbursement USPP May 2019	-82 769	-
Reimbursement financial debt IFRS 16	- 662	-
Increase (+) in financial debts IFRS 16	325	-
Hedging instruments and other financial assets	656	-1 243
Final dividend previous fiscal year	-21 998	-21 998
Costs related to the Beway merger	- 87	-
CASH FLOW FROM FINANCING ACTIVITIES	**-87 400**	**97 643**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**624**	**- 45**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (6 MONTHS)	**2 774**	**209**

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

	Capital	Share premium account	Reserves	Net result of the fiscal year	Equity: group share	Non controlling interests	Total shareholders' equity
EQUITY AS AT 31.12.17	**357 871**	**792 641**	**228 172**	**69 820**	**1 448 504**	**-**	**1 448 504**
Appropriation of the result	-	-	69 820	-69 820	**0**		**-**
Dividend distributed	-	-	-21 998	-	**-21,998**		**-21 998**
Final dividend of the 2017 fiscal year Befimmo	-	-	*-21 998*	-	***-21 998***		***-21 998***
Total comprehensive income (6 months)	-	-	29	38 708	**38 738**		**38 738**
EQUITY AS AT 30.06.18	**357 871**	**792 641**	**276 023**	**38 708**	**1 465 244**	**-**	**1 465 244**
Interim dividend	-	-	-	-66 250	**-66,250**		**-66 250**
Befimmo 2018 interim dividend	-	-	-	*-66 250*	***-66 250***		***-66 250***
Total comprehensive income (6 months)	-	-	81	44 139	**44 220**		**44 220**
EQUITY AS AT 31.12.18	**357 871**	**792 641**	**276 104**	**16 597**	**1 443 214**	**-**	**1 443 214**
Appropriation of the result	-	-	16 597	-16 597	**0**		**-**
Dividend distributed	-	-	-21 998	-	**-21 998**		**-21 998**
Final dividend of the 2018 fiscal year Befimmo	-	-	*-21 998*	-	***-21 998***		***-21 998***
Merger Beway SA	38 454	61 015	-99 627	-	**- 159**		**- 159**
Total comprehensive income (6 months)	-	-	-7 077	101 229	**94 152**		**94 152**
EQUITY AS AT 30.06.19	**396 325**	**853 656**	**164 000**	**101 229**	**1515 209**	**0**	**1 515 209**

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. GENERAL BUSINESS INFORMATION

Befimmo ("the Company", registered with banque carrefour des entrerprises under number 0455.835.167) is a Public Regulated Real-Estate Investment Trust under Belgian law (public BE-REIT). 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% direct or indirect interest in its subsidiaries Axento SA (registered with the Luxembourg trade and companies register under number B 121993 in the Grand Duchy of Luxembourg), Befimmo Property Services SA (registered with banque carrefour des entreprises under number 0444.052.241), Fedimmo SA (registered with banque carrefour des entreprises under number 0886.003.839), Meirfree SA (registered with banque carrefour des entreprises under number 0889.229.788) and Vitalfree SA (registered with the banque carrefour des entreprises under number 0899.063.306). In December 2018, Befimmo bought a 61.34% stake in Silversquare Holding SA (registered with the Banque Carrefour des Entreprises under number 0806.423.356). Silversquare Holding SA has a 100% direct interest in its subsidiaries Silversquare Stéphanie SA (registered with banque carrefour des entreprises under number 0652.969.653), Silversquare Europe SA (registered with banque carrefour des entreprises under number 0810.809.241), Silversquare Louise SA (registered with banque carrefour des entreprises under number 0893.166.397), Silversquare Partnerships SPRL (registered with banque carrefour des entreprises under number 0681.834.081) and Silversquare Luxembourg SA (registered with the Luxembourg trade and companies register under number B 216290 in the Grand Duchy of Luxembourg). Befimmo has had sole control from 1 January 2019. All the Befimmo subsidiaries close their fiscal years at 31 December.

The Extraordinary General Meeting of 30 April 2019 ratified the proposed merger by absorption by Befimmo of Beway SA (registered with the Banque Carrefour des Entreprises under number 0631.757.238). This was done retroactively as at 1 January 2019.

The Company is presenting consolidated financial statements as at 30 June 2019. The Board of Directors of Befimmo SA adopted and authorised the publication of the financial statements on 17 July 2019.
The Company's business consists of providing office buildings, meeting rooms and coworking spaces and associated services.

At 30 June 2019, the premises provided consisted of quality office buildings in Belgium, mainly in Brussels, 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.

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. They should be read in conjunction with the consolidated financial statements closed at 31 December 2018 included in the 2018 Annual Financial Report.

The significant accounting policies are identical to those set out in the Annual Financial Report 2018 (pages 158 to 165) which can be found on the Company's website (www.befimmo.be), with the exception mainly of the application of IFRS 16 Leases standard as detailed hereater.

The accounting rules are supplemented by the following points:

1) The entry into force of the new IFRS 16 on 1 January 2019 amends sections 2.4. "Investment properties", 2.5 "Other property, plant and equipment" and 2.12 "Financial liabilities".

- The next point 2.4.5. “Right of use asset in office lease agreements” is added to section 2.4 “Investment properties”.
  The right of use asset in leases as lessee of office space is classified under "Investment property" and assessed at fair value. The fair value of right of use assets is determined by the real-estate expert, who bases his valuation, in particular, on rent flows remaining until the expiry of the lease, taking account of gratuities, benefits and other adjustments. The expert determines the fair value of the right of use asset at the commencement date of a lease agreement for office space. At the end of each quarter, the expert updates the valuation in line with market developments and the specific characteristics of the lease agreements. Any gain or loss arising from a change in fair value, including any arising from the first valuation, is booked to the income statement. The corresponding debt is recognised as a financial liability at amortised cost under the heading "Financial liabilities (non-)current".

- Section 2.5. "Other property, plant and equipment" is supplemented by the following paragraph:
  The right of use asset for rental contracts for cars, copiers and parking spaces is recognised under the heading "Other property, plant and equipment" at amortised cost and amortised on a straight-line basis. The right to use these assets is determined by the Company on the basis of the corresponding debt. That debt is recognised as a financial liability at amortised cost under the heading "(Non-)current financial liabilities".
  The Company avails itself of the exemption provided for in the standard for low-value assets and short-term leases (and for leases expiring within 12 months of the initial application). In these cases, leases are booked as short-term leases and the associated payments are recognised as an expense from short-term leases.

- Section 2.12.1. "Financial debts" is supplemented by the following paragraph:
  Financial debts also include debts corresponding to leases, where the right of use assets are booked to the assets (see also sections 2.4.5 and 2.5.).
  In accordance with IFRS 16, the debt is determined by discounting future payments under the lease at a rate related to the average (residual) duration of the lease. The Company avails itself of the exemption provided for in the standard for low-value assets and short-term leases (and for leases expiring within 12 months of the initial application). In these cases, leases are booked as short-term leases and the associated payments are recognised as an expense from short-term leases.

2) Section 2.3. « Investment properties » is completed by the following paragraph :
   The useful life of the softwares is 3 to 5 years.

3) Section 2.5. "Other property, plant and equipment" is also supplemented by the following paragraph:
   Investments in fixtures and furnishings in office spaces dedicated to coworking, leased from a third party, are booked under "Other property, plant and equipment".
   The rules governing this heading are described in the Annual Financial Report 2018.

4) Section 2.14. "Income" is supplemented by the following paragraph:
   Revenue from the coworking business is recognised under "I. Rental Income - Rent".

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 2018 (page 165) which can be found on the Company’s website (www.befimmo.be).

4. SEGMENT INFORMATION

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

Since 1 January 2019 following the integration of Silversquare in the consolidation perimeter, a new segment has been added: Coworking business. Segments categorised by geographical distribution are now grouped under Real-estate operator business.

	Real-estate operator							
	Brussels CBD and similar		Brussels decentralised		Brussels periphery		Wallonia	
(in thousand €)	30.06.19 (6 months)	30.06.18 (6 months)	30.06.19 (6 months)	30.06.18 (6 months)	30.06.19 (6 months)	30.06.18 (6 months)	30.06.19 (6 months)	30.06.18 (6 months)
INCOME STATEMENT								
A. Rental income	38 773	42 160	3 092	2 644	4 596	4 375	5 367	4 904
B. Property operating result	36 086	40 470	1 889	1 521	3 818	3 743	4 693	4 183
C. Change in fair value of investment properties	61 669	31 077	- 1 404	- 12 477	- 137	- 28 220	2 442	9 420
D. Gains and losses on disposal of investment properties	10 027	-	-	-	-	-	-	-
E. SEGMENT RESULT (= B+C+D)	**107 782**	**71 547**	**485**	**- 10 956**	**3 682**	**- 24 477**	**7 135**	**13 603**
Percentage by segment	70.6%	123.0%	0.3%	-18.8%	2.4%	-42.1%	4.7%	23.4%
F. Corporate overheads								
G. Other operating income and charges								
H. Financial result								
I. Income tax								
NET RESULT (= E+F+G+H+I)								
Net result (group share)								
Non controlling interests								
	30.06.19	31.12.18	30.06.19	31.12.18	30.06.19	31.12.18	30.06.19	31.12.18
BALANCE SHEET								
Assets								
Goodwill	7 391	7 391	-	-	-	-	1 329	1 329
Investment properties and assets held for sale	1 637 873	1 630 468	80 488	81 668	122 624	116 546	233 891	228 985
of which investments and acquisitions during the year	*29 043*	*148 034*	*224*	*6 002*	*6 215*	*7 709*	*2 464*	*4 606*
Other assets	2 174	555	-	-	-	-	1 299	1 368
TOTAL ASSETS	**1 647 438**	**1 638 414**	**80 488**	**81 668**	**122 624**	**116 546**	**236 519**	**231 683**
Percentage by segment	58.7%	59.9%	2.9%	3.0%	4.4%	4.3%	8.4%	8.5%
TOTAL LIABILITIES								
TOTAL SHAREHOLDERS' EQUITY								
Equity attributable to shareholders of the parent company								
Non controlling interests								
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY								

Real-estate operator				Coworking		Unallocated amounts		Total	
Flanders		Luxembourg city							
30.06.19 (6 months)	30.06.18 (6 months)	30.06.19 (6 months)	30.06.18 (6 months)	30.06.19 (6 months)	30.06.18 (6 months)	30.06.19 (6 months)	30.06.18 (6 months)	30.06.19 (6 months)	30.06.18 (6 months)
15 128	14 973	2 553	2 611	3 361	-	-	-	**72 871**	**71 667**
14 048	13 771	2 258	2 506	1 275	-	-	-	**64 068**	**66 194**
2 352	- 11 611	12 508	3 775	874	-	-	-	**78 305**	**- 8 037**
291	-	-	-	-	-	-	-	**10 317**	-
16 691	**2 160**	**14 766**	**6 281**	**2 150**	-	**-**	**-**	**152 690**	**58 157**
10.9%	3.7%	9.7%	10.8%	1.4%	-	-	-	**100.0%**	**100%**
						- 7 943	- 6 586	**- 7 943**	**- 6 586**
						- 917	- 417	**- 917**	**- 417**
						- 41 364	- 11 979	**- 41 364**	**- 11 979**
						- 815	- 466	**- 815**	**- 466**
								101 652	**38 708**
								101 229	**38 708**
								423	-
30.06.19	**31.12.18**	**30.06.19**	**31.12.18**	**30.06.19**	**31.12.18**	**30.06.19**	**31.12.18**	**30.06.19**	**31.12.18**
5 366	5 497	-	-	9 600	-	-	-	**23 687**	**14 217**
475 763	475 100	135 024	122 556	21 825	**-**	-	-	**2 707 488**	**2 655 324**
92	*611*	*- 40*	*162*	-	-	-	-	***37 998***	***167 124***
-	-	-	-	-	-	71 104	63 675	**74 578**	**65 599**
481 129	**480 597**	**135 024**	**122 556**	**31 425**	**-**	**71 104**	**63 675**	**2 805 753**	**2 735 140**
17.1%	17.6%	4.8%	4.5%	1.1%	**-**	2.5%	2.3%	**100%**	**100%**
						1 290 543	**1 291 926**	**1 290 543**	**1 291 926**
						1 515 209	**1 443 214**	**1 515 209**	**1 443 214**
						1 515 209	1 443 214	**1 515 209**	**1 443 214**
						0	-	**0**	**-**
						2 805 753	**2 735 140**	**2 805 753**	**2 735 140**

5. FINANCIAL RESULT

The financial result (excluding changes in fair value of financial assets and liabilities) was -€13.0 million in the first half of 2019 as against -€10.0 million in the first half of 2018.
"Financial income" includes mainly the compensation paid by investors on their commercial paper investments issued by Befimmo.

The increase in "Net interest charges" related to the increase in the average volume of indebtedness by nearly 5% was limited thanks to good control of the average cost of financing which was 1.98%. The sub-heading "Other interest charges" includes the interest charge on leases, recognised as per IFRS 16, amounting to €0.1 million over the first six months of 2019.

The increase in "Other financial charges" of €2.4 million is due to the main component of the exceptional charge related to the termination of a fixed-rate sale of receivables on the Pavilion building sold in May 2019.

The change in fair value of the financial assets and liabilities is -€28.3 million as against -€2.0 million in the first six months of 2018.

(in € thousand)		30.06.19 (6 months)	30.06.18 (6 months)
(+)	**XX. Financial income**	**302**	**457**
(+)	Interests and dividends received	244	356
(+)	Fees for finance leases and similar	57	101
(+)	Net gains realised on sale of financial assets	-	0
(+/-)	**XXI. Net interest charges**	**-9 749**	**-9 235**
(-)	Nominal interest on loans	-8 010	-7 847
(-)	Reconstitution of the face value of financial debts	- 101	- 109
(-)	Other interest charges	- 148	- 28
(+)	Proceeds of authorised hedging instruments	4 969	5 082
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*4 969*	*5 082*
(-)	Charges of authorised hedging instruments	-6 459	-6 333
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-6 459*	*-6 333*
(-)	**XXII. Other financial charges**	**-3 595**	**-1 206**
(-)	Bank charges and other commissions	-1 151	-1 206
(-)	Net losses realised on sale of financial assets	0	0
(-)	Net capital losses realised on sale of finance lease receivables and similar	-2 443	-
(+/-)	**XXIII. Changes in fair value of financial assets and liabilities**	**-28 322**	**-1 994**
(+/-)	Authorised hedging instruments	-34 179	1 203
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-34 179*	*1 203*
(+/-)	Others	5 857	-3 198
(+/-)	**Financial result**	**-41 364**	**-11 979**

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 of the fair value of the net asset acquired. The method of recording this goodwill is described in the Annual Financial Report 2018 (page 175).

At 30 June 2019, the goodwill was subject to an impairment test, in accordance with the method described in the Annual Financial Report 2017 (page 176). The result of this test shows that no impairment needs be recorded.

The consolidation of Silversquare generated goodwill for Befimmo as a result of the difference between the acquisition cost and Befimmo's share in the fair value of the net assets acquired (see Note 10). This goodwill is recorded in the consolidated financial statements as at 1 January 2019. The Company has no material indication of any difference in the valuation of Silversquare since 1 January 2019, so no impairment has been recorded.

7. INVESTMENT PROPERTIES

(in € thousand)	
Carrying value as at 31.12.2017	**2 494 360**
of which: - Investment properties	*2 494 360*
- Assets held for sale	*-*
Acquisitions	116 328
Other investments	50 797
Disposals	- 645
Changes in fair value	- 5 514
Carrying value as at 31.12.2018	**2 655 324**
of which: - Investment properties	*2 655 324*
- Assets held for sale	*-*
Acquisitions	305
Other investments	37 693
Disposals	- 85 089
Changes in fair value	77 430
IFRS 16 - Silversquare leases (right of use)	
Recognition right of use as from 1 January 2019	*17 306*
New leases contracted since 1 January 2019	*3 644*
Changes in fair value	*874*
Carrying value as at 30.06.2019	**2 707 488**
of which: - Investment properties	*2 704 005*
Fair value of the portfolio excluding Silversquare	*2 682 180*
Faire value of the Silversquare leases (right of use)	*21 825*
- Assets held for sale	*3 483*

During the first half of fiscal year 2019, Befimmo granted a 99-year leasehold on the Pavilion building, located in the Leopold area – Brussels CBD, for the sum of €93 million. The building contributed €1.54 million to the property operating result in 2019. Fedimmo also sold the buildings Menen and Izegem, which together contributed to the property operating result to the tune of -€0.01 million.

In 2018, Befimmo acquired the Arts 56 building, located in the Leopold area - Brussels CBD for a total sum of €114.5 million and completed during the year the acquisition of spaces in tower 1 of WTC complex 1 & 2 which it did not yet own. In 2018, Fedimmo sold the building Harelbeke.

During the first half of 2019, Befimmo invested €37.7 million in its portfolio. The main investments were in the projects Quatuor (€9.9 million) and ZIN (€9.9 million), the renovation of the Brederode Corner building (€7.6 million), the renovation of Ikaros (€5.72 million) and the construction works of Phase 2 of the Courthouse in Eupen (€1.6 million).

In 2018, €50.8 million were invested in works. The main investments were in the projects Quatuor (€14.3 million) and ZIN (€10.6 million), the Triomphe building (€5.1 million) and the renovation of the Brederode Corner building (€3.4 million). The first phase of the construction of the Courthouse in Eupen (€3.8 million in 2018) was completed in 2018 and the lease on that phase commenced.

The standard IFRS 16 came into effect on 1 January 2019. The right of use assets of the Silversquare leases with third-party owners are valuated at fair value (see Significant accounting policies).

The heading "Assets held for sale" includes the Eagle Building located in the Brussels periphery and the building Kortrijk Ijzerkaai, in Flanders.

8. FINANCIAL ASSETS AND LIABILITIES

On a like-for-like basis, and all other things being equal, the Company has covered its financing needs until 30 June 2020. The chapter "Financial structure and hedging policy" on page 20 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 buys hedging instruments. At 30 June 2019, the hedging ratio was 99.0%. The following table lists all the hedging instruments owned by the Company at 30 June 2019.

			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			15	0.75%	Jan. 2015	Jan. 2020	Euribor 3 month
CAP bought	2	Option			30	0.50%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			25	0.85%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			20	1.15%	Jan. 2016	Jan. 2022	Euribor 3 month
FLOOR[(a)] sold	2	Option			20	0.55%	Jan. 2016	Jan. 2022	Euribor 3 month
Payer's IRS	2	Forward			20	1.58%	Jan. 2018	July 2022	Euribor 3 month
Payer's IRS	2	Forward			25	1.41%	Dec. 2017	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			25	1.57%	Dec. 2017	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			15	1.40%	July 2014	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.72%	Jan. 2016	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			20	0.84%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			20	0.81%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.17%	June 2018	Dec. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.71%	April 2018	Jan. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.80%	April 2018	Jan. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.65%	April 2018	Jan. 2025	Euribor 3 month
Payer's IRS	2	Forward			30	0.66%	April 2018	Jan. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.71%	Aug. 2018	Feb. 2025	Euribor 3 month
Payer's IRS	2	Forward			20	0.93%	Aug. 2018	Feb. 2025	Euribor 3 month
Payer's IRS	2	Forward			30	0.91%	Oct. 2015	Oct. 2025	Euribor 3 month
Payer's IRS	2	Forward			30	0.85%	Feb. 2016	Feb. 2026	Euribor 3 month
Payer's IRS	2	Forward			20	0.92%	Feb. 2025	Aug. 2026	Euribor 3 month
Payer's IRS	2	Forward			25	0.69%	April 2017	Jan. 2027	Euribor 3 month
Payer's IRS	2	Forward			25	0.82%	Feb. 2017	Feb. 2027	Euribor 3 month
Payer's IRS	2	Forward			25	0.95%	April 2018	Oct. 2027	Euribor 3 month
Payer's IRS	2	Forward			15	0.88%	Nov. 2017	Nov. 2027	Euribor 3 month
Payer's IRS	2	Forward			25	0.77%	Oct. 2017	Jan. 2028	Euribor 3 month
Payer's IRS	2	Forward			25	0.82%	Oct. 2017	Jan. 2028	Euribor 3 month
Payer's IRS	2	Forward			25	1.10%	Jan. 2025	Jan. 2028	Euribor 3 month
Payer's IRS	2	Forward			30	1.14%	Jan. 2025	Jan. 2028	Euribor 3 month
Payer's IRS	2	Forward			30	0.75%	July 2019	Jan. 2028	Euribor 3 month
Payer's IRS	2	Forward			25	1.25%	Feb. 2025	Feb. 2028	Euribor 3 month
Payer's IRS	2	Forward			25	1.21%	Jan. 2025	April 2028	Euribor 3 month
Payer's IRS	2	Forward			25	1.21%	Dec. 2024	June 2028	Euribor 3 month
Payer's IRS	2	Forward			25	1.12%	Jan. 2025	July 2028	Euribor 3 month
Payer's IRS	2	Forward			50	0.87%	Dec. 2018	Dec. 2028	Euribor 3 month
Payer's IRS	2	Forward			50	0.65%	July 2019	July 2029	Euribor 3 month
Payer's IRS	2	Forward			20	0.37%	Jan. 2020	Jan. 2022	Euribor 3 month
Payer's IRS	2	Forward			20	0.54%	Jan. 2022	Jan. 2023	Euribor 3 month
Payer's IRS	2	Forward			20	0.74%	Jan. 2023	Jan. 2038	Euribor 3 month
Payer's IRS	2	Forward			30	0.37%	Jan. 2020	Jan. 2022	Euribor 3 month
Payer's IRS	2	Forward			30	0.54%	Jan. 2022	Jan. 2023	Euribor 3 month
Payer's IRS	2	Forward			30	0.94%	Jan. 2023	Jan. 2038	Euribor 3 month
Receiver's IRS	2	Forward			25	0.69%	April 2018	Jan. 2020	Euribor 3 month
Receiver's IRS	2	Forward			25	0.82%	April 2018	Jan. 2020	Euribor 3 month
Payer's IRS	2	Forward			25	1.51%	July 2012	July 2021	Euribor 3 month
Receiver's IRS	2	Forward			25	1.51%	March 2017	July 2021	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
Payer's IRS	2	Forward			25	0.42%	Jan. 2016	July 2024	Euribor 3 month
Receiver's IRS	2	Forward			25	0.42%	Oct. 2017	July 2024	Euribor 3 month
Receiver's IRS	2	Forward			65	0.81%	March 2018	March 2026	Euribor 3 month
CCS[(b)]	2	Forward	90 USD	5.05%	67	2.92%	May 2012	May 2020	Fix USD for Fix EUR

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

(b) The interest rates in EUR' are marge inclusive for the CCS. The rates are applicable as from June 1th 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, changes in their fair value are booked therefore directly and entirely to the income statement. Although the instruments in question are considered trading instruments under IFRS, they are intended solely for hedging the risk of rising interest and exchange rates, and not for speculative purposes.

The fair value of 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 13 – *Fair Value Measurement*.

These contracts are measured at fair value at the balance sheet date and include the credit value adjustment (CVA) and the debit value adjustment (DVA) in accordance with IFRS 13. 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 and listed Befimmo bonds.
Befimmo receives this information from an independent specialist company. The Company also verifies it using checks of consistency with the valuations received from counterparty financial institutions (fair value excluding CVAs and DVAs).

The fair values of the various classes of hedging instruments are set out below:

(in € thousand)		Balance sheet item as of 30.06.2019	
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	0	- 494
Forward	2	9 162	-51 054
CCS	2	11 458	-
		20 621	**-51 547**

(in € thousand)		Balance sheet item as of 31.12.2018	
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	2	- 795
Forward	2	7 953	-21 475
CCS	2	19 319	-1 751
		27 273	**-24 021**

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 under balance sheet items I.B.c and II.B.c is recognised at fair value (level 2). The fair value option under IFRS 9 was adopted, the debt being covered by specific interest-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 dollars and pounds 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 euros.

Financial assets and liabilities carried at amortised cost

As mentioned under Significant Accounting Policies, as set out in the Annual Financial Report 2018 (pages 162 to 164), the book value of the assets and liabilities approximates to their fair value, except for:

- the financing relating to the sales of receivables from future rents/future usufruct fees, structured at fixed rates, for a residual total at 30 June 2019 of €58.0 million;
- various fixed-rate European private placements (EUPP) totalling €312.8 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 2019.

The fair value of the sales of receivables for future rents/future usufruct fees and for the European private debt placement is estimated by updating the future expected cash flows using the 0-coupon yield curve as at 30 June 2019, plus a margin to take account of the Company's credit risk (level 2).
The fair value of this financing is given in the table below as an indication.

(in € thousand)	Level	Fair value	Book value
EUPP	2	331 147	312 108
Sales of receivables from future rents/ future usufruct fees	2	61 849	57 959

9. IFRS 16 *LEASES*

Befimmo is applying IFRS 16 *Leases* as from 1 January 2019 in these consolidated financial statements based on the "modified retrospective approach". There is no change to the comparative accounts.

The standard has no impact on the accounting treatment or classification of leases in relation to Befimmo tenants in its capacity as lessor. IFRS 16, on the other hand, does have an impact on the recognition of leases in its capacity as lessee. The Company is availing itself of the exemption provided for in the standard for low-value assets and short-term leases.

As at 1 January 2019, Befimmo has determined that the following leases fall within the scope of IFRS 16: lease contracts for cars and copying equipment, leasing of personal car parks and office space. The application of the standard required the following items to be recognised in the balance sheet:

- the right-of-use asset on the balance sheet assets: €19,105 thousand
- the lease liability on the balance sheet liabilities: €19,105 thousand
- Shareholders' equity on the liabilities side of the balance sheet: €0.

The integration of Silversquare into the scope of consolidation also has an impact on leases contracted by Silversquare from third-party real estate operators. The result is a recognition of an amount of € 17.3 million in financial debts as of 1 January 2019.

Befimmo applies the implicit interest rate when it is mentioned in the lease agreement (leased cars). For all other contracts, the discount rate is calculated by an external advisor, depending on the type of asset. The weighted average discount rate used for all debt arising from the application of IFRS 16 as at 1 January is 3.03%.

The table hereafter shows the reconciliation between off-balance sheet commitments for operating leases at 31 December 2018 and the financial liability as at 1 January 2019:

(in thousand €)	
Operating lease commitments off balance sheet at 31 December 2018	**2 667**
Recognition exemption for short-term leases	- 590
Recognition exemption for low-value assets	0
Extension and termination options reasonably certain to be exercised	0
Termination options reasonably uncertain to be exercised	1 029
Asset excluded from the scope of IFRS 16 - undefined asset	- 1 479
Other	- 212
Effect from discounting at the incremental borrowing rate as of 1 January 2019	- 484
Operating lease commitments discounted at 1 January 2019	**931**
Change in consolidation scope at 1 January 2019	17 306
Liabilities additionnally recognised based on the initial application of IFRS 16 as of 1 January 2019	869
Lease liability as a result of the application of IFRS 16 as at 1 January 2019	**19 105**

10. SILVERSQUARE – ACQUISITION IN STAGES

Since 6 December 2018, Befimmo has held a 61.43% stake in Silversquare Holding SA and since 1 January 2019 it has had sole control. This has led to a change in the consolidation method of Silversquare: it was integrated according to the equity method until 31 December 2018. Since 1 January 2019, it has been fully consolidated.
Please refer to the press release of 6 December 2018 regarding the strategic acquisition of Silversquare, available on the website of Befimmo (www.befimmo.be).

This takeover meets the definition of a business combination as per IFRS 3 - *Business combinations* which requires the application of the "purchase method" whereby Silversquare's identifiable assets and liabilities are to be re-measured at fair value at the date of acquisition in Befimmo's consolidated financial statements. Furthermore, under this method, the historical interest must also be re-measured at fair value through the profit and loss account. Finally, the goodwill generated on this transaction arises from the difference between the acquisition cost (including the fair value of the historical interest) and the fair value of the net assets acquired. The choice was made to opt for the partial goodwill method.

At 30 June 2019, the goodwill was determined on a provisional basis as the purchase price allocation may, according to the standard, be further modified within 12 months from the date of acquisition. At 30 June 2019 it was €9.1 million.

The calculation of the provisional goodwill as at 1 January 2019 is summarised in the following table.

(in thousand €)	**Book value at 1 January 2019**
Cash	1 557
Right of use leases Silversquare at 1 janvier 2019 - IFRS 16	17 306
Other non-current and current assets	7 576
Non-current and current financial debts - IFRS 16	- 17 306
Other non-current and current liabilities	- 9 245
Total net assets	**- 112**
61.43 % shares of Silversquare Holding SA	8 991
Non-controlling interests	43
Provisional goodwill	**9 060**

Statutory Auditor's report

Report of the statutory auditor to the shareholders of Befimmo SA on the review of consolidated condensed financial statements as of 30 June 2019 and for the six month period then ended

Introduction
We have reviewed the accompanying consolidated condensed statement of financial position of Befimmo SA (the "Company"), and its subsidiaries as at 30 June 2019 the related consolidated condensed statement of comprehensive income, the consolidated condensed cash flow statement, the consolidated condensed statement of changes in equity, for the six month period then ended and the notes to the consolidated condensed financial statements, collectively, the "Consolidated Condensed Financial Statements". These statements show a consolidated balance sheet total of € 2.805.753 thousand and the consolidated condensed of comprehensive income shows a net result for the six month period then ended of € 101.652 thousand. The board of directors is responsible for the preparation and presentation of these Consolidated Condensed Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review
We conducted our review in accordance the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Brussels, 18 July 2019

Ernst & Young Réviseurs d'Entreprises SCRL
Statutory auditor
represented by

Christel Weymeersch*
Partner
* Acting on behalf of a BVBA/SPRL
20CW0014

Statement

Statement by persons responsible

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

a) the intermediary 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 condensed 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.

Risk Factors

This chapter covers the risks identified as potentially affecting the Company, including a description of the measures it has taken to anticipate them, mitigate their potential impact and turn them into opportunities. 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 global economic and financial climate and the current geopolitical context may accentuate certain risks related to Befimmo's business.

This list of risks is based on information known (including from dialogue with all stakeholders) at the time of writing this Report. The list of risks in this chapter is therefore not exhaustive: other risks, which may be unknown, improbable or unlikely to have an adverse effect on the Company, its business or its financial situation, may of course exist.

MAIN RISKS RELATED TO EXTERNAL ECONOMIC FACTORS

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
RISK RELATED TO THE CHANGING WORLD OF WORK		
Office space is being used in increasingly flexible and mobile ways. New technology is facilitating a transformation within businesses: from a static and "sequential" mode of operation to more dynamic environments. Businesses are looking for pleasant and flexible working environments to attract talent. They are setting up for Smart Ways of Working and moving to Activity-Based Working.	▪ The ratio of the number of square metres used per employee is falling and may lead to a decline in buildings' occupancy rates. ▪ Conventional office environments no longer meet expectations. ▪ The coworking business model is still developing.	The Company is committed to this new world of work: ▪ a redesigned world of work; workspaces are organised according to the type of activity and the profile of the users. ▪ acquisition of a majority shareholding in the Silversquare coworking company. ▪ plans to develop (with Silversquare) a Belux network of hybrid offices[24]. ▪ a mix of functions in the new projects to ensure that the environment is conducive to the development of a genuine community life. ▪ projects that integrate into the city; the buildings become an ecosystem open to their urban environment, bringing together a mix of functions.
RISK OF INFLATION AND DEFLATION		
Risk of deflation on income, as Befimmo leases contain clauses indexing rents to changes in the health index. Risk of the costs the Company has to bear being indexed on a basis that changes faster than the health index.	▪ The impact of the adjustment of rents can be estimated at €1.4 million on an annual basis (not including protection) per percentage point change in the health index.	▪ 95.54%[25] of the leases in Befimmo's consolidated portfolio are covered, in line with general practice, against the effect of any negative indexing - 42.26% provide for a ceiling on the basic rent. - 53.28% contain a clause that sets the minimum at the level of the last rent paid. ▪ The remaining 4.46% of the leases do not provide for any minimum rent. ▪ Contractual agreements put in place in relations with contractors.

[24] Befimmo will offer a variety of workspace solutions in a hybrid-office model, ranging from conventional offices to buildings devoted entirely to coworking, or a mix of both solutions. Users will enjoy flexibility in terms of time (duration of their contract), workspace (they can easily occupy more or less space depending on their needs) and meeting facilities. They will be able to move from one place to another, according to their preferences and working hours.
[25] Based on the current gross rent under agreements at 30 June 2019.

RISK ASSOCIATED WITH CHANGING INTEREST RATES		
Financial charges, the Company's main expense item, are largely influenced by interest rates prevailing on the financial markets.	▪ Increase in financial charges and drop of EPRA earnings and net result. ▪ In the context of current interest rates, the practice of some banks to set a 0% floor on Euribor, used as reference in financing contracts, has an adverse impact on financial charges. This practice can also create distortion between the floating rates used in financing contracts and IRS type hedging contracts. ▪ A change in interest rates could also have an impact, with a delayed effect, on valuations of the properties in the portfolio.	▪ Implement a policy of hedging the interest-rate risk: finance part of borrowings at fixed rates and arrange IRS financial instruments or cap and floor options on part of borrowings at floating rates. ▪ Total borrowings as at 30 June 2019: - borrowings of €994.8 million (90.82% of total debt) are financed at fixed rates (fixed rates specified in agreements or rates fixed by IRS). - The remainder of the debt, €100.5 million, is financed at floating rates, €90.0 million of which is hedged against rising interest rates by means of optional instruments (caps and collars[26]). The remaining 0.96% of the total borrowings is therefore unhedged. ▪ Without any hedging, the impact of a rise in market rates of 0.25% would entail an increase in financial charges estimated at €1.5 million (annual amount calculated based on the debt structure as at 30 June 2019). ▪ With the hedging arranged at 30 June 2019, the impact of a rise in market rates of 0.25% would entail an increase in financial charges estimated at €0.0 million (annual amount calculated based on the debt structure as at 30 June 2019). ▪ The debt ratio is 43.48% as at 30 June 2019, the LTV ratio is 40.68%. ▪ 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.
RISK RELATED TO CHANGING CREDIT MARGINS		
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 risk appetite in financial markets and regulations, particularly in the banking sector (the "Basel IV" requirements) and the insurance sector (known as "CRD IV"). They also evolve according to the perception of the Company's credit risk profile.	▪ An increase in financial charges and hence an adverse effect on EPRA earnings and the net result.	▪ Spread the maturities of financing over time and diversify sources of financing. ▪ Optimise the use of financing by giving preference to financing with the lowest margins (e.g., depending on market conditions, a short-term commercial paper programme associated with long-term back-up lines or assignments of receivables from future rents). ➔ « Financial structure and hedging policy »
CURRENCY RISK		
Befimmo invests solely in the euro zone and has no plans to take currency risks in its investments, income or	▪ Adverse change in the exchange rate of the euro against the currencies concerned.	▪ Exchange rate fluctuations fully offset against the interest and principal to be repaid by the Company through the full and immediate hedging of foreign exchange transactions and

[26] Buying a collar (buying a cap and selling a floor) places a ceiling (cap) on the impact of a rise in interest rates, but also involves an undertaking to pay a minimum rate (floor).

financing. Nevertheless, in May 2012 it arranged a private bond placement in the United States and the United Kingdom (US Private Placement (USPP)) denominated in US dollars and sterling, maturing in 2019 and 2020.		conversion risks by purchasing currency swap agreements (Cross-Currency Swaps).
RISK RELATED TO BREXIT		
In June 2016, the United Kingdom voted in favour of leaving the European Union. In March 2017, the process of leaving the European Union was triggered. Under the EU treaties, the UK will leave at the end of a two-year period, allowed for the organisation of the exit process and the negotiation of any new form of partnership. there is still uncertainty about how Brexit will be implemented after 2019.	BREXIT is creating volatility in the financial markets and uncertainty about the future relationship between the United Kingdom and the European Union. The uncertainty may have a general impact on the economic situation, including reducing liquidity on the financial and housing markets, and may delay or call into question certain financial or real-estate operations, or even affect their value.	▪ Closely monitor the unfolding situation and be more prudent in managing the businesses.

MAIN RISKS RELATED TO STRATEGY

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
RISKS OF SEGMENTAL CONCENTRATION		
The portfolio is almost entirely composed of office buildings (with the exception of a few shops on the ground floor of some buildings).	▪ Sensitivity to the evolution of the office property market.	▪ The Company has an investment strategy focused on: - quality office buildings, with a good location, good accessibility and a sufficient critical size, among other factors. - buildings that are well equipped and flexible, in an appropriate rental situation and with potential for value creation. ▪ The Company is committed to the new world of work: - a redesigned world of work; workspaces are organised according to the type of activity and the profile of the users. - expansion of the offering and potential targets with the acquisition of a majority shareholding in the Silversquare coworking company. - plans to develop (with Silversquare) a Belux hybrid office network. - a mix of functions in the new projects to ensure that the environment is conducive to the development of a genuine community life.

		- projects that integrate into the city; the buildings become an ecosystem open to their urban environment, bringing together a mix of functions. ➔ « Strategy »
RISKS OF GEOGRAPHICAL CONCENTRATION		
The portfolio is not very diversified in terms of geography. It consists of office buildings, mainly located in Brussels and its economic hinterland (57% of the portfolio as at 30 June 2019). ➔ « Property Report »	▪ Sensitivity to developments in the Brussels office property market, which is characterised in particular by a significant presence of European institutions and related activities.	▪ Under its investment strategy, the Company seeks to avoid excessive concentration of the portfolio in a single area or asset. ▪ As a matter of interest, the AMCA building in Antwerp, the Paradis tower in Liège, the Gateway building at Brussels airport and WTC Tower 3 in Brussels each account for between 5 and 10% of the fair value of the portfolio as at 30 June 2019. ➔ « Strategy »
RISKS RELATED TO RENTAL VACANCY		
Overall, the office property market is currently characterised by higher supply than demand, and changing types of demand. The Company is exposed to the risks of its tenants leaving, and of renegotiating their leases: - Risk of loss of and/or reduced income. - Risk of negative reversion of rents. - Risk of pressure on the renewal conditions and to grant rental gratuities. - Risk of loss of fair value of proper-ties, etc.	▪ Decline in spot occupancy rates and a reduction in the operating result of the portfolio. ▪ On an annual basis at 30 June 2019, a 1% fluctuation in the spot occupancy rate of the Company's portfolio would have an impact of some €2.0 million on the property operating result, €0.08 on the net asset value per share and 0.07% on the debt ratio. ▪ Direct costs related to rental vacancies, namely charges and taxes on unlet properties. ▪ They are estimated on an annual basis at €2.29 million, equivalent to around 1.61% of total rental income. ▪ Higher expenses in connection with the marketing of properties available for lease. ▪ Fall in the value of buildings.	▪ The Company has an investment strategy focused on: - quality office buildings, with a good location, good accessibility and a sufficient critical size, among other factors. - buildings that are well equipped and flexible, in an appropriate rental situation and with potential for value creation ▪ The Company is committed to the new world of work: - a redesigned world of work; workspaces are organised according to the type of activity and the profile of the users. - expansion of the offering and potential targets with the acquisition of a majority shareholding in the Silversquare coworking company. - plans to develop (with Silversquare) a Belux hybrid office network. - extensive and personalised range of services to make life easier for its tenants. - a mix of functions in the new projects to ensure that the environment is conducive to the development of a genuine community life. - projects that integrate into the city; the buildings become an ecosystem open to their urban environment, bringing together a mix of functions. ▪ The Company has a professional commercial team dedicated to finding new tenants and actively managing the relationship with its customers. ▪ Steady cash flow depends mainly on rental income being secured. The Company therefore strives to ensure that a large proportion of its portfolio is let on long-term leases and/or to multiple tenants, which helps to spread the rental risks.

		▪ At 30 June 2019, the weighted average duration of Befimmo's current leases until the next break was 7.34 years. ▪ The spot occupancy rate of the properties available for lease at 30 June 2019 was 95.46% compared with 94.50% at 31 December 2018. ▪ The major projects in the North area are an opportunity for the Company to address the lack of Grade A[27] buildings in Brussels.
RISKS RELATED TO (RE)DEVELOPMENT ACTIVITIES		
Risk associated with the renovation or construction of buildings. In preparation for a new life cycle, the buildings in the portfolio must under-go a major renovation or be rebuilt. In this context Befimmo is exposed to risks related to: - the choice of service providers (architects, contractors, specialist lawyers). - choice of use format. - obtaining permits (difficulties, delays, changes in the law, etc.). - construction (costs, delays, compliance, etc.). - commercialisation.	▪ Construction and/or operating costs overrunning the budget. ▪ Absence of rental income on completion of the works and costs related to the vacancy. ▪ Pressure on marketing conditions and for granting of rental gratuities. ▪ Negative impact on the occupancy rate of the portfolio.	▪ Design innovative, sustainable and quality projects (incorporating the latest technologies) to satisfy market needs. ▪ Ongoing analysis of market needs: - a redesigned world of work; workspaces are organized according to the users' type of business and their profile. - wide and personalised range of services to make life easier for its tenants. - a mix of functions in the new projects to ensure that the environment is conducive to the development of a genuine community life. - projects that integrate into the city; the buildings become an ecosystem open to their urban environment, bringing together a mix of functions. ▪ Proactive and repeated dialogue with the public authorities for permit applications. ▪ Choice of quality partners. ▪ Professional commercial team dedicated to finding new occupants.
RISKS ASSOCIATED WITH TENANTS		
Risks related to the insolvency of its tenants.	▪ Loss of rental income, an increase in property charges where rental charges cannot be recovered, and the emergence of unexpected rental vacancies. ▪ Risk of pressure on the renewal conditions and to grant rental gratuities, etc.	▪ Prior review of the financial health of potential customers. ▪ Private-sector tenants[28] are required to provide a rental guarantee. ▪ There is a procedure for regularly monitoring outstanding receivables.
RISKS RELATED TO MERGERS, DEMERGERS, ACQUISITIONS AND JOINT VENTURES		
Risk that the value of certain assets may have been over-estimated or that hidden	▪ Realisation of the need to revalue certain assets or record certain	▪ Take the usual precautions in operations of this type, mainly by carrying out full due-diligence exercises (real-estate, accounts, taxation, etc.) on

[27] A new building (new build or major renovation) meeting the latest environmental, technical and spatial layout standards (notably efficient floor space). Generally, a building that is new or less than 5 years old.

[28] Public-sector tenants (the Belgian Government, Flemish Region and European institutions), which occupy a substantial proportion of the Company's portfolio (59.4% as at 30 June 2019, calculated on the basis of the gross rent under current leases as at 30 June 2019), do not generally provide rental guarantees, however, but do have a more limited risk profile.

liabilities have been transferred to the Company during mergers, spin-offs or acquisitions, or joint ventures.	liabilities that could entail a financial loss to the Company.	properties contributed and on absorbed or merged companies, that may involve obtaining guarantees. ▪ Take similar precautions in case of joint ventures.
RISKS RELATED TO THE COWORKING MARKET		
Risks related to the entry into a new and fast-developing market (control of the key factors of success, competition, etc.).	▪ Profitability linked to the success of the underlying activity.	▪ Taking a majority stake in a company (Silversquare) with broad experience in coworking. ▪ The impact is relatively limited on Befimmo as it is developing this business gradually.
RISK RELATED TO THE COMPANY'S REPUTATION		
Reputational risk in relation to stakeholders (current and prospective tenants, local residents, public authorities, current and potential investors, financial and other analysts, suppliers, etc.). Reputation is influenced by information disseminated by the media and on social networks.	▪ Reputational damage to the Company could have adverse repercussions, notably when negotiating lease agreements, seeking financing and/or the value of the share.	▪ Corporate Governance Charter and Code of Ethics drafted by the Board of Directors. Code of Ethics requiring ethical values to be observed in relations with customers, staff, partners and shareholders. ▪ In addition to its reporting requirements as a listed company and a BE-REIT, Befimmo communicates transparently and proactively in order to best meet the expectations of its stakeholders. ▪ The Company has a communication plan (internal and external) and a crisis communication plan. It commissions reputation analyses from specialist agencies. ▪ The media are monitored daily and any necessary corrections or clarifications are issued. → « Environmental risks» → « Risk related to a change in the Company's rating »

MAIN RISKS IN THE PROPERTY PORTFOLIO

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
RISK RELATED TO THE FAIR VALUE OF THE PROPERTIES		
Risk of a negative change in the fair value of the portfolio. Risk of the real-estate experts overvaluing or under-valuing 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 still holds true to some extent for the decentralised areas and	▪ Impact on the Company's net result, equity, debt[30] and LTV[31] ratios. ▪ Impact on the Company's ability to distribute a dividend[32] if the cumulative negative changes in fair value were to exceed the total value of distributable and non-distributable reserves and the	▪ The Company has an investment strategy focused on: - quality office buildings, with a good location, good accessibility and an adequate critical size, among other factors. - buildings that are well equipped and flexible, in an appropriate rental situation and with potential for value creation ▪ The Company is committed to the new world of work: - a redesigned world of work; workspaces are organised according to the type of activity and the profile of the users.

[30] The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.
[31] Loan to value (LTV) = [(nominal financial debts – cash)/fair value of portfolio].
[32] Please see the chapter "Appropriation of results (statutory accounts)" on page 76 of the Annual Financial Report.

periphery of Brussels (7.46%[29]of the portfolio), and more generally in the Belgian provincial towns.	distributable portion of the share premiums. ▪ On the basis of the data as at 30 June 2019, a 1% decline in the value of the property assets would have an impact of around -€26.9 million on the net result, entailing a change of around -€1.05 in the net asset value per share, around +0.42% in the debt ratio and around +0.41% in the LTV ratio.	- expansion of the offering and potential targets with the acquisition of a majority shareholding in the Silversquare coworking company. - plans to develop (with Silversquare) a Belux hybrid office network. - extensive and personalised range of services to make life easier for its tenants. - a mix of functions in the new projects to ensure that the environment is conducive to the development of a genuine community life. - projects that integrate into the city; the buildings become an ecosystem open to their urban environment, bringing together a mix of functions. ▪ Statutory rotation of independent experts. They are systematically informed of changes in the situation of the buildings, and regularly visit buildings.
RISKS RELATED TO INADEQUATE INSURANCE COVER		
Risk of occurrence of a major loss affecting the buildings, with insufficient cover.	▪ Costs of refurbishing the affected building. ▪ Fall in the operating result of the portfolio and in the fair value of the building following the termination of the lease through frustration, and therefore an unexpected rental vacancy.	▪ Buildings are covered by a number of insurance policies (risk of fire, storm damage, water damage, etc.) covering loss of rent for a limited period (in principle for the time needed for reconstruction) and the cost of reconstruction, for a total sum (new reconstruction value, excluding the value of the land) of €2,018.6 million as at 30 June 2019. ▪ Buildings are covered by a policy insuring against acts of terrorism.
RISK OF DETERIORATION AND OBSOLESCENCE OF BUILDINGS		
Risk of wear and tear and obsolescence, relating to increasingly stringent requirements (legislative, societal or environmental).	▪ Rental vacancies. ▪ Investments required to bring the building into compliance with regulatory requirements and tenants' expectations.	▪ Property kept in a good state of repair and maintained in line with good practice in terms of energy, technical and other performance criteria, by making an inventory of preventive and corrective maintenance work to be carried out, and establishing a works programme. ▪ Most of the buildings are covered by "total guarantee" maintenance contracts[33]. ▪ At 30 June 2019, 87% of the consolidated portfolio was covered by such a "total guarantee" contract. ▪ Close monitoring of developments in existing environmental legislation, anticipation of new measures, and analysis of sector studies, with a view to incorporating new technologies and management tools as soon as possible into renovation projects. ▪ Use of resources: Befimmo adopts an eco-responsible approach at every stage of a

[29] Calculated on the basis of the fair value of the investment properties as at 30 June 2019. .

[33] 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.

		building's life, making optimal use of energy and natural resources.
RISKS RELATED TO THE REALISATION OF WORKS		
Risks of delays, budget overspending, environmental damage and organisational problems when erecting, redeveloping and carrying out major works in the buildings in the portfolio. Risk of insolvency and non-compliance with specifications by the contractors responsible for the works.	▪ Adverse impact on the Company's results owing to a loss of rental income and/or an increase in charges. ▪ Adverse impact on the Company's reputation.	▪ Site communication plan, dialogue with local residents, etc. ▪ Monitoring of technical, budgetary and planning aspects has been introduced to manage the risks associated with this work. ▪ Contracts with building contractors generally provide for a number of measures to mitigate such risks (price ceilings, delay penalties, etc.). ▪ Regarding environmental issues, specific measures are incorporated into the specifications and contracts applying to successful tenderers. ▪ Monitoring of compliance with these environmental measures while the works are in progress (notably by external environ-mental coordinators, ISO 14001 procedures, site audits, BREEAM assessors, etc.). ▪ Regular assessment of main suppliers and service providers, and checks that co-contractors have no unpaid social contributions or taxes.
ENVIRONMENTAL RISKS		
Environmental risks in terms of pollution of soil, water and air (high CO2 emissions) and also noise pollution. Risk of not achieving the Company's targets for improving its environmental performance and of losing the certifications (BREEAM, ISO 14001, etc.) that it has obtained.	▪ Adverse environmental impact. ▪ High costs for Befimmo. ▪ Adverse impact on Befimmo's reputation with its stakeholders. ▪ In some cases, an adverse impact on the fair value of the portfolio.	▪ A responsible approach, under which, for many years, the necessary action has gradually been taken to reduce the environmental impact of the activities that the Company controls and influences directly. ▪ The implementation of the Environmental Management System (EMS), which is ISO 14001 compliant, helps to anticipate environmental risks at both strategic level (acquisitions, major renovations, etc.) and operational level (building maintenance, use of buildings, etc.). ▪ An analysis was conducted of the environmental performance and the potential for improvement of the portfolio, and compliance with the requirements associated with certifications obtained. ▪ Use of resources: Befimmo adopts an eco-responsible approach at every stage of a building's life, making optimal use of energy and natural resources. → « Property report »
RISK RELATED TO CO-OWNERSHIP		
Some properties in the Befimmo portfolio are co-owned. Co-ownerships are governed by the Civil Code and provide in particular that important decisions other than the routine management of the co-ownership must be taken by special majorities.	▪ Impact on the times for carrying out major works or even the feasibility of certain projects, as important decisions must be taken by qualified majority voting.	▪ Limitation of the Company's ownership of co-owned assets. ▪ The percentage of the Befimmo portfolio held in co-ownership was 7.56% (based on the fair value of the portfolio) at 30 June 2019.

Furthermore, no single co-owner may ever have a majority voting power in relation to all other co-owners present or represented.		
RISK OF POWER CUTS		
Risk of having buildings in a loadshedding area that might experience a cut or restriction of the electricity supply during the blackout period.	▪ Adverse impact on the wellbeing of the occupants. ▪ Adverse impact on the Company's reputation. ▪ Adverse impact when renegotiating a lease or when concluding a new lease agreement.	▪ When new investments are made, Befimmo analyses whether the property is located in the load-shedding area (at the time of acquisition). ▪ Befimmo also monitors changes in the load-shedding area.

MAIN FINANCIAL RISKS

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
RISK OF A CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE		
A change in the interest and ex-change rates alters the value of the financial assets and liabilities carried at fair value.	▪ Had the euro, US dollar and pound sterling interest rate curves been 0.5% lower than the reference rate curves at 30 June 2019, the change in fair value of the financial assets and liabilities would have been -€28.8 million. In the opposite case, the change in fair value would have been +€27.3 million. ▪ Changes in the euro-US dollar and euro-sterling exchange rates can also have a significant impact on the fair value of the USPP finance, which is denominated in US dollars and pounds sterling.	▪ The change in fair value of the USPP debt is substantially 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). ▪ At 30 June 2019, the net fair value of all the hedging instruments, including the cumulative change in the fair value of the USPP debt, was -€43.26 million. ▪ Part of Befimmo's borrowings (59.85%) are arranged at floating rates, which therefore means that the debt does not change in value in line with changes in interest rates.
RISK RELATED TO A CHANGE IN THE COMPANY'S RATING		
The Company's financing cost is influenced mainly by Standard & Poor's rating.	▪ Any downgrade of the rating would make it harder to obtain new financing and, if the rating were reduced by one notch from BBB to BBB-, would entail an additional financing	▪ Regular review of the criteria (ratios) used to determine its rating, analysis of the potential impact of the Company's decisions on any changes in the rating, and the forecast changes in those ratios. ▪ The Standard & Poor's rating agency confirmed the rating of BBB/outlook stable for Befimmo's

	cost estimated at €0.74 million, based on the debt structure and current contracts as at 30 June 2019. ▪ Adverse impact on the Company's image with investors.	long-term borrowings and A-2 for its short-term borrowings.
FINANCIAL LIQUIDITY RISK		
Befimmo is exposed to a liquidity risk related to the renewal of its financing as it reaches maturity or for any additional funding needed to meet its commitments. The Company could also be exposed to this risk if its financing agreements were terminated.	▪ New financing arranged at a higher cost. ▪ Sale of certain assets under less than ideal conditions.	▪ Adoption of a financial policy which in particular diversifies the sources and maturities of its financing. At 30 June 2019, the ratio of debt provided by financing from 8 banking institutions was 68.20%. The remainder is provided by various bond issues (one private bond placement in the United States (USPP) and a number of private placements in Europe). ▪ At 30 June 2019, the Company had confirmed un-used lines of €244.6 million including cash. The Company aims to continually anticipate its financing needs (notably for its investments) and keep a defined amount in confirmed unused lines at all times so as to hedge this risk over a time frame of at least 12 months. ▪ The debt ratio (as per the Royal Decree) amounts to 43.48% at 30 June 2019 (the statutory limit is 65%) compared to 45.76% as at 31 December 2018.
RISK RELATED TO COUNTERPARTY BANKS		
Arranging finance or a hedging instrument with a financial institution creates a counterparty risk of that institution defaulting.	▪ 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.	▪ Diversifying its banking relationships and working with banks that have an adequate rating or an acceptable level of risk. As at 30 June 2019, the Company had a business relationship with several banks: - at 30 June 2019, Befimmo had credit lines of €852.3 million. Banks providing this financing: Agricultural Bank of China Luxembourg, Banque Degroof Petercam, BECM (CM-CIC group), Belfius, BNP Paribas Fortis, ING, KBC and Société Générale; - the counterparty banks for the hedging instruments are BECM (CM-CIC group), Belfius, BNP Paribas Fortis, ING, KBC and Natwest Markets PLC (RBS Group). ▪ The financial model is based on structural borrowing: the amount of cash deposited with financial institutions is structurally very limited. It was €2.8 million as at 30 June 2019 compared with €0.59 million at 31 December 2018.
RISK RELATED TO OBLIGATIONS CONTAINED IN FINANCING AGREEMENTS		
Risk of financing agreements being cancelled, renegotiated or terminated early should the Company fail to abide by the covenants it made when	▪ Any challenge to a financing agreement would expose the Company to having to arrange additional	▪ 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.

signing those agreements, notably regarding certain financial ratios. Risk of a penalty if agreements 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.	financing at a potentially higher cost or sell certain assets under less than ideal conditions.	
RISK LINKED TO VOLATILITY AND SHARE PRICE		
The Company is exposed to a significant discrepancy between the share price and the Company's net asset value.	▪ More difficult access to new equity may limit development capacity. ▪ Adverse impact on the Company's reputation.	▪ Devise and implement a value-creation strategy. ▪ Publish outlook and dividend forecast. ▪ Regular, transparent and proactive communication to financial analysts and current and prospective investors.

MAIN RISKS RELATED TO REGULATION

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
RISK RELATED TO REGULATION		
The Company is exposed to changes in (Belgian, European and international) law and increasingly numerous and complex regulations, and to possible changes in their interpretation or application by the authorities or the courts, notably accounting, reporting, fiscal, environmental, urban-development and public-procurement regulations.	▪ Risk of the Company being held liable, 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.	▪ A legal team with the necessary skills ensures strict compliance with current regulations and, as far as possible, anticipates changes in the law (legislation watch). ▪ The Company also calls upon external consultants.
RISKS RELATED TO NON-COMPLIANCE OF THE BUILDINGS WITH THE APPLICABLE REGULATIONS		
The Company runs the risk that one or more of its properties does not immediately meet all the applicable new standards and regulations.	▪ Additional investments which entail higher costs for the Company and/or delays in ongoing projects (renovations, etc.). ▪ Fall in the fair value of a building. ▪ The Company is liable for civil, administrative or criminal fines. ▪ Liability of the Company for non-compliance (e.g. in case of fire for failing to comply with safety standards).	▪ Introduce the necessary procedures to: - anticipate new standards and regulations (legislative and regulatory watch), - check the compliance of buildings newly acquired (technical due diligence) and in the portfolio (product manager in charge of regulatory compliance, checks on compliance with standards and regulations, notably related to the environment), - bring the building concerned immediately into compliance by adopting these new standards and regulations (project management). ▪ Tenants are made aware of their obligations in this regard by a clause in the standard lease.

	▪ An adverse impact on the Company's reputation, business and results.	
RISKS RELATED TO THE BE-REIT STATUS		
Risk of non-compliance with the BE-REIT regime. Risk of future adverse changes to that regime.	▪ Loss of approval for the BE-REIT status, and no longer qualifying for the transparent tax regime applicable to BE-REITs. ▪ Early repayment by acceleration of payment of loans taken out by the Company. ▪ Any future adverse changes in the BE-REIT regime could 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.	▪ A legal team with the necessary skills ensures strict compliance with current regulations and, as far as possible, anticipates changes in the law (legislation watch). ▪ The Company also calls upon external consultants.
TAX REGIME		
As a BE-REIT, the Company enjoys a specific tax regime. The legislator intended the BE-REIT to ensure a high degree of transparency for real-estate investments and distribute 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 its cash flows are distributed (calculated on the basis of Article 13 of the Royal Decree of 13.07.2014). BE-REITs are exempt from corporation tax on the results (rental income and capital gains realised minus operating costs and financial charges)[34]. The exit tax is calculated as per circular Ci.RH.423/567.729 of 23.12.2004, the interpretation or practical application of which is liable to change. The real value of a property, as referred to in that circular, is calculated after deducting the registration fees or VAT. This real value differs from (and so may be less than) the fair value of the property as set out in the BE-REIT's IFRS balance sheet. Any change to this circular could potentially entail an increase in the basis on which the exit tax is calculated. Befimmo complies in all respects with the regulations in force, and the provisions of the above-mentioned circular, for the calculation of exit taxes it owes in connection with the transactions on which the tax is due.		
RISK OF LEGAL PROCEEDINGS		
The Company is a party to legal proceedings and may be involved in others in future.	▪ 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 registration document), are unlikely to have a major impact	▪ A legal team with the necessary skills ensures strict compliance with current regulations and, as far as possible, proactively anticipates changes in the law (legislation watch). ▪ The Company also calls upon external consultants.

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

	on Befimmo, as the potential losses are highly unlikely to materialise and/or are of insignificant amounts.	

MAIN OPERATIONAL RISKS

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
OPERATIONAL RISK		
Risk of loss or loss of earnings resulting from inadequate or failed internal processes, people and systems or from external events (natural disasters, human error, etc.).	▪ The Company is exposed to the risk of the loss or theft of sensitive data, financial loss, and interruption of business in the event of a failure of systems or processes.	▪ Corporate Governance Charter and Code of Ethics drafted by the Board of Directors. ▪ Code of Ethics requiring ethical values to be observed in relations with customers, staff, partners and shareholders. ▪ A business continuity plan has been devised, consisting of measures which, in the event of a crisis, allow essential operations and services to continue, possibly in degraded mode, and a planned resumption of business. It covers both functional and IT aspects.
RISK RELATED TO THE INTEGRITY OF INFORMATION SYSTEMS AND DATA		
Failure of information systems and cyber-crime that could jeopardise business continuity.	▪ The Company is exposed to the risk of disruption of its business in the event of a failure of information systems or cyber-crime.	▪ A business continuity plan has been devised, consisting of measures which, in the event of a crisis, allow essential operations and 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 using a variety of techniques (redundant infrastructure, daily back-ups online and on cassette). Measures taken to secure access to the Company's data. Outsourced IT support provided by two partners under a service level agreement (SLA). ▪ Awareness actions for the team to the risks of cybercriminality and fraud.
RISK OF FRAUD		
Misappropriation of Company assets for own account or for third parties.	▪ The Company is exposed to the risk of loss or theft of sensitive data, and financial loss as a result of fraud.	▪ Corporate Governance Charter and Code of Ethics drafted by the Board of Directors. ▪ Code of Ethics requiring ethical values to be observed in relations with customers, staff, partners and shareholders. ▪ Procedures for controlling sensitive data. ▪ Awareness actions for the team to the risks of cybercriminality and fraud.
RISK RELATED TO TEAM MEMBERS		
Risk of departure of certain key members of staff.	▪ A loss of key skills in the Company could lead to	▪ Special attention is paid to staff wellbeing and motivation. Pay is in line with market rates (benchmarking).

	a delay in achieving some of its objectives.	▪ Importance of managing the skills of the team members. ▪ Importance of dialogue with the team. ▪ New procedure for the induction of new employees (mentoring system, etc.). ▪ As far as possible, Befimmo prepares for departures and ensures that know-how is passed on.

Befimmo at a glance

Befimmo, a Belgian Real-Estate Investment Trust (SIR-GVV), is an investor and real-estate operator specialising in quality workspace. These "Befimmo Environments" are located in Brussels, in the main Belgian towns and cities and in the Grand Duchy of Luxembourg. With its subsidiary, Silversquare, Befimmo aims to develop a Belux network of interconnected and flexible workspaces.

As a company that is human, a corporate citizen, and responsible, Befimmo offers its users inspiring workspaces and related services in buildings that are sustainable in terms of architecture, location and respect for the environment.

Its portfolio is worth some €2.7 billion and comprises around a hundred office buildings with space totalling over 900,000 m^2.

Befimmo is listed on Euronext Brussels. At 30 June 2019, its market capitalisation was €1.4 billion. Befimmo offers its shareholders a solid dividend and a yield in line with its risk profile.

By creating added value for its users, Befimmo also creates value for its shareholders.

Appendix 1: Conclusions of the real-estate expert coordinator

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

Dear Mesdames,
Dear Sirs,

Re : Valuation of the real-estate portfolio of Befimmo as at 30th June 2019.

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 31st March 2019. We have been mandated to value part of the Befimmo and Fedimmo portfolios while Cushman and Wakefield have been mandated to value another part of the Befimmo and Fedimmo portfolios. The part valued by Jones Lang LaSalle is the part leased on multiple short term leases mainly in Brussels and its hinterland. Furthermore we have consolidated the results of the valuation of which the main conclusions are listed hereunder. As requested by Befimmo, Cushman and Wakefield is also responsible for determining the fair value of the right of use arising from leases under which Befimmo and/or Silversquare have obligations in their capacity as lessee. This request arises from the publication by the International Accounting Standards Board (IASB) of IFRS 16, effective for annual reporting periods beginning on or after 1 January 2019, which requires the lessee to recognise in the balance sheet a right-of-use asset and lease liability representing its obligation to make lease payments. This fair value, as defined in IFRS 16, is obtained by updating rent flows remaining until the end of the agreement, taking account of gratuities, benefits and other adjustments. As at 30 June 2019, the cumulative fair value of the right-of-use asset amounts to €21,824,996.

Jones Lang LaSalle has been active in Belgium since 1965 and has a long track record in valuing professional real estate. Cushman & Wakefield 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 B-REIT and in accordance with the IAS/IFRS norms it is common practice to use the fair value. Following a press release of the Belgian Association of Asset Managers (BEAMA), dated

8 February 2006 and as confirmed in the press release of the BE-REIT Association dated 10 November 2016, the fair value can be obtained by subtracting 2.5% transaction costs from properties with an investment value of more than € 2,500,000. For properties with an investment value under € 2,500,000 registration duties of 10% or 12.5% should be subtracted, depending on the region where they are situated.

In the light of all comments mentioned above, we confirm that the investment value of the consolidated Befimmo property portfolio as at 30th June 2019 amounts to a total of

€ 2,753,160,000
(Two billion seven hundred and fifty three million one hundred and sixty thousand Euros);

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

The most likely sale value corresponding to the fair value of the consolidated Befimmo property portfolio as at 30th June 2019 amounts to a total of

€ 2,685,663,016
(Two billion six hundred and eighty five million six hundred and sixty three thousand and sixteen Euros);

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

On this basis, the initial yield of the portfolio with properties available for lease stood at 5.43%. Should the vacant accommodation be fully let at estimated rental value, the initial yield is 5.67% for the same portfolio.

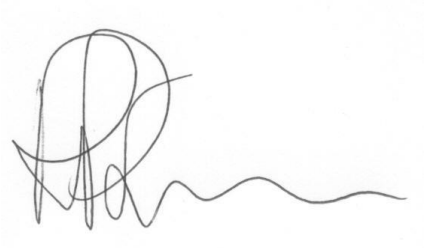
The occupation rate of the portfolio with properties available for lease is 95.46%.

The property portfolio comprises:

Offices	Fair Value (€ millions)	(in %)
Properties available for lease	*2 370.6*	*88.3%*
Brussels centre (CBD)	1 337.4	49.8%
Brussels decentralised	80.5	3.0%
Brussels periphery	119.9	4.5%
Wallonia	222.8	8.3%
Flanders	475.0	17.7%
Luxembourg City	135.0	5.0%
Properties that are being constructed or developed for own account in order to be leased	*311.6*	*11.6%*
Properties held for sale	*3.5*	*0.1%*
Total	2 685.7	100.0%
Fair value of the right of use arising from office leases	21.8	
Total of investment properties	2 707.5	

Yours sincerely,

Brussels, 16th July 2019



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

Appendix 2: Glossary of the real-estate indicators

Gross current rent from lease agreements
The annualised total of the rents of current leases at the balance sheet date, not taking account of current gratuities or rents under leases commencing after the balance sheet date concerned.

Gross initial yield on investment properties
The ratio between the gross current rent from lease agreements and the "deed-in-hands" value of investment properties.

Gross initial yield on properties available for lease
The ratio between the gross current rent from lease agreements and the “deed-in-hands” value of properties available for lease.

Gross potential yield on properties available for lease
The ratio between the potential rent and the "deed-in-hands" value of properties available for lease.

Potential rent
The gross current rent from lease agreements as defined above, plus the estimated rental value of unoccupied space at the balance sheet date.

Reversion of properties available for lease
The potential for revising the rents of the portfolio of properties available for lease in relation to the estimated rental value of the portfolio expressed as a percentage and calculated using the following formula: the ratio between the total estimated rental value of properties available for lease and the potential rent of properties available for lease -1.

Spot occupancy rate of properties available for lease
The ratio between the estimated rental value of space occupied at the balance sheet date and the total estimated rental value of properties available for lease.

Weighted average duration of current leases until their next break
The ratio of (i) the sum of the gross current rents from lease agreements for each lease of properties available for lease multiplied by their respective remaining duration from the balance sheet date to their next break and (ii) the total gross current rent from lease agreements of properties available for lease.

Weighted average duration of current leases until final expiry
The ratio of (i) the sum of the gross current rents from lease agreements for each lease of properties available for lease multiplied by their respective remaining duration from the balance sheet date to their final expiry date and (ii) the total gross current rent from lease agreements of properties available for lease.

Appendix 3: Alternative Performance Measures

REAL-ESTATE OPERATOR BUSINESS

GLOSSARY OF THE "ALTERNATIVE PERFORMANCE MEASURES"

Alternative Performance Measure	Definition	Use
Net property charges	The sum of various property charges, net of amounts recoverable from tenants (corresponds to the sum of headings IV to XIII of the consolidated statement of total comprehensive income).	Gives an overview of all net property charges.
Other operating income and charges (excluding goodwill impairment)	Heading XV 'Other operating income and charges' minus any goodwill impairment.	Used to compare forecasts and actual figures in heading XV 'Other operating income and charges'. Any goodwill impairment is not budgeted.
Operating margin	'Operating result before result on portfolio' divided by 'Net rental result'.	Used to assess the Company's operating performance.
Net property result	'Operating result before result on portfolio' plus heading XVI 'Gains and losses on disposals of investment properties'.	Used to identify the operating profit before changes in the fair value of investment property.
Financial result (excluding changes in fair value of financial assets and liabilities)	'Financial result' minus heading XXIII 'Changes in fair value of financial assets and liabilities'.	Used to compare forecasts and actual figures in the financial results.
Net result before changes in fair value of investment properties and financial assets and liabilities	'Net result' minus heading XVIII 'Changes in fair value of investment property' and heading XXIII 'Changes in fair value of financial assets and liabilities'.	Used to identify the net result before changes in the fair value of investment property and of the financial assets and liabilities.
"Like-for-Like" net rental result	Net rental result of properties available for lease at constant perimeter for two consecutive periods. The 'Like-for-Like' scope is calculated on the basis of the EPRA definition.	Used to measure the change in rental income of properties available for lease at constant floor area for two consecutive periods.

RECONCILIATION TABLES OF THE "ALTERNATIVE PERFORMANCE MEASURES"

Net rental result « like-for-like »

(in thousand €)	30/06/2019	30/06/2018
Net rental result (A)	69 482	71 539
Net rental result linked to changes in perimeter (B)	4 324	4 735
Net rental result on properties not available for lease (C)	3 274	7 566
Net rental result in « Like-for-Like » (A-B-C)	**61 883**	**59 238**

Net result before changes in fair value of investment properties and financial assets and liabilities

(in thousand €)	30/06/2019	30/06/2018
Net result (A)	100 555	38 708
XVIII. Changes in fair value of investment properties (B)	77 430	-8 037
XXIII. Changes in fair value of financial assets and liabilities (C)	-28 322	-1 994
Net result before changes in fair value of investment properties and financial assets and liabilities (A-B-C)	**51 446**	**48 740**

Financial result (excl. the changes in fair value of the financial assets and liabilities)

(in thousand €)	30/06/2019	30/06/2018
Financial result (A)	-41 229	-11 979
XXIII. Changes in fair value of financial assets and liabilities (B)	-28 322	-1 994
Financial result (excl. the changes in fair value of the financial assets and liabilities) (A-B)	**-12 907**	**-9 984**

Net property result

(in thousand €)	30/06/2019	30/06/2018
Operating result before result on portfolio	54 798	59 190
XVI. Gains or losses on disposals of investment properties	10 317	-
Net property result	**65 116**	**59 190**

Operating margin

(in thousand €)	30/06/2019	30/06/2018
Operating result before result on portfolio (A)	54 798	59 190
Net rental result (B)	69 482	71 539
Operating margin (A/B)	**78.9%**	**82.7%**

Other operating income and charges (excluding goodwill impairment)

(in thousand €)	30/06/2019	30/06/2018
XV. Other operating income and charges (A)	- 917	- 417
Goodwill impairment (B)	-	-
Other operating income and charges (excluding goodwill impairment) (A-B)	**- 917**	**- 417**

Net property charges

(in thousand €)	30/06/2019	30/06/2018
IV. Recovery of property charges	4 457	6 244
V. Recovery of rental charges and taxes normally paid by tenants on let properties	21 732	25 277
VI. Costs payable by the tenant and borne by the landlord on rental damage and redecoration at end of lease	-	-
VII. Rental charges and taxes normally paid by tenants on let properties	-22 489	-24 403
VIII. Other revenue and charges for letting	332	552
IX. Technical costs	-4 348	-5 900
X. Commercial costs	- 142	- 385
XI. Charges and taxes on unlet properties	-1 434	-1 866
XII. Property management costs	-1 383	-1 428
XIII. Other property charges	-3 413	-3 435
Net property charges	**-6 689**	**-5 345**

CONSOLIDATED

GLOSSARY OF THE "ALTERNATIVE PERFORMANCE MEASURES"

Alternative Performance Measure	Definition	Use
Loan-to-value ("LTV")	Nominal financial debt minus balance sheet heading II.F. 'Cash and cash equivalents', divided by the sum of balance sheet headings I.C. "Investment property" and II.A. 'Properties held for sale'. Nominal financial debts are the accounting financial debts excluding IFRS adjustments, in other words excluding the reassessment at fair value of financial assets and liabilities and the smoothing of debt issuance costs.	This is the debt ratio calculated on the basis of the fair value of the property portfolio.
Average (annualised) financing cost	Annualised interest paid over the reporting period, including the credit margin, the cost of the hedging instruments and liquidity cost, divided by the average nominal financial debt over the period concerned.	Used to measure the average cost of the Company's financial debt.
Return on shareholders' equity (in € per share)	The return obtained by an investor over a 12-month period ending at the close of the period, assuming the reinvestment of dividends and the participation in operations to strengthen the Company's capital. The calculation is based on the average number of shares not held by the group over a 12-month period.	Used to measure the profitability over 12 months (in €/share) of a shareholder's investment on the basis of the value of shareholders' equity.
Return on shareholders' equity (in %)	The internal rate of return earned by an investor over a 12-month period ending at the close of the period, assuming the reinvestment of dividends and the participation in operations to strengthen the Company's capital. The calculation is based on the average number of shares not held by the group over a 12-month period.	Used to measure the profitability over 12 months (in %) of a shareholder's investment on the basis of the value of shareholders' equity.

RECONCILIATION TABLES OF THE "ALTERNATIVE PERFORMANCE MEASURES"

Loan-to-value

(in thousand €)	30/06/2019	31/12/2018
Nominal financial debts (A)	1 095 323	1 158 792
II. F. Cash and cash equivalents (B)	2 774	591
I. C. Investment properties (D)	2 682 180	2 655 324
II. A. Assets held for sale (E)	3 483	0
Fair value of portfolio at the closing date (C = D+E)	**2 685 663**	**2 655 324**
Loan-to-value (A-B)/C	**40.68%**	**43.62%**

Average (annualised) financing cost

(in thousand €)	30/06/2019	30/06/2018
Interest paid	11 332	10 747
Annualised interest paid (A)	22 665	21 494
Annualised nominal financial debts (B)	1 145 196	1 093 845
Average (annualised) financing cost (A/B)	**1.98%**	**1.97%**

Return on shareholders' equity (in € per share and in %)

	30.06.2019	31.12.2018
Return on shareholders' equity (in € per share)	5.41	3.15
Return on shareholders' equity (in %)	9.68%	5.61%

Appendix 4: Tables of the EPRA best practices recommendations [35]

EPRA INDICATORS – REAL-ESTATE OPERATOR BUSINESS

EPRA earnings

(in € thousand)	30.06.2019	30.06.2018
Net result IFRS	**100 555**	**38 708**
Net result IFRS (in € per share)	**3.93**	**1.51**
Adjustments to calculate EPRA earnings		
To exclude:		
I. Changes in fair value of investment properties and properties held for sale	- 77 430	8 037
II. Result on disposals of investment properties	- 10 317	-
VI. Changes in fair value of financial assets and liabilities and close-out costs	30 766	1 994
VIII. Deferred tax in respect to EPRA adjustments	203	-
EPRA earnings	**43 776**	**48 740**
EPRA earnings (in € per share)	**1.71**	**1.91**

EPRA Vacancy rate

(in € thousand)	30.06.2019	31.12.2018
Estimated rental value (ERV) on vacant space (A)	4 731	5 994
Estimated rental value (ERV) (VLE) (B)	124 958	140 145
EPRA Vacancy rate of properties available for lease (A)/(B)	**3.79%**	**4.28%**

[35] The definitions of the EPRA indicators are published on pages 22 and 23 of this Report. Source: EPRA Best Practices (www.epra.com).

EPRA Net Initial Yield (NIY) & Topped-up (NIY)

(€ thousand)	30.06.2019	31.12.2018
Investment properties and properties held for sale	2 685 663	2 655 324
To exclude:		
Properties that are being constructed or developed for own account in order to be leased	- 311 609	- 199 512
Properties held for sale	- 3 483	-
Properties available for lease	2 370 571	2 455 813
To include:		
Allowance for estimated purchasers' cost	59 499	61 777
Investment value of properties available for lease (B)	**2 430 070**	**2 517 590**
Annualised cash passing rental income	129 137	147 928
To exclude:		
Property charges[(a)]	- 6 877	- 4 685
Annualised net rents (A)	**122 260**	**143 243**
To include:		
- Notional rent expiration of rent free periods or other lease incentives	3 353	2 710
- Future rent on signed contracts[(b)]	-	-
Topped-up annualised net rents (C)	**125 613**	**145 953[(b)]**
(in %)		
EPRA Net Initial Yield (A/B)	**5.03%**	**5.69%**
EPRA Topped-up Net Initial Yield (C/B)	**5.17%**	**5.80%[(b)]**

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

(b) Since 31 March 2019, Befimmo no longer includes the rent "Future rent on signed contracts" in the calculation of the EPRA Topped-up NIY. The percentage as of 31 December 2018 has therefore been restated based on this change.

EPRA cost ratio

(in € thousand)	30.06.2019	30.06.2018
Net administrative and operating expenses in the income statement	**-13 770**	**-12 059**
III. (+/-) Rental charges	- 28	- 128
Net property charges	-6 689	-5 345
XIV. (-) Corporate overheads	-7 078	-6 586
XV. (+/-) Other operating income and charges	- 917	- 417
Exclude:		
i. Impact of the spreading of gratuities	941	417
EPRA costs (including direct vacancy costs) (A)	**-13 770**	**-12 059**
XI. (-) Charges and taxes on unlet properties	1 434	1 866
EPRA costs (excluding direct vacancy costs) (B)	**-12 336**	**-10 193**
I. (+) Rental income	69 509	71 667
Gross rental income (C)	**69 509**	**71 667**
EPRA cost ratio (including direct vacancy costs) (A/C)	**19.81%**	**16.83%**
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**17.75%**	**14.22%**

EPRA like-for-like net rental growth

Segment	30.06.2019						30.06.2019						Evolution
(in € thousand)	Properties owned throughout 2 consecutive years	Acquisitions	Disposals	Properties held for sale	Properties that are being constructed or developed[a]	Total net rental income[b]	Properties owned throughout 2 consecutive years	Acquisitions	Disposals	Properties held for sale	Properties that are being constructed or developed[a]	Total net rental income[b]	Properties owned throughout 2 consecutive years
Brussels CBD and similar	30 629	2 305	1 536		4 561	39 031	28 824	2 359	2 230		9 929	43 342	6,26%
Brussels decentralised	2 012					2 012	1 644					1 644	22,42%
Brussels periphery	3 923			80		4 003	3 314			98		3 412	18,39%
Wallonia	4 897				282	5 179	4 646				- 8	4 638	5,40%
Flanders	14 787		- 9	0		14 778	14 396		121	- 9		14 508	2,71%
Luxembourg city	2 466					2 466	2 682					2 682	-8,06%
Total	**58 715**	**2 305**	**1 527**	**80**	**4 843**	**67 470**	**55 506**	**2 359**	**2 351**	**89**	**9 921**	**70 225**	**5,78%**
Reconciliation to the consolidated IFRS income statement													
Net rental income related to:													
- Buildings sold earlier						-						- 100	
- Properties booked as financial leases (IFRS 16)						- 4						- 7	
- Non recurring element : restitution of reserve funds in 2018						-						500	
Other property charges						**- 4 673**						**- 4 424**	
Property operating result in the consolidated IFRS income statement						**62 793**						**66 194**	

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

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

EPRA INDICATORS – CONSOLIDATED

EPRA earnings

(in € thousand)	30.06.2019	30.06.2018
Net result IFRS (group share)	**101 229**	**38 708**
Net result IFRS (in € per share) (group share)	**3.96**	**1.51**
Adjustments to calculate EPRA earnings		
To exclude:		
I. Changes in fair value of investment properties and properties held for sale	- 77 988	8 037
II. Result on disposals of investment properties	- 10 317	-
VI. Changes in fair value of financial assets and liabilities and close-out costs	30 766	1 994
VIII. Deferred tax in respect to EPRA adjustments	203	-
X. Adjustments in respect of non-controlling interests	215	-
EPRA earnings (group share)	**44 107**	**48 740**
EPRA earnings (in € per share) (group share)	**1.72**	**1.91**

EPRA NAV & NNNAV

(in € thousand)	30.06.2019	31.12.2018
Net asset value (group share)	**1 515 209**	**1 443 214**
Net asset value (in € per share) (group share)	**59.24**	**56.42**
To include:		
II. Revaluation at fair value of finance lease credit	133	115
To exclude:		
IV. Fair value of financial instruments	43 263	14 941
V. a. Deferred tax	422	219
To include/exclude :		
Adjustments in respect of non-controlling interests	-	-
EPRA NAV (group share)	**1 559 027**	**1 458 489**
EPRA NAV (in € per share) (group share)	**60.95**	**57.02**
To include:		
I. Fair value of financial instruments	- 43 263	- 14 941
II. Revaluations at fair value of fixed-rate loans[(a)]	- 22 928	- 12 593
III. Deferred tax	- 422	- 219
To include/exclude :		
Adjustments in respect of non-controlling interests	-	-
EPRA NNNAV (group share)	**1 492 414**	**1 430 736**
EPRA NNNAV (in € per share) (group share)	**58.34**	**55.93**

(a) Excluding financial debt linked to IFRS 16.

FURTHER INFORMATION

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