

Condensed financial statements

Consolidated condensed statement of comprehensive income (in € thousand)

	Notes	30.06.18	30.06.17
I. (+) Rental income		71 667	72 194
III. (+/-) Charges linked to letting		- 128	- 201
NET RENTAL RESULT		71 539	71 994
IV. (+) Recovery of property charges		6 244	2 613
V. (+) Recovery of rental charges and taxes normally paid by tenants on let properties		25 277	26 106
VII. (-) Rental charges and taxes normally paid by tenants on let properties		-24 403	-25 149
VIII. (+/-) Other revenue and charges for letting		552	1 543
PROPERTY RESULT		79 208	77 107
IX. (-) Technical costs		-5 900	-4 540
X. (-) Commercial costs		- 385	- 317
XI. (-) Charges and taxes on unlet properties		-1 866	-1 936
XII. (-) Property management costs		-1 428	-1 496
XIII. (-) Other property charges		-3 435	-2 141
(+/-) Property charges		-13 014	-10 430
PROPERTY OPERATING RESULT		66 194	66 677
XIV. (-) Corporate overheads		-6 586	-5 389
XV. (+/-) Other operating income and charges		- 417	-1 127
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		59 190	60 161
XVI. (+/-) Gains and losses on disposals of investment properties		-	22 144
XVIII. (+/-) Changes in fair value of investment properties		-8 037	17 207
OPERATING RESULT		51 153	99 511
XX. (+) Financial income	5	457	242
XXI. (-) Net interest charges	5	-9 235	-9 416
XXII. (-) Other financial charges	5	-1 206	-1 378
XXIII. (+/-) Changes in fair value of financial assets and liabilities	5	-1 994	6 098
(+/-) Financial result		-11 979	-4 454
PRE-TAX RESULT		39 175	95 057
XXV. (-) Corporation tax		- 466	- 588
(+/-) Taxes		- 466	- 588
NET RESULT		38 708	94 469
BASIC NET RESULT AND DILUTED (in € per share)		1.51	3.69
Other comprehensive income - actuarial gains and losses - pension liabilities		29	171
TOTAL COMPREHENSIVE INCOME		38 738	94 640

Consolidated condensed statement of financial position (in € thousand)

ASSETS	Notes	30.06.2018	31.12.17
I. Non-current assets		2 666 025	2 532 477
A. Goodwill	6	14 281	14 281
C. Investment properties	7	2 629 998	2 494 360
D. Other property, plant and equipment		2 392	2 436
E. Non-current financial assets	8	17 503	19 498
F. Finance lease receivables		1 851	1 902
II. Current assets		46 451	26 651
A. Properties held for sale	7	-	-
B. Current financial assets	8	8 616	1 874
C. Finance lease receivables		138	136
D. Trade receivables		33 687	21 067
E. Tax receivables and other current assets		1 701	1 688
F. Cash and cash equivalents		209	254
G. Deferred charges and accrued income		2 101	1 632
TOTAL ASSETS		2 712 475	2 559 128
SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30.06.2018	31.12.17
TOTAL SHAREHOLDERS' EQUITY		1 465 244	1 448 504
I. Equity attributable to shareholders of the parent company		1 465 244	1 448 504
A. Capital		357 871	357 871
B. Share premium account		792 641	792 641
C. Reserves		276 023	228 172
D. Net result for the fiscal year		38 708	69 820
LIABILITIES		1 247 232	1 110 624
I. Non-current liabilities		562 217	505 008
A. Provisions		2 154	3 673
B. Non-current financial debts	8	540 945	484 255
a. Credit institution		171 209	153 553
c. Other		369 735	330 702
<i>EUPP</i>		290 544	165 966
<i>USPP</i>		75 997	161 916
<i>Guarantees received</i>		3 195	2 820
C. Other non-current financial liabilities		19 118	17 080
II. Current liabilities		685 014	605 616
A. Provisions		5 124	5 592
B. Current financial debts	8	584 878	517 832
a. Credit institution		65 262	47 332
c. Other		519 616	470 500
<i>EUPP</i>		15 000	15 000
<i>USPP</i>		89 116	-
<i>Commercial papers</i>		415 500	455 500
C. Other current financial liabilities	8	1 463	5
D. Trade debts and other current debts		62 867	52 359
E. Other current liabilities		1 884	2 491
F. Accrued charges and deferred income		28 799	27 337
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2 712 475	2 559 128

Consolidated condensed cash flow statement (in € thousand)

	30.06.18	30.06.17
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	254	153
Operating activities (+/-)		
Net result for the period (6 months)	38 708	94 469
Result on disposal of investment properties	-	-22 144
Financial result (excl. changes in fair value of financial assets and liabilities)	9 984	10 552
Interest paid	-10 106	-12 349
Taxes	466	588
Taxes paid	- 318	- 220
Items with no effect on cash flow to be extracted from earnings		
Fair value adjustment for investment buildings (+/-)	8 037	-17 207
Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-)	1 994	-6 098
Loss of (gain in) value on trade receivables (+/-)	36	- 62
Amortisation / Loss of (gain in) value on property, plant and equipment (+/-)	286	336
Adjustments of provisions (+/-)	-1 759	- 37
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS	47 328	47 828
Change in assets items	-11 799	-3 433
Change in liabilities items	2 431	-6 290
CHANGE IN WORKING CAPITAL REQUIREMENTS	-9 368	-9 723
CASH FLOW FROM OPERATING ACTIVITIES	37 960	38 105
Investments (-) / Disposals (+)		
Investment properties		
Investments	-21 055	-16 124
Disposals	-	123 121
Acquisition of Arts 56	-114 351	-
Acquisitions in the framework of redevelopment projects	-	-22 474
Other property, plant and equipment	- 242	- 800
CASH FLOW FROM INVESTMENT ACTIVITIES	-135 647	83 724
Financing (+/-)		
Increase (+)/Decrease (-) in financial debts	-4 116	-4 207
European private bond placements	125 000	70 000
Reimbursement retail bond April 2011	-	-162 000
Hedging instruments and other financial assets	-1 243	-2 462
Final dividend previous fiscal year	-21 998	-23 021
CASH FLOW FROM FINANCING ACTIVITIES	97 643	-121 691
NET CHANGE IN CASH AND CASH EQUIVALENTS	- 45	138
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (6 MONTHS)	209	291

Consolidated condensed statement of changes in equity (in € thousand)

	Capital	Share premium account	Reserves	Net result of the fiscal year	Total shareholders' equity
EQUITY AS AT 31.12.16	357 871	792 641	219 134	31 702	1 401 349
Appropriation of the result	-	-	31 702	-31 702	-
Dividend distributed	-	-	-23 021	-	-23 021
Final dividend of the 2016 fiscal year Befimmo	-	-	-23 021	-	-23 021
Total comprehensive income of the period (6 months)	-	-	171	94 469	94 640
EQUITY AS AT 30.06.17	357 871	792 641	227 986	94 469	1 472 967
Interim dividend	-	-	-	-66 250	-66 250
Befimmo 2017 interim dividend	-	-	-	-66 250	-66 250
Total comprehensive income of the period (6 months)	-	-	186	41 601	41 787
EQUITY AS AT 31.12.17	357 871	792 641	228 172	69 820	1 448 504
Appropriation of the result	-	-	69 820	-69 820	-
Dividend distributed	-	-	-21 998	-	-21 998
Final dividend of the 2017 fiscal year Befimmo	-	-	-21 998	-	-21 998
Total comprehensive income of the period (6 months)	-	-	29	38 708	38 738
EQUITY AS AT 30.06.18	357 871	792 641	276 023	38 708	1 465 244

Notes to the consolidated condensed financial statements

1. General business information

Befimmo ("the Company", registered with banque carrefour des entreprises 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), Beway SA (registered with banque carrefour des entreprises under number 0631.757.238), 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). All the Befimmo subsidiaries close their fiscal years at 31 December.

The Company is presenting consolidated financial statements as at 30 June 2018. The Board of Directors of Befimmo SA adopted and authorised the publication of the financial statements on 18 July 2018.

The Company's business consists of providing office buildings, meeting rooms and coworking spaces and associated services.

At 30 June 2018, 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.

The significant accounting policies are as set out in the Annual Financial Report 2017 (pages 133 to 140) which can be found on the Company's website (www.befimmo.be).

Amendments to existing standards come into force in 2018 but do not affect the principles of recognition and measurement.

3. Significant accounting judgments and main sources of uncertainty regarding estimates

The significant accounting judgments and main sources of uncertainty regarding estimates are identical to those set out in the Annual Report 2017 (page 141) 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".

	Brussels CBD and similar		Brussels decentralised		Brussels periphery	
(in € thousand)	30.06.18 (6 months)	30.06.17 (6 months)	30.06.18 (6 months)	30.06.17 (6 months)	30.06.18 (6 months)	30.06.17 (6 months)
INCOME STATEMENT						
A. Rental income	42 160	43 175	2 644	2 637	4 375	4 582
B. Property operating result	40 470	42 030	1 521	1 567	3 743	3 332
C. Change in fair value of investment properties	31 077	18 688	- 12 477	- 2 890	- 28 220	- 5 063
D. Gains and losses on disposal buildings	-	21 871	-	-	-	-
E. SEGMENT RESULT (=B+C+D)	71 547	82 589	- 10 956	- 1 323	- 24 477	- 1 731
Percentage by segment	123.0%	77.9%	-18.8%	-1.2%	-42.1%	-1.6%
F. Corporate overheads						
G. Other operating income and charges						
H. Financial result						
I. Income tax						
NET RESULT (=E+F+G+H+I)						
	30.06.18	31.12.17	30.06.18	31.12.17	30.06.18	31.12.17
BALANCE SHEET						
Assets						
Goodwill	7 391	7 391	-	-	-	-
Investment properties and assets held for sale	1 618 115	1 455 847	79 278	87 027	112 829	137 814
<i>of which investments and acquisitions during the year</i>	<i>131 191</i>	<i>45 986</i>	<i>4 728</i>	<i>3 671</i>	<i>3 236</i>	<i>4 120</i>
Other assets	551	533	-	-	-	-
TOTAL ASSETS	1 626 057	1 463 771	79 278	87 027	112 829	137 814
Percentage by segment	59.9%	57.2%	2.9%	3.4%	4.2%	5.4%
TOTAL LIABILITIES						
TOTAL SHAREHOLDERS' EQUITY						
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY						

Wallonia		Flanders		Luxembourg city		Unallocated amounts		Total	
30.06.18 (6 months)	30.06.17 (6 months)	30.06.18 (6 months)	30.06.17 (6 months)	30.06.18 (6 months)	30.06.17 (6 months)	30.06.18 (6 months)	30.06.17 (6 months)	30.06.18 (6 months)	30.06.17 (6 months)
4 904	4 816	14 973	14 720	2 611	2 265	-	-	71 667	72 194
4 183	4 321	13 771	13 357	2 506	2 069	-	-	66 194	66 677
9 420	3 920	- 11 611	- 913	3 775	3 465	-	-	- 8 037	17 207
-	- 149	-	423	-	-	-	-	-	22 144
13 603	8 092	2 160	12 867	6 281	5 534	-	-	58 157	106 027
23.4%	7.6%	3.7%	12.1%	10.8%	5.2%	-	-	100.0%	100%
						- 6 586	- 5 389	- 6 586	- 5 389
						- 417	- 1 127	- 417	- 1 127
						- 11 979	- 4 454	- 11 979	- 4 454
						- 466	- 588	- 466	- 588
								38 708	94 469
30.06.18	31.12.17	30.06.18	31.12.17	30.06.18	31.12.17	30.06.18	31.12.17	30.06.18	31.12.17
1 329	1 329	5 561	5 561	-	-	-	-	14 281	14 281
228 850	215 306	477 101	488 450	113 824	109 916	-	-	2 629 998	2 494 360
4 124	13 602	262	226	133	- 44	-	-	143 675	67 560
1 437	1 505	-	-	-	-	66 208	48 449	68 196	50 487
231 616	218 140	482 662	494 011	113 824	109 916	66 208	48 449	2 712 475	2 559 128
8.5%	8.5%	17.8%	19.3%	4.2%	4.3%	2.4%	1.9%	100%	100%
						1 247 232	1 110 624	1 247 232	1 110 624
						1 465 244	1 448 504	1 465 244	1 448 504
						2 712 475	2 559 128	2 712 475	2 559 128

5. Financial result

The financial result (excluding changes in fair value of financial assets and liabilities) was -€10.0 million in the first half of 2018 as against -€10.6 million in the first half of 2017.

"Financial income" is up €0.2 million. It consists mainly of the compensation paid by investors on their investments in commercial paper issued by Befimmo.

"Net interest charges" decreased slightly by €0.2 million compared with the first half of 2017, as a result of the fall in the interest rates applicable to the Company's financing. Moreover, the additional financial charges related to the increase in the average volume of the debt are partially offset by the activation of interim interest on the investment projects. The slight drop in "Other financial charges" is due mainly to the decrease in commitment fees for financing lines.

The change in fair value of the financial assets and liabilities was -€2.0 million as against €6.1 million over the first six months of 2017.

(in € thousand)	30.06.18 (6 months)	30.06.17 (6 months)
(+) XX. Financial income	457	242
(+) Interests and dividends received	356	174
(+) Fees for finance leases and similar	101	68
(+) Net gains realised on sale of financial assets	0	-
(+/-) XXI. Net interest charges	-9 235	-9 416
(-) Nominal interest on loans	-7 847	-9 587
(-) Reconstitution of the face value of financial debts	- 109	- 124
(-) Other interest charges	- 28	- 28
(+) Proceeds of authorised hedging instruments	5 082	5 964
<i>Authorised hedging instruments not qualifying for hedge accounting under IFRS</i>	5 082	5 964
(-) Charges of authorised hedging instruments	-6 333	-5 642
<i>Authorised hedging instruments not qualifying for hedge accounting under IFRS</i>	-6 333	-5 642
(-) XXII. Other financial charges	-1 206	-1 378
(-) Bank charges and other commissions	-1 206	-1 378
(-) Net losses realised on sale of financial assets	0	- 1
(+/-) XXIII. Changes in fair value of financial assets and liabilities	-1 994	6 098
(+/-) Authorised hedging instruments	1 203	-6 754
<i>Authorised hedging instruments not qualifying for hedge accounting under IFRS</i>	1 203	-6 754
(+/-) Others	-3 198	12 852
(+/-) Financial result	-11 979	-4 454

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 2017 (page 150).

Impairment test

At 30 June 2018, the goodwill was subject to an impairment test, in accordance with the method described in the Annual Financial Report 2017 (page 151). The result of this test shows that no impairment needs be recorded.

7. Investment properties

(in € thousand)

Carrying value as at 31.12.2016	2 511 658
of which: - Investment properties	2 511 658
- Assets held for sale	-
Acquisitions	24 230
Other investments	43 330
Disposals	- 98 287
Changes in fair value	13 429
Carrying value as at 31.12.2017	2 494 360
of which: - Investment properties	2 494 360
- Assets held for sale	-
Acquisitions	114 500
Other investments	29 175
Disposals	-
Changes in fair value	- 8 037
Carrying value as at 30.06.2018	2 629 998
of which: - Investment properties	2 629 998
- Assets held for sale	-

In the first half of 2018, Befimmo added the Arts 56 building to its portfolio for a total sum of €114.5 million. During the fiscal year 2017, Befimmo made various acquisitions costing €24.2 million in the context of its redevelopment projects.

In the first half of 2018, Befimmo invested €29.2 million in its portfolio. The main investments concerned the Quatuor (€6.6 million), ZIN (€6.9 million) and Eupen (€3.5 million) projects.

In 2017, the amount invested in works was €43.3 million. Investments also focused mainly on the Eupen (€7.0 million), Quatuor (€5.9 million) and ZIN (€3.5 million) projects. The renovation of the Guimard building (€8.9 million in 2017) was completed in fiscal year 2017 and the building is currently partially let.

The reader is reminded that, during the first half of 2017, Befimmo granted a 99-year leasehold on the Brederode complex, for the sum of €122 million. The complex contributed some €698,000 to the property operating result in 2017. Furthermore, Fedimmo sold the buildings at avenue Emile Digneffe in Liège and Bevrijdingslaan in Ninove, which together contributed some €14,000 to the property operating result.

8. Financial assets and liabilities

On a like-for-like basis, the Company has sufficient financing until the end of the third quarter of 2019. The chapter "Financial structure and hedging policy" on page 24 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 2018, the hedging ratio was 94.1%. The following table lists all the hedging instruments owned by the Company at 30 June 2018.

⁽¹⁾ 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.

⁽²⁾ The interest rates in € are marge inclusive for the CCS. The rates are applicable as from 1 June 2015.

	Level in IFRS	Class in IFRS	CURRENCY		Notional amount (millions)	Interest rate	Period of hedge	Reference interest rate
			Notional amount (millions)	Interest rate				
CAP bought	2	Option			25	2.25%	Jan. 2014	Oct. 2018
CAP bought	2	Option			25	2.00%	Jan. 2013	Jan. 2019
CAP bought	2	Option			15	0.30%	Jan. 2015	Jan. 2019
CAP bought	2	Option			15	0.75%	Jan. 2015	Jan. 2020
CAP bought	2	Option			30	0.50%	July 2015	July 2020
CAP bought	2	Option			25	0.85%	July 2015	July 2020
CAP bought	2	Option			20	1.15%	Jan. 2016	Jan. 2022
FLOOR ¹ sold	2	Option			20	0.55%	Jan. 2016	Jan. 2022
Collar Swaption	2	Option			30	0.75%/1.25%	Jul. 2019	Jan. 2028
Payer's IRS	2	Forward			20	0.79%	Feb. 2016	Aug. 2018
Payer's IRS	2	Forward			25	0.59%	Nov. 2016	Aug. 2018
Payer's IRS	2	Forward			20	1.58%	Jan. 2018	July 2022
Payer's IRS	2	Forward			25	1.41%	Dec. 2017	Sept. 2022
Payer's IRS	2	Forward			25	1.57%	Dec. 2017	Sept. 2022
Payer's IRS	2	Forward			15	1.40%	July 2014	Jan. 2024
Payer's IRS	2	Forward			25	0.72%	Jan. 2016	Jan. 2024
Payer's IRS	2	Forward			15	1.08%	Sept. 2015	Sept. 2024
Payer's IRS	2	Forward			20	0.84%	Oct. 2015	Oct. 2024
Payer's IRS	2	Forward			20	0.81%	Oct. 2015	Oct. 2024
Payer's IRS	2	Forward			25	0.17%	June 2018	Dec. 2024
Payer's IRS	2	Forward			25	0.71%	April 2018	Jan. 2025
Payer's IRS	2	Forward			25	0.80%	April 2018	Jan. 2025
Payer's IRS	2	Forward			25	0.65%	April 2018	Jan. 2025
Payer's IRS	2	Forward			30	0.66%	April 2018	Jan. 2025
Payer's IRS	2	Forward			25	0.71%	Aug. 2018	Feb. 2025
Payer's IRS	2	Forward			20	0.93%	Aug. 2018	Feb. 2025
Payer's IRS	2	Forward			30	0.91%	Oct. 2015	Oct. 2025
Payer's IRS	2	Forward			30	0.85%	Feb. 2016	Feb. 2026
Payer's IRS	2	Forward			20	0.92%	Feb. 2025	Aug. 2026
Payer's IRS	2	Forward			25	0.69%	April 2017	Jan. 2027
Payer's IRS	2	Forward			25	0.82%	Feb. 2017	Feb. 2027
Payer's IRS	2	Forward			25	0.95%	April 2018	Oct. 2027
Payer's IRS	2	Forward			15	0.88%	Nov. 2017	Nov. 2027
Payer's IRS	2	Forward			25	0.77%	Oct. 2017	Jan. 2028
Payer's IRS	2	Forward			25	0.82%	Oct. 2017	Jan. 2028
Payer's IRS	2	Forward			25	1.10%	Jan. 2025	Jan. 2028
Payer's IRS	2	Forward			30	1.14%	Jan. 2025	Jan. 2028
Payer's IRS	2	Forward			25	1.25%	Feb. 2025	Feb. 2028
Payer's IRS	2	Forward			25	1.21%	Jan. 2025	April 2028
Payer's IRS	2	Forward			25	1.21%	Dec. 2024	June 2028
Payer's IRS	2	Forward			25	1.12%	Jan. 2025	July 2028
Payer's IRS	2	Forward			15	0.84%	May 2014	May 2019
Receiver's IRS	2	Forward			15	0.84%	Feb. 2017	May 2019
Receiver's IRS	2	Forward			15	0.84%	Nov. 2017	May 2019
Receiver's IRS	2	Forward			25	0.69%	April 2018	Jan. 2020
Receiver's IRS	2	Forward			25	0.82%	April 2018	Jan. 2020
Payer's IRS	2	Forward			25	1.51%	July 2012	July 2021
Receiver's IRS	2	Forward			25	1.51%	March 2017	July 2021
Payer's IRS	2	Forward			25	2.99%	Jan. 2018	Jan. 2022
Receiver's IRS	2	Forward			30	2.99%	Jan. 2018	Jan. 2022
Payer's IRS	2	Forward			25	0.42%	Jan. 2016	July 2024
Receiver's IRS	2	Forward			25	0.42%	Oct. 2017	July 2024
Receiver's IRS	2	Forward			65	0.81%	March 2018	March 2026
CCS ²	2	Forward	75 USD	4.83%	56	2.77%	May 2012	May 2019
CCS ²	2	Forward	22 GBP	4.90%	26	2.76%	May 2012	May 2019
CCS ²	2	Forward	90 USD	5.05%	67	2.92%	May 2012	May 2020

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, SWAPTION 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 30.06.2018	
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	7	- 577
Forward	2	9 209	-18 852
CCS	2	16 225	-1 151
		25 441	-20 581

(in € thousand)		Balance sheet item as of 31.12.2017	
Classification by IFRS	Level in IFRS	I.E.b. Assets at fair value through the result	I.C. & II.C. Other current and non current financial liabilities
Option	2	41	- 418
Forward	2	6 493	-15 320
CCS	2	12 966	-1 347
		19 500	-17 085

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 2017 (pages 133 to 140), the book value of the assets and liabilities approximates to their fair value, except for:

- the financing relating to the assignments of receivables from future rents/future usufruct fees, structured at fixed rates, of a residual total at 30 June 2018 of €67.2 million;
- various fixed-rate European private placements (EUPP) totalling €261.3 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 2018.

The fair value of the assigned 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 2018, 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	265 065	260 657
Assignment of receivables from future rents/ future usufruct fees	2	72 838	67 174

Statutory Auditor's report

Report of the statutory Auditor to the shareholders of Befimmo SA on the review of the interim condensed consolidated financial statements as of 30 June 2018 and for the six month period then ended.

Introduction

We have reviewed the accompanying interim condensed consolidated condensed statement of financial position of Befimmo SA (the "Company"), and its subsidiaries as at 30 June 2018 the related consolidated condensed statement of comprehensive income, the consolidated cash flow statement for the six month period then ended and the notes to the interim consolidated condensed financial statements, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 2,712,475 thousand and the consolidated condensed income statement shows a net result for the six month period then ended of € 38,708 thousand. The Board of Directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

Conclusion

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

Brussels, 18 July 2018

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