FLEXIBILITY
FULL SERVICE
SUSTAINABILITY
QUALITY
ACCESSIBILITY

RESHAPING THE WORKPLACE

ANNUAL FINANCIAL REPORT 2016

Befimmo

ANNUAL FINANCIAL REPORT ON THE FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016 PRESENTED AT THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF 25 APRIL 2017 AND ADOPTED BY THE BOARD OF DIRECTORS ON 23 FEBRUARY 2017

This Annual Financial Report has been prepared in accordance with the Royal Decree of 13 July 2014.

Any reference to the portfolio, assets, figures or activities of Befimmo should be understood on a consolidated basis, to include those of its subsidiaries, except where clear from the context or expressly stated otherwise.

For the past few years, Befimmo has been standardising its financial reporting and its reporting on Social Responsibility – with a view to improving the quality and comparability of the information – adopting EPRA reporting guidelines and GRI-G4 guidelines[1].

Moreover, the "Alternative Performance Measures (APM)"[2] Guidelines of the European Securities Markets Authority (ESMA) have been applicable since 3 July 2016. The APMs included in this Annual Financial Report are identified with a footnote when the APM is first mentioned in this Report. The full list of APMs, with their definition, purpose and relevant reconciliation tables, is set out in Appendix II to this Report and published on Befimmo's website.

WWW.BEFIMMO.BE/EN/INVESTORS/PUBLICATIONS/ALTERNATIVE-PERFORMANCE-MEASURES

The following explanatory icons are used:

"Market"

This icon refers to further information in a specific chapter or page in this Report.

WWW.BEFIMMO.BE

This icon refers to further information on the Befimmo website.

Glossary

This icon refers to the glossary in the appendix to this report on page 202.

GRI-G4

This icon refers to the GRI-G4 guidelines. The index to the GRI content is published on the Company's website (www.befimmo.be).

This English version of the Annual Financial Report is a translation of the French version of the Annual Financial Report. In case of inconsistencies between the French and the English versions, the French version will prevail. All texts are written and translated under the supervision of Befimmo.

1. www.globalreporting.org
2. For more information, please consult the report "Final Report – ESMA Guidelines on Alternative Performance Measures" on the ESMA website (www.esma.europa.eu/).

PROFILE

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

Befimmo is a real-estate operator pursuing a specialist ("pure-player") strategy in office buildings located in Belgium, mainly in Brussels and in the main Belgian cities, and the Grand Duchy of Luxembourg. Its portfolio is worth some €2.5 billion and comprises around a hundred office buildings with space totaling over 850,000 m².

"Property portfolio, on page 29"

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

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

"Identity and strategy, on page 20"

Befimmo is listed on Euronext Brussels.
As at 31 December 2016, its market capitalisation was €1.4 billion. Befimmo offers its shareholders a solid dividend and a yield in line with its risk profile.

€2.5 BN
PORTFOLIO VALUE

>850,000 m²
TOTAL SPACE

€1.4 BN
MARKET CAPITALISATION

BEFB
LISTED
NYSE
EURONEXT

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RISK FACTORS

This chapter covers the identified risks that could affect the Company, including a description of the measures it has taken to anticipate and limit the potential impact of those risks. Note that doing business involves taking risks and so it is not possible to eliminate the potential impact of all the risks identified, nor of any residual risk that therefore has to be borne by the Company and, indirectly, by its shareholders. The current economic and financial climate may accentuate certain risks to Befimmo's business.

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

MAIN MARKET-RELATED RISKS

RISK OF SEGMENTAL AND GEOGRAPHICAL CONCENTRATION

DESCRIPTION OF RISK

The Befimmo portfolio is not very diversified in terms of segment and geography. It consists of office buildings, mainly located in Brussels and its economic Hinterland (68.4%[1] of the portfolio as at 31 December 2016). The vacancy rate for the Brussels office market was 9.30%[2] at 31 December 2016 compared with 10.10% at the end of 2015. Befimmo's portfolio was let with an occupancy rate[3] of 94.79% at 31 December 2016 compared with a rate of 94.15% at the end of 2015.

Glossary
"Property portfolio, on page 29"

POTENTIAL IMPACT

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

MITIGATION AND CONTROL MEASURES

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

"Identity and strategy, on page 20"

RISKS RELATED TO RENTAL VACANCY

DESCRIPTION OF THE RISKS

The office property market is currently characterised by higher supply than demand. As at 31 December 2016, the occupancy rate[3] of Befimmo's portfolio was 94.79% (compared with 94.15% at 31 December 2015). The Company is exposed to the risks of its tenants leaving, and of renegotiating their leases. These risks include, among others, the following: risk of lost and/or reduced income, risk of negative reversion on rents, risk of pressure on renewal conditions and to grant periods of gratuities, risk of decline in fair value, etc. Befimmo is also exposed to the impact of tenants' policy to optimise their needs for office space.

1. Calculated on the basis of the fair value of the investment properties.
2. Source: CBRE at 31 December 2016.
3. Current rents/(current rents + estimated rental value of vacant space). Calculated on the basis of properties available for lease.

POTENTIAL IMPACT

If this risk were to materialise it would lead to a decline in occupancy rates and a reduction in the operating result of the portfolio. On an annual basis as at 31 December 2016, a 1% fluctuation in the occupancy rate of the Company's portfolio would have an impact of some €2.1 million on the property operating result, €0.08 on the net asset value per share and 0.08% on the debt ratio.

The direct costs related to rental vacancy, namely charges and taxes on unlet properties, were estimated at -€4.05 million on an annual basis, or about 2.94% of total rental income.

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

MITIGATION AND CONTROL MEASURES

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

Moreover, Befimmo offers a comprehensive personalised service to facilitate the everyday lives of its tenants.

→ "Identity and strategy, on page 20"
→ "Social Responsibility - The tenants, on page 105"

The constancy of Befimmo's cash flow depends mainly on its rental income being secured. The Company therefore strives to ensure that a proportion of its portfolio is let on long-term leases and/or to multiple tenants, which helps to spread the rental risks. As at 31 December 2016, the average duration of Befimmo's leases was 8.07 years.

RISKS ASSOCIATED WITH TENANTS

DESCRIPTION OF THE RISKS

The Company is exposed to the risks related to the financial default of its tenants.

POTENTIAL IMPACT

The financial default of tenants can lead to a loss of rental income, an increase in property charges where rental charges cannot be recovered and the appearance of unexpected rental vacancies. As described in the risks related to rental vacancy, the Company is in this case exposed to the risk of pressure on renewal conditions and to grant periods of gratuities etc. The ageing balance of trade receivables is to be found in the financial statements (note 32 on page 174 of this Annual Financial Report 2016).

MITIGATION AND CONTROL MEASURES

To limit the risk of default, the Company makes a prior analysis of the financial health of its prospective customers. Moreover, in line with standard market practice, private-sector tenants are required to provide a rental guarantee. Public-sector tenants (the Belgian Government, Flemish Region and European institutions), which occupy a substantial proportion of the Company's portfolio (65.74%[1] as at 31 December 2016), do not generally give rental guarantees, however, but do have a more limited risk profile. Moreover, a procedure of regular follow up of outstanding receivables is applied.

MAIN RISKS RELATED TO THE PROPERTY PORTFOLIO G4-2

RISK RELATED TO THE FAIR VALUE OF THE PROPERTIES

DESCRIPTION OF RISK

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

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

This risk is accentuated in the market segments in which the limited number of transactions gives the experts few points of comparison, which still holds true to some extent for the decentralised areas and periphery of Brussels (9.4%[2] of the portfolio), and more generally in the Belgian provincial towns.

POTENTIAL IMPACT

A decline in the fair value of the portfolio has an impact on the Company's net result, equity, debt ratio[3] and LTV[4]. A significant negative change in the fair value of the portfolio could have an impact on the Company's ability to distribute a dividend[5] if the cumulative negative changes in fair value were to exceed the total value of distributable and non-distributable reserves and the distributable portion of the share premiums.

1. Calculated on the basis of the current rent as at 31 December 2016.
2. Calculated on the basis of the fair value of the investment properties as at 31 December 2016.
3. The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.
4. Loan to value ("LTV") = [(nominal financial debts – cash)/fair value of portfolio]. This is an Alternative Performance Measure. For more information, please consult Appendix II of this Report.
5. Please see the chapter "Appropriation of results (statutory accounts)" of this Annual Financial Report 2016.

Based on the data as at 31 December 2016, a 1% decline in the value of the property assets would have an impact of around -€25.1 million on the net result, entailing a change of around -€0.98 in the net asset value per share, around +0.44% in the debt ratio and around +0.43% in the LTV ratio.

As a matter of interest, the AMCA building in Antwerp, the Paradis Tower in Liège, the Gateway building at Brussels airport and the WTC Tower III in Brussels each account for between 5 and 10% of the fair value of the portfolio as at 31 December 2016.

MITIGATION AND CONTROL MEASURES

The scale of the risks related to a decline in the fair value of the properties is mitigated by Befimmo's investment policy which is to invest in quality office buildings in good locations, on good leases: such buildings historically have a less volatile fair value. The regulations provide for the rotation of the independent experts, and Befimmo systematically informs its experts, organising tours of the buildings, among other things.

RISK RELATED TO INADEQUATE INSURANCE COVER

DESCRIPTION OF RISK

The Company is exposed to the risk of major losses in its buildings.

POTENTIAL IMPACT

A loss in a property entails the costs of repairing the damage. A major loss where the premises can no longer be occupied may lead to the termination of a lease, and hence an unexpected rental vacancy, which could reduce the portfolio's operating income and diminish the fair value of the building.

MITIGATION AND CONTROL MEASURES

In order to mitigate this risk, the buildings in Befimmo's portfolio are covered by a number of insurance policies (risks of fire, storm, water damage, etc.) covering loss of rent for a limited period (in principle for the time needed for reconstruction), and also the cost of works, for a total value (new reconstruction value, excluding the value of the land) of €2,208.9 million at 31 December 2016. Befimmo has moreover a policy that covers terrorism risks.

"Property portfolio, on page 29"

RISK OF DETERIORATION AND OBSOLESCENCE OF BUILDINGS

DESCRIPTION OF RISK

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

POTENTIAL IMPACT

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

MITIGATION AND CONTROL MEASURES

Befimmo ensures that its property is kept in a good state of repair and is upgraded in terms of energy, technical and other performance criteria by making an inventory of preventive and corrective maintenance work to be carried out, and establishing a works programme. Befimmo is also keen to have most of its buildings covered by "total guarantee"[6] maintenance contracts.

At 31 December 2016, 81%[7] of the consolidated portfolio was covered by such a "total guarantee" contract.

True to one of the key principles of sustainable development, "reduction at source"[8] of environmental impact, Befimmo is closely monitoring the development of existing legislation, anticipating forthcoming legislation and analysing the sector studies in order to incorporate new management technologies and tools into its renovation projects as quickly as possible.

RISKS RELATED TO THE EXECUTION OF WORKS

DESCRIPTION OF THE RISKS

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

POTENTIAL IMPACT

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

MITIGATION AND CONTROL MEASURES

Detailed monitoring of technical, budgetary and planning aspects has been introduced to manage the risks associated with such works. Furthermore, the contracts with building contractors generally provide for a number of measures to limit these risks (price ceilings, delay penalties, etc.). Befimmo also regularly assesses its main suppliers and service providers, and in particular checks that its co-contractors have no unpaid social contributions or taxes. Regarding environmental issues, specific measures – complying with and in some cases exceeding the regulations in force – are incorporated into the specifications and contracts applying to successful tenderers.

Compliance with these environmental measures is monitored while the works are in progress (notably by external environmental coordinators, ISO 14001 procedures, site audits, BREEAM assessors, etc.).

6. 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.
7. The Paradis Tower was covered by the builder's guarantee until the end of 2016, and a total guarantee thereafter.
8. In other words, being proactive where possible, at the design stage of a project, rather than reacting through corrective measures on an existing building.

ENVIRONMENTAL RISKS

DESCRIPTION OF THE RISKS

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

POTENTIAL IMPACT

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

MITIGATION AND CONTROL MEASURES

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

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

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

→ "Social Responsibility, on page 77"

RISK RELATED TO MERGERS, DEMERGERS OR ACQUISITIONS

DESCRIPTION OF RISK

Many of the buildings in the Befimmo real-estate portfolio were acquired through companies, which were generally then absorbed into or merged with Befimmo. There is therefore a risk that the value of certain assets may have been over-estimated or that hidden liabilities have been transferred to the Company during such operations.

POTENTIAL IMPACT

The realisation of the need to revalue certain assets or record certain liabilities could entail a financial loss to the Company.

MITIGATION AND CONTROL MEASURES

The Company takes the usual precautions in operations of this type, mainly by carrying out full due-diligence exercises (accounts, taxation, etc.) on properties contributed and on absorbed or merged companies that may involve obtaining guarantees.

RISK RELATED TO CO-OWNERSHIP

DESCRIPTION OF RISK

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

POTENTIAL IMPACT

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

MITIGATION AND CONTROL MEASURES

Befimmo generally endeavours to limit its ownership of co-owned assets. 5.32%[1] of the portfolio is co-owned.

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

DESCRIPTION OF THE RISKS

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

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

POTENTIAL IMPACT

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

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

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

1. On the basis of the fair value as at 31 December 2016.

MITIGATION AND CONTROL MEASURES

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

MAIN ECONOMIC AND FINANCIAL RISKS

RISK OF INFLATION AND DEFLATION

DESCRIPTION OF RISK

Befimmo leases contain clauses indexing rents to changes in the health index. The Company is therefore exposed to a risk of deflation on its income. Befimmo is also exposed to the risk that the costs it has to bear are indexed on a basis that changes faster than the health index.

POTENTIAL IMPACT

The impact of the adjustment of rents can be estimated at €1.4 million on an annual basis (not including protection) per percentage point change in the health index.

MITIGATION AND CONTROL MEASURES

Regarding the risk of deflation, 90.76%[2] of the leases in Befimmo's consolidated portfolio are hedged, in line with standard practice, against the effect of any negative indexing (42.45% provide for a minimum equal to the base rent while 48.31% contain a clause that sets a minimum of the last rent paid). The remaining 9.24% of the leases do not provide for any minimum rent.

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

RISK ASSOCIATED WITH CHANGING INTEREST RATES

DESCRIPTION OF RISK

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

POTENTIAL IMPACT

Rising interest rates increase financial charges and decrease the net result and EPRA earnings[3].

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

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

MITIGATION AND CONTROL MEASURES

The Company has implemented a policy of hedging its interest-rate risk, consisting of financing part of its borrowings at fixed rates and arranging IRS financial instruments or CAP options on part of its borrowings at floating rates.

On the basis of total borrowings as at 31 December 2016, a debt of €766.5 million (or 72.1% of the total) is financed at fixed rates (conventional fixed rates or rates fixed by IRS). The remainder of the debt, €296.7 million, is financed at floating rates, part of which (27.3%) is hedged against rising interest rates by means of optional instruments (CAP/COLLAR[4]). A remaining of 0.7% of the debt is thus not covered.

Without taking account of hedging, on the basis of the borrowings situation and the Euribor rates at 31 December 2016 (all assumed to be constant over a 12-month period), the impact of a 0.25% rise in market rates would raise financial charges by an estimated €1.5 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €1.5 million (annualised).

Taking account of the hedging arranged, the borrowings situation and the Euribor rates at 31 December 2016 (all assumed to be constant over a 12-month period), the impact of a 0.25% rise in market rates would raise financial charges by an estimated €0.4 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €0.4 million (annualised).

RISK RELATED TO CHANGING CREDIT MARGINS

DESCRIPTION OF RISK

The Company's financing cost also depends on the credit margins charged by the banks and the financial markets. These financing margins change in line with the global economic climate, and also with the regulations, especially in the banking sector (known as the "Basel III" and "Basel IV" requirements).

POTENTIAL IMPACT

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

2. On the basis of the current rent as at 31 December 2016.
3. This is an Alternative Performance Measure. For more information, please consult the chapter "EPRA Best Practices" on page 56.
4. 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).

MITIGATION AND CONTROL MEASURES

To limit this risk, the Company spreads the maturities[1] of its financing over time and diversifies its sources[2] of financing.

It also seeks to optimise the use of its financing by giving preference to financing with the lowest margins (e.g. a short-term commercial paper programme associated with long-term back-up lines or assignments of receivables from future leases).

"Financial structure, on page 50"

CURRENCY RISK

DESCRIPTION OF RISK

Befimmo invests solely in the euro zone and has no plans to take currency risks in its investments, income or financing. Nevertheless, in May 2012 it arranged a private bond placement in the United States (US Private Placement (USPP)) denominated in US Dollars and Pound Sterling, maturing in 2019 and 2020.

POTENTIAL IMPACT

Carrying out financing transactions in foreign currencies exposes the Company to the impact of an adverse change in the exchange rate of the Euro against those currencies.

MITIGATION AND CONTROL MEASURES

When the Company obtains finance in currencies other than the Euro, as it did in May 2012, it immediately hedges the entire currency transaction and conversion risk by acquiring Cross Currency Swaps, which fully offset fluctuations in the exchange rate on the Company's repayments of interest and capital.

RISK OF A CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

DESCRIPTION OF RISK

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

POTENTIAL IMPACT

Had the Euro, US Dollar and Euro-Pound Sterling interest rate curves been 0.5% lower than the reference rate curves at 31 December 2016, the change in fair value of the financial assets and liabilities would have been -€24.37 million. In the opposite case, the change would have been +€23.58 million.

Changes in the Euro-US Dollar and Euro-Pound Sterling exchange rates can also have a significant impact on the fair value of the USPP debt, which is denominated in US Dollar and Pound Sterling.

MITIGATION AND CONTROL MEASURES

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

The impact of the change in fair value of the financial assets and liabilities at fixed rates can be partially mitigated by a combination of hedging instruments (options and swaps). As at 31 December 2016, the net fair value of all the hedging instruments, including the cumulated variation of the fair value of the USPP debt, was -€17.75 million.

Part of Befimmo's borrowings (27.9%) are arranged at floating rates, which therefore means that the debt does not change in value in line with changes in the outlook for interest rates.

RISK RELATED TO A CHANGE IN THE COMPANY'S RATING

DESCRIPTION OF RISK

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

POTENTIAL IMPACT

Any downgrade of the rating would make it harder to obtain new financing and, if the rating were reduced by one notch from BBB to BBB-, would generate an additional financing cost estimated at €0.78 million, based on the debt structure as at 31 December 2016. Such a downgrade could also have an adverse impact on the Company's image with investors

MITIGATION AND CONTROL MEASURES

The Company regularly reviews the criteria (ratios) used to determine its rating and analyses the potential impact of its decisions on any changes in the rating, and the forecast changes in the ratios.

FINANCIAL LIQUIDITY RISK

DESCRIPTION OF RISK

Befimmo is exposed to a liquidity risk related to the renewal of its financing as it reaches maturity or for any additional funding needed to meet its commitments. The Company could also be exposed to this risk if its financing agreements were terminated.

POTENTIAL IMPACT

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

1. For more information, consult the Report on page 50.
2. For more information, consult the Report on page 51.

MITIGATION AND CONTROL MEASURES

To mitigate this risk, the Company diversifies the sources and maturities of its financing. At 31 December 2016, the ratio of debt provided by financing from 7 banking institutions was 60.2%. The remainder is provided by various bond issues (one retail bond, one private bond placement in the United States (USPP) and eight private placements in Europe).

At 31 December 2016, the Company had confirmed unused lines of €270.6 million including cash. The Company aims to cover this risk by keeping a defined amount in confirmed unused lines at all times. The amount of net interest charges was €20.76 million at 31 December 2016.

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

As at 31 December 2016, Befimmo's debt ratio was 44.65%, compared with 48.37% as at 31 December 2015.

→ "Financial structure, on page 50"

RISK RELATED TO COUNTERPARTY BANKS

DESCRIPTION OF RISK

Arranging finance or a hedging instrument with a financial institution creates a counterparty risk of that institution defaulting.

POTENTIAL IMPACT

The Company could find itself in a situation where it is unable to access the financing arranged or the cash flows to which it is entitled through hedging instruments.

MITIGATION AND CONTROL MEASURES

Befimmo therefore takes care to diversify its banking relationships and to work with banks that have an adequate rating. As at 31 December 2016, the Company had a business relationship with several banks:

- The bank credit lines granted to Befimmo amounted to €832.4 million at 31 December 2016. The banks, in alphabetical order, providing this finance are Agricultural Bank of China Luxembourg, Banque Degroof, BECM (CM-CIC group), Belfius, BNP Paribas Fortis, ING and KBC;
- The counterparty banks for the hedging instruments are BECM (CM-CIC group), Belfius, BNP Paribas Fortis, ING, KBC and RBS.

Since Befimmo's financial model is based on structural borrowing, the amount of cash deposited with financial institutions is structurally very limited. It was €0.2 million as at 31 December 2016 compared with €0.2 million as at 31 December 2015.

RISK RELATED TO OBLIGATIONS CONTAINED IN FINANCING AGREEMENTS

DESCRIPTION OF RISK

The Company is exposed to the risk of its financing agreements being cancelled, renegotiated or terminated early should it fail to abide by the covenants it made when signing those agreements, notably regarding certain financial ratios. Furthermore, some financing agreements provide for payment of a penalty if they are terminated prematurely.

When the Company carries out a financing transaction on a foreign market, it is subject to laws and counterparties with which it is less familiar.

POTENTIAL IMPACT

Any challenge to a financing agreement would expose the Company to having to arrange additional financing at a potentially higher cost or sell certain assets under less than ideal conditions.

MITIGATION AND CONTROL MEASURES

The Company negotiates covenants with its counterparties at levels consistent with its estimated forecasts of changes in those indicators, and regularly analyses any changes in those forecasts.

RISK RELATED TO BREXIT

DESCRIPTION OF RISK

On 23 June 2016, 51.8% of the population of the United Kingdom voted in a referendum for their country to leave the European Union.

POTENTIAL IMPACT

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

MITIGATION AND CONTROL MEASURES

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

MAIN RISKS RELATED TO REGULATION G4-2

REGULATION

DESCRIPTION OF RISK

The Company is exposed to changes in the law and increasingly numerous and complex regulations, and of possible changes in their interpretation or application by the authorities or the courts, notably, accounting, fiscal (e.g. provisions and circulars relating to withholding tax or anti-abuse provisions), environmental, urban-development and public-procurement regulations.

POTENTIAL IMPACT

Changes in and non-compliance with regulations expose the Company to risks of liability, civil, criminal or administrative convictions, and the risk of not obtaining or the non-renewal of permits. This could adversely affect the Company's business, its results, profitability, financial situation and/or outlook.

MITIGATION AND CONTROL MEASURES

The Company has a legal team with the necessary skills to ensure strict compliance with regulations in force and proactively anticipate changes in the law (regulatory monitoring). It also calls upon external consultants.

BE-REIT STATUS

DESCRIPTION OF RISK

Should the Company lose its BE-REIT status, it would no longer qualify for the transparent tax regime applicable to BE-REITs. The Company is also exposed to the risk of future adverse changes to that regime.

POTENTIAL IMPACT

Loss of the status is also generally regarded as grounds for early repayment by acceleration of payment of loans taken out by the Company. Any future adverse changes in the BE-REIT regime could also lead to a decline in results or net asset value, increase the debt ratio (e.g. by applying new accounting rules), reduce the maximum debt ratio, or affect the extent to which a BE-REIT must distribute dividends to shareholders.

MITIGATION AND CONTROL MEASURES

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

TAX REGIME

As a BE-REIT, the Company enjoys a specific tax regime. The legislator intended the BE-REIT to ensure a high degree of transparency for real-estate investments and distribute a maximum of cash flow while enjoying certain advantages. In particular, BE-REITs pay a reduced rate of corporation tax as long as at least 80% of the cash flows are distributed (calculated on the basis of article 13 of the Royal Decree of 13 July 2014). BE-REITs[1] are exempt from corporation tax on the results (rental income and capital gains realised minus operating costs and financial charges).

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

RISK OF LEGAL PROCEEDINGS

DESCRIPTION OF RISK

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

POTENTIAL IMPACT

At the time of writing, Befimmo is involved in a number of legal proceedings which, on the whole (according to the information available to the Company at the date of this Report), are unlikely to have a major impact on Befimmo, as the potential losses are highly unlikely to materialise and/or are of insignificant amounts.

MITIGATION AND CONTROL MEASURES

The Company has a legal team with the skills needed to analyse its contractual commitments in its various areas of business and ensure strict compliance with the regulations. It also regularly calls upon external consultants.

1. But this does not apply to its subsidiaries which are not institutional BE-REITs.

MAIN OPERATIONAL RISKS G4-2

OPERATIONAL RISK G4-58

DESCRIPTION OF RISK

Risk of loss or loss of earnings resulting from inadequate or failed internal processes, people and systems or from external events (fraud, natural disasters, human error, failure of information systems, cybercrime, etc.).

POTENTIAL IMPACT

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

MITIGATION AND CONTROL MEASURES

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

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

Depending on the type of data, back-ups are organised by a variety of techniques (redundant infrastructure, daily back-ups online and on tape). Measures are taken to manage access to the Company's data. Outsourced IT support is provided by two partners under a service level agreement (SLA).

RISK RELATED TO TEAM MEMBERS

DESCRIPTION OF RISK

The Company is exposed to the risk of departure of certain "key" members of staff.

POTENTIAL IMPACT

A loss of "key" skills in the Company could lead to a delay in achieving some of its objectives.

MITIGATION AND CONTROL MEASURES

Befimmo pays special attention to the well-being of its employees. Furthermore, its pay scales are in line with market rates.

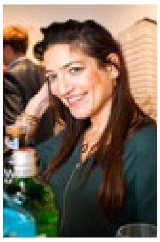
Befimmo also attaches great importance to managing the skills of its team members.

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

"Social responsibility - The team, on page 99"

RESHAPING THE WORKPLACE

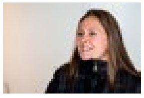
At a time when working methods, and more specifically the use of office space, are evolving significantly, where the sharing economy is in full swing and the technological revolution is under way, Befimmo, as a real-estate operator specialising in high-quality office buildings, aims to be proactive and innovative, transforming these changes into opportunities. In this Report, the Company presents the current and future trends in its market and the ways it intends to respond to them. Befimmo has in fact reorganised its own headquarters in the Goemaere building, offering its team as from late 2016 a brand-new ground-breaking working environment.

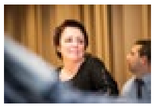

















LETTER TO THE SHAREHOLDERS

G4-1

BENOÎT DE BLIECK
MANAGING DIRECTOR

ALAIN DEVOS
CHAIRMAN OF THE BOARD
OF DIRECTORS

Dear Shareholders,

Befimmo closed its 2016 fiscal year by again posting strong results in an economic environment that is not only challenging but also, it must be acknowledged, increasingly uncertain.

We expected a very turbulent 2016 and unfortunately this proved to be the case with the attacks in Brussels, which were not only a human tragedy but also impacted the image and international reputation of Brussels and Belgium.

The vote in favour of Brexit, and the result of the US election, herald a period of uncertainty and hence of volatility, which is sure to weigh on the economy. There is more to come this year with elections in particular in France, the Netherlands and Germany.

Against this background, our team, Management Committee and Board of Directors are inclined and determined to cope with and even take advantage of this changing environment.

As its priority, Befimmo is focusing, more than ever, on diligently managing its portfolio, while maintaining its high level of quality, by developing its value potential, and managing its revenues to pursue a healthy dividend policy. Befimmo is preparing to succeed with its main challenges, notably in the North area, but also the more general issue of the accelerating pace of changes in working methods. Finally, Befimmo is of course remaining attentive to growth opportunities, even though such "conventional" operations (acquisition of properties let long-term) are currently generally picked up by investors willing to find a return "at any price" in an environment of low interest rates.

Confident in the course it has set, Befimmo is particularly grateful for once again placing your trust in the Company at the time of the capital increase in September 2016. This will enable Befimmo to begin confidently its promising "landmark" project, the Quatuor, in early 2018, while retaining the flexibility to seize potential growth opportunities.

€3.45 GROSS/SHARE
DIVIDEND FOR 2016

42.3%
"LOAN-TO-VALUE" RATIO

2016 was very successful in terms of take-up of our Brederode 9 and Triomphe projects, both now substantially occupied by leading companies. More generally, Befimmo signed leases for over 37,000 m², 30% up on the previous year. In particular, outgoing tenants in our Axento, Blue Tower and Schuman buildings were readily replaced by new ones, which once again confirms the prime importance of the quality and attractiveness of the buildings. And of course, 2016 saw the completion of the Gateway project (34,500 m²) and its take-up by Deloitte for an 18-year fixed term.

We have also worked hard to prepare our North area projects.

At the time of writing, after more than two years of proceeding for our Quatuor project, we passed the last consultation Committee, thereby opening the way to obtain the permit in the near future. As announced at the time of the capital increase in September 2016, we intend to begin demolishing the existing "Noord Building" as soon as the current occupants leave in early 2018, and then start building this elegant 60,000 m² project, which faces the city centre while enjoying all the advantages of the North area. It will be flexible in use and offer excellent environmental performance.

We are also actively preparing the multifunctional project that is due to replace Tower II of the WTC complex when the Government departments currently occupying the tower leave at the end of December 2018. We expect to be able to present a specific outline to you in the coming months.

On reading the above, you will have understood, dear Shareholders, that our Company revealed its fine challenges, as several of its large buildings in the North area are reaching the end of their lives after decades of earning good returns. There is nothing surprising in this; it stands to reason that we are redeveloping them. This will bring them perfectly in line with current and future market needs. We are convinced that a local player as Befimmo, armed with over 20 years' experience as a "pure player" in this market, will be among the best placed to seize opportunities. Befimmo has great potential to create value.

During this period of intense redevelopment activity, Befimmo will continue to benefit from its assets under leases with a duration of around 9 years.

Moreover, we confirm our firm ambition to continue to deliver strong results in the coming years, in line with the quality of the buildings in the portfolio. Regarding the level of the dividend, and even if it doesn't represent a commitment, we would again recall that Befimmo has significant distributable reserves which could complement if necessary potentially more modest results during these interim years of intense redevelopment.

Another challenge is the structural change in ways of working, more specifically the use of office space. We live in a period of exponentially accelerating change. Offices are becoming mainly an open space for meeting and dialogue, a change which Befimmo is fully embracing by transforming its headquarters into office space that stimulates creativity and gives priority to facilitating exchanges between team members, not only for its own good but also as a showcase for its customers.

This will entail a need for less office space, but Befimmo has no reason to fear this with its portfolio of quality properties located mainly in city centres near major public transport hubs. On the contrary, Befimmo is especially well placed to respond to these developments, especially as it is actively continuing to strengthen its relationships with its tenants, offering them an ever-broader range of integrated services to enhance their comfort.

Befimmo has also continued its substantive work to continuously improve its properties, especially in terms of environmental performance, to bring them in line with ever-higher standards, also making sure to set long-term targets for cutting greenhouse gas emissions, in line with the COP21 agreement and the Sustainable Development Goals developed by the United Nations.

In this way, Befimmo strives to earn the loyalty of its tenants and make itself attractive and competitive for prospective new ones.

In 2016 the EPRA earnings (cash flow) was in line with the forecast we announced at the time of the capital increase in September. It is €3.68 per share (€3.66 forecast). Meanwhile, the net result per share was €3.82, holding steady while the continuing decline in interest rates brought about a significant drop in the IAS 39 value of our hedging products.

Following the capital increase, borrowings are also well under control, with a "Loan-to-value" (LTV) ratio of 42.3%, while an interim dividend of three quarters of the annual dividend was distributed in December 2016.

As planned, we will therefore be proposing a final dividend of €0.90 gross per share to the General Meeting on 25 April 2017. As forecast, with the interim dividend of €2.55 per share existing before the capital increase, paid out in December 2016, the dividend for the year will be €3.45 gross per share.

More than ever, in an increasingly complicated environment, we rely on our exacting and professional multidisciplinary team to successfully meet the major challenges we face.

Thank you again for your continued confidence.

Brussels, 14 February 2017.

Benoît De Blieck
Managing Director

Alain Devos
Chairman of the Board of Directors

MANAGEMENT REPORT

TABLE OF CONTENTS

HISTORY OF BEFIMMO

1995
- Foundation of Befimmo and listing on the stock market

1997
- Takeover of Prifast group

1998
- Takeover of WTC SA and Noord Building SA

2001
- Takeover of Sicafi CIBIX SCA

2003
- Acquisition of the Poelaert building

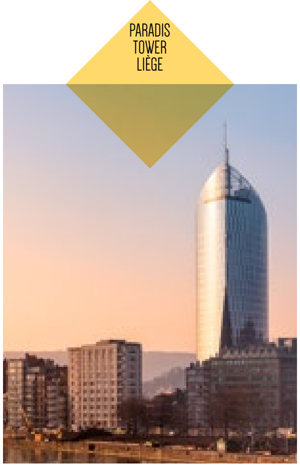
2006
- Acquisition of 90% shareholding in Fedimmo

2007
- Capital increase of €261.2 million

2008
- Acquisition of the regional offices of Fortis Banque in Antwerp (Meirfree) and in Leuven (Vitalfree)
- Prize-winner in the “Exemplary Buildings 2007” competition for the Empress Court project

2009
- Capital increase of €166.6 million
- First communication as per Global Reporting Initiative (GRI)

2010
- Prize-winner in the “Exemplary Buildings 2009” competition for the Science-Montoyer project
- Start of the telemonitoring installation for energy consumption in the buildings of the portfolio
- First BREEAM Design certification
- Set-up of an Environmental Management System (EMS) (ISO 14001 certified)



2011

- Purchase of the shares of Ringcenter SA
- "2011 BREEAM Award Category Europe Offices" prize for the Froissart project
- First EPB certification (Energy Performance of Buildings)

2012

- Transformation of Befimmo SCA in a Limited-Liability Company
- First BREEAM Post-Construction and In-Use certification
- Prize-winner in the "Exemplary Buildings 2012" competition for the WTC IV project

2013

- Integration of property management activities
- Acquisition and merger of Blue Tower Louise SA and private placement of 637,371 shares
- Contribution in kind of the AMCA building by AXA Belgium SA and issue of 2,037,037 shares
- ISO 14001 recertification of the Environmental Management System (EMS)
- Completion of Befimmo's materiality matrix to continue improving the positioning as a responsible company and owner
- First communication according to the new GRI-G4 guidelines (Global Reporting Initiative)

2014

- Status change from Sicafi to BE-REIT (Société Immobilière Réglementée/Gereglementeerde Vastgoedvennootschap)
- Handover of the Paradis Tower in Liège, start of the 27.5-year lease with the Buildings Agency
- Award for the best Belgian sustainability report, awarded by the "Institut des Réviseurs d'Entreprises" (Institute of Registered Auditors - IRE)

2015

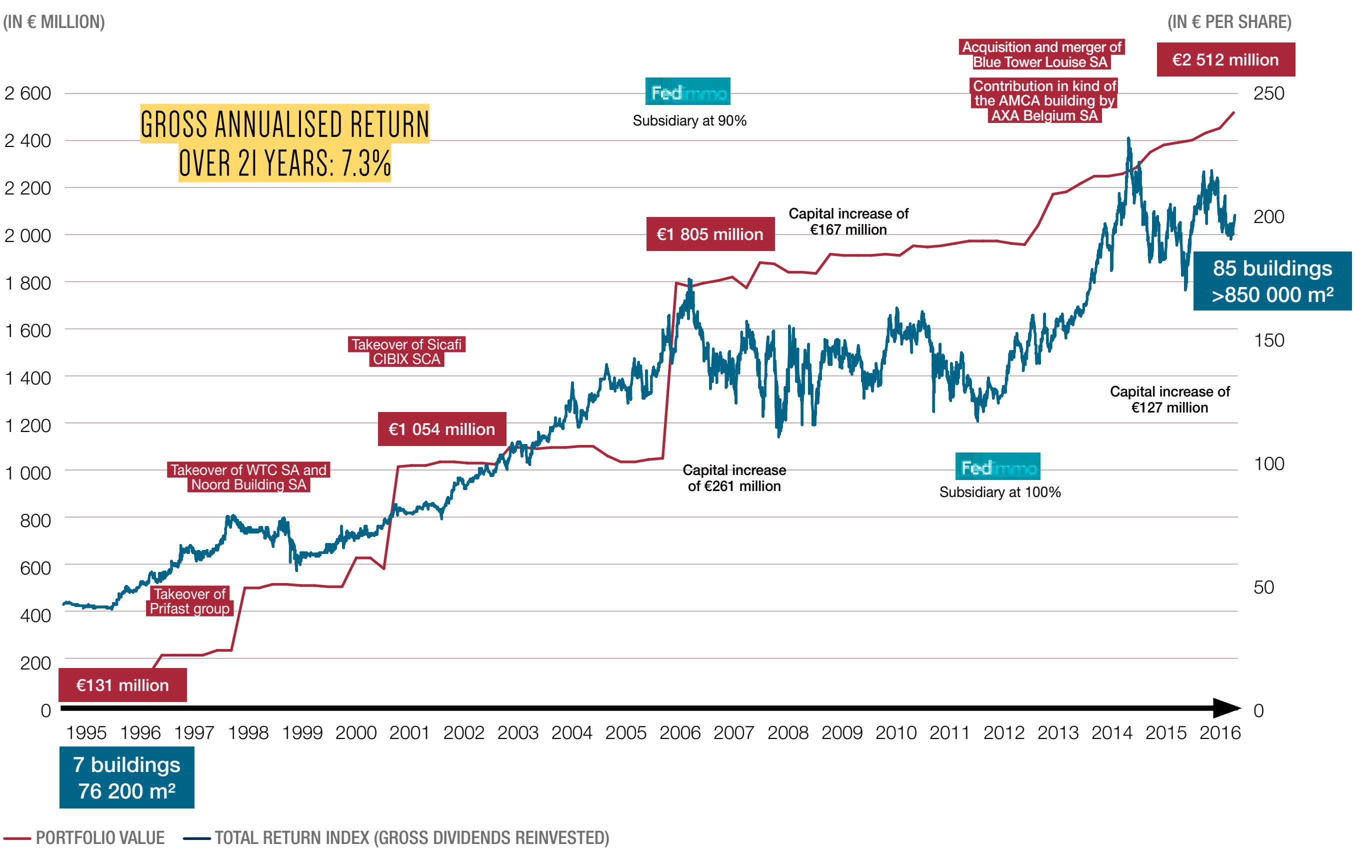
- Acquisition of the Gateway building (Brussels Airport), let for 18 years to Deloitte as from 2016

2016

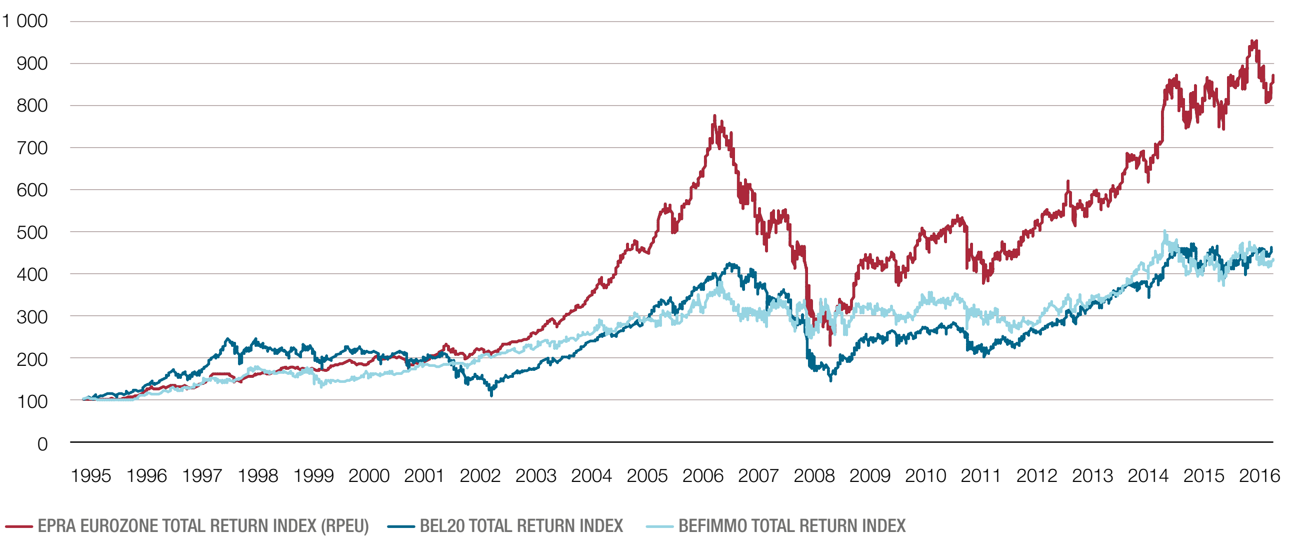
- Capital increase of €127 million
- Price of the MIPIM "Best Futura Project Award" for the Paradis Express project
- "EPRA Financial Reporting Gold Award" and "EPRA Sustainability Reporting Gold Award" prizes for the Annual Financial Report 2015 (since 2010)

KEY FIGURES

BEFIMMO EVOLUTION SINCE 1995 (FAIR VALUE OF PORTFOLIO AND SHARE RETURN)



PERFORMANCE OF BEFIMMO'S TOTAL RETURN INDEX IN RELATION TO THE TOTAL RETURN INDEX OF THE BEL 20 AND THE EPRA EUROZONE (RPEU) INDEXES



PROPERTY KEY FIGURES	31.12.2016	31.12.2015	31.12.2014
Fair value of portfolio (in € million)	2 511.7	2 388.3	2 285.2
Occupancy rate of properties available for lease (in %)	94.79	94.15	94.07
Occupancy rate of investment properties[1] (in %)	93.72	92.64	92.31
Weighted average duration of leases (in years)	8.07	8.60	8.64
Gross initial yield on properties available for lease (in %)	6.07	6.19	6.28
Gross potential yield on properties available for lease (in %)	6.40	6.58	6.68
Reversion rate (in %)	-9.50	-8.41	-9.69

→ "Property report, on page 29"

FINANCIAL KEY FIGURES	31.12.2016	31.12.2015	31.12.2014
Net asset value (in € per share)	54.78	54.96	54.00
Net result (in € per share)	3.82	4.41	3.19
Shareholders' equity (in € million)	1 401.35	1 265.29	1 195.45
Return on shareholders' equity[2] (in € per share)	3.69	4.43	3.11
Return on shareholders' equity[2] (in %)	6.79	8.29	5.82
Debt ratio[3] (in %)	44.65	48.37	47.48
Loan-to-value (in %)	42.33	45.66	45.21

→ "Financial report, on page 49"

EPRA KEY FIGURES	31.12.2016	31.12.2015	31.12.2014
EPRA earnings (in € per share)	3.68	3.89	3.90
EPRA NAV[4] (in € per share)	55.49	54.91	54.38
EPRA NNNAV[4] (in € per share)	54.30	54.30	52.80
EPRA Net Initial Yield (NIY)[4] (in %)	5.65	5.78	5.89
EPRA Topped-up NIY[4] (in %)	5.81	5.91	5.95
EPRA Vacancy rate (in %)	5.71	6.35	6.50
EPRA Like-for-Like Net Rental Growth[5] (in %)	-0.29	1.16	-2.83
EPRA Cost ratio (including direct vacancy costs)[4] (in %)	18.45	16.62	19.69
EPRA Cost ratio (excluding direct vacancy costs)[4] (in %)	15.51	12.88	17.12

→ "EPRA Best Practices, on page 56"

KEY FIGURES ON BEFIMMO'S SHARE	31.12.2016	31.12.2015	31.12.2014
Closing share price (in €)	53.36	55.00	60.21
Gross dividend (in € per share)	3.45	3.45	3.45
Gross yield[6] (in %)	6.47	6.27	5.73
Return on share price[2] (in %)	3.88	-2.92	26.47
Number of outstanding shares	25 579 214	23 021 293	22 673 609
Number of shares not held by the group	25 579 214	23 021 293	22 138 280

→ "Befimmo on the stock market, on page 72"

KEY FIGURES ON SOCIAL RESPONSIBILITY[7]	31.12.2016	31.12.2015	31.12.2014
Gas | Normalised direct energy consumption (kWh/m²)	68.38	75.26	78.17
Electricity | Indirect energy consumption			
Consumption common areas (kWh/m²)	42.91	46.29	45.15
Consumption private areas (kWh/m²)	52.45	56.22	57.60
Water | Consumption (l/m²)	265.53	290.36	318.51
CO_2 | Direct and indirect energy emissions (kg CO_2e/m^2)	14.65	14.41	13.15

→ "Social Responsibility, on page 77"

? Glossary

1. Comprising properties that are being constructed or developed for own account in order to be leased.
2. Calculated over a 12-month period ending at the closing of the fiscal year, taking into account the gross dividend reinvestment, if applicable the participation in the optional dividend and, if applicable the participation in the capital increase.
3. The debt ratio is calculated in accordance with article 13 of the Royal Decree of 13 July 2014.
4. This is an Alternative Performance Measure. For more information, please consult the chapter "EPRA Best practices" on page 56.
5. Trend of the net rental income at constant perimeter, calculated on the basis of the "EPRA Best Practices Recommendations". This is an Alternative Performance Measure. For more information, please consult the chapter "EPRA Best practices" on page 56.
6. Gross dividend/closing share price.
7. It is Befimmo's portfolio excluding Fedimmo. For more information, please refer to the Methodology on page 97 of this Report.

IDENTITY AND STRATEGY G4-2 G4-4 G4-6 G4-8

CENTRAL GATE
BRUSSELS CENTRE

Befimmo is a professional owner of quality office buildings located in Belgium, mainly in Brussels and the main Belgian cities, and in the Grand Duchy of Luxembourg.

OUR VISION

To strive for **excellence**, to position the Company as a responsible owner, who anticipates economic, societal and environmental changes and innovates to create long-term value for all its stakeholders.

- To be a **responsible landlord**, proactively managing its portfolio to best meet the expectations of its **tenants** by anticipating changes in the ways of working.
- To be a **responsible company**, above and beyond its business activities, by educating and inspiring all its stakeholders as far as possible to achieve its qualitative and quantitative societal and environmental objectives.
- To be a **responsible employer**, concerned about the well-being of its **team** while respecting and developing the Company's three core values: PROFESSIONALISM, COMMITMENT and TEAM SPIRIT.
- To pursue profitable growth based on sound foundations, while creating long-term value for the **shareholders**.

OUR VALUES G4-56

PROFESSIONALISM

The strict discipline applied when doing business.

COMMITMENT

The high level of involvement of the team in the Company and its business, its sense of responsibility and its strong ties to the Company.

TEAM SPIRIT

Cooperation and mutual support between the various team members around a common project.

OUR STRATEGY

I. REAL-ESTATE STRATEGY

1. PROACTIVE PORTFOLIO MANAGEMENT

As a specialist in quality office buildings, Befimmo proactively manages the relationship with its tenants; the **commercial team** builds a relationship of trust with them through regular dialogue.

Tenant satisfaction is a priority, and Befimmo strives to equip its buildings to that end. Accordingly, depending on the specific characteristics of each building (rental situation, location, etc.), shared meeting rooms, business centres and co-working spaces, restaurants, a catering service, a nursery, a fitness centre, showers, lockers, bicycle parks and power terminals (for electric bikes and cars) have gradually been provided for tenants.

Befimmo's direct control of the **property management** activities enables it to strengthen the relationship with its tenants, further enhancing their comfort through proximity management.

In line with changing ways of working and to best meet its tenants' expectations, the Befimmo **space planning and project management** team offers turnkey solutions by assisting current and prospective tenants in the design and the achievement stages of their projects.

To complement this, Befimmo has developed an **environmental support** service to educate tenants in their efforts to reduce energy consumption. Befimmo is also developing a **facility management** service, offering occupants a range of services to facilitate their everyday lives. By sharing its experience and expertise, Befimmo aims to establish a differentiated strategic position.

→ "Social Responsibility, on page 77"

The Befimmo **technical team** also has the necessary skills and expertise for the construction of new buildings and the renovation of existing buildings. In these construction and renovation projects, Befimmo strives for a high level of quality and innovation to meet market expectations. In particular, Befimmo's continuous improvements to the portfolio demonstrate its proactive attitude in environmental matters.

Finally, Befimmo considers arbitrage in its portfolio, mainly for buildings that do no longer fit its strategy but also potentially for "core" buildings, with a view to crystallising values.

2. VALUE-CREATING GROWTH

Befimmo's investment activity is guided by the search for sustainable value creation. In line with its Social Responsibility policy, the Company takes an interest in real-estate projects that meet the following investment criteria:

- designed (mostly) as offices;
- good location;
- good accessibility;
- above a critical size;
- high-quality fundamentals;
- buildings that are well equipped and flexible, offering eventual redevelopment potential;
- potential for creating value.

Befimmo may also adopt proactive positions, notably with property developers whose projects fit with its strategy. Finally, Befimmo may also consider forming partnerships for certain major property transactions.

II. FINANCIAL STRATEGY

Befimmo arranges the necessary most appropriate financings to the implementation of its strategy, in due time, seeking an ideal balance between cost, duration and diversification of its financing sources.

It considers that an LTV ratio of around 50% is in line with its "risk-averse" profile in an office market that is fundamentally quite stable. In order to protect its result and EPRA earnings from a rapid rise in interest rates above certain thresholds, and hence to ensure payment of the interim dividend, Befimmo has put in place a hedging policy.

This hedging policy is designed to cover a decreasing portion of the projected debt over a 10-year time scale, using instruments selected on the basis of an analysis of interest rate forecasts from a number of banks consulted, and arbitrage between the cost of the instrument, its level and type of protection. Using this policy, the Company fixes the interest rates on a portion of its debt (either directly by arranging financing at fixed rates, or by acquiring IRS-type hedging instruments) and limits the impact of rising interest rates by optional hedging instruments (CAP). Such a hedging and financing structure creates a situation in which the result is nevertheless sensitive to changing interest rates.

"Financial structure, on page 50"

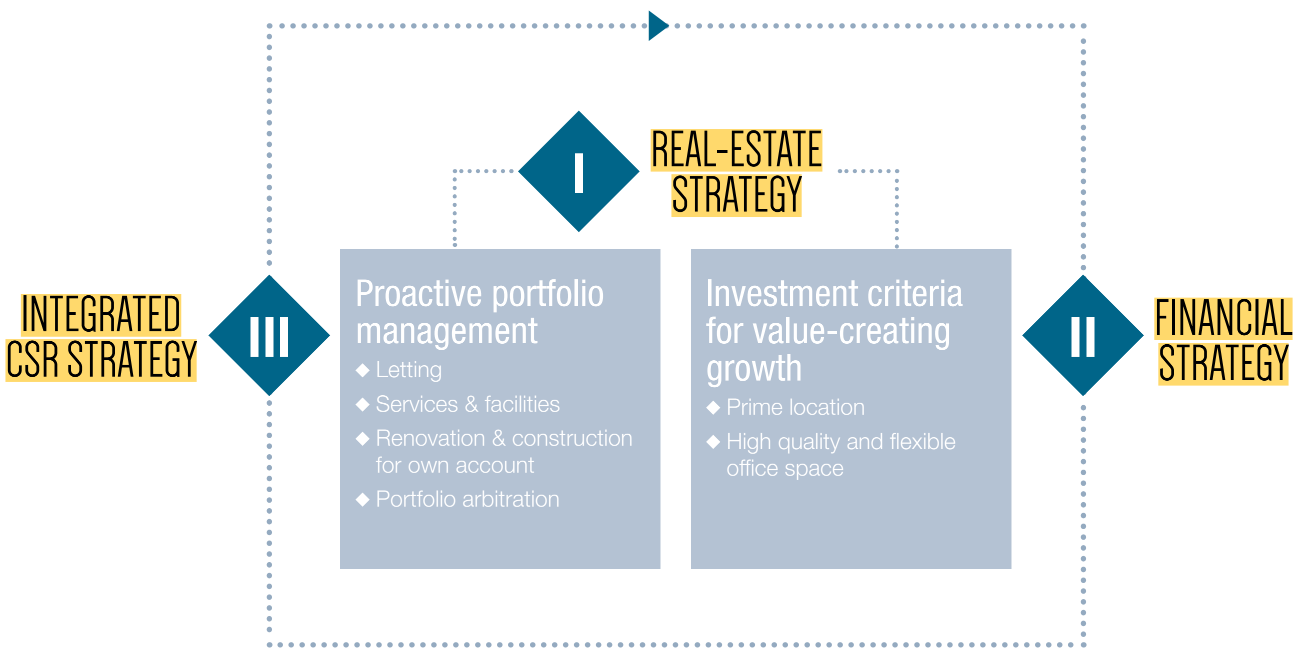
III. INTEGRATED SOCIAL RESPONSIBILITY STRATEGY

Befimmo integrates the principles of Social Responsibility into the core of its strategy and incorporates them into its daily activities, whether environmental, economic or social.

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

Befimmo seeks to strike a balance between the expectations of its stakeholders and the challenges it regularly faces.

For each of these challenges, Befimmo undertakes to take initiatives that are relevant to both its own interests and the society in which it operates. It responds to these challenges in terms of concrete action and long-term quantifiable and measurable goals, which are detailed in the CSR Action Plan[1] prepared by the management and the team.



1. Action Plan for the 2017 fiscal year: www.befimmo.be/en/investors/publications/csr-action-plans

KEY EVENTS OF THE 2016 FISCAL YEAR G4-13

GATEWAY BRUSSELS AIRPORT

CAPITAL INCREASE OF €127 MILLION

In September 2016, Befimmo successfully completed a capital increase[2] of a gross amount of €127 million through the issue of 2,557,921 new shares at €49.75.

This allows Befimmo to start the Quatuor project while keeping its capacity to seize investment opportunities within the framework of its strategy and while maintaining a solid balance sheet structure.

START OF THE LEASE IN THE GATEWAY BUILDING[3] (BRUSSELS AIRPORT)

The Gateway building (34,500 m²) was handed over in December 2016. The lease signed with Deloitte, for an annual rent of €6.9 million, has commenced with a duration of 18 years. The initial yield on investment (€149.2 million) for this transaction amounts to 4.65%, higher than the yields that are currently practised for similar quality projects.

The Gateway project embodied a redevelopment of the old Brussels airport terminal. Owing to its unique and strategic location in the heart of the airport and its accessibility, notably thanks to the railway station under the building offering easy connections to major Belgian and European cities, it enjoys the characteristics of a city-centre building and is therefore from now on classed in the category "Brussels CBD and similar" in Befimmo's reporting.

This flexible and sustainable project aims to achieve at least a BREEAM "Very Good" certification in the Post Construction phase.

2. For more information, please consult the following page on the Befimmo website: www.befimmo.be/en/2016-capital-increase.
3. For more information, please consult the press releases of 10 March 2015 and 27 April 2015 published on the Befimmo website: www.befimmo.be/en/investors/publications/press-releases.

ONGOING PROJECTS

BREDERODE 9
BRUSSELS
CENTRE

SUMMARY OF INVESTMENTS OF THE 2016 FISCAL YEAR

	RENTAL SPACE	LOCATION	START OF THE WORKS	COMPLETION	TYPE	INVESTMENT REALISED IN 2016 (IN € MILLION)	TOTAL INVESTMENT REALISED UNTIL 31 DECEMBER 2016	TOTAL INVESTMENT (IN € MILLION)
Ongoing projects						**14.0**	**36.1**	
Brederode 9 and Namur 48	8 400 m²	Brussels CBD, Centre	Q1 2015	Q3 2016	Renovation	8.2	12.8	13
Guimard	5 500 m²	Brussels CBD, Leopold	Q1 2016	Q3 2017	Renovation	3.4	4.1	12
Quatuor	60 000 m²	Brussels CBD, North	2018	2020	Demolition and construction	0.7	1.7	150
Paradis Express	35 000 m²	Wallonia, Liège	2018	2020	Construction	0.7	0.9	50[1]
WTC IV	53 500 m²	Brussels CBD, North	2015[2]	According to commercialisation	Construction	1.0	16.7	140
Energy investments and others						**17.5**		
Total						**31.5**		

During the 2016 fiscal year, Befimmo invested €31.5 million in its portfolio. The major projects are described hereafter.

1. "All-in" construction cost of the office part (21,000 m²).
2. Implementation of the permit.

BREDERODE 9 AND NAMUR 48 | BRUSSELS CBD | CENTRE

The renovation works of the Brederode 9 and Namur 48 buildings (8,400 m²), costing a total of around €13 million, were handed over in November 2016. In July 2016, the Brederode 9 building was two thirds pre-let to Interparking SA for a duration of 21 years (usufruct). The remaining space is currently being offered for lease.

The Brederode 9 building has a BREEAM "Very Good" certification in the Design phase.

GUIMARD | BRUSSELS CBD | LEOPOLD DISCTRICT

In early 2016, Befimmo began a full renovation of the Guimard building (5,500 m²), costing a total of around €12 million. This building, which enjoys a strategic location in the heart of the Leopold district in Brussels, will be ready to welcome new occupants as from the third quarter of the 2017 fiscal year and is already attracting interest among prospective tenants.

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

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

EUPEN – RATHAUSPLATZ 2 TO 10 | WALLONIA

Befimmo has been awarded the development contract for works organised by the Buildings Agency, for the provision of a new courtroom (approximately 7,200 m²) in Eupen. In performance of this contract, in early 2017 Befimmo acquired the land and existing structures and began the works; the implementation in several phases will be spread over a period of 30 months. The project, costing a total of €18.0 million, consists of (i) the demolition of an existing building and the reconstruction of a new complex of 5,300 m² and (ii) a major renovation of a second existing building of 1,900 m². The lease, with a base rent of approximately €900,000 and a duration of 25 years, will commence on completion of each phase of the works. The project has a 5.25% yield on investment at the start of the lease.

QUATUOR | BRUSSELS CBD | NORTH AREA

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

After more than two years of proceedings, in early 2017 the Quatuor project received a unanimous favourable opinion from the Consultation Committee; the opinion highlighted the project's intrinsic qualities, thereby paving the way in principle to obtain the permit. Works on the new complex should take approximately 36 months. The "all-in" construction cost of the project is estimated at €150 million.

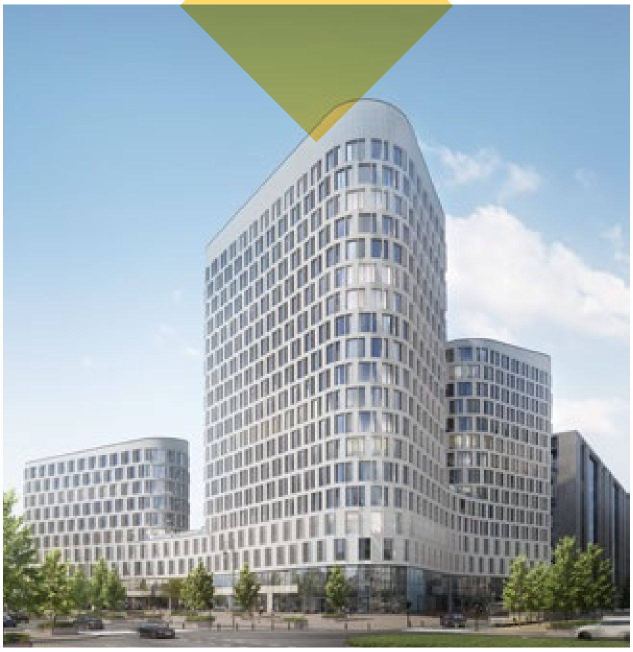
Based on a multi-tenant occupancy with "conventional 9 year" leases, the expected yield on the total investment value should exceed 5.30%.

PARADIS EXPRESS | LIÈGE | GUILLEMINS

The "Paradis Express" project, located in the immediate proximity of the station Liège-Guillemins (HST), involves the construction of an eco-neighbourhood (of about 35,000 m²) offering a mix of offices, housing and local shops. The single permit will be applied for during the first quarter of the 2017 fiscal year. Befimmo aims to achieve a BREEAM "Outstanding" certification in the Design phase.

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

QUATUOR
BRUSSELS
NORTH AREA



PARADIS EXPRESS
LIÈGE

WTC II | BRUSSELS CBD | NORTH AREA

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

A total of around €1.4 million was invested in this redevelopment project, the outlines of which should be presented to the shareholders in the course of the 2017 fiscal year.

WTC IV | BRUSSELS CBD | NORTH AREA

The WTC IV project (53,500 m²) relates to the construction of a new passive tower, independent from the other three towers of the WTC complex. The "all-in" construction cost of the project is estimated at some €140 million. The permit is being implemented. The building work is being carried out in step with commitments by prospective tenants. The project has a BREEAM "Outstanding" certification in the Design phase.

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

OTHER INVESTMENTS

During the fiscal year, other investments amounted to €17.5 million.

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

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

In addition, expenditure were charged to the income statement for an amount of €7.87 million for maintenance, repair and refurbishments in the portfolio.

BLUE TOWER
BRUSSELS
LOUISE DISTRICT

FLEXIBILITY

-47%

DROP OF 47% IN RATIO "M² OFFICE SPACE/EMPLOYEE" OVER 20 YEARS

The ratio "m² of office space /employee" has declined from 30 m² to 16-18 m² over the past 20 years[1]. The use of office space is becoming increasingly flexible. Technological progress is driving an unprecedented movement of change within companies: from a static and "sequential" mode of operation to a completely dynamic environment[2].

1/4

OF BEFIMMO'S MULTI-TENANT PROPERTIES HAVE SHARED MEETING ROOMS

Flexibility is a key factor for the needs of businesses today. In this context Befimmo offers, among other things, shared meeting rooms in a quarter of its multi-tenant buildings and set up its first "business centre" (in the Ikaros Business Park) in 2016.

1. Source: Cushman & Wakefield.
2. Source: "Bureaux 2.0… L'impact des (r)évolutions technologiques sur l'immobilier d'entreprise" JLL 2016.

PROPERTY REPORT

PROPERTY PORTFOLIO G4-4

CHANGE IN FAIR VALUES[1] OF THE PROPERTY PORTFOLIO

As at 31 December 2016, the fair value of Befimmo's consolidated portfolio was €2,511.7 million, as against €2,388.3 million as at 31 December 2015.

This change in value of €123.4 million incorporates:

- the renovation or redevelopment works carried out in the portfolio (€31.5 million);
- the investments of the fiscal year, namely the addition of the Gateway building to the portfolio as its development progressed (€74.3 million over the 2016 fiscal year);
- the sale of the Chênée and Jean Dubrucq buildings, for a total amount of €4.8 million, generating a net capital gain of €1.2 million;
- the changes in fair value (+€21.1 million) booked to the income statement (IAS 40). Thus, the fair value of the portfolio (excluding acquisitions, investments and disinvestments) is up 0.85% over the fiscal year.

For information purposes, the AMCA building in Antwerp, the Paradis Tower in Liège, the Gateway building at Brussels Airport and the WTC Tower III in Brussels individually represent between 5 and 10% of the fair value of the portfolio at 31 December 2016. All those buildings together represent together 26% of the portfolio. For more information, please refer to the table "Buildings of Befimmo's consolidated portfolio" on page 36 to 39 of this Report.

COMMENT ON CHANGES IN VALUE DURING THE 2016 FISCAL YEAR

Two trends emerged during the year:

- The buildings in the portfolio in city centres and with income from long ongoing leases have benefited from the continuing compression of yields, which even accelerated at the end of the fiscal year;
- Meanwhile, other buildings in the portfolio, with leases approaching expiry, have declined in value.

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

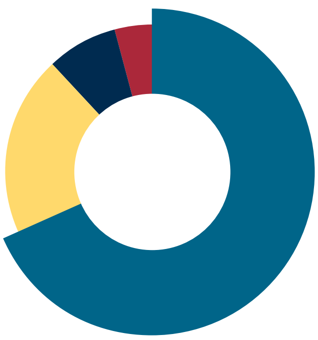
FAIR VALUE OF BEFIMMO'S CONSOLIDATED PORTFOLIO BY GEOGRAPHICAL AREA

OFFICES	CHANGE 2016[1] (IN %)	PROPORTION OF PORTFOLIO[2] (31.12.2016) (IN %)	FAIR VALUE (31.12.2016) (IN € MILLION)	FAIR VALUE (31.12.2015) (IN € MILLION)
Brussels CBD and similar[3]	0.50%	56.7%	1 423.0	1 226.0
Brussels decentralised	-3.89%	3.5%	88.4	91.8
Brussels periphery	-2.10%	5.9%	147.0	144.7
Flanders	0.19%	19.6%	493.4	493.2
Wallonia	3.29%	7.7%	194.2	187.9
Luxembourg city	14.62%	4.0%	99.3	86.8
Properties available for lease	*0.82%*	*97.4%*	*2 445.3*	*2 230.4*
Properties that are being constructed or developed for own account in order to be leased	*1.20%*	*2.6%*	*66.3*	*157.4*
Investment properties	**0.85%**	**100.0%**	**2 511.7**	**2 387.8**
Properties held for sale	**-9.94%**	**-**	**-**	**0.5**
Total	**0.85%**	**100.0%**	**2 511.7**	**2 388.3**

CHANGE IN FAIR VALUE BY QUARTER

	Q1	Q2	Q3	Q4	Q1-Q4
2015	0.08%	-0.12%	0.54%	-0.03%	0.46%
2016	-0.33%	0.09%	0.05%	1.03%	0.85%

GEOGRAPHICAL BREAKDOWN[4]



68,4%
Brussels

19,7%
Flanders

7,9%
Wallonia

4,0%
Luxembourg city

17.2%
Brussels Leopold district

17.0%
Brussels Centre

14.9%
Brussels North area

6.3%
Brussels airport

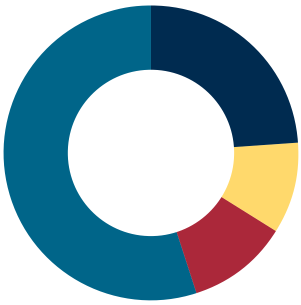
5.9%
Brussels periphery

3.7%
Brussels Louise district

3.5%
Brussels decentralised

1. The change over the 2016 fiscal year is the change in fair value between 1 January 2016 and 31 December 2016 (excluding the amount of acquisitions, investments and disinvestments).
2. The proportion of portfolio is calculated on the basis of the fair value of the portfolio as at 31 December 2016.
3. Including the Brussels airport zone, in which the Gateway building is situated
4. The proportions are expressed on the basis of the fair value of the investment properties as at 31 December 2016.

BREAKDOWN OF PORTFOLIO BY AGE CLASS[4,5]



This graph shows the breakdown of the Befimmo portfolio (investment properties excluding land) by age group. The buildings are divided according to their year of construction or, where applicable, to the year in which they last underwent a major renovation, defined as substantial investment work on the building's envelope, structure and/or primary installations. After a major renovation, the building is considered to begin a new life cycle.

RENOVATION PLANNING OF THE PORTFOLIO[6]

This graph shows the breakdown of the Befimmo portfolio in accordance with the estimated building renovation programme. This planning is presented based on the estimated period, taking account of the age of the buildings and their rental situation, after which a major renovation will have to be carried out. After the renovation, the building is considered to begin a new life cycle. The EPRA earnings outlook published hereafter takes account of the renovation programme

→ "Outlook and dividend forecast, on page 66"

NEW RENTALS AND LEASE RENEWALS

As at 31 December 2016, the rental vacancy rate of the Brussels office market[7] stood at 9.30%, down compared to end 2015 (10.10%). The average vacancy rate in the "Central Business District" is 4.97%. Specifically, vacancy rates were 3.68% in the North area, 4.39% in the city centre and 5.23% in the Leopold district. In the North area, we nevertheless expect an increase in the vacancy rate in the coming years since major leases are due to expire from the end of 2017. Conversely, the decentralised and periphery markets are still under pressure, with vacancy rates of 11.74% and 23.03% respectively.

→ "Office property markets, on page 40"

During the 2016 fiscal year, Befimmo agreed new leases and renewals for a total space of 37,200 m², comprising 34,924 m² of offices and 2,276 m² of retail and multi-purpose space. This is much higher than the 28,100 m² signed in 2015. 60%[8] of the agreements signed represent new leases (30 transactions), the remainder being renegotiations of ongoing leases (15 transactions).

Several major transactions came to fruition during the year.

Befimmo signed notably a lease extension of 9 years (until 2027) with the VDAB in the Empereur building (5,700 m²), located in the Brussels city centre. In the Schuman 3 building, located in the heart of the Brussels Leopold district, Befimmo signed two new lease agreements for a total of around 2,500 m².

In July 2016, Befimmo also concluded a 21-year usufruct agreement with Interparking SA for taking up 4,646 m² in the Brederode 9 building as from 1 November 2016.

In the decentralised area of Brussels, Befimmo signed a lease with Sopra Steria Benelux for the take-up of 2,607 m² in the Triomphe building.

In the Grand Duchy of Luxembourg, in the Axento building, KPMG rented 3,060 m², quickly filling the vacancy left by BGL-BNP in early 2016.

These new leases were agreed on terms that are overall in line with the assumptions made when preparing the (three-year) EPRA earnings outlook, as published in the Annual Financial Report 2015.

Befimmo is pursuing its objective of securing the loyalty of its rental customers by continuing to focus on satisfying their needs and offering them, among other things, quality buildings.

5. Publication pursuant to Appendix B to the Royal Decree of 13 July 2014.
6. Breakdown based on the m² of the investment properties as at 31 December 2016.
7. Source of market data: CBRE – 31 December 2016 (www.cbre.be).
8. Based on the number of m² let.

TENANTS (AS AT 31.12.2016) G4-8

PUBLIC SECTOR	WEIGHTED AVERAGE DURATION[1] (IN YEARS)	PERCENTAGE OF THE CURRENT RENT[2] (IN %)
Federal		50.15%
Flemish Region		6.02%
Belgian public sector	***8.90***	***56.17%***
European Commission		5.76%
European Parliament		3.13%
Representations		0.69%
European public sector	***8.20***	***9.58%***
Total public-sector tenants	**8.79**	**65.74%**

PRIVATE SECTOR - TOP 5	WEIGHTED AVERAGE DURATION[1] (IN YEARS)	PERCENTAGE OF THE CURRENT RENT[2] (IN %)
BNP Paribas and affiliated companies		4.88%
Deloitte Services & Investments NV		4.63%
Beobank (Crédit Mutuel Nord Europe)		1.97%
Linklaters		1.86%
Starwood (EMEA headquarters)		1.36%
Total private-sector top-5 tenants	**10.42**	**14.70%**

OTHER TENANTS	WEIGHTED AVERAGE DURATION[1] (IN YEARS)	PERCENTAGE OF THE CURRENT RENT[2] (IN %)
±230 tenants	**3.89**	**19.56%**
Total of portfolio	**8.07**	**100%**

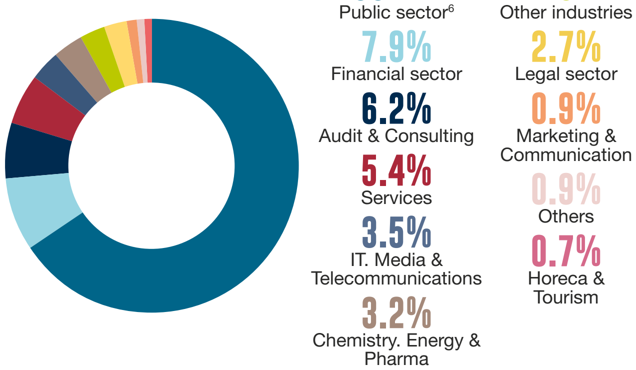
OCCUPANCY RATE[3]

The occupancy rate of the properties available for lease was slightly up at 94.79% as at 31 December 2016 (compared with 94.15% as at 31 December 2015). For all the investment properties[4], the occupancy rate as at 31 December 2016 was 93.72% (compared with 92.64% as at 31 December 2015).

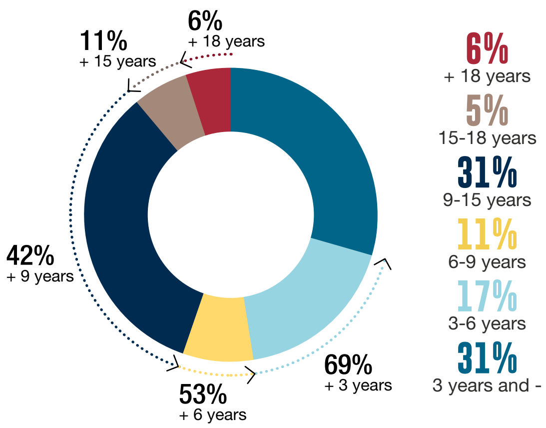
WEIGHTED AVERAGE DURATION OF LEASES[1]

As at 31 December 2016, the weighted average duration of leases amounts to 8.07 years, as against 8.60 years as at 31 December 2015. Note that, without the Noord Building and the WTC II buildings, the weighted average duration of leases would be 9.15 years.

TENANTS[5] G4-8

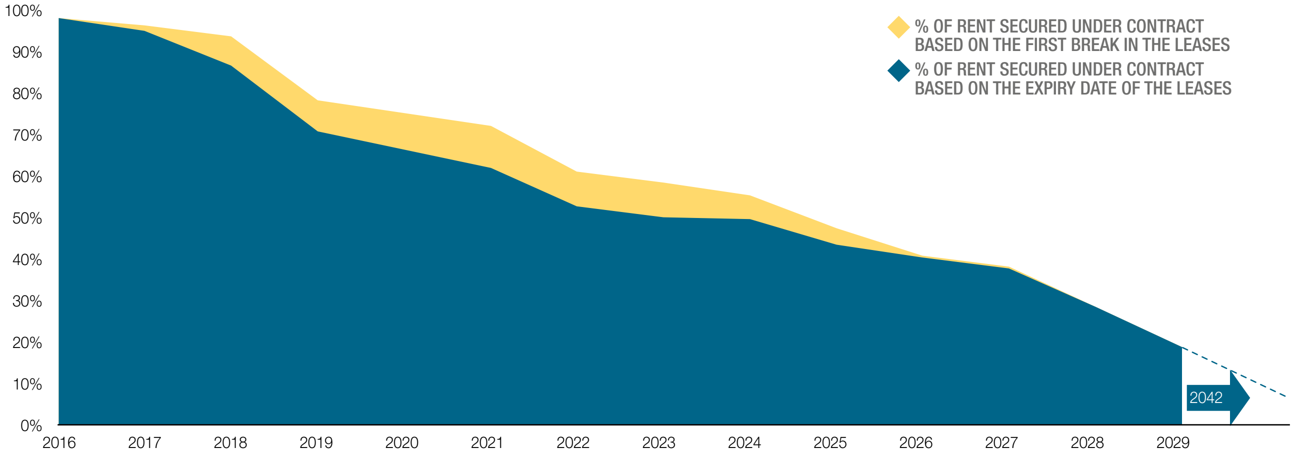


DURATION OF LEASES[5]



1. The weighted average duration of leases is the sum of (annual current rents for each lease multiplied by the remaining duration up to the first break in this lease) divided by the total current rent of the portfolio.
2. Current rent at the closing date plus future rent on signed leases, as reviewed by the real-estate experts.
3. Occupancy rate = current rents (including the rate for space let but for which the lease has yet to begin)/(current rent + estimated rental value for vacant space).
4. This includes properties that are being constructed or developed for own account in order to be leased.
5. The proportions are expressed on the basis of the current rent as at 31 December 2016.
6. Public sector: Belgian public institutions (federal & regional) and European institutions.

PERCENTAGE OF RENT GUARANTEED UNDER CONTRACT ON THE BASIS OF THE REMAINING TERM OF THE LEASES IN THE CONSOLIDATED PORTFOLIO[7] (FOR ONGOING AND SIGNED FUTURE LEASES) (IN %)



OVERALL RENTAL YIELD

OVERALL RENTAL YIELD (IN %)

	INITIAL YIELD[8] (31.12.2016)	INITIAL YIELD[8] (31.12.2015)	POTENTIAL YIELD[9] (31.12.2016)	POTENTIAL YIELD[9] (31.12.2015)
Brussels CBD and similar	6.34%	6.53%	6.56%	6.77%
Brussels decentralised	6.35%	6.01%	7.96%	8.17%
Brussels periphery	6.34%	6.44%	8.12%	8.35%
Wallonia	4.88%	5.09%	4.98%	5.19%
Flanders	5.84%	5.77%	5.94%	5.88%
Luxembourg city	5.01%	6.03%	5.38%	6.20%
Properties available for lease	*6.07%*	*6.19%*	*6.40%*	*6.58%*
Total investment properties[10]	**5.89%**	**5.90%**	**6.29%**	**6.32%**

ACQUISITION PRICE AND INSURED VALUE G4-9

ACQUISITION PRICE AND INSURED VALUE ON PROPERTIES OF BEFIMMO'S CONSOLIDATED PORTFOLIO (IN € MILLION)

OFFICES	ACQUISITION PRICE	INSURED VALUE[11] 31.12.2016	FAIR VALUE 31.12.2016
Brussels CBD and similar	1 183.4	1 108.3	1 423.0
Brussels decentralised	109.7	106.6	88.4
Brussels periphery	142.4	212.2	147.0
Flanders	458.8	551.4	493.4
Wallonia	142.6	166.1	194.2
Luxembourg city	-[12]	43.9	99.3
Properties available for lease	*2 036.9[13]*	*2 188.5[14]*	*2 445.3*
Properties that are being constructed or developed for own account in order to be leased	*55.4*	*20.4*	*66.3*
Investment properties	**2 092.3[13]**	**2 208.9**	**2 511.7**

7. 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 31 December 2016.
8. The gross initial yield corresponds to the overall rental yield on current rents.
9. The gross potential yield corresponds to the overall rental yield on current rents plus the estimated rental value of vacant premises.
10. Comprising properties that are being constructed or developed for own account in order to be leased.
11. The insured value is the reconstruction value (excluding the land).
12. Pursuant to the Royal Decree of 13 July 2014, a public BE-REIT is entitled not to disclose the purchase price for a segment containing a single property.
13. Excluding Luxembourg city.
14. This amount includes the All-Risk Fire insurance. Befimmo is also covered by the kind of All-Risk Construction Site insurance.

REVERSION RATE

REVERSION RATE OF RENTS (AS AT 31.12.2016)

	CURRENT RENT[1] (IN € THOUSAND)	PROPORTION OF RENTS[2] (IN %)	WEIGHTED AVERAGE DURATION[3] 1ST BREAK (IN YEARS)	REVERSION RATE[4] (IN %)
Brussels CBD and similar	92 509	60.8%	7.51	-12.96%
Brussels decentralised	5 753	3.8%	3.67	-5.15%
Brussels periphery	9 556	6.3%	2.53	2.08%
Wallonia	9 732	6.4%	19.03	-12.46%
Flanders	29 590	19.4%	9.75	-5.71%
Luxembourg city	5 095	3.3%	3.00	-2.53%
Properties available for lease	**152 234**	**100.0%**	**8.07**	**-9.50%**

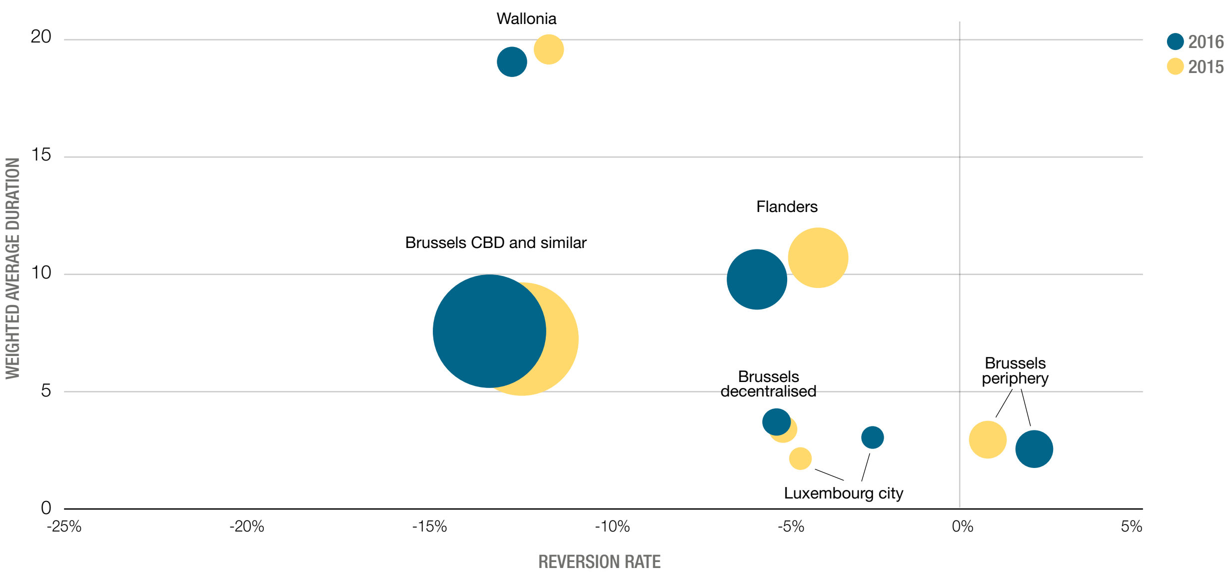
The reversion rate gives an indication of the impact on current rents of a sudden termination of the leases in the portfolio and simultaneous reletting of it at market rents. This ratio does not take account of any planned future investments or the resulting level of rents. It is based on the estimated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

As at 31 December 2016, the reversion rate of the properties available for lease was -9.50% (compared with -8.41% as at 31 December 2015). This reversion should be put into perspective in relation to the weighted average duration of leases of 8.07 years. Note that, without the Noord Building and the WTC II buildings, the reversion would be -4.95%.

If the full reversion is realised, the impact on the current rent as at 31 December 2016 (€152.2 million) of the potential negative reversion (-9.50%) of the leases expiring over the next three years would be €8.5 million.

The EPRA earnings forecasts for the next three fiscal years presented hereafter (page 69) take account of a potential reversion on the expiry of the current leases.

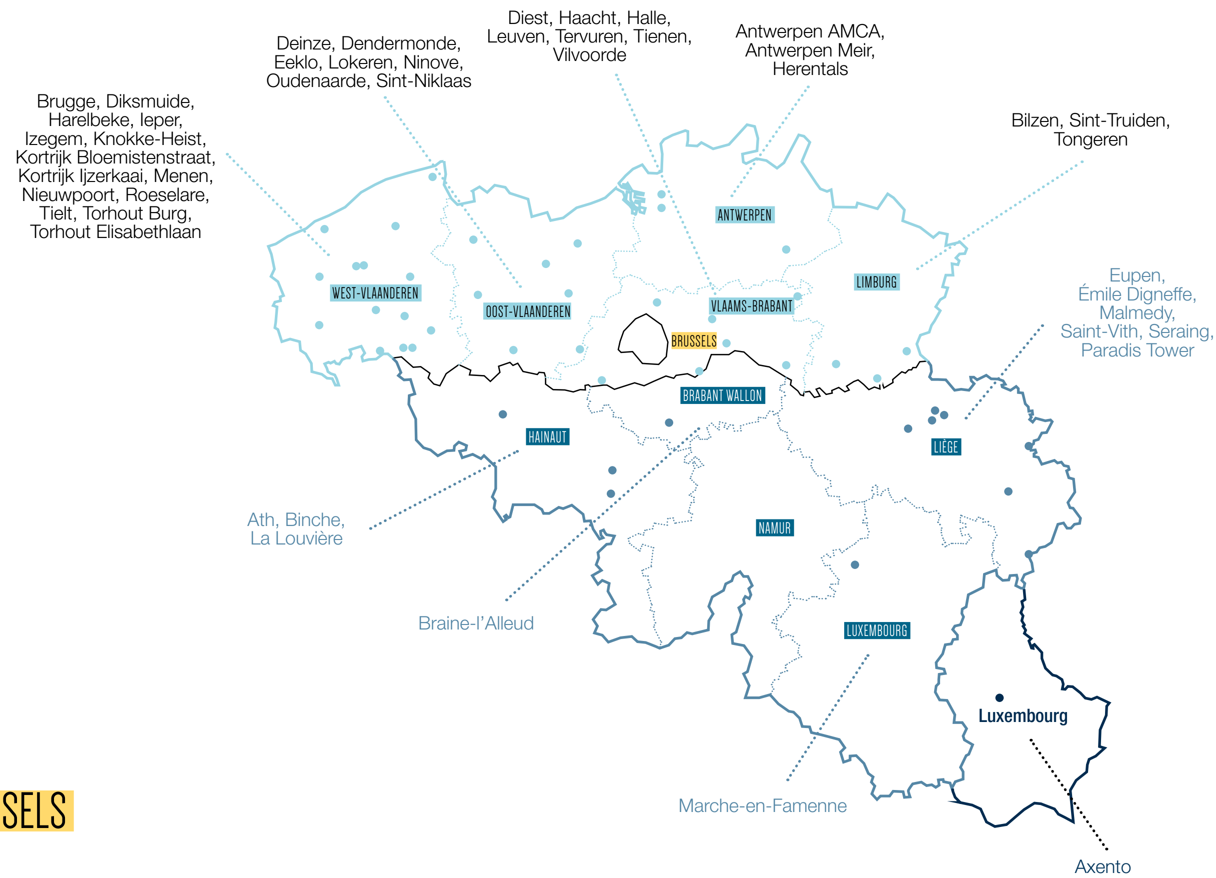
REVERSION RATE IN RELATION WITH THE DURATION OF LEASES AND THE PROPORTION OF PORTFOLIO



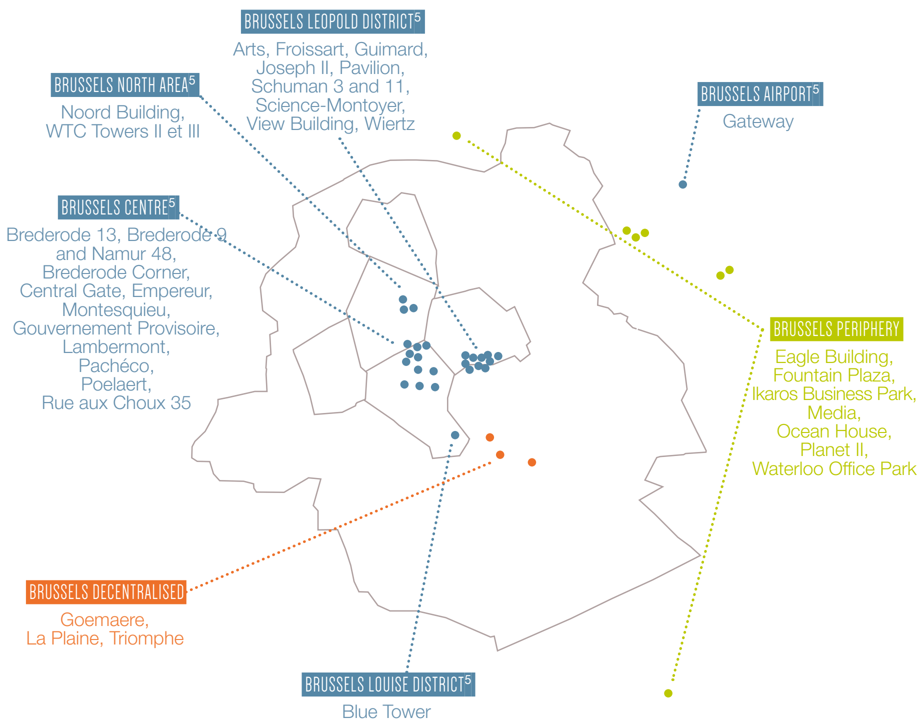
1. The annual current rent at the closing date plus future rent on leases signed as at 31 December 2016, as reviewed by the real-estate experts.
2. The proportion of rents is calculated on the basis of the current rent as at 31 December 2016.
3. Weighted average duration of leases, i.e. the sum of (annual current rent for each lease multiplied by the term remaining up to the first break in the lease) divided by the total current annual rent of the portfolio.
4. Reversion rate: 1-[(current rent + estimated rental value of vacant space)/estimated rental value of total space].

GEOGRAPHICAL SITUATION OF THE BEFIMMO PORTFOLIO G4-6 G4-8

BELGIUM & LUXEMBOURG



BRUSSELS



FIND OUT MORE ON
WWW.BEFIMMO.BE/EN/PORTFOLIO

5. Brussels CBD and similar.

BUILDINGS OF BEFIMMO'S CONSOLIDATED PORTFOLIO[1] G4-8 G4-9

	CONSTRUCTION YEAR OR YEAR OF THE LAST RENOVATION[2]	FLOOR AREA FOR LEASE (IN M²)	PROPORTION OF PORTFOLIO[3] (IN %)
BRUSSELS CENTRE			
Brederode 9 - Rue Brederode 9, 1000 Brussels	2017	6 864	0.6%
Brederode 13 - Rue Brederode 13 and Rue Thérésienne, 1000 Brussels	2014	11 340	1.8%
Brederode Corner - Rue Brederode and Rue de Namur, 1000 Brussels	1954/1958	6 500	1.4%
Central Gate - Rue Ravenstein 50-70 and Cantersteen 39-55, 1000 Brussels	2012	29 036	2.9%
Empereur - Boulevard de l'Empereur 11, 1000 Brussels	1963	5 700	0.7%
Gouvernement Provisoire - Rue du Gouvernement Provisoire 15, 1000 Brussels	2005	2 954	0.4%
Lambermont - Rue Lambermont 2, 1000 Brussels	2000	1 788	0.2%
Montesquieu - Rue des Quatre Bras 13, 1000 Brussels	2009	16 931	3.1%
Namur 48 - Rue de Namur 48, 1000 Brussels	2017	1 517	0.0%
Pachéco - Boulevard Pachéco 32, 1000 Brussels	1976	5 770	0.5%
Poelaert - Place Poelaert 2-4, 1000 Brussels	2001	12 557	2.4%
Rue aux Choux - Rue aux choux 35, 1000 Brussels	1993	5 114	0.8%
		106 071	**15.0%**
BRUSSELS LEOPOLD DISTRICT			
Arts - Avenue des Arts 28-30 and Rue du Commerce 96-112, 1000 Brussels	2005	16 793	2.8%
Froissart - Rue Froissart 95, 1000 Brussels	2010	3 107	0.5%
Joseph II - Rue Joseph II 27, 1000 Brussels	1994	12 820	2.9%
Pavilion - Rue de la Loi 70-72-74, 1000 Brussels	2005	18 091	2.9%
Schuman 3 - Rond-point Schuman 2-4a and Rue Froissart 141a-143, 1040 Brussels	2001	5 275	0.7%
Schuman 11 - Rond-point Schuman 11, 1040 Brussels	2004	5 255	0.8%
Science-Montoyer - Rue Montoyer 30, 1000 Brussels	2011	5 180	0.8%
View Building - Rue de l'Industrie 26-38, 1040 Brussels	2001	11 075	1.4%
Wiertz - Rue Wiertz 30-50, 1050 Bruxelles	1996	10 108	2.3%
		87 704	**15.2%**
BRUSSELS LOUISE DISTRICT			
Blue Tower - Avenue Louise 326, 1000 Brussels	1976	24 339	3.6%
		24 339	**3.6%**
BRUSSELS NORTH AREA			
Noord Building - Boulevard Baudouin 30, 1000 Brussels	1989	36 811	4.5%
World Trade Center - Tower II - Boulevard du Roi Albert II 30, 1000 Brussels	1973	50 126	9.8%
World Trade Center - Tower III - Boulevard Simon Bolivar 30, 1000 Brussels	1983	76 810	8.1%
		163 747	**22.4%**
BRUSSELS AIRPORT			
Gateway - Luchthaven nationaal 1/J, 1930 Zaventem	2017	34 493	4.6%
		34 493	**4.6%**
BRUSSELS DECENTRALISED			
Goemaere - Chausée de Wavre 1945, 1160 Brussels	1997	6 950	0.6%
La Plaine - Boulevard Général Jacques 263G, 1050 Brussels	1995	15 180	2.0%
Triomphe - Avenue Arnaud Fraiteur 15-23, 1050 Brussels	2014	17 189	1.2%
		39 319	**3.8%**
BRUSSELS PERIPHERY			
Eagle Building - Kouterveldstraat 20, 1831 Diegem	2000	7 382	0.5%
Fountain Plaza - Belgicastraat 1-3-5-7, 1930 Zaventem	2012	17 756	1.1%
Ikaros Business Park (phases I to V) - Ikaroslaan, 1930 Zaventem	1990/2016[8]	45 902	2.4%
Media - Medialaan 50, 1800 Vilvoorde	1999	14 069	1.4%
Ocean house - Belgicastraat 17, 1930 Zaventem	2012	4 623	0.3%
Planet II - Leuvensesteenweg 542, 1930 Zaventem	1988	10 277	0.5%
Waterloo Office Park - Drève Richelle 161, 1410 Waterloo	1992	1 980	0.2%
		101 989	**6.3%**

1. The fair value of every subportfolio is published on page 30 of this Report. The spread of the buildings of the consolidated portfolio per subsidiary is published in Appendix IV of this Report.
2. Contruction year and year of the last renovation: year of the last renovation is indicated when dealing with a major renovation (investment work on the envelope, structure and main installations of the building).
3. The proportion of portfolio is calculated on the basis of the current rent as at 31 December 2016.
4. Estimated rental value of the buildings in their current state as given by the real-estate experts.
5. It is the collected rent in accordance with Appendix B of the Royal Decree of 13 July 2014.
6. The annual current rent at the closing date plus the future rents on leases signed as reviewed by the real-estate experts.
7. This amount includes the gain on charges.
8. Ikaros Business Park - Phase II (buildings 5A and 6A).

ESTIMATED RENTAL VALUE (ERV)[4] (IN € THOUSAND)	RENT BILLED DURING THE FISCAL YEAR[5] (IN € THOUSAND)	CURRENT RENT[6] (IN € THOUSAND) (A)	CURRENT RENT + ESTIMATED RENTAL VALUE ON VACANCY (IN € THOUSAND) (B)	OCCUPANCY RATE (IN %) (C) C = A/B
1 583	248	978	1 359	72.0%
2 699	2 755	2 782	2 782	100.0%
1 847	2 129	2 146	2 146	100.0%
5 560	4 447	4 476	5 279	84.8%
951	1 065	1 076	1 076	100.0%
586	636	646	646	100.0%
380	369	375	375	100.0%
4 552	4 724	4 730	4 730	100.0%
272	64	64	274	23.4%
662	750	763	763	100.0%
3 242	3 580	3 632	3 632	100.0%
1 147	1 172	1 189	1 189	100.0%
23 480	**21 939**	**22 858**	**24 251**	**94.3%**
4 200	4 235	4 304	4 304	100.0%
760	733	796	808	98.5%
3 120	4 345	4 345	4 345	100.0%
4 411	4 403	4 426	4 426	100.0%
1 457	538	1 125	1 340	83.9%
1 513	1 257	1 253	1 441	86.9%
1 310	1 233	1 254	1 254	100.0%
2 307	1 971	2 076	2 076	100.0%
3 132	3 468	3 505	3 505	100.0%
22 209	**22 183**	**23 085**	**23 500**	**98.2%**
5 754	4 631	5 488	6 328	86.7%
5 754	**4 631**	**5 488**	**6 328**	**86.7%**
6 979	6 896	6 898	6 898	100.0%
10 441[7]	15 062[7]	14 927[7]	15 428[7]	96.8%
11 543	12 114	12 310	12 310	100.0%
28 963	**34 072**	**34 135**	**34 636**	**98.6%**
6 775	286	6 944	6 944	100.0%
6 775	**286**	**6 944**	**6 944**	**100.0%**
1 169	1 006	971	1 107	87.7%
2 570	2 991	2 991	2 991	100.0%
3 122	631	1 791	3 116	57.5%
6 861	**4 628**	**5 753**	**7 214**	**79.7%**
993	835	726	949	76.5%
2 339	1 283	1 694	2 214	76.5%
5 237	3 242	3 581	5 232	68.4%
2 241	1 959	2 069	2 132	97.0%
584	447	508	514	98.9%
785	644	701	871	80.5%
323	276	277	330	84.0%
12 502	**8 686**	**9 556**	**12 242**	**78.1%**

	CONSTRUCTION YEAR OR YEAR OF THE LAST RENOVATION[1]	FLOOR AREA FOR LEASE (IN M²)	PROPORTION OF PORTFOLIO[2] (IN %)
WALLONIA			
Ath - Place des Capucins 1	1995	4 256	0.4%
Braine-l'Alleud - Rue Pierre Flamand 64	1977	2 340	0.2%
Eupen - Vervierserstrasse 8	1989	2 240	0.2%
La Louvière - Rue Ernest Boucqueau 15	1997	6 116	0.6%
Liège - Avenue Emile Digneffe 24	1953	2 560	-
Liège - Rue Fragnée 2 - Paradis Tower	2014	37 195	4.0%
Malmedy - Rue Joseph Werson 2	2000	2 757	0.2%
Marche-en-Famenne - Avenue du Monument 25	1988	3 720	0.4%
Saint-Vith - Klosterstrasse 32	1988	3 156	0.2%
Seraing - Rue Haute 67	1971	2 109	0.2%
		66 449	**6.4%**
FLANDERS			
Antwerpen - AMCA - Italiëlei 4	1991/1992	58 413	4.9%
Antwerpen - Meir 48	19th century/1985	17 763	2.3%
Bilzen - Brugstraat 2	1995	1 676	0.1%
Brugge - Boninvest 1	1996	2 844	0.1%
Deinze - Brielstraat 25	1988	3 251	0.3%
Dendermonde - Sint-Rochusstraat 63	1987	6 453	0.6%
Diest - Koning Albertstraat 12	1995	2 869	0.3%
Diksmuide - Woumenweg 49	1979	2 207	0.2%
Eeklo - Raamstraat 18	1993	3 155	0.3%
Haacht - Remi van de Sandelaan 1	1985	2 744	0.2%
Halle - Zuster Bernardastraat 32	1985	7 440	0.7%
Harelbeke - Kortrijksestraat 2	1990	1 686	0.2%
Herentals - Belgiëlaan 29	1987	3 296	0.3%
Ieper - Arsenaalstraat 4	1994	5 421	0.4%
Izegem - Kasteelstraat 15	1981	831	0.1%
Knokke-Heist - Majoor Vandammestraat 4	1979	3 979	0.3%
Kortrijk - Bloemistenstraat 23	1995	12 137	1.1%
Leuven - Vital Decosterstraat 42-44	1993	16 718	1.3%
Lokeren - Grote Kaai 20	2005	1 938	0.2%
Menen - Grote Markt 10	1988	3 273	0.1%
Nieuwpoort - Juul Filliaertweg 41	1982	2 868	0.3%
Ninove - Bevrijdingslaan 7	1981	2 809	0.1%
Oudenaarde - Marlboroughlaan 4	1963	4 701	0.3%
Roeselare - Rondekomstraat 30	1987	6 873	0.5%
Sint-Niklaas - Driekoningenstraat 4	1992	6 897	0.6%
Sint-Truiden - Abdijstraat 6	1984	3 932	0.3%
Tervuren - Leuvensesteenweg 17	1980	20 408	0.9%
Tielt - Tramstraat 48	1982	4 180	0.3%
Tienen - Goossensvest 3	1985	6 390	0.6%
Tongeren - Verbindingsstraat 26	2002	7 710	0.8%
Torhout - Burg 28	1973	1 720	0.1%
Torhout - Elisabethlaan 27	1985	1 284	0.1%
Vilvoorde - Groenstraat 51	1995	6 117	0.6%
		233 983	**19.4%**
GRAND DUCHY OF LUXEMBOURG			
Axento - Luxembourg city, Avenue JF Kennedy 44	2009	12 247	3.3%
		12 247	**3.3%**
Properties available for lease		**870 342**	**100.0%**
Binche - Rue de la Régence 31	In preparation	2 480	-
Guimard - Rue Guimard 9 and Rue du Commerce 87-91, 1040 Brussels	Renovation ongoing	5 514	-
Kortrijk - Ijzerkaai 26	In preparation	1 963	-
Paradis Express - Rue Paradis 1, 4000 Liège	In preparation	-	-
WTC IV - Boulevard Simon Bolivar 30, 1000 Brussels	Implementation of the permit, according to the commercialisation	-	-
Properties that are being constructed or developed for own account in order to be leased		**9 957**	**-**
TOTAL - INVESTMENT PROPERTIES		**880 299**	**100.0%**

1. Contruction year and year of the last renovation: year of the last renovation is indicated when dealing with a major renovation (investment work on the envelope, structure and main installations of the building).
2. The proportion of portfolio is calculated on the basis of the current rent as at 31 December 2016.
3. Estimated rental value of the buildings in their current state as given by the real-estate experts.
4. It is the collected rent in accordance with Appendix B of the Royal Decree of 13 July 2014.
5. The annual current rent at the closing date plus the future rents on leases signed as reviewed by the real-estate experts.

ESTIMATED RENTAL VALUE (ERV)[3] (IN € THOUSAND)	RENT BILLED DURING THE FISCAL YEAR[4] (IN € THOUSAND)	CURRENT RENT[5] (IN € THOUSAND) (A)	CURRENT RENT + ESTIMATED RENTAL VALUE ON VACANCY (IN € THOUSAND) (B)	OCCUPANCY RATE (IN %) (C) C = A/B
513	582	592	592	100.0%
269	264	268	268	100.0%
288	297	302	302	100.0%
756	887	901	901	100.0%
204	0	-	204	0.0%
5 532	6 070	6 156	6 156	100.0%
312	342	347	347	100.0%
444	535	543	543	100.0%
319	374	381	381	100.0%
198	238	242	242	100.0%
8 835	**9 589**	**9 732**	**9 936**	**97.9%**
7 266	7 564	7 422	7 422	100.0%
3 343	3 465	3 508	3 508	100.0%
177	198	202	202	100.0%
207	207	210	210	100.0%
385	395	402	402	100.0%
914	911	926	926	100.0%
386	412	419	419	100.0%
288	296	300	300	100.0%
398	407	413	413	100.0%
285	291	295	295	100.0%
961	1 103	1 121	1 121	100.0%
175	248	252	252	100.0%
398	454	461	461	100.0%
602	641	651	651	100.0%
91	93	95	95	100.0%
451	439	446	446	100.0%
1 437	1 602	1 628	1 628	100.0%
2 228	1 967	2 032	2 110	96.3%
266	276	281	281	100.0%
270	100	96	324	29.7%
363	389	395	395	100.0%
232	96	96	278	34.5%
504	505	513	513	100.0%
791	802	815	815	100.0%
871	917	932	932	100.0%
445	449	456	456	100.0%
1 300	1 325	1 347	1 347	100.0%
460	512	520	520	100.0%
780	863	877	877	100.0%
1 098	1 174	1 193	1 193	100.0%
178	204	207	207	100.0%
140	160	163	163	100.0%
763	901	916	916	100.0%
28 453	**29 366**	**29 590**	**30 078**	**98.4%**
5 342	3 838	5 095	5 477	93.0%
5 342	**3 838**	**5 095**	**5 477**	**93.0%**
149 173	**139 218**	**152 234**	**160 606**	**94.8%**
-	235	-	-	-
-	-	-	-	-
-	35	-	-	-
-	-	-	-	-
-	-	-	-	-
-	**270**	**-**	**-**	**-**
149 173	**139 488**	**152 234**	**160 606**	**93.7%**

OFFICE PROPERTY MARKET[1]

The following information is derived from the "Brussels Office Market View Q4 2016" and the "Luxembourg Office View Point Q4 2016" published by CBRE in January 2017 and from other publications from CBRE on the other Belgian office markets.

BRUSSELS

KEY FIGURES OF THE BRUSSELS OFFICE MARKET	31.12.2016	31.12.2015
Office market	12 750 906 m²	12 732 747 m²
Demand (take-up)	455 869 m²	325 577 m²
Development for the next 2 years	340 000 m²	±260 000 m²
Rental vacancy	9.30%	10.10%
Rental values (prime rent)	285 €/m²	285 €/m²
Investment market (offices)	€1.5 billion	€1.1 billion

RENTAL MARKET – TAKE-UP

Take-up on the Brussels office property market was 455,869 m² during fiscal year 2016, as against 325,577 m² during fiscal year 2015.

This makes 2016 the best year in terms of demand since 2012.

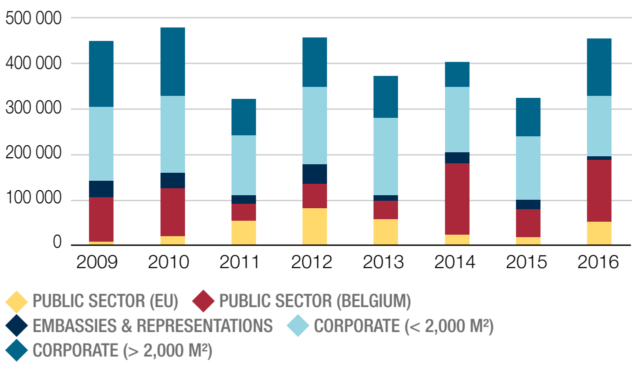
This take-up came mainly from the private sector (57% of the volume), owing mostly to some major transactions that came to fruition at the end of the year, notably in new buildings or "Grade A[2]" projects.

These major transactions with the private sector over the year include in particular:

- Allianz Belgium, which acquired 26,600 m² off-plan in the Möbius project located in the North area, where it will locate its headquarters in 2020;
- DKV, which let 10,394 m² in the Central Plaza building in the city centre;
- Loyens & Loeff, which took up 7,492 m² in the Porte de Tervueren building in the Leopold district;
- Danone, which took up 6,483 m² in the Docks Bruxsel project in the decentralised area; and
- Aliaxis, which signed a lease for 4,216 m² in Befimmo's Triomphe building, also located in the decentralised area.

The public sector has also been active on the market; amongst others, the Brussels police acquired the De Ligne project (30,500 m²) in the city centre to house its offices, the City of Brussels will move into Centre 58 (renamed Brucity - 33,400 m²) after its redevelopment, and the Buildings Agency has leased 30,000 m², on behalf of a federal government department, in the Pacheco 44 building (belonging to Belfius Bank whose sole shareholder is the Belgian Government), also located in the city centre.

TAKE-UP BY OCCUPANT TYPE (IN M²)



DEVELOPMENT MARKET

During the 2016 fiscal year, approximately 130,000 m² of new office space were handed over onto the market, only 17,252 m² of which were speculative projects, where there is no prior commitment from a tenant. Developers are still cautious and selective, generally taking on projects located in the best central districts.

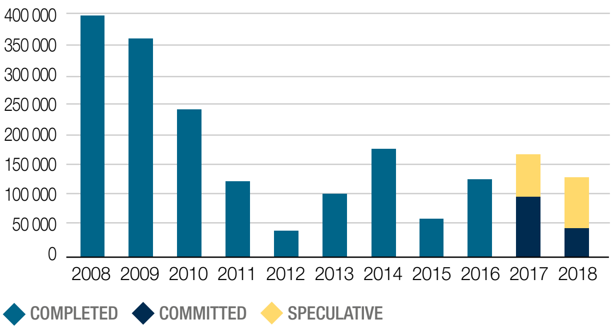
The number of speculative projects for 2017 and 2018 remains low overall; 169,902 m² and 170,637 m² of office space respectively are expected to come onto the market, speculative projects accounting for only about 70,000 m² a year. The market for new buildings is therefore currently dominated by handovers of build-to-suit projects, i.e. pre-let or pre-sold.

1. Source: CBRE - 31 December 2016.
2. Grade A: age of the building 0 to 5 years.

BLUE TOWER
BRUSSELS LOUISE DISTRICT

Only 4.5% of vacant office space on the market is of "Grade A", while between 2001 and 2010, that grade accounted for between 20% and 30% of vacant stock. There is currently a real shortage of "Grade A" space immediately available in most districts of the Brussels office market, particularly in the CBD.

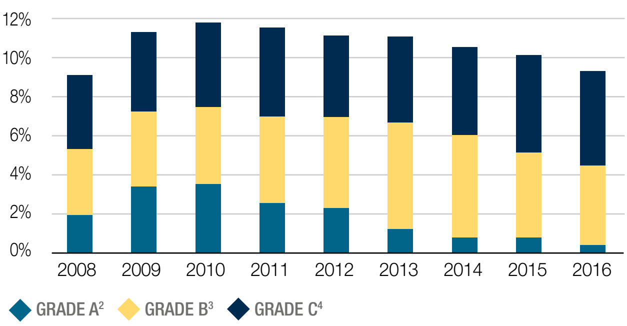
DEVELOPMENT PROJECTS (IN M²)



RENTAL VACANCIES

The falling trend in vacancy rates is continuing; at 31 December 2016, rental vacancies stood at 9.30%, down from 10.10% at 31 December 2015.

RENTAL VACANCIES BY TYPE OF PROPERTY (IN %)

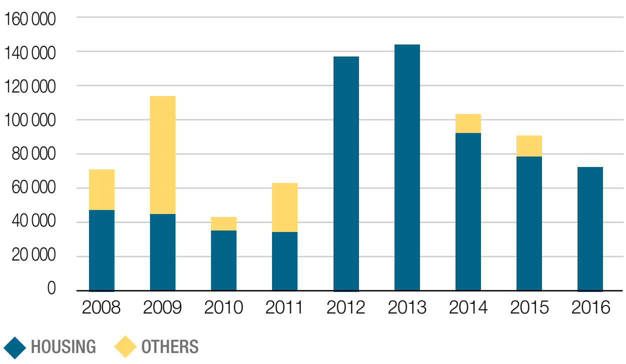


The average vacancy rate in the Central Business District is 4.97%. Specifically, vacancy rates were 3.68% in the North area, 4.39% in the city centre and 5.23% in the Leopold district. In the North area, we nevertheless expect an increase in the vacancy rate in the coming years since major leases are due to expire from the end of 2017.

Conversely, the decentralised and periphery markets are still under pressure, with vacancy rates of 11.74% and 23.03% respectively.

The general decline in vacancies in recent years is due to a combination of the small number of new speculative buildings coming onto the market and the conversion of a substantial number of structurally vacant offices for use as housing, hotels and nursing homes. In 2016, 73,300 m² of office space were converted and new conversion projects have already been identified for the first quarter of fiscal year 2017. Since 2007, 910,000 m² of office space have been converted to other uses.

CONVERSION OF OFFICES TO OTHER USES (IN M²)



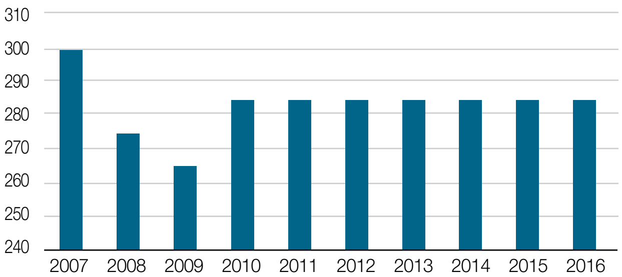
3. Grade B: age of the building 5 to 10 years.
4. Grade C: age of the building > 10 years.

RENTAL VALUES

“Prime rent” held steady over the fiscal year, at €285 per m²/year. Weighted average rents are at €169 per m²/year. In the current economic climate, rental gratuities and concessions to tenants in existing buildings still remain stable, albeit relatively high, especially in the decentralised areas and the periphery.

Generally speaking, the space still available on the market is of “Grade B” or “C”. As the private sector is focused on managing real-estate costs, an immediate upward move in rents is not expected; however, this may change in the case of a more robust economic recovery.

PRIME RENT IN BRUSSELS (IN EURO/M²)



INVESTMENT MARKET

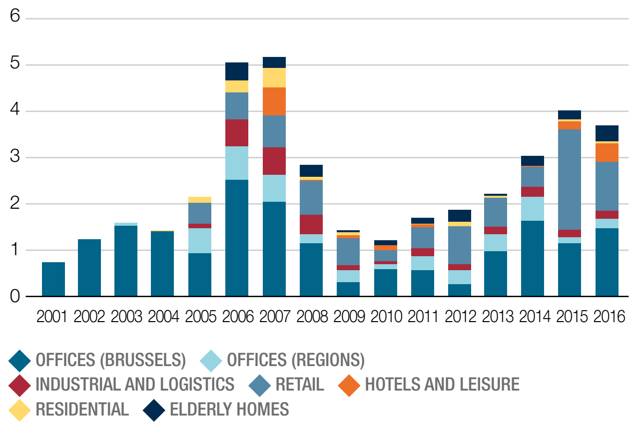
Over the year, nearly €1.5 billion were invested in office buildings in Brussels, as against €1.1 billion throughout 2015. For Belgium as a whole, investments in office buildings amounted to €1.7 billion.

These notably include:

- the sale of the Ellipse Building (North area) by AG Real Estate for +€200 million;
- the acquisition of the Astro Tower (Leopold district) by Patrizia Immobilien for €167.5 million;
- the sale of the Entrepôt Royal (Tour & Taxis) to Leasinvest for €108 million;
- the acquisition of the Black Pearl building (Leopold district) by Real IS for €55 million;
- Triuva, which acquired the Nordic House (Leopold district) for €25 million;
- the acquisition of the Cortenbergh 71 building by Rockspring for €24.5 million;
- the acquisition of the Neo (Leopold district) for over €75 million by Swiss Life REIM;
- the acquisition of the RAC/C De Ligne (city centre) for approximately €59 million by Real IS.

Yields on buildings in the CBD on classic leases (3/6/9) in the “prime” category declined a little further to under 5%. Properties of the same type but let long-term to high-rating tenants are traded at yields well below 5%, of the order of 4%.

INVESTMENT VOLUME ON THE BELGIAN MARKET (IN € BILLION)



MEIR
ANTWERP

ANTWERP

KEY FIGURES FOR THE ANTWERP OFFICE PROPERTY MARKET	31.12.2016	31.12.2015
Office market	2.1 million m²	2 million m²
Demand (take-up)	110 600 m²	88 225 m²
Development for the 2 following years	44 000 m²	24 000 m²
Rental vacancy	12.1%	11.7%
Rental values (prime rent)	150 €/m²	145 €/m²
Investment market (offices)	€97 million	€65 million

LIÈGE

KEY FIGURES FOR THE LIÈGE OFFICE PROPERTY MARKET	31.12.2016	31.12.2015
Office market	480 000 m²	460 000 m²
Demand (take-up)	25 800 m²	7 824 m²
Development for the 2 following years	55 000 m²	33 300 m²
Rental vacancy	2.0%	1.4%
Rental values (prime rent)	140 €/m²	135 €/m²
Investment market (offices)	€18 million	€23 million

GRAND DUCHY OF LUXEMBOURG

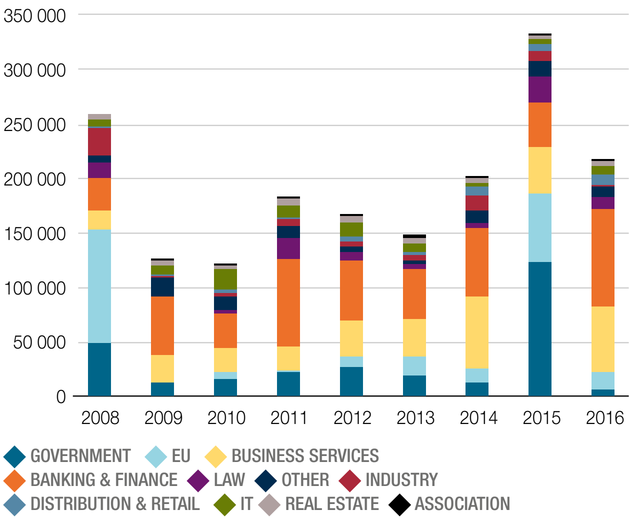
KEY FIGURES FOR THE LUXEMBOURG OFFICE PROPERTY MARKET	31.12.2016	31.12.2015
Office market	4 000 000 m²	3 920 000 m²
Demand (take-up)	219 000 m²	336 627 m²
Development for the 2 following years	390 000 m²	433 000 m²
Rental vacancy	5.7%	5.5%
Rental values (prime rent)	€46/m²/month	€46/m²/month
Investment market (offices)	€1.1 billion	€0.8 billion

RENTAL MARKET

Take-up on the office market in Luxembourg was 219,000 m² in fiscal year 2016 as against 336,600 m² in 2015. There was an exceptional transaction with the University of Luxembourg (105,000 m²) in 2015.

This year, most demand is coming from the private sector, mostly the "Banking and finance" and "Business services" sectors, which have been active on the market.

TAKE-UP BY TYPE OF OCCUPANT (IN M²)



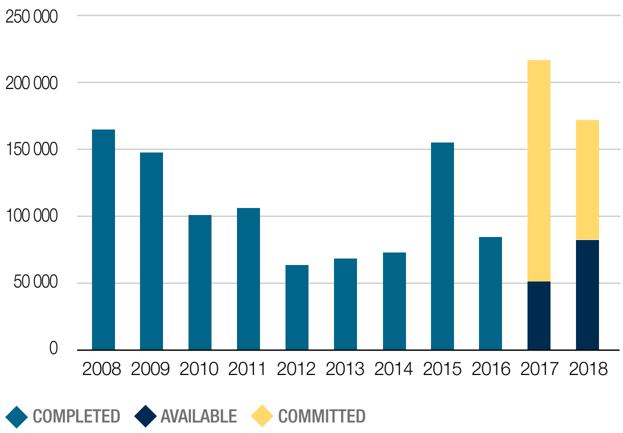
The major transactions with the private sector over the year include:

- RTL taking 22,000 m² of office space in the Kirchberg district;
- BDO, which leased 10,600 m² in the AIR building in the Gasperich district;
- the take-up of 3,060 m² by KPMG in Befimmo's Axento building situated in Kirchberg; and
- Bionext, which leased 1,139 m² in the Edelneck building.

DEVELOPMENT MARKET

In 2016, only 85,000 m² of office space were handed over onto the market. The number of speculative projects handed over onto the market is still generally very limited. In 2017, 54,000 m² of speculative projects are expected in addition to 163,000 m² of pre-let space. For 2018, a development pipeline of 173,000 m² has been identified, 83,000 m² of which are at risk.

DEVELOPMENT PROJECTS (IN M²)



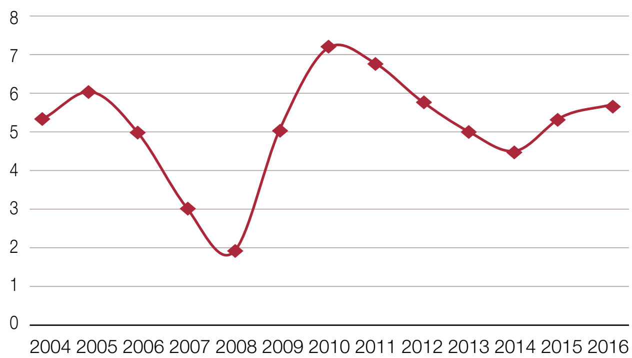
AXENTO
GRAND DUCHY OF
LUXEMBOURG

RENTAL VACANCY

The vacancy rate on the Luxembourg market averaged 5.7%, as against 5.5% at 31 December 2015.

Vacancy rates vary from one district to another, but city-centre vacancies remain low: in the CBD the rate is 2.6% (as against 2.9% at the end of 2015); in Kirchberg, vacancies stood at 4.6% (as against 3.7% at the end of 2015) and in the station area, 6.6% (as against 4.7% at the end of 2015). In other districts, vacancy levels range from 1.3% to 16.7%.

RENTAL VACANCIES (IN %)



RENTAL VALUES

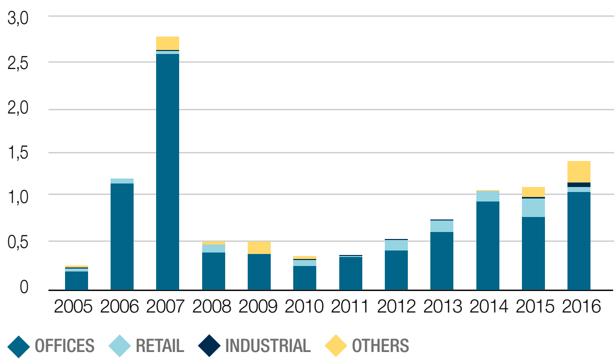
In this market situation, prime rent is €46/m²/month in the CBD and €35/m²/month in the Kirchberg district, stable in relation to 2015. In the Station district, rents rose to €37/m²/month as against €35/m²/month in 2015.

LUXEMBOURG INVESTMENT MARKET

Over the year, nearly €1.1 billion were invested in office properties, compared with €800 million in 2015.

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

INVESTMENT VOLUME ON THE LUXEMBOURG MARKET (IN € BILLION)



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 31st December 2016.

CONTEXTE

In accordance with Chapter III, Section F of the law of 12th of May 2014 on BE-REITs, Befimmo has instructed an independent valuer to provide an opinion of value for its portfolio as at 31st December 2016. We have been mandated to value part of the Befimmo and Fedimmo portfolios mainly let on long or potentially long term, while CBRE Valuation Services have been mandated to value part of the Befimmo and Fedimmo portfolios mostly let on conventional 3/6/9 year leases. Furthermore we have consolidated the results of the valuation of which the main conclusions are listed hereunder.

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

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

OPINION

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

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

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

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

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

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

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

Ultimately it is supply and demand in the investment market that determines the price. For the financial accounting of a BE-REIT and in accordance with the IAS/IFRS norms it is common practice to use the fair value. Following a press release of the Belgian Association of Asset Managers (BEAMA), dated 8 February 2006 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 31st December 2016 amounts to a total of

€2,575,438,000
(TWO BILLION FIVE HUNDRED SEVENTY FIVE MILLION FOUR HUNDRED THIRTY EIGHT THOUSAND EUROS);

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

The most likely sale value corresponding to the fair value of the consolidated Befimmo property portfolio as at 31st December 2016 amounts to a total of

€2,511,657,870
(TWO BILLION FIVE HUNDRED AND ELEVEN MILLION SIX HUNDRED FIFTY SEVEN THOUSAND EIGHT HUNDRED AND SEVENTY EUROS);

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

On this basis, the initial yield of the portfolio with properties available for lease stood at 6.07%. Should the vacant accommodation be fully let at estimated rental value, the initial yield is 6.40% for the same portfolio.

The occupation rate of the portfolio with properties available for lease is 94.79%. For the total portfolio of investment properties this rate is 93.72%.

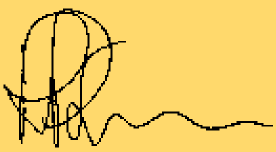
The average level of passing and contractual rent is currently approximately ±9.50% above the current estimated rental value of the portfolio with properties held for letting.

The property portfolio comprises:

OFFICES	FAIR VALUE (IN € MILLION)	(IN %)
Properties available for lease	**2 445.3**	**97.4%**
Brussels CBD and similar[1]	1 423.0	56.7%
Brussels decentralised	88.4	3.5%
Brussels periphery	147.0	5.9%
Wallonia	194.2	7.7%
Flanders	493.4	19.6%
Luxembourg city	99.3	4.0%
Properties that are being constructed or developed for own account in order to be leased	**66.3**	**2.6%**
Properties held for sale	**-**	**-**
TOTAL	**2 511.7**	**100.0%**

Yours sincerely,

Brussels, 1st February 2017



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

1. Including the Brussels airport zone, where the Gateway building is situated.

IKAROS
BRUSSELS PERIPHERY

FULL SERVICE

65%

SEEK AMENITY-RICH LOCATIONS TO ATTRACT TALENT

65% seek amenity-rich locations to attract talent. Employee attraction and retention is the single biggest reason for pursuing workplace strategies. Workplace strategies are increasingly aimed at providing a high quality workplace experience for employees; workstyle preferences and employee satisfaction are paramount[1].

SERVICES

SERVICES OFFERED TO TENANTS

Services are provided to tenants in 11 of the 20 multi-tenant buildings in the Befimmo portfolio. The aim is to equip its buildings as well as possible (shared meeting rooms, restaurant, catering, nursery, fitness centre, etc.) and to offer a comprehensive personalised service (property management, space planning & project management, environmental support, facility management), to facilitate the everyday lives of its tenants.

1. Bron: "EUROPEAN OCCUPIER SURVEY" CBRE 2015/2016.

FINANCIAL REPORT

KEY FIGURES

	31.12.2016	31.12.2015
Number of shares issued[1]	*25 579 214*	*23 021 293*
Number of shares not held by the group	*25 579 214*	*23 021 293*
Average number of shares not held by the group	*23 692 223*	*22 198 549*
Shareholders' equity (in € million)	1 401.35	1 265.29
Net asset value (in € per share)	54.78	54.96
EPRA NAV (in € per share)	55.49	54.91
EPRA NNNAV (in € per share)	54.30	54.30
EPRA Like-for-Like Net Rental Growth[2] (in %)	-0.29%	1.16%
Net result (in € per share)	3.82	4.41
EPRA earnings (in € per share)	3.68	3.89
Average (annualised) financing cost[3] (in %)	2.26%	2.66%
Weighted average duration of debts (in years)	3.66[4]	3.99
Debt ratio according to the Royal Decree (in %)	44.65%	48.37%
Loan-to-value[5] (in %)	42.33%	45.66%
Return on shareholders' equity[6] (in € per share)	3.69	4.43
Return on shareholders' equity[6] (in %)	6.79%	8.29%

1. The increasing number of shares issued is explained by the creation of 2,557,921 new shares following the capital increase.
2. Trend of the rental income minus property charges at constant perimeter, calculated on the basis of the "EPRA Best Practices Recommendations".
3. Including margin and hedging costs. This is an Alternative Performance Measure. For more information, please consult Appendix II to this Report.
4. Taking into account the extension of two bank lines early 2017, the weighted average duration of debts is 4.51 years.
5. Loan-to-value ("LTV"): [(nominal financial debts – cash)/fair value of portfolio].
6. Calculated over a 12-month period ending at the closing of the fiscal year, taking into account the gross dividend reinvestment, if applicable the participation in the optional dividend and, if applicable the participation in the capital increase. This is an Alternative Performance Measure. For more information, please consult Appendix II to this Report.

FINANCIAL STRUCTURE

The Company arranges the necessary finance in due time, seeking an optimal balance between cost, duration and diversification of its financing sources.

FINANCING ARRANGED DURING THE FISCAL YEAR

CAPITAL INCREASE OF €127 MILLION

In September 2016, Befimmo successfully completed a capital increase for a gross amount of €127 million.

OTHER FINANCING

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

- renegotiation and extension of a bank line for an amount of €100 million over 5 years;
- signature of two bank financing lines for €50 million over 5 years and €40 million over 3 years; and
- private placement of debt for an amount of €7.25 million over 10 years.

Early 2017, Befimmo also carried out the following operations:

- renegotiation and extension of a bank line for a total amount of €135 million with maturities of 4 to 7 years;
- renegotiation and extension of a bank line for a total amount of €90 million with a maturity of 7 years.

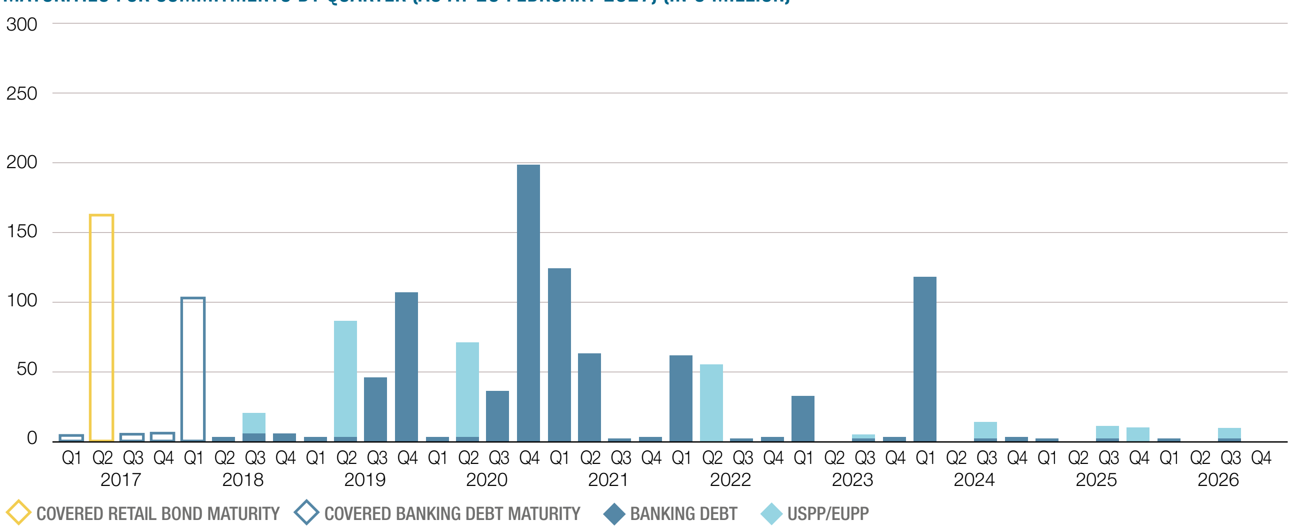
On this basis, and all other things being equal, the Company has covered its financing needs until the end of the first quarter of 2018.

MAIN CHARACTERISTICS OF THE FINANCIAL STRUCTURE

As at 31 December 2016, Befimmo's financial structure had the following main characteristics:

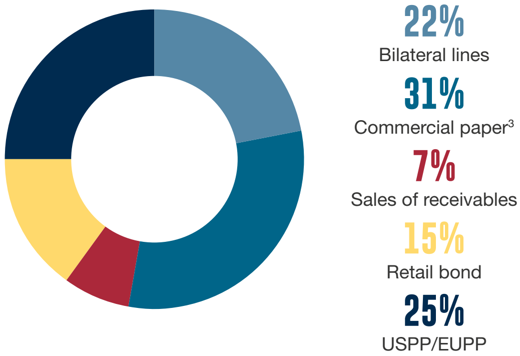
- confirmed credit facilities for a total amount of €1,333.9 million (of which 68.2% bank financing), €1,063.4 million of which was in use. The volume of unused lines is determined on the basis of the Company's liquidity criteria, taking account of the maturities of the financing agreements and the commitments planned for the coming years;
- a debt ratio of 44.65%[1];
- an LTV ratio of 42.33%[2];
- a weighted average duration of debts of 3.66 years (and of 4.51 years, taking into account the extension of two bank lines early 2017);
- 72.1% of total debt at fixed rates (including IRS);
- an average (annualised) financing cost (including margin and hedging cost) of 2.26% over the year, compared with 2.66% for the 2015 fiscal year.

MATURITIES FOR COMMITMENTS BY QUARTER (AS AT 16 FEBRUARY 2017) (IN € MILLION)



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

DEBT DISTRIBUTION



On 26 May 2016, the Standard & Poor's rating agency confirmed the rating of BBB/outlook stable for Befimmo's long-term borrowings and A-2 for its short-term borrowings.

To reduce its financing costs, Befimmo has a commercial paper programme for an amount up to €600 million, €325 million of which was in use as at 31 December 2016 for short-term issues and €66.25 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 debt placements.

HEDGING THE INTEREST RATE AND EXCHANGE-RATE RISK

Befimmo holds a portfolio of instruments to hedge (i) the interest rate risk, consisting of IRS, CAP and COLLAR[4], and (ii) the exchange-rate risk on its fixed-rate United States private placement (USPP) by holding Cross Currency Swaps.

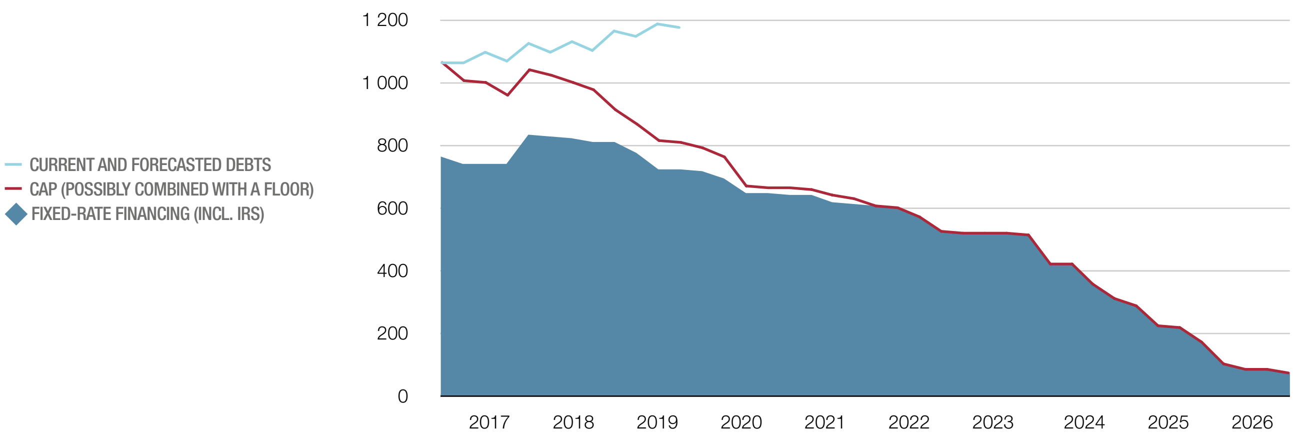
The package of instruments in place gives the Company a hedge ratio of 99.3%[5] as at 31 December 2016. The hedge ratio remains above 80% until the fourth quarter of 2018 included and above 50% until the fourth quarter of 2020 included.

As part of its hedging policy, the Company carried out various operations on hedging instruments over the fiscal year

- it bought two IRS covering the periods (i) from November 2016 to October 2025 (€25 million), and (ii) from June 2017 to November 2026 (€25 million);
- it extended an existing IRS, initially expiring at the end of 2017, by 8 additional years for a notional €30 million.

Early 2017, Befimmo restructured two IRS for an initial notional total of €35 million, which moved their expiry date to early 2027 and brought their notional total to €50 million.

EVOLUTION OF THE PORTFOLIO OF HEDGING INSTRUMENTS AND FIXED-RATE DEBTS (AS AT 31 DECEMBER 2016) (IN € MILLION)



ANNUAL AVERAGE		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
CAP	Notional (in € million)	264	190	94	47	20	-	-	-	-	-
	Average rate (in %)	1.38%	1.32%	0.83%	0.87%	1.15%	1.15%	-	-	-	-
FLOOR	Notional (in € million)	51	50	22	20	20	-	-	-	-	-
	Average rate (in %)	0.72%	0.71%	0.57%	0.55%	0.55%	0.55%	-	-	-	-
Fixed-rate financing (incl. IRS)	Notional (in € million)	750	827	761	679	631	578	521	379	225	85
	Average rate[6] (in %)	1.05%	0.97%	0.99%	1.03%	1.01%	0.95%	0.86%	0.86%	0.86%	0.91%

3. With confirmed bank lines in excess of one year as a back-up.
4. 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).
5. Hedge ratio = (nominal fixed-rate borrowings + notional rate of IRS and CAP)/total borrowings.
6. Average fixed rate excluding credit margin.

FINANCIAL RESULTS G4-EC1

NET ASSET VALUE AS AT 31 DECEMBER 2016

As at 31 December 2016, Befimmo's total net asset value was €1,401.3 million.

The net asset value is therefore €54.78 per share, as against €54.96 per share as at 31 December 2015.

CHANGES IN THE NET ASSET VALUE

	(IN € PER SHARE)	(IN € MILLION)	NUMBER OF SHARES NOT HELD BY THE GROUP
Net asset value as at 31 December 2015	**54.96**	**1 265.3**	**23 021 293**
Final dividend of the 2015 fiscal year		-19.8	
Other elements of comprehensive income - actuarial gains and losses on pension obligations		-0.2	
Capital increase		127.3	
Costs related to the capital increase		-3.0	
Interim dividend of the 2016 fiscal year		-58.7	
Net result as at 31 December 2016		90.4	
Net asset value as at 31 December 2016	**54.78**	**1 401.3**	**25 579 214**

TREND OF RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT[1]

(IN € THOUSAND)	31.12.2016	31.12.2015
Net rental result	137 037	139 510
Net rental result excluding spreading	*136 442*	*137 963*
Spreading of gratuities/concessions	*595*	*1 547*
Net property charges[2]	-14 257	-12 808
Property operating result	**122 780**	**126 702**
Corporate overheads	-10 447	-9 930
Other operating income & charges[2]	-596	-1 675
Operating result before result on portfolio	**111 738**	**115 098**
Operating margin[2]	***81.5%***	***82.5%***
Gains or losses on disposals of investment properties	1 154	967
Net property result[2]	**112 892**	**116 064**
Financial result (excl. changes in fair value of financial assets and liabilities)[2]	-22 131	-27 637
Corporate taxes	-2 364	-1 459
Net result before changes in fair value of investment properties and financial assets and liabilities[2]	**88 397**	**86 968**
Changes in fair value of investment properties	21 121	10 984
Changes in fair value of financial assets and liabilities	-19 112	-25
Changes in fair value of investment properties & financial assets and liabilities	**2 009**	**10 959**
Net result	90 406	97 927
EPRA earnings	87 243	86 282
Net result (in € per share)	**3.82**	**4.41**
EPRA earnings (in € per share)	**3.68**	**3.89**

1. As of 31 December 2016, Befimmo no longer publishes the "Net current result" indicator in the reporting of its results and now focuses on the key indicators "EPRA earnings" and "Net result".
2. This is an Alternative Performance Measure. For more information, please consult Appendix II to this Report.

EVENTS WITH AN IMPACT ON THE PERIMETER OF THE COMPANY

The perimeter of the Company's property portfolio was changed during the 2016 fiscal year by the following events:

- disposals of the Chênée and Jean Dubrucq buildings in Brussels;
- the incorporation of the Gateway building into the portfolio, as the works progressed.

The comparison of the data per share is also affected by the issue of 2,557,921 new shares within the framework of the capital increase carried out in September 2016.

ANALYSIS OF THE NET RESULT

The **net "Like-for-Like" rental result**[2] is stable (-0.37%) in relation to last year. The impact linked to the departure and arrival of tenants, and the impact of indexation offset one another overall.

The **net rental result** is down €2.5 million, however. This decline is explained mainly by:

- the absence of compensation for early departure in 2016 (as against +€0.9 million in fiscal year 2015);
- the Guimard building, which is undergoing a major renovation, while it was still earning a rent of €0.84 million in fiscal year 2015;
- a one-time effect related to the commencement of the 27.5 year lease in the new Paradis Tower while the lease on the old building, which has been demolished in the meantime, was still running until 31 March 2015 (-€1.04 million);
- the sales of the Chênée and Jean Dubrucq buildings in 2016 and the Stassart and Izegem buildings in 2015 (-€0.3 million).

In addition, the reorganisation of the Gateway building site, following the attacks at Brussels airport in March 2016, led to a three-month delay in the commencement of the lease agreed with Deloitte.

Net property charges rose from -€12.8 million to -€14.3 million (up €1.4 million or +11.3% compared with the 2015 fiscal year). This was mainly due firstly to the one-off impact of the receipt, in the 2015 fiscal year, of compensations for an early departure and, secondly, to the increase in commercial costs on account of the number of leases signed during fiscal year 2016.

Consequently, the **property operating result** was €122.8 million in 2016 as against €126.7 million in 2015.

The evolution of the **EPRA Like-for-Like Net Rental Growth** in 2016 was -0.29%.

Corporate overheads increased slightly from €9.93 million in 2015 to €10.45 million in 2016. Most of this increase is explained by costs related to information systems.

Other operating income and charges amounted to -€0.6 million in 2016, compared with -€1.7 million in 2015. This change was due mainly to the impact of the restatement, in accordance with IFRS, of rental concessions and gratuities included in income (+€1 million).

An **overall gain** of €1.2 million was realised on the sale of two buildings (Chênée and Jean Dubrucq).

The **change in fair value of the investment properties** (excluding the amount of acquisitions, investments and disinvestments) amounted to +€21.1 million, an increase of +0.85%.

The **realised financial result** (excluding changes in fair value of financial assets and liabilities) improved from -€27.6 million in fiscal year 2015 to -€22.1 million in the 2016 fiscal year. The average financial debt over the fiscal year was €1,072.4 million in 2016 as against €1,087.4 million for 2015. The sharp drop in financial charges was due mainly to the decline in average market interest rates (excluding margin), reimbursement of a retail bond of €110 million which matured in December 2015, and the restructuring of certain hedging products in 2015. Euribor rates remained at a historic low in 2016 (Euribor 1-month and 3-month rates averaged -0.30%). The average (annualised) financing cost was 2.26% as against 2.66% a year earlier.

The **change in fair value of the financial assets and liabilities** was -€19.1 million as against nearly zero for the 2015 fiscal year. The fair value of the financial assets and liabilities was down despite the recent tensions on the long-term interest rates.

The rise in **taxes** (+62%) is explained by the booking of a provision for various tax risks covering three years (€1.2 million).

The **net result** emerging from all of the above items amounts to €90.4 million as at 31 December 2016, as against €97.9 million as at 31 December 2015.

EPRA earnings amounted to €87.2 million, up 1.1% on the previous fiscal year.

EPRA earnings per share were €3.68 as at 31 December 2016 as against €3.89 at the end of December 2015. Note that the average number of shares increased by 1,493,674 compared with 2015, following the issue of new shares in the context of the capital increase in September 2016 and the optional dividend in December 2015.

ANALYSIS OF THE CONDENSED CONSOLIDATED BALANCE SHEET

CONDENSED CONSOLIDATED BALANCE SHEET

(IN € MILLION)	31.12.2016	31.12.2015
Investment and held for sale properties	2 511.7	2 388.3
Other assets	101.4	111.9
Total assets	**2 613.1**	**2 500.2**
Shareholders' equity	1 401.3	1 265.3
Financial debts	1 098.0	1 123.9
non current	538.7	659.4
current[1]	559.2	464.5
Other debts	113.7	111.0
Total equity & liabilities	**2 613.1**	**2 500.2**
LTV	**42.33%**	**45.66%**

COMMENTS ON THE CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2016, 96% of the assets side of the balance sheet consisted of investment properties at fair value, based on an assessment by independent real-estate experts in accordance with IAS 40. The value of this portfolio was up €123.4 million on last year after investments during the fiscal year, namely the gradual addition to the portfolio of the Gateway building as the works progressed (€74.3 million over fiscal year 2016), the renovation or redevelopment work carried out in the portfolio (€31.5 million), the disposal of buildings that had become non-strategic and changes in the fair value of properties (€21.1 million). The other assets consist mainly of goodwill recognised on the acquisition of Fedimmo in 2006 (€14.5 million), hedging instruments (€41.4 million), trade receivables (€20.0 million) and tax receivables (€11.6 million).

Shareholders' equity accounts for 54% of sources of finance. Non-current financial debts comprise €242 million in bank debt, €111 million in a number of European private placements and the equivalent of €183 million (at fair value) in a United States private placement (USPP).

Current financial debts comprise €325 million in short-term commercial paper, €162 million in a retail bond maturing in April 2017, and €72 million of miscellaneous bank loans maturing during the course of fiscal year 2017. The Company has confirmed bank lines at more than one year as a back-up for the short-term commercial paper.

Other liabilities consist mainly of hedging instruments (€25 million), trade and other payables (€15 million for suppliers, €11 million in withholding tax on the dividend payment) and accrued charges and deferred income (principally €25 million in property income received in advance).

The LTV ratio was 42.33% at 31 December 2016, as against 45.66% at 31 December 2015.

APPROPRIATION OF RESULTS (STATUTORY ACCOUNTS)

The net result for the fiscal year is €90,425,516.81.

Taking account of the result carried forward at 31 December 2015 of €115,775,835.78 and the net result for the fiscal year, the result to be appropriated is €206,201,352.59.

The result for the fiscal year relates to 25,579,214 shares, up 11.11% in relation to the previous fiscal year. The increase in the number of shares outstanding results from the creation of 2,557,921 shares on 27 September 2016 in the context of the capital increase.

1. 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.

In accordance with article 11(3) of the law of 12 May 2014 on BE-REITs, no appropriation to the legal reserve is made. The Ordinary General Meeting will therefore be invited to:

1. approve the annual accounts at 31 December 2016 which, in accordance with the Royal Decree of 13 July 2014 on BE-REITs, contain appropriations to the statutory reserves;

2. distribute, as return on capital, a dividend of €3.45 gross per share. This dividend would consist of an interim dividend of €58,704,297.15, or €1.8615 net per share[2] outstanding before the capital increase of 27 September 2016 (€2.55 gross per share, calculated pro rata from 1 January 2016 until 26 September 2016), declared on 26 October 2016, and a final dividend of €23,021,292.60, or €0.63 net[3] per share (€0.90 gross per share), payable by detaching coupon No 33;

3. carry forward the balance again, i.e. the sum of €115,763,597.56.

The proposed dividend for fiscal year 2016 (including the interim dividend declared on 26 October 2016 and the final dividend referred to above) complies with article 13 of the Royal Decree of 13 July 2014 on BE-REITs, in that it exceeds the required minimum of 80% of the sum of adjusted earnings and net capital gains on the realisation of property not exempt from the distribution requirement, minus the net reduction in the Company's borrowings over the fiscal year, as reflected in the statutory accounts.

RESULT TO BE APPROPRIATED, PROPOSED APPROPRIATIONS AND WITHDRAWALS (IN €)

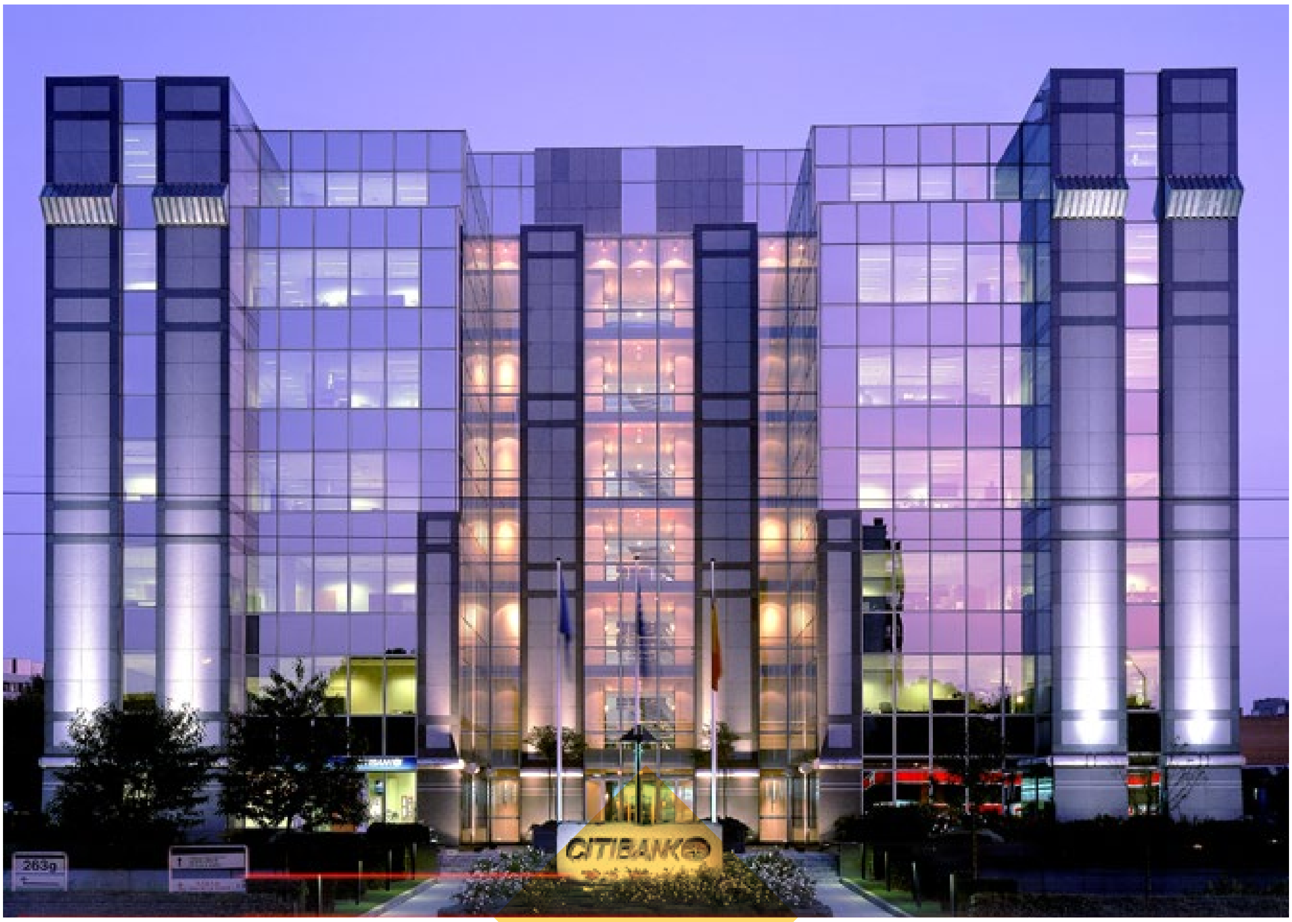
A. Net result	**90 425 516.81**
B. Transfer to/from reserves (±)	**-8 699 927.06**
I. Transfer to/from reserve of balance (positive or negative) of changes in fair value of properties (±)	-27 598 928.87
- Fiscal year	-21 280 762.70
- Previous fiscal years	-
- Realisation of properties	-6 318 166.17
II. Transfer to/from reserve of estimated fees and charges incurred in the hypothetical disposal of investment properties (±)	439 310.82
VI. Transfer from reserve or balance of changes in fair value of permitted hedging instruments to which hedging accounting as defined in IFRS is not applied (±)	18 447 452.78
- Fiscal year	18 447 452.78
- Previous fiscal years	-
XI. Transfer to/from result brought forward from previous fiscal years (±)	12 238.22
C. Remuneration of capital	**-81 725 589.75**
- Interim dividend for the fiscal year paid out in December 2016	-58 704 297.15
- Final dividend for the fiscal year (payable after the Ordinary General Meeting of 25 April 2017)[4]	-23 021 292.60
D. Remuneration of capital apart from C	**-**

EXPLANATORY TABLE OF THE STATUTORY RESULT OF THE 2016 FISCAL YEAR[5] (IN €)

Result to bring forward as at 31 December 2014	**125 632 877.20**
Impact of the realised result on the direct sale of own securities	2 264 208.84
Result for the 2015 fiscal year	97 895 183.36
Result to be appropriated as at 31 December 2015	**225 792 269.40**
Interim dividend for the 2015 fiscal year	-57 338 145.20
Impact of appropriation to reserves other than "(n) Result brought forward from previous years" (Royal Decree of 13 July 2014)	-32 879 976.44
Final dividend proposed for the 2015 fiscal year	-19 798 311.98
Result to bring forward as at 31 December 2015	**115 775 835.78**
Result for the 2016 fiscal year	90 425 516.81
Result to be appropriated as at 31 December 2016	**206 201 352.59**
Interim dividend for the 2016 fiscal year	-58 704 297.15
Impact of appropriation to reserves other than "(n) Result brought forward from previous years" (Royal Decree of 13 July 2014)	-8 712 165.28
Final dividend proposed for the 2016 fiscal year[4]	-23 021 292.60
Result to bring forward as at 31 December 2016	**115 763 597.56**

2. Assuming a withholding tax of 27%.
3. Assuming a withholding tax of 30%.
4. Amount subject to the approval of the Ordinary General Meeting of 25 April 2017.
5. Please see the note of the statutory shareholders' equity on pages 190 and 191 of the financial statements.

EPRA BEST PRACTICES[1]



LA PLAINE
BRUSSELS
DECENTRALISED

The European Public Real Estate Association (EPRA) publishes recommendations for defining the main financial performance indicators applicable to listed real-estate companies. Befimmo supports the reporting standardisation approach designed to improve the quality and comparability of information destined to investors.

The Statutory Auditor has checked whether the EPRA ratios have been calculated in accordance with the definitions and whether the financial data used to calculate those ratios tally with the accounting data included in the consolidated financial statements.

1. www.epra.com

KEY PERFORMANCE INDICATORS - DEFINITION & USE

	EPRA INDICATORS	EPRA DEFINITION[2]	EPRA PURPOSE[2]
(1)	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.
(2)	EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value[3] 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.
(3)	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.
(4)	(i) EPRA Net Initial Yield (NIY)	Annualised rental income[4] based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value[3] of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations.
(5)	(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).	This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.
(6)	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.
(7)	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.
(8)	EPRA Like-for-Like	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)[5].

KEY PERFORMANCE INDICATORS - KEY FIGURES OVERVIEW

	EPRA INDICATORS		31.12.2016	31.12.2015
(1)	EPRA earnings	in € thousand in €/share	87 243 3.68	86 282 3.89
(2)	EPRA NAV	in € thousand in €/share	1 419 287 55.49	1 264 109 54.91
(3)	EPRA NNNAV	in € thousand in €/share	1 388 912 54.30	1 250 007 54.30
(4)	(i) EPRA Net Initial Yield (NIY)	in %	5.65%	5.78%
	(ii) EPRA Topped-up NIY	in %	5.81%	5.91%
(5)	EPRA Vacancy rate	in %	5.71%	6.35%
(6)	EPRA Cost ratio	Incl. vacancy costs Excl. vacancy costs	18.45%[6] 15.51%[6]	16.62% 12.88%
(7)	EPRA Like-for-Like	in %	-0.29%	1.16%

2. Source: EPRA Best Practices (www.epra.com).
3. According to the BE-REIT legislation, the buildings of the Befimmo portfolio are booked at their fair value.
4. For Befimmo, the annualised rental income is equivalent to the annual current rent at the closing date plus future rent on leases signed, as reviewed by the real-estate experts.
5. Because EPRA doesn't publish the purpose of the EPRA Like-for-Like, Befimmo wrote it.
6. For more information, please consult page 53 of this Report and also the explanation on the evolution of the revenus and net property charges.

TABLE 1 - EPRA EARNINGS

(IN € THOUSAND)	31.12.2016	31.12.2015
Net result IFRS	**90 406**	**97 927**
Adjustments to calculate EPRA earnings	**-3 163**	**-11 645**
To exclude:		
I. Changes in fair value of investment properties and porperties held for sale	-21 121	-10 984
II. Gains and losses on disposals of investment properties	-1 154	-967
V. Negative goodwill/goodwill impairment	-	138
VI. Changes in fair value of financial assets and liabilities and close-out costs	19 112	167
EPRA earnings	**87 243**	**86 282**
EPRA earnings (in € per share)	**3.68**	**3.89**

TABLES 2 AND 3 - EPRA NAV & NNNAV

(IN € THOUSAND)	31.12.2016	31.12.2015
Net asset value	**1 401 349**	**1 265 295**
Net asset value (in € per share)	**54.78**	**54.96**
To include:		
II. Revaluation at fair value of finance lease credit	184	173
To exclude:		
IV. Fair value of financial instruments	17 753	-1 359
EPRA NAV	**1 419 287**	**1 264 109**
EPRA NAV (in € per share)	**55.49**	**54.91**
To include:		
I. Fair value of financial instruments	-17 753	1 359
II. Revaluations at fair value of fixed-rate loans	-12 621	-15 461
EPRA NNNAV	**1 388 912**	**1 250 007**
EPRA NNNAV (in € per share)	**54.30**	**54.30**

POELAERT
BRUXELLES CENTRE

TABLE 4 - EPRA NET INITIAL YIELD (NIY) & TOPPED-UP NIY

(IN € THOUSAND)	31.12.2016	31.12.2015
Investment properties and properties held for sale	2 511 658	2 388 290
To exclude:		
Properties that are being constructed or developed for own account in order to be leased	-66 327	-157 386
Properties held for sale	-	-484
Properties available for lease	2 445 330	2 230 420
To include:		
Allowance for estimated purchasers' cost	61 997	56 422
Investment value of properties available for lease (B)	**2 507 327**	**2 286 842**
Annualised cash passing rental income	148 028	138 692
To exclude:		
Property charges[1]	-6 402	-6 464
Annualised net rents (A)	**141 626**	**132 228**
To include:		
Notional rent expiration of rent free periods or other lease incentives	1 764	1 593
Future rent on signed contracts	2 410	1 292
Topped-up annualised net rents (C)	**145 801**	**135 113**
EPRA Net Initial Yield (A/B)	**5.65%**	**5.78%**
EPRA Topped-up Net Initial Yield (C/B)	**5.81%**	**5.91%**

TABLE 5 - EPRA VACANCY RATE

(IN € THOUSAND)	31.12.2016	31.12.2015
Estimated rental value (ERV) on vacant space (A)	8 372	8 805
Estimated rental value (ERV) (B)	146 673	138 743
EPRA Vacancy rate of properties available for lease (A)/(B)	**5.71%**	**6.35%**

TABLE 6 - EPRA COST RATIO

(IN € THOUSAND)	31.12.2016	31.12.2015
Net administrative and operating expenses in the income statement	**-25 419**	**-23 280**
III. (+/-) Rental charges	-715	-553
Net property charges	-14 257	-12 808
XIV. (-) Corporate overheads	-10 447	-9 930
XV. (+/-) Other operating income and charges	-596	-1 675
Exclude:		
i. Impact of the spreading of gratuities	595	1 547
ii. Negative goodwill/goodwill impairment	-	138
EPRA costs (including direct vacancy costs) (A)	**-25 419**	**-23 280**
XI. (-) Charges and taxes on unlet properties	4 049	5 235
EPRA costs (excluding direct vacancy costs) (B)	**-21 370**	**-18 045**
I. (+) Rental income	137 752	140 063
Gross rental income (C)	**137 752**	**140 063**
EPRA Cost ratio (including direct vacancy costs) (A/C)	**18.45%[2]**	**16.62%**
EPRA Cost ratio (excluding direct vacancy costs) (B/C)	**15.51%[2]**	**12.88%**

1. 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.
2. For more information, please consult page 53 of this Report and also the explanation on the evolution of the revenus and net property charges.

TABLE 7 - INVESTMENT PROPERTIES - LIKE-FOR-LIKE NET RENTAL GROWTH

SEGMENT	31.12.2016				
(IN € THOUSAND)	PROPERTIES OWNED THROUGHOUT 2 CONSECUTIVE YEARS	ACQUISITIONS	DISPOSALS	PROPERTIES HELD FOR SALE	PROPERTIES THAT ARE BEING CONSTRUCTED OR DEVELOPED[1]
Brussels CBD and similar	77 672	285			-214
Brussels decentralised	3 333		80		
Brussels periphery	7 112				
Wallonia	9 112		-3		234
Flanders	28 312				16
Luxembourg city	3 452				
Total	**128 993**	**285**	**77**	**-**	**36**
Reconciliation to the consolidated IFRS income statement					
Net rental income related to:					
- Properties booked as financial leases (IAS 17)					
- Compensation for early termination of a lease contract in 2015					
Other property charges					
Property operating result in the consolidated IFRS income statement					

TABLE 8 - INVESTMENT PROPERTY RENTAL DATA

SEGMENT	GROSS RENTAL INCOME (IN € THOUSAND)	NET RENTAL INCOME (IN € THOUSAND)
Brussels CBD and similar	79 986	77 954
Brussels decentralised	5 039	3 333
Brussels periphery	8 639	7 112
Wallonia	9 527	9 112
Flanders	29 320	28 312
Luxembourg city	4 099	3 452
Properties available for lease	**136 609**	**129 275**
Reconciliation to the consolidated IFRS income statement		
Rental income related to :		
- Properties booked as financial leases (IAS 17)		-2
- Properties held for sale		
- Properties that are being constructed or developed for own account in order to be leased	184	39
- Investment properties sold during the last 12 months	244	77
Other property charges		**-6 608**
Total	**137 037[5]**	**122 780[6]**

1. These are properties that are being constructed or developed for own account in order to be leased.
2. 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.
3. Includes the net rental revenue of the old Paradis building in Liège (€437 thousand), demolished in the course of 2016.
4. The annual current rent at the closing date plus future rent on leases signed, as reviewed by the real-estate experts.
5. The total "Gross rental income" defined in EPRA Best Practices, reconciled with the consolidated IFRS income statement, corresponds to the "Net rental result" of the consolidated IFRS accounts.
6. 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.

TOTAL NET RENTAL INCOME[2]	31.12.2015 PROPERTIES OWNED THROUGHOUT 2 CONSECUTIVE YEARS	ACQUISITIONS	DISPOSALS	PROPERTIES HELD FOR SALE	PROPERTIES THAT ARE BEING CONSTRUCTED OR DEVELOPED[1]	TOTAL NET RENTAL INCOME[2]	EVOLUTION PROPERTIES OWNED THROUGHOUT 2 CONSECUTIVE YEARS
77 743	77 619	-4			593	78 208	0.07%
3 413	2 173		105			2 278	53.37%
7 112	6 859					6 859	3.69%
9 343	8 835		636[3]		231	9 702	3.13%
28 329	28 854		145		217	29 215	-1.88%
3 452	5 031					5 031	-31.39%
129 391	**129 371**	**-4**	**886**	**-**	**1 041**	**131 294**	**-0.29%**
-2						-2	
						1 194	
-6 608						**-5 784**	
122 780						**126 702**	

RENTAL SPACE (IN M²)	CURRENT RENT[4] (IN € THOUSAND)	ESTIMATED RENTAL VALUE (ERV) ON VACANT SPACE (IN € THOUSAND)	ESTIMATED RENTAL VALUE (ERV) (IN € THOUSAND)	VACANCY RATE 31.12.2016 (IN %)	VACANCY RATE 31.12.2015 (IN %)
416 354	92 509	3 151	84 681	3.72	3.96
39 319	5 753	1 461	6 861	21.29	27.74
101 989	9 556	2 686	12 502	21.48	22.63
66 449	9 732	204	8 835	2.31	2.27
233 983	29 590	488	28 453	1.72	2.01
12 247	5 095	382	5 342	7.16	2.80
870 342	**152 234**	**8 372**	**146 673**	**5.71**	**6.35**

TABLE 9 – INVESTMENT PROPERTIES – VALUATION DATA

SEGMENT	FAIR VALUE (IN € THOUSAND) 31.12.2016	FAIR VALUE (IN € THOUSAND) 31.12.2015	CHANGES IN FAIR VALUE (IN € THOUSAND) 31.12.2016	CHANGES IN FAIR VALUE (IN € THOUSAND) 31.12.2015
Brussels CBD and similar	1 423 043	1 226 002	7 078	1 641
Brussels decentralised	88 398	91 849	- 3 703	- 5 865
Brussels periphery	147 015	144 703	- 3 156	- 4 191
Wallonia	194 245	187 882	6 221	8 404
Flanders	493 367	493 163	919	9 692
Luxembourg city	99 262	86 820	12 659	2 229
Total properties available for lease	**2 445 330**	**2 230 420**	**20 017**	**11 910**
Reconciliation to the consolidated IFRS balance sheet				
Properties that are being constructed or developed for own account in order to be leased	*66 327*	*157 386*	*1 152*	*- 779*
Investment properties in the consolidated IFRS balance sheet	**2 511 658**	**2 387 806**	**21 169**	**11 131**

TABLE 10 – INVESTMENT PROPERTIES – LEASE DATA

SEGMENT	FINAL EXPIRY DATE				
	AVERAGE DURATION OF LEASES AS AT 31.12.2016 (IN YEARS)	CURRENT RENT[1] OF THE LEASES REACHING FINAL EXPIRY (IN € THOUSAND)			
	FINAL EXPIRY DATE	IN 2017	IN 2018	IN 2019-2021	AS FROM 2022
Brussels CBD and similar	7.90	3 510	22 374	12 937	53 362
Brussels decentralised	4.36	412	-	3 290	2 051
Brussels periphery	5.69	283	54	3 469	5 728
Wallonia	19.03	-	-	544	9 188
Flanders	9.80	616	8	5 484	23 482
Luxembourg city	6.67	-	495	230	4 364
Total properties available for lease	**8.67**	**4 822**	**22 931**	**25 954**	**98 174**

SEGMENT	NEXT EXPIRY DATE				
	AVERAGE DURATION OF LEASES AS AT 31.12.2016 (IN YEARS)	CURRENT RENT[1] OF THE LEASES REACHING NEXT BREAK (IN € THOUSAND)			
	1ST BREAK	IN 2017	IN 2018	IN 2019-2021	AS FROM 2022
Brussels CBD and similar	7.51	11 619	17 060	15 500	48 003
Brussels decentralised	3.67	577	102	3 286	1 788
Brussels periphery	2.53	2 514	1 763	4 414	844
Wallonia	19.03	-	-	544	9 188
Flanders	9.75	862	8	5 392	23 327
Luxembourg city	3.00	230	495	3 817	547
Total properties available for lease	**8.07**	**15 803**	**19 429**	**32 953**	**83 697**

1. The annual current rent at the closing date plus future rent on leases signed, as reviewed by the real-estate experts.

CHANGES IN FAIR VALUE (IN %) 31.12.2016	CHANGES IN FAIR VALUE (IN %) 31.12.2015	EPRA NET INITIAL YIELD (IN %) 31.12.2016	EPRA NET INITIAL YIELD (IN %) 31.12.2015	REVERSION RATE (IN %) 31.12.2016	REVERSION RATE (IN %) 31.12.2015	WEIGHTED AVERAGE DURATION (IN YEARS) 31.12.2016	WEIGHTED AVERAGE DURATION (IN YEARS) 31.12.2015
0.50	0.13	6.12	6.39	-12.96	-11.94	7.51	7.25
-3.89	-6.00	3.22	2.74	-5.15	-5.06	3.67	3.40
-2.10	-2.81	5.09	5.13	2.08	1.17	2.53	2.71
3.29	4.62	4.68	4.61	-12.46	-11.43	19.03	19.57
0.19	2.00	5.64	5.55	-5.71	-3.89	9.75	10.68
14.62	2.66	3.83	5.40	-2.53	-4.50	3.00	2.09
0.82	**0.53**	**5.65**	**5.78**	**-9.50**	**-8.41**	**8.07**	**8.60**
1.20	*-0.49*						
0.85	0.47						

FINAL EXPIRY DATE			
ESTIMATED RENTAL VALUE (ERV) OF THE LEASES REACHING FINAL EXPIRY (IN € THOUSAND)			
IN 2017	EN 2018	IN 2019-2021	AS FROM 2022
3 065	14 893	11 332	51 965
363	-	2 854	2 183
175	44	3 395	6 109
-	-	486	8 144
449	-	5 292	22 223
-	419	229	4 311
4 052	**15 357**	**23 588**	**94 936**

NEXT EXPIRY DATE			
ESTIMATED RENTAL VALUE (ERV) OF THE LEASES REACHING NEXT BREAK (IN € THOUSAND)			
IN 2017	IN 2018	IN 2019-2021	AS FROM 2022
11 228	9 480	13 928	46 620
590	94	2 850	1 866
2 469	1 878	4 468	908
-	-	486	8 144
673	-	5 216	22 074
229	419	3 789	521
15 190	**11 871**	**30 738**	**80 134**

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TABLE 11 - PROPERTIES THAT ARE BEING CONSTRUCTED OR DEVELOPED FOR OWN ACCOUNT IN ORDER TO BE LEASED[1]

	COST TO DATE (IN € THOUSAND)	FUTURE ESTIMATED COST (IN € THOUSAND)	INTERIM INTEREST TO BE CAPITALISED (IN € THOUSAND)	TOTAL ESTIMATED COST (EXCLUDING LAND) (IN € THOUSAND)	FORECAST COMPLETION DATE	RENTAL SPACE (IN M²)	% LET
Guimard	4 134	8 676	56	12 866	Third quarter 2017	5,500 m²	-
WTC IV	16 670	[2]	-	[2]	According to commerciali-sation	53,500 m²	To be built
Total							
Reconciliation to the consolidated IFRS balance sheet							
Fair value of the properties that are being constructed or developed for own account in order to be leased within the IFRS consolidated balance sheet BEFORE works	*37 679*						
Difference between fair value as at 31 December 2016 and [the fair value BEFORE works + the cost of the works]	*7 844*						
Properties that are being constructed or developed for own account in order to be leased within the IFRS consolidated balance sheet	**66 327**						

1. This table includes the projects which have been reclassified under “Properties that are being constructed or developed for own account in order to be leased” and for which expenses were already made.
2. Amount according to the commercialisation.

SUBSEQUENT KEY EVENTS AFTER YEAR-END CLOSING

BEOBANK FIRST MAJOR TENANT OF THE QUATUOR

On 7 March 2017, Befimmo announced the signing of an agreement[3] with Beobank on the occupancy of a tower of about 22,000 m² in the Quatuor project[4] (60,000 m²). The agreement provides for the building to be made available for a fixed term of 15 years as from its delivery in the course of 2020. Within this framework, the current lease of Beobank in the La Plaine building will be extended until that date.

This fine transaction with Beobank confirms the appeal of the North area and the quality of Befimmo's projects. Within the framework of the services[5] Befimmo provides for its customers, it will support Beobank in the follow-up and the realisation of the initial installation works.

A third of the Quatuor project is thus pre-let more than 3.5 years before its delivery.

The Quatuor project opens the path to the renewal of the North area of Brussels, illustrated by the arrival of major "corporate" tenants, who have committed to take up office space in the 2020s.

BLUE TOWER
BRUSSELS LOUISE
DISTRICT

BEFIMMO CRYSTALLISES VALUE BY GRANTING A 99-YEAR LEASEHOLD ON THE BREDERODE COMPLEX

On 13 March 2017, Befimmo announced the signing of a private agreement[6] granting CBRE Global Investors (on behalf of one of its SMA[7] clients) a 99-year leasehold on the Brederode[8] complex, for an amount of €122 million, corresponding to a yield of 3.69%.

This operation will generate a net capital gain of about €0.8 per share and reduce the LTV ratio by -3.3% (in absolute terms). The EPRA earnings outlook, published on page 69 of this Report, take account of the operation and was therefore reviewed on this matter compared to the outlook published on 16 February 2017 in the press release regarding the annual results.

Taking account of the operation, on the basis of the figures as at 31 December 2016, the weighted average duration of contracts in the Befimmo portfolio would amount to 7.93 years (compared with 8.07 years) and the occupancy rate of the properties available for lease would be 95.02% (compared with 94.79%).

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

3. Under the condition precedent of obtaining the permit.
4. For more information, please consult page 26 of this Report.
5. For more information, please consult the page www.befimmo.be/en/tenant-center of the Befimmo website.
6. The passing of the notarial deed is expected before the end of March 2017.
7. "Separate Managed Accounts".
8. This concerns the Brederode 13 (11,340 m²), Brederode 9 (6,864 m²) and Namur 48 (1,517 m²) buildings. For more information, please consult pages 36 and 37 of this Report.

OUTLOOK AND DIVIDEND FORECAST

WIERTZ
BRUSSELS LEOPOLD
DISTRICT

The financial outlook for the next three fiscal years, prepared in accordance with IFRS standards and presented in consolidated form, is based on information available at the closing of the annual accounts (principally existing agreements) and on Befimmo's assumptions and assessments of certain risks.

Befimmo does not publish forecasts of changes in fair value of the financial assets and liabilities (IAS 39) or in fair value of the property portfolio (IAS 40). IAS 39 and 40 aggregates are in fact unrealised items of the income statement. Befimmo is therefore forecasting only its future EPRA earnings.

EPRA EARNINGS OUTLOOK

The forecasts assume a stable floor area of its property assets and equity perimeter. It is assumed, however, that shareholders opt each year to receive the dividend in new shares for about 30%[1] of the amount of the interim optional dividend, net of the withholding tax, proposed in December[2], and that the disposals of properties (that are no longer strategic) will take place in 2017 (for approximately €3.96 million, based on the fair value of the buildings concerned as at 31 December 2016, representing a current annual rent of €0.2 million as at 31 December 2016). Forecasts do not take account of new acquisitions or any new investments, apart from the planned projects. Accordingly, these projections do not include any assumption about growth.This outlook takes account of the granting of a 99-year leasehold on the Brederode[3] complex and was therefore reviewed on this matter compared to the outlook published on 16 February 2017 in the press release regarding the annual results.

1. In 2015, a proportion of 44% of the coupons representing the interim dividend was reinvested in new shares.
2. The amount of the interim dividend used in the outlook (covering three quarters) is assumed to be constant at €2.59 gross per share.
3. For more information, please consult page 65 of this Report.

ASSUMPTIONS

The following external and internal assumptions were considered when preparing the outlook:

	REALISED	ASSUMPTIONS		
	2016	2017	2018	2019
External assumptions on which the Company cannot exercise any influence				
Evolution of the health index (annual average)	2.09%	1.81%	1.50%	1.60%
Average of Euribor 1- and 3-month interest rates	-0.30%	-0.33%	-0.25%	0.09%
Internal assumptions on which the Company can at least exercise a partial influence				
Impact of the health index on rents (on an annual basis)	1.91%	1.87%	1.50%	1.60%
Perception ratio of rents[4]	91.43%	93.81%	90.10%	85.79%
Average financing cost (including margin and hedging costs)	2.26%	2.29%	2.29%	2.34%
Total number of shares at the end of the fiscal year	**25 579 214**	**25 853 277**	**26 120 725**	**26 390 939**

- The indexing rates applied to rents are based on forecast changes in the health index established by the Planning Office (Bureau du Plan) (5-year plan published in July 2016 and update of the short-term outlook in December 2016).
- The interest rates are the average of the forecast Euribor 1 and 3 month rates established by two major Belgian financial institutions and market rates ("forward" rates) over the next three fiscal years. These forecasts were made in late January 2017.
- Assumptions about rent collection rates are made on the basis of an individual assessment of each lease. This is the ratio of the net income realised (2016) or budgeted (2017 onwards) to potential income.
- The average (annualised) financing cost covers all financial charges, including the theoretical linear amortisation of premiums paid for the purchase of hedging instruments.

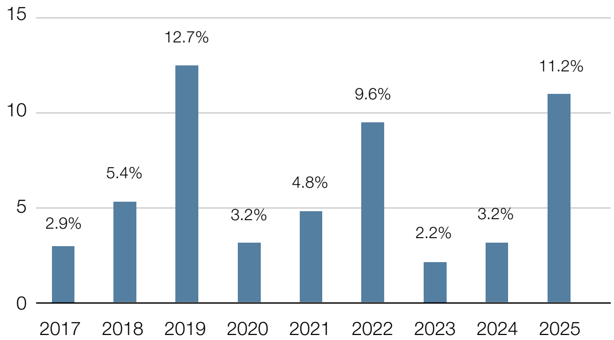
REAL-ESTATE ASSUMPTIONS

In addition to the general market trends, Befimmo has incorporated into its forecasts the actual characteristics of its buildings, mainly in terms of the rental situation of the portfolio (notably the residual duration of the leases), potential reversion of the rents and the obsolescence of the buildings (technical and environmental performance, etc.).

Expiry of leases

The chart below illustrates the full-year impact (as %) of the lease expiries (first possible break on current leases as at 31 December 2016). This impact is calculated based on the annual current rent as at 31 December 2016. Each percentage corresponds to the sum of the annual rent for the leases that have an intermediate or final expiry date falling during the year[5].

EXPIRY OF LEASES (FIRST POSSIBLE BREAK) - FULL-YEAR IMPACT (IN %)

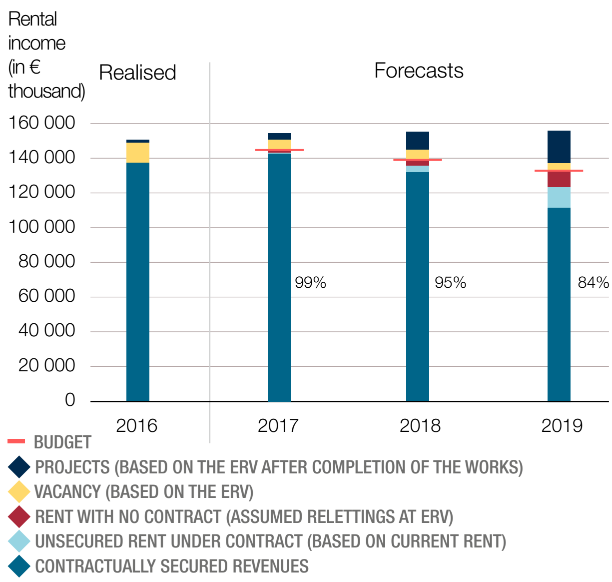


Income guaranteed under contract

The chart below illustrates the risks on income taken into account in the outlook. Rents potentially at risk with an expiry over the next three years have been included in the EPRA earnings outlook, based on an estimated probability of the tenant departing.

For example, for the 2017 fiscal year, this chart shows that the budgeted income is 99% guaranteed under contracts. In the same year, 1% of budgeted income is therefore under unsecured contracts (owing to an expiry) and/or based on reletting assumptions.

INCOME GUARANTEED UNDER CONTRACT



Property charges

When budgeting for maintenance and repair of buildings, total guarantee maintenance fees, incoming and outgoing inventories borne by the Company, and other miscellaneous expenses, the following main assumptions are made:

- common charges, taxes, property tax and management fees for vacant premises are borne by Befimmo. Charges are generally allocated on the basis of floor area (amount per m²). Other systems for allocating charges may nevertheless be used;

4. The perception ratio of rents is calculated by dividing all rents actually received during the fiscal year by all rents that would have been received during that fiscal year had not only the let space but also the vacant space been let throughout the fiscal year at the estimated rental value (ERV).
5. The rents of leases expiring in December are included in the year following their expiry.

- whenever a property is re-let, allowance is made for agent's commission, the amount of which depends on the annual rent and the expected difficulty of finding a tenant (e.g. fees are higher in the periphery). Agency commission is generally determined on the basis of a percentage of the annual rent;
- when a tenant leaves a building, the vacated areas are renovated. The budgets for renovation work in the vacated space are borne by the Company and established on the basis of a flat rate per square metre. This results in a charge of €0.9 million, €0.1 million and €0.1 million for the years 2017 to 2019 respectively (as against charges of €0.7 million for 2016);
- when a tenant vacates a space, he is liable for compensation consisting of estimated rental damages and one month of unavailability for lease.

WORKS PLANNED AND ESTIMATED OVER THE NEXT THREE YEARS

	RENTAL SPACE	LOCATION	TYPE	FORECASTS (IN € MILLION)		
				2017	2018	2019
Ikaros Business Park[1]	10 500 m² [1]	Brussels, periphery	Renovation	6.1	4.1	0.6
Guimard	5 500 m²	Brussels CBD, Leopold	Renovation	8.6		
Brederode Corner	6 500 m²	Brussels CBD, Centre	Renovation	4.0	7.8	1.5
Eupen - Rathausplatz 2 to 10	7 200 m²	Wallonia	Renovation and construction	5.4	5.6	3.0
Paradis Express	21 000 m²	Wallonia, Liège	Construction	2.3	12.1	24.7
Quatuor	60 000 m²	Brussels CBD, North	Construction	2.9	22.2	44.0
WTC II	49 400 m²	Brussels CBD, North	Redevelopment	7.4	8.2	13.7
WTC IV	53 500 m²	Brussels CBD, North	Construction	2.6	2.6	4.7
Energy investments and others				15.7	2.4	2.3
Total				**54.8**	**65.0**	**94.5**

FINANCIAL ASSUMPTIONS

The estimated financial result is based on the following main financing and refinancing assumptions:

- use of the commercial paper programme of up to some €350 million in 2017 and 2018, and €300 million in 2019, based on the outstanding amount of €393.75 million and €325.00 million as at 31 December 2015 and 31 December 2016 respectively;
- a financing reserve of around €100 million (or more) has been constituted and enables strict liquidity to be ensured over a 12-month period;
- refinancing of bilateral lines at maturity by a floating-rate bank loan with a margin (including any exposure fees) and a given non-use fee, based on the banks' current requirements. The notional amount of this line therefore changes in line with the maturities of the bilateral lines, and also in accordance with changes in the forecast debt level, to maintain the financing reserve and liquidity defined above;
- new instruments on the private or public debt market (bond issues or private placements) in order to achieve a disintermediation of borrowings of around 40%. These instruments are assumed to be concluded for a 10-year period, with a margin in relation to the current market conditions (for corporate bonds of equivalent rating) plus a fixed rate (equal to the IRS 10-year forward rate defined on the basis of the interest rate curve at the end of January 2017);
- the expenses connected with financing are estimated on the basis of the financial assumptions set out above and the conditions of the most recent financing arranged. These expenses are spread over the duration of the financing;
- in order to limit the risk of fluctuating interest rates on its financial debts at floating rates, Befimmo has acquired financial instruments (CAP, FLOOR and IRS) which, under IAS 39 on financial instruments, however, do not qualify as hedging instruments[2];
- the outlook is based on the assumption that the Company's rating is maintained at BBB outlook stable in future fiscal years;
- the estimated average number of shares not held by the group in future fiscal years is based on the actual average number for the year ended 31 December 2016 and on the assumption that a stock option is offered for the interim dividend in fiscal years 2017-2019.

1. Phases I, III and IV.
2. Veuillez consulter les états financiers (en page 175) pour de plus amples informations.

EPRA EARNINGS FORECAST[3]

(IN € THOUSAND)	REALISED	FORECAST		
	2016	2017	2018	2019
Rental income	137 752	144 978	139 463	133 430
Charges linked to letting	-715	-806	-771	-779
Net rental result	**137 037**	**144 172**	**138 692**	**132 651**
Net property charges	-14 257	-12 705	-7 950	-11 143
Property operating result	**122 780**	**131 468**	**130 741**	**121 509**
Corporate overheads	-10 447	-12 611	-12 577	-12 667
Other operating income and charges (excl. goodwill impairment)[4]	-596	-2 730	-2 080	30
Operating result before result on portfolio	**111 738**	**116 126**	**116 084**	**108 871**
Financial result (excl. the changes in fair value of the financial assets and liabilities and close-out costs)[4]	-22 131	-21 543	-21 343	-22 056
Corporate taxes	-2 364	-1 598	-1 599	-1 599
EPRA earnings	**87 243**	**92 985**	**93 142**	**85 216**
EPRA earnings (in € per share)	**3.68**	**3.63**	**3.60**	**3.26**
Average number of shares	23 692 223	25 591 195	25 864 969	26 132 537

? Glossary

DESCRIPTION OF THE HEADINGS IN THE EPRA EARNINGS FORECAST TABLE

RENTAL INCOME, CHARGES LINKED TO LETTING AND NET PROPERTY CHARGES

These incomes and charges are estimated for each building individually, based on current leases for both rents and rental charges (insurance policies, total guarantee, etc.). Other property charges are estimated on the basis of the experience of Befimmo and its subsidiary, Befimmo Property Services, in managing and maintaining its property portfolio. Assumptions in terms of re-letting at the end of the lease are made in line with market practices and based on Befimmo's experience. They also have an impact on estimates of commission paid to agencies and expenses for vacant premises. Such commissions and expenses for vacant premises are also included in the Company's non-recurring property charges.

Property charges also include the total staff costs of the real-estate department, as well as all study costs related to the existing buildings in the portfolio (costs of lawyers, tax experts, due diligence or agency commissions for a legal, fiscal, financial or technical analysis of a real-estate project).

The rise in income in 2017 is due mainly to the full-year impact of the lease of the Gateway building. The declines in income in 2018 and 2019 are explained mainly by the expiry of the lease in the Noord Building at the end of December 2017 and the expiry of the lease in Tower II of the WTC at the end of December 2018, which are partly offset by new leases.

The important decrease in the budgeted net property charges, in the 2018 forecast, is mainly linked to non-recurring items. Net property charges budgeted for fiscal year 2019 are once again more in line with the levels seen in recent years.

CORPORATE OVERHEADS

These costs are estimated line-by-line using the figures for previous years and recent and expected developments by the Company. Most of these are subject to indexing in future years.

Staff costs vary at a pace that takes account of expected changes in the size of the team over the coming years.

OTHER OPERATING INCOME AND CHARGES

Forecast other operating income and charges relates primarily to the restatement of the effect of the spreading of rental gratuities applied to rental income in accordance with IFRS.

3. This outlook takes account of the granting of a 99-year leasehold on the Brederode complex and was therefore updated compared to the one published in the press release of 16 February 2017 (www.befimmo.be).
4. This is an Alternative Performance Measure. For more information, please consult Appendix II to this Report.

FINANCIAL RESULT

The financial result consists of:

- financial charges on floating-rate borrowings, calculated by applying the interest-rate assumptions described above, plus the relevant margins;
- financial charges on fixed-rate borrowings;
- interest earned or charged on the derivative instruments;
- other financial results, consisting primarily of expenses associated with bank financing lines (commitment fees on credit lines, exposure fees and debt issuance costs) and other costs for services charged by banks.

The financial result is also impacted by the activation of interim interest calculated on the basis of the Company's average financing rate for the fiscal year concerned (this comes into effect from the start of the project until the date of provisional acceptance).

OTHER ITEMS OF THE NET RESULT

As previously stated, Befimmo does not publish forecasts of changes in the fair value of its properties or financial assets and liabilities.

However, as an indication and on the basis of data as at 31 December 2016, it can be estimated that a 1% change in the fair value of the property portfolio (IAS 40) would have an impact of the order of €25.1 million on the net result, thereby generating a change of the order of €0.98 in the net asset value per share and 0.43% in the LTV[1].

Furthermore, a change in the forecast movements of interest rates could alter the fair value of the financial assets and liabilities (IAS 39). Based on the fair value as at 31 December 2016, it can be estimated that if the Euro, US Dollar and Pound Sterling interest rate curves had been 0.5% lower than the curves for 31 December 2016, the change in fair value of the financial assets and liabilities carried at fair value would have been -€24.37 million. In the opposite case, the change would have been +€23.58 million.

Such changes (IAS 39 and 40) have no impact on the Company's EPRA earnings.

BORROWINGS AND LTV

In normal operation, Befimmo's loan-to-value ratio would be around 50%, as Befimmo takes care to control the use of its borrowing capacity.

Finally, the forecast nominal net debt was €1,012.4 million at the end of 2017, €1,059.0 million at the end of 2018 and €1,150.1 million at the end of 2019.

DIVIDEND FORECAST FOR THE 2017 FISCAL YEAR

The assumptions used for making forecasts at constant perimeter indicate that EPRA earnings of €3.63 per share should be achieved in fiscal year 2017.

All other things being equal and based on these forecasts at constant perimeter, Befimmo expects to be able to offer a gross dividend of €3.45[2] per share for the 2017 fiscal year. It may again be paid via an interim dividend of €2.59 gross per share in December 2017 and a final dividend of €0.86 gross per share in May 2018. Based on a share price of €53.36 and the net asset value of €54.78 as at 31 December 2016, this dividend would give a gross yield of 6.47% on the share price and 6.30% on the net asset value.

The dividend in subsequent years will depend on the economic climate, the investment opportunities that the Company takes and its degree of success in implementing projects, while continuing to benefit from a stable income, thanks to the defensive nature of its property assets.

Disclaimer

These forecasts may not be interpreted as a commitment on the part of Befimmo. Whether or not these forecasts will actually be achieved depends on a number of factors beyond Befimmo's control, such as developments on the real-estate and financial markets. Given the present context of uncertainty and economic recession, the assumptions used may be highly volatile in future.

The assumptions and risk assessments seemed reasonable at the time they were made but, since it is impossible to predict future events, they may or may not prove to be correct. Accordingly, Befimmo's actual results, financial situation, performance or achievements, or the market trend, may differ substantially from these forecasts. Given these uncertainties, shareholders should not give undue credence to these forecasts.

Moreover, these forecasts are valid only at the time of writing of this Report. Befimmo does not undertake to update the forecasts, for example to reflect a change in the assumptions on which they are based, except of course as required by law, notably the law of 2 August 2002 on the surveillance of the financial sector and financial services, and the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

1. Loan-to-value ("LTV") = [(nominal financial debts – cash)/fair value of portfolio].
2. Subject to the approval of the Ordinary General Meeting.

STATUTORY AUDITOR'S REPORT

To the Board of Directors of Befimmo NV/SA
Waversesteenweg 1945 1160 Brussels

20 March 2017

Dear Mesdames
Dear Sirs

BEFIMMO NV/SA ("THE COMPANY") AND ITS SUBSIDIARIES (TOGETHER "THE GROUP")

We report on the forecast of the EPRA earnings (as defined in August 2011 (and amended in November 2016) in the report "Best Practices Recommendations" of the European Public Real Estate Asssociation) of Befimmo NV/SA ("the Company") and its subsidiaries (together "the Group") for the 12 months periods ending 31 December 2017, 31 December 2018 and 31 December 2019 (the "Forecast"). The Forecast, and the material assumptions upon which it is based are set out in chapter "Outlook and dividend forecast" (pages 66 to 70) of the Annual Financial Report 2016 ("the 2016 Annual Financial Report of the Group") issued by the Company dated 24 March 2017. We do not report on the sections "Other items of the net result", "Debt and LTV" and the "Dividend forecast of the 2017 fiscal year" as mentioned on page 70 of the 2016 Annual Financial Report of the Group. This Report is prepared in accordance with the principles as defined under Annex I item 13.2 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that rule and for no other purpose.

RESPONSIBILITIES

It is the responsibility of the directors of the Company (the "Directors") to prepare the Forecast of the EPRA Earnings in accordance with the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by the Prospectus Directive Regulation, as to the proper compilation of the Forecast and to report that opinion to you.

Save for any responsibility arising under art. 61 of the Law of 16 June 2006 to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the registration document.

BASIS OF PREPARATION OF THE FORECAST

The Forecast has been prepared on the basis stated in chapter "Outlook and dividend forecast" of the 2016 Annual Financial Report of the Group and is based on a forecast for the 12 months periods ending 31 December 2017, 31 December 2018 and 31 December 2019. The Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

BASIS OF OPINION

We conducted our work in accordance with the International Standard on Assurance Engagement 3400 "The Examination of Prospective Financial Information" ("ISAE 3400") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our work included evaluating the basis on which the historical financial information included in the Forecast has been prepared and considering whether the Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Forecast have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Forecast has been properly compiled on the basis stated.

Since the Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside Belgium, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

OPINION

In our opinion, the Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

DECLARATION

For the purposes of art. 61 of the Law of 16 June 2006 we are responsible for this report as part of the registration document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the registration document in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

The Statutory Auditor

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

BEFIMMO ON THE STOCK MARKET

IKAROS
BRUSSELS
PERIPHERY

BEFIMMO SHARE

SHARE KEY FIGURES

	31.12.2016	31.12.2015
Number of shares issued	*25 579 214*	*23 021 293*
Number of shares not held by the group	*25 579 214*	*23 021 293*
Average number of shares not held by the group	*23 692 223*	*22 198 549*
Highest share price (in €)	61.20	69.70
Lowest share price (in €)	48.60	53.59
Closing share price (in €)	53.36	55.00
Number of shares traded[1]	16 916 343	20 379 355
Average daily turnover[1]	65 822	79 607
Free float velocity[1]	87%	116%
Distribution ratio (in relation to the EPRA earnings)	94%	89%
Gross dividend[2] (in € per share)	3.45	3.45
Gross yield[3]	6.47%	6.27%
Return on share price[4]	3.88%	-2.92%

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

EVOLUTION OF THE SHARE PRICE

Against a backdrop of volatile financial markets, the Befimmo share experienced quite substantial fluctuations during the 2016 fiscal year.

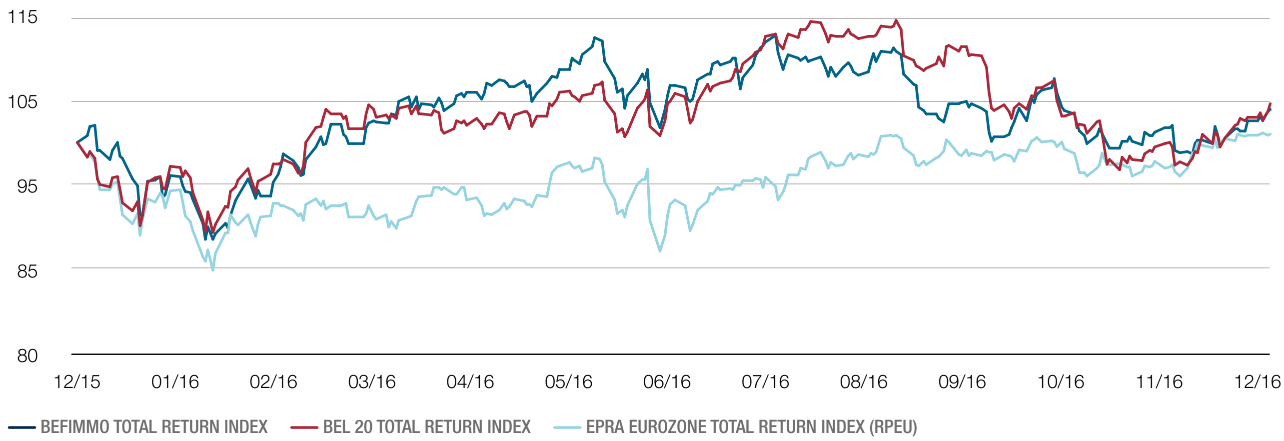
On 31 December 2016, it closed at €53.36, as against €55.00 one year earlier. Assuming reinvestment of the dividend distributed in 2016 and participation in the capital increase, it offered an annual return on share price of 3.88%. Over the 21 years since its listing, the share has offered a total annualised return of 7.31%[5].

Note that the total number of issued Befimmo shares increased from 23,021,293 to 25,579,214 over the fiscal year, an increase of 11.11% due to the creation, in September 2016, of 2,557,921 new shares within the framework of the capital increase.

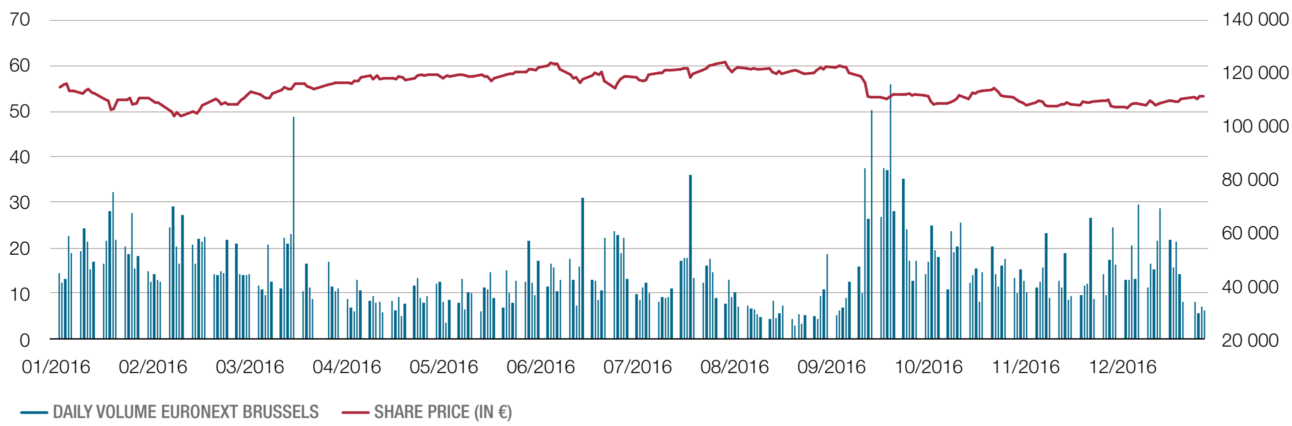
As at 31 December 2016, the Befimmo share was trading with a discount of -2.60%. Befimmo's market capitalisation stood at €1,364,906,859.

Based on transactions recorded on all market platforms, the Befimmo share offers good liquidity, with an average daily volume of around 65,822 shares, which corresponds to a free-float velocity of around 87.10% over the year.

PERFORMANCE OF BEFIMMO'S TOTAL RETURN INDEX IN RELATION TO THE TOTAL RETURN INDEX OF THE BEL 20 AND EPRA EUROZONE (RPEU)

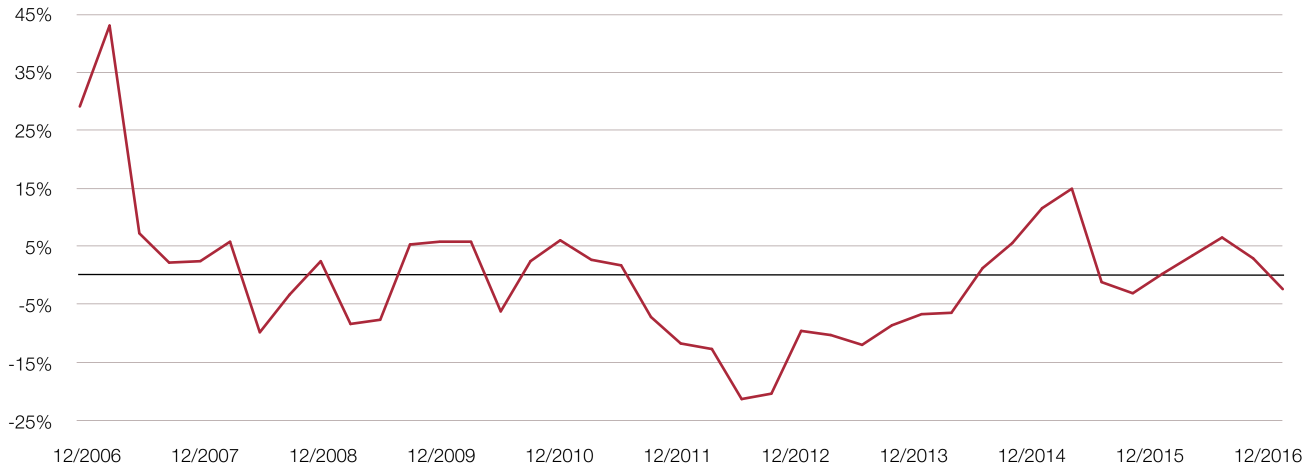


SHARE PRICE AND VOLUMES (01.01.2016 TO 31.12.2016)



5. Taking into account the reinvestment of the gross dividend (source: KBC Securities).

PREMIUM AND DISCOUNT IN RELATION TO THE NET ASSET VALUE ON A 10-YEAR PERIOD



On a 10-year period, the Befimmo share listed on average with a discount of -0.14% in relation to the net asset value.

DIVIDEND FOR THE 2016 FISCAL YEAR

DISTRIBUTION OF THE INTERIM DIVIDEND

As announced in October 2016, Befimmo paid out an interim dividend for the 2016 fiscal year as from 21 December 2016.

This interim dividend amounted to €2.55 gross per share existing before the capital increase of 27 September 2016 (or €1.8615 net per share) and was paid out in cash upon presentation of coupon No 32.

FINAL DIVIDEND FOR THE 2016 FISCAL YEAR

The agenda of the Ordinary General Meeting of shareholders to be held on 25 April 2017, at which the accounts for the 2016 fiscal year are to be approved, will include a proposal for the distribution of a final dividend of €0.90 gross[1] per share.

This final dividend will supplement the interim dividend, bringing the total dividend for the fiscal year to €3.45 gross per share, as forecast.

1. Based on a 30% withholding tax.

SHAREHOLDER 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 to trading on a regulated market.

For any further information, please refer to the Appendix III of this Report on page 212.

According to the transparency notifications received, the share ownership of Befimmo SA is structured as follows:

SHAREHOLDING

DECLARANTS	NUMBER OF SHARES (DECLARED) THE DAY OF THE STATEMENT	BASED ON THE TRANSPARENCY DECLARATIONS OR BASED ON THE INFORMATION RECEIVED FROM THE SHAREHOLDER	(IN %)
Ageas and affiliated companies	2 647 540	27.09.2016	10.4%
AXA Belgium SA	2 741 438	27.09.2016	10.7%
BlackRock Inc.	769 229	13.12.2016	3.0%
Other shareholders under the statutory threshold	19 421 007	13.12.2016	75.9%
Total	**25 579 214**		**100%**

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

KEY DATES FOR SHAREHOLDERS

KEY DATES FOR SHAREHOLDERS 2017

Online publication of the Annual Financial Report 2016	Friday 24 March 2017
Ordinary General Meeting of the fiscal year closing as at 31 December 2016	Tuesday 25 April 2017
Payment of the final[2] dividend of the 2016 fiscal year on presentation of coupon No 33	
- Ex-date	Wednesday 3 May 2017
- Record date	Thursday 4 May 2017
- Payment date	from Friday 5 May 2017
Interim statement as at 31 March 2017	Thursday 11 May 2017[3]
Publication of the half-yearly results and online publication of the Half-Yearly Financial Report 2017	Wednesday 19 July 2017[3]
Interim statement as at 30 September 2017	Thursday 26 October 2017[3]
Payment of the interim[4] dividend of the 2017 fiscal year on presentation of coupon No 34	
- Ex-date	Tuesday 19 December 2017
- Record date	Wednesday 20 December 2017
- Payment date	from Thursday 21 December 2017
Publication of the annual results as at 31 December 2017	Thursday 8 February 2018[3]
Online publication of the Annual Financial Report 2017	Friday 23 March 2018
Ordinary General Meeting of the fiscal year closing as at 31 December 2017	Tuesday 24 April 2018
Payment of the final[2] dividend of the 2017 fiscal year on presentation of coupon No 35	
- Ex-date	Wednesday 2 May 2018
- Record date	Thursday 3 May 2018
- Payment date	from Friday 4 May 2018

2. Subject to a decision of Ordinary General Meeting.
3. Publication after closing of the stock exchange.
4. Subject to a decision of the Board of Directors.

PARADIS TOWER
LIÈGE

SUSTAINABILITY

2°C

LIMIT
ON GLOBAL AVERAGE
TEMPERATURE RISE
DECIDED BY COP21

The “historic” Climate Agreement signed by 175 States in Paris (at COP21) opened the way for limiting the global average temperature rise to below 2°C.

-65%

CUT IN CO_2e EMISSIONS
SINCE 2008

Befimmo builds the principles of Social Responsibility into the core of its strategy and incorporates them into its day-to-day activities. Since 2008, Befimmo has cut the CO_2e emissions of its portfolio by 65%. In 2017, it will explore the possibility of following a recognised approach that enables it to set long-term goals, up to 2030, for cutting greenhouse gas emissions (in line with the recommendations of IPCC scientists), thereby making its contribution to limiting the global average temperature rise to below 2°C, in line with the COP21 decision.

SOCIAL RESPONSIBILITY

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FIND OUT MORE ON
WWW.BEFIMMO.BE/EN/CSR

BENOÎT DE BLIECK, CEO, ON BEFIMMO'S POSITION G4-1

"With the aim of continuously improving our position as a responsible business and landlord, we have initiated a process of dialogue with all our stakeholders.

- **A responsible strategy |** We aim to be a benchmark and we strive to differentiate ourselves by innovating and by incorporating Social Responsibility into our overall strategy with the aim of creating value for all our stakeholders.
- **Responsible towards our stakeholders |** We proactively initiate unifying measures, with measured impacts designed to meet the expectations of our stakeholders. We seek to strike a balance between these expectations and the challenges we regularly face. Befimmo strives to be a responsible landlord, proactively managing its portfolio to best meet the expectations of its tenants by anticipating changes in the ways of working.
- **Responsibility extending beyond our own activities |** We aim to go beyond our own activities by raising awareness and endeavouring to inspire all our stakeholders to meet our societal qualitative and quantitative objectives.
- **Responsible towards our team |** We strive to be a responsible employer, attentive to the well-being of its team, while respecting and developing the Company's three core values: Professionalism, Commitment and Team Spirit.
- **Responsible within our communication |** We act with full transparency in a long-term perspective, paying special attention to the reliability of the reporting process and the rigour, accuracy and transparency of financial and non-financial communications."

BENOÎT DE BLIECK
CEO

INTRODUCTION

G4-1 G4-14 G4-18 G4-19 G4-20 G4-21 G4-23 G4-35 G4-DMA

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

WWW.BEFIMMO.BE/SITES/DEFAULT/FILES/IMCE/PUBLICATIONS/POLICY_EVOLUTION.PDF

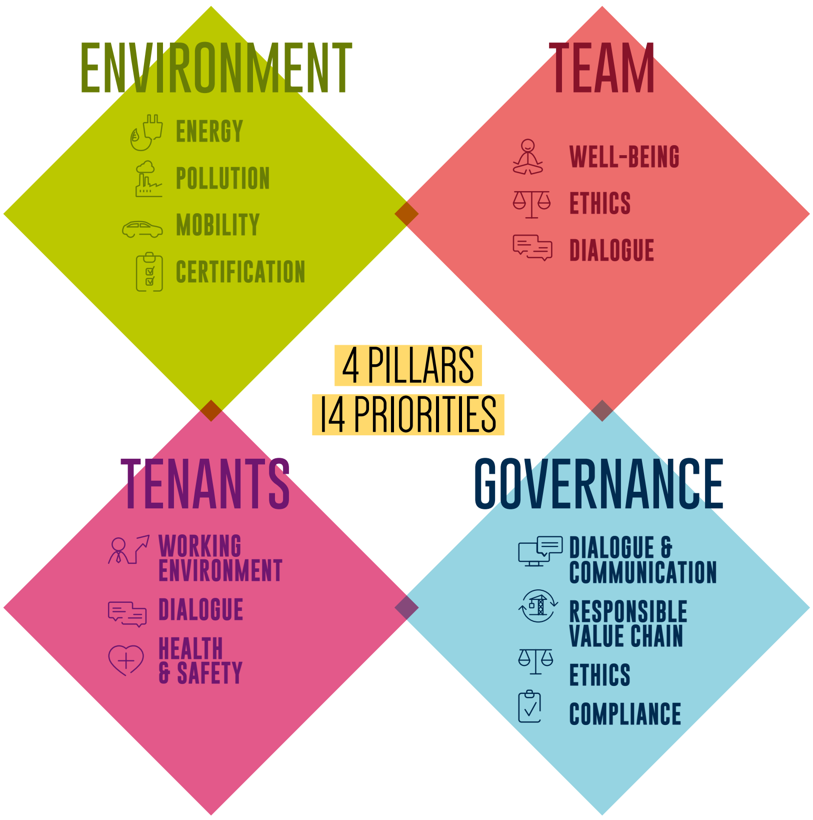
Befimmo recognises that effective governance over the long term requires a committed approach, designed to anticipate its risks, applying the precautionary principle, and to control its costs. Indeed, identifying the risks that could affect Befimmo (described in detail in the "Risk factors[1]" section), Befimmo is putting in place the necessary measures to anticipate them and limit their potential impact.

Befimmo regards Social Responsibility as a part of its strategy, taking opportunities to improve its performance and create value in the medium and long term for all its stakeholders. Befimmo strives for excellence and has the goal of differentiating itself and also becoming a benchmark in Social Responsibility, anticipating economic, societal and environmental developments and innovating.

With the aim of continuously improving its position as a responsible business and landlord, Befimmo conducts a regular dialogue with all its internal and external stakeholders. Producing a materiality matrix has enabled Befimmo to refine its Social Responsibility strategy and identify **14** environmental, economic and social **priorities**. These have been grouped into **4 main pillars: the Environment, the Team, the Tenants and Governance**.

The response to these priorities is reflected in the specific commitments and measures, and quantifiable and measurable long-term objectives described hereafter, and also in more detail in the CSR Action Plan. This plan, prepared and reviewed each year, is published on the Befimmo website.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES



1. Risk factors, on page 1.

MAIN ACHIEVEMENTS IN 2016

Specifically, during the 2016 fiscal year, Befimmo continued its efforts to optimise energy and water consumption, production of renewable energy and the production and treatment of waste in its buildings, with a view to keeping them in compliance with ever-stricter standards.

Moreover, in late 2016, Befimmo rearranged its own office space by offering its team a brand new advanced working environment to best meet their needs: an open, bright, flexible working environment equipped with modern technology that stimulates exchange and creativity among the team.

RESPONSIBLE VALUE CHAIN

In addition to its recurring activities, Befimmo has continued the overall analysis of its value chain with a view to improving the structure and professionalism of its procurement and supplier-appraisal system, while incorporating environmental and social criteria. To achieve this goal, in 2016 Befimmo carried out a thorough analysis of its value chain, which enabled it to establish a Kraljic matrix[2] for each main procurement family: “Corporate”, “Management” and “Sites”. On that basis, it organised an initial workshop bringing together internal and external stakeholders to discuss the advantages and disadvantages of systems for evaluating the environmental performance of building systems and construction materials. In 2017, Befimmo intends to continue its analysis - gradually over a period of 3 to 5 years in an approach involving all stakeholders - defining operational criteria for sustainable purchase of materials/suppliers, with priority to the subcategories in the “Sites” family.

INNOVATION AND CHANGING WAYS OF WORKING

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

REPORTING AND LONG-TERM COMMITMENT

A few months after the signing of the Paris agreement on limiting global warming at COP21, Befimmo also joined the Global Compact[3] and thus supports the initiatives launched by the United Nations in the respect of human rights, international labour standards, environmental protection and combating corruption. Meanwhile, Befimmo has aligned its Action Plan with 6 of the 17 Sustainable Development Goals[4] published by the United Nations “to transform our world”.

SUSTAINABLE DEVELOPMENT GOALS FROM THE UNITED NATIONS

As it did in the previous years, Befimmo participated in CDP[5] and GRESB[6] questionnaires, supported by a large number of international institutional investors, thus addressing issues related to its Social Responsibility and more specifically the carbon emissions related to its activities. In the light of its remarkable results, Befimmo has achieved the status of “Leadership” (CDP) and “Green Star” (GRESB).

2. The Kraljic matrix was designed to plot each procurement category along two axes: (i) the risk assessed according to the position of the buyer in relation to its suppliers and the criticality of the product/service and (ii) the level of expenditure for the product/service. For more information, see page 110.
3. www.unglobalcompact.org
4. www.un.org/sustainabledevelopment/sustainable-development-goals/
5. Carbon Disclosure Project.
6. Global Real Estate Sustainability Benchmark.

CUTS IN CO_2e EMISSIONS ACHIEVED

As a responsible landlord, Befimmo is aware that the value of a building is no longer measured solely in terms of its intrinsic value but also of other criteria related to sustainable development. The graph (hereafter) shows the decrease in CO_2e[1] emissions related to direct and indirect energy achieved between 2008 and 2016[2], compared with investments made in the Befimmo portfolio (excluding Fedimmo).

This significant reduction in CO_2e emissions, of -65% overall, is the result of continuous investments made since 2008 with a view to improving the energy and environmental performances of the buildings.

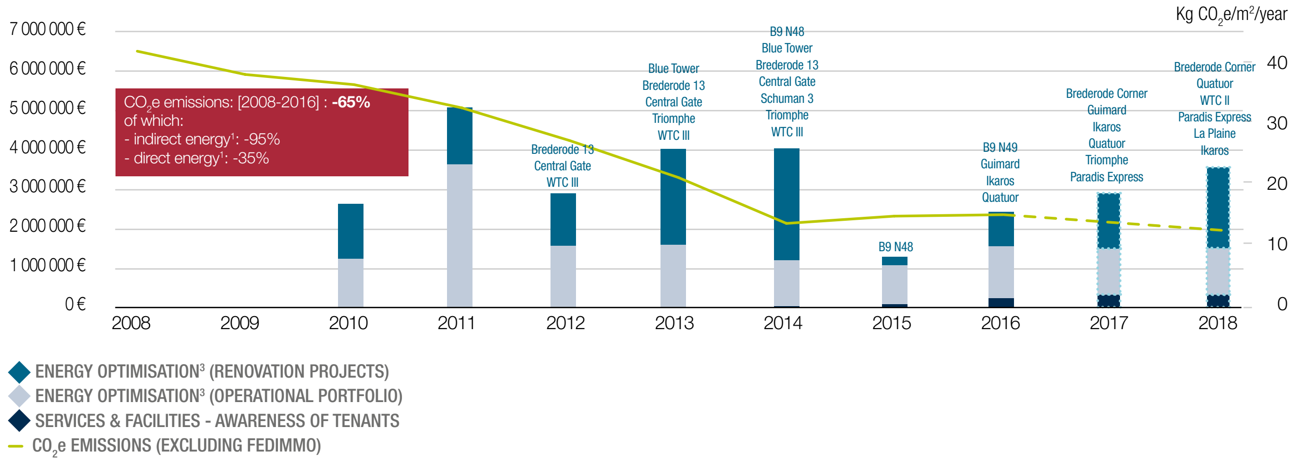
→ "Multi-annual investment plan, on page 86"

These investments are of two kinds:

- **Operational portfolio:** Several years ago, Befimmo devised a multi-annual investment plan (averaging €2 million/year) for carrying out works to improve the energy and environmental performance of the operational buildings (excluding properties undergoing major renovation) such as the removal of oil-fired boilers, the installation of water-recovery systems, upgraded BREEAM certifications, installation of photovoltaic panels, installation of cogeneration units, replacement and/or optimisation of certain technical installations, etc.
- **Construction/renovation projects:** part of the cost of the projects has been specifically earmarked for achieving optimum energy performances. This is not only to comply with current regulations or even to anticipate them, but also to meet the expectations of tenants, investors and shareholders.

REDUCTION IN CO_2e EMISSIONS ACHIEVED SINCE 2008 AND OUTLOOK UP TO 2018

G4-EN15 G4-EN16 G4-EN17 G4-EN18 G4-EN19 G4-EN31



1. The table including emission factors can be found under Methodology on pages 97 and 98.
2. The increase of 1.68% in specific emissions of CO_2e (kg CO_2e/m^2) in 2016 compared with 2015 is explained by the comeback of a less performant building in the reporting portfolio. Indeed, despite 2016 being a colder year than 2015 (2,330 degree days as against 2,112), specific emissions are declining overall at constant perimeter.
3. Investments regarding energy aspects (indirect & direct energy), excl. investments regarding environmental aspects.

OUTLOOK

In the coming years, Befimmo aims, firstly, to continue investing in its portfolio in a sustainable manner and to carry out the various projects begun or identified for achieving the objectives and, secondly, to continue its process of dialogue by seeking to achieve the best possible balance between the expectations of its stakeholders and the challenges it regularly faces.

Furthermore, Befimmo also wishes to increase its indirect impact by further stepping up its **tenant-oriented approach** through the services and facilities that it already offers and that it will increasingly offer in the future. Tenant satisfaction is Befimmo's priority, and it strives to offer quality properties in good locations, that are flexible, environmentally friendly and efficient. It will endeavour more than ever to provide comprehensive and personalised services, provide the best facilities in its buildings and be even more proactive in raising tenants' awareness of energy and environmental issues.

WWW.BEFIMMO.BE/EN/TENANT-CENTER

In 2017, Befimmo plans to go even further in terms of its social responsibility policy and reporting, by (i) moving from GRI-G4 to GRI Standards, which involves updating its materiality matrix and a thorough review its CSR policy, (ii) considering the possibility of following an approach that enables Befimmo to set long-term targets, up to 2030, for cutting greenhouse gas emissions (as recommended by IPCC[4] scientists), thereby making its own contribution to limiting the rise in global average temperature to below 2°C, in line with the decision of COP21.

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4. Intergovernmental Panel on Climate Change, established in 1988 by the World Meteorological Organization.

STAKEHOLDERS AND MATERIALITY MATRIX

G4-12 G4-18 G4-23 G4-24 G4-25 G4-26 G4-37 G4-43 G4-45

In view of its market capitalisation (€1.4 billion), its shareholders, its team, which has grown significantly over the past 10 years, and also its property portfolio and its impact on the environment, Befimmo must continually consider how to limit its impacts on society while allowing for economic development and improving its dialogue with its stakeholders.

WWW.BEFIMMO.BE/SITES/DEFAULT/FILES/IMCE/PUBLICATIONS/POLICY_EVOLUTION.PDF

Accordingly, in a process of constantly improving G4-DMA G4-35 its CSR policy, Befimmo carried out a materiality study and embarked in 2013 on a process of continuous dialogue with all its internal and external stakeholders.

This materiality exercise, the detailed methodology of which is described on its website, has enabled Befimmo (i) to identify and organise its environmental, economic and social priorities, taking account of their importance to Befimmo and to its stakeholders, (ii) to fine-tune its CSR strategy and (iii) to focus above all its efforts on priority topics.

Befimmo is now working on the priority issues identified in the matrix without neglecting other topics assigned a lower priority in the short term, which will be analysed and implemented in the medium and/or long term.

The matrix will be reassessed in 2017 when switching to GRI Standards.

WWW.BEFIMMO.BE/EN/TENANT-CENTER

STAKEHOLDERS INTEGRATED INTO THE VALUE CHAIN

In identifying its stakeholders, Befimmo includes any player actively or passively affected by a decision or a project of the Company, i.e. all internal and external stakeholders involved in the value chain. These stakeholders are classified according to their impact on Befimmo's various activities and opportunities to influence and/or educate them on environmental, social and economic issues.

Befimmo undertakes to take account of the expectations of its stakeholders in devising its strategy and to have a regular, open dialogue and constructive consultation with them. The dialogues held with these various stakeholders are described in detail in the documents published on Befimmo's website: "Communication with external and internal stakeholders" and "Analysis of stakeholders' expectations".

WWW.BEFIMMO.BE/EN/CSR/STAKEHOLDERS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

As a responsible Company, Befimmo aims to look beyond its own activities by endeavouring to inspire all its stakeholders to achieve its qualitative and quantitative societal objectives. In particular, it aims to (i) raise awareness among its tenants of cutting energy consumption by developing an environmental support service and (ii) obtain a commitment in the medium term from its suppliers by integrating environmental and social criteria into its value chain.

www.un.org/sustainabledevelopment/sustainable-development-goals/

INTERNAL ORGANISATION

G4-17 G4-34 G4-35 G4-36 G4-42 G4-44 G4-48 G4-49

Befimmo's Social Responsibility is now fully integrated into its day-to-day management. All Befimmo staff are involved in this approach, one way or another depending on their field of expertise, and are aware of the major impact of the real-estate sector on the environment.

At **strategic level**, the Corporate Social Responsibility (CSR) team consists of five people including three members of the Management Committee: the **Chief Executive Officer (CEO)**, the **Chief Financial Officer (CFO)**, the **Chief Operating Officer (COO)**, the **Head of Environmental Management (HEM)** and the **Corporate Social Responsibility Manager (CSRM)**. This team, which meets quarterly, is responsible for developing and monitoring the CSR Action Plan[1], releasing sufficient resources, and actively participates in the annual Management Review of the ISO 14001 Environmental Management System. The Directors of Befimmo also take part in defining and approving budgets and taking major decisions on Social Responsibility, especially at strategy meetings and at the meetings scheduled every quarter when the results are published.

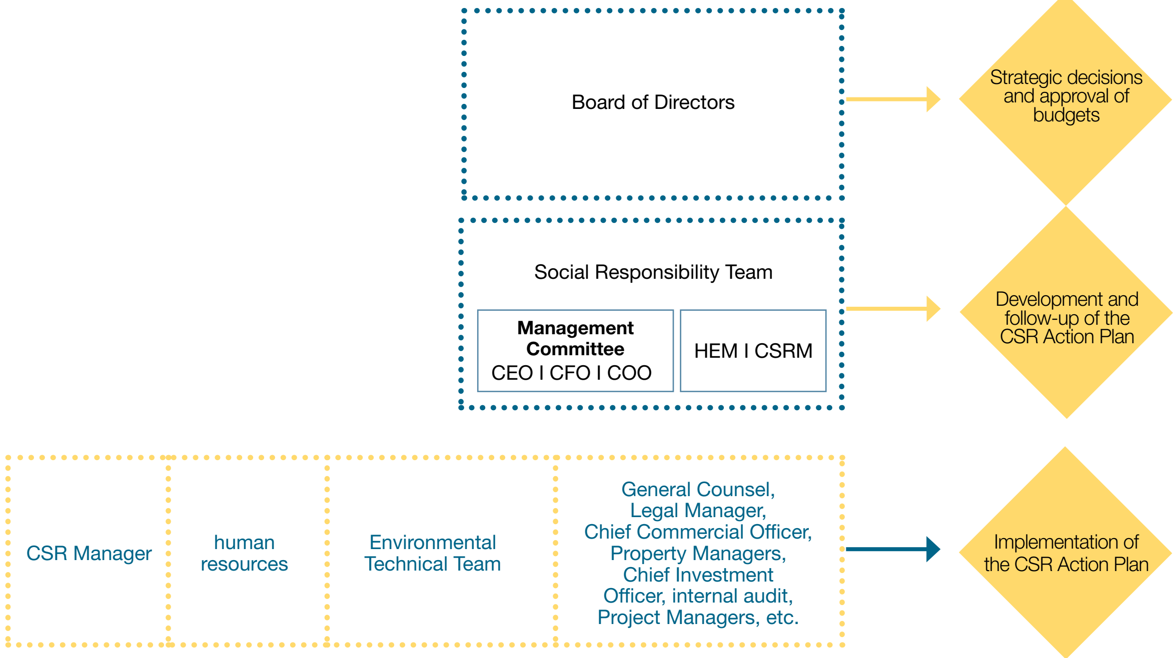
At **operational level**, the Environmental Technical Team (CTE) consists of five specialists with the task of improving the environmental performance of the portfolio. It meets regularly and its responsibilities include implementing the CSR Action Plan.

These specialists include the Green Adviser who plays an important role monitoring the effectiveness of energy investments on the ground while ensuring a high level of comfort for tenants.

The CSR Manager, a member of the Social Responsibility Team, reports directly to the CEO. Her role is both **strategic** (developing CSR strategy, managing relations with stakeholders) and **operational** (coordinating and running CSR projects, managing the CSR Action Plan, acting as in-house consultant for other departments and encouraging staff to embrace change).

For **human resources** the Human Resources Officer (HRO) is responsible for educating all members of the team to take more account of Social Responsibility, for following up initiatives put in place and for continuing to develop the strong corporate culture that exists within Befimmo. This person works with the CSR Manager and interacts with the Social Responsibility Team.

Other staff also have specific responsibilities defined in the Environmental Management System: General Counsel, Legal Manager, Chief Commercial Officer, Property Managers, Chief Investment Officer, internal audit, Project Managers, etc.



1. The detailed Action Plan 2017 is published on the Befimmo website (www.befimmo.be/en/investors/publications/csr-action-plans).

ENVIRONMENT [1]

G4-DMA G4-35

ENERGY ◆ **POLLUTION** ◆ **MOBILITY** ◆ **CERTIFICATION**

In view of the scale of its real-estate business, the main focus of Befimmo's Social Responsibility is on the environment. Befimmo is aware that the value of a building is no longer measured solely in terms of its intrinsic value but also of other criteria related to sustainable development. The external stakeholders have also broadly confirmed that this topic is the most important overall and want to see short-term action by Befimmo on the priorities related to the topic: energy, pollution, mobility and certification.

The implementation, monitoring and control of specific measures related to the environment are managed primarily by the Environmental Technical Team (CTE), composed of 5 experienced people, which reports to the Social Responsibility Team.

-34%	-33%	-65%	3,837 m²
ELECTRICITY (2008-2016)[2]	GAS (2008-2016)[3]	CO_2e EMISSIONS (2008-2016)[4]	SOLAR PANELS

13 CLIMATE ACTION

For some years now, Befimmo has been committed to combating climate change. It invests sustainably in its buildings, sets ambitious qualitative and quantitative environmental targets for reducing its environmental impact and works upstream with its stakeholders to reduce the carbon footprint of its activities as far as possible.

www.un.org/sustainabledevelopment/sustainable-development-goals/

ENVIRONMENTAL REPORTING

As mentioned before, from now on, Befimmo plans to go further in terms of its environmental reporting. It explores the possibility of following a recognised approach that enables it to set longer-term goals (up to 2030) to cut greenhouse gas emissions (in line with the recommendations of IPCC[5] scientists), thereby making its contribution to limiting the global average temperature rise to below 2° C, in line with the COP21 decision. Without renewing or extending the targets it set itself previously, while maintaining its commitment to continue actively improving the environmental performance of its buildings, Befimmo will use 2017 as a year of transition and reflection to study and analyse the segmentation of its portfolio so that it can better monitor, analyse and compare progress towards new long-term goals it will set in the coming months.

1. The detailed Action Plan 2017, notably the Environment section, is published on the Befimmo website (www.befimmo.be/en/investors/publications/csr-action-plans).
2. Befimmo portfolio (excluding Fedimmo), common areas, specific consumptions (kWh/m²).
3. Befimmo portfolio (excluding Fedimmo), specific consumptions (kWh/m²) normalised degree-days.
4. Befimmo portfolio (excluding Fedimmo), emissions related to direct and indirect specific energy consumptions.
5. Intergovernmental Panel on Climate Change, established in 1988 by the World Meteorological Organization.

ENERGY

ENERGY CONSUMPTION (GAS, OIL, DISTRICT HEATING AND ELECTRICITY), PRODUCTION OF RENEWABLE ENERGY AND WATER CONSUMPTION BY TENANTS AND CORPORATE ACTIVITIES.

REPORTING OF CONSUMPTION

For its non-financial reporting, Befimmo has opted to report the data for the Befimmo and Fedimmo portfolios separately. Befimmo's commitments to sustainable development apply to its whole portfolio. However the policy implemented by Befimmo at operational level cannot be applied in the same way to the Fedimmo portfolio, almost all of which which is let to the Buildings Agency.

Indeed, under the lease agreements with the Buildings Agency, most of the recurring works and the operational management of buildings are the Agency's responsibility, so Befimmo has only limited influence over these activities.

Nevertheless, through regular dialogue and consultation with the Buildings Agency, potential improvements in the environmental performance of the buildings are gradually being proposed by Befimmo and, in some cases, directly implemented.

Given its limited control, Befimmo cannot readily access the data on energy consumption and waste production for Fedimmo buildings, which makes it hard to set meaningful and representative quantitative targets.

In most cases, in addition to providing overall data, data from the two portfolios have been segmented by building size [1 - 5,000 m²], [5,001 - 10,000 m²], [>10,000 m²], which allows analysis from various angles and certain specific data to be exploited. The full detailed tables, covering four reporting years (2008 and 2014 to 2016) have been published on the Company's website and the **Methodology** needed for a proper interpretation and understanding of the data, can be found on page 97 of this Report.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES/ENVIRONMENT

MAIN ACHIEVEMENTS AND OBJECTIVES

MANAGEMENT OF CONSUMPTION DATA

All energy-consumption data and information are obtained via (i) the utility companies and energy suppliers, (ii) maintenance companies, (iii) telemonitoring of consumptions and (iv) the in-house manager.

Telemonitoring now covers 93% of the buildings in the Befimmo portfolio and a small proportion of the buildings in the Fedimmo portfolio. The data collected generally cover all consumption (water, gas and electricity). This centralisation of data and online real-time access to them allows us to remotely identify any malfunctioning technical installations, immediately take the necessary corrective action, and to assess the energy performance of each building and identify priority future investments to be considered.

With regard to the management of electricity consumption data, Befimmo is continuing to work on separating consumption for private and common areas of the buildings in which it has control over the energy supply contract. Regarding the buildings in which the supply contracts are not in Befimmo's name, the Environmental Technical Team directly asks tenants for consumption data and/or the renewal of the mandates needed for obtaining data via the network managers. This approach is systematically applied to all new tenants, notably when signing the lease.

Also in 2016, Befimmo has been systematically using statistical models to refine the detection of abnormal electricity, water and gas consumption. These models for predicting future consumption are based on the energy signature of the building and working hours. More relevant than generic alarms triggered when a maximum threshold is exceeded, these models can detect very slight overconsumption in relation to total consumption.

Within the framework of its policy of self-generation of renewable energy and the growing coverage of its photovoltaic installations, in 2016 Befimmo also developed a tool to verify the level of generation of its facilities and their efficiency in relation to the actual level of sunshine.

In 2016, Befimmo also finalised monitoring and detailed reporting of energy consumption of its buildings on a quarterly basis which it uses to monitor and track its performance indicators.

OBJECTIVE FOR 2017

Recognising the importance of the level of accuracy required in the figures it uses and on which it bases its results and objectives, in 2017 Befimmo will undertake to determine in detail the level of uncertainty associated with the inaccuracy of metering systems, partial or incorrect information transfer, spurious data, imprecise conversion factors, reading errors or missing data relating to its energy measurements and calculations of savings.

MULTI-ANNUAL INVESTMENT PLAN G4-EN31

Befimmo strives to keep its buildings attractive to tenants, thereby maintaining as high an occupancy rate as possible in its portfolio, by continually carrying out renovation and redevelopment in its properties or improving their energy and environmental performances, to upgrade them or maintain them at a high level of quality and performance.

Befimmo designs buildings that are of high quality and usually go well beyond the applicable or anticipated energy regulations, to aim for and/or achieve the passive standard (15 kWh/m² per year in net heating needs) and work towards the concept of the Nearly Zero Energy Building (NZEB). Indeed, thanks to the significant investment it makes in its buildings in innovative, high-performance and low-energy technical installations, coupled with renewable energy sources and tenant awareness, Befimmo brings to market buildings of high environmental quality.

In addition to the budget allocated in the context of construction projects and the redevelopment of its buildings to sustainable optimisation and anticipation of regulations related to the improvement of environmental performance, Befimmo is also implementing a specific multi-annual investment plan designed to carry out work to optimise the sustainable performance of the operational buildings (replacement of old technical installations by energy-saving equipment, installation of new equipment-management technologies, installation of water-recovery systems, improved insulation, installation of photovoltaic panels, heat pumps, etc.) and generally to improve the BREEAM In-Use certification of the buildings. In 2016, the budget for this work was of the order of €1.75 million.

“Outlook and dividend forecast, on page 66”

OBJECTIVES FOR 2017-2019

Befimmo intends to continue these initiatives and, in addition to the budgets for major renovations, it plans to maintain a recurrent budget for the improvement of existing technical systems and sustainable optimisation of the environmental performances of the buildings.

MULTIANNUAL INVESTMENT PLAN

(IN € MILLION)	REALISED	OUTLOOK		
	2016	2017	2018	2019
Total	**1.75**	**1.98**	**1.51**	**1.04**
Energy	1.31	1.16	1.17	0.63
Environment	0.44	0.82	0.34	0.40

INVESTMENT CRITERIA G4-DMA

Befimmo takes an interest in real-estate projects that meet the standard investment criteria such as quality, critical size, flexibility, rental situation and potential for value creation. However, in line with its CSR policy and as part of a process of continuous improvement, when considering acquisition projects it also reviews and analyses energy efficiency, aspects related to soil pollution and the presence of hazardous substances, together with aspects related to mobility, such as location, accessibility, proximity to public transport, etc.

“Identity and strategy, on page 20”

1. EPRA : European Public Real Estate Association – www.epra.com.
2. Befimmo commissioned Deloitte to carry out a limited assurance review. Data marked with the V symbol have been audited by Deloitte as part of this limited assurance review. The Deloitte report can be found in this chapter on page 115.
3. Waste from buildings undergoing renovation and in operation.
4. Full tables of environmental indicators of the portfolio of Befimmo and Fedimmo are published on Befimmo’s website (www.befimmo.be/en/csr/priorities/environment).

SUMMARY TABLE OF EPRA SUSTAINABLE PERFORMANCE INDICATORS

Befimmo is following the trend towards standardisation of financial reporting and also reporting on Social Responsibility by subscribing to the indicators published by EPRA[1] in its report "Best Practices Recommendations on Sustainability Reporting (2nd version – September 2014)".

EXTERNAL ASSESSMENT[2]	EPRA SUSTAINABILITY PERFORMANCE MEASURES	GRI-G4 (CRESSD) INDICATOR	PORTFOLIO	DATA 2016	PAGE(S) AFR 2016[4]
V	Elec-Abs not normalised	G4-EN3	Befimmo Fedimmo	48.7 GWh 17.1 GWh	88
V	Elec-LfL not normalised	G4-EN3	Befimmo 2015 Befimmo 2016 Fedimmo 2015 Fedimmo 2016	45.3 GWh 43.3 GWh 15.5 GWh 16.9 GWh	
V	DH&C-Abs normalised	G4-EN3	Befimmo	1.0 GWh	89
V	DH&C-LfL normalised	G4-EN3	Befimmo 2015 Befimmo 2016	1.0 GWh 1.4 GWh	
V	Fuels-Abs normalised	G4-EN3	Befimmo Fedimmo	35.9 GWh 27.4 GWh	89
V	Fuels-LfL normalised	G4-EN3	Befimmo 2015 Befimmo 2016 Fedimmo 2015 Fedimmo 2016	35.4 GWh 31.6 GWh 29.8 GWh 26.2 GWh	-
V	Energy-Int non normalised	CRE1	Befimmo Fedimmo	167 kWh/m² 150 kWh/m²	89
V	GHG-Dir-Abs	G4-EN15	Befimmo Fedimmo	7 111 t CO_2e 5 440 t CO_2e	93
V	GHG-Indir-Abs	G4-EN16	Befimmo Fedimmo	531 t CO_2e 0 t CO_2e	
V	GHG-Dir-LfL	G4-EN15	Befimmo 2015 Befimmo 2016 Fedimmo 2015 Fedimmo 2016	6 355 t CO_2e 6 258 t CO_2e 5 349 t CO_2e 5 181 t CO_2e	
V	GHG-Indir-LfL	G4-EN16	Befimmo 2015 Befimmo 2016 Fedimmo 2015 Fedimmo 2016	484 t CO_2e 416 t CO_2e 0 t CO_2e 0 t CO_2e	
V	GHG-Int	CRE3	Befimmo Fedimmo	15 kg CO_2/m² 18 kg CO_2/m²	
V	Water-Abs	G4-EN8	Befimmo Fedimmo	154 217 m³ 83 343 m³	90
V	Water-LfL	G4-EN8	Befimmo 2015 Befimmo 2016 Fedimmo 2015 Fedimmo 2016	126 956 m³ 123 117 m³ 67 624 m³ 79 707 m³	
V	Water-Int	CRE2	Befimmo Fedimmo	265.53 l/m² 266.88 l/m²	
V	Waste-Abs[3]	G4-EN23	Befimmo	Recycled: 745 tonnes Reused: 36 tonnes Composted: 4 tonnes Incinerated: 674 tonnes Burried of landfilled: 0 tonne	91 92 93
			Fedimmo	Recycled: 2 870 tonnes Reused: 0 tonne Composted: 0 tonne Incinerated: 748 tonnes Burried of landfilled: 961 tonnes	
V	Waste-LfL[3]	G4-EN23	Befimmo	Recycled 2015: 843 tonnes Recycled 2016: 745 tonnes Reused 2015: 17 tonnes Reused 2016: 36 tonnes Composted 2015: 0 tonne Composted 2016: 4 tonnes Incinerated 2015: 797 tonnes Incinerated 2016: 674 tonnes Burried of landfilled 2015: 33 tonnes Burried of landfilled 2016: 0 tonne	94
			Fedimmo	Recycled 2015: 108 tonnes Recycled 2016: 67 tonnes Reused 2015: 0 tonne Reused 2016: 0 tonne Composted 2015: 0 tonne Composted 2016: 0 tonne Incinerated 2015: 60 tonnes Incinerated 2016: 66 tonnes Burried of landfilled 2015: 0 tonne Burried of landfilled 2016: 0 tonne	
V	Cert-Tot	CRE8	Befimmo & Fedimmo	BREEAM Design | Outstanding | 1 building BREEAM Design | Excellent | 6 buildings BREEAM Design | Very Good | 9 buildings BREEAM Design | Good | 1 building BREEAM In-Use (Asset) | Very Good | 5 buildings BREEAM In-Use (Asset) | Good | 54 buildings BREEAM In-Use (Asset) | Pass | 6 buildings BREEAM In-Use (Asset) | Non certifié | 51 buildings BREEAM In-Use (Management) | Very Good | 2 buildings BREEAM In-Use (Management) | Good | 2 buildings BREEAM In-Use (Management) | Pass | 50 buildings BREEAM In-Use (Management) | Acceptable | 8 buildings	95 96

INDIRECT ENERGY CONSUMPTION [GWh AND KWh/m²]

DH&C-Abs DH&C-LfL ELEC-Abs ELEC-LfL
G4-EN3 G4-EN4 G4-EN5 G4-EN6 G4-EN7

The specific data in the chart hereafter relate to electricity consumption purchased from utility companies (94% green energy[1]) and/or self-generated by solar panels and cogeneration units. This self-generated energy is included in the specific data (kWh/m²) for common areas.

The Axento building located in Luxembourg, built in 2009, is heated by a district heating system, the data of which are not included in this chart[2].

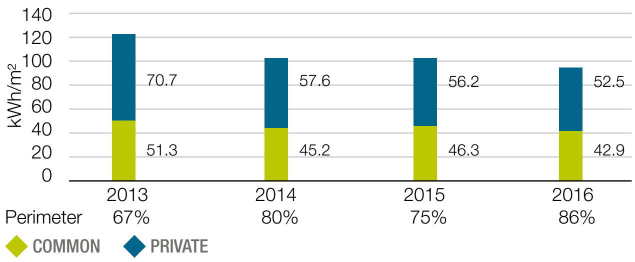
Specific electricity consumption of the common areas of Befimmo's portfolio fell from 51.3 kWh/m² in 2013 to 42.9 kWh/m² in 2016, exceeding the target of cutting -2.5% per year for three years from 2013 to 2016. At the end of the period, the actual reduction achieved was -16%, which exceeds the final target. This saving is explained mainly by energy efficiency measures.

Specific electricity consumptions of the private areas of Befimmo's portfolio fell from 70.7 kWh/m² in 2013 to 52.5 kWh/m² in 2016, also exceeding the target of cutting -1% per year for three years from 2013 to 2016. At the end of the period, the actual reduction achieved was -26%, which exceeds the final target. This performance is mainly due to (i) the departure of a tenant with a computing centre that needed a substantial cooling plant and, (ii) very substantial cuts in private consumption in two large buildings in the portfolio.

In order to ensure consistency and be representative of office consumption, the calculation of specific consumption also excludes the private consumption data of a fitness centre with an indoor pool.

The target of increasing the overall percentage of green energy used in the Befimmo portfolio, at constant perimeter [LfL], from 94% to 97% between 2015 and 2016, with a focus on supplying green electricity for private areas was not achieved. Awareness-raising measures for the tenants concerned will nevertheless continue in 2017. The target of reducing specific electricity consumption (kWh/m²) at constant perimeter [LfL] by -5% over one year in the individual private areas in Befimmo's portfolio of tenants who register and actively participate in the Environmental Cooperation agreement project, will also be maintained.

SPECIFIC INDIRECT CONSUMPTION (KWh/m²) [BEFIMMO PORTFOLIO], EXCEPT NETWORK HEATING



Finally, the target of reducing total gross electricity consumption in the common areas of Befimmo's portfolio, at constant perimeter [LfL] by -1% over the period 2015-2016 was substantially exceeded, achieving a total reduction of -3%.

Full tables of indirect absolute and specific consumption of the Befimmo and Fedimmo portfolios are published on Befimmo's website.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES/ENVIRONMENT

OBJECTIVES

Without renewing or extending the targets it set itself previously, while maintaining its commitment to continue actively improving the environmental performance of its buildings, in 2017 Befimmo will begin a comprehensive study on the redefinition of new long-term targets for reducing greenhouse gas emissions (in accordance with the recommendations of IPCC[3] scientists), thus making its contribution to limiting the global rise in average temperatures to below 2°C, in line with the decision of COP21.

BEFIMMO CORPORATE ELECTRICITY CONSUMPTION (MWh AND KWh/PP[4])

G4-EN3 G4-EN5

In 2016, when refurbishing the "corporate" premises as part of the SWOW[5] project, special attention was paid to the new electrical installations to keep consumption as low as possible and to maintain the benefit and experience of the good environmental practice that it is developing.

When carrying out this major work, which lasted several months, Befimmo temporarily moved its team into one of its buildings. Its energy consumptions in 2016 is therefore spread over two sites, one of which also includes the electrical power (2.6 MWh) needed for carrying out the work. Net of the latter, the reduction in total electricity consumption is -3.4% in 2016 (185.7 MWh) in relation to 2015 (192.3 MWh).

OBJECTIVE FOR 2017

In 2017, Befimmo will monitor the electricity consumption of the private areas in its new space to check the effectiveness of some new measures (LED lighting, outsourcing part of IT infrastructure, etc.) taken when its corporate space was renovated.

1. Green energy: energy produced from renewable sources.
2. The table of consumption data for Axento can be found on Befimmo's website (www.befimmo.be/en/csr/priorities/environment).
3. Intergovernmental Panel on Climate Change, established in 1988 by the World Meteorological Organization.
4. PP: Per Person, or all FTEs (Full-Time Equivalent) and the members of the Management Committee.
5. SWOW: Smart Ways Of Working.

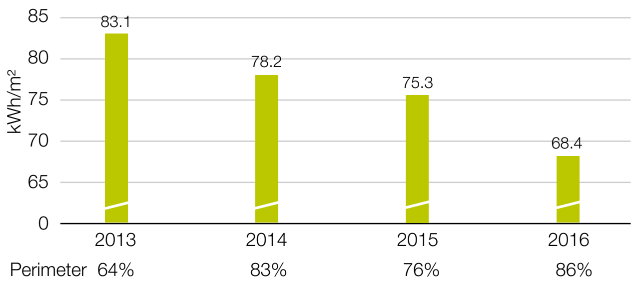
DIRECT ENERGY CONSUMPTION (KWh/m²) Fuels-Abs G4-EN3 G4-EN4 G4-EN5

The specific data given in the chart hereafter relate to consumption of natural gas, gross and normalised for all above-ground space in the Befimmo portfolio.

Consumption data for heating are normalised for the influence of the outdoor temperature using the 16.5/16.5 degree-day method. This method cancels out climate-related effects and so enables the consumption of different years to be compared. The degree-days for Belgium are calculated by the observatory in Uccle.

At the end of 2016, as the three-year period set as a target for reducing Befimmo's normalised specific direct consumption by -9% ended, consumption had been cut by -17.8%. It fell from 83.1 kWh/m² in 2013 to 68.4 kWh/m² in 2016.

SPECIFIC DIRECT ENERGY CONSUMPTION (KWh/m²) (BEFIMMO PORTFOLIO)



At constant perimeter [LfL], the gas consumption of Befimmo's portfolio also decreased by -10.7% over the period 2015-2016, i.e. 3.80 GWh, equivalent to the average annual consumption of 300 Brussels households[6].

Full tables of indirect absolute and specific consumption of the Befimmo and Fedimmo portfolios are published on Befimmo's website.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES/ENVIRONMENT

OBJECTIVES

Without renewing or extending the targets it set itself previously, while maintaining its commitment to continue actively improving the environmental performance of its buildings, in 2017 Befimmo will begin a comprehensive study on the redefinition of new long-term targets for reducing greenhouse gas emissions (in accordance with the recommendations of IPCC[3] scientists), thus making its contribution to limiting the global rise in average temperatures to below 2°C, in line with the decision of COP21.

TOTAL AND SPECIFIC ENERGY CONSUMPTION (GWh AND KWh/m²) G4-EN3 G4-EN4 G4-EN5 CRESS-CR1 ENERGY-INT

The absolute and specific (normalised and non-normalised[7]) data presented in the tables below relate to the total energy purchased and/or generated for the use of the private and common areas of the buildings in the Befimmo portfolio.

Full tables of total absolute and specific consumptions of the Befimmo and Fedimmo portfolios are published on Befimmo's website.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES/ENVIRONMENT

BEFIMMO PORTFOLIO (EXCLUDING FEDIMMO)	UNITS	2014	2015	2016	2016		
					1 - 5 000 m²	5 001 - 10 000 m²	> 10 000 m²
Total portfolio area	m²	533 650	571 720	564 883	86 104	68 298	410 481
Total	GWh	88.1	91.0	87.6	13.5	9.1	65.0
Total (non-normalised)	**kWh/m²**	**163.7**	**172.2**	**167.0**	**130.5**	**166.9**	**174.6**
Total (normalised degree/day)	**kWh/m²**	**177.6**	**175.7**	**163.3**	**127.0**	**162.8**	**171.0**

6. www.energuide.be/en/questions-answers/what-is-the-average-electrical-power-and-gas-consumption-in-the-brussels-region/273/
7. Non-normalised data: data not adjusted to allow for the influence of the outdoor temperature using the degree-day method 16.5/16.5.

FINANCIAL SAVINGS DUE TO REALISED ENERGY SAVINGS

G4-EN6

The data given in the table below refer to the direct financial impact on Befimmo and its tenants of (i) measures taken to cut energy consumption (excluding potential benefits of green certificates from self-generation) and (ii) close management of the technical installations in the portfolio for 2015 and 2016. These cost savings are calculated using the average cost per kWh depending on the energy supply contract[1].

There were also reductions electricity consumption in private areas but they are not included in the financial savings set out hereafter.

BEFIMMO PORTFOLIO (EXCLUDING FEDIMMO)		PERIMETER	ENERGY (KWh)	FINANCIAL SAVINGS (€) (ANNUAL BASIS)
Like-for-Like [LfL] - 2014-2015	**Total savings**		**1 955 456**	**€134 828**
	of which common energy reduction	78%	311 594	€36 862
	of which self-generation [solar panels and congenerations]		324 983	€38 445
	of which gas reduction (including heating network)	84%	1 318 879	€59 521
Like-for-Like [LfL] - 2015-2016	**Total savings**		**5 464 447**	**€263 686**
	of which common energy reduction	80%	617 835 V	€56 223 V
	of which self-generation [solar panels and congenerations]		439 459 V	€39 991 V
	of which gas reduction (including heating network)	83%	4 407 153 V	€167 472 V

WATER CONSUMPTION (litres/m²)

Water-Abs Water-Int Water-LfL G4-EN8 G4-EN10 CRESS-CRE2

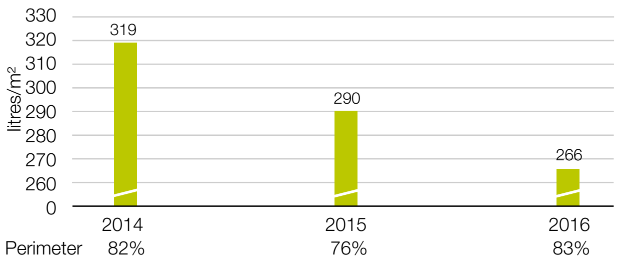
As a responsible landlord, Befimmo considers that it must be very attentive to the proper management and conservation of natural resources and to water consumption in its portfolio. It equips each of its buildings with low-consumption appliances, and fits leak detection and telemonitoring systems where appropriate. It also studies the feasibility of installing water-recovery systems in its projects.

6 CLEAN WATER AND SANITATION

As a responsible landlord, Befimmo considers that it must be attentive to the proper management and conservation of natural resources and hence to water consumption in its portfolio. It therefore makes every effort to encourage and educate its tenants to make rational use of water by providing them with low-consumption appliances and considering the installation of water recovery systems (rainwater tanks, grey water recovery) in its renovation projects. **www.un.org/sustainabledevelopment/sustainable-development-goals/**

The data for the Befimmo buildings given in the chart below relate to the specific consumption of water (litres/m²) from the water mains, water recovery systems (rainwater cisterns and recovery of grey water) and abstraction of groundwater.

SPECIFIC WATER CONSUMPTION (litres/m²) [PORTEFEUILLE BEFIMMO[2]]



Specific consumption (litres/m²) in 2016 was down -9% compared with 2015, from 290 l/m² to 266 l/m². Moreover, at the end of 2016, half-way through the two-year period set for the objective to cover 2% of its total water requirements from recovery systems, Befimmo already achieved and exceeded the objective, covering 2.5% of its needs, at constant perimeter [LfL], in relation to 2014, i.e. approximately 17,000 m³, the equivalent of 5 olympic swimming pools.

Full tables of total absolute and specific water consumption of the Befimmo and Fedimmo portfolios are published on Befimmo's website.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES/ENVIRONMENT

OBJECTIVE

Without renewing or extending the targets it set itself previously, while maintaining its commitment to keep actively improving the environmental performance of its buildings, in 2017 Befimmo will begin a comprehensive study on the redefinition of new long-term targets.

1. The average prices for calculating the cost savings, for 2014 to 2015, amount respectively to €118/MWh (including VAT) V for electricity, €45/MWh (including VAT) V for gas and €91/MWh (including VAT) V for electricity and €38/MWh (including VAT) V for gas for 2015-2016. These prices include transmission costs.
2. Excluding the data for a fitness centre located in one building of the portfolio.

POLLUTION

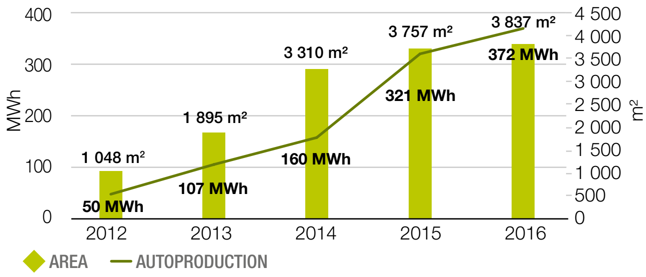
GREENHOUSE GAS EMISSIONS (CARBON EQUIVALENT) AND WASTE MANAGEMENT.

MAIN ACHIEVEMENTS AND OBJECTIVES

SELF-GENERATION OF RENEWABLE ENERGY (MWh) AND GENERATION AREA (m²) G4-EN3

Photovoltaic panels (m²)

The current total coverage of photovoltaic panels for the Befimmo and Fedimmo portfolios is 3,837 m², as against 1,895 m² installed at the end of 2013.



Befimmo limits the use of fossil fuels and natural resources to supply the electricity needed to run its buildings by (i) investing in self-generated energy systems such as solar panels and cogeneration systems, and (ii) providing its tenants with access to a green electricity supply contract, with a guarantee of origin label.

www.un.org/sustainabledevelopment/sustainable-development-goals/

OBJECTIVE

In view of ongoing and planned renovation and construction, the total area of solar panels will be further increased in line with progress on building sites.

Cogeneration

There are currently two cogeneration systems in the Befimmo portfolio, one in a building which has an indoor pool. Both buildings have a very high heating requirement, thereby justifying the installation of such a system.

In 2015, two feasibility studies were conducted for the installation of additional cogeneration units in other buildings in the Befimmo portfolio. These systems, however, not yet been implemented and are subject to further study.

OBJECTIVE

Based on the analysis of the portfolio's consumption data, there are currently no other profitable opportunities for investing in cogeneration systems in the portfolio. The situation will nevertheless be reassessed in all the buildings, including those of the portfolio of Fedimmo.

Self-generation of energy - electricity

The quantitative goal for self-generation of energy (photovoltaic panels and cogeneration), set up in 2016, which is to cover 2% of the electricity needs, at constant perimeter (LfL) of the common floor areas in the Befimmo portfolio (excluding Fedimmo), by the end of 2017, compared with the reference period of 2014, is almost reached (1.88% coverage). The electricity self-production is 372 MWh which corresponds with the average annual consumption of 106 households[3].

REPORTING

TOTAL WASTE BY TYPE (TONNES)

G4-EN23 Waste-Abs Waste-LfL

Befimmo takes great care to manage waste from its sites and usually exceeds the applicable regulations. Even before construction sites it systematically organises campaigns for dismantling building materials that could be reused for other projects.

Furthermore, its building contracts, and the level of BREEAM certification it aims to obtain, require its contractors to be very rigorous in the management and traceability of waste produced by its building sites. Manual workers and all stakeholders involved in the project are involved and educated in waste sorting. Waste management plans are drawn up by specialist consultancies while environmental coordinators are also appointed in addition to the BREEAM coordinator to ensure proper waste management. Accurate reporting is also put in place for each site.

3. www.energuide.be/en/questions-answers/what-is-the-average-electrical-power-and-gas-consumption-in-the-brussels-region/273/

The data given in the table hereafter relate to the quantities of hazardous[1] and non-hazardous waste, of all categories (paper and cardboard, plastic, glass, wood, earth, concrete, rubble, metals and other mixed waste).

Building waste includes all waste related to building and/or major renovation projects, all of which, or 100%, is reported. Information on the waste associated with such projects has been systematically collected since 2013.

In 2016, the percentage of recycled waste for the operational buildings which Befimmo collects itself was 59%.

Moreover, in 2016 Befimmo continued to take part in the circular economy project with not-for-profit association Rotor on some of its sites that had a potential for recovery and reuse. More than 36 tonnes of materials were removed for reuse in various projects, bringing the total building components recovered by Rotor to over 105 tonnes since the initiative began in 2013.

In the context of SWOW and the redevelopment of its corporate space, Befimmo also worked with the Hu.Bu not-for-profit association for the recycling of its old office equipment. This enabled more than 4 tonnes of extra equipment to be reclaimed.

TOTAL WASTE BY TYPE (TONNES)

BEFIMMO PORTFOLIO (EXCLUDING FEDIMMO)	UNITS	2014	2015	2016	2016		
					1 - 5 000 m²	5 001 - 10 000 m²	>10 000 m²
Total portfolio area	m²	533 650	571 720	564 883	86 104	68 298	410 481
Reporting perimeter	%	100%	100%	100%	100%	100%	100%
Total linked to works	**tonnes**	**664**	**2 078**	**90**	**1**	**46**	**43**
of which non-hazardous	tonnes	658	2 078	89	1	46	43
of which hazardous	tonnes	6	0	0	0	0	0
Reporting perimeter	%	83%	70%	58%	18%	66%	66%
Total linked to operational buildings	**tonnes**	**1 994**	**1 992**	**1 370**	**251**	**297**	**821**
of which non-hazardous	tonnes	1 994	1 990	1 368	251	296	820
of which hazardous	tonnes	0	2	2	0	1	1
Total	**tonnes**	**2 658**	**4 070**	**1 460**	**252**	**343**	**864**

The important decrease of waste production in 2016 compared to 2015 is justified by a decrease of the reporting perimeter. The waste figures of 3 important buildings of the portfolio were not taken into account in 2016.

Full tables of waste by type of the Befimmo and Fedimmo portfolios are published on Befimmo's website.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES/ENVIRONMENT

TREATMENT OF WASTE FROM OPERATIONAL BUILDINGS (%)

G4-EN23

In 2014, Befimmo awarded a management contract to an external consultant for waste produced by its operational buildings and of which it handles the operational management itself. Under this contract, the service provider has undertaken to optimise waste treatment costs, notably by facilitating the transfer to reclamation systems of the portion of recyclable waste present in unsorted waste. In 2016, the contract covered 21% of the area of the Befimmo portfolio and helped keep the waste recycling rate at constant perimeter [LfL] to 59%, notably by continuing to raise awareness among tenants and cleaning companies of the common and private areas.

The data in the charts hereafter give the breakdown of total waste by type of disposal. The percentage for each type of disposal is quantified by collector, type and category of the waste.

1. Hazardous waste is waste that presents a specific hazard to humans or the environment. Types of hazardous waste are identified and listed in regional regulations.

WASTE DISPOSAL (%) [BEFIMMO PORTFOLIO]

WASTE DISPOSAL (%) [BEFIMMO PORTFOLIO WHICH IT COLLECTS ITSELF]

Full tables of waste treatment for the Befimmo and Fedimmo portfolios are published on Befimmo's website.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES/ENVIRONMENT

◆ OBJECTIVE FOR 2017

In 2017, Befimmo will continue optimising costs and waste treatment through the external consultant, keeping the target of recycling 65% of waste set in 2016.

Furthermore, for six buildings with semi-underground waste management systems in which the recycling rate should be improved, Befimmo will expand the scope of action of the current service provider to 38% of the area of the Befimmo portfolio.

To motivate the provider to improve its performance, Befimmo will return the portion of the cost of incinerating non-recycled waste that exceeds the recycling rate of 50% required by the contract.

Finally, the system for processing waste-related information will be improved in order to make it more traceable.

NON-NORMALISED SPECIFIC ENERGY-RELATED GREENHOUSE GAS (GHG) EMISSIONS (Kg CO_2e/m^2)

CRESS-CRE3 GHG-Dir-Abs GHG-Dir-LfL GHG-Int GHG-Indir-Abs GHG-Indir-LfL G4-EN15 G4-EN16 G4-EN17 G4-EN18 G4-EN19

The non-normalised specific greenhouse gas emissions data (kg CO_2e/m^2) relate to greenhouse gas emissions associated with energy consumption in Befimmo buildings (electricity, gas, heating network and heating oil).

The reductions in energy-related CO_2e emissions (-65%) between 2008 and 2016 at constant perimeter [LfL] in the Befimmo portfolio are explained mainly by (i) energy-saving measures between 2008 and 2016, (ii) an increase in the supply of green energy, related to private electricity contracts of tenants, and (iii) close management of technical systems (Green Adviser, telemonitoring, etc.).

Despite a colder 2016, direct non-normalised specific emissions at constant perimeter are decreasing.

Full tables of greenhouse-gas (GHG) emissions for the Befimmo and Fedimmo portfolios are published on Befimmo's website.

WWW.BEFIMMO.BE/EN/CSR/PRIORITIES/ENVIRONMENT

CO_2e EMISSIONS FROM BEFIMMO'S OWN CORPORATE ACTIVITIES

G4-EN15 G4-EN17

Emissions of CO_2e linked to Befimmo's corporate business, i.e. the office activities of its staff, were evaluated according to the "Carbon Balance Method[2]". The operational scope covers travel in company cars, business travel by air and rail, the use of paper and the use of the Company's headquarters building (heating and electricity).

2. Methodology developed by ADEME (the French environment and energy management agency).

CO_2e EMISSIONS LINKED TO BEFIMMO'S OWN ACTIVITIES (TONNES CO_2e, Kg CO_2e/m² AND TONNES CO_2e/PP)

	UNITS	2014	2015	2016	
Befimmo "corporate" area	m²	2 150	2 150	2 150	V
# persons (PP)	#	68	69	72	V
Total emissions linked to direct energy	**t CO_2e**	**241**	**264**	**265**	V
Of which total heating emissions	t CO_2e	15	18	34	V
Emissions PP (heating)	t CO_2e	0.2	0.3	0.5	V
Emissions per m² (heating)	kg CO_2e/m²	6.9	8.6	n.a.[1]	V
Total heating [LfL]	%	n.a.[1]	n.a.[1]	n.a.[1]	V
Of which diesel car emissions[2]	t CO_2e	215	228	225	V
Of which petrol car emissions[2]	t CO_2e	11	18	6	V
Total emissions linked to indirect energy	**t CO_2e**	**36**	**38**	**42**	V
Emissions PP	t CO_2e	36	38	22	V
Emissions per m²	kg CO_2e/m²	16.7	17.5	n.a.[1]	V
Total electricity [LfL]	%	n.a.[1]	n.a.[1]	n.a.[1]	V
Total emissions linked to travel, paper consumption	**t CO_2e**	**8**	**14**	**73**	V
Plane short-haul travel	t CO_2e	0.6	6.9	2.6	V
Plane long-haul travel	t CO_2e	3.7	3.9	67.3	V
High-speed train	t CO_2e	0.5	0.2	0.3	V
Paper consumption	t CO_2e	3.0	3.0	2.8	V
Of which cars other than Befimmo	t CO_2e	0.0	0.0	0.5	V

For some years now, Befimmo has been raising awareness in its team of good (corporate) waste management through various specific measures including cutting paper consumption per employee. Average paper consumption was 53 kg/employee in 2013 and fell to 47 kg/employee in 2015 and to 42 kg/employee in 2016, i.e. a cut of -20.7% in 2016 in relation to 2013[3].

BLUE TOWER
BRUSSELS
LOUISE DISTRICT

1. As the Company temporarily moved into the Triomphe building during the Goemaere renovation, data are not applicable in 2016.
2. The table showing emission factors linked to means of transport can be found under Methodology on pages 97 and 98.
3. The conversion factor used to calculate CO_2e emissions related to paper consumption is 0.919 kg CO_2e/kg of paper (source Bilan Carbone V7.6).

MOBILITY

ACCESSIBILITY OF BUILDINGS AND BUSINESS AND PRIVATE TRAVEL POLICY.

MAIN ACHIEVEMENTS AND OBJECTIVES

CO_2e EMISSIONS RELATED TO BEFIMMO CORPORATE TRANSPORT ($TONNES\ CO_2e$) G4-EN15 G4-EN30 GHG-Dir-Abs

Befimmo reduced the overall rate of average emissions per vehicle (CO_2e/km) of its fleet by -1.62% in 2016 in relation to 2015. This decrease is the result of applying an updated car policy to vehicles purchased new or replaced.

The absolute reduction in vehicle-related CO_2e emissions from 246 tonnes in 2015 to 231 tonnes in 2016 (-6%) was due mainly to a decrease in emissions from fleet vehicles.

Electric vehicle

After various analyses, in 2014 Befimmo opted to include a pooled electric vehicle in its fleet of vehicles for intra-urban travel. It is in regular use by the team.

OBJECTIVE

Befimmo intends to pursue its policy of awareness-raising in the team. It aims to develop a mobility plan to encourage sustainable mobility (use of carpooling, public transport or, for the more energetic, cycling, etc.).

CERTIFICATION

AUDIT OF THE MANAGEMENT OF THE BUSINESS'S ENVIRONMENTAL IMPACT (METHODOLOGY, COMMUNICATION, TRANSPARENCY) BY AN EXTERNAL CERTIFICATION BODY.

MAIN ACHIEVEMENTS AND OBJECTIVES

ENVIRONMENTAL MANAGEMENT SYSTEM, ISO 14001 CERTIFIED G4-PR3

In 2010, Befimmo introduced an Environmental Management System (EMS) based on ISO 14001. It ensures a systematic approach to the environmental aspects of its activities and also contributes to the sustainable ongoing implementation and monitoring of its commitments.

During 2016, Befimmo worked to finalise the development, simplification and improvement of its Environmental Management System and confirmed its commitment by successfully renewing its certification under the new stricter version of ISO14001 (2015).

OBJECTIVE

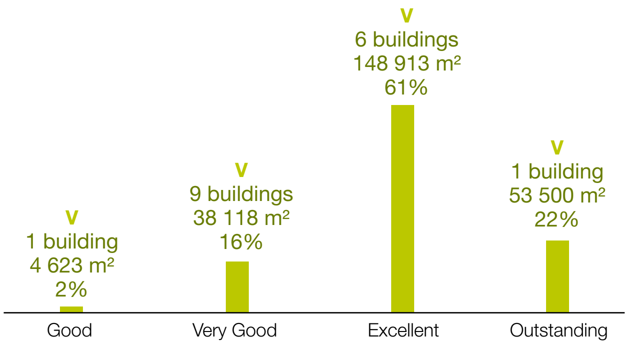
Befimmo is now ready and convinced of the advantages of supplementing and enhancing its Environmental Management System using an effective and credible energy-management tool. From 2017, it will adapt and develop its existing procedures in accordance with the structure of ISO 50001.

BREEAM DESIGN AND POST CONSTRUCTION G4-PR3 Cert-Tot CRESS-CRE8

Since 2010, Befimmo has been following and applying the world's top assessment method of environmental performance and sustainability of buildings developed by BREEAM (BRE Environmental Assessment Method) for all of its portfolio, whether operational or under construction/renovation. It also pays special attention during the design phase of its projects to the future satisfaction of the occupants and users of its buildings and aims to secure their loyalty by providing quality spaces in good locations and that are flexible, efficient in terms of environmental management, use of space, etc. The high level of certification BREEAM and quality criteria that it strives for in its developments take full account of the considerations and requirements regarding people's health and well-being. Finally, before, during and after construction and throughout the operational phase of its buildings (BREEAM In-Use), it ensures that these criteria are maintained and/or exceeded.

The chart hereafter illustrates the BREEAM Design certifications obtained since 2010 for all buildings being renovated and/or built in the Befimmo and Fedimmo portfolios. These projects together relate to 17 buildings[1] with a total space of 245,088 m².

BREEAM DESIGN AND POST CONSTRUCTION

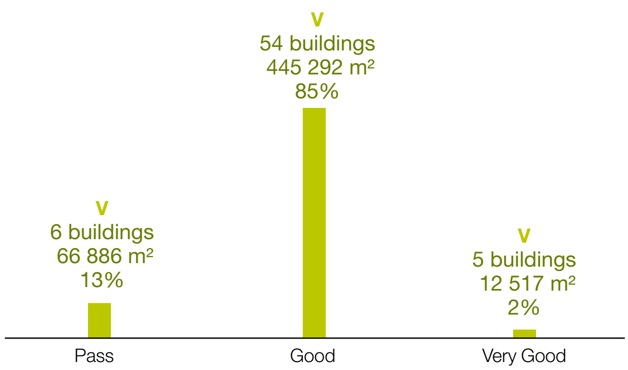


BREEAM IN-USE | G4-PR3 | Cert-Tot | CRESS-CRE8

BREEAM In-Use Asset (# of assets)

The chart hereafter shows the BREEAM In-Use (Asset) certifications for operational buildings in the Befimmo and Fedimmo portfolios[2]. This relates to a total of 65 buildings with a total space of 524,695 m² (59% of Befimmo's consolidated portfolio).

BREEAM IN-USE ASSET



In 2016 environmental improvement measures in 19 buildings of the Befimmo portfolio improved their BREEAM In-Use (Asset) certification level. At the end of 2016 only six buildings in Befimmo portfolio, one of which has been sold, still had a Pass level certificate, while two buildings, including one new acquisition, did not yet have certification.

Befimmo BREEAM In-Use certificates (# of assets)

The chart hereafter shows the BREEAM In-Use (Management) certifications obtained for operational buildings in the Befimmo and Fedimmo portfolios[3]. This relates to a total of 62 buildings with a total space of 446,592 m² (50% of the consolidated portfolio).

1. Including the WTC IV and Quatuor (awaiting certificate) projects.
2. Only two buildings in the Fedimmo portfolio are certified.
3. Only one building in the Fedimmo portfolio is certified.

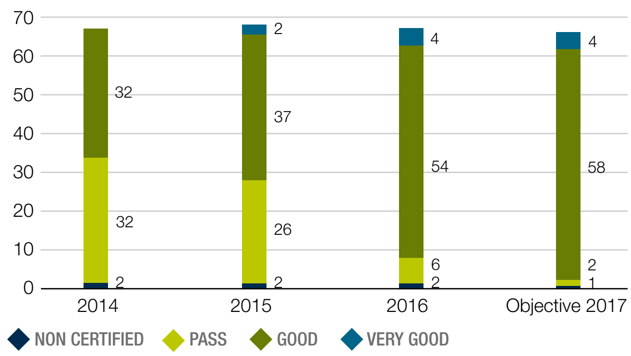
OBJECTIVE

In 2017 Befimmo achieved its objective of improving the score of its portfolio (from PASS to GOOD) by certifying three additional buildings. Following a cost/benefit analysis, the Pass score of two buildings will not be improved.

Furthermore, by the end of 2017 it will assess whether to upgrade all of its certificates based on a portfolio approach. This comprehensive approach to administrative simplification is a first for a portfolio as large as Befimmo's. If the experience is positive, it will also be extended to the upgrading of the BREEAM In-Use Management certificates.

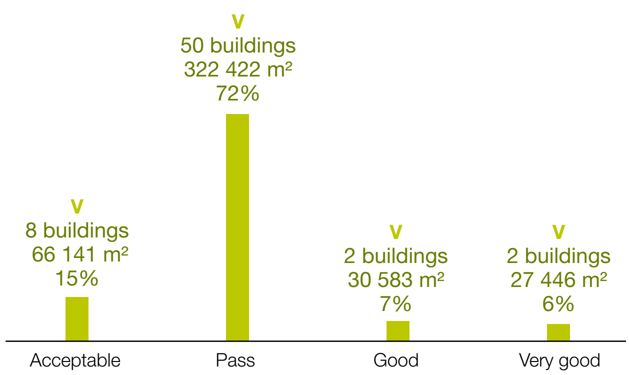
The rating of renovated buildings is reviewed as appropriate in each case after completion of the works.

BEFIMMO BREEAM IN-USE CERTIFICATES (# ASSETS)



Since 2015, Befimmo has opened talks with the BRE (Building Research Establishment) for the reassessment of the certification of all the buildings using a portfolio-oriented approach, in line with the planned approach for upgrading the BREEAM In-Use Asset certificates.

BREEAM IN-USE MANAGEMENT



OBJECTIVE

In 2017, Befimmo will continue its work of improving the BREEAM In-Use Management certification following a comprehensive approach.

METHODOLOGY G4-22

DIRECT ENERGY (GAS AND OIL), INDIRECT ENERGY (ELECTRICITY AND HEATING NETWORK), WATER, GREENHOUSE GAS EMISSIONS.

The reporting methodology used in 2016 has not changed in relation to 2015.

GENERAL REMARKS

Some additional historical data, complete or partial, obtained after the publication of the last Annual Financial Report were verified and then integrated with previously published data. This could explain any differences with previous publications.

Other minor adjustments were also made to the data with a view to improving the quality and accuracy of the consolidated non-financial reporting data, notably:

- the conversion factors needed to calculate the CO_2e emissions were verified and updated and the 2014 conversion factors used in reporting associated with waste were adjusted;
- the tariff data for the energy supply contracts used to calculate the financial savings from energy saving were checked to ensure that they were accurate and up to date;
- the possible alteration or adaptation of certain spaces following work and/or resurveying.

INTERPRETATION OF DATA IN THE ENVIRONMENTAL REPORTING TABLES

In most cases the available information was processed separately for the Befimmo and Fedimmo portfolios. These two entities were also subdivided by the size of the buildings in the portfolio.

BEFIMMO PORTFOLIO	TOTAL ABOVE-GROUND AREAS		
	2014	2015	2016
Building 1 - 5 000 m²	84 644	84 644	86 104
Building 5 001 - 10 000 m²	75 012	75 012	68 298
Building >10 000 m²	373 994	412 064	410 481
Total (m²)	**533 650**	**571 720**	**564 883**

FEDIMMO PORTFOLIO	TOTAL ABOVE-GROUND AREAS		
	2014	2015	2016
Building 1 - 5 000 m²	103 151	91 949	91 949
Building 5 001 - 10 000 m²	70 367	70 367	70 367
Building >10 000 m²	205 800	205 800	163 343
Total (m²)	**379 318**	**368 116**	**325 659**

REPORTING PERIMETER

The reporting perimeter is expressed as a percentage and is determined on the basis of the ratio between the area covered by the data obtained and the total floor area of the portfolio for the period. It is directly affected by any sales and/or acquisitions.

The areas mentioned above each table correspond to the figures as at 31 December 2016.

CALCULATION AT CONSTANT PERIMETER

The calculation at constant perimeter (Like-for-Like [LfL]), expressed as a year-on-year percentage difference, helps to assess how an indicator changes over time. Indeed, by excluding variations due to changes in perimeter (as a result of major renovations, acquisitions or sales), it is possible to analyse, compare and explain the results achieved in relation to the stated objectives. Note, however, that the calculation at constant perimeter does not take account of changes in the occupancy of the buildings.

CALCULATION OF SPECIFIC CONSUMPTION (KWh/m² AND litres/m²)

To ensure consistency in specific consumption and to ensure that it is properly representative, some buildings are excluded from the scope solely for the calculation of specific consumption. This applies to:

- buildings under construction and/or renovation;
- buildings for uses other than offices (for 2016, this concerns only part of one building, which houses an indoor pool/fitness centre);
- buildings with incomplete consumption data;
- buildings with an average annual occupancy rate below 50%[1] (calculated on the basis of the monthly occupancy history).

Regarding the calculation of the greenhouse gas emissions intensity G4-EN18, the following are excluded from the reporting scope:

- all buildings with ongoing works and/or that were bought or sold during the year;
- buildings with an occupancy rate of less than 50%;
- buildings for which consumption data are incomplete and/or missing.

The resulting emission values form the numerator which is divided by the total area of buildings within the perimeter.

EMISSION FACTORS

Furthermore, calculations of CO_2e emissions are reviewed and adjusted, including for historical data, based on any new information provided by the tenants regarding their private energy supply contracts.

As regards the calculation of the CO_2e emissions related to private consumption of non-green electricity by its tenants, for convenience until 2014 Befimmo had to use by default the average emission factor for non-green electricity, provided by its own energy supplier.

Now, since it follows the GHG protocol and its recommendations, for calculating electricity-related emissions it will use the factor provided by the International Energy Agency (IEA).

CO_2e EMISSION FACTORS (g CO_2e/MWh)

TYPE	2013	2014	2015	2016
Gas[2]	188	188	188	188
Non-green electricity Belgium[3]	196	196	196	199
Non-green electricity Luxembourg[3]	387	387	387	306
Green electricity	0	0	0	0
Heating network[4]	43	43	43	43

CO_2 EMISSION FACTOR (Kg CO_2e/litre) (Kg CO_2e/Km)

TYPE	2013	2014	2015	2016	UNITS
Diesel	2.662	2.662	2.662	2.511	kg CO_2e/litre
Petrol	2.425	2.425	2.425	2.264	kg CO_2e/litre
Plane (short-haul flight) economy	0.233	0.233	0.233	0.233	kg CO_2e/km
Plane (long-haul flight) economy	0.202	0.202	0.202	0.202	kg CO_2e/km
Plane (short-haul flight) business	n.a.	n.a.	n.a.	0.468	kg CO_2e/km
Plane (long-haul flight) business	n.a.	n.a.	n.a.	0.477	kg CO_2e/km
Train	0.048	0.048	0.048	0.048	kg CO_2e/km

NOT APPLICABLE

The expression "n.a." used several times in the data analysis tables means "not applicable".

This applies:

- where a building was not in the portfolio at the reporting date;
- where data are not available;
- for the scope relating to renewable energy production, which is not measured.

Generally speaking,

- in the few cases where consumption of common and private areas could not be obtained separately, a distribution of 40/60 between common areas and private areas assumed in 2012 is confirmed and retained for 2013 to 2016;
- the electricity consumption data for private areas obtained directly from information received from tenants with a utility-company meter and unspecified own supply contracts are counted as "non-green energy". Where the type of supply contract is known, only contracts specified as "100% green" are considered renewable, and a zero CO_2e emission rate is applied.

1. On the basis of the long-term lease agreements with the Buildings Agency, the occupancy rate of Fedimmo's buildings is considered to be 100%. It may nevertheless happen that, in certain special circumstances, that rate does not reflect the actual occupancy of the building and that the figures reported in these few cases are not representative.
2. Source: Engie Electrabel.
3. Source: IEA (International Energy Agency).
4. Source: City of Luxembourg.

TEAM[5]

G4-DMA G4-35

WELL-BEING ◆ **ETHICS** ◆ **DIALOGUE**

The involvement of the Befimmo team in Social Responsibility is crucial to the success of its global strategy. As well as the staff's day-to-day contribution, their awareness of and participation in conceptual work are essential elements for achieving the objectives set.

By providing a pleasant working environment, Befimmo helps to stimulate creativity and motivation among the staff and enhances their commitment to the Company.

One person in the human resources department is responsible, in cooperation with the CSR Manager, for raising awareness of CSR topics throughout the team, dealing with the follow-up of initiatives introduced and continuing to develop the strong corporate culture that exists within Befimmo.

Three core values have been identified through various surveys of Befimmo's team and Board of Directors. These values, that are an integral part of Befimmo's identity, are Commitment, Team Spirit and Professionalism.

The main priorities identified in consultation with stakeholders related to this topic are well-being, ethics and dialogue.

1.9%
ABSENTEEISM RATE, BELOW THE BENCHMARK OF 2.6%

34.5 H
TRAINING/ EMPLOYEE/YEAR

2016
MOVING THE TEAM INTO ITS NEW WORKING ENVIRONMENT

SOCIAL INDICATORS

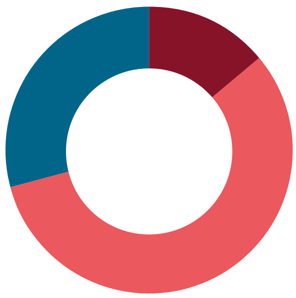
G4-LA1 G4-LA2 G4-LA6 G4-9 G4-10 G4-11

As at 31 December 2016, there were 70 staff on the team (57% men and 43% women). All staff[6] have the status of employees. All, with one exception, are on a permanent contract.

Befimmo has also occasionally taken on temporary staff.

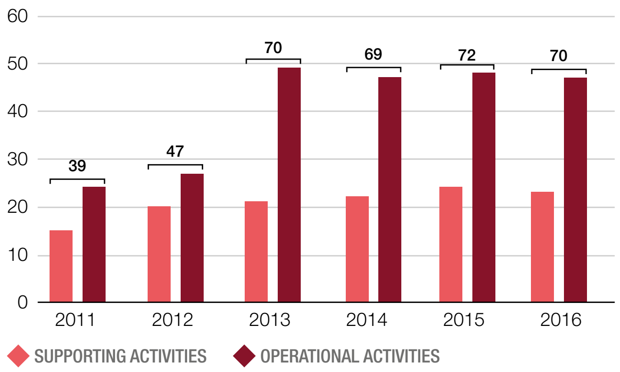
On the same date, 87% of Befimmo employees worked full-time and 13% part-time (including time credits) within its team. All staff working part-time have the same fringe benefits. As at 31 December 2016, all of these 13% were women.

DISTRIBUTION OF FULL- AND PART-TIME WORKING



5. The detailed Action Plan 2017, notably the Team section, is published on Befimmo's website (www.befimmo.be/en/investors/publications/csr-action-plans).
6. In 2016, a Management Committee has been set up, of which its members exercise their mandate as self-employed persons, and are therefore not included in the figures.

EVOLUTION OF THE TEAM / DISTRIBUTION OF EMPLOYEES BY ACTIVITY (# PEOPLE)



Within the team, 56% have a university degree and 31% of those graduates also have a post-graduate diploma.

The average age of the Befimmo team (not including the Board of Directors and the Management Committee) is 41 years. In the 2016 fiscal year, Befimmo recruited six new employees, three women and three men, while four people left, two women and two men.

	#	AVERAGE AGE
Arrivals		
Man	3	29
Woman	3	
Departures[1]		
Man	2	43
Woman	2	

Absenteeism[2] rate amounted to 1.9% of the total number of hours worked, which is below the average rate of 2.6%[3] recorded for all Belgian companies across all sectors.

Befimmo is subject to the Joint National Auxiliary Committee for White-Collar Workers, also known as Joint Committee 200, which covers all team members.

Company pay is in line with market rates and substantially higher than the applicable minimum scales. In their salary package, Befimmo's employees have a “Defined Contributions” type non-statutory pension scheme[4]. Employees also receive full health-care coverage.

In 2016, Befimmo held social elections for the first time, but no candidates were forthcoming.

GOEMAERE
BRUSSELS DECENTRALISED

1. Of which 1 dismissal, 2 resignations and 1 retirement.
2. Absenteeism rate: ratio of the number of hours of short-term sickness (< 30 days) to the total hours worked.
3. Source: “Absentéisme 2016”, SDWorx.
4. More detailed information is published in the note “Employee benefits”, on page 178.

WELL-BEING G4-56

WORK/LIFE BALANCE, STAFF HEALTH AND SAFETY, WORKING ENVIRONMENT AND ATMOSPHERE.

MAIN ACHIEVEMENTS AND OBJECTIVES

Befimmo attaches particular importance to the well-being of its staff, ensuring that they are involved in the life of the Company. It will persevere in its efforts to make continual improvements on these topics.

WORKING ENVIRONMENT - SWOW

In response to the structural changes in the way we work, and more specifically in the use of offices, which are increasingly becoming a space for meeting and exchange between various team members, in 2015 Befimmo developed a project to implement "Smart Ways of Working" for its employees, which came into effect during 2016. It now offers the team a new state-of-the-art working environment to best meet their needs. An open, bright, flexible working environment equipped with modern technology that stimulates exchange and creativity among them. From the beginning, Befimmo wanted to involve its employees in this change, questioning the team about the criteria that they believe would ensure the success of the Befimmo SWOW project. As a result, the focus has been placed on opening up workspaces, collaboration, ergonomics, acoustics, computing and ease of movement and connection.

Apart from the physical transformation of the working environment, Smart Ways of Working also involve a change of mindset in the organisation of work. A series of workshops was therefore organised to support the team leaders in managing this change: flexible working, accountability, rules for living in shared workspaces were all discussed to enable everyone to support this change within their team, to ensure a smooth and constructive transition and to make the most of the opportunities for exchange and communication provided as part of the SWOW.

WELL-BEING AND PREVENTION OF PSYCHOSOCIAL RISKS

In 2016, in the context of the prevention of psychosocial risks, Befimmo continued to hold training sessions on Mindfulness, open to all staff. By allowing everyone to focus their attention on the present moment, this discipline is designed to reduce stress or help to manage it, and prevent burnout.

Befimmo has also continued to incorporate the lessons learned from the staff satisfaction survey carried out in 2015. This survey is conducted every other year, so the next one is due at the end of 2017. The feedback from the team on the working environment was particularly useful in the discussions on the development of the new Befimmo offices (including ergonomics, sound insulation and IT equipment).

8 DECENT WORK AND ECONOMIC GROWTH

Befimmo strives to be a responsible employer, attentive to the welfare of its employees, guaranteeing them quality employment that boosts the economy without adverse effects on the environment, while respecting and promoting the Company's three fundamental values: professionalism, commitment and team spirit.

www.un.org/sustainabledevelopment/sustainable-development-goals/

HEALTH AND SAFETY

The Befimmo team includes a level-1 prevention advisor, who conducts a risk assessment related to office activities each year.

Befimmo also has a trusted person in-house for the prevention of psychosocial risks. During the 2016 fiscal year, there were no complaints about employment.

The team also includes three people trained in first aid, and Befimmo sends them on a refresher course every year.

Over the year, there were two occupational accidents at Befimmo and no cases of occupational disease. One was an accident on the way to work and the other was an accident in a Befimmo building.

COMITÉ B+ AND SOCIAL ACTIONS

Comité B+, set up in 2011 at the initiative of the staff and with the support of the Management Committee, has continued its efforts to organise sporting, cultural, festive, charity and family activities. In 2016, Comité B+ continued its voluntary work on the partnership begun in 2011 with the Red Cross (Auderghem local section).

Building on the success of previous years, the Committee once again organised blood donations at its premises in the Goemaere building, and other tenants in the building had a chance to take part. It plans to continue organising blood donations in future years. Several staff members also took part in the Red Cross Fortnight and helped to sell sticking plasters and stickers for the Auderghem local section; the funds collected will be allocated to setting up a social food bank.

Similarly, clothing was also collected twice during the year for the “Vestiboutique” set up by the Red Cross in Auderghem, the profits from which are also donated to their social food bank.

The more athletic members took part in the 20 km of Brussels on the “Run for Parkinson” team. Finally, just before the Christmas period, staff were again asked to constitute food parcels which were distributed to the homeless in Auderghem.

In addition to the social action of the Comité B+, Befimmo decided to become a Be.face partner. Be.face is a movement of responsible businesses which aims to build bridges between the needs of associations and resources of the business world, in terms of time, activities and equipment. Through Be.face, in 2016 Befimmo once again reallocated its budget usually assigned to the team for end-of-year treats to end-of-year presents for disadvantaged children and older people in the municipality, organised by the municipal public social welfare centre (CPAS).

◆ OBJECTIVE

Comité B+ intends to continue its social outreach in 2017. The participants are keen to repeat most of the above operations. For its part, the Company will continue to support Comité B+ initiatives by proposing philanthropic activities to the team.

APPRAISAL AND TRAINING G4-LA9 G4-LA10 G4-LA11

Befimmo is convinced that the development of its employees enhances their desire to advance their careers and deploy their skills, and so continued its policy in this area in 2016.

In addition to language training and individual training sessions, Befimmo again held Mindfulness sessions open to all staff.

New employees were trained on ISO 14001 certification modules to raise awareness of the Company’s environmental policy. Furthermore, refresher courses on the document management system of the Environmental Management System (EMS) were given to the departments concerned. Refresher courses on the energy performance of buildings (EPB) and BREEAM certification were also given to the operational departments.

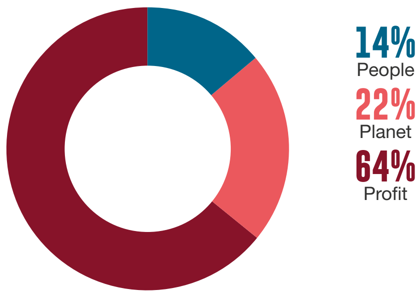
Befimmo once again made use of the new “development” topic in its appraisal process to inventory training needs from the beginning of the year, which helps to organise training courses more coherently and efficiently.

Over the past financial year, Befimmo recorded an average of **34.5 hours a year of training**. The average training budget per employee was €1,540 in 2016, nearby one half of it is spent on language courses.

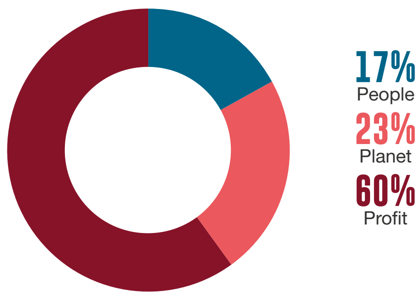
In terms of development, and keen to keep in tune with the expectations of its team, Befimmo is also setting up in-house communication channels to inform employees of job openings within the company. In 2016, seven people who applied for vacant in-house positions were selected and went on to take up new challenges on their career path within Befimmo.

TRAINING HOURS (EXCLUDING LANGUAGE COURSES) BROKEN DOWN ACCORDING TO THE 3 PILLARS AND BY CATEGORY (2016)

MANAGERS



OTHER EMPLOYEES



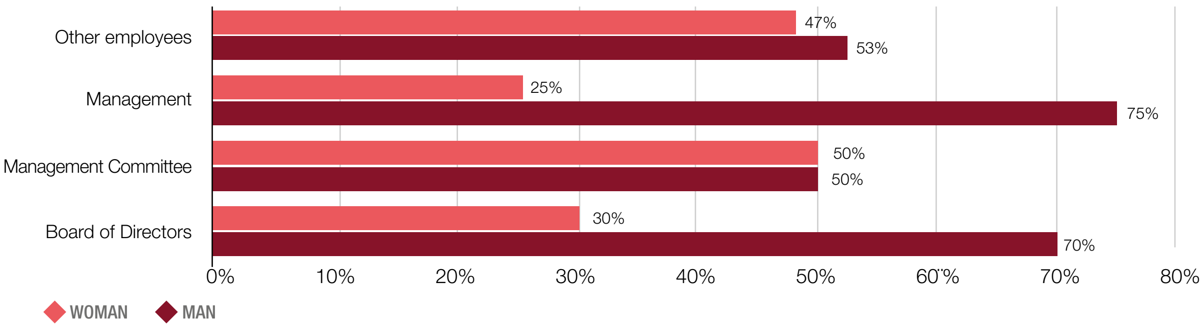
ETHICS G4-LA16

ETHICAL PRACTICES IN HUMAN RESOURCE MANAGEMENT AND RECRUITMENT.

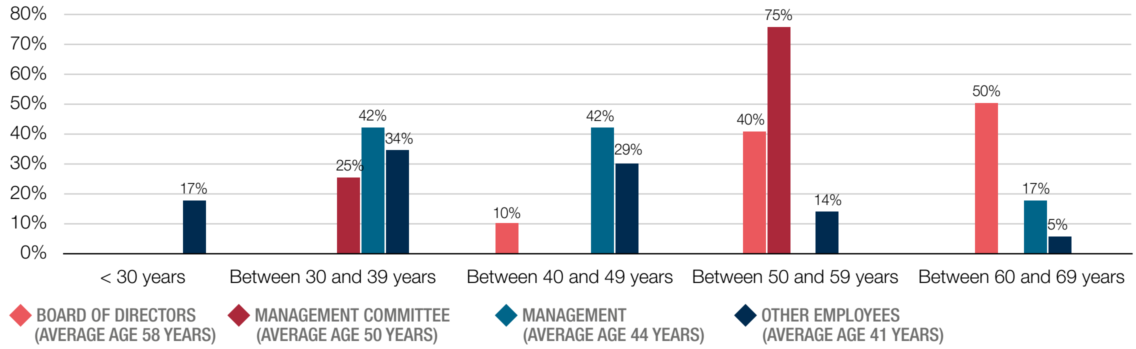
Befimmo describes itself as a Company open to diversity, respecting everyone's identity.
During the 2016 fiscal year, there were no complaints about employment.

SOCIAL INDICATORS G4-10

COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES BY GENDER (31 DECEMBER 2016) G4-LA12



COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES BY AGE (31 DECEMBER 2016) G4-LA12



DIALOGUE

MAINTAINING A REGULAR DIALOGUE WITH THE TEAM.

Befimmo continued its efforts to improve and diversify the communication flows within the team.

MAIN ACHIEVEMENTS AND OBJECTIVES

AWARENESS-RAISING IN THE TEAM

"Commitment" at Befimmo manifests itself in particular by the team's constant interest in the Company, its strategy and activities.

To better meet the team's communication needs, the intranet was set up at the end of the year, when the team returned to its refurbished offices.

The intranet is Befimmo's in-house channel for communication, both formal and informal. The new version of the intranet offers more search facilities, is more user-friendly and offers more opportunities for interaction. The new version of the intranet offers more search facilities, is more user-friendly and offers more opportunities for interaction.

Befimmo pursued the organisation of "breakfast presentations", realised by members of the team or of the departments, on several subjects, in order to highlight certain panels of the activity of the Company.

Recognising the potential of its team members, Befimmo is continuing its efforts to put their creativity to good use on specific topics, elicit suggestions, invite dialogue and listen to their opinions.

MEDIA
BRUSSELS
PERIPHERY

POELAERT
BRUSSELS CENTRE

TENANTS [1]

G4-DMA G4-35

WORKING ENVIRONMENT ◆ **DIALOGUE** ◆ **HEALTH & SAFETY**

In 20 years working methods have evolved. Today, more than ever before, Befimmo pays particular attention to satisfying the occupants and users of its property portfolio.

It endeavours to retain its tenants by providing quality spaces in good locations, that are flexible, and perform well in terms of environmental management, use of space, security, costs and accessibility. It endeavours to retain its tenants by providing quality spaces in good locations, that are flexible and perform well in terms of environmental management, use of space, security, costs and accessibility. Befimmo now needs to take its relationship with its tenants to a new level by offering them a broader range of integrated services that give them a better user experience, developing a comprehensive and proactive approach that it will deliver through the multidisciplinary skills of its team.

Befimmo proactively manages the relationship with its tenants; the commercial team builds a relationship of trust with them through regular dialogue. By building this relationship of trust, Befimmo endeavours to secure the loyalty of its tenants and maintain a high occupancy rate in its portfolio.

It has a team of motivated and mutlidisciplinary professionals (salespeople, technicians, specialist engineers, managers, etc.), reporting to the Chief Operating Officer (COO), whose objective is to further strengthen the tenant-oriented approach.

Tenants' satisfaction, working environment, dialogue between the landlord and tenant and their security and health are priorities for Befimmo and are essential in the eyes of all its stakeholders. Accordingly, Befimmo has put specific measures in place which it plans to further develop and improve over the months and years ahead.

SERVICES
FOR TENANTS, BOTH COMPREHENSIVE AND PERSONALISED

94.8%
OCCUPANCY RATE

HELPSITE AND EXTRANET
NEW COMMUNICATION TOOLS IN 2016-2017

1. The detailed Action Plan 2017, notably the Tenants section, is published on Befimmo's website (www.befimmo.be/en/investors/publications/csr-action-plans).

WORKING ENVIRONMENT

OFFER TENANTS QUALITY BUILDINGS THAT ARE FLEXIBLE AND SUITED TO THEIR WAY OF WORKING, AND THUS MEET THEIR EXPECTATIONS.

The ways of working are changing, and more specifically office use is evolving over time towards spaces for meeting and exchange between various team members. This results in less demand for office space and makes tenants more selective in terms of the quality and flexibility of the spaces they are seeking.

SERVICES

In response to this trend, Befimmo strives to offer its tenants a comprehensive personalised service to facilitate their everyday lives, while strengthening and enhancing its existing activities and developing new ones.

1. **Property Management:** The team of property managers is responsible for the building operations and the technical maintenance of the buildings of the portfolio. It manages the buildings while improving tenants' satisfaction and comfort and developing a regular and transparent relationship with them with a view to better meeting their expectations.
2. **Space planning & Project Management:** The team provides turnkey solutions by assisting current and prospective tenants with the design and construction of their real-estate projects.
3. **Environmental Support:** The environmental team specialises in energy management and environment. Its main role is to improve the performance of the portfolio and to support and educate tenants, in particular to reduce their energy consumption and waste production.
4. **Facility Management:** Befimmo is studying and plans to develop a new facility-management service, offering occupants a range of services, notably caretaking, security, cleaning, technical maintenance of private areas and ordering of various supplies, to make their everyday lives easier.

WWW.BEFIMMO.BE/EN/TENANT-CENTER

FACILITIES

Again, with a view to retaining its tenants, Befimmo strives to equip its buildings appropriately. Accordingly, depending on the characteristics of the buildings (rental situation, location, etc.), tenants are gradually being offered well-equipped shared meeting rooms, co-working spaces, restaurants and/or a catering service, a nursery, a fitness centre, bicycle parking areas equipped with lockers and terminals for electric vehicles.

In response to these new ways of working, Befimmo, as a proactive landlord, has already implemented several projects, notably at its Ikaros Business Park site[1], located in the Brussels periphery, which is equipped with the most advanced tools in efficiency and working comfort, and offers all tenants a nursery, restaurant, fitness centre, etc. Another example is the provision of shared meeting rooms on the ground floor of the Blue Tower building and in the Triomphe building. At an ideal location, these meeting rooms are equipped with the latest audio-visual technologies and are offered to tenants of the portfolio at attractive prices, and also to any other companies wishing to rent a room for one or more meetings.

11 SUSTAINABLE CITIES AND COMMUNITIES

By integrating Social Responsibility into its overall strategy, Befimmo aims to create value for all its stakeholders (tenants, cities and residents, the various communities living close to its buildings, etc.). It strives to be a responsible owner, managing its portfolio proactively, preserving its quality while working to improve the accessibility of its buildings. One of its goals is to better integrate environmental concerns, mobility and services to best meet the expectations of its tenants.

www.un.org/sustainabledevelopment/sustainable-development-goals/

1. Dedicated website: www.ikarospark.be

DIALOGUE

MAINTAIN A REGULAR DIALOGUE WITH (EXISTING AND PROSPECTIVE) TENANTS.

MAIN ACHIEVEMENTS AND OBJECTIVES

PROVISION OF AN ENVIRONMENTAL COOPERATION AGREEMENT G4-EN27

Befimmo offers its tenants an environmental cooperation agreement linked to each lease. After visiting private areas, the Environmental Technical Team (CTE) suggests measures to the occupants for improving environmental performance of their private installations in line with the BREEAM standards followed by Befimmo. On the basis of a detailed analysis of consumption in private areas and internal benchmarking, the CTE also suggests measures for reducing power consumption and waste production. It also offers support, a telemonitoring and detailed reporting of environmental data for the rented premises.

The environmental cooperation agreement is offered to new tenants and to all existing tenants on a gradual basis.

◆ ONGOING OBJECTIVE

Befimmo plans to meet, dialogue with and educate all its tenants through the environmental cooperation agreement. It also plans to measure the positive impact of the process by inventorising savings and improvements brought about through close cooperation with tenants.

It will continue to approach a number of existing tenants with the highest private electricity consumption and offer to help them reduce it. Meanwhile it will offer its cooperation and services to new tenants.

PROVISION OF A BUILDING USER GUIDE G4-EN27

The Building User Guide is a guide for the tenants of the building to the proper operation of the installations and for limiting its environmental footprint. The Building User Guide has currently been drafted and distributed for some 10 buildings. A list of priority buildings has been drawn up for further Building User Guides to be drafted and distributed to tenants.

OBJECTIVE FOR 2017-2019

The objective is to finalise and distribute Building User Guides for all Befimmo buildings managed by Property Management. There are 49 buildings in total. Eighteen Building User Guides will be drafted and distributed in 2017, 19 in 2018 and the remainder in 2019.

This document will be handed over by the property management to new tenants as well as to the existing tenants.

HELPSITE G4-EN27

The Helpsite is a powerful automated system that covers the entire operational management of the buildings and allows the property manager to plan, implement and monitor services.

This online collaborative application – available for all tenants in the Befimmo portfolio since the first half of 2016 – provides secure external access to tenants (and suppliers).

The Helpsite is a powerful tool to help property management to optimise management and allow tenants to monitor their requests effectively.

SETTING-UP AND PROVISION OF A COMMUNICATION PLATFORM G4-EN27

Befimmo intends to improve the dialogue with tenants by providing them with an extranet-type communication platform, so that it can publish documents from property management, the Building User Guide, the environmental cooperation agreement, etc., and also for exchanging private information.

OBJECTIVE FOR 2017

This platform is under development and will gradually be made available to tenants by the end of the first half of 2017.

HEALTH & SAFETY

ACCOUNTABILITY FOR THE HEALTH AND SAFETY OF TENANTS.

MAIN ACHIEVEMENTS AND OBJECTIVES

Befimmo is naturally retaining its targets for monitoring compliance with safety regulations on building sites, and providing healthy and perfectly safe buildings. Befimmo also checks that all statutory controls are properly implemented and that any observations and/or infringements arising from reports by inspectors on its portfolio are remedied.

One property management works part-time as Risk Coordinator. His responsibilities include regular monitoring of quality and risks related to the operational, technical and administrative management of the buildings and any renovation and upgrade projects carried out by the property management.

INCIDENTS G4-PR2 G4-PR9

No major incidents were reported during the 2016 fiscal year.

GOVERNANCE [1]

G4-DMA G4-35 G4-46 G4-57

DIALOGUE & COMMUNICATION ◆ **RESPONSIBLE VALUE CHAIN** ◆ **ETHICS** ◆ **COMPLIANCE**

Befimmo abides by the applicable legal requirements on governance and has devised a code of ethics setting out the values that are to govern relations with its stakeholders.

In terms of governance, Befimmo applies the Belgian Corporate Governance Code, which is its reference code, and pays particular attention to developments in this area.

For the prevention of conflicts of interest and market abuse, Befimmo is governed by the legal provisions applicable as a listed company and BE-REIT, and by the additional rules it has laid down in its corporate governance charter. Befimmo therefore imposes stricter requirements than the law where it deems appropriate.

The General Counsel & Secretary General (member of the Management Committee) is responsible for updating and compliance with the code of ethics and the corporate governance charter.

She is also the Compliance Officer and, in that capacity, ensures the compliance with internal rules and procedures to prevent the risk of market abuse.

→ "Statement of corporate governance, on page 117"

Befimmo also pays particular attention to the reliability of the reporting process and rigorous, accurate and transparent financial and non-financial communications.

Befimmo is aware that a significant part of its environmental and also societal impact is upstream in its value chain, and it wants to go beyond responsibility for its own activities by educating its suppliers through responsible management of its value chain.

The main priorities related to this topic are dialogue and communication with stakeholders, ethics, compliance and the value chain.

LEADERSHIP A-

GREEN STAR 82%

EPRA GOLD AWARD

1. The Action Plan 2017, notably the Governance section, is published on Befimmo's website (www.befimmo.be/en/investors/publications/csr-action-plans).

DIALOGUE & COMMUNICATION

MAINTAIN A DIALOGUE WITH THE INDIVIDUALS AND ENTITIES AFFECTED BY THE COMPANY'S BUSINESS, AND COMMUNICATE TRANSPARENTLY ON INITIATIVES TAKEN, AND FOLLOW THEM UP.

MAIN ACHIEVEMENTS AND OBJECTIVES

DIALOGUE G4-26

With the aim of continuously improving its position as a responsible business and landlord, Befimmo conducts a regular dialogue with all its internal and external stakeholders.

OBJECTIVE

Befimmo's objective is to continually improve the regular dialogue with all its stakeholders, enhancing the communication tools, adapting them to each stakeholder (website for investors and tenants, intranet for the team, presentations, reports, Helpsite and extranet available to tenants, etc.) and also to continue responding to the CDP, GRESB and other questionnaires published by institutional investors.

? "CDP, GRESB"

TRANSPARENT COMMUNICATION G4-32 G4-PR7

Befimmo also pays particular attention to the reliability of the reporting process and rigorous, accurate and transparent financial and non-financial communications.

For some years now, throughout its Report, Befimmo has been following the trend towards standardisation not only of financial reporting but also of reporting on Social Responsibility, by subscribing to the indicators published by EPRA, the GRI-G4 ("Compliance" - Essential criteria) guidelines and those for the real-estate sector, GRI-CRESS.

AWARDS G4-15

For reporting, Befimmo won the following prizes during the 2016 fiscal year:

- Befimmo was awarded the "EPRA Gold Award Financial Reporting" for its Annual Financial Report 2015 and for the second time the "EPRA Gold Award Sustainability Reporting" for its Social Responsibility Report;
- Befimmo achieved a score of 82%, equivalent to GRESB "Green Star" status;
- Befimmo further improved its CDP score, being awarded the status of "Leadership A-" for the 2016 CDP questionnaire.

OBJECTIVE

To pursue and continually improve communication in line with the current reference standards.

RESPONSIBLE VALUE CHAIN

G4-SO10 G4-LA14 G4-LA15 G4-EN32 G4-EN33 G4-HR10 G4-HR11

RESPONSIBLE MANAGEMENT OF THE VALUE CHAIN, SUSTAINABLE PROCUREMENT POLICY AND DIALOGUE WITH SUPPLIERS.

MAIN ACHIEVEMENTS AND OBJECTIVES

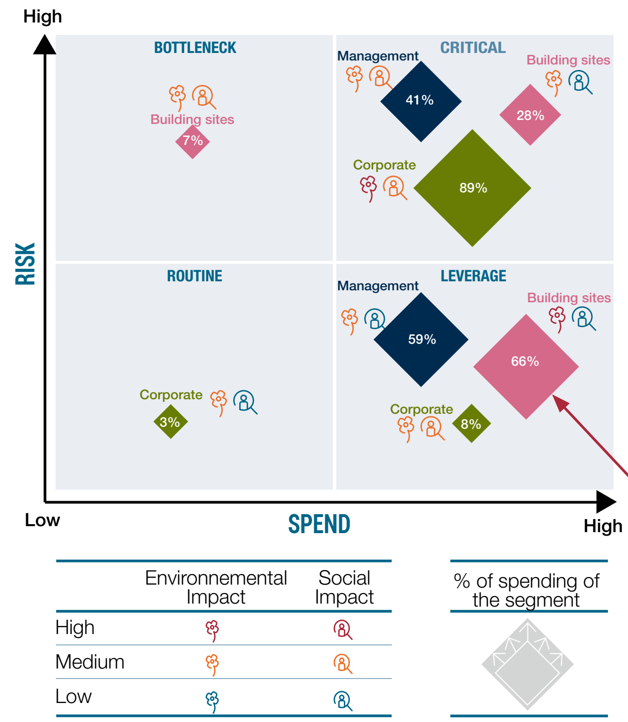
For some years now, Befimmo has been committed to a responsible corporate approach that it aims to extend beyond its own activities. To achieve this objective, Befimmo has begun a process of improving the environmental performance of its supply chain, with the objectives of:

1. **Improve and update existing conditions of sustainable procurement.** Notifying them to project managers and external stakeholders as soon as possible and ensuring follow-up and compliance.
2. **At corporate level, analysing the sustainability of office supplies** ("eco-labelled brands") other than paper, orientate procurement policy in that direction and generally adopt a "sustainable" corporate procurement policy.

To achieve this goal, in 2016 Befimmo carried out a thorough analysis of the value chain, which enabled it to establish a Kraljic matrix[1] for each main procurement family: "Corporate", "Management" and "Sites" (see diagram hereafter).

1. The Kraljic matrix was designed to plot each procurement category along two axes: (i) the risk assessed according to the position of the buyer in relation to its suppliers and the criticality of the product/service and (ii) the level of expenditure for the product/service.

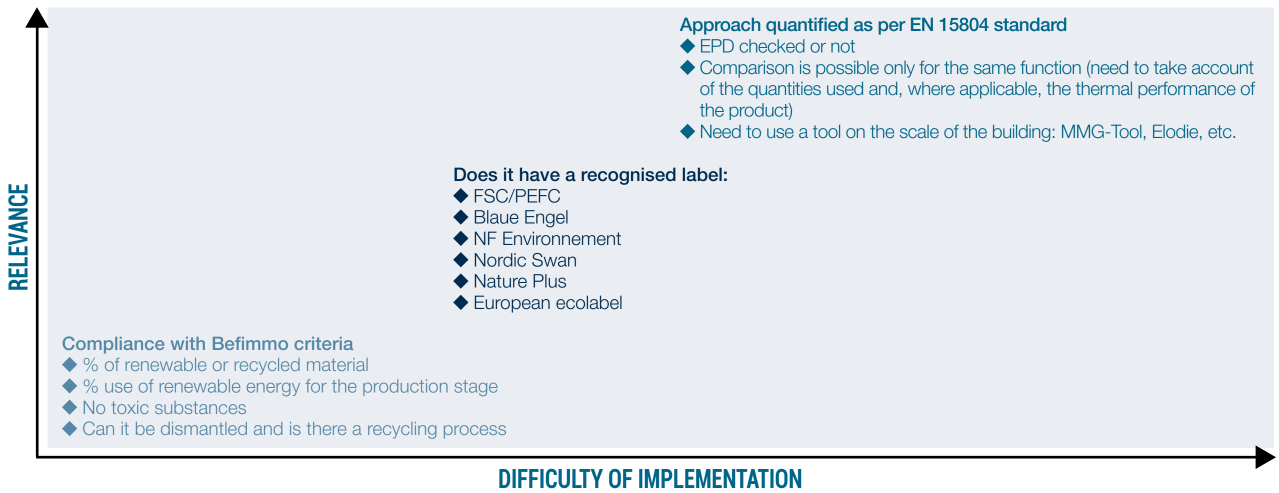
PRELIMINARY RESULTS OF THIS INITIAL ANALYSIS INCLUDING ALL PRODUCTS AND SERVICES ("CORE" AND "CORPORATE") RELATED TO BEFIMMO'S BUSINESS



In late 2016, an initial workshop attended by about 10 internal and external stakeholders (consultancy firms, architects, general contractors, certification bodies) was organised to exchange ideas on the advantages and disadvantages of the systems for assessing the environmental performance of a building or renovation project, by distinguishing two stages:

1. During the design of the project when the project manager and architect have to be given the means to assess the **construction system** in terms of its environmental performance;
2. During the construction of the project when the project manager has to be given the means to select the **materials suppliers** in terms of their environmental performance;

ASSESSMENT SYSTEMS IDENTIFIED



This initial workshop highlighted two approaches that will be studied and tested in 2017 on specific new construction and renovation projects.

- **In the choice of construction systems**, Befimmo will consider the possibility of introducing the Life Cycle Analysis method alongside BREEAM to quantify the environmental impact of the construction systems planned at the design stage, building on the work of the three Belgian regions (MMG tool) and following EN 15804 standards.
- **In the choice of the materials**, Befimmo will consider the possibility of using the existing labels (NF Environnement, Blaue Engel Ecolabel, etc.) or developing specific criteria or excluding certain materials on account of their environmental performance.

◆ OBJECTIVES

In 2017, Befimmo plans to set sustainable operational procurement criteria for materials/suppliers for the family subcategories "Sites" classified as "Leverage" in the Kraljic matrix. This objective should be achieved gradually over a period of 3 to 5 years in a participatory manner with all stakeholders namely: Befimmo in-house teams, architects and consulting firms and contractors/suppliers.

ETHICS G4-56 G4-57

PREVENTION OF THE RISKS OF CORRUPTION, ANTI-COMPETITIVE BEHAVIOUR, CONFLICTS OF INTERESTS, RISK TO REPUTATION AND RAISING AWARENESS OF ETHICS AND COMPLIANCE WITH THE LAW.

MAIN ACHIEVEMENTS AND OBJECTIVES

CODE OF ETHICS, DEALING CODE AND GOVERNANCE CHARTER G4-SO4

The dealing code, which aims to prevent the risk of insider trading and market abuse, was updated in 2016, in accordance with the new European regulation on market abuse ("Market Abuse Regulation")[1] and was published on the Company's intranet for the whole team. This publication was followed by a briefing session organised by the General Counsel to inform the team about the content of the document. The code is approved and signed by each team member. Each new employee also receives the dealing code and signs for acceptance when taking up their post in Befimmo, when attending an individual training session organised by the General Counsel.

OBJECTIVE

The dealing code and the code of ethics, published on the Company's website, are also continually reviewed to determine whether they should be updated.

RAISING AWARENESS IN MAINTENANCE COMPANIES G4-EN27

Befimmo is aware that improving the quality and environmental and energy performance of its buildings also involves an ongoing dialogue with the maintenance teams responsible for maintaining and operating the technical installations of its buildings.

OBJECTIVE

Train and educate all maintenance companies in CSR. Add a "Sustainable development/energy performance" addendum to existing contracts and devise new environmental performance terms for new contracts.

1. Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, which entered into force on 3 July 2016.

COMPLIANCE

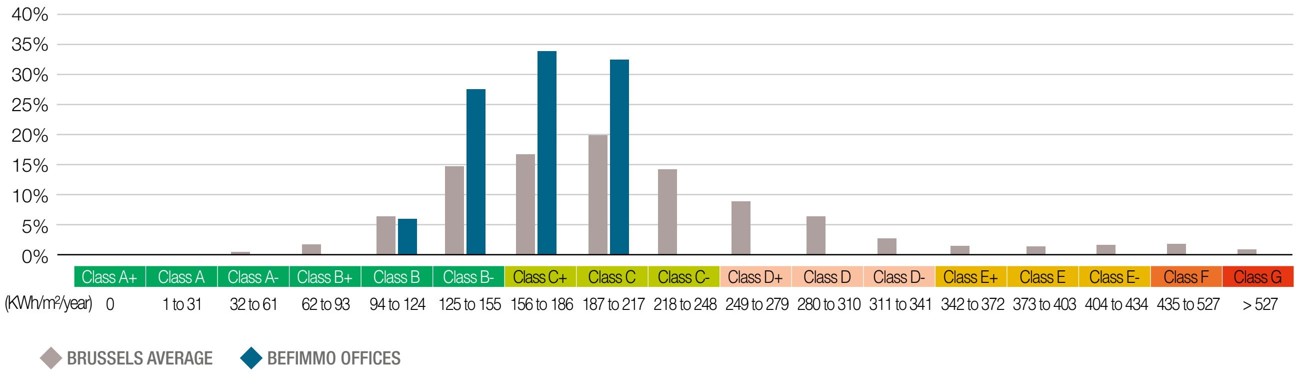
COMPLIANCE WITH LEGISLATION IN FORCE AND A PROACTIVE ATTITUDE TOWARDS THE AUTHORITIES.

MAIN ACHIEVEMENTS AND OBJECTIVES

ENERGY PERFORMANCE (EPB) CERTIFICATES AND EPB CERTIFICATION FOR HEATING AND AIR CONDITIONING G4-EN29

The chart hereafter illustrates the situation of the “Offices and services” energy performance certificates of the buildings in the Befimmo portfolio in Brussels compared with the data provided by Bruxelles Environnement to 5 million square metres of certified “Offices and services” buildings. The buildings in the Befimmo portfolio account for 5% of the total area of certified buildings and are divided between classes B (62-155 kWh/m²/year) and C (156-248 kWh/m²/year).

DISTRIBUTION OF BEFIMMO OFFICE BUILDINGS IN RELATION TO THE BRUSSELS AVERAGE (#M²)



In Flanders, most “Public building” certificates are available and displayed, while mandatory display is planned as from 2019 in Wallonia. The Axento building in Luxembourg also has a certificate.

OBJECTIVE FOR 2017

When major works are carried out, Befimmo ensures that the certificates are updated, as was previously the case following renovations in various buildings. In 2017, on the basis of all the measures for improving energy performance implemented since 2011 (when the certificates were issued) in the operational portfolio in Brussels, Befimmo will also consider whether to update the energy performance certificates of certain strategic buildings.

Although theoretical, the data of the certificates are also compared with the actual specific consumption figures.

INTERNAL AUDITS AND ANALYSIS OF COMPLIANCE WITH THE OPERATING CONDITIONS OF ENVIRONMENTAL PERMITS

In 2013 Befimmo began its own audits of compliance by the operational buildings with the requirements of the environmental permits it holds. The aim of this approach is to ensure that it complies properly with its obligations and to anticipate action to be taken in relation to new requirements (applicable in the most recent permits) when renewing and/or extending certain permits nearing expiry.

At the end of 2016, the audits conducted covered 65% of the environmental permits for Befimmo's portfolio (excluding Fedimmo).

OBJECTIVES FOR 2017

**Continue and finish bringing audited permits into compliance.
Audit the remaining environmental permits held by Befimmo.**

GENERAL INFORMATION G4-32

Contact person and further information G4-31	Emilie Delacroix - CSR Manager e.delacroix@befimmo.be - +32 2 679 38 63 **Social Responsibility FAQ** Many external stakeholders are interested in our Social Responsibility approach. In order to give answers that are as clear as possible and to provide this information to all stakeholders at the same time, Befimmo has posted frequently asked questions (FAQ) on Social Responsibility. This document is available on the Befimmo website: www.befimmo.be, together with important new data and the main issues raised by stakeholders.
Reference to external standards	Since several years, Befimmo has followed the trend towards standardisation of financial reporting and also reporting on Social Responsibility by adopting the indicators published by **EPRA**, the **GRI-G4** guidelines ("Compliance" – Essential criteria) and those for the real-estate sector, **GRI-CRESS**. The summary table of all the EPRA indicators can be found on page 87 of this Report, while the index of GRI content is published on the Company's website www.befimmo.be/sites/default/files/imce/publications/2016/gri_uk_2016.pdf
Reporting period G4-28 G4-29 G4-30	This Report covers activities over the 2016 fiscal year. It follows the Annual Financial Report 2016. The perimeter is as at 31 December 2016.
Reporting perimeter and changes since 1 January 2016 G4-13 G4-22 G4-23	The floor area of the Company's portfolio was changed during fiscal year 2016 by the following events: ◆ disposals of the Chênée and Jean Dubrucq buildings in Brussels; ◆ the incorporation into the portfolio, as work progresses, of the Gateway building.
	The reporting perimeter for sustainable development activities covers the activities of Befimmo SA and its subsidiaries, Fedimmo SA, Meirfree SA, Vitalfree SA, Axento SA and Beway SA. Befimmo's commitments to sustainable development apply to its whole portfolio. We would point out, however, that the policy implemented by Befimmo at operational level cannot be applied in the same way to the Fedimmo portfolio. The Environmental Management System (EMS) covers the activities under Befimmo's direct control. Initially, the operational aspects of the EMS are being deployed for the common areas of the buildings. This does not preclude the implementation of activities for aspects over which Befimmo has less direct influence, notably tenants' management of private areas.
External assurance G4-33	Befimmo commissioned Deloitte to carry out a limited assurance review. Data marked with the V symbol have been audited by Deloitte as part of this limited assurance review. The Deloitte report can be found in this chapter on page 115.
Content Index Service GRI-G4	As part of its GRI-G4 reporting, Befimmo made use of the GRI Content Index Service to help improve accuracy in the GRI content index and ensure that it is in line with GRI-G4-32. This service is designed to improve the transparency of GRI reporting.
Methodology	The reporting methodology is described on pages 97 to 98 of this Report.

FURTHER INFORMATION

Befimmo's website www.befimmo.be provides additional information that may be a helpful supplement to the Social Responsibility chapter of this Annual Financial Report. This includes:

- index table of GRI content;
- interaction with stakeholders;
- analysis of stakeholder expectations;
- Corporate Social Responsibility policy (March 2016);
- the Social Responsibility chapter from previous Annual Financial Reports, as well as this one;
- previous Annual Financial Reports;
- ISO 14001 certificate;
- BREEAM certificates;
- Social Responsibility Action Plans;
- external stakeholders' answers to questionnaires;
- questionnaire for external stakeholders.

? To facilitate the reading of this chapter, a glossary is provided on page 202 of this Report.

LIMITED ASSURANCE REPORT

STATUTORY AUDITOR'S REPORT ON THE LIMITED REVIEW PERFORMED ON SELECTED ENVIRONMENTAL PERFORMANCE INDICATORS PUBLISHED IN THE ANNUAL FINANCIAL REPORT OF BEFIMMO SA OF 31 DECEMBER 2016

To the Board of directors

As statutory auditor we have been engaged to perform limited review procedures to express a limited assurance on selected environmental performance indicators ("the Data") published in the Annual Financial Report of Befimmo SA for the year ended the 31 December 2016 ("the Annual Financial Report"). The environmental performance indicators have been defined following the guidelines of the "Global Reporting Initiative" GRI G4, EPRA Best Practice Recommendations (BPR) (2nd version September 2014) and GHG protocol guidelines scope I, II, III. The Data have been selected by Befimmo SA and are identified with the symbol **V** in the tables as mentioned on pages 87 and 96 of the Annual Financial Report.

The scope of our work has been limited to the Data covering the year 2016 and including the selected environmental performance indicators of the buildings of Befimmo SA, Fedimmo SA, Axento SA and Beway SA. The limited review was performed on the data gathered by Befimmo SA and retained in the reporting scope of the Annual Financial Report. Our conclusion as formulated below covers therefore only these Data and not all indicators presented or any other information included in the chapter "Corporate Social Responsibility" of the Annual Financial Report.

RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of directors of Befimmo SA is responsible for the Data and the references made to it presented in the Annual Financial Report as well as for the declaration that its reporting meets the requirements of the "Global Reporting Initiative" (GRI) G4, the EPRA Best Practice Recommendations (BPR) (2nd version, September 2014) and GHG protocol guidelines scope I, II, III, as described in chapter "Corporate Social Responsibility" of the Annual Financial Report.

This responsibility includes the selection and application of appropriate methods for the preparation of the Data, for ensuring the reliability of the underlying information and for the use of assumptions and reasonable estimations. Furthermore, the Board of directors is also responsible for the design, implementation and maintenance of systems and procedures relevant for the preparation of the Data.

The choices made by the Board of directors, the scope of the chapter "Corporate Social Responsibility" of the Annual Financial Report and the reporting policies, including any inherent limitations that could affect the reliability of the information are set out on pages 97 to 98 of the Annual Financial Report.

NATURE AND SCOPE OF WORKS

Our responsibility is to express an independent conclusion on the Data based on our limited review. Our assurance report has been made in accordance with the terms of our engagement letter.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Information".

We planned and performed the procedures deemed necessary for expressing a limited assurance on the fact that the Data are not materially misstated. A limited assurance engagement provides less assurance than an audit.

The scope of our work included, amongst others the following procedures:

- Assessing and testing the design and operating effectiveness of the systems and procedures used for data-gathering, classification, consolidation and validation, and that for the methods used for calculating and estimating the 2016 environmental performance indicators identified with the symbol **V** in the tables as mentioned on 87 to 96 of the Annual Financial Report;
- Conducting interviews with responsible officers;
- Examining, on a sample basis, internal and external supporting evidence and performing consistency checks on the consolidation of these data.

CONCLUSION

Based on our limited review, as described in this report, nothing has come to our attention that causes us to believe that the Data related to Befimmo SA identified with the symbol **V** in the tables[1] as mentioned on pages 87 to 96 of the Annual Financial Report have not been prepared, in all material respects, in accordance with (GRI) G4 guidelines, the EPRA BPR (2nd version, September 2014) and GHG protocol guidelines scope I, II, III.

Zaventem, 20 March 2017

The Statutory Auditor

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

1. The complete and detailed tables are published on the website of Befimmo (www.befimmo.be).

QUALITY

4.5%

VACANT "GRADE A" OFFICE SPACE ON THE BRUSSELS MARKET

Only 4.5%[1] of vacant office space on the Brussels office market is of "Grade A", while between 2001 and 2010, that grade accounted for between 20% and 30% of vacant stock. There is currently a real shortage of "Grade A" space immediately available in most districts of the Brussels market, particularly in the CBD.

21%

OF THE BEFIMMO PORTFOLIO TO BE REDEVELOPED OVER NEXT 5 YEARS

Befimmo is a specialist in quality office buildings. Its team has the skills and expertise needed for the construction of new buildings and the renovation of existing properties. In its projects, Befimmo strives for a high level of quality and innovation to meet market expectations. Over the next 5 years, 21%[2] of its portfolio will be redeveloped and will hence be able to address the scarcity of "Grade A" buildings on the Brussels office market.

1. Source: CBRE "Brussels Office Market View, Q4 2016".
2. Based on m² of investment properties as at 31 December 2016. For more information, see pages 24 to 27, 31 and 68 of this Report.

CORPORATE GOVERNANCE STATEMENT

G4-38 G4-39

This chapter of the Report contains information on Befimmo's practice of the principles of governance over the past fiscal year.

TABLE OF CONTENTS

FIND OUT MORE ON
WWW.BEFIMMO.BE/EN/BEFIMMO/CORPORATE-GOVERNANCE

PRINCIPLES G4-15

Befimmo applies the Belgian Corporate Governance Code, which entered into force on 1 January 2005 and was revised for the first time on 12 March 2009 (hereinafter, the “2009 Code”), which is the reference Code within the meaning of article 96(2)(1) of the Code of Company Law. It is available on the website of the Belgian Official Gazette and on the following website: www.corporategovernancecommittee.be. The Board of Directors declares that, to its knowledge, the corporate governance practised by Befimmo complies with the 2009 Code.

The following documents, which give a detailed overview of the Company’s governance, are all published on the Befimmo website: the corporate governance charter, code of ethics, dealing code and the appendices to the charter:

- the terms of reference of the Board of Directors;
- the terms of reference of the Audit Committee;
- the terms of reference of the Appointment and Remuneration Committee;
- the terms of reference of the Management Committee;
- the terms of reference of the internal audit;
- the remuneration policy.

These documents were updated in 2016 and, most recently, on 23 February 2017 to reflect the establishment of the Management Committee on 17 October 2016, the amendments made by the new European Regulation on market abuse, and the current share ownership structure.

WWW.BEFIMMO.BE/EN/BEFIMMO/CORPORATE-GOVERNANCE

MANAGEMENT STRUCTURE G4-34

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS

Principles

In accordance with the articles of association of Befimmo, the Company is administered by a Board of Directors composed of at least three Directors, appointed for no more than four years by the General Meeting, and must include at least three independent Directors who meet the criteria of article 526ter of the Code of Company Law. Directors may be re-elected.

The composition of the Board of Directors of Befimmo reflects a triple degree of independence in that, in accordance with the corporate governance charter, it must be composed of:

- a majority of non-executive Directors;
- at least three Directors who are independent within the meaning of the Code of Company Law and the Belgian corporate governance charter; and
- a majority of Directors not linked to the Company’s shareholders.

As regards the composition of the Board, the Company values complementary skills, experience and know-how and complies with the provisions of article 518bis of the Code of Company Law regarding gender diversity to be achieved on the Board in 2017. As at 31 December 2016 the Board of Directors was composed of 10 members including 3 women.

Since 28 April 2015, Befimmo has satisfied the provisions on gender diversity in the Board of Directors.

All Directors should also have personal qualities that enable them to carry out their duties in a collective manner, but with a fully independent mind. They must have an impeccable reputation for integrity (notably in terms of confidentiality, and prevention of conflicts of interest and insider trading) and have a critical mind, a business sense and the ability to develop a strategic vision. They must also have the time to prepare and attend meetings of the Board and the meetings of any specialist Committees of which they are a member.

In accordance with article 14(1)(2) of the law of 12 May 2014 on BE-REITs, members of the Board of Directors must at all times have the necessary professional integrity and expertise appropriate to the exercise of their duties and may not be subject to the prohibitions referred to in article 20 of the law of 25 April 2014 on the status and control of credit institutions. Members of the Board of Directors must be natural persons. Legal persons who, on the effective date of the BE-REIT Law, held a post as a Director or member of the Company’s Management Committee, were nevertheless allowed to continue to hold their current mandate until it expired. In accordance with those provisions, since the Annual General Meeting of 26 April 2016, the Board of Directors of Befimmo has been composed solely of natural persons.

COMPOSITION OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2016

As at 31 December 2016, the Board consisted of 10 Directors, specifically:

- 1 executive Director;
- 9 non-executive Directors, including 5 independent Directors meeting the criteria of article 526ter of the Code of Company Law and 3 Directors linked to a shareholder.

The reader is reminded that, until 20 December 2012, the Company had the form of a partnership limited by shares and was managed by its managing agent, which was a legal person. The Directors who were appointed for the first time by the Company's Extraordinary General Meeting of 20 December 2012, after its was transformed into a Limited-Liability Company, therefore began a directorship in a separate legal entity. However, the Company considered it appropriate to take account of the mandates of the Directors who previously sat on the Board of Directors of the former managing agent of the BE-REIT (whether as individuals or as representatives of a legal person), before it was transformed into a Limited-Liability Company. Accordingly, the Directors of the first Board of the Company, after the transformation, were appointed for a term up to the end of the mandate they were serving with the former managing agent of the Company, at the time the Company was transformed into a Limited-Liability Company.

Similarly, when considering the criterion of a maximum of three consecutive terms lasting no more than twelve years, in the same Board of Directors (article 526ter of the Code of Company Law), the Company takes account of the number of terms served and the years elapsed as an independent non-executive Director of the former managing agent.

FROM LEFT TO RIGHT, ON TOP: GUY VAN WYMERSCH-MOONS, BENOÎT GODTS, KURT DE SCHEPPER, SOPHIE GOBLET, ETIENNE DEWULF, BENOÎT DE BLIECK.

FROM LEFT TO RIGHT, BELOW: HUGUES DELPIRE, SOPHIE MALARME-LECLOUX, ALAIN DEVOS, ANNICK VAN OVERSTRAETEN.

Changes in the composition of the Board of Directors during the 2016 fiscal year

The mandates of the following Directors expired at the end of the Ordinary General Meeting of 26 April 2016:

- AVO Management SPRL, represented by its permanent representative, Mrs Annick Van Overstraeten;
- Kadees BVBA, represented by its permanent representative, Mr Kurt De Schepper;
- Mr Jacques Rousseaux.

The Ordinary General Meeting appointed[1]:

- Mrs Annick Overstraeten, as a Director for a term of 4 years, expiring at the end of the Ordinary General Meeting of 2020;
- Mr Kurt De Schepper, as a Director for a term of 4 years, expiring at the end of the Ordinary General Meeting of 2020.

At its meeting of 14 February 2017, the Board of Directors noted the resignation of Mrs Annick Van Overstraeten with immediate effect and co-opted Mrs Barbara De Saedeleer as an independant Director with immediate effect, in order to replace provisionally Mrs Van Overstraeten.

A brief description of the career of each of the Directors as well as the list of the mandates - other than those held in the BE-REIT - that they held over the five previous calendar years, are given hereafter.

The Board of Directors met 19 times during the fiscal year.

COMPOSITION OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2016

NAME AND POSITION ON THE BOARD OF DIRECTORS	FIRST APPOINTED	EXPIRY OF CURRENT MANDATE	BOARD MEETINGS ATTENDED OVER THE 2016 FISCAL YEAR
Alain Devos Chairman, non-executive Director	December 2012[2]	April 2018	19
Benoît De Blieck Executive Director	December 2012[3]	April 2019	19
Annick Van Overstraeten Independent non-executive Director	April 2014	14 February 2017	16[4]
Sophie Malarme-Lecloux Independent non-executive Director	April 2015	April 2017	17
Sophie Goblet Independent non-executive Director	April 2013	April 2017	17
Hugues Delpire Independent non-executive Director	December 2012[5]	April 2019	19
Etienne Dewulf Independent non-executive Director	December 2012[6]	April 2018	19
Kurt De Schepper Non-executive Director, linked to a shareholder	April 2014[7]	April 2020	17
Benoît Godts Non-executive Director, linked to a shareholder	December 2012[8]	April 2017	19
Guy Van Wymersch-Moons Non-executive Director, linked to a shareholder	September 2013	September 2017	19

PROPOSALS FOR APPOINTMENTS AND REAPPOINTMENTS AT THE ORDINARY GENERAL MEETING 2017

The General Meeting of 25 April 2017 will be invited to appoint Mrs Barbara De Saedeleer definitively as an independent Director, for a term of two years, expiring at the Ordinary General Meeting of 2019. Mrs Barbara De Saedeleer was co-opted provisionally by the Board of Directors on 14 February 2017, with immediate effect as a replacement for Mrs Annick Van Overstraeten, who resigned with effect as from 14 February 2017. Mrs Barbara De Saedeleer (1970) holds a bachelor degree in marketing and holds a degree in business and financial studies, specialising in quantitative business economics from Vlekho in Brussels. She began her career in 1994 in corporate banking with Paribas Bank Belgium (subsequently Artesia Bank and Dexia Bank Belgium), after which she became regional director corporate banking for East Flanders. She joined Omega Pharma in 2004 as group treasury manager and subsequently as head of finance. She was appointed CFO of Omega Pharma from 2007 until 2016. Mrs De Saedeleer is managing director of the consulting firm BDS Management SPRL, specialising in financial and strategic consulting for business.

Mrs Barbara De Saedeleer satisfies the independence criteria laid down by article 526ter of the Code of Company Law for the assessment of the independence of Directors. The FSMA has approved this co-option and the proposed appointment.

Subject to the approval of the FSMA, the Board of Directors will make the following proposal to the same General Meeting:

- the reappointment of Mrs Sophie Goblet, as independent Director pursuant to article 526 of the Code of Company Law, for a period of four years, expiring at the Ordinary General Meeting of 2021;
- the reappointment of Mr Benoît Godts, as non-executive Director, for a period of two years, expiring at the Ordinary General Meeting of 2019;

1. Pursuant to the law of 12 May 2014 on BE-REITs, the duties of directors of BE-REITs must be performed by natural persons. The BE-REIT law contains a transitional provision, however, under which the mandates of corporate directors that were ongoing at the time of its entry into force may continue until their statutory expiry date. Accordingly, to replace the corporate Directors whose mandates expired on that date, the Befimmo Ordinary General Meeting of 26 April 2016 appointed the former permanent representatives of those corporate Directors.
2. Mr Alain Devos was first appointed Director of the former managing agent of Befimmo in October 2002.
3. Mr Benoît De Blieck was first appointed Director of the former managing agent of Befimmo in August 1999.
4. Under the rules to prevent conflicts of interest, contained in the Company's corporate governance charter, Mrs Van Overstraeten did not attend two Board meetings, during which certain investment projects were discussed.
5. Mr Hughes Delpire was first appointed independant of the former managing agent of Befimmo in March 2011.
6. Etienne Dewulf SPRL, represented by its permanent representative Mr Etienne Dewulf, was first appointed an independent Director of the former managing agent of Befimmo in March 2011.
7. Kadees BVBA, represented by Mr Kurt De Schepper, was a Director of Befimmo SA until 26 April 2016. Mr Kurt De Schepper has been a Director of Befimmo SA since 26 April 2016.
8. Mr Benoît Godts was first appointed Director of the former managing agent of Befimmo in November 1995.

- the reappointment of Mrs Sophie Malarme-Lecloux, as independent Director pursuant to article 526ter of the Code of Company Law, for a period of four years, expiring at the Ordinary General Meeting of 2021;
- the reappointment of Mr Guy Van Wymersch-Moons, as non-executive Director, for a period of four years, expiring at the Ordinary General Meeting of 2021.

MR ALAIN DEVOS (1953)

Mr Alain Devos (**Camille Lemonnierlaan 17, 8300 Knokke**) is Chairman of the Befimmo Board of Directors and a member of the Appointment and Remuneration Committee. After studying as a Solvay sales engineer at ULB (1975), Mr Devos began his business career as a budget analyst at Sperry New Holland-Clayson. From 1978 to 1989, he held the post of director of the real-estate development department of CFE and went on to join Générale de Banque as Head of real-estate finance within the corporate & investment banking department. From 1990 to 2003, he held a number of posts in AG Insurance (formerly Fortis AG), his last post as a member of the management committee. Next, he was CEO of AG Real Estate SA (formerly Fortis Real Estate) from 2003 to April 2012, and held various directorships in companies affiliated to AG Real Estate SA, as shown in the list below.

Other positions held at 31 December 2016

Mr Alain Devos is manager of Alain Devos SPRL; Director of Equilis SA; Director of Compagnie Het Zoute NV; Member of the Advisory Board of VK Group; Member of the Advisory Board of Buyerside SA; Member of the Board of Trustees of Guberna; Fellow Member of the Royal Institution of Chartered Surveyors (FRICS).

Directorships expired as at 31 December 2016, held during the period 2012-2016

Mr Alain Devos was permanent representative of Alain Devos SPRL, CEO of AG Real Estate SA; Non-Managing Agent of A3 Management; Manager of Allfin Group; Director of the Professional Union of Real-Estate Sector (UPSI); Permanent representative of Alain Devos SPRL on the board of directors of the following companies: Director of Ascencio SA, managing agent of the REIT Ascencio SCA; Director of Access SA; Director of AG Finance SA; Director of AG Real Estate Asset Management SA; Director of AG Real Estate Development SA; Director of AG Real Estate Finance SA; Director of AG Real Estate Group Asset Management SA; Director of AG Real Estate Management SA; Director of AG Real Estate Property Management SA; Director of Association for Actions Countering Exclusion in Brussels; Director of Beheercentrale SA; Director of Centre 58 SA; Chairman of Citymo SA; Director of Crystal-Cortenberg SA; Director of DBFM Scholen van Morgen SA; Director of FScholen SA; Director and Vice-Chairman of Interparking Group; Director of North Light SA; Director of North Star SA; Director of Nouvelles Galeries du Boulevard Anspach SA; Director of Parc de l'Alliance SA; Director of Parc des Louvresses I SA; Director of Parc des Louvresses II SA; Director of Parc des Louvresses III SA; Director of Parc des Louvresses IV SA; Director of Pole Star SA; Director of Shopimmo SA; Director of Société de Développement Commercial d'Anderlecht pour 2000 SA; Chairman of Société de Développement Immobilier Conseil SA; Chairman of Société Hôtelière du Wiltcher's SA; Chairman of Toleda Invest SA; Chairman of Warehouse and Industrial Properties SA.

MR BENOÎT DE BLIECK (1957)

Mr Benoît De Blieck (**chaussée de Wavre 1945, 1160 Auderghem**) is Managing Director of Befimmo. He also chairs the Management Committee. Mr De Blieck is a civil engineer (ULB, École Polytechnique, 1980), and a postgraduate (Cepac) of the Solvay Business School (ULB, 1986). He began his career in 1980 at Entreprises Ed. François & Fils, later to become CFE, in charge of a number of building sites in Saudi Arabia (1980-1985) and project studies in China, Zaire and Egypt (1985-1988). He was then responsible for real-estate project development, first at Codic (1988-1990) and later at Galliford (1990-1992). From 1992 to 1999 he was a member of the management committee of Bernheim-Comofi SA (then a subsidiary of Groupe Bruxelles Lambert), responsible for international development. He was then appointed Managing Director of Befimmo in August 1999 and of its subsidiary Fedimmo in December 2006.

Other positions held at 31 December 2016

Mr Benoît De Blieck is Managing Director of Fedimmo, a subsidiary of Befimmo; Chairman of Beway, a subsidiary of Befimmo; Manager of BDB Management SPRLu; Director of the Professional Union of Real-Estate Sector (UPSI); Fellow member of the Royal Institution of Chartered Surveyors (FRICS).

BDB Management SPRLu, represented by its permanent representative, Mr Benoît De Blieck, holds the following positions: Chairman of Axento SA, a subsidiary of Befimmo; Director of Meirfree and Vitalfree, subsidiaries of Befimmo; Managing Director of Befimmo Property Services, a subsidiary of Befimmo; Managing director of Noblieck SA; Managing agent of BVR SPRL.

Directorships expired as at 31 December 2016, held during the period 2012-2016

Mr Benoît De Blieck was a member of the management board of the European Public Real Estate Association (EPRA).

MRS ANNICK VAN OVERSTRAETEN (1965)

Mrs Annick Van Overstraeten (**avenue de Ptolémée 12/2, 1180 Brussels**) has been an Independent Director of Befimmo from 29 April 2014 until 14 February 2016 and was a member of the Appointment and Remuneration Committee until October 2016.

Mrs Van Overstraeten has a degree in Economics (KUL – 1987) and obtained a master in management - IAG (UCL – 1992). She began her career in 1987 at Philips, as project leader within the human resources department. She continued her career in retail, specifically in the textile sector, in various companies and then moved into world of chocolate at Confiserie Leonidas, where she held the post of commercial and marketing director from 1999 to 2004. In 2004, she was appointed general director of operations at Quick Restaurants Belux SA. She left the company in late 2009. Since 2010, Mrs Van Overstraeten has been CEO and member of the board of directors of the Lunch Garden Group.

Other positions held at 31 December 2016

Mrs Annick Van Overstraeten is permanent representative of AVO Management SPRL on the board of directors of Lunch Garden VOF, on the board of directors of Euro Shoe Group NV and on the board of directors of Immobel.

MRS SOPHIE GOBLET (1964)

Mrs Sophie Goblet (**avenue Franklin Roosevelt 108, 1050 Brussels**) has been an independent Director of Befimmo since 30 April 2013 and a member of the Audit Committee since April 2015. Mrs Goblet has a degree in economics from IAG (University of Louvain-La-Neuve). She began her career in 1988 with ABN AMRO Bank in Amsterdam and London, where she held various positions in corporate finance. In 1993, she joined Income International (Deficom Group) as a senior consultant in financial and corporate communication. Mrs Goblet was appointed group treasurer of GIB Group in 1993, and went on to become financial director of GIB IMMO SA in 1997. In 1999, she moved into the real-estate sector, joining the executive committee of Codic International, where she served as CFO and corporate secretary until 2012.

Other positions held at 31 December 2016

Director of Réseau Entreprendre asbl.

Directorships expired as at 31 December 2016, held during the period 2012-2016

In Belgium: Director of Codic Belgium SA; Director of Société Financière SA; Director of Espaces Beaulieu SA; Director of Les Jardins d'Ostende SA; Director of Les Portes d'Ostende SA; Director of Boreas Development SA; Director of EOS Development SA; Director of La Hulpe Campus Management SA; Director of La Hulpe Campus Development SA; Director of Immo Charles Albert SA; Director of Vesta Invest SA; Manager of IBJ SPRL; Manager of Phoenix SPRL; Director of Codic Hongrie SA; Director of Codic Roumanie SA; in Luxembourg: Director of Codic Luxembourg SA; Director of Codic Development SA; Director of Certificat Étoile SA; Director of Espace Monterey SA; Director of K2 A SA; Director of K2 B SA; Director of K2 C SA; Director of K2 D SA; Director of K2 E SA; Director of K2 F SA; Director of L2 A SA; Director of L2 B SA; Director of Tosco SA; Director of Carré d'Or Invest SA; Director of Espace Carré d'Or SA; In France: Director of Tosniop SA; In Spain: Director of Codic Promotions SL; In Romania: Director of Codic RO SPRL; Director of Espace Sighisoara SRL; Director of Espace Ploiesti SRL; In Hungary: Director of Codic Hungary KFT; Director of V84 KFT; Director of Pro Due KFT; Director of Maxima III KFT; Director of TOC KFT.

MRS SOPHIE MALARME-LECLOUX (1970)

Mrs Sophie Malarme-Lecloux (**rue du Plagniau 16, 1330 Rixensart**) has been an independent Director of Befimmo since 28 April 2015 and member of the Appointment and Remuneration Committee since 26 October 2016. Mrs Sophie Malarme-Lecloux holds a master's degree in business & administration - Solvay (Université libre de Bruxelles). She began her career in 1994 as a financial analyst at IBM Belgium before joining ING Brussels, in 1998, as an account manager in corporate banking. In 2002 she continued her career at Sofina, where she held various positions for 14 years at the level of financial and investment team management. In 2015, she founded the company FreeBE SPRL, working in strategy, leadership and innovation consulting, business coaching and personal and organisational development. She has over 10 years' management experience.

Other positions held at 31 December 2016

Director of Orpea SA (France); Founder and manager of FreeBE SPRL; Director of CBO Territoria SA (France).

Directorships expired as at 31 December 2016, held during the period 2012-2016

Director of Trufilux, Sofilec, Financière Callatay & Wouters and Deceuninck NV.

MR HUGUES DELPIRE (1956)

Mr Hugues Delpire (**chemin de Grand'Peine 5, 1400 Nivelles**) has been an independent Director of Befimmo and member of the Audit Committee since March 2011; he has been chairing the Committee since 28 April 2015. Mr Delpire is a sales engineer and graduate of the "École supérieure de Sciences Fiscales" (Tax College). He began his career in 1979 at Zurich Assurances Belgique and became head of the finance department in 1987. From 1991 to 1997 he acted as administrative and financial director and member of the executive committee of the international group BTP, listed on the stock exchange as Besix. After taking part in the structuring of Artesia Banking Corporation (Bacob, Paribas Belgique and AP Assurances) as administrator and financial director of the insurance cluster, as managing director he launched the activities of AXA Real Estate Investment Manager Benelux. Since December 2000, he has been managing director and chief legal & finance officer of the Decathlon group. Since January 2015, he has worked as a financial advisor to Decathlon SA and Mobilis SA (Family Office of the Mulliez Family Association). Alongside this business career, Mr Delpire also taught finance in several Belgian universities for more than 15 years.

Other positions held at 31 December 2016

Managing Director of Weddell SA; Chairman of the board of directors of Alsolia SA; Director and chairman of the audit committee of Alcopa SA; Member of the supervisory board of Decathlon International Shareholding Plan SCA; Member of the supervisory board of Decaval, a corporate mutual investment fund under French law.

Directorships expired as at 31 December 2016, held during the period 2012-2016

General manager and member of the executive board of Décathlon SA; Director of Ogea SAS; Director of Alcodev SA.

MR BENOÎT GODTS (1956)

Mr Benoît Godts (**avenue des Arts 58, 1000 Brussels**) has been a Director of Befimmo since November 1995 and is a member of its Audit Committee. He was also a Director of Fedimmo until January 2013. A master of law (UCL 1983), he holds several directorships in companies affiliated with AG Real Estate SA. He is a director and member of the audit committee of the managing agent of the BE-REIT Ascencio SCA, as well as chairman of the board of Immo Nation SPPICAV.

Other positions held at 31 December 2016

Mr Benoît Godts is a member of the executive committee of AG Real Estate Finance SA; Director and member of the audit committee of Ascencio SA, managing agent of the BE-REIT Ascencio SCA; Director of Investissement Foncier Boulevard de Waterloo SA; Director of Wolf-Safco NV; Chairman of the board of directors of Immo Nation SPPICAV; Director of the SPPICAV Technical Property Fund 2; Director of Devimo-Consult SA.

Directorships expired as at 31 December 2016, held during the period 2012-2016

Mr Benoît Godts was director of the following companies: Fedimmo, AG Real Estate Group Asset Management; Investissement Foncier Westland Shopping Center; Le Patrimoine Immobilier SA and Conseil Belgo-Luxembourgeois des Centres Commerciaux.

MR KURT DE SCHEPPER (1956)

Mr Kurt De Schepper (**Akkerstraat 16, 2540 Hove**) has been a Director of Befimmo since 29 April 2014. Mr De Schepper is an actuary. He began his career over 30 years ago at AG Insurance, where he joined the management team and became head of the employee benefits channel in 1990. Between 1995 and 2004, he was general manager Europe at Fortis Insurance International, responsible, among other things, for the joint venture CaiFor and Fortis Insurance UK. In 2004, he was appointed chief pension officer at Fortis Holding; in mid-2005, he became business operating officer at AG Insurance, and from September 2008 he was also responsible for financial assets management. From September 2009 to 1 July 2014, Mr De Schepper was chief risk officer of Ageas, in charge of the risk, legal and compliance departments and support functions (human resources, IT and facility).

Directorships expired as at 31 December 2016, held during the period 2012-2016

Mr Kurt De Schepper was a member of the board of directors of AG Real Estate SA; Chairman and director of Millenniumbcp Ageas SGPS SA, Grupo Segurador, Ageas Portugal, Medis, Companhia Portuguesa de Seguros de Saude SA, Ocidental, Companhia Portuguesa de Seguros SA, Ocidental, Companhia Portuguesa de Seguros de Vida SA and Pensõesgere, Sociedade Gestora de Fundos de Pensões SA.

MR ETIENNE DEWULF (1955)

Mr Etienne Dewulf (**rue du Ruisseau 10, 1970 Wezembeek-Oppem**) has been an independent Director of Befimmo and a member of its Appointment and Remuneration Committee since March 2011; he has been chairing that Committee since 13 May 2014. Mr Dewulf is a graduate in commercial and financial science (ICHEC). He began his career in sales functions at GB-INNOBM (1981-1983) and Materne Confilux (1983-1985), before moving into corporate banking at Crédit Général (1985-1987). He then found his vocation in the building industry, where he held a number of posts from 1987 to 2010: executive assistant at Maurice Delens SA (later Valens SA) in 1987, then managing director of Soficom Development (1989) and, from 1995 to 2010, managing director of Eiffage Benelux SA. Acting on behalf of Etienne Dewulf SPRL, Mr Dewulf currently works in consulting and daily management, mainly in real-estate and construction.

Other positions held at 31 December 2016

Mr Etienne Dewulf is chairman of the Professional Union of the Real-Estate Sector (UPSI); Permanent representative of Etienne Dewulf SPRL: Director of holding company Thomas & Piron (mandate via Etienne Dewulf SPRL); Honorary chairman of the not-for-profit Association des Entrepreneurs Belges de Grands Travaux; Director of the not-for-profit Association Paroles d'Ados; Director of Maison de la Route et du Génie Civil SCSA and director of Foncière Kerkedelle SA.

Directorships expired as at 31 December 2016, held during the period 2012-2016

Mr Etienne Dewulf was chairman and managing director of Eiffage Benelux SA and held 46 directorships in companies affiliated to Eiffage Group Benelux, and was director of Confédération Construction and Bavière Développement SA. SPRL Etienne Dewulf was also managing director of Foncière Invest SA, Coeur de Ville SA and Thomas & Piron Bâtiment SA, and director of Bureau Cauchy SA and BTA Construct SA.

MR GUY VAN WYMERSCH-MOONS (1958)

Mr Guy Van Wymersh-Moons (**boulevard du Souverain 25, 1170 Brussels**) has been a Director of Befimmo since September 2013. Mr Guy Van Wymersch-Moons was general manager Real Estate of AXA Belgium SA from 2001 until 30 June 2014. He is currently managing director of AXA REIM Belgium SA. He began his career with Urbain-UAP in 1986 as a legal adviser on mortgage loans, and later in life-assurance taxation, before moving to Royale Belge as legal adviser to the management of real-estate investments (1990-2001). He holds a law degree, a notary's licence (UCL) and a masters in environmental law (Facultés Universitaires Saint-Louis).

Other positions held at 31 December 2016

Mr Guy Van Wymersch-Moons is a director of Leasinvest Real Estate Management SA; Director of Leasinvest Immo Lux SA; Director of Immo Lux SICAV FIS SA (LUX); Director of the

Professional Union of the Real-Estate Sector (UPSI); Managing director of AXA REIM Belgium SA; Director of AXA Real Estate Investment Managers Nederland NV (NL); Director of Parc de l'Alliance SA; Director of Beran SA; Director of Blauwe Toren SA; Director of Brustar One SA; Director of Cabesa SA; Director of Cornaline House SA; Director of Froissart Leopold SA; Director of Immo Foire SA; Director of Immo Rac Hasselt SA; Director of La Tourmaline SA; Director of Mucc SA; Director of QB19 SA; Director of Royaner SA; Director of Royawyn SA; Director of The Bridge Logistics SA; Director of Transga SA; Director of Water-Leau SA; Director of Wetinvest III SA; Director of Wijnegem Ontwikkelingsmaatschappij SA; Director of Calar Cabesa Partners Sci; Director of Cordelière 4 NV (NL); Chairman of the board of directors of La Maison de l'Assurance SA; Director of not-for-profit association Quartier des Arts; Director of Galaxy Properties SA; Manager of Jouron SPRL; Managing director of Ligne Invest SA; Managing director of Bull's Eye property Lux II SA; Managing director of Evere Square SA, Managing director of L-Park SA; Director of Jean Jacobs NV; Director of Aisela 10 SPRL; Director of Poppy Caesar SA; Director of Bishop's Tower; Director of Sodimco SA; Director of Alterimmo Belgium SA ; Director of Esi Arts 52 SA; Director of European Selectivimmo SA; Director of Europese Wijk Fonds SA; Director of Immo Zellik SA ; Director of Société Hôtelière Wiltcher's SA.

Directorships expired as at 31 December 2016, held during the period 2012-2016

Mr Guy Van Wymersch-Moons was chairman and member of the board of directors of Home Invest SA; Director of Parc Louise SA; Director of Vepar SA; Director of Immo Instruction SA; Director of Marina Building SA; Director of Trêves Freehold SA; Director of Immobilière du Park Hôtel SA; Director of Instruction SA; Manager of Leg II Meer 15 SPRL; Manager of Leg II Meer 22-23 SPRL; Manager of Leg II Meer 42-48 SPRL; Director of Lex 65 SA; Director of Messancy Realisation SA; Director of Parc Leopold SA; Director of Zaventem Properties SA.

PROCEDURE FOR THE APPOINTMENT OF DIRECTORS AND RENEWAL OF THEIR DIRECTORSHIPS G4-40

Directors are appointed and their directorships renewed by the General Meeting of Shareholders of Befimmo, on a proposal of the Board of Directors.

Before putting its proposals for appointing a Director or renewing his or her directorship to the General Meeting, the Board of Directors considers the opinions and recommendations of the Appointment and Remuneration Committee, notably regarding:

- the number of Directors that it deems appropriate, subject to the legal minimum;
- the suitability to the needs of the Board of the profile of the Director whose directorship is to be renewed, as appropriate;
- the determination of the profile sought, on the basis of general criteria for the selection of Directors and on the basis of the latest assessment of operation of the Board (stating in particular the skills, knowledge and experience available and needed within the Board) and any specific criteria for the selection of one or more new Directors;
- the candidates already identified or interviewed by the Appointment and Remuneration Committee.

Before taking a decision, the Board may opt to interview the candidates itself, examine their curriculum vitae and references, find out about other directorships they hold, and assess them.

The Board ensures that adequate plans are put in place for the succession of the Directors. It ensures that any appointment of a Director or renewal of a directorship, whether for an executive or non-executive Director, will allow the work of the Board and its specialist committees to continue, and maintain a balance of skills and experience therein.

Where one or more directorships fall vacant, the remaining Directors may fill them temporarily, subject to the opinion of the Appointment and Remuneration Committee, until the next General Meeting, where a definitive election will take place.

ELECTION AND ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS G4-39

Election of the Chairman of the Board of Directors

The Board elects its Chairman from among the non-executive members, on the basis of their knowledge, skills, experience and mediation abilities.

The terms of reference of the Board of Directors explicitly state that the same person may not hold the posts of both Chairman of the Board and Managing Director.

Duties of the Chairman of the Board of Directors

The Chairman steers the activities of the Board. In his absence, Board meetings are chaired by a Director designated by his colleagues.

The Chairman encourages the Directors to reach a consensus, while discussing the items on the agenda in a critical and constructive manner, and takes the measures necessary to develop a climate of trust within the Board of Directors by contributing to open discussions, constructive dissent and support for the Board's decisions.

Finally, he strives to develop effective interaction between the Board of Directors and the Managing Director.

DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors of Befimmo is empowered to perform all acts necessary or useful for the achievement of the Company's aims, except those reserved by law or the articles of association to the General Meeting. The Board of Directors makes decisions on strategy, investments, disinvestments and long-term financing.

It closes the annual accounts and prepares the quarterly and half-yearly accounts of the BE-REIT; it draws up the management report, which includes in particular the corporate governance statement; it rules on the use of the authorised capital and convenes Ordinary and Extraordinary General Meetings of shareholders.

It ensures the relevance, accuracy and transparency of communication to the shareholders, financial analysts and the general public, such as prospectuses, Annual Financial Reports, half-yearly and quarterly statements, and press releases.

It is also the body that decides on the Company's executive management structure and determines the powers and duties of the Company's Management Committee.

FUNCTIONING OF THE BOARD OF DIRECTORS

The Board of Directors is organised so as to ensure that it exercises its powers and responsibilities in the best possible way. In accordance with its terms of reference, it meets at least four times a year and as often as necessary.

The Company's articles of association lay down the following rules concerning the decision-making process of the Board of Directors:

- except in case of force majeure, the deliberations and resolutions of the Board of Directors shall be valid only if at least half of its members are present or represented. If this condition is not met, a new meeting must be convened which, provided at least three Directors are present or represented, may make valid deliberations and resolutions on the topics on the agenda of the preceding meeting;
- every decision of the Board is taken by absolute majority of the Directors present or represented and, where one or more of them abstain, by a majority of the other Directors. In the event of a tied vote, the director chairing the meeting has the casting vote;
- in exceptional cases, duly justified by urgency and the corporate interest, the Board of Directors may pass resolutions by means of a written decision. This procedure may however not be used to close the annual accounts or for any use of the authorised capital.

Decisions must be passed unanimously by the Directors. Decisions of the Board of Directors are recorded in the minutes, approved by the Board and signed by at least two Directors, and all Directors who so wish.

ACTIVITIES OF THE BOARD OF DIRECTORS DURING THE 2016 FISCAL YEAR G4-35 G4-42

The Board of Directors met 19 times during the 2016 fiscal year. In addition to items falling within its ordinary powers (monitoring results, approval of the budget, appraisal and remuneration of the members of the Management Committee, preparing the management report and convening ordinary and extraordinary general meetings), it made decisions on the following key files:

- general strategy and policy matters;
- investment and disinvestment projects;
- bids under tendering and/or public procurement procedures;
- the terms of the most important rental offerings and major lease renewals;
- construction, redevelopment and renovation projects;
- key investments in the consolidated Befimmo portfolio, notably in sustainable development;
- financial management policy;
- the interest-rate risk hedging policy;
- developments in the main legal proceedings;
- Befimmo's Social Responsibility policy;
- the establishment of a new supplementary pension plan for Befimmo group employees;
- monitoring the tendering and selection process organised by the Audit Committee in preparation for the renewal of the Auditor's mandate to be submitted to the 2017 Ordinary General Meeting;
- the capital increase in cash with preferential allocation right for existing shareholders on 27 September 2016;
- the setting-up of a Management Committee, determining the scope of its powers and adoption of its terms of reference;
- the payment of an interim dividend;
- updating the dealing code, in accordance with the new European Regulation on market abuse (Regulation (EU) No 596/2014) ("Market Abuse Regulation");
- the impact of the Audit Reform, applicable with effect from 1 January 2017.

The Board was regularly informed of the activities of the Audit Committee, the Appointment and Remuneration Committee and the Management Committee.

The Board also decided on Befimmo's position as a shareholder of Fedimmo, notably on the following files:

- Fedimmo's participation in tenders or public procurement procedures;
- follow-up of the handover of the Gateway building;
- follow-up of the Paradis Express project in Liège;
- sale of certain small buildings which it considered no longer fit its strategy.

SELF-ASSESSMENT G4-44

In accordance with the 2009 Code and its terms of reference, every three years at least, the Board assesses its own composition, size, effectiveness and operation, and its interaction with the Managing Director, the Management Committee and its specialist Committees. The Board's self-assessment exercise is carried out under the leadership of its Chairman and, where appropriate, with the support of the Appointment and Remuneration Committee. This self-assessment has four main objectives:

- to check whether the composition of the Board of Directors is in line with requirements;
- to appraise the functioning of the Board of Directors;
- to check whether important issues are properly prepared and discussed;
- to assess whether each Director makes an effective contribution by attending meetings of the Board of Directors and a constructive commitment to the discussions and decision-making.

When the issue of the renewal of a directorship arises, the Board assesses the contribution of each Director in same way.

The Board may call upon external experts to assist in this assessment exercise.

The Board carried out its most recent self-assessment at the end of the 2015 fiscal year. The main conclusions of the self-assessment report were published on page 132 of the Annual Financial Report 2015.

ADVISORY AND SPECIALIST COMMITTEES

PRINCIPLES

The Board of Directors may set up one or more Committees, choosing members from within or outside the Board.

In accordance with the articles of association, it must establish at least an Audit Committee, an Appointment Committee and a Remuneration Committee (the Appointment Committee and the Remuneration Committee may be combined), lay down their tasks, powers and composition in accordance the provisions of the law and recommendations of the Belgian Corporate Governance Code on the composition and functioning of these Committees.

The Board lays down the terms of reference of these Committees, and designates the members and Chairmen of the Committees from among the Board members, on a proposal of the Appointment and Remuneration Committee. When making these appointments, the Board ensures that the overall composition of each Committee embodies the skills required for carrying out its duties.

Specific duties may also be assigned to one or more members designated by the Board; they report to the Board on the conduct of their duties.

In accordance with the above, the Board of Directors has established two specialist standing Committees: the Audit Committee and the Appointment and Remuneration Committee. The composition, duties and operating methods of these Committees are described in their respective terms of reference, available on the Befimmo website and summarised hereafter.

WWW.BEFIMMO.BE/EN/BEFIMMO/CORPORATE-GOVERNANCE

AUDIT COMMITTEE

Composition

The Committee is composed of three members, appointed by the Board of Directors, on a proposal of the Appointment and Remuneration Committee, from among the non-executive Directors of Befimmo, at least two of whom are independent and satisfy the criteria of article 526ter of the Code of Company Law.

All members of the Audit Committee have expertise in accounting, auditing and finance.

The Chairman of the Audit Committee may not also be the Chairman of the Board of Directors. The members of the Audit Committee appoint the Chairman from among them.

The term of office of Audit Committee members may not exceed that of their directorship. Committee members' terms of office may be renewed at the same time as their directorships.

As at 31 December 2016, the composition of the Audit Committee was as follows:

- Hugues Delpire, independent Director and Chairman of the Audit Committee;
- Sophie Goblet, independent Director;
- Benoît Godts, non-executive Director, linked to a shareholder.

Duties

Without prejudice to any other tasks assigned to it, the Audit Committee assists the Board of Directors and Management Committee in ensuring the accuracy and truthfulness of the accounts and financial information of Befimmo. In terms of internal control, the Audit Committee checks the relevance and effectiveness of the Company's internal-control and risk-management systems. It also monitors internal auditing and the external controls by the Statutory Auditor, is involved in appointing the latter and in supervising the tasks entrusted to him over and above its statutory duties. It delivers opinions and recommendations to the Board of Directors and Management Committee on these matters.

The Audit Committee meets at least four times a year and whenever circumstances require, at the request of its Chairman, one of its members, the Chairman of the Board of Directors, the Chief Executive Officer or the Chief Financial Officer. It decides if and when the Chief Executive Officer, Chief Financial Officer, the Statutory Auditor or other people should attend its meetings.

It meets the Statutory Auditor(s) of Befimmo at least twice a year to exchange views on any issue relating to its duties and any issue raised by the auditing process. At least twice a year the Committee meets the person(s) responsible for internal auditing in the Company.

After each Committee meeting, the Chairman of the Committee (or, in his absence, a specially designated member of the Committee) gives an verbal report on its work to the next meeting of the Board of Directors, notably after the meetings on the preparation of the quarterly accounts and on the preparation of the financial statements for publication. When reporting to the Board of Directors, the Audit Committee identifies the issues on which it considers that action or improvement is necessary, and makes recommendations on the measures to be taken. Minutes of meetings are also forwarded to the Board of Directors.

Operation and activities during the 2016 fiscal year G4-45 G4-46

During the 2016 fiscal year, the Committee met twelve times and the members of the Committee attended all meetings. The following main issues were addressed:

- quarterly, half-yearly and annual accounts, and financial reporting;
- accounting treatment for specific operations and application of IFRS;
- financing policy;
- consideration of the terms of the refinancing operations;
- interest-rate and currency-risk hedging policy;
- review of internal audit mission reports and recommendations, and multi-annual audit plan, in the presence of the internal auditor;
- impact of investment projects on financing and key ratios;
- review of budgets and outlook for future years (including stress tests);
- risk management: monitoring developments in the main legal proceedings, monitoring of internal control, follow-up of the implementation of recommendations made in the context of external audits and review of the executive management's report on internal control for the FSMA, etc.;
- process for distribution of an interim dividend for the 2016 fiscal year;
- preparation of the capital increase in cash with a priority allocation right for existing shareholders, carried out in 2016;
- relations with the Statutory Auditor, check of the independence, assessment and reappointment of the Statutory Auditor for Befimmo and its subsidiaries;
- organisation of a tender and selection procedure for the renewal of the Statutory Auditor's mandate to be decided at the Ordinary General Meeting 2017;
- monitoring of key regulatory developments and analysis of their potential impact on Befimmo, its activities or reporting (introduction of Specialist real-estate Investment Fund (FIIS) regime, audit reform, FSMA circulars, etc.).

Self-assessment

Every three years at least, the Committee assesses its own effectiveness, operation and interaction with the Board of Directors, reviews its terms of reference and recommends any necessary amendments to the Board of Directors.

The Audit Committee carried out its most recent self-assessment at the end of 2014 and commented on its self-assessment report to the Board of Directors in 2015. The key findings of the report are published on page 144 of the Annual Financial Report 2014.

APPOINTMENT AND REMUNERATION COMMITTEE G4-51 G4-52 G4-53

Composition

The Appointment and Remuneration Committee is made up of at least three Directors, appointed by the Board of Directors on a proposal of the Committee, from among the non-executive Directors, the majority of whom must be independent Directors within the meaning of article 526ter of the Code of Company Law.

The Board of Directors appoints the Chairman of the Committee, who may also be the Chairman of the Board of Directors.

The term of office of Committee members may not exceed that of their directorship. Committee members' terms of office may be renewed at the same time as their directorships.

If the Chairman of the Board of Directors of Befimmo is not a member of the Committee, he may, but is not obliged to, attend meetings of the Committee. He may not attend if the Committee is discussing or voting on the Chairman of the Board's remuneration or the renewal of his mandate (in his capacity as Chairman or Director).

He may take part in the discussion, but may not chair the Committee when it is voting on the appointment of his successor.

The Managing Director takes part in meetings of the Committee when it has to discuss the appointment or remuneration of the other members of the Company's Management Committee.

As at 31 December 2016, the composition of the Committee was as follows:

- Etienne Dewulf, Chairman of the Appointment and Remuneration Committee, independent Director;
- Sophie Malarme-Lecloux, independent Director[1];
- Alain Devos, non-executive Director, Chairman of the Board of Directors.

Duties

Regarding appointments and renewals of mandates, the Committee assists the Board of Directors in:

- drawing up profiles for Directors, Chairmen and members of the Committees of the Board of Directors, the Chief Executive Officer ("CEO") and the other members of Befimmo's Management Committee;
- seeking candidates for positions to be filled in the Board of Directors and specialist Committees of Befimmo and the Board of Directors of Fedimmo; it then delivers an opinion and makes a recommendation on the candidates;
- the process of appointing or re-electing the Chairman of the Board of Directors of Befimmo; and
- procedures for the appointment, renewal and periodic appraisals of the Directors, the CEO and other members of the Management Committee.

1. Mrs Malarme-Lecloux was appointed a member of the Appointment and Remuneration Committee by the Board of Directors with effect as from 26 October 2016 to replace Mrs Annick Van Overstraeten, who tendered her resignation to the Board of Directors with effect as from 13 October 2016.

Regarding remuneration, the Committee assists the Board of Directors by making proposals on:

- the remuneration policy;
- the remuneration policy for non-executive Directors, members of the Board's committees, the CEO and the other members of the Management Committee, and on any periodic revisions of that policy;
- on the individual remuneration of the non-executive Directors, members of the Board's committees, the CEO and the other members of the Management Committee, including variable remuneration, the various benefits and the long term achievement bonuses, related to shares or otherwise, severance grants and on any resulting proposals which the Board has to submit to the General Meeting of shareholders;
- on the setting of performance targets for the Managing Director and other members of the Management Committee, and the assessment of performance in relation to those targets;
- on the proposals made each year by the Managing Director on the overall budget for increasing (apart from indexing) the remuneration laid down for the Company's staff, and on the overall budget for the variable remuneration of the staff.

The Committee also prepares the remuneration report, which is included in Befimmo's corporate governance statement, and is presented to the General Meeting of shareholders.

The Committee meets at least twice a year, and in any case:

- prior to the approval of the agenda for any General Meeting of Befimmo which has draft decisions that concern directorships on the agenda;
- to draft the annual remuneration report.

After each meeting of the Committee, the Chairman of the Committee (or, in his absence, a Committee member designated to that end) gives an oral report to the Board of Directors on the exercise of its duties and, in particular, submits the Committee's opinions and recommendations to the Board of Directors for decision.

Operation and activities during the 2016 fiscal year

During the 2016 fiscal year, the Committee met 10 times and all members of the Committee attended all meetings. Its meetings covered the following main topics:

- drafting of the remuneration report published in the Annual Financial Report 2015;
- changes in the Company payroll from 1 January 2017 and budget with a view to the award of variable remuneration (bonuses) the 2016 fiscal year;
- proposals for the composition of the Board of Directors, taking account of the need to ensure that directors' profiles are complementary in terms of knowledge and experience, and of the gender diversity targets; in this context, it has proposed an update of the "Director's profile" approved by the Board of Directors;
- proposals for appointments and reappointments to the Board of Directors for submission to the Ordinary General Meeting;
- assessment and determination of the performance targets and criteria for the Managing Director and other members of the Management Committee;
- general monitoring of developments in the regulatory framework relevant to the mandates of the Directors and members of the Management Committee of Befimmo in its capacity as a BE-REIT;
- in the context of the establishment of the Management Committee: definition of a framework for delegation, developing management agreements with the members of the Committee and drafting recommendations for the Board of Directors.

Self-assessment

In accordance with the 2009 Code and its own terms of reference, every three years at least, the Committee assesses its own effectiveness, operation and interaction with the Board of Directors, reviews its terms of reference and recommends any necessary amendments to the Board of Directors.

The Appointment and Remuneration Committee conducted a self-assessment during the second half of the 2015 fiscal year. Its self-assessment report was presented to the Board of Directors in February 2016 and in the Annual Financial Report 2015 (page 135).

MANAGEMENT COMMITTEE

The Board of Directors established a Management Committee pursuant to article 524bis of the Code of Company Law, to which it has delegated its management powers under article 19 of the Befimmo articles of association, with effect from 17 October 2016. The Management Committee is composed of the four people who until that date made up the "Committee of Executive Officers".

The delegation to the Management Committee does not cover:

- the definition of strategy or general policy;
- acts reserved by law or the articles of association to the Board of Directors;
- in addition to the matters reserved by law or the articles of association to the Board of Directors, acts and decisions that the Board of Directors has decided to keep within the scope of its competence and which are listed in the terms of reference of the Management Committee and in the terms of reference of the Board of Directors.

In accordance with article 14 of the BE-REIT law, the members of the Management Committee are all classed as Executive Officers.

The Management Committee is a decision-making body with collective responsibility and operation.

The Management Committee periodically reviews its terms of reference (which describe its functions and mode of operation) and proposes any amendments it deems necessary for approval by the Board of Directors. The terms of reference are available on the Company website.

WWW.BEFIMMO.BE/EN/BEFIMMO/CORPORATE-GOVERNANCE

FROM LEFT TO RIGHT:
AMINATA KAKÉ, MARTINE RORIF,
LAURENT CARLIER,
BENOÎT DE BLIECK

COMPOSITION

The members of the Management Committee are appointed by the Board of Directors, on a proposal of the Appointment and Remuneration Committee.

As at 31 December 2016, the Committee had four members:

- Mr Benoît De Blieck, Managing Director, who is also the Chief Executive Officer (the "CEO") and chairs the Management Committee;
- Mr Laurent Carlier, Chief Financial Officer (the "CFO");
- Mrs Martine Rorif, Chief Operating Officer (the "COO");
- Mrs Aminata Kaké, General Counsel & Secretary General (the "SGC").

DUTIES

The role of the Management Committee is:

- to make proposals to the Board of Directors on the general strategy and policy;
- to implement the strategy decided by the Board of Directors, including decisions to acquire or dispose of rights in rem to buildings or shares of real-estate companies;
- to handle the operational management of the Company and to report on it to the Board of Directors.

The Management Committee submits any transaction to the initiative of the Board of Directors, even if it falls within the scope of the powers delegated to the Committee, where it deems necessary on account of its nature, the risks involved or the parties concerned.

REPORT OF ACTIVITIES TO THE BOARD OF DIRECTORS

At each meeting of the Board of Directors, and at least quarterly, the Managing Director and other members of the Management Committee report to the Board on the significant aspects of operational management. They provide any significant information covering at least the following subjects:

- developments affecting the Company's business and any changes in its strategic context;
- forecasts and financial results of the Company and an assessment of its financial position;
- current or potential major legal proceedings;
- regular monitoring of all matters falling within the competence of the Board of Directors.

OPERATION

- The Management Committee is a decision-making body with collective responsibility and operation: its decisions are taken by consensus of its members who collectively share responsibility for them. If consensus cannot be reached, the item or file concerned is put on the agenda of the meeting of the Board of Directors for deliberation and decision.

- The Management Committee meets as often as necessary, under the chairmanship of the Management Director and, in principle, once a week. It can be convened at any time, where necessary, by the Chairman or if at least two members of the Management Committee so wish.

In 2016, the Committee of Executive Officers (until 17 October 2016) and the Management Committee (as from 17 October 2016) met on average once a week.

The Managemnt Committee leads a team of 70 people and endeavours to optimise operating costs.

The **heads of the operational departments** are Mr Cédric Biquet (Chief Investment Officer), Cédric Mali SPRL[1] (Chief Commercial Officer), Mrs Caroline Kerremans (Investor Relations and External Communication Manager), Mrs Emilie Delacroix (Corporate Social Responsibility Manager) and Mrs Sylvie De Mûelenaere (Legal Manager).

The Business Development activity is managed by Werner Joris SPRL[2].

Befimmo's Social Responsibility is fully integrated into its day-to-day management. At the strategic level, the Social Responsibility Team (SRT) consists of five people including three members of the Management Committee: the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Chief Operating Officer ("COO"), the Head of Environmental Management ("HEM") and the Corporate Social Responsibility Manager ("CSRM"). This team is responsible for developing and monitoring the CSR Action Plan, releasing sufficient human resources, and organising the annual management review.

REMUNERATION REPORT G4-51 G4-52

REMUNERATION POLICY

During the 2009/2010 fiscal year, the Appointment and Remuneration Committee drafted a document describing the remuneration policy for the Company's Directors and members of the Management Committee. This document was prepared for the first time by the Board of Directors on 15 October 2010 and most recently approved by the Ordinary General Meeting of 26 April 2016. It is an integral part of the corporate governance charter and is published on the Befimmo website.

WWW.BEFIMMO.BE/EN/BEFIMMO/CORPORATE-GOVERNANCE

Befimmo's remuneration policy was established in accordance with the provisions of the law of 6 April 2010 to strengthen corporate governance in listed companies, and with the recommendations of the Belgian Corporate Governance Code (the "2009 Code").

In strict compliance with this framework, the policy is designed to reward those involved in running the Company in a way that allows it to attract, retain and motivate selected staff, taking account of the Company's characteristics and challenges, while properly and effectively managing risk and keeping the various remuneration costs under control.

The Company aims to pay its staff at a level that compares well with the remuneration paid by other companies of comparable size and activities for similar posts. To keep informed of market pay levels, it contributes to benchmarks organised by specialist consultants and social administration agencies. It also occasionally consults these specialists for reasons unconnected with benchmark operations.

The Appointment and Remuneration Committee makes proposals on any periodic reviews of the remuneration policy, which are submitted to the Board of Directors for approval.

The remuneration report is included in each year's Annual Financial Report. It sets out the main principles of the remuneration policy and how they were applied during the year in question, and includes detailed information on the remuneration of the Directors and members of the Management Committee. Any significant deviation from the remuneration policy during the fiscal year, and any significant changes to the policy are also mentioned in the remuneration report.

The Company's General Meeting of shareholders holds a separate vote each year on the remuneration report.

Change in the remuneration policy

Establishment of a Management Committee

As announced in connection with its self-assessment exercise conducted in late 2015[3], the Board of Directors of Befimmo has considered the merits of setting up a Management Committee, in view of the evolution of Befimmo's business and organisation since it was founded. Following that discussion, the Board of Directors decided to establish a Management Committee in accordance with article 524 bis of the Code of Company Law, with effect from 17 October 2016[4].

1. Represented by Mr Cédric Mali.
2. Represented by Mr Werner Joris.
3. Annual Financial Report 2015 (page 132) and Half-Yearly Report 2016 (page 43).
4. See the press release of 17 October 2016.

The Management Committee is composed of Befimmo's four Executive Officers[5]:

- Mr Benoît De Blieck, Managing Director, who is also the Chief Executive Officer and chairs the Management Committee;
- Mr Laurent Carlier, Chief Financial Officer;
- Mrs Martine Rorif, Chief Operating Officer;
- Mrs Aminata Kake, General Counsel & Secretary General.

To maintain the necessary independence of the Management Committee, Mr Laurent Carlier, Mrs Martine Rorif and Mrs Aminata Kaké, who had so far carried out their duties as Executive Officers under a contract of employment, have carried out their functions in the Management Committee as self-employed workers since 17 October 2016.

Befimmo has concluded a management agreement with each of the three members of the Management Committee concerned, which governs the terms and conditions of the exercise of their mandate in the Management Committee.

The remuneration policy has been updated to reflect their new status.

These three members of the Management Committee receive a total annual amount of €1,048,382 (total cost to the Company consolidated for the three members, equivalent to the previous cost to the Company). In addition to this fixed amount, where appropriate, they receive a total target variable remuneration (consolidated for the three members) set by the Board of Directors on 17 February 2016, the range of which is unchanged: €283,308, with a ceiling of €344,563 if the targets are exceeded[6].

Befimmo has no plans to change its remuneration policy for the next two fiscal years.

PROCEDURE

The remuneration of the **non-executive Directors** of Befimmo SA is set by the General Meeting of Befimmo SA, on a proposal of its Board of Directors, which in turn receives proposals from the Appointment and Remuneration Committee. The relevant proposals of the Appointment and Remuneration Committee are based on benchmark analyses of companies comparable to Befimmo in terms of size and business, and studies conducted by external consultants on the remuneration of directors of Belgian listed companies.

The non-executive Directors of Befimmo SA receive, in that capacity, a fixed annual remuneration and attendance tokens for meetings of Befimmo's Board of Directors and its specialist Committees that they attend as members or Chairman.

They do not receive any performance-related pay (such as bonuses or long-term incentives) nor do they receive any benefits in kind or benefits from pension schemes.

In accordance with the law, Directors may be dismissed summarily, without compensation.

The **Managing Director** of Befimmo SA is the only Executive Director of Befimmo SA and is not remunerated in that capacity.

He also chairs the Befimmo SA Management Committee in the post of **Chief Executive Officer** ("CEO"); in that capacity, he receives remuneration under a management agreement.

The CEO's remuneration is set by the Board of Directors of Befimmo SA, on a proposal of the Appointment and Remuneration Committee. It consists of a fixed portion and a variable portion.

- <u>Fixed portion:</u> The amount of the "all-in" fixed annual remuneration is determined on the basis of comparisons with the fixed remunerations on the market for a comparable position in a comparable company. The fixed annual remuneration is payable monthly, in twelfths, in arrears, after deducting the cost of insurance such as the pension plan and hospitalisation insurance, and representation allowance.

  On a proposal of the Appointment and Remuneration Committee, the Board of Directors considers the amount of the fixed remuneration at regular intervals, at the end of each calendar year, in order to decide whether this amount should be changed and, if so, by how much.

- <u>Variable portion:</u> the target amount of the annual variable remuneration, corresponding to a quality service that meets expectations in terms of results, professionalism and motivation, is predetermined by the Board of Directors when setting the objectives. It is a combination of personal qualitative objectives and financial and qualitative targets for Befimmo SA, to which a weighting is applied. The Board avoids setting performance criteria that could encourage the CEO to give preference to short-term goals that influence his variable remuneration and would have an adverse impact on the Company in the medium and long term.

  The Board also determines the maximum amount of variable remuneration, which may be awarded only if the performance targets are exceeded. In determining how much variable remuneration to award, at the end of each calendar year the Board of Directors, on a proposal of the Appointment and Remuneration Committee, assesses the CEO's performance during the fiscal year in question against the targets for that year. The payment of any variable remuneration awarded is staggered over time: the deferred portion of the remuneration is subject to the achievement of predetermined performance criteria that are objectively measurable over 3 years.

Befimmo reimburses expenses incurred by the CEO in the course of his routine management, on presentation of supporting documents to the Chairman of the Board of Directors or any other person the Chairman designates for that purpose.

5. In accordance with article 14(3) of the law of 12 May 2014 on BE-REITs.
6. Total cost to the Company. See page 140 of the Annual Financial Report 2015.

Apart from the provision of a portable computer and mobile telephone that meet the standards of Befimmo SA (notably in terms of security), of which he supports the consumptions, the Managing Director does not receive any benefits in kind.

The Board of Directors of Befimmo SA decides on the recruitment, promotion and fixed and variable remuneration of each of the other members of the Management Committee of Befimmo SA, on a proposal of the Appointment and Remuneration Committee, after it has first consulted the CEO. They are paid as self-employed workers under a management agreement with Befimmo SA. Their remuneration consists of a fixed portion and a variable portion.

- Fixed portion: the amount of the "all-in" fixed remuneration of the other members of the Management Committee is determined on the basis of information on levels of pay offered for comparable positions in comparable businesses. This information is gathered by the Appointment and Remuneration Committee. The fixed annual remuneration is payable monthly, in twelfths, in arrears, after deducting the cost of insurance such as the pension plan and hospitalisation insurance, and representation allowance. Any change in the fixed remuneration of the other members of the Management Committee is decided by the Board of Directors on a reasoned recommendation of the CEO and the Appointment and Remuneration Committee.
- Variable portion: the target amount of the variable annual remuneration corresponding to a quality performance meeting expectations, in terms of results, professionalism and motivation. This amount is predetermined by the Board of Directors when the targets are set. These are a combination of personal qualitative targets (performance of special duties, performance of their team or department) and financial and qualitative targets for Befimmo SA, to which a weighting is applied. The Board avoids setting criteria that could encourage the other members of the Management Committee to give preference to short-term goals that influence their variable remuneration and would have an adverse impact on the Company in the medium and long term. The Board also determines the maximum amount of variable remuneration, which may be awarded only if the performance targets are exceeded.

  In determining how much variable remuneration to award, at the end of each calendar year the Board of Directors – on a proposal of the Appointment and Remuneration Committee after it first consulted the CEO – assesses the performance of the other members of the Management Committee during the fiscal year in question against the targets set for them for that year. The payment of any variable remuneration awarded is staggered over time: the deferred portion of the remuneration is subject to the achievement of predetermined performance criteria that are objectively measurable over 3 years.

Befimmo reimburses the expenses incurred by the other members of the Management Committee in the course of their duties, upon presentation of supporting documents sent to the CEO or any other person that he may designate for that purpose.

Apart from the provision of a portable computer and mobile telephone that meet the standards of Befimmo SA (notably in terms of security), of which they support the consumptions, the other members of the Management Committee do not receive any benefits in kind.

POSITIONS HELD IN SUBSIDIARIES

The Directors and members of the Management Committee may hold a directorship in the subsidiaries of Befimmo SA. Any remuneration received for holding such positions is set out in the Befimmo SA remuneration report. Unless otherwise agreed between the parties, the termination of the agreement between Befimmo SA and the CEO or other member of the Management Committee will also terminate any positions held[1] by the CEO or another member of the Management Committee in the subsidiaries of Befimmo SA.

REMUNERATION AND BENEFITS IN 2016 AND 2017

The remuneration and benefits listed hereafter are in accordance with the provisions of the above-mentioned law of 6 April 2010, the 2009 Code and the Company's remuneration policy described above. There is no share option plan or share benefit plan for the non-executive Directors, CEO or another member of the Management Committee.

The Company's Annual General Meeting of 30 April 2013 set the following remuneration for the non-executive Directors:

- each non-executive Director, apart from the Chairman of the Board of Directors, receives a fixed annual remuneration of €20,000 and attendance tokens worth €2,500 per Board meeting attended;
- the Chairman of the Board of Directors receives a fixed annual remuneration of €50,000 and attendance tokens worth €3,750 per Board meeting attended;
- the members of the Audit Committee receive an attendance token worth €2,000 per meeting, apart from the Chairman of the Committee who receives an attendance token worth €2,500 per meeting;
- the members of the Appointment and Remuneration Committee receive an attendance token worth €1,500 per meeting, apart from the Chairman of the Committee who receives attendance tokens worth €2,000 per meeting.

These amounts, applicable from the 2013 fiscal year, are based on a benchmark analysis of comparable companies and two external studies on the remuneration of directors of listed Belgian companies. In particular, they reflect the increased workload and technical complexity of the matters that the Board and its specialist Committees have had to handle in recent years, and the role of the Chairman in preparing and coordinating the work of the Board of Directors.

1. Whether as a natural person or as permanent representative of a corporate Director.

NON-EXECUTIVE DIRECTORS – REMUNERATION FOR THE 2016 FISCAL YEAR

(IN €)	BEFIMMO				TOTAL
	FIXED ANNUAL REMUNERATION	ATTENDANCE TOKENS			
	BOARD OF DIRECTORS	BOARD OF DIRECTORS	AUDIT COMMITTEE	APPOINTMENT AND REMUNERATION COMMITTEE	
Alain Devos	50 000	71 250		15 000	136 250
A.V.O. Management SPRL / Annick Van Overstraeten[2]	20 000	40 000		7 500	67 500
Sophie Goblet	20 000	42 500	24 000		86 500
Sophie Malarme-Lecloux	20 000	42 500		4 500	67 000
Etienne Dewulf	20 000	47 500		20 000	87 500
Hugues Delpire	20 000	47 500	30 000		97 500
Benoît Godts	20 000	47 500	24 000		91 500
Kadees BVBA / Kurt De Schepper[3]	20 000	42 500			62 500
Jacques Rousseaux[4]	6 667	17 500			24 167
Guy Van Wymersch-Moons	20 000	47 500			67 500
Total Directors	**216 667**	**446 250**	**78 000**	**47 000**	**787 917**

OBJECTIVES AND PERFORMANCE CRITERIA FOR THE CEO AND EXECUTIVE OFFICERS FOR THE 2016 AND 2017 FISCAL YEARS

On a proposal of the Appointment and Remuneration Committee, the Board of Directors of 17 February 2016 laid down the following recurring criteria – related to the performance of the Company – for assessing the performance of the CEO, and the applicable weighting:

- current net result per share (30%);
- operating margin (15%);
- occupancy rate of properties (15%);
- financing costs (20%);
- human-resource management (20%).

Supplementary objectives, in relation to the above-mentioned main targets and specifically related to the 2016 fiscal year, were set for the CEO. The target amount for his variable annual remuneration for the 2016 fiscal year was set at €200,000, with a ceiling of €250,000.

The Board of Directors set the same recurring criteria for assessing the collective performance of the other members of the Management Committee. Additional individual targets were set for each of them, in line with their specific operational responsibilities. The overall maximum target variable remuneration was set at €283,308 (total amount for the other 3 members of the Management Committee) with a maximum of €344,563 if the targets are exceeded.

At its meeting on 23 February 2017, the Board of Directors, on a proposal of the Appointment and Remuneration Committee, decided to award the CEO and the other members of the Management Committee variable remuneration for the 2016 fiscal year on the basis of the above-mentioned assessment criteria, of which the amounts are set out in the table hereafter.

MANAGEMENT COMMITTEE - REMUNERATION FOR THE 2016 FISCAL YEAR

(IN €)	FIXED REMUNERATION	VARIABLE REMUNERATION[5]	POST-EMPLOYMENT BENEFITS	OTHER COMPONENTS OF REMUNERATION AND MISCELLANEOUS BENEFITS	TOTAL	CONTRACTUAL SEVERANCE GRANT
Managing Director						
BDB Management SPRLu[6]	213 589	75 000			288 589	263 592
Benoît De Blieck[7]	263 175	150 000	73 228		486 403	486 408
Other members of the Management Committee[8]	847 539	295 000	150 742	55 482	1 348 763	1 220 000
Total Management Committee	**1 324 303**	**520 000**	**223 970**	**55 482**	**2 123 755**	

2. A.V.O. Management SPRL, represented by Annick Van Overstraeten, was Director of Befimmo SA until 26 April 2016. Annick Van Overstraeten was Director of Befimmo SA from 26 April 2016 until 14 February 2017.
3. Kadees BVBA, represented by Kurt De Schepper, was Director of Befimmo SA until 26 April 2016. Kurt De Schepper has been Director of Befimmo SA since 26 April 2016.
4. Directorship expired on 26 April 2016.
5. The payment of the variable remuneration is staggered over a three-year period in accordance with the rules of the remuneration policy.
6. These amounts include the remunerations received by BDB Management SPRLu for the positions it holds as Managing Director of Befimmo Property Services SA and Chairman of the Board of Directors of Axento SA, both subsidiaries of Befimmo SA.
7. These amounts include the remuneration received by Mr Benoît De Blieck as Managing Director of Befimmo SA.
8. Social charges and all other charges included. These amounts include remuneration received by Mrs Martine Rorif, Mr Laurent Carlier and Mrs Aminata Kake between 1 January and 31 December 2016. It was paid to them partly as employees up to 16 October 2016 and partly as self-employed persons as from 17 October 2016.

In accordance with Befimmo's remuneration policy, the payment of the variable remuneration awarded was staggered over time and the portion of the time-deferred remuneration is subject to the achievement of predetermined performance criteria that are objectively measurable over 3 years, as follows:

- 50% of the variable remuneration earned in 2016 is paid in 2017;
- 25% of the variable remuneration was deferred for one year and will be payable in 2018 provided that the performance indicators for the Company's results are sustained throughout 2016 and 2017;
- the remaining 25% of the variable remuneration will be payable in 2019, again provided that performance is sustained throughout 2016 to 2018.

For the 2017 fiscal year, the award of variable remuneration to the CEO and other members of the Management Committee will depend on their achieving the same recurring criteria as those set for 2016, with the same weighting. Additional personal objectives, in relation to the above-mentioned targets, were also set in keeping with the specific operational responsibilities of the CEO and each of the other members of the Management Committee.

The target amounts of the variable annual remuneration for the 2017 fiscal year were set as follows:

- for the CEO: a target variable remuneration of €200,000 with a ceiling of €250,000; this amount includes any variable remuneration awarded to him by Befimmo SA and/or any of its subsidiaries;
- for the other three members of the Management Committee: a target variable remuneration of €285,000 with a maximum of €345,000;

After appraisal, the payment of any variable remuneration awarded will be staggered over time and the portion of the time-deferred remuneration is subject to the achievement of predetermined and objectively measurable performance criteria over 3 years.

TERMS OF SEVERANCE GRANTS

Pursuant to article 554(4) of the Code of Company Law and the recommendations of the Belgian Corporate Governance Code, Befimmo's remuneration policy provides that any severance grant may not in principle exceed 12 months' remuneration (fixed and variable, based on the 12 months preceding termination) or 18 months (on a reasoned opinion of the Appointment and Remuneration Committee). Furthermore, if the Company makes an agreement providing for severance grants exceeding these limits, this derogatory clause regarding severance grants requires prior approval at the first Ordinary General Meeting following the conclusion of that agreement.

Should Befimmo SA terminate the contract between a member of the Management Committee and Befimmo SA before expiry, and not in any of the cases provided for in the contract where no compensation is due, the member concerned is entitled to a severance grant under that contract. Unless otherwise agreed between the parties, the termination of the agreement between Befimmo SA and the member of the Management Committee will also terminate any positions held by that member in the subsidiaries of Befimmo SA.

The management agreements between Befimmo SA and Mr De Blieck and between Befimmo Property Services and BDB Management SPRLu set a consolidated contractual severance grant of €750,000 (consolidated total), broken down as follows: €486,408.08 in the agreement between Mr Benoît De Blieck and Befimmo SA and €263,591.92 in the agreement between BDB Management SPRLu and Befimmo Property Services SA. The grant is equivalent to 12 months' total remuneration (fixed and target variable). Befimmo therefore did not avail itself of the above exemptions.

Under the management agreements concluded between Befimmo SA and the other members of the Management Committee, and on a reasoned opinion of the Appointment and Remuneration Committee, severance pay was contractually set at €200,000 for the General Counsel & Secretary General, €420,000 for the Chief Financial Officer and €600,000 for the Chief Operating Officer.

For the first two members named above, the severance grant does not exceed 12 months' remuneration.

The grant for the Chief Operating Officer exceeds the amount of 12 months' pay (but is less than 18 months' pay). This is explained by her pre-existing contract and her seniority, as the Chief Operating Officer began her career with Befimmo in 1997. The reader is referred in this regard to paragraph 7(18) of the Belgian Code of Corporate Governance (the 2009 Code), which provides in particular that a grant exceeding 12 months' pay may be set in an executive's contract to reflect the number of years of service in his or her previous post.

In accordance with the above-mentioned article 554(4), this provision will be submitted for the approval of the Ordinary General Meeting of 25 April 2017

RIGHT OF RECOVERY

The Company has not provided for a right to recover all or part of any variable remuneration awarded to the CEO or other members of the Management Committee on the basis of incorrect information.

REPORT ON INTERNAL CONTROL AND RISK-MANAGEMENT SYSTEMS

G4-45 G4-46 G4-47

Befimmo has organised the management of internal control and corporate risks by defining its control environment (general framework, inspired in particular by the "Enterprise Risk Management" model developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)), identifying and classifying the main risks to which it is exposed, analysing its level of control of those risks and organising "control of control". It also pays particular attention to the reliability of the financial reporting and communication processes.

CONTROL ENVIRONMENT

Company organisation

The Board of Directors has set up two internal Committees (the Audit Committee and the Appointment and Remuneration Committee) and has established a Management Committee.

The Company is organised into a number of departments as set out in an organisational chart.

The operational functions are carried out in the technical departments (project management, property management and environmental management), and the commercial, rental management and investment departments. The support functions are provided by the accounts department, controlling team, treasury/financing and legal departments, general secretariat, IR and communication, corporate social responsibility, human resources and ICT departments.

Each team member has a job description.

There is a power of attorney procedure for both internal matters (decision-making powers) and external matters (powers of signature and representation). The Board of Directors has delegated a number of powers of decision-making and representation to the Management Committee, which has a power to subdelegate in this context, which it has exercised, setting limits in terms of the acts and amounts concerned, defined by department and in line with the hierarchical position of the authorised employees. These sub-delegations include an internal procedure for approving orders and invoices. The principle of dual signatures is applied. There is also a specific procedure for authorising payments.

All these powers are delegated through internal procedures.

Among the control functions, the compliance function is exercised by the General Counsel & Secretary General (Aminata Kaké). Management control is the responsibility of the controlling team. The CFO (Laurent Carlier) is responsible for the risk-management function. The Internal Auditor (Kathleen Stevens) is responsible for internal auditing.

Within the framework of the annual closure, the Company's Directors and members of the Management Committee fill in an individual questionnaire so that any transactions they have carried out with the Company as "related parties" can be identified.

The human resources department ensures that the skills required for each position are defined and that the procedures are observed, notably for annual performance appraisal and pay review.

External players

Some external stakeholders also play a role in the control environment. The main ones are the FSMA, the Statutory Auditor and the independent real-estate experts.

Organisation of internal control

The Audit Committee, composed of a majority of independent Directors, has a specific duty in terms of internal control and corporate risk management.

In carrying it out, the Audit Committee makes use in particular of the work of the internal auditor, who reports directly to it. The role, composition and activities of the Audit Committee are described in this chapter and in the terms of reference of the Audit Committee, which can be accessed on the Company website.

Ethics G4-56

The Board of Directors has drafted and approved a corporate governance charter and a Code of Ethics. These documents can also be consulted on the Company's website.

WWW.BEFIMMO.BE/EN/BEFIMMO/CORPORATE-GOVERNANCE

Risk analysis and control activities

This analysis is based on an update of a study to classify the Company's major risks, in order of potential impact (severity and estimated probability of occurrence), and to determine the extent to which it controls these risks. During the 2013 fiscal year, a new version of the matrix of risks and the extent to which they are controlled was produced. This matrix provides the framework for the work of the internal audit service, reviewed annually as part of a three-year plan by the Audit Committee. The corporate risk rules provide for a formal update of the risk factors, twice a year, when the Half-Yearly and Annual Financial Reports are drafted. This is an in-depth risk analysis periodically carried out by the Risk Manager, in cooperation with the Internal Auditor and Compliance Officer. This update is then presented to and discussed in the Management Committee. Finally, the document is transmitted to the Audit Committee for review and to the Board of Directors for formal approval.

"Risk factors, on page 2"

Financial information and communication

The process of establishing financial information is organised as follows: a retro planning chart sets out the tasks to be completed for the quarterly, half-yearly and annual closures of the Company and its subsidiaries, with deadlines. The Company has a checklist of steps to be followed by the various departments involved in the process. The accounts team produces the accounting figures using the management software, under the supervision of the chief accountant.

The controlling team checks the validity of the figures provided by the accounting department and produces the quarterly reports. The figures are checked using the following techniques:

- coherence tests by comparison with historical or budget figures;
- sample checks of transactions according to their materiality.

Financial reporting is prepared on a quarterly basis by the controlling team and discussed with the CFO. This reporting, together with notes on the operational activities, is then analysed by the Management Committee.

A timetable of periodic publications for the year is proposed by the Management Committee and approved by the Board of Directors. The quarterly, half-yearly and annual reports and the relevant press releases/financial reports are submitted to and analysed by the Management Committee, Audit Committee and Board of Directors, which adopts them before publication. The Statutory Auditor conducts a limited review of the consolidated half-yearly financial statements, as at 30 June. At annual close, on 31 December of each year, it audits the statutory and consolidated accounts.

Data are protected, depending on their type, by redundant architecture (disk mirroring), daily backups on-line (external service provider) and weekly backups onto tape.

Players involved in the supervision and evaluation of internal control

The quality of internal control is assessed throughout the fiscal year by:

- internal audit: over the 2016 fiscal year, three internal audits were carried out, on the “Indexing of leases”, “Management of rental vacancies” and “Distribution of common expenses”;
- the Audit Committee: over the 2016 fiscal year, the Audit Committee reviewed the quarterly closures and the specific accounting methods. It reviewed Befimmo’s ongoing legal proceedings and main risks and considered the recommendations of internal auditing;
- the Statutory Auditor in the context of its review of the half-yearly and annual accounts.

The Board of Directors supervises the performance of the duties of the Audit Committee in that connection, notably through that Committee’s reporting.

The internal audit regulations were not updated during the 2016 fiscal year.

OTHER STAKEHOLDERS

STATUTORY AUDITOR

The Statutory Auditor is appointed with the prior approval of the FSMA. It exercises two kinds of control. Firstly, in accordance with the Code of Company Law, it checks and certifies the financial information in the annual accounts. Secondly, in accordance with the law, it cooperates with the FSMA’s controls. The FSMA may also ask it to confirm the accuracy of other information sent to the FSMA.

The General Meeting of Befimmo of 29 April 2014 renewed the mandate of the Company’s Statutory Auditor, Deloitte Réviseurs d’Entreprises SC s.f.d. SCRL, with its registered office at the Gateway Building Luchthaven nationaal 1/J in 1930 Zaventem, entered in the trade register under number 0429.053.863, RPM Brussels, represented by Mr Rik Neckebroeck, business auditor, for three fiscal years.

The Statutory Auditor’s fees for the 2016 fiscal year amount to €72,450 excluding VAT. In the 2016 fiscal year it also provided additional services as part of its statutory duties for a fee of €42,788 excluding VAT. In addition to its statutory role, during the 2016 fiscal year, Deloitte and its affiliated companies also provided services related to other non-auditing duties for a fee of €95,833 excluding VAT.

Deloitte, represented by the same Auditor, has also been appointed as Statutory Auditor of most Befimmo subsidiaries. The fees of the Statutory Auditor for auditing the financial statements for the 2016 fiscal year of Fedimmo, Befimmo Property Services, Meirfree and Vitalfree totalled €45,200 excluding VAT.

Auditing for the Luxembourg subsidiary, Axento SA, is performed by Deloitte SA, with its registered office at rue de Neudorf 560, 2220 Luxembourg, entered in the Luxembourg register of commerce and companies under number B 67.895 and with establishment licence No 88607, represented by Mr Luc Brucher, Partner. The fees for auditing the accounts of Axento SA for the 2015 fiscal year amount to €11,100 excluding VAT.

The mandate of Statutory Auditor of the subsidiary Beway SA was entrusted to Ernst & Young Réviseurs d’Entreprises scrl, represented by Mrs Christel Weymeersch, Partner. The fees for auditing the company accounts for the 2016 fiscal year amount to €8,000 excluding VAT.

The method of calculating the remuneration of the Statutory Auditor depends on the type of work performed:

- for auditing the accounts of companies in the group, a lump sum is established;
- for other work, the fees are determined on the basis of the number of hours worked multiplied by an hourly rate depending on the seniority of the employee involved in the work.

The “one-to-one” rule regarding the work of the Statutory Auditor was observed.

REAL-ESTATE EXPERTS

For the 2016 fiscal year, Befimmo used two real-estate experts: Jones Lang LaSalle (represented by Mr Rod P. Scrivener - avenue Marnix 23, 1000 Brussels) and CBRE (represented by Mr Pierre van der Vaeren - avenue Lloyd George 7, 1000 Brussels). Jones Lang LaSalle also has the task of coordinating these valuations.

These mandates were granted in accordance with the provisions of the Royal Decree of 13 July 2014. The three-year mission runs from 1 January 2015 to 31 December 2017.

These are companies of real-estate experts with specialist knowledge of the market and which enjoy a first-class international reputation.

Befimmo also has two reserve experts: DTZ-Winssinger & Associés (represented by Mr Christophe Ackermans - chaussée de la Hulpe 166, 1170 Brussels) and PricewaterhouseCoopers (represented by Mrs Anne Smolders and Mr Jean-Paul Ducarme - Woluwe Garden, Woluwedal 18, 1932 Sint-Stevens-Woluwe).

For fiscal year 2016, the fees paid to these experts for their quarterly valuations amounted to:

- CBRE Valuation Services: €87,167.50 excluding VAT;
- Jones Lang LaSalle: €142,000 excluding VAT.

Additional fees paid to these experts in 2016 for occasional valuations amounted to:

- CBRE Valuation Services: N.A.;
- Jones Lang LaSalle: N.A.

The fees of the independent real-estate experts are calculated on the basis of the number of properties assessed, their size (in m²) or their rental situation (single or multiple tenants). The fees are not related to the fair value of the properties.

FINANCIAL SERVICE

The Company's financial service is provided by ING Belgium, which received remuneration of €65,347.65 (including VAT) on that account in 2016. This remuneration consists of a fixed portion plus a variable portion based on the amount of the dividend paid.

RESEARCH AND DEVELOPMENT

Over the fiscal year, Befimmo carried out R&D activities related to the potential of various markets, the changing ways of working and new services to be offered to its tenants. Resources spent on R&D are estimated at €107,000.

RULES FOR PREVENTING CONFLICTS OF INTEREST

G4-41 G4-57 G4-58

PRINCIPLES

For the prevention of conflicts of interest, Befimmo is governed simultaneously by:

- the applicable legal provisions, common to listed companies, as per articles 523, 524 and 524ter of the Code of Company Law;
- a specific regime provided for by article 37 of the law of 12 May 2014 on BE-REITs, which provides in particular for the obligation of prior notification to the FSMA of certain transactions planned with persons covered by that provision, to carry out such operations at normal market conditions and to make them public;
- and also by the additional rules specified in its charter of corporate governance.

These rules and their application in the 2016 fiscal year are described below.

ARTICLE 523 AND 524TER OF THE CODE OF COMPANY LAW

Pursuant to article 523 of the Code of Company Law, if a Director has a direct or indirect interest that conflicts with a decision or transaction that falls to the Board of Directors, he must notify the other members before it is discussed by the Board. His statement, and the reasons for the conflicting interest affecting him, must be included in the minutes of the meeting of the Board of Directors in which the decision is to be taken. The Company's Statutory Auditor must be informed and the Director concerned may not participate in the discussions of the Board of Directors relating to the transactions or decisions concerned, or take part in the vote. The relevant minutes are then reproduced in the management report.

Pursuant to article 524ter of the Code of Company Law, the same rules apply, mutatis mutandis, to members of the Management Committee for deliberations and decisions regarding operations within the competence of this Committee. The terms of reference of the Management Committee also state that it is to place the item or file involving the conflict of interest on the agenda of the next meeting of the Board of Directors for deliberation and decision.

Articles 523 and 524ter of the Code of Company Law provide for some exceptions to its application, in particular with regard to routine transactions concluded subject to normal market guarantees for transactions of the same type.

ARTICLE 524 OF THE CODE OF COMPANY LAW

If a listed company is considering a transaction with an affiliated company (subject to certain exceptions), article 524 of the Code of Company Law requires the establishment of an ad hoc committee consisting of three independent Directors; this committee, assisted by an independent expert, must provide a reasoned assessment of the proposed transaction to the Board of Directors, which may take its decision only after reading the report. The Statutory Auditor must deliver an opinion as to the accuracy of the information contained in the opinion of the committee and the minutes of the Board of Directors. The Board of Directors then states in the minutes whether the procedure has been followed and, if appropriate, the reasons why the committee's opinion was overruled. The Committee's decision, the extract from the minutes of the Board meeting and the Statutory Auditor's opinion are to be included in the management report.

ARTICLE 37 OF THE LAW OF 12 MAY 2014 ON BE-REITS AND ARTICLE 8 OF THE ROYAL DECREE OF 13 JULY 2014 ON BE-REITS

This article requires in particular, subject to certain exceptions, public BE-REITs to inform the FSMA in advance of any transaction that they propose to carry out with an affiliated company, a company in which the BE-REIT has a shareholding[1] (participation link), other shareholders of a subsidiary of the BE-REIT, or the Directors, managers or members of the Management Committee of the public BE-REIT. The Company must establish that the proposed transaction is in its interest and is in line with its strategy, and the transaction must be carried out under normal market conditions. If the transaction involves a property, the independent real-estate expert must determine its fair value, which is the minimum price at which the asset may be sold or the maximum at which it may be bought. The BE-REIT must inform the public at the time the transaction is entered into and comment on this information in its Annual Financial Report.

ADDITIONAL RULES PROVIDED FOR IN BEFIMMO'S CORPORATE GOVERNANCE CHARTER G4-41

Confidentiality rules

Wherever it would be contrary to the interests of the shareholders of Befimmo for the Director concerned to be informed of the terms on which Befimmo plans to complete a transaction, he will not be sent the preparatory notes and the item will be covered by an appendix to the minutes of the Board meeting, which will not be sent to him; these rules cease to apply when they are no longer relevant (i.e. generally after Befimmo has completed the transaction or decided not to pursue it).

Policy concerning transactions with a Director not covered by article 523 of the Code of Company Law

If Befimmo intends to carry out a transaction that is not covered by article 523 of the Code of Company Law with a Director or a company controlled by that director or in which he has a shareholding other than a minority one (for example, because it is a routine transaction subject to normal market conditions and guarantees), Befimmo nevertheless imposes the following requirements:

- that Director must declare his interest to the other Directors before the transaction is discussed in the Board meeting;
- his declaration and the reasons why article 523 of the Code of Company Law does not apply must be set down in the minutes of the Board meeting at which the decision is to be taken;
- the Director concerned must refrain from being present at the Board's debate on the transaction or taking part in the relevant vote;
- whenever it would be contrary to the interests of Befimmo shareholders for the Director concerned to be informed of the conditions under which Befimmo would be prepared to carry out the transaction concerned, he must not be sent the preparatory notes and the item must be reported in an appendix to the minutes not sent to him.

The transaction must in any case be carried out at arm's length. However, the minutes reporting the transaction concerned need not be reproduced in the Annual Financial Report.

This policy also applies mutatis mutandis to transactions between a Director of Befimmo and one of its subsidiaries.

Policy on transactions with a member of the Management Committee

This policy also applies mutatis mutandis to transactions between the Company and its subsidiaries and the Management Committee: the member concerned must declare the conflict of interests to the Board of Directors, his declaration must be set down in the minutes of the Board meeting at which the decision is to be taken, and the transaction must be concluded at normal market conditions.

Directors and corporate opportunities

Since Befimmo's Directors are appointed in particular for their skill and experience in real estate, it often happens that they hold directorships in other real-estate companies or companies controlling real-estate companies. Therefore, it may happen that a transaction proposed to the Board of Directors (such as the purchase of a property at auction) could interest another company in which a Befimmo Director holds a position. In that case, which may in certain circumstances give rise to a conflict of interests, Befimmo has decided to apply a procedure modelled closely on article 523 of the Code of Company Law relating to conflicts of interest. In particular, the Director concerned must immediately notify the Chairman of the Board of Directors and the Managing Director of any such situation.

Once the risk has been identified, the Director concerned and the Managing Director consider together whether the "Chinese walls" procedures adopted within the organisation that the Director belongs to are sufficient to allow him to attend, unchallenged and at his sole responsibility, the meetings of

1. Note that, under the Code of Company Law, such a link is notably presumed to exist, unless proven to the contrary, when a shareholding represents at least one tenth of the Company's capital.

the Board of Directors. Where no such procedures have been put in place or where the Director concerned or the Board of Directors takes the view that it would be wiser for that Director not to attend, then he must withdraw from the discussion and decision-making process. The preparatory notes will not be sent to him, he must withdraw from the Board meeting when the topic is discussed and the topic will be recorded in an appendix to the minutes, which will not be sent to him.

The minutes of the Board of Directors must record that this procedure has been complied with or state the reason why it has not.

This procedure ceases to apply as soon as the risk no longer exists (for example, because either the Company or the competing company has decided not to make an offer).

If necessary, this procedure should be combined with article 523 of the Code of Company Law where applicable (for example, because the Director has a financial interest conflicting with that of the Company for the transaction to be entered into by a company other than Befimmo). In the latter case, all of the relevant extracts from the minutes of the Board of Directors must also be reproduced in the management report.

Befimmo has not detected any other potential conflict of interest.

OBLIGATORY INFORMATION PURSUANT TO THE CODE OF COMPANY LAW (ARTICLES 523, 524 AND 524TER)

Over the 2016 fiscal year, no decision or transaction gave rise to the application of article 523 of the Code of Company Law.

At its meeting of 17 February 2016, the Board of Directors discussed (i) the determination of variable remuneration of the Managing Director of the Company, Mr Benoît De Blieck, and of the other Executive Officers for the 2015 fiscal year, and (ii) the determination of the fixed remuneration and performance criteria for the award of the remuneration of the Managing Director and other Executive Officers for the 2016 fiscal year. In accordance with article 523 of the Code of Company Law, Mr De Blieck did not take part in the discussions or decision of the Board of Directors on his remuneration and the determination of his performance criteria. The relevant extract from the minutes is reproduced hereafter.

Extract from the minutes of the meeting of the Board of Directors of Befimmo of 17 February 2016

"<u>1.1.1 Notification of a conflict of interests and application of article 523 of the Code of Company Law</u>

Before the discussion on this agenda item opened, Mr Benoît De Blieck announced that there was a potential conflict of interests of a financial nature within the meaning of article 523 of the Code of Company Law. The Director said that the conflict of interests arose from the fact that the decision related to the setting of his variable remuneration as CEO and Executive Officer of Befimmo SA for the years 2015 and 2016. The Board of Directors took note of this statement and noted that he left the meeting during the discussions and decisions concerning the CEO's remuneration.

(The Managing Director, Mr. Benoît De Blieck, left the meeting).

<u>1.1.2 Appraisal and determination of the variable remuneration of the CEO for the 2015 fiscal year - Performance criteria and target variable remuneration for the 2016 fiscal year</u>

The Chairman of the Appointment and Remuneration Committee presented the proposals of the Appointment and Remuneration Committee for the variable remuneration of the Managing Director for the 2015 fiscal year and the performance criteria and amounts of variable remuneration for the 2016 fiscal year.

<u>Decisions:</u> After discussion, the Board of Directors, excluding Mr Benoît De Blieck, who did not take part in the discussions or decision on these items:

- *approved the proposal of the Appointment and Remuneration Committee to award Mr Benoît de Blieck, for his work as Managing Director in 2015, variable remuneration of €150,000;*
- *set the key objectives and performance criteria for the award of the Managing Director's variable remuneration for the 2016 fiscal year: net current result per share (30%), operating margin (15%), property occupancy rate (15%), financing cost (20%) and human resources management (20%);*
- *set additional personal targets, in relation to the above-mentioned targets, in keeping with the specific operational responsibilities of the Managing Director;*
- *set the target amount of the Managing Director's variable annual remuneration for the 2016 fiscal year as follows: a target variable remuneration of €200,000 with a maximum of €250,000 if the targets are exceeded; this amount includes any variable remuneration that would be attributed to him (and the BDB Management SPRLu of which he is the sole manager) by Befimmo SA and/or one its subsidiaries.*

In line with the remuneration policy, the variable portion of the remuneration earned by the Managing Director during year "N" (fiscal year of the appraisal) to be paid the first year (N+1) may not exceed 50% of the total amount of variable remuneration awarded. Payment of 25% of the variable remuneration is deferred for one year and will be made in year N+2 provided that the performance indicators for the Company's results are sustained throughout years N and N+1. The remaining 25% of the variable remuneration will be deferred for two years and will be payable in year N+3, again provided that performance is sustained over years N to N+2 (inclusive)."

Over the 2016 fiscal year, no decision or transaction gave rise to the application of article 524 of the Code of Company Law.

APPLICATION OF ARTICLE 37 OF THE LAW OF 12 MAY 2014 ON BE-REITS

Over the fiscal year, that article was applied in respect of one file, which was notified to the FSMA: in the context of the capital increase of 27 September 2016 in cash with a priority allocation right for existing shareholders, and to the extent necessary, the Company declared that some of its Directors and Executive Officers (on account of being shareholders), and AXA Belgium and AG Insurance SA and some of their subsidiaries (on account of their being shareholders of a company with a shareholding in the Company), would have the opportunity to subscribe to the new shares. It stated that the proposed transaction was in the corporate interest of the Company and was in line with its strategy.

This operation was carried out at normal market conditions and conferred no special advantage on the persons referred to in article 37(1) of the BE-REIT law in relation to other existing shareholders.

TRANSACTIONS NOT COVERED BY THE STATUTORY PROVISIONS ON CONFLICTS OF INTEREST BUT COVERED BY BEFIMMO'S CORPORATE GOVERNANCE CHARTER

Pursuant to the rules for the prevention of conflicts of interest contained in the Corporate Governance Charter:

- Mr Benoît Godts, Director linked to AG Real Estate SA, did not take part in the discussion or decisions relating to one investment project, one proposed commercial offer and one redevelopment project considered by Befimmo;
- Mr Guy Van Wymersch-Moons, Director linked to AXA Belgium SA, did not take part in the discussion or decisions relating to two investment projects, one tender and one disinvestment project considered by Befimmo;
- Mr Alain Devos, Chairman, did not take part in the discussions or decisions relating to one investment project considered by Befimmo;
- Mrs Annick Van Overstraeten, independent Director, did not take part in the discussions or decisions relating to two redevelopment projects and one tender considered by Befimmo.

RULES TO PREVENT MARKET ABUSE G4-57 G4-58

Principles

The corporate governance charter embodies rules designed to prevent market abuses, applicable to the directors, members of the Management Committee and staff of Befimmo, and anyone else who may have access to privileged information through their involvement in the preparation of a particular transaction. These rules have been supplemented by a code of conduct (the "dealing code"), intended to raise the awareness of the persons concerned of their principal obligations and to lay down internal procedures to be followed in that regard. The dealing code is laid down by the Board of Directors and all employees receive and sign a copy when taking up their post, as part of training provided by the Compliance Officer. The dealing code is regularly updated to take account of relevant regulatory developments. It is published on the Befimmo website.

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The Compliance Officer is responsible for ensuring that these rules are complied with in order to reduce the risk of market abuses by insider trading. To that end, she makes and keeps up-to-date lists of persons having access to privileged information, particularly in the context of specific transactions (in which case they may not disclose the information or carry out transactions on the financial instruments issued by Befimmo) and anyone likely to have such access on a regular basis. Where such persons plan to carry out transactions on financial instruments issued by Befimmo, they must first notify the Compliance Officer in writing of their intention to carry out the transaction. Within 48 hours of receiving such notice, the Compliance Officer has to inform the person concerned if there is any reason to believe that the planned transaction would amount to insider trading. If so, he or she will be advised not to carry out the transaction. These rules are applicable to all directors, members of the Management Committee, employees and certain consultants working on a regular basis with Befimmo. Furthermore, the directors and members of the Management Committee must notify the FSMA of transactions conducted on their own account relating to the Company shares within three business days of the transaction concerned being carried out[1].

During so-called "prohibited" periods (a certain period preceding the publication of Befimmo's annual, half-yearly and quarterly results), Directors, members of the Management Committee and employees may not trade in Befimmo financial instruments.

Application

Mrs Aminata Kaké holds the position of Compliance Officer of Befimmo.

In accordance with the new European Regulation on market abuse (Market Abuse Regulation), the Befimmo dealing code was updated in 2016[2].

The above-mentioned rules were applied without giving rise to any difficulties.

1. This obligation also applies to transactions carried out by the natural or legal persons closely related to them.
2. Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, which entered into force on 3 July 2016.

STOCK OWNERSHIP OR STOCK OPTIONS PLAN

To date, Befimmo has not implemented a stock ownership plan or stock option plan or granted such shares or options to members of its bodies or its employees.

SHARES HELD BY DIRECTORS AND MEMBERS OF THE MANAGEMENT COMMITTEE

As at 31 December 2016, the following non-executive Directors (or their permanent representatives) and members of the Management Committee of Befimmo held Befimmo shares:

- Mr Laurent Carlier (200 shares); and
- Mr Benoît Godts (1,109 shares).

FACTORS LIABLE TO HAVE AN INFLUENCE IN THE EVENT OF A TAKEOVER BID

Article 34 of the Royal Decree of 14 November 2007 on the obligations of writers of financial options admitted to trading on a regulated market (hereinafter the "Royal Decree"), requires them to disclose and, if appropriate, explain in the management report how the factors listed by that provision might have an influence in the event of a takeover bid. Most of the powers of Befimmo's administrative body in that respect are restricted to a large extent by the Company's status as a B-REIT.

- Capital structure, indicating any different categories of shares and, for each category of shares, the rights and obligations associated with it and the percentage of total share capital that it represents (Royal Decree, article 34(1)); Holders of any securities involving special control rights and a description of those rights (Royal Decree, article 34(3)); Rules applicable to the appointment and replacement of the members of the administrative body (Royal Decree, article 34(7)); Powers of the administrative body (Royal Decree, article 34(8)).

The Board of Directors of Befimmo has certain powers concerning the right to issue or purchase shares (authorised capital clause and authorisation for the purchase and disposal of treasury shares).

These powers were not designed specifically for the case of a takeover bid: it mainly concerns the authorised capital clause which basically allows opportunities to be taken rapidly without the time constraints associated with convening two general meetings (experience shows that the first general meeting convened is consistently inquorate) and the authorisation to buy its own shares which provides for a mechanism that could be used to stabilise the share price in the event of abnormal movements. These clauses could nevertheless be used in that context. More specifically, these clauses provide as follows:

- pursuant to article 7 of the articles of association of Befimmo, the Board of Directors is authorised to increase the Company share capital, in one or more stages, on such dates, terms and conditions as it may decide, by a maximum amount of:

  1) €334,464,491.53, if the planned capital increase is a capital increase by cash subscription including a preferential subscription right for shareholders of the Company as provided for by articles 592 and following of the Code of Company Law;

  2) €66,892,898.30, if the planned capital increase is a capital increase by cash subscription including a priority allocation right for the shareholders of the Company as provided by the BE-REIT Law;

  3) €66,892,898.30, for all other forms of capital increase not referred to in points 1) and 2) above;

  on the understanding that the share capital may not in any case be increased within the framework of the authorised capital by more than €334,464,491.53;

  This authorisation was granted for five years as from the date of publication of the minutes of the General Meeting of 26 April 2016 (on 13 May 2016) in the annexes to the Belgian Official Gazette; It may be renewed by a decision of the General Meeting. The use of the clause may lead to a significant increase in shareholders' equity, higher than the above-mentioned amount since the issue price of the new shares set by the Board of Directors includes an issue premium. An amount of €37,162,714.82 was used 27 September 2016 in connection with the capital increase in cash with cancellation of the preferential rights of existing shareholders and granting a priority allocation right (a situation referred to in point 2) cited above): the unused balance of the authorised capital for this type of increase therefore amounts to €29,730,183.48. Following this operation, the total unused balance of the authorised capital at the time of writing is €297,301,776.71;
- pursuant to the same provision and subject to the same conditions, the Board of Directors is authorised to issue convertible bonds or subscription rights (this authorisation was also granted for a period of five years from 13 May 2016);
- in accordance with articles 620 and following of the Code of Company Law and article 11 of the articles of association of Befimmo, the Board of Directors is authorised to acquire fully paid-up shares in Befimmo (within the statutory limits). This authorisation is valid five years from 26 April 2016 and is also renewable for identical terms;
- again pursuant to article 11 of the articles of association of Befimmo, the Board of Directors is also "authorised to dispose of the Company's own shares that it has acquired in the following cases: 1) on the stock market or off the stock market where these shares are admitted for trading on a regulated market pursuant to article 4 of the Code of Company Law; 2) when the disposal takes place in a stock exchange or as a result of a public sale offer addressed

to all shareholders under the same conditions, in order to prevent serious and imminent damage to the Company (this second authorisation being valid, however, for a period of three years from the date of publication of the minutes of the meeting of 22 June 2011- namely 5 July 2014 - and has not since been renewed; 3) in all other cases allowed by the Code of Company Law".

- Restriction of voting rights by law or the articles of association (Royal Decree, article 34(5))

No provision of the articles of association restricts the voting rights of Befimmo shareholders.

Moreover, we would point out that, in accordance with article 28.1 of the articles of association, *"Any shareholder may participate in a general meeting and exercise his right to vote: (i) if his shares are registered in his name by the fourteenth day prior to the shareholders' meeting at midnight (Belgian time): - by registration of the shares in the company's registered shares register, - by registration of the shares in the account of an authorised holder or settlement institution. The aforementioned day and time shall be the record date, (ii) and if the company has been informed, no later than the sixth day prior to the date of the meeting, of the shareholder's intention to take part in the shareholders' meeting, as the case may be, directly by the shareholder for holders of registered shares or by a financial intermediary, authorised account holder or settlement institution for holders of dematerialised shares."*

These provisions of the articles of association were not conceived with takeover bids in mind but, by laying down formalities for admission to the General Meeting, they may have an indirect influence to that effect.

- Rules applicable to changes in the option writer's articles of association (Royal Decree, article 34(7))

In accordance with article 12 of the law of 12 May 2014 on BE-REITs, any proposed amendment to the articles of association must first be approved by the FSMA.

This rule may have an influence in the event of a takeover bid, as the bidder may not amend the Company's articles of association at its discretion but would have to have any draft amendment approved by the FSMA.

- Important agreements to which the Company is a party and which can take effect, be amended or lapse in the event of a change in the control of the Company as a result of a takeover bid (Royal Decree, article 34(9))

It is standard practice to include a "Change-of-control" clause in financing agreements, entitling the bank to ask for the loan to be repaid if a change in the control of the Company were to have a "Material Adverse Effect" on the Company.

The following banks have such a change-of-control clause: Bank Degroof, BECM, Belfius, BNP Paribas Fortis, ING, KBC and Agricultural Bank of China (Luxembourg).

Moreover, in Befimmo's bond issue in April 2011, similar clauses provided for payment of a higher coupon in the event of a change of control of the Company leading to a rating downgrade. Likewise, the agreement on the private bond placement made in the United States in May 2012 includes a similar clause entitling each investor to request early redemption of his notes at par in the event of a change of control. All these change-of-control clauses have been approved by the General Meeting.

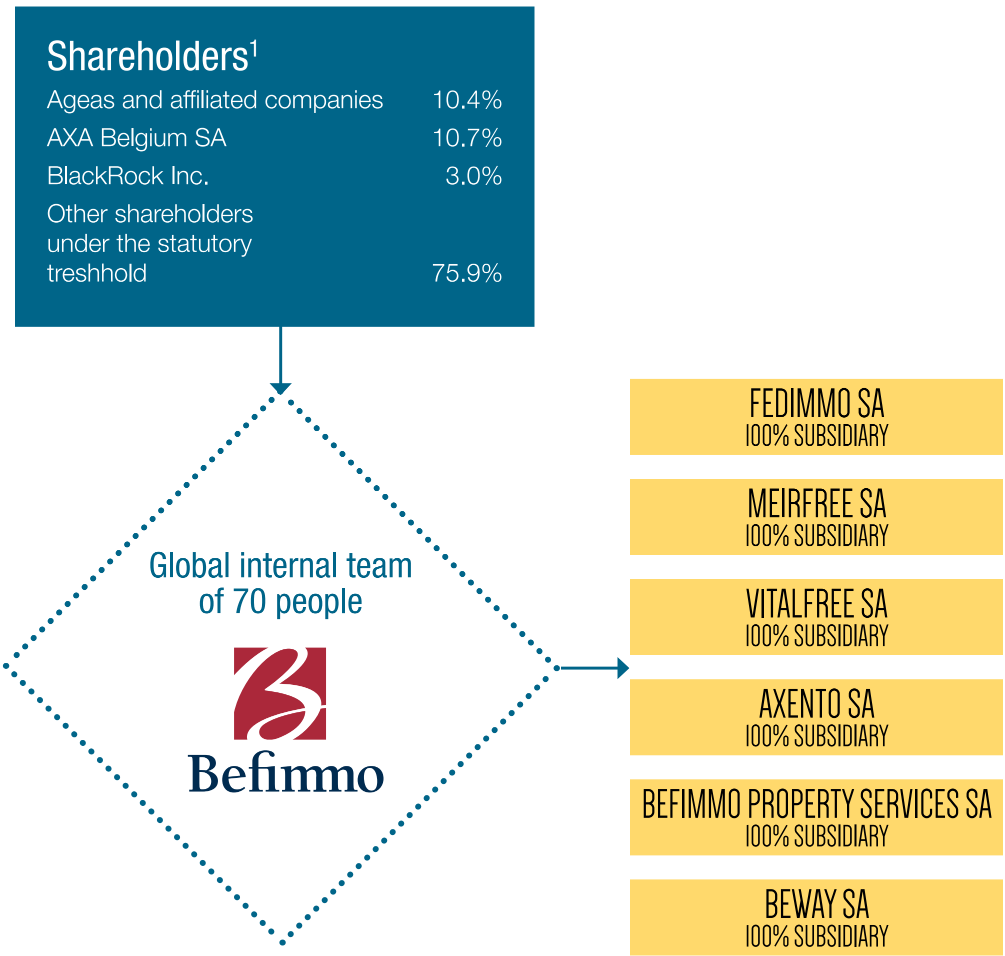
STRUCTURE AND ORGANISATION G4-3 G4-17

As at 31 December 2016, the Company had the following subsidiaries:

- Fedimmo SA, a BE-REIT (SIR/GVV) under Belgian law, which is 100% owned by Befimmo;
- Beway SA, a BE-REIT (SIR/GVV) under Belgian law, 10% of which is owned by Befimmo and 90% by Fedimmo;
- Vitalfree SA, a limited-liability company under Belgian law, which is 100% owned by Befimmo;
- Meirfree SA, a limited-liability company under Belgian law,
- Axento SA, a limited-liability company under Luxembourg law, which is 100% owned by Befimmo; and
- Befimmo Property Services SA, a limited-liability company under Belgian law, which is 100% owned by Befimmo.

The following companies have a shareholding (participation link) in Befimmo:

- Ageas and affiliated companies, which hold 10.4% of Befimmo's shares;
- AXA Belgium SA, which holds 10.7% of Befimmo's shares.



The shareholders don't have different voting rights.
The spread of the buildings of the consolidated portfolio per subsidiary is published in Appendix IV of this Report.

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

CENTRAL GATE,
BRUSSELS CENTRE

ACCESSIBILITY

58%

OF THE WORKFORCE VALUES ACCESSIBILITY OF THE WORKPLACE

58%[1] of the labour force sees public transport accessibility as an important feature of the workplace.

78%

OF THE BEFIMMO PORTFOLIO IS WITHIN 10 MINUTES' WALK OF PUBLIC TRANSPORT

78%[2] of Befimmo's portfolio is less than 10 minutes' walk away from public transport, and 53%[2] of the portfolio less than 5 minutes'.

1. Source: "EUROPEAN OCCUPIER SURVEY" CBRE 2015/2016.
2. Calculated on the basis of the buildings of the consolidated portfolio.

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME (IN € THOUSAND) G4-EC1

		Notes	31.12.16	31.12.15
I.	(+) Rental income	5	137 752	140 063
III.	(+/-) Charges linked to letting	6	- 715	- 553
NET RENTAL RESULT			**137 037**	**139 510**
IV.	(+) Recovery of property charges	7	5 727	7 486
V.	(+) Recovery of rental charges and taxes normally paid by tenants on let properties	8	29 932	29 188
VII.	(-) Rental charges and taxes normally paid by tenants on let properties	8	-28 421	-28 009
VIII.	(+/-) Other revenue and charges for letting		253	646
PROPERTY RESULT			**144 529**	**148 820**
IX.	(-) Technical costs	7	-8 526	-9 787
X.	(-) Commercial costs	7	-1 558	- 911
XI.	(-) Charges and taxes on unlet properties	7	-4 049	-5 235
XII.	(-) Property management costs	7	-2 592	-2 494
XIII.	(-) Other property charges	7	-5 024	-3 691
	(+/-) Property charges		**-21 749**	**-22 118**
PROPERTY OPERATING RESULT			**122 780**	**126 702**
XIV.	(-) Corporate overheads	9	-10 447	-9 930
XV.	(+/-) Other operating income and charges	10	- 596	-1 675
OPERATING RESULT BEFORE RESULT ON PORTFOLIO			**111 738**	**115 098**
XVI.	(+/-) Gains and losses on disposals of investment properties	11	1 154	967
XVIII.	(+/-) Changes in fair value of investment properties	12	21 121	10 984
OPERATING RESULT			**134 013**	**127 048**
XX.	(+) Financial income	13	1 608	1 066
XXI.	(-) Net interest charges	13	-20 759	-25 288
XXII.	(-) Other financial charges	13	-2 980	-3 415
XXIII.	(+/-) Changes in fair value of financial assets and liabilities	13	-19 112	- 25
	(+/-) Financial result		**-41 243**	**-27 662**
PRE-TAX RESULT			**92 770**	**99 386**
XXV.	(-) Corporation tax	14	-2 364	-1 459
	(+/-) Taxes		**-2 364**	**-1 459**
NET RESULT		**15**	**90 406**	**97 927**
BASIC NET RESULT AND DILUTED (€/share)		**15**	**3.82**	**4.41**
Other comprehensive income - actuarial gains and losses - non-recyclable		33	- 153	131
TOTAL COMPREHENSIVE INCOME			**90 253**	**98 058**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN € THOUSAND)

G4-9

ASSETS		Notes	31.12.16	31.12.15
I.	**Non-current assets**		**2 573 948**	**2 459 828**
A.	Goodwill	16	14 494	14 552
C.	Investment properties	17	2 511 658	2 387 806
D.	Other property, plant and equipment	18	2 465	997
E.	Non-current financial assets	19	43 801	54 809
F.	Finance lease receivables	20	1 530	1 664
II.	**Current assets**		**39 104**	**40 406**
A.	Properties held for sale	17	-	484
B.	Current financial assets	19	2 911	1 814
C.	Finance lease receivables	20	133	131
D.	Trade receivables	21	19 995	21 226
E.	Tax receivables and other current assets	22	11 568	12 996
F.	Cash and cash equivalents	23	153	215
G.	Deferred charges and accrued income	24	4 344	3 540
TOTAL ASSETS			**2 613 052**	**2 500 234**

SHAREHOLDERS' EQUITY AND LIABILITIES		Notes	31.12.16	31.12.15
TOTAL SHAREHOLDERS' EQUITY			**1 401 349**	**1 265 295**
I.	**Equity attributable to shareholders of the parent company**		**1 401 349**	**1 265 295**
A.	Capital	25	357 871	323 661
B.	Share premium account	25	792 641	702 548
C.	Reserves	25	219 134	198 497
D.	Net result for the fiscal year[1]		31 702	40 589
LIABILITIES			**1 211 703**	**1 234 939**
I.	**Non-current liabilities**		**564 325**	**674 530**
A.	Provisions	28	257	-
B.	Non-current financial debts	26	538 747	659 360
	a. Credit institution		242 093	209 080
	c. Other		296 654	450 280
	Bond issues		*-*	*161 910*
	EUPP		*111 092*	*103 813*
	USPP		*183 206*	*182 809*
	Guarantees received		*2 356*	*1 749*
C.	Other non-current financial liabilities	27	25 321	15 169
II.	**Current liabilities**		**647 378**	**560 410**
A.	Provisions	28	3 831	2 239
B.	Current financial debts	26	559 239	464 547
	a. Credit institution		72 261	70 797
	c. Other		486 978	393 750
	Bond issues		*161 978*	*-*
	Commercial papers[2]		*325 000*	*393 750*
C.	Other current financial liabilities	27	15	-
D.	Trade debts and other current debts	29	44 774	56 483
E.	Other current liabilities	30	5 588	4 920
F.	Accrued charges and deferred income	31	33 932	32 221
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**2 613 052**	**2 500 234**

1. The difference between the "Net result for the fiscal year" of the Consolidated statement of financial position and the "Net result" of the Consolidated statement of total comprehensive income represents the interim dividend.
2. 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.

CONSOLIDATED CASH FLOW STATEMENT

(IN € THOUSAND)

	31.12.16	31.12.15
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	**215**	**82**
Operating activities (+/-)		
Net result for the period	90 406	97 927
Result on disposal of investment properties	-1 154	- 967
Financial result (excl. changes in fair value of financial assets and liabilities)	22 131	27 637
Taxes	2 364	1 459
Items with no effect on cash flow to be extracted from earnings		
Fair value adjustment for investment buildings (+/-)	-21 121	-10 984
Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-)	19 112	25
Loss of (gain in) value on trade receivables (+/-)	116	- 50
Goodwill impairment	-	138
Amortisation / Loss of (gain in) value on property, plant and equipment (+/-)	462	374
Adjustments of provisions and of the pension liabilities without treasury impact (+/-)	541	- 484
Interest paid	-20 920	-27 397
Taxes paid	-1 176	-1 416
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS	**90 761**	**86 263**
Change in assets items[1]	3 240	-8 233
Change in liabilities items[2]	-3 881	9 699
CHANGE IN WORKING CAPITAL REQUIREMENTS	**- 642**	**1 466**
CASH FLOW FROM OPERATING ACTIVITIES	**90 119**	**87 729**
Investments (-) / Disposals (+)		
Investment properties		
Investments	-31 492	-29 453
Disposals	4 754	7 036
Acquisition of the Gateway project	-81 243	-68 461
Other property, plant and equipment	-1 338	- 662
CASH FLOW FROM INVESTMENT ACTIVITIES	**-109 318**	**-91 540**
Financing (+/-)		
Increase (+)/Decrease (-) in financial debts	-33 913	93 142
European private bond placements	7 250	74 000
Reimbursement retail bond December 2011	-	-110 000
Hedging instruments and other financial assets	-	-24 986
Final dividend Befimmo previous fiscal year	-19 798	-19 039
(Optional) interim dividend Befimmo fiscal year	-58 704	-38 428
Capital increase of 27 September 2016	127 257	-
Costs for capital increase (-)	-2 953	- 456
Sale of own shares	-	29 711
CASH FLOW FROM FINANCING ACTIVITIES	**19 138**	**3 944**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**- 62**	**132**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**153**	**215**

1. This relates mainly to the changes in the headings "II.D. Trade receivables", "II.E. Tax receivables and other current assets" and "II. G. Deferred charges and accrued income" on the assets side of the balance sheet.
2. This relates mainly to the changes in the headings "II.D Trade debts and other current debts" and "II.F. Accrued charges and deferred income" on the liabilities side of the balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IN € THOUSAND)

	Capital	Share premium account	Reserves	Net result of the fiscal year	Total shareholders' equity	
EQUITY AS AT 31.12.14	**319 066**	**688 688**	**175 070**	**12 624**	**1 195 448**	
Appropriation of the result	-	-	12 624	-12 624	-	
Dividend distributed	-	-	-19 039	-	-19 039	
Befimmo 2014 final dividend	-	-	*-19 039*	-	*-19 039*	
Private placement of own shares of 30 November 2015	- 403	-	29 711	-	29 308	
Interim dividend	4 998	13 859	-	-57 338	-38 481	[3]
Befimmo 2015 interim dividend	-	-	-	*-57 338*	*-57 338*	
Capital increase	*4 998*	*13 859*	-	-	*18 857*	
Total comprehensive income	-	-	131	97 927	98 058	
EQUITY AS AT 31.12.15	**323 661**	**702 548**	**198 497**	**40 589**	**1 265 295**	
Appropriation of the result	-	-	40 589	-40 589	-	
Dividend distributed	-	-	-19 798	-	-19 798	
Befimmo 2015 final dividend	-	-	*-19 798*	-	*-19 798*	
Capital increase of 27 September 2016	34 210	90 094	-	-	124 303	
Dividend distributed	-	-	-	-58 704	-58 704	
Befimmo 2016 interim dividend	-	-	-	*-58 704*	*-58 704*	
Total comprehensive income	-	-	-153	90 406	90 253	
EQUITY AS AT 31.12.16	**357 871**	**792 641**	**219 134**	**31 702**	**1 401 349**	

3. The amount of -€38,481 thousand is the sum of the portion of the interim dividend paid in cash plus the withholding tax on the whole of the interim dividend (paid in cash or as a contribution to Befimmo's capital).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL BUSINESS INFORMATION

Befimmo ("the Company") is a public BE-REIT (Société Immobilière Réglementée/Gereglementeerde Vastgoedvennootschap). It is organised as a "Société Anonyme" (Limited-Liability Company). Its registered office is at Chaussée de Wavre 1945, 1160 Brussels (Belgium).

The Company closes its fiscal year at 31 December. Befimmo has a 100% holding, directly or indirectly, in its subsidiaries Axento SA, Befimmo Property Services SA, Beway SA, Fedimmo SA, Meirfree SA and Vitalfree SA. All the subsidiaries of Befimmo close their fiscal years at 31 December.

The Company is presenting consolidated financial statements as at 31 December 2016. The Board of Directors of Befimmo SA adopted the financial statements for this fiscal year on 14 February 2017 and authorised its publication on 23 February 2017.

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

As at 31 December 2016, the premises provided consisted of quality office buildings in Belgium, mainly in Brussels and in the main Belgian cities, and the Grand Duchy of Luxembourg, two thirds of which are let to public institutions and the remainder to multinationals and Belgian companies.

The Company is listed on Euronext Brussels.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Except where otherwise specified, they are denominated in thousands of euros, rounded to the nearest thousand. Accounting policies have been applied consistently to the fiscal years presented.

In preparing its consolidated financial statements as at 31 December 2016, the Company has analysed and, as the case may be, has applied the following new or amended standards and interpretations which entered force during the fiscal year opening on 1 January 2016:

- Improvements to IFRS (2010-2012) (effective for annual periods beginning on or after 1 February 2015) which had no impact on the financial statements;
- Improvements to IFRS (2012-2014) (effective for annual periods beginning on or after 1 February 2016) which had no impact on the financial statements;
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities - Application of consolidation exemption (effective for annual periods beginning on or after 1 January 2016) which had no impact on the financial statements;
- Amendments to IFRS 11 Joint Arrangements - Acquisition of an interest in a joint venture (effective for annual periods beginning on or after 1 January 2016) which had no impact on the financial statements;
- Amendments to IAS 1 Presentation of Financial Statements - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016) which had no impact on the financial statements;
- Amendments to IAS 16 and IAS 38 Intangible and Tangible Assets - Clarification of Acceptable Methods of Depreciation (effective for annual periods beginning on or after 1 January 2016) which had no impact on the financial statements;
- Amendments to IAS 19 Employee Benefits - Employee Contributions (effective for annual periods beginning on or after 1 February 2015) which had no impact on the financial statements; and
- Amendments to IAS 27 Separate Financial Statements - Equity Method (effective for annual periods beginning on or after 1 January 2016) which had no impact on the financial statements.

Furthermore, the Company has anticipated the following new or amended standards or interpretations issued before the date that the consolidated financial statements were closed, but with a date of entry into force later than the fiscal period closing at 31 December 2016:

- IFRS 9 – *Financial Instruments* and related amendments that restructure the treatment of financial instruments. The impact of these new provisions could relate in particular to the evaluation model of impairment losses on trade receivables and the fair value option for financial liabilities. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018.

- IFRS 15 – *Revenue from Contracts with Customers* which develops the principles of recognition and measurement of revenue by replacing IAS 18 and IAS 11 and related interpretations. Since the revenue generated by the group comes mainly from leases that are excluded from the scope of IFRS 15, the potential impacts should be limited. This new standard is applicable for annual periods beginning on or after 1 January 2018.
- IFRS 16 - *Leases* which replaces IAS 17 and the related interpretations and which requires the recognition in the balance sheet of the lessee of all leases, with limited exceptions. As regards the lessor, the changes introduced by this new standard are limited so that the expected accounting impacts for the group are low. IFRS 16 is effective for annual periods beginning on or after 1 January 2019 but this new standard has not yet been adopted at European level.
- Amendments to IFRS 10 and IAS 28 – *Sales or Contribution of Assets between Investor and its Associate Joint Venture*, which should not have any impact on the financial statements. The date of entry into force of these amendments was postponed so that adoption at European level was also postponed.
- Improvements to IFRS (2014-2016) (effective for annual periods beginning on or after 1 January 2017 or 2018, but not yet adopted at European level).
- Amendments to IFRS 2 - *Classification and Measurement of Share-based Transactions* (effective for annual periods beginning on or after 1 January 2018 but not yet adopted at European level).
- Amendments to IAS 7 - *Statement of Cash Flows - Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017 but not yet adopted at European level). Pursuant to these amendments, the group will provide a reconciliation in the notes of changes in liabilities from financing activities.
- Amendments to IAS 12 - *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017 but not yet adopted at European level).
- Amendments to IAS 40 - *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018 but not yet adopted at European level). This standard should not have any impact on the Company's accounts.
- IFRIC 22 - *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018 but not yet adopted at European level).

Most of Befimmo's assets and liabilities are carried at fair value in the IFRS balance sheet.

The balance sheet assets consist primarily of investment properties, valued by independent experts and carried at fair value. Most other asset items are short-term, so their carrying amount is almost equivalent to their fair value.

The balance sheet liabilities consist mainly of financial borrowings. Borrowings at floating rates have a carrying amount equivalent to their fair value, while fixed-rate loans are either recognised at fair value (estimated by calculating an update of future flows – this exception (fair-value option) was chosen for the United States private placement (USPP) debt only, which has its own specific interest-rate and currency hedging also assessed at fair value) or carried in the accounts at amortised cost (this applies to a bond issue, the European private placements and the debts related to the assignment of future rents and future usufruct fees). The other liabilities items are short-term, so their carrying amount is almost equivalent to their fair value.

2.2. GENERAL PRINCIPLES OF CONSOLIDATION

For reading the consolidated financial statements, the following definitions apply:

Subsidiary

A subsidiary controls an investee, pursuant to the IFRS 10 standard §7, i.e. when:

- it has power over the investee;
- it has the right, or is exposed to variable returns from its involvement with the investee; and
- it had the ability to use its power to affect the amount of return it acquires over the investee.

A subsidiary is consolidated by full incorporation from the date on which the Company obtains control. It is deconsolidated on the date on which that control ceases.

Jointly controlled entity

A jointly controlled entity is an entity of which the Company and one or more other shareholders have joint control under a contractual arrangement.

A jointly controlled entity is accounted using the equity method from the date the Company has joint control, and until such time as it ceases.

Business combinations

A business combination is an undertaking over which the Company has significant influence but no controlling interest. It is accounted using the equity method.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated in proportion to the Company's interest in such entities.

Unrealised losses are eliminated in the same way as unrealised gains, but only if there is no indication of any impairment.

2.3. BUSINESS COMBINATIONS AND GOODWILL

When the Company takes control of a business as defined in standard IFRS 3 – *Business Combinations*, the assets, liabilities and any identifiable liabilities of the business acquired are recorded separately at fair value.

The difference between the fair value of the consideration transferred to the vendor and the share of the fair value of the net asset acquired is booked under goodwill on the assets side of the balance sheet.

If that difference is negative (often termed “negative goodwill” or “badwill”), after confirmation of the values, it is booked straight to the income statement.

Costs related with acquisition, such as fees paid to consultants, are expensed directly. Goodwill is subject to an impairment test carried out at least once a year in accordance with IAS 36 – *Depreciation of Assets*.

2.4. FOREIGN CURRENCY

Foreign currency transactions

Foreign currency transactions are recorded initially at the exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are then remeasured at closing rate when the financial statements are prepared. Any losses or profits from remeasurement are recognised in the income statement.

Profits or losses arising from foreign currency transactions are recorded in the income statement under “Financial result”.

Foreign operations

In the context of the consolidation, assets and liabilities of operations outside the euro zone are converted into euros at the closing rate when the financial statements are prepared. Income statement items are converted into euros at the average exchange rate for the period.

The resulting translation differences are booked to the equity item “Translation differences”.

2.5. INTANGIBLE ASSETS

Intangible assets are recognised only when it is probable that the expected future economic benefits associated with the asset will flow to the Company and its cost can be measured reliably. They are initially measured at cost, then evaluated by subtracting accumulated depreciation and impairment losses from that cost.

Intangible assets are amortised using the straight-line method to allocate the cost over the best possible estimate of the useful life of the asset. The useful life and amortisation method of intangible assets are reviewed at least at each financial year end.

2.6. INVESTMENT PROPERTIES

2.6.1. GENERAL PRINCIPLES

Properties available for lease and under renovation are classed as investment properties.

Investment property is measured initially at its cost, including related transaction costs and non-deductible VAT. For buildings acquired through a merger, split or contribution of a branch of activity, taxes on the potential capital gains on the companies absorbed are included in the cost of the assets. After initial recognition, investment properties are carried at fair value. The transaction costs of an acquisition, as well as any change in fair value of properties during the fiscal year are immediately recognised in the income statement. The adjustment of the transaction costs linked to the subsequent evolution of the fair value of a building or to the realisation of a building, is indirectly determined during the appropriation of the reserves.

Properties that are being constructed or developed for own account, in order to be leased are also valued at fair value.

An independent expert determines the investment value of the property portfolio (also known as "deed-in-hands value"). This valuation is based on the present value of the net rental income in accordance with the International Valuation Standards, established by the International Valuation Standards Committee, as set out in the expert's report. The fair value of the investment property is obtained by subtracting from this investment value the amount of expenses and taxes (registration rights and/or value added tax, notary's expenses, etc.) that the investor has to defray in order to acquire ownership of the property. Based on the various transactions on the market, the average rate of these transaction costs amounts to 2.5%[1] for properties valued at more than €2.5 million and 10% or 12.5% for properties below that value, depending on their location.

The independent expert establishes the investment value of the real-estate portfolio in detail at the end of each fiscal year. At the end of each quarter, the expert updates the valuation in line with market developments and the specific characteristics of the properties. Any gain or loss arising from a change in fair value is posted in the income statement, including those arising from the first valuation.

2.6.2. COMMISSIONS PAID TO REAL-ESTATE AGENTS AND OTHER TRANSACTION COSTS

The initial carrying value of the assets includes the fees for the acquisition of investment properties. The same applies to the purchase of shares in a property company, a contribution in kind of a property in consideration for new shares, or a contribution of assets through a merger with or takeover of a property company. However, when the transaction establishes a business combination, the costs associated with the transaction are expensed directly in the income statement.

Commissions relating to property rentals are recorded as costs in the income statement.

2.6.3. WORKS CARRIED OUT ON INVESTMENT PROPERTIES

The accounting treatment of works carried out on investment properties depends on the type of work concerned:

Improvement works

This is occasional work to improve the functionality of a building or significantly improve comfort, in order to increase the rent and hence the estimated rental value.

The cost of this work is capitalised within the asset's carrying amount provided and to the extent that the independent expert recognises an appreciation in the value of the property as a result of the work done.

Example: installation of an air-conditioning system where one did not previously exist.

Major renovation works

This is work done at the end of a building's life cycle to carry out a thorough renovation of the building using modern techniques, generally retaining the existing structure.

These costs are capitalised within the asset's carrying amount.

In accordance with IAS 23 – *Borrowing Costs*, borrowing costs are capitalised and charged to the balance sheet under the heading "Investment properties", provided that the building in question does not generate income during this period. By the same logic, withholding taxes, levies and other property charges on projects (properties that are being constructed or developed for own account) that are not earning income are recognised on the assets side of the balance sheet.

Maintenance and repair

Expenditure relating to maintenance and repair work which does not add any extra functionality to or increase the standard of comfort of the building is recorded as charges in the income statement.

2.6.4. INVESTMENT PROPERTY OCCUPIED BY OWNER

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

If the Company occupies only a minimal part of the property it owns, the whole property is recognised as an investment property at fair value.

2.7. OTHER PROPERTY, PLANT AND EQUIPMENT

Other tangible assets are recorded at cost, less accumulated depreciation and impairment losses. This cost includes all direct costs and appropriate allocation of indirect costs incurred to bring the asset to working condition for its intended use.

The straight-line depreciation method is applied through the estimated useful life of the assets. The useful life and depreciation method are reviewed at least at each financial year end.

1. Average transactions costs paid, as recorded by experts on the Belgian market. This accounting method is described at length in the BeAMA press release of 8 February 2006 and confirmed in the press release of the BE-REIT Association of 10 November 2016.

Useful life is defined as follows per main type of asset:

- Computer equipment: 3 years;
- Office furniture and fittings: 5 years;
- Office equipment: 10 years;
- Finance-leased equipment: duration of contract.

2.8. FINANCIAL ASSETS

Financial assets are classified in the balance sheet as current or non-current financial assets, based on the intention or probability of realisation within twelve months at the balance sheet date.

There are four types of financial asset: (i) assets held to maturity, (ii) assets at fair value through profit or loss, (iii) assets available for sale and (iv) loans and receivables.

(i) Held-to-maturity assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective-interest method.

(ii) Assets at fair value through profit or loss

These assets include:

- assets held for trading, i.e. assets acquired principally for the purpose of selling in the short term;
- assets designated by management to be recognised based on the fair value option in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*.

These two categories of assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value are booked to the income statement in the period in which they arise.

(iii) Assets available for sale

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Assets available for sale are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity. In case of sale or loss in value, the accumulated fair-value adjustments already recorded in equity are transferred to the income statement.

(iv) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They arise when the Company provides money directly to a debtor with no intention of trading the receivable.

Loans and receivables are stated at amortised cost, i.e. their carrying amount less appropriate allowance for irrecoverable amounts, plus or minus the cumulative amortisation using the effective-interest method of any difference between the initial amount and the maturity amount. The amount of the allowance is recognised in the income statement.

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest-rate and currency risks arising from the financing of its activities. The Company does not hold or issue derivative financial instruments for trading purposes.

However, derivatives that do not qualify for hedge accounting (IFRS) are recorded as "Permitted hedging instruments to which hedge accounting as defined in IFRS is not applied".

Derivative financial instruments are recognised initially at cost. Subsequently they are stated at fair value. Recognition of any resulting gain or loss depends on whether or not hedge accounting is applied and possibly on the nature of the item being hedged.

At inception of the hedge, the derivative is designated either as (i) a hedge of the fair value of recognised assets or liabilities or of a firm commitment, or (ii) a hedge of future cash flow. Based on these criteria, changes in fair value of derivatives are recorded as follows:

(i) Fair-value hedge

Changes in the fair value of these derivatives are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash-flow hedge

The effective portion of changes in the fair value of these derivatives is recognised in equity via the other elements of the comprehensive income.

Amounts accumulated in equity are transferred to the income statement of the periods during which the hedged cash flows affect the income statement.

Gains or losses that are related to the ineffective portion are booked directly to the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the commitment or hedged cash flows are ultimately recognised in the income statement.

When hedged cash flows are no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Even if they do result in an effective economic hedge, certain derivative instruments do not qualify for hedge accounting according to IAS 39 – *Financial Instruments: Recognition and Measurement*. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

2.9. PROPERTY HELD FOR SALE

A property is classified as held for sale if it meets the criteria in IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*. Investment property held for sale is valued on the same basis as other investment property.

2.10. TRADE RECEIVABLES

Trade receivables are stated at amortised cost (see section 2.8 (iv) before).

2.11. CASH AND CASH EQUIVALENTS

Cash includes cash in hand and cash with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash, have maturity dates at acquisition of three months or less, and are subject to an insignificant risk of change in value.

These items are carried in the balance sheet at their carrying amount or at cost.

2.12. IMPAIRMENT OF ASSETS

The Company reviews the carrying amount of intangible and tangible assets (other than investment properties) at each balance sheet date to determine whether there is any indication of impairment, in which case an impairment test is carried out.

Such a test is carried out systematically every year on the cash-flow generating units (CGUs) or groups of CGUs to which the goodwill has been allocated in the context of a business combination.

An impairment test consists of comparing the carrying amount of an asset or CGU (group of CGUs) with its recoverable amount being the higher of its fair value less costs to sell or its value in use. The value in use is the present value of the estimated future cash flows from the use of an asset or CGU (group of CGUs).

If the carrying amount of an asset or CGU (group of CGUs) exceeds its recoverable amount, the excess is recognised as an impairment loss recorded directly in costs and charged as a priority as a reduction in the goodwill for the CGU (group of CGUs).

An impairment loss is reversed if the recoverable amount of the asset or CGU (group of CGUs) exceeds the carrying amount, with the exception of impairment of goodwill, which is never reversed.

In addition, at each balance sheet date, the Company reviews the carrying value of its other financial assets and, where appropriate, records an appropriate write-down.

2.13. CAPITAL

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends are recognised as a liability when they are declared by the General Meeting of shareholders. Own shares held are recorded at their historical value as a debit in the “Own shares (-)” equity account.

2.14. INTEREST-BEARING BORROWINGS

In general, borrowings are initially recognised for the amount of the proceeds received, net of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the net proceeds and the redemption value is recognised in the income statement using the effective interest method.

Furthermore, loans denominated in foreign currencies are subject to exchange rate hedging (and possibly interest rate risk hedging) through Cross Currency Swaps. They are therefore assessed at fair value, as are the hedges assigned to them.

2.15. TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost.

2.16. EMPLOYEE BENEFITS

The Company operates two types of supplementary pension scheme concurrently.

A. Defined-contribution supplementary pension scheme

This group insurance involves employer contributions only. The fixed contributions paid under this new group insurance are recognised as expenses as they fall due, and as such are included in personnel costs.

Under the current Belgian legal framework, from a technical point of view, this scheme has to be treated as a defined-benefits plan, as the employer is bound to guarantee a minimum return for its employees.

B. Defined-benefits supplementary pension scheme

This plan is funded by contributions paid by the Company to the insurance company and by payment of defined contributions into that same insurance company within the framework of a group insurance.

A defined-benefit supplementary pension scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on his years of service and remuneration.

Under the old pension scheme, the fixed group insurance contributions are paid by the Company and by employees (above a certain remuneration level) to an insurance company. Contributions are recognised as expenses as they fall due, and as such are included in employee costs.

The amount presented for the defined-benefit pension plans in the balance sheet is based on actuarial calculations (using the projected unit credit method). It is the present value of the defined-benefit obligation minus the fair value of the plan assets.

If this amount is positive, a provision will be recorded on the liability side of the balance sheet, representing at this time the complement of the amount the Company would have to pay to its employees at their retirement. Conversely, if the amount is negative, in principle an asset is recognised in the balance sheet provided that the Company can benefit in future by over-funding the plan in this way ("asset ceiling"). The current service cost during the fiscal year, together with the financial cost of the obligations, the interest income of the plan assets and the financial cost of the asset ceiling are recognised in the net result for the fiscal year.

Actuarial gains and losses arising from changes in assumptions or related experience, performance of plan assets (net interest amount excluded) as well as the potential impact of the asset ceiling are recognised directly in equity via the other elements of the comprehensive income.

2.17. PROVISIONS

A provision is recognised in the balance sheet when the following three conditions are met:

- there is an obligation, legal or constructive, as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.18. INCOME

Rental income from operating leases is recognised in income on an accrual basis over the lease term.

Rental gratuities and other incentives granted to customers are recognised over the first firm period of the lease term, on a straight-line basis. This spreading is offset under the heading "Other operating income and expenses" of the income statement.

2.19. GAIN OR LOSS ON SALES OF INVESTMENT PROPERTY

The result on disposals of investment property represents the difference between sales proceeds net of transaction costs and the latest reported fair value of the property sold. The result is realised at the time of the transfer of risks and rewards.

2.20. INCOME TAXES

Income taxes for the fiscal year include both current tax and deferred tax. Taxes are recorded in the income statement except where they relate to items recorded directly in equity, in which case they too are recorded in equity. Current tax is the expected tax payable on the taxable income of the year, and any adjustment to tax payable (or receivable) in respect of previous years. It is calculated using tax rates enacted at the balance sheet date.

Deferred taxes are calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This tax is measured using the tax rates expected to apply when the asset is realised or the liability settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable earnings will be available against which the temporary differences can be utilised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND MAIN SOURCES OF UNCERTAINTY REGARDING ESTIMATES

3.1. SIGNIFICANT JUDGEMENTS REGARDING THE COMPANY'S ACCOUNTING POLICIES

For buildings on a long-term let, except for limited expectations, the Company considered that hardly any of the risks and benefits inherent in the ownership of the assets have been transferred to the tenant and, therefore, that these contracts are simple lease agreements pursuant to IAS 17 – *Leases*.

3.2. MAIN SOURCES OF UNCERTAINTY REGARDING ESTIMATES

Estimate of the fair value and of the value in use of investment property

The fair value and, if appropriate, the value in use of investment property are estimated by independent experts in accordance with the principles set out in the accounting policies.

Disputes and uncertainties

The Company is a party to legal proceedings and may be involved in others in future. At the time of writing, Befimmo is involved, as defendant or plaintiff, in a number of legal proceedings which, on the whole (according to the information available to the Company at the date of this Report), are unlikely to have a major impact on Befimmo, as the potential losses are highly unlikely to materialise and/or are of insignificant amounts. Befimmo wishes to clarify that the legal proceedings relating to the award of the development contract for the provision of a building to house the Federal Public Service Finance ("Finance FPS") in Liege, brought in 2009, are ongoing[1]. Meanwhile, all the judicial appeals relating to the granting of the permits (before the Council of State) have been dismissed.

1. For more information, please see page 17 of the Annual Financial Report 2013 (www.befimmo.be).

4. SEGMENT INFORMATION

Befimmo owns a property portfolio consisting entirely of offices[1].

In terms of geographical distribution (based on the fair value of the properties, excluding assets held for sale), most of Befimmo's real-estate portfolio is located in Brussels (68.4%), the remaining 31.6% being in Flanders (19.7%), Wallonia (7.9%) and Luxembourg city (4.0%).

In the Brussels market, a distinction can be made between a number of sub-markets that have experienced different trends in recent years: CBD (Central Business District) and similar[2], Brussels decentralised and Brussels periphery.

The consolidated Befimmo portfolio is described in more detail in the "Property portfolio" chapter of the management report.

	Brussels CBD and similar		Brussels decentralised		Brussels periphery	
(in € thousand)	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15
INCOME STATEMENT						
A. Rental income	80 495	79 819	5 296	4 953	8 663	9 242
B. Property operating result	74 038	75 026	3 182	2 203	6 739	7 709
C. Change in fair value of investment properties	8 433	759	- 3 703	- 5 865	- 3 156	- 4 191
D. Gains and losses on disposal of buildings	-	-	1 142	-	-	-
E. SEGMENT RESULT (= B+C+D)	**82 470**	**75 785**	**621**	**- 3 662**	**3 582**	**3 518**
Percentage by segment	56.9%	54.7%	0.4%	-2.6%	2.5%	2.5%
F. Corporate overheads						
G. Other operating income and charges						
H. Financial result						
I. Income tax						
NET RESULT (= E+F+G+H+I)						
	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15
BALANCE SHEET						
Assets						
Goodwill	7 391	7 391	-	-	-	-
Investment properties and assets held for sale	1 483 801	1 380 140	88 398	91 849	147 015	144 703
of which investments and acquisitions during the year	*95 229*	*90 313*	*3 358*	*662*	*5 468*	*4 570*
Other assets	-	-	-	-	-	-
TOTAL ASSETS	**1 491 192**	**1 387 531**	**88 398**	**91 849**	**147 015**	**144 703**
Percentage by segment	57.1%	55.5%	3.4%	3.7%	5.6%	5.8%
TOTAL LIABILITIES						
TOTAL SHAREHOLDERS' EQUITY						
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY						

1. Some retail businesses are nevertheless operating on the ground floor of some buildings, but to a very marginal extent.
2. Including the zone Brussels airport where the Gateway building is situated.

Wallonia		Flanders		Luxembourg city		Unallocated amounts		Total	
31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15
9 762	10 572	29 388	30 315	4 148	5 162	-	-	**137 752**	**140 063**
8 596	8 945	27 035	28 001	3 192	4 818	-	-	**122 780**	**126 702**
6 164	8 508	725	9 526	12 659	2 248	-	-	**21 121**	**10 984**
12	446	-	521	-	-	-	-	**1 154**	**967**
14 772	**17 899**	**27 760**	**38 047**	**15 851**	**7 066**	**-**	**-**	**145 056**	**138 652**
10.2%	12.9%	19.1%	27.4%	10.9%	5.1%	-	-	**100%**	**100%**
						- 10 447	- 9 930	**- 10 447**	**- 9 930**
						- 596	- 1 675	**- 596**	**- 1 675**
						- 41 243	- 27 662	**- 41 243**	**- 27 662**
						- 2 364	- 1 459	**- 2 364**	**- 1 459**
								90 406	**97 927**
31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15
1 456	1 514	5 647	5 647	-	-	-	-	**14 494**	**14 552**
199 043	191 614	494 139	493 163	99 262	86 820	-	-	**2 511 658**	**2 388 290**
1 701	*2 323*	*250*	*152*	*- 217*	*1*	-	-	**105 788**	***98 022***
1 638	1 769	-	-	-	-	85 262	95 624	**86 901**	**97 392**
202 137	**194 896**	**499 786**	**498 810**	**99 262**	**86 820**	**85 262**	**95 624**	**2 613 052**	**2 500 234**
7.7%	7.8%	19.1%	20.0%	3.8%	3.5%	3.3%	3.8%	**100.0%**	**100%**
						1 211 703	**1 234 939**	**1 211 703**	**1 234 939**
						1 401 349	**1 265 295**	**1 401 349**	**1 265 295**
						2 613 052	**2 500 234**	**2 613 052**	**2 500 234**

5. RENTAL INCOME

I. Rental income (in € thousand)	31.12.16	31.12.15
Rents	**139 032**	**140 830**
Guaranteed income	285	-
Cost of rent free periods	-1 706	-1 507
Concessions granted to tenants (incentives)	- 56	- 262
Indemnities for early termination of rental contracts	197	1 001
Rental income	**137 752**	**140 063**

This table sets out the various components of rental income. Besides rent, rental income also includes:

- various items relating to the spread of rental gratuities granted and concessions to tenants, booked in accordance with IFRS standards, the effect of which is neutralised in heading XV of the income statement;
- compensation related to early termination of leases.

(in € thousand)	31.12.16	31.12.15
Less than one year	147 871	145 041
One to five years	444 858	444 860
More than five years	636 614	688 447
Rental income	**1 229 343**	**1 278 348**

This table gives details of future rents that Befimmo is certain to receive under ongoing lease agreements. These are unindexed rents that will be received before the next intermediate termination option provided for in the lease agreements.

The amounts Befimmo received for the annual indexing of rents were €2.4 million and €0.3 million for the 2016 and 2015 fiscal years respectively. These amounts depend on the actual level of indexing.

THE BEFIMMO STANDARD LEASE

The vast majority of Befimmo SA's properties (not including Fedimmo SA's buildings, those let to the Buildings Agency and certain other leases) are let under a standard lease, generally lasting nine years or more and allowing, as the case may be, for early termination at the end of the third or sixth year, subject to six months' notice before expiry.

The leases may not be terminated at any other time and most often may not be tacitly renewed.

Rent is generally payable quarterly or six-monthly in advance. Rents are indexed annually at the anniversary of the contract, with a minimum of the last rent (or, for Buildings Agency leases, the base rent).

In most cases, common and individual charges and insurance premiums are payable by tenants who, in order to cover the amount concerned, pay a quarterly (or half-yearly) provision at the same time as the rent. An account of charges actually incurred is drawn up every year.

Generally speaking, all property and other taxes are also passed on to tenants.

When tenants enter the premises, a detailed inventory is drawn up by an expert. At the end of the lease, the tenants have to surrender the premises in the state described in the inventory, with allowance for normal wear and tear. The surveyor draws up a closing inventory. Tenants have to pay compensation covering the amount of any damage to or unavailability of the premises during repair work.

Tenants may not transfer the lease or sublet the premises without the explicit prior agreement of the lessor. If Befimmo agrees to the transfer of a lease, the transferor and the transferee remain jointly and severally liable to Befimmo.

Each lease is registered.

As a guarantee of performance of their obligations under the lease, most tenants provide an irrevocable rental guarantee that can be called in on first demand.

THE FEDIMMO STANDARD LEASE

Most of Fedimmo SA's buildings are let to the Belgian State under a standard lease.

Leases may not be terminated before expiry and are generally long-term. Unless notice is given before the expiry of the term, they are tacitly renewed for a period that varies according to the lease.

The rent is payable six-monthly during the period and is subject to annual indexing, with a minimum of the initial rent.

Rental charges are charged to the tenant under the special conditions and all taxes are payable solely by the tenant.

Inventories are drawn up on entry and departure by two experts, one designated by the lessor and the other by the tenant, with a view to determining the amount of any compensation for damage payable by the tenant to the lessor.

The Belgian Government, as tenant, is not required to provide a rental guarantee. If the lease is transferred to anyone other than a Government department, a rental guarantee must be provided.

The premises may be sublet by the tenant only with the lessor's consent, unless to a State department. If the lease is sublet or transferred, the tenant and sub-tenant or transferee remain jointly and severally bound by all the obligations under the lease agreement.

Leases are registered.

As a guarantee of performance of their obligations under the lease, most tenants (except for the Belgian State and certain representations) provide an irrevocable rental guarantee that can be called in on first demand.

6. CHARGES LINKED TO LETTING

III. Charges linked to letting (in € thousand)	31.12.16	31.12.15
Rents payable on rented premises	- 599	- 603
Write-downs on trade receivables	- 284	- 385
Write-back of write-downs on trade receivables	168	435
Charges linked to letting	**- 715**	**- 553**

This table includes the following amounts:

- rent paid for leased premises which were subsequently re-let to customers of the Company;
- write-downs and write-backs on write-downs on trade receivables, realised and unrealised.

(in € thousand)	31.12.16	31.12.15
At less than one year	611	606
One to five years	1 938	1 946
At more than five years	820	1 222
Rent paid	**3 369**	**3 775**

This table gives details of future payments that Befimmo is certain to make under ongoing lease agreements signed by Befimmo as lessee (rent of buildings).

The rents shown are assured. The above table takes no account of the annual indexing of the rents. By way of indication, the amounts Befimmo paid related to indexing over the past two years are valued at less than €15,000.

7. REAL-ESTATE CHARGES AND RECOVERY OF REAL-ESTATE CHARGES

31.12.16 (in € thousand)

AT CHARGE		NET	RECOVERY	
IX. Technical costs	**-8 526**		**5 727**	**IV. Recovery of property charges**
Recurrent	-6 333	-2 642	3 691	Recurrent
Repairs	-4 750	-1 406	3 344	Repairs
Total-guarantee charge	-1 023	- 829	195	Total-guarantee charge
Insurance premiums	- 560	- 407	153	Insurance premiums
Non recurrent	-2 193	-1 485	708	Non recurrent
Major repairs (building companies, architects, engineering offices, etc.)	-2 101	-1 573	528	Recovery of major repair costs and compensation for damage by tenants
Damage expenses	- 93	87	25	Recovery of damage expenses
			155	Compensation of damage by insurers
XII. Property management costs	**-2 592**	-1 263	1 328	Property management costs
Fees paid to (external) managers	- 2	1 327	1 328	Management fees received
(Internal) management fees of properties	-2 590	-2 590		
X. Commercial costs	**-1 558**	**-1 558**		
Letting fees paid to real-estate brokers	-1 106	-1 106		
Advertising	- 34	- 34		
Fees paid to lawyers and other experts	- 417	- 417		
XI. Charges and taxes on unlet properties	**-4 049**	**-4 049**		
XIII. Other property charges	**-5 024**	**-5 024**		
Property charges	**-21 749**	**-16 021**	**5 727**	**IV. Recovery of property charges**

31.12.15 (in € thousand)

AT CHARGE		NET	RECOVERY	
IX. Technical costs	**-9 787**		**7 486**	**IV. Recovery of property charges**
Recurrent	-7 659	-2 860	4 799	Recurrent
Repairs	-6 073	-1 656	4 418	Repairs
Total-guarantee charge	-1 010	- 778	231	Total-guarantee charge
Insurance premiums	- 576	- 426	150	Insurance premiums
Non recurrent	-2 128	- 879	1 249	Non recurrent
Major repairs (building companies, architects, engineering offices, etc.)	-1 908	- 847	1 061	Recovery of major repair costs and compensation for damage by tenants
Damage expenses	- 220	- 32	55	Recovery of damage expenses
			133	Compensation of damage by insurers
XII. Property management costs	**-2 494**	-1 057	1 437	Property management costs
Fees paid to (external) managers	- 12	1 425	1 437	Management fees received
(Internal) management fees of properties	-2 482	-2 482		
X. Commercial costs	**- 911**	**- 911**		
Letting fees paid to real-estate brokers	- 630	- 630		
Advertising	- 26	- 26		
Fees paid to lawyers and other experts	- 254	- 254		
XI. Charges and taxes on unlet properties	**-5 235**	**-5 235**		
XIII. Other property charges	**-3 691**	**-3 691**		
Property charges	**-22 118**	**-14 633**	**7 486**	**IV. Recovery of property charges**

These tables set out, for the 2015 and 2016 fiscal years, the origins of the net real-estate charges borne by the Company.

The increase in "commercial costs" of €647 thousand is explained mainly by letting fees paid to real-estate brokers incurred on new leases agreed during the 2016 fiscal year.

“Charges and taxes on unlet properties” decreased by €1,186 thousand. The decrease is explained firstly by the growth of the occupancy rate and, secondly, by the registration in 2015 of property tax on a building demolished in the course of 2016, and of an unoccupied building which was sold in 2015.

The increase of €1,333 thousand in "Other property charges" is explained notably by the rise in study costs on real-estate dossiers and by the booking in 2016 of provisions for non-recurring events.

8. RENTAL CHARGES AND TAXES NORMALLY PAID BY TENANTS ON LET PROPERTIES

(in € thousand)	31.12.16	31.12.15
V. Recovery of rental charges and taxes normally paid by tenants on let properties	**29 932**	**29 188**
Rebilling of rental charges invoiced to the landlord	10 250	9 595
Rebilling of withholding taxes and other taxes on let properties	19 682	19 593
VII. Rental charges and taxes normally paid by tenants on let properties	**-28 421**	**-28 009**
Rental charges invoiced to the landlord	-7 770	-7 487
Withholding taxes and other taxes on let properties	-20 651	-20 522
Total	**1 511**	**1 179**

Most lease agreements provide for rental charges and taxes to be borne by the tenant. Under some leases, however, the terms provide for flat-rate billing of charges, which the owner pays at its own risk, or make the owner liable for certain taxes.

9. CORPORATE OVERHEADS

XIV. Corporate overheads (in € thousand)	31.12.16	31.12.15
Staff costs	-5 831	-5 276
Staff costs (persons under a contract of employment)	*-3 739*	*-3 851*
Remuneration of Directors and members of the Management Committee	*-2 092*	*-1 426*
Operating and communication costs	-2 029	-2 238
IT costs	-1 167	- 866
Fees (project research, real-estate experts, legal advice, etc.)	-1 668	-1 119
FSMA and Euronext costs	- 173	- 166
Taxes and non-recoverable VAT	420	- 264
Corporate overheads	**-10 447**	**-9 930**

The corporate overheads comprise all costs not directly chargeable to the management, upkeep and maintenance of the properties in the portfolio.

They include the costs of Company staff from the support teams (remuneration, social contributions, etc. of the people bounded by an employment contract, working in a business support function), remuneration of the members of the Management Committee[1] and the Directors' remuneration, operating costs (office rents, office supplies, etc.), communication and IT costs, and fees paid to various external consultants (legal, technical, financial, fiscal, real estate, etc.), notably in the context of specific projects unrelated to the properties in the portfolio.

This heading also includes costs related to the listing of the Company on a public stock exchange (Euronext Brussels) and the costs of the Financial Services and Markets Authority (FSMA) and the taxes specific to the status of a BE-REIT (SIR/GVV).

Company staff		31.12.16	31.12.15
Number of persons under a contract of employment		70	72
Of which:			
Real-estate team	Number of persons under a contract of employment	47	46
Support team	Number of persons under a contract of employment	23	26
Average full-time equivalent during the year		70.11	69.06
Of which:			
Real-estate team	Average full-time equivalent during the year	46.56	43.43
Support team	Average full-time equivalent during the year	23.55	25.63

10. OTHER OPERATING INCOME AND CHARGES

XV. Other operating income and charges (in € thousand)	31.12.16	31.12.15
Spread of rent free periods	- 595	-1 547
Others	0	- 127
Other operating income and charges	**- 596**	**-1 675**

1. The Management Committee was established on 17 October 2016. The remuneration of the members of the Management Committee (excluding the Managing Director) to date is in the line "Staff costs (persons under a contract of employment)".

This heading includes recurring compensation for the effect of spreading rental gratuities and concessions granted. Spreading of rental gratuities and concessions, recorded in accordance with IFRS standards under rental income, is neutralised here, so that the effect is zero on the Company's net result. The other items under this heading are non-recurring.

11. GAINS OR LOSSES ON DISPOSALS OF INVESTMENT PROPERTIES

XVI. Gains and losses on disposals of investment properties (in € thousand)	31.12.16	31.12.15
Net sale of properties (selling price - transaction costs)	4 754	7 036
Book value of properties sold	-3 600	-6 069
Gains and losses on disposals of investment properties	**1 154**	**967**

In the course of the 2015 fiscal year, the Company sold two properties in Wallonia (the buildings avenue Stassart 9 in Namur and the Mons 2) and one building in Flanders (Kasteelstraat 19 in Izegem).

Over the 2016 fiscal year, the gains or losses on disposals of investment properties consisted of the sale of the building at rue Large 59 in Chênée located in Wallonia and the Jean Dubrucq building located in Brussels decentralised.

The amount under "Book value of properties sold" includes the amount of the last fair value of sold properties and, as the case may be, the amount of the goodwill appropriated to the sold properties.

12. CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES

XVIII. Changes in fair value of investment properties (in € thousand)	31.12.16	31.12.15
Positive changes in fair value of investment properties	89 227	111 827
Negative changes in fair value of investment properties	-68 105	-100 844
Changes in fair value of investment properties	**21 121**	**10 984**

The changes in fair value of investment properties do not include investments. The "Property portfolio" chapter of the management report contains more information on changes in value.

13. FINANCIAL RESULT

	(in € thousand)	31.12.16	31.12.15
(+)	**XX. Financial income**	**1 608**	**1 066**
(+)	Interests and dividends received	1 499	980
(+)	Fees for finance leases and similar	109	86
(+)	Net gains realised on sale of financial assets	-	0
(+/-)	**XXI. Net interest charges**	**-20 759**	**-25 288**
(-)	Nominal interest on loans	-22 005	-27 275
(-)	Reconstitution of the face value of financial debts	- 413	- 583
(-)	Other interest charges	- 62	- 56
(+)	Proceeds of authorised hedging instruments	12 559	10 552
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*12 559*	*10 552*
(-)	Charges of authorised hedging instruments	-10 837	-7 927
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-10 837*	*-7 927*
(-)	**XXII. Other financial charges**	**-2 980**	**-3 415**
(-)	Bank charges and other commissions	-2 979	-3 273
(-)	Net losses realised on sale of financial assets	- 1	- 142
(+/-)	**XXIII. Changes in fair value of financial assets and liabilities**	**-19 112**	**- 25**
(+/-)	Authorised hedging instruments	-18 715	18 205
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-18 715*	*18 205*
(+/-)	Others	- 397	-18 230
(+/-)	**Financial result**	**-41 243**	**-27 662**

The financial result (excluding changes in the fair value of financial assets and liabilities) was -€22.1 million as at 31 December 2016, compared with -€27.6 million as at 31 December 2015.

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

"Net interest charges" were down €4.5 million in relation to the 2015 fiscal year. This sharp drop was due mainly to the decline in average market interest rates (excluding margin), the reimbursement of a “retail bond” of €110 million which matured in December 2015, but also the restructuring of certain hedging products in 2016. Euribor rates remained at a historic low in 2016 (Euribor 1 month and 3 month rates averaged -0.3%). The average cost (annualised) of financing is 2.26% as against 2.66% one year earlier.

The average financial debt over the fiscal year is €1,072.4 million in 2016 as against €1,087.4 million for 2015.

The slight decrease in "Other financial charges" is explained mainly by the realisation in 2015 of a net loss on the sale of financial assets.

The change in fair value of the financial assets and liabilities was -€19.1 million for the 2016 fiscal year. The item "Authorised hedging instruments" mainly includes losses recorded on the forward products (-€16,502 thousand, including CVAs/DVAs), acquired under the Company's hedging policy. The changes in the value of the Cross Currency Swaps, arranged to hedge the currency risk associated with the conclusion of the USPP, amounted to -€1,733 thousand (including CVAs/DVAs). The sub-heading "Others" reflects the gains/losses recorded on the USPP debt (carried at fair value). Over the 2016 fiscal year, a non-realised capital loss of -€397 thousand was registered.

During the 2015 fiscal year, the item "Authorised hedging instruments" was mainly impacted by gains recognised on Cross Currency Swaps for an amount of €18,523 thousand (including CVAs/DVAs). The capital gains recorded on the CCS offset the losses recorded on the USPP debt, included in the sub-heading “Others”. They amounted to -€18,230 thousand in 2015.

The hedging instruments are listed in note 32.B of these financial statements.

As required by IFRS 7 – *Financial Instruments: Disclosures*, the following table allows a distinction to be made between the types of financial assets and liabilities behind the financial charge or revenue reflected in the financial result of the fiscal year closed.

(in € thousand)	Total		Financial assets or liabilities at fair value through profit or loss		Loans and receivables		Financial liabilities valued at amortised cost	
	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15	31.12.16	31.12.15
Financial income	**1 608**	**1 066**	-	0	1 608	1 066	-	-
Net interest charges	**-20 759**	**-25 288**	-5 660	-4 795	- 62	- 56	-15 037	-20 437
Other financial charges	**-2 980**	**-3 415**	- 1	- 142	-	-	-2 979 [1]	-3 273 [1]
Changes in fair value of financial assets and liabilities	**-19 112**	**- 25**	-19 112	- 25	-	-	-	-
Total result on financial assets/liabilities	**-41 243**	**-27 662**	**-24 773**	**-4 962**	**1 546**	**1 010**	**-18 016**	**-23 710**

14. INCOME TAXES

The income tax burden is broken down as follows:

XXV. Corporation tax (in € thousand)	31.12.16	31.12.15
Current taxes for fiscal year	-1 669	-1 335
Adjustment of current taxes from previous periods	- 694	- 124
Corporation tax	**-2 364**	**-1 459**

Befimmo is a Limited-Liability Company with the status of public BE-REIT (SIR/GVV). This status entitles the Company to pay Belgian corporation tax (at the standard rate of 33.99%) on a reduced tax base, i.e. mainly on its non-allowable expenses.

The subsidiaries Fedimmo SA and Beway SA have the status of institutional BE-REIT and are therefore also subject to the same tax regime as Befimmo SA.

Befimmo Property Services SA, Meirfree SA and Vitalfree SA are subject to standard Belgian corporation tax. They are subject to the standard rate of corporation tax (33.99%) on their taxable income.

Axento SA is subject to standard Luxembourg corporation tax. It is subject to the standard rate of corporation tax on its taxable income.

The increase in income tax (+62%) is explained mainly by the booking of a provision for various tax exposures covering three fiscal years (€1.2 million).

1. The amount relates mainly to the commitment fees paid on bank lines.

15. RESULT PER SHARE

Result for the fiscal year (in € thousand)	31.12.16	31.12.15
NUMERATOR		
Net result for the fiscal period	90 406	97 927
DENOMINATOR		
Shares not held by the group at the end of the period (in units)	25 579 214	23 021 293
Weighted average of shares in circulation during the period (in units)	23 692 223	22 198 549
Net result per share (basic and diluted) (in €)	**3.82**	**4.41**
Dividend for the fiscal year		
Interim dividend (gross)	58 704 [1]	57 338
Final dividend (gross)	23 021 [2]	19 798
Gross dividend for the fiscal year	**81 726**	**77 136**
Total gross dividend per share not held by the group	3.4500	3.4500

The result per share is calculated by dividing the net result by the weighted average number of shares not held by the group during the fiscal year concerned.

Since Befimmo has no diluting instruments, the basic and diluted results are identical.

16. 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. This goodwill, recorded on the assets side of the consolidated financial statements, represents the future financial advantages associated with the synergies, optimisations and development prospects of a geographically diversified property portfolio. A reduction in goodwill of €58 thousand was recorded on the sale of the Chênée building (located at rue Large 59). The goodwill amount associated with the sold property was reversed and incorporated into the calculation of the result of the sale. As against the 2015 fiscal year, during which another reduction in the value of the goodwill of €138 thousand was recorded in the Wallonia segment, following the impairment test explained hereafter, no decrease of the goodwill value was registered in 2016. The table hereafter illustrates the change in value of the goodwill over the fiscal year:

(in € thousand)	31.12.16	31.12.15
COST		
Opening balance	**15 039**	**15 156**
Reductions linked to assets sold during the period	- 58	- 118
Closing balance	**14 981**	**15 039**
DECREASE IN VALUE		
Opening balance	**- 487**	**- 349**
Write-downs posted during the period	-	- 138
Closing balance	**- 487**	**- 487**
CARRYING AMOUNT		
Opening balance	**14 552**	**14 808**
Closing balance	**14 494**	**14 552**

The goodwill has been allocated to the groups of cash-flow generating units (CGUs) that will benefit from the synergies of the acquisition. In the case of the Fedimmo portfolio, this corresponds to the groups of properties broken down according to their geographical location. This breakdown of goodwill by geographical segment is illustrated in the table hereafter.

Segment (in € thousand)	Goodwill	Carrying amount (including 100% goodwill and impairment of previous fiscal years)	Value in use	Impairment (of the fiscal year)
Brussels Centre	597	31 208	31 312	-
Brussels Leopold district	2 108	132 179	133 098	-
Brussels North area	4 685	270 242	271 698	-
Wallonia	1 456	53 832	53 893	-
Flanders	5 647	255 775	256 390	-
Total portfolio	**14 494**	**743 235**	**746 391**	**-**

1. The interim dividend paid on 21 December 2016 was reserved for the shares existing before the capital increase of 27 September 2016.
2. Amount subject to approval by the Ordinary General Meeting of shareholders of 25 April 2017.

IMPAIRMENT TEST

At each balance sheet date, the goodwill is subject to an impairment test (conducted on the groups of buildings to which it was allocated on the basis of geographical segments), comparing the carrying amount of the groups of buildings (including the goodwill allocated at 100%) with their value in use. The value in use of the groups of buildings is assessed by the real-estate expert on the basis of a calculation for updating the cash flows generated by these buildings, based on assumptions in accordance with standard IAS 36 – *Impairment of assets*.

This value in use is equivalent to the investment value of the properties. The result of the test carried out at 31 December 2016 (shown in the table before) indicates that no impairment should be booked because the value in use for this sector is higher than the book value.

SENSITIVITY TEST

The method for calculating the fair value of investment property by independent experts relies on making several specific assumptions, mainly the rate of updating the cash flows generated by the buildings and the residual value of each building.

The sensitivity of the value of the goodwill to changes in the rates of updating the cash flows generated by the groups of buildings to which the goodwill was allocated, was tested. It appears that this rate has to rise by 3.41% before the value of the goodwill recorded begins to be impaired. A further 1% rise in the rate above that level would lead to an impairment of the value of the goodwill of €13.684.

17. INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

As required by IAS 40, properties that are being constructed or developed for own account in order to be leased are included under investment properties. This category covers properties under construction or undergoing a major renovation and earning no income over that period, or those which by their nature do not generate income (land).

C. Investment properties (in € thousand)	**31.12.16**	**31.12.15**
Properties available for lease	2 445 330	2 230 420
Properties that are being constructed or developed for own account in order to be leased	66 327	157 386
Investment properties	**2 511 658**	**2 387 806**

As at 31 December 2016, "Others - Properties that are being constructed or developed for own account in order to be leased" included the buildings Guimard, Kortrijk located at Ijzerkaai 26, and Binche at rue de la Régence 31, as well as the Paradis Express and WTC IV plots.

A. Assets held for sale (in € thousand)	**31.12.16**	**31.12.15**
Investment properties	-	484
Assets held for sale	**-**	**484**

As at 31 December 2015, this heading comprised the Chênée building located at rue Large 59, which was sold in 2016.

(in € thousand)	
Carrying value as at 31.12.2014	**2 285 235**
of which: - Investment properties	*2 283 268*
- Assets held for sale	*1 967*
Acquisitions	75 430
Other investments	22 592
Disposals	- 5 951
Changes in fair value	10 984
Carrying value as at 31.12.2015	**2 388 290**
of which: - Investment properties	*2 387 806*
- Assets held for sale	*484*
Acquisitions	74 308
Other investments	31 481
Disposals	- 3 542
Changes in fair value	21 121
Carrying value as at 31.12.2016	**2 511 658**
of which: - Investment properties	*2 511 658*
- Assets held for sale	*-*

During the first half of the 2015 fiscal year, Beway SA, a 100% Befimmo subsidiary, acquired the Gateway project, located in the Brussels airport area, by acquiring the leasehold on the land for a remaining term of 98 years, and the freehold of the existing building and the buildings in the process of completion. As at 31 December 2016, the building was handed over and the total amount invested in amounts to €149.78 million, of which €75.4 million in 2015.

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

During 2016, Befimmo invested a total of €31.5 million in its buildings. The main investments related to the renovation of the Brederode 9 and Namur 48 buildings (€8.4 million), the Guimard building (€3.4 million), Blue Tower (€3.4 million), Goemaere (€3.0 million) and various spaces in the Ikaros Business Park (€3.6 million).

During the 2015 fiscal year, the Company sold two buildings in Wallonia (the Mons 2 and Namur buildings located at avenue de Stassart 9, Namur) and one building in Flanders, located at Kasteelstraat 19, Izegem.

In 2016, Befimmo sold the building rue Large 59 in Chênée located in Wallonia and the Jean Dubrucq building in Brussels decentralised.

From 1 January 2016 until they were sold, these two buildings contributed €0.08 million to property operating income.

18. OTHER PROPERTY, PLANT AND EQUIPMENT

D. Other property, plant and equipment (in € thousand)	31.12.16	31.12.15
Property, plant and equipment for own use	2 465	997
Other property, plant and equipment	**2 465**	**997**

The increase in “Property, plant and equipment for own use” is down to the investments made during the year in the information systems and in the redevelopment of the office space used by the Company, in response to the new ways of working.

19. NON-CURRENT AND CURRENT FINANCIAL ASSETS

E. Non-current financial assets (in € thousand)	31.12.16	31.12.15
Assets at fair value through profit and loss	40 319	49 979
Authorised hedging instruments - level 2	40 319	49 979
Option - CAP	*143*	*542*
Forward - IRS	*6 031*	*13 681*
Forward - CCS	*34 145*	*35 756*
Loans and receivables	1 347	2 694
Others	2 135	2 136
Non-current financial assets	**43 801**	**54 809**

B. Current financial assets (in € thousand)	31.12.16	31.12.15
Assets at fair value through profit and loss	1 111	-
Authorised hedging instruments - level 2	1 111	-
Option - CAP	*0*	-
Forward - IRS	*1 111*	-
Loans and receivables	1 800	1 814
Current financial assets	**2 911**	**1 814**

The heading "Assets at fair value through profit or loss" reflects the valuation at fair value of the financial derivatives in accordance with IAS 39 – *Financial instruments: recognition and measurement*, which have a positive value. Otherwise, their value is entered in the equivalent heading under liabilities (see note 27 to these financial statements). Befimmo does not practice hedge accounting for the financial hedging instruments it holds. Accordingly, these instruments are regarded as trading instruments as per IFRS and the difference in value recorded over the fiscal year is recognised in the income statement under section XXIII of the financial result – “Changes in fair value of financial assets and liabilities”. The derivatives were valued as at 31 December 2016 taking account of the credit value adjustments (CVAs) and debit value adjustments (DVAs) as per IFRS 13, as described in note 32 to these financial statements. 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.

The fair value of the financial instruments is determined purely using (directly or indirectly) observable data, but which are not prices quoted on an active market. The IRS, CCS and CAP contracts therefore belong to level 2 of the fair-value hierarchy, as defined in standard IFRS 13 – *Fair Value Measurement*.

The fair value of these contracts is determined at the balance sheet date. Befimmo obtained this information from an independent specialist company. Befimmo also checks them for consistency through consistency checks with counterparty financial institutions (fair value excluding CVAs/DVAs).

Finally, we note that although the instruments in question are considered trading instruments under IFRS, they are intended solely for hedging the risk of changing interest and currency rates, and not for speculative purposes.

The heading “Loans and receivables” includes various amounts to be recovered from counterparties of the Company. The main one is linked to the method of payment by the Walloon Region following the sale of the Mons 1 building in 2013.

To cover commitments made in 2012 by Blue Tower Louise SA vis-à-vis Aedifica, notably the commitment to carry out certain alterations to the structure of the basement of the Blue Tower building (see paragraph 35.1.7 hereafter), a guarantee of €2.1 million was set aside in favour of Aedifica and is the principal amount under the heading "Others".

20. FINANCE LEASE RECEIVABLES

This heading relates to finance lease agreements (as per standard IAS 17) and at 31 December 2016 includes mainly the asset embodied in the building in Wandre. The fair value of this asset is €1,823 thousand, compared with its value at amortised cost of €1,638 thousand.

21. TRADE RECEIVABLES

Trade receivables arise through rents or billing of taxes or rental charges. The quantitative description of the principal risks (see note 32.A to these financial statements) includes a section on the credit risk, which analyses the Company’s exposure to such debts on account of the counterparty or of the maturity.

22. TAX RECEIVABLES AND OTHER CURRENT ASSETS

E. Tax receivables and other current assets (in € thousand)	31.12.16	31.12.15
Taxes	9 854	11 254
Salary and social charges	33	61
Others	1 681	1 681
Tax receivables and other current assets	**11 568**	**12 996**

The amount of the sub-heading "Taxes" consists mainly of VAT to be recovered, which is linked to the construction of the Gateway building. The amount of the sub-heading "Others" consists mainly of a receivable of €1.7 million which neutralises a provision related to ongoing litigation, existing prior to the acquisition of Ringcenter SA (Pavilion building), the outcome of which will have no impact on the Company.

23. CASH AND CASH EQUIVALENTS

F. Cash and cash equivalents (in € thousand)	31.12.16	31.12.15
Available values	153	215

As the Company is structurally indebted, available funds are limited, consisting mainly of positive balances in the Company’s various bank accounts.

24. DEFERRED CHARGES AND ACCRUED INCOME – ASSETS

G. Deferred charges and accrued income (in € thousand)	31.12.16	31.12.15
Prepaid property charges	622	78
Prepaid interest and other financial charges	12	190
Others	3 710	3 271
Deferred charges and accrued income	**4 344**	**3 540**

This heading covers:

- real-estate charges paid in advance;
- interest and other financial charges paid in advance, primarily related to the commercial paper programme;

- under the sub-heading "Others": mainly receivable financial products related firstly to a receiver's IRS agreed when arranging the bond loan in April 2011 (€2.1 million), to the CCS agreed when arranging the USPP (€0.6 million) and to other receiver's IRS (€0.5 million). The characteristics of these instruments are set out in the table in note 32 to these financial statements.

25. CAPITAL AND RESERVES

(in € thousand)			31.12.16	31.12.15
A. Capital			**357 871**	**323 661**
(+)		Subscribed capital	371 627	334 464
(-)		Costs of capital increase	-13 756	-10 803
B. Share premium account			**792 641**	**702 548**
C. Reserves			**219 134**	**198 497**
(+)	(a)	Legal reserve	1 295	1 295
(+/-)	(b)	Reserve for the balance of changes in fair value of investment properties	118 356	105 017
(-)	(c)	Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	-42 104	-40 237
(+/-)	(e)	Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting under IFRS	-1 873	-11 001
(+/-)	(j)	Reserve for actuarial gains and losses for the defined benefit pension plan	- 265	- 112
(+/-)	(m)	Other reserves	19 818	19 818
(+/-)	(n)	Result brought forward from previous years	123 908	123 716

The capital and issue premiums were increased this year on 27 September 2016, within the framework of the capital increase in cash (€124.3 million – net of fees).

Reserves are presented before the appropriation of the result for the fiscal year. In addition to the appropriation of the result for the previous fiscal year (€40.6 million) and the payment of the final dividend for 2015 (-€19.8 million), reserves were also impacted in 2016 by the result recognised directly in equity under IAS 19 R representing the actuarial gains and losses of the defined-benefit pension plan (impact of -€0.15 million).

26. CURRENT AND NON-CURRENT FINANCIAL DEBTS

B. Non-current financial debts (in € thousand)	31.12.16	31.12.15
Credit institutions	242 093	209 080
Other	296 654	450 280
Bond issues	*-*	*161 910*
EUPP	*111 092*	*103 813*
USPP	*183 206*	*182 809*
Guarantees received	*2 356*	*1 749*
Non-current financial debts	**538 747**	**659 360**

B. Current financial debts (in € thousand)	31.12.16	31.12.15
Credit institutions	72 261	70 797
Other	486 978	393 750
Commercial papers	*325 000*	*393 750*
Bond issues	*161 978*	*-*
Current financial debts	**559 239**	**464 547**

At constant perimeter and taking account of renegotiation of two bank lines for a total amount of €225 million conducted in early 2017, the Company has covered its financing needs until the end of the first quarter of 2018. The commercial paper should be recorded as a current liability as per IAS 1. Nevertheless, the Company has confirmed bank lines in excess of one year as a backup for the commercial paper.

The headings “Credit institutions” (non-current and current) cover all the bank financing held by the Company. Therefore, these headings also include the three financing deals involving the sales of receivables or future usufruct fees.

The heading "Other - EUPP" includes the debt linked to the European private placements of €111.25 million, €66.25 million of which are at a fixed rate and €45 million are at floating rates. The European private placements made in 2016 amount to €7.25 million.

The heading "Other – USPP" covers the USPP debt, arranged in May 2012, measured at fair value.

The heading “Other – Guarantees received” covers the amount of rental guarantees received in cash from tenants in the Company’s property portfolio. Their carrying amount is equivalent to their fair value.

The heading “Other – Commercial papers” covers the outstanding commercial paper issued by the Company at the balance sheet date.

The heading "Other - Bond issues" reports the notional amount of the bond issue carried out in April 2011 for €162 million and maturing in April 2017.

Under IFRS standards, the costs related to the bond issues and the private placements are spread over the term of the financing. Similarly, the differences between the issue price and accountable par of the bond issue are spread over the life of the loan and booked to the financial result.

As mentioned under Significant Accounting Policies, the value of the recorded assets and liabilities approximates to their fair value, except for:

- the financing relating to the assignments of receivables from future rents/future usufruct fees, structured at fixed rates, of a residual total at 31 December 2016 of €77.9 million;
- the bond issue;
- the European private placements at fixed rates.

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 2016 fiscal year.

The fair value of the assigned receivables for future rents/future usufruct fees and for the European private debt placements is estimated by updating the future expected cash flows using the 0-coupon yield curve for 31 December 2016, plus a margin to take account of the Company's credit risk (level 2). The fair value of the bond issue is, in turn, obtained from the quoted market prices (level 1).

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

(in € thousand)	Level in IFRS	Fair value	Book value
Retail bond	1	164 214	161 978
EUPP	2	68 308	66 250
Sales of receivables	2	86 271	77 943

27. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

C. Other non-current financial liabilities (in € thousand)	**31.12.16**	**31.12.15**
Authorised hedging instruments	25 321	15 169
Financial hedging instruments at fair value through profit and loss - level 2	25 321	15 169
Option - CAP and COLLAR	*1 405*	*1 698*
Forward - IRS	*23 794*	*13 471*
Forward - CCS	*122*	*-*
Other non-current financial liabilities	**25 321**	**15 169**

C. Other current financial liabilities (in € thousand)	**31.12.16**	**31.12.15**
Authorised hedging instruments	15	-
Financial hedging instruments at fair value through profit and loss - level 2	15	-
Option - CAP and COLLAR	*15*	-
Other current financial liabilities	**15**	**-**

The headings “Other non-current financial liabilities” and “Other current financial liabilities” reflect solely the fair value of the financial instruments, as per IAS 39 – *Financial instruments: recognition and measurement*, which have a negative value. Otherwise, their value is recognised in the equivalent category of the assets (see note 19 to these financial statements). Befimmo does not practice hedge accounting for the financial hedging instruments it holds. Accordingly, these instruments are regarded as trading instruments as per IFRS and the difference in value recorded over the fiscal year is recognised in the income statement under section XXIII of the financial result – “Changes in fair value of financial assets and liabilities”. The derivatives were valued as at 31 December 2016 taking account of the credit value adjustments (CVAs) and debit value adjustments (DVAs) as per IFRS 13, as described in note 32 to these financial statements. 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 Befimmo bonds.

The fair value of the financial instruments is determined purely using (directly or indirectly) observable data, but which are not prices quoted on an active market. The IRS, CCS and COLLAR contracts therefore belong to level 2 of the fair-value hierarchy, as defined in standard IFRS 13 – *Fair Value Measurement*.

The fair value of these contracts is determined at the balance sheet date. Befimmo obtained this information from an independent specialist company. Befimmo also checks them through consistency checks with counterparty financial institutions (fair value excluding CVAs/DVAs).

Finally, we note that although the instruments in question are considered trading instruments under IFRS, they are intended solely for hedging the risk of changing interest and currency rates, and not for speculative purposes.

28. PROVISIONS

A. Non-current provisions (in € thousand)	**31.12.16**	**31.12.15**
Pensions	257	-
Non-current provisions	**257**	**-**

A. Current provisions (in € thousand)	**31.12.16**	**31.12.15**
Others	3 831	2 239
Current provisions	**3 831**	**2 239**

In 2016, the non-current provision represents the difference between the present value of the pension commitment and the fair value of the plan assets (supplementary defined-benefit pension plan).

The heading "Current provisions" mainly includes a provision for an ongoing dispute that pre-dates the acquisition of Ringcenter SA (Pavilion building), the outcome of which will have no impact on the Company (a debt of an equivalent amount is recorded in the accounts – note 22 to these financial statements). This heading also contains a provision for income tax exposures covering three fiscal years (€1.2 million) (see note 14 before).

Finally, it also contains a provision for legal compliance work.

29. TRADE DEBTS AND OTHER CURRENT DEBTS

D. Trade debts and other current debts (in € thousand)	**31.12.16**	**31.12.15**
Other	44 774	56 483
Suppliers	*15 426*	*21 359*
Tenants	*9 870*	*10 156*
Tax, salaries and social charges	*19 477*	*24 967*
Trade debts and other current debts	**44 774**	**56 483**

The heading "Other" consists of three sub-headings:

- suppliers: this covers the amounts owed to various suppliers of goods and service providers;
- tenants: relates to amounts received as deposits for provisions for common charges prepaid by tenants;
- taxes, remuneration and social charges: consists mainly of the amounts of debts related to taxes and withholding charges owed by the Company. As at 31 December 2016, an amount of €11.5 million alone accounts for the withholding tax payable on the interim dividend distributed in late December 2016.

30. OTHER CURRENT LIABILITIES

This heading essentially covers debts payable related to Befimmo share coupons and attendance tokens of the Company Directors.

31. ACCRUED CHARGES AND DEFERRED INCOME – LIABILITIES

F. Accrued charges and deferred income (in € thousand)	**31.12.16**	**31.12.15**
Property income received in advance	24 645	23 987
Interest and other financial charges accrued and not yet due	9 222	8 228
Others	65	6
Accrued charges and deferred income	**33 932**	**32 221**

This heading consists principally of:

- Income from properties collected in advance, in accordance with the terms of the leases, of which the amount of the rents concerned relates to subsequent periods;
- Financial interest and charges accrued but not yet due, notably interest on the bonds issued in April 2011 (€4.9 million), on other fixed-rate financing (€1.9 million) and on financial hedging instruments (€1.6 million).

32. QUANTITATIVE DESCRIPTION OF THE PRINCIPAL RISKS OF THE FINANCIAL ASSETS AND LIABILITIES

The quantitative description of the principal risks below complements the chapter on "Risk factors" on page 1 of the management report.

A. CREDIT RISK

Please see page 32 of the management report for a breakdown of Befimmo's portfolio of tenants.

The following tables show the maximum amounts of the Company's exposure to credit risk, at the balance sheet date, by category of counterparty.

31.12.16 (in € thousand)	TOTAL	Bank	Corporate	State	Other
Non-current financial assets					
E. Non-current financial assets	**43 801**	42 450	3	1 347	1
F. Finance lease receivables	**1 530**	-	-	1 505	25
Current financial assets					
B. Current financial assets	**2 911**	1 554	11	1 347	0
C. Finance lease receivables	**133**	-	-	133	-
D. Trade receivables	**19 995**	955	11 953	7 087	-
E. Other current assets	**1 681**	-	1 681	-	-
F. Cash and cash equivalents	**153**	152	-	-	1
Total financial assets	**70 205**	**45 110**	**13 647**	**11 420**	**28**

31.12.15 (in € thousand)	TOTAL	Bank	Corporate	State	Other
Non-current financial assets					
E. Non-current financial assets	**54 809**	52 110	4	2 694	1
F. Finance lease receivables	**1 664**	-	-	1 638	25
Current financial assets					
B. Current financial assets	**1 814**	420	48	1 347	-
C. Finance lease receivables	**131**	-	-	131	-
D. Trade receivables	**21 226**	742	10 737	9 747	-
E. Other current assets	**1 681**	-	1 681	-	-
F. Cash and cash equivalents	**215**	214	-	-	1
Total financial assets	**81 541**	**53 486**	**12 470**	**15 557**	**27**

All the financial assets in the above table are in the "Loans and receivables" category, as per IAS 39, except for the heading "Financial hedging instruments" (regarded as trading instruments under IFRS) which accounts for most of the "Non-current financial assets" and which are recognised at fair value through the income statement. Note that the fair value of the financial instruments takes account of Befimmo's credit risk against its counterparty banks and that of its counterparties against Befimmo, as per IFRS 13. Except for the heading "Hedging instruments", the financial assets in the table above are classed as level 2 according to IFRS 13.

To limit the counterparty risk, in the context of its property rental business and also for investment or disinvestment transactions or works, Befimmo has received the following guarantees:

(in € thousand)		31.12.16	31.12.15
Rental guarantees for leases	Blocked accounts/bank guarantees	15 107	14 817
Rental guarantees for leases	Guarantees received in cash	2 356	1 749
Guarantees for investment works	Blocked accounts	25 749	26 263
Guarantees received for acquisitions	Bank guarantees	-	16 000
Guarantees received at the close of the fiscal year		**43 213**	**58 829**

Befimmo regularly monitors the recovery of its receivables. The details of due dates for trade receivables at the balance sheet date are as follows:

Ageing balance of trade receivables (in € thousand)	> 3 months	1 to 3 months	< 1 months	Unexpired	Total
Non-doubtful debtors	492	441	2 343	16 330	**19 606**
Doubtful debtors	1 875	101	-	-	**1 975**
Provisions for doubtful debtors	-1 492	- 96	-	-	**-1 587**
As at 31.12.16	**875** [1]	**447**	**2 343**	**16 330**	**19 995**
Non-doubtful debtors	4 210	737	420	15 838	**21 204**
Doubtful debtors	1 674	94	1	-	**1 769**
Provisions for doubtful debtors	-1 651	- 94	- 1	-	**-1 746**
As at 31.12.15	**4 231** [1]	**737**	**420**	**15 838**	**21 226**

Befimmo bears the final risk of trade receivables.

A debt repayment plan can be arranged for certain tenants in arrears. At the end of 2016, there were no significant repayment plans.

Furthermore, write-downs of €283,518 were recorded during the 2016 fiscal year (as against €384,712 in 2015); while €167,655 of write-downs were also registered in 2016 (as against €434,524 in 2015).

B. RISKS RELATED TO FINANCING, FINANCIAL HEDGING INSTRUMENTS AND THEIR VALUATION

Please see:

- page 50 of the management report for a description of Befimmo's financial structure and especially its policy of refinancing and interest-rate and currency hedging; and
- page 5 of the management report for an analysis of the sensitivity of the result to changes in interest rates.

(in € thousand)	31.12.16	31.12.15
Variable-rate borrowings	214 194	173 125
Bilateral credit lines	*169 351*	*128 312*
EUPP	*44 842*	*44 813*
Fixed-rate borrowings	322 197	484 486
USPP	*183 206*	*182 809*
Bond issue	*-*	*161 910*
Assignment of future receivables	*72 741*	*80 767*
EUPP	*66 250*	*59 000*
Guarantees received	2 356	1 749
B. Non-current financial debts	**538 747**	**659 360**
Variable-rate borrowings	392 059	459 586
Bilateral credit lines	*67 059*	*65 836*
Commercial papers	*325 000*	*393 750*
Fixed-rate borrowings	167 180	4 962
Assignment of future receivables	*5 202*	*4 962*
Bond issue	*161 978*	*-*
B. Current financial debts	**559 239**	**464 547**
Total borrowings	**1 097 986**	**1 123 907**

During 2016, Befimmo arranged two bilateral lines with bank institutions for an amount of €90 million and also renegotiated the contractual and financial conditions of a bilateral line with a bank institution for an amount of €100 million. During 2016, it also realised a European private placement of debt for an amount of €7.25 million.

At constant perimeter and taking account of the renegotiation of two bank lines for a total amount of €225 million conducted in early 2017, the Company has covered its financing needs until the first quarter of 2018.

As at 31 December 2016, the funding available to the Company consisted[2] primarily of:

- a number of bilateral credit lines totalling €832.4 million maturing in December 2017 (€125 million), March 2018 (€50 million), July/September/November 2019 (€240 million), September/December 2020 (€222 million) and February/April/June 2021 (€160 million). Two bank lines are subject to annual depreciation of respectively €5.73 million in 2017, €8.85 million in 2018, 2019 and 2020 and €3.13 million in 2021;
- a bond issue in April 2011 for €162 million and a term of 6 years;

1. Most of this amount is owed by public institutions.
2. The amounts given are the nominal amounts, excluding the impact of spreading the costs of issuing debt and recovery of par value.

- a United States private placement (USPP) at fixed rates in US Dollar and Pound Sterling arranged in May 2012 for an amount equivalent to €150.3 million maturing in 2019 (€82.77 million) and 2020 (€67.49 million);
- European private bond placements at fixed rates in € for a total amount of €66.25 million, of which €15 million maturing in 2018, €10 million maturing in 2022, €3 million maturing in 2023, €12 million maturing in 2024, €19 million maturing in 2025 and €7.25 million maturing in 2026;
- a European private bond placement at variable rates in € for a total amount of €45 million maturing in April 2022;
- various fixed-rate loans, with a residual total of some €77.9 million, corresponding to the assignment of future rents or future usufruct fees (unindexed) on four buildings in the Fedimmo portfolio and two in the Befimmo portfolio.

In order to reduce its financing costs, Befimmo has a commercial paper programme for up to €600 million. As at 31 December 2016, €325 million were in use under this programme for short term issues. The programme has backup facilities consisting of the various credit lines described above.

In addition, the application of the interest rate hedging policy, described on page 51 of the management report, has led the Company to acquire the following financial hedging instruments (as at 31 December 2016) from financial institutions:

			CURRENCY		€				
	Level in IFRS	Class in IFRS	Notional amount (millions)	Interest rate	Notional amount (millions)	Interest rate	Period of hedge		Reference interest rate
CAP bought	2	Option			25	2.00%	Jan. 2013	Jan. 2019	Euribor 3 month
CAP bought	2	Option			50	1.50%	Sept. 2013	Sept. 2017	Euribor 3 month
CAP bought	2	Option			25	2.25%	Jan. 2014	Oct. 2018	Euribor 3 month
CAP bought	2	Option			20	1.50%	Feb. 2014	Feb. 2018	Euribor 3 month
CAP bought	2	Option			15	1.30%	May 2014	May 2018	Euribor 3 month
CAP bought	2	Option			15	0.75%	Jan. 2015	Jan. 2020	Euribor 3 month
CAP bought	2	Option			15	0.30%	Jan. 2015	Jan. 2019	Euribor 3 month
CAP bought	2	Option			30	0.50%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			25	0.85%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			20	3.50%	Jan. 2012	Jan. 2017	Euribor 3 month
FLOOR[3] sold	2	Option			20	1.51%	Jan. 2012	Jan. 2017	Euribor 3 month
CAP bought	2	Option			30	2.25%	July 2012	Jan. 2019	Euribor 1 month
FLOOR[3] sold	2	Option			30	0.82%	July 2012	Jan. 2019	Euribor 1 month
CAP bought	2	Option			20	1.15%	Jan. 2016	Jan. 2022	Euribor 3 month
FLOOR[3] sold	2	Option			20	0.55%	Jan. 2016	Jan. 2022	Euribor 3 month
Receiver's IRS	2	Forward			100	3.12%	April 2011	Apr. 2017	Euribor 3 month
Payer's IRS	2	Forward			25	1.51%	July 2012	July 2021	Euribor 1 month
Payer's IRS	2	Forward			25	1.41%	Dec. 2017	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			25	1.57%	Dec. 2017	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			20	1.58%	Jan. 2018	July 2022	Euribor 3 month
Payer's IRS	2	Forward			15	0.84%	May 2014	May 2019	Euribor 3 month
Payer's IRS	2	Forward			15	1.40%	July 2014	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			15	1.08%	Sept. 2015	Sept. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.50%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.49%	Jan. 2016	Apr. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.47%	Jan. 2016	July 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.41%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.41%	Jan. 2016	Apr. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.42%	Jan. 2016	July 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.72%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			20	0.84%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			30	0.91%	Oct. 2015	Oct. 2025	Euribor 3 month
Payer's IRS	2	Forward			20	0.81%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			20	0.79%	Feb. 2016	Feb. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.59%	Nov. 2016	Nov. 2025	Euribor 3 month
Payer's IRS	2	Forward			30	0.58%	Jan. 2016	Jan. 2026	Euribor 3 month
Payer's IRS	2	Forward			25	0.30%	June 2017	Dec. 2026	Euribor 3 month
Payer's IRS	2	Forward			30	0.85%	Feb. 2016	Feb. 2026	Euribor 3 month
Payer's IRS	2	Forward			40	3.90%	Jan. 2016	Jan. 2018	Euribor 3 month
Receiver's IRS	2	Forward			40	3.90%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			20	0.11%	Jan. 2016	Jan. 2018	Euribor 3 month
Receiver's IRS	2	Forward			30	0.12%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			30	2.99%	Jan. 2018	Jan. 2022	Euribor 3 month
Receiver's IRS	2	Forward			30	2.99%	Jan. 2018	Jan. 2022	Euribor 3 month
CCS[4]	2	Forward	75 USD	4.83%	56	2.77%	May 2012	May 2019	Fix USD for Fix EUR
CCS[4]	2	Forward	22 GBP	4.90%	26	2.76%	May 2012	May 2019	Fix GBP for Fix EUR
CCS[4]	2	Forward	90 USD	5.05%	67	2.92%	May 2012	May 2020	Fix USD for Fix EUR

3.Buying a COLLAR places a ceiling on the rise in interest rates (CAP), but also involves an undertaking to pay a minimum rate (FLOOR).
4.The interest rates in € are margin inclusive for the CCS. The rates are applicable as from 1 June 2015.

The hedging policy is implemented by recurring purchases of option or IRS type hedging instruments. We would remind the reader that the CCS were concluded in March 2012 to hedge the currency risk related to the conclusion of the USPP, denominated in Pound Sterling and US Dollar.

As at 31 December 2016, the hedging ratio was 99.3%.

The situation of the hedging instruments as at 31 December 2015 is set out below.

			CURRENCY		€				
	Level in IFRS	Class in IFRS	Notional amount (millions)	Interest rate	Notional amount (millions)	Interest rate	Period of hedge		Reference interest rate
CAP bought	2	Option			25	3.50%	Jan. 2012	Jan. 2016	Euribor 1 month
CAP bought	2	Option			25	2.00%	Jan. 2013	Jan. 2019	Euribor 3 month
CAP bought	2	Option			25	1.00%	Feb. 2013	Feb. 2017	Euribor 3 month
CAP bought	2	Option			50	1.50%	Sept. 2013	Sept. 2017	Euribor 3 month
CAP bought	2	Option			50	1.50%	Jan. 2014	Jan. 2017	Euribor 3 month
CAP bought	2	Option			25	2.25%	Jan. 2014	Oct. 2018	Euribor 3 month
CAP bought	2	Option			20	1.50%	Feb. 2014	Feb. 2018	Euribor 3 month
CAP bought	2	Option			15	1.30%	May 2014	May 2018	Euribor 3 month
CAP bought	2	Option			15	0.75%	Jan. 2015	Jan. 2020	Euribor 3 month
CAP bought	2	Option			15	0.30%	Jan. 2015	Jan. 2019	Euribor 3 month
CAP bought	2	Option			30	0.50%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			25	0.85%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			20	3.50%	Jan. 2012	Jan. 2017	Euribor 3 month
FLOOR[1] sold	2	Option			20	1.51%	Jan. 2012	Jan. 2017	Euribor 3 month
CAP bought	2	Option			30	2.25%	July 2012	Jan. 2019	Euribor 1 month
FLOOR[1] sold	2	Option			30	0.82%	July 2012	Jan. 2019	Euribor 1 month
CAP bought	2	Option			20	1.15%	Jan. 2016	Jan. 2022	Euribor 3 month
FLOOR[1] sold	2	Option			20	0.55%	Jan. 2016	Jan. 2022	Euribor 3 month
Receiver's IRS	2	Forward			100	3.12%	April 2011	Apr. 2017	Euribor 3 month
Payer's IRS	2	Forward			25	1.51%	July 2012	July 2021	Euribor 1 month
Payer's IRS	2	Forward			25	1.41%	Dec. 2017	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			25	1.57%	Dec. 2017	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			20	1.58%	Jan. 2018	July 2022	Euribor 3 month
Payer's IRS	2	Forward			15	0.84%	May 2014	May 2019	Euribor 3 month
Payer's IRS	2	Forward			15	1.40%	July 2014	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			15	1.08%	Sept. 2015	Sept. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.50%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.49%	Jan. 2016	Apr. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.47%	Jan. 2016	July 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.41%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.41%	Jan. 2016	Apr. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.42%	Jan. 2016	July 2024	Euribor 3 month
Payer's IRS	2	Forward			25	0.72%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			20	0.84%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			30	0.91%	Oct. 2015	Oct. 2025	Euribor 3 month
Payer's IRS	2	Forward			20	0.81%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			20	0.79%	Feb. 2016	Feb. 2025	Euribor 3 month
Payer's IRS	2	Forward			30	0.85%	Feb. 2016	Feb. 2026	Euribor 3 month
Payer's IRS	2	Forward			40	3.90%	Jan. 2016	Jan. 2018	Euribor 3 month
Receiver's IRS	2	Forward			40	3.90%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			20	0.11%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			30	0.12%	Jan. 2016	Jan. 2018	Euribor 3 month
Receiver's IRS	2	Forward			30	0.12%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			30	2.99%	Jan. 2018	Jan. 2022	Euribor 3 month
Receiver's IRS	2	Forward			30	2.99%	Jan. 2018	Jan. 2022	Euribor 3 month
CCS[2]	2	Forward	75 USD	4.83%	56	2.77%	May 2012	May 2019	Fix USD for Fix EUR
CCS[2]	2	Forward	22 GBP	4.90%	26	2.76%	May 2012	May 2019	Fix GBP for Fix EUR
CCS[2]	2	Forward	90 USD	5.05%	67	2.92%	May 2012	May 2020	Fix USD for Fix EUR

Befimmo does not practice hedge accounting for the financial hedging instruments it holds. These instruments are therefore regarded as trading instruments under IFRS, and changes in their fair value are booked entirely to the income statement. Even if the instruments in question are considered trading instruments under IFRS, they are intended solely for hedging the risk of rising interest 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*.

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 margin inclusive for the CCS. The rates are applicable as from 1 June 2015.

The fair value of these contracts is determined at the balance sheet date. The derivatives were valued as at 31 December 2016 taking account of the credit value adjustments (CVAs) and debit value adjustments (DVAs) as per 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 Befimmo bonds.

Befimmo obtained this information from an independent specialist company. Befimmo also checks them through consistency checks with counterparty financial institutions (fair value excluding CVAs/DVAs).

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

(in € thousand)		Balance sheet item as of 31.12.2016	
Classification by IFRS	Level in IFRS	I.E.b. Assets at fair value through the result	I.C. & II.C.Other current and non current financial liabilities
Option	2	143	-1 420
Forward	2	7 142	-23 794
CCS	2	34 145	- 122
		41 430	**-25 336**

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

The Company does not offset the value of its financial instruments booked to the assets and liabilities in the balance sheet. The financial assets and financial liabilities shown in the financial situation are therefore gross amounts.

ISDA agreements with counterparties on financial instruments allow hedging instruments recognised as assets to be offset against those carried as liabilities in the event of default. No collateral was exchanged between the parties.

The potential effect of the offsetting contracts on the hedging instruments is set out below:

Effect of enforceable netting agreements (in € thousand)	I.E.b. Assets at fair value through the result		I.C. & II.C.Other current and non current financial liabilities	
	31.12.16	31.12.15	31.12.16	31.12.15
Total financial hedging instruments recognised in balance sheet	41 602 [3]	50 838	25 730 [3]	15 346
Enforceable netting	-19 186	-15 346	-19 186	-15 346
Net amount	**22 416**	**35 492**	**6 544**	**-**

The USPP debt included in the balance sheet item I.B.c. is recognised at fair value (level 2). The fair value option under IAS 39 was adopted, the debt being covered by specific 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 Dollar and Pound Sterling) at the closing date of these accounts, plus the credit margin. The notional amount determined in this way is converted at the closing exchange rate to obtain the fair value in Euro.

In accordance with the Significant Accounting Policies, changes in the value of the derivatives held by the Company (hedging instruments or otherwise) taking place during the accounting year are described in the following table:

(in € thousand)	Initial fair value	Acquisitions and disposals during the period	Changes in fair value in profit and loss account	Net losses realised on sale of financial assets	Final fair value
Fiscal year 31.12.16	34 809	-	-18 715	-	16 094
Fiscal year 31.12.15	-8 240	24 986	18 205	- 142	34 809

3. The amounts €41,602 thousand and €25,730 thousand are excluding CVAs/DVAs.

As part of its hedging policy, the Company carried out various operations on hedging instruments over the year:

- the acquisition of two IRS covering the period from November 2016 to October 2025 (€25 million) and June 2017 to November 2026 (€25 million);
- the extension of an existing IRS originally maturing at the end of 2017 for an additional 8 years and for a notional of €30 million.

Early 2017, Befimmo restructured two IRS for an initial notional total of €35 million, which moved their expiry date to early 2027 and brought their notional total to €50 million.

C. FINANCIAL LIQUIDITY RISK

Please see page 7 of the management report for a description of the financial liquidity risk.

The residual (weighted) average duration of Befimmo's financing is 3.66[1] years. The tables below illustrate the maturities of the financial liabilities held by the Company.

LIABILITIES (31.12.16)	Total	< 1 year	Between 1 to 5 years	> 5 years
Non-current financial liabilities				
B. Non-current financial debts	**538 747**	-	404 591	134 156
Current financial liabilities				
B. Current financial debts	**559 239**	559 239	-	-
D. Trade debts and other current debts	**26 794**	26 794	-	-
E. Other current liabilities	**5 588**	5 588	-	-
Total financial liabilities	**1 130 368**	**591 621**	**404 591**	**134 156**

LIABILITIES (31.12.15)	Total	< 1 year	Between 1 to 5 years	> 5 years
Non-current financial liabilities				
B. Non-current financial debts	**659 360**	-	523 839	135 521
Current financial liabilities				
B. Current financial debts	**464 547**	464 547	-	-
D. Trade debts and other current debts	**33 126**	33 126	-	-
E. Other current liabilities	**4 920**	4 920	-	-
Total financial liabilities	**1 161 954**	**502 594**	**523 839**	**135 521**

The financial liabilities in the table are classed as level 2 according to IFRS 13 and are carried at amortised cost, with the exception of the USPP debt, valued at fair value at the closing date. According to IFRS 13, debt carried at fair value belongs to level 2, with the exception of the retail bond which is level 1.

33. EMPLOYEE BENEFITS G4-EC2 G4-EC3

Changes were made to the Company's supplementary pension scheme from the 2016 fiscal year.

Specifically, employees recruited as from 1 January 2016 have a new supplementary pension plan under a group defined-contribution insurance policy.

Employees in post on 31 December 2015 benefiting from a supplementary defined-benefit scheme, were offered the choice between continuing on the existing defined-benefits pension plan or switching to a new defined-contribution type group insurance as from 1 January 2016. In accordance with the law, employees who opted for the new defined-contribution plan benefit from dynamic management of the defined-benefits commitment for their past career. The supplementary defined-benefits pension plan is being retained for employees who opted to continue in it.

The assets covering the Company's commitments under the defined-benefit plan were transferred from the pension fund of AG Real Estate OFP to an insurance company.

A. DEFINED-BENEFIT PLAN

This plan provides for payment of a retirement pension and a survivor's pension. At the member's request, benefits may be paid as a lump sum.

This pension plan is exposed to various risks including the interest rate risk, credit risk, liquidity risk, the risk associated with equity markets, currency risk, inflation risk, management risk, risk of changes in statutory pensions and the risk related to changing life expectancies.

An actuarial valuation is made every year in accordance with IAS 19 by independent actuaries.

1. This calculation does not take account of the maturities for which refinancing is already implemented.

The current value of the obligation and assets has evolved as follows:

(in € thousand)	Present Value of the obligation	Fair Value of plan assets	Total (asset) /deficit	Effect of asset ceiling[1]	Net (asset)/ liability
As at 31 December 2014	**8 807**	**-8 395**	**412**	**0**	**412**
Service cost in profit and loss					
Current service cost (net of employee contributions)	1 081		1 081		1 081
Past service cost (including effect of curtailments)	- 398		- 398		- 398
Settlement (gain)/loss					
Net interest on the net liability/(asset) in profit and loss					
Interest cost on Defined Benefit Obligation/income on plan assets/ interest on asset ceiling	197	- 177	21		21
Components of Defined Benefit Cost recognised in profit and loss	880	- 177	703		703
Actuarial (gain)/loss arising from					
Changes in demographic assumptions					
Changes in financial assumptions	- 549		- 549		- 549
Experience adjustments	- 95		- 95		- 95
Return on plan assets (excluding amounts in net interest)		129	129		129
Change in effect of the asset ceiling (excluding amounts in net interest)				384	384
Remeasurements of the net liability/(asset) in 'Other comprehensive income'	- 644	129	- 516	384	- 131
Defined benefit cost (total amount recognised in profit and loss and 'Other comprehensive income')	**235**	**- 48**	**187**	**384**	**572**
Employee contributions	60	- 60	0		0
Employer contributions		- 984	- 984		- 984
Benefit payments from plan assets	- 150	150	0		0
Direct benefit payments by employer					
Cash flows	**- 90**	**- 894**	**- 984**		**- 984**
As at 31 December 2015	**8 953**	**-9 337**	**-384**	**384**	**0**
Service cost in profit and loss					
Current service cost (net of employee contributions)	144		144		144
Past service cost (including effect of curtailments)					
Settlement (gain)/loss					
Net interest on the net liability/(asset) in profit and loss					
Interest cost on Defined Benefit Obligation/income on plan assets/ interest on asset ceiling	202	- 207	- 6		- 6
Components of Defined Benefit Cost recognised in profit and loss	345	- 207	138	0	138
Actuarial (gain)/loss arising from					
Changes in demographic assumptions					
Changes in financial assumptions	1 060		1 060		1 060
Experience adjustments	- 443		- 443		- 443
Return on plan assets (excluding amounts in net interest)		- 80	- 80		- 80
Change in effect of the asset ceiling (excluding amounts in net interest)				- 384	- 384
Remeasurements of the net liability/(asset) in 'Other comprehensive income'	617	- 80	537	- 384	153
Defined benefit cost (total amount recognised in profit and loss and 'Other comprehensive income')	**962**	**- 287**	**675**	**- 384**	**291**
Employee contributions	12	- 12	0		0
Employer contributions		- 34	- 34		- 34
Benefit payments from plan assets	- 305	305	0		0
Direct benefit payments by employer					
Cash flows	**- 293**	**259**	**- 34**	**0**	**- 34**
As at 31 December 2016	**9 622**	**-9 365**	**257**	**0**	**257**

The cost of services provided is included under "Corporate overheads" of the IFRS income statement.

The effective rate of return of the assets for the 2016 fiscal year is 3.11%, calculated by weighting the rates of return on the group insurances (class 23 and 21). The plan assets are broken down as follows:

a) Group insurance (class 21): €2,758 thousand (present value of funded insurance benefits);

b) Group insurance (class 23): €6,607 thousand, invested in funds with assets broken down as follows: 37% equities, 60.5% bonds, 2.5% cash and other investments.

2. If a net asset exists, it will not be recognised.

The duration of the pension obligations for active plan members is 22 years. The pension obligations are funded based on the projected credit units method. The actual yield of the assets over the fiscal year was positive at €287 thousand. For the 2015 fiscal year, it was positive at €301 thousand.

The main actuarial assumptions are summarised below:

	31.12.16	31.12.15
Discount rate	1.75%	2.25%
Expected rate of salary increase	3.00%	3.00%
Expected yield rate of plan assets	1.75%	2.25%
Expected rate of pension increase	1.70%	1.70%
Mortality table	MR-5/FR-5	MR-5/FR-5

Befimmo expects to contribute an estimated €36 thousand for this plan for the 2017 fiscal year.

We also analysed the sensitivity of the pension obligation to changes in the various assumptions:

Parameters	Assumptions	Impact on the present value of the obligation
Discount rate	0.50%	Decrease of 11.05%
Discount rate	-0.50%	Increase of 12.45%
Inflation rate	0.50%	Increase of 12.15%
Inflation rate	-0.50%	Decrease of 10.97%
Growth rate of wages	0.50%	Increase of 9.96%
Growth rate of wages	-0.50%	Decrease of 10.34%
Life expectancy	+ 1 year	Increase of 3.98%

B. DEFINED-CONTRIBUTION PLAN

Employers do not bear any direct financial or actuarial risks in a defined-contribution pension plan. Nevertheless, they are still exposed to various risks, primarily the return risk (Belgian legislation requires employers to guarantee a minimum return that may be different from the return obtained by the insurance company).

Accordingly, in accordance with IAS 19, the present value of the obligation and the assets of such a "defined-contribution" pension plan should also be assessed and any resulting actuarial gains or losses should be recognised directly in equity.

In view of limited the amounts involved at this stage, no actuarial valuation was carried out as at 31 December 2016. It was assumed that the present value of the obligation corresponds to the assets of the plan, namely €614 thousand.

The expected contributions for the 2017 fiscal year are estimated at €775 thousand.

34. CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES: INFORMATION IN ACCORDANCE WITH IFRS 13

In line with IFRS, Befimmo values its property portfolio at fair value determined by experts. 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 2.5%[1] for property with an investment value exceeding €2.5 million and 10% or 12.5% depending on the Region, for property with an investment value of less than €2.5 million. This 2.5% allowance is derived from an analysis by independent experts of a large number of transactions observed on the market, and represents the average transaction costs actually paid in these transactions.

A. VALUATION AT FAIR VALUE AS AT 31 DECEMBER 2016

Investment properties (in € thousand)	Total	Level 3
Properties available for lease	**2 445 330**	**2 445 330**
Brussels CBD and similar	1 423 043	1 423 043
Brussels decentralised	88 398	88 398
Brussels periphery	147 015	147 015
Flanders	493 367	493 367
Wallonia	194 245	194 245
Luxembourg city	99 262	99 262
Properties that are being constructed or developed for own account in order to be leased	**66 327**	**66 327**
TOTAL INVESTMENT PROPERTIES	**2 511 658**	**2 511 658**

1. Average transactions charges paid, as recorded by experts on the Belgian market. This accounting method is described at length in the BeAMA press release of 8 February 2006 and confirmed in the press release of the BE-REIT Association of 10 November 2016.

B. VALUATION TECHNIQUES USED FOR LEVEL 3

All properties in the portfolio were classified from the first application of IFRS 13 in category level 3 (“fair value based primarily on unobservable inputs") as defined by the standard.

The public BE-REITs independent experts use several valuation techniques to determine the fair value of the properties in the portfolio:

- The method of updating the future cash flows generated by the building: this technique requires the net rental income generated by the building to be valued on an annual basis for a given period. At the end of this period, a residual value is calculated taking into account the expected condition of the property. In Befimmo's panel of experts, this technique is applied in two variants:
  - A "conventional" method which estimates future income based on current leases and any assumptions about renegotiation, indexed annually according to an assumption based on market outlook and updated at a rate reflecting both the state of the property and financial markets and quality of the tenant. The residual value is calculated by capitalising an estimated income from reletting the building, minus an amount for works, rental vacancy and marketing costs estimated for reletting on the basis of the defined assumptions.
  - A method known as "Term & Reversion", involving the calculation of the present value of contractually secure income at the valuation date, and the residual value at the end of current contracts. The present value of the income is calculated on the basis of non-indexed income updated at a rate that excludes inflation, while the residual value is calculated for each individual area, similarly to the conventional method, also updated at a rate that excludes inflation.
- The income capitalisation method: this method involves capitalising the estimated rental value of the building using a capitalisation rate in line with the property market. The capitalisation rate is chosen on the basis of an analysis of comparable market data, including publicly available information for the sector concerned. The rate is the expected rate of return for potential investors on the valuation date. The resulting value is then adjusted for the (positive or negative) differential between the hypothetical rent used and the rent from current leases, as well as assumptions about works and/or anticipated rental vacancies in the building on the expiry of the current leases.

These valuation methods are applied to buildings in the portfolio, assuming that they are used optimally ("highest and best use") at appropriation level (e.g. an office building with more potential value in retail use is valued taking account of the potential value created by that use).

In general, the results obtained using these various valuation methods are then compared with market benchmarks, particularly in terms of unit price per square metre or initial yields on ongoing leases.

For projects under development, their value is generally calculated using the income capitalisation method, namely the capitalisation of an estimated rental value of the project after its renovation/construction is complete, possibly corrected by a rental gain or loss if the project is already pre-let, minus from the amount of work still to be done before the building can be handed over.

C. CHANGE IN VALUE OF THE PORTFOLIO OVER THE FISCAL YEAR (LEVEL 3)

(in € thousand)	
Opening balance as of 31 December 2015	**2 388 290**
Change in fair value	21 121
Investments	31 481
Acquisitions	74 308
Disposals	- 3 542
Transfer between levels	-
Closing balance as of 31 December 2016	**2 511 658**

No transfers between levels (1, 2 and 3) were made during the year.

D. QUANTITATIVE INFORMATION REGARDING FAIR VALUE MEASUREMENT ON THE BASIS OF "UNOBSERVABLE INPUTS"

Quantitative information on the valuation of the fair value based on unobservable data (level 3)

OFFICES	Fair value as at 31.12.16 (in € thousand)	Valuation techniques	Unobservable data	Periods	(weighted average)
Brussels CBD and similar	1 423 043	Cashflow discount	Annual rent	€143/m² - €317/m²	(€203/m²)
			Discount rate	1.00% - 1.00%	(1.00%)
			Capitalisation rate of the residual value	4.80% - 7.00%	(5.39%)
		Capitalisation method	Annual rent/ rental value	€155/m² - €275/m²	(€189/m²)
			Capitalisation rate	4.20% - 5.95%	(5.05%)
Brussels decentralised	88 398	Cashflow discount	Annual rent	-	-
			Discount rate	-	-
			Capitalisation rate of the residual value	-	-
		Capitalisation method	Annual rent/rental value	€145/m² - €150/m²	(€148/m²)
			Capitalisation rate	6.20% - 6.40%	(6.28%)
Brussels periphery	147 015	Cashflow discount	Annual rent	-	-
			Discount rate	-	-
			Capitalisation rate of the residual value	-	-
		Capitalisation method	Annual rent/ rental value	€70/m² - €125/m²	(€106/m²)
			Capitalisation rate	6.60% - 9.35%	(7.56%)
Flanders	493 367	Cashflow discount	Annual rent	€62/m² - €141/m²	(€113/m²)
			Discount rate	1.00% - 2.96%	(1.40%)
			Capitalisation rate of the residual value	5.25% - 7.00%	(6.46%)
		Capitalisation method	Annual rent/rental value	€70/m² - €115/m²	(€109/m²)
			Capitalisation rate	4.95% - 11.00%	(5.14%)
Wallonia	194 245	Cashflow discount	Annual rent	€111/m² - €150/m²	(€140/m²)
			Discount rate	1.00% - 1.25%	(1.18%)
			Capitalisation rate of the residual value	7.00% - 8.00%	(7.02%)
		Capitalisation method	Annual rent/ rental value	-	(€75/m²)
			Capitalisation rate	-	(11.00%)
Luxembourg	99 262	Cashflow discount	Annual rent	-	-
			Discount rate	-	-
			Capitalisation rate of the residual value	-	-
		Capitalisation method	Annual rent/rental value	-	-
			Capitalisation rate	-	-
Property being constructed or developed for own account in order to be leased	66 327	Capitalised net revenue less cost of the remaining work	Capitalised net income	€4 000/m² - €4 732/m²	(€4 068/m²)
			Annual rent	€200/m² - €265/m²	(€206/m²)
			Capitalisation rate	5.00% - 5.60%	(5.16%)
			Costs of the remaining work	€1 403/m² - €1 675/m²	(€1 650/m²)
TOTAL fair value as at 31.12.16	**2 511 658**				

E. SENSITIVITY OF THE VALUATION TO CHANGES IN KEY "UNOBSERVABLE INPUTS"

A change of + or -5% in the estimated rental values of properties in the portfolio would result in a change in the fair value of the portfolio of the order of +€105.0 million and -€105.0 million respectively.

A change of + or -50 basis points in the updating and capitalisation rates (used for both the income capitalisation method and the discounted future cash flows) generate a change in fair value of the portfolio of the order of -€211.8 million and +€252.6 million respectively.

It is important to note that the levels of estimated rental value and yield of buildings can influence one another. This correlation has not been taken into account in the above sensitivity test, however, which assumes that these two parameters rise and fall independently.

F. VALUATION PROCESS

To meet the requirements for preparing the Company's quarterly financial statements, the property portfolio is also valued on a quarterly basis as follows:

- At the end of the quarter, the Company sends the experts detailed information on the transactions carried out during the quarter, mainly in terms of rentals (area let, rents agreed, duration of leases, investments to be made, etc.) but also of any acquisitions or disposals of properties.
- The Company then meets each expert to discuss the information provided and their perceptions of the property market, and answer any questions that the experts might have about properties in the portfolio.

- The experts then incorporate this information into their valuation models. Based on their experience of the market and any transactions (leases, acquisitions, etc.) taking place on the market, they retain or adjust the valuation parameters used in their models, mainly in terms of estimated rental values, rates of return (discount and/or capitalisation rates), assumptions about rental vacancies or investments to be made in the buildings.
- The experts then give their individual valuations of the property portfolio based on these calculations. These are then subject to various checks in Befimmo's investment department, to help the Company understand the assumptions used by the experts in their calculations. These assumptions are also shared with the Befimmo management team.
- The summary table of the individual property valuations is passed on to the accounts department to enter the quarterly revaluation of the portfolio in the accounts.
- The values recorded are subject to checks by the Audit Committee and the Auditor before Befimmo's Board of Directors closes the financial statements.

35. COMMITMENTS AS AT 31 DECEMBER 2016

35.1. COMMITMENTS TO THIRD PARTIES

35.1.1. COMMITMENTS TO TENANTS

Befimmo is committed, under various leases, to bear the costs of light renovation works amounting initially to €1 million excluding VAT and up to €110,000 a year for a further 12 years.

Befimmo has given an undertaking to the Buildings Agency, under a public development contract, to let a Courthouse at Rathausplatz in Eupen to the Federal Department of Justice for an overall base rent of €910 thousand. The Buildings Agency has an option to purchase the building on the expiry of the 25-year lease.

The Belgian Government has an option to purchase the new Finance Centre, Paradis tower in Liège, on the expiry of the 27.5-year lease.

The Flemish Community ("Vlaamse Gemeenschap") has a preferential right, for the duration of its lease, in the event of the sale of the leasehold on the building at rue aux Choux in Brussels.

BNP Paribas Fortis has a preferential right, for the duration of its respective leases, in the event of the sale of the leasehold on the properties located in the Meir in Antwerp and Vital De Costerstraat in Leuven.

Furthermore, some tenants have preferential rights to rent the space in the buildings they occupy.

35.1.2. COMMITMENTS TO PURCHASERS OF PROPERTIES TO BE SOLD

Fedimmo has a commitment to sell to the City of Ninove its building at Bevrijdingslaan in Ninove, subject to the exercise of a preferential right. A preliminary sale agreement was signed in January 2017.

35.1.3. PURCHASE UNDERTAKING

Befimmo/Fedimmo has undertaken in a preliminary sale agreement to purchase office and archive space for the sum of €12.5 million excluding fees.

35.1.4. COMMITMENTS TO APPROVED BUILDING CONTRACTORS AND DESIGN TEAMS

Commitments entered into by Befimmo with approved building contractors:
Befimmo's main contractual commitments with approved building contractors and design teams amount to some €11.5 million including VAT. These commitments mainly concern the buildings Brederode Corner, Guimard, Ikaros Phase I, Triomphe and View building.

Commitments entered into by Fedimmo with approved building contractors:
Fedimmo's main contractual commitments with approved building contractors and design teams amount to some €1.3 million including VAT. These commitments relate mainly to the Paradis Tower (the new Finance Centre) and the WTC IV project.

Commitments entered into by Befimmo Property Services:
The main commitments entered into by Befimmo Property Services relate to the various contracts for maintenance, upkeep and total guarantee, cleaning and guarding of the buildings it manages on behalf of Befimmo. These commitments vary in length depending on the contracts and account for some €5.2 million including VAT annually. These services are mostly billed to tenants under the heading of common charges.

35.1.5. MARKETING AGREEMENTS

Befimmo, Fedimmo and Axento have commitments with a number of agents, under rental and/or sale agreements, to pay fees in line with usual market rates.

35.1.6 COMMITMENTS TO THIRD PARTIES

Befimmo, Fedimmo and Axento might decide to make binding rental or investment offers that are still valid at the closing date of the fiscal year.

35.1.7. OTHER COMMITMENTS

Befimmo and Aedifica have come to an amicable agreement to terminate the agreements between Aedifica and Blue Tower Louise SA for the possible construction of a residential building. Accordingly, the existing escrow account of €2.1 million will soon be released.

Befimmo and Fedimmo also have commitments for periods of one to three years under specific contracts such as the surveying of the buildings (for the quarterly valuation of the property portfolio), property management services for the Axento building, contracts for the provision of services in certain buildings, agreements for renting parking spaces to third parties, and insurance policies.

35.2. RESTRICTIONS ON ASSIGNMENT

None of the buildings in the Company's portfolio is mortgaged or subject to any other restriction on realisation or assignment, save only the standard provisions contained in several loan agreements (property intended for letting may not be sold to or bought by a company in the group). These restrictions have no impact on the value of the properties concerned.

Similarly, none of the Company's property assets is subject to any restriction on the recovery of income.

However, to enable Befimmo and Fedimmo to take advantage of attractive financing terms, future rents of five buildings have been assigned to a financial institution and the future usufruct fees for one building have been assigned to a financial institution. Ownership of these buildings may not therefore be transferred without the prior consent of the assignee of the rent or the early repayment of the financial liability. These arrangements concern the Poelaert building and Pavilion complex in the Befimmo portfolio and four buildings in the Fedimmo portfolio: avenue des Arts, rue du Gouvernement Provisoire and rue Lambermont in Brussels, and Majoor Vandammestraat in Knokke.

35.3. GUARANTEES GIVEN

(in € thousand)		31.12.16	31.12.15
Guarantees for investment work	Bank guarantee	4 562	102 052
Guarantees issued at the close of the fiscal year		**4 562**	**102 052**

Fedimmo issued a guarantee in the context of the project to build the new Finance Centre, Paradis Tower in Liège. The first, amounting to €5.4 million in favour of the Buildings Agency, to guarantee the performance of the development contract concluded on 31 March 2009 for the provision of a building to house the Federal Public of Finance in Liège. This guarantee was paid-up to 50% in early January 2015. 50% of this guarantee was released in early January 2015. The remaining 50% will be released upon final hand-over of the building.

Beway issued a bank guarantee for the sum of €500,000 in favour of BAC to cover its commitments under the leasehold agreement for the Gateway building. Befimmo has also issued a bank guarantee for the residual amount of €300,000 in favour of the Codic-Immobel consortium to cover the balance of the purchase price of the building.

Befimmo had issued a guarantee of €1.4 million in favour of the Buildings Agency to guarantee the performance of development contract of works, for the provision of a Courthouse located Rathausplatz in Eupen to house the Federal Public Service of Justice.

36. RELATED-PARTY TRANSACTIONS

The table below shows the remuneration of the Directors and members of the Management Committee of Befimmo SA.

FISCAL YEAR 31.12.16 (in €) Name	Short-term benefits (salaries, bonuses)[1]	Post-employment benefits (pension, etc.)
Alain Devos	136 250	
SPRL A.V.O. Management, represented by Annick Van Overstraeten (until 26 April 2016) / Annick Van Overstraeten (as from 26 April 2016)	67 500	
Sophie Goblet	86 500	
Sophie Malarme-Lecloux	67 000	
Benoît Godts	91 500	
Jacques Rousseaux (end of mandate on 26 April 2016)	24 167	
Etienne Dewulf	87 500	
Guy Van Wymersch-Moons	67 500	
Kadees BVBA, represented by Kurt de Schepper (until 26 April 2016)	24 167	
Kurt De Schepper (as from 26 April 2016)	38 333	
Hugues Delpire	97 500	
Benoît De Blieck/SPRLu BDB Management	701 764	73 228
variable portion	*225 000*	
Other members of the Management Committee	1 198 021	150 742
variable portion	*295 000*	
Total	**2 687 702**	**223 970**

FISCAL YEAR 31.12.15 (in €) Name	Short-term benefits (salaries, bonuses)[1]	Post-employment benefits (pension, etc.)
SPRL Alain Devos (until 28 April 2015) / Alain Devos (as from 28 April 2015)	143 000	
SPRL A.V.O. Management, represented by Annick Van Overstraeten	83 000	
Sophie Goblet	75 000	
Sophie Malarme-Lecloux (appointed on 28 April 2015)	45 000	
Benoît Godts	82 500	
Roude BVBA (until 28 April 2015) / Jacques Rousseaux (as from 28 April 2015)	80 000	
Marc VH-Consult BVBA, represented by Marcus Van Heddeghem (end of mandate on 28 April 2015)	12 500	
SPRL Etienne Dewulf (until 28 April 2015) / Etienne Dewulf (as from 28 April 2015)	94 000	
Guy Van Wymersch-Moons	62 500	
Kadees BVBA, represented by Kurt de Schepper	60 000	
Hugues Delpire	93 000	
Managing Director, represented by SPRLu BDB Management (until 28 April 2015) / Benoît De Blieck (as from 28 April 2015)	726 059	48 933
variable portion	*225 000*	
Other Executive Officers	1 227 878	215 157
variable portion	*283 308*	
Total	**2 784 437**	**264 090**

Post-employment benefits are described in the note on employee benefits.

The Company did not grant any other long-term benefits during the 2015 or 2016 fiscal years.

1. Short-term benefits are fixed and variable remuneration, and any other miscellaneous components and benefits (including social charges).

STATUTORY AUDITOR'S REPORT

Befimmo SA/NV

Statutory auditor's report to the shareholders' meeting of Befimmo NV/SA on the consolidated financial statements for the year ended 31 December 2016

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – UNQUALIFIED OPINION

We have audited the consolidated financial statements of Befimmo NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 2.613.052 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 90.406 (000) EUR.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

STATUTORY AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

UNQUALIFIED OPINION

In our opinion, the consolidated financial statements of Befimmo NV/SA give a true and fair view of the group's net equity and financial position as of 31 December 2016, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 20 March 2017

The statatory auditor

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

STATUTORY STATEMENT OF TOTAL COMPREHENSIVE INCOME (IN € THOUSAND)

		31.12.16	31.12.15
I.	(+) Rental income	87 189	87 856
III.	(+/-) Charges linked to letting	- 687	- 536
NET RENTAL INCOME		**86 501**	**87 319**
IV.	(+) Recovery of property charges	4 909	6 328
V.	(+) Recovery of rental charges and taxes normally payable by tenants on let properties	22 486	20 689
VII.	(-) Charges and taxes normally paid by tenants on let properties	-20 931	-19 510
VIII.	(+/-) Other revenue and charges for letting	212	607
PROPERTY RESULT		**93 176**	**95 433**
IX.	(-) Technical costs	-6 397	-7 560
X.	(-) Commercial costs	-1 267	- 786
XI.	(-) Charges and taxes on unlet properties	-4 007	-5 005
XII.	(-) Property management costs	-2 661	-1 645
XIII.	(-) Other property charges	-2 485	-1 382
	(+/-) Property charges	**-16 817**	**-16 378**
PROPERTY OPERATING RESULT		**76 359**	**79 054**
XIV.	(-) Corporate management costs	-6 323	-6 179
XV.	(+/-) Other operating income and charges	- 461	- 286
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		**69 575**	**72 589**
XVI.	(+/-) Gains or losses on disposals of investment properties	1 142	- 4
XVIII.	(+/-) Changes in fair value of investment properties	-8 218	-26 720
OPERATING RESULT		**62 499**	**45 864**
XX.	(+) Financial income	39 154	40 804
XXI.	(-) Interest charges	-18 793	-23 212
XXII.	(-) Other financial charges	-2 696	-3 124
XXIII.	(+/-) Changes in fair value of financial assets and liabilities	12 268	38 581
	(+/-) Financial result	**29 934**	**53 049**
PRE-TAX RESULT		**92 433**	**98 913**
XXIV.	(-) Corporation tax	-2 007	-1 018
	(+/-) Taxes	**-2 007**	**-1 018**
NET RESULT		**90 426**	**97 895**
TOTAL BASIC NET RESULT AND DILUTED PER SHARE		**3.82**	**4.41**
Other comprehensive income - actuarial gains and losses - non-recyclable		- 153	131
TOTAL COMPREHENSIVE INCOME		**90 273**	**68 338**

Pursuant to article 105 of the Code of Company Law, the Statutory Auditor ‘s report on the statutory accounts is not published in the present Report as only a shortened version of the statutory accounts is presented. The Statutory Auditor’s report gives an unqualified opinion on the statutory accounts of Befimmo SA.

STATUTORY STATEMENT OF FINANCIAL POSITION (IN € THOUSAND)

ASSETS		31.12.16	31.12.15
I.	**Non-current assets**	**2 341 026**	**2 301 571**
C.	Investment properties	1 377 742	1 360 170
D.	Other property, plant and equipment	2 207	696
E.	Non-current financial assets	961 077	940 705
II.	**Current assets**	**226 678**	**140 746**
B.	Current financial assets	202 220	114 625
D.	Trade receivables	15 897	18 833
E.	Tax receivables and other current assets	4 638	1 681
F.	Cash and cash equivalents	41	117
G.	Deferred charges and accrued income	3 881	5 489
TOTAL ASSETS		**2 567 705**	**2 442 317**

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.16	31.12.15
SHAREHOLDERS' EQUITY		**1 401 336**	**1 265 263**
A.	Capital	357 871	323 661
B.	Share premium account	792 641	702 548
C.	Reserves	219 102	198 497
D.	Net result for the fiscal year	31 721	40 557
LIABILITIES		**1 166 369**	**1 177 054**
I.	**Non-current liabilities**	**525 985**	**633 965**
A.	Provisions	257	-
B.	Non-current financial debts	500 407	618 796
	a. Credit institution	204 785	168 903
	c. Other	295 622	449 893
	Bond issues	-	*161 910*
	USPP	*183 206*	*182 809*
	EUPP	*111 092*	*103 813*
	Guarantees received	*1 324*	*1 362*
C.	Other non-current financial liabilities	25 321	15 169
II.	**Current liabilities**	**640 384**	**543 089**
A.	Provisions	3 769	2 160
B.	Current financial debts	561 452	470 663
	a. Credit institution	69 392	68 063
	c. Other	492 061	402 600
	Commercial papers	*325 000*	*393 750*
	Bond issues	*161 978*	-
	Other	*5 083*	*8 850*
C.	Other current financial liabilities	15	-
D.	Trade debts and other current debts	38 386	38 575
	b. Other	38 386	38 575
E.	Other current liabilities	5 484	2 000
F.	Accrued charges and deferred income	31 276	29 690
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2 567 705**	**2 442 317**

Pursuant to article 105 of the Code of Company Law, the Statutory Auditor 's report on the statutory accounts is not published in the present Report as only a shortened version of the statutory accounts is presented. The Statutory Auditor's report gives an unqualified opinion on the statutory accounts of Befimmo SA.

NOTE ON STATUTORY SHAREHOLDERS' EQUITY

Pursuant to article 105 of the Code of Company Law, the Statutory Auditor 's report on the statutory accounts is not published in the present Report as only a shortened version of the statutory accounts is presented. The Statutory Auditor's report gives an unqualified opinion on the statutory accounts of Befimmo SA.

The reader is invited to go to page 54 of the management report to consult the chapter "Appropriation of result".

The changes in equity before and after the proposed appropriation of the result for the 2016 fiscal year are as follows:

(in € thousand)	A. Capital	a. Subscribed capital (+)	b. Costs of capital increase (-)	B. Share premium account	C. Reserves	a. Legal reserve (+)	b. Reserve for the balance of changes in fair value of investment properties (+/-)
31.12.2015 SHAREHOLDERS' EQUITY (Before appropriation of result)	**323 661**	334 464	- 10 803	**702 548**	**198 497**	1 295	95 203
Appropriation of result 2015 in the reserves					**40 557**		23 153
Payment of the final dividend of the 2015 fiscal year[1]					**- 19 798**		
31.12.2015 SHAREHOLDERS' EQUITY (After appropriation of result)	**323 661**	334 464	- 10 803	**702 548**	**219 255**	1 295	118 356
Capital increase in cash	**34 210**	37 163	- 2 953	**90 094**			
Interim dividend of the 2016 fiscal year							
Other comprehensive income					**- 153**		
31.12.2016 SHAREHOLDERS' EQUITY (Before appropriation of result)	**357 871**	371 627	- 13 756	**792 641**	**219 102**	1 295	118 356
Appropriation of result 2016 in the reserves[1]					**31 721**		27 599
Payment of the final dividend of the 2016 fiscal year[1]					**- 23 021**		
31.12.2016 SHAREHOLDERS' EQUITY (After appropriation of result)	**357 871**	371 627	- 13 756	**792 641**	**227 802**	1 295	145 955

1. Subject for approval of the Ordinary General Meeting of shareholders of 25 April 2017.

c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties (-)	e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting under IFRS (+/-)	j. Reserve for actuarial gains and losses for the defined benefit pension plan (+/-)	m. Other reserves (+/-)	n. Result brought forward from previous years (+/-)	D. Result for the fiscal year	TOTAL SHAREHOLDERS' EQUITY
- 34 604	- 11 001	- 112	19 818	127 897	**40 557**	**1 265 263**
599	9 127			7 677		
				- 19 798		
- 34 004	- 1 873	- 112	19 818	115 776	-	
					- 58 704	
		- 153				
- 34 004	- 1 873	- 265	19 818	115 776	**31 721**	**1 401 336**
- 439	- 18 447			23 009		
				- 23 021		
- 34 444	- 20 321	- 265	19 818	115 764	-	

The table below is presented after appropriation of the result to reserves.

	Shareholders' equity that cannot be distributed according to article 617 of the Code of Company Law (in € thousand)	31.12.16	
Net assets		**1 401 336**	
(+)	Paid-up capital or, if greater, subscribed capital	371 627	
(+)	Share premium account unavailable for distribution according to the articles of association	733 884	[1]
(+)	Reserve of the positive balance of the changes in fair value of the investment properties	145 955	[2]
(-)	Reserves for estimated transaction costs resulting from hypothetical disposal of investment properties	- 34 444	
(+/-)	Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting	- 20 321	[3]
(+/-)	Reserve for actuarial gains and losses of the defined benefit pension plan	- 265	
(+)	Other reserves declared non-distributable by the General Meeting of Shareholders	3 633	
(+)	Legal reserve	1 295	
TOTAL NON-DISTRIBUTABLE SHAREHOLDERS' EQUITY		**1 201 365**	
BALANCE		**199 971**	

	Obligation to distribute dividends according to the Royal Decree of 13.07.2014 concerning BE-REITs (in € thousand)	31.12.16	
NET RESULT		**90 426**	
(+)	Depreciation	342	
(+)	Writedowns	235	
(-)	Writeback of writedowns	- 149	
(+/-)	Other non-cash elements	20 827	
(+/-)	Result on the disposal of property assets	-1 142	
(+/-)	Changes in fair value of investment properties	-22 765	[3]
CORRECTED RESULT (A)		**87 774**	
(+/-)	Realised gains and losses[4] on property assets during the year	-5 477	
(-)	Realised gains and losses[4] on property assets during the year, exonerated from the obligation to distribute if reinvested within 4 years	-	
(+)	Realised gains on property assets previously exonerated from the obligation to distribute and that were not reinvested within 4 years	-	
NET GAINS ON REALISATION OF PROPERTY ASSETS NON-EXONERATED FROM THE DISTRIBUTION OBLIGATION (B)		**-5 477**	
TOTAL (A+B) X 80%		**65 838**	

DECREASE IN BORROWINGS (-)	**-24 304**

OBLIGATION TO DISTRIBUTE	**41 533**

1. The amount of €733,884 thousand included in the calculation under article 617 represents the non-distributable issue premiums. The difference of €58,758 thousand in relation to the total amount of issue premiums was made distributable by the approval of the Meeting.
2. Calculated on the basis of the fair value of the properties, including the changes in fair value of the investment properties of the subsidiaries.
3. Including change in fair value of the USPP debt, which is compensated by changes in fair value of the associated Cross Currency Swaps.
4. In relation to the acquisition value, increased by the capitalised renovation costs.

GENERAL INFORMATION

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IDENTIFICATION G4-3 G4-5

NAME

Befimmo SA, a public BE-REIT (SIR/GVV) incorporated under Belgian law.

REGISTERED OFFICE

Chaussée de Wavre 1945 in 1160 Auderghem.

Tel.: +32 (0)2 679 38 60

The registered office may be transferred by decision of the Board of Directors to any place in Belgium.

LEGAL FORM

Société Anonyme (Limited-Liability Company).

FOUNDING

Befimmo SA was founded on 30 August 1995 as a Limited-Liability Company under the name "Woluwe Garden D" by a deed executed before Gilberte Raucq, notary public in Brussels. The Company was later converted into a Société en Commandite par Actions (Partnership Limited by Shares), with the name "Befimmo", on 24 November 1995, again by a deed executed before notary Gilberte Raucq.

On 20 December 2012, the Extraordinary General Meeting of shareholders of Befimmo met to approve the transformation of the Partnership structure into a Limited-Liability Company. On that date, the Company was converted back into a Limited-Liability Company under the same name of "Befimmo" by a deed executed before notary Damien Hisette. For further information, please see the Annual Financial Report 2012.

The last articles of association have been amended several times, most recently on 27 September 2016. The coordinated articles of association are available on the Befimmo SA website: www.befimmo.be/en/befimmo/group-structure.

WWW.BEFIMMO.BE

DURATION

Befimmo SA has been established for an unlimited duration.

REGISTER OF CORPORATE BODIES

Befimmo SA is entered in the Register of Corporate Bodies under number 0 455 835 167.

RECORDING PLACE

Brussels.

COMPANY OBJECT (ARTICLE 4 OF THE ARTICLES OF ASSOCIATION)

The Company has as exclusive purpose:

(a) making real estate available to users directly or through a company in which it holds a participation in accordance with the provisions of the BE-REIT regulation, and;

(b) within the limits set out by the BE-REIT regulation, hold real estate assets listed in article 2, 5°, vi) to x) of the BE-REIT law.

By real estate is meant:

- real estate as defined in articles 517 and following of the Civil Code and the rights in rem over real estate, excluding real estate of a forestry, agricultural or mining nature;
- shares with voting rights issued by real estate companies under the exclusive or joint control of the Company;
- option rights on real estate;
- shares of public regulated real-estate companies or institutional regulated real estate companies, provided in the latter case, joint or exclusive control over these companies is exercised by the Company;

- the rights arising from contracts giving one or more goods in finance-lease to the Company or providing other similar rights of use;
- shares in public real-estate investment companies;
- shares in foreign real-estate funds included in the list referred to in article 260 of the law of 19 April 2014 on alternative investment funds and their managers;
- shares in real-estate funds established in another member state of the European Economic Area not included in the list referred to in article 260 of the act of 19 April 2014 on alternative investment funds and their managers, to the extent that they are subject to supervision equivalent to the supervision that is applicable to public real-estate investment companies;
- shares issued by companies (i) with legal personality; (ii) under the law of another member state of the European Economic Area; (iii) which shares are admitted to trading on a regulated market and/or are subject to prudential supervision; (iv) whose main activity consists in acquiring or building real estate in order to make it available to users, or the direct or indirect holding of participations in certain types of entities with a similar corporate purpose; and (v) that are exempt of income tax on profits in respect of the activity referred to in (iv) above subject to compliance with certain requirements, at least pertaining to the legal obligation to distribute part of their income to their shareholders (the Real Estate Investment Trusts, or “REITs”);
- real-estate certificates referred to in article 5, § 4, of the law of 16 June 2006.

In the context of the making available of real estate, the Company can, in particular, exercise all activities related to the construction, rebuilding, renovation, development, acquisition, disposal, management and exploitation of real estate.

On an ancillary or temporary basis, the Company may make investments in securities which are not real estate within the meaning of the BE-REIT regulations. These investments will be made in compliance with the risk management policy adopted by the Company and will be diversified in a way to ensure an adequate risk diversification. The Company can also hold unallocated liquidities, in any currency, in the form of cash or term deposit or in any instrument of the monetary market that can be easily mobilised.

It may also trade in hedging instruments, with the exclusive aim to hedge the interest rate and exchange risk in the context of the financing and management of real estate of the Company and with the exclusion of any transaction of a speculative nature.

The Company may take or give one or more real estate assets in finance-lease. The activity of giving real estate assets in finance-lease with a purchase option can only be carried out in ancillary order, save where these real estate assets are intended for the public interest including social housing and education (in which case the activity can be carried out as a primary activity).

The Company may by way of a merger or otherwise, take an interest in all businesses, undertakings or companies having a similar or related purpose and which are of a nature that favours the development of its business, and, in general, to do all transactions that are directly or indirectly linked to its corporate purpose as well as all acts that are useful or necessary for the realisation of its corporate purpose.

FISCAL YEAR

The financial year begins on 1 January and ends on 31 December of each year.

PLACES WHERE PUBLICLY ACCESSIBLE DOCUMENTS CAN BE CONSULTED

- The articles of association of Befimmo SA can be consulted at the Clerk’s Office of the Brussels Commercial Court, at the registered office and on the website: www.befimmo.be/en/befimmo/group-structure.
- The annual accounts will be deposited at the Banque Nationale de Belgique and may be consulted at the Clerk’s Office of the Brussels Commercial Court.
- The annual accounts as well as the relative reports of Befimmo SA are sent every year to registered shareholders as well as to any other person requesting a copy.
- They are also available on the Befimmo website: www.befimmo.be/en/investors/publications.
- Decisions concerning the appointment and termination of the mandates of the members of the Board of Directors of Befimmo SA are published in the Annexes to the Belgian Official Gazette.
- Invitations to General Meetings are published in the Annexes to the Belgian Official Gazette and in two daily financial newspapers with nationwide distribution. These notices and all documents relating to General Meetings may be consulted on the Befimmo website: http://www.befimmo.be/en/investors/general-meetings.
- Financial notices concerning Befimmo SA are published in the financial press and are sent to Euronext. They may also be consulted on the Befimmo website at www.befimmo.be/en/investors/publications.

WWW.BEFIMMO.BE

The other documents accessible to the public and referred to in the Annual Financial Report can be consulted at the registered office of Befimmo SA.

REGISTERED CAPITAL

ISSUED CAPITAL

As at 31 December 2016, the registered capital totalled €371,627,206.35.

It is represented by 25,579,214 fully paid no-par-value shares.

AUTHORISED CAPITAL

The Board of Directors is authorised to increase the share capital, in one or several stages, on the dates and pursuant to the terms and conditions resolved by him, by an amount of maximum:

1°) €334,464,491.53 if the capital increase to carry out is a capital increase by contribution in cash, which includes a preferential subscription right for the shareholders of the Company, as foreseen in articles 592 and following of the Code of Company Law;

2°) €66,892,898.30 if the capital increase to carry out is a capital increase by contribution in cash, which includes an irreducible allocation right for the shareholders of the Company, as foreseen in article 26, §1 of the law of 12 May 2014 related to BE-REITs;

3°) €66,892,898.30 for all other forms of capital increases which are not referred to in sections 1°) and 2°) above;

with the understanding that, in all cases, the share capital may never be increased, within the framework of the authorised capital, by more than €334,464,491.53.

Subject to the same conditions, the Board of Directors is authorised to issue convertible bonds or subscription rights.

This authorisation is granted for five years from 13 May 2016 and may be renewed.

Capital increases may be performed as a cash contribution, a contribution in kind or by the incorporation of reserves.

As at 31 December 2016, the authorised capital amounts €297,301,776.71.

CHANGES TO THE CAPITAL SINCE 31.12.2012

The following table shows the changes in capital since 31 December 2012.

The complete history of changes to capital is set out in article 50 of the articles of association.

	Amount (in €)	Number of shares
As at 31 December 2012	**277 794 918.53**	**19 120 709**
As at 10 July 2013	307 389 978.39	21 157 746
As at 6 September 2013	315 069 953.06	21 686 361
As at 18 December 2013	320 537 602.80	22 062 701
As at 31 December 2013	**320 537 602.80**	**22 062 701**
As at 25 November 2014	323 252 293.66	22 249 554
As at 16 December 2014	329 413 170.03	22 673 609
As at 31 December 2014	**329 413 170.03**	**22 673 609**
As at 15 December 2015	334 464 491.53	23 021 293
As at 31 December 2015	**334 464 491.53**	**23 021 293**
As at 27 September 2016	371 627 206.35	25 579 214
As at 31 December 2016	**371 627 206.35**	**25 579 214**

SHAREHOLDER STRUCTURE

The Company applies a statutory threshold of 3% for the application of the legal rules relating to notification of large holdings in issuers whose shares are admitted for trading on a regulated market.

According to the transparency notifications received, the share ownership of Befimmo SA is structured as follows:

Declarants	Number of shares (declared)	Date of the statement	(in %)
Ageas and affiliated companies	2 647 540	27.09.2016	10.4%
AXA Belgium SA	2 741 438	27.09.2016	10.7%
BlackRock Inc.	769 229	13.12.2016	3.0%
Other shareholders under the statutory threshold	19 421 007	13.12.2016	75.9%
Total	**25 579 214**		**100%**

This data is based on the transparency declarations or based on the information received from the shareholder. Befimmo SA is not aware of the existence of shareholder agreements.

IDENTITY OF THE FOUNDER OF BEFIMMO SA

Befimmo SA was founded at the initiative of Bernheim-Comofi SA (now known as AG Real Estate SA) with registered office at avenue des Arts 58, 1000 Brussels.

ARTICLES OF ASSOCIATION OF BEFIMMO SA

The complete coordinated articles of association[1] of Befimmo SA can be consulted at the Clerk's Office of the Brussels Commercial Court, at Befimmo's registered office and on the website: www.befimmo.be/en/befimmo/group-structure.

WWW.BEFIMMO.BE

SOCIÉTÉ ANONYME (LIMITED-LIABILITY COMPANY)

The Extraordinary General Meeting of 20 December 2012 approved the conversion of Befimmo SCA into a Société Anonyme (Limited-Liability Company).

Befimmo SA owns 100% of the shares of Fedimmo SA, 100% of the shares of Meirfree SA, 100% of the shares of Vitalfree SA, 100% of the shares of Axento SA, 100% of the shares of Befimmo Property Services SA and 100% of the shares of Beway SA.

NAME AND QUALIFICATIONS OF THE REAL-ESTATE EXPERTS[2]

For the 2016 fiscal year, Befimmo SA uses two real-estate experts, namely: Jones Lang LaSalle (represented by Mr Rod P. Scrivener - avenue Marnix 23, 1000 Brussels) and CBRE (represented by Mr Pierre Van der Vaeren - avenue Lloyd George 7, 1000 Brussels). Moreover, Jones Lang LaSalle is coordinating this expertise.

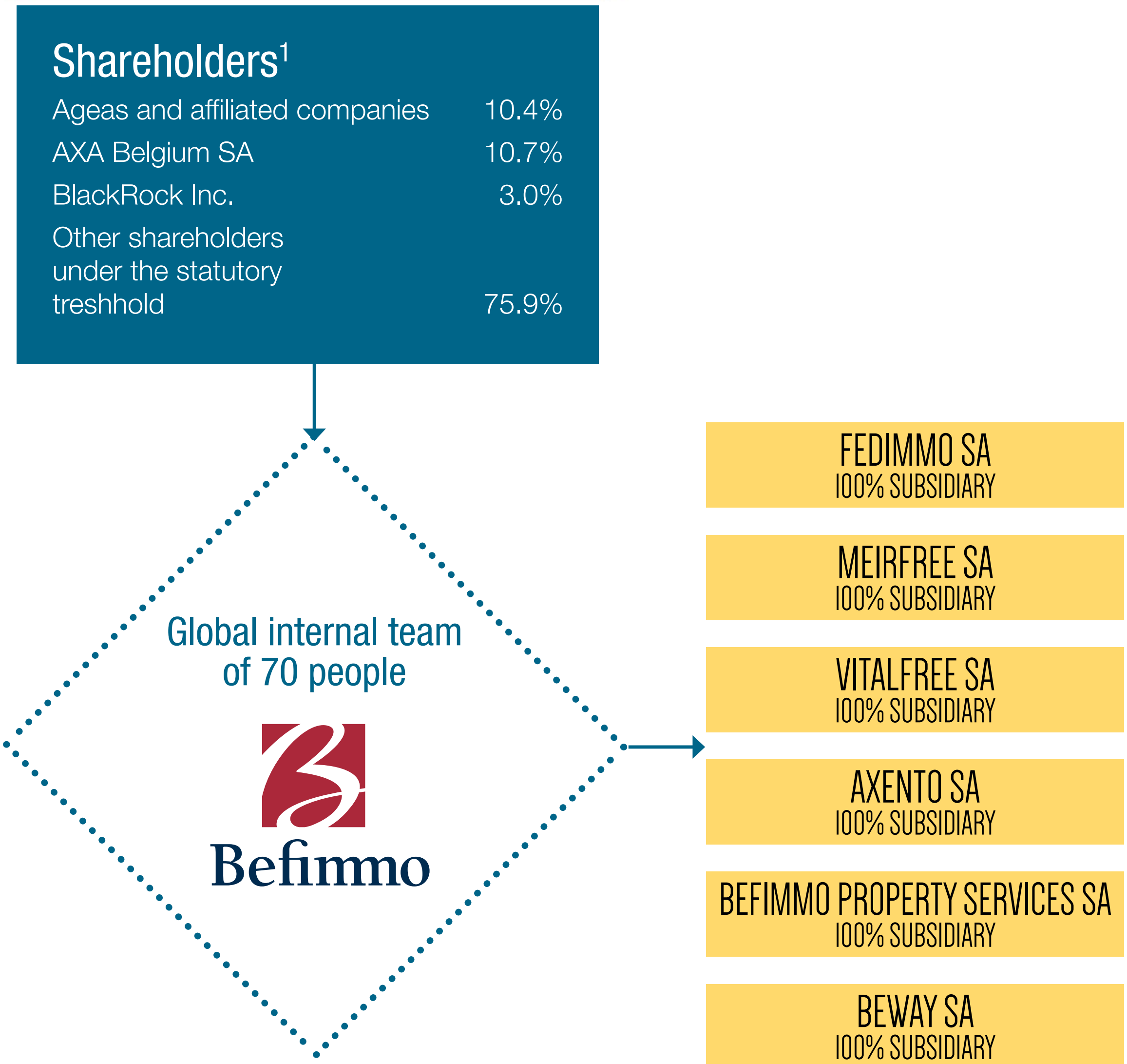
The allocation of these mandates was done pursuant to the provisions of the Royal Decree of 13 July 2014. This mission goes from 1 January 2015 for three years until 31 December 2017.

These are expert real-estate companies with specialist knowledge of the market and which enjoy a first-class international reputation.

Befimmo has also appointed two back-up experts: DTZ-Winssinger & Associés (represented by Mr Christophe Ackermans - chaussée de la Hulpe 166, 1170 Brussels) and PricewaterhouseCoopers (represented by Mrs Anne Smolders and Mr Jean-Paul Ducarme - Woluwe Garden, Woluwedal 18, 1932 Sint-Stevens-Woluwe).

1. Appendix III of this Report contains the extracts of articles of association.
2. For more information, please consult page 137 of this Report.

GROUP STRUCTURE



The shareholders do not dispose of different voting rights.

Befimmo's subsidiaries are Belgian companies, except for Axento SA, which is a Luxembourg company. The spread of the buildings of the consolidated portfolio per subsidiary is published in Appendix IV of this Report.

PUBLIC BE-REIT

Since 2014, Befimmo is a BE-REIT (SIR/GVV). The BE-REIT pursues the same goals as a Real Estate Investment Trusts (REIT) put in place in several countries (REIT (USA), SIIC (France) and FBI (Netherlands)).

The legislator intended the BE-REIT to ensure a high degree of transparency for real-estate investments and distribute a large part of its cash flow as possible while enjoying certain advantages.

The BE-REIT is monitored by the Financial Services and Markets Authority (FSMA) and subject to specific regulations. The main rules are as follows:

- it must have the status of "Société Anonyme" or "Société en Commandite par Actions";
- it must be listed on the stock exchange;
- borrowings may not exceed 65% of total assets at market value;

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

- there are strict rules relating to conflicts of interest;
- it must keep accounting according to IFRS standards, with notably the assignment at market value of the property portfolio;
- the real-estate assets must be valued every quarter by independent experts;
- the risk must be diversified: no more than 20% of the assets may be invested in only one property complex;
- a reduced base for corporation tax provided that at least 80% of “cash flows” are distributed (calculated on the basis of article 13 of the Royal Decree of 13 July 2014);
- a withholding tax[2] of 30% is deducted when paying out dividends.

This set of rules is designed to minimise the risk incurred.

Companies merging with a BE-REIT are subject to tax of 16.995% on unrealised capital gains and untaxed reserves (16.5% plus 3% additional crisis levy).

INSTITUTIONAL BE-REIT

Fedimmo SA and Beway SA (100% subsidiaries of Befimmo SA) are institutional BE-REITs.

The main features of the institutional BE-REIT are:

- a company controlled by a public BE-REIT;
- registered shares held by institutional investors;
- no requirement for diversification or debt ratio (consolidated at the level of the public BE-REIT);
- compulsory distribution of a dividend at a minimum of 80% of the “cash flows” (calculated on the basis of article 13 of the Royal Decree of 13 July 2014);
- jointly or solely controlled by a public BE-REIT;
- no obligation to appoint a real-estate expert, the real-estate assets being valued by the expert of the public BE-REIT;
- statutory accounts prepared in accordance with IFRS standards (same accounting scheme as the public BE-REIT);
- strict rules regarding conflicts of interest;
- subject to FSMA control.

TYPICAL INVESTOR PROFILE

The profile of a typical Befimmo investor is a private or institutional investor wishing to make an investment in office property, mainly in Belgium.

The share ownership structure is set out before.

STATEMENTS

PERSONS RESPONSIBLE FOR THE CONTENT OF THE REGISTRATION DOCUMENT

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

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

(b) the Annual Financial Report contains an accurate account of the development of the business, results and situation of the Company and the businesses included in the consolidation.

Mr De Blieck and Mr Carlier declare that, to the best of their knowledge, there is no omission likely to affect the import of information in this Report.

2. The change in the withholding tax from 27% to 30% arises from the entry into force of the law of 25 December 2016, published in the Belgian Official Gazette on 29 December 2016 (article 93). This change is applicable as from 1 January 2017.

DECLARATION REGARDING THE DIRECTORS

The Board of Directors of Befimmo SA hereby declares that to its knowledge:

- none of the Directors has ever been convicted of fraud, no official and/or public accusation has been made and no penalty has ever been imposed by a judicial or supervisory authority;
- no Director has been disqualified by a court from acting as a member of a Board;
- no Director has ever been involved in that capacity in a bankruptcy or liquidation;
- no contract of employment or management has been concluded with the Directors that provides for the payment of compensation upon termination of the contract with the exception of what is mentioned in the chapter "Corporate governance statement" on page 134 of this Report;
- the Directors and the members of the Management Committee do not hold shares in Befimmo SA except for Mr Laurent Carlier (200 shares) and Mr Benoît Godts (1,109 shares);
- so far no Befimmo SA share option has been awarded;
- there is no family relationship between the Directors.

INFORMATION FROM THIRD PARTIES[1]

The real-estate experts Jones Lang LaSalle and CBRE have agreed that their assessment methods and the conclusions of the real-estate expert reports may be included in this Annual Financial Report.

The Statutory Auditor has agreed to the inclusion of its report of 20 March 2017 in this Annual Financial Report on the consolidated accounts closed as at 31 December 2016, of its report on forecasts of 20 March 2017 and of its limited review on selected environmental performance indicators of 20 March 2017.

The Company confirms that the information taken from the reports of the real-estate experts Jones Lang LaSalle and CBRE, and of the Statutory Auditor have been faithfully reproduced and that, to the best of the Company's knowledge and as far as it can ascertain in the light of the data published by these third parties, nothing has been omitted that would make the information reproduced inaccurate or misleading.

HISTORICAL FINANCIAL INFORMATION REFERRED TO BY REFERENCE

The Annual Financial Reports of the past five years, which includes the annual statutory and consolidated accounts and the Statutory Auditor's reports, as well as the Half-Yearly Financial Reports can be consulted on the website of the Company: www.befimmo.be.

The Annual Financial Reports related to the two previous fiscal years are incorporated by reference.

REGISTRATION DOCUMENT

The Annual Financial Report 2016 is a registration document under article 28 of the law of 16 June 2006. This Report was approved on 21 March 2017 (in French) by the FSMA pursuant to article 23 of the law of 16 June 2006. The approval by the FSMA does not contain any assessment regarding the quality and the situation of the Company.

1. Please consult the chapter "Corporate governance statement – Other stakeholders" on page 136 of the Report for the identity of the Statutory Auditor and the real-estate experts.

APPENDICES

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APPENDIX I: GLOSSARY

BEAMA

Belgian Asset Managers Association/Association Belge des Asset Managers.

BE-REIT ASSOCIATION

This professional association was founded by all Belgian BE-REITs (SIR/GVV) (also known as Belgian Real Estate Investment Trusts). Its purpose is to represent and promote the interests of the Belgian REIT sector towards various stakeholders.

BE-REIT (SIR/GVV)

The concept of BE-REIT was created in 2014 and pursues the same goals as a Real-Estate Investment Trusts (REIT) put in place in several countries (REIT (USA), SIIC (France) and FBI (Netherlands)). The legislator intended the BE-REIT to ensure a high degree of transparency for real-estate investments and distribute a large part of its cash flow while enjoying certain advantages. It is controlled by the FSMA and submitted to specific regulations.

BREAK

The first option to terminate a lease agreement by giving due notice.

BREEAM (BRE ENVIRONMENTAL ASSESSMENT METHOD)

BREEAM is the first global environmental performance and sustainability assessment method for buildings. It is a benchmark for best practice in sustainable design. It has become the most widely used benchmark of a building's environmental performance (www.breeam.com).

BREEAM DESIGN

Refurbishment and renovation work. The extraction and use of resources to create materials and products during renovation (and construction) work are among the greatest causes of direct environmental impact in the real-estate sector. Ecological impact, such as loss of biodiversity, greenhouse-gas emissions and waste, can be effectively reduced by recycling and dismantling.

One requirement of BREEAM certification, which Befimmo systematically implements for its major renovation projects, is to keep up-to-date data on the use of natural resources and recycled materials. But a building's environmental performance is also determined at the Design stage. The adoption of an eco-design approach from the initial phase, in consultation with the architects and consultancy bureaux, also extends the building's potential commercial life.

BREEAM IN-USE

BREEAM In-Use certification is in line with the requirement for continuous improvement of the ISO 14001 standard. This is a valuable tool that validates Befimmo's efforts to improve the sustainability of the buildings in its portfolio. The initial performance of the buildings is first measured, for the building itself (Asset) and for its management (Management).

Among other things, this certification requires consumption data to be monitored. The validation of the resulting data is an important step towards achieving correct benchmarking figures.

CAP

A CAP is a financial derivative instrument belonging to the options family. Purchasing a CAP provides protection against rising interest rates, to a preset maximum level (strike price). It enables to take advantage of declining rates. Purchasing a CAP involves the payment of a premium.

CBD (CENTRAL BUSINESS DISTRICT) AND SIMILAR

The Centre, Leopold, Louise and North districts, as well as the Brussels airport.

CCS (CROSS CURRENCY SWAP)

A CCS is a contract whereby two parties exchange streams of interest charges and notional amounts denominated in two different currencies. Exchange interest flows may be agreed as fixed-against-fixed, floating-against-floating or floating-against-fixed (or vice versa).

CDP (CARBON DISCLOSURE PROJECT)

CDP is an independent, non-profit organisation that aims to reduce greenhouse-gas emissions by businesses and cities. It achieves this by means of a global database of greenhouse-gas emissions. The organisation acts on behalf of many investors representing more than US$ 100 trillion in assets.

CODE 2009

Belgian Code of Corporate Governance issued on 12 March 2009 by the Corporate Governance Commission. The Code includes practices and provisions to be followed by Belgian listed companies. The 2009 Code replaces the previous version of 2004, and can be accessed on the GUBERNA website (www.guberna.be/fr).

COLLAR

A COLLAR is a combination of financial derivatives comprising the purchase of a CAP and sale of a FLOOR. This combination offers protection against rising interest rates (through the purchase of the CAP) with a premium fully or partially subsidised by the sale of a FLOOR (which involves a commitment to pay a minimum interest rate).

CURRENT RENT

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

DCF (DISCOUNTED CASH FLOW)

Method for evaluating cash flows.

DEALING CODE

Document including the main legal duties and internal procedures applicable to the Directors, the members of the Management Committee and any other person who may dispose of inside information due to its implication in the preparation of a determined operation.

DEBT RATIO

[Liabilities - provisions - other financial liabilities (permitted hedging liability instruments) – deferred tax liabilities - accruals]/[total balance sheet assets – permitted hedging instruments, booked to the assets side of the balance sheet]. This ratio is calculated in accordance with the Royal Decree of 13 July 2014.

ECONOMIC HINTERLAND

Periphery of Brussels.

E LEVEL

A building’s maximum primary energy consumption level.

EMS (ENVIRONMENTAL MANAGEMENT SYSTEM)

An EMS is a framework for managing environmental performance. It describes the policies and objectives to be implemented and monitored, challenges to be managed, and how the operation of various systems and strategies should be analysed and assessed.

EPB (ENERGY PERFORMANCE OF BUILDINGS)

This index, based on EU Directive 2002/91/EC, expresses the amount of energy needed to meet the various needs of a building in normal use. It is calculated on the basis of the various factors influencing energy demand (insulation, ventilation, solar and internal gains, heating system, etc.).

EPRA (EUROPEAN PUBLIC REAL-ESTATE ASSOCIATION)

EPRA is the voice of European listed real-estate companies and represents €250 billion in real-estate assets (www.epra.com).

EPRA EARNINGS

Earnings from operational activities. For more information, consult page 57 of this Report. (Alternative Performance Measure)

EPRA NAREIT/EUROPE

EPRA, in collaboration with FTSE and NAREIT, provides a benchmark of global listed real estate. The FTSE EPRA/NAREIT index is divided into eight areas covering the major global investment markets. The EPRA NAREIT/Europe index covers listed real estate in Europe.

ESTIMATED RENTAL VALUE (ERV)

The estimated rental value of vacant premises as reviewed by the real-estate expert.

EX-DATE

The date a coupon is detached.

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.

FLOOR

A FLOOR is a financial derivative instrument belonging to the options family. The sale of a floor earns a premium, though it means that the borrower foregoes the benefit of a fall in interest rates below a preset level (the strike price). See also the definition of the COLLAR.

FREE FLOAT

The percentage of shares held by the public. These are the shares for which Befimmo has received no transparency declaration from a third party or which are not held by Befimmo or its subsidiaries.

FSMA (FINANCIAL SERVICES AND MARKETS AUTHORITY)

The independent regulator of the financial and insurance markets in Belgium.

GRESB (GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK)

GRESB is an initiative to assess the environmental and social performance of public and private real-estate investments. The benchmark serves as a starting point for engagement and forms the basis for a collective effort towards a more resource efficient real estate industry (www.gresb.com).

GRI (GLOBAL REPORTING INITIATIVE)

GRI is the organisation behind the establishment of a globally recognised reporting standard on Social Responsibility. It is committed to its continuous improvement and application worldwide.

GROSS YIELD

The gross yield is equal to the gross dividend divided by the share price at the end of the fiscal year.

HEDGE RATIO

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

IAS (INTERNATIONAL ACCOUNTING STANDARDS)

International accounting standards developed by the International Accounting Standards Board.

IBGE (LEEFMILIEU BRUSSEL/BRUXELLES ENVIRONNEMENT)

The Brussels-Capital Region authority responsible for environmental protection (www.environnement.brussels/).

IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)

International financial reporting standards developed by the International Accounting Standards Board.

INVESTMENT VALUE

The investment value is defined by the expert as the most likely value under normal conditions of sale between the fully informed and consenting parties, on the date of valuation, before deducting transaction costs.

IRS (INTEREST RATE SWAP)

An interest rate swap contract (most commonly fixed against floating or vice versa) is a commitment between two parties to exchange financial flows based on a particular notional amount, frequency and duration.

IRS "PAYER"

An IRS (fixed rate) payer is an IRS for which a fixed rate is paid to the counterparty in exchange for a floating rate.

IRS "RECEIVER"

An IRS (fixed rate) receiver is an IRS for which a floating rate is paid to the counterparty in exchange for a fixed rate.

ISO 14001

The international environmental management standard ISO 14001 defines internationally accepted requirements for environmental management systems. It focuses on a process of continuous improvement in the implementation of environmental objectives within companies and other institutions. These may have their environmental management systems certified according to ISO 14001 by independent auditors.

K LEVEL

A building's overall primary thermal insulation level.

LAW OF 6 APRIL 2010

Law on market practices and consumer protection.

LAW OF 12 MAY 2014

Law on BE-REITs (SIR/GVV).

LTV (LOAN-TO-VALUE)

LTV = [(nominal financial debts – cash)/fair value of portfolio]. (Alternative Performance Measure)

LEASEHOLD

Temporary right in rem entitling its holder, for at least 27 years and up to 99 years, to the full use of a property belonging to another owner, in consideration of the payment to the owner of an annual fee in cash or in kind, known as the "ground rent", in consideration of its right of ownership. Throughout the duration of the leasehold, the leaseholder exercises all the rights deriving from the ownership of the property, but may not do anything that reduces its value.

MARKET CAPITALISATION

Closing stock price multiplied by the total number of shares outstanding at that date.

NAV (NET ASSET VALUE)

Net asset value of the shareholder's equity.

NET RESULT

Result established in accordance with IFRS accounting standards. It is the profit or loss for the period.

OCCUPANCY RATE

Current rent/(current rent + estimated rental value of vacant space).

OPERATING MARGIN

Operating result before result on portfolio divided by the rental income (excluding spreading of gratuities). (Alternative Performance Measure)

PAY-OUT RATIO

The pay-out ratio is calculated by dividing the gross dividend by EPRA earnings.

PRIVATE PLACEMENT

Funds raised from a limited number of (institutional) investors without soliciting the public.

PROPERTY MANAGEMENT

Property management is the supervision of the activities of technical maintenance, accounting for rents and accounting for property-related charges, to be passed on to tenants.

PURE PLAYER

An investor specialising in a single geographical or business segment.

RATING

Befimmo's credit rating assigned by the Standard & Poor's rating agency.

RECORD DATE

The record date is the date on which a shareholder must hold securities in order to be entitled to payment of the dividend for the securities held at that date.

REIT (REAL-ESTATE INVESTMENT TRUST)

Fixed-capital investment company in the United States.

REVERSION RATE OF THE RENT

1-[(current rent + estimated rental value for vacant premises)/estimated rental value for total space].

RICS

Royal Institution of Chartered Surveyors (www.rics.org).

ROYAL DECREE OF 14 NOVEMBER 2007

Royal Decree on the obligations of financial option writers admitted to trading on a regulated market.

ROYAL DECREE OF 13 JULY 2014

Royal Decree on BE-REITs.

RPM

Register of corporate bodies.

SICAFI

Fixed-capital real-estate investment trust. The Sicafi regime was created in 1995 to promote collective investment in real estate.

TAKE-UP

Take-up of office space.

UPSI

Professional Union of the Real-Estate Sector (www.upsi.be).

VELOCITY

Velocity is an indicator of the speed of movement of shares on the regulated market and is calculated by dividing the total number of shares traded during the fiscal year by the average number of shares outstanding during the period.

WEIGHTED AVERAGE DURATION (OF LEASES)

The weighted average duration of leases is the sum of the (annual current rent for each lease multiplied by the term remaining up to the first break in the lease) divided by the total current rent of the portfolio.

WITHHOLDING TAX

Dividends are income taxable in Belgium. The withholding tax deducted from such income is in most cases the final tax payable.

APPENDIX II: ALTERNATIVE PERFORMANCE MEASURES

GLOSSARY OF THE "ALTERNATIVE PERFORMANCE MEASURES"

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

RECONCILIATION TABLES OF THE "ALTERNATIVE PERFORMANCE MEASURES"

AVERAGE (ANNUALISED) FINANCING COST

(in thousand €)	31-12-16	31-12-15
Interest paid	24 212	28 942
Annualised interest paid (A)	24 212	28 942
Annualised nominal financial debts (B)	1 072 370	1 087 415
Average (annualised) financing cost (A/B)	**2.26%**	**2.66%**

LOAN-TO-VALUE

(in thousand €)	31-12-16	31-12-15
Nominal financial debts (A)	1 063 413	1 090 683
II. F. Cash and cash equivalents (B)	153	215
I. C. Investment properties (D)	2 511 658	2 387 806
II. A. Assets held for sale (E)	-	484
Fair value of portfolio at the closing date (C = D+E)	**2 511 658**	**2 388 290**
Loan-to-value (A-B)/C	**42.33%**	**45.66%**

NET RENTAL RESULT IN "LIKE-FOR-LIKE"

(in thousand €)	31-12-16	31-12-15
Net rental result (A)	137 037	139 510
Net rental result linked to change in perimeter (B)	530	1 596
Net rental result on properties not available for lease (C)	490	1 392
Net rental result in « Like-for-Like » (A-B-C)	**136 017**	**136 522**

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

(in thousand €)	31-12-16	31-12-15
Net result (A)	90 406	97 927
XVIII. Changes in fair value of investment properties (B)	21 121	10 984
XXIII. Changes in fair value of financial assets and liabilities (C)	-19 112	- 25
Net result before changes in fair value of investment properties and financial assets and liabilities (A-B-C)	**88 397**	**86 968**

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

(in thousand €)	31-12-16	31-12-15
Financial result (A)	-41 243	-27 662
XXIII. Changes in fair value of financial assets and liabilities (B)	-19 112	- 25
Net losses realised on financial assets and liabilities: close-out costs (C)	-	- 142
Financial result (excl. the changes in fair value of the financial assets and liabilities and close-out costs) (A-B-C)	**-22 131**	**-27 495**

NET PROPERTY RESULT

(in thousand €)	31-12-16	31-12-15
Operating result before result on portfolio	111 738	115 098
XVI. Gains or losses on disposals of investment properties	1 154	967
Net property result	**112 892**	**116 064**

OPERATING MARGIN

(in thousand €)	31-12-16	31-12-15
Operating result before result on portfolio (A)	111 738	115 098
Net rental result (B)	137 037	139 510
Operating margin (A/B)	**81.5%**	**82.5%**

OTHER OPERATING INCOME AND CHARGES (EXCLUDING GOODWILL IMPAIRMENT)

(in thousand €)	31-12-16	31-12-15
XV. Other operating income and charges (A)	- 596	-1 675
Goodwill impairment (B)	-	- 138
Other operating income and charges (excluding goodwill impairment) (A-B)	**- 596**	**-1 536**

NET PROPERTY CHARGES

(in thousand €)	31-12-16	31-12-15
IV. Recovery of property charges	5 727	7 486
V. Recovery of rental charges and taxes normally paid by tenants on let properties	29 932	29 188
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	-28 421	-28 009
VIII. Other revenue and charges for letting	253	646
IX. Technical costs	-8 526	-9 787
X. Commercial costs	-1 558	- 911
XI. Charges and taxes on unlet properties	-4 049	-5 235
XII. Property management costs	-2 592	-2 494
XIII. Other property charges	-5 024	-3 691
Net property charges	**-14 257**	**-12 808**

APPENDIX III: EXTRACTS OF ARTICLES OF ASSOCIATION (COORDINATED AT 27 SEPTEMBER 2016)

TITLE ONE: CHARACTER OF THE COMPANY - CORPORATE NAME - REGISTERED OFFICE - TERM - PURPOSE - PROHIBITIONS

ARTICLE 1: CHARACTER - CORPORATE NAME

The company took the legal form of a limited liability company (société anonyme/naamloze vennootschap), under the company name "BEFIMMO".

The company is a BE-REIT, as set forth in articles 2, 2° of the law of 12 May 2014 concerning BE-REITs (hereafter, the "BE-REIT law"), whose shares are admitted to trading on a regulated market and who raises its financial means, in Belgium or abroad, by means of a public offering of shares.

The company name is preceded or followed by the words "public regulated real estate company under Belgian law" or "public BE-REIT under Belgian law" and all the documents produced by the company contain the same words.

It is governed by the BE-REIT law and the royal decree of 13 July 2014 relating to BE-REITs (hereafter called the "BE-REIT RD") (this act and this royal decree being referred to together as the "BE-REIT regulation")."

The company is a public company that initiates a public offering as defined in article 438 of the Code of Company Law.

ARTICLE 2: REGISTERED OFFICE

The registered office of the company is located in 1160 Brussels, Chaussée de Wavre, 1945.

The registered office of the company may be transferred to any other location in Belgium by simple decision of the Board of Directors who has full powers to have the amendment of the articles of association resulting from such a change recorded in a notarial deed.

In case of extraordinary events of political, military, economic or social nature that could compromise the normal operation of the registered office or smooth communication between the registered office and a foreign country, the registered office of the company may temporarily be transferred in Belgium or abroad by simple decision of the Board of Directors until complete disappearance of such abnormal circumstances. This provisional measure shall, however, have no consequence whatsoever on the nationality of the company, which will remain Belgian despite such provisional transfer of the company's registered office.

The company may, by simple decision of the Board of Directors, establish branches or agencies in Belgium as well as abroad.

ARTICLE 3: TERM

3.1. The company was incorporated by means of a deed dated 30 August 1995 for an unlimited term.

3.2. Without prejudice to the causes of winding-up defined by the law, the company may be wound-up by the shareholders' meeting resolving in the same manner as for amending the articles of association and in compliance with the provisions of article 44 of the articles of association.

ARTICLE 4: PURPOSE

4.1. The company has as exclusive purpose:

(a) making real estate available to users directly or through a company in which it holds a participation in accordance with the provisions of the BE-REIT regulation, and;

(b) within the limits set out by the BE-REIT regulation, hold real estate assets listed in article 2, 5°, vi) to x) of the BE-REIT law.

By real estate is meant:

i. real estate as defined in articles 517 and following of the Civil Code and the rights in rem over real estate, excluding real estate of a forestry, agricultural or mining nature;

ii. shares with voting rights issued by real estate companies under the exclusive or joint control of the company;

iii. option rights on real estate;

iv. shares of public regulated real estate companies or institutional regulated real estate companies, provided in the latter case, joint or exclusive control over these companies is exercised by the company;

v. the rights arising from contracts giving one or more goods in finance-lease to the company or providing other similar rights of use;

vi. shares in public real estate investment companies;

vii. shares in foreign real estate funds included in the list referred to in article 260 of the act of 19 April 2014 on alternative investment funds and their managers;

viii. shares in real estate funds established in another member state of the European Economic Area not included in the list referred to in article 260 of the act of 19 April 2014 on alternative investment funds and their managers, to the extent that they are subject to supervision equivalent to the supervision that is applicable to public real estate investment companies;

ix. shares issued by companies (i) with legal personality; (ii) under the law of another member state of the European Economic Area; (iii) which shares are admitted to trading on a regulated market and/or are subject to prudential supervision; (iv) whose main activity consists in acquiring or building real estate in order to make it available to users, or the direct or indirect holding of participations in certain types of entities with a similar corporate purpose; and (v) that are exempt of income tax on profits in respect of the activity referred to in (iv) above subject to compliance with certain requirements, at least pertaining to the legal obligation to distribute part of their income to their shareholders (the Real Estate Investment Trusts, or "REITs");

x. real estate certificates referred to in article 5, § 4, of the Act of 16 June 2006.

In the context of the making available of real estate, the company can, in particular, exercise all activities related to the construction, rebuilding, renovation, development, acquisition, disposal, management and exploitation of real estate.

4.2. On an ancillary or temporary basis, the company may make investments in securities which are not real estate within the meaning of the BE-REIT regulations. These investments will be made in compliance with the risk management policy adopted by the company and will be diversified in a way to ensure an adequate risk diversification. The company can also hold unallocated liquidities, in any currency, in the form of cash or term deposit or in any instrument of the monetary market that can be easily mobilised.

It may also trade in hedging instruments, with the exclusive aim to hedge the interest rate and exchange risk in the context of the financing and management of real estate of the company and with the exclusion of any transaction of a speculative nature.

4.3. The company may take or give one or more real estate assets in finance-lease. The activity of giving real estate assets in finance-lease with a purchase option can only be carried out in ancillary order, save where these real estate assets are intended for the public interest including social housing and education (in which case the activity can be carried out as a primary activity).

4.4. The company may by way of a merger or otherwise, take an interest in all businesses, undertakings or companies having a similar or related purpose and which are of a nature that favours the development of its business, and, in general, to do all transactions that are directly or indirectly linked to its corporate purpose as well as all acts that are useful or necessary for the realisation of its corporate purpose.

ARTICLE 5: PROHIBITIONS

5.1. The company may not act as real estate developer in the meaning of the BE-REIT regulation.

5.2. Without prejudice to article 4.3 of the articles of association and with exception (a) of the provision by the company of credits and pledge or guarantees in favour of a subsidiary and (b) of the provision by a subsidiary of the company of credits and pledge or guarantees in favour of the company or another of its subsidiaries, the company and its subsidiaries may not (a) provide credits nor (b) provide security interests or guarantees on behalf of third parties.

Regarding the application of the previous subparagraph, the proceeds owed to the company as a result of the disposal of immovable goods shall not be taken into account provided that such proceeds are paid within usual periods.

5.3. The company may not:

a. participate in a firm underwriting group or a guarantee syndicate;

b. lend financial instruments, with the exception of loans compliant to the provisions and conditions pursuant to the royal decree of 7 March 2006 on security loans granted by some investment companies;

c. acquire financial instruments issued by a private law company or association declared bankrupt that has concluded an amicable agreement with its creditors, that is the object of a judicial reorganisation procedure, that has obtained a suspension of payments, or with respect to which has been the object of a similar measure was taken abroad.

5.4. The company may not grant mortgages nor create pledges nor issue guarantees other than in the framework of the financing of its real estate activities or those if its group.

The total amount covered by these mortgages, pledges or guarantees may not exceed 50% of the total fair value of the immovable goods held by the company and its subsidiaries. No mortgage, pledge or guarantee on a given immovable good, granted by the company or by one of its subsidiaries may exceed 75% of the value of the encumbered property in question.

TITLE TWO: SHARE CAPITAL

ARTICLE 6: CAPITAL

The capital is set at three hundred seventy-one million six hundred twenty-seven thousand two hundred six euros and thirty-five cents (371,627,206.35 EUR). It is represented by 25,579,214 shares without nominal value, numbered from one to 25,579,214, each representing an equal part of the capital, all fully paid-up.

ARTICLE 7: AUTHORISED CAPITAL

The Board of Directors is authorised to increase the share capital, in one or several stages, on the dates and pursuant to the terms and conditions resolved by him, by an amount of maximum:

1°) three hundred thirty-four million four hundred sixty-four thousand four hundred ninety-one euros and fifty-three cents (334,464,491.53 EUR) if the capital increase to carry out is a capital increase by contribution in cash, which includes a preferential subscription right for the shareholders of the Company, as foreseen in articles 592 and following of the Code of company Law;

2°) sixty-six million eight hundred ninety-two thousand eight hundred ninety-eight euros and thirty cents (66,892,898,30 EUR), if the capital increase to carry out is a capital increase by contribution in cash, which includes an irreducible allocation right for the shareholders of the Company, as foreseen in article 26, §2, 2° of the law of 12 May 2014 related to BE-REITs;

3°) sixty-six million eight hundred ninety-two thousand eight hundred ninety-eight euros and thirty cents (66,892,898,30 EUR) for all other forms of capital increases which are not referred to in sections 1°) and 2°) above;

with the understanding that, in all cases, the share capital may never be increased, within the framework of the authorised capital, by more than three hundred thirty-four million four hundred sixty-four thousand four hundred ninety-one euros and fifty-three cents (334,464,491,53 EUR).

The preferential right of the shareholders cannot be limited or suppressed, following article 9 of the articles of association.

The Board of Directors is authorised to issue convertible bonds or subscription rights under the same conditions.

This authorisation is granted for a period of five years from the date of publication in the Annexes of the Belgian Official Gazette of the minutes of the General Meeting of 26 April 2016.

The authorisation is renewable.

Such capital increase(s) may be achieved by way of subscription in cash, by contributions in kind or by incorporation of reserves provided the rules set forth in the Code of Company Law and these articles of association pursuant to article 13 of the BE-REIT regulation. They can also occur by means of conversion of convertible bonds or the exercise of subscription rights – whether or not attached to another security – which may give rise to the creation of shares with voting right.

Whenever the share capital increases resolved pursuant to this authorisation involve an issue premium, the amount of such premium shall be allocated after possible deduction of costs by the Board of Directors to a blocked account which constitutes, like the share capital, the guarantee of third parties, and this issue premium shall, subject to its incorporation in the share capital by the Board of Directors as set forth above, only be reduced or suppressed by resolution of the shareholders' meeting taken in compliance with the quorum and majority requirements set forth in the Code of Company Law for a share capital reduction, by reimbursement to the shareholders or by the shareholders' release of the paying-up of their contribution.

ARTICLE 8: CAPITAL INCREASE

8.1. The capital of the company may be increased by resolution of the shareholders' meeting, resolving in accordance with articles 558 and, as the case may be, 560 of the Code of Company Law or by decision of the manager within the framework of the authorised share capital. However the company may not directly or indirectly subscribe to its own share capital increase.

8.2. Upon any capital increase, the manager determines the rate and conditions of issuance of new shares, unless the shareholders' meeting decides on it itself.

8.3. In case of issuance of shares without mention of nominal value under the accounting par value of the existing shares, the notice of shareholders' meeting must expressly mention this fact.

8.4. Should the share capital be increased with an issue premium, the amount of such premium must be fully paid-up upon subscription.

ARTICLE 9: CAPITAL INCREASE BY MEANS OF CASH CONTRIBUTION

9.1. In the event of a capital increase by means of cash contribution, and without prejudice to compliance with articles 592 to 598 of the Code of Company Law, the preferential right may only be restricted or denied on condition that an irrevocable priority allocation right is granted to existing shareholders upon allocation of the new shares.

This irrevocable priority allocation right has the following characteristics:

1° it pertains to all newly issued shares;

2° it is granted to shareholders on a pro rata basis of the portion of the capital represented by their shares at the time of the transaction;

3° a maximum price per share is announced no later than the day before the opening of the public subscription period; and

4° the public subscription period must, in such case, be a minimum of three market days ("jours de bourse").

9.2. Without prejudice to compliance with articles 595 to 599 of the Code of Company Law, article 9.1 of the articles of association does not apply in the case of cash contribution with restriction or denial of the preferential right combined with a contribution in kind with regard to an optional dividend distribution, provided the granting of the latter is effectively open to all shareholders.

ARTICLE 10: CAPITAL INCREASE BY MEANS OF CONTRIBUTION IN KIND - REORGANISATION

10.1. Capital increases by contribution in kind are subject to the rules set forth in articles 601 and 602 of the Code of Company Law.

10.2. Contributions in kind can also pertain to the right to dividend with regard to an optional dividend distribution, with or without complementary cash contribution.

10.3. Thereby, in accordance with the BE-REIT regulation, the following conditions must be complied with:

1° the identity of the contributor must be mentioned in the Board of Directors' report specified in article 602 of the Code of Company Law, as well as, as the case may be, in the notice to the shareholders' meeting that will decide on the capital increase;

2° the issue price cannot be lower than the lowest value between (a) a net value per share determined no later than four months prior to the contribution agreement or, at the company's choice, prior to the date of the deed of the capital increase and (b) the average stock exchange closing price over 30 days prior to such date.

Regarding the application of the previous sentence, it is allowed to deduct from the amount referred to under the subparagraph above the amount corresponding to the portion of undistributed gross dividend of which the new shares may be deprived, provided the Board of Directors specifically evidences in his special report the amount of accrued dividend to be deducted and describes the financial conditions of the transaction in the annual financial report;

3° unless the issue price or, in the case described under article 10.5, the conversion parity, as well as their terms, are determined and published no later than the business day following the conclusion of the contribution agreement, with mention of the term upon which the capital increase will take effect, the capital increase deed is executed within a maximum term of four months; and

4° the report referred to in 1° must also describe in detail the impact of the proposed contribution on the situation of the former shareholders, particularly regarding their part in the profit, the net value per share and the capital, as well as the impact in terms of voting rights.

10.4. Article 10.3 of the articles of association does not apply in case of contribution of the right to dividend with regard to an optional dividend distribution provided the granting of the latter is effectively open to all shareholders.

10.5. Article 10.3 of the articles of association applies mutatis mutandis to mergers, spin-offs and similar transactions as referred to in articles 671 to 677, 681 to 758 and 772/1 of the Code of Company Law. In the latter case, "date of the contribution agreement" must be understood as the date of deposit of the merger or spin-off project.

ARTICLE 10 BIS: CAPITAL INCREASE OF A SUBSIDIARY WITH THE STATUS OF INSTITUTIONAL BE-REIT

Pursuant to the BE-REIT regulation, in the event of a capital increase of a subsidiary with the status of institutional BE-REIT by means of a cash contribution at a price lower by 10% or more of the lowest value between (a) a net value per share determined no later than four months prior to the opening of the issuance and (b) the average of closing prices over the 30 calendar days preceding the opening day of the issuance, the Board of Directors shall write a report describing the economic rationale of the applied discount, the financial consequences of the transaction for Befimmo shareholders, and the advantages of the capital increase envisioned for Befimmo. This report, as well as the criteria and valuation methods used, shall be discussed by the auditor of Befimmo in a separate report.

It is allowed to deduct from the amount referred to under the subparagraph above the amount corresponding to the portion of undistributed gross dividend of which the new shares may be deprived, provided the Board of Directors specifically evidences the amount of accrued dividend to be deducted and describes the financial conditions of the transaction in the annual financial report of the company.

In the event the concerned subsidiary is not listed, the discount referred to in subparagraph 1 is only calculated based on a net value per share determined no later than four months earlier.

This article does not apply to capital increases subscribed in full by the company or by its subsidiaries of which the company directly or indirectly holds the capital in full.

ARTICLE 11: REPURCHASE OF OWN SHARES

11.1. The company may, by virtue of the decision of the shareholders' meeting in compliance with articles 620 and 630 of the Code of Company Law, acquire or pledge its own shares that have been fully paid-up in cash.

11.2. The conditions for the disposal of securities acquired by the company are determined by the shareholders' meeting or by the Board of Directors as the case may be according to article 622 § 2 of the Code of Company Law.

11.3. The Board of Directors is authorised to dispose of the company's own shares acquired by the company in the following cases: 1) on the stock market or off-stock market when these shares are admitted to be listed on a regulated market in the meaning of article 4 of the Code of Company Law; 2) when the disposal takes place in a stock exchange of movable goods or as a result of a public sale offer directed to all shareholders under the same conditions, in order to prevent serious and imminent damage to the company, being understood that such authorisation is valid for a period of three years from the date of publication of the minutes of the meeting of 22 June 2011 and that it is renewable for identical periods; 3) in all other cases permitted for by the Code of Company Law."

11.4. Rights and authorisations described in this article extend to acquisitions and disposals of shares of the company by one or several subsidiaries directly controlled by the company as described in the Code of Company Law.

ARTICLE 12: CAPITAL REDUCTION

The company may reduce its capital in compliance with the applicable legal provisions.

TITLE THREE: SECURITIES

ARTICLE 13: NATURE AND FORM

13.1 With the exception of founders' shares and similar securities, and subject to specific provisions of the BE-REIT regulation, the company may issue the securities referred to in article 460 of the Code of Company Law, in accordance with regulations therein.

13.2. Shares are registered shares or dematerialised shares, within the limits set forth by the law.

All shares are fully paid-up and are without indication of nominal value.

13.3. A register of registered shares is kept at the registered office, as the case may be and if the law allows it, in an electronic form; it is available for consultation by all shareholders. Certificates evidencing a person's registration shall be delivered to the shareholders.

All transfers amongst the living or because of decease as well as any conversion of securities are recorded in this register.

13.4. Dematerialised shares are represented by an entry into the account in the holder's name at a recognised account holder or settlement institution.

13.5. The holder of dematerialised shares may, at any time, request the conversion of such shares, at his expense, into registered shares, and conversely.

ARTICLE 13 BIS: THRESHOLDS

Regarding the application of the statutory rules concerning the disclosure of important holdings in issuers whose shares are admitted to trade on a regulated market, the company has determined, in addition to the statutory thresholds, a threshold of three per cent (3%).

TITLE FOUR: ADMINISTRATION - CONTROL

ARTICLE 14: COMPOSITION OF THE BOARD OF DIRECTORS

14.1. The company is administered by a Board of Directors is composed of at least three directors, shareholder or not, appointed for four years or more by the general meeting and revocable at any time by this meeting. This board includes at least three independent directors as defined in article 526 ter of the Code of Company Law.

14.2. The Board of Directors elects a president from among its members.

14.3. The members of the board are eligible for re-election.

14.4. The directorship of the directors is remunerated.

14.5. If a legal person is appointed as director he must appoint a permanent representative during its nomination. This permanent representative mandate is given for the duration of the one of the legal person he's representing.

14.6. The members of the Board of Directors must fulfil the requirements of integrity and expertise provided for by the BE-REIT regulation and must not come within the scope of the case of prohibitions provided for by the BE-REIT regulation.

14.7. The Board of Directors can appoint one or more observers who can assist to all or part of the meetings of the board on the basis of the procedures to be decided by the board.

14.8. Without prejudice of the transitional provisions, the directors are exclusively natural persons.

14.9. The appointment of the directors is subject to the prior approval of the Financial Services and Market Authority (FSMA).

ARTICLE 15: POWERS OF THE BOARD OF DIRECTORS

15.1. The Board of Directors of the company has all powers to accomplish all acts necessary or useful for the realisation of the company's purpose, with exception of the acts which the law or the articles of association have granted to the general meeting.

15.2. The Board of Directors establishes the annual and half-yearly reports in compliance with the applicable provisions and, in particular, the BE-REIT regulation.

The Board of Directors appoints one or several independent real estate experts responsible for the valuation of the real estate of the company and its subsidiaries, in accordance with the BE-REIT regulation.

15.3 The Board of Directors may grant to each proxyholder all specific powers, limited to certain acts or to a series of specific acts, with the exception of powers that are entrusted to him by virtue of the Code of Company Law or the BE-REIT law and its implementing decrees.

15.4. The Board of Directors is authorised to determine the compensation of said proxyholder(s), which shall be withheld from the company's operating expenses.

The Board of Directors can revoke said proxyholder(s) at any time.

ARTICLE 16: DELIBERATION OF THE BOARD OF DIRECTORS

16.1. The meetings of the Board of Directors are held in Belgium or abroad, at the place indicated in the notices. The person chairing the meeting can appoint the secretary of the meeting, who is a director or not.

16.2. The Board of Directors meets upon convocation by the chairman, the vice-chairmen or two directors, done within at least 24 hours before the meeting.

16.3. Any director who is unable to attend may, by letter or other means of (tele)communication providing documentary confirmation of the nomination as proxy, empower another member of the Board to represent him and to vote in his stead at a specific meeting. A director may represent more of its colleagues and may issue, in addition to his own vote, as many votes as he received proxys.

16.4. Except in the case of "force majeure", the Board of Directors may only validly deliberate and validly resolve if at least half of the members of the board are present or represented. If this condition is not met, a new meeting must be convened, which will validly deliberate and validly resolve on items which are on the agenda of the previous meeting, provided that at least three directors are present or represented.

16.5. Decisions of the board shall be adopted by the absolute majority of the present or represented directors. In case of abstention of one or more directors, decisions are adopted by the majority of the other directors. In case of a tie vote, the person chairing the meeting shall have the casting vote.

16.6. In exceptional cases duly justified by urgency and the need to serve the interests of the company the decisions of the Board of Directors may be expressed by means of a circular. This procedure, however, may not be invoked to approve the annual accounts or release authorised capital.

Decisions must be taken by unanimous agreement of the directors. Their signature will be placed on one document or one different copies of the same document.

These resolutions will be equally valid as if they were taken during a meeting of the board, which are regularly convened and held, and will carry the date of the last signature placed by the directors on the abovementioned documents.

ARTICLE 17: MINUTES

The decisions of the Board of Directors are recorded in minutes signed by at least two of directors, as well as all directors who express an interest to do so.

ARTICLE 18: ADVISORY AND SPECIALISED COMMITTEE

18.1. The Board of Directors may establish one or more committees of which the members may be chosen from within or outside the board.

18.2. It nominates at least an audit committee, a nomination committee and a remuneration committee (the nomination committee and the remuneration committee may be combined) of which they implement the missions, the powers and the composition in accordance with applicable law.

ARTICLE 19: EXECUTIVE COMMITTEE

19.1. The Board of Directors may delegate its management powers to an executive committee, made up from within or outside the board, without this transfer being able to relate to the general policy of the company or to any acts reserved for the Board of Directors on the grounds of other provisions of the law or the articles of associations.

19.2. The Board of Directors implements the missions, the powers, fixed or variable emoluments, by overall charges overhead, of the persons designated for that purpose; where necessary, he dismisses them.

19.3. Without prejudice to the transitional provisions, the members of the executive committee are exclusively natural persons; they must fulfil the requirements of integrity and expertise provided for by the BE-REIT regulation and may not fall within the scope of the case of prohibitions provided for by the BE-REIT regulation.

ARTICLE 20: DAY-TO-DAY MANAGEMENT

20.1. The Board of Directors may confer the day-to-day management of the company as well as the representation of the company on one or several of its members, who will or won't carry the title of executive director, or to one or several appointed agents chosen within or outside the board.

With the exception of the so-called joint-signature clauses, the restrictions placed on the powers of representation for the needs of the day-to-day management are not binding on third parties, even if they are published.

Similarly, the managing director(s) of the day-to-day management may grant special powers to each authorised representative, but within the limits of the day-to-day management.

20.2. The managing director(s) of the day-to-day management must fulfil the requirements of reliability and expertise as described in the BE-REIT regulation and must not come within the scope of the cases of prohibitions set forth in the BE-REIT regulation.

ARTICLE 21: INTERNAL ORGANISATION AND QUALITY

21.1. Without prejudice to the transitional provisions, the executive direction of the company must be carried out by at least two natural persons.

21.2 The members of the executive direction must fulfil the requirements of integrity and expertise provided for by the BE-REIT regulation and may not fall within the scope of the prohibitions provided for by the BE-REIT regulation.

21.3 The company is organised in compliance with article 17 of the BE-REIT law.

ARTICLE 22: REPRESENTATION OF THE COMPANY

22.1. The company is validly represented in all acts, including those in which a public officer or notary intervene, and before a court of law, by:

- two directors acting jointly, or
- within the limits of the day-to-day management, a managing director of this management.

22.2. The company shall moreover be validly bound by special proxyholders of the company acting within their powers.

22.3. The copies or extracts of the minutes of the general meeting of shareholders and the meetings of the Board of Directors to be produced in court or in any other place, and notably each extract to be published in the annexes to the Belgian Official Gazette, are validly signed by a director, a person in charge of the day-to-day management or a person explicitly authorised by the board.

ARTICLE 23: PREVENTION OF CONFLICTS OF INTERESTS

23.1. The company is structured and organised in such a way as to minimise the risk of the shareholders interests being prejudiced by conflicts of interests in accordance with the BE-REIT regulation.

23.2. The persons referred to in article 36 of the BE-REIT law may not act as counterparty in a transaction with the company or with one of its subsidiaries nor obtain any benefit in such a transaction, unless the transaction is in the interest of the company, fits in the scope of its strategy and is realised under normal market conditions.

23.3. The company must inform the FSMA prior to any transaction considered by the company if one of the following persons acts directly or indirectly as the counterparty or obtains any benefit in the transaction:

- persons who control or hold a participation in the company;
- persons with which the company, one of its subsidiaries, the promoter and other shareholders of a subsidiary are bound or have a shareholding connection;
- the promoter;
- the other shareholders of any subsidiary of the company
- the directors, members of the management committee, managing directors, executive officers or representatives: of the company, of one of its subsidiaries, of the promoter, of the other shareholders of any subsidiary of the company and of a person who controls or holds shares in the company.

23.4. Information regarding the transaction mentioned in article 23.2 shall immediately be made public in the press release, if any, pertaining to such transaction. It shall be discussed in the annual financial report and by the statutory auditor in his report.

23.5. The aforementioned provisions shall not apply to:

- transactions for an amount less than the lowest amount between 1% of the consolidated assets of the company and 2,500,000 euros;
- the acquisition of movable goods by the company or one of its subsidiaries within the framework of a public offering made by a third party issuer, for which a promoter or one of the persons referred to in article 37, § 1 of the BE-REIT law intervene as intermediaries as defined in article 2, 10° of the law of 2 August 2002;
- the acquisition or subscription, by the persons mentioned in article 37 § 1 of the BE-REIT law, of the company's shares issued pursuant to a resolution of the shareholders' meeting; and
- the transactions concerning liquid assets of the company or one of its subsidiaries provided that the person who acts as counterparty has the capacity of intermediary as defined in article 2, 10° of the law of 2 August 2002 and that such transactions are executed in compliance with the market.

23.6. In addition to the preceding provisions, the directors shall comply with articles 523 and 524 of the Code of Company Law.

ARTICLE 24: CONTROL

24.1. The control of the financial situation, of the annual accounts and of the compliance of the transactions, to be recorded in the annual accounts, is entrusted to one or more auditors, member(s) of the Institute for Company Auditors.

Said auditor(s) is/are appointed by the shareholders' meeting for a renewable term of three years and may only be removed for serious grounds, under penalty of damages, as the case may be.

The shareholders' meeting determines the number of auditors and their remuneration.

Said auditor(s) control(s) and certify(ies) the accounting data stated in the annual accounts of the company and confirm(s), as the case may be, all of the information to be provided in accordance with the BE-REIT regulation.

24.2. Article 141, 2° of the Code of Company Law is not applicable to the company having the status of a BE-REIT, in accordance with article 55, § 1, second subparagraph, of the BE-REIT law.

24.3. In accordance with the BE-REIT regulation, the FSMA is entitled to any information or may complete on the spot searches and peruse all the company's documents.

TITLE FIVE: GENERAL MEETING OF SHAREHOLDERS

ARTICLE 25: COMPOSITION – POWERS

The general meeting is composed of all shareholders entitled to vote either in person or by proxyholder in compliance with the statutory provisions or the articles of association.

ARTICLE 26: MEETINGS

26.1. The annual general meeting shall take place on the last Tuesday of April at 10:30.

The agenda of the yearly general meetings includes at least the approval of annual accounts, the granting of discharge to the directors and auditor, and the approval of the remuneration report by the general meeting.

26.2. An extraordinary meeting may be convened each time it is in the company's interest.

It must be convened at the request of shareholders jointly holding one/fifth of the share capital.

26.3. The general meetings shall take place at the registered office or at any other location in Belgium, which shall be specified in the notice.

ARTICLE 27: NOTICES & INFORMATION

27.1. The general meeting, whether annual or extraordinary, is held following a notice by the Board of Directors or the auditor.

The notices contain all topics required by the Code of Company Law and by any other regulation.

27.2. The company shall provide shareholders with any information required by the Code of Company Law and by any other regulation.

ARTICLE 28: ADMISSION TO THE MEETING

28.1. Any shareholder may participate in a general meeting and exercise his right to vote:

(i) if his shares are registered in his name on the fourteenth day prior to the shareholders' meeting, at 24 hours (midnight, Belgian time), either:

- by registration of the shares in the company's registered shares register;
- by registration of the shares in the account of an authorised holder or settlement institution.

The aforementioned day and time shall be the recording date.

(ii) and if the company has been informed, no later than the sixth day prior to the date of the meeting, of the shareholders' desire to participate in the shareholders' meeting, as the case may be, directly by the shareholder for holders of registered shares or by a financial intermediary, authorised account holder or settlement institution for holders of dematerialised shares.

28.2. Any shareholder may, as of the date of notice and no later than six days prior to the date of the meeting, ask questions in writing, which will be answered during the meeting provided the concerned shareholder has complied to requirements for admission to the meeting.

ARTICLE 29: PARTICIPATION AND VOTING PROCEDURES FOR SHAREHOLDERS' MEETINGS

29.1 All shareholders may vote in person or through a proxy holder.

Proxy notifications to the company must be remitted in writing.

29.2. The proxy must be provided to the company no later than six days prior to the date of the meeting.

29.3. Any shareholder may vote by post using a form available from the company. The postal vote form must be received by the company no later than six days prior to the date of the meeting.

29.4. The joint owners, usufructuaries and bare owners, pledgee creditors and pledgee debtors must be represented respectively by one and the same person.

ARTICLE 30: OFFICE

All general meetings are chaired by the chairman of the Board of Directors. If the chairman is unable to attend, the meetings will be chaired by a director appointed by its colleagues, or by a member of the general meeting appointed by the latter.

The chairman appoints the secretary.

The chairman appoints two vote-takers amongst the shareholders.

ARTICLE 31: PRESENCE LIST

31.1. A register dedicated by the Board of Directors includes for each shareholder who expressed his desire to participate in the general meeting his name, surname or corporate name, address or registered office, the number of shares he held at the registration date, and a description of documents evidencing shareholding at such registration date.

31.2. The shareholder or his proxy holder ensures that all elements required, as the case may be, for the shareholder's identification are provided to the company.

ARTICLE 32: VOTING RIGHT OF THE SHAREHOLDERS

32.1. Each share entitles its holder to one vote.

32.2. In case of acquisition or pledging by the company of its own shares, the voting right of these securities shall be suspended.

32.3. Voting take place by raising hands or by calling names, unless the general meeting, by majority of votes, decides otherwise.

ARTICLE 33: DELIBERATIONS OF THE GENERAL MEETING

33.1. No meeting shall deliberate on items that were not specified in the agenda, unless all shareholders are present and unanimously approve of the new items.

33.2. Any draft amendment to the articles of association must first be submitted to the FSMA in accordance with article 8 of the BE-REIT regulation.

33.3. Except in cases set forth by the law or the articles of association, each resolution shall be adopted by a majority of votes irrespective of the number of shares represented at the meeting.

ARTICLE 34: MINUTES

34.1. The minutes of the general meetings include for each resolution the number of shares for which valid votes were expressed, the percentage of the capital represented by such votes, the total number of valid votes expressed, the number of votes expressed for and against each resolution, and, as the case may be, the number of abstentions.

34.2. The minutes of the general meetings are signed by the members of the office and the shareholders asking to do so.

34.3. Information referred to in article 34.1 is published by the company on its website within fifteen days of the general meeting.

34.4. Copies or excerpts to be submitted before a court of law or elsewhere must be signed by a director, by a person in charge of the day-to-day management or a person explicitly authorised by the board.

TITLE SIX: BONDHOLDERS' MEETING

ARTICLE 35: POWERS – NOTICES

The general bondholders' meeting is granted powers as determined by the Code of Company Law and convenes in accordance with the Code of Company Law.

ARTICLE 36: PARTICIPATION IN THE BONDHOLDERS' MEETING

Holders of registered bonds must inform the Board of Directors, no later than three business days prior to the date of the meeting, in writing (letter or proxy), of their intention to attend the bondholders' meeting and specify the number of bonds based on which they intend to vote.

Holders of dematerialised bonds shall deposit at the registered office or at any location specified in the notice, within the same term, a statement executed by the authorised account holder or settlement institution, certifying the unavailability of the bonds up to the date of the bondholders' meeting.

ARTICLE 37: CONDUCT OF THE BONDHOLDERS' MEETING – MINUTES

The bondholders' meeting renders resolutions according to provisions of the Code of Company Law.

The minutes of the bondholders' meetings are signed by the members of the office and by the bondholders who request to do so.

Copies and excerpts to be submitted before a court of law or elsewhere are signed by a director, by a person in charge of the day-to-day management or a person explicitly authorised by the board.

ARTICLE 38: REPRESENTATION

Any bondholder may be represented at the bondholders' meeting by a proxy holder, whether or not bondholder. The Board of Directors determines the form of the proxies.

TITLE SEVEN: COMPANY RECORDS - DISTRIBUTION

ARTICLE 39: COMPANY RECORDS

39.1. The company's fiscal year begins on 1st January and ends on 31st December.

39.2. On this last date, the books of the company are closed and the Board of Directors prepares a full inventory, as well as the annual accounts in accordance with the law on book-keeping and the annual accounts of the undertakings and the special provisions of the BE-REIT regulation.

39.3. The company bears, amongst others, the costs of incorporation, organisation and domiciliation, the costs for the service of the company shares, the costs related to the immovable goods operations and the investment transactions, the costs of technical management, supervision, maintenance, etc. of the immovable goods of the company, the accountancy and inventory costs, the costs stemming from the supervision of the accounts and the control of the company, the publication costs, that are inherent to the share offer, costs stemming from the establishment of periodical reports and the distribution of financial information, the management costs and the taxes and duties and rights due as a result of the business carried on by the company, or as a consequence of the activities of the company.

39.4. Furthermore, the Board of Directors establishes an inventory of the immovable goods owned by the company and its subsidiaries when the company proceeds to a share issue or a share buy-back other than on a regulated market.

ARTICLE 40: DISTRIBUTION

40.1. Article 616 of the Code of Company Law concerning the establishment of a reserve fund is not applicable to companies having the status of a regulated real-estate company by Belgian law in accordance with article 11, § 3, of the BE-REIT law.

40.2. The company shall, by way of remuneration of the capital, distribute an amount that shall correspond at least to the positive difference between (i) 80% of the amount determined according to the table in Chapter III of Annex C of the BE-REIT royal decree and (ii) the net decrease, in the course of the same financial year, of the indebtedness of the company as specified in article 13 of the BE-REIT royal decree.

40.3. The company shall simultaneously comply with the obligations regarding distributions that have been imposed on it or that may be imposed on it by the laws of any State that may be applicable to it and in particular the obligations regarding distribution that may be imposed on it by virtue of its acceptance of the status of "Société d'Investissements Immobiliers Cotée" ("SIIC") ("Listed Company for Real Estate Investments" – "LCREI") in accordance with article 208 - C of the "Code Général des Impôts français" ("General Code of French Taxes") on the ground of its transactions in France.

40.4. The balance shall be allocated in the manner resolved by the shareholders' meeting on proposal of the Board of Directors.

40.5. The company may distribute an optional dividend with or without cash complement.

40.6. Unclaimed dividends of registered shares and fees within the five years of their payment will expire.

ARTICLE 41: PROVISIONS REGARDING SHAREHOLDERS SUBJECT TO WITHHOLDING

41.1. For the purpose of the following paragraphs, the term 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") must be understood as any shareholder, other than a natural person, who directly or indirectly holds 10% or more of the rights to dividend distributed by the company and whose personal situation – or the situation of his shareholders who, prior to the payment of any distribution, directly or indirectly hold ten percent (10%) or more of the rights to dividend from the company – implies that the company is liable of a withholding equal to twenty percent (20%) (le 'Prélèvement' or the "Withholding",) as specified in article 208 C II ter of the "Code Général des Impôts français" ("General Code of French Taxes").

41.2. If the ten percent (10%) threshold of the capital of the company (to be understood as the possession of ten percent (10%) or more of the rights to dividend paid out by the company) is directly or indirectly exceeded, any shareholder other than a natural person ("Concerned Shareholder") ("Actionnaire Concerné") shall notify the company thereof and such shareholder shall be deemed an 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding").

In the event such shareholder states that he is not an 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding"), he must, within a short time period and at the latest ten business days prior to the payment of any distribution, evidence this at the request of the company and, if the company so demands, submit an acceptable and unreserved legal opinion issued by an internationally reputed tax firm with recognised expertise in the field of French tax law, stating that the shareholder is not an 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") and that distributions declared payable by the company do not render the company liable for the 'Prélèvement' ("Withholding"). The company may proceed to request any supporting document, additional data or the point of view of the French tax administration and, as the case may be, until satisfactory answers have been obtained, retain the distribution concerned.

Any 'Actionnaire Concerné' ("Concerned Shareholder") must within a short period of time inform the company of any modification in its tax position whereby it would acquire or lose the capacity of 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") by justifying such event, in the event of loss of this status, in the manner as indicated above.

41.3 Every 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") shall, at the time of payment of each distribution, become a debtor of the company for an amount that corresponds with the amount of the Withholding which the company by way of distribution of dividends, reserves premiums or 'returns deemed distributed' as defined in the General Code of French Taxes owes.

In the event that the company directly and/or indirectly would possess a percentage of the rights to a dividend that is at least equal to what is specified in article 208 C II ter of the General Code of French Taxes of one or more 'Sociétés d'Investissements Immobiliers Cotées' ("SIICs") as specified in article 208 C of the General Code of French Taxes ('SIIC Fille') and in which the SIIC Fille as a result of the capacity of the 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") would have settled the Withholding, the 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") must, as the case may be, indemnify the company, either for the amount that the company has paid out to the SIIC Fille, by way of compensation for the payment of the Withholding by the SIIC Fille, or, in the absence of a compensation to the SIIC Fille by the company, for an amount that is equal to the Withholding paid by the SIIC Fille, multiplied by the percentage of the rights to receive a dividend of the company in the SIIC Fille, in such a manner that the other shareholders of the company do not contribute in an economical manner to whichever fraction of the 'Prélèvement' ("Withholding") paid by whichever SIIC in the holding chain because of the 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") (the so-called 'Indemnisation Complémentaire' - "Additional Compensation").

The amount of this 'Indemnisation Complémentaire' ("Additional Compensation") shall be borne by all 'Actionnaires à Prélèvement' ("Shareholders Subject to Withholding") in proportion to their respective rights to dividends, divided by the total number of rights to dividends of the 'Actionnaires à Prélèvement' ("Shareholders Subject to Withholding").

The capacity of 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") is established at the time of payment of the distribution.

41.4. The company has the right to proceed to a set-off between its claim seeking damages from any 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") on the one hand and the amounts which the company must pay in favour of this shareholder on the other hand. In such a manner, the amounts retained from the company's profits exempted from corporation tax pursuant to article 208 C II of the General Code of French Taxes and which pursuant to each share must be paid out in the hands of the said 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") pursuant to the above-mentioned decision to distribute or to repurchase of shares in his favour, shall thus be reduced up to the amount of the Withholding due by the company for the distribution of these amounts and/or up to the 'Indemnisation Complémentaire' ("Additional Compensation").

The amount of each compensation due by an 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") shall be calculated in such a manner that the company, after payment thereof and taking account of possible application of tax laws, shall be placed in the same position as if the Withholding would not have become due.

The company and the 'Actionnaires Concernés' ("Concerned Shareholders") shall cooperate in good faith so that all reasonable measures shall be taken to reduce the amount of the Withholding (still) due and the compensation possibly resulting therefrom.

In the event (i) after the distribution of a dividend, reserves or premiums or 'produits réputés distribués' ("returns deemed distributed") as defined in the General Code of French Taxes levied on the profits of the company or on the profits of a SIIC Fille, exempted from corporation taxes pursuant to article 208 C II of the General Code of French Taxes, it would appear that a shareholder would be an 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") on the date of payment of the said amounts and (ii) in which the company or the SIIC Fille should have proceeded to the payment of the Withholding on the amounts thus paid, without said amounts having been the subject of the set-off specified in the first subparagraph of this paragraph, then the 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") shall be liable to pay to the company, by way of compensation for the damages that the latter sustains, and notwithstanding partial or full transfer of the shares that occurred in the meanwhile, an amount that is equal to, on the one hand, the Withholding which the company had to discharge for each share of the company that it held at the time of the payment of the distribution of dividends, reserves or premiums concerned, increased with every fine and interests and, on the other hand, as the case may be, the amount of the 'Indemnisation Complémentaire' ("the Additional Compensation") (the 'Indemnité' - the "Compensation").

The company shall be entitled, as the case may, be to proceed to a set-off to the appropriate extent between its claim on the ground of the "Compensation" ('l'Indemnité') and all amounts that may be payable at a later stage for the benefit of this

'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") and such, as the case may be, without prejudice to the prior application in respect of the said amounts of the set-off specified in the first subparagraph of this paragraph. In the event the company, after realization of such a set-off, remains, on the ground of the "Compensation" ('l'Indemnité'), a creditor of the 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding"), it shall be entitled to proceed once again to a set-off to the appropriate extent with all amounts that later may be made payable for the benefit of this 'Actionnaire à Prélèvement' ("Shareholder Subject to Withholding") and this until said debt has been definitively settled.

ARTICLE 42: INTERIM DIVIDENDS

Dividends are paid out on the dates and at the places determined by the Board of Directors.

The latter may decide under his personal liability, in compliance with the law, on the payment of the advances on dividends; he determines the amount and the payment dates of such advance(s).

ARTICLE 43: ACCESS TO REPORTS

Annual and half-yearly financial reports, annual and half-yearly financial statements of the company as well as the auditor's reports are available on the company's website.

Additionally, the annual financial report is available in the form of a brochure sent to all registered shareholders and provided to any other shareholder upon request.

TITLE EIGHT: WINDING-UP - LIQUIDATION

ARTICLE 44: WINDING-UP

44.1. In the event of dissolution of the Company, for whatever reason and at any time, the liquidation shall be performed by liquidators appointed by the general meeting of shareholders. The liquidator(s) take office only after confirmation of their nomination by the Brussels Commercial Court. In the absence of nomination of one or more liquidators, the directors in office will be considered as liquidators with respect to third parties.

44.2. After winding-up, the company will be regarded as being in liquidation.

44.3. Unless otherwise provided in the instrument of appointment, the persons in charge of the liquidation have greater power for that purpose, which are granted by the Code of Company Law.

44.4. The general meeting of shareholders determines the liquidation mode and, as the case may be, the remuneration of the liquidators(s).

44.5. The liquidation of the company ends pursuant to the provisions of the Code of Company Law.

44.6. Except in case of merger, the net assets of the company will be, after clearing of all liabilities or deposit of the sums which are necessary for that purpose, allocated as a matter of priority to the reimbursement of the amount paid-up of the capital shares, and the remaining balance shall be distributed equally among all the shareholders of the company, proportionally to the number of shares they hold.

TITLE NINE: GENERAL PROVISIONS

ARTICLE 45: ELECTION OF DOMICILE

For the performance of these articles of association, every shareholder, managing director, member of the coordination committee, director, liquidator who is domiciled abroad, makes an election of domicile at the company's registered office where all communications, default notices, writs of summons or notifications can validly be served.

ARTICLE 46: JURISDICTION

For all lawsuits between the company, its shareholders, bondholders, managing director, member of executive committee and liquidators concerning the affairs of the company and the execution of the present articles of association, only the courts of the registered office of the company shall have jurisdiction, unless the company expressly waives such jurisdiction.

ARTICLE 47: GENERAL LAW

47.1. Parties agree to fully comply with the Code of Company Law, as well as with the BE-REIT regulation.

As a consequence, the provisions of said laws are deemed to be set forth in these articles of association, and all provisions conflicting with the imperative provisions of these laws are deemed non-existent, unless lawful departure.

47.2. Special mention is made, in accordance with articles 11, § 3 and 55, § 1, second subparagraph, of the BE-REIT law, that articles 111, 141, 2°, 439, 448, 477 and 616 of the Code of Company Law are not applicable.

TITLE TEN: SPECIAL PROVISION

ARTICLE 48: AMENDMENTS OF THE LAW

In case of amendments of the law, the Board of Directors is allowed to adapt these articles of association to the future legal texts that would amend these articles of association. This authorisation aims expressly at an amendment by notarial deed only.

ARTICLE 49: TRANSITIONAL PROVISION

49.1. Amendments to the articles of association referring to the BE-REIT regulation enter into force as from the date of the entry into force of the relevant provisions.

49.2. The legal entities that, on the date the BE-REIT law enters into force, carry out a mandate of directors or member of the executive committee of the company, are authorised to continue to carry out their current mandate until its expiry. Until the expiry of its mandate, the permanent representative of this legal entity must at all time maintain the required professional integrity and adequate expertise to carry out its functions.

49.3. If a legal entity, appointed before 7 May 2014 and carrying out a mandate of director, continues to carry out their functions and revokes its representative, it shall forthwith notify this revocation to the company by registered letter and shall appoint with the same formalities a new representative. The same is applicable in case of death or resignation of the representative.

49.4. One-person private limited companies that, on the date of the entry into force of the

BE-REIT law, carry out a mandate of executive officer of the company are authorised to continue to exercise their current mandate until its expiry. Until the expiry of this mandate, the permanent representative of the one-person private limited company in question must at all time maintain the required professional integrity and adequate expertise to carry out his/her functions.

APPENDIX IV: SPREAD OF THE BUILDINGS OF THE CONSOLIDATED PORTFOLIO[1] PER SUBSIDIARY

AXENTO

GRAND-DUCHY OF LUXEMBOURG

Axento

BEFIMMO

BRUSSELS CENTRE

Brederode 9	Montesquieu
Brederode 13	Namur 48
Brederode Corner	Poelaert
Central Gate	Rue au Choux
Empereur	

BRUSSELS LEOPOLD DISTRICT

Joseph II	Schuman 11
Guimard	View Building
Pavilion	Wiertz
Schuman 3	

BRUSSELS LOUISE DISTRICT

Blue Tower

BRUSSELS NORTH AREA

Noord Building	World Trade Center - Tower II

BRUSSELS DECENTRALISED

Goemaere	Triomphe
La Plaine	

BRUSSELS PERIPHERY

Eagle Building	Ocean House
Fountain Plaza	Planet II
Ikaros Business Park	Waterloo Office Park
Media	

FLANDERS

AMCA	Leuven - Vital Decosterstraat (leasehold)
Antwerpen - Meir (leasehold)	

BEWAY

BRUSSELS AIRPORT

Gateway

1. For more information, please consult the buildings of the consolidated portfolio on pages 36 to 39 of this Report.

FEDIMMO

BRUSSELS CENTRE

Gouvernement Provisoire
Lambermont
Pachéco

BRUSSELS LEOPOLD DISTRICT

Arts
Froissart
Science-Montoyer

BRUSSELS NORTH AREA

World Trade Center - Tower III	WTC IV (permit implemented)

WALLONIA

Ath	Paradis Express (land)
Binche	Liège - Rue Fragnée - Paradis Tower
Braine l'Alleud	Malmedy
Eupen	Marche-en-Famenne
La Louvière	Saint-Vith
Liège - Avenue Emile Digneffe	Seraing

FLANDERS

Bilzen	Lokeren
Brugge	Menen
Deinze	Nieuwpoort
Dendermonde	Ninove
Diest	Oudenaarde
Diksmuide	Roeselare
Eekloo	Sint-Niklaas
Haacht	Sint-Truiden
Halle	Tervuren
Harelbeke	Tielt
Herentals	Tienen
Ieper	Tongeren
Izegem	Torhout - Burg
Knokke-Heist	Torhout - Elisabethlaan
Kortrijk - Bloemistenstraat	Vilvoorde
Kortrijk - Ijzerkaai	

MEIRFREE

FLANDERS

Antwerpen - Meir (trefonds)

VITALFREE

FLANDERS

Leuven - Vital Decosterstraat (trefonds)

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