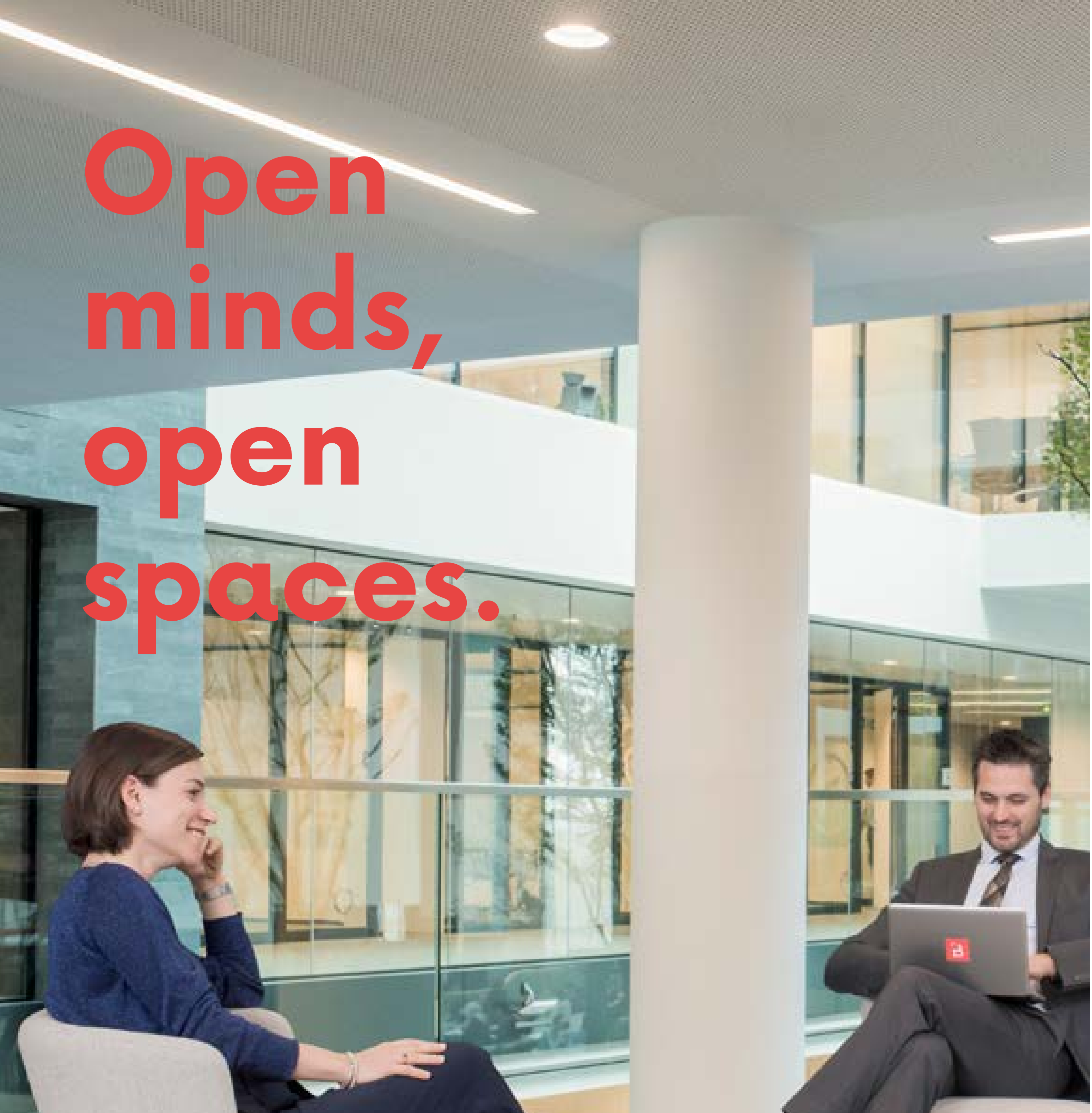
Annual Financial Report 2017

Befimmo

Open minds, open spaces.



In this Annual Financial Report 2017, Befimmo presents with pride its new identity! This new impetus reflects an evolution, which began a few years ago.

Befimmo is expanding its mission and vision of tomorrow's workspaces, and how to design and use them. Our current and future clients will find in Befimmo the partner that is offering them flexible work environments, services and business networks. In short, much more than a simple office surface.

Our buildings, our offices, our coworking spaces and our meeting centres are all designed with one thing in mind: making work a more productive and enjoyable experience. Whether you're self-employed, start-up, SME, big company or institution, we have the place you need to grow. We call them "Befimmo Environments".

Befimmo. Open minds, open spaces.

ANNUAL FINANCIAL REPORT ON THE FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 PRESENTED AT THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF 24 APRIL 2018 AND ADOPTED BY THE BOARD OF DIRECTORS ON 2 MARCH 2018

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.

Befimmo is fully following the trend towards standardisation of financial reporting and also reporting on Social Responsibility – aiming at an improvement of quality and information comparability – by adopting the EPRA reporting guidelines and the GRI Standards[1].

In the absence of a standardised reference system for the real-estate indicators, Befimmo conducted, over the fiscal year 2017, an in-depth analysis of the methods for calculating its main indicators, assisted in this exercise by the consultant PwC. Befimmo now calculates its indicators on the basis of these slightly adapted definitions set out in Appendix II to this Report. The indicators as at 31 December 2016 were restated on the basis of the new definitions. The real-estate indicators within this Report are identified with a footnote at their first mention.

Since 3 July 2016, the "Alternative Performance Measures (APM)"[2] guidelines of the European Securities Markets Authority (ESMA) have been applicable. The APMs within this Report are identified with a footnote at the first mention of the APM in this Report. The full list of APMs, their definition, their utility and the related reconciliation tables are included in Appendix III to this Report and are published on the Befimmo website.

As part of the strategic evolution, the information linked to Befimmo's Corporate Responsibility is now fully integrated in the Report and is no longer published in a separate chapter. The CSR indicators are gathered in the GRI Content Index on page 216.

"Reporting and recognitions"

http://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.

RSE

This icon refers to the CSR sheets, published on the website of the Company.

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).

Befimmo at a glance

Befimmo, a Regulated Real-Estate Investment Trust (BE-REIT), is a real-estate operator specialising in office buildings, meeting centres and coworking spaces. Those Befimmo Environments are located in Brussels, the main Belgian cities and the Grand Duchy of Luxembourg.

Sustainable buildings, contemporary office spaces, a full range of services geared to today's needs, contribute to making Befimmo a reference provider of quality work environments.

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

By creating added value for its users, Befimmo also creates value for its shareholders. Its portfolio is worth some €2.5 billion and comprises around a hundred office buildings with space totaling over 900,000 m².

Befimmo is listed on Euronext Brussels. As at 31 December 2017, its market capitalization was €1.4 billion. Befimmo offers its shareholders a solid dividend and a yield in line with its risk profile.

→ "Mission and strategy, on page 14"
→ "Property report, on page 26"

BEFB LISTED EURONEXT

Axento | Luxembourg city

Table of contents

Message of the Chairman and the CEO

Benoît De Blieck | CEO **Alain Devos** | Chairman of the Board of Directors

Open minds, open spaces: a new identity, a lot more than just words. This evolving identity is the outward sign of a profound change in our approach to business that began a few years ago.

On the basis of the United Nations Sustainable Development Goals, the entire Befimmo team has been organised to pro-actively consider the most important societal issues in our line of business, and has defined its strategic priorities: environmentally-friendly mobility, buildings properly integrated into the city, work spaces in symbiosis with the world of work, a continuing dialogue with all our stakeholders, an exemplary contribution to positive change in society and appropriate use of resources in applying the principles of eco-design and the circular economy at each stage of a building's life cycle. This approach incorporates a focus on innovation in order to be able to anticipate the needs and expectations of our tenants.

Our tenants too are facing quick changes in their business models. We aim to listen to their expectations in terms of flexibility, accessibility, user-friendliness, facilities and services, participation in a community, multi-functionality and respect for the environment, all very topical issues for all of us.

Aware of these issues, tenants are now choosing a real-estate partner who can offer solutions that go beyond simply selecting a building. Befimmo is that partner.

Our new logo, with a window open to the outside world, reflects the interaction between the Befimmo team and the world in which we operate. This is the highly motivating reality of our Company.

Aware of these issues, tenants are now choosing a real-estate partner who can offer solutions that go beyond simply selecting a building. Befimmo is that partner.

An example of this is the strategic partnership that we have forged with Silversquare, the leading Belgian operator of coworking centres. There is no doubt that the coworking model will spread quickly, both for companies wanting to take advantage of the dynamic effect of networking and the spirit of innovation, as well as for the growing numbers of self-employed people, start-ups and small businesses, which will find huge added value in breaking out of their isolation and working in a community.

As a coworking operator, associated with a specialist pioneer of the model in Belgium, Befimmo is positioning itself in this new fast-growing market, differentiating itself from the competition through its know-how in community animation, and accelerating its development towards the office of the future. The first coworking space, measuring 4,000 m², will open in April 2018 in our Triomphe building in Brussels, chosen for its excellent location near the universities of Brussels and the new Chirec hospital. And new spaces are already in preparation so that we can quickly offer a network to our tenants and future customers.

We would also mention our work within the Up4North association (www.labnorth.be) of which Befimmo is a very active founder. The association's mission is to give renewed impetus to the North area, which is progressively but significantly evolving from conventional mono-functional offices into a one of a more vital and assured multi-functional area. A discussion forum and think-tank (Café North) is open to stakeholders. An urban development college, architecture practices, artists and start-ups are moving into spaces (Lab North) that we have made temporarily available in Tower 1 of the WTC.

In this way, the North area, benefiting from the presence of the Brussels North railway station, as the extension of the historic centre of Brussels, will gradually become a pleasant, lively and friendly city district in its own right. We also have a project for redeveloping WTC Towers 1 and 2 into a multifunctional complex. We will be regularly revisiting this subject since the countdown for the departure of the tenant, the Belgian Government, planned at the end of 2018, is well under way.

As planned, the Administration of the Flemish Community vacated the Noord Building early in the year. We have obtained all the permits for the Quatuor project which is to replace it and, in which, a third of the space is pre-let. The demolition / reconstruction work has just begun. The brand-new building is scheduled for hand-over around mid-2020.

For the 2017 fiscal year, Befimmo posted solid results in terms of its EPRA earnings (cash flow) of €3.74 per share, higher than forecast (€3.63), and its net result (€5.32 per share), well up thanks to the capital gain on the opportunistic disposal of the Brederode complex and overall stability in values (fair value as per IAS 40) of the portfolio.

2017 has been a very successful year in terms of take-up in our operational buildings (Central Gate, Axento, Media, etc.) and projects (Quatuor). More generally, Befimmo concluded new leases or renewed current leases for more than 58,400 m² while overall take-up on the market was 381,305 m².

Always on the lookout for growth opportunities with potential added value, Befimmo has expanded its portfolio to include "Arts 56", a building of character alongside the Brussels inner ring road at Place du Trône. It has already been contributing to the cash flow since the beginning of 2018.

These robust results enable us to propose a final dividend of €0.86 gross per share to the General Meeting on 24 April. As expected, after the interim dividend of €2.59 gross per share paid out in December 2017, the dividend for the year will be €3.45 gross per share. The return on the share price in 2017 is 6.98%.

As for the international context and the economic environment associated with it, we were concerned last year by the period of uncertainty that was beginning in Europe with the upcoming elections in France, the Netherlands and Germany.

A year on, we are going forward with confidence in a much more positive economic environment with our new projects in the North area, the Quatuor and the redevelopment of WTC Towers 1 and 2. Their high quality, the scarcity of immediately available "Grade A" buildings on the Brussels market and the fierce but relatively limited competition should accelerate their take-up by corporates and institutions wishing to switch to Smart Ways of Working, and keen to benefit

Media | Brussels periphery

For the 2017 fiscal year, Befimmo posted solid results in terms of its EPRA earnings (cash flow) of €3.74 per share, higher than forecast (€3.63), and its net result (€5.32 per share).

For the 2018 fiscal year, we are once again forecasting a dividend of €3.45 gross per share.

from the opportunity we are offering them. Our particularly well-managed level of debt also enables us to approach the financing of these projects with confidence. As these two large Befimmo buildings have reached the end of their first life cycle almost simultaneously, there is inevitably a negative, but temporary influence, on a like-for-like basis, on future EPRA earnings.

In that respect, we think it is important to reiterate our messages from February and September[1] of last year. While it should not be seen as a commitment, Befimmo's large distributable reserves could be used to supplement the more moderate EPRA earnings while these projects are being redeveloped in order to ensure the sustainability of the current dividend policy.

Accordingly, for the 2018 fiscal year, we are once again forecasting a dividend of €3.45 gross per share.

On behalf of the Board of Directors, the Management Committee and our entire team, we are very grateful for your confidence in us and assure you that we are motivated and enthusiastic about the challenges that lie ahead.

Brussels, 8 February 2018.

Benoît De Blieck
CEO

Alain Devos
Chairman of the
Board of Directors

1. For more information, please see the press release of 16 February 2017 and 18 September 2017 (http://www.befimmo.be/en/investors/publications/press-releases).

Management report

TABLE OF CONTENTS

Key figures 2017

EPRA earnings

€3.74 /share

Gross dividend

€3.45 /share

Occupancy rate

94.44%

Weighted average duration of current leases up to next break

7.31 years

LTV ratio

39.61%

Fair value of portfolio

€2 494.4mio

CO_2e emissions (2016 vs 2017)

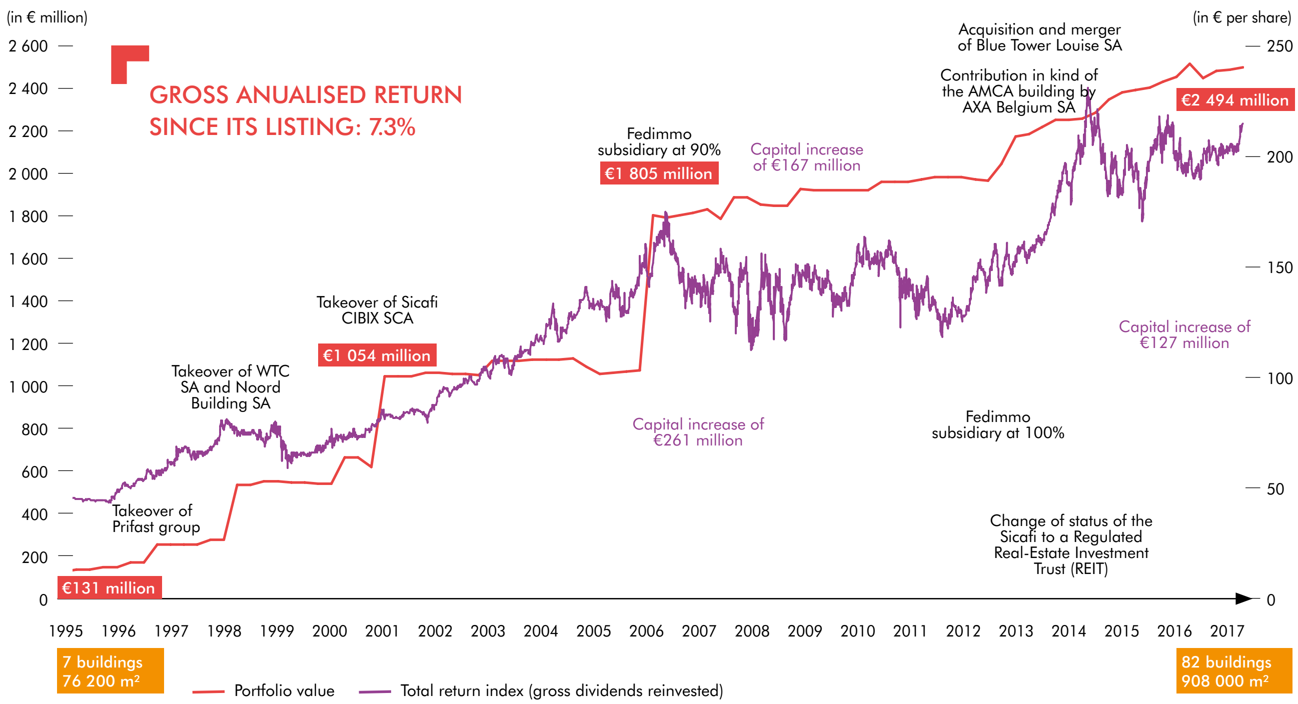
Electricity and heating

-10%

Motivation of the team

94%

Befimmo evolution since 1995 - Fair value of portfolio and share return



Recognitions

	2011	2012	2013	2014	2015	2016	2017
	Gold & Most Improved	Gold	Gold	Gold	Gold	Gold	Gold
	-	Silver	Silver	Bronze	Gold	Gold	Gold
CDP	-	-	-	83B	95C	A-[1] Leadership	B Management
	-	56%	59%	70%	83% GreenStar	82% GreenStar	86% GreenStar

"Reporting and recognitions"

1. New rating system (from A to D-) since 2016.
2. Figures restated on the basis of the new definitions of the real-estate indicators mentioned in Appendix II to this Report.
3. Figures as published in the Annual Financial Report 2016.
4. This is a real estate indicator. For more information, please refer to Appendix II of this Report.
5. Excluding the Noord Building and the WTC 2 buildings, the weighted average duration of leases up to next break would be 9.21 years as at 31 December 2016 and 8.47 as at 31 December 2017.
6. Excluding the Noord Building and the WTC 2 buildings, the reversion would be -4.99% as at 31 December 2016 and -5.90% as at 31 December 2017.
7. 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 III to this Report.
8. The debt ratio is calculated in accordance with article 13 of the Royal Decree of 13 July 2014.
9. Loan-to-value ("LTV"): [(nominal financial debts – cash)/fair value of portfolio]. This is an Alternative Performance Measure. For more information, please consult Appendix III to this Report.
10. This is an Alternative Performance Measure. For more information, please refer to Appendix III of this Report.
11. This is an Alternative Performance Measure. For more information, please consult the chapter "EPRA Best practices" on page 66.
12. 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 66.
13. Subject to a withholding tax of 30% as from January 2017 (coming from 27%).
14. Gross dividend divided by the closing share price.
15. 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.
16. For more information, please refer to the Methodology in Appendix IV of this Report.

Property key figures	31.12.2017	31.12.2016 restated[2]	31.12.2016[3]	31.12.2015[3]
Fair value of portfolio (in € million)	2 494.4	non restated	2 511.7	2 388.3
Spot occupancy rate of properties available for lease (in %)[4]	94.44	92.22	94.79	94.15
Weighted average duration of current leases up to next break (in years)[4]	7.31[5]	8.10[5]	8.07	8.60
Weighted average duration of current leases up to final expiry (in years)[4]	7.88	8.61	8.67	9.23
Gross initial yield on properties available for lease (in %)[4]	6.19	5.95	6.07	6.19
Gross potential yield on properties available for lease (in %)[4]	6.52	6.41	6.40	6.58
Gross initial yield of the investment properties (in %)[4]	5.85	5.79	5.89	5.90
Reversion rate (in %)[4]	-10.78[6]	-9.53[6]	-9.50	-8.41

Financial key figures	31.12.2017	31.12.2016	31.12.2015
Net asset value (in € per share)	56.63	54.78	54.96
Net result (in € per share)	5.32	3.82	4.41
Shareholders' equity (in € million)	1 448.50	1 401.35	1 265.29
Return on shareholders' equity[7] (in € per share)	5.33	3.69	4.43
Return on shareholders' equity[7] (in %)	9.85	6.79	8.29
Debt ratio[8] (in %)	41.62	44.65	48.37
Loan-to-value[9] (in %)	39.61	42.33	45.66
Average financing cost[10] (in %)	2.08	2.26	2.66
Weighted average duration of debts (in years)	4.73	3.66	3.99

EPRA key figures	31.12.2017	31.12.2016	31.12.2015
EPRA earnings[11] (in € per share)	3.74	3.68	3.89
EPRA NAV[11] (in € per share)	57.03	55.49	54.91
EPRA NNNAV[11] (in € per share)	56.35	54.30	54.30
EPRA Net Initial Yield (NIY)[11] (in %)	5.82	5.65	5.78
EPRA Topped-up NIY[11] (in %)	5.97	5.81	5.91
EPRA Vacancy rate (in %)	5.43	5.71	6.35
EPRA Like-for-Like Net Rental Growth[12] (in %)	2.82	-0.29	1.16
EPRA Cost ratio (including direct vacancy costs)[11] (in %)	17.36	18.45	16.62
EPRA Cost ratio (excluding direct vacancy costs)[11] (in %)	15.77	15.51	12.88

Key figures on Befimmo's share	31.12.2017	31.12.2016	31.12.2015
Closing share price (in €)	53.55	53.36	55.00
Gross dividend[13] (in € per share)	3.45	3.45	3.45
Gross yield[14] (in %)	6.44	6.47	6.27
Return on share price[15] (in %)	6.98	3.88	-2.92
Number of outstanding shares	25 579 214	25 579 214	23 021 293
Average number of shares during the period	25 579 214	23 692 223	22 686 945

Environmental key figures[16]	31.12.2017	31.12.2016	31.12.2015
Heating | Normalised direct energy consumption (in kWh/m²)	64.48	66.64	71.68
Electricity | Indirect energy consumption			
Consumption common areas (in kWh/m²)	32.50	36.72	36.13
Consumption private areas (in kWh/m²)	43.33	44.19	44.44
Water | Consumption (in l/m²)	254	266	266
CO_2e | Direct and indirect energy emissions (in kg CO_2e/m^2)	14.21	15.83	16.62

→ "Property report, on page 26"
→ "Financial report, on page 56"
→ "EPRA Best Practices, on page 66"
→ "Befimmo on the stock market, on page 84"
→ "Environmental and energy performance, on page 46"
? Glossary
? Glossary of the real-estate indicators

History of Befimmo

Triomphe | Brussels decentralised

1995

- Founding of Befimmo and listing on the stock market

1997

- Takeover of Prifast group

1998

- Takeover of WTC SA and Noord Building SA

2001

- Absorption of the Sicafi Cibix SCA

2003

- Acquisition of the Poelaert building

2006

- Acquisition of Fedimmo

2007

- Capital increase of €261million

2008

- Acquisition of the regional offices of Fortis Bank in Antwerp (Meirfree) and Leuven (Vitalfree)
- Winner of the "Exemplary Buildings 2007" competition for the Empress Court project

2009

- Capital increase of €167 million
- First notification under the Global Reporting Initiative (GRI)

2010

- Winner of the "Exemplary Buildings 2009" competition for the Science-Montoyer project
- First implementations of energy consumption telemonitoring in the buildings of the portfolio
- First BREEAM Design certification obtained
- Implementation of the Environmental Management System (EMS) (ISO 14001 certified)

Blue Tower | Brussels Louise district

Tour Paradis | Liège

2011

- Acquisition of the shares in Ringcenter SA
- 2011 BREEAM Award in the "Europe offices category" for the Froissart project
- First Energy Performance of Buildings (EPB) certification obtained

2012

- Transformation of the SCA into a limited-liability company (SA)
- First BREEAM Post-Construction and In-Use certification obtained
- Winner of the "Exemplary Buildings 2012" competition for the WTC 4 project

2013

- Integration of the property management business
- 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)
- Befimmo materiality matrix introduced to continuously improve its position as a responsible company and landlord
- First notification under the new GRI-G4 (Global Reporting Initiative) guidelines

Arts 56 | Brussels Centre

2014

- Change of status of the Sicafi to a Regulated Real-Estate Investment Trust (REIT)
- Handover of the Paradis Tower in Liège, commencement of the 27.5 year lease with the Buildings Agency
- Award of the Best Belgian Sustainability Report prize by the Institut des Réviseurs d'Entreprises (Institute of Company Auditors - IRE)

2015

- Acquisition of the Gateway building (Brussels airport), leased for 18 years to Deloitte from 2016

Gateway | Brussels airport

2016

- Capital increase of €127 million
- "Best Futura Project Award" for the Paradis Express project at MIPIM

2017

- Crystallisation of the value of the Brederode complex
- Silversquare @Befimmo: joint venture established with Silversquare, Belgian leader in coworking
- Evolution of the strategy, based on the United Nations Sustainable Development Goals, resulting in the definition of the 6 strategic axes
- "EPRA Gold Award - Financial Reporting" and "EPRA Gold Award - Sustainability Reporting" prizes for the Annual Financial Report 2016 (since 2010)

2018

- Acquisition of a 99-year leasehold on the Arts 56 building
- Switch from GRI-G4 to GRI standards

Mission, values and strategy

OUR MISSION

Today, **speed, flexibility, openness** to change are key to continue providing value to one's clients, inspiration to one's teams and sustainable growth to one's shareholders.

Sharing, inspiring, changing,... determines who will still be around tomorrow. The buildings we buy, renovate, build, lease are here to last. Indeed, our strategy itself has precisely always been to understand the office world we are living in and to shape its change ahead.

Our teams are driven, engaged, responsible, open and determined to work at tomorrow's working world. Our positive outlook, trust in people and executional thoroughness allow us to continue delivering value in real estate. The ways in which we will deliver this value are changing.

Today, our mission is to provide offices and to be a real-estate partner for our tenants. Our buildings themselves are increasingly experiential locations where people not only work, but meet, share, live. We call them **"Befimmo Environments"**.

We are not experiencing change. We are changing experiences.

Open minds, open spaces.

OUR VALUES

PROFESSIONALISM

We give every project, regardless of its size, all the attention, thoroughness and professional dedication required to bring it to fruition in line with best practice.

COMMITMENT

The team's dedication to Befimmo means that everyone has a high level of involvement in their work, team and projects.

TEAM SPIRIT

Each member of our team works, in a spirit of solidarity and shared responsibility, is as much driven by achieving common goals as by personal success.

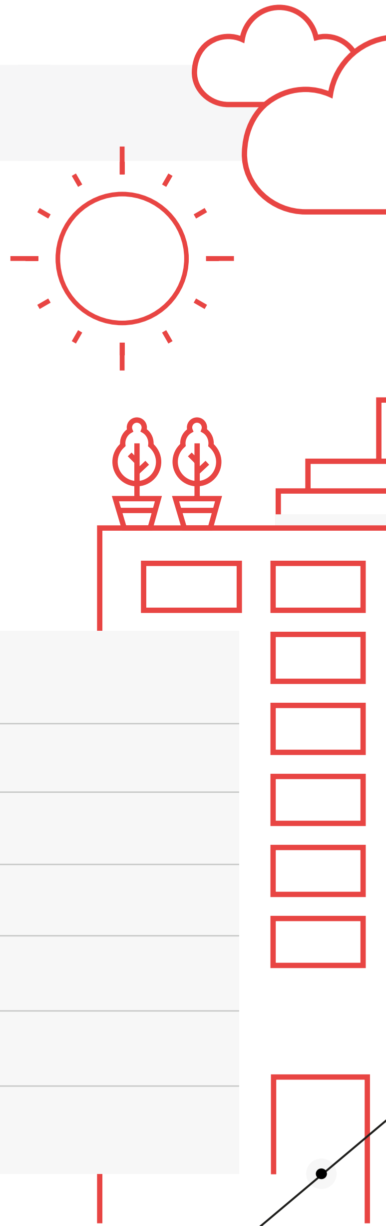
HUMANITY

We work with an enthusiastic approach that is resolutely human, caring, open and respectful of individuals.

BEFIMMO: A KEY PLAYER IN INSPIRING WORKING SPACES

We have put innovation at the heart of our strategy. We therefore aim to anticipate economic, societal, environmental and technological developments on the market. We provide appropriate and specific responses to the needs of the world of work. In this context, we invest in major real-estate projects that meet quality criteria such as location, architecture, services and respect for the environment. We define ourselves as a Company that is human, a corporate citizen, and responsible, and we offer our occupants infrastructure that combines efficiency with a comfortable working environment. Our buildings are an integral part of the urban ecosystem.

DYNAMIC BUSINESS MODEL



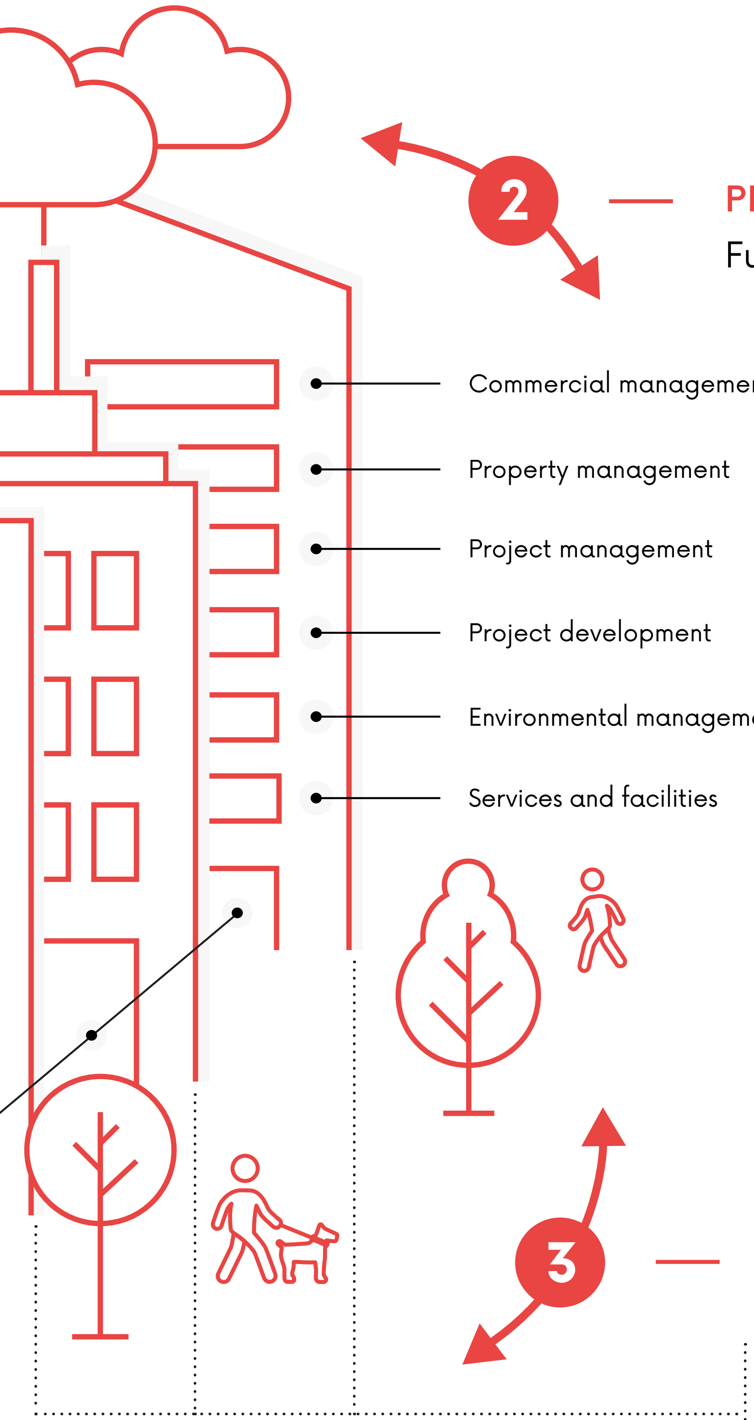
1 — HIGH QUALITY ENVIRONMENTS: OFFICES, MEETING ROOMS, COWORKING

Responsible investment criteria

- Designed (mainly) as offices;
- Good location;
- Optimal accessibility;
- Adequate size;
- High-quality fundamentals;
- Flexible buildings;
- Potential for creating value.

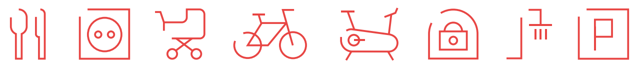
4 — FINANCIAL STRATEGY

- Financing appropriate to the implementation of our strategy, seeking an ideal balance between cost, duration and diversification of our sources of finance.
- LTV ratio of around 50%, in line with our “risk-averse” profile in an office market that is fundamentally quite stable.
- Hedging policy to mitigate the effect of a change in interest rates on the result and EPRA earnings.



2 PROACTIVE PORTFOLIO MANAGEMENT

Full real-estate value chain integrated

Commercial management	Commercialisation of the portfolio, proactive management of the relationship with the tenants and the prospects, a relationship of trust through a regular dialogue
Property management	Strengthening of the relationship with its tenants, whose comfort is further enhanced through proximity management
Project management	Turnkey solutions, assistance to current and prospective tenants in the design and the achievement stages of their project
Project development	Development of important projects (construction and renovation) at a high level of quality and innovation to meet market expectations
Environmental management	Assistance to tenants in their efforts to reduce energy consumption and their environmental management of the buildings
Services and facilities	

3 PORTFOLIO ARBITRATIONS

Potential selling buildings that do not fit our strategy.

Possible sale of "core" buildings with a view to crystallising values.

We operate in the main Belgian towns and cities and in the Grand Duchy of Luxembourg. With over 20 years' real-estate expertise, we manage the entire real-estate value chain in-house. The principles of Social Responsibility are at the heart of our strategy and are reflected in our daily activities at the environmental, economic and social levels.

BEFIMMO, RESOLUTELY FACING THE FUTURE

In 2017 we devised a new roadmap, produced jointly with our internal and external stakeholders, in which Social Responsibility is fully integrated into the Company's strategy. It is a year of change, marked by a desire to align with the most ambitious tools and frames of reference in terms of sustainable development.

CONTEXT

In 2013, Befimmo developed its first materiality matrix, complying with the method proposed by the Global Reporting Initiative (GRI). This matrix led to the definition of a four-pillar strategy up to 2017.

In the same period, the United Nations drew up a list of 17 Sustainable Development Goals (SDGs).

1

CSR strategy of Befimmo 2013-2017

Sustainable Development Goals – UN 2015

CHALLENGES

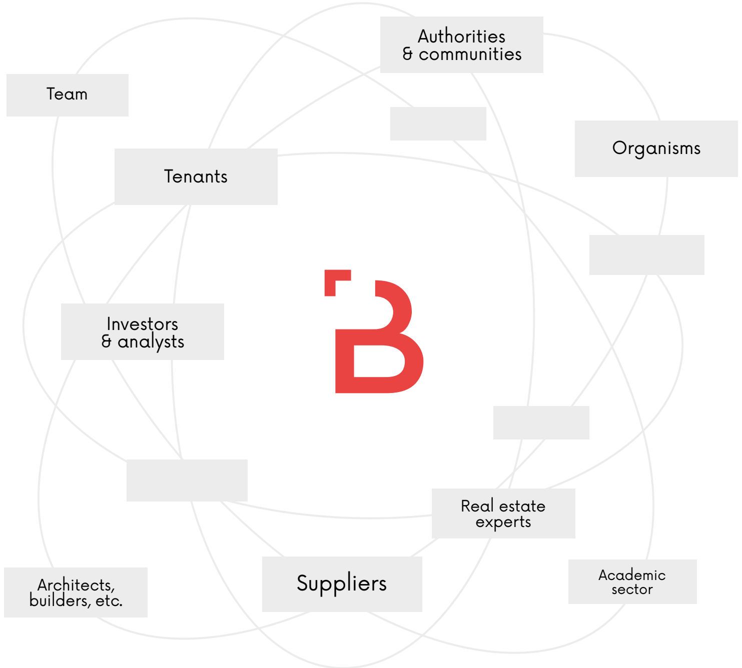
Embracing all these objectives as our own, we conducted an analysis to identify the issues on which Befimmo's activities could have a positive or negative impact. In a process of continuous improvement of Befimmo's Social Responsibility policy, this analysis enhances the list of relevant challenges and connects us to 15 of the 17 SDGs.

2

Opening-up of the space
Reshaping the workplace
Resilience
Digital connectivity
Pooling
Responsible investments
Mixed occupancy
Optimising resources
Consumption
Security
Responsible procurement
Participation
Integration into the city and the community
Well-being of the team

15 material challenges

3



Stakeholders identified by Befimmo

PRIORITISATION

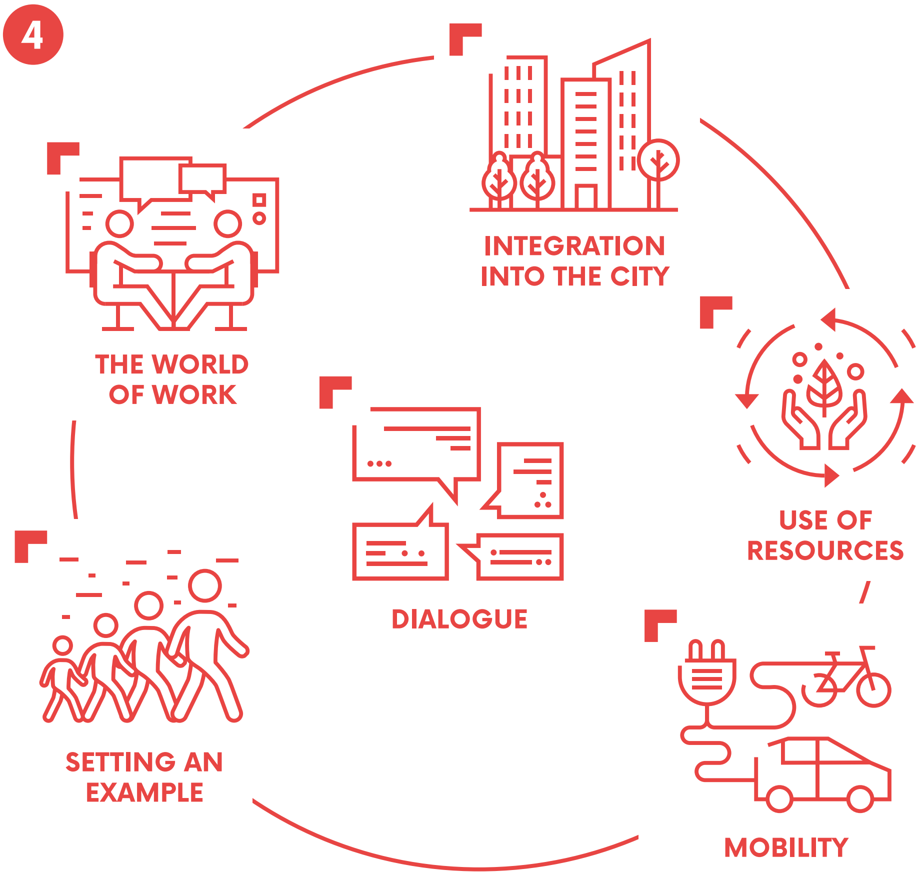
These issues were then challenged by a panel of experts (academic, political, real-estate, etc.), external stakeholders, staff, etc. meeting in a workshop or individually.

Inspiring trips were organised for the property team to better understand these issues and open their minds to innovative solutions.

In addition, Befimmo is continuing with its regular dialogue with all of its internal and external stakeholders, seeking to balance their various expectations against the issues it regularly faces.

"Dialogue"

4



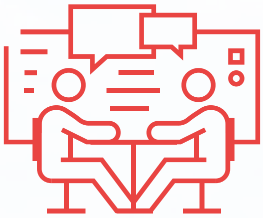
6 strategic axes

AXES

These various points of view enabled us to review the strategy and define our priorities in six axes that reflect the way we view our business today and tomorrow.

Although many initiatives have already emerged on each of these topics, Befimmo intends to innovate further by adopting a participatory approach with its team. All staff were invited to share their thoughts on these topics and to register for one or more of them, according to their inclinations. The objective is to continue debating them with a view to taking other concrete initiatives and projects to develop each area and associate them with objectives.

The strategy is part of an innovation strategy aimed at integrating Social Responsibility into the core of the Company's everyday activities and translating it into sustainable development opportunities for all.



THE WORLD OF WORK

The world is changing, professions are evolving: new technologies are emerging fast, new generations have alternative lifestyles, environmental and health concerns are coming to the fore.

Nowadays, tenants are looking for a landlord who offers them much more than a "premium" building. They want to work in bright and pleasant spaces, that are open to the outside, with access to services that facilitate their daily lives, and move around easily without parking or other constraints.

Today, companies face the challenge of retaining their employees, and attracting new talent and new generations.

In response to this, Befimmo is broadening its vision of tomorrow's workspaces, and of how to design and use them. It aims to support digitisation and offer environments that are human, flexible, innovative and open to multifunctionality, to accommodate new ways of working and connect these spaces together. Premises occupied by a mix of occupants (scale, profession, structure, etc.) forming a community, create new links in a changing world of work.

Befimmo's buildings, offices, coworking and meeting spaces are all designed and developed with one idea in mind: to make working a productive and enjoyable experience.

The well-being, health and safety of the occupants are still paramount in the design of these spaces.

Depending on the characteristics of the buildings (rental situation, location, type of lease, etc.), tenants are provided with a wifi network, a restaurant, catering service, nursery, fitness centre, showers, secure lockers and bicycle and car parks equipped with electrical charging stations.

"The world of work"

INTEGRATION INTO THE CITY

Every building is part of a community, an environment. Befimmo aims to ensure that every building in its portfolio integrates harmoniously into the neighbourhood where it is located, in terms of both its architecture, the pooled services it offers and the activities taking place inside.

In this context, Befimmo reaffirms its commitment to meet the expectations, firstly, of its occupants, offering them an environment that is open to multifunctionality, evolving work spaces and business networks and, secondly, of the outside community by designing buildings that are open to the city and thus contribute to security, and to valuation of less-used spaces such as roofs, large entrance halls, etc.

Aware that its approach is sometimes limited by urban planning regulations, the location of certain existing buildings or a property's specific constraints, etc., Befimmo advocates responsible urban development. Befimmo's goal is to conceive a new vision for its renovation and/or construction projects so that they are integrated as elements of a human and sustainable ecosystem.

A recent example is the establishment of Up4North, co-founded by Befimmo, with the mission of giving a new impetus to the North district. Eventually, it will become a new, pleasant, multifunctional city district, lively and accessible to all. To foster a mix of functions in the city, this project aims to recreate diversity by connecting large businesses and start-ups, culture and associations, residents and visitors, as well as local, national and international players.

"Integration into the city"

USE OF RESOURCES

Given the scale of its property business, its local roots and its use of resources, Befimmo continues to work on the environmental aspect of its social responsibility. The external stakeholders have also agreed 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, water and global warming;
- responsible procurement;
- the circular economy.

Befimmo is aware that it has an environmental impact at all levels of its business and its value chain, when selling or acquiring buildings, when designing and/or constructing new buildings, when exploiting, or during the renovation.

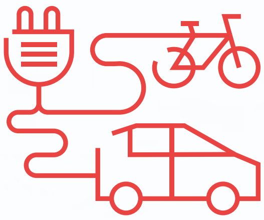
Befimmo's investment policy systematically incorporates an environmental component into its everyday in-house operations, in particular through the BREEAM[1] method for assessing the environmental performance of buildings.

Moreover, the feasibility and profitability of the environmental projects the Company considers are assessed by the Environmental Technical Team, composed of four specialists in environmental and energy issues.

This approach leads to a renewal and improvement of the portfolio's environmental performance, enabling Befimmo to achieve its targets for reducing its environmental impact by 2030. Befimmo undertakes to achieve an average level of CO_2e emissions per m² of its entire portfolio of 20.3 kg CO_2e/m^2, a reduction of 33% compared with 2016. This equates to avoiding cumulative emissions of 53,000 tCO_2e.

"Use of resources"

1. BRE Environmental Assessment Method.



MOBILITY

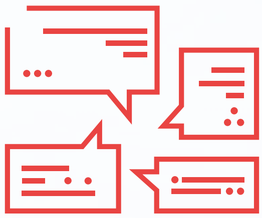
Brussels is one of the most congested cities in the world. According to the "Traffic Index 2016", Brussels is the eighth most congested European city[2]. Constant car traffic has an impact on air quality and the quality of life in the city. Two thirds of this congestion is due to the use of cars for commuting[3].

Since almost all of Befimmo's property is located in a city, stakeholders have emphasised the importance of Befimmo contributing to solutions for more fluid and environmentally friendly mobility in relation to its buildings.

Befimmo maintains its policy of raising awareness in the team, tests new solutions and gradually incorporates mobility solutions into its services for occupants of buildings in the portfolio. Within the limits of existing infrastructures and available public transport, Befimmo intends to mitigate the societal impact of the occupants of the building and its employees using cars for commuting.

Recently Befimmo launched the B-Switch project for its team, which consists of providing employees with folding electric bicycles in exchange for sharing their parking space with another colleague. In view of the project's success, Befimmo is offering shared electric bikes for daytime business trips to all tenants in its headquarters' building.

"Mobility"



DIALOGUE

Befimmo brings together many players at the different stages of a building's life cycle:

- design: architects, specialist engineers, public authorities, etc.;
- construction: contractors, materials suppliers, design offices, subcontractors, etc.;
- operation: tenants, building managers, public authorities, maintenance companies, etc.

Leading a constant and proactive dialogue with them ensures that the Company keeps in step with the expectations of its stakeholders and a constantly changing society.

Alongside electronic channels, preference is given to direct face-to-face contacts because they strengthen human bonds and allow qualitative exchanges that go beyond figures and surveys.

Dialogue and listening are the best ways for Befimmo to move forward in a positive societal direction. This cross-cutting approach is used to develop the Company's various strategic priorities.

Befimmo's Social Responsibility approach is underpinned by dialogue to ensure that it is accurate and relevant.

Befimmo's objective is to continually improve the regular dialogue with all its stakeholders, enhancing the communication tools by adapting them to each stakeholder. In particular, it has set up a Helpsite for tenants and suppliers and an Extranet to give tenants easy access to building documentation, while satisfaction surveys are conducted with tenants.

"Dialogue"

SETTING AN EXAMPLE

Befimmo is a real-estate operator specialising in quality office buildings. With a property portfolio of more than 900,000 m², Befimmo has the opportunity to engage its stakeholders in a responsible approach:

- suppliers;
- the Befimmo team;
- tenants;
- organisations, sectoral associations, etc.;
- investors, analysts, etc.

Befimmo has decision-making power over many of the real-estate projects it develops. This allows it to have a positive influence on the choices and decisions of its partners (architects, subcontractors, suppliers, public authorities, investors) so as to meet the expectations of society and, more generally, to make a positive contribution to the Sustainable Development Goals set by the United Nations.

For instance, Befimmo pays particular attention to the reliability of the reporting process and rigorous, accurate and transparent financial and non-financial communications. This transparency is acknowledged; for many years Befimmo has won EPRA Gold awards and excellent scores for the reports published by the CDP[4] and GRESB[5] organisations.

"Setting an example"

2. The "Traffic Index 2016" is based on user GPS data (https://www.tomtom.com/en_gb/trafficindex/).
3. 65.6% in Brussels according to a study by the Federal Public Mobility Service in 2014 (https://mobilit.belgium.be/fr/mobilite/domicile_travail/rapport_derniere_edition).
4. https://www.cdp.net/en
5. https://gresb.com/

Key events of the 2017 fiscal year

QUATUOR PROJECT (60,000 M²)

Pre-letting of a third of the project (22,000 m²)

In March 2017, Befimmo signed an agreement with Beobank to take up occupancy of one tower in the Quatuor[1] project (North district of Brussels). The lease agreement for the building covers a fixed term of 15 years from its handover in the course of 2020. Accordingly, the current Beobank lease in the La Plaine building (15,180 m² - Brussels decentralised) will be extended until that date. A third of the Quatuor project is already pre-let more than three years before handover.

THE "FUTURE EX-WTC 1 & 2": A NEW MULTIFUNCTIONAL SPACE[2]

WTC 2 is to be vacated at the end of 2018. Built in the 1970s, the configuration of the site needs a rethink. The current site is mono-functional office space and no longer meets the expectations and needs of the market.

The new project, covering Towers 1 and 2, is designed to contribute to the evolution and revitalisation of the immediate environment in which it is located and also keep in step with the changing expectations of the occupants. Integrated and complementary functions are planned. The office space will be reduced to about two thirds of the current area, the rest being divided among several other uses, mainly housing.

In November 2017, the 51N4E and AUC teams were selected as the architects, in association with Jaspers Eyers Architects, to conclude the call for applications launched in September with the Chief Architect of Brussels. The design team includes renowned experts in engineering, sustainability, the circular economy and well-being.

The all-in construction cost of the project is estimated at €300 million.

An initial timetable of the forthcoming milestones has been drawn up. Applications for permits should be made during the second quarter of fiscal year 2018, with the work taking place from 2020 to 2023.

"Integration into the city"

Association Up4North

UP4NORTH

Befimmo is a key player in the North district of Brussels: it owns the Quatuor project and the WTC Towers. Befimmo is a corporate citizen and co-founder of the Up4North association, comprising eight property owners in the North district.

Up4North has the mission of giving a new impetus to the neighbourhood. Eventually, it will become a new, pleasant, multifunctional city district, lively and accessible to all.

The Up4North project aims to recreate diversity in the neighbourhood by connecting large businesses and start-ups, culture and associations, residents and visitors, as well as local, national and international players. To initiate this dynamic, Befimmo has temporarily made available several floors of the WTC 1 building where many players (architects, contractors, artists, students, etc.) are working together. Today, they are collaborating around the same objective of participating - according to their skills - in the project of reinventing the neighbourhood. Other specific projects are still under consideration and should emerge in the coming months, including the creation of an urban kitchen garden, a "living archive" space, exhibitions, the opening of a Fablab, event spaces, etc.

http://www.labnorth.be/en

ARTS 56 BUILDING IN BRUSSELS

In January 2018, Befimmo completed the acquisition from AXA Belgium of a 99-year leasehold on the Arts 56 building, for an amount of some €116 million[3].

The Arts 56 building is a perfect fit with Befimmo's strategy, enjoying excellent visibility along the Brussels inner ring road, and offering a wide range of services and facilities. The building is located in the European district of Brussels, near the Square de Meeûs and the Place du Luxembourg, and is also very well served by public transport

The Arts 56 building, totalling 21,000 m² of office space, is currently let to a dozen leading tenants on the basis of 3/6/9-year leases. The occupancy rate is 98%. The gross annual rent amounts to €5.2 million (a gross current yield of 4.5%).

CRYSTALLISATION OF THE VALUE OF THE BREDERODE COMPLEX[4]

At the end of March 2017, Befimmo granted a 99-year leasehold on the Brederode complex[5] to CBRE Global Investors (on behalf of one of its SMA clients[6]), for an amount of about €122 million corresponding to a current yield of 3.69%.

This transaction was an opportunity to crystallise value, in a Brussels office property market where the search for yields, in a context of low interest rates, creates opportunities for quality buildings in good locations and with long-term tenants.

SILVERSQUARE @BEFIMMO: AN INNOVATIVE COMBINATION[7]

In September 2017, Befimmo entered into a strategic partnership with Silversquare, the Belgian leader in coworking.

The Silversquare @Befimmo partnership is a response to the desire to gain a foothold in the world of tomorrow and to take account of the present and future needs of office occupants. The partnership brings about a true exchange of skills and know-how.

Silversquare @Befimmo plans to develop four or five spaces over the next two years. The first 4,000 m² of coworking space will be set up in the Triomphe building, chosen for its excellent location. This first Silversquare @Befimmo is due to open in April 2018. Eventually, all of Befimmo's multi-tenant buildings, as well as new projects, could be eligible to host a Silversquare @Befimmo space. In addition to its business income, Befimmo will also benefit from added value by offering a networking and exchange concept to its tenants and coworkers.

Coworking Silversquare

1. For more information, please see page 24 of this Report.
2. Please see the press release of 18 September 2017 for more information (http://www.befimmo.be/en/investors/publications/press-releases) and page 24 of this Report.
3. In line with the fair value determined by an independent real-estate expert.
4. Please see the press release of 13 March 2017 for more information (http://www.befimmo.be/en/investors/publications/press-releases).
5. This concerns the Brederode 13 (11,340 m²), Brederode 9 (6,864 m²) and Namur 48 (1,517 m²) buildings. For more information, please see pages 36, 37 and 65 of the Annual Financial Report 2016.
6. "Separate Managed Accounts".
7. Please see the press releases of 18 and 19 September 2017 for more information (http://www.befimmo.be/en/investors/publications/press-releases).

Ongoing projects

During fiscal year 2017, Befimmo invested €43.3 million in its portfolio.

SUMMARY OF INVESTMENTS IN FISCAL YEAR 2017

	Rental space	Localisation	Start of the works	Completion	Type	BREEAM certification	Investment realised in 2017 (in € million)	Total investment realised until 31 December 2017	Total investment (in € million)
Ongoing projects									**Committed**
Brederode Corner	6 500 m²	Brussels CBD, Centre	Q1 2018	Q1 2020	Renovation	Excellent	0.6	1.0	20
Guimard	5 500 m²	Brussels CBD, Leopold	Q1 2016	Q3 2017	Renovation	Excellent	8.9	13.0	13
Eupen - Rathausplatz	7 200 m²	Eupen, Wallonia	Phase 1: Q1 2017 Phase 2: Q4 2018	Phase 1: Q3 2018 Phase 2: Q4 2019	Renovation and construction	-	7.0	7.0	14[1]
Quatuor	60 000 m²	Brussels CBD, North	2018	2020	Demolition Noord Building and construction Quatuor	Excellent/ Outstanding	5.9	7.6	150
Ongoing projects									**To be committed**
Paradis Express	35 000 m²	Liège, Wallonia	2018	2020	Construction	Excellent	2.6	3.5	82[2]
"Future ex-WTC 1 & 2"	110 000 m²	Brussels CBD, North	2020	2023	Demolition and construction	Outstanding	3.5	4.0	300
WTC 4	53 500 m²	Brussels CBD, North		Implementation of the permit According to commercialisation	Construction	Outstanding	1.4	18.1	140
							30.0		
Other works (coworking included)							**13.3**		
Total							**43.3**		

1. The €18 million appearing in the Annual Financial Report 2016 include the acquisition value of the Eupen project (the acquisition occurred during the 1st quarter of the 2017 fiscal year).
2. "All-in" construction cost of the project (including other functions than offices).
3. See also page 22 of this Report.
4. Planning charges require an applicant for a planning permit to fulfil certain obligations or pay a charge to finance the infrastructure costs/needs that the project entails.
5. On the offices part.


Brederode Corner | Brussels Centre

SUMMARY OF THE ONGOING PROJECTS[3]

Brederode Corner

The Brederode Corner building, which enjoys good visibility at the corner of Rue Brederode and Rue de Namur, will be completely renovated in 2018/2019. The permit was obtained in February 2018. The structure of the building will be streamlined to create panoramic views over Brussels city centre and the Royal Palace. The new building will offer facilities and services, and will be equipped with the latest technology. Based on a multi-tenant occupancy with conventional 9-year leases, the expected yield on the total investment value would be above 5.5%.

Eupen

Befimmo has been awarded the development contract for work organised by the Buildings Agency, for the provision of a new Courtroom in Eupen. Under this contract, in early 2017 Befimmo acquired the land and existing buildings and began the work, which will be phased over 30 months. The project consists of (i) the demolition of the existing building and the reconstruction of a new complex of 5,300 m² and (ii) a major renovation of the existing building of 1,900 m². The lease has a base rent of €900,000 a year over 25 years, and will commence on completion of each phase of the work.

Quatuor

Obtaining the permit and starting work

Befimmo has obtained the environmental and planning permits needed to build the Quatuor building. Work on the new complex has begun and will take about 36 months. The project, open to mixed use, is in line with new trends. Befimmo is aiming for a BREEAM "Excellent/Outstanding" certification in the Design phase. 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 would be above 5.30%.

Quatuor planning charge[4]: renovation of the Reine Marie-Henriette children's home

On Befimmo's proposal, a substantial part of the Quatuor project's planning charge involves major renovations to improve the comfort and safety and to reduce energy consumption of the building of the children's home Maison d'Enfants Reine Marie-Henriette. The ASBL, founded in 1863, supports and assists children aged 0 to 14, mostly from families in any kind of serious difficulty. The building housing the children's home was built in 1976 and no longer meets current standards.

Paradis Express

This project, right next to the high-speed train station in Liège, involves the construction of an eco-neighbourhood offering a mix of offices, housing and local shops. The single permit was applied for during the first quarter of the 2017 fiscal year, and is expected to be issued in the first quarter of 2018. Based on a multi-tenant occupancy with conventional 9-year leases, the expected yield on the total investment value would be above 6.0%[5].

Paradis Express | Liège

ENVIRONMENTAL IMPACT OF CONSTRUCTION SITES

During construction, redevelopment and renovation projects, the Befimmo environmental team organises systematically dismantling campaigns for building materials that can be reused on other sites.

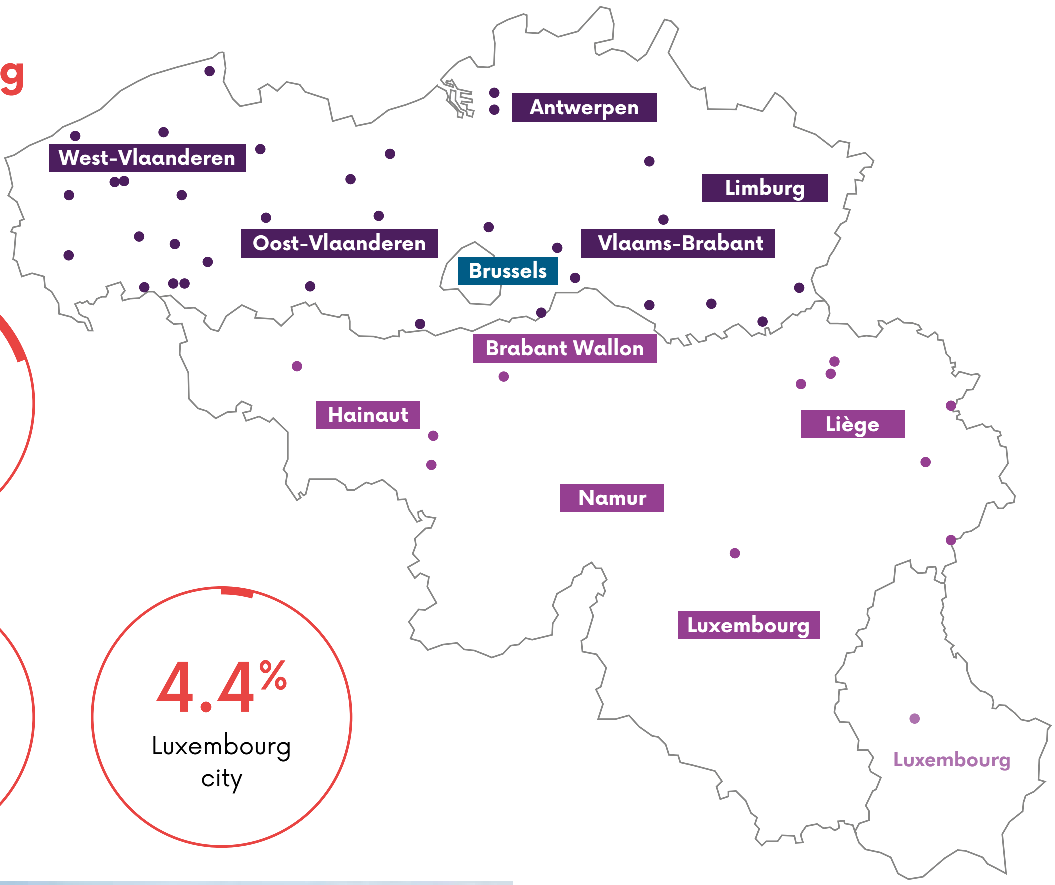
It has also drawn up building contracts and aims for levels of BREEAM certification that require its contractors to be very strict in the management and traceability of waste produced by the sites. All stakeholders in the project are involved and educated in waste sorting. Waste management plans are drawn up by specialist consultancies while environmental coordinators are appointed in addition to the BREEAM coordinator to ensure proper waste management.

➔ "Environmental and energy performance, on page 46"
"Use of ressources: circularity"

Property report

Geographical situation of the Befimmo portfolio

Belgium & Luxembourg



19.6% Flanders

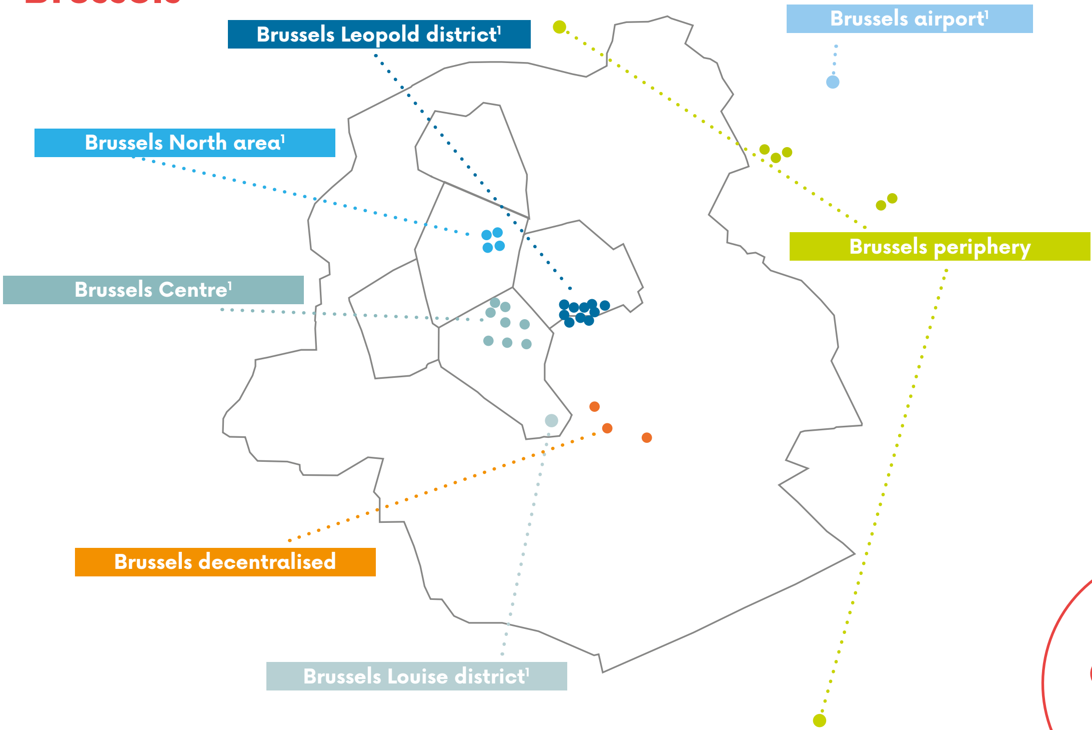
8.6% Wallonia

4.4% Luxembourg city

Tour Paradis | Liège

Axento | Luxembourg city

Brussels



67.4%
Brussels

www.befimmo.be/en/work-environments

The percentages are expressed on the basis of the fair value of the investment properties as at 31 December 2017.

Gateway | Brussels airport

1. Brussels CBD and similar.

Services and facilities

Nowadays, tenants of buildings are looking for a landlord who offers them much more than a “premium” building. Befimmo’s buildings, offices, coworking and meeting spaces are all designed and developed with one idea in mind: to make working a productive and enjoyable experience. We offer occupants a wide range of services and facilities to make their everyday lives easier.

BUILDING FACILITIES

Depending on the characteristics of the buildings (rental situation, location, type of lease, etc.), tenants are provided with a wifi network, restaurant, catering service, nursery, fitness centre, showers, secure lockers and bicycle and car parks equipped with electrical charging stations.

PROPERTY MANAGEMENT

The team of property managers manages the buildings while improving tenant satisfaction and comfort. It develops a regular and transparent relationship with tenants with a view to meeting their expectations. In this context, tenants are provided with a helpdesk (24/7 telephone service) and management tools:

- **Helpsite**: this tool is used to plan, act upon and follow up all tenants’ requests. This online collaborative application offers secure external access for tenants (and suppliers).
- **Extranet**: this online platform gives tenants secure access at all times to all relevant documents concerning their lease and building (such as documents relating to the environmental impact and technical management of the building).

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.

ENVIRONMENTAL SUPPORT

The environmental team monitors the environmental performance of the buildings on a daily basis. It also offers support to occupants with measures to optimise their energy consumption and waste management.

BUILDING FACILITY MANAGEMENT

Building facility management offers tenants support in the framework of the services provided. It organises tenant satisfaction surveys and, as far as possible, introduces new services in line with their expectations. It also organises networking events in multi-tenant buildings to support the creation of corporate networks.

“The world of work”
“Strategic axes, on page 20"
http://www.befimmo.be/en/what-we-do/services-and-facilities

Central Gate | Brussels Centre

HEALTH AND SAFETY

The health and safety of occupants remain a priority. Befimmo makes every effort to ensure that its buildings are healthy and perfectly safe. It constantly checks that the proper mandatory statutory controls are in place and that any observations and/or infringements arising from reports made by qualified staff in its portfolio are addressed. One property manager 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 renovation and upgrade projects. As at 31 December 2017, and based on reports received by that date, 54.8%[1] of the portfolio of properties with multiple tenants[2] had been checked in four relevant areas, including inspections on fire, lifts, electricity and heating.

In 2017, the property managers team managed 2 minor incidents involving people. There were no major incidents, penalties, fines, etc. during the fiscal year.

COMMUNITY

Befimmo aims to ensure that every building in its portfolio is harmoniously integrated in the neighbourhood in which it is located. Sustainable integration into the city is a recent topic, so no target has yet been set. However, an indicator was calculated for the first time this year, "Community Engagement", published by EPRA. The objective is to measure the percentage of buildings for which measures have been taken to open up to dialogue with local communities.

To calculate it, Befimmo takes account of the projects (m^2) that it is supporting and setting up in the North district, and public announcements, surveys or consultations that it organises when making applications for environmental and urban planning permits.

In fiscal year 2017, 41%[1] of the consolidated portfolio was covered and the objective is to improve this result each year. The teams are working to bring about this urban evolution.

MOBILITY

Befimmo plans to contribute to improving urban mobility and its impact on the environment by equipping its buildings with cycling infrastructure and electric vehicle charging systems.

In 2017, Befimmo provided tenants of the Goemaere building with three folding electric bikes that can be used free of charge for short trips.

"Mobility"

Electric vehicle charging systems

1. This percentage was calculated using the EPRA sBPR methodology; see page 75 of this Report.
2. Note that for buildings let to a single tenant, the tenants themselves are responsible, and they deal with the statutory controls in their building.

Real-estate indicators

CHANGE IN FAIR VALUES[1] OF THE PROPERTY PORTFOLIO

The fair value of Befimmo's consolidated portfolio was €2,494.4 million at 31 December 2017, compared with €2,511.7 million at 31 December 2016.

This change in value of -€17.3 million incorporates:

- the renovation or redevelopment works carried out in the portfolio;
- the acquisitions made;
- the disinvestments made:
  - the granting of a 99-year leasehold on the Brederode complex; and
  - the sale of the Liège-Digneffe and Ninove buildings;
- the changes in fair value booked to the income statement (IAS 40).

Accordingly, the value of the portfolio (excluding acquisitions, investments and disinvestments) was stable over the fiscal year (variation of the fair value (IAS 40) of +0.54% or, +€13.4 million).

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 2017. All those buildings together represent together 27.6% of the portfolio. For more information, please refer to the table "Buildings of Befimmo's consolidated portfolio" on page 42 to 44 of this Report.

Rotation of real-estate experts[2]

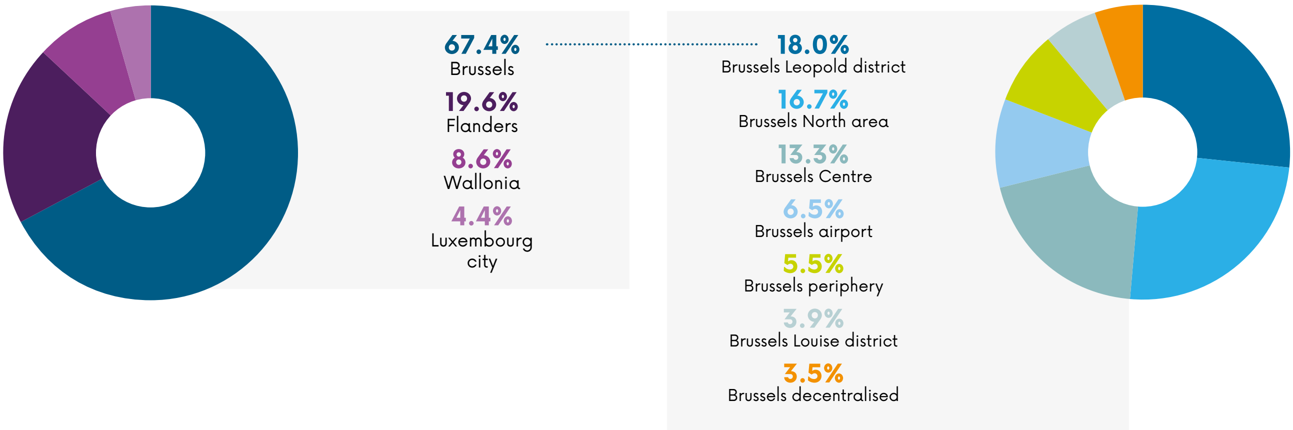
In accordance with the obligation to rotate the mandates of the real-estate experts, pursuant to the Royal Decree on BE-REITs of 13 July 2014, new three-year expert mandates have been given as from 1 January 2018 to Mr Rod P. Scrivener (National Director - JLL), Mr Rob Vaes (National Director - JLL) and Mr Christophe Ackermans (Head of Valuation - Cushman & Wakefield, company under Dutch Law, acting through its Belgian branch Wissinger & Associés SA). Mr Rod P. Scrivener will have the task of coordinating the valuations. These experts will carry out their first valuation as at 31 March 2018.

Fair value of befimmo's consolidated portfolio by geographical area

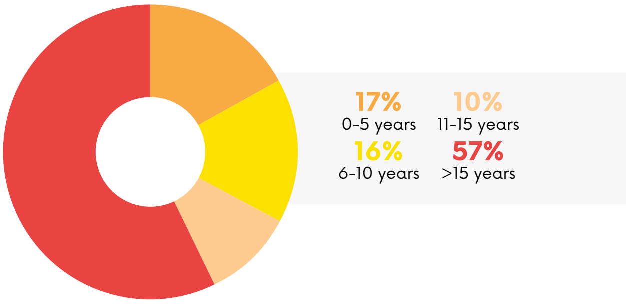
Offices	Change 2017[3] (in %)	Proportion of portfolio[4] (31.12.2017 in %)	Fair value (31.12.2017 in € million)	Fair value (31.12.2016 in € million)
Brussels CBD and similar[5]	0.43%	53.2%	1 327.7	1 423.0
Brussels decentralised	-5.48%	3.5%	87.0	88.4
Brussels periphery	-8.81%	5.5%	137.8	147.0
Flanders	-0.77%	19.6%	487.7	493.4
Wallonia	1.32%	7.8%	195.8	194.2
Luxembourg city	10.78%	4.4%	109.9	99.3
Properties available for lease	*-0.13%*	*94.0%*	*2 345.9*	*2 445.3*
Properties that are being constructed or developed for own account in order to be leased	*10.70%*	*6.0%*	*148.5*	*66.3*
Investment properties	**0.54%**	**100.0%**	**2 494.4**	**2 511.7**
Properties held for sale	**-0.35%**	**0.0%**	**-**	**-**
Total	0.54%	100.0%	2 494.4	2 511.7

1. These values are established in application of the IAS 40 standard which requires investment properties to be booked at "fair value". The fair value of a building is its investment value, including registration fees and other transaction costs (also known as "deed-in-hands value") as calculated by an independent expert, minus a standard allowance of 10% (Flanders) or 12.5% (Wallonia and Brussels) for buildings with an investment value of less than €2.5 million, and 2.5% for buildings with an investment value of more than €2.5 million. This 2.5% allowance represents the average transaction costs actually paid in these transactions and is derived from an analysis by independent experts of a large number of transactions observed on the market. This accounting treatment is detailed in the press release issued by BeAMA on 8 February 2006 and confirmed in the press release of the BE-REIT Association of 10 November 2016. This rule is also applied for determining the fair value of property located in the Grand Duchy of Luxembourg.
2. The situation changed compared to the mandates published in February 2018 in the press release regarding the 2017 annual results of Befimmo.
3. The change over the 2017 fiscal year is the change in fair value between 1 January 2017 and 31 December 2017 (excluding the amount of acquisitions, investments and disinvestments).
4. The proportion of portfolio is calculated on the basis of the fair value of the portfolio as at 31 December 2017.
5. Including the Brussels airport zone, where the Gateway building is situated.

Geographical breakdown[6]

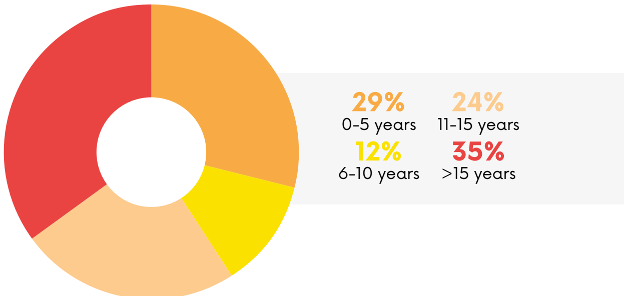


Breakdown of portfolio by age class[6,7]



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[8]



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 77"

6. The proportions are expressed on the basis of the fair value of the investment properties as at 31 December 2017.
7. Publication pursuant to Appendix B to the Royal Decree of 13 July 2014.
8. Breakdown based on the m² of the investment properties as at 31 December 2017.

NEW RENTALS AND LEASE RENEWALS

In fiscal year 2017, Befimmo signed new leases and renewals for a total floor area of 58,393 m², 54,432 m² of which being offices and 3,961 m² retail and multipurpose space. This figure is up on the 37,200 m² signed in 2016. 73%[1] of the agreements signed relate to new leases (28 transactions), the remainder being renewals of existing leases (24 transactions).

Significant transactions in fiscal year 2017

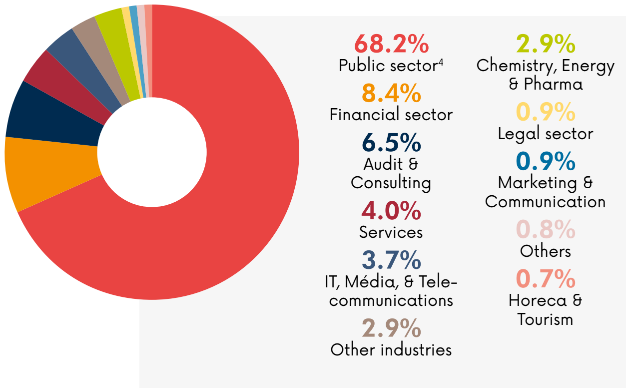
- **Quatuor (Brussels North area):** agreement signed with Beobank for the take-up of a tower of 22,000 m² for a fixed 15-year period from its handover in 2020;
- **Eupen (Wallonia):** award of the public development contract for work organised by the Buildings Agency, for the provision of a new Courtroom (some 7,200 m²);
- **Media (Brussels periphery):** extension of the lease with Oracle Belgium (4,200 m²) for a period of 9 years;
- **Central Gate (Brussels Centre):** signing of a new lease with the Flemish Community for the uptake of 1,500 m²;
- **Axento (Grand Duchy of Luxembourg):** extension of the lease with KPMG.

➔ "Office property markets, on page 35"

OCCUPANCY RATE

The spot occupancy rate of the properties available for lease is slightly up, at 94.44% as at 31 December 2017 (compared with 92.22% as at 31 December 2016[2]).

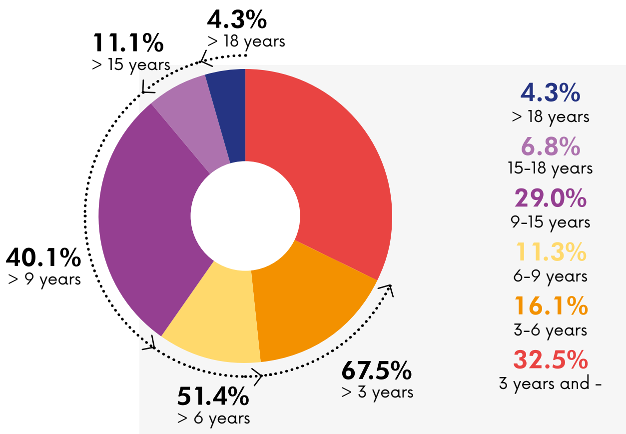
Tenants[3]



WEIGHTED AVERAGE DURATION OF LEASES[5]

The weighted average duration of the leases until their next maturity is 7.31 years[6] as at 31 December 2017, compared with 8.10 years as at 31 December 2016[2]. The weighted average duration of current leases until their final expiry date was 7.88 years as at 31 December 2017.

Duration of leases[3]



1. Based on the number of square metres let.
2. Restated on the basis of the new definitions.
3. The proportions are expressed on the basis of the gross current rent from lease agreements as at 31 December 2017.
4. Public sector: Belgian public institutions (federal & regional) and European institutions.
5. The weighted average duration of current leases is calculated only on the basis of properties available for lease; the leases of buildings at the project stage, which will take effect only on completion of the works, as is the case in particular for the Quatuor project let to Beobank (for 15 years) and the Eupen project let to the Buildings Agency (for 25 years), are therefore not included in the calculation of this ratio.
6. Excluding the Noordbuilding and the WTC 2 buildings, the weighted average duration of leases up to next break would be 9.21 years as at 31December 2016 et 8.47 years as at 31 December 2017.
7. Rents for future years calculated on the basis of the present situation, assuming that each tenant leaves at the next break and that no further lease is agreed in relation to the gross current rent from lease agreements as at 31 December 2017.
8. Figures as published in the Annual Financial Report 2016.
9. Comprising properties that are being constructed or developed for own account in order to be leased.

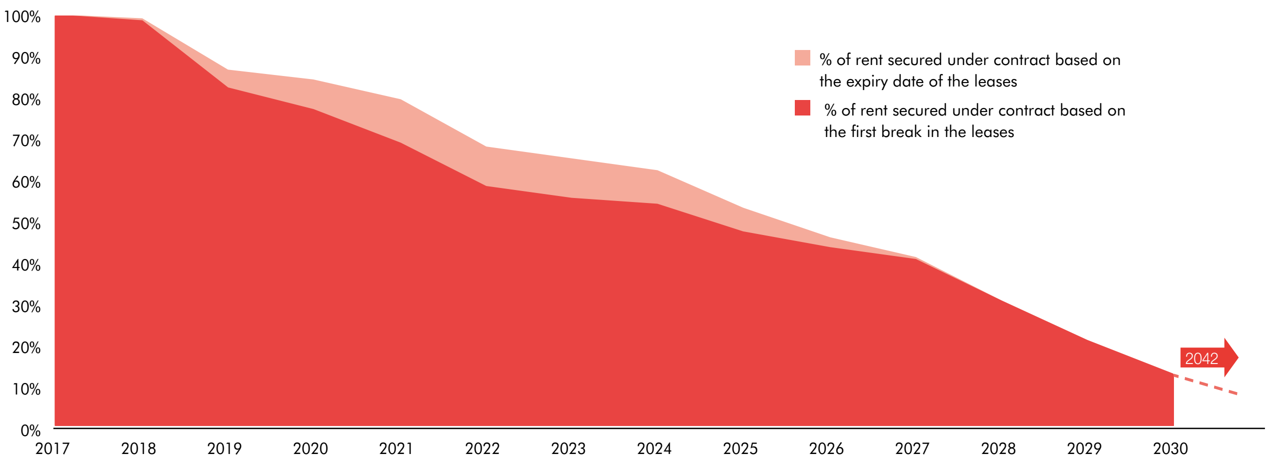
Tenants

	Weighted average duration up to next break (in years)	Percentage of the gross current rent from lease agreements (in %)
Public sector		
Federal		52.19%
Flemish Region		6.28%
Belgian public sector	*7.93*	***58.47%***
European Commission		6.01%
European Parliament		3.25%
Representations		0.51%
European public sector	*7.37*	***9.78%***
Total public-sector tenants	7.85	68.25%

Private sector - top 5		
BNP Paribas and affiliated companies		5.10%
Deloitte Services & Investments NV		4.83%
Beobank (Crédit Mutuel Nord Europe)		2.05%
Docler Holding		1.26%
KPMG Luxembourg		0.94%
Total top-5 private-sector tenants	9.26	14.18%

Other tenants		
+/- 230 tenants	3.65	17.57%
Total of portfolio	7.31	100%

Percentage of rent guaranteed under contract on the basis of the remaining term of the leases in the consolidated portfolio[7]



OVERALL RENTAL YIELD

Overall rental yield (in %)

	Gross initial yield (31.12.2017)	Gross initial yield (31.12.2016 restated)[2]	Gross initial yield (31.12.2016)[8]	Gross potential yield (31.12.2017)	Gross potential yield (31.12.2016 restated)[2]	Gross potential yield (31.12.2016)[8]
Brussels CBD and similar	6.44%	6.26%	6.34%	6.72%	6.56%	6.56%
Brussels decentralised	6.93%	5.87%	6.35%	8.28%	7.99%	7.96%
Brussels periphery	6.92%	6.29%	6.34%	8.68%	8.11%	8.12%
Wallonia	4.93%	4.88%	4.88%	4.93%	4.98%	4.98%
Flanders	6.00%	5.84%	5.84%	6.06%	5.94%	5.94%
Luxembourg city	4.81%	3.68%	5.01%	4.90%	5.36%	5.38%
Properties available for lease	*6.19%*	*5.95%*	*6.07%*	*6.52%*	*6.41%*	*6.40%*
Total investment properties[9]	5.85%	5.79%	5.89%			

REVERSION RATE

Reversion rate of rents (as at 31.12.2017)

	Gross current rent from lease agreements[1] (in € thousand)	Proportion of rents (in %)	Weighted residual average duration up to next break (in years)	Reversion (in %)
Brussels CBD and similar	87 627	58.8%	6.59	-15.10%
Brussels decentralised	6 178	4.1%	4.79	-4.82%
Brussels periphery	9 771	6.6%	2.63	1.93%
Wallonia	9 908	6.7%	18.03	-11.48%
Flanders	30 047	20.2%	8.81	-7.21%
Luxembourg city	5 420	3.6%	2.14	-1.99%
Properties available for lease	148 951	100.0%	7.31	-10.78%

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 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.

The reversion rate of properties available for rent was -10.78%[2] at 31 December 2017 (as against -9.53% at 31 December 2016[3]). This reversion should be viewed in the context of the weighted average duration of leases of 7.31 years. Note that, excluding the Noord Building and WTC 2, reversion would be -5.90%.

If the full reversion is realised, the impact on the gross annual current rent under leases as at 31 December 2017 (€149.0 million) of the potential negative reversion (-10.78%) of the leases expiring over the next three years would be €7.5 million.

The EPRA earnings[4] forecasts for the next three fiscal years presented below (page 81) take account of a potential reversion on the expiry of the current leases.

ACQUISITION PRICE AND INSURED VALUE

Acquisition price and insured value on properties of Befimmo's consolidated portfolio (in € million)

Offices	Acquisition price	Insured value[5] (31.12.2017)	Fair value (31.12.2017)
Brussels CBD and similar	1 154.7	1 108.6	1 327.7
Brussels decentralised	78.3	109.0	87.0
Brussels periphery	142.4	217.0	137.8
Flanders	454.8	556.6	487.7
Wallonia	141.4	162.7	195.8
Luxembourg city	-[6]	44.9	109.9
Properties available for lease	*1 971.6[7]*	*2 198.8[8]*	*2 345.9*
Properties that are being constructed or developed for own account in order to be leased	*130.8*	*30.6*	*148.5*
Investment properties	**2 102.4[7]**	**2 229.4**	**2 494.4**
Properties held for sale	**-**	**-**	**-**
Total	2 102.4[7]	2 229.4	2 494.4

1. This is a real estate indicator. For more information, please refer to Appendix II of this Report.
2. Excluding the Noord Building and the WTC 2 buildings, the reversion would be -4.99% as at 31 December 2016 and -5.90% as at 31 December 2017.
3. Figures as published in the Annual Financial Report 2016.
4. This is an Alternative Performance Measure. For more information, please consult the chapter "EPRA Best Practices" on page 66.
5. The insured value is the reconstruction value (exluding the land).
6. 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.
7. Excluding Luxembourg city.
8. This amount includes the All-Risk Fire insurance. Befimmo is also covered by the kind of All-Risk Construction Site insurance.

Office property markets

All of the following information, covering Belgium and Luxembourg, comes from Cushman & Wakefield's databases, analyses and market reports.

THE BRUSSELS OFFICE MARKET

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

Summary table for the Brussels office property market

	31.12.2017	31.12.2016
Stock (m²)	13 496 075	13 474 982
Take-up (m²)	381 305	454 819
Vacant space (m²)	1 216 228	1 228 846
Vacancy rate (%)	9.01%	9.12%
Prime rent (€/m²/year)	305	275
Average rent (€/m²/year)	165	163
Investment volume offices (€ billion)	1 441	1 481
Prime yield (%)	4.40%	4.50%
Prime long term yield (%)	3.65%	3.65%

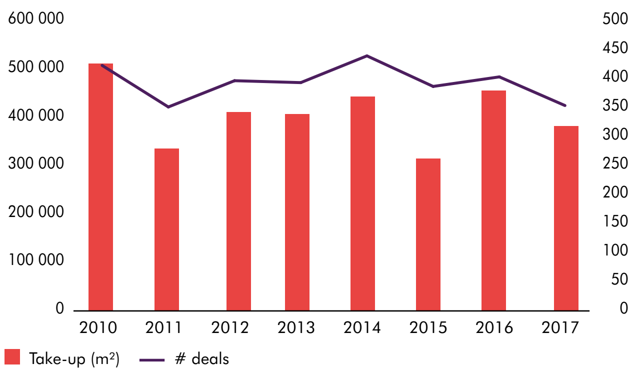
Take-up

In 2017, take-up was 381,305 m² in the Brussels office market. This is down 18% compared with 2016 and slightly below the average for the past five years (400,000 m²). Note that 2016 was a good year, thanks mainly to the major transactions that took place in the public sector (more than 172,000 m² of take-up by the Belgian and European administrations). The lack of significant transactions contributes to this lower level than last year, as only four transactions exceeded 10,000 m²:

- 30,000 m² taken up by INAMI/RIZIV in the Galilée building (Central district);
- 22,000 m² in the Blue Star (north-east decentralised) to accommodate the future security trades college of the Brussels-Capital Region;
- 22,000 m² leased by Beobank in Befimmo's future Quatuor building (North district);
- 11,000 m² taken up by STIB in the Cantersteen building (Centre).

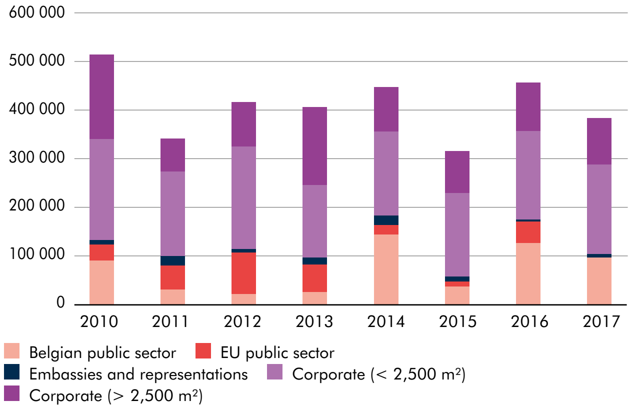
In addition to the reduction in floor space taken up, there were also fewer transactions in 2017. A total of 350 transactions, i.e. around 14% down on 2016 and the lowest number since 2011.

Take-up and number of transactions



The public sector (European Union, Belgian federal, regional and local governments) accounts for 95,000 m² of this take-up, sharply down on 2016 when take-up was more than 170,000 m² (including 35,000 m² pre-let by the City of Brussels at Center 58 and 30,500 m² pre-let by the City of Brussels Police at De Ligne). The private sector, on the other hand, is slightly up for the fourth consecutive year.

Take-up by occupant type (in m²)



Coworking spaces are popular and a decisive element of 2017, with the opening of three shared spaces operated by Tribes, new offices rented by Spaces, and the announcement of the Silversquare @Befimmo partnership. Over the year as a whole, no fewer than 25,000 m² were taken up, or 6.5% of the total take-up. Other operators have also announced their intention to open coworking spaces in Brussels, notably Fosbury & Sons on the Chaussée de la Hulpe, in the south decentralised area. Note however that, compared with cities like London or Amsterdam, the coworking market in Brussels is still limited. It currently accounts for less than 1% of the office stock, as against 3% for the London market and 6% in Amsterdam.

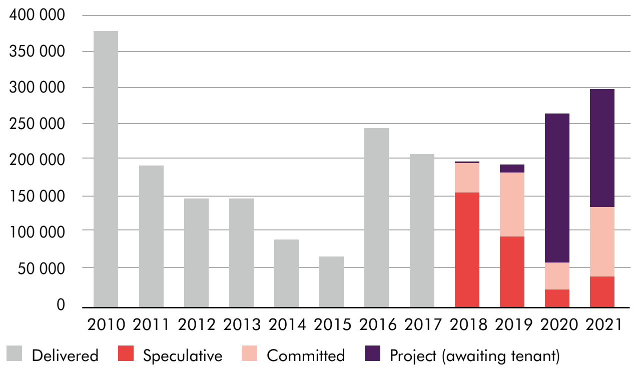
Recent hand-overs and future projects

Over the whole of 2017, 207,000 m² of office space were handed over onto the Brussels market. The main developments are properties built to suit for their occupants, 120,000 m² in the new NATO headquarters on boulevard Leopold III, 50,000 m² in the Herman Teirlinck building for the Flemish Community at Tour & Taxis and 33,000 m² in the new AXA headquarters at place du Trône. Only 8,500 m² of speculative projects were handed over, the M25 building on rue Montoyer and Befimmo's Guimard 9 building.

Some 438,000 m² of new developments (demolition/reconstruction, major renovations or new builds) are planned over the period 2018-2020, with 196,000 m² of them due for hand-over in 2018. About 275,000 m² of speculative projects were launched for the period 2018-2020, the most important of these being The One (30,000 m², Atenor, on rue de la Loi, still awaiting its first tenants), the Spectrum (13,000 m², Ghelamco, centre), Belliard 40 (18,000 m², Cofinimmo, on rue Belliard, which has been a great success as more than 12,000 m² are already pre-let), and the Manhattan Center (redevelopment of 40,000 m² on place Rogier, with commitments from some first tenants). It is also worth mentioning the entry onto the market of the HD-54 building (8,800 m², AXA, at Herrmann-Debroux), the first speculative project in the decentralised area since several years.

Others will join them in the coming years: the Tweed building (AG Real Estate, Centre), the Multi-Tower (Whitewood, place de Brouckère), the TVR tower (Luresa, 23,000 m², North district), the Quatuor, in which Beobank took up some 22,000 m² early in the year, etc. All of these developments are attracting interest from tenants and should be at least partially pre-let before hand-over. This confirms that tenants are seeking quality and accessibility.

Development projects (in m²)



381 305 m²
Take-up in Brussels

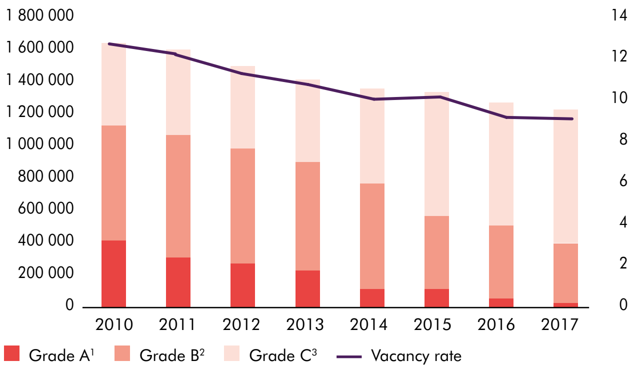
25 000 m²
Coworking take-up

Of special interest is the North district. It is already taking shape with the decisions of Allianz and Beobank to move in in the coming years; there has been no lack of initiatives for redeveloping the neighbourhood in recent months and they will keep coming in 2018. The hand-over of the Manhattan Center, the works in the Victoria Regina Tower and the Phoenix, the redevelopment projects in WTC 1 & 2, the recent acquisition of the Polaris building (North Plaza B) and the likely redevelopment of the CCN will continue to recast this neighbourhood, and attract tenants, in both the public sector (the Flemish administration will rationalise its space in a building of more than 60,000 m² to be built in the North district) and the private sector. The first housing developments could be announced, together with local shops and amenities.

Evolution of rental vacancies

The gradual fall in vacancy rates continued down to 9.01% at the end of 2017, the lowest level since 2007. There are wide variations by district: the CBD (the Leopold, centre, North, South and Louise sub-markets) has a vacancy level of only 6.1% while the decentralised area and periphery stand at 13.7% and 15.6% respectively. Another significant factor is that less than 50,000 m² of space is still available in the most recent buildings (less than 5 years old). Two considerations are at the forefront of occupants' decision-making process: the accessibility and the quality of the buildings.

Rental vacancies by type of property (in m²) and vacancy rate (in %)

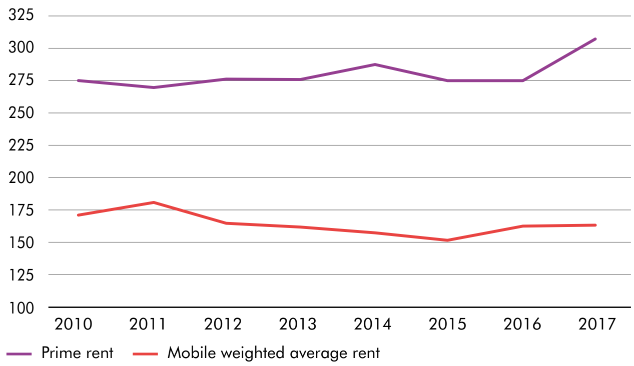


In 2018, the arrival on the market of several speculative developments could lead to a slight rise in the vacancy rate, in a context where removals always go hand-in-hand with a reduction in space per work position. Furthermore, vacated buildings will be harder pressed to find new occupants and fewer offices are being converted for other uses, since the most suitable spaces have already been converted.

Evolution of rents

Definitely the main feature of 2017: prime rents have risen for the first time in many years. Still at €275 at the end of 2016, prime rents rose €30 in 2017, to a record high of €305/m²/year. The scarcity of available quality space and the confidence of some owners in being able to earn high rents contributed to this significant price rise. Rents in the European district, the city centre and the North district have risen this year, to €305, €260 and €200/m²/year respectively. Average rents, on the other hand, are much more stable, at €165/m²/year for the entire Brussels market. Again, there are wide variations between districts.

Prime and average rent (in €/m²/year)



Already up by €30 in 2017, prime rents should continue rising in 2018, as a result of the buildings recently coming onto the market or being handed over, and the scarcity of Grade A space. Prime rents could reach €325/m²/year by the end of 2018.

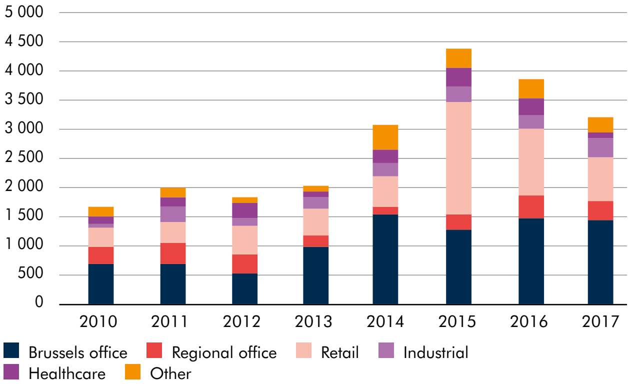
1. A new buidling (new build or major renovation) meeting the latest environmental, technical and spatial layout standards (notably efficient floor space). Generally, a building that is new or less than 5 years old.
2. A building with good technical and environmental specifications and efficient floor spaces. Generally, a building that is between 5 and 15 years old.
3. Remaining office stock of lower quality. Generally, a building over 15 years old.

Office investment market

The volume of investments in offices in Brussels in 2017 was €1.4 billion, one of the highest levels recorded in recent years, thanks in particular to the appetite of Asian investors for the Brussels market (Engie Towers, Brederode, Meeus 8-16). But more generally, there is interest in all types of office products, both buildings with long-term leases and "value-add" products, although these are harder to sell. Investor profiles obviously differ, but there is clear interest everywhere. Some foreign investors, principally Australians and Canadians, have entered the Belgian and Brussels markets this year.

Volumes of investments in offices in Brussels account for almost 50% of total investments in 2017 in Belgium.
The retail sector came second, with investments of more than €770 million.

Investment volume on the Belgian market (in € milion)

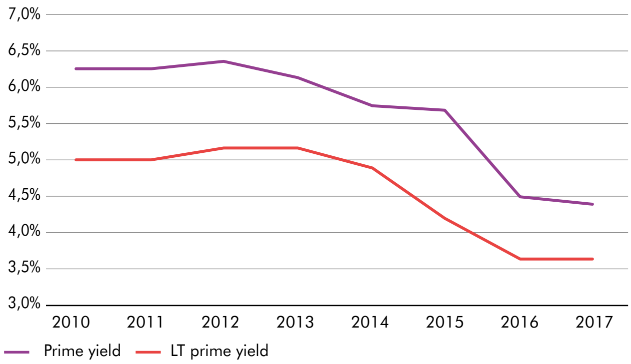


This good performance should continue in 2018 as a result of some excellent transactions. Noteworthy among them are the probable sale of Cofinimmo's Egmont building, and Befimmo's acquisition of Arts 56. The total volume of investments in offices is expected to exceed €1.5 billion in 2018.

But looking at it from a European point of view Brussels remains only one alternative, a good one of course, but still an alternative for major Asian investors when compared with cities such as London, Paris or Frankfurt. Unlike in those cities, all the indicators must be exactly right for an investment transaction to take place, especially for large amounts (over €300 million for example). In conclusion, the climate on the investment market is still healthy and Brussels is taking advantage of this, but transactions take time and there is a real need to have all the necessary guarantees to reassure investors, especially in a market where large volume transactions are still the exception for the time being.

Prime yields, or rates of return, continue to be compressed, as a result of the European Central Bank's policy of low interest rates and competition among investors for the best products. Prime yields for buildings on 6/9-year leases are at 4.4% while those on long-term leases are at 3.65%.

Prime yields (in %)



Despite the European Central Bank's expectations of a slight recovery in rates by the end of 2018, investors - always looking for yields - will continue to be active on the investment market for offices in Brussels. This could go hand-in-hand with further slight declines in prime yields, to 4.25% (6/9-year leases) and to below 3.6% for buildings on long-term leases.

OFFICE MARKETS IN ANTWERP AND LIÈGE

Summary table for the Antwerp office property market

	31.12.2017	31.12.2016
Stock (m^2)	2 211 285	2 177 638
Take-up (m^2)	198 270	104 800
Vacant space (m^2)	219 253	189 967
Vacancy rate (%)	9.92%	8.72%
Prime rent (€/m^2/year)	155	150
Average rent (€/m^2/year)	119	107
Investment volume offices (€ billion)	75	161
Prime yield (%)	6.25%	6.75%

Summary table for the Liège office property market

	31.12.2017	31.12.2016
Stock (m^2)	427 735	427 506
Take-up (m^2)	23 961	26 867
Vacant space (m^2)	27 594	37 391
Vacancy rate (%)	6.45%	8.75%
Prime rent (€/m^2/year)	150	140
Average rent (€/m^2/year)	128	133
Investment volume offices (€ billion)	1.3	23
Prime yield (%)	6.75%	6.75%

OFFICE MARKET IN LUXEMBOURG

Summary table for the Luxembourg office property market

	31.12.2017	31.12.2016
Stock (m²)	3 850 000	3 790 000
Take-up (m²)	209 380	215 700
Vacant space (m²)	151 000	185 000
Vacancy rate (%)	3.90%	4.90%
Prime rent (€/m²/month)	50	46
Investment volume offices (€ billion)	920	897
Prime yield (%)	4.30%	4.50%

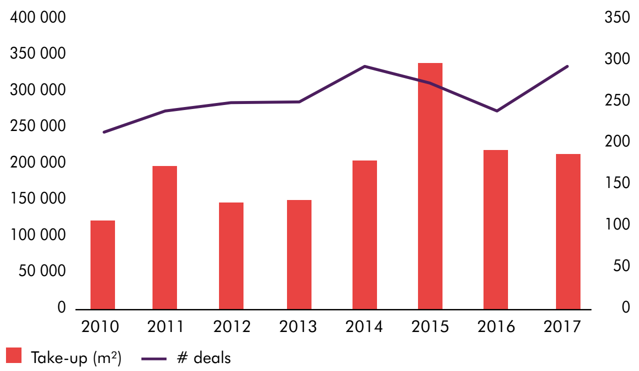
Take-up

In 2017, take-up was 209,000 m² in the Luxembourg office market. This is of a comparable level to previous years (apart from 2015 which was an exceptional year owing to the take-up by the University in Esch-Belval) and above the average of the previous five years. Luxembourg continues to perform well. The most significant transactions of the year include:

- 18,000 m² by Post Luxembourg in the Mercier building in the station district;
- 14,800 m² rented by Amazon in the Kirchberg;
- 13,600 m² taken up by the EIB in the Lighthouse One building in the Kirchberg;
- 12,600 m² taken up by ING in the Galeries Kons in the station district.

Nearly 290 transactions were recorded, the highest number since 2010. This increase in the number of transactions confirms that the office market in Luxembourg has been in good shape in recent years, benefiting in particular from robust economic performance and a growing interest from occupiers, particularly in the context of Brexit.

Take-up and number of transactions



The private sector, mainly banking and finance, and companies working in business services, have dominated take-up for many years. In 2017, the European institutions, with the exception of the European Investment Bank, have been absent from the market, but this should change in the coming months, particularly as a result of ongoing developments in Kirchberg.

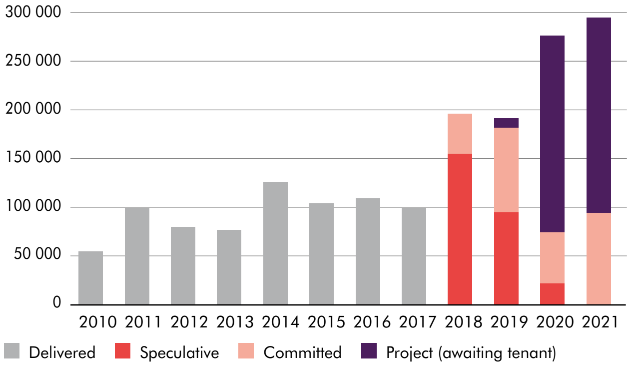
Recent hand-overs and future projects

Some 98,000 m² were handed over in Luxembourg in 2017, owing to the handover of the Dyapason and Lighthouse One buildings, Galeries Kons and various buildings to accommodate the Post.

More than 260,000 m² of space is being built in Luxembourg over 2018 to 2020. More than 225,000 m² of these projects are already pre-let, mainly 120,000 m² of the KAD project due to house the European Parliament in 2018 and 2019.

Speculative projects are therefore relatively limited as only 42,000 m² are left in the 27 projects currently under construction. Note however that 300,000 m² are on the drawing board, and could fill up the speculative pipeline in the coming months, owing in particular to the healthy market in Luxembourg.

Development projects (in m²)



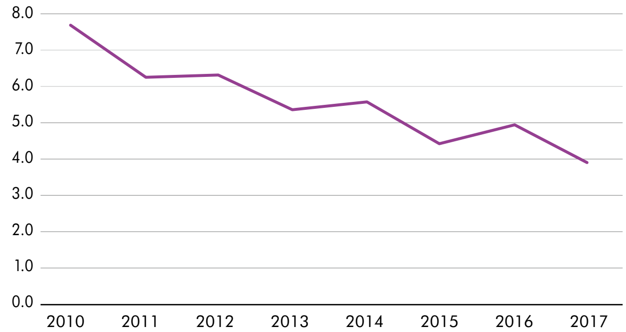
Evolution of rental vacancies

The Luxembourg market has one of the lowest vacancy rates in Europe, only 4% at the end of 2017. The vacancy rate has been in constant decline since 2010, when it was close to 8%.

Today, there are significant differences between districts, since the CBD and the Kirchberg have a vacancy rate below 2% while in the decentralised districts it is around 8%.

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

Vacancy rate (in %)

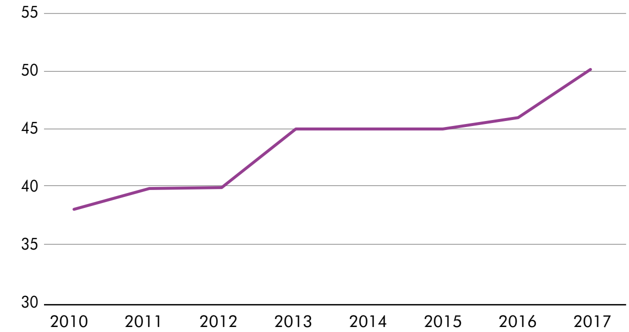


Evolution of rents

Owing to the combined effect of a low vacancy rate and rising take-up, prime rents are logically under pressure. Occupants are seeking the best locations and buildings. These factors have driven up prime rents to €50/m²/month (€600/m²/year) in the CBD, the highest level ever seen in Luxembourg. And future increases cannot be ruled out.

Prime rents have remained stable in the station district (€36/m²/month) and in the Kirchberg (€35/m²/month). Prime rents are lowest in the periphery, at €21/m²/month.

Prime rent (in €/m²/month)

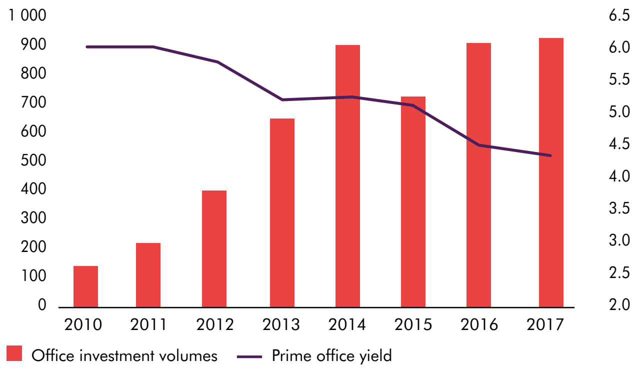


Office investment market

As a result of the country's good economic performance, a healthy occupier market and the European Central Bank's monetary policy, the office investment market continues to perform strongly. Nearly €1 billion were invested in the office market over 2017, up €20 million in relation to 2016.

For all sectors combined, this is the fourth year in a row that the Luxembourg investment market has surpassed the billion euro mark, highlighting investors' growing interest in the country. The office sector is overwhelmingly dominant in the investment market, accounting for more than 80% of total volumes.

Investment volume (in € milion) and prime yield (in %)



Prime yields, or rates of return, continue to be compressed, as a result of the European Central Bank's policy of low interest rates and competition among investors for the best products. At the end of 2017, prime rates of return in Luxembourg stood at 4.3%, compared with 4.5% at the end of 2016. Prime yields could yet be compressed slightly in 2018, to 4.2%.

Buildings of Befimmo's consolidated portfolio[1]

	Construction year or year of the last renovation[2]	Floor area for lease (in m²)	Proportion of portfolio[3] (in %)	Rent billed during the fiscal year[4] (€ thousand)	Occupancy rate (in %)[5]
Brussels Centre					
Central Gate - Rue Ravenstein 50-70 and Cantersteen 39-55, 1000 Brussels	2012	29 036	3.0%	4 354	84.1%
Empereur - Boulevard de l'Empereur 11, 1000 Brussels	1963	5 700	0.7%	1 081	100.0%
Gouvernement Provisoire - Rue du Gouvernement Provisoire 15, 1000 Brussels	2005	2 954	0.4%	646	100.0%
Lambermont - Rue Lambermont 2, 1000 Brussels	2000	1 788	0.3%	375	100.0%
Montesquieu - Rue des Quatre Bras 13, 1000 Brussels	2009	16 931	3.2%	4 828	100.0%
Pachéco - Boulevard Pachéco 32, 1000 Brussels	1976	5 770	0.5%	763	100.0%
Poelaert - Place Poelaert 2-4, 1000 Brussels	2001	12 557	2.5%	3 635	100.0%
Rue aux Choux - Rue aux choux 35, 1000 Brussels	1993	5 114	0.8%	1 189	100.0%
		79 850	11.5%	16 871	94.8%
Brussels Leopold district					
Arts - Avenue des Arts 28-30 and Rue du Commerce 96-112, 1000 Brussels	2005/-	16 793	2.9%	4 305	100.0%
Froissart - Rue Froissart 95, 1000 Brussels	2010	3 107	0.5%	805	98.5%
Guimard - Rue Guimard 9 et Rue du Commerce 87-91, 1040 Brussels	2017	5 514	0.0%	0	0.0%
Joseph II - Rue Joseph II 27, 1000 Brussels	1994	12 820	3.0%	4 433	100.0%
Pavilion - Rue de la Loi 70-72-74, 1000 Brussels	2005	18 091	3.0%	4 439	100.0%
Schuman 3 - Rond-point Schuman 2-4a and Rue Froissart 141a-143, 1040 Brussels	2001	5 275	0.8%	757	85.5%
Schuman 11 - Rond-point Schuman 11, 1040 Brussels	2004	5 255	0.9%	1 252	87.6%
Science-Montoyer - Rue Montoyer 30, 1000 Brussels	2011	5 180	0.9%	1 260	100.0%
View Building - Rue de l'Industrie 26-38, 1040 Brussels	2001	11 075	1.4%	1 876	99.7%
Wiertz - Rue Wiertz 30-50, 1050 Brussels	1996	10 108	2.4%	3 538	100.0%
		93 218	15.7%	22 665	91.9%
Brussels Louise district					
Blue Tower - Avenue Louise 326, 1000 Brussels	1976	24 339	3.5%	4 231	82.2%
		24 339	3.5%	4 231	82.2%
Brussels North area					
Noord Building - Boulevard Baudouin 30, 1000 Brussels	1989	36 811	4.7%	7 012	100.0%
World Trade Center - Tower 2 - Boulevard du Roi Albert II 30, 1000 Brussels	1973	48 238	10.1%	12 952	100.0%
World Trade Center - Tower 3 - Boulevard du Roi Albert II 30, 1000 Brussels	1983	76 810	8.4%	12 313	100.0%
		161 859	23.2%	32 277	100.0%
Brussels airport					
Gateway - Brussels Airport - 1930 Zaventem	2017	34 493	4.7%	6 960	100.0%
		34 493	4.7%	6 960	100.0%
Brussels decentralised					
Goemaere - Chausée de Wavre 1945, 1160 Brussels	1997	6 950	0.7%	684	88.4%
La Plaine - Boulevard Général Jacques 263G, 1050 Brussels	1995	15 180	2.0%	3 044	100.0%
Triomphe - Avenue Arnaud Fraiteur 15-23, 1050 Brussels	2014	17 189	1.4%	646	67.6%
		39 319	4.1%	4 374	82.8%

1. The fair value of every subportfolio is published on page 30 on 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 gross current rent from lease agreements as at 31 December 2017.
4. It is the collected rent in accordance with Appendix B of the Royal Decree of 13 July 2014.
5. Estimated rental value (ERV) of the rented surfaces / ERV of the building.
6. Ikaros Business Park - Phase II (buildings 8A, 7B and 12B).

	Construction year or year of the last renovation[2]	Floor area for lease (in m²)	Proportion of portfolio[3] (in %)	Rent billed during the fiscal year[4] (€ thousand)	Occupancy rate (in %)[5]
Brussels periphery					
Eagle Building - Kouterveldstraat 20, 1831 Diegem	2000	7 382	0.5%	739	78.6%
Fountain Plaza - Belgicastraat 1-3-5-7, 1930 Zaventem	2012	17 756	1.1%	1 495	77.5%
Ikaros Business Park (phases I to V) - Ikaroslaan, 1930 Zaventem	1990/2017[6]	45 902	2.6%	3 313	73.7%
Media - Medialaan 50, 1800 Vilvoorde	1999	14 069	1.4%	2 108	97.2%
Ocean house - Belgicastraat 17, 1930 Zaventem	2012	4 623	0.3%	454	97.0%
Planet II - Leuvensesteenweg 542, 1930 Zaventem	1988	10 277	0.4%	615	69.9%
Waterloo Office Park - Drève Richelle 161, 1410 Waterloo	1992	1 980	0.2%	282	83.7%
		101 989	6.5%	9 006	80.1%
Wallonia					
Ath - Place des Capucins 1	1995	4 256	0.4%	592	100.0%
Braine-l'Alleud - Rue Pierre Flamand 64	1977	2 340	0.2%	268	100.0%
Eupen - Vervierserstrasse 8	1989	2 240	0.2%	302	100.0%
La Louvière - Rue Ernest Boucqueau 15	1997	6 116	0.6%	901	100.0%
Liège - Rue Fragnée 2 - Paradis Tower	2014	37 195	4.2%	6 163	100.0%
Malmedy - Rue Joseph Werson 2	2000	2 757	0.2%	347	100.0%
Marche-en-Famenne - Avenue du Monument 25	1988	3 720	0.4%	543	100.0%
Saint-Vith - Klosterstrasse 32	1988	3 156	0.3%	381	100.0%
Seraing - Rue Haute 67	1971	2 109	0.2%	242	100.0%
		63 889	6.6%	9 739	100.0%
Flanders					
Antwerpen - AMCA - Italiëlei 4	1991/1992	58 413	5.0%	7 434	100.0%
Antwerpen - Meir 48	19th century/ 1985	17 763	2.4%	3 537	100.0%
Bilzen - Brugstraat 2	1995	1 676	0.1%	202	100.0%
Brugge - Boninvest 1	1996	2 844	0.1%	210	100.0%
Deinze - Brielstraat 25	1988	3 251	0.3%	402	100.0%
Dendermonde - Sint-Rochusstraat 63	1987	6 453	0.6%	926	100.0%
Diest - Koning Albertstraat 12	1995	2 869	0.3%	419	100.0%
Diksmuide - Woumenweg 49	1979	2 207	0.2%	300	100.0%
Eeklo - Raamstraat 18	1993	3 155	0.3%	415	100.0%
Haacht - Remi van de Sandelaan 1	1985	2 744	0.2%	295	100.0%
Halle - Zuster Bernardastraat 32	1985	7 440	0.8%	1 121	100.0%
Harelbeke - Kortrijksestraat 2	1990	1 686	0.2%	252	100.0%
Herentals - Belgiëlaan 29	1987	3 296	0.3%	461	100.0%
Ieper - Arsenaalstraat 4	1994	5 421	0.4%	652	100.0%
Izegem - Kasteelstraat 15	1981	831	0.1%	95	100.0%
Knokke-Heist - Majoor Vandammestraat 4	1979	3 979	0.3%	447	100.0%
Kortrijk - Bloemistenstraat 23	1995	12 137	1.1%	1 629	100.0%
Leuven - Vital Decosterstraat 42-44	1993	16 718	1.4%	2 070	99.1%
Lokeren - Grote Kaai 20	2005	1 938	0.2%	281	100.0%
Menen - Grote Markt 10	1988	3 273	0.0%	65	12.7%
Nieuwpoort - Juul Filliaertweg 41	1982	2 868	0.3%	396	100.0%
Oudenaarde - Marlboroughlaan 4	1963	4 701	0.3%	514	100.0%

	Construction year or year of the last renovation[1]	Floor area for lease (in m^2)	Proportion of portfolio[2] (in %)	Rent billed during the fiscal year[3] (€ thousand)	Occupancy rate (in %)[4]
Roeselare - Rondekomstraat 30	1987	6 873	0.6%	815	100.0%
Sint-Niklaas - Driekoningenstraat 4	1992	6 897	0.6%	932	100.0%
Sint-Truiden - Abdijstraat 6	1984	3 932	0.3%	456	100.0%
Tervuren - Leuvensesteenweg 17	1980	20 408	0.9%	1 347	100.0%
Tielt - Tramstraat 48	1982	4 180	0.4%	520	100.0%
Tienen - Goossensvest 3	1985	6 390	0.6%	877	100.0%
Tongeren - Verbindingsstraat 26	2002	7 710	0.8%	1 193	100.0%
Torhout - Burg 28	1973	1 720	0.1%	207	100.0%
Torhout - Elisabethlaan 27	1985	1 284	0.1%	163	100.0%
Vilvoorde - Groenstraat 51	1995	6 117	0.6%	916	100.0%
		231 174	20.1%	29 549	99.1%
Grand Duchy of Luxembourg					
Axento - Luxembourg city, Avenue JF Kennedy 44	2009	12 247	3.6%	4 323	98.2%
		12 247	3.6%	4323	98.2%
Properties available for lease		**842 378**	**99.5%**	**139 995**	**94.4%**
Brederode Corner - Rue Brederode and Rue de Namur, 1000 Brussels	Renovation ongoing	6 500	-	1 087	-
Binche - Rue de la Régence 31	Renovation ongoing	2 480	-	-	-
Eupen - Rathausplatz	Renovation & Construction	(7 200)	-	-	-
Kortrijk - Ijzerkaai 26	Under study	1 963	-	-	-
Paradis Express - Rue Paradis 1, 4000 Liège	In preparation	(35 000)	-	-	-
World Trade Center Tower 1 - Boulevard du Roi Albert II 30, 1000 Brussels	Under study	54 715	-	-	-
World Trade Center Tower 4 - Boulevard du Roi Albert II 30, 1000 Brussels	Implementation of the permit According to commercialisation	(53 500)	-	-	-
Properties that are being constructed or developed for own account in order to be leased		**65 658**	**-**	**1 087**	**-**
TOTAL - INVESTMENT PROPERTIES		**908 036**	**100.0%**	**141 082**	**94.5%**
TOTAL		908 036	100.0%	141 082	94.5%

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 gross current rent from lease agreements as at 31 December 2017.
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4. Estimated rental value (ERV) of the rented surfaces / ERV of the building.

Goemaere | Brussels decentralised

Gateway | Brussels airport

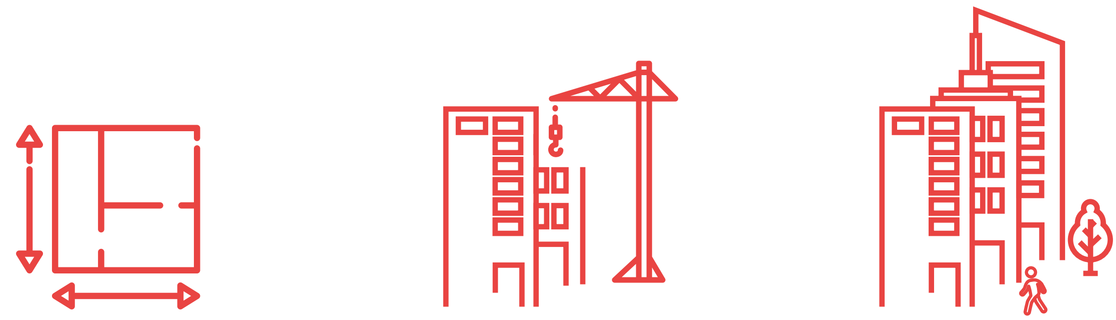
Ocean House | Brussels periphery

Environmental and energy performance

Given the scale of its property business, its local roots and its use of resources, Befimmo continues to work on the environmental aspect.
Befimmo is sensitive to the expectations of its stakeholders and is aware that its environmental impact affects all levels of its business and value chain as illustrated in the figure below.

ENVIRONMENTAL IMPACT DURING THE LIFE CYCLE OF A BUILDING

REDEVELOPMENT



DESIGN — CONSTRUCTION — OPERATION

DESIGN

- Building efficiency
  Renewable energy
- Minimum technical requirements
  Circular economy
  Reusing structures and materials
- Recovery of rainwater and grey water
- Impact study
  Circular economy

CONSTRUCTION

- Energy management on construction sites
- Origin of materials and management of construction waste
- Water management on construction sites
- Transport of materials

OPERATION

- Monitoring of energy consumption
  Supporting occupants with energy-efficiency measures
  Preventive maintenance
- Monitoring of water consumption and preventive maintenance
- Alternative mobility service

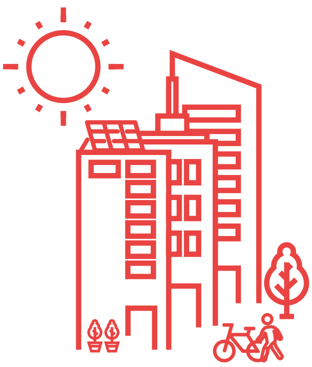
Befimmo's investment strategy systematically incorporates a cross-cutting environmental component into its everyday in-house operations, in particular through the evaluation method for assessing the environmental performance of buildings developed by BRE[1].

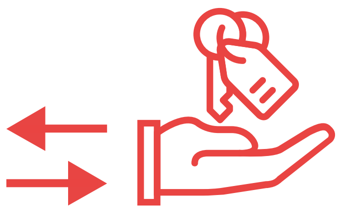
The feasibility and profitability of the environmental projects are assessed by the Environmental Technical Team, composed of 4 specialists in the matter.

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, Befimmo is identifying the risks that could affect it and putting in place the necessary measures to anticipate them and limit their potential impact.

This approach leads to a renewal and continuous improvement of the portfolio's environmental performance, enabling Befimmo to achieve its targets for reducing its environmental impact by 2030. This ensures that its environmental impact is decoupled from the value creation of its portfolio.

"Use of resources"
"Risk factors, on page 181"





IMPROVEMENT

- Energy improvement projects
- Reusing materials
  Minimum technical requirements
- Water use efficiency projects
- Soft mobility infrastructure

SALES AND ACQUISITIONS

- PEB analysis
- Environmental risk analysis
- Location study

Impacts related to energy consumption
Impacts related to building materials
Impacts related to water
Impacts related to mobility and transport

1. Building Research Establishment (www.bre.co.uk).

CO_2e EMISSIONS[1]

In 2017, Befimmo revised its energy-related environmental objectives, based on the transposition of energy consumption into CO_2 equivalent for its entire portfolio.

Based on the methodology proposed by the Science Based Targets Initiative (SBTi)[2], contributing so to limiting the rise in global average temperature to below 2°C, long-term objectives could be defined. Firstly, the specific emission reduction targets (per m²) allows to set an energy performance standard for the buildings in the portfolio. Secondly, the target for an absolute quantity of "avoided CO_2e emissions" makes it possible to evaluate the improvements in energy efficiency of buildings acquired over time.

The prediction model set up in 2017 allows to define the following targets: by 2030, Befimmo undertakes to achieve an average level of CO_2e emissions per square metre of its entire portfolio of 20.3 kgCO_2e/m², a reduction of 33% compared with 2016. This equates to avoiding cumulative emissions of 53,000 tCO_2e, or the equivalent of 2.4 years of consumption of the portfolio (year of reference 2016).

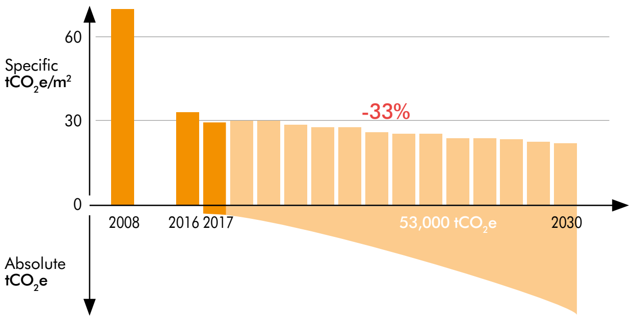
These targets are divided into three sub-objectives:

1) reduction of 50% in "controlled"[3] CO_2e emissions related to heating for the entire portfolio;

2) reduction of 17% in "controlled" CO_2e emissions related to electricity consumption[4] in common installations;

3) reduction of 17% in "uncontrolled"[5] CO_2e emissions related to the electricity consumption of private installations (under the control of tenants).

Outlook to 2030



In 2017, these efforts enabled a cut in CO_2e emissions by 10% in relation to 2016. This reduction represents an avoided volume of 750 tCO_2e.

"Use of resources: water / energy / global warming"

Outlook to 2030

Year	2016 Value of reference	2017	Targets 2030	
Avoided CO_2e cumulated since 2016 [in tCO_2e]	-	750	53 000	
Average specific CO_2e emissions [in kgCO_2e/m²]	30.5	30.2	20.3	-33%
a. linked to heating	14.7	14.1	7.3	-50%
b. linked to electricity consumption of controlled installations	7.6	7.2	6.2	-17%
Of which offset	-	7.1	-	-
c. linked to electricity consumption of uncontrolled installations	9.6	9.0	8.0	-17%
Of which offset	-	8.2	-	-

-10 %

CO_2e emissions (2016 vs 2017)

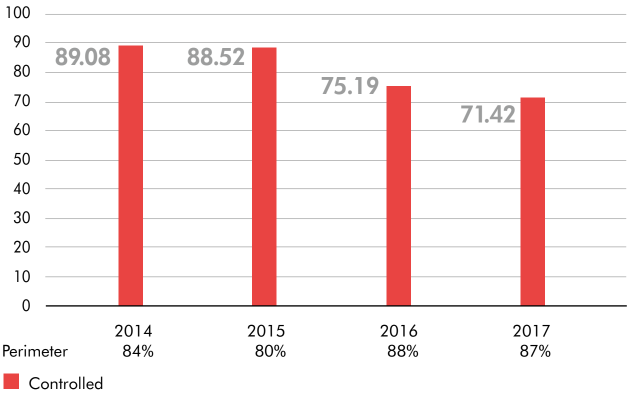
1. See methodology in the Appendix IV of this Report and detailed tables on the website of Befimmo.
2. http://sciencebasedtargets.org/
3. Befimmo has control and/or a direct influence over the emissions related to the operation of the installations concerned (lifts, lighting of common areas, ventilation, etc.).
4. The model considers "location-based" emission factors that do not take account of any supply contracts for green energy, with no CO_2e emissions.
5. Befimmo does not have control or a direct influence on the emissions related to the operation of the installations concerned (private installations).

ENERGY CONSUMPTION AND SELF-GENERATION[1]

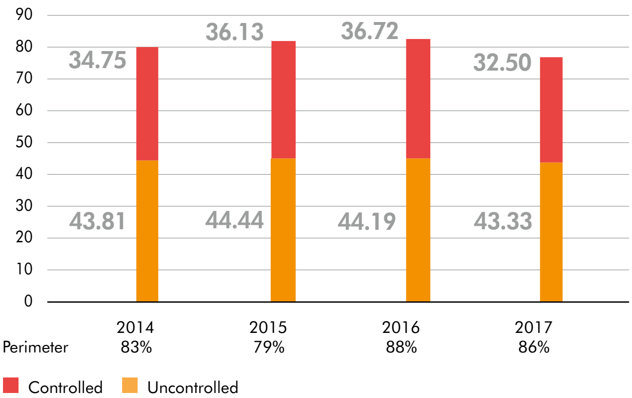
The energy performance of buildings plays a very important role in achieving Befimmo's ambitious targets for reducing CO_2e emissions by 2030.

The graphs below show the evolution of direct and indirect energy consumption over the past four years.

Specific direct[1] energy consumption (kWh/m²)



Specific indirect[1] energy consumption (kWh/m²)



-33 %

CO_2e emissions by 2030

-50 %

Energy consumption linked to heating (2030)

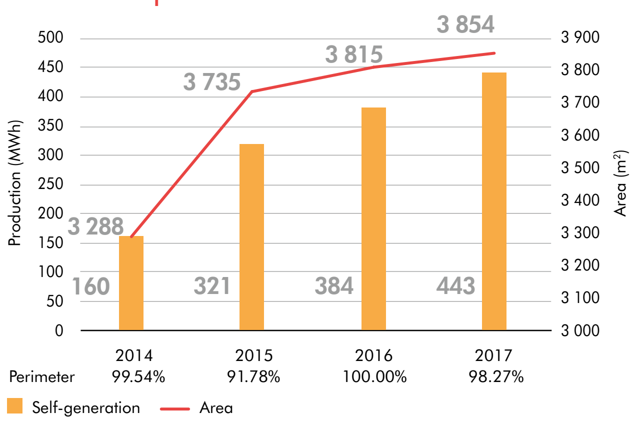
For the decrease in energy consumption related to heating an important decrease is noticed, which according to our forecasts will continue, achieving the reduction target of 50%. This ambitious objective assumes a transition from the use of equipment burning fossil fuels to alternatives such as geothermal energy or electrically-powered equipment such as heat pumps. This switch from one form of energy to another will probably entail an increase in the electricity consumption of the buildings. Moreover, there will be new electricity needs such as for charging electric vehicles.

Befimmo also aims to anticipate and control these consumptions, in particular by continuing to invest in renewable energy generation.

In 2017, Befimmo carried out a study of the potential for installing photovoltaic panels throughout its entire portfolio. The study identified an additional potential surface area of some 1,000 m² of photovoltaic panels that will be added to the 3,854 m² already installed.

Self-generation by these new installations should cover electricity needs equivalent to the annual consumption of 50 households[6].

Photovoltaic panels



Although this is not taken into account in its CO_2e reduction targets, Befimmo continues to give priority to purchasing green electricity. In 2017, its supply contract covered 97% of the electricity for installations under its control. Befimmo's goal is to convince all its tenants to switch to green contracts by 2020.

6. A Belgian household consumes an average of 3,500 kWh a year (source: www.energuide.be/en).

WATER CONSUMPTION

Befimmo considers that water consumption is also an important topic for the real-estate sector. As a responsible landlord of a large property portfolio, it feels a duty to be very mindful of the proper management and conservation of this resource.

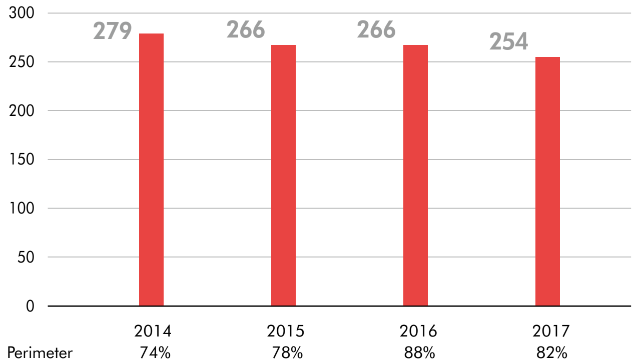
It therefore pays particular attention (in each of its development projects) to incorporating water recovery systems, leak detection, and deploying low-consumption appliances, in particular following the guidelines provided by BREEAM certification and the quality standards it has developed in-house.

These appliances are generally, (where possible) according to the targets, completed with telemonitoring. A detailed accounting and continuous monitoring by means of warning systems for ongoing optimisation of consumption and limitation of the impact of leaks are carried out by Befimmo's green adviser.

Specific consumption (litres/m²) in 2017 was down 4.5% in relation to 2016, from 266 l/m² to 254 l/m². This decrease is explained partly by raising awareness among tenants of some high-consumption sites.

Full tables of total absolute and specific water consumption of the portfolio are published on Befimmo's website[1].

Water consumption (l/m²)[2]



-4.5 %

Water consumption (l/m²) (2016 vs 2017)

Blue Tower | Brussels Louise district

1. www.befimmo.be/en/csr/challenges-and-strategic-axes
2. Excludes figures for a fitness centre located in a building in the portfolio.

MATERIALS

At all stages of its life cycle, a building generates a substantial flow of materials.

The sustainable procurement policy is designed to manage the incoming flow of building materials and installations. The circular-economy approach deals with the outflow of construction and operational waste.

Responsible procurement

Befimmo has introduced a sustainable procurement policy related to the incoming flow of materials.

In order to include environmental criteria consistently across all procurement procedures, in 2017 Befimmo reviewed its minimum technical criteria and incorporated them into a quality matrix. Consolidated in a database, it serves as a quality reference for Befimmo buildings. This matrix is inspired by relevant references such as BREEAM and is the outcome of cooperation between Befimmo's various property divisions (Commercial Management, Environmental Management, Property Management, Services & Facilities, Project Development and Project Management). For each phase of the building, it includes the technical requirements in terms of design, operation, comfort and well-being, energy and environmental performance, and choice of materials. It also includes opportunities for improvements, which are alternatives to encourage the buyer to go further.

Quality matrix

	Quality level	
	Minimum requirement	Opportunity of improvement
Planning		
Design		
Building site		
Facility		

Circular economy

Regarding the outflow of materials, Befimmo is taking a circular-economy approach.
For several years now, Befimmo has been assessing the quantities and treatment of building waste, as detailed in the table below.

Building waste (in tonnes)

	2014		2015		2016		2017	
Total	**1 418.9**	**100%**	**5 946.5**	**100%**	**1 640.3**	**100%**	**9 565.0**	**100%**
Of which recycled	1 188.3	83.7%	4 840.7	81.4%	1 554.4	94.8%	9 184.3	96.0%
Of which reused	125.0	8.8%	16.8	0.3%	35.9	2.2%	17.2	0.2%
Of which composted	-	0.0%	-	0.0%	-	0.0%	2.0	0.0%
Of which incinerated	79.5	5.6%	702.5	11.8%	45.7	2.8%	343.8	3.6%
Of which burried or landfilled	26.2	1.8%	386.5	6.5%	4.3	0.3%	17.6	0.2%

The volume of construction waste is highly variable depending on the type and number of sites. The positive trend of efforts made is, until now, observable on recycling. Nearly 96% of construction-related waste is valued.

Construction-related waste can also be considered as a resource. Befimmo wants to focus more on the reuse of materials, which today accounts for only a small percentage.

Reuse is currently organised in campaigns for dismantling building materials that can be reused in other projects. Through Befimmo's cooperation with Rotor ASBL it has been possible to recover more than 115 tonnes of materials since 2013 on a total of 10 construction sites.

In order to reduce the volume of waste and improve the material reuse rate, Befimmo also anticipates for dismantling from the design stage of the building and runs its work sites in line with the principles of the circular economy. Its participation in the Totem[1] initiative is the proof.

This tool developed by the Belgian public authorities - will ultimately enable it to measure and compare the overall societal impact of these various construction and renovation scenarios.

Waste management in operational buildings

The table below shows trends in the quantities and treatment of operational waste.

Operational waste (in tonnes)

	2014		2015		2016		2017	
Total	**2 388.8**	**100%**	**2 702.6**	**100%**	**1 644.4**	**100%**	**2 092.9**	**100%**
Of which recycled	1 142.4	47.8%	1 540.4	57.0%	873.0	53.1%	1 215.9	58.1%
Of which reused	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Of which composted	3.2	0.1%	-	0.0%	4.7	0.3%	-	0.0%
Of which incinerated	1 243.2	52.0%	1 162.2	43.0%	766.7	46.6%	877.0	41.9%
Of which burried or landfilled	-	0.0%	-	0.0%	-	0.0%	-	0.0%

The improvement in the recycling rate (from 48% in 2014 to 58% in 2017) has been achieved by raising awareness among occupants and cleaning companies of waste sorting. It is also the result of a waste management contract with an external service provider. In 2017, this contract covered 22.3% of the total floor area of the portfolio. The goal is to increase the proportion of buildings covered by the contract.

96 %
Building waste recycled

58 %
Operational waste recycled

1. www.totem-building.be
2. Some BREEAM certificates have passed their expiry date. The certificates will not be updated until work to achieve an improved score has been carried out.

CERTIFICATION[2] AND COMPLIANCE

In order to limit any adverse impact of its activities and preserve the quality of the environment, Befimmo strives to ensure that its portfolio is operated in compliance with current standards and regulations.

In 2010, Befimmo introduced an Environmental Management System (EMS) based on ISO 14001 (2015).

With a view to continuous improvement, internal and external audits of the management system were conducted during 2017. These led to measures to improve the EMS, focused essentially on simplifying the system.

Furthermore, Befimmo wants its buildings to achieve an environmental performance that surpasses the regulatory requirements. With this in mind, since 2010 Befimmo has been applying the most widely used method of assessing the environmental performance of buildings, developed by BRE, for its entire portfolio of buildings, whether they are under construction or renovation or in operation.

The BREEAM methodology clarifies the sustainable performances in two ways:

- for de buildings in construction:
  - in study phase: BREEAM "Design";
  - after construction works/renovation: BREEAM "Post Construction".
- for de buildings in operation:
  - the building: BREEAM "In-Use Asset Rating" (Part I);
  - the management of the building: BREEAM "In-Use Building Management Rating" (Part II).

"Certification and environmental compliance"
Glossary

Buildings in construction

	Design		Post Construction	
Rating	Surface	# buildings	Surface	# buildings
Outstanding	53 500	1	-	-
Excellent	88 913	5	42 375	2
Very Good	33 408	6	38 032	8
Good	4 623	1	4 623	1
Total	180 444	13	85 030	11

Buildings in operation

	In-Use Asset		In-Use Management	
Rating	Surface	# buildings	Surface	# buildings
Very Good	12 517	5	85 859	3
Good	451 932	55	30 584	2
Pass	60 080	5	323 948	50
Acceptable	-	-	59 335	7
Non certified	407 497	50	432 301	53
Total	932 027	115	932 027	115

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 2017.

CONTEXT

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 2017. 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 2017 amounts to a total of € 2,557,579,000 (TWO BILLION FIVE HUNDRED FIFTY SEVEN MILLION FIVE HUNDRED SEVENTY NINE 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 2017 amounts to a total of € 2,494,359,574 (TWO BILLION FOUR HUNDRED NINETY FOUR MILLION THREE HUNDRED FIFTY NINE THOUSAND FIVE HUNDRED SEVENTY FOUR 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 6.19%. Should the vacant accommodation be fully let at estimated rental value, the initial yield is 6.52% for the same portfolio.

The occupation rate of the portfolio with properties available for lease is 94.44%.

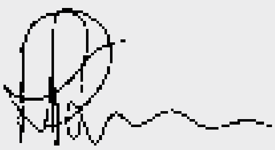
The average level of passing and contractual rent is currently approximately +/-10.78% above the current estimated rental value of the portfolio with properties held for letting.

The property portfolio comprises:

Offices	Fair Value (€ millions)	(in %)
Properties available for lease	**2 345.9**	**94.0%**
Brussels CBD and similar[1]	1 327.7	53.2%
Brussels decentralised	87.0	3.5%
Brussels periphery	137.8	5.5%
Wallonia	195.8	7.8%
Flanders	487.7	19.6%
Luxembourg city	109.9	4.4%
Properties that are being constructed or developed for own account in order to be leased	**148.5**	**6.0%**
Properties held for sale	**-**	**-**
Total	2 494.4	100.0%

Yours sincerely,

Brussels, 9th January 2018.



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.

Financial report

Blue Tower | Brussels Louise district

Financial results

NET ASSET VALUE AS AT 31 DECEMBER 2017

As at 31 December 2017, Befimmo's total net asset value was €1,448.5 million.

The net asset value is therefore €56.63 per share, compared with €54.78 per share as at 31 December 2016.

Changes in the net asset value

	(in € per share)	(in € million)	Number of shares
Net asset value as at 31 December 2016	**54.78**	**1 401.3**	**25 579 214**
Final dividend of the 2016 fiscal year		-23.0	
Other elements of comprehensive income - actuarial gains and losses on pension obligations		0.4	
Interim dividend of the 2017 fiscal year		-66.3	
Net result as at 31 December 2017		136.1	
Net asset value as at 31 December 2017	**56.63**	**1 448.5**	**25 579 214**

TREND OF RESULTS

Condensed consolidated income statement

(in € thousand)	31.12.2017	31.12.2016
Net rental result	142 431	137 037
Net rental result excluding spreading	*141 172*	*136 442*
Spreading of gratuities/concessions	*1 260*	*595*
Net property charges[1]	-11 932	-14 257
Property operating result	**130 499**	**122 780**
Corporate overheads	-12 199	-10 447
Other operating income and charges	-1 252	- 596
Operating result before result on portfolio	**117 048**	**111 738**
Operating margin[1]	***82.2%***	***81.5%***
Gains or losses on disposals of investment properties	21 798	1 154
Net property result[1]	**138 846**	**112 892**
Financial result (excl. changes in fair value of financial assets and liabilites)[1]	-19 750	-22 131
Corporate taxes	-1 642	-2 364
Net result before changes in fair value of investment properties and financial assets and liabilities[1]	**117 455**	**88 397**
Changes in fair value of investment properties	13 429	21 121
Changes in fair value of financial assets and liabilities	5 186	-19 112
Changes in fair value of financial assets and liabilities and investment properties	**18 615**	**2 009**
Net result	136 070	90 406
EPRA earnings	95 657	87 243
Net result (in € per share)	5.32	3.82
EPRA earnings (in € per share)	3.74	3.68

EVENTS WITH AN IMPACT ON THE PERIMETER OF THE COMPANY

The Company's perimeter was changed during fiscal year 2017, mainly by the granting of a 99-year leasehold on the Brederode complex and the regrouping of almost all the ownership of WTC Towers 1 and 2. In 2016, it also changed mainly as a result of the gradual acquisition of the Gateway building, handed over at the end of the year.

The comparison of the data per share is also impacted by the increase in the average number of shares outstanding (increase of 2,557,921 shares in September 2016 following the capital increase).

5.32 €
Net result per share

3.74 €
EPRA earnings per share

1. This is an Alternative Performance Measure. For more information, please consult Appendix III to this Report.

ANALYSIS OF THE NET RESULT

The condensed consolidated income statement includes the data published on 31 December 2017. The result analysis is based on a comparison with the data as at 31 December 2016.

The year-on-year increase in **net rental result** of 3.9% is due to the difference between the impact of the addition to the portfolio of the Gateway building and the impact of the granting of a leasehold on the Brederode complex. The "like-for-like" net rental result[1] is up 1.57% year-on-year.

Net property charges were down from €14.3 million to €11.9 million. This change is mainly due, firstly, to a one-off impact in the first quarter of 2017 related to the restitution of a reserve fund and, secondly, to the reduction in rental charges and taxes on unlet property (notably following leases signed and rebates of witholding tax).

Overheads amounted to €12.2 million compared with €10.4 million in 2016. This change is due mainly to the one-off effect of a tax recovery booked in 2016 and an increase in the workforce.

The **Operating result before the portfolio result** is therefore up €5.3 million (+4.8%).

The **Result on sale of investment properties** of €21.8 million is due mainly to the capital gain realised on the granting of a 99-year leasehold on the Brederode complex for €122 million.

The **Financial result** (excluding changes in the fair value of financial assets and liabilities) improved from -€22.1 million in 2016 to -€19.7 million in 2017. This improvement is attributable to a decrease in the average fixed rate at which the Company is financed, a decrease in the average volume of debt of €79 million, mainly as a result of the capital increase carried out in September 2016, and the granting of a 99-year leasehold on the Brederode complex in March 2017. However, this change is partially offset by a reduction in financial income of €1.3 million linked to the advances for the gradual purchase of the Gateway building.

As at 31 December 2017, the **Net result** was €136.1 million as against €90.4 million as at 31 December 2016. The change in fair value of the investment properties (excluding the amount of acquisitions, investments and disinvestments) amounted to €13.4 million, an increase of 0.54%. The change in the fair value of the financial assets and liabilities was €5.2 million, as against -€19.1 million one year earlier.

EPRA earnings amounted to €95.7 million as at 31 December 2017, up 9.6% in relation to fiscal year 2016. The **EPRA earnings per share** of €3.74 is therefore slightly up (1.6%) year-on-year, despite the increase in the number of shares following the capital increase in September 2016.

The **net result per share** stood at €5.32, compared with €3.82 last year.

Media | Brussels periphery

ANALYSIS OF THE CONDENSED CONSOLIDATED BALANCE SHEET

Condensed consolidated balance sheet

(in € million)	31.12.2017	31.12.2016
Investment and held for sale properties	2 494.4	2 511.7
Other assets	64.8	101.4
Total assets	**2 559.1**	**2 613.1**
Shareholders' equity	1 448.5	1 401.3
Financial debts	1 002.1	1 098.0
non current	484.3	538.7
current[2]	517.8	559.2
Other debts	108.5	113.7
Total equity & liabilities	**2 559.1**	**2 613.1**
LTV	39.61%	42.33%

COMMENTS ON THE CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2017, 97.5% 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 other assets consist mainly of goodwill recognised on the acquisition of Fedimmo in 2006 (€14.3 million), hedging instruments (€19.5 million) and trade receivables (€21.1 million).

Shareholders' equity accounts for 56.6% of sources of finance. Non-current financial debts comprise €153.6 million in bank debt, €166.0 million in a number of European private placements and the equivalent of €161.9 million (at fair value) in a United States private placement (USPP).

Current financial debts comprise mainly in short-term commercial paper (for €455.5 million), for which the Company has confirmed bank lines at more than one year as a back-up.

Other liabilities consist mainly of hedging instruments (€17.1 million), trade and other payables (€52.4 million; suppliers, received advance payments and withholding tax and taxes) and accrued charges and deferred income (principally €21.6 million in property income received in advance).

Since BE-REITs are not required to set up a legal reserve, the legal reserves in place when the Company became subject to the SICAFI (and later BE-REIT) regime, namely €1.295 million, are transferred an available reserve under the heading "Other reserves".

Central Gate | Brussels Centre

1. This is an Alternative Performance Measure. For more information, please refer to Appendix III of this Report.
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.

Financial structure

The financing arranged is designed to maintain the best possible balance between cost, maturity and diversification of funding sources.

FINANCING ARRANGED DURING THE FISCAL YEAR

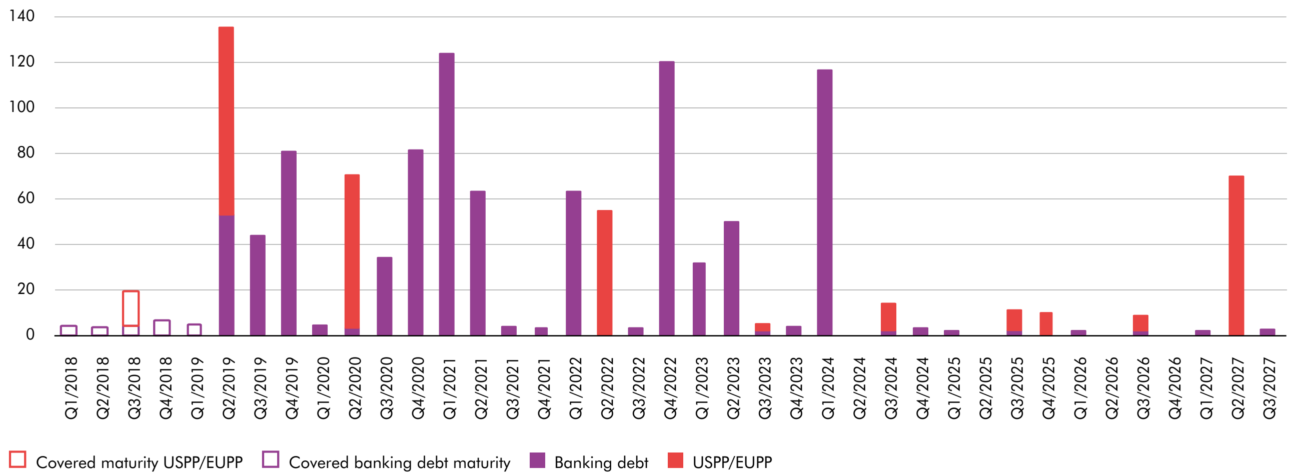
Within the framework of its overall financing programme, Befimmo carried out several operations:

- renegotiation and extension of a bank line for an amount of €135 million with maturities of 4 to 7 years;
- renegotiation and extension of a bank line for an amount of €90 million with a maturity of 7 years;
- renegotiation and extension of a bank line for an amount of €50 million with a maturity of 6 years;
- fixed-rate private placement of debt totalling €70 million over 10 years (€60 million in April, followed by a €10 million TAP in June);
- partial early cancellation of a bank line maturing in 2019 for an amount of €25 million;
- renegotiation and extension of a bank line for an amount of €130 million with a maturity of 5 years and 5 months;
- renegotiation and extension of a bank line for an amount of €30 million with a maturity of 5 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 2019.

In order to meet its future commitments, resulting in particular from the major redevelopment projects in preparation, Befimmo will in future arrange a variety of bank or diversified financing (private placements, etc.).

Maturities of commitments by quarter (in € million)



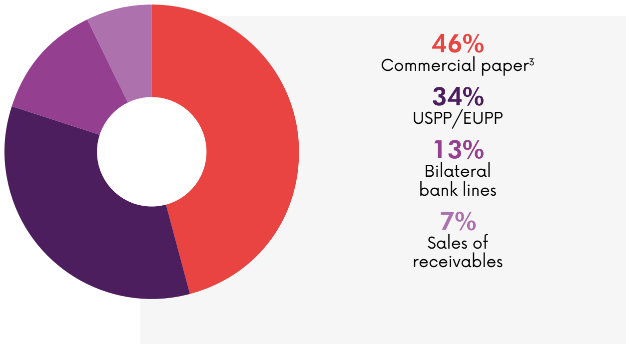
1. The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.
2. Loan-to-value (LTV) = [(nominal financial debts – cash)/fair value of portfolio].
3. With confirmed bank lines in excess of one year as a back-up.

MAIN CHARACTERISTICS OF THE FINANCIAL STRUCTURE

As at 31 December 2017, Befimmo's financial structure had the following main characteristics:

- confirmed credit facilities for a total sum of €1,258.3 million (73.7% of which were bank loans), €988.4 million of which were in use. The volume of unused lines is determined on the basis of the Company's liquidity criteria, taking account of the maturities of the financing agreements and commitments planned for the coming years;
- a debt ratio of 41.62%[1];
- an LTV ratio of 39.61%[2];
- a weighted average duration of borrowings of 4.73 years;
- 84.1% of total borrowings at fixed rates (including IRS);
- an average financing cost (including hedging margin and costs) of 2.08% over the year, compared with 2.26% for fiscal year 2016.

Debt distribution



On 23 May 2017, 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 of a maximum amount of €600 million, €455.5 million of which was in use as at 31 December 2017 for short-term issues and €66.25 million for long-term issues. For short-term issues, this programme has backup facilities consisting of the various credit lines arranged. The documentation for this programme also covers the European private placements of debt.

Media | Brussels periphery

HEDGING THE INTEREST RATE AND EXCHANGE-RATE RISK

The 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.

Befimmo holds a portfolio of instruments to hedge (i) the interest-rate risk, consisting of IRS, CAPs, SWAPTIONs[1] and COLLARs[2], 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 101.3%[3] as at 31 December 2017. The average hedge ratio of the fiscal year 2018, 2019 and 2020 is respectively estimated at 94%, 75% and 60%.

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

- the restructuring of two IRS for an initial notional total of €35 million, which extended their maturity to early 2027 and increased their notional total to €50 million;
- the cancellation of two short-term hedging instruments (a COLLAR for a notional amount of €30 million and an IRS for a notional amount of €25 million);
- the restructuring of three IRS involving a total notional amount of €65 million, extending their maturity to 2027.

In early 2018, Befimmo carried out two additional operations:

- the conclusion of a swaptions tunnel on a fixed-rate IRS covering the period 2019-2027 for a notional amount of €30 million;
- the restructuring of an IRS on a notional amount of €25 million, extending its maturity to 2027.

Evolution of the portfolio of hedging instruments and fixed-rate debts (as at 2 February 2018)

Annual average		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
CAP	Notional (€ million)	160	92	47	20	0	-	-	-	-	-
	Average rate (in %)	1.15%	0.81%	0.87%	1.15%	1.15%	-	-	-	-	-
FLOOR	Notional (€ million)	20	20	20	20	0	-	-	-	-	-
	Average rate (in %)	0.55%	0.55%	0.55%	0.55%	0.55%	-	-	-	-	-
Fixed-rate financing (incl. IRS)	Notional (€ million)	872	830	769	732	693	636	556	415	275	138
	Average rate[4] (in %)	0.97%	0.99%	1.03%	1.02%	0.98%	0.91%	0.87%	0.86%	0.88%	0.97%

1. Option negotiated on an interest rate swap. It gives entitlement to contract a call swaption, to be able to enter into a "receiver's" IRS, or a put swaption, for which the counterparty can force Befimmo to enter into a "payer's" IRS.
2. 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).
3. Hedge ratio = (nominal fixed-rate borrowings + notional rate of IRS and CAPs)/total borrowings. Taking into account the acquisition of a right in rem on the Arts 56 finalised in January 2018, the hedge ratio would be 90.8%.
4. Average fixed rate excluding credit margin and including options on swaps (SWAPTIONS) considered at the maximum rate.

Appropriation of results (statutory accounts)

The net result for the fiscal year is €136,079,033.98.

Taking account of the result carried forward at 31 December 2016 of €115,763,597.56 and the net result for the fiscal year, the result to be appropriated is €251,842,631.54.

The result for the fiscal year relates to 25,579,214 shares.

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 2017 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 €66,250,164.26, or €1.8130 net[5] per share outstanding, declared on 26 October 2017, and a final dividend of €21,998,124.04, or €0.6020 net[5] per share, payable by detaching coupon No 35;
3. carry forward the balance again, i.e. the sum of €150,243,133.56.

The proposed dividend for fiscal year 2017 (including the interim dividend declared on 26 October 2017 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.

3.45
€
Gross dividend/ share for fiscal year 2017

Central Gate | Brussels Centre

5. Assuming a withholding tax of 30%.

Result to be appropriated, proposed appropriations and withdrawals

(in €)	
A. Net result	**136 079 033.98**
B. Transfer to/from reserves (±)	**-47 830 745.68**
I. Transfer to/from reserve of balance (positive or negative) of changes in fair value of properties (±)	-3 306 245.85
- Fiscal year	-16 239 548.79
- Previous fiscal years	-
- Realisation of properties	12 933 302.94
II. Transfer to/from reserve of estimated fees and charges incurred in the hypothetical disposal of investment properties (±)	-1 661 190.74
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 (±)	-8 383 773.10
- Fiscal year	-8 383 773.10
- Previous fiscal years	-
XI. Transfer to/from result brought forward from previous fiscal years (±)	-34 479 535.99
C. Remuneration of capital	**-88 248 288.30**
- Interim dividend for the fiscal year paid out in December 2017	-66 250 164.26
- Final dividend for the fiscal year (payable after the Ordinary General Meeting of 24 April 2018)[1]	-21 998 124.04
D. Remuneration of capital apart from C	**-**

Explanatory table of the statutory result of the 2017 fiscal year[2]

(in €)	
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 for the 2016 fiscal year	-23 021 292.60
Result to bring forward as at 31 December 2016	**115 763 597.56**
Result for the 2017 fiscal year	136 079 033.98
Result to be appropriated as at 31 December 2017	**251 842 631.54**
Interim dividend for the 2017 fiscal year	-66 250 164.26
Impact of appropriation to reserves other than "(n) Result brought forward from previous years" (Royal Decree of 13 July 2014)	-13 351 209.69
Final dividend proposed for the 2017 fiscal year[1]	-21 998 124.04
Result to bring forward as at 31 December 2017	**150 243 133.56**

1. Amount subject to the approval by the Ordinary General Meeting of 24 April 2018.
2. Please see the note of the statutory shareholders' equity on pages 176 and 177 of the financial statements.

Triomphe | Brussels decentralised

EPRA Best Practices

Media | Brussels periphery

The European Public Real Estate Association (EPRA) publishes recommendations for defining the main financial performance[1] 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.

Befimmo is also following the trend towards reporting on Corporate Social Responsibility by subscribing to the indicators published by EPRA[2] in its report "EPRA Sustainability Best Practices Recommendations Guidelines (3rd version – September 2017)".

1. 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 on page 222 of this Report.

Key performance indicators - definition and use

	EPRA indicators	EPRA definition[3]	EPRA purpose[3]
(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[4] 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[5] based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value[4] of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.
(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).	
(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 from acquisitions and disposals)[6].

Key performance indicators - key figures overview

	EPRA indicators		31.12.2017	31.12.2016
(1)	EPRA earnings	€ thousand €/share	95 657 3.74	87 243 3.68
(2)	EPRA NAV	€ thousand €/share	1 458 774 57.03	1 419 287 55.49
(3)	EPRA NNNAV	€ thousand €/share	1 441 415 56.35	1 388 912 54.30
(4)	(i) EPRA Net Initial Yield (NIY)	in %	5.82%	5.65%
	(ii) EPRA Topped-up NIY	in %	5.97%	5.81%
(5)	EPRA Vacancy rate	in %	5.43%	5.71%
(6)	EPRA Cost ratio	Incl. vacancy costs Excl. vacancy costs	17.36%[7] 15.77%[7]	18.45% 15.51%
(7)	EPRA Like-for-Like	in %	2.82%	-0.29%

3. Source: EPRA Best Practices (www.epra.com).
4. According to the BE-REIT legislation, the buildings of portfolio of Befimmo are booked at their fair value.
5. 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.
6. Because the EPRA doesn't publish the use of the EPRA Like-for-Like, Befimmo wrote it.
7. For more information, please consult page 58 of this Report and also the explanation on the evolution of the revenus and net property charges.

Table 1 – EPRA earnings

(€ thousand)	31.12.2017	31.12.2016
Net result IFRS	**136 070**	**90 406**
Adjustments to calculate EPRA earnings	**-40 413**	**-3 163**
To exclude:		
I. Changes in fair value of investment properties and porperties held for sale	-13 429	-21 121
II. Gains and losses on disposals of investment properties	-21 798	-1 154
V. Negative goodwill/goodwill impairment	-	-
VI. Changes in fair value of financial assets and liabilities and close-out costs	-5 186	19 112
EPRA earnings	95 657	87 243
EPRA earnings (in € per share)	3.74	3.68

Tables 2 and 3 – EPRA NAV & NNNAV

(€ thousand)	31.12.2017	31.12.2016
Net asset value	**1 448 504**	**1 401 349**
Net asset value (in € per share)	**56.63**	**54.78**
To include:		
II. Revaluation at fair value of finance lease credit	127	184
To exclude:		
IV. Fair value of financial instruments	10 143	17 753
EPRA NAV	1 458 774	1 419 287
EPRA NAV (in € per share)	57.03	55.49
To include:		
I. Fair value of financial instruments	-10 143	-17 753
II. Revaluations at fair value of fixed-rate loans	-7 216	-12 621
EPRA NNNAV	1 441 415	1 388 912
EPRA NNNAV (in € per share)	56.35	54.30

Media | Brussels periphery

Table 4 - EPRA Net Initial Yield (NIY) & Topped-up NIY

(€ thousand)	31.12.2017	31.12.2016
Investment properties and properties held for sale	2 494 360	2 511 658
To exclude:		
Properties that are being constructed or developed for own account in order to be leased	-148 482	-66 327
Properties held for sale	-	-
Properties available for lease	2 345 878	2 445 330
To include:		
Allowance for estimated purchasers' cost	59 382	61 997
Investment value of properties available for lease (B)	**2 405 260**	**2 507 327**
Annualised cash passing rental income	145 644	148 028
To exclude:		
Property charges[1]	-5 567	-6 402
Annualised net rents (A)	**140 077**	**141 626**
To include:		
- Notional rent expiration of rent free periods or other lease incentives	2 362	1 764
- Future rent on signed contracts	1 266	2 410
Topped-up annualised net rents (C)	**143 706**	**145 801**
EPRA Net Initial Yield (A/B)	5.82%	5.65%
EPRA Topped-up Net Initial Yield (C/B)	5.97%	5.81%

Table 5 - EPRA Vacancy rate

(€ thousand)	31.12.2017	31.12.2016
Estimated rental value (ERV) on vacant space (A)	7 680	8 372
Estimated rental value (ERV) (B)	141 561	146 673
EPRA Vacancy rate of properties available for lease (A)/(B)	5.43%	5.71%

Table 6 - EPRA Cost ratio

(€ thousand)	31.12.2017	31.12.2016
Net administrative and operating expenses in the income statement	**-24 852**	**-25 419**
III. (+/-) Rental charges	-729	-715
Net property charges	-11 932	-14 257
XIV. (-) Corporate overheads	-12 199	-10 447
XV. (+/-) Other operating income and charges	-1 252	-596
Exclude:		
i. Impact of the spreading of gratuities	1 260	595
ii. Negative goodwill/goodwill impairment	-	-
EPRA costs (including direct vacancy costs) (A)	**-24 852**	**-25 419**
XI. (-) Charges and taxes on unlet properties	2 270	4 049
EPRA costs (excluding direct vacancy costs) (B)	**-22 583**	**-21 370**
I. (+) Rental income	143 161	137 752
Gross rental income (C)	**143 161**	**137 752**
EPRA Cost ratio (including direct vacancy costs) (A/C)	17.36%[2]	18.45%
EPRA Cost ratio (excluding direct vacancy costs) (B/C)	15.77%[2]	15.51%

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 58 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	31.12.2017				
(€ 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	75 328	7 077	716		600
Brussels decentralised	3 538				
Brussels periphery	6 247				
Wallonia	9 918		18		10
Flanders	28 255		34		-23
Luxembourg city	4 367				
Total	**127 652**	**7 077**	**768**	**-**	**588**
Reconciliation to the consolidated IFRS income statement					
Net rental income related to:					
- Properties booked as financial leases (IAS 17)					
- Non recurring element: restitution of reserve funds					
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	82 571	82 083
Brussels decentralised	5 206	3 538
Brussels periphery	8 924	6 247
Wallonia	9 690	9 918
Flanders	29 482	28 255
Luxembourg city	4 502	4 367
Properties available for lease	**140 374**	**134 407**
Reconciliation to the consolidated IFRS income statement		
Rental income related to:		
- Properties booked as financial leases (IAS 17)		-10
- Properties held for sale		
- Properties that are being constructed or developed for own account in order to be leased	1 412	910
- Investment properties sold during the last 12 months	645	768
Other property charges		**-5 576[3]**
Total	**142 431[4]**	**130 499[5]**

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. Including non-recurrent items.
4. 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.
5. 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.

	31.12.2016							Evolution
	Total net rental income[2]	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]	Properties owned throughout 2 consecutive years
	83 721	72 892	285	2 771		1 794	77 743	3.34%
	3 538	3 333		80			3 413	6.14%
	6 247	7 112					7 112	-12.17%
	9 947	9 138		-29		234	9 343	8.54%
	28 266	28 229		83		16	28 329	0.09%
	4 367	3 452					3 452	26.50%
	136 085	124 156	285	2 905	-	2 044	129 391	2.82%
	-10						-2	
	1 489						-	
	-7 065						**-6 608**	
	130 499						**122 780**	

	Rental space (in m²)	Gross current rent from lease agreements (in € thousand)	Estimated rental value (ERV) on vacant space (in € thousand)	Estimated rental value (ERV) (in € thousand)	Vacancy rate 31.12.2017 (in %)	Vacancy rate 31.12.2016 (in %)
	393 759	87 627	3 536	79 451	4.45	3.72
	39 319	6 178	1 209	7 048	17.15	21.29
	101 989	9 771	2 583	12 499	20.67	21.48
	63 889	9 908	-	8 888	-	2.31
	231 174	30 047	256	28 266	0.91	1.72
	12 247	5 420	97	5 410	1.79	7.16
	842 378	148 951	7 680	141 561	5.43	5.71

Table 9 - Investment properties - Valuation data

Segment	Fair value (in € thousand) 31.12.2017	Fair value (in € thousand) 31.12.2016	Changes in fair value (in € thousand) 31.12.2017[1]	Changes in fair value (in € thousand) 31.12.2016[1]	Changes in fair value (in %) 31.12.2017	Changes in fair value (in %) 31.12.2016
Brussels CBD and similar	1 327 651	1 423 043	5 794	7 078	0.43	0.50
Brussels decentralised	87 027	88 398	-5 041	-3 703	-5.48	-3.89
Brussels periphery	137 814	147 015	-13 321	-3 156	-8.81	-2.10
Wallonia	195 792	194 245	2 559	6 221	1.32	3.29
Flanders	487 678	493 367	-3 774	919	-0.77	0.19
Luxembourg city	109 916	99 262	10 697	12 659	10.78	14.62
Total properties available for lease	2 345 878	2 445 330	-3 087	20 017	-0.13	0.82
Reconciliation to the consolidated IFRS balance sheet						
Properties that are being constructed or developed for own account in order to be leased	*148 482*	*66 327*	*16 523*	*1 152*	*10.70*	*1.20*
Investment properties in the consolidated IFRS balance sheet	**2 494 360**	**2 511 658**	**13 436**	**21 169**	**0.54**	**0.85**

Table 10 - Investment properties - Lease data

Segment	Average duration of leases as at 31.12.2017 (in years)	Final expiry date: Current rent of the leases reaching final expiry (in € thousand)			
	Final expiry date	in 2018	in 2019	in 2020-2022	as from 2023
Brussels CBD and similar	7.01	22 950	529	14 774	49 320
Brussels decentralised	5.23	234	304	3 044	2 574
Brussels periphery	5.19	277	852	3 053	4 905
Wallonia	18.03	0	0	554	9 355
Flanders	8.84	601	3	5 484	23 959
Luxembourg city	5.84	505	0	1 411	3 306
Total properties available for lease	7.88	24 567	1 688	28 320	93 419

Segment	Average duration of leases as at 31.12.2017 (in years)	Next expiry date: Current rent of the leases reaching next break (in € thousand)			
	1st break	in 2018	in 2019	in 2020-2022	as from 2023
Brussels CBD and similar	6.59	24 302	3 431	16 179	43 660
Brussels decentralised	4.79	286	300	3 257	2 314
Brussels periphery	2.63	1 401	2 474	4 090	1 122
Wallonia	18.03	0	0	554	9 355
Flanders	8.81	603	64	5 638	23 741
Luxembourg city	2.14	505	2 149	2 568	0
Total properties available for lease	7.31	27 098	8 418	32 285	80 192

1. Excluding acquisitions, investments and disinvestments.
2. Figures restated on the basis of the new definitions of the real-estate indicators.

EPRA Net Initial Yield (in %) 31.12.2017	EPRA Net Initial Yield (in %) 31.12.2016	Reversion rate (in %) 31.12.2017	Reversion rate (in %) 31.12.2016	Weighted average duration up to next break (in years) 31.12.2017	Weighted average duration up to next break (in years)[2] 31.12.2016	Weighted average duration up to final expiry (in years) 31.12.2017	Weighted average duration up to final expiry (in years)[2] 31.12.2016
6.36	6.12	-15.10%	-12.96%	6.59	7.54	7.01	7.88
3.99	3.22	-4.82%	-5.15%	4.79	3.23	5.23	3.56
4.55	5.09	1.93%	2.08%	2.63	2.48	5.19	5.63
5.05	4.68	-11.48%	-12.46%	18.03	19.03	18.03	19.03
5.76	5.64	-7.21%	-5.71%	8.81	9.75	8.84	9.80
4.05	3.83	-1.99%	-2.53%	2.14	2.41	5.84	5.19
5.82	5.65	-10.78%	-9.50%	7.31	8.10	7.88	8.61

Final expiry date			
Estimated rental value (ERV) of the leases reaching final expiry (in € thousand)			
in 2018	in 2019	in 2020-2022	as from 2023
15 211	520	12 874	47 165
297	284	3 098	2 688
244	722	3 126	5 245
0	0	486	8 402
441	0	5 285	22 284
419	0	1 365	3 529
16 613	1 525	26 235	89 312

Next expiry date			
Estimated rental value (ERV) of the leases reaching next break (in € thousand)			
in 2018	in 2019	in 2020-2022	as from 2023
16 450	3 405	14 063	41 852
350	280	3 341	2 396
1 467	2 542	4 127	1 201
0	0	486	8 402
443	57	5 435	22 074
419	2 134	2 760	0
19 130	8 418	30 211	75 925

Media | Brussels periphery

Table 11 - Properties that are being constructed or developed for own account in order to be leased[1]

	Cost to date (in € million)	Future estimated cost (in € million)	Interim interest to be capitalised (in € million)	Total estimated cost (in € million)	Forecast completion date	Rental space (in m²)	% let
Brederode Corner	1.0	18.4	0.4	20	Q1 2020	6 500 m²	-
Eupen - Rathausplatz	7.0	6.7	0.1	14	Phase 1: Q3 2018 / Phase 2: Q4 2019	7 200 m²	100%
Quatuor	7.6	136.7	6.0	150	2020	60 000 m²	30%
"Future ex-WTC 1&2"	4.0	284.7	11.3	300	2023	110 000 m²	To be built
Paradis Express	3.5	76.5	1.8	82[2]	2020	35 000 m²	To be built
WTC 4	18.1	-[3]	-	-[3]	Implementation of the permit According to commerciali-sation	53 500 m²	To be built
Total	**41.3**	**523.0**	**19.6**	**566**		**-**	**-**
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	*84.1*						
Difference between fair value as at 31 December 2017 and [the fair value before works + the cost of the works]	*23.1*						
Properties that are being constructed or developed for own account in order to be leased within the IFRS consolidated balance sheet	**148.5**						

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. "All-in" construction cost of the project (including other functions than offices).
3. Amount according to the commercialisation.
4. Full tables of environmental indicators of the portfolio of Befimmo and Fedimmo are publisched on Befimmo's website (www.befimmo.be).
5. Waste from buildings undergoing renovation and in operation.
6. Categorie of the managers.
7. This is a new indicator. The information for 2016 is therefor not available.

Table 12 - Summary table of EPRA sustainable performance indicators

External assessment	EPRA sustainability performance measures	GRI Standard & CRESD indicator code	Data 2016	Data 2017	Page(s) AFR 2017[4]
Environmental Sustainability Performance Measures					
V	Elec-Abs not normalised	302-1	65.96 GWh	65.55 GWh	49
V	Elec-LfL not normalised	302-1	61.89 GWh	58.8 GWh	49
V	DH&C-Abs normalised	302-1	0.96 GWh	1.96 GWh	49
V	DH&C-LfL normalised	302-1	0.96 GWh	0.96 GWh	49
V	Fuels-Abs normalised	302-1	63.29 GWh	66.22 GWh	49
V	Fuels-LfL normalised	302-1	59.9 GWh	60.4 GWh	49
V	Energy-Int not normalised	CRE1	159.5 kWh/m^2	141.5 kWh/m^2	49
V	GHG-Dir-Abs	305-1	12 548 t CO_2e	11 737 t CO_2e	48,124
V	GHG-Indir-Abs	305-2	642 t CO_2e	738 t CO_2e	48
V	GHG-Dir-LfL	305-1	11 871 t CO_2e	11 067 t CO_2e	48,124
V	GHG-Indir-LfL	305-2	628 t CO_2e	721 t CO_2e	48
V	GHG-Int	CRE3	16 kg CO_2e/m^2	14 kg CO_2e/m^2	48
V	Water-Abs	303-1	237 463 m^3	239 058 m^3	50
V	Water-LfL	303-1	196 447 m^3	188 582 m^3	50
V	Water-Int	CRE2	266.04 l/m^2	254.42 l/m^2	50
V	Waste-Abs[5]	306-2	Recycled: 2 427 tonnes	Recycled: 10 400 tonnes	52
V			Reused: 36 tonnes	Reused: 17 tonnes	52
V			Composted: 5 tonnes	Composted: 2 tonnes	52
V			Incinerated: 812 tonnes	Incinerated: 1 221 tonnes	52
V			Burried or landfilled: 4 tonnes	Burried or landfilled: 18 tonnes	52
V	Waste-LfL[5]	306-2	Recycled: 2 154 tonnes	Recycled: 1 709 tonnes	52
V			Reused: 36 tonnes	Reused: 17 tonnes	52
V			Composted: 1 tonne	Composted: 2 tonnes	52
V			Incinerated: 533 tonnes	Incinerated: 997 tonnes	52
V			Burried or landfilled: 4 tonnes	Burried or landfilled: 6 tonnes	52
V	Cert-Tot	CRE8	BREEAM Design | Outstanding | 1 building	BREEAM Design | Outstanding | 1 building	53
V			BREEAM Design | Excellent | 5 buildings	BREEAM Design | Excellent | 5 buildings	53
V			BREEAM Design | Very Good | 6 buildings	BREEAM Design | Very Good | 6 buildings	53
V			BREEAM Design | Good | 1 building	BREEAM Design | Good | 1 building	53
V			BREEAM In-Use (Asset) | Very Good | 5 buildings	BREEAM In-Use (Asset) | Very Good | 5 buildings	53
V			BREEAM In-Use (Asset) | Good | 54 buildings	BREEAM In-Use (Asset) | Good | 55 buildings	53
V			BREEAM In-Use (Asset) | Pass | 6 buildings	BREEAM In-Use (Asset) | Pass | 5 buildings	53
V			BREEAM In-Use (Asset) | Non-certified | 51 buildings	BREEAM In-Use (Asset) | Non-certified | 50 buildings	53
V			BREEAM In-Use (Management) | Very Good | 2 buildings	BREEAM In-Use (Management) | Very Good | 3 buildings	53
V			BREEAM In-Use (Management) | Good | 2 buildings	BREEAM In-Use (Management) | Good | 2 buildings	53
V			BREEAM In-Use (Management) | Pass | 50 buildings	BREEAM In-Use (Management) | Pass | 50 buildings	53
V			BREEAM In-Use (Management) | Acceptable | 8 buildings	BREEAM In-Use (Management) | Acceptable | 7 buildings	53
V			BREEAM In-Use (Management) | Non-certified | 54 buildings	BREEAM In-Use (Management) | Non-certified | 53 buildings	53
Social Performance Measures					
V	Diversity-Emp M/F	405-1	57% (M) - 43% (F)	52% (M) - 48% (F)	119
V	Diversity-Pay[6] [M/F]	405-2	N/A[7]	5%	118
V	Emp-Training	404-1	35 hours/Yr	36 hours/Yr	122
V	Emp-Dev	404-3	100%	100%	-
V	Emp-Turnover - new arrivals (total number)	401-1	6	15	118
V	Emp-Turnover - new arrivals (rate)	401-1	N/A[7]	18.5%	118
V	Emp-Turnover - Turnover (total number)	401-1	4	4	118
V	Emp-Turnover - Turnover (rate)	401-1	N/A[7]	4.90%	118
V	H&S Emp - Lost day rate	403-2	N/A[7]	0.1%	118,121
V	H&S Emp - Injury rate	403-2	N/A[7]	0.0%	118,121
V	H&S Emp - Absentee rate	403-2	N/A[7]	3.1%	118,121
V	H&S Emp - Absentee rate (short term)	403-2	2.0%	2.0%	118,121
V	H&S Emp - number of work related fatalities	403-2	N/A[7]	0	118,121
V	H&S-Asset	416-1	N/A[7]	55%	29
V	H&S-Comp	416-2	N/A[7]	2	29
V	Comty-Eng	413-1	N/A[7]	41%	29,121
Governance Performance Measures					
V	Gov-Board	102-22	10	9	86
N/A	Gov-Select	102-24	Narrative on process	Narrative on process	93
N/A	Gov-Col	102-25	Narrative on process	Narrative on process	109,110

Subsequent key-event after year-end closing

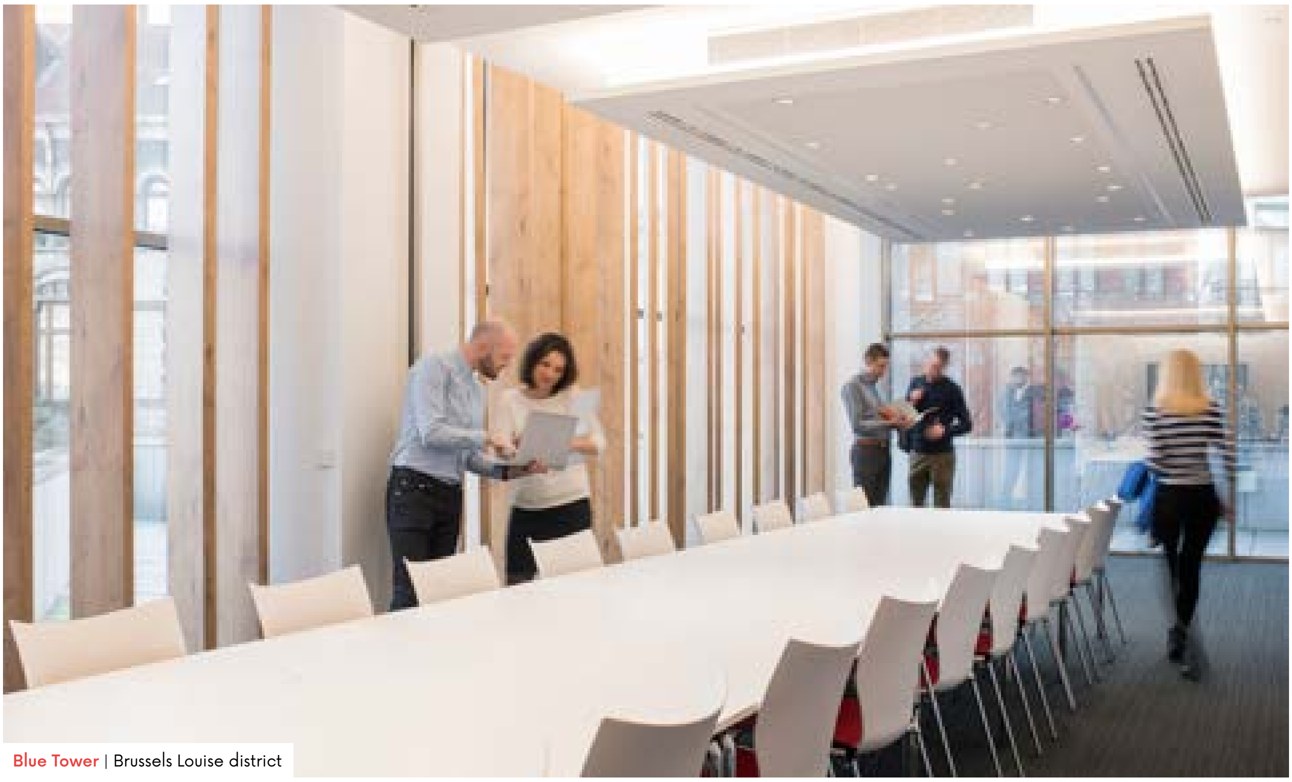
ACQUISITION ARTS 56 BUILDING IN BRUSSELS

As announced on page 23 of this Report, Befimmo finalized, after closing of the fiscal year, the acquisition of a right in rem to a 99-year leasehold on the Arts 56 building, for an amount of the order of €116 million.

Arts 56 | Brussels Centre

Outlook and dividend forecast

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 closure of the annual accounts (principally existing agreements) and on Befimmo's assumptions and assessments of certain risks.



Blue Tower | Brussels Louise district

DISCLAIMER

This outlook 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 economic uncertainty, the assumptions used may be highly volatile in the 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.

EPRA earnings outlook

The forecasts assume a stable floor area of the property assets and equity perimeter. However, the assumption is made that, each year, the shareholders exercise the option of taking the dividend in new shares at the rate of 30% of the interim dividend net of withholding tax proposed in December[1]. The forecasts also take account of disposals of non-strategic properties. They do not take account of external growth.

ASSUMPTIONS

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

- The indexing rates applied to rents are based on forecast changes in the health index established by the Planning Office (Bureau du Plan) (five-year plan published in June 2017 and update of the short-term outlook in September 2017).
- The interest rates are the average of the forecast Euribor 1 and 3-month rates established by a major Belgian financial institution and market rates ("forward" rates) over the next three fiscal years. These forecasts were made in mid-January 2018.
- Assumptions about perception ratio of rents are are made on the basis of an individual assessment of each lease. This is the ratio of the net income realised (2017) or budgeted (2018 onwards) to potential income.
- The average financing cost covers all financial charges, including the theoretical linear amortisation of premiums paid for the purchase of hedging instruments.

	Realised	Assumptions		
	2017	2018	2019	2020
External assumptions on which the Company cannot exert any influence				
Evolution of the health index (annual average)	1.85%	1.17%	1.50%	1.50%
Average of Euribor 1- and 3-month interest rates	-0.35%	-0.34%	-0.13%	0.38%
Internal assumptions on which the Company can at least exert a partial influence				
Impact of the health index on rents (on an annual basis)	2.00%	1.25%	1.50%	1.50%
Perception ratio of rents[2]	93.19%	89.36%	84.02%	83.60%
Average financing cost (including margin and hedging costs)	2.08%	2.19%	2.09%	2.19%
Total number of shares at the end of the fiscal year	25 579 214	25 843 827	26 111 176	26 381 292

1. The amount of the interim dividend used in the outlook (covering three quarters) is assumed to be constant at €2.59 gross per share.
2. 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 period had not only the let space but also the vacant space been let throughout the period at the estimated rental value (ERV).

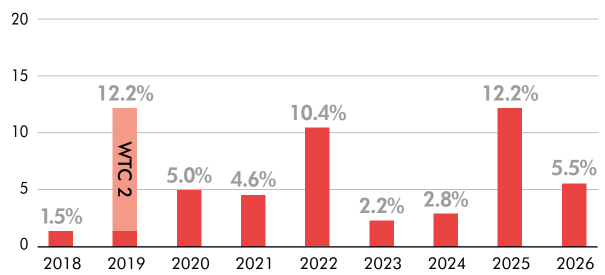
REAL-ESTATE ASSUMPTIONS

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 graph hereafter illustrates the full-year impact (as %) of the lease expiries (first possible break on current leases as at 31 December 2017). This impact is calculated on the basis of the annual gross current rent from lease agreements as at 31 December 2017. Each percentage corresponds to the sum of the annual gross current rent from lease agreements for the leases that have an intermediate or final expiry date falling during the year[3].

Expiry of leases (first possible break) – Full-year impact (in %)[4]

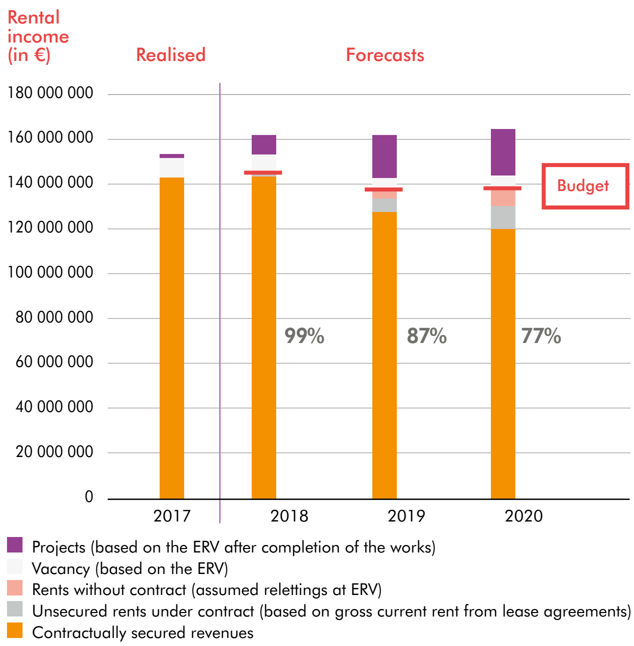


Income guaranteed under contract

The chart hereafter 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 2018 fiscal year, this graph 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;
- 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 €1.1 million, €0.2 million and €0.3 million for the years 2018 to 2020 respectively (as against charges of €1.9 million for 2017);
- when a tenant vacates a space, he is liable for compensation consisting of estimated rental damages and one month of unavailability for lease.

3. The rents of leases expiring in December are included in the year following their expiry.
4. This grah doesn't take into account the lease in the Noord Building, currently being demolished (preceding the construction of the Quatuor).

Work planned and estimated over the next three years

	Rental space	Location	Type	Forecasts (in € million)		
				2018	2019	2020
Brederode Corner	6 500 m²	Brussels CBD, Centre	Renovation	12.4	6.2	-
Eupen - Rathausplatz	7 200 m²	Eupen, Wallonia	Renovation and construction	4.2	2.5	-
Ikaros Business Park	4 750 m²	Bruxelles, periphery	Renovation	8.1	-	-
Quatuor	60 000 m²	Brussels CBD, North	Demolition Noord Building and construction Quatuor	21.7	43.5	51.7
Paradis Express	35 000 m²	Liège, Wallonia	Construction	17.1	40.0	20.7[1]
"Future ex-WTC 1 & 2"	110 000 m²	Brussels CBD, North	Demolition and construction	10.2	17.4	40.4
WTC 4	53 500 m²	Brussels CBD, North	Implementation of the permit According to commercialisation	3.3	5.4	-
Other investments (coworking included)				*22.7*	*16.2*	*11.8*
Total				**100.8**	**131.2**	**124.7**

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 2018 and 2019, and €300 million in 2020, based on the outstanding amount of €325 million and €455.5 million as at 31 December 2016 and 31 December 2017 respectively;
- a financing reserve of around €100 million (or more) for a period of 6 months and management of the strict liquidity to be ensured over a 24-month period;
- refinancing of bilateral banklines 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 30%. 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 mid-January 2018);
- 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, SWAPTION 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 2017 and on the assumption that a stock option is offered for the interim dividend in fiscal years 2018-2020.

1. "All-in" construction cost of the project (including other functions than offices).
2. For more information, please constult the financial statements (page 160).
3. This is an Alternative Performance Measure. For more information, please refer to Appendix III of this Report.

EPRA earnings forecast

(in € thousand)	Realised	Forecasts		
	2017	2018	2019	2020
Rental income	143 161	144 714	136 751	137 992
Charges linked to letting	- 729	- 770	- 489	- 492
Net rental result	**142 431**	**143 943**	**136 262**	**137 500**
Net property charges	-11 932	-12 700	-13 016	-13 926
Property operating result	**130 499**	**131 243**	**123 245**	**123 574**
Corporate overheads	-12 199	-12 891	-13 199	-13 736
Other operating income and charges (excl. goodwill impairment)[3]	-1 252	-1 903	-2 101	-2 787
Operating result before result on portfolio	**117 048**	**116 450**	**107 946**	**107 051**
Financial result (excl. the changes in fair value of the financial assets and liabilities and close-out costs)	-19 750	-22 137	-22 264	-24 278
Corporate taxes	-1 642	-1 281	-1 301	-1 320
EPRA earnings	95 657	93 031	84 381	81 453
EPRA earnings (in € per share)	3.74	3.64	3.26	3.12
Average number of shares	*25 579 214*	*25 590 782*	*25 855 514*	*26 122 985*

Description of the headings in the EPRA earnings forecast table

RENTAL INCOME, CHARGES LINKED TO LETTING AND NET PROPERTY CHARGES

These revenues 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 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. When preparing its forecast, Befimmo also took into account the expected contribution of its partnership with Silversquare regarding coworking.

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 slight rise in income in 2018 is linked mainly to an impact on 11 months of the 2018 fiscal year of the entry in the portfolio of the Arts 56 building while the lease of the Noord-building ended on 15 January 2018. The declines in income in 2019 and 2020 are explained mainly by the expiry of the lease in Tower 2 of the WTC at the end of December 2018, which is partly offset by new leases.

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.

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.

OTHER ITEMS OF THE NET RESULT

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

As an indication and on the basis of data as at 31 December 2017, 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 €24.9 million on the net result, thereby generating a change of the order of €0.98 in the net asset value per share and 0.39% 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 2017, 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 2017, the change in fair value of the financial assets and liabilities carried at fair value would have been -€22.75 million. In the opposite case, the change would have been +€21.94 million.

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

Borrowings and LTV

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

Finally, the forecast nominal net debt was €1,216 million at the end of 2018, €1,330 million at the end of 2019 and €1,439 million at the end of 2020.

Dividend forecast for the 2018 fiscal year

The assumptions used for making forecasts indicate that, at constant perimeter, EPRA earnings of about €3.64 per share should be achieved in the 2018 fiscal year.

All other things being equal and based on these forecasts, Befimmo foresees a gross dividend of €3.45[2] per share for the 2018 fiscal year. It may again be paid via an interim dividend of €2.59 gross per share in December 2018 and a final dividend of €0.86 gross per share in May 2019. Based on a share price of €53.55 and based on the net asset value of €56.63 as at 31 December 2017, this dividend would give a gross yield of 6.44% on share price and 6.09% on 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.

EPRA earnings of about €3.64 per share should be achieved in the 2018 fiscal year.

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

Statutory Auditor's report

ON THE CONSOLIDATED FINANCIAL FORECASTS OF BEFIMMO SA

As a statutory auditor of the company, we have prepared the present report on the forecasts 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 Association) for the 12 months periods ending 31 December 2018, 31 December 2019 and 31 December 2020 ("the Forecast") of Befimmo sa, included in the paragraph "Outlook and Dividend Forecast" of their Annual Financial Report 2017 as approved by the Board of Directors on 2 March 2018 of the company.

The assumptions included in the paragraph "Outlook and Dividend Forecast" result in the following forecasts of the EPRA earnings for the accounting years 2018-2020:

EPRA Earnings: in KEUR for the 12 months periods ending:

- 31 December 2018: 93.031
- 31 December 2019: 84.381
- 31 December 2020: 81.453

Board of Director's responsibility

It is the Company's board of directors' responsibility to prepare the consolidated financial forecasts and the main assumptions upon which the Forecast is based, in accordance with the requirements of EU Regulation n° 809/2004.

Auditor's responsibility

It is our responsibility to provide an opinion on the Forecast as required by Annex I, item 13.2 of the EU Regulation n° 809/2004. We are not required nor do we express an opinion on the possibility to achieve that result or on the assumptions underlying this Forecast.

We performed our work in accordance with the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*), including the related guidance of its research institute and the standard "International Standard on Assurance Engagements 3400" related to the examination of forecast information. Our work included an evaluation of the procedures undertaken by the Board of Directors in compiling the forecasts and procedures aimed at verifying the consistency of the methods used for the Forecast with the accounting policies normally adopted by Befimmo sa.

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

Since the Forecast and the assumptions on which they are 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 forecasts. Any differences may be material.

Opinion

In our opinion:

(i) the forecasts have been properly compiled on the basis of the assumptions stated above; and

(ii) the basis of accounting used for these forecasts is consistent with the accounting policies applied by Befimmo sa for the consolidated financial statements of 2017.

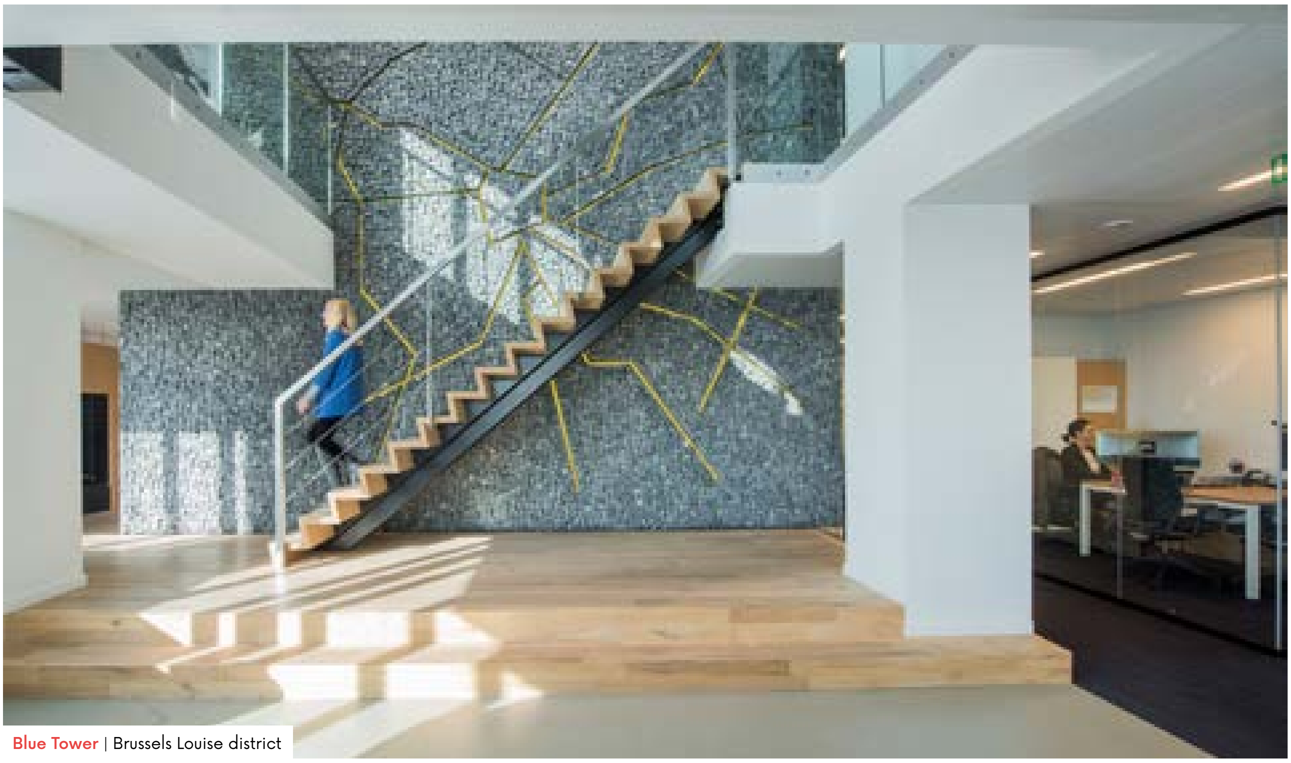
Brussels, 20 March 2018

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

Christel Weymeersch[1]
Partner

1. Acting on behalf of a SPRL.

Befimmo on the stock market



Blue Tower | Brussels Louise district

Befimmo share

Key figures

	31.12.2017	31.12.2016
Number of shares issued	*25 579 214*	*25 579 214*
Average number of shares during the period	*25 579 214*	*23 692 223*
Highest share price (in €)	55.74	61.20
Lowest share price (in €)	50.31	48.60
Closing share price (in €)	53.55	53.36
Number of shares traded[1]	15 277 286	16 916 343
Average daily turnover[1]	59 911	65 822
Free float velocity[1]	78.66%	87.10%
Distribution ratio (in relation to the EPRA earnings)	92%	94%
Gross dividend[2] (in € per share)	3.45	3.45
Gross yield[3]	6.44%	6.47%
Return on share price[4]	6.98%	3.88%

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

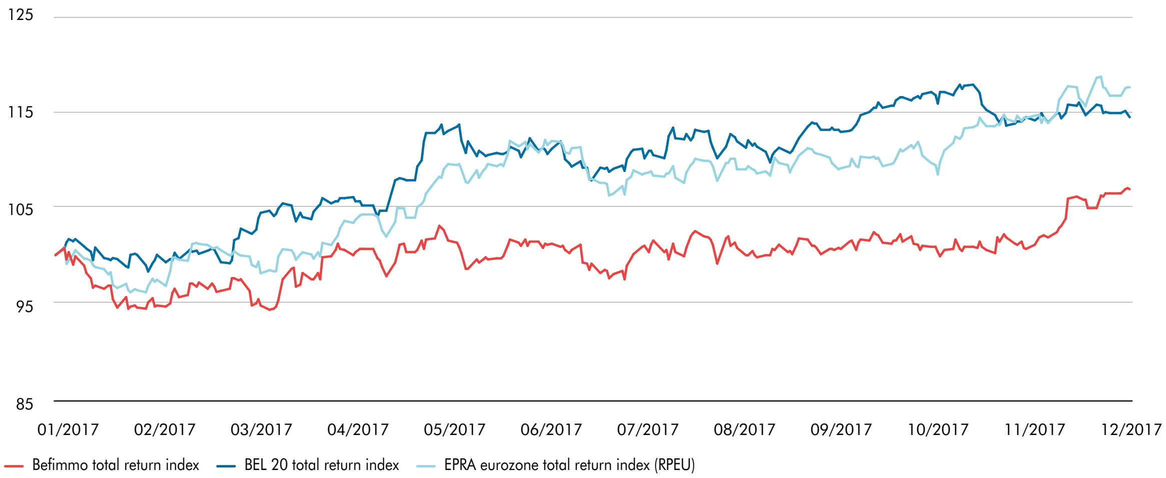
EVOLUTION OF THE SHARE PRICE

The Befimmo share closed on 31 December 2017 at €53.55, as against €53.36 one year previously. Assuming the reinvestment of the dividend distributed in 2017, it offered an annual return on share price of 6.98%. Over the 22 years since its listing, the share has offered a total annualised return of 7.30%[5].

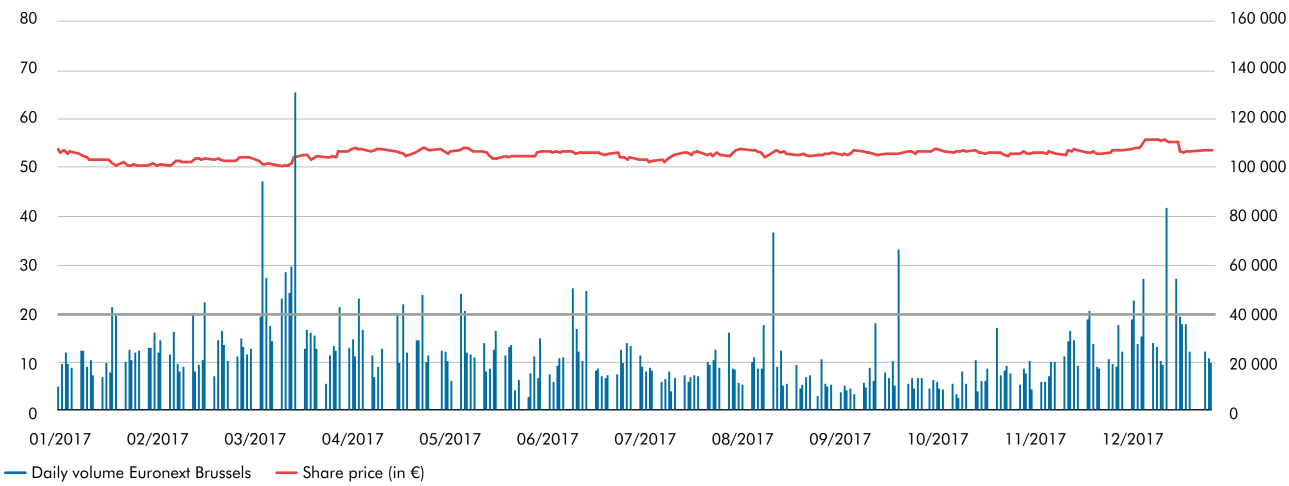
As at 31 December 2017, the Befimmo share was trading with a discount of 5.44%. Befimmo's market capitalisation stood at €1,369,766,910.

Based on transactions recorded on all market platforms, the Befimmo share offers stable liquidity, with an average daily volume of around 59,911 shares, which corresponds to a free-float velocity of the order of 78.66% 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)

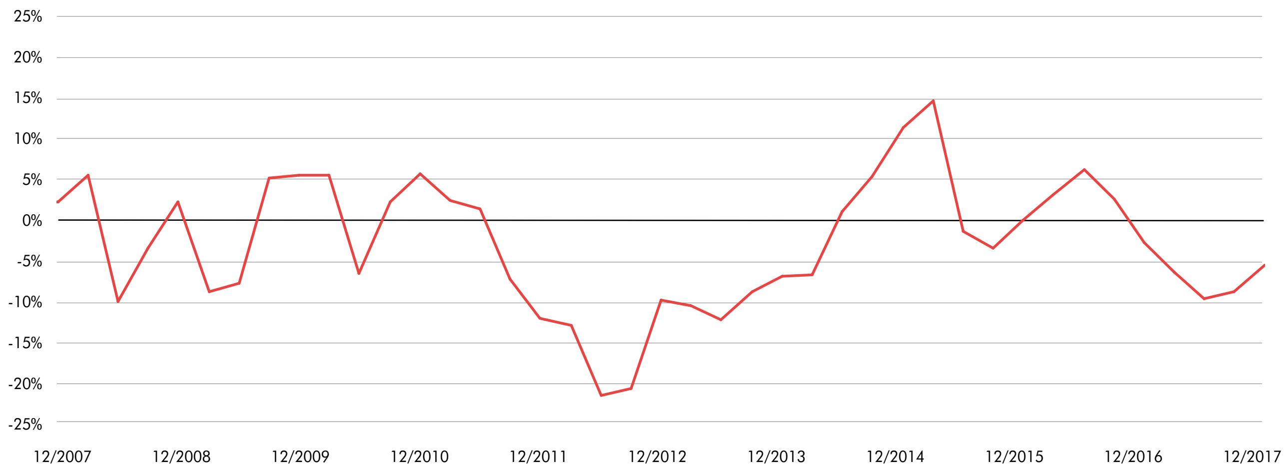


Share price and volumes (01.01.2017 to 31.12.2017)



5. Assuming 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 2.87% in relation to the net asset value.

Dividend for the 2017 fiscal year

DISTRIBUTION OF THE INTERIM DIVIDEND

As announced in October 2017, Befimmo paid out an interim dividend for the 2017 fiscal year as from 21 December 2017.

This interim dividend amounted to €2.59 gross[1] per share and was paid out in cash upon presentation of coupon No 34.

FINAL DIVIDEND FOR THE 2017 FISCAL YEAR

The agenda of the Ordinary General Meeting of shareholders to be held on 24 April 2018, at which the accounts for the 2017 fiscal year are to be approved, will include a proposal for the distribution of a final dividend of €0.86[1] gross per share.

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

3.45
€/share
Gross dividend for fiscal year 2017

1. Subject to a 30% withholding tax.

Shareholding structure

The Company introduced a statutory declaration threshold of 3% for the application of the legal rules relating to notification of large holdings in issuers whose shares are admitted to trading on a regulated market.

For any further information, please refer to the articles of association of the Company on the website of Befimmo.

www.befimmo.be

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.

Calendar of the 2018 fiscal year

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*
Interim statement as at 31 March 2018	Wednesday 9 May 2018[3]
Publication of the half-yearly results and online publication of the Half-Yearly Financial Report 2018	Thursday 19 July 2018[3]
Interim statement as at 30 September 2018	Thursday 25 October 2018[3]
Payment of the interim[4] dividend of the 2018 fiscal year on presentation of coupon No 36	
- *Ex-date*	*Tuesday 18 December 2018*
- *Record date*	*Wednesday 19 December 2018*
- *Payment date*	*from Thursday 20 December 2018*
Publication of the annual results as at 31 December 2018	Thursday 7 February 2019[3]
Online publication of the Annual Financial Report 2018	Friday 29 March 2019
Ordinary General Meeting of the fiscal year closing as at 31 December 2018	Tuesday 30 April 2019
Payment of the final[2] dividend of the 2018 fiscal year on presentation of coupon No 37	
- *Ex-date*	*Wednesday 8 May 2019*
- *Record date*	*Thursday 9 May 2019*
- *Payment date*	*from Friday 10 May 2019*

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

Corporate governance statement

This chapter of the Report contains information on Befimmo's practice of the principles of governance over the past fiscal year.

www.befimmo.be/en/who-we-are/corporate-governance/our-corporate-governance

TABLE OF CONTENTS

Principles

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 annexes 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 2018 and, most recently, on 7 February 2018 to reflect the amendments made on market abuse, by the law of 31 July 2017 amending the law of 2 August 2002 on the supervision of the financial sector and financial services, and the current share ownership structure.

www.befimmo.be/en/who-we-are/corporate-governance/our-corporate-governance

Management structure

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 Charter of Corporate Governance, 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 518-bis of the Code of Company Law regarding gender diversity to be achieved on the Board in 2017. At 31 December 2017 the Board of Directors was composed of nine members including three women.

Since 28 April 2015, Befimmo has satisfied the provisions on gender diversity in boards of directors.

All Directors should also have personal qualities that enable them to carry out their duties in a flexible and 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 which, on the date of entry into force 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 2017

At 31 December 2017, the Board consisted of nine directors, specifically:

- one executive Director,
- eight non-executive Directors, including five independent directors meeting the criteria of article 526ter of the Code of Company Law and two 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 12 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.

Changes in the composition of the Board of Directors during fiscal year 2017

The mandates of the following Directors expired at the end of the Ordinary General Meeting of 25 April 2017:

- Mrs Sophie Goblet;
- Mrs Sophie Malarme-Lecloux;
- Mr Benoît Godts;
- Mr Guy Van Wymersch-Moons.

From left to right, top: Benoît De Blieck, Anne-Marie Baeyaert, Kurt De Schepper, Sophie Goblet, Benoît Godts.
From left to right, bottom: Sophie Malarme-Lecloux, Alain Devos, Hugues Delpire, Étienne Dewulf.

The same Ordinary General Meeting renewed the mandates of:

- Mrs Sophie Goblet, as an Independent Director for a further term of four years, expiring at the end of the Ordinary General Meeting of 2021;
- Mrs Sophie Malarme-Lecloux, as an Independent Director, for a further term of four years, expiring at the end of the Ordinary General Meeting of 2021;
- Mr Benoît Godts, as a Director, for a further term of two years, expiring at the end of the Ordinary General Meeting of 2019;
- Mr Guy Van Wymersch-Moons, as a Director, for a further term of four years, expiring at the end of the Ordinary General Meeting of 2021.

The same Ordinary General Meeting definitively appointed Mrs Barbara De Saedeleer as an Independent Director.

At its meeting on 12 September 2017, the Board of Directors took note of the resignation of Mrs Barbara De Saedeleer; at its meeting of 14 December 2017, the Board co-opted Mrs Anne-Marie Baeyaert as an Independent Director, to provisionally replace Mrs De Saedeleer.

At its meeting of 16 November 2017, the Board of Directors took note of the resignation of Mr Guy Van Wymersch-Moons, with effect from 31 October 2017.

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 below.

The Board of Directors met 18 times during the fiscal year.

Composition of the Board of Directors as at 31 december 2017

Name and position on the Board of Directors	First appointed	Expiry of current mandate	Board meetings attended over fiscal year 2017
Alain Devos Chairman, non-executive Director	December 2012[1]	April 2018	18
Benoît De Blieck Executive Director	December 2012[2]	April 2019	18
Anne-Marie Baeyaert Independent non-executive Director	December 2017	April 2020	Appointed on 14 December 2017
Sophie Goblet Independent non-executive Director	April 2013	April 2021	17
Sophie Malarme-Lecloux Independent non-executive Director	April 2015	April 2021	13
Hugues Delpire Independent non-executive Director	December 2012[3]	April 2019	17
Kurt De Schepper Non-executive Director, linked to a shareholder	April 2014	April 2020	18
Etienne Dewulf Independent non-executive Director	December 2012[4]	April 2018	18
Benoît Godts Non-executive Director, linked to a shareholder	December 2012[5]	April 2019	17

PROPOSALS FOR APPOINTMENTS AND REAPPOINTMENTS AT THE 2018 ORDINARY GENERAL MEETING

It will be suggested at the General Meeting of 24 April 2018 to:

- appoint Mrs Anne-Marie Baeyaert definitively as an Independent Director, for a term of 2 years, expiring at the Ordinary General Meeting of 2020. Mrs Anne-Marie Baeyaert was provisionally co-opted by the Board of Directors on 14 December 2017, with immediate effect, to replace Mrs Barbara De Saedeleer, who resigned with effect from 12 September 2017. Mrs Anne-Marie Baeyaert satisfies the independence criteria laid down by article 526 of the Code of Company Law for assessing the independence of directors. The FSMA has approved this co-option and the proposed appointment;
- appoint Mr Wim Aurousseau, Chief Investment Officer of AXA Belgium SA, as non-executive Director, for a mandate of 2 years, expiring at the Ordinary General Meeting of 2020, to replace Mr Guy Van Wymersch-Moons, who resigned with

1. Mr Alain Devos was first appointed Director of the former Managing Agent of Befimmo in October 2002.
2. Mr Benoît De Blieck was first appointed Director of the former Managing Agent of Befimmo in August 1999.
3. Mr Hughes Delpire was first appointed Independent Director of the former Managing Agent of Befimmo in March 2011.
4. 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.
5. Mr Benoît Godts was first appointed Director of the former Managing Agent of Befimmo in November 1995.

effect from 31 October 2017. This proposed appointment is subject to the approval of the FSMA. Mr Wim Aurousseau (1971) has a degree in applied economics and finance (University of Antwerp) and is a Financial Analyst (ICHEC). He has extensive experience in asset management and business administration, especially in the banking and insurance sector in Belgium (KBC Securities, Bank Van Breda, Swiss Life Belgium and Delta Lloyd Life). Mr Aurousseau has been Chief Investment Officer of AXA Belgium SA since November 2013.

- renew the mandate of Mr Alain Devos, as non-executive Director, for a period of 3 years, expiring at the Ordinary General Meeting of 2021;
- renew the mandate of Mr Etienne Dewulf, as Independent Director, pursuant to article 526ter of the Code of Company Law, for a period of 4 years, expiring at the Ordinary General Meeting of 2022.

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 positions as a member of the Executive Committee. He went on to become 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 2017

Mr Alain Devos is Managing agent 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 2017, held during the period 2013-2017

Mr Alain Devos was permanent representative of Alain Devos SPRL; CEO of AG Real Estate SA; Non-Managing agent of A3 Management; Managing agent of Allfin Group;.

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 position held at 31 December 2017

Mr Benoît De Blieck is Chairman of Beway, a subsidiary of Befimmo, Managing agent 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 B.V.R SPRL.

Directorships expired as at 31 December 2017, held during the period 2013-2017

Mr Benoît De Blieck was a member of the management board of the European Public Real Estate Association (EPRA).

MRS ANNE-MARIE BAEYAERT (1961)

Mrs Anne-Marie Baeyaert (**Schaapsbaan 28, 2910 Essen**) was co-opted by the Board of Directors on 14 December 2017, with immediate effect. The General Meeting of 24 April 2018 will be invited to appoint Mrs Anne-Marie Baeyaert definitively as an Independent Director of Befimmo.

Mrs Baeyaert holds a bachelor's degree in maritime sciences (BIBH Antwerp - 1981) and a post-graduate degree in finance and management (Vlerick Business School - 2000). She began her career in 1981 at Best & Osterrieth, Antwerp, a shipping agency that is currently part of the Herfurth group, as Customer Service Representative. In 1985, she continued her career at Katoen Natie Group, where she held a number of positions, first as general manager transport division (1985-1995), general manager noordkasteel (1995-1998) and later as managing director bulkterminals (1998-2001). Mrs Baeyaert also has international experience since, from 2001 to 2005, she was country administrative & finance director in Brazil for the same group. Then, from 2005 to 2013, Mrs Baeyaert served as business unit manager port operations & repair for Katoen Natie Group. Mrs Baeyaert has been managing owner of Resigrass since 2013.

Other positions held at 31 December 2017

Mrs Anne-Marie Baeyaert is permanent representative of ANBA SPRL, and independent Director on the Boards of Directors of Rosier SA and Tessenderlo Group SA. Mrs Baeyaert is a non-executive director of Waterwegen & Zeekanaal NV (Willebroek) and manager of Resigrass SPRL and Cozy Lounge SPRL.

Directorships expired as at 31 December 2017, held during the period 2013-2017

Director of several companies of the Katoen Natie group.

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 (a Deficom Group company) 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 2017

Director of not-for-profit association Réseau Entreprendre.

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 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 in both the financial directorate and the investment team. In 2015, she founded the company FreeBE SPRL, working in strategy, leadership and innovation, business coaching and personal and organisational development. She has over 10 years of experience as a director.

Other positions held at 31 December 2017

Founder and manager of FreeBe SPRL and Director of CBO Territoria SA (France).

Directorships expired as at 31 December 2017, held during the period 2013-2017

Director of Orpea SA (France); Director of Trufilux and Sofilec (Sofina Group).

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 Brussels 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 steering 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 works as an advisor to Decathlon SA and Mobilis SA, and as business consultant to 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 2017

Managing Director of Weddell SA; Chairman of the board of directors of Alsolia SA; Director and chairman of the audit committee of Alcopa SA; Director of Auchan Coordination Services (ACS) SA, Member of the supervisory board of Decathlon International Shareholding Plan SCA; Member of the audit committee of AGAPES SA.

Directorships expired as at 31 December 2017, held during the period 2013-2017

Director-General, member of the supervisory board of Decathlon SA; Director of OGEA SAS; Director of Alcodev SA; Member of the supervisory board of Decaval, a French corporate investment fund.

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 for the CaiFor and Fortis Insurance UK joint venture, among other things. 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 2017, held during the period 2013-2017

Mr Kurt De Schepper was a member of the board of directors of AG Real Estate SA; Chairman and director of Millennium-bcp 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, 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-INNO-BM (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 positions 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 2017

Mr Etienne Dewulf is honorary chairman of the Professional Union of the Real-Estate Sector (UPSI); Permanent representative of Etienne Dewulf SPRL and permanent representative of Cassiopee SPRL; Director of holding company Thomas & Piron (mandate via Etienne Dewulf SPRL); Honorary Chairman of the ASBL Association des Entrepreneurs Belges de Grands Travaux; Director of the ASBL Association Paroles d'Ados; Director of Maison de la Route et du Génie Civil SCSA and director of Foncière Kerkedelle SA (the company was liquidated in December 2017).

Directorships expired as at 31 December 2017, held during the period 2013-2017

Mr Etienne Dewulf was a director of the Confédération Construction et de Bavière Développement SA. SPRL Etienne Dewulf was also managing director of Foncière Invest SA, Cœur de Ville SA and Thomas & Piron Bâtiment SA, and Director of Bureau Cauchy SA and BTA Construct 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 2017

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; Manager 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.

Directorships expired as at 31 December 2017, held during the period 2013-2017

Mr Benoît Godts was director of the following companies: Fedimmo, AG Real Estate Group Asset Management; Investissement Foncier Westland Shopping Center; Devimo-Consult SA and Conseil belgo-luxembourgeois des Centres Commerciaux.

Ikaros | Brussels periphery

PROCEDURE FOR THE APPOINTMENT OF DIRECTORS AND RENEWAL OF THEIR DIRECTORSHIPS

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

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 positions of both Chairman 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 the other Directors.

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 corporate purpose, 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 the 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 members 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 person 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 share 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 FISCAL YEAR 2017

The Board of Directors met 18 times during the fiscal year 2017. 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 dossiers:

- the strategy review;
- investment and disinvestment projects;
- bids under tendering and public procurement procedures;
- the terms of the most important rental offerings and major lease renewals;
- construction, redevelopment and renovation projects (notably the WTC 1 & 2 complex and the Quatuor project);
- 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 Corporate Social Responsibility policy;
- the private placement of debt in April 2017;
- the payment of an interim dividend;
- the partnership with Silversquare;
- the new visual identity of Befimmo.

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 dossiers:

- Fedimmo's participation in tenders or public procurement;
- follow-up of the Paradis Express project in Liège;
- the terms of the most important rental offerings and major lease renewals;
- the sale of certain small buildings which it considered no longer fit its strategy.

SELF-ASSESSMENT

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 operation 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 making 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 of Directors carried out its most recent self-assessment at the end of fiscal year 2015. 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 Appointments Committee and a Remuneration Committee (the Appointments Committee and the Remuneration Committee may be combined) and lay down their tasks, powers and composition in accordance with 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/who-we-are/corporate-governance/our-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 Committee Chairman from among their number.

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.

At 31 December 2017, 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 it over and above its legal 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 persons 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 oral 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 must are also be forwarded to the Board of Directors.

Operation and activities during fiscal year 2017

The Committee met nine times in fiscal year 2017. Mr Godts attended all the meetings; Mr Delpire and Mrs Goblet attended eight 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 fiscal year 2017;
- preparation of the private debt placement, carried out in 2017;
- relations with the Statutory Auditor, check of the independence, assessment and appointment of the Statutory Auditor for Befimmo and its subsidiaries;
- updating of delegations of powers for banking and payments;
- 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 previous self-assessment of the Audit Committee was conducted in late 2014 and completed in early 2015. The Committee decided to carry out a new self-assessment in 2017.

In November 2017, the Committee members received and completed a detailed questionnaire, specific to the role and functioning of an audit committee. Based on the responses to the questionnaire, an analysis of the legal rules and recommendations relevant to the role and functioning of an Audit Committee and, secondarily, the findings of the self-assessment exercise carried out in 2014, the Committee Audit completed its self-assessment report in December 2017 and presented it to the Board of Directors on 14 December 2017.

At the end of its self-assessment exercise, the Audit Committee decided, among other things, to give priority to the following:

- updating the terms of reference of the internal audit;
- in the context of monitoring the internal control and risk management systems:
  - monitoring the proper operation of the recently established Management Committee;
  - ensuring that existing processes can continuously and effectively monitor risk identification and management, beginning with the updating of the risk matrix.

APPOINTMENT AND REMUNERATION COMMITTEE

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 2017, the composition of the Committee was as follows:

- Etienne Dewulf, Chairman of the Appointment and Remuneration Committee, Independent Director;
- Sophie Malarme-Lecloux, Independent Director;
- 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.

Regarding remuneration, the Committee assists the Board of Directors by making proposals on:

- 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;
- 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 length-of-service 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;
- 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 rises (apart from indexing) in the fixed remuneration 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 (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 for decision.

Operation and activities during fiscal year 2017

During fiscal year 2017, the Committee met nine 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 2016;
- changes in the Company payroll from 1 January 2018 and budget with a view to the awarding of variable remuneration (bonuses) for fiscal year 2017;
- proposals for the composition of the Board of Directors, taking account of the need to ensure that profiles are complementary in terms of knowledge and experience, and of the gender diversity targets;
- 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;
- ongoing monitoring of developments in the regulatory framework and governance recommendations related to the exercise of directorships and positions as a member of the Management Committee.

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 Appointments and Remunerations Committee conducted its self-assessment during the second half of fiscal year 2015. 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 delegated its management powers under article 19 of the Befimmo articles of association.

The delegation to the Management Committee does not cover:

- determining strategy or overall 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 and are natural persons.

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/who-we-are/corporate-governance/our-corporate-governance

From top to bottom and from left to right:
Martine Rorif, Benoit De Blieck, Laurent Carlier, Aminata Kaké.

COMPOSITION

The members of the Management Committee are appointed by the Board of Directors, on a proposal of the Appointment and Remuneration Committee.

At 31 December 2017, the Committee had four members:

- Benoît De Blieck, Managing Director, who is also the Chief Executive Officer (CEO) and chairs the Management Committee;
- Laurent Carlier, Chief Financial Officer (CFO);
- Martine Rorif, Chief Operating Officer (COO);
- Aminata Kaké, General Counsel & Secretary-General (SGC).

BENOÎT DE BLIECK

Mr De Blieck (1957) 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 2017

Mr Benoît De Blieck is Chairman of Beway, a subsidiary of Befimmo, Managing agent 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, 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 B.V.R. SPRL.

Directorships expired as at 31 December 2017, held during the period 2013-2017

Mr Benoît De Blieck was a member of the management board of the European Public Real Estate Association (EPRA).

LAURENT CARLIER

Mr Laurent Carlier (1966) is a commercial engineer (ULB - Solvay Business School, 1984-1989), he also holds a post-graduate degree in Tax Management (VUB, 1989-1990), and in Controlling (Registered Controller, ERASMUS UNIVERSITEIT , Rotterdam - The Netherlands, 1995-1998). He also attended the Advanced Management Program run by the Wharton School, University of Pennsylvania (AMP71 - 2016). He began his career in 1991 at Unilever as Internal Auditor / Team Leader (1991-1994) in Paris. He then became Factory Management Accountant (1994-1996) for the same group in the Netherlands. He continued his career at Sanofi Pharma Belgium as Controller (1996-1998) and Finance & Administration Director (1998 - 1999). He then worked at Sodexo Pass Belux as Finance & Administration Director (1999-2006). Since 2006, Laurent Carlier has been Chief Financial Officer at Befimmo. He also performs the Risk Management function.

Other positions held at 31 December 2017

Mr Laurent Carlier is Director of the following subsidiaries of Befimmo: Beway SA, Fedimmo SA, Befimmo Property Services SA, Axento SA and Vitalfree SA and is Managing Director of Meirfree SA. In addition, he is Chairman of the Board of Directors of the asbl BE-REIT Association, Co-Chairman of the UPSI Investors Committee and a member of the EPRA Accounting & Reporting Committee. He is also manager of L&L Services sprl.

Directorships expired as at 31 December 2017, held during the period 2013-2017

Mr Laurent Carlier was a director of the not for profit association Financial Executives Institute of Belgium.

MARTINE RORIF

Mrs Martine Rorif (1965) is a construction engineer, specialising in civil engineering (Université Libre de Bruxelles, Solvay Business School, 1990). She also holds a CEPAC post-graduate diploma from the Solvay Business School (2007). She began her career as a site engineer at Entreprises Jacques Delens (1990-1995). She continued her career at Devimmo Consult (1996) as a property manager. She has been at Befimmo since 1997. Until 2008, she held the position of Project Manager. Since 2008 she has been Chief Operating Officer.

Other positions held at 31 December 2017

Mrs Rorif is also Director of the following subsidiaries of Befimmo: Fedimmo SA, Meirfree SA, Axento SA and Befimmo Property Services SA. She is Managing Director of the following companies: Vitalfree SA and Beway SA, which are also Befimmo subsidiaries. She is also Co-president of the “Commission Investisseurs” of the UPSI.

AMINATA KAKÉ

Mrs Aminata Kaké (1977) holds a master’s degree in law (Université Libre de Bruxelles, 2000), a post-graduate certificate in business administration (Oxford University and Harvard Faculty Club, 2014) and an Executive Master in Real Estate (Solvay Brussels School of Economics and Management, 2016). She began her career in 2000 at Dexia Bank Belgium (now Belfius) as Legal Counsel in Corporate Banking and Structured Finance (2000-2004), before being appointed Deputy General Secretary of the bank (2004-2005), and then head of the Secretary General, Corporate & Regulatory Division of Dexia SA, holding company of the Dexia Group (2005-2012). Since 2012, she has been General Counsel, Secretary-General and Chief Compliance Officer of Befimmo. Mrs Kaké is also Director of the Belgian Association of Listed Companies (FEB), Head of the Legal & Regulatory Committee of the BE-REIT Association and a member of the Regulatory Committee of the European Public Real Estate Association (EPRA), of the Belgian Risk Management Association (BELRIM) and the Belgian Institute of Corporate Lawyers (IJE).

Other positions held at 31 December 2017

Mrs Kake is a director of the ASBL Belgian Association of Listed Companies (FEB).

DUTIES

The role of the Management Committee is:

- to make proposals to the Board of Directors on strategy and overall 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 all relevant information concerning at least the following subjects:

- developments affecting the Company’s business and any changes in its strategic context;
- the Company’s forecasts and financial results and an assessment of its financial position;
- current or potential major litigation;
- regular monitoring of all matters falling within the competence of the Board of Directors.

FUNCTIONING

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 dossier concerned is put on the agenda of the meeting of the Board of Directors for discussion and decision.

The Management Committee meets as often as necessary, under the chairmanship of the CEO and, in principle, once a week. It can be convened at any time, where necessary, by the Chairman or at the request of least two members of the Management Committee.

In 2017, the Management Committee met once a week on average.

The Management Committee leads a team of 81 staff and endeavours to optimise operating costs.

The **heads of the departments** are Nicolas Billen[1] (Chief Investment Officer), Cédric Mali[1] (Chief Commercial Officer), Mr Arnaud d'Ydewalle (Head of Project Management) , Mr Nicolas Nelis (Head of Project Development), Mr Bruno De Wolf (Head of Property Management), Mr Arnaud Opsommer (Head of Building Administration & Operations Budget), Mr Frédéric Tourné (Head of Environmental Management), Mrs Caroline Kerremans (Head of Investor Relations & Communication), Mrs Emilie Delacroix (Head of CSR & Innovation), Mrs Sylvie De Mûelenaere (Head of Legal), Mr Vincent Meulders (Head of Controlling), Mr Stéphane Dos Santos (Chief Accountant), Mr Ludovic Wendel (IT Program Manager), Mr Denis Van de Wiele (Head of Compensation & Benefits) and Mrs Sarah Sougné (Recruitment & Talent Manager).

The Business Development activity is managed by Werner Joris[2].

DIVERSITY POLICY

Befimmo complies with the provisions of article 518bis of the Code of Company Law with regard to gender diversity within the Board of Directors and the recommendations of the Belgian Corporate Governance Code (2009 Code) on diversity and complementarity of profiles within its decision-making and advisory bodies.

Befimmo has put in place a number of procedures in the context of the appointment and renewal of the mandates of the Directors, the appointment of the members of the specialist Committees and the Management Committee, and the self-assessment process of its various bodies and Committees. These are designed to foster complementary skills, experience, knowledge and profiles in the composition of these bodies, in addition to the expertise and professional integrity required for the exercise of these duties. For example, prior to any appointment, an assessment is made of the skills, knowledge and experience available and needed within the Board of Directors or committee concerned. These procedures are set out in the terms of reference of the various bodies and Committees, more specifically in the terms of reference of the Appointment and Remuneration Committee.

The effect of these procedures is manifested in the composition of the Board of Directors, which comprises three female and six male members, and the Management Committee, which is composed of two female and two male members. It is also reflected in the biographies of the Directors (see page 92) and the members of the Management Committee (see page 100), which shows that they have complementary career paths, professional experience and skills.

REMUNERATION REPORT

REMUNERATION POLICY

During fiscal year 2009/2010, 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 25 April 2017. It is an integral part of the Corporate Governance Charter and is published on the Befimmo website.

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").

1. SPRL.
2. BVBA.

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 business for similar positions. To keep informed of market pay levels, it participates in 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.

Befimmo has no plans to change its remuneration policy for the next two fiscal years.

PROCEDURE

The remuneration of the **non-executive Diretors** 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 and holds the position 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.

- **Fixed portion:** The amount of the "all-in" fixed annual remuneration is determined on the basis of comparisons with 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 expenses.

  On a proposal of the Appointment and Remuneration Committee, the Board of Directors reviews 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.

- **Variable portion:** 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 three years.

  Befimmo reimburses expenses incurred by the CEO in the course of his daily management, on presentation of supporting documents to the Chairman of the Board of Directors or any other person the Chairman designates 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) and for which he bears the cost of consumption, the Managing Director does not receive any benefits in kind.

The Board of Directors of Befimmo SA also 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 first consulting the CEO. They are paid as self-employed persons 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 expenses. 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 – 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 three 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 or she 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) and for which they bear the cost of consumption, 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 other member of the Management Committee in the subsidiaries of Befimmo SA.

REMUNERATION AND BENEFITS IN 2017 AND 2018

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 other members 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 since fiscal year 2013, 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.

Non-executive Directors - remuneration for the 2017 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	67 500		13 500	131 000
Barbara De Saedeleer[2]	10 000	25 000			35 000
Sophie Goblet	20 000	42 500	18 000		80 500
Sophie Malarme-Lecloux	20 000	32 500		13 500	66 000
Annick Van Overstraeten[3]	3 333				3 333
Hugues Delpire	20 000	40 000	20 000		80 000
Kurt De Schepper	20 000	45 000			65 000
Etienne Dewulf	20 000	42 500		18 000	80 500
Benoît Godts	20 000	42 500	16 000		78 500
Guy Van Wymersch-Moons[4]	16 667	30 000			46 667
Total for Directors	**200 000**	**367 500**	**54 000**	**45 000**	**666 500**

OBJECTIVES AND PERFORMANCE CRITERIA FOR THE CEO AND MEMBERS OF THE MANAGEMENT COMMITTEE FOR FISCAL YEARS 2017 AND 2018

On a proposal of the Appointment and Remuneration Committee, on 23 February 2017 the Board of Directors 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 fiscal year 2017, were set for the CEO. The target amount for his variable annual remuneration for fiscal year 2017 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 personal targets were set for each of them, in line with their specific operational responsibilities. The overall maximum target variable remuneration was set at €285,000 (total amount for the other three members of the Management Committee) with a maximum of €345,000 if the targets are exceeded.

At its meeting of 2 March 2018, 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 fiscal year 2017 on the basis of the above-mentioned assessment criteria, of the amounts set out in the table hereafter.

1. Whether as a natural person or as permanent representative of a corporate director.
2. Directorship began on 14 February 2017 and ended on 12 September 2017.
3. Directorship ended on 14 February 2017.
4. Directorship ended on 31 October 2017.

Management Committee – remuneration for the 2017 fiscal year

(in €)	Fixed remuneration	Variable remuneration[1]	Post-employment benefits	Total	Contractuel severance grant
Managing Director					
BDB Management SPRLu[2]	213 589	100 000		313 589	263 592
Benoît De Blieck[3]	263 746	150 000	72 657	486 403	486 408
Other members of the Management Committee	874 566	335 000	154 255	1 363 821	1 220 000
Total Management Committee	**1 351 901**	**585 000**	**226 912**	**2 163 813**	

In accordance with Befimmo's remuneration policy, the payment of the variable remuneration awarded is 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 three years, as follows:

- 50% of the variable remuneration earned in 2017 is paid in 2018;
- 25% of the variable remuneration is deferred for one year and will be payable in 2019 provided that the performance indicators for the Company's results are sustained throughout 2017 and 2018;
- the remaining 25% of the variable remuneration will be payable in 2020, again provided that performance is sustained throughout 2017 to 2019.

For fiscal year 2018, 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 2017, 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 fiscal year 2018 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 €305,000 with a maximum of €400,000.

After appraisal, the payment of any variable remuneration awarded will also 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 three years.

1. The payment of the variable remuneration is staggered over a period of 3 years, pursuant to the rules set up in the remuneration policy.
2. These sums include the remuneration gained by BDB Management SPRLu for the directorships it exercises, as Managing Director of Befimmo Property Services SA and Chairman of the Board of Directors of Axento SA, both subsidiaries of Befimmo SA.
3. These sums include the remuneration gained by M. Benoît De Blieck as Managing Director of Befimmo SA.

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). If the Company were to make an agreement providing for severance grants exceeding these limits, this exemption clause regarding severance grants would require 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 a 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 target remuneration (fixed and 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 set by contract 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 position. In accordance with the above-mentioned article 554(4), this provision was approved 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.

CORPORATE SOCIAL RESPONSIBILITY

Befimmo's Corporate Social Responsibility is fully integrated into its strategy.

The Directors of Befimmo set and approve the budgets and major decisions on Corporate Social Responsibility, especially at strategy meetings and at the meetings scheduled every quarter when the results are published.

Befimmo's Corporate Social Responsibility is also fully integrated into its day-to-day management.

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 Head of CSR & Innovation.

This team is responsible for developing and monitoring the Social Responsibility Action Plan, releasing sufficient human resources, and organising the annual management review.

"CSR governance"

REPORT ON INTERNAL CONTROL AND RISK-MANAGEMENT SYSTEMS

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 (COSO) of the Treadway Commission), 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 establishment plan.

The operational functions are carried out in the technical departments (project management, project development, 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, and communication, corporate social responsibility, human resources and ICT departments.

Each member of the team 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; in this context, it has a power to subdelegate, 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 formalised in 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 in charge of internal auditing.

For 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's website.

Ethics

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/who-we-are/corporate-governance/our-corporate-governance

"Ethics"

Risk analysis and control activities

This analysis is based on 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. On this basis, a matrix of risks and the extent to which they are controlled is 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 181"

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 accounts 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: during fiscal year 2017, two internal audits were carried out, on the “issue of credit notes” and “project management”;
- audits of the “Payroll”, “IT Infrastructure”, “Treasury processes” and “Cyber security” were also commissioned from external consultants;
- the Audit Committee: over fiscal year 2017, 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 regard, notably through that Committee’s reporting.

The internal audit regulations weren't updated during fiscal year 2017.

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 accounting 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 Befimmo General Meeting of 25 April 2017 appointed Ernst and Young Reviseurs d’Entreprises SCRL as the Company’s Statutory Auditor, with registered office at De Kleetlaan 2, 1831 Diegem, entered in the trade register under number 0466.334.711, RPM Brussels, represented by Christel Weymeersch, Partner, Business Auditor, for three fiscal years.

The Statutory Auditor’s fees for fiscal year 2017 amounted to €65,000 excluding VAT. In fiscal year 2017 it also provided additional services as part of its statutory duties for a fee of €12,755 excluding VAT. Outside its statutory role, during fiscal year 2017, Ernst & Young and affiliated companies provided services related to other non-auditing duties for a fee of €13,290 excluding VAT.

Ernst & Young, 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 fiscal year 2017 of Fedimmo, Befimmo Property Services, Meirfree and Vitalfree totalled €46,000 excluding VAT.

Auditing for the Luxembourg subsidiary, Axento SA, is performed by Ernst & Young SA, with its registered office at avenue John F. Kennedy 35E, 1855 Luxembourg, entered in the Luxembourg register of commerce and companies under number B 47.771 and with establishment licence No 00117514, represented by Mr René Ensch, Partner. The fees for auditing the accounts of Axento SA for fiscal year 2017 amounted to €10,000 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 rule on the "Statutory Auditor's non-audit services ratio" has been adhered to with regards to the Statutory Auditor's services.

REAL-ESTATE EXPERTS

For fiscal year 2017, Befimmo used two real-estate experts: Mr Rod P. Scrivener (JLL - avenue Marnix 23, 1000 Brussels) and Mr Pieter Paepern (CBRE - avenue Lloyd George 7, 1000 Brussels). Mr Rod P. Scrivener also has the task of coordinating the valuations.

These mandates were granted in accordance with the provisions of the Royal Decree of 13 July 2014. The three-year mission ran from 1 January 2015 to 31 December 2017.

Befimmo also has two reserve experts: Mr Christoph Ackermans (Cushman & Wakefield – rue Royale 97, 1000 Brussels) and Mr Jean-Paul Ducarme (PWC - Woluwe Garden, Woluwedal 18, 1932 Sint-Stevens-Woluwe).

In 2017, the fees paid to these experts for their quarterly valuations amounted to:

- CBRE Valuation Services: €74,350 excluding VAT;
- JLL: €144,000 excluding VAT.

Additional fees paid to these experts in 2017 for occasional valuations amounted to:

- CBRE Valuation Services: N/A;
- JLL: N/A;
- PWC: €4,395 excluding VAT (valuation of the Arts 56 building).

In the context of the renewal of the mandates of the real-estate experts, from fiscal year 2018, Befimmo has entrusted the valuations of its portfolio to Mr Rob Vaes (JLL, avenue Marnix 23, 1000 Brussels), Mr Rod P. Scrivener (JLL, avenue Marnix 23, 1000 Brussels) and Mr Christophe Ackermans (Cushman & Wakefield, company under Dutch Law, acting through its Belgian branch Wissinger & Associés SA – rue Royale 97, 1000 Brussels). Mr Rod P. Scrivener will have the task of coordinating these valuations.

These new mandates were granted in accordance with the requirements of the new Royal Decree of 13 July 2014, with a view in particular to introducing a system of rotation between the real-estate experts valuing the portfolio. This new assignment will cover the next three years, from 1 January 2018 to 31 December 2020.

These are companies of real-estate experts with an excellent knowledge of the market and which enjoy an international reputation.

The fees of the independent real-estate experts are calculated on the basis of the number of properties assessed, their size (in m^2) 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 €74,755.84 (including VAT) on that account in 2017. 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 working environment and new services to be offered to its tenants. At the same time, Befimmo launched an innovation campaign, a genuine participative approach to involve the team in strategic axes at the heart of Befimmo's business.

Team members are invited to share their thoughts on the "innovation wall" and to join one or other working group that inspires them, in a process of collective intelligence, to devise innovation projects and bring them to fruition. Total resources spent on R&D are estimated at €230,000.

RULES FOR PREVENTING CONFLICTS OF INTEREST

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 fiscal year 2017 are described below.

ARTICLES 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 dossier 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 CONCERNING 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], other shareholders of a company within the perimeter[2] 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.

1. Note that, under the Code of Company Law, such a link is presumed to exist, in particular, unless proven to the contrary, when a shareholding represents at least one tenth of the Company's capital.
2. "Company within the perimeter" means a company more than 25% of whose share capital is held directly or indirectly by a regulated real-estate investment trust, including its subsidiaries, pursuant to article 2(18) of the Law of 12 May 2014 on BE-REITs.

ADDITIONAL RULES PROVIDED FOR IN BEFIMMO'S CORPORATE GOVERNANCE CHARTER

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 Directors 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 members of 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 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 fiscal year 2017, one decision gave rise to the application of article 523 of the Code of Company Law.

At its meeting of 23 February 2017, 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 members of the Management Committee for fiscal year 2016, and (ii) the determination of the fixed remuneration and performance criteria for the award of the remuneration of the Managing Director and other members of the Management Committee for fiscal year 2017. 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 below.

Extract from the minutes of the meeting of the Board of Directors of Befimmo of 23 February 2017

"1.1.1 Notification of a conflict of interests and application of article 523 of the Code of Company Law

Before the discussion on this agenda item opened, Mr Benoît De Blieck, Managing Director, 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. He 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 fiscal years 2016 and 2017. 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).

1.1.2 Appraisal and determination of the variable remuneration of the CEO for fiscal year 2016 - Performance criteria and target variable remuneration for fiscal year 2017

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 fiscal year 2016 and the performance criteria and amounts of variable remuneration for fiscal year 2017.

Decisions: After discussion, the Board of Directors, excluding the Managing Director, 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 of Befimmo SA in 2016, variable remuneration of €150,000; furthermore, based on the assessment of the performance criteria specific to Befimmo Property Services SA, a proposal will be made to the Board of Directors of Befimmo Property Services to grant a variable remuneration of €75,000 to its Managing Director, BDB Management SPRLU, represented by its Manager and permanent representative, Mr Benoît De Blieck;*
- *set the key objectives and performance criteria for the award of the Managing Director's variable remuneration for fiscal year 2017: 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 fiscal year 2017 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 awarded to him 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 is 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 fiscal year 2017, 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 dossier, which was notified to the FSMA. In this case, Befimmo declared that agreements were reached with AXA Belgium SA in the context of an operation in which Befimmo intends to acquire, subject to certain conditions, a 99-year long-term leasehold on the property located at avenue des Arts 56, 1000 Brussels, owned by AXA Belgium SA while, at the time of the notification, AXA Belgium held a 10.7% stake in Befimmo. It was mentioned that the price of the acquisition of the right in rem to the leasehold by Befimmo was in line with the fair value determined by an independent real-estate expert. It was also 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 CHARTER OF CORPORATE GOVERNANCE

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 discussions or decisions relating to one investment 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 one investment project, one tender and one disinvestment project considered by Befimmo;
- Mrs Barbara De Saedeleer, Independent Director, did not take part in the discussions or decisions relating to one redevelopment project and one tender considered by Befimmo.

RULES TO PREVENT MARKET ABUSE

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.

www.befimmo.be/en/who-we-are/corporate-governance/our-corporate-governance

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.

The Befimmo Dealing Code was updated on 7 February 2018, to introduce an internal whistle-blowing procedure and to bring it into line with the other amendments made by the law of 31 July 2017 amending the law of 2 August 2002 on the supervision of the financial sector and financial services.

The above-mentioned rules were applied without giving rise to any difficulties.

1. This obligation also applies to transactions carried out by natural or legal persons closely related to them.

STOCK OWNERSHIP OR STOCK OPTIONS PLAN

To date, Befimmo has not implemented a share ownership plan or stock option plan or granted such shares or options to members of its bodies or its employees.

SHARES HELD BY THE DIRECTORS AND MEMBERS OF THE MANAGEMENT COMMITTEE

At 31 December 2017, 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 BE-REIT.

- <u>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)).</u>

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: the authorised capital clause 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) while the authorisation to buy its own shares 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 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 covered by 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 (on 13 May 2016) of the minutes of the General Meeting of 26 April 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 legal limits). This authorisation is valid for five years from 26 April 2016 and is also renewable for identical periods;
- 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".
- <u>Restriction of voting rights by law or the articles of association (Royal Decree, article 34(5))</u>

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, or - 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.

- <u>Rules applicable to changes in the option writer's articles of association (Royal Decree, article 34(7))</u>

  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.

- <u>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))</u>

  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 Petercam, BECM, Belfius, BNP Paribas Fortis, ING, KBC and Agricultural Bank of China (Luxembourg).

  Moreover, the agreement on the private bond placement made in the United States in May 2012 and the different European private placements, include a similar clause entitling investors, under conditions, to request early redemption of their notes further to a change of control. All these change-of-control clauses have been approved by the General Meeting.

SHAREHOLDING, STRUCTURE AND ORGANISATION

SHAREHOLDING

Declarants[1]	(in %)
Ageas and affiliated companies	10.4
AXA Belgium SA	10.7
BlackRock Inc.	3.0
Other shareholders under the statutory threshold	75.9

Shareholders do not have different voting rights.

STRUCTURE AND ORGANISATION

FEDIMMO SA
MEIRFREE SA
VITALFREE SA
AXENTO SA
BEFIMMO PROPERTY SERVICES SA
BEWAY SA

At 31 December 2017, the Company had the following subsidiaries:

- Fedimmo SA, a Belgian BE-REIT, which is 100% owned by Befimmo;
- Beway SA, a Belgian BE-REIT, 10% of which is owned by Befimmo and 90% by Fedimmo;
- Vitalfree SA, a Belgian Limited-Liability Company which is 100% owned by Befimmo;
- Meirfree SA, a Belgian Limited-Liability Company which is 100% owned by Befimmo;
- Axento SA, a Luxembourg Limited-Liability Company which is 100% owned by Befimmo; and
- Befimmo Property Services SA, a Belgian Limited-Liability Company which is 100% owned by Befimmo.

The following companies have a shareholding in Befimmo:

- Ageas and affiliates, which hold 10.4% of Befimmo's shares;
- AXA Belgium SA, which holds 10.7% of Befimmo's shares.

1. As at 13 December 2016, based on the transparency declarations or based on the information received from the shareholder.

The team

Introduction

Befimmo's team

The involvement of the Befimmo team 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 communication and motivation among the staff and enhances their commitment to the Company.

The HR and CSR departments cooperate to raise 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.

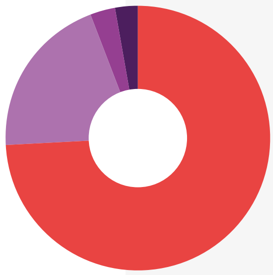
As they do every other year, in late 2017 they jointly organised an anonymous and non-mandatory satisfaction survey of the team members. Several results of the survey are illustrated in the following pages. 89% of the team took part in the survey.

As part of the work on its identity, Befimmo also wanted to validate the Company's three founding values with its team. In addition to these three confirmed values, Professionalism, Team Spirit and Commitment, it turned out, in the team members' feedback, that a fourth value was recognised as an integral part of the company's culture, namely Humanity.

→ "Mission and Strategy, on page 14"

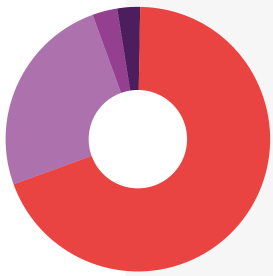
Excerpt from the team survey - December 2017

I'm motivated



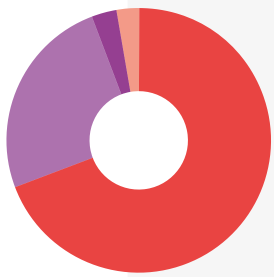
74% Totally agree
20% Slightly agree
3% Nor agree, nor disagree
3% Slightly disagree
0% Totally disagree
0% My knowledge of the Company does not allow me to answer this question

I believe there is a team spirit within the Company



69% Totally agree
25% Slightly agree
3% Nor agree, nor disagree
3% Slightly disagree
0% Totally disagree
0% My knowledge of the Company does not allow me to answer this question

Do you think Befimmo is a responsible Company (towards its stakeholders, its team, in its communication)?



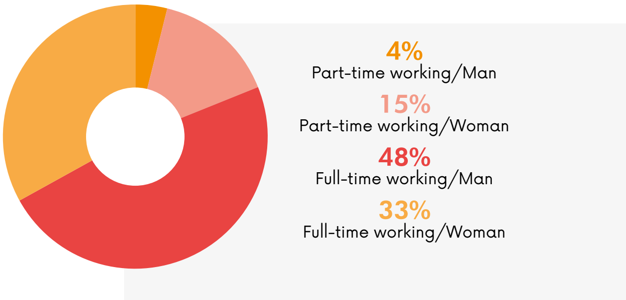
64% Totally agree
31% Slightly agree
3% Nor agree, nor disagree
2% My knowledge of the Company does not allow me to answer this question
0% Slightly disagree
0% Totally disagree

Social indicators

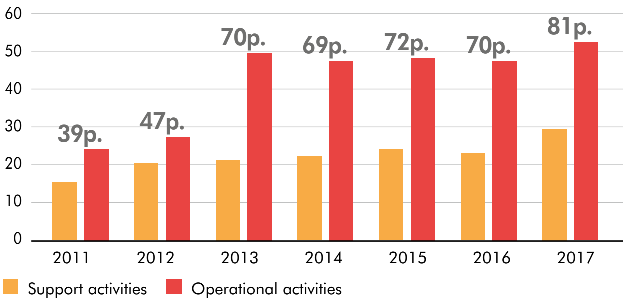
As at 31 December 2017, there were 81 staff on the team (52% men and 48% women). All of them[1] have employee status and all are on permanent contracts. Befimmo has also used consultants and taken on temporary staff.

At the same date, 81% of Befimmo employees worked full-time and 19% part-time (including time credits). All staff working part-time have the same fringe benefits. At 31 December 2017 those 19% were composed of 15% women and 4% men.

Distribution of full- and part-time working



Changes in the team / distribution of employees by activity (# people)



Within the team, 51% have a university degree and 34% of those graduates also have a post-graduate diploma.

The average age of the Befimmo team is 40. In fiscal year 2017, Befimmo recruited 15 new employees, of which 10 women and 5 men (or a "new hire rate" of 18.5%[2]), while 4 people left, of which 1 woman and 3 men (or a "turnover rate" of 4.9%[2]). One of these departures was a resignation, another the end of fixed-term contract and the other two were retirements.

	#	Average age
Arrivals		
Men	5	36
Women	10	
Departures		
Men	3	50
Women	1	

The short-term absenteeism rate is 1.95%[3] of the total number of hours worked, which is below the average rate of 2.63%[4] recorded for all Belgian companies across all sectors. The absenteeism rate calculated using the EPRA methodology is 3.06%[2]. The "injury rate" and the "lost day rate", calculated using the same methodology, are 0.0% and 0.1%, respectively.

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 relevant minimum scales. The pay rate by gender for the 2017 financial year was calculated for the management team. It offers a good level of comparability in terms of level of duties and type of responsibilities. In this category, the pay level for men is 5.4% higher than for women. Note that the average age of the men is 43 while the women average 37 years of age in this category.

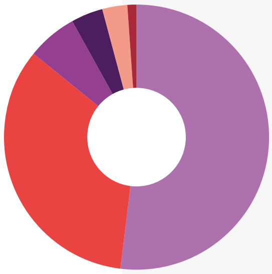
In their salary package, Befimmo's employees have a non-statutory pension scheme[5]. Within the legal framework of the second pillar, this *Defined Contributions* type plan offers employees an additional pension to the statutory one. Employees also receive full health-care coverage and are covered by a group invalidity insurance.

Befimmo currently has no staff representation body. Elections of staff representatives were held for the first time in 2016, although in the end no candidates were forthcoming.

1. The Management Committee was established in 2016; the members exercise their mandates as self-employed persons and are therefore no longer included in these figures.
2. This percentage was calculated using the EPRA sBPR methodology, see page 75 of this Report.
3. Absenteeism rate: ratio of the number of hours of short-term sickness (< 30 days) to the total hours worked.
4. Source: "Absentéisme 2017", SDWorx.
5. More detailed information is published in the note « Employee benefits », on page 164.

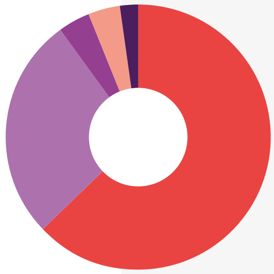
Excerpt from the team survey - December 2017

Overall, I'm satisfied with my package



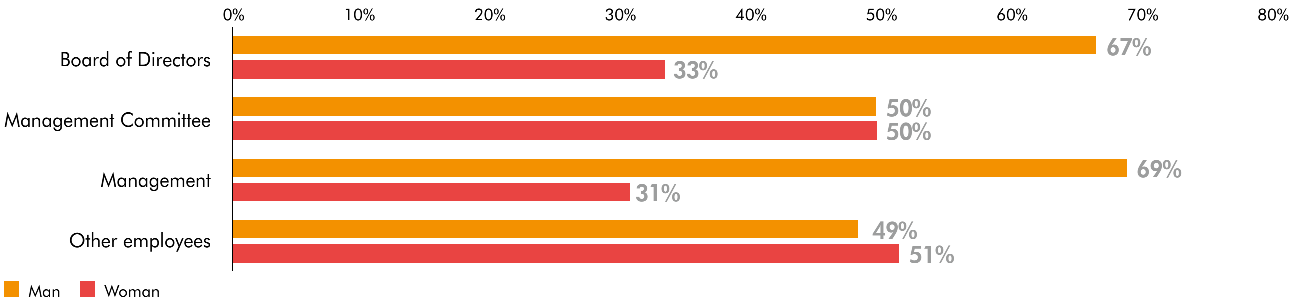
52% Slightly agree
34% Totally agree
6% Nor agree, nor disagree
4% Slightly disagree
3% Overall, I'm satisfied with my package
1% Totally disagree

I am satisfied with the employment benefits (health insurances, pension plan, meal vouchers, ecocheques, etc.) offered by Befimmo

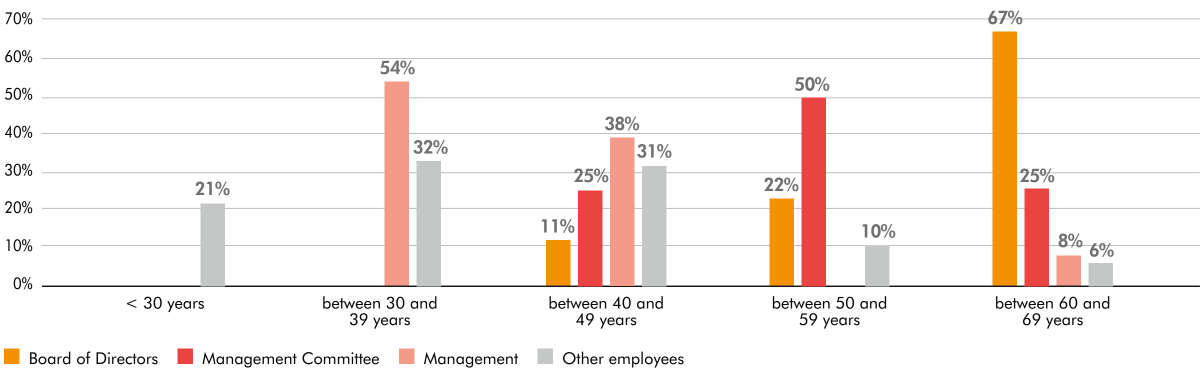


63% Totally agree
27% Slightly agree
4% Nor agree, nor disagree
4% My knowledge of the Company does not allow me to answer this question
2% Slightly disagree
0% Totally disagree

Composition of governance bodies and breakdown of employees by gender (31 December 2017)



Composition of governance bodies and breakdown of employees by age (31 December 2017)



Well-being

By well-being, Befimmo means work/life balance, staff health and safety, and the working environment and atmosphere. It attaches particular importance to the well-being of its staff, ensuring that they are involved in the life of the Company. It will pursue its efforts to make continuous improvements on these topics.

WORKING ENVIRONMENT - SWOW[1]

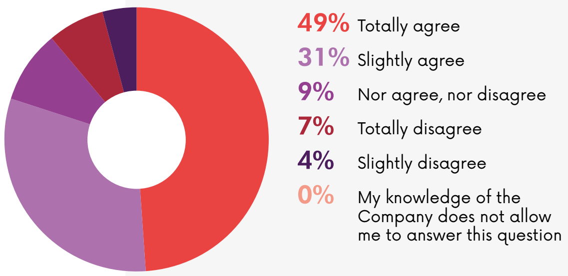
After a year in its new offices, Befimmo continues its ongoing reflection on the New World of Work in order to continue to listen to its team, ensure its well-being, and to experiment with innovative forms of layouts and organisation that can potentially be transferred to the operational property portfolio.

In this context, some improvements will be made over the next few months to meet the expectations of the team, notably:

- better acoustics;
- development of spaces designed for co-creation;
- decoration.

Excerpt from the team survey - December 2017

My physical working conditions are appropriate

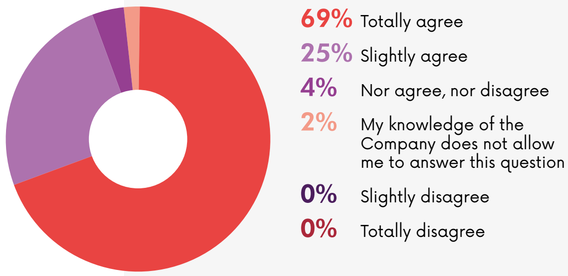


WELL-BEING AND PREVENTION OF PSYCHOSOCIAL RISKS

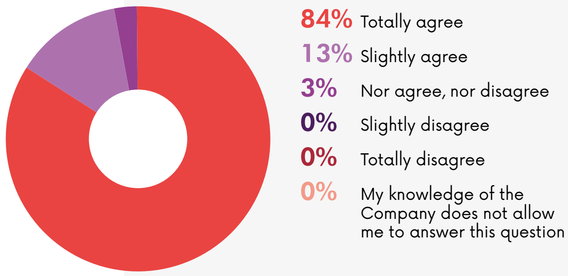
- **Inclusion of an Employee Assistance Programme (EAP) into the Befimmo package**
  The EAP is a programme for employees who have a private or professional problem, offering them anonymous assistance from experts in a range of areas (psychology, law, sleep, prevention of burn-out, etc.) at the employer's expense. By adding this benefit to the existing package, Befimmo offers support, in full discretion, to any team members who are in difficulty, with a particular focus on psychosocial risks.
- **Continuing training sessions on mindfulness**
  By helping everyone to focus their attention on the present moment, this discipline is designed to reduce stress or help to manage it, and prevent burn-out.
- **New survey of team satisfaction**
  It measures the satisfaction in relation to many aspects of well-being, such as working environment, safety, and work/life balance.

Excerpt from the team survey - December 2017

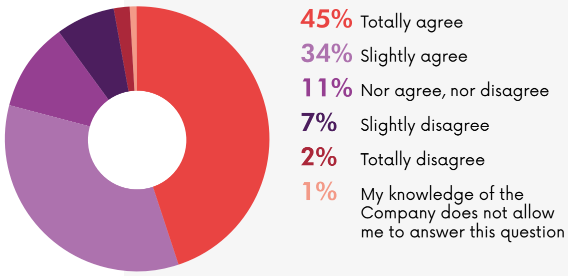
Befimmo is concerned about the team's well-being



I would recommend Befimmo as a employer to an acquaintance



I manage to keep a reasonable balance between my work life and private life



1. SWOW: Smart Ways Of Working.

HEALTH AND SAFETY

- A level 1 prevention advisor carries out an annual study of risks related to office work.
- A person of confidence: no complaints about employment in 2017.
- Three first-aiders: annual training updates by Befimmo.
- Two minor occupational accidents and no cases of occupational disease in 2017. One was an accident on the way to work and the other was an accident at an event organised by Befimmo.

COMITÉ B+ AND SOCIAL ACTION

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, family and charity activities.

- Continuation of the partnership initiated in 2011 with the Auderghem Red Cross.
- Continued blood donations at the Goemaere building for the team and the other tenants.
- Participation by part of the team in the Red Cross Fortnight campaign in support of the Auderghem local section to finance its social store.
- Collection of clothes for the "Vestiboutique" set up by the Auderghem Red Cross, the profits of which also go to their social store.
- The team made up food parcels for homeless people in Brussels.
- The more athletic members took part in the 20 km of Brussels for the "Equité" association, a horse riding therapy centre.

Alongside Comité B+ social action, Befimmo continued to take part in certain initiatives by Be.face. 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.

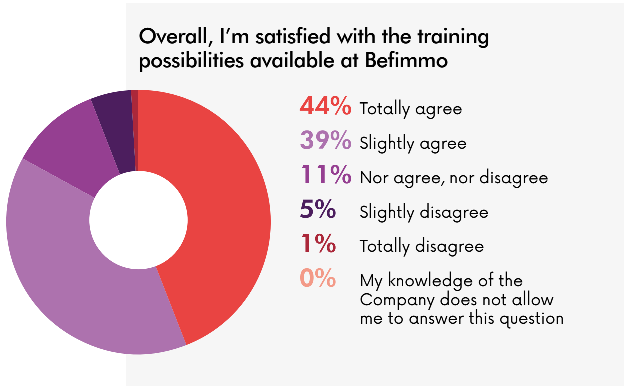
- One person has committed to accompany someone who is in a precarious position on the labour market.
- Another facilitated a workshop of simulated interviews organised for people who struggle to find a job.
- The Befimmo "Saint-Nicolas" budget was again allocated to Saint-Nicolas presents for a party for underprivileged children and older people in the municipality, organised by the CPAS.
- A toy collection was organised for children attending the Centre for Combating Domestic and Family Violence (CPVCF).

APPRAISAL AND TRAINING

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 2017.

The 2017 satisfaction survey again revealed a good level of satisfaction in the team with regards to training courses.

Excerpt from the team survey - December 2017



Befimmo once again made use of the new "development" topic in its appraisal process to inventory training needs from the beginning of the year.

In addition to courses designed to meet individual training needs, here are some examples of group training courses organised in 2017:

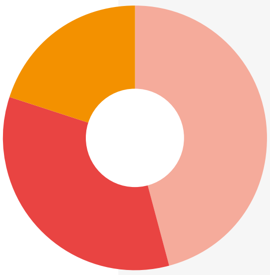
- In-house language courses for employees.
- Refresher course on mindfulness.
- Training module on Befimmo's environmental policy for new employees.
- Refresher training courses on building environmental policy and compliance with fire prevention regulations for operational departments.
- Appreciative leadership training course for people managers, in "collective intelligence" mode.

Over the past financial year, Befimmo provided an average of 35.8 hours of training per employee a year. The average training budget per employee was €1,274.38 in 2017, about half of which was spent on language and IT courses.

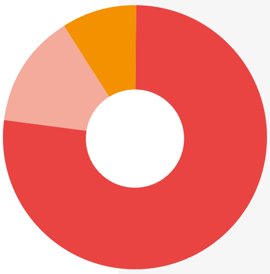
Keen to keep pace with the expectations of its team in terms of career development, Befimmo is also setting up in-house communication channels to inform employees of job opportunities within the Company. In 2017, two people who applied for vacant in-house positions were selected and went on to take up new challenges on their career path within Befimmo.

Training hours (excluding language courses) broken down according to the three pillars, and by category (2017)

Manager



Employee

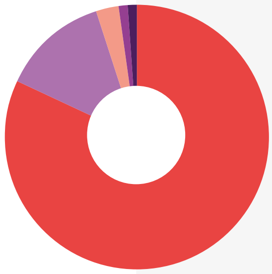


Diversity

Befimmo describes itself as a Company open to diversity, respecting everyone's identity. During fiscal year 2017, there were no complaints about employment.

Excerpt from the team survey – December 2017

Origin, gender, age, religion and sexual orientation have no impact on how employees are treated within the team



"Ethics"

Dialogue within the team

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

A new satisfaction survey was conducted within the team at the end of 2017. 89% of the team took part. This anonymous survey is conducted every two years to take the pulse of the team on a number of topics, such as motivation, corporate culture, communication, working environment, Company organisation, CSR and HR policy.

Befimmo is pleased at the high level participation of its team in this exercise and is committed to sharing with staff the results and improvements that have been put in place on the basis of the outcome of the survey.

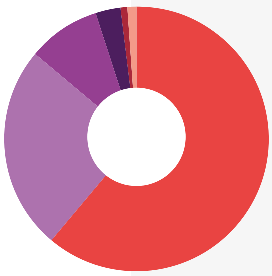
The survey, conducted for the third time in 2017, demonstrates the commitment, involvement and motivation of the team.

"Commitment" at Befimmo manifests itself in particular by the team's constant interest in the Company, its strategy and activities. In a desire to foster this interest, Befimmo is taking several initiatives designed to enhance the team's involvement and awareness:

- Organisation of in-house "breakfast presentations", by team members or departments on a variety of topics;
- Introduction of a "fresh eyes" report process for new team members: a fresh look at the Company, its operation and culture can offer valuable input for Befimmo. In this process, some time after they arrive, new team members are given the opportunity to share their first reactions to Befimmo's well-established habits, with a view to constantly improving life within the Company and initiating a dialogue from the beginning of the relationship.
- Launch of an innovation campaign at Befimmo, a genuine participative approach to involve the team in the core topics for which Befimmo is responsible. Team members are invited to share their thoughts on the "innovation wall" and to join one or other working group that inspires them, in a process of collective intelligence, to devise innovation projects and bring them to fruition.

Excerpt from the team survey - December 2017

I have the opportunity to make suggestions at Befimmo



Innovation wall | Befimmo

Innovation wall | Befimmo

Environmental impact of the team

ENERGY CONSUMPTION (MWH AND KWH/PP[1])

In 2016, during the refurbishment of the corporate premises as part of the SWOW project, special attention was paid to the new electrical installations to keep consumption as low as possible and to maintain the benefit of the good environmental practice that Befimmo has developed.

In 2017, Befimmo monitored the electricity consumption of the private areas of its new space to ensure that certain new measures (LED lighting, outsourcing of part of the IT infrastructure, etc.) were effective. The results given in the table below demonstrate how effective they are. Electricity consumption fell by 48% in 2017 (100.1 MWh) in relation to 2015 (192.3 MWh).

CO_2e EMISSIONS

Emissions of CO_2 linked to Befimmo's corporate business, i.e. the IT 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).

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 33 kg/employee in 2017, i.e. a cut of 37% in 2017 in relation to 2013[3].

CO_2e emissions linked to Befimmo's own activities (tonnes CO_2e, kg CO_2e/m² and tonnes CO_2e/pp)

Units		2015	2016	2017	
Befimmo "corporate" space	m²	2 150	2 150	1 668	V
# people (PP)	#	69	72	74	V
Total emissions related to direct energy	**t CO_2e**	**264**	**265**	**239**	**V**
Of which total emissions for heating	t CO_2e	18	34	17	V
Emissions PP (heating)	t CO_2e	0.3	0.5	0.2	V
Emissions per m² (heating)	kg CO_2e/m²	8.6	n.a.[5]	10.2	V
Total heating [LfL]	%	n.a.[5]	n.a.[5]	n.a.[5]	V
Of which emissions from diesel cars[4]	t CO_2e	228	225	212	V
Of which emissions from petrol cars[4]	t CO_2e	18	6	11	V
Total emissions related to indirect energy	**t CO_2e**	**43**	**48**	**23**	**V**
Of which total emissions electricity [surface Goemaere]	t CO_2e	43	24	23	V
Of which total emissions electricity [surface Goemaere works]	t CO_2e	n.a.[5]	5.2	n.a.[5]	V
Of which total emissions electricity [surface Triomphe]	t CO_2e	n.a.[5]	15.4	n.a.[5]	V
Emissions PP	t CO_2e	0.6	0.7	0.3	V
Emissions per m²	kg CO_2e/m²	20.2	n.a.[5]	13.5	V
Total electricity [LfL]	%	n.a.[5]	n.a.[5]	n.a.[5]	V
Total emissions related to travel, paper consumption	**t CO_2e**	**14**	**73**	**46**	**V**
Short-haul flights	t CO_2e	6.9	2.6	1.5	V
Long-haul flights	t CO_2e	3.9	67.3	41.1	V
High-speed train	t CO_2e	0.2	0.3	0.7	V
Paper consumption	t CO_2e	3.0	2.8	2.3	V
Of which vehicle emissions other than Befimmo	t CO_2e	0.0	0.5	0.5	V

1. PP: Per Person, or all FTEs (Full-Time Equivalent) and the members of the Management Committee.
2. Methodology developed by ADEME (the French environment and energy management agency).
3. The conversion factor used to calculate CO_2e emissions related to paper consumption is 0.919 kg CO2e/kg of paper (source Bilan Carbone V7.6).
4. This table showing emission factors linked to means of transport can be found in the methodology, in Appendix IV of the Report.
5. As the Company temporarily moved into the Triomphe building during the Goemaere renovation, no figures are available for 2016.

MOBILITY - CO_2e EMISSIONS RELATED TO TRANSPORT (TONNES CO_2e)

Befimmo reduced the overall rate of average emissions per vehicle (CO_2e/km) in its fleet by 3% in 2017 in relation to 2016. This decrease is the result of applying an updated car policy to vehicles purchased new or replaced.

The vehicle-related CO_2e emissions pass from 231 tonnes in 2016 to 223 tonnes in 2017, a small decrease.

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.

A Mobility Unit composed of representatives from the CSR, Environment and HR departments was formed in 2017 to propose innovative projects in order to rethink of the team's mobility.

Two projects emerged:

- B-Test: interested team members are given the opportunity to try out any type of alternative mobility at Befimmo's expense for 6 months (public transport, shared cars, scooters, bicycles, etc.).
- B-Switch: team members are given the opportunity to share their Befimmo parking space with a colleague and, in return, are provided with an Ahooga folding electric bike for all or part of their commute. Under this project 30 staff members have been given a superb bike. This is a win-win project in every respect!

Befimmo pursues its policy of awareness-raising in the team.

The electric bycicles fleet

Financial statements

TABLE OF CONTENTS

Consolidated statement of total comprehensive income

(en € thousand)

		Notes	31.12.17	31.12.16
I.	(+) Rental income	5	143 161	137 752
III.	(+/-) Charges linked to letting	6	- 729	- 715
NET RENTAL RESULT			142 431	137 037
IV.	(+) Recovery of property charges	7	6 364	5 727
V.	(+) Recovery of rental charges and taxes normally paid by tenants on let properties	8	30 122	29 932
VII.	(-) Rental charges and taxes normally paid by tenants on let properties	8	-28 166	-28 421
VIII.	(+/-) Other revenue and charges for letting	9	1 661	253
PROPERTY RESULT			152 412	144 529
IX.	(-) Technical costs	7	-10 758	-8 526
X.	(-) Commercial costs	7	-1 055	-1 558
XI.	(-) Charges and taxes on unlet properties	7	-2 270	-4 049
XII.	(-) Property management costs	7	-2 728	-2 592
XIII.	(-) Other property charges	7	-5 101	-5 024
	(+/-) Property charges		-21 912	-21 749
PROPERTY OPERATING RESULT			130 499	122 780
XIV.	(-) Corporate overheads	10	-12 199	-10 447
XV.	(+/-) Other operating income and charges	11	-1 252	- 596
OPERATING RESULT BEFORE RESULT ON PORTFOLIO			117 048	111 738
XVI.	(+/-) Gains and losses on disposals of investment properties	12	21 798	1 154
XVIII.	(+/-) Changes in fair value of investment properties	13	13 429	21 121
OPERATING RESULT			152 275	134 013
XX.	(+) Financial income	14	622	1 608
XXI.	(-) Net interest charges	14	-17 625	-20 759
XXII.	(-) Other financial charges	14	-2 747	-2 980
XXIII.	(+/-) Changes in fair value of financial assets and liabilities	14	5 186	-19 112
	(+/-) Financial result		-14 564	-41 243
PRE-TAX RESULT			137 711	92 770
XXV.	(-) Corporation tax	15	-1 642	-2 364
	(+/-) Taxes		-1 642	-2 364
NET RESULT		16	136 070	90 406
BASIC NET RESULT AND DILUTED (€/share)		16	5.32	3.82
Other comprehensive income - actuarial gains and losses - non-recyclable		35	357	- 153
TOTAL COMPREHENSIVE INCOME			136 427	90 253

Consolidated statement of financial position

(en € thousand)

ASSETS		Notes	31.12.17	31.12.16
I.	Non-current assets		2 532 477	2 573 948
A.	Goodwill	17	14 281	14 494
C.	Investment properties	18	2 494 360	2 511 658
D.	Other property, plant and equipment	19	2 436	2 465
E.	Non-current financial assets	20	19 498	43 801
F.	Finance lease receivables	21	1 902	1 530
II.	Current assets		26 651	39 104
A.	Properties held for sale	18	-	-
B.	Current financial assets	20	1 874	2 911
C.	Finance lease receivables	21	136	133
D.	Trade receivables	22	21 067	19 995
E.	Tax receivables and other current assets	23	1 688	11 568
F.	Cash and cash equivalents	24	254	153
G.	Deferred charges and accrued income	25	1 632	4 344
TOTAL ASSETS			2 559 128	2 613 052

SHAREHOLDERS' EQUITY AND LIABILITIES		Notes	31.12.17	31.12.16
TOTAL SHAREHOLDERS' EQUITY			1 448 504	1 401 349
I.	Equity attributable to shareholders of the parent company		1 448 504	1 401 349
A.	Capital	26	357 871	357 871
B.	Share premium account	26	792 641	792 641
C.	Reserves	26	228 172	219 134
D.	Net result for the fiscal year[1]		69 820	31 702
LIABILITIES			1 110 624	1 211 703
I.	Non-current liabilities		505 008	564 325
A.	Provisions	29	3 673	257
B.	Non-current financial debts	27	484 255	538 747
	a. Credit institution		153 553	242 093
	c. Other		330 702	296 654
	EUPP		*165 966*	*111 092*
	USPP		*161 916*	*183 206*
	Guarantees received		*2 820*	*2 356*
C.	Other non-current financial liabilities	28	17 080	25 321
II.	Current liabilities		605 616	647 378
A.	Provisions	29	5 592	3 831
B.	Current financial debts	27	517 832	559 239
	a. Credit institution		47 332	72 261
	c. Other		470 500	486 978
	Bond issues / EUPP		*15 000*	*161 978*
	Commercial papers[2]		*455 500*	*325 000*
C.	Other current financial liabilities	28	5	15
D.	Trade debts and other current debts	30	52 359	44 774
E.	Other current liabilities	31	2 491	5 588
F.	Accrued charges and deferred income	32	27 337	33 932
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			2 559 128	2 613 052

1. The interim dividend is the difference between the "Net result for the fiscal year" in the Consolidated statement of financial position and the "Net result" in the Consolidated statement of comprehensive income.
2. Commercial paper must be booked to current liabilities in accordance with IAS 1. The Company nevertheless has confirmed bank lines at more than one year as a back-up for the short-term commercial paper.

Consolidated cash flow statement

(en € thousand)

	Notes	31.12.17	31.12.16
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR		153	215
Operating activities (+/-)			
Net result for the period		136 070	90 406
Result on disposal of investment properties		-21 798	-1 154
Financial result (excl. changes in fair value of financial assets and liabilites)		19 750	22 131
Interest paid		-21 832	-20 920
Taxes		1 642	2 364
Taxes paid		-1 233	-1 176
Items with no effect on cash flow to be extracted from earnings			
Fair value adjustment for investment properties (+/-)		-13 429	-21 121
Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-)		-5 186	19 112
Loss of (gain in) value on trade receivables (+/-)		199	116
Amortisation / Loss of (gain in) value on property, plant and equipment (+/-)		647	462
Adjustments of provisions (+/-)		2 877	541
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS		97 707	90 761
Change in assets items[3]		9 346	3 240
Change in liabilities items[4]		-1 695	-3 881
CHANGE IN WORKING CAPITAL REQUIREMENTS		7 651	- 642
CASH FLOW FROM OPERATING ACTIVITIES		105 357	90 119
Investments (-) / Disposals (+)			
Investment properties			
Investments		-39 306	-31 492
Disposals		122 450	4 754
Acquisition of the Gateway projet		-	-81 243
Acquisitions in the framework of redevelopment projects		-24 348	-
Other property, plant and equipment		-1 211	-1 338
CASH FLOW FROM INVESTMENT ACTIVITIES		57 585	-109 318
Financing (+/-)			
Increase (+)/Decrease (-) in financial debts	34	17 444	-33 913
European private bond placements	34	70 000	7 250
Reimbursement retail bond April 2011	34	-162 000	-
Hedging instruments and other financial assets	34	986	-
Final dividend previous fiscal year		-23 021	-19 798
Interim dividend fiscal year		-66 250	-58 704
Capital increase of 27 September 2016		-	127 257
Costs for capital increase (-)		-	-2 953
CASH FLOW FROM FINANCING ACTIVITIES		-162 842	19 138
NET CHANGE IN CASH AND CASH EQUIVALENTS		101	- 62
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24	254	153

3. 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.
4. 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

(en € thousand)

	Capital	Share premium account	Reserves	Net result of the fiscal year	Total shareholders' equity
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
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
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
Appropriation of the result	-	-	31 702	-31 702	-
Dividend distributed	-	-	-23 021	-	-23 021
2016 final dividend	-	-	*-23 021*	-	*-23 021*
Dividend distributed	-	-	-	-66 250	-66 250
2017 interim dividend	-	-	-	*-66 250*	*-66 250*
Total comprehensive income	-	-	357	136 070	136 427
EQUITY AS AT 31.12.17	357 871	792 641	228 172	69 820	1 448 504

Notes to the consolidated financial statements

1. GENERAL BUSINESS INFORMATION

Befimmo ("the Company", registered with banque carrefour des entrerprises under number 0455.835.167) is a Public Regulated Real-Estate Investment Trust under Belgian law (public BE-REIT). It is organised as a "Société Anonyme" (Limited-Liability Company). Its registered office is at Chaussée de Wavre 1945, 1160 Brussels (Belgium).

The Company closes its fiscal year at 31 December. Befimmo has a 100% direct or indirect interest in its subsidiaries Axento SA (registered with the Luxembourg trade and companies register under number B 121993 in the Grand Duchy of Luxembourg), Befimmo Property Services SA (registered with banque carrefour des entreprises under number 0444.052.241), Beway SA (registered with banque carrefour des entreprises under number 0631.757.238), Fedimmo SA (registered with banque carrefour des entreprises under number 0886.003.839), Meirfree SA (registered with banque carrefour des entreprises under number 0889.229.788) and Vitalfree SA (registered with the banque carrefour des entreprises under number 0899.063.306). All the Befimmo subsidiaries close their fiscal years at 31 December.

The Company is presenting consolidated financial statements as at 31 December 2017. The Board of Directors of Befimmo SA adopted and authorised the publication of the financial statements for this fiscal year on 2 March 2018.
The Company's business consists of providing office buildings, meeting rooms and coworking spaces and associated services.

At 31 December 2017, the premises provided consisted of quality office buildings in Belgium, mainly in Brussels, the main Belgian cities and the Grand Duchy of Luxembourg, two thirds of which are let to public institutions and the remainder to multinationals and Belgian companies.

The Company is listed on Euronext Brussels.

The description of the subesquent events after closing is detailled on page 74 of the management report.

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 within 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 2017, the Company has analysed and, where appropriate, applied the following new or amended standards and interpretations which entered force during the fiscal year opening on 1 January 2017:

- Improvements to IFRS (2014-2016) (effective for annual periods beginning on or after 1 January 2017). These improvements had no impact on the presentation of the financial statements as at 31 December 2017 and on the additional information, if any, to be provided.
- Amendments to IAS 7 - *Statement of Cash Flows - Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017). 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). The application of the amendments to IAS 12 had no impact on the presentation of the financial statements as at 31 December 2017 or on the additional information, if any, to be provided.

Furthermore, the Company has chosen not to apply early the following new or amended standards or interpretations published before the date that the consolidated financial statements were closed, but with a date of entry into force later than the fiscal year closing at 31 December 2017, namely:

- IFRS 9 - *Financial Instruments* and related amendments that restructure the treatment of financial instruments. This standard replaces IAS 39 - *Financial instruments: Recognition and Measurement*. The impact of these new provisions could relate in particular to the model for valuing 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 applicable for annual periods beginning on or after 1 January 2019.

- Amendments to IFRS 2 - *Classification and Measurement of Share-based Transactions* (effective for annual periods beginning on or after 1 January 2018). The application of this standard will have no impact on the Company's financial statements.
- Amendments to IAS 40 - *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018). 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).
- IFRIC 23 - *Uncertainty over income tax treatments* (effective for annual periods beginning on or after 1 January 2019).
- IFRS 17 - *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021).
- Improvements to IFRS (2014-2016), notably IAS 28 - *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2018).

2.2. General principles of consolidation

For reading the consolidated financial statements, the following definitions apply:

Subsidiary

A subsidiary is an entity controlled by the Company, in accordance with IFRS 10(7), i.e. where it:

- it has power over the entity;
- is entitled to, or is exposed to, variable returns, because of its relationship with the entity; and
- is able to exercise its power to influence the returns it obtains from the entity.

Subsidiaries are consolidated by full incorporation from the date on which the Company obtains control. They are deconsolidated on the date on which that control ceases.

Jointly controlled entities

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 control 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. General valuation principles

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 some fixed-rate borrowings are 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 exchange-rate hedging also assessed at fair value. Alternatively, they are carried in the accounts at amortised cost (this applies to one 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.

2.4. Business combinations and goodwill

Where 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 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*.

2.5. 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 at the time 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 “currency translation differences”.

2.6. 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.

2.7. Investment properties

2.7.1. General principles

Properties available for lease or 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 property is carried at fair value. Fees and charges on an acquisition and any change in the fair value of the properties during the year are recognised directly in the income statement. The adjustment of fees and charges related to a subsequent change in the fair value of a property or to the realisation of a property is determined indirectly when allocating reserves.

Properties that are being constructed or developed for own account in order to be leased are also valued at fair value.

Befimmo values its property portfolio at fair value as determined by experts. The expert bases his valuation mainly 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 a building is its investment value, including registration fees and other transaction costs (also known as "deed-in-hands value") as calculated by an independent expert, minus a standard allowance of 10% (Flanders) or 12.5% (Wallonia and Brussels) for buildings with an investment value of less than €2.5 million and 2.5% for buildings with an investment value of more than €2.5 million. This 2.5% allowance[1] represents the average transaction costs actually paid in these transactions and is derived from an analysis by independent experts of a large number of transactions observed on the market. This rule is also applied for determining the fair value of property located in the Grand Duchy of Luxembourg.

1. This accounting treatment is detailed in the press release issued by BeAMA on 8 February 2006 and confirmed in the press release of the BE-REIT Association of 10 November 2016.

The independent expert establishes the investment value of the property 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.

2.7.2. 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.

2.7.3. 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 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 property", 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 costs in the income statement.

2.7.4 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.

2.8. 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 fiscal year end.

Useful life is defined as follows per main type of asset:

- Computer hardware and software: 3 years;
- Furniture and office equipment: 5 years;
- Office fixtures and fittings: 10 years;
- Finance-leased equipment: duration of contract.

2.9. 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) Assets held to maturity

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.

Available-for-sale assets 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 impairment, 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 exchange-rate risks arising from the financing of its activities. The Company does not hold or issue derivative financial instruments for proprietary 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. Changes in the fair value of these instruments resulting from changes in their parameters are also recognised directly in the income statement.

(ii) Cash flow hedge

The effective portion of changes in the fair value of these derivatives is recognised in equity via the other items of 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.

2.10. Properties 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*. A property held for sale is valued in the same way as any other investment property but is shown under a specific heading of the balance sheet, namely "Assets held for sale".

2.11. Trade receivables

Trade receivables are stated at amortised cost (see section 2.9 (iv) above).

2.12. 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.

2.13. Impairment of assets

The Company reviews the carrying amount of intangible and tangible assets other than investment property 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 assets and, where appropriate, records an appropriate write-down.

2.14. 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.

2.15. 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.

2.16. Trade and other payables

Trade and other payables are stated at amortised cost.

2.17. 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

The pension plan is funded by contributions paid by the Company to the insurance company and by payment to the same insurance company of defined contributions into a group insurance.

The supplementary defined-benefit pension scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on his or her 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 personnel costs.

The amount presented in the balance sheet for defined-benefit pension schemes 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 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 and the expected yield rate 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 (net interest amount excluded) are recognised directly in equity via the other items of comprehensive income.

2.18. Provisions

A provision is recognised in the balance sheet when the following three conditions are met:

- there is a present 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.

2.19. 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.

2.20. 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.

2.21. 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, 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 significant 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 Liège, 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 (67.4%), the remaining 32.6% being in Flanders (19.6%), Wallonia (8.6%) and Luxembourg city (4.4%).

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 assimilated areas[2], Brussels decentralised and Brussels periphery.

The consolidated Befimmo portfolio is described in more detail in the "Property report" chapter of the management report.

	Brussels CBD and similar		Brussels decentralised		Brussels periphery	
(in € thousand)	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
INCOME STATEMENT						
A. Rental income	85 226	80 495	5 249	5 296	8 902	8 663
B. Property operating result	80 927	74 038	3 302	3 182	5 886	6 739
C. Change in fair value of investment properties	21 267	8 433	- 5 041	- 3 703	- 13 321	- 3 156
D. Gains and losses on disposal of buildings	21 525	-	-	1 142	-	-
E. SEGMENT RESULT (= B+C+D)	123 719	82 470	- 1 739	621	- 7 436	3 582
Percentage by segment	74.7%	56.9%	-1.0%	0.4%	-4.5%	2.5%
F. Corporate overheads						
G. Other operating income and charges						
H. Financial result						
I. Income tax						
NET RESULT (= E+F+G+H+I)						
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
BALANCE SHEET						
Assets						
Goodwill	7 391	7 391	-	-	-	-
Investment properties and assets held for sale	1 455 847	1 483 801	87 027	88 398	137 814	147 015
of which investments and acquisitions during the year	*45 986*	*95 229*	*3 671*	*3 358*	*4 120*	*5 468*
Other assets	533	-	-	-	-	-
TOTAL ASSETS	1 463 771	1 491 192	87 027	88 398	137 814	147 015
Percentage by segment	57.2%	57.1%	3.4%	3.4%	5.4%	5.6%
TOTAL LIABILITIES						
TOTAL SHAREHOLDERS' EQUITY						
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY						

1. Some shops are nevertheless operating on the ground floor of certain buildings but to a very marginal extent.

2. Including the Brussels Airport zone, in which the Gateway building is situated.

Wallonia		Flanders		Luxembourg city		Unallocated amounts		Total	
31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
9 690	9 762	29 565	29 388	4 529	4 148	-	-	143 161	137 752
9 372	8 596	26 943	27 035	4 069	3 192	-	-	130 499	122 780
3 648	6 164	- 3 821	725	10 697	12 659	-	-	13 429	21 121
- 149	12	422	-	-	-	-	-	21 798	1 154
12 870	14 772	23 545	27 760	14 766	15 851	-	-	165 726	145 056
7.8%	10.2%	14.2%	19.1%	8.9%	10.9%	-	-	100%	100%
						- 12 199	- 10 447	- 12 199	- 10 447
						- 1 252	- 596	- 1 252	- 596
						- 14 564	- 41 243	- 14 564	- 41 243
						- 1 642	- 2 364	- 1 642	- 2 364
								136 070	90 406

31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
1 329	1 456	5 561	5 647	-	-	-	-	14 281	14 494
215 306	199 043	488 450	494 139	109 916	99 262	-	-	2 494 360	2 511 658
13 602	*1 701*	*226*	*250*	*- 44*	*- 217*	-	-	67 560	105 788
1 505	1 638	-	-	-	-	48 449	85 262	50 487	86 901
218 140	202 137	494 011	499 786	109 916	99 262	48 449	85 262	2 559 128	2 613 052
8.5%	7.7%	19.3%	19.1%	4.3%	3.8%	1.9%	3.3%	100%	100%
						1 110 624	1 211 703	1 110 624	1 211 703
						1 448 504	1 401 349	1 448 504	1 401 349
						2 559 128	2 613 052	2 559 128	2 613 052

5. RENTAL INCOME

I. Rental income (in € thousand)	31.12.17	31.12.16
Rents	138 666	139 032
Guaranteed income	6 722	285
Cost of rent free periods	-2 200	-1 706
Concessions granted to tenants (incentives)	- 225	- 56
Indemnities for early termination of rental contracts	197	197
Rental income	143 161	137 752

This table sets out the various components of rental income. Besides rent, rental income also includes:

- guaranteed income, which in 2017 was essentially composed of the rental guarantee granted by Codic Immobel in the context of Deloitte's take-up of the Gateway building;
- 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)	31.12.17	31.12.16
Less than one year	139 967	147 871
One to five years	405 321	444 858
More than five years	541 459	636 614
Rental income	1 086 746	1 229 343

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 €2.8 million and €2.4 million for the 2017 and 2016 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 those let to the Buildings Agency and occasionally 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 the end of the term.

The leases may not be terminated at any other time and may not generally 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. A statement 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 a surveyor. 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. Where 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 bank guarantee that can be called in on demand.

The Fedimmo standard lease

Most of Fedimmo SA's buildings are let to the Belgian Government 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, and some representations, are 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 Government 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.

6. CHARGES LINKED TO LETTING

III. Charges linked to letting (in € thousand)	31.12.17	31.12.16
Rents payable on rented premises	- 530	- 599
Write-downs on trade receivables	- 390	- 284
Write-back of write-downs on trade receivables	191	168
Charges linked to letting	**- 729**	**- 715**

This tables 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)	31.12.17	31.12.16
At less than one year	536	611
One to five years	1 688	1 938
At more than five years	377	820
Rent paid	**2 601**	**3 369**

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. Note that the amounts Befimmo received for indexing over the past two years are valued at less than €15,000.

7. REAL-ESTATE CHARGES AND RECOVERY OF REAL-ESTATE CHARGES

31.12.17 (in € thousand)

AT CHARGE		NET	RECOVERY	
IX. Technical costs	-10 758		6 364	IV. Recovery of property charges
Recurrent	-6 845	-3 016	3 829	Recurrent
Repairs	-5 207	-1 759	3 448	Repairs
Total-guarantee charge	-1 159	- 896	264	Total-guarantee charge
Insurance premiums	- 480	- 362	118	Insurance premiums
Non recurrent	-3 913	-2 665	1 248	Non recurrent
Major repairs (building companies, architects, engineering offices,…)	-3 774	-2 703	1 071	Recovery of major repair costs and compensation for damage by tenants
Damage expenses	- 138	38	45	Recovery of damage expenses
			131	Compensation of damage by insureers
XII. Property management costs	-2 728	-1 441	1 287	Property management costs
Fees paid to (external) managers	-	1 287	1 287	Management fees received
(Internal) management fees of properties	-2 728	-2 728		
X. Commercial costs	-1 055	-1 055		
Letting fees paid to real-estate brokers	- 779	- 779		
Advertising	- 66	- 66		
Fees paid to lawyers and other experts	- 211	- 211		
XI. Charges and taxes on unlet properties	-2 270	-2 270		
XIII. Other property charges	-5 101	-5 101		
Property charges	-21 912	-15 549	6 364	IV. Recovery of property 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 insureers
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

These tables set out, for fiscal years 2016 and 2017, the origins of the net real-estate charges borne by the Company.

In fiscal year 2017, the Company carried out a more sustained programme of repairs and major refurbishments to its property portfolio. Moreover, charges and taxes on unlet property decreased significantly as a result of leases signed during the year and rebates of withholding tax.

8. RENTAL CHARGES AND TAXES NORMALLY PAID BY TENANTS ON LET PROPERTIES

(in € thousand)	31.12.17	31.12.16
V. Recovery of rental charges and taxes normally paid by tenants on let properties	30 122	29 932
Rebilling of rental charges invoiced to the landlord	9 937	10 250
Rebilling of withholding taxes and other taxes on let properties	20 185	19 682
VII. Rental charges and taxes normally paid by tenants on let properties	-28 166	-28 421
Rental charges invoiced to the landlord	-6 869	-7 770
Withholding taxes and other taxes on let properties	-21 297	-20 651
Total	1 956	1 511

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. OTHER REVENUE AND EXPENDITURE LINKED TO RENTAL INCOME

This heading is mainly impacted by the restitution of a reserve fund (non-recurring item).

10. CORPORATE OVERHEADS

XIV. Corporate overheads (in € thousand)	31.12.17	31.12.16
Staff costs	-6 469	-5 831
Staff costs (persons under a contract of employment)	-3 645	-3 739
Remuneration of Directors and members of the Management Committee[1]	-2 823	-2 092
Operating and communication costs	-2 641	-2 029
IT costs	-1 316	-1 167
Fees (project research, real-estate experts, legal advice, etc.)	-1 217	-1 668
FSMA and Euronext costs	- 155	- 173
Taxes and non-recoverable VAT	- 402	420
Corporate overheads	-12 199	-10 447

The corporate overheads comprise all costs not directly chargeable to the management, upkeep and maintenance of the properties in the portfolio.

They include the staff costs of the Company's support teams (remuneration, social contributions, etc. of persons under a contract of employment, 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.

The fees of the Statutory Auditor are detailed on pages 109 and 110 of the management report.

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 taxes inherent to the status of BE-REIT (SIR/GVV).

Company staff		31.12.17	31.12.16
Number of persons under a contract of employment Of which:		81	70
Real-estate team	Number of persons under a contract of employment	52	47
Support team	Number of persons under a contract of employment	29	23
Average full-time equivalent during the year Of which:		74.26	70.11
Real-estate team	Average full-time equivalent during the year	47.96	46.56
Support team	Average full-time equivalent during the year	26.30	23.55

1. The Management Committee was established on 17 October 2016. The remuneration of the members of the Management Committee (excluding the Managing Director) until this date is in the line "Staff costs (persons under a contract of employment)".

11. OTHER OPERATING INCOME AND CHARGES

XV. Other operating income and charges (in € thousand)	31.12.17	31.12.16
Spread of rent free periods	-1 260	- 595
Others	8	0
Other operating income and charges	-1 252	- 596

This heading includes recurring compensation for the effect of spreading rental gratuities 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.

12. GAINS OR LOSSES ON DISPOSALS OF INVESTMENT PROPERTIES

XVI. Gains and losses on disposals of investment properties (in € thousand)	31.12.17	31.12.16
Net sale of properties (selling price - transaction costs)	120 212	4 754
Book value of properties sold	-98 415	-3 600
Gains and losses on disposals of investment properties	21 798	1 154

In 2016, the result on the sale of investment properties consists of the proceeds of the sale of the Rue Large 59 building in Chênée in Wallonia and the Jean Dubrucq building located in decentralised Brussels.

In 2017, Befimmo granted a 99-year leasehold on the Brederode complex in Brussels CBD, and Fedimmo sold the buildings in avenue Emile Digneffe in Liège and Bevrijdingslaan in Ninove.

The amount shown under the heading "Carrying value of properties sold" includes the amount of the latest fair value of the properties that left the portfolio and the amount of any goodwill allocated to the properties that left the portfolio.

13. CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES

XVIII. Changes in fair value of investment properties (in € thousand)	31.12.17	31.12.16
Positive changes in fair value of investment properties	93 447	89 227
Negative changes in fair value of investment properties	-80 018	-68 105
Changes in fair value of investment properties	13 429	21 121

The change in fair value of the investment properties excludes investments, acquisitions and disposals. The "Property report" chapter of the management report contains more information on changes in value.

14. FINANCIAL RESULT

	(in € thousand)	31.12.17	31.12.16
(+)	XX. Financial income	622	1 608
(+)	Interests and dividends received	454	1 499
(+)	Fees for finance leases and similar	168	109
(+/-)	XXI. Net interest charges	-17 625	-20 759
(-)	Nominal interest on loans	-16 749	-22 005
(-)	Reconstitution of the face value of financial debts	- 222	- 413
(-)	Other interest charges	- 60	- 62
(+)	Proceeds of authorised hedging instruments	11 048	12 559
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*11 048*	*12 559*
(-)	Charges of authorised hedging instruments	-11 642	-10 837
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-11 642*	*-10 837*
(-)	XXII. Other financial charges	-2 747	-2 980
(-)	Bank charges and other commissions	-2 747	-2 979
(-)	Net losses realised on sale of financial assets	- 1	- 1
(+/-)	XXIII. Changes in fair value of financial assets and liabilities	5 186	-19 112
(+/-)	Authorised hedging instruments	-16 104	-18 715
	Authorised hedging instruments not qualifying for hedge accounting under IFRS	*-16 104*	*-18 715*
(+/-)	Others	21 290	- 397
(+/-)	Financial result	-14 564	-41 243

The financial result (excluding changes in the fair value of financial assets and liabilities) was -€19.7 million as at 31 December 2017, compared with -€22.1 million as at 31 December 2016.

The decrease in "Financial income" is due mainly to interest earned in 2016 by the joint venture Codic Immobel as cash advances for the gradual acquisition of the Gateway building.

"Net interest charges" were down €3.1 million in relation to fiscal year 2016. This improvement is attributable to a decrease in the average fixed rate at which the Company is financed, a decrease in the average volume of debt of €78.7 million, mainly as a result of the capital increase carried out in September 2016, and the granting of a 99-year leasehold on the Brederode complex in March 2017. The average financial debt over the fiscal year was €993.6 million in 2017 as against €1,072.4 million for 2016. The average cost of financing was 2.08% as against 2.26% one year earlier.

The change in fair value of the financial assets and liabilities was €5.2 million for fiscal year 2017. The item "Authorised hedging instruments" includes gains recorded on the forward products (+€6.0 million, including CVAs and 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 -€22.4 million (including CVAs and DVAs). The sub-heading "Other" reflects the gains/losses recorded on the USPP debt (carried at fair value). In 2017, an unrealised capital gain of +€21.3 million was recorded.

During fiscal year 2016, the "Authorised hedging instruments" item was impacted mainly by losses on forward products of -€16.5 million (including CVAs and DVAs) and capital losses recorded on the CCS amounting to -€1.7 million (including CVAs and DVAs). The sub-heading "Other" reflects the gains/losses recorded on the USPP debt (carried at fair value). In 2016, an unrealised capital loss of -€0.4 million was recorded.

The hedging instruments are listed in Note 33.B to 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 just closed.

(in € thousand)	Total		Financial assets or liabilities at fair value throught profit or loss		Loans and receivables		Financial liabilities valued at amortised cost	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
Financial income	622	1 608	-	-	622	1 608	-	-
Net interest charges	-17 625	-20 759	-7 833	-5 660	- 60	- 62	-9 731	-15 037
Other financial charges	-2 747	-2 980	- 1	- 1	-	-	-2 747 [1]	-2 979 [1]
Changes in fair value of financial assets and liabilities	5 186	-19 112	5 186	-19 112	-	-	-	-
Total result on financial assets/liabilities	-14 564	-41 243	-2 648	-24 773	562	1 546	-12 478	-18 016

15. INCOME TAXES

The income tax burden is broken down as follows:

XXV. Corporation tax (in € thousand)	31.12.17	31.12.16
Current taxes for fiscal year	-1 762	-1 669
Adjustment of current taxes from previous periods	121	- 694
Corporation tax	-1 642	-2 364

Befimmo is a Limited-Liability Company with the status of a public BE-REIT. 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, which have institutional BE-REIT status, 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 reduction in income tax is explained mainly by the booking of a provision for miscellaneous fiscal risks in fiscal year 2016.

1. The amount relates mainly to the commitment fee paid on bank lines.

16. RESULT PER SHARE

Result for the fiscal year (in € thousand)	31.12.17	31.12.16
NUMERATOR		
Net result for the fiscal period	136 070	90 406
DENOMINATOR		
Shares at the end of the period (in units)	25 579 214	25 579 214
Weighted average of shares during the period (in units)	25 579 214	23 692 223
Net result per share (basic and diluted) (in €)	**5.32**	**3.82**
Dividend for the fiscal year		
Interim dividend (gross)	66 250	58 704
Final dividend (gross)	21 998 [1]	23 021
Gross dividend for the fiscal year	**88 248**	**81 726**
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 of the number of shares during the fiscal year concerned.

Since Befimmo has no diluting instruments, the basic and diluted results are identical.

17. 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 €212 thousand was recorded on the sale of two buildings (avenue Emile Digneffe in Liège and Bevrijdingslaan in Ninove). The goodwill associated with the buildings sold was reversed and incorporated into the calculation of the result of the sale. The table below illustrates the change in value of the goodwill over the fiscal year:

(in € thousand)	31.12.17	31.12.16
COST		
Opening balance	14 981	15 039
Reductions linked to assets sold during the period	- 212	- 58
Closing balance	14 768	14 981
DECREASE IN VALUE		
Opening balance	- 487	- 487
Write-downs posted during the period	-	-
Closing balance	- 487	- 487
CARRYING AMOUNT		
Opening balance	14 494	14 552
Closing balance	14 281	14 494

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 below.

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	30 750	30 906	-
Brussels Leopold district	2 108	136 856	138 116	-
Brussels North area	4 685	287 137	289 513	-
Wallonia	1 329	51 428	51 621	-
Flanders	5 561	248 360	249 460	-
Total portfolio	**14 281**	**754 531**	**759 616**	**-**

1. Amount subject to the approval by the Ordinary General Meeting of Shareholders of 24 April 2018.

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 segment), 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 this test carried out at 31 December 2017 (illustrated in the table before) shows that no impairment need be recorded as the value in use by segment is higher than the carrying amount.

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 was tested 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. It appears that this rate has to rise by 14.84% before the value of the goodwill recorded begins to be impaired. A further 1% increase in the rate above that level would lead to an impairment of the value of the goodwill of €10,996 of the value of the goodwill.

18. INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

As required by standard 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, or those which by their nature do not generate income (land).

C. Investment properties (in € thousand)	31.12.17	31.12.16
Properties available for lease	2 345 878	2 445 330
Other - Properties that are being constructed or developed for own account in order to be leased	148 482	66 327
Investment properties	**2 494 360**	**2 511 658**

As at 31 December 2017, the heading "Other - Properties that are being constructed or developed for own account in order to be leased" includes the following buildings: Brederode Corner, Eupen-Rathausplatz, Kortrijk (Ijzerkaai 26), Binche (rue de la Régence 31), World Trade Center Tower 1 (areas not covered by a lease), the Paradis Express land and the WTC 4 and Quatuor projects.

(in € thousand)	
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	-
Acquisitions	24 230
Other investments	43 330
Disposals	- 98 287
Changes in fair value	13 429
Carrying value as at 31.12.2017	**2 494 360**
of which: - Investment properties	*2 494 360*
- Assets held for sale	-

In the course of 2016, Beway SA, a wholly-owned subsidiary of Befimmo, completed the acquisition of the Gateway project, located in the Brussels Airport area. Acquisitions in 2017 focused mainly on the regrouping of the WTC 1 & 2 complex.

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).

In 2017, the amount invested in works amounted to €43.3 million. The investments related mainly to the construction of the courthouse in Eupen (€7.0 million), the Quatuor project (€5.9 million) and the "Future Ex-WTC 1 & 2" project (€3.5 million). The renovation of the Guimard building (€8.9 million in 2017) was completed during 2017 and the building is currently available for rent.

In 2016, Befimmo sold the building at 59 rue Large in Chênée (Wallonia) and the Jean Dubrucq building located in decentralised Brussels.

During 2017, the Company sold two buildings: one in avenue Emile Digneffe in Liège (Wallonia) and the other in Bevrijdingslaan in Ninove (Flanders). It has also granted a 99-year leasehold on the Brederode complex in the Brussels CBD.

The properties that left the portfolio in 2017 contributed €0.8 million to the property operating result.

19. OTHER PROPERTY, PLANT AND EQUIPMENT

D. Other property, plant and equipment (in € thousand)	31.12.17	31.12.16
Property, plant and equipment for own use	2 436	2 465
Other property, plant and equipment	**2 436**	**2 465**

20. NON-CURRENT AND CURRENT FINANCIAL ASSETS

E. Non-current financial assets (in € thousand)	31.12.17	31.12.16
Assets at fair value through profit and loss	19 494	40 319
Authorised hedging instruments - level 2	19 494	40 319
Option - CAP	*41*	*143*
Forward - IRS	*6 487*	*6 031*
Forward - CCS	*12 966*	*34 145*
Loans and receivables	-	1 347
Others	4	2 135
Non-current financial assets	**19 498**	**43 801**

B. Current financial assets (in € thousand)	31.12.17	31.12.16
Assets at fair value through profit and loss	5	1 111
Authorised hedging instruments - level 2	5	1 111
Option - CAP	*0*	*0*
Forward - IRS	*5*	*1 111*
Loans and receivables	1 868	1 800
Current financial assets	**1 874**	**2 911**

The heading "Financial 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 28 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 2017 taking account of the credit value adjustments (CVAs) and debit value adjustments (DVAs) as per IFRS 13, as described in note 33 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 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. We receive this information from an independent specialist company. Befimmo also verifies it using checks of consistency with information received from counterparty financial institutions (fair value excluding CVAs and DVAs).

Finally, 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 exchange 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 I building in 2013.

The guarantee of €2.1 million shown under the heading "Other", constituted in favour of Aedifica to cover commitments made in 2012 by Blue Tower Louise SA vis-à-vis Aedifica, notably the undertaking to carry out certain alterations to the structure of the basement of the Blue Tower building, was released during 2017.

21. FINANCE LEASE RECEIVABLES

This heading relates to finance lease agreements (as per standard IAS 17) and the subsoil on buildings and, at 31 December 2017, principally comprises the asset embodied in the building in Wandre. The fair value of this asset is €1.633 million, compared with its value at amortised cost of €1.505 million.

22. TRADE RECEIVABLES

Trade receivables arise through rents or billing of taxes or rental charges. The quantitative description of the principal risks (see note 33.A to these financial statements) includes a section on the credit risk, which analyses the Company’s exposure to such debts in terms of the counterparty or of the maturity.

23. TAX RECEIVABLES AND OTHER CURRENT ASSETS

E. Tax receivables and other current assets (in € thousand)	31.12.17	31.12.16
Taxes	5	9 854
Salary and social charges	-	33
Others	1 682	1 681
Tax receivables and other current assets	1 688	11 568

In 2016, the amount of the "Taxes" sub-item was mainly composed of the VAT to be recovered in relation to the construction of the Gateway building. All the VAT has since been recovered. The amount of the sub-heading "Other" consists mainly of a receivable of €1.7 million which cancels out 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.

24. CASH AND CASH EQUIVALENTS

F. Cash and cash equivalents (in € thousand)	31.12.17	31.12.16
Available values	254	153

As the Company is structurally indebted, available funds are limited, consisting mainly of positive balances in the Company’s various bank accounts.

25. DEFERRED CHARGES AND ACCRUED INCOME - ASSETS

G. Deferred charges and accrued income (in € thousand)	31.12.17	31.12.16
Prepaid property charges	190	622
Prepaid interest and other financial charges	6	12
Others	1 436	3 710
Deferred charges and accrued income	1 632	4 344

This heading covers:

- real-estate charges paid in advance;
- prepaid interest and other financial charges;
- under the sub-heading "Other": mainly the financial receivables related to CCS concluded during the arrangement of the USPP (€0.6 million) and other IRS receivers (€0.6 million). The characteristics of these instruments are set out in the table in note 33 to these financial statements.

26. CAPITAL AND RESERVES

(in € thousand)			31.12.17	31.12.16
A. Capital			357 871	357 871
(+)		Subscribed capital	371 627	371 627
(-)		Costs of capital increase	-13 756	-13 756
B. Share premium account			792 641	792 641
C. Reserves			228 172	219 134
(+)	(a)	Legal reserve	-	1 295
(+/-)	(b)	Reserve for the balance of changes in fair value of investment properties	145 955	118 356
(-)	(c)	Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	-45 500	-42 104
(+/-)	(e)	Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting under IFRS	-20 321	-1 873
(+/-)	(j)	Reserve for actuarial gains and losses for the defined benefit pension plan	91	- 265
(+/-)	(m)	Other reserves	21 113	19 818
(+/-)	(n)	Result brought forward from previous years	126 833	123 908

Reserves are presented before the appropriation of the result for the fiscal year. In addition to the appropriation of the previous year's result (€31.7 million) and the payment of the final dividend for 2016 (-€23.0 million), the reserves were also impacted in 2017 by the result directly recognised in equity under IAS 19 R, representing the actuarial gains and losses of the defined-benefit pension scheme (impact of €0.4 million).

Since BE-REITs (SIR/GVV) are not required to set up a legal reserve, the legal reserves in place when the Company became subject to the SICAFI (and later BE-REIT) regime are transferred to a reserve available under the heading 'Other reserves'.

27. CURRENT AND NON-CURRENT FINANCIAL DEBTS

B. Non-current financial debts (in € thousand)	31.12.17	31.12.16
Credit institutions	153 553	242 093
Other	330 702	296 654
EUPP	*165 966*	*111 092*
USPP	*161 916*	*183 206*
Guarantees received	*2 820*	*2 356*
Non-current financial debts	**484 255**	**538 747**

B. Current financial debts (in € thousand)	31.12.17	31.12.16
Credit institutions	47 332	72 261
Other	470 500	486 978
Commercial papers	*455 500*	*325 000*
Bond issues / EUPP	*15 000*	*161 978*
Current financial debts	**517 832**	**559 239**

On a like-for-like basis, the Company has covered its financing needs until the end of the first quarter of 2019. Commercial paper must be booked to current liabilities in accordance with IAS 1. The Company nevertheless has confirmed bank lines at more than one year as a back-up for the short-term 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 assignment of future receivables or usufruct fees.

At 31 December 2017, the Company had confirmed bank lines totalling €856.9 million, €131.5 million of which were in use. The remaining €725.4 million consisted of back-up lines for the commercial paper programme (€455.5 million) and a financing reserve of €270.9 million.

The heading "Other - EUPP" includes debt related to European private placements of €181.0 million, €136.25 million of which are at fixed rates and €45 million are at floating rates. The European private placements made in 2017 amount to €70 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. Their carrying amount is equivalent to their fair value.

The heading “Other – Commercial paper” 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, the costs related to the bond issues and the private placements are smoothed over the term of the financing.

As mentioned under Significant Accounting Policies, the value of the assets and liabilities approximates to their fair value, except for:

- the financing relating to the assignments of receivables from future rents/future usufruct fees, structured at fixed rates, of a residual total at 31 December 2017 of €69.9 million; and
- fixed-rate European private placements.

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 hereafter 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 fiscal year 2017.

The fair value of the assigned receivables for future rents/future usufruct fees and for the European private debt placement is estimated by updating the future expected cash flows using the 0-coupon yield curve for 31 December 2017, plus a margin to take account of the Company's credit risk (level 2).

The fair value of this financing is given in the table below as an indication.

(in € thousand)	Level in IFRS	Fair value	Book value
EUPP	2	137 086	136 094
Assignment of receivables from future rents/ future usufruct fees	2	76 248	69 868

28. OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

C. Other non-current financial liabilities (in € thousand)	31.12.17	31.12.16
Authorised hedging instruments	17 080	25 321
Financial hedging instruments at fair value through profit and loss - level 2	17 080	25 321
Option - COLLAR	*418*	*1 405*
Forward - IRS	*15 315*	*23 794*
Forward - CCS	*1 347*	*122*
Other non-current financial liabilities	17 080	25 321

C. Other current financial liabilities (in € thousand)	31.12.17	31.12.16
Authorised hedging instruments	5	15
Financial hedging instruments at fair value through profit and loss - level 2	5	15
Option - COLLAR	*-*	*15*
Forward - IRS	*5*	*-*
Other current financial liabilities	5	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 20 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 2017 taking account of the credit value adjustments (CVAs) and debit value adjustments (DVAs) as per IFRS 13, as described in note 33 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. The Company receives this information from an independent specialist company. Befimmo also verifies it using checks of consistency with information received from counterparty financial institutions (fair value excluding CVAs and DVAs).

Finally, 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 exchange rates, and not for speculative purposes.

29. PROVISIONS

A. Non-current provisions (in € thousand)	31.12.17	31.12.16
Pensions	2	257
Others	3 670	-
Non-current provisions	3 673	257

A. Current provisions (in € thousand)	31.12.17	31.12.16
Others	5 592	3 831
Current provisions	5 592	3 831

The sub-heading "Pensions" represents the difference between the up-tp-date value of the pension obligation and the fair value of the assets.

The sub-heading "Other" (current and non-current) mainly includes the following provisions:

- 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 23 to these financial statements);
- provision for miscellaneous fiscal risks (€1.6 million) (see note 15 before);
- provision for an ongoing dispute (€2.6 million);
- provision for compliance measures;
- provision, in the context of the granting of a 99-year leasehold on the Brederode complex, mainly to cover a temporary rental guarantee granted to the counterparty (€2.2 million).

30. TRADE DEBTS AND OTHER CURRENT DEBTS

D. Trade debts and other current debts (in € thousand)	31.12.17	31.12.16
Other	52 359	44 774
Suppliers	*18 660*	*15 426*
Tenants	*9 950*	*9 870*
Tax, salaries and social charges	*23 749*	*19 477*
Trade debts and other current debts	52 359	44 774

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 2017, an amount of €14.0 million alone accounted for the withholding tax payable on the interim dividend paid out in late December 2017.

31. OTHER CURRENT LIABILITIES

This item consists mainly of debts payable related to coupons for Befimmo shares and the attendance tokens of the Directors of the Company.

32. ACCRUED CHARGES AND DEFERRED INCOME - LIABILITIES

F. Accrued charges and deferred income (in € thousand)	31.12.17	31.12.16
Property income received in advance	21 606	24 645
Interest and other financial charges accrued and not yet due	5 541	9 222
Others	190	65
Accrued charges and deferred income	27 337	33 932

This heading consists principally of:

- income from property received in advance, in accordance with the terms of the leases, including the amounts of rents received for subsequent periods;
- financial interest and charges accrued but not yet due, notably on the fixed-rate financing (€3.0 million) and on financial hedging instruments (€1.7 million).

33. QUANTITATIVE DESCRIPTION OF THE MAIN RISKS OF THE FINANCIAL ASSETS AND LIABILITIES

The quantitative description of the main risks below complements the chapter on "Risk factors" on page 187 of this 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.

31.12.17 (in € thousand)	TOTAL	Bank	Corporate	State	Other
Non-current financial assets					
E. Non-current financial assets	19 498	19 494	3	-	1
F. Finance lease receivables	1 902	-	-	1 368	533
Current financial assets					
B. Current financial assets	1 874	526	-	1 347	-
C. Finance lease receivables	136	-	-	136	-
D. Trade receivables	21 067	2 184	12 292	6 592	-
E. Other current assets	1 682	-	1 681	1	-
F. Cash and cash equivalents	254	253	-	-	1
Total financial assets	46 413	22 458	13 976	9 445	535

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

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. The financial assets in the table above, except for the heading Financial hedging instruments, belong to 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)		31.12.17	31.12.16
Rental guarantees for leases	Blocked accounts/bank guarantees	11 739	15 107
Rental guarantees for leases	Guarantees received in cash	2 820	2 356
Guarantees for investment works	Blocked accounts	25 581	25 749
Guarantees received at the close of the fiscal year		**40 140**	**43 213**

Befimmo regularly monitors the recovery of its debts. The details of due dates for trade debts at the balance sheet date are as follows:

Aging balance of trade receivables (in € thousand)	> 3 months	1 to 3 months	< 1 months	Unexpired	Total
Non-doubtful debtors	262	962	741	18 991	20 955
Doubtful debtors	1 849	6	5	-	1 861
Provisions for doubtful debtors	-1 739	- 5	- 5	-	-1 749
As at 31.12.17	**372** [1]	**963**	**742**	**18 991**	**21 067**
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**

Befimmo bears the final risk of trade debts.

A debt repayment plan can be arranged for certain tenants in arrears. At the end of 2017, there were no significant repayment plans.

Furthermore, write-downs of €389,681 were recorded during fiscal year 2017 (as against €283,518 in 2016); while €190,819 of write-downs were written back in 2017 (as against €167,655 in 2016).

B. Risks related to finance, financial hedging instruments and their valuation

Please see page 60 of the Report for a description of Befimmo's financial structure and especially its policy of refinancing and interest-rate and currency hedging.

(in € thousand)	31.12.17	31.12.16
Variable-rate borrowings	134 003	214 194
Bilateral credit lines	*89 131*	*169 351*
EUPP	*44 872*	*44 842*
Fixed-rate borrowings	347 432	322 197
USPP	*161 916*	*183 206*
Assignment of receivables from future rents / future usufruct fees	*64 422*	*72 741*
EUPP	*121 094*	*66 250*
Guarantees received	2 820	2 356
B. Non-current financial debts	**484 255**	**538 747**
Variable-rate borrowings	497 386	392 059
Bilateral credit lines	*41 886*	*67 059*
Commercial papers	*455 500*	*325 000*
Fixed-rate borrowings	20 446	167 180
Assignment of receivables from future rents / future usufruct fees	*5 446*	*5 202*
Bond issue / EUPP	*15 000*	*161 978*
B. Current financial debts	**517 832**	**559 239**
Total borrowings	**1 002 087**	**1 097 986**

In the course of 2017, Befimmo carried out several operations:

- renegotiation and extension of a bank line for an amount of €135 million with maturities of 4 to 7 years;
- renegotiation and extension of a bank line for an amount of €90 million with a maturity of 7 years;
- renegotiation and extension of a bank line for an amount of €50 million with a maturity of 6 years;
- partial early cancellation of a bank line maturing in 2019 for an amount of €25 million;
- renegotiation and extension of a bank line for an amount of €130 million with a maturity of 5 years and 5 months;
- renegotiation and extension of a bank line for an amount of €30 million with a maturity of 5 years.

1. Most of this amount is owed by public institutions.

In 2017 the Company also arranged a fixed-rate private placement of debt totalling €70 million over 10 years (€60 million in April, followed by a €10 million TAP in June).

On this basis, and all other things being equal, the Company has covered its financing needs until the end of the first quarter of 2019.

As at 31 December 2017, the funding available to the Company consisted primarily[2] of:

- various bilateral credit lines totalling €856.9 million, with maturities in April/September/November 2019 (€165 million), September/December 2020 (€105 million), February/June 2021 (€180 million) , February/December 2022 (€177 million), February/June 2023 (€80 million) and February 2024 (€115 million). Two bank lines are subject to annual depreciation of respectively €8.85 million in 2018, 2019 and 2020, €5.73 million in 2021 and €2.6 million in 2022;
- a United States private placement (USPP) at fixed rates in US dollars and pounds sterling arranged in May 2012 for an amount equivalent to €150.3 million maturing in 2019 (€82.77 million) and 2020 (€67.49 million);
- fixed-rate European private bond placements in euros totalling €136.25 million, of which €15 million matures in 2018, €10 million matures in 2022, €3 million matures in 2023, €12 million matures in 2024, €19 million matures in 2025, €7.25 million matures in 2026 and €70 million matures in 2027;
- a floating-rate European private placement in euros totalling €45 million, maturing in April 2022;
- various fixed-rate loans, with a residual total of €69.9 million, corresponding to the assignment of future rents or 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. At 31 December 2017, €455 million were in use for short-term issues under this programme. This programme has backup facilities consisting of the various credit lines described above.

2. The amounts given are the notional amounts, excluding the impact of smoothing the cost of issuing debt.

In addition, the application of the interest rate hedging policy, described on page 62 of the management report, has led the Company to acquire the following financial hedging instruments (as at 31 December 2017) from financial institutions:

	Level in IFRS	Class in IFRS	CURRENCY Notional amount (millions)	Interest rate	€ Notional amount (millions)	Interest rate	Period of hedge		Reference interest rate
CAP bought	2	Option			25	2.00%	Jan. 2013	Jan. 2019	Euribor 3 month
CAP bought	2	Option			25	2.25%	Jan. 2014	Oct. 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	1.15%	Jan. 2016	Jan. 2022	Euribor 3 month
FLOOR[1] sold	2	Option			20	0.55%	Jan. 2016	Jan. 2022	Euribor 3 month
Payer's IRS	2	Forward			25	1.41%	Dec. 2017	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			25	1.57%	Dec. 2017	Sept. 2022	Euribor 3 month
Payer's IRS	2	Forward			20	1.58%	Jan. 2018	July 2022	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	Apr. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.72%	Jan. 2016	Jan. 2024	Euribor 3 month
Payer's IRS	2	Forward			20	0.84%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			30	0.91%	Oct. 2015	Oct. 2025	Euribor 3 month
Payer's IRS	2	Forward			20	0.81%	Oct. 2015	Oct. 2024	Euribor 3 month
Payer's IRS	2	Forward			20	0.79%	Febr. 2016	Feb. 2025	Euribor 3 month
Payer's IRS	2	Forward			30	0.85%	Febr. 2016	Feb. 2026	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	0.82%	Febr. 2017	Febr. 2027	Euribor 3 month
Payer's IRS	2	Forward			25	0.69%	Apr. 2017	Jan. 2027	Euribor 3 month
Payer's IRS	2	Forward			25	0.30%	June 2017	Dec. 2026	Euribor 3 month
Payer's IRS	2	Forward			25	0.77%	Oct. 2017	Jan. 2028	Euribor 3 month
Payer's IRS	2	Forward			25	0.82%	Oct. 2017	Jan. 2028	Euribor 3 month
Payer's IRS	2	Forward			15	0.88%	Nov. 2017	Nov. 2027	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			25	1.51%	July 2012	July 2021	Euribor 1 month
Receiver's IRS	2	Forward			25	1.51%	March 2017	July 2021	Euribor 1 month
Payer's IRS	2	Forward			25	0.42%	Jan. 2016	July 2024	Euribor 3 month
Receiver's IRS	2	Forward			25	0.42%	Oct. 2017	July 2024	Euribor 3 month
Payer's IRS	2	Forward			15	0.84%	May 2014	May 2019	Euribor 3 month
Receiver's IRS	2	Forward			15	0.84%	Feb. 2017	May 2019	Euribor 3 month
Receiver's IRS	2	Forward			15	0.84%	Nov. 2017	May 2019	Euribor 3 month
Payer's IRS	2	Forward			20	0.11%	Jan. 2016	Jan. 2018	Euribor 3 month
Receiver's IRS	2	Forward			20	0.11%	Apr. 2017	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

1. The sale of a floor implies a commitment to pay a minimum interest rate. Befimmo sells a floor only at the same time as it buys a cap, 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 euros include margins for the CCS. The rates are applicable from 1 June 2015.

The hedging policy is implemented by recurring purchases of option or IRS type hedging instruments. The reader is reminded that the CCS were concluded in March 2012 to hedge the currency risk related to the conclusion of the USPP, denominated in pounds sterling and US dollars.

As at 31 December 2017, the hedging ratio was 101.3%[3].

The situation of the hedging instruments as at 31 December 2016 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	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%	Febr. 2014	Febr. 2018	Euribor 3 month
CAP bought	2	Option			15	1.30%	May 2014	May 2018	Euribor 3 month
CAP bought	2	Option			15	0.75%	Jan. 2015	Jan. 2020	Euribor 3 month
CAP bought	2	Option			15	0.30%	Jan. 2015	Jan. 2019	Euribor 3 month
CAP bought	2	Option			30	0.50%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			25	0.85%	July 2015	July 2020	Euribor 3 month
CAP bought	2	Option			20	3.50%	Jan. 2012	Jan. 2017	Euribor 3 month
FLOOR[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%	Febr. 2016	Feb. 2025	Euribor 3 month
Payer's IRS	2	Forward			25	0.59%	Nov. 2016	Nov. 2025	Euribor 3 month
Payer's IRS	2	Forward			30	0.58%	Jan. 2016	Jan. 2026	Euribor 3 month
Payer's IRS	2	Forward			25	0,30%	June 2017	Dec. 2026	Euribor 3 month
Payer's IRS	2	Forward			30	0.85%	Febr. 2016	Feb. 2026	Euribor 3 month
Payer's IRS	2	Forward			40	3.90%	Jan. 2016	Jan. 2018	Euribor 3 month
Receiver's IRS	2	Forward			40	3.90%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			20	0.11%	Jan. 2016	Jan. 2018	Euribor 3 month
Receiver's IRS	2	Forward			30	0.12%	Jan. 2016	Jan. 2018	Euribor 3 month
Payer's IRS	2	Forward			30	2.99%	Jan. 2018	Jan. 2022	Euribor 3 month
Receiver's IRS	2	Forward			30	2.99%	Jan. 2018	Jan. 2022	Euribor 3 month
CCS[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

3. Taking account of the acquisition of the leasehold on Arts 56 completed in January 2018, the hedging ratio would have been 90.8%.

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 directly and entirely to the income statement. Although the instruments in question are considered trading instruments under IFRS, they are intended solely for hedging the risk of rising interest 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*.

The fair value of these contracts is determined at the balance sheet date. The derivatives were valued as at 31 December 2017 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 listed Befimmo bonds.

Befimmo receives this information from an independent specialist company. Befimmo also verifies it using checks of consistency with information received from counterparty financial institutions (fair value excluding CVAs and DVAs).

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

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

(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**

The Company does not offset the value of its financial instruments booked to the assets and liabilities in the balance sheet. The financial assets and financial liabilities shown in the financial situation are therefore gross amounts.
The ISDA agreements with the counterparties for financial instruments provide for the offsetting between financial hedging instruments carried on the assets side and those carried on the liabilities side of the balance sheet in the event of default. No collateral has been exchanged between the parties.

The potential effect of offsetting financial hedging instruments is summarised 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	
	31.12.17	31.12.16	31.12.17	31.12.16
Total financial hedging instruments recognised in balance sheet	19 538 [1]	41 602	17 179 [1]	25 730
Enforceable netting	-12 716	-19 186	-12 716	-19 186
Net amount	**6 822**	**22 416**	**4 463**	**6 544**

The USPP debt included in balance sheet item IBc 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 dollars and pounds sterling) at the closing date of these accounts, plus the credit margin. The notional amount determined in this way is converted at the closing exchange rate to obtain the fair value in euros.

1. The amounts of €19,538 thousand and €17,179 thousand exclude CVAs and DVAs.

In accordance with the Significant Accounting Policies, changes in the value of the derivatives held by the Company 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
31.12.17 fiscal year	16 094	2 424	-16 104	-	2 414
31.12.16 fiscal year	34 809	-	-18 715	-	16 094

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

- the restructuring of two IRS for an initial notional total of €35 million, which extended their maturity to early 2027 and increased their notional total to €50 million;
- the cancellation of two short-term hedging instruments (a COLLAR for a notional amount of €30 million and an IRS for a notional amount of €25 million);
- the restructuring of three IRS involving a total notional amount of €65 million, extending their maturity to 2027.

In early 2018, Befimmo carried out two additional operations:

- the conclusion of a swaptions tunnel on a fixed-rate IRS covering the period 2019-2027 for a notional amount of €30 million;
- the restructuring of an IRS on a notional amount of €25 million, extending its maturity to 2027.

On the basis of total borrowings as at 31 December 2017, a debt of €831.4 million (81.4% of total debt) is financed at fixed rates (conventional fixed rates or rates fixed by IRS). The remainder of the debt, €157.0 million, is financed at floating rates, but is fully hedged against rising interest rates by means of optional instruments (caps and collars[2]).

Without any hedging, the impact of a rise in market rates of 0.25% would entail an increase in financial charges estimated at €1.6 million (annual basis).

With the hedging arranged at 31 December 2017, the impact of a rise in market rates of 0.25% would entail an increase in financial charges estimated at €0.2 million (annual basis).

C. Financial liquidity risk

Please see page 187 of this Report for a description of the financial liquidity risk.

The weighted average debt duration of Befimmo's financing is 4.73[3] years. The tables below illustrate the maturities of the financial liabilities held by the Company.

PASSIF (31.12.17)	Total	< 1 an	Entre 1 et 5 ans	> 5 ans
Passifs financiers non courants				
B. Dettes financières non courantes	484 255	-	342 057	142 197
Passifs financiers courants				
B. Dettes financières courantes	517 832	517 832	-	-
D. Dettes commerciales et autres dettes courantes	29 945	29 945	-	-
E. Autres passifs courants	2 491	2 491	-	-
Total passifs financiers	1 034 524	550 269	342 057	142 197

PASSIF (31.12.16)	Total	< 1 an	Entre 1 et 5 ans	> 5 ans
Passifs financiers non courants				
B. Dettes financières non courantes	538 747	-	404 591	134 156
Passifs financiers courants				
B. Dettes financières courantes	559 239	559 239	-	-
D. Dettes commerciales et autres dettes courantes	26 794	26 794	-	-
E. Autres passifs courants	5 588	5 588	-	-
Total passifs financiers	1 130 368	591 621	404 591	134 156

The financial liabilities in the table above are of level 2 according to IFRS 13 and are carried at amortised cost, with the exception of USPP debt, which is booked at fair value at the balance sheet date. According to IFRS 13, debt carried at fair value is of level 2.

2. 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).
3. This calculation does not take account of maturities for which refinancing is already in place.

34. CHANGES IN DEBT RELATED TO FINANCING OPERATIONS

The following table is designed to improve disclosure on the change in debt related to financing transactions, whether or not this change comes from cash flow.

(in € thousand)	I. E. et II.B. Non-current and current financial assets	I.C. et II.C. Other non-current and current financial liabilities	I.B. et II.B. Non-current and current financial debts	Net Liabilities
On 31 December 2016	46 712	-25 336	-1 097 986	-1 076 609
Changes due to cash flow from financing activities	-986	0	74 556	73 570
European private bond placements			-70 000	-70 000
Reimbursement retail bond April 2011			162 000	162 000
Increase in financial debts			-17 444	-17 444
Hedging instruments and other financial assets	-986			-986
Changes due to items with no effect on cash flow	-24 355	8 251	21 343	5 238
Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-)	-24 355	8 251	21 290	5 186
Variation on activated debt-costs			53	53
On 31 December 2017	21 371	-17 085	-1 002 087	-997 801

35. EMPLOYEE BENEFITS

Changes were made to the Company’s supplementary pension scheme from fiscal year 2016:

The employees recruited from 1 January 2016 have a new supplementary pension scheme under a group defined-contribution insurance policy.

Employees in post on 31 December 2015 were offered the choice between continuing on the existing defined-benefits pension plan or switching to a new defined-contribution type group insurance from 1 January 2016. In accordance with the law, employees who opted for the new defined-contribution scheme 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 scheme were transferred from the pension fund of AG Real Estate OFP to an insurance company,

A. Defined-benefit plan

This plan provides for the 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, notably 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.

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 2015	8 953	-9 337	- 384	384	0
Service cost in profit and loss					
Current service cost (net of employee contributions)	144	0	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	0	1 060		1 060
Experience adjustments	- 443	0	- 443		- 443
Return on plan assets (excluding amounts in net interest)	0	- 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
Service cost in profit and loss					
Current service cost (net of employee contributions)	119		119		119
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	168	- 161	6		6
Components of Defined Benefit Cost recognised in profit and loss	287	- 161	125	0	125
Actuarial (gain)/loss arising from					
Changes in demographic assumptions					
Changes in financial assumptions					
Experience adjustments	- 269		- 269		- 269
Return on plan assets (excluding amounts in net interest)		- 92	- 92		- 92
Change in effect of the asset ceiling (excluding amounts in net interest)				2	2
Remeasurements of the net liability/(asset) in 'Other comprehensive income'	- 269	- 92	- 361	2	- 359
Defined benefit cost (total amount recognised in profit and loss and 'Other comprehensive income')	17	- 253	- 236	2	- 234
Employee contributions	6	- 6	0		0
Employer contributions	0	- 23	- 23		- 23
Benefit payments from plan assets	- 334	334	0		0
Direct benefit payments by employer					
Cash flows	- 328	305	- 23	0	- 23
As at 31 December 2017	9 311	-9 313	- 2	2	0

1. If a net asset exists, it will not be recognized.

The cost of services provided is included under "Corporate overheads" in the IFRS income statement.

The effective rate of return of the assets for fiscal year 2017 is 2.71%, calculated by weighting the rates of return on the group insurances (classes 23 and 21). The plan assets are broken down as follows:

a) Group insurance (class 21): €2,308 thousand (present value of funded insurance benefits);

b) Group insurance (class 23): €7,006 thousand, invested in funds with assets broken down as follows: 30% equities, 68% bonds, 2% cash and other investments.

The duration of the pension obligations for plan members is 22 years. The pension obligations are funded on the basis of the projected credit units method. The effective yield of the assets over the fiscal year was positive at €253 thousand. For fiscal year 2016, it was positive at €287 thousand.

The main actuarial assumptions are summarised below:

	31.12.17	31.12.16
Discount rate	1.75%	1.75%
Expected rate of salary increase	3.00%	3.00%
Expected yield rate of plan assets	1.75%	1.75%
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 €24 thousand for fiscal year 2017.
We also analysed the sensitivity of the pension obligation to changes in the various assumptions:

Parameters	Hypothesis	Impact on the present value of the obligation
Discount rate	0.50%	-10.90%
Discount rate	-0.50%	12.29%
Inflation rate	0.50%	12.00%
Inflation rate	-0.50%	-10.71%
Growth rate of wages	0.50%	9.86%
Growth rate of wages	-0.50%	-10.01%
Life expectancy	+ 1 an	3.99%

A. 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 have also been assessed and any resulting actuarial gains or losses have been recognised directly in equity. As at 31 December 2017, the amount concerned was €2 thousand, the present value of the obligation being valued at €1,125 thousand and the plan assets at €1,123 thousand.
The expected contributions for fiscal year 2018 are estimated at €706 thousand.

36. ASSESSMENT OF THE FAIR VALUE OF INVESTMENT PROPERTIES: DISCLOSURE AS PER IFRS 13

In line with IFRS, Befimmo values its property portfolio at fair value as determined by experts. The fair value of a property 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. This rule is also applied for determining the fair value of property located in the Grand Duchy of Luxembourg.

1. Average level of expenses paid on transactions recorded by the experts on the Belgian market. This accounting treatment is detailed in the press release issued by BeAMA on 8 February 2006 and confirmed in the press release of the BE-REIT Association of 10 November 2016.

A. Valuation at fair value as at 31 December 2017

Investment properties (in € thousand)	Total	Level 3
Properties available for lease	2 345 878	2 345 878
Brussels CBD and similar	1 327 651	1 327 651
Brussels decentralised	87 027	87 027
Brussels periphery	137 814	137 814
Flanders	487 678	487 678
Wallonia	195 792	195 792
Luxembourg city	109 916	109 916
Properties that are being constructed or developed for own account in order to be leased	148 482	148 482
TOTAL INVESTMENT PROPERTIES	2 494 360	2 494 360

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-REIT's 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 the properties in the portfolio on the assumption that they are used optimally ("highest and best use") in terms of allocation (e.g. an office building with a higher potential value for retail use is valued taking account of the creation of potential value related to that reallocation).

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 2016	2 511 658
Changes in fair value	13 429
Investments	43 330
Acquisitions	24 230
Disposals	- 98 287
Transfer between levels	-
Opening balance as of 31 december 2017	2 494 360

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 31.12.17 (in € thousand)	Valuation techniques	Unobservable data	Periods	(weighted average)
Brussels CBD and similar	1 327 651	Cashflow discount	Annual rent	149 €/m^2 - 324 €/m^2	(206 €/m^2)
			Discount rate	1.00% - 1.00%	(1.00%)
			Capitalisation rate of the residual value	4.75% - 7.00%	(5.14%)
		Capitalisation method	Annual rent/ rental value	155 €/m^2 - 275 €/m^2	(190 €/m^2)
			Capitalisation rate	4.20% - 5.75%	(5.01%)
Brussels decentralised	87 027	Cashflow discount	Annual rent	-	-
			Discount rate	-	-
			Capitalisation rate of the residual value	-	-
		Capitalization method	Annual rent/ rental value	145 €/m^2 - 158 €/m^2	(152 €/m^2)
			Capitalisation rate	6.17% - 7.25%	(6.52%)
Brussels periphery	137 814	Cashflow discount	Annual rent	-	-
			Discount rate	-	-
			Capitalisation rate of the residual value	-	-
		Capitalisation method	Annual rent/ rental value	70 €/m^2 - 125 €/m^2	(106 €/m^2)
			Capitalisation rate	7.00% - 11.00%	(7.91%)
Flanders	487 678	Cashflow discount	Annual rent	63 €/m^2 - 144 €/m^2	(116 €/m^2)
			Discount rate	1.00% - 3.00%	(1.41%)
			Capitalisation rate of the residual value	5.11% - 7.00%	(6.42%)
		Capitalization method	Annual rent/ rental value	70 €/m^2 - 115 €/m^2	(111 €/m^2)
			Capitalisation rate	4.95% - 12.00%	(5.11%)
Wallonia	195 792	Cashflow discount	Annual rent	113 €/m^2 - 153 €/m^2	(142 €/m^2)
			Discount rate	1.00% - 1.00%	(1.00%)
			Capitalisation rate of the residual value	7.00% - 8.00%	(7.02%)
		Capitalisation method	Annual rent/ rental value	-	-
			Capitalisation rate	-	-
Luxembourg city	109 916	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	148 482	Capitalised net revenue less cost of the remaining work	Capitalised net incom	1 341 €/m^2 - 4 259 €/m^2	(2 318 €/m^2)
			Annual rent	114 €/m^2 - 230 €/m^2	(198 €/m^2)
			Capitalisation rate	4.80% - 8.50%	(5.35%)
			Costs of the remaining work	938 €/m^2 - 2 500 €/m^2	(2 046 €/m^2)
TOTAL	2 494 360				

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 +€94.2 million and -€92.9 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) would result in a change in fair value of the portfolio of the order of -€208.9 million and +€249.6 million respectively.

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 auditors before Befimmo's Board of Directors closes the financial statements.

37. COMMITMENTS AS AT 31 DECEMBER 2017

37.1. Commitments to third parties

37.1.1. Commitments to tenants

Befimmo undertakes, under various leases, to bear the costs of light renovation work amounting on one hand to €1.7 million excluding VAT and on the other hand up to €0.18 million excluding VAT 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.

Befimmo undertakes, under the lease it has signed, to make available to Beobank in the course of 3rd quarter of 2020, an area of about 22.000 m² of office space in the Quatuor building under construction.

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 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.

37.1.2. Commitments to purchasers of properties to be sold

Fedimmo signed a preliminary sales agreement subject to a suspensory condition of obtaining a permit for its building at 26 Ijzerkaai in Kortrijk.

37.1.3. Purchase undertaking

On 7 December 2017, Befimmo signed agreements with AXA Belgium SA, subject to conditions, concerning the acquisition by Befimmo of a 99-year leasehold on the building located at avenue des Arts 56 in Brussels. The leasehold agreement was signed on 29 January 2018.

37.1.4. Commitments to approved building contractors and design teams

Commitments entered into by Befimmo and its subsidiaries with approved building contractors:

Befimmo's main contractual commitments with approved building contractors and design teams amount to some €140.2 million including VAT. These commitments relate mainly to the Brederode Corner and Eupen Rathausplatz and Quatuor, and the Paradis Express and WTC 4 projects.

Commitments made by Befimmo Property Services on behalf of Befimmo or subsidiaries:

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 and its subsidiaries. These commitments vary in length depending on the contracts and account for some €5.1 million including VAT annually. These services are mostly billed to tenants under the heading of common charges.

37.1.5. Letting mandates

Befimmo, Fedimmo and Axento have given undertakings, in the context of leases and/or sales, to pay fees to various agents in line with standard market practice.

37.1.6 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.

37.1.7 Other commitments

Befimmo and Fedimmo are also committed for periods of one to three years under specific contracts such as property surveying services (for the quarterly valuation of the property portfolio), property management services for the Axento building, contracts for the provision of services in certain builings, contracts for leasing parking spaces to third parties, and insurance policies.

37.2. 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. These restrictions have no impact on the value of the properties concerned.

Similarly, none of Befimmo's property assets is subject to any restriction on the recovery of its 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.

37.3. Guarantees given

(in € thousand)		31.12.17	31.12.16
Guarantees for investment work	Bank guarantee	5 249	4 562
Guarantees issued at the close of the fiscal year		**5 249**	**4 562**

In the context of the building of the new Finance Centre, Paradis Tower in Liège, Fedimmo issued a guarantee for the sum of €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 Finance Service in Liège. 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 also issued a bank guarantee in favour of the Codic-Immobel joint venture to cover the balance of the purchase price of the building, the residual amount of which was €100,000 at 31 December 2017. That guarantee was released in full in January 2018.

Befimmo issued a guarantee for €1.04 million, in favour of the Buildings Agency, to cover the proper execution of the development contract to provide a courthouse for the Federal Public Justice Service located in Rathausplatz in Eupen.
In 2017, Befimmo issued a guarantee for €0.9 million in favour of the Ministry of the Brussels-Capital Region to cover the proper execution of the work in kind constituting the urban planning charge to be carried out for the implementation of the planning permit for the Quatuor project. The work concerns the renovation of the Reine Marie Henriette children's home at 14 rue de la Flèche in Brussels.

38. RELATED-PARTY TRANSACTIONS

The table below sets out the remuneration of the Directors and members of the Management Committee of Befimmo SA.

Post-employment benefits are described in the note on employee benefits.
The Company did not grant any other long-term benefits during fiscal years 2016 or 2017.

FISCAL YEAR 31.12.17 (in €) Name	Short-term benefits (salaries, bonuses)[1]	Post-employment benefits (pension, etc.)
Alain Devos	131 000	
Barbara De Saedeleer (as from 14 February 2017 and end of mandate on 12 September 2017)	35 000	
Sophie Goblet	80 500	
Sophie Malarme-Lecloux	66 000	
Annick Van Overstraeten (end of mandate on 14 February 2017)	3 333	
Hugues Delpire	80 000	
Kurt De Schepper	65 000	
Etienne Dewulf	80 500	
Benoît Godts	78 500	
Guy Van Wymersch-Moons (end of mandate on 31 October 2017)	46 667	
Benoît De Blieck/SPRLu BDB Management	727 335	72 657
variable portion	*250 000*	
Other members of the Management Committee	1 209 566	154 255
variable portion	*335 000*	
Total	2 603 401	226 912

FISCAL YEAR 31.12.16 (in €) Name	Short-term benefits (salaries, bonuses)[1]	Post-employment benefits (pension, etc.)
Alain Devos	136 250	
Sophie Goblet	86 500	
Sophie Malarme-Lecloux	67 000	
SPRL A.V.O. Management, represented by Annick Van Overstraeten (until 26 April 2016) / Annick Van Overstraeten (as from 26 April 2016)	67 500	
Hugues Delpire	97 500	
Kadees BVBA, represented by Kurt de Schepper (until 26 April 2016) / Kurt De Schepper (as from 26 April 2016)	24 167	
Kurt De Schepper (as from 26 April 2016)	38 333	
Etienne Dewulf	87 500	
Benoît Godts	91 500	
Jacques Rousseaux (end of mandate on 26 April 2016)	24 167	
Guy Van Wymersch-Moons	67 500	
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

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

INDEPENDENT AUDITOR'S REPORT TO THE GENERAL MEETING OF BEFIMMO SA FOR THE YEAR ENDED 31 DECEMBER 2017

As required by law and the Company's by-laws, we report to you as statutory auditor of Befimmo sa (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2017, the consolidated statement of total comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2017 and the notes to the consolidated financial statements (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory auditor by the shareholders meeting of 25 April 2017, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2019. We performed the audit of the Consolidated Financial Statements of the Group for the first year.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Unqualified opinion

We have audited the Consolidated Financial Statements of Befimmo nv, which consists of the consolidated statement of financial position as at 31 December 2017, the consolidated statement of total comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2017 and he notes to the consolidated financial statements, which show a consolidated balance sheet total of € 2,559,128 thousand and of which the consolidated income statement shows a profit for the year of € 136,070 thousand.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2017, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the consolidated financial statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect of independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Valuation of the investment properties

- Description of the matter and audit risk:

Investment property amounts to a significant part (97,5%) of the assets of the Group.

In accordance with the accounting policies and IAS 40 standard "Investment property", investment property is valued at fair value, and the changes in the fair value of investment property are recognized in the income statement. The fair value of investment properties belongs to the level 3 of the fair value hierarchy defined within the IFRS 13 standard "Fair Value Measurement", some parameters used for valuation purposes being based on unobservable data (discount rate, future occupancy rate, …).

- Summary of audit procedures performed

As external appraisers carry out an estimate of the fair value of the investment properties of the Group, we have assessed their valuation reports (with the support of real estate valuation specialists of our firm). More precisely, we have:

- assessed the objectivity, the independence and the competence of the external appraisers,
- tested the integrity of source data (contractual rentals, maturities of the rental contracts, …) used in their calculations
- reviewed the models, assumptions and parameters used in their reports (discount rates, future occupancy rates, …).

Finally, we have assessed the appropriateness of the information on the fair value of the investment properties disclosed in note 18 of the Consolidated Accounts.

Valuation of financial instruments

- Description of the matter and audit risk:

Befimmo sa uses interest rate swaps (IRS), options and cross currency swaps (CCS) to hedge its interest rate and foreign currency risk on its variable rate debts. The measurement of the derivatives at fair value is an important source of volatility of the result. As a matter of fact, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", these derivatives are valued at fair value (considered to belong to the level 2 of the fair value hierarchy defined by IFRS 13 "Fair Value Measurement"). The changes in fair value are recognized in the income statements. The audit risk appears on the one hand in the valuation of these derivatives.

- Summary of audit procedures performed

We have compared the fair values of the derivatives (with the support of internal exports within our practice) with the valuations calculated by an external party and validated as such by Befimmo sa, and compared them to the values communicated by the financial counterparties and the credit risk adjustments. We have assessed the most important assumptions and the calculations.

Finally, we have assessed the appropriateness of the information on the financial instruments disclosed in the notes 14, 28 and 33B of the Consolidated Accounts.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium. This responsibility involves implementing internal controls relevant to the preparation of the Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company s ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, the Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective 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;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report and other information included in the annual report on the Consolidated Accounts.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report, in accordance with article 119 of the Code of Company and other information included in the annual report, and to report any matters.

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements and has been in prepared accordance with article 119 of the Belgian Companies Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Director's report and other information included in the annual report, being:

- Key figures
- Financial report
- EPRA best practices
- Subsequent Key Event after Year-End Closing
- Financial report
- Appendix III: Alternative Performance Measures

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, we do not need to report any material inconsistencies. In addition, we do not express any form of reasonable assurance regarding the individual elements included in the annual report.

Independence matters

Our auditor's office has not performed any services that are not compatible with the audit of the Consolidated Financial Statements and has remained independent of the Company and the Group during the course of our mandate. The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 134 of the Belgian Companies Code have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 20 March 2018
Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
Represented by Christel Weymeersch
Partner*
*Acting on behalf of a BVBA/SPRL
18CW0139

Statutory statement of total comprehensive income (in € thousand)

		31.12.17	31.12.16
I.	(+) Rental income	84 722	87 189
III.	(+/-) Charges linked to letting	- 706	- 687
NET RENTAL INCOME		**84 016**	**86 501**
IV.	(+) Recovery of property charges	5 447	4 909
V.	(+) Recovery of rental charges and taxes normally payable by tenants on let properties	21 721	22 486
VII.	(-) Charges and taxes normally paid by tenants on let properties	-19 558	-20 931
VIII.	(+/-) Other revenue and charges for letting	1 655	212
PROPERTY RESULT		**93 282**	**93 176**
IX.	(-) Technical costs	-8 877	-6 397
X.	(-) Commercial costs	- 995	-1 267
XI.	(-) Charges and taxes on unlet properties	-2 947	-4 007
XII.	(-) Property management costs	-2 691	-2 661
XIII.	(-) Other property charges	-3 187	-2 485
	(+/-) Property charges	**-18 696**	**-16 817**
PROPERTY OPERATING RESULT		**74 586**	**76 359**
XIV.	(-) Corporate management costs	-7 679	-6 323
XV.	(+/-) Other operating income and charges	-1 174	- 461
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		**65 733**	**69 575**
XVI.	(+/-) Gains or losses on disposals of investment properties	21 525	1 142
XVIII.	(+/-) Changes in fair value of investment properties	-20 350	-8 218
OPERATING RESULT		**66 908**	**62 499**
XX.	(+) Financial income	141 831	39 154
XXI.	(-) Interest charges	-16 035	-18 793
XXII.	(-) Other financial charges	-2 726	-2 696
XXIII.	(+/-) Changes in fair value of financial assets and liabilities	-52 596	12 268
	(+/-) Financial result	**70 473**	**29 934**
PRE-TAX RESULT		**137 381**	**92 433**
XXIV.	(-) Corporation tax	-1 302	-2 007
	(+/-) Taxes	**-1 302**	**-2 007**
NET RESULT		**136 079**	**90 426**
TOTAL BASIC NET RESULT AND DILUTED PER SHARE		**5.32**	**3.82**
Other comprehensive income - actuarial gains and losses - non-recyclable		357	- 153
TOTAL COMPREHENSIVE INCOME		**136 436**	**90 273**

Pursuant to Article 105 of the Code of Company Law, the Auditor's report on the statutory accounts is not published in this Report as only an abridged version of the statutory accounts is presented. The Statutory Auditor’s report gives unqualified approval to the statutory accounts of Befimmo SA.

Statutory statement of financial position

(in € thousand)

ASSETS		31.12.17	31.12.16
I.	Non-current assets	2 192 936	2 341 026
C.	Investment properties	1 311 296	1 377 742
D.	Other property, plant and equipment	2 169	2 207
E.	Non-current financial assets	878 991	961 077
F.	Finance lease receivables	480	-
II.	Current assets	324 443	226 678
B.	Current financial assets	304 205	202 220
D.	Trade receivables	15 826	15 897
E.	Tax receivables and other current assets	2 664	4 638
F.	Cash and cash equivalents	195	41
G.	Deferred charges and accrued income	1 553	3 881
TOTAL ASSETS		2 517 378	2 567 705

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.17	31.12.16
SHAREHOLDERS' EQUITY		1 448 500	1 401 336
A.	Capital	357 871	357 871
B.	Share premium account	792 641	792 641
C.	Reserves	228 159	219 102
D.	Net result for the fiscal year	69 829	31 721
LIABILITIES		1 068 878	1 166 369
I.	Non-current liabilities	469 488	525 985
A.	Provisions	3 673	257
B.	Non-current financial debts	448 735	500 407
	a. Credit institution	119 250	204 785
	c. Other	329 485	295 622
	USPP	*161 916*	*183 206*
	EUPP	*165 966*	*111 092*
	Guarantees received	*1 603*	*1 324*
C.	Other non-current financial liabilities	17 080	25 321
II.	Current liabilities	599 390	640 384
A.	Provisions	5 579	3 769
B.	Current financial debts	521 818	561 452
	a. Credit institution	44 327	69 392
	c. Other	477 491	492 061
	Commercial papers	*455 500*	*325 000*
	Bond issues / EUPP	*15 000*	*161 978*
	Other	*6 991*	*5 083*
C.	Other current financial liabilities	5	15
D.	Trade debts and other current debts	44 947	38 386
	b. Other	44 947	38 386
E.	Other current liabilities	2 468	5 484
F.	Accrued charges and deferred income	24 574	31 276
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2 517 378	2 567 705

Pursuant to Article 105 of the Code of Company Law, the Auditor's report on the statutory accounts is not published in this Report as only an abridged version of the statutory accounts is presented. The Statutory Auditor's report gives unqualified approval to the statutory accounts of Befimmo SA.

Note on statutory shareholders' equity

Pursuant to Article 105 of the Code of Company Law, the Auditor's report on the statutory accounts is not published in this Report as only an abridged version of the statutory accounts is presented. The Statutory Auditor's report gives unqualified approval to the statutory accounts of Befimmo SA.

Please see page 63 of the management report for the chapter "Appropriation of result".

The changes in equity before and after the proposed appropriation of the result for fiscal year 2017 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 (+/-)
31.12.2016 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					31 721		27 599
Payment of the final dividend of the 2016 fiscal year					- 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
Interim dividend of the 2017 fiscal year							
Other comprehensive income					357		
Transfer of the legal reserve					0	- 1 295	
31.12.2017 SHAREHOLDERS' EQUITY (Before appropriation of result)	357 871	371 627	- 13 756	792 641	228 159	0	145 955
Appropriation of result 2017 in the reserves[1]					69 829		3 306
Payment of the final dividend of the 2017 fiscal year[1]					- 21 998		
31.12.2017 SHAREHOLDERS' EQUITY (After appropriation of result)	357 871	371 627	- 13 756	792 641	275 990	0	149 261

1. Subject to the approval of the Ordinary General Meeting of Shareholders of 24 April 2018.

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
- 34 004	- 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	-	
					- 66 250	
		357				
			1 295			
- 34 444	- 20 321	91	21 113	115 764	69 829	1 448 500
1 661	8 384			56 478		
				- 21 998		
- 32 782	- 11 937	91	21 113	150 243	-	

Note also that, since BE-REITs (SIR/GVV) are not required to set up a legal reserve, the legal reserves in place when the Company became subject to the SICAFI (and later BE-REIT) regime are transferred to a reserve available under the heading 'Other reserves'.

The table below is presented after appropriation of the result to reserves.

Shareholders' equity that can not be distributed according to article 617 of the Company Code (in € thousand)		31.12.17	
Net assets		1 448 500	
(+)	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	149 261	2
(-)	Reserves for estimated transaction costs resulting from hypothetical disposal of investment properties	- 32 782	
(+/-)	Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting	- 11 937	3
(+/-)	Reserve for actuarial gains and losses of the defined benefit pension plan	91	
(+)	Other reserves declared non-distributable by the General Meeting of Shareholders	3 633	
TOTAL NON-DISTRIBUTABLE SHAREHOLDERS' EQUITY		1 213 778	
BALANCE		234 723	

Obligation to distribute dividends according to the Royal Decree of 13.07.2014 concerning BE-REITs (in € thousand)		31.12.17	
NET RESULT		136 079	
(+)	Depreciation	546	
(+)	Writedowns	352	
(-)	Writeback of writedowns	- 179	
(+/-)	Other non-cash elements	17 274	
(+/-)	Result on the disposal of property assets	-21 525	
(+/-)	Changes in fair value of investment properties	56 842	3
CORRECTED RESULT (A)		189 389	
(+/-)	Realised gains and losses[4] on property assets during the year	40 366	
(-)	Realised gains and losses[4] on property assets during the year, exonerated from the obligation to distribute if reinvested within 4 years	-40 366	
(+)	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)		-	
TOTAL (A+B) X 80%		151 511	
DECREASE IN BORROWINGS (-)		-87 763	
OBLIGATION TO DISTRIBUTE		63 748	

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 changes in the fair value of the investment properties of the subsidiaries.
3. Including the change in the fair value of the USPP debt, offset by changes in the fair value of the associated Cross-Currency Swaps.
4. In relation to the acquisition value, plus capitalised renovation costs.

Gateway | Brussels airport

Risk factors

TABLE OF CONTENTS

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

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

MAIN MARKET-RELATED RISKS

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
Risks of segmental and geographical concentration		
The portfolio is not very diversified in terms of segment and geography. It consists of office buildings, mainly located in Brussels and its economic hinterland (67.38%[1] of the portfolio as at 31 December 2017). → "Property report, page 26"	Sensitivity to developments in the Brussels office property market, which is characterised in particular by a significant presence of European institutions and related activities.	Investment strategy focused on quality office buildings with, among other things, a good location, good accessibility and adequate critical mass (while avoiding excessive concentration of the portfolio in a single area or asset). Buildings that are well equipped and flexible, in an appropriate rental situation and with potential for value creation. Silversquare @Befimmo can attract a new target of potential occupants: self-employed people and the smallest businesses. Mixed functions in future Befimmo projects (offices in a potentially multifunctional environment). 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 3 in Brussels each account for between 5 and 10% of the fair value of the portfolio as at 31 December 2017. → "Mission and strategy, page 14"
Risks related to rental vacancy		
Overall, the office property market is currently characterised by higher supply than demand. The Company is exposed to the risks of its tenants leaving, and of renegotiating their leases : ▪ Risk of loss of and/or reduced income ▪ Risk of negative reversion of rents ▪ Risk of pressure on the renewal conditions and to grant rental gratuities ▪ Risk of loss of fair value of	Decline in spot occupancy rates and a reduction in the operating result of the portfolio. On an annual basis at 31 December 2017, a 1% fluctuation in the spot occupancy rate of the Company's portfolio would have an impact of some €1.8 million on the property operating result, €0.07 on the net asset value per share and 0.07% on the debt ratio. Direct costs related to rental vacancies, namely charges and	Investment in quality buildings. Professional sales team dedicated to finding new tenants and actively managing the relationship with its customers. Extensive and personalised range of services to make life easier for its tenants. Opening up to a new market segment through coworking, which is also an asset for a building. The building will integrate into the city and become an ecosystem open to its urban environment, bringing together a mix of functions. Steady cash flow depends mainly on rental income being secured. The Company therefore strives to ensure that a

1. Calculated on the basis of the fair value of the investment properties, including projects.

properties, etc.	taxes on unlet properties. They are estimated on an annual basis for 2017 at -€2.72 million, equivalent to around 1.59% of total rental income. Higher expenses in connection with the marketing of properties available for lease. Fall in the value of buildings	large proportion of its portfolio is let on long-term leases and/or to multiple tenants, which helps to spread the rental risks. At 31 December 2017, the weighted average duration of Befimmo's current leases until the next break was 7.31 years. The major projects in the North area are an opportunity for the Company to tackle the lack of Grade A buildings[1] in Brussels.
Risks associated with tenants		
Risks related to the insolvency of its tenants.	Loss of rental income, an increase in property charges where rental charges cannot be recovered and the emergence of unexpected rental vacancies. Risk of pressure on the renewal conditions and to grant rental gratuities, etc.	Prior review of the financial health of potential customers. Private-sector tenants[2] are required to provide a rental guarantee. There is a procedure for regularly monitoring outstanding receivables.
Risk related to market developments		
Office space is being used in increasingly flexible ways. Technological progress is driving a transformation within companies: from a static and "sequential" mode of operation to more dynamic environments. Companies are looking for modern working environments to attract talent.They accommodate themselves according to the Smart Ways of Working and move to Activity Based Working.	The ratio of the number of m² used per employee is decreasing and may lead to a decrease in buildings' occupancy rate. Conventional office environments no longer meet expectations. The coworking business model is still developing.	The Company is committed to this new world of work: ▪ A redesigned world of work; workspaces are organised according to the type of activity and the profile of the users. ▪ A mix of functions in the new projects to ensure that the environment is conducive to the development of a genuine community life. ▪ Projects that integrate into the city; the buildings become an ecosystem open to their urban environment, bringing together a mix of functions. ▪ Joint venture with a coworking company.

1. A new building (new build or major renovation) meeting the latest environmental, technical and spatial layout standards (notably efficient floor space). Generally, a building that is new or less than 5 years old.
2. Public-sector tenants (the Belgian Government, Flemish Region and European institutions), which occupy a substantial proportion of the Company's portfolio (68.65% as at 31 December 2017, calculated on the basis of the gross current rent from lease agreements at 31 December 2017), do not generally provide rental guarantees, however, but do have a more limited risk profile.

MAIN RISKS IN THE PROPERTY PORTFOLIO

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
Risk related to the fair value of the properties		
▪ Risk of a negative change in the fair value of the portfolio. ▪ Risk of the real-estate experts overvaluing or undervaluing properties in relation to their true market value. This risk is accentuated in the market segments in which the limited number of transactions gives the experts few points of comparison, which still is true, to some extent, for the decentralised areas and periphery of Brussels (9.01%[3] of the portfolio), and more generally in the Belgian provincial towns.	Impact on the Company's net result, equity, debt ratio[4] and LTV[5]. Impact on the Company's ability to distribute a dividend[6] if the cumulative negative changes in fair value were to exceed the total value of distributable and non-distributable reserves and the distributable portion of the share premiums. On the basis of the data as at 31 December 2017, a 1% decline in the value of the property assets would have an impact of around -€24.9 million on the net result, entailing a change of around -€0.98 in the net asset value per share, around +0.39% in the debt ratio and around +0.40% in the LTV ratio.	Investment strategy focused on quality office buildings, with a good location, good accessibility and a sufficient critical size, among other factors. Buildings that are well equipped and flexible, in an appropriate rental situation and with potential for value creation. Statutory rotation of independent experts. They are systematically informed of changes in the situation of the buildings, also by organising visits to buildings.
Risks related to inadequate insurance cover		
Risk of occurrence of a major loss affecting the buildings, with insufficient cover.	Costs of refurbishing the affected building. Fall in the operating result of the portfolio and in the fair value of the building following the termination of the lease after it has become moot, and therefore an unexpected rental vacancy.	Buildings covered by a number of insurance policies (risk of fire, storm damage, water damage, etc.) covering loss of rent for a limited period (in principle for the time needed for reconstruction) and the cost of reconstruction, for a total sum (new reconstruction value, excluding the value of the land) of €2,229.4 million as at 31 December 2017. Buildings covered by a policy against acts of terrorism.
Risk of deterioration and obsolescence of buildings		
Risk of wear and tear, and obsolescence in relation to increasingly demanding requirements (legislative, societal or environmental).	Rental vacancies. Investments required to bring the building into compliance with regulatory requirements and tenants' expectations.	Property kept in a good state of repair and kept 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. Most of the buildings are covered by "total guarantee" maintenance contracts[7]. At 31 December 2017, 85% of the consolidated portfolio was covered by such a "total guarantee" contract.

3. Calculated on the basis of the fair value of the investment properties as at 31 December 2017.
4. The debt ratio is calculated in accordance with the Royal Decree of 13 July 2014.
5. Loan to value (LTV) = [(nominal financial debts – cash)/fair value of portfolio].
6. Please see the chapter "Appropriation of results (statutory accounts)" on page 63 of this Report.
7. 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.

		Close monitoring of developments in existing environmental legislation, anticipation of new measures, and analysis of sector studies, with a view to incorporating new technologies and management tools as soon as possible into renovation projects. Use of resources: Befimmo adopts an eco-responsible approach at every stage of a building's life, making optimal use of energy and natural resources.
Risks related to execution of works		
Risks of delays, overshooting the budget, environmental damage and organisational problems when erecting, redeveloping and carrying out major works in the buildings in the portfolio. Risk of insolvency and non-compliance with specifications by the contractors responsible for the works.	Adverse impact on the Company's results owing to a loss of rental income and/or an increase in charges. Adverse impact on the Company's reputation.	Monitoring of technical, environmental, budgetary and planning aspects has been introduced to manage the risks associated with this work. Contracts with building contractors generally provide for a number of measures to mitigate such risks (price ceilings, delay penalties, etc.). Regarding environmental issues, specific measures are incorporated into the specifications and contracts applying to successful tenderers. Monitoring of compliance with these environmental measures while the works are in progress (notably by external environmental coordinators, ISO 14001 procedures, site audits, BREEAM assessors, etc.). Regular assessment of main suppliers and service providers, and checks that co-contractors have no unpaid social contributions or taxes.
Environmental risks		
Environmental risks in terms of pollution of soil, water and air (high CO_2 emissions) and also noise pollution. Risk of not achieving the Company's targets for improving its environmental performance and of losing the certifications (BREEAM, ISO 14001, etc.) that it has received.	Adverse environmental impact. High costs for Befimmo. Adverse impact of Befimmo's image on its stakeholders. In some cases, an adverse impact on the fair value of the portfolio.	A responsible approach, under which, for many years, the necessary action has been taken to reduce the environmental impact of the activities that the Company controls and influences directly. The implementation of the Environmental Management System ("EMS"), which is ISO 14001 compliant, helps to anticipate environmental risks at both strategic level (acquisitions, major renovations, etc.) and operational level (building maintenance, use of buildings, etc.). An analysis was conducted of the environmental performance and the potential for improvement of the portfolio, and compliance with the requirements associated with certifications obtained. Use of resources: Befimmo adopts an eco-responsible approach at every stage of a building's life, making optimal use of energy and natural resources. → "Property report, page 26"
Risks related to mergers, demergers, acquisitions and joint ventures		
Risk that the value of certain assets may have been over-estimated or that hidden liabilities have been transferred	Realisation of the need to revalue certain assets or record certain liabilities could entail a financial loss to the Company.	The usual precautions are taken 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.

to the Company during mergers, spin-offs or acquisitions, or joint ventures.		Similar precautions are taken in case of joint ventures.
Risk related to co-ownership		
Some properties in the Befimmo portfolio are co-owned. Co-ownerships are governed by the Civil Code and provide in particular that important decisions other than the routine management of the condominium, where they involve 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.	Impact on the times for carrying out major works or even the feasibility of certain projects, as important decisions must be taken by qualified majority voting.	Limitation of the Company's ownership of co-owned assets.
Risks related to non-compliance of the buildings with the applicable regulations		
The Company runs the risk that one or more of its properties does not immediately meet all the applicable new standards and regulations.	Additional investments which entail increased costs to the Company and/or delays in ongoing projects (renovations, etc.). Fall in the fair value of a building. The Company is liable for civil, administrative or criminal fines. Liability of the Company for non-compliance (e.g. in case of fire for failing to comply with safety standards). An adverse impact on the Company's reputation, business and results.	Introduction of procedures needed (i) to anticipate 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 made aware of their obligations in this regard by a clause in the standard lease.
Risk associated with entering the coworking market		
	Profitability linked to the success of the underlying activity.	The impact on Befimmo is limited, as it develops this activity progressively. Partnership with a company with long experience in coworking, which commits the necessary resources.

MAIN ECONOMIC AND FINANCIAL RISKS

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
Risk of inflation and deflation		
Risk of deflation on income, as Befimmo leases contain clauses indexing rents to changes in the health index. Risk of the costs the Company has to bear being indexed on a basis that changes faster than the health index.	The impact of the adjustment of rents can be estimated at €1.4 million on an annual basis (not including protection) per percentage point change in the health index.	90.36%[1] of the leases in Befimmo's consolidated portfolio are hedged, in line with standard practice, against the effect of any negative indexing (44.18% provide for a minimum equal to the base rent while 46.18% contain a clause that sets a minimum of the last rent paid). The remaining 9.64% of the leases do not provide for any minimum rent. Contractual agreements put in place in relations with contractors.
Risk associated with changing interest rates		
Financial charges, the Company's main expense item, are largely influenced by interest rates prevailing on the financial markets.	Increase in financial charges and drop of net result and EPRA earnings. 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.	Implementation of a policy of hedging the interest-rate risk, consisting of financing part of its borrowings at fixed rates and arranging IRS financial instruments or CAP and FLOOR options on part of its borrowings at floating rates. On the basis of total borrowings as at 31 December 2017, a debt of €831.4 million (84.1% of total debt) is financed at fixed rates (conventional fixed rates or rates fixed by IRS). The remainder of the debt, €157 million, is financed at floating rates, but is fully hedged against rising interest rates by means of optional instruments (CAP/COLLAR[2]). Without any hedging, the impact of a rise in market rates of 0.25% would entail an increase in financial charges estimated at €1.6 million (annual basis). With the hedging arranged at 31 December 2017, the impact of a rise in market rates of 0.25% would entail an increase in financial charges estimated at €0.2 million (annual basis).
Risk related to changing credit margins		
The Company's financing cost also depends on the credit margins charged by the banks and the financial markets. These financing margins change in line with the perception of the Company's economic model, and also with the regulations, especially in the banking sector (known as the "Basel III" and "Basel IV" requirements) and the insurance sector (known as "CRD IV").	An increase in financial charges and hence an adverse effect on EPRA earnings and the net result.	Spreading of the maturities of financing over time and diversification of sources of financing. Optimising the use of 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 60". Please also see "Risk related to a change in the Company's rating, on page 187".

1. Based on the gross current rent from lease agreements at 31 December 2017.
2. 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).

Currency 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 and the United Kingdom (US Private Placement (USPP)) denominated in US dollars and sterling, maturing in 2019 and 2020.	Adverse change in the exchange rate of the euro against the currencies.	Exchange rate fluctuations fully offset against the interest and principal to be repaid by the Company through the full and immediate hedging of foreign exchange transactions and conversion risks through the purchase of currency swap agreements (Cross Currency Swaps).
Risk of a change in fair value of financial assets and liabilities carried at fair value		
A change in the interest and exchange rates alters the value of the financial assets and liabilities carried at fair value.	Had the euro, US dollar and pound sterling interest rate curves been 0.5% lower than the reference rate curves at 31 December 2017, the change in fair value of the financial assets and liabilities would have been -€22.75 million. In the opposite case, the change would have been +€21.94 million. Changes in the euro-US dollar and euro-sterling exchange rates can also have a significant impact on the fair value of the USPP finance, which is denominated in US dollars and pounds sterling.	The change in fair value of the USPP debt is substantially offset, however, by a change in the opposite direction of the Cross Currency Swaps, hedging instruments arranged at the same time as the financing. The impact of the change in fair value of the financial assets and liabilities at fixed rates can be partially mitigated by a combination of hedging instruments (options and swaps). At 31 December 2017, the net fair value of all the hedging instruments, including the cumulative change in the fair value of the USPP debt, was -€10.14 million. Part of Befimmo's borrowings (63.94%) are arranged at floating rates, which therefore means that the debt does not change in value in line with changes in interest rates.
Risk related to a change in the Company's rating		
The Company's financing cost is influenced mainly by the rating given today by Standard & Poor's.	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-, it would generate an additional financing cost estimated at €0.76 million, based on the debt structure as at 31 December 2017. Adverse impact on the Company's image with investors.	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 those ratios.
Financial liquidity risk		
Befimmo is exposed to a liquidity risk related to the renewal of its financing as it reaches maturity or for any additional funding needed to meet its commitments. The Company could also be exposed to this risk if its financing agreements were terminated.	New financing arranged at a higher cost. Sale of certain assets under less than ideal conditions.	Adoption of a financial policy which in particular diversifies the sources and maturities of its financing. At 31 December 2017, the ratio of debt provided by financing from 7 banking institutions was 66.5%. The remainder is provided by various bond issues (one private bond placement in the United States (USPP) and a number of private placements in Europe). At 31 December 2017, the Company had confirmed unused lines of €270.12 million including cash. The Company aims to keep a defined amount in confirmed unused lines at all times and to hedge this risk over a time frame of at least 12 months. → "Financial structure, page 60"

Risk related to counterparty banks		
Arranging finance or a hedging instrument with a financial institution creates a counterparty risk of that institution defaulting.	The Company could find itself in a situation where it is unable to access the financing arranged or the cash flows to which it is entitled through hedging instruments.	Befimmo therefore takes care to diversify its banking relationships and to work with banks that have an adequate rating or an acceptable level of risk. As at 31 December 2017, the Company had a business relationship with several banks: ▪ At 31 December 2017, Befimmo had credit lines of €856.9 million. The banks, in alphabetical order, providing this finance are Agricultural Bank of China Luxembourg, Bank Degroof Petercam, 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. The financial model is based on structural borrowing, so the amount of cash deposited with financial institutions is structurally very limited. It was €0.254 million as at 31 December 2017 compared with €0.2 million as at 31 December 2016.
Risk related to obligations contained in financing agreements		
Risk of financing agreements being cancelled, renegotiated or terminated early should the Company fail to abide by the covenants it made when signing those agreements, notably regarding certain financial ratios. Risk of a penalty if agreements are terminated prematurely. When the Company carries out a financing transaction on a foreign market, it is subject to laws and counterparties with which it is less familiar.	Any call into question of 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.	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		
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. On 29 March 2017, the British Prime Minister triggered the process of leaving the European Union. In accordance with the EU treaties, the UK will leave at the end of a two-year period, allowed for the organisation of the exit process and the negotiation of any new form of partnership.	BREXIT 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 housing markets, and may delay or call into question certain financial or real-estate operations, or even affect their value.	Close monitoring of the unfolding situation and increased prudence during the management of the businesses.

MAIN RISKS RELATED TO REGULATION

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
Risk related to regulation		
The Company is exposed to changes in (Belgian, European and international) law and increasingly numerous and complex regulations, and to possible changes in their interpretation or application by the authorities or the courts, notably accounting, fiscal, environmental, urban-development and public-procurement regulations.	Risk of the Company being held liable, civil, criminal or administrative convictions, and the risk of not obtaining or the non-renewal of permits. This could adversely affect the Company's business, its results, profitability, financial situation and/or outlook.	A legal team with the necessary skills ensures strict compliance with current regulations and, as far as possible, proactively anticipates changes in the law (legislation watch). The Company also calls upon external consultants.
Risks related to BE-REIT (SIR/GVV) status		
Risk of non-compliance with the BE-REIT regime. Risk of future adverse changes to that regime.	Loss of approval for the BE-REIT status, and no longer qualifying for the transparent tax regime applicable to BE-REITs. Early repayment by acceleration of payment of loans taken out by the Company. Any future adverse changes in the BE-REIT regime could lead to a decline in results or net asset value, increase the debt ratio (e.g. by applying new accounting rules), reduce the maximum debt ratio, or affect the extent to which a B-REIT must distribute dividends to shareholders.	A legal team with the necessary skills ensures strict compliance with current regulations and, as far as possible, proactively anticipates changes in the law (legislation watch). The Company also calls upon external consultants.
Tax regime		
As a regulated real-estate company, the Company enjoys a specific tax regime. The legislator intended the BE-REIT to ensure a high degree of transparency for real-estate investments and distribute as much cash flow as possible while enjoying certain advantages. In particular, BE-REITs pay a reduced rate of corporation tax as long as at least 80% of the cash flows are distributed (calculated on the basis of Article 13 of the Royal Decree of 13 July 2014). BE-REITs are exempt from corporation tax on the results (rental income and capital gains realised minus operating costs and financial charges)[1]. 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.		

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

Risk of legal proceedings		
The Company is a party to legal proceedings and may be involved in others in future.	At the time of writing, Befimmo is involved in a number of legal proceedings which, on the whole (according to the information available to the Company at the date of this 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.	A legal team with the necessary skills ensures strict compliance with current regulations and, as far as possible, proactively anticipates changes in the law (legislation watch). The Company also calls upon external consultants.

MAIN OPERATIONAL RISKS

DESCRIPTION OF RISK	POTENTIAL IMPACT	BEFIMMO'S POSITION
Operational risk		
Risk of loss or loss of earnings resulting from inadequacies or failures in internal processes, people and systems or from external events (fraud, natural disasters, human error, failure of information systems, cybercrime, etc.).	The Company is exposed to the risk of the loss or theft of sensitive data, financial loss through fraud, interruption of business in the event of a failure of systems or processes.	Corporate governance charter and code of ethics drafted by the Board of Directors. Code of ethics requiring ethical values to be observed in relations with customers, staff, partners and shareholders. A business continuity plan has been devised, consisting of measures which, in the event of a crisis, allow essential operations and services to continue, possibly in degraded mode, and a planned resumption of business. It covers both functional and IT aspects. Depending on the type of data, back-ups are organised using a variety of techniques (redundant infrastructure, daily back-ups online and on tape). Measures taken to manage access to the Company's data. Outsourced IT support provided by two partners under a Service Level Agreement (SLA).
Risk related to team members		
Risk of departure of certain key members of staff.	A loss of key skills in the Company could lead to a delay in achieving some of its objectives.	Special attention to the well-being of employees. Pay in line with market rates. Importance of managing the skills of the team members. Importance of dialogue with the team. New procedure for the induction of new employees (mentoring system, etc.). As far as possible, Befimmo prepares for departures and ensures that know-how is passed on. ➔ "The team, page 118"

General information

TABLE OF CONTENTS

Identification

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 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/who-we-are/about-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 PURPOSE (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/who-we-are/about-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 2017, 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 2017, the authorised capital amounts €297,301,776.71.

CHANGES TO THE CAPITAL SINCE 31.12.2013

The following table shows the changes in capital since 31 December 2013.
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 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**
As at 31 December 2017	**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.

The shareholders do not dispose of different voting rights.

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 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 directly or indirectly 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[1]

For the 2017 fiscal year, Befimmo SA uses two real-estate experts, namely: Mr Rod P. Scrivener (JLL - avenue Marnix 23, 1000 Brussels) and Mr Pieter Paepen (CBRE - avenue Lloyd George 7, 1000 Brussels). Moreover, Mr Rod P. Scrivener is coordinating this expertise.

The mandates of the two experts mentioned above expire as at 31 December 2017.

For the 2017 fiscal year, Befimmo has also appointed two back-up experts: Mr Christophe Ackermans (Cushman & Wakefield, a company incorporated under Dutch law, acting through its Belgian branch Wissinger & Associés SA - rue Royale 97, 1000 Brussels) and Mr Jean-Paul Ducarme (PWC - Woluwe Garden, Woluwedal 18, 1932 Sint-Stevens-Woluwe).

1. Fore more information, please consult page 110 of this Report.

In the context of the renewal of the mandates of real estate experts, Befimmo entrusted the expertise of its portfolio to Mr Rob Vaes (JLL - avenue Marnix 23, 1000 Brussels), Mr Rod P. Scrivener, (JLL - avenue Marnix 23, 1000 Brussels) and Mr Christophe Ackermans (Cushman & Wakefield, a company incorporated under Dutch law, acting through its Belgian branch Wissinger & Associés SA - rue Royale 97, 1000 Brussels), as from the year 2018. Mr Rod P. Scrivener will have the mission of coordinating the expertise.

The allocation of these new mandates was done pursuant to the provisions of the Royal Decree of 13 July 2014, which aims in particular at ensuring a rotation of real estate experts assessing the portfolio. This new mission runes from 1 January 2018 for three years until 31 December 2020.

These are expert real-estate companies with specialist knowledge of the market and which enjoy a first-class international reputation.

Group structure

Befimmo's subsidiaries are Belgian companies, except for Axento SA, which is a Luxembourg company.

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;
- 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.

2. Withholding tax rate applicable from 1 January 2017.

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);
- holdings of at least 25% 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

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.

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 107 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 JLL 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 2018 in this Annual Financial Report on the consolidated accounts closed as at 31 December 2017, of its report on forecasts of 20 March 2018.

Deloitte has agreed to the inclusion of its limited review on selected environmental performance indicators of 15 March 2018.

The Company confirms that the information taken from the reports of the real-estate experts JLL 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.

All of the information in the "Office property market" chapter comes from Cushman & Wakefield's databases, analyses and market reports.

Corporate Social Responsibility

GENERAL INFORMATION

Contact person & further information

Emilie Delacroix – Head of CSR & Innovation
e.delacroix@befimmo.be - +32 2 679 38 63

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 Standards 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 75 of this Report, whilst the index of GRI content can be found in Appendix V of this Report.

Reporting period

This Report covers activities over the 2017 fiscal year. It follows the Annual Financial Report 2017. The perimeter is as at 31 December 2017.

Reporting perimeter and changes since 1 January 2017

The floor area of the Company's portfolio was changed during fiscal year 2017 by the following events: the granting of a 99-year leasehold on the Brederode complex; the sale of the Liège-Digneffe and Ninove buildings

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

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 Appendix VI of this Report.

1. Please consult the chapter "Corporate governance statement – Other stakeholders" on pages 109 and 110 of the Report for the identity of the Statutory Auditor and the real-estate experts.

Content Index Service

As part of its GRI Standards 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-102-55. This service is designed to improve the transparency of GRI reporting.

Methodology

The reporting methodology is described in Appendix IV of this Report.

FURTHER INFORMATION

Befimmo’s website www.befimmo.be provides additional information that may be a helpful supplement to the Social Responsibility parts of this Annual Financial Report. This includes:

- explanatory sheets of the strategic axes;
- the CSR policy (March 2018);
- the “Social Responsibility” chapter from previous Annual Financial Reports;
- previous Annual Financial Reports;
- the ISO 14001 certificate;
- the BREEAM certificates;
- external stakeholders' answers to questionnaires.

Appendices

TABLE OF CONTENTS

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).

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

Brussels, Brussels decentralised, and 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 66 of this Report. (Alternative Performance Measure)

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

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

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 (www.globalreporting.org).

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 the 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).

LAW OF 22 OCTOBER 2017

Law on miscellaneous fiscal provisions, modifying the law of 12 May 2014 on BE-REITs.

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.

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.

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.

SWAPTION

Option negotiated on an interest rate swap. It gives entitlement to contract a call swaption, to be able to enter into a "receiver's" IRS, or a put swaption, for which the counterparty can force Befimmo to enter into a "payer's" IRS.

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.

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: Glossary of the real-estate indicators

GROSS CURRENT RENT FROM LEASE AGREEMENTS

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

CURRENT GROSS YIELD ON INVESTMENT PROPERTIES

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

GROSS CURRENT YIELD ON PROPERTIES AVAILABLE FOR LEASE

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

GROSS POTENTIAL YIELD ON PROPERTIES AVAILABLE FOR LEASE

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

POTENTIAL RENT

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

REVERSION OF PROPERTIES AVAILABLE FOR LEASE

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

SPOT OCCUPANCY RATE OF PROPERTIES AVAILABLE FOR LEASE

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

WEIGHTED AVERAGE DURATION OF CURRENT LEASES UNTIL THEIR NEXT BREAK

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

WEIGHTED AVERAGE DURATION OF CURRENT LEASES UNTIL FINAL EXPIRY

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

Appendix III: Alternative Performance Measures

GLOSSARY OF THE "ALTERNATIVE PERFORMANCE MEASURES"

Alternative Performance Measure	Definition	Use
Net property charges	The sum of various property charges, net of amounts recoverable from tenants (corresponds to the sum of headings IV to XIII of the consolidated statement of total comprehensive income).	Gives an overview of all net property charges.
Other operating income and charges (excluding goodwill impairment)	Heading XV 'Other operating income and charges' minus any goodwill impairment.	Used to compare forecasts and actual figures in heading XV 'Other operating income and charges'. Any goodwill impairment is not budgeted.
Operating margin	'Operating result before result on portfolio' divided by 'Net rental result'.	Used to assess the Company's operating performance.
Net property result	'Operating result before result on portfolio' plus heading XVI 'Gains and losses on disposals of investment properties'.	Used to identify the operating profit before changes in the fair value of investment property.
Financial result (excluding changes in fair value of financial assets and liabilities 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	Annualised interest paid over the reporting period, including the credit margin, the cost of the hedging instruments and liquidity cost, divided by the average nominal financial debt over the period concerned.	Used to measure the average cost of the Company's financial debt.
Return on shareholders' equity (in € per share)	The return obtained by an investor over a 12-month period ending at the close of the period, assuming the reinvestment of dividends and the participation in operations to strengthen the Company's capital. The calculation is based on the average number of shares not held by the group over a 12-month period.	Used to measure the profitability over 12 months (in €/share) of a shareholder's investment on the basis of the value of shareholders' equity.
Return on shareholders' equity (in %)	The internal rate of return earned by an investor over a 12-month period ending at the close of the period, assuming the reinvestment of dividends and the participation in operations to strengthen the Company's capital. The calculation is based on the average number of shares not held by the group over a 12-month period.	Used to measure the profitability over 12 months (in %) of a shareholder's investment on the basis of the value of shareholders' equity.

RECONCILIATION TABLES OF THE "ALTERNATIVE PERFORMANCE MEASURES"

Average (annualised) financing cost

(in thousand €)	31-12-17	31-12-16
Interest paid	20 661	24 212
Annualised interest paid (A)	20 661	24 212
Annualised nominal financial debts (B)	993 650	1 072 370
Average (annualised) financing cost (A/B)	2.08%	2.26%

Loan-to-value

(in thousand €)	31-12-17	31-12-16
Nominal financial debts (A)	988 393	1 063 413
II. F. Cash and cash equivalents (B)	254	153
I. C. Investment properties (D)	2 494 360	2 511 658
II. A. Assets held for sale (E)	-	-
Fair value of portfolio at the closing date (C = D+E)	2 494 360	2 511 658
Loan-to-value (A-B)/C	39.61%	42.33%

Net rental result in "Like-for-Like"

(in thousand €)	31-12-17	31-12-16
Net rental result (A)	142 431	137 037
Net rental result linked to change in perimeter (B)	8 010	3 530
Net rental result on properties not available for lease (C)	1 008	2 155
Net rental result in « Like-for-Like » (A-B-C)	133 414	131 352

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

(in thousand €)	31-12-17	31-12-16
Net result (A)	136 070	90 406
XVIII. Changes in fair value of investment properties (B)	13 429	21 121
XXIII. Changes in fair value of financial assets and liabilities (C)	5 186	-19 112
Net result before changes in fair value of investment properties and financial assets and liabilities (A-B-C)	117 455	88 397

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

(in thousand €)	31-12-17	31-12-16
Financial result (A)	-14 564	-41 243
XXIII. Changes in fair value of financial assets and liabilities (B)	5 186	-19 112
Net losses realised on financial assets and liabilities: close-out costs (C)	-	-
Financial result (excl. the changes in fair value of the financial assets and liabilities and close-out costs) (A-B-C)	-19 750	-22 131

Net property result

(in thousand €)	31-12-17	31-12-16
Operating result before result on portfolio	117 048	111 738
XVI. Gains or losses on disposals of investment properties	21 798	1 154
Net property result	138 846	112 892

Operating margin

(in thousand €)	31-12-17	31-12-16
Operating result before result on portfolio (A)	117 048	111 738
Net rental result (B)	142 431	137 037
Operating margin (A/B)	82.2%	81.5%

Other operating income and charges (excluding goodwill impairment)

(in thousand €)	31-12-17	31-12-16
XV. Other operating income and charges (A)	-1 252	- 596
Goodwill impairment (B)	-	-
Other operating income and charges (excluding goodwill impairment) (A-B)	-1 252	- 596

Net property charges

(in thousand €)	31-12-17	31-12-16
IV. Recovery of property charges	6 364	5 727
V. Recovery of rental charges and taxes normally paid by tenants on let properties	30 122	29 932
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	-28 166	-28 421
VIII. Other revenue and charges for letting	1 661	253
IX. Technical costs	-10 758	-8 526
X. Commercial costs	-1 055	-1 558
XI. Charges and taxes on unlet properties	-2 270	-4 049
XII. Property management costs	-2 728	-2 592
XIII. Other property charges	-5 101	-5 024
Net property charges	-11 932	-14 257

Appendix IV: Methodology

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

For its non-financial reporting, Befimmo has opted to report the data for the Befimmo and Fedimmo portfolios in consolidated form.

Even though it has limited control and influence on the buildings in its portfolio let to the Buildings Agency, as most of the recurring work and operational management of the buildings is the Agency's responsibility, Befimmo believes that it should align its sustainable development commitments across its entire portfolio.

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 conversion factors used in reporting associated with waste were adjusted;
- the accuracy and updating of tariff data were verified for energy supply contracts used to calculate the financial savings from energy saving;
- the alteration or adaptation of certain spaces following work and/or resurveying;
- the correction of missing or incorrect historical data, in particular following the receipt of credit notes or adjustment invoices for electricity and water;
- the adaptation of the ratio between allocation to common/private areas on the basis of any data on under-estimates.

INTERPRETATION OF DATA IN THE ENVIRONMENTAL REPORTING TABLES

Befimmo intends to keep segmenting its reporting by the size of the buildings, by classing the buildings as [1-5,000 m²], [5,001-10,000 m²], [>10,000 m²]. This approach allows an analysis from a different angle and the exploitation of certain specific data. Full detailed tables, including four years of reporting (2008 and 2015 to 2017) are published on the Company's website.

	TOTAL ABOVE-GROUND AREAS			
	2014	2015	2016	2017
Buildings 1 – 5 000 m²	187 795	176 593	178 053	176 777
Buildings 5 001 – 10 000 m²	145 379	145 379	138 600	131 947
Buildings > 10 000 m²	579 795	614 288	571 575	623 303
Total (m²)	912 968	936 259	888 228	932 027[1]

MANAGEMENT OF CONSUMPTION DATA

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

Telemonitoring now covers 75% by floor area of the 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, 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 for all new tenants, notably when signing the lease.

1. The surfaces of the buildings sold during 2017 are included in the total surface of the portfolio used within the framework of environmental reporting.

In 2017, 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.

For its 2017 reporting Befimmo has chosen to disclose all the data available to it, even though for some buildings its level of control is limited, and consumption and/or generation data are not always accessible or available.

DETERMINING THE UNCERTAINTY LEVEL OF THE DATA

Befimmo is aware that the accuracy and reliability of the data it uses for monitoring the environmental performance of its portfolio are directly related to the quality of the information received, inaccuracies in the metering systems, transfer of partial or incorrect information, spurious data, inaccuracy of conversion factors, reading errors, missing data and in particular the degree of uncertainty of the metering instruments in its buildings.

In 2017, it stepped up and developed its requirements for the selection, installation, maintenance and preventive replacement of metering equipment in its buildings to minimise the risk of loss and distortion of information.

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 areas of the buildings in use during the reporting year.

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 floor area (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 floor area 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. These are:

- buildings under construction and/or renovation;
- buildings not used as offices (for 2017, part of a building that houses an indoor pool/fitness centre, a building housing only showers and a service building were excluded);
- buildings with incomplete consumption data;
- buildings with an average annual occupancy rate below 50%[2] (calculated on the basis of the quarterly occupancy history and the floor area occupied).

Regarding the calculation of the greenhouse gas emissions intensity (GRI-305-4), the following are excluded from the reporting scope:

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

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

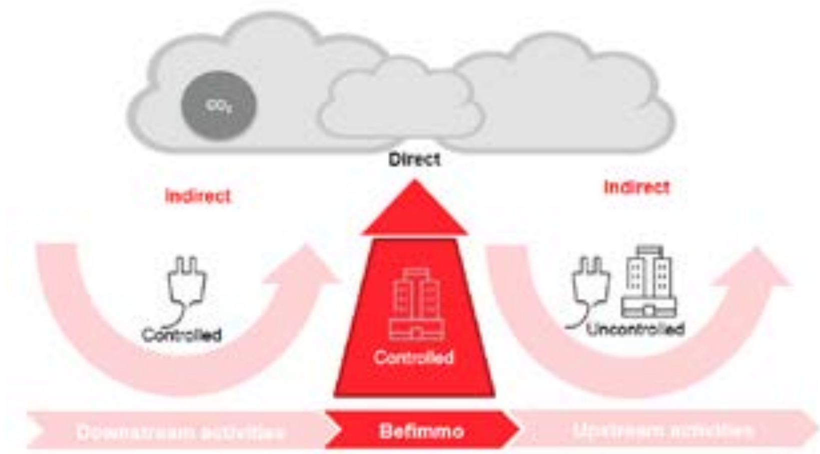
2. On the basis of the long-term lease agreements with the Buildings Agency, the occupancy rate of Fedimmo's buildings is considered to be 100%. It may nevertheless happen that, in certain special circumstances, that rate does not reflect the actual occupancy of the building and that the figures reported in these few cases are not representative.

REPORTING CO_2E EMISSIONS AND EMISSION FACTORS

When reporting CO_2e emissions related to its activities, Befimmo follows the recommendations and methodology of the Greenhouse Gas Protocol[1] (GHG Protocol). This international accounting method is the one most used by government leaders and business to understand, quantify and manage greenhouse gas emissions.

In practice, Befimmo distinguishes emissions in accordance with the diagram below, namely emissions:

- controlled directly relating to the heating of buildings (gas, oil);
- indirectly controlled and relating to the use of electricity in controlled installations (common areas of buildings);
- indirectly uncontrolled and relating to the use of electricity in installations not under Company control (private areas of buildings).



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

For the calculation of uncontrolled indirect CO_2e emissions, i.e. related to the use in its tenants' private areas of non-renewable electricity or from unidentified/confirmed sources, Befimmo uses the emission factor provided and updated by the International Energy Agency (IEA).

CO_2e EMISSION FACTORS (g CO_2e/kWh)

TYPE	2014	2015	2016	2017
Gas[2]	188	188	188	188
Non-renewable electricity, Belgium[3]	199	225.8	225.8	225.8
Non-renewable electricity, Luxembourg[3]	306	281	281	281
Green electricity	0	0	0	0
District heating[4]	43	43	43	43

CO_2e EMISSION FACTORS (kg CO_2e/litre) (kg CO_2e/km)

TYPE	2014	2015	2016	2017	UNITS
Diesel	2.662	2.662	2.511	2.511	kg CO_2e/litre
Petrol	2.425	2.425	2.264	2.264	kg CO_2e/litre
Aircraft (short haul) economy	0.233	0.233	0.233	0.233	kg CO_2e/km
Aircraft (long haul) economy	0.202	0.202	0.202	0.202	kg CO_2e/km
Aircraft (short haul) business	N/A	N/A	N/A	0.468	kg CO_2e/km
Aircraft (long haul) 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

1. www.ghgprotocol.org
2. Source : Engie Electrabel.
3. Source : IEA (International Energy Agency).
4. Source : Luxembourg city.

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 2014 to 2017;
- 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-renewable 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.

Appendix V: GRI Content Index[1]

GRI Standard	Disclosure	Page, URL or comment	External assurance[2]	SDG
GRI 101: Foundation 2016				
	1. Organizational profile			
	102-1 Name of the organization	193		
	102-2 Activities, brands, products, and services	3,16		
	102-3 Location of headquarters	193		
	102-4 Location of operations	3,14,26,27,42		
	102-5 Ownership and legal form	192		
	102-6 Markets served	14,26,27,32,42		
	102-7 Scale of the organization	30,33,42,120,130	✓[3]	
	102-8 Information on employees and other workers	120		8
	102-9 Supply Chain	17,46 Dialogue		
	102-10 Significant changes to the organization and its supply chain	22,76,199		
	102-11 Precautionary principle or approach	47 CSR policy		
	102-12 External initiatives	10 Dialogue		
	102-13 Membership of associations	Dialogue		
	2. Strategy			
	102-14 Statement from senior decision maker	5		
	102-15 Key impacts, risks, and opportunities	14,20,183,189,190		
	3. Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	15,108,122,124		16
	102-17 Mechanisms for advice and concerns about ethics	108,111,114,190		16
	4. Governance			
	102-18 Governance structure	89,107		
GRI 102: General Disclosures 2016	102-19 Delegating authority	20,96,107 Strategic axes		
	102-20 Executive level responsibility for economic, environmental, and social topics	107		
	102-21 Consulting stakeholders on economic, environmental, and social topics	18,20		16
	102-22 Composition of the highest governance body and its committees	75,88		5,16
	102-23 Chair of the highest governance body	88,95		16
	102-24 Nominating and selecting the highest governance body	95		5,16
	102-25 Conflicts of interest	111,112		16
	102-26 Role of highest governance body in setting purpose, values, and strategy	96,107		16
	102-27 Collective knowledge of highest governance body	107,124		4
	102-28 Evaluating the highest governance body's performance	96,107		
	102-29 Identifying and managing economic, environmental, and social impacts	18,20,98,108		16
	102-30 Effectiveness of risk management processes	98,108		
	102-31 Review of economic, environmental, and social topics	108		
	102-32 Highest governance body's role in sustainability reporting	107		
	102-33 Communicating critical concerns	107,114,125		
	102-35 Remuneration policies	98,102		
	102-36 Process for determining remuneration	98,102		
	102-37 Stakeholders' involvement in remunerations	98		16
	5. Stakeholder engagement			
	102-40 List of stakeholder groups	19 Dialogue		
	102-41 Collective bargaining agreements	120		8
	102-42 Identifying and selecting stakeholders	19,20 Dialogue		
	102-43 Approach to stakeholder engagement	19,20,119 Dialogue		
	102-44 Key topics and concerns raised	19,20,119 Dialogue		

1 For more information concerning the GRI Standards, please visit the official GRI website: https://www.globalreporting.org.
2 External assurance: In the context of the GRI reporting of its sustainable development indicators, Befimmo calls upon an external consultant to carry out a limited assurance review of the non-financial data. The report can be found on page 222 of the Annual Financial Report 2017.
3 External assurance only for the "Consolidated statement of financial position" (Annual Financial Report 2017 - Statutory Auditor's report on page 172).

GRI Standard	Disclosure	Page, URL or comment	External assurance[1]	SDG
	6. Reporting practice			
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	2,117 All entities are included.		
	102-46 Defining report content and topic boundaries	19,20 Stakeholders and CSR policy		
	102-47 List of material topics	18,19,20		
	102-48 Restatements of information	199,212		
	102-49 Changes in reporting	18,20,199 Stakeholders and CSR policy		
	102-50 Reporting period	199		
	102-51 Date of most recent report	199		
	102-52 Reporting cycle	199		
	102-53 Contact point for questions regarding the report	199,225		
	102-54 Claims of reporting in accordance with the GRI Standards	2,21,199 This report has been prepared in accordance with the GRI Standards: Core option. GRI Reporting		
	102-55 GRI content index	216 GRI Reporting		
	102-56 External assurance	199		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18,19,20,21 Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources		
	103-2 The management approach and its components	18,19,20,21 Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources		16
	103-3 Evaluation of the management approach	18,19,20,21 Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources		

1 External assurance: In the context of the GRI reporting of its sustainable development indicators, Befimmo calls upon an external consultant to carry out a limited assurance review of the non-financial data. The report can be found on page 222 of the Annual Financial Report 2017.

GRI Standard	Disclosure		Page, URL or comment	External assurance[1]	SDG
TOPIC-SPECIFIC STANDARDS (MATERIAL TOPICS)					
GRI 200: ECONOMIC STANDARD SERIES					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	56,129	✓ [2]	8
	201-2	Financial implications and other risks and opportunities due to climate change	164	✓ [2]	8,13
	201-3	Defined benefit plan obligations and other retirement plans	164	✓ [2]	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 205: Anti-Corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	100%		16
	205-3	Confirmed incidents of corruption and actions taken	There were no incidents of corruption over the past fiscal year.		16
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 206: Anti-Competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There were no legal actions for anti-competitive behaviour, anti-trust or monopoly practices during the fiscal year.		16
GRI 300: ENVIRONMENTAL STANDARD SERIES					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	49,75,126 Use of resources	✓	7,8,12,13
	302-2	Energy consumption outside the organization	49,75 Use of resources	✓	7,8,12,13
	302-3	Energy intensity	49,75,126 Use of resources	✓	7,8,12,13
	302-4	Reduction of energy consumption	49,75 Use of resources	✓	7,8,12,13
	302-5	Reduction in energy requirements of products and services	49,75 Use of resources	✓	7,8,12,13
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 303: Water 2016	303-1	Water withdrawal by source	50,75 Use of resources	✓	6
	303-3	Water recycled and reused	50,75 Use of resources	✓	6,7,12

1 External assurance: In the context of the GRI reporting of its sustainable development indicators, Befimmo calls upon an external consultant to carry out a limited assurance review of the non-financial data. The report can be found on page 222 of the Annual Financial Report 2017.
2 This data was audited by the Statutory Auditor (Annual Financial Report 2017, Statutory Auditor's report on page 172).

GRI Standard	Disclosure		Page, URL or comment	External assurance[1]	SDG
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	48,75,126,127 Use of resources		3,12,13
	305-2	Energy indirect (Scope 2) GHG emissions	48,75 Use of resources		3,12,13
	305-3	Other indirect (Scope 3) GHG emissions	48,75,126 Use of resources		3,12,13
	305-4	GHG emissions intensity	48,75,212 Use of resources		12,13
	305-5	Reduction of GHG emissions	48,75 Use of resources		12,13
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	52,75 Use of resources		3,6,12
	306-5	Water bodies affected by water discharges and/or runoff	Waste water is discharged into public sewers.		6,15
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	There were no fines for non-compliance over the past fiscal year.		16
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	0% Use of resources		
	308-2	Negative environmental impacts in the supply chain and actions taken	0% 46 Use of resources		

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GRI Standard	Disclosure		Page, URL or comment	External assurance[1]	SDG
GRI 400: SOCIAL STANDARD SERIES					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		16
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	75,120		5,8
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	75,120		8
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		16
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	75,120,123		3,8
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		16
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	75,124		4,5,8
	404-2	Programs for upgrading employee skills and transition assistance programs	123,124		8
	404-3	Percentage of employees receiving regular performance and career development reviews	100% 75		5,8
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		16
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 405: Diversity and Inclusion 2016	405-1	Diversity of governance bodies and employees	75,121		5,8
	405-2	Ratio of basic salary and remuneration of women to men	75,120		5,8
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		16
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	There were no cases of discrimination over the past fiscal year.		5,8,16
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		16
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	29,123 Integration into the city		

1 External assurance: In the context of the GRI reporting of its sustainable development indicators, Befimmo calls upon an external consultant to carry out a limited assurance review of the non-financial data. The report can be found on page 222 of the Annual Financial Report 2017.

GRI Standard	Disclosure		Page, URL or comment	External assurance[1]	SDG
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	0% Dialogue		5,8,16
	414-2	Negative social impacts in the supply chain and actions taken	0% Dialogue		5,8,16
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	29		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	29		16
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	53		12
	417-3	Incidents of non-compliance concerning marketing communications	0 Setting an example		16
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	18,19,20,21 - Strategic axes **6 axes:** Integration into the city The world of work Setting an example Mobility Dialogue Use of resources Action Plan 2018		
	103-2	The management approach and its components			16
	103-3	Evaluation of the management approach			
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	There were no sanctions over the past fiscal year.		16
Environment					
CRE1: Building Energy Intensity 2016			49,75 Use of resources		7,8,12,13
CRE2: Building Water Intensity 2016			50,75 Use of resources		6,12,13
CRE3: Greenhouse gas emissions intensity from buildings 2016			48,75 Use of resources		12,13
Product Responsibility					
CRE8: Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment 2016			53,75 Use of resources		12

1 External assurance: In the context of the GRI reporting of its sustainable development indicators, Befimmo calls upon an external consultant to carry out a limited assurance review of the non-financial data. The report can be found on page 222 of the Annual Financial Report 2017.

Appendix VI: Limited Assurance report

INDEPENDENT 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 2017

To the Board of directors

As independent 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 2017 ("the Annual Financial Report"). The environmental performance indicators have been defined following the guidelines of the "Global Reporting Initiative" GRI Standards, EPRA Sustainability Best Practice Recommendations (sBPR) (3rd version September 2017) and GHG protocol guidelines scope I, II, III. The Data have been selected by Befimmo SA and are identified with the symbol ✓ in the tables[1] as mentioned on pages 75, and 126 of the Annual Financial Report.

The scope of our work has been limited to the Data covering the year 2017 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 part "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 Sustainability Best Practice Recommendations (sBPR) (3rd version, September 2017) and GHG protocol guidelines scope I, II, III, as described in the part "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 part "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 212 to 215 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 2017 environmental, social, and governance performance indicators identified with the symbol ✓ in the tables as mentioned on pages 75, and 126 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.

1. The complete and detailed tables are published on the website of Befimmo (www.befimmo.be).

Conclusion

Based on our limited review, as described in this report, we have not identified any significant misstatement that causes us to believe that the Data related to Befimmo SA identified with the symbol ✓ in the tables[1] as mentioned on pages 75, and 126 of the Annual Financial Report has not been prepared in accordance with GRI Standards guidelines, the EPRA sBPR (3rd version, September 2017) and the GHG protocol.

Observation

Without qualifying the conclusion above, we draw your attention to the following points:

- For the BREEAM In-Use certificates, the expiration date has in most cases passed. These expired certificates were reported as active certification. Furthermore, no recertification process of these buildings was initiated.

Zaventem, 15 March 2018

The indepentent auditor

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TRANSLATIONS
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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

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