Befimmo

# Keeping our commitments in mind


**Befimmo SA**

**Half-Yearly Financial Report 2013**

**Regulated information**

Half-yearly accounts for the period 01.01.2013 to 30.06.2013

# Key events

Two strategic acquisitions accounting for some 10% of the fair value of the portfolio

Increase in shareholders' equity (+14%)

Stable fair value of portfolio (-0.36% over the half-year)

Dividend forecast confirmed (€3.45 gross per share) for the 2013 fiscal year

**Embargo | 1 August 2013 | 5.40 PM**

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Poelaert | Brussels centre

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

The Board of Directors of Befimmo SA met on 29 July 2013 to prepare the consolidated half-yearly financial statements of the Befimmo Sicafi as at 30 June 2013.

# SUMMARY

In October 2012, Befimmo announced its intention to simplify its structure and to focus, as a specialist in offices, on its core markets: Brussels, other Belgian cities and the Grand Duchy of Luxembourg.

Since then, it has made substantial progress along that path:

- Befimmo transformed itself into a Limited Liability Company[1] and its subsidiary Fedimmo, now 100% owned, was approved as an Institutional Sicafi.
- The property management business has been fully integrated into the Befimmo teams.
- In line with its strategy, Befimmo realised two major investments totalling €188 million, accounting for some 10% of the fair value of the portfolio, thereby improving its overall property ratios[2] in terms of lease duration and occupancy rate. These investments, 75% funded by new equity, have also improved the financial ratios[2] (higher EPRA earnings per share and reduced debt ratio (LTV)).

Befimmo is a strong and proactive player, capable of carrying out transactions that create value for the shareholders while keeping its level of debt under control.

The addition of AXA Belgium as a Befimmo shareholder, and more generally the broadening of Befimmo's shareholder base, are both signs of confidence in the development of the office property market, in Befimmo's quality strategy and in the management of its portfolio.

With a new investment capacity of some €200 million, Befimmo firmly intends to continue in that direction.


**Blue Tower | Brussels Louise district**

[1] For more information, please consult the press release published on 31 October 2012 on the Befimmo website (www.befimmo.be).

[2] Since the authentic contribution deed for the AMCA building was signed, as planned, after the close of the first half, the figures in this Half-Yearly Financial Report, presented as at 30 June 2013, do not reflect that contribution. For a simulation of the main property and financial ratios as at 30 June 2013 (pro forma), please consult the section "Events subsequent to the half-year closing" of this Report.

## Investments

During this first half of the 2013 fiscal year, Befimmo realised two major acquisitions that are fully in line with its investment strategy focused on quality office buildings in a prime location in city centres and occupied by top public or private-sector tenants.

### Acquisition of Blue Tower Louise SA partially refinanced by equity through a private placement of 637,371 own shares

On 18 April, Befimmo and its 100% subsidiary Fedimmo acquired all the shares in Blue Tower Louise SA[3], owner of the Blue Tower office building (28,500 m²) valued at €78.5 million (“deed-in-hands”). The building is a true landmark on the Brussels office market in the heart of the Louise district, and is rated "Good" for its BREEAM In-Use certification. Blue Tower also enjoys an excellent level of occupancy from some 40 quality tenants (notably Bain & Company, LVMH, etc.), occupying about 90% of the floor area under “conventional” 3/6/9 leases with expiries well spread over the next few years.

To manage its LTV ratio[4], Befimmo made, at the same time as this investment, a private placement[5] of the 637,371 own shares held by its subsidiaries at a price of €49 per share, thereby raising €31.2 million.

Since it was financed by a combination of both equity and debts, this new acquisition has a positive impact on annual EPRA earnings of around €0.06 per share[6] (for a full year), and a limited impact on the LTV ratio, which rises by a mere 0.4%. This reflects the Company's confidence in its ability to increase the building's value, notably by increasing its occupancy rate and improving its technical qualities.

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[3] For more information, please consult the press release published on 18 April 2013 on the Befimmo website (www.befimmo.be).

[4] Loan-to-value (“LTV”) = [(financial debts – cash)/fair value of portfolio].

[5] For more information, please consult the press releases published on 18 April 2013 on the Befimmo website (www.befimmo.be).

[6] Based on the assumptions published on pages 65 to 69 in the Annual Financial Report 2012.

## Contribution in kind of the AMCA building by AXA Belgium at a value of €110 million and a commensurate increase in equity[7]

On 18 June 2013, Befimmo signed an agreement with AXA Belgium to contribute the AMCA building[8] at Italiëlei 4, 2000 Antwerp, in the premium neighbourhood known as *Het Eilandje*[9].

This building, which was erected in 1992, includes approximately 58,000 m² of office space, 1,500 m² of archives, and 500 parking spaces; it is fully let for a fixed residual term of 16.5 years to the Buildings Agency (Finance Centre[10]).

The building's conventional value[11] has been set at €110 million, in line with the fair value determined by an independent real-estate expert. The current annual rent is €7.1 million, which generates a gross initial yield of 6.4%.

After the contribution of the freehold of the property, Befimmo increased its equity within the limits of the authorised capital by €110 million[12], creating 2,037,037 new shares priced €54 each. Following this capital increase, AXA Belgium acquired a 9.6% shareholding in the Company, a mark of AXA Belgium's confidence in Befimmo's development and management capabilities in the "prime" office segment.

7 The authentic contribution deed was signed, as planned, after the close of the first half of the fiscal year, on 10 July 2013. Consequently, the transaction takes effect for accounting purposes as from the third quarter of the fiscal year. For more information, please consult the press release published on 10 July 2013 on the Befimmo website (www.befimmo.be).

8 For more information, please consult the press releases published on 18 June 2013 and 10 July 2013 on the Befimmo website (www.befimmo.be).

9 "*Het Eilandje"* is a former port area located in Antwerp, between the old town and the current port.

10 *Federale Overheidsdienst Financiën.*

11 "Deed-in-hands" value.

12 Including €29.6 million in share capital and the remaining €80.4 million in share premium.

This new acquisition, achieved solely by increasing equity, has a slightly dilutive effect[13] on EPRA earnings per share (about €0.02 per share), more than offset by the advantage of the significant reduction in Befimmo's LTV of around 2.5% (in absolute terms). Befimmo has thus established a new investment capacity and may take an interest in new projects. This investment also has a significant positive effect on the average duration of Befimmo leases and on the proportion of Befimmo income from the public sector. Its excellent location close to the Willemdok, in front of the MAS[14], also suggests that, on the expiry of the current lease in 2029, it has additional potential to create value by continuing in use as an office building or being redeveloped as a residential project.

# Disinvestments

## Sale of the Mons I building

As announced, Befimmo sold the Mons I building for around €8 million. In 2012, the occupant of the building, the Walloon Regional Ministry of Infrastructure and Transport, exercised its option to purchase the building. This operation has an overall neutral effect on the income statement, as the expert valuation of the property was in line with the price for exercising the option.

# Construction and renovation projects

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

Accordingly, over the first half of the fiscal year, Befimmo carried out investment works in its buildings at an overall cost of some €14.4 million. Over 5% of this overall investment went to improve the energy performance of its buildings in response to current and future legislation and also to its tenants' expectations.

Furthermore, Befimmo spent €3.1 million on maintenance, repair and rehabilitation works in its portfolio.

[13] The AMCA building joined the Befimmo portfolio after the first-half closing. The figures for the portfolio as at 30 June 2013 do not include the impact of the AMCA building. The section "Events subsequent to the half-year closing" presents the property and financial results as at 30 June 2013 taking into account the AMCA building.

[14] *Museum aan de Stroom*, www.mas.be.

## Building the new Finance Centre at rue Paradis in Liège

As announced at the time, in early 2009 the Buildings Agency signed a 25-year fixed-term lease with Fedimmo, a 100% subsidiary of Befimmo, for a building to be erected (39,000 m²) at rue Paradis in Liège under a public development contract. This building is to house the officials of the Finance Federal Public Service, who will move into a building that fully satisfies all technical and energy performance requirements[15]. Furthermore, the tower was rated "Excellent" at the Design stage of its BREEAM certification.

In 2011, Fedimmo obtained the permits to erect this building, confirmed on appeal by the Ministerial Order of 10 February 2012. That Ministerial Order is still being challenged by two actions for annulment before the Council of State.

Construction is in progress with a view to handing over the building to its tenants by the beginning of 2015.

Finally, since the search of the Befimmo/Fedimmo headquarters by the judicial police, among others, on 14 March 2013[16], there have been no further developments. For all intents and purposes, Befimmo and its subsidiary Fedimmo point out that they have scrupulously observed all the legal procedures in relation to this case.

The total investment value for this project is around €95 million and will generate rental income of some €6 million per year at the start of the lease.

## Liège Paradis – Phase 2

Fedimmo is also preparing to develop the second phase of the Paradis project in Liège for which it obtained a No 2 urban development certificate in 2008 for the construction of 26,000 m² of offices and housing. If the second phase goes ahead, it will begin only after the demolition of the existing Finance buildings, i.e. mid-2015 at the earliest. Fedimmo does not intend to begin this project until the occupation risk is substantially covered.

[15] The building meets the environmental requirements applicable in the Walloon Region, namely: level E65 (in relation to a minimum required level of E80) and level K37 (in relation to a minimum required level of K45).

[16] For more information, please consult the press release published on 14 March 2013 on the Befimmo website (www.befimmo.be).

## Brederode 1

In 2011, Befimmo agreed a new 15-year lease with the Linklaters law firm to re-let the building at rue Brederode No 13 (13,400 m²) which it has now occupied for nearly 30 years.

Under the agreement, this prestigious building, ideally located in the Brussels city centre, is to be fully renovated at a total cost of some €26.1 million. All the administrative permits (urban development and environmental) have been obtained. The work began in early September 2012 and should be completed on schedule by the end of March 2014. The new lease will commence when the renovation is complete. The buildings at rue Brederode No 9 and rue de Namur No 48, currently let to Linklaters, will be vacated when the new building is handed over and will thus be available to let during 2015, after a light renovation costing an estimated €6.8 million.

Many alterations are planned to improve the building's energy performance, such as the fitting of new windows with high-insulation glazing units, roof insulation and heat exchangers for the ventilation units.

In addition, to enhance the sustainability of the project, installations such as rainwater recovery systems have been fitted to supply the toilets and green roofs.

Befimmo has obtained a BREEAM certification rating "Very Good" in the Design stage for the Brederode 13 building.

## WTC IV

The WTC complex consists of two blocks, on either side of boulevard Simon Bolivar, each with a base surmounted by two Towers (WTC I & II) on one side and one Tower (WTC III) on the other. Towers II and III, leased to the Buildings Agency, are owned by Befimmo and its subsidiary Fedimmo respectively.

As a reminder, in late 2012 Fedimmo, which owns the right to build Tower IV in the WTC complex, obtained all the administrative authorisations (urban development and environmental permits) needed to build a "passive"[17] tower of nearly 56,400 m². This is a sustainable project in the broad sense of the term, in that its design takes account of energy and environmental issues. It is to be constructed on land that is already built on, so the footprint will not be altered. WTC IV will be a new building, and completely independent - both technically and functionally - of the three existing towers. Befimmo's goal is to obtain an "Outstanding" rating in the BREEAM Design certification for this project.

[17] As defined in the Brussels legislation that will apply in 2015.

The building won the IBGE "Exemplary Building 2012" award, and will be one of the first fully passive large office buildings in Brussels.

Now that the permits have been obtained, this is a definite project, fully available to major potential tenants, both public and private, whose demand is already clearly identified up to 2016-2018, while the expected competition in that time frame in terms of location, space and quality appears to be quite limited. Apart from the preparatory work, Fedimmo has no intention of beginning construction of this project until the occupation risk is covered satisfactorily.

## Triomphe I

Following the departure on 30 April 2013 of its occupier, Levi Strauss, in May 2013 Befimmo began a major renovation programme in the Triomphe I building, at a cost of some €10.4 million, to improve comfort and performance, including the renovation of all interior finishings and the replacement of glazing units, creating a new entrance hall and landscaping the areas around the building.

Accordingly, this building, which enjoys excellent visibility alongside boulevard du Triomphe, will be ready, at the end of the first half of 2014, to receive public- or private-sector tenants looking for flexible and efficient office space.

## Other investments

Befimmo carried out other work during the half-year, including the fitting-out of space in Central Gate to accommodate new tenants, renovating the facades and approaches of Planet II and the installation of air conditioning in phase III of Ikaros Business Park, at a total cost of €2.3 million.

## Energy investments

Under its multi-annual investment programme to improve the energy performance of its operational buildings (Befimmo's portfolio excluding Fedimmo), Befimmo invested a total of €0.4 million over the half-year basically covering their maintenance and upgrade.

Most of this work was carried in the Eagle Building with relighting of offices, toilets and hallways and the renovation of the boiler room and HVAC control.

# Corporate social responsibility

For some years, Befimmo has been building the **environmental, economic** and **social** principles of corporate social responsibility into its strategic policy and day-to-day operations.

Since it is in the real-estate business, the main scope for Befimmo's corporate social responsibility relates to the **environment**. Moreover, Befimmo is aware that the value of a building is also measured today from the standpoint of its performance in terms of sustainable development. Befimmo is pursuing its major programme of investments to improve the energy performance of its buildings, to achieve the qualitative and quantitative targets that it has set itself. These are discussed in detail in the chapter on Corporate Social Responsibility of the latest Annual Financial Report and on the Company's website.

Regarding the **economic component** of its corporate social responsibility, Befimmo abides by the applicable legal requirements and has developed a code of ethics setting out the values that are to govern relations with its stakeholders.

Befimmo's **social responsibility** lies at the heart of its human resource management policy as the Company strives to offer a stimulating and quality working environment to its staff, and a training and awareness programme on environmental issues has been implemented for them.

## External stakeholders - questionnaires

As it did last year, Befimmo participated in reporting of carbon emissions from its activities by answering the "Carbon Disclosure Project"[18] questionnaire. 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. This organisation acts on behalf of over 722 institutional investors representing more than US$87 trillion in assets.

For the third year running, Befimmo also answered the "Global Real Estate Sustainability Benchmark"[19] questionnaire. GRESB is an initiative that assesses the environmental and social performance of real-estate funds and real-estate companies, whether listed or private. The benchmark obtained is a starting point for improving this performance, and a collective effort to make the real-estate industry more sustainable.

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[18] http://www.cdproject.net/.

[19] http://www.gresb.com/.

## Fair value of the property portfolio

The fair value of Befimmo's consolidated portfolio as at 30 June 2013 was €2,044.5 million, as against €1,968.6 million at 31 December 2012. This change in value takes account of the investments in renovation works carried out in the portfolio during the first half, the acquisition of Blue Tower Louise SA, the sale of the Mons I building and changes in fair value recognised in the income statement. It does not, however, include the AMCA building which was contributed in kind on 10 July 2013.

Excluding investments and disinvestments, the fair value of the portfolio declined slightly by €7.3 million (-0.36%) during the first half of the 2013 fiscal year.

**Fair value of Befimmo's consolidated portfolio, by geographical area**

| Offices | Change over the half-year[a] (in %) | Proportion of portfolio as at 30.06.2013[b] (in %) | Fair value as at 30.06.2013 (€ million) | Fair value as at 31.12.2012 (€ million) | Fair value as at 30.06.2012 (€ million) |
|---|---|---|---|---|---|
| Brussels centre (CBD) | -0.52 | 58.31 | 1 192.2 | 1 144.8 | 1 147.7 |
| Brussels decentralised | -5.18 | 3.59 | 73.4 | 101.2 | 112.0 |
| Brussels periphery | 0.94 | 7.36 | 150.6 | 147.0 | 148.0 |
| Wallonia | -2.36 | 3.74 | 76.5 | 78.3 | 85.6 |
| Flanders | -0.23 | 17.41 | 356.0 | 356.8 | 359.4 |
| Luxembourg city | 1.52 | 4.05 | 82.8 | 81.8 | 82.0 |
| *Properties available for lease* | *-0.53* | *94.47* | *1 931.3* | *1 909.9* | *1 934.6* |
| *Properties that are being constructed or developed for own account in order to be leased* | *2.88* | *5.21* | *106.5* | *50.8* | *46.1* |
| **Investment properties** | **-0.36** | **99.68** | **2 037.8** | **1 960.7** | **1 980.7** |
| **Properties held for sale** | **-** | **0.32** | **6.6** | **7.9** | **-** |
| **Total** | **-0.36** | **100.00** | **2 044.5** | **1 968.6** | **1 980.7** |

*(a) The change over the past half-year is the change in fair value between 1 January 2013 and 30 June 2013 (excluding investments and disinvestments).*

*(b) The proportion of portfolio is calculated on the basis of the fair value of the portfolio as at 30 June 2013.*

*(c) Changes in floor area between 31 December 2012 and 30 June 2013: sale of Mons I, addition of Blue Tower, reclassification of the Triomphe I and Brederode 13 buildings under properties that are being constructed or developed for own account in order to be leased, and reclassification of the Triomphe III building under properties held for sale.*

We note that the values of the buildings, excluding particular or non-recurring cases, tended to stabilise on average over the period.

The values of the buildings on long-term leases to public-sector tenants have benefited from some transactions observed on the market for buildings of that type, with relatively low yields; their values have held steady and even increased slightly.

On the whole, the values of buildings let to multiple tenants on "conventional" 3/6/9 leases in the Central Business District of Brussels were relatively stable.

Apart from the "Triomphe" buildings, the values of buildings located in decentralised and peripheral areas were also stable over the period. Although these markets remain challenging, the experts seem to agree that their values are now in line with the market situation, after declining significantly in recent years.

### Geographical distribution[(a)]

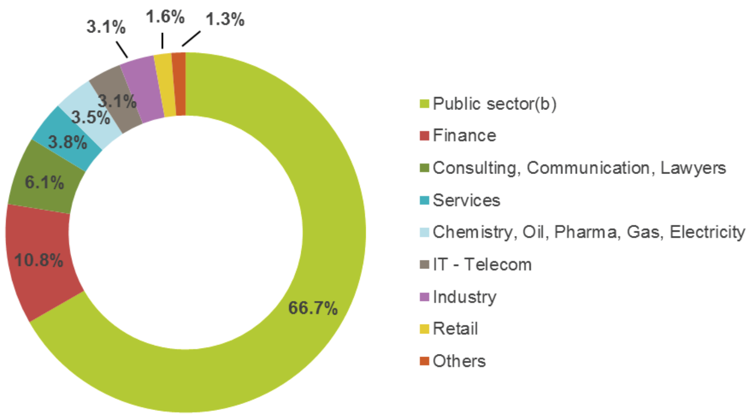

*(a) The proportions are expressed on the basis of the fair value of the investment properties as at 30 June 2013.*
*(b) Brussels: this means Brussels and its Economic Hinterland, i.e. CBD, decentralised and periphery.*

## Rentals and lease renewals

During the first half of the 2013 fiscal year, Befimmo signed new leases and lease renewals for some 8,600 m² of space, with offices accounting for just over 6,600 m² and nearly 2,000 m² being multi-purpose or archive space, compared with 13,500 m² in the first half of the 2012 fiscal year. These new leases were agreed on terms that are in line with the assumptions made when preparing the three-year outlook, as published in the Annual Financial Report 2012.

Befimmo is pursuing its objective of securing the loyalty of its rental customers by continuing to focus on satisfying their needs.

## Tenants[a]




*(a) The proportions are expressed on the basis of the annual current rent as at 30 June 2013.*
*(b) Public sector: Belgian public institutions (federal & regional), European Institutions and representations.*

## Tenants (as at 30.06.2013)

| | Weighted average duration[a] (in years) | Percentage of current rent (in %) |
|---|---|---|
| 1. Public sector (federal & regional)[b] | | 56.6 |
| 2. European Institutions & representations[c] | | 10.1 |
| **Public sector** | **10.8** | **66.7** |
| 3. BNP Paribas Fortis and affiliated companies | | 4.7 |
| 4. Linklaters | | 3.2 |
| 5. BGL BNP Paribas and affiliated companies | | 2.4 |
| 6. Beobank[d] | | 2.1 |
| 7. Sheraton Management LLC | | 1.4 |
| 8. Federal Express | | 0.7 |
| 9. Oracle | | 0.6 |
| 10. Fluxys | | 0.5 |
| **Next eight tenants** | **7.6** | **15.6** |
| **Next ten tenants** | **5.2** | **3.3** |
| **Top twenty tenants** | **10.0** | **85.6** |
| **Approx. 215 tenants** | **2.9** | **14.4** |
| **Total** | **8.97** | **100.0** |

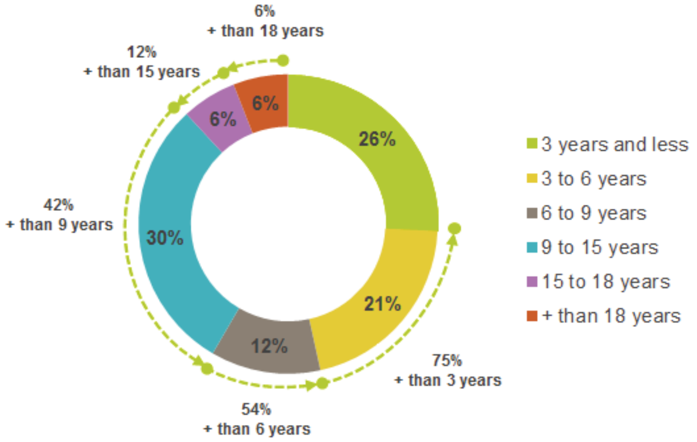
*(a) Weighted average duration of leases, i.e. the sum of (annual current rent for each lease multiplied by the remaining duration up to the first break in the lease) divided by the total annual current rent of the portfolio.*
*(b) Public sector - Belgian public institutions: Federal (48.9%), Flemish Region (6.7%), Walloon Region (1.0%).*
*(c) European institutions and representations: European Commission (6.1%), European Parliament (3.3%) and representations (0.7%).*
*(d) As at 1 May 2012 Citibank Belgium was acquired by Crédit Mutuel Nord Europe (CMNE) and renamed Beobank.*

## Occupancy rate and weighted average duration of leases

The occupancy rate[20] at 30 June 2013 stood at 94.82% for properties available for rent (i.e. the investment properties excluding properties that are being constructed or developed for own account in order to be leased) and 93.62%[21] of all investment properties, compared with the rate of 95.87% for both properties available for rent and for the total of investment properties as the year opened. This decline in occupancy rates since the beginning of the year is linked firstly to the departure of some tenants from the Triomphe I, Schuman III, Ikaros and Vital buildings, and secondly to the Blue Tower building joining the portfolio; it was about 90% occupied at 30 June 2013.

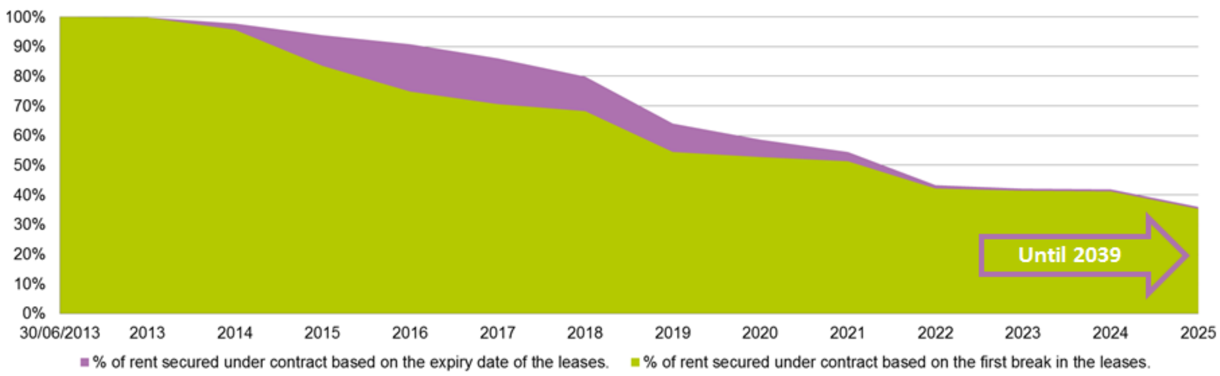
As at 30 June 2013, the weighted average duration of leases stood at 8.97 years compared with 9.32 years at 31 December 2012.

**Residual duration of leases up to the next break[a]**




*(a) The proportions are expressed on the basis of the annual current rent as at 30 June 2013.*

**Percentage of rent guaranteed under contract on the basis of the remaining term of the leases in the consolidated portfolio[a] (for ongoing and signed future leases) (in %)**




*(a) Rents for future years are calculated on the basis of the present situation, assuming that each tenant leaves at the first break and that no further lease is agreed in relation to current rent as at 30 June 2013.*

[20] Occupancy rate: current rent (including space already let but where the lease has yet to begin)/(current rent + estimated rental value for vacant space).

[21] As at 30 June 2013 the building Triomphe I was transferred into the category "Properties that are being constructed or developed for own account in order to be leased".

# Yield

### Yield (as at 30.06.2013)

| | Properties available for lease | | Investment properties[c] | |
|---|---|---|---|---|
| | 30.06.2013 | 31.12.2012 | 30.06.2013 | 31.12.2012 |
| **Initial yield[a]** | 6.77% | 6.91% | 6.55% | 6.73% |
| **Potential yield[b]** | 7.14% | 7.21% | 7.00% | 7.02% |

*(a) The initial yield is the overall rental yield on current rents.*
*(b) The potential yield is the overall rental yield on current rents plus the estimated rental value of vacant space.*
*(c) Comprising properties that are being constructed or developed for own account in order to be leased.*

# Reversion rate

The reversion rate is a measure of the difference between the current rent and the market rent. It is therefore possible for the evolving real-estate market to alter this rate itself.

The reversion rate of properties available for lease was -11.8% as at 30 June 2013 (as against -12.0% at 31 December 2012). The decline in this rate is linked to interruptions and renegotiations of leases at market rent and to the sale of the Mons I building which was let at a rent that was higher than the estimated rental value.

In principle this reversion rate is a limited short-term risk for Befimmo mainly in the decentralised area and periphery (11.6% of the total rent, with an average weighted duration of leases of 3.29 years). Overall, the reversion rate risk must be assessed in the light of the long average duration of Befimmo leases which has remained at about 9 years since December 2006. Excluding the decentralised area and the periphery, the weighted average duration of leases is 9.69 years.

### Reversion rate (as at 30.06.2013)

| | Current rent[a] (€ thousand) | Proportion of rents[b] (in %) | Weighted residual average duration[c] 1st break (in years) | Reversion rate[d] (in %) |
|---|---|---|---|---|
| Brussels centre (CBD) | 80 614 | 60.1 | 8.61 years | -14.7 |
| Brussels decentralised | 5 044 | 3.8 | 4.47 years | -9.8 |
| Brussels periphery | 10 501 | 7.8 | 2.73 years | -8.2 |
| Wallonia | 10 650 | 7.9 | 16.59 years | -9.5 |
| Flanders | 22 170 | 16.5 | 11.63 years | -6.0 |
| Luxembourg city | 5 191 | 3.9 | 2.60 years | -8.4 |
| **Properties available for lease** | **134 170** | **100.0** | **8.97 years** | **-11.8** |

*(a) Annual current rent at the year-end plus future rent on leases signed as at 30 June 2013, as reviewed by the real-estate experts.*
*(b) The proportion of rents is calculated on the basis of the annual current rent as at 30 June 2013.*
*(c) Weighted average duration of leases, i.e. the sum of (annual current rent for each lease multiplied by the remaining duration up to the first break in the lease) divided by the total annual current rent of the portfolio.*
*(d) Reversion rate: 1-((current rent + estimated rental value for vacant space)/estimated rental value for total space).*

## Summary of data on properties in the Befimmo portfolio (as at 30.06.2013)

| | Rental space (in m²) | Proportion of portfolio[a] (in %) | Currents rent[b] (€ thousand) | Occupancy rate (in %) |
|---|---|---|---|---|
| **Brussels centre**<br>9 buildings | 98 129 | 14.0 | 19 158 | 97.5 |
| **Brussels Leopold district**<br>10 buildings | 96 057 | 16.4 | 22 430 | 92.7 |
| **Brussels Louise district**<br>1 building | 27 917 | 4.0 | 5 535 | 88.7 |
| **Brussels North area**<br>3 buildings | 187 506 | 24.5 | 33 490 | 98.9 |
| **Brussels Central Business District (CBD)**<br>23 buildings | **409 609** | **58.9** | **80 614** | **96.0** |
| **Brussels decentralised**<br>4 buildings | **40 018** | **3.7** | **5 044** | **86.3** |
| **Brussels periphery**<br>7 buildings and office parks | **108 228** | **7.7** | **10 501** | **78.8** |
| **Total Brussels**<br>34 buildings | **557 855** | **70.2** | **96 159** | **93.2** |
| **Wallonia**<br>19 buildings | 87 750 | 7.8 | 10 650 | 100.0 |
| **Flanders**<br>33 buildings | 180 563 | 16.2 | 22 170 | 99.5 |
| **Luxembourg city**<br>1 building | 13 447 | 3.8 | 5 191 | 95.5 |
| *Properties available for lease* | *839 615* | *98.0* | *134 170* | *94.8* |
| *Properties that are being constructed or developed for own account in order to be leased* | *24 886* | *2.0* | *2 739* | *57.8* |
| **Investment properties** | **864 501** | **100.0** | **136 909** | **93.6** |
| **Properties held for sale** | **7 178** | **0.02** | **21** | **-** |
| **Total** | **871 679** | **100.0** | **136 930** | **-** |

*(a) The proportion of portfolio is calculated on the basis of the annual current rent as at 30 June 2013.*
*(b) Annual current rent at the year-end plus future rent on leases signed as at 30 June 2013.*

## Signing of an agreement to sell the Triomphe III building

On 9 July 2013, Befimmo signed an agreement to sell the Triomphe III building[22] at avenue Arnaud Fraiteur 25 in 1050 Ixelles, subject to a suspensory condition. This building has attracted interest from developers planning to convert it into student housing. As a Pure Player in office buildings, this land use is not consistent with Befimmo's core strategy and it has therefore opted to sell the building; the sale should be completed in the latter half of 2013. The agreed selling price is in line with the fair value of the building as at 30 June 2013.

## Execution of the deed to increase the capital after the contribution in kind of the AMCA building by AXA Belgium

Following the contribution in kind of the AMCA building by AXA Belgium[23], as expected, on 10 July 2013 Befimmo signed the deed to increase the capital.

Befimmo thereby increased its equity within the limits of the authorised capital by €110 million, creating 2,037,037 new shares priced €54. These shares were admitted to trading on NYSE Euronext Brussels on 12 July 2013. AXA Belgium has thus become a shareholder of the Company, with a holding of 9.6%, and has undertaken not to sell the new shares for six months from the date the contribution was made.

[22] The portfolio figures presented in this Report take account of the Triomphe III building. On 30 June 2013, the building was moved into the "Properties held for sale" category.

[23] For more information, please consult the chapter "Key events of the half-year" of this report.

## Addition to the portfolio of the AMCA building | Simulation of the main property and financial ratios as at 30 June 2013 (pro forma)

Had the AMCA building[24] joined the portfolio on 30 June 2013 (rather than 10 July 2013), the key figures as at 30 June 2013 would have been as follows:

| | 30 June 2013 Pro forma (including AMCA[(a)]) | 30 June 2013 |
|---|---|---|
| **Key property figures** | | |
| Fair value of the property portfolio | €2 154.5 million | €2 044.5 million |
| Occupancy rate of properties available for lease | 95.07% | 94.82% |
| Occupancy rate of investment properties | 93.92% | 93.62% |
| Weighted average duration of leases | 9.29 years | 8.97 years |
| Initial yield on properties available for lease | 6.75% | 6.77% |
| Initial yield on investment properties | 6.54% | 6.55% |
| Potential yield on properties available for lease | 7.10% | 7.14% |
| Potential yield on investment properties | 6.96% | 7.00% |
| **Key financial figures** | | |
| Number of shares issued | 21 157 746 | 19 120 709 |
| Number of shares outstanding over the period | 18 738 194 | 18 738 194 |
| Net asset value per share | €55.22 | €55.35 |
| Debt ratio according to the Royal Decree | 46.07% | 48.48% |
| Loan-to-value | 45.16% | 47.59% |
| Investment capacity (50%)[(b)] | €208.6 million | €98.6 million |

*(a) These figures are indicative and unaudited.*
*(b) Calculated on the basis of the LTV ratio.*

[24] Since the deed to increase the capital by the contribution in kind of the AMCA building was signed on 10 July 2013, the transaction takes effect for accounting purposes as from the third quarter of the fiscal year.

# Merger of Blue Tower Louise SA and convening an Extraordinary General Meeting

As announced in its press release of 18 April 2013[25], Befimmo is proposing to its shareholders a merger by absorption of Blue Tower Louise SA by Befimmo SA.

In this framework, Befimmo organises an Extraordinary General Meeting to be held on 19 August 2013 at 10.00 AM at the Company's registered office at Chaussée de Wavre 1945, 1160 Brussels. Should the required quorum not be reached in that Meeting, a second Extraordinary General Meeting will be convened for 6 September 2013 at 10.00 AM, which will validly deliberate on the same agenda, regardless of the number of shareholders present or represented.

Blue Tower Louise SA, owner of the Blue Tower office building[26] (28,500 m²) in the heart of the Louise district of Brussels, is owned by Befimmo (25%) and its 100% subsidiary Fedimmo (75%). The share capital of Blue Tower Louise SA is represented by 9,190,000 shares, 2,297,500 of which are held by Befimmo and 6,892,500 by Fedimmo.

The exchange ratio was determined on the basis of the net asset value of Befimmo as at 31 March 2013 and the net asset value of Blue Tower Louise SA reassessed as at 18 April 2013. On this basis, the Boards of Directors of Befimmo and Blue Tower Louise SA propose to establish the exchange ratio as follows: 13.03877 shares of the absorbed company to one share in the absorbing company. Befimmo will also make a balancing cash payment to Fedimmo of €51.17.

As a result of this merger, 528,615 new shares will be issued to Fedimmo at a price of €55.36.

The various documents relating to the Extraordinary General Meeting and the merger by absorption were made available to shareholders within the statutory deadline and are available on the Befimmo website (www.befimmo.be) or on request at the registered office per email: contact@befimmo.be.

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25 For more information, please consult the press release published on 18 April 2013 on the Befimmo website (www.befimmo.be).

26 For more information, please consult the section "Key events of the half-year" of this report.

**During the first half of 2013, the improving trend in the Brussels office property market[27] was confirmed. For the first time since 2009, rental vacancies fell below 11%, actually to 10.8% as at 30 June 2013, compared with 11.1% at 31 December 2012.**

## Rental Market – Demand

Demand on the Brussels office property market was 203,373 m² in the first half of the fiscal year, as against 427,000 m² in the 2012 fiscal year.

The Leopold district and periphery were the most sought-after during the first half.

A third of the transactions on the market (75,759 m²) involved the public sector. The European institutions were behind much of this demand. These include the European Parliament, which will take occupancy of 40,000 m² in Meeûs 8, and Croatia, which has acquired Joseph II No 37 (4,136 m²) to house its representatives to the European Union.

In the coming months the public sector is expected to remain a major player on the market, as the Flemish Government has launched a tender for some 50,000 m² of offices and the European institutions are expected to launch a tender related to the announcement of their future office occupation strategy.

The limited demand from the private sector, on the other hand, is due to the uncertain economic climate. Quite small transactions are being concluded mainly in the periphery, as companies seek to take advantage of competitive market conditions.

## The development market – Supply

In the first half, only 58,588 m² of office space were handed over onto the market. By the end of the year, an additional 160,059 m² are expected on the market, approximately 77% of which are already pre-let.

Although the number of speculative projects is still very limited, some developers are implementing their development projects selectively in the best central areas, namely the Leopold district and North area, in order to be able to hand them over by 2015.

## Rental vacancies

As at 30 June 2013, rental vacancies stood at 10.8% as against 11.1% at 31 December 2012.

In the Central Business District, vacancy rates are around 6% in the Leopold district and North area. The city centre is doing even better with 5.2%, which marks a return to pre-crisis vacancy levels.

The CBD is therefore showing real signs of recovery. The conversion of structurally empty office buildings, the few speculative projects on the market and a slight improvement in take-up have reinforced the downward trend in vacancy rates in the CBD.

Conversely, in the decentralised and periphery markets, vacancy rates are still tending to rise somewhat.

[27] Source of market data: CBRE – 30 June 2013 (www.cbre.be).

## Rental values

Prime rent held steady over the first half, at €285 per m² in the Leopold district. Weighted average rents are at €157 per m². The expected shortage of “Grade A” office space in the Brussels CBD could prompt a potential upward trend in rents.

In the current economic climate, rental gratuities and concessions to tenants in existing buildings still remain relatively high, especially in the periphery and decentralised areas.

## Investment market

Over the first six months of the year, activity on the investment market picked up. Indeed, nearly €800 million were invested in office buildings in Brussels, compared with only €600 million in Belgium over the whole of 2012.

Noteworthy among them are Befimmo's acquisition of Blue Tower Louise SA, owner of the Blue Tower building, and the sale of the Belair project by the Immobel/Breevast consortium to Hannover Leasing for €300 million, or the purchase of the Senneberg building by Financière Techeyné.

Yields for “conventional” 3/6/9 leases in the prime category remained stable in relation to the beginning of the year at around 6.25%. Properties of the same type but leased long-term are earning around 5%.

# CONCLUSIONS OF THE REAL-ESTATE EXPERT

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

Dear Sirs,
Re: Valuation of the real-estate portfolio of Befimmo as at 30th June 2013.

**Context**

In accordance with Chapter IV, Section 4 of the Royal Decree of 7th December 2010 with regard to the Sicafis, Befimmo has instructed an independent valuer to provide an opinion of value for its portfolio as at 30th June 2013. We have been mandated to value part of the Befimmo property portfolio of which most of the buildings are let to companies from the private sector while Winssinger & Associés sa and PriceWaterhouseCoopers Enterprise Advisory scrl have been mandated to value respectively the Fedimmo portfolio and the Befimmo portfolio mainly let to public institutions. 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. Winssinger & Associés SA and Price Waterhouse Coopers Enterprise Advisory scrl also indicate that they benefit from sufficient knowledge of the property markets in which Befimmo is 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 Sicafi 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, 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 Befimmo property portfolio as at 30th June 2013 amounts to a total of

€2,096,890,800
(TWO BILLION AND NINETY SIX MILLION EIGHT HUNDRED AND NINETY THOUSAND EIGHT HUNDRED EUROS);

this amount includes the valuation of the buildings which have been carried out by Winssinger & Associés SA and PriceWaterhouseCoopers Enterprise Advisory scrl.

The most likely sale value corresponding to the fair value of the Befimmo property portfolio as at 30th June 2013 amounts to a total of

€2,044,459,282
(TWO BILLION AND FORTY FOUR MILLION FOUR HUNDRED AND FIFTY NINE THOUSAND TWO HUNDRED AND EIGHTY TWO EUROS);

this amount includes the valuation of the buildings which have been carried out by Winssinger & Associés SA and PriceWaterhouseCoopers Enterprise Advisory scrl.

On this basis, the initial yield of the portfolio with properties held for letting is 6.77%. Should the vacant accommodation be fully let at estimated rental value, the initial yield would be 7.14% for the same portfolio.

The occupation rate of the portfolio with properties held for letting is 94.82%. For the total portfolio of investment properties this rate is 93.62%.

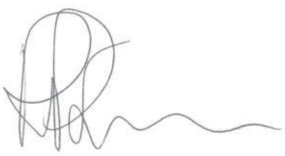
The average level of passing and contractual rent is currently approximately ±11.76% above the current estimated rental value of the portfolio with properties held for letting.

The property portfolio comprises:

| **Offices** | **Fair value (€ millions)** | **(in %)** |
|---|---|---|
| *Properties available for lease* | *1 931.3* | *94.5* |
| Brussels centre (CBD) | 1 192.2 | 58.3 |
| Brussels decentralised | 73.4 | 3.6 |
| Brussels periphery | 150.6 | 7.4 |
| Wallonia | 76.5 | 3.7 |
| Flanders | 356.0 | 17.4 |
| Luxembourg City | 82.8 | 4.1 |
| *Properties that are being constructed or developed for own account in order to be leased* | *106.5* | *5.2* |
| *Properties held for sale* | *6.6* | *0.3* |
| **Total** | **2 044.5** | **100.0** |

Yours sincerely,

Brussels, 10th July 2013



R.P. Scrivener M.R.I.C.S.
National Director
Head of Valuations and Consulting
On behalf of Jones Lang LaSalle

**The Company makes sure that it arranges the necessary finance in due time, seeking a balance between cost, duration and diversification of its sources of financing.**

## Financing policy

Befimmo proactively manages its financing cost, which is its main cost item and hence has a significant influence on its result and EPRA earnings.

Befimmo strives to secure available funding over periods of renewals, which ensures a balanced spread of their maturities. It makes sure that it keeps some floating interest rates, with a limit on rate rises, on a portion of its debts.

Except in exceptional circumstances, this policy offers a degree of protection against the disruptions associated with changing economic cycles. When the economic climate is favourable, the cost of debt will certainly rise but will in principle be partly offset by an improvement in operating income (higher inflation and occupancy of buildings), possibly with a delayed action. As this offset effect is limited, a hedging policy has been put in place. Conversely, in an adverse economic climate, the reduction in finance costs offers a measure of compensation for any decrease in operating cash flows.

## Realised refinancing

Since January 2013, Befimmo has finished arranging bilateral loans with three banks totalling €215 million. Assuming a constant floor area, Befimmo has no maturing loans to refinance before the fourth quarter of 2014.

## Main characteristics of the financial structure

As at 30 June 2013, Befimmo's financial structure had the following main characteristics:

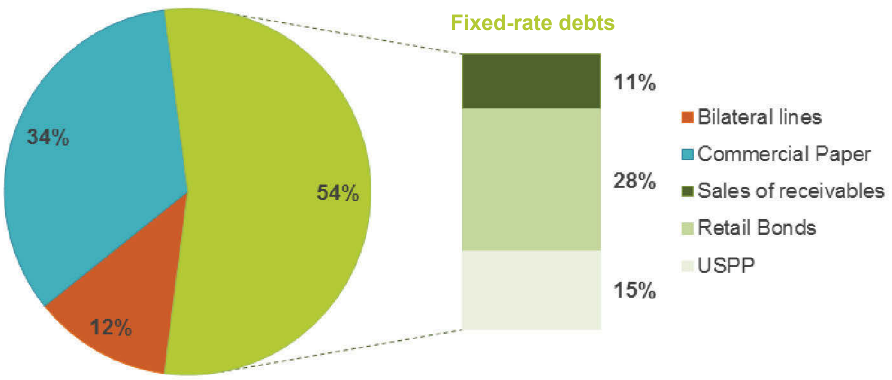
- confirmed financing totalling €1,088.03 million, €976.7 million of which were in use. The volume of unused lines is a provision for the commitments under the construction and renovation programme planned for 2013 and 2014;
- a debt ratio of 48.48%[28], a Loan-to-value (LTV) of 47.59%[29];
- a weighted average duration of debts of 4.46 years;
- 56.1% of total debts at fixed rates (including IRS);
- an average financing cost (hedging margin and cost included) amounting to 3.17% over the half year, compared with 3.46% for the first half of 2012.

On 25 February 2013 the Standard & Poor's rating agency confirmed the rating of BBB/outlook stable for Befimmo's long-term debts and A-2 for its short-term debts.

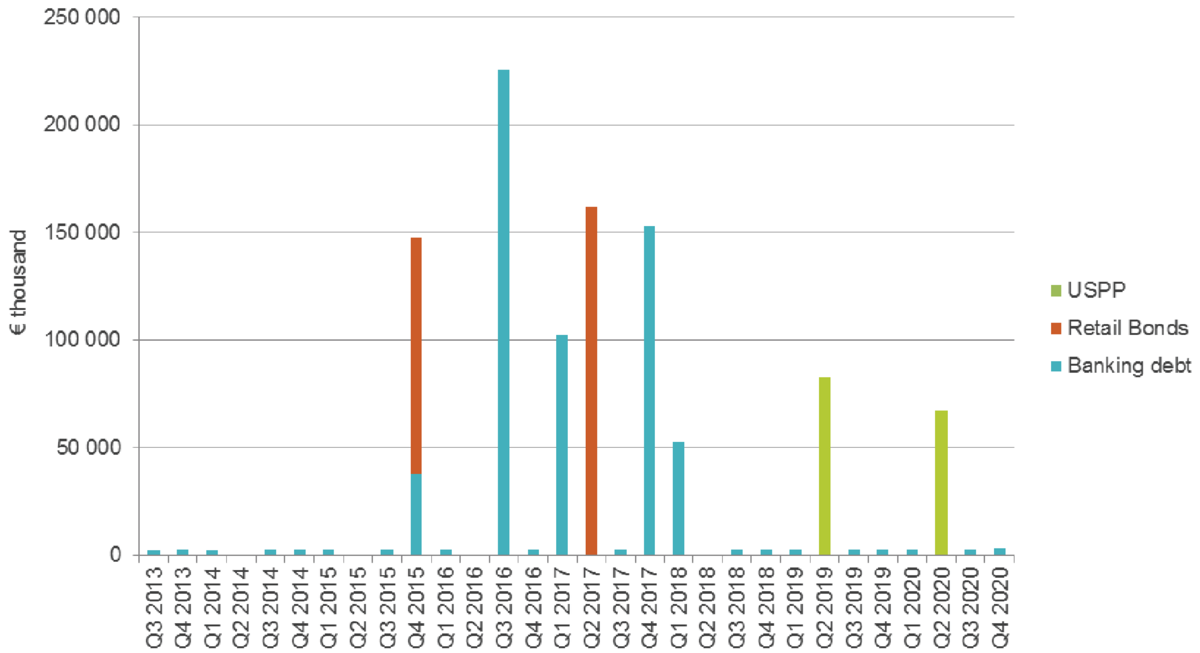
In order to reduce its financing costs, Befimmo has set up a commercial paper programme for up to €400 million. As at 30 June 2013, €329.25 million were in use under this programme. This programme has backup facilities consisting of the various credit lines arranged.

[28] The debt ratio is calculated in accordance with the Royal Decree of 7 December 2010.
[29] Loan-to-value ("LTV") = (financial debts – cash)/fair value of portfolio.

**Debt distribution (as at 30.06.2013)**




**Maturities of financial commitments by quarter**




# Hedging the interest rate and exchange risk

The interest rate hedging policy is designed to hedge a decreasing portion of debts over a 10-year period. The objectives and implementation of this policy are regularly reviewed. The choice and level of instruments is based on an analysis of rate forecasts by a number of banks, and arbitrage between the cost of the instrument and the desired level of protection. Through its hedging policy the Company also aims to limit variations in financial charges under existing covenants and to protect EPRA earnings as required to pay the dividend.

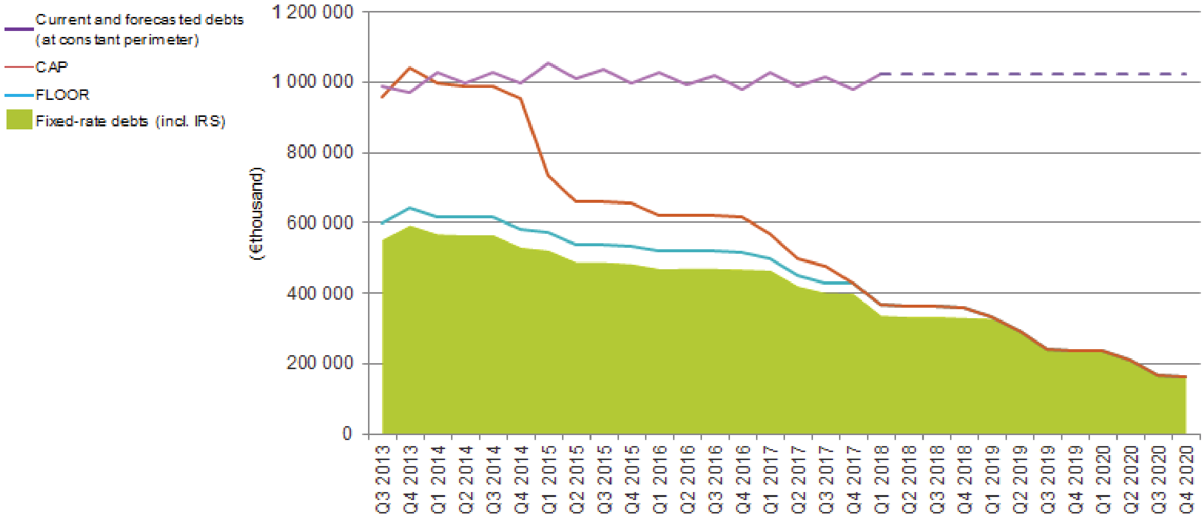
Befimmo holds a portfolio of instruments to hedge (i) the interest rate risk, consisting of interest rate Swap, CAP and COLLAR[30], and (ii) the exchange-rate risk on its fixed-rate United States private placement (USPP) by holding Cross Currency Swaps. The package of instruments currently in place gives the Company a hedging ratio of 97.1%[31] as at 30 June 2013. This hedging ratio is above 95% until the fourth quarter of 2014, above 60% until the fourth quarter of 2016 and above 40% until the fourth quarter of 2017.

As part of its hedging policy, over the half year the Company arranged several hedging instruments:

- it bought Interest Rate Swaps (IRS) for a notional amount of €50 million covering the period from September 2013 to September 2022;
- it bought 1.5% CAP for a notional amount of €50 million covering a four-year period starting in September 2013;
- an IRS (for an amount of €40 million) was extended to provide additional hedging covering the years 2018 to 2020 inclusive.

In the Annual Financial Report 2012, the Company already announced the conclusion of two CAP for a total amount of €50 million (a €25 million CAP at 2% for the period January 2013 to January 2019 and a €25 million CAP at 1% for the period February 2013 to February 2017).

### Evolution of the portfolio of hedging instruments and fixed-rate financing




| Annual average | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| CAP | Notional (€ million) | 409 | 426 | 185 | 151 | 72 | 30 | 2 | - |
| | Average rate (in %) | 3.49% | 3.29% | 2.25% | 1.93% | 1.83% | 2.25% | 2.25% | - |
| FLOOR | Notional (€ million) | 50 | 50 | 50 | 50 | 31 | 30 | 2 | - |
| | Average rate (in %) | 1.09% | 1.09% | 1.09% | 1.09% | 0.83% | 0.82% | 0.82% | - |
| Fixed-rate debts (incl. IRS) | Notional (€ million) | 560 | 557 | 495 | 469 | 420 | 333 | 275 | 193 |
| | Average rate[(a)] (in %) | 2.31% | 2.30% | 2.34% | 2.72% | 2.68% | 2.41% | 2.45% | 2.52% |

*(a) Average fixed rate excluding credit margin.*

[30] Buying a COLLAR limits the rise in interest rates (CAP), but also involves an undertaking to pay a minimum rate (FLOOR).
[31] Hedging ratio = (fixed-rate debts + notional rate of IRS and CAP)/total debts.

## Consolidated key figures

| | 30.06.2013 (6 months) | 31.12.2012 (12 months) | 30.06.2012 (6 months) |
|---|---|---|---|
| Number of shares issued | 19 120 709 | 19 120 709 | 18 175 440 |
| Number of shares in circulation[(a)] | 19 120 709 | 18 452 987 | 17 517 150 |
| Average number of shares in circulation during the period | 18 738 194 | 17 687 471 | 17 536 525 |
| **Data per share** (group share) | | | |
| Net asset value (in €) | 55.35 | 54.10 | 57.27 |
| Net result (in €) | 2.35 | 0.44 | 1.07 |
| EPRA earnings (in €) | 2.39 | 4.24 | 2.13 |
| Return on shareholders' equity (in €)[(b)] | 2.11 | 1.03 | 2.51 |
| Return on shareholders' equity (in %)[(b)] | 3.80 | 1.82 | 4.34 |
| Closing share price (in €) | 48.63 | 48.83 | 44.91 |
| Gross dividend (in €) | - | 3.45 | - |
| Gross yield on dividend (in %)[(c)] | - | 7.07 | - |
| Return on share price (in %)[(b)] | 16.79 | 4.84 | -18.94 |
| Shareholders' equity (€ million) | 1 058.3 | 998.2 | 1 003.2 |
| Debt ratio (in %) | 48.48 | 49.31 | 46.32 |
| Loan-to-value (in %)[(d)] | 47.59 | 48.03 | 45.52 |

*(a) The number of shares in circulation does not take account of the number of shares held by Befimmo or its subsidiaries.*
*(b) Calculated for a shareholder investing in Befimmo within the last 12 months and opted for payment of interim dividend in shares.*
*(c) Gross dividend divided by the closing share price.*
*(d) Loan-to-value: [(financial debts – cash)/fair value of portfolio].*

# Net asset value as at 30 June 2013

As at 30 June 2013, Befimmo's total net asset value was €1,058.3 million.

The net asset value is therefore €55.35 per share.

## Net asset value

| | €/share | € million | Number of shares in circulation |
|---|---|---|---|
| **Net asset value as at 31 December 2012** | **54.10** | **998.2** | **18 452 987** |
| Operations on own shares | | 32.4 | |
| Payment of final dividend of the 2012 fiscal year (distributed in May 2013) | | -16.4 | |
| Result as at 30 June 2013 | | 44.1 | |
| **Net asset value as at 30 June 2013** | **55.35** | **1 058.3** | **19 120 709** |
| **EPRA NAV as at 30 June 2013** | **55.37** | | **19 120 709** |
| **EPRA NNNAV as at 30 June 2013** | **54.54** | | **19 120 709** |

# Trend of results

## Condensed consolidated income statement (€ thousand)

| | 30.06.2013 | 30.06.2012 (restated) |
|---|---|---|
| Net rental result | 68 709 | 63 582 |
| Net property charges | -4 192 | -5 497 |
| **Property operating result** | **64 517** | **58 085** |
| Corporate overheads | -4 815 | -4 881 |
| Other operating income and charges | -243 | 680 |
| **Operating result before result on portfolio** | **59 459** | **53 884** |
| Gains or losses on disposals of investment properties (±) | 188 | - |
| **Net property result** | **59 647** | **53 884** |
| Financial result (excl. changes in fair value of financial assets and liabilites) | -14 228 | -15 114 |
| Corporate taxes | -396 | -360 |
| **Net current result** | **45 023** | **38 410** |
| Changes in fair value of investment properties | -7 331 | -13 530 |
| Changes in fair value of financial assets and liabilities | 6 378 | -4 541 |
| **Changes in fair value of financial assets and liabilities and investment properties** | **-953** | **-18 071** |
| **Net result** | **44 071** | **20 339** |
| **Net result (group share)** | **44 071** | **18 773** |
| Non-controlling interests | - | 1 565 |
| **EPRA earnings (group share)** | **44 836** | **37 308** |
| **Net result (€/share) (group share)** | **2.35** | **1.07** |
| **Net current result (€/share) (group share)** | **2.40** | **2.13** |
| **EPRA earnings (€/share) (group share)** | **2.39** | **2.13** |

## Events with an impact on the perimeter of the Company

The perimeter of the Company was changed during the first six months of the 2013 fiscal year by the following events:

- the sale of the Mons I building in February 2013[32];
- the acquisition, on 18 April 2013, of Blue Tower Louise SA, owner of the Blue Tower building, partially refinanced by equity through a private placement of 637,371 own shares[32];
- the integration of the property management business for the buildings in the Befimmo portfolio on 1 May 2013[33].

Comparison of data per share is also affected by the fact that, since October 2012[34], the Company has benefited from 100% of the income of its subsidiary Fedimmo following the acquisition of the 10% of shares it did not already own, as well as the new shares issued under the optional dividend in December 2012.

## Analysis of the net result

The condensed consolidated income statement includes the data, published on 30 June 2012, restated. When integrating the property management business, the Company reviewed the breakdown of the income statement. As a result, from the 2013 fiscal year, operating costs (staff, projects, etc.) directly related to property, previously booked under "Corporate overheads", now come under the item "Net property charges". This reclassification has no impact on the net result.

The analysis of the result is based on a comparison with the restated data from the first half of 2012.

The **net rental result** rose by €5.1 million, or 8.1%. This increase is explained by the combined impact of:

- new leases (Axento, Central Gate, Science-Montoyer, Ocean House) agreed since July 2012 and departing tenants/renegotiated leases (Triomphe I & II) (net positive impact of €0.1 million);
- compensation for early termination of leases (€3.7 million);
- change in the floor area (acquisition of Blue Tower Louise SA and disposal of the Mons I and Devroye buildings) with a net positive impact of €0.5 million;
- and finally, the indexing of rents and smoothing of gratuities applied in accordance with IFRS.

**Net property charges** are down by €1.3 million. This decrease is explained mainly by a delay in carrying out some works, lower commercial costs and lower charges on empty premises.

The **property operating result** is therefore up €6.4 million (+11.1%).

**Overheads** were down slightly in relation to 2012. Higher project costs were offset by the fact that remuneration is no longer paid to the Managing Agent.

**Other operating income and charges** amounted to -€0.2 million. This heading includes fees charged for coordinating works, the IFRS restatement of rental gratuities incorporated into revenues, and various provisions.

A **capital gain** of €0.2 million was realised on the sale of the Mons I building.

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32 For more information, please consult the section "Key events of the half-year" of this report.

33 For more information, please consult the press release published on 31 October 2012, published on the Befimmo website (www.befimmo.be).

34 For more information, please consult the press release published on 3 October 2012, published on the Befimmo website (www.befimmo.be).

The **change in fair value of the investment properties** (excluding investments) was limited over the period, to -€7.3 million (or -0.36%) as against -€13.5 million (or -0.68%) over the first six months of 2012.

The **financial result** (excluding changes in fair value of financial assets and liabilities) passed from -€15.1 million in the first half of 2012 to -€14.2 million in the first half of 2013. The average financial debt over the first half of the fiscal year was €958 million as against €877.5 million over the first half of 2012.

The decrease in financial charges, despite the rise in the volume of debts, is explained by the fall in the average cost of financing from 3.46% over the first half of 2012 to 3.17% over the first half of 2013. This decline is explained by the exceptionally low Euribor rates (average of Euribor 1 month and 3 months of 0.16% over the first half as against 0.69% over the first half of 2012), but also by the net increase of the volume of debts arranged at floating rates.

The **change in fair value of the financial assets and liabilities** is €6.4 million as against -€4.5 million over the first six months of 2012. During the first half of the 2012 fiscal year, the decline in the fair value of financial assets and liabilities was due primarily to the fall in the interest rate curve at 30 June 2012 compared with the level at 31 December 2011. During the first half of the 2013 fiscal year, the opposite effect was observed due to the rise in the interest rate curve at 30 June 2013 in relation to the level observed at 31 December 2012.

All of these factors add up to a **net result** of €44 million as at 30 June 2013, compared with €20.3 million as at 30 June 2012. This increase is due mainly to the improved property operating result, a slowdown in the decline in the fair value of the investment properties and positive changes in the fair value of the financial assets and liabilities in 2013.

**EPRA earnings** are up 20.2% at €44.8 million as against €37.3 million (group share) for the first half of 2012. This progression is explained by the combined effect of the higher property operating result, lower financing charges and the buying-out of minority interests.

In addition, **EPRA earnings per share** are up 12.5% in relation to last year, at €2.39 per share as at 30 June 2013. This smaller rise in data per share is related to the dilutive effect of the issue of shares for the optional dividend in December 2012 and in the context of the acquisition of the remaining 10% stake in Fedimmo SA in October 2012, and results in the private placement of own shares in April 2013.

## Evolution of the Befimmo share

The Befimmo share closed at €48.63 on 30 June 2013, as against €48.83 at 31 December 2012. Befimmo's market capitalisation stood at €929.7 million at 30 June 2013.

At this share price, the share returns a dividend yield of 7.1% and is being traded at a discount of 12.1% in relation to net asset value.

As at 10 July 2013, after the capital increase following the contribution in kind of the AMCA building, the market capitalisation stood at €1,052 million. During the first half of the year, the daily trading volume was around 40,000 shares.

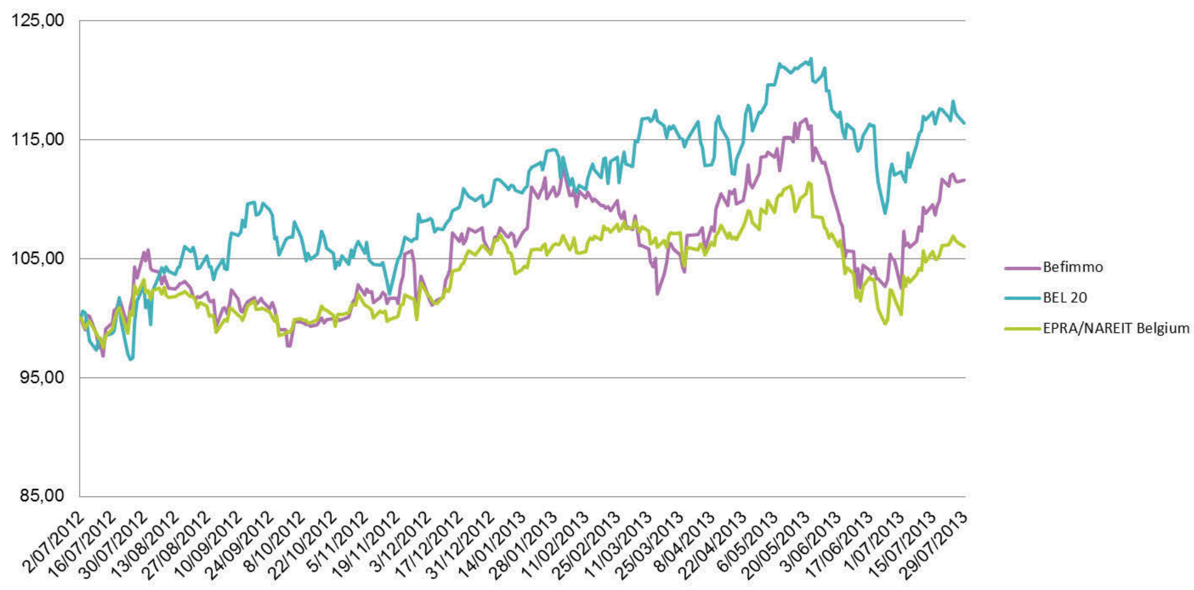
The graph below illustrates the year-on-year performance of the share.

| | 10.07.2013 | 30.06.2013 | 31.12.2012 |
|---|---|---|---|
| *Number of outstanding shares* | *21 157 746* | *19 120 709* | *19 120 709* |
| *Number of shares in circulation* | *21 157 746* | *19 120 709* | *18 452 987* |
| *Average number of shares during the period* | *18 738 194* | *18 738 194* | *17 687 471* |
| Closing share price | € 49.75 | € 48.63 | € 48.83 |
| Gross dividend | - | - | € 3.45 |
| Gross yield (dividend/share price) | - | - | 7.07% |
| Capitalisation | € 1 052 597 863.50 | € 929 744 475.13 | € 933 664 220.47 |

| | 2013(a) (6 months) | 2012(b) (12 months) |
|---|---|---|
| Average daily volume | 38 861 | 20 305 |
| Free float velocity (in %) | 33% | 36% |

*(a) On the basis of trading on all platforms.*
*(b) On the basis of trading on NYSE Euronext Brussels.*

**Befimmo share price relative to BEL 20 and EPRA/NAREIT Belgium (over one year)**



## Dividend forecast

Unless other factors intervene, and at this stage of the year, Befimmo confirms the dividend forecast for the fiscal year (€3.45 gross per share). It proposes that an interim dividend be distributed for the fiscal year, as from Thursday 19 December 2013. This interim payment is expected to be €2.59 gross per share, while the decision to declare a final dividend of €0.86 gross per share for the 2013 fiscal year could be placed on the agenda of the Ordinary General Meeting of shareholders to approve the accounts at 31 December 2013, to be held in April 2014.

# Corporate governance

## Composition of the Befimmo Board of Directors

On 30 April 2013, the Annual General Meeting of Befimmo appointed Mrs Sophie Goblet as an Independent Director on the Board of Directors of Befimmo, for a four-year term ending at the close of the Ordinary General Meeting of 2017.

*Mrs Sophie Goblet (1964) has a degree in economics from IAG (University of Louvain-La-Neuve). She began her career in 1988 at ABN AMRO Bank in Amsterdam and London, where she held various positions in Corporate Finance. In 1993, she joined Income International (a company of the Deficom Group) as a Senior Consultant in financial and corporate communication. Mrs Goblet was appointed Group Treasurer of GIB Group in 1993, and went on to become Financial Director of GIB IMMO SA in 1997. In 1999, she moved into the real-estate sector, joining the Executive Committee of Codic International, where she served as Chief Financial Officer and Corporate Secretary until 2012.*

This Meeting also renewed the directorship of Arcade Consult BVBA, represented by its permanent representative, André Sougné, for a further one-year period ending at the close of the Ordinary General Meeting of 2014, while the directorship of Roude BVBA, represented by its permanent representative Mr Jacques Rousseaux, was extended for a further two-year period, expiring at the close of the Ordinary General Meeting of 2015.

The composition of the Board is as follows:

| Position on the Board | Directorship expires |
|---|---|
| **A. Devos SPRL**<br>represented by its permanent representative, Mr Alain Devos, Chairman, Non-Executive Director, linked to a shareholder | Ordinary General Meeting 2015 |
| **SPRLu BDB Management**<br>represented by its permanent representative, Mr Benoît De Blieck, Managing Director | Ordinary General Meeting 2015 |
| **Arcade Consult BVBA**<br>represented by its permanent representative, Mr André Sougné, Independent Non-Executive Director | Ordinary General Meeting 2014 |
| **Hugues Delpire**<br>Independent Non-Executive Director | Ordinary General Meeting 2015 |
| **Sophie Goblet**<br>Independent Non-Executive Director | Ordinary General Meeting 2017 |
| **Etienne Dewulf SPRL**<br>represented by its permanent representative, Mr Etienne Dewulf, Independent Non-Executive Director | Ordinary General Meeting 2015 |
| **Benoît Godts**<br>Non-Executive Director, linked to a shareholder | Ordinary General Meeting 2015 |
| **Roude BVBA**<br>represented by its permanent representative, Mr Jacques Rousseaux, Independent Non-Executive Director | Ordinary General Meeting 2015 |
| **Marc VH-Consult BVBA**<br>represented by its permanent representative, Mr Marc Van Heddeghem, Independent Non-Executive Director | Ordinary General Meeting 2014 |

# Key dates for shareholders

## **Key dates** for shareholders 2013

| | |
|---|---|
| Interim statement - publication of net asset value as at 30 September 2013 | Thursday 14 November 2013[a] |
| Pay-out of the interim dividend[b] for the 2013 fiscal year upon presentation of coupon No 25 | |
| *- Ex-date* | Wednesday 27 November 2013 |
| *- Record date* | Friday 29 November 2013 |
| *- Pay-out date* | from Thursday 19 December 2013 |
| Publication of annual results and net asset value as at 31 December 2013 | Thursday 20 February 2014[a] |
| Publication of the Annual Financial Report 2013 on Befimmo's website | Friday 28 March 2014 |
| Ordinary General Meeting for the fiscal year closing as at 31 December 2013 | Tuesday 29 April 2014 |
| Pay-out of the final dividend[b] for the 2013 fiscal year upon presentation of coupon No 26 | |
| *- Ex-date* | Friday 2 May 2014 |
| *- Record date* | Tuesday 6 May 2014 |
| *- Pay-out date* | from Wednesday 7 May 2014 |

*(a) Publication after the close of trading.*
*(b) Subject to approval by the appropriate bodies.*

# Structure of share ownership as at 19 July 2013

| Declarants | Number of shares declared the day of statement | Date of receipt of the declaration | (in %) |
|---|---|---|---|
| AG Insurance and affiliated companies | 3 156 080 | 15.10.2008 [a] | between 15% and 20% |
| AXA Belgium SA | 2 037 037 | 10.07.2013 | 9.6% |
| Other shareholders under the statutory threshold | 15 964 629 | - | between 75% and 70% |
| **Total** | **21 157 746** | | **100%** |

*(a) Based on the transparency declaration received on 15 October 2008 and the prior undertaking to subscribe to the June 2009 capital increase for all the rights they held.*

# CONDENSED FINANCIAL STATEMENTS



Central Gate | Brussels centre

# CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME (€ THOUSAND)

| | | 30.06.13 | 30.06.2012 restated | 30.06.12 |
|---|---|---|---|---|
| I. | (+) Rental income | 69 007 | 63 793 | 63 793 |
| III. | (+/-) Charges linked to letting | - 298 | - 211 | - 211 |
| **NET RENTAL RESULT** | | **68 709** | **63 582** | **63 582** |
| IV. | (+) Recovery of property charges | 3 040 | 2 472 | 2 472 |
| V. | (+) Recovery of rental charges and taxes normally paid by tenants on let properties | 14 299 | 14 485 | 14 485 |
| VII. | (-) Rental charges and taxes normally paid by tenants on let properties | -13 829 | -14 204 | -14 204 |
| VIII. | (+/-) Other revenue and charges for letting | 37 | 20 | 20 |
| **PROPERTY RESULT** | | **72 257** | **66 356** | **66 356** |
| IX. | (-) Technical costs | -3 497 | -3 402 | -3 402 |
| X. | (-) Commercial costs | - 155 | - 540 | - 540 |
| XI. | (-) Charges and taxes on unlet properties | -1 346 | -1 444 | -1 444 |
| XII. | (-) Property management costs | - 806 | - 766 | - 766 |
| XIII. | (-) Other property charges | -1 936 | -2 119 | - 20 |
| | **(+/-) Property charges** | **-7 739** | **-8 271** | **-6 172** |
| **PROPERTY OPERATING RESULT** | | **64 517** | **58 085** | **60 184** |
| XIV. | (-) Corporate overheads | -4 815 | -4 881 | -6 980 |
| XV. | (+/-) Other operating income and charges | - 243 | 680 | 680 |
| **OPERATING RESULT BEFORE RESULT ON PORTFOLIO** | | **59 459** | **53 884** | **53 884** |
| XVI. | (+/-) Gains and losses on disposals of investment properties | 188 | - | - |
| XVIII. | (+/-) Changes in fair value of investment properties | -7 331 | -13 530 | -13 530 |
| **OPERATING RESULT** | | **52 317** | **40 354** | **40 354** |
| XX. | (+) Financial income | 43 | 44 | 44 |
| XXI. | (-) Net interest charges | -13 118 | -13 114 | -13 114 |
| XXII. | (-) Other financial charges | -1 153 | -2 043 | -2 043 |
| XXIII. | (+/-) Changes in fair value of financial assets and liabilities | 6 378 | -4 541 | -4 541 |
| | **(+/-) Financial result** | **-7 850** | **-19 655** | **-19 655** |
| **PRE-TAX RESULT** | | **44 467** | **20 699** | **20 699** |
| XXV. | (-) Corporation tax | - 396 | - 360 | - 360 |
| | **(+/-) Taxes** | **- 396** | **- 360** | **- 360** |
| **NET RESULT** | | **44 071** | **20 339** | **20 339** |
| NET RESULT (group share) | | 44 071 | 18 773 | 18 773 |
| NON-CONTROLLING INTERESTS | | - | 1 565 | 1 565 |
| | | | | |
| **BASIC NET RESULT AND DILUTED (€/share)** (group share) | | **2.35** | **1.07** | **1.07** |
| Other comprehensive income | | - | - | - |
| **TOTAL COMPREHENSIVE INCOME** | | **44 071** | **20 339** | **20 339** |
| TOTAL COMPREHENSIVE INCOME (group share) | | 44 071 | 18 773 | 18 773 |
| NON-CONTROLLING INTERESTS | | - | 1 565 | 1 565 |

The consolidated income statement includes the data published on 30 June 2012, restated. When integrating the property management business, the Company reviewed the breakdown of the income statement. As a result, from the 2013 fiscal year, operating costs (staff, projects, etc.) directly related to property, previously booked under "Corporate overheads" now come under the item "Property charges". This reclassification has no impact on the net result.

# CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION (€ THOUSAND)

| ASSETS | 30.06.13 | 31.12.12 |
|---|---|---|
| **I. Non-current assets** | **2 078 025** | **1 990 799** |
| A. Goodwill | 15 774 | 15 774 |
| C. Investment properties | 2 037 819 | 1 960 718 |
| D. Other property, plant and equipment | 925 | 639 |
| E. Non-current financial assets | 21 547 | 11 646 |
| b. Assets at fair value through profit and loss | 13 251 | 11 544 |
| d. Loans and receivables | 6 062 | - |
| e. Others | 2 234 | 102 |
| F. Finance lease receivables | 1 960 | 2 022 |
| **II. Current assets** | **42 954** | **36 449** |
| A Properties held for sale | 6 640 | 7 896 |
| B. Current financial assets | 1 394 | 380 |
| C. Finance lease receivables | 124 | 122 |
| D. Trade receivables | 24 757 | 14 781 |
| E. Tax receivables and other current assets | 4 656 | 7 664 |
| F. Cash and cash equivalents | 2 408 | 2 314 |
| G. Deferred charges and accrued income | 2 975 | 3 291 |
| **TOTAL ASSETS** | **2 120 979** | **2 027 248** |

| SHAREHOLDERS' EQUITY AND LIABILITIES | 30.06.13 | 31.12.12 |
|---|---|---|
| **TOTAL SHAREHOLDERS' EQUITY** | **1 058 302** | **998 239** |
| **I. Equity attributable to shareholders of the parent company** | **1 058 302** | **998 239** |
| A. Capital | 267 720 | 267 720 |
| B. Share premium account | 548 168 | 548 168 |
| C. Reserves | 198 343 | 182 350 |
| D. Net result for the fiscal year | 44 071 | - |
| **LIABILITIES** | **1 062 676** | **1 029 009** |
| **I. Non-current liabilities** | **643 717** | **566 332** |
| B. Non-current financial debts | 630 251 | 553 541 |
| a. Credit institution | 206 083 | 123 123 |
| c. Other | 424 168 | 430 418 |
| *Bond issues* | *271 835* | *271 821* |
| *USPP* | *150 240* | *156 582* |
| *Guarantees received* | *2 093* | *2 016* |
| C. Other non-current financial liabilities | 13 466 | 12 791 |
| **II. Current liabilities** | **418 959** | **462 678** |
| A. Provisions | 5 416 | 2 172 |
| B. Current financial debts | 347 159 | 396 319 |
| a. Credit institution | 17 909 | 120 119 |
| c. Other | 329 250 | 276 200 |
| *Commercial papers* | *329 250* | *276 200* |
| C. Other current financial liabilities | 122 | 257 |
| D. Trade debts and other current debts | 42 743 | 33 503 |
| E. Other current liabilities | 1 574 | 10 636 |
| F. Accrued charges and deferred income | 21 946 | 19 791 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **2 120 979** | **2 027 248** |

# CONSOLIDATED CONDENSED CASH FLOW STATEMENT
(€ THOUSAND)

| | 30.06.13 | 30.06.12 |
|---|---|---|
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR** | **2 314** | **4 179** |
| **Net result for the fiscal year** | **44 071** | **20 339** |
| Operating income | 52 317 | 40 354 |
| Interest paid | -17 203 | -12 840 |
| Interest received | 6 830 | 3 125 |
| Taxes paid | - 280 | - 180 |
| Changes in fair value of non-current financial assets/liabilities booked to income statement (+/-) | 6 378 | -4 541 |
| Other income | -3 971 | -5 579 |
| **Items with no effect on cash flow to be extracted from earnings** | **4 245** | **22 071** |
| Loss of (gain in) value on trade receivables (+/-) | 141 | 60 |
| Amortisation / Loss of (gain in) value on property, plant and equipment (+/-) | 284 | 182 |
| Fair value adjustment for investment buildings (+/-) | 7 331 | 13 530 |
| Fair value adjustment on non-current financial assets/liabilities booked to earnings (+/-) | -6 378 | 4 541 |
| Net interest charges accrued | 2 269 | 2 992 |
| Other items | 598 | 766 |
| **Items with cash flow effects to be extracted from the operating result** | **- 188** | **741** |
| Capital gain realised on disposal of investment property | - 188 | - |
| Capital loss realised on disposal of hedging instrument | - | 741 |
| **NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS** | **48 128** | **43 150** |
| **Change in working capital requirements** | **-13 884** | **-21 352** |
| Change in assets items | -7 805 | -5 629 |
| Change in liabilities items | -6 079 | -15 723 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **34 244** | **21 799** |
| **Investments (-) / Disposals (+)** | | |
| Acquisition Blue Tower Louise SA | -35 137 | - |
| Investment properties | | |
| Investments | -5 707 | -13 224 |
| Disposals | 674 | - |
| Other property, plant and equipment | - 568 | 55 |
| Hedging instruments and other financial assets | -1 130 | -6 742 |
| **CASH FLOW OF INVESTMENT ACTIVITIES** | **-41 869** | **-19 911** |
| **CASH FLOW BEFORE FINANCING ACTIVITIES** | **-7 625** | **1 888** |
| **Financing (+/-)** | | |
| Increase (+) / Decrease (-) in financial debts | | |
| Debt USPP | - | 149 358 |
| Other financial debts | -8 274 | -132 442 |
| Purchase own shares (-) | - | - 932 |
| Sales of Befimmo shares owned by Vitalfree and Meirfree | 32 436 | - |
| Dividend for previous fiscal year (-) | -16 444 | -18 690 |
| **CASH FLOW OF FINANCING ACTIVITIES** | **7 719** | **-2 707** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **94** | **- 819** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR** | **2 408** | **3 360** |

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

| | Capital | Share premium account | Reserves | Net result of the fiscal year | Equity: group share | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| **EQUITY AS AT 31.12.11** | **254 111** | **516 194** | **216 639** | **15 683** | **1 002 628** | **67 830** | **1 070 459** |
| Appropriation of the result | - | - | 15 683 | -15 683 | - | - | - |
| Dividend distributed | - | - | -17 316 | - | -17 316 | -1 374 | -18 690 |
| Befimmo 2011 final dividend | - | - | -17 316 | - | -17 316 | - | -17 316 |
| Fedimmo 2011 dividend to non controlling interests | - | - | - | - | - | -1 374 | -1 374 |
| Purchase of own shares | - | - | -932 | - | -932 | - | -932 |
| Total comprehensive income (6 months) | - | - | - | 18 773 | 18 773 | 1 565 | 20 339 |
| **EQUITY AS AT 30.06.12** | **254 111** | **516 194** | **214 074** | **18 773** | **1 003 153** | **68 022** | **1 071 175** |
| Capital increase - purchase non controlling interest | 8 523 | 21 981 | 7 633 | - | 38 137 | -66 456 | -28 319 |
| Interim dividend | 5 086 | 9 993 | -40 398 | -7 868 | -33 187 | - | -33 187 |
| Befimmo 2012 interim dividend | - | - | -40 745 | -7 868 | -48 613 | - | -48 613 |
| Capital increase | 5 086 | 9 993 | - | - | 15 079 | - | 15 079 |
| Effect of shares held by subsidiaries Meirfree and Vitalfree on the optional dividend | - | - | 347 | - | 347 | - | 347 |
| Sale of own shares | - | - | 932 | - | 932 | - | 932 |
| Result of the purchase/sale programme of own shares | - | - | 109 | - | 109 | - | 109 |
| Total comprehensive income (6 months) | - | - | - | -10 906 | -10 906 | -1 565 | -12 471 |
| **EQUITY AS AT 31.12.12** | **267 720** | **548 168** | **182 350** | **-** | **998 239** | **-** | **998 239** |
| Sale of own shares | - | - | 38 192 | - | 38 192 | - | 38 192 |
| Result of the purchase/sale programme of own shares | - | - | -5 756 | - | -5 756 | - | -5 756 |
| Dividend distributed | - | - | -16 444 | - | -16 444 | - | -16 444 |
| Befimmo 2012 final dividend | - | - | -16 444 | - | -16 444 | - | -16 444 |
| Total comprehensive income (6 months) | - | - | - | 44 071 | 44 071 | - | 44 071 |
| **EQUITY AS AT 30.06.13** | **267 720** | **548 168** | **198 343** | **44 071** | **1 058 302** | **-** | **1 058 302** |

# NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

## General business information

Befimmo (the Company) is a SICAFI (*Société d'Investissement à capital fixe publique de droit belge* – fixed-capital investment trust incorporated under Belgian law). 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.

In December 2006, Befimmo acquired a 90% majority holding in the Belgian public company Fedimmo SA. In June 2008, Befimmo founded Meirfree SA and Vitalfree SA, of which it is the shareholder. In 2009, Befimmo acquired all the shares in the Luxembourg company Axento SA. In 2012, Befimmo acquired the remaining shares in Fedimmo SA that it did not already own, and now owns 100% of the shares. Furthermore, in 2012, Befimmo acquired all the shares in its Managing Agent (Befimmo SA, now Befimmo Property Services SA). These subsidiaries of Befimmo SA close their fiscal years at 31 December.

In April 2013, the Befimmo group acquired all the shares in Blue Tower Louise SA, owner of the Blue Tower building.

The Company is presenting its condensed consolidated financial statements as at 30 June.

The Board of Directors of Befimmo SA adopted and authorised the publication of the financial statements on 29 July 2013.

The Company's activities are dedicated solely to the acquisition and management of a real-estate portfolio.

At 30 June 2013, the portfolio consisted principally of office buildings located in Brussels and let mostly to public authorities and to a lesser extent to private businesses. The Befimmo portfolio also comprises office buildings located in Flanders and Wallonia, on long-term leases mainly to government agencies, and one property located in Luxembourg city.

The Company is listed on NYSE Euronext Brussels and is in the Bel 20 index.

## Significant accounting policies

The condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted within the European Union.

The significant accounting policies are as set out in the Annual Financial Report 2012 (pages 135 to 144) which can be found on the Company's website (www.befimmo.be).

In addition, with the exception of IFRS 13 - *Fair Value Measurement*, which provides in particular for the presentation of additional information in the notes concerning fair value (see note on "Financial assets and liabilities" below), the other new or revised standards and interpretations entering into force in fiscal year 2013 had no impact on the interim financial statements, including the revision of IAS 19 - *Employee Benefits* and the amendments to IAS 1 - *Presentation of Financial Statements*.

Furthermore, when integrating the property management business, the Company reviewed the breakdown of the income statement. As a result, from the 2013 fiscal year, operating costs (staff, projects, etc.) directly related to property, previously booked under "Corporate overheads" now come under the item "Property charges". This reclassification has no impact on the net result. For ease of comparison, the 2012 fiscal year has been restated on that basis.

This information was published in the section "Outlook and dividend policy" of the Annual Financial Report 2012.

## Significant accounting judgments and main sources of uncertainty regarding estimates

The significant accounting judgments and main sources of uncertainty regarding estimates are identical to those set out in the Annual Report 2012 (page 145) which can be found on the Company's website at www.befimmo.be.

# Segment information

| (€ thousand) | Brussels centre (CBD) 30.06.13 (6 months) | Brussels centre (CBD) 30.06.12 (6 months) | Brussels decentralised 30.06.13 (6 months) | Brussels decentralised 30.06.12 (6 months) | Brussels periphery 30.06.13 (6 months) | Brussels periphery 30.06.12 (6 months) |
|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | |
| A. Rental income | 41 482 | 35 949 | 3 517 | 3 975 | 4 990 | 4 898 |
| B. Property operating result | 39 372 | 34 564 | 2 907 | 3 283 | 4 245 | 4 069 |
| C. Change in fair value of investment properties | - 5 477 | 7 845 | - 4 007 | - 15 799 | 1 398 | - 13 550 |
| D. Gains and losses on disposal of buildings | - | - | - | - | - | - |
| **E. SEGMENT RESULT (= B+C+D)** | **33 895** | **42 409** | **- 1 099** | **- 12 516** | **5 644** | **- 9 482** |
| Percentage by segment | 59.1% | 90.9% | -1.9% | -26.8% | 9.8% | -20.3% |
| F. Corporate overheads | | | | | | |
| G. Other operating income and charges | | | | | | |
| H. Financial result | | | | | | |
| I. Income tax | | | | | | |
| **NET RESULT (= E+F+G+H+I)** | | | | | | |
| Group share | | | | | | |
| Non-controlling interests | | | | | | |
| | | | | | | |
| | **30.06.13** | **31.12.12** | **30.06.13** | **31.12.12** | **30.06.13** | **31.12.12** |
| **BALANCE SHEET** | | | | | | |
| **Assets** | | | | | | |
| Goodwill | 7 391 | 7 391 | - | - | - | - |
| Investment properties | 1 247 117 | 1 169 635 | 97 806 | 101 162 | 150 562 | 146 965 |
| *of which investment during the year* | *82 959* | *19 542* | *651* | *1 282* | *2 199* | *6 795* |
| Other assets | - | - | - | - | - | - |
| **TOTAL ASSETS** | **1 254 508** | **1 177 026** | **97 806** | **101 162** | **150 562** | **146 965** |
| Percentage by segment | 59.1% | 58.1% | 4.6% | 5.0% | 7.1% | 7.2% |
| **TOTAL LIABILITIES** | - | - | - | - | - | - |
| Total shareholders' equity | | | | | | |
| Group share | | | | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |

| Wallonia | | Flanders | | Luxembourg City | | Unallocated amounts | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| **30.06.13 (6 months)** | **30.06.12 (6 months)** | **30.06.13 (6 months)** | **30.06.12 (6 months)** | **30.06.13 (6 months)** | **30.06.12 (6 months)** | **30.06.13 (6 months)** | **30.06.12 (6 months)** | **30.06.13 (6 months)** | **30.06.12 (6 months)** |
| | | | | | | | | | |
| 5 477 | 5 847 | 11 052 | 10 885 | 2 490 | 2 239 | - | - | **69 007** | **63 793** |
| 5 201 | 5 572 | 10 380 | 10 564 | 2 412 | 2 133 | - | - | **64 517** | **60 184** |
| 346 | 11 964 | - 831 | - 5 077 | 1 240 | 1 087 | - | - | **- 7 331** | **- 13 530** |
| 188 | - | - | - | - | - | - | - | **188** | **-** |
| **5 735** | **17 536** | **9 549** | **5 487** | **3 652** | **3 220** | **-** | **-** | **57 375** | **46 654** |
| 10.0% | 37.6% | 16.6% | 11.8% | 6.4% | 6.9% | - | - | **100%** | **100%** |
| | | | | | | - 4 815 | - 6 980 | **- 4 815** | **- 6 980** |
| | | | | | | - 243 | 680 | **- 243** | **680** |
| | | | | | | - 7 850 | - 19 655 | **- 7 850** | **- 19 655** |
| | | | | | | - 396 | - 360 | **- 396** | **- 360** |
| | | | | | | | | **44 071** | **20 339** |
| | | | | | | | | **44 071** | **18 773** |
| | | | | | | | | **-** | **1 565** |
| | | | | | | | | | |
| **30.06.13** | **31.12.12** | **30.06.13** | **31.12.12** | **30.06.13** | **31.12.12** | **30.06.13** | **31.12.12** | **30.06.13** | **31.12.12** |
| | | | | | | | | | |
| | | | | | | | | | |
| 2 673 | 2 673 | 5 710 | 5 710 | - | - | - | - | **15 774** | **15 774** |
| 110 179 | 112 223 | 355 965 | 356 796 | 82 830 | 81 834 | - | - | **2 044 459** | **1 968 614** |
| *5 506* | *8 460* | *0* | *- 73* | *- 243* | *- 293* | - | - | ***91 071*** | ***35 713*** |
| 2 083 | 2 144 | - | - | - | - | 58 662 | 40 716 | **60 745** | **42 860** |
| **114 936** | **117 040** | **361 675** | **362 506** | **82 830** | **81 834** | **58 662** | **40 716** | **2 120 979** | **2 027 248** |
| 5.4% | 5.8% | 17.1% | 17.9% | 3.9% | 4.0% | 2.8% | 2.0% | **100%** | **100%** |
| - | - | - | - | - | - | 1 062 676 | 1 029 009 | **1 062 676** | **1 029 009** |
| | | | | | | 1 058 302 | 998 239 | **1 058 302** | **998 239** |
| | | | | | | 1 058 302 | 998 239 | **1 058 302** | **998 239** |
| | | | | | | **2 120 979** | **2 027 248** | **2 120 979** | **2 027 248** |

## Financial result

| (€ thousand) | | 30.06.13 (6 months) | 30.06.12 (6 months) |
|---|---|---|---|
| **(+)** | **XX. Financial income** | **43** | **44** |
| (+) | Interests and dividends received | 7 | 9 |
| (+) | Fees for finance leases and similar | 35 | 35 |
| **(+/-)** | **XXI. Net interest charges** | **-13 118** | **-13 114** |
| (-) | Nominal interest on loans | -13 075 | -11 303 |
| (-) | Reconstitution of the face value of financial debts | - 436 | - 370 |
| (-) | Other interest charges | - 24 | - 24 |
| (+) | Proceeds of authorised hedging instruments | 5 251 | 2 207 |
| | *Authorised hedging instruments not qualifying for hedge accounting under IFRS* | *5 251* | *2 207* |
| (-) | Charges of authorised hedging instruments | -4 833 | -3 624 |
| | *Authorised hedging instruments not qualifying for hedge accounting under IFRS* | *-4 833* | *-3 624* |
| **(-)** | **XXII. Other financial charges** | **-1 153** | **-2 043** |
| (-) | Bank charges and other commissions | -1 153 | -1 302 |
| (-) | Net losses realised on sale of financial assets | - | - 741 |
| **(+/-)** | **XXIII. Changes in fair value of financial assets and liabilities** | **6 378** | **-4 541** |
| (+/-) | Authorised hedging instruments | 6 378 | -4 598 |
| | *Authorised hedging instruments not qualifying for hedge accounting under IFRS* | *6 378* | *-4 598* |
| (+/-) | Others | - | 56 |
| **(+/-)** | **Financial result** | **-7 850** | **-19 655** |

The financial result (excluding changes in fair value of financial assets and liabilities) passed from -€15.1 million in the first half of 2012 to -€14.2 million in the first half of 2013. The average financial debt over the first half of the fiscal year was €958 million as against €877.5 million over the first half of 2012.

The decrease in financial charges, despite the rise in the volume of debt, is explained by the fall in the average cost of financing from 3.46% over the first half of 2012 to 3.17% over the first half of 2013. This decline is explained by the exceptionally low Euribor rates (average of Euribor 1 month and 3 months of 0.16% over the first half of 2013 as against 0.69% over the first half of 2012), but also by the higher net volume of debt arranged at floating rates.

## Goodwill

Befimmo's acquisition of Fedimmo generated goodwill from the positive difference between the acquisition cost (including transaction costs) and Befimmo's share of the fair value of the net asset acquired. The method of recording this goodwill is described in the Annual Financial Report 2012 (pages 158 and 159).

### *Impairment test*

At 30 June 2013, the goodwill was subject to an impairment test, in accordance with the method described in the Annual Financial Report 2012 (page 159). The result of this test shows that no impairment need be recorded.

# Investment properties

| (€ thousand) | |
|---|---|
| **Carrying value as at 31.12.2011** | **1 971 282** |
| *of which: - Investment properties* | *1 971 282* |
| *- Assets held for sale* | - |
| Acquisitions | - 604 |
| Other investments | 23 563 |
| Disposals | - |
| Changes in fair value | - 13 530 |
| **Carrying value as at 30.06.2012** | **1 980 710** |
| *of which: - Investment properties* | *1 980 710* |
| *- Assets held for sale* | - |
| Acquisitions | 181 |
| Other investments | 12 573 |
| Disposals | - 3 209 |
| Changes in fair value | - 21 642 |
| **Carrying value as at 31.12.2012** | **1 968 614** |
| *of which: - Investment properties* | *1 960 718* |
| *- Assets held for sale* | *7 896* |
| Acquisitions | 76 795 |
| Other investments | 14 276 |
| Disposals | - 7 896 |
| Changes in fair value | - 7 331 |
| **Carrying value as at 30.06.2013** | **2 044 459** |
| *of which: - Investment properties* | *2 037 819* |
| *- Assets held for sale* | *6 640* |

During the 2012 fiscal year, Befimmo completed the sale of the Devroye building located in Brussels. No acquisitions were made in 2012.

During the first half of 2013, Befimmo and its 100% Fedimmo acquired all the shares in Blue Tower Louise SA, owner of the Blue Tower office building. Under IFRS 3, this transaction is not considered a business combination.

As announced, Befimmo sold the Mons I building for around €8 million during the first half of 2013. In 2012, the occupant of the building, the Walloon Regional Ministry of Infrastructure and Transport, exercised its option to purchase the building.

At 31 December 2012 the Mons I building was classed under "Assets held for sale", while at 30 June 2013 this item included the Triomphe III building.

# Financial assets and liabilities

The Company arranged several bilateral lines during the first half of 2013, to enable it to finalise the renewal of two syndicated loans that had matured meanwhile. At constant floor area, the Company has sufficient funds up to the fourth quarter of 2014. The section "Financial Structure" on page 23 of this report contains detailed information on the subject.

In order to limit the risks related to changes in interest rates, the Company buys hedging instruments. As at 30 June 2013, the hedging ratio was 97.1%. The following table lists all the hedging instruments owned by the Company at 30 June 2013.

| | 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 | | | € 100 | 3.50% | Jan. 2012 | [Jan. 2014 / Jan. 2016] | Euribor 1 month |
| CAP bought | 2 | Option | | | € 100 | 4.00% | Jan. 2012 | Jan. 2015 | Euribor 1 month |
| CAP bought | 2 | Option | | | € 100 | 4.50% | Jan. 2012 | Jan. 2015 | Euribor 3 months |
| CAP bought | 2 | Option | | | € 25 | 2.00% | Jan. 2013 | Jan. 2019 | Euribor 3 months |
| CAP bought | 2 | Option | | | € 25 | 1.00% | Feb. 2013 | Feb. 2017 | Euribor 3 months |
| CAP bought | 2 | Option | | | € 25 | 1.50% | Sept. 2013 | Sept. 2017 | Euribor 3 months |
| CAP bought | 2 | Option | | | € 25 | 1.50% | Sept. 2013 | Sept. 2017 | Euribor 3 months |
| CAP bought | 2 | Option | | | € 20 | 3.50% | Jan. 2012 | Jan. 2017 | Euribor 3 months |
| FLOOR [a] sold | 2 | Option | | | € 20 | 1.51% | Jan. 2012 | Jan. 2017 | Euribor 3 months |
| CAP bought | 2 | Option | | | € 30 | 2.25% | July 2012 | Jan. 2019 | Euribor 1 month |
| FLOOR [a] sold | 2 | Option | | | € 30 | 0.82% | July 2012 | Jan. 2019 | Euribor 1 month |
| Payer's IRS | 2 | Forward | | | € 100 | 3.90% | Jan. 2016 | Jan. 2018 | Euribor 3 months |
| Payer's IRS | 2 | Forward | | | € 25 | 1.14% | Sept. 2011 | Dec. 2013 | Euribor 1 month |
| Payer's IRS | 2 | Forward | | | € 35 | 2.05% | Oct. 2011 | Oct. 2014 | Euribor 1 month |
| Payer's IRS | 2 | Forward | | | € 35 | 2.04% | Sept. 2011 | March 2015 | Euribor 1 month |
| Payer's IRS | 2 | Forward | | | € 25 | 1.51% | July 2012 | July 2021 | Euribor 1 month |
| Payer's IRS | 2 | Forward | | | € 25 | 1.41% | Sept. 2013 | Sept. 2022 | Euribor 3 months |
| Payer's IRS | 2 | Forward | | | € 20 | 2.84% | Jan. 2016 | Jan. 2021 | Euribor 3 months |
| Payer's IRS | 2 | Forward | | | € 20 | 2.84% | Jan. 2016 | Jan. 2021 | Euribor 3 months |
| Payer's IRS | 2 | Forward | | | € 25 | 1.57% | Sept. 2013 | Sept. 2022 | Euribor 3 months |
| Receiver's IRS | 2 | Forward | | | € 100 | 3.12% | April 2011 | April 2017 | Euribor 3 months |
| Receiver's IRS | 2 | Forward | | | € 20 | 3.90% | Jan. 2016 | Jan. 2018 | Euribor 3 months |
| Receiver's IRS | 2 | Forward | | | € 20 | 3.90% | Jan. 2016 | Jan. 2018 | Euribor 3 months |
| CCS | 2 | Forward | 75 USD | 4.83% | € 56 | 4.54% | May 2012 | May 2019 | Fix USD for Fix EUR |
| CCS | 2 | Forward | 22 GBP | 4.90% | € 26 | 4.53% | May 2012 | May 2019 | Fix GBP for Fix EUR |
| CCS | 2 | Forward | 90 USD | 5.05% | € 67 | 4.77% | May 2012 | May 2020 | Fix USD for Fix EUR |

a) Buying a COLLAR limits the rise in interest rates (CAP), but also involves an undertaking to pay a minimum rate (FLOOR).

Since most of the financial assets are short-term, their carrying amount is almost equivalent to their fair value. Only financial hedging instruments are recorded at fair value.

The balance sheet liabilities consist mainly of financial debt. Debts at floating rates have a carrying amount equivalent to their fair value, while fixed-rate loans are either recognised at fair value (estimated by calculating an update of future flows - this approach was chosen for the US Private Placement only, which has its own specific exchange- and interest-rate hedging also assessed at fair value) or carried in the accounts at amortised cost (this applies to the two retail bond issues and the debts related to the assignment of future rents and usufruct fees). The other liabilities items are short-term, so their carrying amount is almost equivalent to their fair value.

## Financial assets and liabilities carried at fair value

Befimmo does not practice hedge accounting for the financial hedging instruments it holds. These instruments are therefore regarded as trading instruments under IFRS, and changes in their fair value are booked entirely to the income statement.

The fair value of the financial hedging instruments is determined purely using (directly or indirectly) observable data, but which are not prices recorded 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 7 – *Financial instruments: Disclosures*. The fair value of these contracts is determined at the balance sheet date. This information is received from various financial institutions and a specialist independent company. Befimmo is also verifying and validating it.

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

| (in € thousand) | | **Balance sheet item** | |
|---|---|---|---|
| **Classification by IFRS** | **Level in IFRS** | **I.E.b. Assets at fair value through profit and loss** | **I.C. & II.C.Other current and non current financial liabilities** |
| Options | 2 | 1 418 | - 739 |
| Forward | 2 | 11 832 | -8 392 |
| CCS | 2 | 0 | -4 457 |
| | | **13 251** | **-13 588** |

The USPP debt included under balance sheet item I.B.c. is recognised at fair value (level 2). The fair value option under IAS 39 was adopted, the debt being covered by specific exchange- and interest-rate hedging, also assessed at fair value. The fair value of the USPP debt is determined by updating future cash flows on the basis of the observed market interest rate curves (in US Dollar and Pound Sterling) at the closing date of these accounts, plus a credit margin, adjusted if necessary. The notional amount determined in this way is converted at the closing exchange rate to obtain the fair value in Euros.

## Financial assets and liabilities carried at amortised cost

As mentioned above, the following fixed-rate loans are not recognised at fair value and their par value is not equivalent to their fair value:

- the financing relating to the assignments of receivables from future rents/future usufruct fees, structured at fixed rates;
- the two public bond issues.

The fixed rates and margins set for these assignments of receivables 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 fair value of the assignment of receivables from future rents/future usufruct fees is estimated by updating their future cash flows using a rate that takes account of the Company's credit risk (level 2).

The fair value of the bond issues is, in turn, obtained from the quoted market prices (level 1).

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

| (in € thousand) | **Level in IFRS** | **Fair value** | **Book value** |
|---|---|---|---|
| Retail bonds | 1 | 283 127 | 271 835 |
| Sales of receivables | 2 | 110 028 | 105 766 |

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# Befimmo NV / SA

## Limited review report on the consolidated interim financial information for the six-month period ended 30 June 2013

To the board of directors

We have performed a limited review of the accompanying consolidated condensed statement of financial position, the consolidated condensed statement of comprehensive income, the consolidated condensed cash flow statement, the consolidated condensed statement of changes in equity and the selective notes 1 to 8 to the condensed consolidated financial statements (jointly the "interim financial information") of Befimmo NV / SA ("the company") and its subsidiaries (jointly "the group") for the six-month period ended 30 June 2013. The board of directors of the company is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with international financial reporting standard IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

Our limited review of the interim financial information was conducted in accordance with international standard ISRE 2410 – *Review of interim financial information performed by the independent auditor of the entity*. A limited review consists of making inquiries of group management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on the interim financial information.

Based on our limited review, nothing has come to our attention that causes us to believe that the interim financial information for the six-month period ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

Diegem, 29 July 2013

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

**The statutory auditor**

Rik Neckebroeck

Kathleen De Brabander

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
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Member of Deloitte Touche Tohmatsu Limited

**The current economic and financial situation may accentuate certain risks to Befimmo's business. The main risks are of a fall in the fair value of the assets, insolvent tenants, unlet space, changing interest rates and liquidity. These risks are detailed below.**

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

**This information covers the identified risks that could affect the Company, including a description of a number of measures taken by the Company to limit the potential impact of those risks. Note that the measures taken do not necessarily eliminate any potential impact of the identified risk; the residual impact must therefore be borne by the Company and, indirectly, by its shareholders.**

## Main risks relating to Befimmo and its business

### Risks related to rental vacancy

The Brussels property market is currently characterised by higher supply than demand.

The Company is exposed to the risks related to the departure of its tenants. These risks include the following: risk of lost and/or reduced income, risk of pressure on the renewal conditions and to grant periods of gratuities in the event of renegotiation, risk of reletting costs, risk of decline in fair value[35], etc. It is also exposed to the impact of government policy to optimise its needs for office space.

Befimmo's vacancy rate[36] calculated on the basis of properties available for rent was 5.2% as at 30 June 2013, as against 4.1% as the year opened and significantly lower than the market rate of over 10% at the same date. Nevertheless, this rate of 5.2% is still sensitive to the economic climate, especially in the decentralised areas and the periphery.

On an annual basis, a 1% fluctuation in the occupancy rate of the Company's portfolio would have an impact of some €1.3 million on the property operating result. The direct costs related to this rental vacancy, namely charges and taxes on unlet properties, were €1.3 million at 30 June 2013, or about 2% of total rental result.

[35] See also "Risks related to the fair value of the properties".
[36] Vacancy rate = (current rent (including space already let but where the lease has yet to begin)/(current rent + estimated rental value for vacant space))-1.

| | Brussels office market[a] | Office portfolio[b] Befimmo | |
|---|---|---|---|
| | Rental vacancies | Rental vacancies | Proportion of portfolio[c] |
| Centre | 5.2% | 2.5% | 14.0% |
| Leopold district | 6.4% | 7.3% | 16.4% |
| Louise district | 12.5% | 11.3% | 4.0% |
| North area | 6.1% | 1.1% | 24.5% |
| Decentralised | 15.3% | 13.7% | 3.7% |
| Periphery | 22.5% | 21.2% | 7.7% |
| **Subtotal Brussels** | **10.8%** | **6.8%** | **70.2%** |
| Flanders | | 0.5% | 16.2% |
| Wallonia | | 0.0% | 7.8% |
| Luxembourg | | 4.5% | 3.8% |
| ***Properties available for lease*** | | ***5.2%*** | ***98.0%*** |
| ***Properties that are being constructed or developed for own account in order to be leased*** | | ***42.2%*** | ***2.0%*** |
| **Total investment properties** | | **6.4%** | **100.0%** |

(a) *Source of market data: CBRE – 30 June 2013 (www.cbre.be).*
(b) *Excluding properties held for sale.*
(c) *The proportion of portfolio is calculated on the basis of the annual current rent as at 30 June 2013.*

- To mitigate these risks, the Company actively manages its relationships with its customers so as to minimise as far as possible vacant space in its property portfolio. During the first half of the fiscal year, it internalised the property management business of the property portfolio so as to have direct control over this activity, which is important in the day-to-day relationship with its tenants.

  The constancy of Befimmo's cash flow depends mainly on its rental income being secured over the long term. The Company therefore strives to ensure that a relatively large proportion of its portfolio is let on long-term leases and/or to multiple tenants, which helps to spread the rental risks.

  This strategy was continued during the half-year through:
  - the acquisition, on 18 April 2013, of Blue Tower Louise SA, owner of the Blue Tower building, let to multiple tenants and located in the heart of the Louise district in Brussels;
  - the signature, on 18 June 2013, of the agreement for the contribution of the AMCA building by AXA Belgium. This building, located in Antwerp, is let to the Buildings Agency for a fixed residual term of 16.5 years.

  Since December 2006, the long average duration of Befimmo leases has remained around 9 years.

## Risks related to the fair value of the properties

The Company is exposed to the risk of a decline in the fair value of its portfolio as valued every quarter by independent experts, which affects the Company's net result, shareholders' equity and debt ratio.

Based on the data as at 30 June 2013, a 1% change in the value of the property assets would have an impact of around €20.4 million on the net result, leading to a change of around €1.07 in the net asset value per share and around 0.47% in the debt ratio[37].

The Company is also exposed to the risk of the real-estate experts over-valuing or under-valuing its properties in relation to their true market value.

This risk is accentuated in the market segments where there are few transactions offering points of comparison for the experts, which is now the case particularly for the decentralised and periphery areas of Brussels (11.4%[38] of the portfolio).

- The risks related to a decline in the fair value of the properties are mitigated by Befimmo's investment policy which is to invest in quality office buildings in good locations, offering stable income over the long term.

## Risk of segmental and geographical concentration

Befimmo's portfolio is not very diversified in terms of segment and geography (office buildings located mainly in Brussels and its economic hinterland: 70.2%[39] as at 30 June 2013).

Owing to the concentration of its portfolio by segment and geographically, the Company is sensitive to developments in the Brussels office property market and faces a risk related to the occupancy of its buildings[40].

- Befimmo's investment strategy is focused on quality office buildings located in areas where scarcity generates value, such as the Central Business Districts in Belgium and the Grand Duchy of Luxembourg, which in principle means that values are less volatile. This makes Befimmo less exposed to any deterioration of the market.

## Risks associated with tenants

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

To limit the risk of default, the Company analyses the financial health of its main prospective customers. Moreover, in line with standard market practice, private-sector tenants are required to provide a rental guarantee, generally equivalent to six months' rent. Public-sector tenants (the Belgian Government, Flemish Region, Walloon Region and European Institutions), which account for a substantial proportion of the Company's portfolio (66.7%[41] as at 30 June 2013), do not give rental guarantees, however.

[37] The debt ratio is calculated in accordance with the Royal Decree of 7 December 2010.
[38] Calculated on the basis of the annual current rent as at 30 June 2013.
[39] Calculated on the basis of the annual current rent as at 30 June 2013.
[40] See also "Risk related to rental vacancy".
[41] Calculated on the basis of the annual current rent as at 30 June 2013.

## Risk related to co-contractors

Besides the risk of defaulting tenants, the Company is also exposed to the risk of default by its other co-contractors (building companies, etc.).

- In this context, Befimmo regularly assesses its main suppliers and service providers, and checks any social or tax debts of its co-contractors. Moreover, Befimmo will introduce a standardised supplier assessment system from 2014.

## Risk related to inadequate insurance cover

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

- In order to mitigate this risk, all buildings in Befimmo's consolidated portfolio are covered by a number of insurance policies (covering fire, storm, water damage, etc.) for a total sum insured (new reconstruction value, excluding the land value) of €2,007 million as at 30 June 2013.

## Risk of deterioration of buildings

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

- True to one of the key principles of sustainable development, "reduction at source"[42], Befimmo is closely monitoring the development of existing legislation, anticipating forthcoming legislation and analysing the sector studies in order to incorporate new management technologies and tools into its renovation projects as quickly as possible.

  Befimmo ensures that its property is kept in a good state of repair and is upgraded in terms of sustainable performance by making an inventory of the preventive and corrective maintenance work to be carried out, and establishing a works programme. Befimmo is also keen to have most of its buildings covered by "total guarantee" maintenance contracts[43]. As at 30 June 2013, 74% of the consolidated portfolio was covered by such a "total guarantee" contract.

## Risks related to execution of major works

The Company is exposed to the risks of delays, overshooting the budget and organisational problems when carrying out major works on the buildings in its portfolio.

- Detailed monitoring of technical, budgetary and planning aspects has been introduced to manage the risks associated with this work. Furthermore, the contracts with building firms generally provide for a number of measures to limit these risks (price ceilings, delay penalties, etc.).

[42] In other words, being proactive where possible, at the design stage of a project, rather than reacting, through corrective measures on an existing building.

[43] 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 investments.

## Risks of inflation and deflation

The Company is exposed to the risk of the costs that it has to bear (property charges) being indexed on a basis that changes more quickly than the health index (used as a basis for indexing rents).

The annual impact of the adjustment of rents in line with inflation can be estimated at €1.3 million per percentage point change in the health index.

- Regarding the risk of deflation, 88%[44] of the leases in Befimmo's consolidated portfolio are hedged, in line with standard practice, against the effect of any negative indexing (34% provide for a minimum equal to the base rent and 41% contain a clause that sets a minimum of the last rent paid). The remaining 12% of the leases do not provide for any minimum rent.

  In contracts with building firms Befimmo strives to contain this risk.

## Risks related to mergers, demergers or acquisitions

Many buildings joined the Befimmo property portfolio as a result of a merger, demerger or acquisition of companies. Therefore, it cannot be precluded that hidden liabilities have been transferred to the Company during such operations.

- The Company has taken the usual precautions in operations of this type, mainly by carrying out due-diligence exercises on the properties involved and on the absorbed or acquired companies.

## Risks related to staff

Given the relatively small size of its team (62 staff members at 30 June 2013), the Company is exposed to a certain risk of organisational problems if certain key members of staff were to leave. The Company also faces risks related to the integration of the property management business (integration of the team, project management, etc.) in 2013.

- Befimmo pays special attention to the well-being of its employees[45]. Pay is in line with market rates and substantially higher than the relevant minimum scales. Befimmo also attaches great importance to managing the skills of its team members. It has established a procedure for monitoring the process of integrating the property management business.

## 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 gains or losses are highly unlikely to materialise and/or are of insignificant amounts.

[44] Based on the current rent as at 30 June 2013.

[45] Please consult Befimmo's Social Activity Report on pages 90 to 95 of the Befimmo Annual Financial Report 2012.

# Financial risks

## Risks associated with the evolution of interest rates

The Company obtains finance at fixed rates (or rates that have been fixed by IRS) and floating interest rates. The aim of using floating rates is to avoid having financial charges fixed in a context of economic recession in which there is downward pressure on rents, which could be partially offset provided that the Company can benefit from generally lower interest rates in such a context.

- Such a financing structure creates a situation in which the result is still sensitive to changing interest rates. Indeed, it allows the Company to take advantage of falling interest rates on a part of debts, while limiting the volatility of financial charges by setting rates on the remainder of debts (either directly by arranging financing at fixed rates or by purchasing IRS type hedging instruments). The impact of rising interest rates on financial charges is offset by buying hedge options (CAP/COLLAR).

On the basis of debts as at 30 June 2013, part of the debt (€548.03 million or 56.1% of the total) is financed at fixed rates (conventional fixed rates or rates fixed by IRS). The remaining debts, of €428.67 million, are at floating rates, protected against rises by means of options instruments (CAP/COLLAR[46]). As at 30 June 2013, the hedging ratio was 97.1%[47].

Without hedging, based on the debts situation and the Euribor rates as at 30 June 2013 (all assumed to be constant over a 12-month period), the impact of a 0.25% change in market rates would raise financial charges by an estimated at €1.137 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €1.109 million (annualised).

Based on the hedging arranged, the debts situation and the Euribor rates as at 30 June 2013 (all assumed to be constant over a 12-month period), the impact of a 0.25% rise in market rates would raise financial charges by an estimated €0.895 million (annualised). Conversely, a 0.25% decline in market rates would reduce financial charges by an estimated €0.867 million (annualised).

We would recall that the interest rate hedging policy is designed to hedge a decreasing portion of debts over a 10-year period. The objectives and implementation of this policy are regularly reviewed. The choice and level of instruments is based on an analysis of rate forecasts by a number of banks, and arbitrage between the cost of the instrument and the level and type of protection offered. The Company's hedging policy also aims to limit variations in financial charges under existing covenants and to protect EPRA earnings as required to pay out the forecast dividend.

New hedging instruments are not necessarily arranged on the same terms. Although interest rates are currently low, it is important for the Company to hedge against potential future rises in rates.

## Risk related to the evolution of credit margins

The Company's financing cost also depends on the credit margins charged on the financial markets. Following the financial crisis of 2008 and the gradual introduction of stricter banking rules (the Basel III requirements), financing margins have risen sharply, which affects the cost of additional financing and renewals.

- To mitigate this risk, Befimmo has significantly diversified its sources of funding over the past two years. The Company has made three bond issues (two retail bond issues and one US Private Placement). These bonds account for 43.23% of debts as at 30 June 2013.

[46] Buying a COLLAR limits the rise in interest rates (CAP), but also involves an undertaking to pay a minimum rate (FLOOR).
[47] Hedging ratio: (fixed-rate debts + notional rate of IRS and CAP)/total debts.

## Risk related to the evolution in the Company's rating

The Company’s financing cost is influenced mainly by Standard & Poor’s rating. The rating is determined on the basis of an assessment of the Company's business risk and financial risk profiles.

Any downgrade of the rating would make it harder to obtain new financing, generate an additional financing cost, estimated at €0.652 million, and could damage the Company’s image with investors.

- The Company regularly reviews the criteria used to determine its rating and analyses the potential impact of its decisions on any changes in the rating.

## Risk of a change in fair value of financial assets and liabilities carried at fair value

A change in the forecast movements of short-term interest rates could alter the value of the financial assets and liabilities carried at fair value. If the Euro, US Dollar and Pound Sterling interest rate curves had been 0.5% lower than the reference rate curves at 30 June 2013, the change in fair value of the financial assets and liabilities would have been -€9.12 million. In the opposite case, the change would have been +€9.23 million.

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

- The change in fair value of this financing is, however, largely offset by a change in the opposite direction of Cross Currency Swaps, hedging instruments arranged at the same time as the financing.

As at 30 June 2013, the net fair value of all hedging instruments was -€0.337 million.

## Liquidity risk

Befimmo is exposed to a liquidity risk should its financing agreements not be renewed or be terminated. This risk is compounded by the general tendency of the banking sector to reduce the volume of its commitments, particularly in the context of the implementation of the "Basel III" rules.

- To mitigate this risk, in early 2011 the Company began a process of diversifying its sources of finance. The ratio of debt provided by bank financing at 30 June 2013 was 56.77%, as against 100% in early 2011.

  The short-term liquidity risk is covered by the arrangement of medium- to long-term facilities as a backup for the commercial paper programme (up to a maximum amount of €400 million). The weighted average duration of financing was 4.46 years at 30 June 2013.

  As at 30 June 2013, the Company had unused lines of €113.74 million including cash but excluding a short-term credit line for an amount of €50 million. The Company aims to keep a certain amount in unused lines available at all times in order to be able to seize any investment opportunities appearing on the market.

The next maturity for the Company's financing is in December 2015. However, in view of its renovation and building commitments, at constant floor area, the next tranche of financing should be arranged in the third quarter of 2014 for an amount of some €50 million.

## Risk related to counterparty banks

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

- Befimmo therefore takes care to diversify its banking relationships. As at 30 June 2013, the Company had a business relationship with several banks:
  - Bank credit lines granted to Befimmo amounted to €665.8 million at 30 June 2013. The banks, in alphabetical order, providing this finance are BECM (CM-CIC group), Belfius, Fortis Bank, ING, KBC and RBS.
  - The counterparty banks for the hedging instruments are Belfius, Fortis Bank, ING, KBC and RBS.

Since Befimmo's financial model is based on structural debt, the amount of cash deposited with financial institutions is structurally very limited. It was €2.4 million as at 30 June 2013 compared with €2.3 million as at 31 December 2012.

## Risk related to obligations contained in financing agreements

The Company is exposed to the risk of its financing agreements being cancelled, renegotiated or terminated early should it fail to abide by the commitments it made when signing these agreements, notably regarding certain financial ratios (covenants).

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.

- The Company negotiates levels of covenants with counterparties at levels consistent with its estimated forecasts of changes in those indicators.

## Exchange risk

Befimmo invests solely in the euro zone and has no plans to take exchange risks in its property investments. It nevertheless arranged, in May 2012, a US Private Placement denominated in US Dollar and Pound Sterling.

- When the Company obtains financing outside the euro area, as it did in May 2012, it immediately hedges the entire exchange transaction risk by acquiring Cross Currency Swaps, which can fully offset fluctuations in the exchange rate on the Company's repayments of interest and capital.

# Regulatory risks

The Company is exposed to the risk of infringing increasingly complex regulations, notably environmental[48] and fire-safety regulations, environmental risks related to property purchase or ownership, and the risk of refusal, non-renewal or cancellation of planning, environmental or other permits.

Legislative changes, notably regarding taxation (such as the budgetary measures taken by the Government on, among other things, the withholding tax, notional interests and anti-abuse provisions), environment, urban development, mobility policy and sustainable development, and the entry into force of new constraints regarding the letting of property and the renewal of certain permits, which could apply to the Company and/or its subsidiaries, could have an impact on the Company's profitability and the value of its portfolio.

## Risks related to the Sicafi status

Should the Company lose approval for its Sicafi status, it would no longer qualify for the favourable tax regime applicable to Sicafis. Loss of approval is also generally regarded as grounds for early repayment by acceleration of payment of loans arranged by the Company.

The Company is also exposed to the risk of future adverse changes in the Sicafi regime, which could for example lead to a decline in results or net asset value, increase the debt ratio (e.g. simply by applying new accounting rules), reduce the maximum debt ratio, or affect the extent to which a Sicafi must distribute dividends to shareholders.

## Regulatory risk linked to the AIFMD

The Company is governed by the law of 3 August 2012 on certain forms of collective management of investment portfolios and could therefore be considered as an alternative investment fund when the European AIFM Directive (Directive 2011/61/EU on alternative investment fund managers) is transposed into Belgian law, along with its implementing measures. There are still uncertainties regarding the application of this Directive to the REIT sector in the various European countries, but if the Sicafi is treated as an alternative investment fund, the Company would be subject not only to the rules arising from this Directive but also to the European EMIR Regulation (Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories) and other regulations in preparation (financial transaction tax as part of the common system devised by the Commission, CRD IV (new capital and liquidity requirements for credit institutions that may affect the relationship with alternative investment fund counterparties), etc.). The additional requirements laid down by the AIFMD, including on systems of administrative management, internal audit, management of conflicts of interest, risk management, liquidity management and the appointment of a depositary, would compel the Company to adapt its internal organisation, rules or procedures, which would make its management more cumbersome, hinder certain transactions and require additional resources to implement these new provisions, and would in any case increase management and administration costs. In addition to the reporting obligations applicable to all companies, the application of the EMIR Regulation would expose the Company to a system of margin calls on its hedging instruments, which would increase its financing requirements and costs. The impact of other regulations (tax on financial transactions, CRD IV) would mainly entail higher costs for the Company.

[48] See above under "Risk of deterioration of buildings".

## Statement by persons responsible

Befimmo SA, represented by its Managing Director, SPRLu BDB Management (represented by its permanent representative Mr Benoît De Blieck) 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 condensed 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 interim management report contains an accurate account of the development of the business, results and situation of the Company and the businesses included in the consolidation, and a description of the main risks and uncertainties they face.

Science-Montoyer | Brussels Leopold district

# CREATING VALUE IN REAL ESTATE

**Befimmo is a Pure Player investor specialising in high-quality office buildings located in Brussels, the other Belgian cities and the Grand Duchy of Luxembourg.**

**Its portfolio currently consists of around one hundred office buildings, with a total space of more than 850,000 m², a large part of which (> 65%) is let long-term to public institutions. As at 30 June 2013 the fair value of the portfolio was assessed at €2,044.5 million.**

**The Company strives to enhance its current portfolio while seizing any investment opportunity that can create value for its shareholders.**

**Listed on NYSE Euronext Brussels since it opened, and a member of the BEL 20 index since March 2009, Befimmo pursues an informed strategy of optimising its results over the long term.**

**Befimmo endeavours to incorporate the challenges of sustainable development into its strategic thinking, and models its day-to-day activities on the principles of corporate social responsibility.**


Goemaere | Brussels decentralised

## Further information:

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