



IMMOBEL
since 1863

MANAGEMENT REPORT

Ladies and Gentlemen,

We have great pleasure in presenting our report on the activities of the IMMOBEL Group during 2016.

The new IMMOBEL Group, following the merger between ALLFIN and IMMOBEL on 29 June 2016, published its annual results on 31st December 2016, which reached a record high with net consolidated accounts totalling EUR 52.5 million.

This amount includes one-off accounting impacts linked to the merger, which have contributed EUR 14.9 million to the annual results. As a going concern, the net results would hence be established at EUR 37.6 million.

The year 2016 was marked by the sale of the office projects Black Pearl (11,000 m² in Brussels) and RAC 2 (9,500 m² in Brussels, 40% IMMOBEL stake), and by the delivery and sale of the Gateway (35,000 m² in Zaventem, 50% IMMOBEL stake).

Residential activities have remarkably contributed to the annual results, notably thanks to the Chambon (42,452 m² in the centre of Brussels), Lake Front (12,000 m² in Knokke-Heist), and Flint (4,129 m² in Leuven, 65% IMMOBEL stake) projects. The landbanking activities have also experienced a record year with 273 plots and units sold, representing a turnover of EUR 16.2 million.

This income generated a net consolidated profit of € 52.50 million, compared to € 0.7 million in 2015 (IMMOBEL SA before the merger).



I. BUSINESS DEVELOPMENT (art. 96 § 1, 1° et art. 119, 1° Companies Code)

A. IMMOBEL GROUP BUSINESS

Sales for the year came to € 262.18 million (before IFRS 11: € 307.29 million) compared to € 53.93 million (before IFRS 11: € 96.64 million) in 2015 for IMMOBEL and € 87,96 million for ALLFIN Group SCA.

A) BELGIUM

Landbanking

The bookvalue of the Landbanking inventory amounts to € 96,9 million.

IMMOBEL has purchased approximately 40 hectares of land for residential development from the Bostoën real estate group. The sale involves 13 sites situated primarily in East and West Flanders, of which one with conditions precedent.

Sales involved 14.5 hectares of land comprising, among others, 198 building plots situated in landbanks in Uccle, Bredene, Geel, Eghezée, Grivegnée, Landenne, Seilles, Waremmes and Gingelom.

Still in the framework of the Landbanking activity, IMMOBEL has sold, alone or in partnership more than 30 houses and 45 apartments as part of the following projects: Clos de la Charmerie and Clos Bourgeois in Brussels, Duinenzicht in Bredene, Grands Prés and Trois Ruisseaux in Chastre, George Grard in Oostduinkerke and Domaine des Vallées in Grez-Doiceau.

Sales and rentals

- On 6 December 2016, IMMOBEL, in partnership with Breevast, finalised the sale of RAC2 SA, owner of the office building C de Ligne (9,500 m²), situated in Brussels, to the foreign investor: REAL IS SMART. The building had been rented out a few months earlier in its entirety by the Brussels Capital Region.
- On 19 December 2016, closely following its occupation by the European Commission, IMMOBEL finalised the sale of Green Corner SA, owner of the Black Pearl office building (11,000 m²), situated in Brussels, to a foreign investor REAL IS for its real estate fund BGV VII Europa.
- On 22 December 2016, IMMOBEL, in partnership with Codic, delivered to Deloitte (tenant) and Befimmo (investor), the Gateway office building (35,000 m²) situated in Zaventem on the Brussels airport site. This delivery leads to the sale of the last part of the works to Befimmo and the beginning of the lease with Deloitte.
- During 2016, IMMOBEL has sold, alone or in partnership, 362 houses and apartments as part of the following projects: Belair, Universalis Park, Green Hill Park, Solvay and Chambon in Brussels, Lindepark in Tervuren, Bella Vita in Waterloo, Lakefront in Knokke-Heist, O'Sea in Ostend, Riverview in Nieuwpoort, Flint and Vesalius in Leuven.

Acquisitions

On 13 September 2016 IMMOBEL finalised the purchase of the Allianz head office on place de Brouckère in Brussels. This purchase is subjected to a number of conditions precedent among which the delivery by IMMOBEL of a new building to be built in the North quarter for Allianz (27,100 m²). The de Brouckère site will be developed in partnership with BPI in view of creating a mix of housing, offices, etc

Permits and works:

- In June 2016 IMMOBEL secured a new permit for the Parc Seny site in Auderghem, following the full overhaul of the project comprised of 120 apartments, car parks and cellars.
- The permits related to the development of the last phase of the RAC site (RAC4) were submitted in September 2016.



- The Bella Vita site in Waterloo was inaugurated in September 2016, thus concluding more than 4 years of works. This new neighbourhood is made up of 269 houses and apartments, a care home, an assisted living facility, a crèche and a large number of services available to local residents (restaurant, nursery, etc.).
- Works related to the first Universalis phase (15,000 m²) were launched in June 2016.
- Demolition of the Chien Vert building in Woluwe-Saint-Pierre started in September 2016.
- The care home (114 beds) and student housing (95 units) constructed on the Solvay site in Ixelles have been delivered.
- Road maintenance works have been completed in the landbanks in Andenne, Eghezée, Grivegnée, Montzen, Soignies, Soumagne, Stembert and Waremme.

B) Grand Duchy of Luxembourg

Sales/Reservations:

- IMMOBEL Luxembourg has finalised the sale of WestSide S.A., owner of the Westside Village site (11,600 m²), situated in Capellen, to a foreign investment fund UFG EUROPEAN COMMERCIAL REAL ESTATE FUND IS.A., SICAV-SIF.
- 30% of the residential surface area in the M7 “Fuussbann” project (in partnership – 33%), situated in Differdange, has been the subject of a reservation contract in 2016.
- 39% of the residential surface area in the M1 “Livingstone” project (in partnership – 33%), situated in Luxembourg, has been the subject of a reservation contract in 2016.
- 25% of the residential surface areas in the INFINITY LIVING project, situated in Luxembourg, has been the subject of a reservation contract in 2016 (marketing launched in mid-September).

Acquisitions:

- On 24 March 2016, IMMOBEL Luxembourg acquired Centre Étoile GmbH, owner of a building rented out until the end of 2020 with a surface area of 3,400 m² in the very heart of the capital. This purchase will allow for the development of the Centre Étoile project covering five office levels.
- On 12 July 2016, IMMOBEL Luxembourg acquired 90% of Tractim S.à r.l., owner of a plot covering more than 2.6 hectares in the very heart of the city of Luxembourg. This acquisition has allowed for the acquisition of the land necessary for the development of the Polvermillen residential project (26,600 m²).
- On 4 February 2016, IMMOBEL Luxembourg signed a synallagmatic contract for a long-term lease with the FUAK (Fonds d’Urbanisation et d’Aménagement du plateau du Kirchberg). This agreement enabled it to acquire the land necessary for the development of the INFINITY project (33,000 m²), situated at the beginning of the capital's business district.

Permits and works

- On 8 July 2016, IMMOBEL Luxembourg received the latest ministerial order definitively laying down the conditions for the remediation of the Polvermillen industrial wasteland in the very heart of Luxembourg.
- Remediation and demolition works on the Polvermillen site were started in October 2016.
- IMMOBEL Luxembourg has received a building permit for the construction of 48 accommodations in Differdange as part of the M7 “Fuussbann” project (in partnership – 33%), delivered on 5 October 2016.



C) POLAND

Sales/Reservations:

- On 13 January 2016, IMMOBEL sold the OKRAGLAK project for approximately EUR 17 million.
- On 24 March 2016, IMMOBEL signed an agreement in principle with UBM for the sale of the hotel section of the first phase in the Granaria Island project (4-star hotel with approximately 240 rooms) in Gdansk, northern Poland.
- The reservation rate for the residential section of the first phase in the Granaria Island project (116 apartments) has reached 33%.

Rental

- The pre-rental ratio of the CEDET project in Warsaw reached nearly 30% as at 31 December 2016.

Permits and works

- In November 2016 IMMOBEL Poland secured the building permit for the first phase in the Granaria Island project, which will enable it to start works during the first half of 2017.
- Following restitution claims involving parcels adjacent to ours, the start of the works on the CBD One project, scheduled for 2017, will be pushed back to 2018.
- Works in progress on the Cedet project have incurred a delay notably due to complexity of the construction site and the status of this listed building. Delivery of the building, initially scheduled for 2017, will take place during the first half of 2018.



B. COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

A) Key indicators

CONSOLIDATED TURN-OVER PER SECTOR AND PER COUNTRY (MEUR)

| | IFRS 11 | | | | BEFORE IFRS 11 | | | |
|--------------|---------------|---------------------------|-------------|---------------|----------------|---------------------------|-------------|---------------|
| | Belgium | Grand-Duchy of Luxembourg | Poland | Total | Belgium | Grand-Duchy of Luxembourg | Poland | Total |
| Offices | 103.20 | - | - | 103.20 | 125.64 | - | - | 125.64 |
| Residential | 142.79 | - | - | 142.79 | 165.57 | - | - | 165.57 |
| Landbanking | 16.18 | - | - | 16.18 | 16.18 | - | - | 16.18 |
| Total | 262.17 | 0.00 | 0.00 | 262.17 | 307.39 | 0.00 | 0.00 | 307.39 |

CONSOLIDATED OPERATIONNAL RESULT PER SECTOR AND PER COUNTRY (MEUR)

| | IFRS 11 | | | | BEFORE IFRS 11 | | | |
|---------------|--------------|---------------------------|--------------|--------------|----------------|---------------------------|--------------|--------------|
| | Belgium | Grand-Duchy of Luxembourg | Poland | Total | Belgium | Grand-Duchy of Luxembourg | Poland | Total |
| Offices | 17.20 | -0.79 | -0.77 | 15.64 | 18.63 | -0.52 | -0.59 | 17.52 |
| Residential | 20.58 | -0.67 | -0.20 | 19.71 | 22.95 | -0.50 | -0.07 | 22.38 |
| Landbanking | 4.22 | - | - | 4.22 | 4.66 | - | - | 4.66 |
| Non allocated | 28.13 | - | - | 28.13 | 28.13 | - | - | 28.13 |
| Total | 70.12 | -1.46 | -0.97 | 67.70 | 74.37 | -1.02 | -0.66 | 72.69 |

CONSOLIDATED STOCK EVOLUTION PER SECTOR AND COUNTRY (MEUR)

| | IFRS 11 | | | | BEFORE IFRS 11 | | | |
|--------------|---------------|---------------------------|--------------|---------------|----------------|---------------------------|--------------|---------------|
| | Belgium | Grand-Duchy of Luxembourg | Poland | Total | Belgium | Grand-Duchy of Luxembourg | Poland | Total |
| Offices | 47.38 | 19.38 | 54.08 | 120.84 | 56.67 | 70.84 | 64.61 | 192.12 |
| Residential | 195.87 | 24.52 | 4.99 | 225.38 | 248.80 | 41.20 | 4.99 | 294.99 |
| Landbanking | 96.89 | - | - | 96.89 | 96.89 | - | - | 96.89 |
| Total | 340.14 | 43.90 | 59.07 | 443.11 | 402.36 | 112.04 | 69.60 | 584.00 |



B) Consolidated accounts

INCOME STATEMENT (MEUR WITH IFRS 11)

ALLFIN GROUP SCA IMMOBEL SA

| | 31-12-2016 | 31-12-2015 | 31-12-2015 |
|--------------------------------|--------------|--------------|-------------|
| Operating result | 67.70 | 37.36 | 7.08 |
| Financial result | -3.87 | -5.48 | -6.43 |
| Result before taxes | 63.82 | 31.88 | 0.65 |
| Taxes | -10.18 | -6.25 | 0.05 |
| Income for the year | 53.64 | 25.63 | 0.70 |
| IMMOBEL share of income | 52.47 | 24.36 | 0.74 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MEUR WITH IFRS 11)

ALLFIN GROUP SCA IMMOBEL SA

| | 31-12-2016 | 31-12-2015 | 31-12-2015 |
|--|---------------|---------------|---------------|
| Inventories | 443.12 | 175.14 | 334.50 |
| investments in joint ventures and associates | 70.22 | 66.12 | 63.40 |
| Trade receivables and other assets | 82.26 | 63.40 | 32.30 |
| Cash | 120.64 | 86.69 | 16.90 |
| TOTAL ASSETS | 716.23 | 391.35 | 447.10 |
| Shareholder equity | 314.95 | 165.49 | 194.40 |
| Long-term financial debt | 281.58 | 152.19 | 147.80 |
| Short-term financial debt | 40.53 | 26.56 | 62.20 |
| Trade payables and other liabilities | 79.17 | 47.11 | 42.70 |
| TOTAL EQUITY AND LIABILITIES | 716.23 | 391.35 | 447.10 |



C) IMMOBEL SA company accounts

Income Statement

The operating profit amounts to € 9.3 million for the past financial year compared, mainly due to the sale of Gateway works in December and to the Landbanking sales.

The financial result amounts to € 14.9 million. It is mainly composed of interest charges on group financings (bonds and corporate lines) partially offset by interests income coming from the loans granted to subsidiaries and is positively influenced by the gain on sales of financial fixed assets, 18.7 MEUR, mainly the investments in subsidiaries The Green Corner and RAC 2.

IMMOBEL's financial year ended with a net profit of € 21.5 million.

The Balance Sheet

The total Balance Sheet amounts to € 583,2 million and is mainly composed of financial investments in subsidiaries (€ 283,6 million), inventories directly hold by IMMOBEL SA (€ 92,9 million), short receivables on subsidiaries (€ 116,9 million), own shares (€ 55 million) and cash (€ 67,2 million).

The equity amounts to € 307,5 million as of 31 December 2016. The liabilities are mainly composed of long term debts (€ 205,9 million) and short term debts (€ 69,8 million).

Allocation of results

The profit to be allocated, taking into account the amount carried forward from the previous year and the merger with ALLFIN, amounts to € 121.2 million.

Given the dividend policy approved by the Board of Directors and the 2016 results, the Board of Directors proposes to the General Meeting of Shareholders of 24th May 2017 to distribute a gross dividend of 2 EUR per share in circulation for the year 2016, an amount that will increase by 4 to 10% a year, subject to the absence of any currently unforeseen exceptional events.

Main risks and uncertainties

The IMMOBEL Group faces the risks and uncertainties inherent to the property development sector as well as those associated with the economic situation and the financial world.

Without the list being exhaustive, we would like to mention the following in particular:

- Market risk

Changes in general economic conditions in the markets in which IMMOBEL's properties are located can adversely affect the value of IMMOBEL's property development portfolio, as well as its development policy and, consequently, its growth prospects.

IMMOBEL is exposed to the national and international economic conditions and other events and occurrences that affect the markets in which IMMOBEL's property development portfolio is located: the office property market in Belgium (mainly in Brussels), Luxembourg and Poland; and the residential (apartments and plots) property market (Belgium, Luxembourg and Poland).

This diversification of both business and countries means it can target different clients, economic cycles and sales volumes.

Changes in the principal macroeconomic indicators, a general economic slowdown in Belgium or one or more of IMMOBEL's other markets, or on a global scale, could result in a fall in demand for office buildings or residential property or building plots, higher vacancy rates and higher risk of default of service providers, building contractors, tenants and other counterparties, any of which could materially adversely affect IMMOBEL's value of its property portfolio, and, consequently, its development prospects.



IMMOBEL has spread its portfolio of projects under development or earmarked for development so as to limit the impact of any deterioration in the real estate market by spreading the projects in terms of time and nature.

- Operational risk

IMMOBEL may not be able to dispose of some or all of its real estate projects.

IMMOBEL's revenues are determined by disposals of real estate projects. Hence, the results of IMMOBEL can fluctuate significantly from year to year depending on the number of projects that can be put up for sale and can be sold in a given year.

Furthermore, it cannot be guaranteed that IMMOBEL will find a buyer for the transfer of its assets or that the transfer price of the assets will reach a given level. IMMOBEL's inability to conclude sales can give rise to significant fluctuations of the results.

The policy of diversification implemented by IMMOBEL for the last 5 years and the recent merger with ALLFIN has allowed it to reduce its concentration on and therefore its exposure to offices in Brussels with an increased portfolio of residential and landbanking projects, which should give it a revenue base and regular cash flows.

The development strategy adopted by IMMOBEL may prove to be inappropriate.

When considering property development investments, IMMOBEL makes certain estimates as to economic, market and other conditions, including estimates relating to the value or potential value of a property and the potential return on investment. These estimates may prove to differ from reality, rendering IMMOBEL's strategy inappropriate with consequent negative effects for IMMOBEL's business, results of operations, financial condition and prospects.

IMMOBEL takes a prudent approach to the acquisition and development of new projects and applies precise selection criteria. Each investment follows a clear and strict approval process.

IMMOBEL could face an increase in risk following the expansion of its activities in Poland.

IMMOBEL has acquired several office / residential / commercial projects in development or to be developed in Poland since 2011, thus confirming its strategy to continue its expansion in Poland.

While IMMOBEL has already carried out development projects in Poland in the past, its experience in managing projects outside Belux and its knowledge of this new market, its regulations and its standards is more limited.

IMMOBEL's development projects may experience delays and other difficulties.

Before acquiring a new project, IMMOBEL carries out feasibility studies with regard to urban planning, technology, the environment and finance, usually with the help of specialised consultants. Nevertheless, these projects are always subject to a variety of risks, each of which could cause late delivery of a project and consequently increase the length of time before it can be sold, engender a budget overrun or cause the loss or decrease of expected income from a project or even, in some cases, its actual termination.

Risks involved in these activities include but are not limited to: (i) delays resulting from amongst other things adverse weather conditions, work disputes, construction process, insolvency of construction contractors, shortages of equipment or construction materials, accidents or unforeseen technical difficulties; (ii) difficulty in acquiring occupancy permits or other approvals required to complete the project; (iii) a refusal by the planning authorities in the countries in which IMMOBEL operates to approve development plans; (iv) demands of planning authorities to modify existing plans; (v) intervention by pressure groups during public



consultation procedures or other circumstances; and (vi) upon completion of the development project, occupancy rates, actual income from sale of properties or fair value being lower than forecasted.

Taking into account these risks, IMMOBEL cannot be sure that all its development projects (i) can be completed in the expected timeframe, (ii) can be completed within the expected budgets or (iii) can even be completed at all. It is in the framework of controlling this risk and others that IMMOBEL has increased the diversification of its business/countries/clients, which allows it to reduce its concentration on any particular project or another.

Furthermore, IMMOBEL has some projects where an asset under development is preleased or pre-sold to a third party and where IMMOBEL could incur substantial liabilities if and when such projects are not completed within the pre-agreed timeline.

IMMOBEL may be liable for environmental issues regarding its property development portfolio.

IMMOBEL's operations and property development portfolio are subject to various laws and regulations in the countries in which it operates concerning the protection of the environment, including but not limited to regulation of air, soil and water quality, controls of hazardous or toxic substances and guidelines regarding health and safety.

Such laws and regulations may also require IMMOBEL to obtain certain permits or licenses, which it may not be able to obtain in a timely manner or at all. IMMOBEL may be required to pay for clean-up costs (and in specific circumstances, for aftercare costs) for any contaminated property it currently owns or may have owned in the past.

As a property developer, IMMOBEL may also incur fines or other penalties for any lack of environmental compliance and may be liable for remedial costs. In addition, contaminated properties may experience decreases in value.

IMMOBEL may lose key management and personnel or fail to attract and retain skilled personnel.

Loss of its managerial staff and other key personnel or the failure to attract and retain skilled personnel could hamper IMMOBEL's ability to successfully execute its business strategies.

IMMOBEL believes that its performance, success and ability to fulfil its strategic objectives depend on retaining its current executives and members of its managerial staff who are experienced in the markets and business in which IMMOBEL operates. IMMOBEL might find it difficult to recruit suitable employees, both for expanding its operations and for replacing employees who may resign, or recruiting such suitable employees may entail substantial costs both in terms of salaries and other incentive schemes.

The unexpected loss of the services of one or more of these key individuals and any negative market or industry perception arising from such loss could have a material adverse effect on IMMOBEL's business, results of operations, financial condition and prospects.

The conduct of its management teams, in Belgium, Luxembourg and in Poland, is therefore monitored regularly by the CEO and the Nomination Committee, one of the organs of the Board of Directors.

IMMOBEL is subject to the risk of litigation, including potential warranty claims relating to the lease, development or sale of real estate.

In the normal course of IMMOBEL's business, legal actions, claims against and by IMMOBEL and its subsidiaries and arbitration proceedings involving IMMOBEL and its subsidiaries may arise. IMMOBEL may be subject to other litigation initiated by sellers or purchasers of properties, tenants, contractors and subcontractors, current or former employees or other third parties.



In particular, IMMOBEL may be subject to warranty claims due to defects in quality or title relating to the leasing and sale of its properties. This liability may apply to defects in properties that were unknown to IMMOBEL but could have, or should have, been revealed.

IMMOBEL may also be subject to claims by purchasers of its properties as a result of representations and warranties about those properties given by IMMOBEL at the time of disposal.

IMMOBEL makes sure to control these risks with a systematic policy of taking out adequate insurance cover.

IMMOBEL is exposed to risk in terms of liquidity and financing.

IMMOBEL is exposed to risk in terms of liquidity and financing which might result from a lack of funds in the event of non-renewal or cancellation of its existing financing contracts or its inability to attract new financing.

IMMOBEL does not initiate the development of a project unless financing for it is assured by both internal and external sources for the estimated duration of its development.

IMMOBEL gets its financing from several first-rate Belgian banking partners with which it has maintained longstanding good relations and mutual trust.

IMMOBEL is exposed to risk linked to the interest rate which could materially impact its financial results.

Given its current and future indebtedness, IMMOBEL is affected by a short or long-term change in interest rates, by the credit margins taken by the banks and by the other financing conditions.

IMMOBEL's financing is mainly provided on the basis of short-term interest rates (based on the Euribor rates for 1 to 12 months) with the exception of the 2011 and 2013 bond issues, which are fixed-rate. As part of a comprehensive risk management coverage programme, IMMOBEL introduced a policy to implement, as appropriate, adequate coverage against the risks associated with the interest rates on its debt through financial instruments.

Feasibility studies for each project are based on the predictions for long-term rates.

IMMOBEL is exposed to a currency exchange risk which could materially impact its results and financial position.

Following its entering in the Polish market, IMMOBEL is subject to currency exchange risks. There is the foreign currency transaction risk and the foreign currency translation risk.

IMMOBEL also makes sure whenever possible to carry out all of its operations outside the Eurozone in €, by having purchase, lease and sales contracts drawn up for the most part in €.

IMMOBEL is subject to regulatory risk.

Any development project depends on obtaining urban planning, subdivision, urban development, building and environmental permits.

A delay in granting them or failure to grant them could impact on IMMOBEL's activities. Furthermore, the granting of a subdivision permit does not mean that it is immediately enforceable. An appeal against it is still possible.

Furthermore, IMMOBEL has to respect various urban planning regulations. Local authorities or public administrations might embark on a revision and/or modification of these regulations, which could have a material impact on IMMOBEL's activities.



IMMOBEL is exposed to counterparty risk.

IMMOBEL has contractual relations with multiple parties, such as partners, investors, tenants, contractors, financial institutions, architects. The inability of such counterparty to live up to their contractual obligations could have an impact on IMMOBEL's operational and financial position. IMMOBEL pays great attention, through appropriate studies, to the choice of its counterparties.

Changes in direct or indirect taxation rules could impact the financial position of IMMOBEL.

IMMOBEL is active in Belgium, Luxemburg and Poland. Changes in direct or indirect fiscal legislation in any of these could impact IMMOBEL's financial position.

II. IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL YEAR (art. 96 § 1, 2 and art. 119, 2 Belgian Companies' Code)

II There were no events after the balance sheet date that had a significant impact on the company's accounts except for:

- The authenticated deed passed on 10 January 2017 concerning the acquisition of the building on which the Royal Louise project will be developed;
- The lease contract signed on 16 February 2017 with the FUAK – Fonds d'Urbanisation et d'Aménagement du plateau du Kirchberg (Kirchberg Plateau Urbanisation and Development Fund) – confirming the purchase agreement for the long-term lease on the site, which will enable the development of the INFINITY project (Luxembourg).

III. Circumstances likely to have a significant influence on the development of the Group (art. 96 § 1, 3° and 119, 3° Belgian Companies' Code)

To the Directors' knowledge, there should not be any circumstances likely to have any significant influence on the development of the Group.

IV. ACTIVITIES IN TERMS OF RESEARCH & DEVELOPMENT (art. 96 § 1, 4° and art. 119, 4° Companies Code)

In as much as it is necessary the Board of Directors reiterates that, given the nature of its business, the Group did not engage in any research and development activities during the year which has just ended.

V. USE OF FINANCIAL INSTRUMENTS (art. 96 § 1, 8° and art. 119, 5° Companies Code)

The Board of Directors confirms that IMMOBEL used financial instruments intended to cover any rise in interest rates. The market value of these financial instruments was € 1,8 million at 31st December 2016.



VI. JUSTIFICATION OF THE INDEPENDENCE AND COMPETENCE OF AT LEAST ONE MEMBER OF THE AUDIT & FINANCE COMMITTEE (art. 96 § 1, 9 and art. 119, 6 Belgian Companies' Code)

Mrs Karin KOKS - van der SLUIJS and Mr Pierre NOTHOMB, appointed to the positions of Directors on November 17 and September 25, 2015 respectively, meet all the independence criteria stated in art. 524 and art. 526ter of the Belgian Companies' Code and sit on the Board of Directors and the Audit & Finance Committee of IMMOBEL as independent Directors. They hold university degrees, occupy positions as Directors in international groups and, as such, hold mandates in the Audit Committees of other companies and organisations.

VII. ADDITIONAL INFORMATION

In as far as it is necessary, the Board of Directors reiterates:

- That IMMOBEL has not set up any branches (art. 96 § 1, 5° Companies Code) and
- that, given the results of the Company, there has been no reason to justify the application of continuity accounting rules (art. 96 § 1, 6° Companies Code).

Concerning the information to be inserted in accordance with art. 96 § 1, 7 of the Belgian Companies' Code, the Board reports:

- that during the past financial year the Board of Directors of the Company did not decide to increase the capital of IMMOBEL within the framework of the authorised capital (art. 608 Company Code);
- that neither IMMOBEL nor any direct subsidiary or any other person acting in their own name but on behalf of IMMOBEL or a direct subsidiary has acquired or sold IMMOBEL shares (art. 624 Company Code).

VIII. APPLICATION OF ARTICLE 523/524 BCC – « CORPORATE OPPORTUNITIES »

The Board of Directors reports that it has applied the conflict of interest procedure in relation to the following resolutions:

A. Art. 523 Belgian Companies' Code :

1. BOD 7 March 2016 – Approval of the Business Plan in connection with the merger

"Marnix Galle informed the Board that he has a potential conflict of interest within the meaning of article 523 of the BCC with regard to Agenda item 4. This potential conflict of interest arises because Marnix Galle is the ultimate controlling shareholder of ALLFIN. He declared that he will abstain from voting in accordance with article 523 of the BCC.

Hilde De Valck informed the Board that she has a potential conflict of interest of a functional nature with regard to Agenda item 4. This functional conflict of interest arises because Hilde De Valck is a member of the executive team of ALLFIN. She declared that she will abstain from voting in line with the Company's Code.



The other ALLFIN Nominates, i.e. Sophie Lambrighs and Piet Vercruysse, informed the Board that, in the spirit of the Company's Code, they feel they should not attend the Board for the deliberation and resolution on Agenda item 4.

(...)

Point 4 - Approval of the Business Plan (Art. 523 BCC)

(...)

Resolution: *Following the deliberation, the Board (without presence of the ALLFIN Nominates) approved the Business Plan, such as proposed by the CEO and the CFO, reviewed by the AFC and commented on today, and decided to send it as such to the bankers to allow them to proceed to the valuation of the Company."*

2. BOD 18 April 2016 – Approval of the merger

The formal decisions in relation to the merger between IMMOBEL and ALLFIN were taken at a meeting of the Board of Directors on 18 April 2016. The procedure laid down in Art. 523 BCC was applied to all the resolutions. Pursuant to article 523 of the BCC, resolutions taken in 2016 must be disclosed in this Annual Report relating to the financial year 2016. For the sake of transparency, the Company had decided to already publish the minutes of the meeting of the Board of Directors on 18 April 2016 relating to the proposed merger on their website pursuant to questions they received from a shareholder in the framework of the extraordinary shareholder's meeting that had to decide on the merger.

Please

see:

<https://onedrive.live.com/?authkey=%21ABrS8k51c7N47Y4&cid=372D3DB24C6666B1&id=372D3DB24C6666B1%2110715&parId=372D3DB24C6666B1%2110615&o=OneUp>.

3. BOD 29 June 2016 - Remuneration of the CEO and the Executive Chairman

"Before the deliberation started, A3 Management BVBA, represented by Marnix Galle and AHO Consulting BVBA, represented by Alexander Hodac, declared that they had a potential conflict of interest, as defined under article 523 of the Belgian Company Code, with respect to the Agenda.

This potential conflict of interest arises because A3 Management BVBA, represented by Marnix Galle and AHO Consulting BVBA, represented by Alexander Hodac, as Executive Directors of the Company, are the beneficiaries of the remuneration to be decided upon by the Board of Directors.

In accordance with article 523, the Statutory Auditor of the Company will be informed of the existence of the conflict of interest.

Marnix Galle and Alexander Hodac did not participate to the deliberations or the resolutions.

The proposed resolution will have the following financial consequences for the Company:

- a maximum total cash compensation of EUR 465,000 (excl VAT) per year for the CEO, and
- a maximum total cash compensation of EUR 490,000 (excl VAT) per year for the Executive Chairman, as well as an advantage in kind (car lease, cost of fuel and car related expenses) valued at approximately EUR 25,000 per year.



The Board of Directors is of the opinion that the proposed remuneration packages are in line with market standards and are justified in view of their role and the efforts that are requested from them.

Deliberation and discussions: Remuneration of the CEO and the Executive Chairman

The Chairman of the RAC presented a memo prepared by Towers Watson, detailing the proposed packages for both the Executive Chairman and the CEO (sent to the Directors prior to the Meeting) and summarized the recommendation of the RAC in this respect.

The Chairman of the RAC explained that the packages proposed in the Towers Watson memo include a long-term incentive (LTI) component, which is an important incentive tool, but which is currently not in place at IMMOBEL. Such plan was deemed appropriate, necessary and in line with market practices by the Directors; they estimated that decisions on its structure and introduction should be made without delay after a further analysis and recommendation of the RAC.

Resolution: At the request of the Board of Directors, the RAC will further analyse how to implement LTI to be able to make a proposal to the next Board of Directors, who would then be able to make a proposal to the Shareholders.

Resolution: Upon recommendation of the RAC, the Board of Directors decided to grant the CEO, on a yearly basis, as from July 1st, 2016, a total cash compensation of maximum EUR 465,000, composed of:

- a base remuneration of EUR 310,000; and
- a variable remuneration of up to 50 % of the base remuneration (target bonus) linked to the performance criteria proposed by Towers Watson and decided by the Board of Directors.

Resolution: Upon recommendation of the RAC, the Board of Directors decided to grant the Executive Chairman on a yearly basis, as from July 1st, 2016, a total cash compensation of maximum EUR 490,000, composed of:

- a base remuneration of EUR 325,000; and
- a variable remuneration of up to 50 % of the base remuneration (target bonus) linked to the performance criteria proposed by Towers Watson and decided by the Board of Directors.

In addition, the Board of Directors decided to grant the Executive Chairman the following advantage in kind: car lease, cost of fuel and other car related expenses.

Resolution: Taking into account the above resolutions, the Board of Directors mandated:

(i) the RAC and Astrid De Lathauwer to prepare a management agreement for the Executive Chairman with a severance payment of up to 12 months, as well as an amendment to the current management agreement for the CEO;

(ii) ADL Comm. V, represented by Astrid De Lathauwer, and Arfin sprl, represented by Pierre Nothomb, to finalize and sign the management agreement for the Executive Chairman and the amendment to the management agreement for the CEO, with effect as of July 1st, 2016;

(iii) ADL Comm. V, represented by Astrid De Lathauwer, and Arfin sprl, represented by Pierre Nothomb, to finalize and send the KPI letter to the Executive Chairman of the Board and the updated KPI letter to the CEO."



B. Art. 524 Belgian Companies' Code :

Although legally not required, in order to guarantee the at arms' length character of the negotiations in relation to the merger between IMMOBEL and ALLFIN, the Board had decided to voluntarily apply a procedure similar to the procedure as set out in Article 524 CC and has appointed a committee of three independent to analyse the benefits and risks associated with the merger and to negotiate the terms and conditions of the merger and the related transaction documents and to express itself on the Merger in accordance with the requirements of Article 524 CC. An independent expert was also appointed.

The Committee of Independent Directors has drawn up a special report dated April 18th, 2016, the conclusions of which are:

"Assessment as to Whether the Proposed Transaction Would or Could Cause a Manifestly Unfair Prejudice to the Company in Light of its Strategy

In light of the foregoing considerations, the Committee believes that the Merger would not cause a manifestly unfair prejudice ("kennelijk onrechtmatige nadeel"/"dommages manifestement abusifs") to the Company in light of its strategy, within the meaning of Article 524, §2, BCC.

Assessment of any Benefits to the Company that Would Balance or Outweigh any Prejudice Identified

In view of the foregoing considerations, the Committee believes that the benefits of the Merger balance or outweigh any prejudice identified."

Assessment of the Statutory Auditor in accordance with Article 524 §3 of the Companies Code

"In accordance with Article 524 §3 of the Companies Code, we have reviewed:

- *the minutes of the Board of Directors meeting of 18 April 2016*
- *the report of the Committee of the Independent Directors*
- *the valuation report of the independent expert KBC Securities prepared to the attention of the Committee of Independent Directors*

Based on our work performed, nothing has come to our attention that causes us to believe that the economic and verifiable data included in the minutes of the Board of Directors meeting of 18 April 2016 and the report of the Committee of the Independent Directors are not accurate".

The Board of Directors reminds the merger has been approved by the Extraordinary General Meeting of June 29th, 2016. All legally required documents were made available for all the Shareholders previously, in order to allow them this approval.



IX. CORPORATE GOVERNANCE STATEMENT (art. 96 § 2 Companies Code), including the remuneration report (art. 96 § 3 Companies Code) and the description of the INTERNAL CONTROL SYSTEMS and the RISK MANAGEMENT (art. 119, 7° Companies Code)

The Corporate Governance Statement is part of this Director's report.

X. TAKE OVER BID

Pursuant to article 34 of the Royal Decree of 14th November 2007 concerning the obligations of issuers of financial instruments admitted for trading on a regulated market, the Board of Directors of IMMOBEL states that the following information could have an incidence in case of takeover bid (being understood that the other elements are currently not applicable for IMMOBEL) :

1° the capital amounts to EUR 97,356,533.86 represented by 9,997,356 shares, without par value, each representing an equal part of the capital (art. 4 of the Articles of Association).

2° the Board of Directors is authorised to increase the share capital to a maximum amount of EUR 97,000,000.00 (article 13 of the Articles of Association), in view of the fact that the exercise of this power is limited in the event of a public takeover bid by article 607 of the Company Code – the Board is authorised, for a period of 3 years from the publication in the Belgian official journal thereof to acquire and dispose of shares of the company when this acquisition or disposal is necessary to avoid serious and imminent damage (art. 14 of the Articles of Association);

- regarding the appointment and replacement of members of the Board of Directors, the Articles of Association specify that the Board of Directors consists of at least 5 members, appointed by the General Assembly, on the proposal of the Nomination Committee, and for a period of at most 4 years;

- for amendments to the Articles of Association, there is no regulation other than that determined by the Company Code.



XI. MANAGEMENT & AUDIT OF THE COMPANY – EXECUTIVE COMMITTEE

A. Board of Directors

During the General Shareholders Meeting that will be take place on 24th May, you will have to vote on the renewal of the mandate of the company Zou2 sprl, represented by Mrs. Sophie LAMBRIGHS for a duration of 4 years expiring at the General Shareholders Meeting that will be hold in 2021.

Moreover, we remind you that Mrs. Annick VAN OVERSTRAETEN¹ joined the Board of Directors of IMMOBEL following her cooptation by the Board of Directors of 28 September 2016, in replacement of Mrs. Hilde DE VALCK², who resigned on 29th June 2016, and that Mrs. Karin KOKS – van der SLUIJS was elected to the Board of Directors during the Extraordinary Shareholders Meeting of 17th November 2016.

B. Statutory Auditor

Moreover, during this same General Meeting, you will also have to express an opinion on the reappointment of the Statutory Auditor, civil society under form of a SCRL Deloitte Reviseurs d'Entreprises. It is proposed to renew his mandate as Statutory Auditor for a period of 3 years ending after the Annual General Meeting to be held in 2020 for a fee of EUR 127,000 (excluding fees and disbursements) per year, indexed annually. The Statutory Auditor will be represented by Mr. Kurt DEHOORNE as lead partner.

C. Executive Committee

It is also reminded you, the functions exercised by Mr. Jean-Paul BUESS*, Philippe HELLEPUTTE and Bartlomiej HOFMAN, and by Mrs. Joëlle MICHA* as Members of the Executive Committee of IMMOBEL reached an end in the course of the first half of 2016, following the merger with ALLFIN Group. The Board of Directors warmly thanks them.

On the Board of Directors of 29th June 2016, Mr. Marnix GALLE* and Mrs. Hilde DE VALCK* were asked to join as Members of the Executive Committee, which is composed since 22nd March 2017.

- Alexander HODAC*, Chief Executive Officer, Chairman of the Executive Committee;
- Marnix GALLE*, Executive Chairman;
- Valéry AUTIN*, Chief Financial Officer;
- Nicolas BILLEN*, Head of Development;
- Hilde DE VALCK*, Head of Project Structuring & Financing;
- Rudi op 't ROODT*, Head of Technical Department; and
- Karim ZOUAOUI*, Head of Business Development.

* * *

¹ Permanent representative of the civil company A.V.O. Management sprl.

² Permanent representative of the company DV Consulting, H. De Valck Comm.V



We therefore ask you to approve the terms of this report and grant discharge to the Members of the Board and the Statutory Auditor.

* * *

Agreed at the Meeting of the Board of Directors on 22nd March 2017.

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| <p>AHO CONSULTING bvba représentée par Alexander Hodac Administrateur Délégué</p> | <p>A3 MANAGEMENT bvba représentée par Marnix Galle Président du Conseil</p> |
|---|---|

* acting for a company.

** acting for a company, since 1st February 2016.

*** acting for a company, since 1st January 2016.