

INTERIM MANAGEMENT REPORT

6th September 2016

REGULATED INFORMATION

THE RECURRING OPERATING RESULT FOR THE REAL ESTATE ACTIVITY CONTINUED TO GROW (+24%), BUT THE CONTRACTION IN THE MARKET FOR QUARRY PRODUCTS IMPACTED THE GROUP'S RECURRING OPERATING RESULT, WHICH FELL TO EUR 3,451 K (-4%), AND THE NET RESULT, WHICH FELL TO EUR 2,711 K (-5%).

TEXAF's Board of Directors drew up the company's consolidated accounts (in accordance with the IFRS standards as adopted in the European Union) on 30 June 2016. These interim accounts have not been audited.

The Board wishes to point out that the company's assets are located in the Democratic Republic of Congo (DRC) and that the specific environment of the country entails certain risks. The accounts were drawn up based on the assumption of stability in the social-economic and regulatory environment.

HIGHLIGHTS FOR THE FIRST HALF OF 2016

- The economic slowdown in the DRC, under way since 2014, is worsening, leading to a fall in mining and oil-related activities and a subsequent decrease in revenue for the Congolese state. On the one hand this is affecting the Group through lower public and private investment, meaning less demand for crushed sandstone, and on the other through the problems public bodies and their suppliers are having in paying invoices. For the first time in years the Congolese franc has lost ground against the dollar (-6% since the start of the year) and the situation of the country's foreign exchange reserves is cause for concern.
- Income from the real estate activity continued to grow by 5% to EUR 7,485 K compared to the 1st half of 2015 thanks to the new buildings placed on the market during the course of last year. The same applies for the recurring operating result, which increased by 21% to EUR 3,239 K as a result of improved management of costs.
- Due to the contracting market for its products, the turnover of **CARRIGRES** dropped by 33% to EUR 1,784 K and its recurring operating result fell by 77% to EUR 212 K compared to the 1st half of 2015.
- Further to the difficulties experienced by **CARRIGRES**, the Group is reporting a recurring operating result of EUR 3,451 K, down by 4%. A non-recurring net charge of EUR 158 K impacted the six-month period in such a way that the operating result stands at EUR 3,293 K (+ 3%). The net result (Group's share) of EUR 2,711 K in turn decreased by 5%, or EUR 0.765 per share.

	<u>H1 2012</u>	<u>H1 2013</u>	<u>H1 2014</u>	<u>H1 2015</u>	<u>H1 2016</u>
Recurring operating result	2,413	3,011	3,281	3,585	3,451
As % of turnover	28%	32%	35%	34%	37%

CONSOLIDATED RESULTS FOR TEXAF GROUP (in EUR thousands)
(not audited)

	30/06/2014	30/06/2015	30/06/2016
Revenues from ordinary activities	9,083	9,807	9,270
Other recurring operating income	398	728	792
Recurring operating expenses	-6,200	-6,950	-6,611
Recurring operating result	3,281	3,585	3,451
<i>Δ y-1</i>	9%	9%	-4%
Other non-recurring operating items	0	-381	-158
Operating result	3,281	3,204	3,293
<i>Δ y-1</i>	9%	-2%	3%
Financial result	-137	-172	-299
Result before tax (of continued operations)	3,144	3,032	2,994
<i>Δ y-1</i>	8%	-4%	-1%
Taxes	-782	-189	-282
Net result after tax	2,362	2,843	2,712
Consolidated net result (Group's share)	2,267	2,848	2,711
<i>Δ y-1</i>	3%	26%	-5%
Per share			
<i>Recurring operating result in EUR</i>	<i>0.926</i>	<i>1.012</i>	<i>0.994</i>
<i>Operating result in EUR</i>	<i>0.926</i>	<i>0.904</i>	<i>0.929</i>
<i>Consolidated net result (Group's share) in EUR</i>	<i>0.691</i>	<i>0.804</i>	<i>0.765</i>
<i>Number of outstanding shares</i>	<i>3,543,700</i>	<i>3,543,700</i>	<i>3,543,700</i>

STATEMENT OF COMPREHENSIVE CONSOLIDATED INCOME (in EUR thousands)
(not audited)

	30/06/2014	30/06/2015	30/06/2016
Result for the financial year	2,362	2,843	2,712
Spread variations in foreign currencies	-	-	-
Comprehensive income	2,362	2,843	2,712
Allocated to:			
TEXAF shareholders	2,267	2,848	2,711
Minority interests	95	-5	1
	2,362	2,843	2,712

CONSOLIDATED BALANCE SHEET (in EUR thousands)

(not audited)

	31/12/2014	31/12/2015	30/06/2016
Non-current assets	97,345	103,995	106,943
Property, plant and equipment	14,878	14,830	14,784
Investment properties	81,644	87,880	91,072
Intangibles	33	43	34
Other financial assets	790	1,242	1,053
Current assets	13,128	16,395	13,682
Assets available for sale	1,179	1,179	1,180
Inventories	5,026	6,585	5,949
Receivables	1,226	1,491	1,234
Tax assets	731	1,190	1,282
Cash and cash equivalents	3,984	5,461	3,749
Other current assets	982	489	288
TOTAL ASSETS	110,473	120,390	120,625
Equity	70,964	74,587	75,260
Capital	21,508	21,508	21,508
Group's reserves	49,136	52,765	53,437
Minority interests	320	314	315
Non-current liabilities	31,211	34,531	33,479
Deferred income tax liabilities	22,215	21,866	21,773
Other non-current liabilities	8,996	12,665	11,706
Current liabilities	8,298	11,272	11,886
Liabilities available for sale	337	337	337
Other current liabilities	7,961	10,935	11,549
TOTAL LIABILITIES	110,473	120,390	120,625

CONDENSED CASH FLOW STATEMENT (in EUR thousands)

(not audited)

	30/06/2014	30/06/2015	30/06/2016
Cash and cash equivalents at the beginning of the year	7,216	3,984	5,461
Cash flows from operating activities	2,856	3,835	5,392
Cash flows from investment activities	-2,383	-5,877	-4,638

Cash flows from financing activities	-2,454	2,755	-2,466
Net increase (decrease) of cash and cash equivalents	-1,981	713	-1,712
Currency translation differences	-	-	-
Cash and cash equivalents at year's end	5,235	4,697	3,749
<i>Of which Texaf SA</i>	2,478	1,599	1,745

Comments on consolidated results

The full half-yearly report drawn up in accordance with IAS 34 is available at www.texaf.be

- ✚ Turnover for **CARRIGRES** fell by 33% compared to the same period in 2015 further to the contracting economy and a lack of public infrastructure works projects.
- ✚ Further to the diverging performance of **CARRIGRES** and the real estate activity, Group turnover was down by 4%. In turn, recurring operating expenses (EUR 6.61 million as opposed to EUR 6.95 million in 2014) fell 5% despite a tax increase of EUR 400 K.
- ✚ As such, the *recurring* operating result declined by 4% to EUR 3,453 K. However, after taking account of non-recurring elements, essentially consisting of write-downs on accounts receivable from public bodies, the operating result amounted to EUR 3,293 K.
- ✚ The Group's share of the net result was EUR 2,711 K, a decrease of 5% or EUR 0.765 per share.

REPORT ON REAL ESTATE ACTIVITIES

Contribution of the real estate activity to the consolidated result

(EUR 000)	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016
Revenues from ordinary activities	5,001	6,083	6,569	7,133	7,485
Operating result	1,584	2,300	2,798	2,167	3,098
Recurring operating result	1,737	2,300	2,798	2,676	3,311
Net result	1,308	1,655	1,785	1,793	2,462
Net result (Group's share)	1,193	1,454	1,690	1,798	2,461

- ✚ Sectoral data for the real estate activity include all the costs associated with the holding company, for example payroll and overhead.
- ✚ Revenue rose by 6% to EUR 7,557 K further to the consideration over an entire six-month period of the rents from the third phase of the project called "Champ de Coton" and the offices for the Japanese embassy.
- ✚ This revenue essentially consists of rents, which are up by 7% compared to the 1st half of 2015 as a result of the renting out of new premises, but it also includes other operating income in the amount of EUR 760 K, primarily consisting of the re-invoicing of expenses and sales by the private restaurant in our compound. It must be noted that, since this financial year, the rents owed by public bodies, which systematically don't pay their due, are no longer included in this revenue.
- ✚ The recurring operating result increased by 21% to EUR 3,239 K, despite another increase in operating taxes, this time amounting to EUR 313 K.

- ✚ Non-recurring expenses of EUR 141 K reduced the operating result to EUR 3,098 K. This involves write-downs on old accounts receivable, essentially from Congolese public bodies or companies reliant on orders from the public sector.
- ✚ The construction of four buildings containing 33 two- or three-bedroom apartments has been delayed three months and delivery is scheduled to take place in the coming weeks.
- ✚ The launching of a new project, called “Bois nobles”, covering 82 housing units and to be carried out in two phases, took place this summer and will continue through the 2nd half of the year. The first phase, involving 36 units, should be completed by the beginning of 2018.

REPORT ON QUARRY ACTIVITIES

Contribution of the quarry activity to the consolidated result

(EUR 000)	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016
Revenues from ordinary activities	3,075	3,020	2,514	2,674	1,784
Operating result	829	710	483	1,037	195
Recurring operating result	829	711	483	909	212
Net result	730	754	577	1,050	250
Net result (Group's share)	730	754	577	1,050	250

- ✚ Sales amounted to 98,000 tonnes, which is a drop of 28% in terms of volume and 33% in terms of value compared to the 1st half of 2015. Here the market has substantially contracted, not only in the area of road building like last year but also as regards concrete production. **CARRIGRES** has adapted its prices and ramped up its sales efforts so as to maintain its market share.
- ✚ Sandstone production at **CARRIGRES** decreased to 107,000 tonnes, a drop of 34% compared to the 1st half of 2015, to bring it in line with the sales outlook.
- ✚ The recurring operating result was EUR 212 K compared to EUR 909 K for the 1st half of 2015, and it was not possible to offset the drop in turnover with an equivalent reduction in costs. In order to better comply with the IAS 16 standard, the depreciation of the deposit is now being done per tonne instead of pro rata temporis, this change having a positive impact of EUR 102 K.
- ✚ Moreover, the operating result includes a write-down on accounts receivable and profits made on the sale of obsolete equipment.

i-FINANCE

- ✚ **i-FINANCE**, the microfinance institution in which **TEXAF** has a 10% stake, is facing a significant deterioration in its microcredits portfolio and has decided to stop its expansion until the recovery measures taken start yielding results. The company is currently still in the initial loss-making phase.

EVENTS TAKING PLACE AFTER 30 JUNE 2016 AND OUTLOOK FOR THE REST OF 2016

- ✚ The Group is studying the various possibilities of exploiting the 104 ha held in Kinsuka, a few kilometres away from the city centre.
- ✚ The recurring operating result for the 2nd half of the year should outperform the recurring operating result for the 1st half. Nonetheless, this forecast could be adjusted downwards if the uncertain political climate in the DRC starts affecting residential rentals, leading to rental vacancies, or if it generates further difficulties for **CARRIGRES**.

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- ✚ Despite a bleak political and economic context, **TEXAF** will continue with its ambitious real estate projects within the framework of its long-term development plan.
 - ✚ **TEXAF** intends to maintain its dividend growth policy.

FINANCIAL CALENDAR

- ✚ Friday, 11 November 2016: Quarterly press release
- ✚ Friday, 24 February 2017: Publication of 2016 annual results
- ✚ General meeting: 9 May 2017

TEXAF, established in 1925, is the only Euronext-listed industrial, real estate and agricultural investment company having all of its activities and subsidiaries to date based in the Democratic Republic of Congo. The listing of Congolese activities on the stock exchange and the resulting obligations in terms of good governance and transparency constitute a major asset of the group in the promotion of the formal sector in the DRC.

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