aedifica
housing with care

ANNUAL FINANCIAL REPORT 2015/2016

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1. This chapter is part of the Consolidated Board of Directors' Report.

HOUSING WITH CARE

Aedifica aims to position itself as a market leader among listed Belgian healthcare real estate companies, particularly in terms of senior housing.
Its strategy is focused on the underlying demographic trend toward population ageing in Europe and the specific needs this trend implies in terms of care and housing. The Company aims to create a balanced portfolio that generates recurring revenues and offers potential for capital gains.
The Group mainly concentrates its activity in the senior housing segment, but is also active in apartment buildings and hotels and other building types.
Aedifica has been quoted on Euronext Brussels (continuous market) since 2006.
Aedifica offers the investor an alternative to direct investment.

RISK FACTORS

Aedifica carries out its activities in a constantly changing environment, which implies certain risks. The occurrence of these risks could have a negative impact on the Company as a whole, or on its operations, outlook, financial position or financial result. Thus, these risks must be duly considered as part of any investment decision.

RESIDENTIE POORTVELDEN
BELGIUM – SENIOR HOUSING

SAKSEN WEIMAR
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Aedifica aims to manage these risks to the best of its ability, in order to generate recurring rental income and realise future capital gains.

The Executive Managers and the Board of Directors monitor Aedifica's main risk factors closely. They set conservative policies in this respect, which are updated and adapted as necessary to reflect changing risk factors and circumstances. Please note that completeness in respect of risk factors cannot be ensured, and that the following list is based on information available as of 2 September 2016. It is acknowledged that other risk factors may exist, which are currently unknown, remote or considered as benign for the Company, its operations and/or its financial position.

1. MARKET RISKS

1.1 ECONOMIC RISKS

Given the fact that supply and demand in the real estate market is impacted by general economic conditions, any negative shift in the main macro-economic indicators could hurt Aedifica's activity level and outlook. The Company's operations are indeed subject to economic cycles, since these affect the available income of existing tenants (and hence their ability to respect their financial commitments), new demand, and the availability of funds for new investments. The Company can also be affected by the default of its various partners: service providers, credit providers, hedge providers, contractors, etc. To mitigate these economic risks, Aedifica has diversified its investments across several segments in the real estate market, which tend to respond differently to economic changes. Since 2013, the Company also diversifies its investments also from geographical point of view (Belgium, Germany, The Netherlands). The Company internalised certain functions which were previously outsourced (property management, project management); it ensures a strategic monitoring and endeavours to manage information flows so as to anticipate risks. Finally, it should be noted that the vast majority of assets (invested in healthcare real estate) serves, by nature, to support the Group's growth, given that healthcare

LEOPOLDSPARK
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real estate, in the countries where Aedifica is active, faces increasing demand increase while supply tends to stagnate due to diverse restrictions imposed by public authorities in various forms.

1.2 RISKS RELATED TO THE REAL ESTATE MARKET

Rent levels, vacancy rates, and property values are highly influenced by supply and demand in the real estate market, both in terms of space for sale and for let. The main risk factors faced by the Company arise from lower occupancy rates, decreases in contractual rents or building values on contract renewal, and capital losses when properties are disposed of. An increase in acquisition prices could also cause a decrease of rental yield.

To mitigate these risks, Aedifica's investment strategy is diversified, both geographically (having extended operations beyond Belgium's borders in 2013) and by sector. Aedifica has been active in the senior housing segment in Germany since 2013. Early 2016, it entered the Dutch senior housing market.

Each segment of the market in which Aedifica invests targets different types of tenants who rent premises under contracts with varying maturities (short-term or medium-term for apartments, and long-term for senior housing and hotels). Given the high proportion of long-term contracts (e.g. Belgian irrevocable contracts with a minimum initial maturity of 27 years called "emphytéoses / erfpachten"), which represent 74 % of the fair value of marketable investment properties as of 30 June 2016), the average residual maturity of Aedifica's contracts stands at 20 years. This gives the Company a good view on future revenue streams over the long term. To this end, the Company maintains close relations with its main tenants and is advised by qualified local experts in each country.

Aedifica also intends to grow its portfolio in order to reduce the weight of each individual property, improve asset management, and increase the operating margin by realising economies of scale.

1.3 INFLATION RISK

At constant interest rates, inflation risk is low for Aedifica, since rents are subject to indexation (in Belgium and The Netherlands: on an annual basis, mainly according to the local full CPI or, in Belgium, the health CPI; in Germany: the indexation formula is specific to each contract). The impact of inflation on rental income can be summarised as follows: an increase of the index of 100 bps would generate additional rental income of approximately €0.8 million.

In the context of increasing nominal interest rates, lower inflation implies higher real interest rates, which in turn implies that financial charges are growing faster than indexation of rental income. Aedifica has taken some important steps to mitigate this risk (see 3.3 below).

In the event of negative inflation, most contracts set a floor at the level of the initial rent.

1.4 CONCENTRATION RISK OF OPERATORS IN THE SENIOR HOUSING SEGMENT

Given the dynamism of the large group of professional operators active in the senior housing segment, and the ongoing consolidation of this market, it is highly likely that one or more business combinations will occur among groups related to legal entities with which the Company has entered into lease agreements. This may impact the diversification level of the Company's tenant base. Such business combinations have occurred in the past among Aedifica's portfolio operators, and have served to improve the professionalism of these legal entities. The impact of these consolidations on the diversification of Aedifica's tenant base has been offset by the growth in the portfolio, with addition of new operators. Data concerning these groups is provided in the Property Report included in the Annual Financial Report and in Note 3 of the Consolidated Financial Statements.

As a result of the combination of Armonea and Soprim@ groups, two Belgian operators in the senior care segment, the share of consolidated assets invested by Aedifica in properties made available for entities controlled by the Armonea group now represents approx. 21 % (fair value: €248 million; acquisition price: €223 million; acquisition date: between 2008 and 2015; rental yield: 5.6 %).

All Aedifica sites rented out to entities of the Armonea group can be considered as a single property within the meaning of Article 30, para. 1, section 3 of the Belgian Act of 12 May 2014 on Regulated Real Estate Companies.

AEDIFICA PURSUES AN INVESTMENT STRATEGY WHICH, UNTIL RECENTLY, HAS BEEN FOCUSED ON THE BELGIAN MARKET. STARTING 2013, AEDIFICA HAS ALSO BEEN ACTIVE IN THE SENIOR HOUSING SEGMENT IN GERMANY. EARLY 2016, IT ENTERED THE DUTCH SENIOR HOUSING MARKET.

In this assumption, Article 30, para. 1, section 1 (2) of the abovementioned Act prohibits Aedifica from performing operations that would increase this percentage or create a single property above the 20 % threshold for any other group of operators in the senior housing segment with a structure similar to that of the Armonea group.

Recall that Aedifica faced a similar concentration (which amounted to 27 %) on a group of operators in the senior housing segment during the 2009/2010 financial year (see Aedifica's 2009/2010 Annual Financial Report, page 3). Given Aedifica's investment policy, this concentration was subsequently diluted.

Lastly, it should be noted that other mergers were recently carried out or are ongoing: in 2015 the French Orpea group (tenant of nine Aedifica sites), acquired a number of German entities that were tenants of five Aedifica sites; in July 2016 the German Alloheim group, which had already taken control of the Senator group (tenant of one German Aedifica site) in early 2016, announced the acquisition of the AGO group (tenant of three German Aedifica sites). This latest acquisition remains subject to approval by the competition authorities.

2. RISKS RELATED TO AEDIFICA'S PROPERTY PORTFOLIO

The Board of Directors and the members of the Board of Directors of Aedifica are aware of the risks linked to the management and quality of the Company's assets and have set clear and strict standards for building improvement, commercial and technical management, and investment and divestment, all with a view to limit vacancy and increase property values.

Up to 31 July 2013, Aedifica's properties were exclusively located in Belgium and consisted mainly of marketable properties used or intended to be used for housing. The composition (number of properties, surface area) and breakdown (by type of property, by segment, geographical) as of 30 June 2016 is provided in section 3.1 of the consolidated Board of Directors' Report included in this Annual Financial Report. Since 2013, Aedifica's portfolio has expanded to include properties located in Germany, as well as properties located in The Netherlands starting in 2016.

MARIE-LOUISE
BELGIUM –
SENIOR HOUSING

Aedifica is also carrying out renovation and extension works on a portfolio of approx. 20 development projects (see section 4.2. of the Property Report included in this Annual Financial Report). Marketable investment properties and development projects are presented together on the balance sheet, under the heading "I.C. Investment properties" among non-current assets, and real estate offered for sale is recognised under line "II.A. Assets classified as held for sale" among current assets".

2.1 RENTS

Aedifica's turnover is completely made up of rental income generated on properties that are rented out to third parties (natural persons, companies, operators of rest homes or assisted-living apartments, or hotels). Bad debt provisions and vacancy rates could have an adverse impact on the income statement. Moreover, when a rental contract matures and a new tenant is found, the new contract may generate lower rental income, especially in view of the current economic environment. A gloomy economic climate can also lead to renegotiations under current leases, in particular to reduce the rent of current contracts in order to rebalance tenants' rent levels compared to their future income potential, and therefore to maintain the sustainability of the cash flows generated by the building for the benefit of the Company. As property costs cannot always be reduced in line with rental incomes, the Company's income and cash flows could be further affected as a result.

In order to mitigate these risks, Aedifica diversifies its investments in terms of location, market segment, tenant profiles, and contract types. In the senior housing segment for example, Aedifica enters into long leases (mainly under the form of long-term "emphytéoses/erfpachten" in Belgium) with specialised professional operators, which generate high yields. By doing so, Aedifica can offset most risks associated with shorter-term contracts in the other segments (apartment buildings).

The Company is not credit-insured and is, thus, also exposed to the risk of default of its tenants. Procedures have been put in place to monitor the payment pattern of the tenants with whom long leases ("emphytéoses/erfpachten" or others) have been signed, and to closely follow-up on any doubtful debtors. In addition, Aedifica benefits from rental guarantees set up in accordance with market standards and Belgian law, under the form of warranties issued by banks, cash deposits on bank accounts, or other securities.

Nevertheless, the Company continues to face a risk of lost rental income, and this risk can increase along with any deterioration of economic conditions. Charges to provisions for bad debts for the financial year amount to less than €0.1 million on €60 million in rental income.

2.2 ASSET MANAGEMENT

The attractiveness of Aedifica's rental properties, as well as their valuation, depends on the perceived quality of the buildings, the effectiveness of the maintenance programme, and the security level achieved.

For this reason, Aedifica has put in place its own sales and marketing team. By doing so, the Company maintains direct contact with its tenants and strives to remain aware of their needs and wishes.

The position of Asset Manager Senior Housing was created in 2016 to establish a daily dialogue with the property management teams of the Company's main tenants, in particular operators of its senior housing sites.

For the technical management of certain apartment buildings in Belgium, Aedifica employs external service providers who act as asset managers and are permanently monitored by the Company's own property management team. Administrative and accounting management of apartment buildings has been internalised almost entirely; related tasks are now performed internally by Aedifica's property accounting team.

The Company is the sole owner of most of its buildings. However, for buildings held in co-ownership or which are subsequently divided, specific risks related to the rules of co-ownership or split sales could arise.

The Company may be involved in court procedures arising in the normal course of business. Cases currently ongoing present no significant risk, thus no provision had to be raised in relation to these. Given the uncertainties arising from court procedures, however, the Company could face new liabilities in the future.

2.3 QUALITY AND VALUATION OF THE BUILDINGS

In order to sustain and even increase rental income, and to facilitate new lettings and/or building disposals, Aedifica carries out repair and maintenance works on its real estate portfolio on an ongoing basis. Nevertheless, these investments cannot fully eliminate the risk of impairment of the assets. The contracts established with tenants in the senior housing segment are often "triple net" (Belgium, The Netherlands) or "double net" (Germany); thus maintenance costs are either completely ("triple net") or mainly ("double net") at the expense of the tenants.

Aedifica also acquires planned or in-progress development projects, which positions the Company to oversee the development works and ensure that buildings delivered are of high quality. This approach to property acquisition is consistent with the Company's long-term vision.

OVERBEKE
BELGIUM –
SENIOR HOUSING

KÄTHE-BERNHARDT-HAUS
GERMANY –
SENIOR HOUSING

IN THE SENIOR HOUSING SEGMENT, AEDIFICA ENTERS INTO LONG LEASES WITH SPECIALISED PROFESSIONAL OPERATORS.

A team of architect/engineer is charged with managing the development and renovation projects, and ensures that works contracted to third parties are properly carried out. Even as the Company does its best to negotiate contracts that minimise the risks arising from major works (e.g. delays compared to the expected completion date, deviation from budget, organisational issues, etc.), these cannot be totally avoided.

When a building requiring major renovation works is acquired, the fair value of the building at acquisition date generally reflects its state at that time. The cost of the renovation works to be carried out is included in the Company's financial planning.

The risk that buildings may be destroyed by fire or other calamity is insured for a total reconstruction value of €1,128 million (including the value of furnishings in the furnished apartments, and excluding the value of the lands). This represents approx. 99 % of the fair value of marketable investment properties as of 30 June 2016

42.5%

CONSOLIDATED DEBT-TO-ASSETS RATIO AS OF 30 JUNE 2016

(including lands). Insurance contracts are signed by Aedifica, or by the tenants in the case of long leases. The insurance contracts cover vacancy costs during the reconstruction period, but do not cover other risks, such as voluntary acts of the insured person, the risk of war, nuclear risks, hidden defects, deterioration, decrepitude, asbestos, etc. Insurance premiums paid by Aedifica amount to €96 thousand for the 2015/2016 financial year.

The fair value of investment properties, as assessed quarterly by independent experts, changes over time and is recognised in accordance with IAS 40. The independent experts' reports allow to take fast corrective measures if necessary, in order to face an impairment loss on a building. Moreover, since 2016, the Company employs a Valuation & Asset Manager who monitors the valuation of the buildings on a daily basis. A change of 1 % in the fair value of investment properties would have an impact of €12 million on the Company's net income and of approximately €0.82 on the net asset value per share. This would also impact the debt-to-assets ratio by 0.4 %.

2.4 RISK OF EXPROPRIATION

At any time, property can be expropriated by Belgian public authorities, in line with applicable laws.

2.5 RISKS ARISING FROM MERGERS, ACQUISITIONS AND DE-MERGERS

A major part of Aedifica's assets were acquired through mergers, de-mergers, or acquisitions of shares in other real estate companies. Aedifica takes all necessary steps to ensure proper due diligence at the time of acquisition (e.g. by carrying out due diligence audits regarding the buildings and/or real estate companies, by obtaining certain warranties and representations, etc.). Nevertheless, it is unavoidable that, as a result of these transactions, hidden liabilities may be transferred to the Company, which are not recoverable from the transferor.

3. FINANCIAL RISKS

Aedifica's financial management practices aim to ensure permanent access to financing, and to monitor and minimise the interest rate risk.

3.1 DEBT STRUCTURE

Aedifica's debt-to-assets ratio (as defined in the Royal Decree of 13 July 2014 on Belgian RRECs) is included in section 3.3 of the Consolidated Board of Director's Report included in this Annual Financial Report. As of 30 June 2016, it amounts to 40.4 % on statutory level and to 42.5 % on consolidated level. This section also discloses the maximum ratio permitted before the Company reaches the maximum debt-to-assets ratio permitted for Belgian REITs (65 % of total assets) or arising due to bank covenants (60 % of total assets). The debt-to-assets ratio is monitored in the context of monthly closings and its evolution is estimated during the approval process of each major investment project; it is published quarterly. When exceeding the debt-to-assets threshold of 50 %, a financial plan with an implementation schedule must be elaborated, describing the measures taken to prevent the consolidated debt-to-assets ratio from exceeding the maximum permissible threshold of 65 % (Article 24 of the Royal Decree of 13 July 2014). The Company has indicated in each of its last three Securities Notes (2010, 2012 and 2015) that its policy in this area focuses in the long term on maintaining an appropriate debt-to-assets ratio in the range of 50 to 55 %.

Aedifica's financial model relies on a structural indebtedness. As a result, cash balances are usually low, amounting to €5 million as of 30 June 2016.

As of 30 June 2016, Aedifica has neither pledged any Belgian building as collateral for its debts, nor has it granted any other securities to debt-holders. Note that in Germany, it is customary that real estate buildings financed by bank credit are linked to a mortgage in favour to the creditor bank. As such, 12 out of 15 buildings in Germany are linked to a mortgage as of 30 June 2016, respecting the requirements laid down in Article 43 of the Belgian Act of 12 May 2014 (the total amount that is linked to a mortgage cannot exceed 50 % of the total fair value and no mortgage linked to a certain building can exceed 75 % of that building's value). In the context of supplementary financing of assets located in Germany, it is possible that supplementary mortgages will be obtained.

3.2 LIQUIDITY RISK

Aedifica enjoys a strong and stable relationship with its banks, which form a diversified pool comprising an annually increasing number of European institutions, with each bank in bilateral relation with the Company. Details of Aedifica's credit facilities are disclosed in Note 40 of the Consolidated Financial Statements included in this Annual Financial Report.

As of 30 June 2016, Aedifica is using committed credit facilities totalling €480 million (2015: €367 million), out of €753 million in total available confirmed credit. The remaining headroom of €273 million is sufficient to cover Aedifica's short-term financial needs (including the development projects in progress) until the end of the 2016/2017 financial year. The investment amount that is budgeted in the Company's financial plan for the existing projects as of 30 June 2016 is estimated at €252 million. €60 million should be added to that amount for the acquisition of a portfolio of five rest homes in Germany subject to outstanding conditions announced on 6 July 2016, as well as €50 million for a hypothetical investment, which brings the total investment included in the financial plan for the 2016/2017 financial year to €290 million.

€753 M

CREDIT FACILITIES AS OF 30 JUNE 2016

Given the regulatory status of Belgian REITs/RRECs, and the type of property in which Aedifica invests, the risk of non-renewal of mature credit facilities is remote even in the context of a credit crunch, except in the event of unforeseen and extreme circumstances. There is a risk of increasing credit spreads should market conditions deteriorate as compared to those present at the time the current credit facilities were signed.

The Company would be exposed to a liquidity risk which could arise due to a lack of cash flow in the event of early termination of the credit facilities. Should the Company fail to comply with the provisions of credit facility arrangements, the facilities might indeed be cancelled, re-negotiated, or forced into reimbursement. The covenants in place are in line with market practice, and in particular require that the debt-to-assets ratio (as defined by the Royal Decree of 13 July 2014) does not exceed 60 %. Moreover, there is a risk of early termination in the event of a change of control, in case of non-compliance with the Company's obligations, and, more generally speaking, in the event of default as defined in these arrangements. A default situation related to one contract can lead to a default situation related to all contracts (cross-default clauses). Based on the information available to date, and the prospects for the foreseeable future, there is no indication of a possible early termination of one or more of the existing credit facilities. However, this risk cannot be ignored completely. Moreover, Aedifica does not itself retain control over certain commitments, such as in the event of a change of control, which could lead to the early termination of credit facilities.

Internally, Aedifica is organised so as to regularly monitor the evolution of the financial markets, optimise the Company's financial structure over both short and long term, and manage financial risks (liquidity risk, interest rate risk). Aedifica aims to further diversify its funding sources, given market conditions.

3.3 INTEREST RATE RISK

Almost all of Aedifica's financial debts are floating-rate borrowings. This allows Aedifica to benefit from low interest rates on the non-hedged part of its borrowings. To mitigate the risk of increasing interest rates, Aedifica follows a policy aimed at securing for a period of several years the interest rates related to at least 60 % of its current or highly probable indebtedness. It should be noted that the Company assumed certain fixed-rate debts which came from pre-existing investment credits tied to real estate companies which were acquired or absorbed by the Company.

This policy is supported by the fact that an increase in nominal interest rates, when not coupled with a simultaneous increase in inflation, implies an increase in real interest rates that cannot be offset by increasing rental incomes through indexation alone. Moreover, in case of accelerating inflation, there is a delay between the timing of the increase of the nominal interest rates and the timing of the indexation of rental incomes. When the interest rate curve is sufficiently flat (i.e. when interest does not vary a lot in relation of the maturity date), Aedifica aims to enter into hedges over longer periods, in line with its investment.

For example, assuming that the structure and level of financial debts remain unchanged, and assuming that no hedges have been entered into, simulations show that a 25 bps positive deviation (increase) in the 2016/2017 interest rates over the forecast rates would lead to an additional €1.7 million interest expense for the year ended 30 June 2017.

In order to manage the interest rate risk, Aedifica has put in place hedges (interest rate swaps and caps). All hedges are entered into with leading banks and relate to existing or highly probable risks. Where appropriate, Aedifica applies hedge accounting as defined by IAS 39.

TO MITIGATE THE RISK OF INCREASING INTEREST RATES, AEDIFICA FOLLOWS A POLICY AIMED AT SECURING THE INTEREST RATES RELATED TO AT LEAST 60 % OF ITS CURRENT OR HIGHLY PROBABLE INDEBTEDNESS OVER A PERIOD OF SEVERAL YEARS.

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BELGIUM – SENIOR HOUSING

BENVENUTA
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An analysis of the Company's hedges is provided in the Consolidated Board of Directors' Report and in Note 33 of the Consolidated Financial Statements included in this Annual Financial Report. The hedges are entered into for long periods; however, hedge agreements include provisions (in line with market practice) that could lead the issuing banks to terminate the hedges early or initiate margin calls (in cash for example) in their own favour in certain circumstances.

Changes in the interest rate curve have a limited impact on the future interest expense, as 60% of the financial debts are hedged by IRS or caps. Each change in the interest rate curve has an impact on the fair value of hedging instruments against income statement and/or equity (balance lines "I.C.d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS" and line "I.C.e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS"). A sensitivity analysis is provided in Note 33 of the Consolidated Financial Statements included in this Annual Financial Report.

Certain external developments could cause an increase of the credit spreads at the Group's expense, in accordance with the "increased cost" clauses included in the banking agreements. However, it should be noted that during the crises which have hit the financial markets since 2007, no bank has ever invoked one of these clauses towards the Group.

3.4 COUNTERPARTY RISK

Signing a credit facility or hedging instrument with a bank generates a counterparty risk in the event of counterparty default. In order to mitigate this risk, Aedifica trades with several leading national and international banks to diversify its funding and hedging sources, while remaining cautious about the balance between cost and quality of the services provided. In today's volatile context of the banking sector, one should bear in mind that one or several counterparties could default.

In line with market practice, the agreements signed with banks include market shock clauses and major adverse change clauses which could lead to, in extreme circumstances, additional costs for the Company or possibly the early termination of the credit facility. However, it should be noted that during the crises which have hit the financial markets since 2007, no bank has ever invoked one of these clauses towards the Group.

Aedifica has an ongoing relationship with the banks listed in Note 40 of the Consolidated Financial Statements included in this Annual Financial Report. With respect to hedging, the main providers (by order of magnitude) are ING and BNP Paribas Fortis.

3.5 FOREIGN EXCHANGE RISK

Aedifica earns all rental income and incurs all expenses within the euro-zone (except for certain small suppliers which charge for their services in USD and CAD). The borrowings of the Company are all denominated in euros. Thus, Aedifica is not exposed to significant foreign exchange risk.

3.6 BUDGETING AND FINANCIAL PLANNING RISK

The yearly budget and long-term financial plan are important tools used in the decision-making process and in daily management activities. The budget and financial plan are derived from a computerised model that incorporates a number of assumptions; this model can suffer from programming errors, and human errors which may arise when using it. The potential for wrong assumptions, and undetected programming or human errors might put pressure on the Company's performance and the trust it experiences on the markets, or threaten its compliance with regulatory (e.g. legal covenants associated to the Belgian RREC status, such as the debt-to-assets ratio) and contractual provisions (e.g. bank covenants).

4. REGULATORY RISKS

The Company is aware of applicable regulations and does its best to engage experts to provide supplementary assistance and advice. Nonetheless, it is exposed to the risk of non-compliance with regulations or environmental requirements.

Regulatory changes and new related obligations arising for the Company and/or its service-providers could influence the profitability of the Company or its property values (e.g. through additional obligations at the expense of the Company and/or its tenants).

4.1 CORPORATE STATUS

As of 17 October 2014, the Company is authorised by the FSMA as a "Regulated Real Estate Company" ("RREC") under Belgian law (French: "société immobilière réglementée" or SIR, and Dutch: "gereglementeerde vastgoedvennootschap" or "GVV"). As a Public RREC, and in order to keep this status, the Company is subject (on a consolidated basis or not) to the requirements of the Act of 12 May 2014 and to the Royal Decree of 13 July 2014. These include restrictions on operations, debt-to-assets ratio, appropriation account, conflicts of interest, corporate governance, etc. (Continued) compliance with these specific requirements depends, among other things, of the Company's capacity to manage its assets and its indebtedness successfully, and of its compliance with strict internal control procedures. In event of significant changes in its financial or other situation, it is possible that the Company could become unable to comply with these requirements.

As a public RREC, the Company is exposed to the risk of future changes in legislation relating to Regulated Real Estate Companies. The company assures a strategic monitoring of local and European legislation's evolution (Belgium, Germany, The Netherlands), e.g. through the recently established non-profit organisation BE-REIT Association, of which it is a founding member.

Furthermore, there is also the risk that, in the event of violation of the applicable rules, the supervisory authority (the FSMA) imposes sanctions, including the loss of the Company's public RREC status. In this case, the Company would lose its specific tax regime for public RRECs (see also section 4.2. below). Furthermore, the loss of the public RREC status is, pursuant to the Company's credit facilities, generally considered an event of default or acceleration thus triggering the reimbursement of all credit facilities established by the Company. The loss of this status would also have a negative impact on the Company's operations, results, profitability, financial situation and forecast.

4.2 TAX REGIME

As a public RREC, the Company benefits from a specific tax regime under which its annual result (rental income and capital gains on disposals, after deduction of operating costs and financial expenses) is not subject to corporate tax at the level of the public RREC (while subsidiaries remain subject to corporate tax as is any other company).

The exit tax is calculated taking into account the provisions of the circular Ci. RH. 423/567.729 of 23 December 2004; the prescribed interpretation or practical application of this circular is subject to change at the Government's discretion at any time. The "real value" of a property as stated in the circular is calculated after deduction of the registration duties or of the VAT. This "real value" varies from (and can therefore be inferior to) the fair value of the property as listed in the financial statements under IFRS. The group considers itself compliant with the points of the administrative circular concerning the calculation of its exit taxes payable.

Moreover, regulatory risks also include the effects of enacted or foreseen provisions, namely in respect of changes in taxation. In this regard, the Belgian Minister of Finance announced, in a press release dated 10 June 2016, that he *"will propose to the government to adapt the Act of 26 December 2015. This adaptation will permit Belgian RRECs, with at least 60 % of their investments concentrated in properties primarily devoted to healthcare, to benefit once again from a reduced withholding tax rate on dividends"*. This reduced rate would amount to 15 % (vs. 27 % currently) and would come into effect as of 1 January 2017. Subject to analysis of the final legal texts (still to be approved), Aedifica's shareholders could benefit from this reduced rate as more than 60 % of the Company's portfolio is invested in senior housing; this segment comprises "real estate destined for care and housing units suited for healthcare", as described in the Minister's press release. Aedifica welcomes this announcement, which supports the role of professional investors specialising in healthcare real estate, such as Aedifica, and directly benefits its shareholders.

In the event that the Company's status as a RREC is lost (this would suppose major and re-iterated disregard for the provisions of the Belgian Act of 12 May 2014 and/or

THE BELGIAN MINISTER OF FINANCE ANNOUNCED THAT HE "WILL PROPOSE TO THE GOVERNMENT TO ADAPT THE ACT OF 26 DECEMBER 2015. THIS ADAPTATION WILL PERMIT BELGIAN RRECS, WITH AT LEAST 60% OF THEIR INVESTMENTS CONCENTRATED IN PROPERTIES PRIMARILY DEVOTED TO HEALTHCARE, TO BENEFIT ONCE AGAIN FROM A REDUCED WITHHOLDING TAX RATE ON DIVIDENDS". THIS REDUCED RATE WOULD AMOUNT TO 15% (VS. 27% CURRENTLY) AND WOULD COME INTO EFFECT AS OF 1 JANUARY 2017.

of the Royal Decree of 13 July 2014), the Company would also lose its specific tax status. This risk is considered to be very remote, since the Company undertakes all necessary steps to comply with the legal requirements. Furthermore, the loss of the RREC status is generally considered an event of default, thus triggering the reimbursement of all loans granted to the Company.

Even with RREC status, the Company acts within the broader framework established by the Belgian Companies Code. The reserves available for distribution, computed in accordance with Article 617 of the Belgian Companies Code and with the Royal Decree of 13 July 2014 (i.e. the reserves that the law or the articles of association do not prohibit from being paid-out), amount to €13 million as of 30 June 2016 (see Note 38 of the Consolidated Financial Statements included in this Annual Financial Report).

5. CORPORATE RISKS

5.1 GROWTH MANAGEMENT RISK

The Group has grown steadily since its creation in 2005. This growth rythm could cause a scarcity of available funding (either as equity or debt). To counter these risks, the Company develops an increasingly expanding network of actual and potential suppliers and financial partners. This rate of growth could also give rise to operational risks, such as costs increasing faster than revenues, execution errors or incidents, gaps in the monitoring activities of acquisitions ("post-closing") or even an inadequate management of the increasing information flow. To counter these risks, the Company upgrades its procedures and its information system on a regular basis; it addresses the challenges of its growth and internationalisation by further formalising its processes, without compromising its flexibility or its agility of execution. Additionally, the Company expands its team with the addition of individuals with specialised profiles.

HESTIA
BELGIUM –
SENIOR HOUSING

5.2 RISK OF NON-GROWTH

Lack of growth also constitutes a risk for a company like Aedifica; it could cause a downward review of the stock market's expectations, a loss of confidence of the company's partners, and more difficult access to capital. However, the Company shows a strong determination to preserve its dynamic and entrepreneurial spirit, and key members of the team are continuously developing their network in order to stay in touch with the market and to examine all opportunities worthy of consideration.

5.3 RISK RELATED TO THE GROUP'S INTERNATIONALISATION

Internationalisation of the Group's activities, which has started in 2013 (first investments in Germany) and which has accelerated in 2016 (first investments in The Netherlands), could bring up new risks, related to the increased complexity in the Group's daily operations' management (specific nature of each foreign market, physical barriers, cultural and linguistic barriers, etc.) and the combination of regulatory risks in the different countries. However, the Company makes sure to call upon local experts for assistance regarding its international development, and establishes the required structures and procedures to assure a harmonious international development (such as the establishment of a local management team).

5.4 REPUTATION RISK

Reputation is a key element for a fast-growing listed company. Any damage of the Group's reputation could cause a downward review of its growth prospects and make it harder to access capital. Thanks to its "track record" of more than 10 years, the Group enjoys an excellent reputation, and intends to maintain close contact with its various stakeholders in order to preserve its reputation.

5.5 RISK RELATED TO MANAGING THE MARKET EXPECTATIONS

A discrepancy between the stock market's expectations and the Group's performance could cause a downward review of the Group's prospects, and consequently a loss of confidence among financial analysts and investors. The board of Aedifica aims to avoid this type of situation.

Moreover, the distribution of privileged information before publication to all shareholders could have an effect in terms of the movements of the share price; the compliance officer establishes the necessary procedures in order to assure the confidentiality of privileged information up to publication.

6. RISKS RELATED TO SUPPORT PROCESSES

6.1 REPORTING RISK

Deficiencies with regard to reporting could compromise the adequacy of information available to the decision makers. The Group has developed an adequate internal and external reporting process, with rotating reviews performed at different levels, both internally (staff members, board of directors, audit committee and management committee) and by external parties (audit).

6.2 RISK RELATED TO DATA PROCESSING

Data processing is a key tool for a company of Aedifica's scale. A loss or unavailability of data could cause an interruption of the commercial activity (primarily in the apartment buildings segment, where cash inflows and outflows are the most significant), an interruption of the investment activities, and/or an interruption of the internal and external reporting process. The management of ICT infrastructure (hardware and software), access security and continuity of data management was entrusted to an external partner on the basis of a "service level agreement"; moreover, responsibility for each technological application is assigned to one of the Company's employees.

6.3 RISK RELATED TO TEAM MEMBERS

Given the limited number of people employed by Aedifica, the organisation could be affected by the departure of key personnel. The unexpected departure of some members of its team could also negatively impact the Company's ability to grow.

Consequently, the Company has developed a human resources policy which focuses on retaining key personnel to the greatest extent possible, and has provided for the duplication of certain ("back up") functions. The Company also carries out a proactive recruitment policy, which has led to the creation of several new positions in recent months (Asset Management Senior Housing, Valuation & Asset Management, Group Treasury).

SAKSEN WEIMAR
THE NETHERLANDS –
SENIOR HOUSING

KEY FIGURES 2015/2016

€1.2 billion

FAIR VALUE OF INVESTMENT PROPERTIES

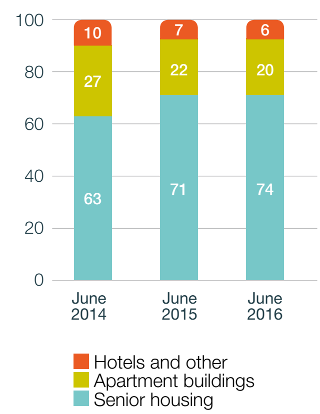
€2.10/ share

PROPOSED GROSS DIVIDEND FOR 2015/2016, REPRESENTING A STATUTORY PAY-OUT RATIO OF 92%

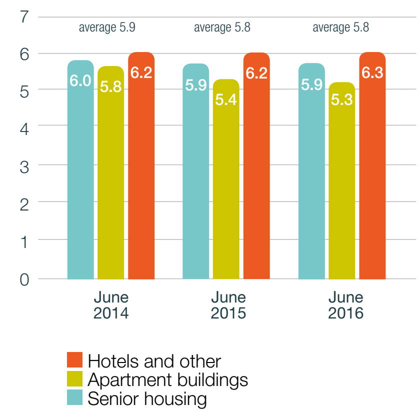
20 years

AVERAGE REMAINING LEASE MATURITY OF CURRENT CONTRACTS, PROVIDING AN EXCELLENT VIEW TOWARD FUTURE INCOME STREAMS

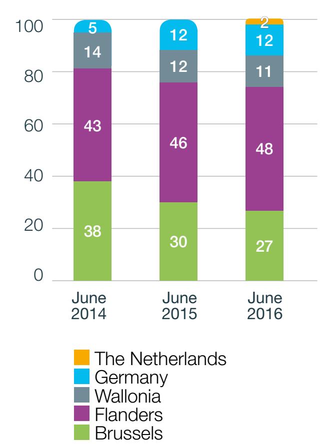
Breakdown by segment in fair value (%)



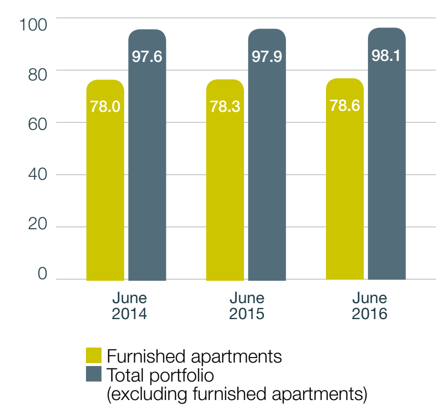
Gross yield by segment in fair value[1] (%)



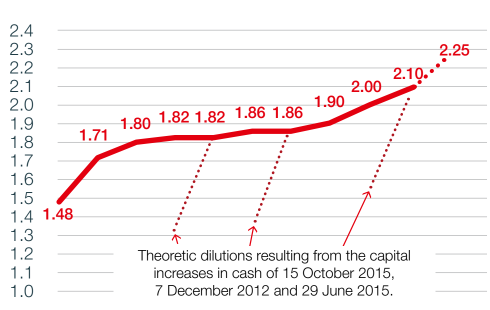
Geographic breakdown in fair value (%)



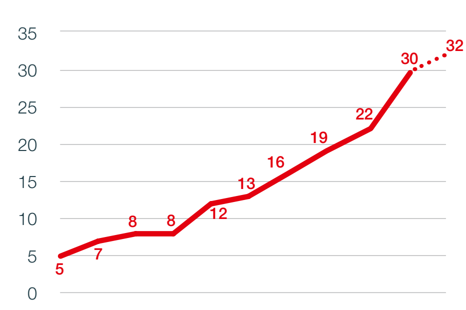
Occupancy rates (%)



Gross Dividend (€/share)



Dividends distributed (in € million)



1. Based on the fair value (re-assessed every 3 months, plus goodwill and the furniture for the furnished apartments). In the senior housing segment in Belgium and in The Netherlands, gross yield and net yields are normally equal ("triple net" contracts, under which operating charges, maintenance costs and rents on empty spaces are borne by the operator). The same applies for hotels. In Germany, the net yield is normally less than the gross yield, as the owner remains responsible for certain expenses ("double net" contracts, under which the repair and maintenance of the roof, structure and facades of the building remain the responsibility of the owner while other costs are borne by operator).
2. Forecast (see section 11 of the Consolidated Board of Directors' Report in this Annual Financial Report).

Investment properties (x1,000 €)	30 June 2016	30 June 2015
Marketable investment properties in fair value[1]	1,130,910	983,429
Development projects	25,924	21,734
Total of investment properties in fair value	**1,156,834**	**1,005,163**

1. Including assets classified as held for sale.

Net asset value per share (in €)	30 June 2016	30 June 2015
Based on fair value of investment properties		
Net asset value after deduction of dividend 2014/2015, excl. IAS 39	47.08	43.74
IAS 39 impact	-3.34	-2.70
Net asset value after deduction of dividend 2014/2015	43.74	41.04

Consolidated income statement - analytical format (x €1,000)	30 June 2016	30 June 2015
Rental income	59,822	49,903
Rental-related charges	-35	-50
Net rental income	59,787	49,853
Operating charges[1]	-12,173	-10,831
Operating result before result on portfolio	47,614	39,022
EBIT margin[2] (%)	80 %	78 %
Financial result excl. IAS 39	-12,707	-13,148
Corporate tax	-581	-376
Profit excl. changes in fair value	**34,326**	**25,498**
Denominator (IAS 33)	14,122,758	10,658,981
Earnings per share excl. changes in fair value (€/share)	**2.43**	**2.39**
Profit excl. changes in fair value	34,326	25,498
IAS 39 impact: changes in fair value of financial assets and liabilities	-5,685	374
IAS 40 impact: changes in fair value of investment properties	10,775	19,259
IAS 40 impact: gains and losses on disposals of investment properties	731	428
IAS 40 impact: deferred taxes	120	-395
Roundings	-1	1
Profit (owners of the parent)	**40,266**	**45,165**
Denominator (IAS 33)	14,122,758	10,658,981
Earnings per share (owners of the parent - IAS 33 - €/share)	**2.85**	**4.24**

1. Items IV to XV of the income statement. 2. Operating result before result on portfolio divided by the net rental income.

Consolidated balance sheet (x €1,000)	30 June 2016	30 June 2015
Investment properties (fair value)[2]	1,156,834	1,005,163
Other assets included in debt-to-assets ratio	15,832	14,073
Other assets	496	1,048
Total assets	**1,173,162**	**1,020,284**
Equity		
Excl, IAS 39 impact	668,155	636,193
IAS 39 impact[1]	-47,407	-37,923
Equity	620,749	598,270
Liabilities included in debt-to-assets ratio	498,796	377,216
Other liabilities	53,617	44,798
Total equity and liabilities	**1,173,162**	**1,020,284**
Debt-to-assets ratio (%)	42.5	37.0

1. Fair value of hedging instruments (see Note 33). 2. Including assets classified as held for sale.

Key performance indicators according to the EPRA principles	30 June 2016	30 June 2015
EPRA Earnings (in €/share)	2.43	2.39
EPRA NAV (in €/share)	47.24	43.90
EPRA NNNAV (in €/share)	43.55	40.88
EPRA Net Initial Yield (NIY) (in %)	5.2	5.1
EPRA Topped-up NIY (in %)	5.2	5.1
EPRA Vacancy Rate (in %)	2	2
EPRA Cost Ratio (including direct vacancy costs) (in %)	20	22
EPRA Cost Ratio (excluding direct vacancy costs) (in %)	20	22

LETTER TO THE SHAREHOLDERS

"The fair value of investment properties reached €1.157 million by 30 June 2016. This marks an increase of €152 million (or 15%) in one year."

OLIVIER LIPPENS,
CHAIRMAN OF THE
BOARD OF DIRECTORS

Dear shareholders,

Aedifica's investment strategy is mainly built on the strength of the demographic trend toward population ageing in Europe. This strategy has contributed to the market's confidence in Aedifica, as demonstrated by the increasing stock price, which rose from €50.30 (30 June 2015) to €69.68 (30 June 2016).

A year after the €153 million capital increase of June 2015, Aedifica has realised an impressive series of new investments (see table in section 1.1 of the consolidated Board of Directors' report on page 27), exclusively in the senior housing segment. No less than 12 buildings entered into Aedifica's portfolio during the 2015/2016 financial year (not to mention various extensions, redevelopments, etc.). With these acquisitions, the number of senior housing sites has grown to 80. The fair value of investment properties, which crossed the one billion euro mark during last financial year, reached €1,157 million by 30 June 2016. This marks an increase of €152 million (or 15 %) in one year.

Growth of the portfolio took place in both Belgium and Germany and, for the first time, in The Netherlands, where the Group now holds 4 marketable investment properties.

In addition to its investment activities, Aedifica strives for optimal management of its real estate portfolio. The Company's portfolio provides for excellent and increasing rental incomes (+20 %), an increasing EBIT margin (80%), and well controlled financing costs. Profit excluding non-cash elements arising from application of accounting standards on financial instruments and investment property has reached €34.3 million (30 June 2015: €25.5 million, an increase of 35%), i.e. €2.43 per share (30 June 2015: €2.39 per share). This result (absolute and per share) is ahead of budget (in terms of both rental income and profit excluding changes in fair value). It is interesting to note that dilution of the profit (excl. changes in fair value), caused mathematically as a result of the June 2015 capital increase, was more than compensated by the Company's performance in less than six months.

STEFAAN GIELENS, CEO

Aedifica's consolidated debt-to-assets ratio amounts to 42.5 % as of 30 June 2016 (37.0 % as of 30 June 2015).

Of the items that have had no effect on the level of the proposed dividend, the change in the fair value of investment properties (as valued by independent experts) gave rise to unrealised capital gains (non-cash) for which more than €10 million has been recognised in the income statement, whereas the continuing decline of interest rates on the financial markets resulted in €6 million in unrealised capital losses (non-cash) on hedging instruments.

Taking these items into account, Aedifica's total profit amounts to €40 million (30 June 2015: €45 million).

Aedifica owes its strong results for the 2015/2016 financial year to the enthusiasm, competence, and commitment of its staff who have yet again demonstrated their efforts to ensure the Company's continued growth in Belgium and abroad over the course of the year. Again this year, the Board of Directors expresses its sincere congratulations to the Aedifica team.

Given the performance and achievements described above, Aedifica's Board of Directors proposes to the Annual General Meeting to distribute a gross dividend of €2.10 per share (subject to a withholding tax rate of 27 %). This is an increase of 5 % compared to the prior year dividend distribution and above the budget.

After 10 years on Euronext and taking into account the abovementioned debt-to-assets ratio, the Company is set to continue on its path, pursuing continued growth at the pace shareholders have enjoyed since October 2006. New investment opportunities for 2016/2017 were already under negotiation in Belgium, Germany and The Netherlands at the end of the 2015/2016 financial year; the €60 million acquisition (subject to outstanding conditions) of a portfolio of 5 German rest homes announced on 6 July 2016 provides a good example. These potential investments are fully aligned with Aedifica's investment strategy, which is highly favoured by the market. Before even considering new opportunities in Belgium, Germany and The Netherlands, the Company's future growth is ensured given its existing commitments to acquire, renovate, extend, and/or redevelop multiple sites. These projects fit perfectly with Aedifica's strategy in the senior housing segment, which aims to improve existing sites and to develop new projects in partnership with tenants/operators. The pipeline for these types of projects represented a total committed budget of €252 million as of 30 June 2016, to be invested over a four-year period. This strategy allows Aedifica to maintain a portfolio of high-quality buildings that generate attractive net yields.

Despite the instable environment that continues to unfold around the world, the Board of Directors expects a higher dividend for 2016/2017, at €2.25 gross per share (which could be subject to a reduced withholding tax rate of 15 %, according to a press release issued by the Belgian Minister of Finance on 10 June 2016).

Stefaan Gielens,
Chief Executive Officer

Olivier Lippens,
Président du conseil d'administration

NEW INVESTMENT OPPORTUNITIES FOR 2016/2017 WERE ALREADY UNDER NEGOTIATION IN BELGIUM, GERMANY AND THE NETHERLANDS AT THE END OF THE 2015/2016 FINANCIAL YEAR. THESE POTENTIAL INVESTMENTS ARE FULLY ALIGNED WITH AEDIFICA'S INVESTMENT STRATEGY, WHICH IS HIGHLY FAVOURED BY THE MARKET.

TIMELINE

2005

- Formation of Aedifica
- Approval as a sicafi/vastgoedbevak by the FSMA
- First investments
- First logo and first corporate slogan

2006

- IPO
- First rest homes acquired
- Property portfolio of €190 M

2008

- First transactions with two major players in the senior care market (Armonea and Senior Living Group, which later became part of the Korian-group)
- Senior housing becomes the most significant segment, representing 45 % of the portfolio's fair value

2010

- 1st SPO[1] (€67 M)
- Aedifica was the most active Belgian REIT (sicafi/vastgoedbevak) of the year in terms of investments in Belgium
- More than 100 buildings in the portfolio

2011

- Property portfolio > €500 M
- More than 3,000 beds in the senior housing segment
- Senior housing accounts for the majority of the portfolio (> 50 % in fair value)

2016

- First acquisitions in The Netherlands
- Establishment of Aedifica Nederland BV, a 100 % Dutch subsidiary
- 80 senior housing sites
- Market capitalisation > €1 billion
- 165 buildings in the portfolio
- "EPRA Gold Award" for the 2014/2015 Annual Financial Report

2014

- Approval as a RREC (SIR/GVV)
- Portfolio > €750 M
- More than 60 senior housing sites, representing 70 % of the portfolio as of 31 December
- "EPRA Silver Award" and "EPRA Most Improved Award" for the 2012/2013 Annual Financial Report

2012

- 2nd SPO[1] (€100 M), the biggest public capital increase in Belgium that year
- EBIT margin > 75 %
- New website
- Financial communication published in English

1. Secondary Public Offering.

2015

- Investment properties portfolio > €1 billion
- Formation of Aedifica Asset Management GmbH, a German property management subsidiary
- 3rd SPO[1] (€153 M)
- Establishment of a Management Committee consisting of 4 members (CEO, CFO, COO, CLO)
- "EPRA Gold Award" for the 2013/2014 Annual Financial Report
- New logo and new corporate slogan
- Price for the best financial communication among "Mid & Small Cap" companies, awarded by the ABAF/BVFA

2013

- 1st acquisitions in Germany (5 rest homes)
- Market capitalisation > €500 M
- Inclusion in the EPRA indices

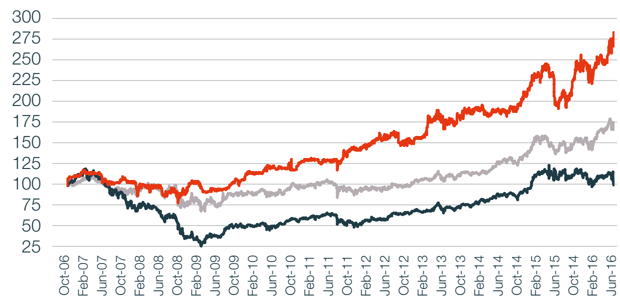
10 YEARS ON THE STOCK MARKET

STOCK MARKET

As of 30 June 2016, Aedifica is registered in the European EPRA Index with a weighting of approx. 0.4 % and in the Belgian EPRA Index with a weighting of approx. 14.4 %.

Aedifica total return —
EPRA Belgium total return —
EPRA Europe total return —

Comparison – indices in total return from 23 October 2006 (IPO) to 30 June 2016

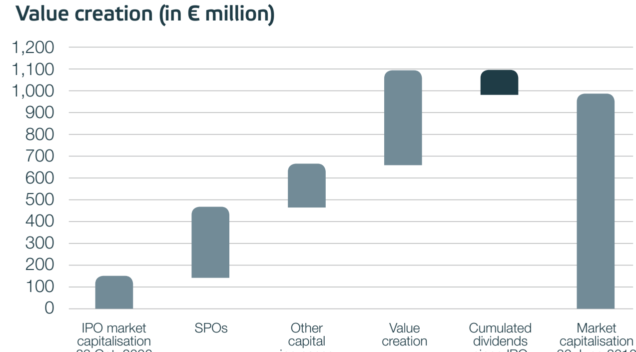


By the end of July 2016, Aedifica's market capitalisation surpassed the one billion €.

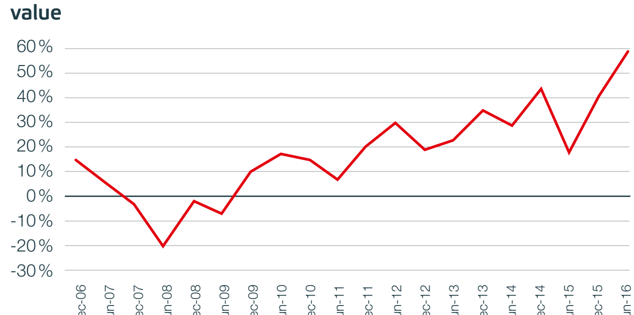
Market capitalisation from 23 October 2006 (IPO) to 30 June 2016 (in € million)

Since Aedifica's IPO on 23 October 2016, the Company's market capitalisation has grown significantly, not only as a result of subsequent capital increases, but also due to value creation, notwithstanding of annual dividend payouts.

Value creation (in € million)

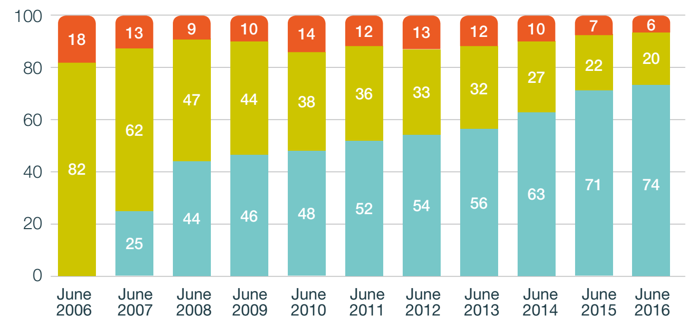


Premium and discount of share price in relation to net asset value



PORTFOLIO

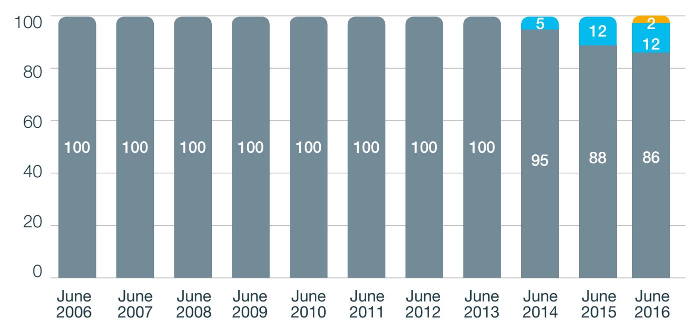
Breakdown by segment in fair value (%)



Aedifica's portfolio primarily comprises senior housing buildings. This segment represents 74 % of the marketable investment properties' portfolio, as of 30 June 2016, whereas it represented only 25 % in 2007.

Hotels and other
Apartment buildings
Senior housing

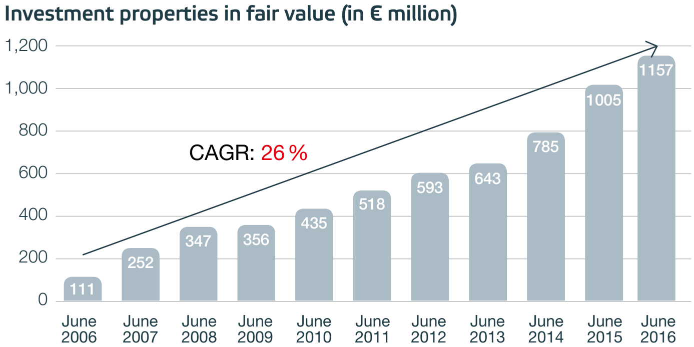
Geographical breakdown in fair value (%)



As of 30 June 2016, 14 % of Aedifica's portfolio is located abroad. These buildings are situated in Germany and The Netherlands and consist of senior housing exclusively.

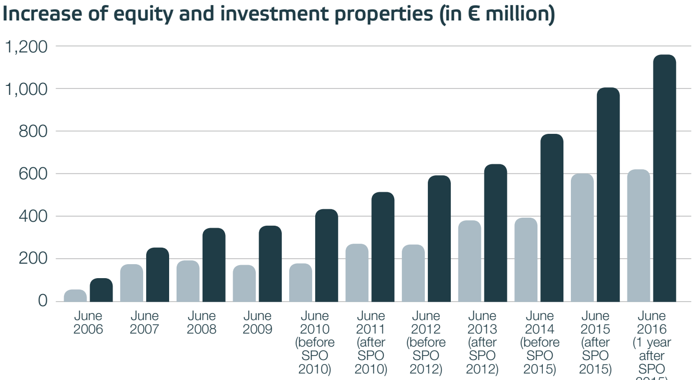
The Netherlands
Germany
Belgium

Investment properties in fair value (in € million)



The fair value of the investment properties (including assets classified as held for sale) averaged a compounded annual growth rate of 26 % and reached €1.2 billion as of 30 June 2016.

Increase of equity and investment properties (in € million)



Thanks to the funds raised through the capital increases of 2010 (€67 million), 2012 (€100 million) and 2015 (€153 million), investment properties were able to grow by more than €720 million between 2010 and 2016.

Equity
Investment properties

SENIOR HOUSING

The ageing of the baby-boom generation is progressing at a rapid pace in Belgium as in Europe, and will reach its peak by 2060. Professionalisation and consolidation in the senior housing market is evident at a European level. Aedifica participates actively as a real estate investor in Belgium as well as in Germany and The Netherlands. Aedifica puts its buildings at the disposal of professional and specialised operators under long-term contracts that generate high net rental yields.

80
SITES

5.9%
GROSS RENTAL YIELD

74%
OF THE PORTFOLIO

BELGIUM
Portfolio of 61 buildings:
- Capacity of 5,968 residents
- Fair value of €685 M
- Initial gross rental yield of 5.7 %
- Triple net long leases
- Initial lease maturity: normally 27 years

LEOPOLDSPARK
BELGIUM

BENVENUTA
THE NETHERLANDS

THE NETHERLANDS

Portfolio of 4 buildings:

- Capacity of 99 residents
- Fair value of €24 M
- Initial gross rental yield of 7.0 %
- Triple net long leases
- Initial lease maturity: normally 20 years

"THE NUMEROUS ACQUISITIONS CARRIED OUT DURING THE 2015/2016 FINANCIAL YEAR DEMONSTRATE AEDIFICA'S DYNAMISM. THE COMPANY'S GROWTH RATE HAS YET AGAIN INCREASED WITHIN ITS MAIN STRATEGIC SEGMENT, SENIOR HOUSING, WHICH COMPRISES 80 SITES ON 30 JUNE 2016. IN ADDITION, AEDIFICA FURTHER DIVERSIFIED THANKS TO ITS PRESENCE ON THE DUTCH MARKET SINCE 1 MARCH 2016."
STEFAAN GIELENS, CEO

KÄTHE-BERNHARDT-HAUS
GERMANY

GERMANY

Portfolio of 15 buildings:

- Capacity of 1,330 residents
- Fair value of €131 M
- Initial gross rental yield of 6.7 %
- Double net long leases
- Initial lease maturity: generally 25 years

APARTMENT BUILDINGS

Aedifica possesses apartment buildings situated in lively districts that are centrally located and easily accessible within Belgian major cities, mainly in Brussels. The buildings are primarily residential but may also include office or retail space, given their urban locations which commonly feature mixed-use buildings. The apartment buildings in Aedifica's portfolio offer good returns given their potential for capital gains, which is further strengthened by the possibility to sell individual units within buildings initially acquired in full.

865
APARTMENTS

5.3%
GROSS RENTAL YIELD

20%
OF THE PORTFOLIO

BATAVES 71
BELGIUM

SABLON
BELGIUM

"AEDIFICA CONSTANTLY IMPROVES THE QUALITY OF ITS APARTMENT PORTFOLIO, WHICH COMPRISES 865 UNITS. THE THOROUGH RENOVATION OF THE BUILDING LOCATED AT RUE HAUTE IN BRUSSELS, WHICH HAS BEEN COMPLETED IN 2015, IS A GOOD EXAMPLE OF THIS. OTHER LARGE-SCALE RENOVATIONS ARE ONGOING, NOTABLY IN THE FLOWERS DISTRICT IN BRUSSELS."

STEFAAN GIELENS, CEO

**MARTIN'S KLOOSTER
LEUVEN (BELGIUM)**
Located in Leuven's historical centre, the Martin's Klooster contains 103 rooms and, following a complete renovation, now constitutes a unique 4-star hotel.

6
HOTELS

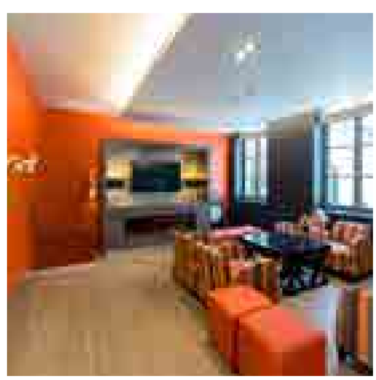
6.3%
GROSS RENTAL YIELD

6%
OF THE PORTFOLIO

MARTIN'S KLOOSTER
BELGIUM

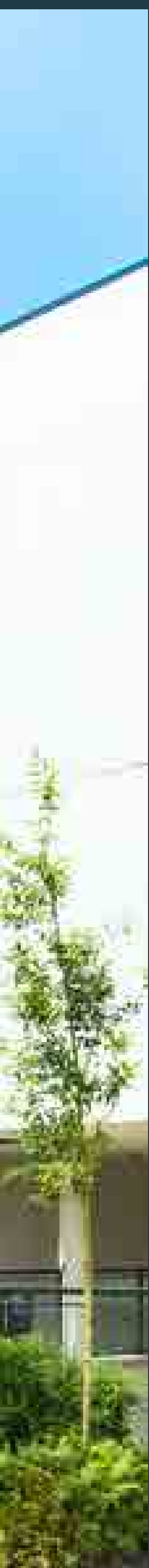
HOTELS & OTHER

Aedifica acquired 6 hotels in prior years, all located in Belgium, which are operated by two professional and specialised operators under long-term contracts. This segment also includes a number of small properties (office buildings and land reserves).



**CARBON
GENK (BELGIUM)**
The Carbon hotel is a 4-star design hotel located in the centre of Genk, which won the European prize for best interior restaurant design in 2008. It was nominated as one of the 50 best new hotels in the world by the magazine Forbes Traveler.

CONSOLIDATED BOARD OF DIRECTORS' REPORT



€1.2 billion

FAIR VALUE OF INVESTMENT PROPERTIES AS OF 30 JUNE 2016

€1 billion

MARKET CAPITALISATION

42.5%

DEBT-TO-ASSETS RATIO AS OF 30 JUNE 2016

+20%

INCREASE IN CONSOLIDATED RENTAL INCOME AS COMPARED TO 30 JUNE 2015

+35%

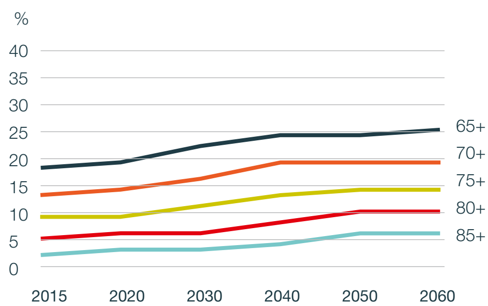
RESULT EXCL. CHANGES IN FAIR VALUE AS COMPARED TO 30 JUNE 2015

98.1%

HIGH OCCUPANCY RATE FOR THE UNFURNISHED PORTION OF THE PORTFOLIO

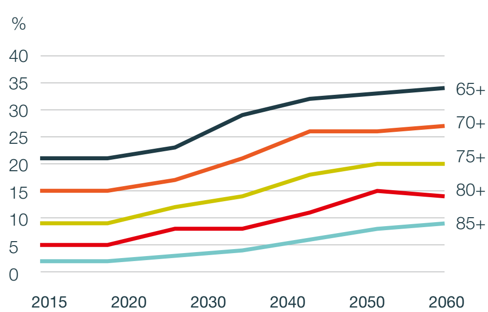
CONSOLIDATED BOARD OF DIRECTORS' REPORT[1]

Change in Belgian population by age group



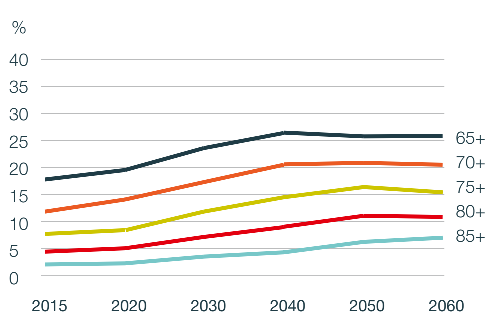
Source: "Perspectives de Population 2015-2060", Belgian Federal Planning Bureau, 2015.

Change in German population by age group



Source: "Bevölkerung Deutschlands bis 2060", Statistisches Bundesamt (Deutschland), 2015.

Change in Dutch population by age group



Source: "Prognose bevolking kerncijfers 2015-2060", Centrale Bureau voor de Statistiek (CBS), 26 January 2016.

- Real estate portfolio of €1.2 billion as of 30 June 2016
- Investments totalling €342 million realised or announced since the €153 million capital increase of June 2015
- Senior housing now represents almost 75 % of the portfolio, or €840 million spread across 3 countries:
  - €685 million in Belgium (61 sites)
  - €130 million in Germany (15 sites)
  - €24 million in The Netherlands (4 sites)
- Occupancy rate for the year ended 30 June 2016: 98.1 % for the unfurnished portion of the portfolio and 78.6 % for the furnished portion
- 42.5 % debt-to-assets ratio as of 30 June 2016
- 20 % increase in rental income as compared to 30 June 2015, EBIT margin of 80%
- 35 % increase in profit excluding changes in fair value as compared to 30 June 2015
- €11 million increase in the fair value of investment properties recognised in the income statement for the 2015/2016 financial year
- Proposed gross dividend distribution of €2.10 per share, representing a statutory pay-out ratio of 92 %
- Aedifica received the "EPRA Gold Award" in September 2015 for its 2013/2014 Annual Financial Report, and in October 2015, was awarded the prize for the best financial communication among "Mid & Small Cap" from the Belgian Association of Financial Analysts.
- Market Capitalisation surpassed the €1 billion mark as of July 2016

1. This Board of Directors' report is based on the Consolidated Financial Statements. It includes, however, some data on the statutory accounts and is mentioned when the case. Full statutory financial statements and the statutory Board of Directors' report will be registered at the National Bank of Belgium within the legal deadlines and may be obtained free of charge via the Internet (www.aedifica.be) or upon request at the Company's headquarters.

1. STRATEGY

1.1. DIVERSIFICATION

Aedifica is positioned as a leading Belgian listed company investing in healthcare real estate in Europe, in particular in senior housing.

Its strategy is focused on the underlying demographic trend toward population ageing in Europe and the specific needs this trend implies in terms of care and housing. Aedifica aims to create a balanced portfolio that generates recurring revenues and offers potential for capital gains. As evidence to support these trends, Belgium's Federal Planning Bureau anticipates that population ageing for the baby-boom generation will continue until it reaches its peak, in Belgium, by 2060. A similar trend is observed in Germany and The Netherlands.

These trends underlie long-term needs in terms of specialised real estate infrastructure. With regard to senior housing in particular, two additional factors should be taken into consideration: (i) consolidation of care operators on a European level and (ii) scarcity of public funding to finance such specialised real estate infrastructure.

The combined long-term effects of population aging, the consolidation of operators and a lack of public funds, shape Aedifica's strategy.

The Group mainly concentrates its activity in the senior housing segment, but is also active in apartment buildings and hotels and other building types. The Company's current stated policy is to continue to grow in the senior housing segment, while analysing other segments of healthcare real estate in Europe.

Aedifica's strategy – to specialise in healthcare real estate – constitutes its most unique feature and greatest strength. The Company strives to be innovative and constructive in order to provide its shareholders with a safe real estate investment over the long run, one that generates recurring revenues for them.

Aedifica's strategy is mainly a buy and hold type, which is by definition oriented over the long-term. Of course, this does not exclude disposals in accordance with an asset rotation policy, which aims to maintain the quality level of the Company's property portfolio and is standard practice for real estate companies. Disinvestments are also realised within the acquisition policy, when an acquired portfolio contains properties that are considered non-strategic.

THE AGEING OF THE BABY-BOOM GENERATION IS PROGRESSING RAPIDLY IN BELGIUM AS WELL AS IN EUROPE, AND WILL REACH A PEAK BY 2060.

Investments realised since the June 2015 capital increase

in € million		**Marketable investment properties**		**Development projects**	**Total**
		carried out	**subject to outstanding conditions**		
Résidence de la Houssière	Belgium	10	-	-	10
Senior Flandria	Belgium	10	-	-	10
Mechelen	Belgium	-	-	17	17
Vinkenbosch	Belgium	4	-	12	16
Kalletal (extension)	Germany	3	-	-	3
Heydeveld	Belgium	9	-	-	9
Oostende	Belgium	-	11	-	11
Prinsenhof	Belgium	6	-	4	10
Husum	Germany	7	-	-	7
Holland	The Netherlands	12	-	-	12
Benvenuta	The Netherlands	3	-	-	3
Molenenk	The Netherlands	-	-	10	10
Walgaerde	The Netherlands	-	4	-	4
Residentie Poortvelden[1]	Belgium	12	-	-	12
Leopoldspark[1]	Belgium	21	-	-	21
Saksen Weimar	The Netherlands	8	-	-	8
Foyer de Lork (portfolio)	Belgium	97	-	-	97
Martha Flora Lochem	The Netherlands	2	-	-	2
Martha Flora Rotterdam	The Netherlands	-	8	-	8
Jardins de la Mémoire	Belgium	-	11	-	11
Vitanas (portfolio)	Germany	59	-	1	60
Total as of 31 August 2016		**263**	**35**	**44**	**342**

1. Realisations of agreements concluded in 2014.

8th

POSITION AMONG THE 100 LARGEST REAL ESTATE PORTFOLIOS IN BELGIUM (36TH IN 2006)

A. SENIOR HOUSING

Professionalisation and consolidation in the senior housing market is evident at a European level. Aedifica participates actively in Belgium as well as in Germany and The Netherlands by acquiring buildings, engaging in sale and rent back arrangements for existing buildings, by intervening in upstream construction of new buildings, or by undertaking upgrades, renovations and/or extensions of existing sites.

The Company puts its buildings at the disposal of professional and specialised operators under long-term contracts that generate high net rental yields.

Considerable growth potential remains in this sector. As a portion of the number of beds approved by social security (INAMI/RIZIV) in Belgium, Aedifica holds approximately 4 % of the market as of 30 June 2016.

Aedifica responds to the needs of its operators, and to the growing demand arising due to shifting demographics, by holding both rest homes and assisted-living buildings:

- A rest home is a specialised building in which the elderly reside and benefit from continuous assistance in daily-life (catering, cleaning, and nursing or other care). These facilities are called “maison de repos” or “woonzorgcentrum” in Belgium, “Pflegeheim” in Germany or “zorgresidentie” / “verpleeghuis” in The Netherlands.
- An assisted-living complex consists of one or several buildings that contain living spaces designed for the needs of the elderly and which allow residents to maintain autonomous living while benefiting from access to additional services on demand. These buildings are called “residence-services” or “assistentiewoningen” in Belgium or “betreutes Wohnen” in Germany.

The senior housing market generates stable and recurring revenues, which provide for the distribution of dividends to Aedifica shareholders. According to a study published by Cushman & Wakefield in January 2016, Aedifica held the 1st position in terms of private real estate investors in rest homes in Belgium for the period 2005-2015, representing 36 % of the total amount invested by RRECs, insurers, banks and other types of investors.

Since 2013, the Company has also been active in Germany, and since early 2016 in The Netherlands. This expansion into the German and Dutch market is consistent with the Company’s strategy in the senior housing segment. It allows for better diversification of tenants and extends the Company’s operations in a market which tends to structure itself at a European level. The Company positions its ambitions with respect to senior housing in a European context (see chapter on “Risk Factors” of this Annual Financial Report). Information on the German and Dutch senior housing markets is given in the “Property Report” chapter of this Annual Financial Report.

On 30 June 2016, senior housing represents 74 % of the group’s portfolio.

B. APARTMENT BUILDINGS

Aedifica holds apartment buildings (preferably without co-owners) situated in lively districts that are centrally located and easily accessible within Belgium’s major cities, mainly Brussels. The buildings are primarily residential but may also include office or retail space, given their urban locations which commonly feature mixed-use buildings.

The apartment buildings in Aedifica’s portfolio offer good yield prospects given their potential for capital gains, which is further strengthened by the possibility to sell individual units within buildings initially acquired in full.

Most apartments are furnished by the occupants under traditional rental contracts. Others are furnished by Aedifica and tend to be let under short-term rental contracts.

On 30 June 2016, apartment buildings represent 20 % of the group’s portfolio.

C. HOTELS AND OTHER

In prior years, Aedifica acquired six hotels that are operated by two professional and specialised operators under long-term contracts.

The portfolio contains two large hotels situated in two of the most touristic cities in Flanders (Bruges and Leuven), and four hotels in Limburg (Genk, Tongeren, and in close proximity to Maastricht).

This segment also comprises a number of small properties including office buildings and land reserves.

On 30 June 2016, hotels and other represent 6 % of the group’s portfolio.

1.2. GROWTH STRATEGY

Aedifica follows a growth strategy which, between 31 December 2006 and 31 December 2015, has seen the Company rise successfully from 36th to 8th place in the ranking of Belgium’s 100 largest real estate portfolios (according to the “Investors Directory 2016”, published by Expertise BVBA in January 2016). The Company intends to continue on this growth trajectory in order to derive benefits linked to its scale, including:

- strong liquidity, which is an important criterion for investors;
- strong diversification of risks;
- capacity to effectively respond to market opportunities;
- strong portfolio management, which features collaboration with high-level partners;
- predictable revenues;
- good coverage of fixed costs; and
- increasing earnings (excluding changes in fair value) per share, and, subsequently, optimal returns for shareholders.

1.3. POSSIBLE STRATEGIC DEVELOPMENTS

Within the world of European healthcare real estate, senior housing is currently the most developed and therefore most relevant segment for Aedifica. Population ageing will probably have a very significant impact on care "consumption" and this trend could encourage the development of new segments, which are more oriented towards "cure" (care hotels, rehabilitation centres, hospitals, medical facilities,...) than "care". Aedifica is therefore studying the possibility of investing in new sectors of the healthcare real estate market and is continually evaluating the needs and opportunities generated by shifting demographics.

Aedifica is also studying the possibility of investing in geographic markets within Europe outside of Belgium, Germany and The Netherlands, with a focus healthcare real estate.

2. OPERATIONS CARRIED OUT BEFORE AND AFTER THE 30 JUNE 2016 CLOSURE

2.1. OPERATIONS CARRIED OUT BEFORE THE 30 JUNE 2016 CLOSURE

Investments carried out during the financial year are detailed in sections 2.1.1., 2.1.2., 2.1.3. and 2.1.4. The different operations are also described in the Company's press releases, which are available online at www.aedifica.be. The contractual value of acquisitions disclosed in this section complies with the provisions of article 49 §1 of the Act of 12 May 2014 on Regulated Real Estate Companies.

2.1.1. INVESTMENTS IN BELGIUM

Acquisition of the Résidence de la Houssière rest home in Braine-le-Comte (Province of Hainaut)

On 2 July 2015, Aedifica acquired (together with its subsidiary Aedifica Invest SA) 100 % of the shares of the limited liability company La Croix Huart SA. La Croix Huart is the owner of the plot of land on which the Résidence de la Houssière rest home is located in Braine-le-Comte. The Résidence de la Houssière rest home is well located in a green area, near the centre of Braine-le-Comte, a municipality of approx. 20,000 inhabitants, situated approx. 20 kilometres from Mons. The rest home currently comprises 94 beds. The initial building, which dates from the late 1990s, was completed in 2006 with the construction of a new wing. The site also includes a land reserve of approx. 1.5 ha, which presents potential for an extension project. The site is operated by Résidence de la Houssière SA, a local player that has been present on the senior care market for more than 20 years. The contractual value of the site (including plot of land) amounts to approx. €10 million. The initial triple net yield amounts to approx. 6 %, on the basis of a 27-year triple net long lease. This transaction was structured for execution in two phases:

- Acquisition of 100 % of the shares of SA La Croix Huart (2 July 2015), bare owner of the plot of land to which the surface rights are attached;
- Transfer of the ownership of the building to SA La Croix Huart upon expiration of the surface rights (31 December 2015).

Acquisition of the Senior Flandria assisted-living apartment building in Bruges (Province of West-Flanders)

On 9 July 2015, Aedifica acquired (together with its subsidiary Aedifica Invest SA) 100 % of the shares of the limited liability companies Senior Hotel Flandria NV and Patrimoniale Flandria NV. Senior Hotel Flandria NV is the owner of the Senior Flandria assisted-living apartment building located in Brugge. Patrimoniale Flandria NV is the owner of the plot of land on which the assisted-living apartment building is located. The Senior Flandria assisted-living apartment building is well located in a residential area, close to the centre of Brugge. This city of 117,000 inhabitants is the capital city of the province of West Flanders. The building, which dates from 1991,

HOLLAND
THE NETHERLANDS – SENIOR HOUSING

currently comprises 108 one-bedroom apartments and common areas (total surface of approx. 6,500 m²). The building is very well maintained and has undergone some renovation works (such as the bathrooms). The building is a recognised assisted-living apartment building intended for senior housing, and offers various facilities (concierge, anti-intruder system, call system, restaurant, fitness, bar, etc.), services (animation, hairdresser, handyman services, cleaning services) and health-care services (physiotherapy, on-call nursing care, etc.). The contractual value of the site (including plot of land) amounts to approx. €10 million. The site is operated by Happy Old People BVBA (controlled by the Armonea group) on the basis of a triple net long lease for which the remaining maturity is approx. 20 years. The initial triple net yield amounts to approx. 6 %.

Framework agreement for the construction of a rest home in Mechelen (Province of Antwerp)

On 29 September 2015, Aedifica announced the signing of a framework agreement for the construction of a new rest home. The project site is well located, close to the centre of Mechelen, a city of approx. 84,000 inhabitants. The neighbourhood in which the project is located will be the subject of a redevelopment that is expected to reach completion by 2025. The project, for which a development permit application has been submitted, consists of the construction of a new rest home which will comprise a combined total of 128 units (100 beds and 28 assisted-living apartments). Works are expected to begin in 2017 and to reach completion during the third quarter of 2018. Following completion of the works, Aedifica (together with its subsidiary Aedifica Invest SA) will acquire 100 % of the shares of the limited liability company that owns the site. The contractual value of the entire site amounts to approx. €17 million. The site will be operated by Het Spreeuwenhof VZW (an entity of the Armonea group) on the basis of a triple net long lease. The initial triple net yield will amount to approx. 6 %. The framework agreement is subject to outstanding conditions, such as the receipt of the development permit.

Acquisition of the Vinkenbosch rest home in Hasselt (Province of Limburg)

On 1 October 2015, Aedifica acquired (together with its subsidiary Aedifica Invest SA) 100 % of the shares of the company Vinkenbosch SA. Vinkenbosch SA is the owner of the Vinkenbosch rest home, which is well located in a residential and green area, close to the centre of Kermt, part of Hasselt. This town of 75,000 inhabitants is the capital city of the province of Limburg. The site comprises an existing building and a parcel of bare land. The existing building, which dates partially from the 1990s, currently comprises 59 beds. A development project is planned for (i) the construction of a new rest home on the bare land and (ii) the renovation of the existing building. Upon completion of this project, the total capacity of the site will amount to 100 units (80 units in the rest home and 20 assisted-living apartments in the existing building). The investment budget for the project amounts to approx. €12 million. Completion of the new building is expected by the end of 2016. The contractual value of the existing site (including plot of land) amounts to approx. €4 million. The site is operated by Vinkenbosch VZW (an entity of the Group Senior Living Group) on the basis of a triple net long lease. The initial triple net yield amounts to approx. 6 %. Taking into account the development project, the total investment for the site will amount to approx. €16 million.

Acquisition of the Heydeveld rest home in Opwijk (Province of Flemish Brabant)

On 2 October 2015, Aedifica acquired the Heydeveld rest home, which is well located in a residential area, close to the centre of Opwijk. The building, which dates from 2005, currently comprises 75 beds. In addition, the site offers significant potential for future expansion. The transaction was realised through:

- the contribution-in-kind of the plot of land on which the building is situated and of the bare ownership of the building; and
- the acquisition (by Aedifica and its subsidiary Aedifica Invest SA) of 100 % of the shares of the company Heydeveld BVBA, the usufructuary of the building.

The transaction was partially financed by the issue of 19,856 new Aedifica shares in the amount of €1 million. The new shares are fully paid-up, with no par value. These shares are granted dividend rights as from 2 October 2015 and will be listed following the detachment of the coupon related to the dividend for the 2015/2016 financial year, which is expected to take place in principle on 2 November 2016. The contractual value of the entire site amounts to approx. €9 million. The site is operated by Heydeveld ASBL on the basis of a triple net long lease. The initial triple net yield amounts to approx. 6 %. Heydeveld ASBL is a local player that has been present on the senior care market for more than 10 years.

Framework agreement for the acquisition of a rest home in Oostende (Province of West-Flanders)

In October 2015, Aedifica established a framework agreement (subject to outstanding conditions) with Zorgvastgoed SPRL and Yoka SA to acquire the shares of a company that owns a senior housing site in Oostende. The contractual value of the property will amount to approx. €11 million upon completion.

Acquisition of the Prinsenhof rest home in Koersel (Province of Limburg)

On 17 December 2015, Aedifica acquired the Prinsenhof rest home, which is well located in a green area next to a

7 sites

ACQUIRED IN BELGIUM IN 2015/2016

park and close to the centre of Koersel, part of Beringen, a town of approx. 45,000 inhabitants. The building, which dates from the 1980s, comprises 41 beds. An extension project is currently in progress. This project includes the construction of a new wing to bring the capacity of the site to approx. 90 units. Completion of the extension works is scheduled for the second half of 2016. WZC Prinsenhof NV contributed the existing building and the plot of land to Aedifica SA through a contribution in kind, in exchange for newly issued Aedifica shares. The contractual value of the rest home amounts to approx. €6 million. The transaction was entirely financed by the issue of 104,152 new Aedifica shares. The new shares are fully paid-up, with no par value. These shares were quoted on the stock market on 21 December 2015 and give dividend rights for the 2015/2016 financial year, provided that the contributor has assumed the expected dividend for the period from 1 July 2015 to 17 December 2015. Upon completion of the extension works, the contractual value will amount to approx. €10 million (i.e. an extension budget of approx. €4 million). The rest home is operated by WZC Prinsenhof ASBL on the basis of a triple net long lease, which generates an initial triple net yield of approx. 6 %. WZC Prinsenhof ASBL is a local player on the senior care market.

Acquisition of Residentie Poortvelden rest home in Aarschot (Province of Flemish Brabant)

Aedifica acquired (together with its subsidiary Aedifica Invest SA) Residentie Poortvelden rest home. The rest home is located in Aarschot (29,000 inhabitants, Province of Flemish Brabant), at approx. 20 km from Leuven and benefits from an excellent location in a residential area. Construction of the building was completed on 3 March 2016. The site comprises a rest home (60 residents) and an assisted-living apartment complex (24 apartments). The Aedifica group acquired the properties at this site on 24 March 2016. The transaction was carried out in two phases, in accordance with the agreement in principle announced on 12 June 2014:

- the contribution in kind of the bare ownership of the plot of land (by Serviceresidentie De Vrucht ASBL, the previous owner). The contractual value of the plot of land amounts to approx. €1 million. The transaction was entirely financed by the issue of 22,093 new Aedifica shares. The new shares are fully paid-up, with no par value. These shares were quoted on the stock market on 30 March 2016 and give dividend rights for the 2015/2016 financial year, provided that the contributor has assumed the expected dividend for the period from 1 July 2015 to 23 March 2016.
- the acquisition (by Aedifica and its subsidiary Aedifica Invest SA) of 100 % of the shares of Woon & Zorg Vg Poortvelde BVBA, the superficiary owner of the plot of land and owner of the new construction (subsidiary of the B&R group). The contractual value of the building amounts to approx. €11 million. The transaction was financed using Aedifica's credit facilities.

The contract established for the rest home is an irrevocable 27-year triple net long lease. The Vulpia group operates the assisted-living apartments under an agreement for the right of use. Aedifica will sell these assisted-living apartments to third parties, since they are considered nonstrategic assets in this transaction. The initial gross (triple net) yield amounts to approx. 6 % for a contractual value of the entire site (including the plot of land) of approx. €12 million. The site operator is an entity of the Vulpia Group. Vulpia is a Belgian operator that has been active in the private senior care market since 2002. The group already operates several of Aedifica's sites.

Acquisition of Leopoldspark rest home in Leopoldsburg (Province of Limburg)

Aedifica acquired (together with its subsidiary Aedifica Invest SA) Leopoldspark rest home. The Leopoldspark site is part of a residential and retail development project in Leopoldsburg, a commune of approx. 15,000 inhabitants. The site is well located in the centre of the commune, next to the train station, and includes 128 units in the rest home and 22 assisted-living apartments. Aedifica announced the signing of an agreement on 18 December 2014, subject to outstanding conditions for the future acquisition of 100 % of the shares of the company RL Invest SA. This company is the owner of Leopoldspark rest home and assisted-living building, both of which were completed on 10 March 2016. Aedifica and its subsidiary Aedifica Invest SA acquired 100 % of the shares of the company RL Invest SA on 29 March 2016. The site is operated by an entity of the Vulpia Group on the basis of a 27-year triple net long lease. The contractual value of the site amounts to approx. €21 million, which provides for an initial triple net rental yield of approx. 5.5 %.

Agreement for the acquisition of a portfolio of 8 senior housing sites in Flanders

On 24 May 2016, Aedifica announced an agreement for the acquisition of eight senior housing sites in Belgium. This agreement was subject to outstanding conditions, which have been fulfilled on 19 August 2016. The portfolio comprises eight rest homes in the Belgian provinces of Antwerp, Limburg and Flemish Brabant, oriented toward seniors requiring permanent care. All sites were built or redeveloped between 1996 and 2015. The Oosterzonne rest home is located in the centre of Zutendaal (8,000 inhabitants, Province of Limburg). The building is being redeveloped since 2015 to welcome 82 residents. The last phase of this redevelopment was completed during the summer of 2016. The De Witte Bergen rest home is located in Lichtaart, a part of Kasterlee (18,000 inhabitants, 1 site

ACQUIRED IN GERMANY IN 2015/2016

4 sites

ACQUIRED IN THE NETHERLANDS IN 2015/2016

Province of Antwerp). The site benefits from a location in a wooded area and houses 119 residents. The Seniorenhof rest home is located in Tongeren (31,000 inhabitants, Province of Limburg). Seniorenhof is situated in a rural area and houses 52 residents. The site also offers extension potential. The Beerzelhof rest home is located in Beerzel, a part of Putte (17,000 inhabitants, Province of Antwerp). The site is situated in a green area and houses 61 residents. The Uilenspiegel rest home is located in Genk (65,000 inhabitants, Province of Limburg). Uilenspiegel is situated in a residential area featuring a green environment and houses 97 residents. The site also offers extension potential. The Coham rest home is located in Ham (11,000 inhabitants, Province of Limburg). The site benefits from a location near a wooded area and houses 120 residents. The site also offers extension potential. The Sorgvliet rest home is located in Linter (7,000 inhabitants, Province of Flemish Brabant). The site is situated in a residential and rural area and houses 83 residents. The Ezeldijk rest home is located in Diest (23,000 inhabitants, Province of Flemish Brabant). The site benefits from a green environment at the outskirts of the city centre, near Warandepark. The last phase of the construction of the rest home will be completed in the short term. Ezeldijk is able to house 105 residents. The transaction has been carried out as follows (see section 2.2.):

- Ezeldijk has been acquired through a purchase agreement with VAT.
- The seven other buildings have been added to the portfolio through the acquisition of the shares of eight companies.

The cumulated contractual value of these eight sites amounted to approx. €97 million. The operation was financed in part using Aedifica's credit facilities and partly using the existing credit facilities attached to the companies to be acquired. The operator of the rest homes is the non-profit organisation ASBL Foyer de Lork. The group Senior Living Group took control over ASBL Foyer de Lork. The leases for these eight sites are irrevocable triple net long leases, which generate initial gross yields of more than 5 %. The contractual value amounts to approx. €97 million.

Agreement for the acquisition of Jardins de la Mémoire rest home in Anderlecht (Brussels-Capital Region)

On 28 June 2016, Aedifica announced an agreement for the acquisition of a rest home. Jardins de la Mémoire is situated in Anderlecht (115,000 inhabitants, Brussels-Capital Region). The site benefits from an excellent location near the Brussels Ring on the Université libre de Bruxelles ("ULB") university campus, where the Erasmus Hospital is also located. The rest home is specialised in caring for dementia patients. The building was completed in 2005. Jardins de la Mémoire houses 110 residents, spread over 70 single rooms and 20 double rooms. This investment will be carried out in the next few months by the contribution-in-kind of the ownership of the building and the long lease on the land, as well as by the takeover of an existing credit facility. The contractual value of the contributed building amounts to approx. €11 million and the credit to approx. €7 million. New Aedifica shares will be issued for an amount of approx. €4 million. The plot of land on which the building is situated is the subject of a 83-year long lease. The ULB holds the bare ownership of this plot of land. The operator of the site is Les Jardins de la Mémoire ASBL, which will become an entity of the group Senior Living Group during the summer of 2016. The contract established for the rest home is an irrevocable triple net long lease. The initial gross (triple net) yield amounts to approx. 6 % for a contractual value of approx. €11 million.

2.1.2. INVESTMENTS IN GERMANY

Acquisition of Käthe-Bernhardt-Haus rest home in Husum (Schleswig-Holstein)

On 18 January 2016, Aedifica announced the acquisition of Käthe-Bernhardt-Haus rest home in the State of Schleswig-Holstein (Germany). Aedifica SA acquired the property and full use of the building effective 1 March 2016, once the outstanding conditions were fulfilled. The Käthe-Bernhardt-Haus rest home is ideally located in the centre of Husum, next to the Klinik Husum Hospital. Husum is a seaside resort of approx. 22,000 inhabitants located on the German North Sea coast in the State of Schleswig-Holstein. The building, which dates from 2009, currently includes 65 single rooms and 18 assisted-living apartments. The rest home is operated by a subsidiary of Deutsches Rotes Kreuz Kreisverband Nordfriesland e.V., a branch of Deutsches Rotes Kreuz (the German Red Cross), one of Germany's largest not-for-profit associations. The operator provides several services for elderly persons, such as daily home care, on-call nursing services and specialised transportation. Deutsches Rotes Kreuz Kreisverband Nordfriesland e. V. operates 5 rest homes. Aedifica looks forward to this collaboration with another reputable player in the German care sector. The contract in place with the operator is an irrevocable long-term lease with a lease maturity of approx. 25 years. The repair and maintenance of the roof, structure and facades of the building remain the responsibility of the owner. The contractual value of the rest home amounts to approx. €7 million, which provides for an initial gross rental yield (double net) of approx. 7 %. The operation was financed using Aedifica's credit facilities and by taking over existing credit facilities attached to the building.

2.1.3. INVESTMENTS IN THE NETHERLANDS

Acquisition of a portfolio of 4 senior housing sites in The Netherlands

On 1 March 2016, Aedifica acquired a portfolio of 4 senior housing sites in The Netherlands. The portfolio comprises four small-scale exclusive residential care facilities in a high-end market segment and is oriented toward seniors requiring permanent care. The Holland care residence is located in Baarn (25,000 inhabitants, Province of Utrecht), at approx. 10 km from Hilversum. Baarn is well known in The Netherlands for its royal residences, such as the Paleis Soestdijk and the Drakensteyn castle. The care residence is situated in a historical villa area, next to the central park. The site consists of two historical buildings next to each other (both are protected monuments), which were entirely renovated in 2014/2015 to welcome 34 residents in an exceptional environment. The Benvenuta care residence is located in Hilversum (88,000 inhabitants, Province of North Holland). Hilversum is well known for its green surroundings, gardens and villas. In addition to its green setting, most of the major Dutch media businesses are located in Hilversum, as are the main radio and television companies. Benvenuta benefits from an excellent location in a residential area in the vicinity of the center of Hilversum. The building is a protected monument that was redeveloped in 2009 to welcome 10 residents in an exceptional environment. The Molenenk care residence is currently under construction (new construction) in Deventer (90,000 inhabitants, Province of Overijssel), approx. 20 km East of Apeldoorn. The property is situated in a green area near the city center and next to a large park with several recreation activities. The building will be completed in 2017 and will welcome approx. 40 residents. The Walgaerde care residence will be transformed (transformation of the interiors) in Hilversum (Province of North Holland). It is located in the same area as Benvenuta. After the completion of the transformation works (foreseen in 2016 or 2017), the building (also a protected monument) will welcome approx. 15 residents. Aedifica SA recently established a Dutch company, Aedifica Nederland BV (a 100% subsidiary of Aedifica SA) to carry out the following investments:

- Holland and Benvenuta: Aedifica Nederland BV acquired the full property of both sites on 29 February 2016. The contractual value of these two sites amounts to approx. €15 million.
- Molenenk: Aedifica Nederland BV acquired the plot of land (for a contractual value of approx. €3 million) on 29 February 2016 (the notarial acts were done on 29 February 2016 in Amsterdam; the Dutch usual outstanding conditions were fulfilled on 1 March 2016). The building will be constructed by DS Group BV and delivered as a turnkey operation (for a fixed price of approx. €7 million, including VAT and capitalised interest charges) as specified in the terms of the purchase and sale agreement.
- Walgaerde: Aedifica Nederland BV established a private purchase agreement for the acquisition of the site following completion of the transformation works. The price will be paid upon completion. The contractual value of this site amounts to approx. €4 million.

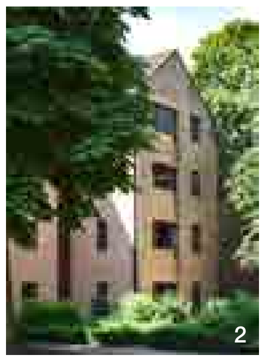
The operator of the four sites is the Domus Magnus Group, a high-quality Dutch operator that has been active in the private senior care market since 2005. The group will operate additional sites in the near future, including Molenenk and Walgaerde. Its headquarters is located in Haarlem. For the third year in a row, the operator was awarded the Gold "PREZO" label (a quality label), the highest distinction in terms of care and social responsibility. In February 2016, Domus Magnus took over the operations of DS Verzorgd Wonen (the original operator of the sites acquired by Aedifica Nederland BV). Domus Magnus thus acts as a leading operator in the early days of the consolidation of the Dutch private care market. The leases that have been or will be established for these four sites are irrevocable 20-year triple net long leases, which generate an initial gross (triple net) yields of approx. 7%. The contractual value amounts to approx. €30 million.

Acquisition Saksen Weimar care residence in Arnhem (Province of Gelderland)

Aedifica announced on 13 May 2016 the acquisition of a new senior housing site in The Netherlands. The Saksen Weimar care residence is a small-scale residential care facility in the middle to high-end market segment and is oriented toward seniors requiring permanent care. It is located in a residential area of Arnhem (150,000 inhabitants, Province of Gelderland), near Klarendal parc. The building was originally a barracks constructed in the 1940s; it was entirely redeveloped in 2015 to welcome 42 residents in an exceptional environment. Aedifica's investment was carried out by Aedifica Nederland BV, a 100% subsidiary of Aedifica SA, which acquired the full property of the Saksen Weimar site on 13 May 2016. The contractual value amounts to approx. €8 million. The site is operated by the Stepping Stones Home & Care group, a high-quality Dutch operator that has been active in the private senior care market since 2007. Stepping Stones Home & Care currently operates approx. 10 sites with 140 employees. The group will operate additional sites in the near future. The lease established for this site is an irrevocable 20-year triple net long lease, which generates an initial gross (triple net) yield of approx. 7%.

PORTFOLIO EVOLUTION DURING THE 2015/2016 FINANCIAL YEAR


1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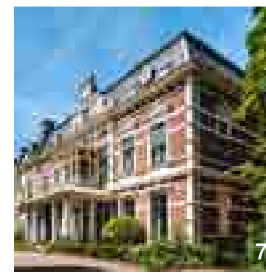
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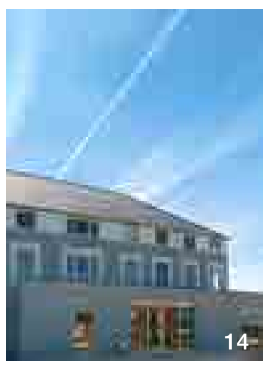
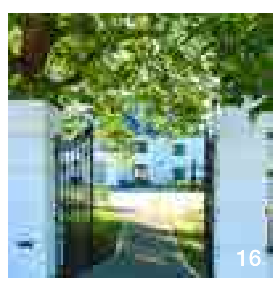
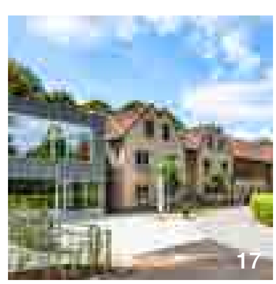
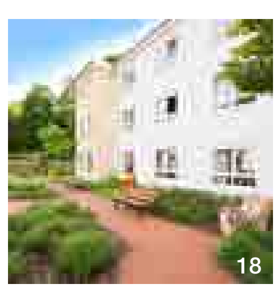








ADDITIONS TO THE PORTFOLIO

1. **Résidence de La Houssière** rest home in Braine-le-Compte (Hainaut, Belgium)
2. **Senior Flandria** rest home in Bruges (West Flanders, Belgium)
3. **Vinkenbosch** rest home in Hasselt (Limburg, Belgium)
4. **Heydeveld** rest home in Opwijk (Flemish Brabant, Belgium)
5. **Prinsenhof** rest home in Koersel (Limburg, Belgium)
6. **Käthe-Bernhardt-Haus** rest home in Husum (Schleswig-Holstein, Germany)
7. **Holland** care residence in Baarn (Utrecht, The Netherlands)
8. **Benvenuta** care residence in Hilversum (North Holland, The Netherlands)
9. **Residentie Poortvelden** rest home in Aarschot (Flemish Brabant, Belgium)
10. **Leopoldspark** rest home in Leopoldsburg (Limburg, Belgium)
11. **Saksen Weimar** care residence in Arnhem (Gelderland, The Netherlands)
12. **Martha Flora Lochem** care residence in Lochem (Gelderland, The Netherlands)

EXTENSIONS AND RENOVATIONS

13. **Salve** rest home in Brasschaat (Antwerp, Belgium)
14. **Pont d'Amour** rest home in Dinant (Namur, Belgium)
15. **Op Haanven** rest home in Gooik (Antwerp, Belgium)
16. **Marie-Louise** assisted-living apartment building in Wemmel (Flemish Brabant, Belgium)
17. **Helianthus** rest home in Melle (East Flanders, Belgium)
18. **Die Rose im Kalletal** rest home in Kalletal (North-Rine-Westphalia, Germany)

74%

SHARE OF SENIOR HOUSING IN THE PORTFOLIO

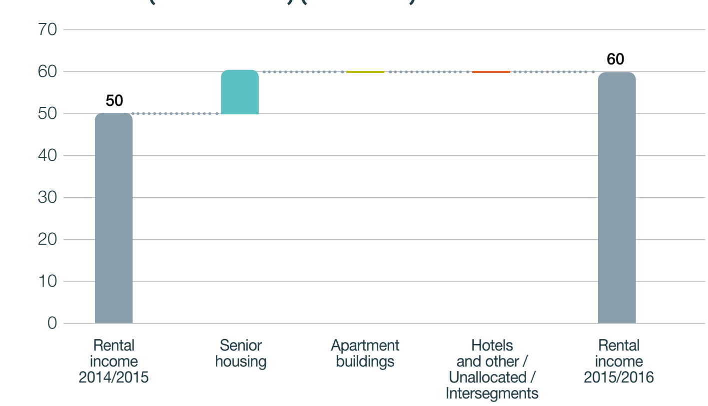
Agreement for the acquisition of two senior housing sites

On 2 June 2016, Aedifica announced an agreement for the acquisition of two senior housing sites in The Netherlands. The two buildings are small-scale residential care facilities in the middle to high-end market segment and are oriented toward seniors requiring permanent care, in particular seniors suffering from dementia. The Martha Flora Lochem care residence is located in Lochem (33,000 inhabitants, Province of Gelderland). It is situated in a residential area. The building was entirely redeveloped in 2010 to welcome 13 residents in an exceptional environment. After completion of an extension that is already scheduled, the building will welcome 15 residents. The Martha Flora Rotterdam care residence is currently under construction (new construction) in a residential area in Rotterdam (631,000 inhabitants, Province of South Holland). The site is located at approx. 6 km North of the city centre, next to a large park and several recreation activities. The building is expected to be completed at the beginning of 2018 and will welcome approx. 34 residents. These investments will be carried out by Aedifica Nederland BV, a 100 % Dutch subsidiary of Aedifica SA, as follows:

- Martha Flora Lochem: on 31 May 2016 Aedifica Nederland BV acquired the full property of the site. The contractual value amounts to approx. €2 million.
- Martha Flora Rotterdam: on 1 June 2016 Aedifica Nederland BV established an agreement in principle for the acquisition of the site subject to outstanding conditions (such as the delivery of the construction permit and the completion of the building). The turnkey construction project will be realised by HD Projectrealisatie. The contractual value of the site will amount to approx. €8 million.

The operation will be financed using Aedifica's credit facilities. The sites are operated by the Martha Flora group, a Dutch operator specialised in dementia care. Martha Flora has been active in the private senior care market since 2010. The group currently operates approx. 6 sites and will operate additional sites in the near future. The leases that were established for these sites are irrevocable 20-year triple net long leases. The initial gross (triple net) yield (applied to a contractual value of approx. €10 million), is in line with Aedifica's previous transactions in The Netherlands.

Rental income (30 June 2016) (in € million)



	Rental income 2014/2015	Senior housing	Apartment buildings	Hotels and other / Unallocated / Intersegments	Rental income 2015/2016
Change		+ 29 %	-1 %	+ 2 %	+ 20 %
Like-for-like change		0 %	-1 %	+ 2 %	0 %

20%

INCREASE OF THE CONSOLIDATED RENTAL INCOME

2.1.4. COMPLETIONS OF RENOVATION AND EXTENSION WORKS

Completion of the last phase for the renovation and extension works at the Salve rest home in Brasschaat (Province of Antwerp, Belgium)

Extension and renovation works at the Salve rest home in Brasschaat were completed during the first quarter of 2015/2016.

Completion of the extension of the Pont d'Amour rest home in Dinant (Province of Namur, Belgium)

Extension works at the Pont d'Amour rest home in Dinant were completed during the first quarter of 2015/2016. The site has now a capacity of 150 residents.

Completion of the extension of the Op Haanven rest home in Veerle-Laakdal (Province of Antwerp, Belgium)

Phase I of the extension works at the Op Haanven rest home in Veerle-Laakdal was completed during the second quarter of 2015/2016. Phase II, which consists in the partial demolition and renovation of the existing building, is on-going. Completion of the works is expected in the beginning of 2017.

Completion of the Marie-Louise assisted-living apartment building in Wemmel (Province of Flemish Brabant, Belgium)

The renovation and reconversion of the Marie-Louise rest home into assisted-living apartments was completed in January 2016. The site now counts 30 assisted-living apartments. The site is operated by an entity of the Armonea group.

€60 M

RENTAL INCOME

HELIANTHUS
BELGIUM –
SENIOR HOUSING

DIE ROSE IM KALLETAL
GERMANY –
SENIOR HOUSING

Completion of the extension of Helianthus rest home in Melle (Province of East Flanders, Belgium)

Aedifica announced on 18 April 2016 the completion of the extension of Helianthus rest home, located in Melle (Province of East Flanders, Belgium). The rest home in Melle was acquired in 2013. Extension of the building (construction of 22 assisted-living apartments) was provided for in the framework of the long lease established with the rest home operator. The extension brings the total capacity of the site to 69 units (42 beds in the rest home and 27 assisted-living apartments). The building has been operational since 15 April 2016. The site is located in a residential area, within a private park measuring 1 ha. The site comprises a rest home and a building with assisted-living apartments. The apartments are operated by the group Senior Living Group (a major player in the Belgian senior care market and part of the Korian group), via the not-for-profit organisation Helianthus ASBL, on the basis of a 27-year triple net long lease. The investment budget for the extension amounted to €4 million and generates an initial triple net yield of approx. 6%.

New extension project for the Die Rose im Kalletal rest home in Kalletal (North Rine-Westphalia, Germany)

On 1 October 2015, Aedifica announced a new extension project for the Die Rose im Kalletal rest home, owned by Aedifica (through Aedifica Luxemburg I SARL) since 16 December 2014. The project consists of the construction of a new 28-bed building intended to accommodate dementia patients. This extension will bring the total capacity of the site to 96 beds. The investment for the project amounts to less than €3 million and will generate an initial gross rental yield of more than 6%, on the basis of a double net long lease. The extension was completed end 2015 and will be added to the portfolio during the first half of 2016. Aedifica benefits from a 10-year triple net warranty for the maintenance of the building. The agreement that was signed in the context of this extension is subject to the usual outstanding conditions in Germany for this kind of transaction.

2.1.5. DEVELOPMENT PROJECTS IN PROGRESS

The Property Report included in this Annual Financial Report includes a table describing all projects in progress as of 30 June 2016.

The following development projects are in progress:

- 't Hoge phase II (extension and renovation of a rest home in Kortrijk, West Flanders, Belgium);
- Molenenk (construction of a care residence in Deventer, Overijssel, The Netherlands);
- Villa Temporis (construction of a rest home and renovation of the assisted-living apartment building in Hasselt, Limburg, Belgium);
- Au Bon Vieux Temps (construction of a rest home in Mont-Saint-Guibert, Walloon Brabant, Belgium);
- Op Haanven phase II (extension and renovation of a rest home in Veerle-Laakdal, Antwerp, Belgium);
- La Ferme Blanche (extension and renovation of a rest home in Remicourt, Liège, Belgium);
- Vinkenbosch phase I (extension of a rest home in Hasselt, Limburg, Belgium);
- Prinsenhof (extension and renovation of a rest home in Koersel, Limburg, Belgium);
- Air du Temps (extension and renovation of a rest home in Chênée, Liège, Belgium);
- Plantijn (extension and renovation of a rest home in Kapellen, Antwerp, Belgium);
- Glabbeek (construction of a rest home in Glabbeek, Flemish Brabant, Belgium).

SZ AGO DRESDEN
GERMANY –
SENIOR HOUSING

2.1.6. FINANCING

In terms of financing, the following transactions took place since the beginning of the 2015/2016 financial year:

- November 2015: extension of the bilateral credit facility (€25 million) with the Caisse d'Epargne et de Prévoyance Nord France Europe ("CENFE"), which extends the maturity date from June 2016 to July 2018;
- February 2016: refinancing of the bilateral credit facility with ING (€30 million) that was due to mature in June 2016, extending it to 2021;
- February 2016: new bilateral credit facilities with ING (2 x €30 million, maturing in 2022 and 2023);
- March 2016: assumption of an investment credit facility with Förde Sparkasse (€4 million maturing in 2019);
- April 2016: new bilateral credit facilities with Deutsche Postbank (€35 million) maturing in 2021;
- June 2016: new bilateral credit facility with Caisse d'Epargne et de Prévoyance Nord France Europe (€25 million) maturing in 2021;
- June 2016 : refinancing (€45 million) and extension (€15 million) of the bilateral credit facilities with BNP Paribas Fortis that were due to mature in July and August 2016, extending them to 2022 (€30 million) and 2023 (€30 million);
- June 2016: new bilateral credit facility with Belfius (€60 million) maturing in 2023;
- June 2016: refinancing (€75 million) and extension (€35 million) of the bilateral credit facilities with KBC that were due to mature in January 2017, extending them to 2022 (€40 million), 2023 (€40 million) and 2024 (€30 million).

Taking into account the abovementioned financing arrangements, the timetable showing the maturity of Aedifica's current credit facilities is as follows (in € million):

	Lines	Utilisation
• 2016/2017:	30	30
• 2017/2018:	92	60
• 2018/2019:	131	111
• 2019/2020:	80	80
• 2020/2021:	91	66
• 2021/2022:	95	75
• > 2022/2023:	234	58
Total	**753**	**480**
Weighted Average Maturity (years)	**4.5**	**3.7**

Hence, no less than €400 million of bank financing was established or renegotiated during the 2015/2016 financial year.

Establishment of these credit facilities demonstrates once again the strong and durable relationship Aedifica maintains with its banks.

2.1.7. OTHER EVENTS

- **Disposals**

  Disposal of the assisted-living apartments located in Tienen is on-going. As of 30 June 2016, 48 of the 49 apartments had been sold. The remaining apartment to be sold amounts to less than €1 million. This is increased by €4 million with inclusion of the assisted-living apartments located in Aarschot (see point 2.1.1. above).

  Moreover, disposal of the excess land in Laarne was carried out on 10 and 23 June 2016 for a cumulated amount of €1 million.

- **Aedifica receives two awards with regard to financial communication**

  On 9 September 2015, Aedifica received the "EPRA Gold Award" for its 2013/2014 Annual Financial Report, bringing the Company to the top of the 106 real estate companies assessed by EPRA, the European association of listed real estate companies.

  As part of the 55th edition of the prize for best financial communication, held on 12 October 2015, the Belgian Association of Financial Analysts (ABAF/BVFA) awarded the Best Financial Communication Award in the "Mid & Small Cap" category to Aedifica. This category was assessed by 92 analysts and comprised 34 listed companies across all sectors

- **Inclusion of Aedifica in the MSCI Small Caps Europe index on 1 December 2015**

  Aedifica shares were added to the MSCI Small Caps Europe index on 1 December 2015. Aedifica passed all eligibility criteria, as determined by MSCI, in November 2015 as part of the half year review of the index composition.

  MSCI ("Morgan Stanley Capital International") is a European stock market index launched by Morgan Stanley Capital International which groups listed companies worldwide.

2.2. OPERATIONS AFTER THE 30 JUNE 2016 CLOSURE

Agreement for the acquisition of a portfolio of five rest homes in Germany

On 6 July 2016, Aedifica announced the signing of a share purchase agreement for the acquisition of two companies based in Luxemburg, which own five rest homes in Germany. This agreement was subject to outstanding conditions, which were mainly of administrative nature and which were fulfilled on 31 August 2016. The portfolio comprises five rest homes in the German states of Saxony-Anhalt, Bavaria and Berlin. All buildings were built between 2001 and 2003, with the exception of Frohnau rest home. The Am Kloster rest home is located at the outskirts of the city centre of Halberstadt (40,000 inhabitants, State of Saxony-Anhalt), 55 km southwest of Magdeburg. The site was built in 2003 and houses 136 residents. The Rosenpark rest home is located in Uehlfeld, a village near Höchstadt (13,000 inhabitants, State of Bavaria), at 40 km from Nuremberg. The site benefits from a location at the outskirts of a residential area in a green environment. The rest home was built in 2003 and houses 79 residents. The Patricia rest home is located in a lively residential area in Nuremberg (500,000 inhabitants, State of Bavaria), in the vicinity of several recreation activities. The rest home was built in 2003 and houses 174 residents. The St. Anna rest home is located in a residential area at the outskirts of the historic centre of Höchstadt (13,000 inhabitants, State of Bavaria). The site is situated in a green environment. The rest home was built in 2002 and houses 161 residents. The Frohnau rest home is located in Berlin (3,562,000 inhabitants, State of Berlin). The site benefits from an excellent location in a green, residential area and houses 107 residents. The rest home was originally built in 1969 and subsequently renovated and expanded in 1992. The location and size of the site also offer future extension potential. This investment was realised by acquiring control of two companies based in Luxemburg, which currently own the buildings. The operation was financed using Aedifica's credit facilities. The operator of the rest homes is the Vitanas group, a German company that has been active in the private senior care market since 1969. Vitanas currently operates over 5,000 beds in 39 sites and employs over 4,300 staff. The leases for these five sites are new irrevocable long leases. Initial gross yields amount to more than 6 % for a contractual value of approx. €60 million.

Acquisition of a portfolio of 8 senior housing sites in Belgium

On 19 August 2016, Aedifica acquired a portfolio of eight senior housing sites in Belgium following the fulfilment of the outstanding conditions, as was announced in the press release of 24 May 2016. See section 2.1.1. above for a more elaborate account of the acquired sites, considering that construction of Oosterzonne and Ezeldijk has been completed in the meantime. The transaction was carried out as follows:

> €400 M

BANK FINANCING CONCLUDED OR RENEGOCIATED DURING THE 2015/2016 FINANCIAL YEAR

- Ezeldijk was acquired through a VAT purchase agreement.
- Aedifica took control over the seven other sites by acquiring the majority stake in real estate companies. Before the end of the year, Aedifica will acquire the remaining minority stakes in these companies which amount to approx. €20 million.

The cumulated contractual value of these eight sites amounts to approx. €97 million. The operation was financed in part using Aedifica's credit facilities and partly through the takeover of existing credit facilities with an average remaining duration of 12 years.

3. ANALYSIS OF THE 30 JUNE 2016 CONSOLIDATED FINANCIAL STATEMENTS

The commentary and analysis presented below refer to the Consolidated Financial Statements included in this Annual Financial Report.

3.1 PORTFOLIO AS OF 30 JUNE 2016

During the 2015/2016 financial year (1 July 2015 – 30 June 2016), Aedifica increased its portfolio of **marketable investment properties** by €147 million, from a fair value of €983 million to €1,131 million (€1,157 million for the total portfolio, including development projects of €26 million and assets classified as held for sale of €5 million). This 15 % growth comes mainly from net acquisitions (see sections 2.1.1., 2.1.2. and 2.1.3. above), completion of development projects (see section 2.1.4. above) and changes in the fair value of marketable investment properties recognised in income (+€16.9 million, or +1.5 %). The fair value of marketable investment properties, as assessed by independent experts, is broken down as follows:

- senior housing: +€17.6 million, i.e. +2.1 %;
- apartment buildings: +€0.3 million, i.e. +0.2 %;
- hotels and other: -€1.1 million, i.e. -1.5 %.

Consolidated income statement - analytical format (x €1,000)

	30 June 2016	30 June 2015
Rental income	59,822	49,903
Rental-related charges	-35	-50
Net rental income	59,787	49,853
Operating charges[1]	-12,173	-10,831
Operating result before result on portfolio	47,614	39,022
EBIT margin[2] (%)	80 %	78 %
Financial result excl. IAS 39	-12,707	-13,148
Corporate tax	-581	-376
Profit excl. changes in fair value	**34,326**	**25,498**
Denominator (IAS 33)	14,122,758	10,658,981
Earnings per share excl. changes in fair value (€/share)	**2.43**	**2.39**

Profit excl. **changes in fair value**	34,326	25,498
IAS 39 impact[3]	-5,685	374
IAS 40 impact[4]	10,775	19,259
IAS 40 impact[5]	731	428
IAS 40 impact[6]	120	-395
Roundings	-1	1
Profit (owners of the parent)	**40,266**	**45,165**
Denominator (IAS 33)	14,122,758	10,658,981
Earnings per share (owners of the parent - IAS 33 - €/share)	**2.85**	**4.24**

1. Items IV to XV of the income statement. 2. Operating result before result on portfolio divided by the net rental income. 3. Changes in fair value of financial assets and liabilities. 4. Changes in fair value of investment properties. 5. Gains and losses on disposals of investment properties. 6. Deferred taxes.

As of 30 June 2016, Aedifica has 165 marketable investment properties, with a total surface area of approx. 547,000 m², consisting mainly of:

- 80 senior housing sites with a capacity of 7,397 residents;
- 865 apartments;
- 6 hotels comprising 521 rooms.

The breakdown by sector is as follows (in terms of fair value):

- 74 % senior housing;
- 20 % apartment buildings;
- 6 % hotels and other building types.

The geographical breakdown is as follows (in terms of fair value):

- 86 % in Belgium, of which:
  - 48 % in Flanders;
  - 27 % in Brussels;
  - 11 % in Wallonia;
- 12 % in Germany;
- 2 % in The Netherlands.

The **occupancy rate** (see glossary) **of the total unfurnished portion of the portfolio** (representing 94 % of the fair value of marketable investment properties) amounts to 98.1 % as of 30 June 2016. This is an increase as compared to the record level reached at the end of the previous financial year (30 June 2015: 97.9 %).

The **occupancy rate of the furnished portion of the portfolio** (representing only 6 % of the fair value of marketable investment properties) reached 78.6 % for the year ended 30 June 2016. This is a slight increase, even compared to the occupancy rate realised in the previous financial year (78.3 %) and the last published occupancy rate (79.3 % as of 31 March 2016).

The **overall occupancy rate** of the total portfolio reached 98 % for the year ending 30 June 2016.

The **average remaining lease maturity** for all buildings in the Company's portfolio is 20 years, equal to 30 June 2015. This impressive aggregate performance is explained by the large proportion of long-term contracts (such as long leases) in the Company's portfolio.

3.2 CONSOLIDATED INCOME STATEMENT

The Consolidated Financial Statements are provided as part of this Annual Financial Report. The following sections of this Consolidated Board of Directors' Report analyse the financial statements using an analytical framework that is aligned with the Company's internal reporting structure. The consolidated income statement covers the 12-month period from 1 July 2015 to 30 June 2016. Acquisitions are accounted for on the date of the effective transfer of control. Such operations will present different impacts on the income statement, depending on whether they took place at the beginning, during, or end of the period.

The consolidated turnover (**consolidated rental income**) for the year amounts to €59.8 million, an increase of 20 % compared to the prior year. This is well above the budget due to the numerous acquisitions made since the beginning of the 2015/2016 financial year that were not budgeted.

Changes in total consolidated rental income (+€10 million, i.e. +19.9 %, or +0.5 % on a like-for-like basis) are presented below by segment:

- Senior housing: +€10.0 million, i.e. +29.2 % (or +0.8 % on a like-for-like basis);
- Apartment buildings: -€0.1 million, i.e. -1.1 % (or -1.1 % on a like-for-like basis);
- Hotels and other: +€0.1 million, i.e. +2.4 % (or +2.4 % on a like-for-like basis).

The increasing rental income in the senior housing segment (+29.2 % and +0.8 % on a like-for-like basis) demonstrates the relevance of Aedifica's investment strategy in this segment, which now generates almost 74 % of the Group's turnover and almost 91 % of its operating result before result on portfolio.

Rental income of the apartment buildings and the hotels are stable.

After deducting **rental-related charges**, the **net rental income** for the year ended 30 June 2016 amounts to €59.8 million (+20 % as compared to 30 June 2015).

The **property result** is €58.4 million (30 June 2015: €48.3 million). This result, less other direct costs, provides a **property operating result** of €54.2 million (30 June 2015: €44.1 million), which represents an operating margin of 91 % (30 June 2015: 89 %).

After deducting overheads of €6.7 million (30 June 2015: €5.4 million) and taking into account other operating income and charges, the **operating result before result on portfolio** has increased by 22 % to reach €47.6 million (30 June 2015: €39.0 million). This result represents an EBIT margin (see glossary) of 80 % (30 June 2015: 78 %) and is above budget.

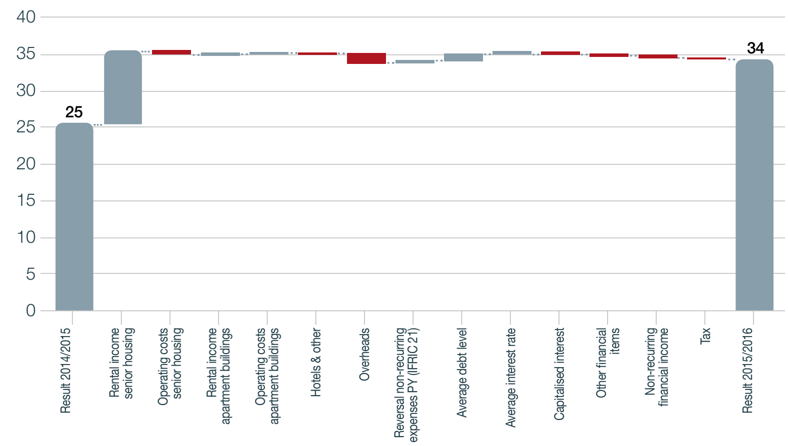
After taking into account the cash flows generated by hedging instruments (described below), Aedifica's **net interest charges** charges amount to €11.9 million (30 June 2015: €12.8 million). The average effective interest rate (2.9 % before capitalising interest on development projects) is below that reported in 2014/2015 (3.0 %) and below budget (3.0 %). Taking into account other income and charges of a financial nature (including non-recurrent income of €0.1 million, detailed in Note 21 of the attached Consolidated Financial Statements), and excluding the net impact of the revaluation of hedging instruments to their fair value (non-cash movements accounted for in accordance with IAS 39 are not included in the profit excluding changes in fair value as explained below), the **financial result excluding IAS 39** represents a net charge of €12.7 million (30 June 2015: €13.1 million, including non-recurrent income of €0.4 million, detailed in Note 21 in attachment), better than budget.

Corporate taxes are composed of current taxes and deferred taxes. In conformity with the Company's legal status (i.e. as a RREC), current taxes (charge of €0.6 million; 30 June 2015: charge of €0.4 million) consist primarily of Belgian tax on the Company's non-deductible expenditures, tax on the result generated abroad by Aedifica and tax on the result of consolidated subsidiaries. These taxes are in line with budget. Deferred taxes are described below.

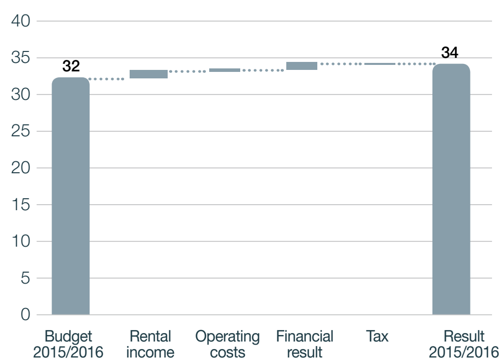
Profit excluding changes in fait value reached €34.3 million (30 June 2015: €25.5 million), or €2.43 per share, based on the weighted average number of shares outstanding (30 June 2015: €2.39 per share). This profit (absolute and per share) is above budget.

The income statement also includes elements with no monetary impact (that is to say, non-cash) which vary as a function of market parameters. These consist of (1) the changes in the fair value of investment properties (accounted for in accordance with IAS 40), (2) changes in the fair value of financial assets and liabilities (accounted for in accordance with IAS 39) and (3) deferred taxes (arising from IAS 40):

Result excl. changes in fair value (30 June 2016) (in € million)



Result excl. changes in fair value vc Budget (30 June 2016) (in € million)



80 %

EBIT MARGIN AS OF 30 JUNE 2016

€153M

CAPITAL INCREASE OF 29 JUNE 2015

- At the end of the financial year, **changes in the fair value of marketable investment properties** (corresponding to the sum of the positive and negative variations between that of 30 June 2015 or at the time of entry of new buildings in the portfolio, and the fair value estimated by experts as of 30 June 2016) taken into income amounted to +1.5 %, or +€16.9 million (30 June 2015: +1.5 %, or +€14.5 million). A change in fair value of -€6.1 million was recorded on development projects (compared to +€4.7 million for the previous year). The combined change in fair value for marketable investment properties and development projects represents an increase of €10.8 million (30 June 2015: +€19.3 million). Capital gains on disposals (€0.7 million; 30 June 2015: €0.4 million) are also taken into account here.
- In order to limit the interest rate risk stemming from its investments financing, Aedifica has put in place very conservative hedges (called "cash flow hedges") which, over the long term, allow for the conversion of variable rate debt to fixed-rate debt, or to capped-rate debt. These financial instruments are detailed in Note 33 of the Consolidated Financial Statements. Moreover, the financial instruments also reflect put options granted to non-controlling shareholders (in relation to the subsidiaries that were acquired in December 2014) which are the subject to appraisal at fair value (see Note 56). The **impact of IAS 39** (changes in fair value) taken in the income statement as of 30 June 2016 represents a charge of €5.7 million (30 June 2015: income of €0.4 million).
- **Deferred taxes** (income of €0.1 million as of 30 June 2016; charge of €0.4 million as of 30 June 2015) arose from the recognition at fair value of buildings located abroad in conformity with IAS 40. These deferred taxes (with no monetary impact, that is to say non-cash) are thus excluded from the result excluding charges in fair value.

Given the non-monetary elements described above, the **profit (attributable to owners of the parent)** amounts to €40.3 million (30 June 2015: €45.2 million). The earnings per share (basic earnings per share, as defined in IAS 33 and calculated in Note 26 to the Consolidated Financial Statements) is €2.85 (30 June 2015: €4.24).

The **adjusted statutory result** as defined in the annex to the Royal Decree of 13 July 2014 regarding RRECs, is €32.2 million (30 June 2015: €25.4 million), an increase of 27 % (as calculated in Note 50). Taking into account the rights to dividend for the shares issued during the financial year, this represents an amount of €2.27 per share (30 June 2015: €2.33 per share).

3.3 CONSOLIDATED BALANCE SHEET

As of 30 June 2016, **investment properties** represent 99 % (30 June 2015: 99 %) of the assets recognised on Aedifica's balance sheet, valued in accordance with IAS 40 (that is to say, accounted for at their fair value as determined by independent real estate experts, namely Stadim SCRL, de Crombrugghe & Partners SA and CBRE GmbH) at a value of €1,157 million (30 June 2015: €1,005 million). This heading includes:

- Marketable investment properties, including assets classified as held for sale (30 June 2016: €1,131 million; 30 June 2015: €983 million), which marked an increase of €147 million. The net growth in the fair value of marketable investment properties in operation is attributed mainly to €105 million from investment operations (see points 2.1.1., 2.1.2. and 2.1.3. above), to €2 million for disinvestment operations (see point 2.1.7. above), to €21 million for the completion of development projects (see point 2.1.4.), and to €17 million for the change in fair value of marketable investment properties.
- Development projects (30 June 2016: €26 million; 30 June 2015: €22 million), consisting primarily of investment properties under construction or renovation (see point 2.1.5.). These projects are undertaken in the context of the multi-annual investment budget described in section 4.2. of the Property Report included in this 2015/2016 Annual Financial Report.

"Other assets included in the debt-to-assets ratio" represent 1 % of the total balance sheet (30 June 2015: 1 %).

Since Aedifica's formation, its capital has increased steadily along with its real estate activities (contributions, mergers, etc.) and as a result of capital increases (in cash) in October 2010, December 2012 and June 2015. It has increased to €374 million as of 30 June 2016 (30 June 2015: €371 million). The share premium amounts to €156 million as of 30 June 2016 (30 June 2015: €151 million). Recall that IFRS requires that the costs incurred to raise capital are recognised as a decrease in the statutory capital reserves. Equity (also called net assets), which represents the intrinsic net value of Aedifica and takes into account the fair value of its investment portfolio, amounts to:

- €668 million excluding the IAS 39 impact (30 June 2015: €636 million, including the €22 million dividend distributed in October 2015);
- or €621 million including the IAS 39 impact (30 June 2015: €598 million, including the €22 million dividend distributed in October 2015).

As of 30 June 2016, **liabilities included in the debt-to-assets ratio** (as defined in the Royal Decree of 13 July 2014 regarding RRECs) reached €499 million (30 June 2015: €377 million), of which €479 million (30 June 2015: €367 million) represent amounts drawn on the Company's credit facilities, detailed in Note 40. **The debt-to-assets ratio** amounts to 42.5 % on a consolidated level (30 June 2015: 37.0 %) and 40.4 % on a statutory level (30 June 2015: 36.9 %). The maximum ratio permitted for Belgian REITs is set at 65 % of total assets, thus, Aedifica maintains an additional consolidated debt capacity of €263 million in constant assets (that is, excluding growth in the real estate portfolio) or €752 million in variable assets (that is, taking into account growth in the real estate portfolio). Conversely, the balance sheet structure permits, other things being equal, the Company to absorb a decrease of up to 35 % in the fair values of its investment properties before reaching the maximum debt-to-assets ratio. Given Aedifica's existing bank commitments, which further limit the maximum debt-to-assets ratio to 60 %, the headroom available amounts to €204 million in constant assets, €512 million in variable assets, and -29 % in the fair value of investment properties.

Other liabilities of €54 million (30 June 2015: €45 million) represent mainly the fair value of hedging instruments (30 June 2016: €46 million; 30 June 2015: €38 million).

The opposite table presents the change in the **net asset value per share**.

Recall that IFRS requires the presentation of the annual accounts before appropriation. Net assets in the amount of €42.59 per share as of 30 June 2015 thus included the dividend distributed in October 2015, and should be adjusted by €1.56 per share in order to compare with the value as of 30 June 2016. This amount corresponds to the amount of the total dividend (€22 million) divided by the total number of shares outstanding as of 30 June 2015 (14,045,931).

Excluding the non-monetary impact (that is to say, non-cash) of IAS 39 and after accounting for the payment of the 2014/2015 dividend in October 2015, the net assets per share based on the fair value of investment properties is €47.08 as of 30 June 2016, as compared to €43.74 per share on 30 June 2015.

3.4 CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement included in the attached Consolidated Financial Statements shows total cash flows for the period of +€1.3 million (30 June 2015: +€2.4 million), which is made up of net cash from operating activities of +€50.1 million (30 June 2015: +€36.6 million), net cash from investing activities of -€74.6 million (30 June 2015: -€84.8 million), and net cash from financing activities of +€25.8 million (30 June 2015: +€50.7 million).

Consolidated balance sheet (x1,000 €)

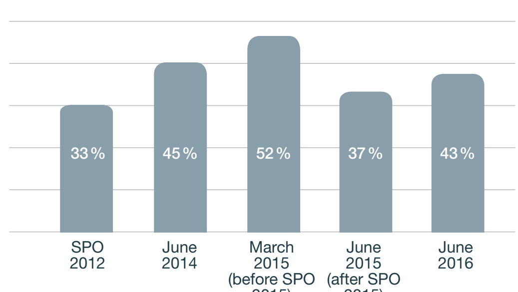
	30 June 2016	30 June 2015
Investment properties (fair value)[1]	1,156,834	1,005,163
Other assets included in debt-to-assets ratio	15,832	14,073
Other assets	496	1,048
Total assets	**1,173,162**	**1,020,284**
Equity		
Excl. IAS 39 impact	668,155	636,193
IAS 39 impact[2]	-47,407	-37,923
Equity	620,749	598,270
Liabilities included in debt-to-assets ratio	498,796	377,216
Other liabilities	53,617	44,798
Total equity and liabilities	**1,173,162**	**1,020,284**
Debt-to-assets ratio (%)	42.5	37.0

1. Including assets classified as held for sale.
2. Fair value of hedging instruments (see Note 33).

Net asset value per share (in €)

	30 June 2016	30 June 2015
Based on fair value of investment properties		
Net asset value after deduction of dividend 2014/2015, excl. IAS 39	47.08	43.74
IAS 39 impact	-3.34	-2.70
Net asset value after deduction of dividend 2014/2015	43.74	41.04
Number of share outstanding (excl. treasury shares)	14,192,032	14,045,931

Debt-to-assets ratio (%)



OVERBEKE
BELGIUM –
SENIOR HOUSING

€2.10/share

PROPOSED DIVIDEND FOR 2015/2016, REPRESENTING A STATUTORY PAY-OUT RATIO OF 92 %

3.5 SEGMENT INFORMATION

3.5.1. SENIOR HOUSING

Rental income in this segment amounts to €44.0 million (30 June 2015: €34.1 million), or 74 % of Aedifica's total rental income. These buildings are generally operated under triple net long leases (see glossary) and, as such, the property operating result for this segment is almost equal to the rental income. The fair value of investment properties attributed to this segment under IFRS 8 has been established at €835 million (30 June 2015: €694 million), or 74 % of the fair value of Aedifica's total marketable investment properties.

3.5.2. APARTMENT BUILDINGS

Rental income in this segment amounts to €11.8 million (30 June 2015: €11.9 million), or 20 % of Aedifica's total rental income. After deducting direct costs related to this activity, the property operating result for apartment buildings amounts to €7.1 million (30 June 2015: €7.0 million). The fair value of investment properties attributed to this segment under IFRS 8 has been established at €219 million (30 June 2015: €214 million), or 19 % of the fair value of Aedifica's total marketable investment properties.

3.5.3. HOTELS AND OTHER

Rental income in this segment amounts to €4.1 million (30 June 2015: €4.0 million), or 7 % of Aedifica's total rental income. After deducting direct costs related to this activity the property operating result for these buildings amounts to €4.0 million (30 June 2015: €3.9 million). The fair value of investment properties attributed to this segment under IFRS 8 has been established at €72 million (30 June 2015: €73 million), or 6 % of the fair value of Aedifica's total marketable investment properties.

4. APPROPRIATION OF THE RESULTS

The Board of Directors proposes to the Annual General Meeting of 28 October 2016 to approve the Aedifica SA Annual Accounts of 30 June 2016 (for which a summary is provided in the chapter "Abridged Statutory Annual Accounts" of this Annual Financial Report) and to distribute a gross dividend of €2.10 per share, which is better than the forecast ("budget") published in the Securities Note regarding the capital increase of June 2015. The statutory pay-out ratio is 92 %.

Effective 1 January 2016, the withholding tax rate is 27 %. The reader is referred to section 5.2 of the chapter entitled "Standing Documents" of the Annual Financial Report for more information on the tax treatment of dividends, as well as to section 4.2. of the chapter entitled "Risk Factors" for more information on the expected evolution of the withholding tax rate.

Based on the number of issued shares as of 2 September 2016, and taking into account the rights attached thereto, the statutory result for the 2015/2016 financial year will be submitted as presented in the table on the opposite page.

The proposed dividend respects the requirements laid down in Article 13, § 1, paragraph 1 of the Royal Decree of 13 July 2014 regarding RRECs in that it is greater than the required minimum pay-out of 80 % of the adjusted statutory result, after deduction of the debt reduction over the financial year.

The proposed dividend will be payable, after approval at the Annual General Meeting, in principle as from 4 November 2016 ("payment date" of coupon 15 related to the 2015/2016 financial year). The dividend will be paid by bank transfer as from the same date. The net dividend per share after deduction of 27 % withholding tax will amount to €1.5330.

5. KEY RISKS (EXCLUDING THOSE LINKED TO FINANCIAL INSTRUMENTS)

Aedifica carries out its activities in a constantly changing environment, which implies certain risks. The occurrence of these risks could have a negative impact on the Company as a whole, or on its operations, outlook, financial position or financial result. Thus, these risks must be duly considered as part of any investment decision.

Aedifica aims to manage these risks to the greatest extent possible in order to generate recurring rental income and maximize the potential for gains on disposals.

The key risk factors are the focus of a specific section of the Annual Financial Report and summarised here in accordance with Article 119 of the Belgian Companies Code. Key risk factors with which Aedifica is confronted are the focus of regular monitoring both by Management and by the Board of Directors, who have developed prudent policies that are continuously reviewed and adapted as necessary.

Proposed appropriation (in €)

	30 June 2016	30 June 2015
A. Profit (loss)	**40,340,851**	**39,443,874**
B. Transfer to/from the reserves	**8,500,660**	**14,653,035**
1. Transfer to/from the reserve of the (positive or negative) balance of changes in fair value of investment properties (-/+)		
- fiscal year	18,066,033	13,897,832
- previous fiscal years	0	0
- disposals of investment properties	730,675	427,591
2. Transfer to/from the reserve of the estimated transaction costs resulting from hypothetical disposal of investment properties (-/+)	-4,382,170	0
3. Transfer to the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments qualifying for hedge accounting (-)		
- fiscal year	-134,668	0
- previous years	0	0
4. Transfer to the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments qualifying for hedge accounting (+)		
- fiscal year	0	0
- previous years	0	0
5. Transfer to the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments not qualifying for hedge accounting (-)		
- fiscal year	-5,455,572	461,498
- previous years	0	0
6. Transfer to the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments not qualifying for hedge accounting (+)		
- fiscal year	0	0
- previous years	0	0
7. Transfer to/from the reserve of the balance of currency translation differences on monetary assets and liabilities (-/+)	0	0
8. Transfer to the reserve of the fiscal latencies related to investment properties abroad (-/+)	-323,638	-133,886
9. Transfer to the reserve of the received dividends aimed at the reimbursement of financial debts (-/+)	0	0
10. Transfer to/from other reserves (-/+)	0	0
11. Transfer to/from the result carried forward of the previous years (-/+)	0	0
C. Remuneration of the capital provided in article 13, § 1, para. 1	**25,778,406**	**20,341,185**
D. Remuneration of the capital - other than C	**4,014,266**	**1,508,041**
Result to be carried forward	**2,047,519**	**2,941,613**

The following risks are presented in detail in the chapter "Risk Factors" of this Annual Financial Report: market risks (economic risks, risks related to the real estate market, inflation risk, concentration risk in the senior housing segment); risks related to Aedifica's property portfolio (rents, asset management, quality and valuation of buildings, risk of expropriation, risk arising from mergers, de-mergers and acquisitions), regulatory risks, corporate risks, and risks related to support processes. Risks related to financial instruments are described in the following section.

BENVENUTA
THE NETHERLANDS – SENIOR HOUSING

6. USE OF FINANCIAL INSTRUMENTS

Aedifica's financial management activities are aimed at ensuring permanent access to credit and to monitor and minimise the interest rate risk.

The use of financial instruments as described under "financial risks" in the "Risk Factors" chapter of this Annual Financial Report) is detailed in Note 44 of the attached Consolidated Financial Statements. The following elements are presented: debt structure, liquidity risk, interest rate risk, counterparty risk, foreign exchange risk, and financial planning risks.

7. RELATED PARTY TRANSACTIONS

Related party transactions, as defined under IAS 24 and in the Belgian Companies Code, are the object of Note 48 of the attached Consolidated Financial Statements. These transactions comprise the remuneration of Aedifica's directors and Executive Managers.

Moreover, certain types of transactions are covered by Article 37 of the Act of 12 May 2014 (with the exception of cases explicitly covered by Article 38 of the same Act). Over the course of the 2015/2016 financial year, no transactions covered by this Article and outside of normal business transactions were executed between Aedifica and its regular service providers.

8. SUBSIDIARIES

As of 30 June 2016, Aedifica SA holds seven stable subsidiaries, of which two are established in Belgium, three in Luxemburg, one in Germany, and one in The Netherlands. The figures mentioned below represent Aedifica's share in the capital, as well as its share in voting rights.

- **Belgium**
  - Aedifica Invest SA is wholly owned by Aedifica SA (along with Aedifica Invest Brugge SA). This subsidiary was created to facilitate takeovers and temporarily hold the shares of target companies.
  - Aedifica Invest Brugge SA is wholly owned by Aedifica SA (along with Aedifica Invest SA); it holds the residual right to the expansion of Martin's Hotel Brugge.
- **Luxemburg**
  - Aedifica Luxemburg I SARL is owned for 94 % by Aedifica SA. This subsidiary holds three buildings located in Germany. The residual 6 % is held by an investor who is unrelated to Aedifica.
  - Aedifica Luxemburg II SARL is owned for 94 % by Aedifica SA. This subsidiary holds three buildings located in Germany. The residual 6 % is held by an investor who is unrelated to Aedifica.
  - Aedifica Luxemburg III SARL is owned for 94 % by Aedifica SA. This subsidiary holds two buildings located in Germany. The residual 6 % is held by an investor who is unrelated to Aedifica.

- **Germany**
  - Aedifica Asset Management GmbH is wholly owned by Aedifica SA. This subsidiary advises and supports Aedifica in the growth and management of its real estate portfolio in Germany.
- **The Netherlands**
  - Aedifica Nederland BV is wholly owned by Aedifica SA. This subsidiary holds the buildings located in The Netherlands.

Furthermore, as of 30 June 2016, Aedifica (together with Aedifica Invest SA) also holds seven subsidiaries located in Belgium holding real estate assets; these subsidiaries will be merged with Aedifica in the following months. These subsidiaries are: La Croix Huart SA, Patrimoniale Flandria SA, Seniot Hotel Flandria SA, Vinkenbosch SA, Heydeveld SPRL, Woon & Zorg Vg Poortvelde SPRL and RL Invest SA. Woon & Zorg Vg Poortvelde SPRL and RL Invest SA were absorbed by Aedifica on 4 July 2016, while La Croix Huart SA, Patrimoniale Flandria SA and Senior Hotel Flandria SA were absorbed on 2 September 2016.

The opposite organisational chart shows the Group's subsidiaries as well as its share in each subsidiary.

9. RESEARCH AND DEVELOPMENT

Aedifica is not engaged in research and development activities covered by Articles 96 and 119 of the Belgian Companies Code.

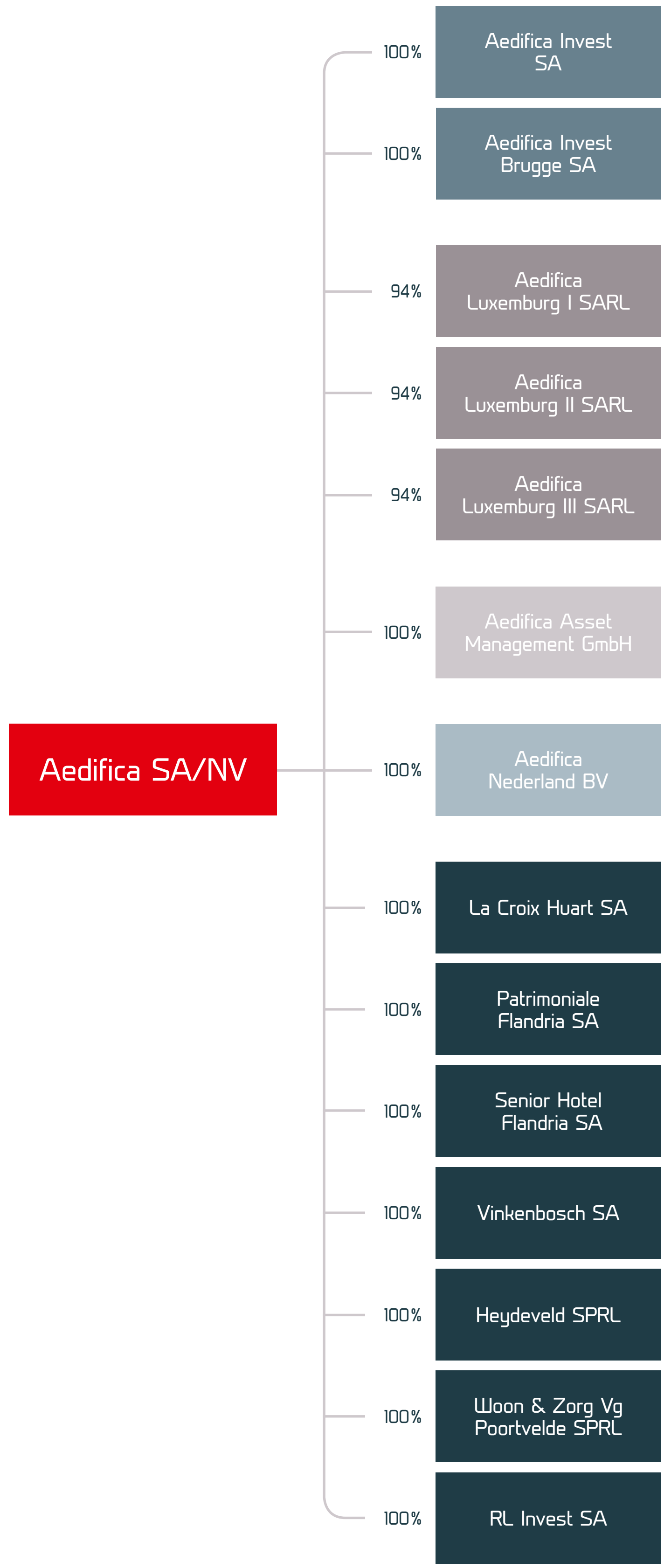
10. TREASURY SHARES

Aedifica applies IFRS both for the preparation of its Consolidated Financial Statements and for its Statutory Accounts. In accordance with IAS 32 and the Annex C of the Royal Decree of 13 July 2014, treasury shares held by Aedifica are presented as a reduction to total equity. As of 30 June 2016, the Aedifica Group held no treasury shares.

In addition, as of 30 June 2016, Aedifica SA benefits from pledges on shares of the Company, constituted in connection with buildings acquisitions. These guarantees are detailed in Note 45.3.2 of the Consolidated Financial Statements.

11. OUTLOOK FOR 2016/2017

The projections presented below have been developed by the Board of Directors with a view to establish the budget for the 2016/2017 financial year on a comparable basis with the Company's historical financial information.



11.1. ASSUMPTIONS

11.1.1. EXTERNAL FACTORS

a) The indexation rate of rents and charges: 1.66 % on average for the financial year, in line with the monthly projections released by the Belgian Federal Planning Bureau on 5 July 2016;

b) Investment properties: assessed at their fair value, based on a zero growth rate;

c) Average interest rate before capitalised interests: 2.5 % based on the Euribor rate curve of 30 June 2016, bank margins, and hedges currently in place;

d) The budget supposes that the legal status of Regulated Real Estate Company is maintained (see section 4.1. of chapter on risk factors).

11.1.2. INTERNAL FACTORS

a) Rents: rent projections are based on current contractual rates and take indexation into account. Vacancy rates, charges on unoccupied properties and agency fees (commissions) from the time of relocation are also taken into consideration in the projections. Forecasts are updated and projections revised as necessary in light of the latest operational trends and the actual state of the markets in which the Company is active.

In addition, the projected rental income from senior housing includes assumptions regarding future portfolio additions (completion of buildings currently under development and possible acquisitions for which the timing cannot be determined with certainty.

b) Real estate charges: the assumptions concerning real estate charges relate to internal and external real estate management costs (management fees, concierge, etc.); repair and maintenance costs; general taxes and property tax; and insurance.

c) Overheads: these projections include employee benefits, administrative fees, and fees directly associated with the listing of shares in the Company.

d) Investment budget: it is assumed that projected net investments for the next financial year (i.e. €290 million), will be paid in cash (with the exception of €4 million, which would be financed by the issue of new Aedifica shares in the context of the Jardins de la Mémoire project). These consist mainly of (i) cash outflows related to the development projects in progress, and (ii) additional investments – for which there are no agreements at this date – which are assumed to be carried out in the senior housing segment during the 2016/2017 financial year, amounting to €50 million, paid in cash, and generating rental incomes in line with today's market practice.

e) Financial assumptions:
- Average cash balance of €4 million.
- The model permits controlling the debt-to-assets ratio to a maximum of 65 %.
- Changes in the fair value of hedging instruments for financial debts (IAS 39) are not modelled as they have no impact on the profit excluding changes in fair value, and are not estimable. Thus, these changes have no impact on the projections presented below.

11.2. FINANCIAL PROJECTIONS

The Board of Directors continues to pay close attention to the evolution of the economic and financial context and the associated impacts on the Company's activities.

In the current economic climate, Aedifica's key strengths include the following:

- Its strategic focus on health care real estate and its expansion in Europe, which allows the Company to adapt to shifting market opportunities and economic conditions, in the context of an ageing population.
- Thanks to its investments in senior housing, Aedifica benefits from indexed long-term rental incomes, which generate high net yields. The average remaining lease maturity on the total of its leases (20 years) provides a very good view toward the majority of its future income streams over the long term.
- Its investments in apartment buildings, which offer a potential for capital gains.
- External financing of the real estate portfolio (including commitments for development projects) is assured, with credit facilities in place totalling €753 million and only €30 million of these reaching maturity before the end of the 2016/2017 financial year. At present drawings on these credit facilities are in large part covered by hedging instruments.
- Aedifica is in a good solvency position, with a consolidated debt-to-assets ratio of 42.5 % as of 30 June 2016 (far below the maximum legal limit of 65 % imposed for Belgian REITs and the contractual maximum of 60 % imposed by way of bank covenants). This is further supported by the stable fair values that the Company's real estate portfolio has demonstrated for many years. Aedifica enjoys a balance sheet structure that permits executing development projects and renovations (commitments representing approximately €252 million as of 30 June 2016 – plus €60 million for the acquisition subject to outstanding conditions announced on 6 July 2016 and realised on 31 August 2016 –, of which €228 million are still to be realised within a four-year period) and to realise new investments.

RESIDENTIE POORTVELDEN
BELGIUM – SENIOR HOUSING

Considering the Company's strengths and the assumptions listed above (see section 11.1), the Board of Directors projects to generate rental income of €76 million for the 2016/2017 financial year, leading to a profit excluding changes in fair value of €42 million or €2.97 per share, and permitting a gross dividend of €2.25 per share to be distributed to shareholders. These projections are based on the expected perimeter of the real estate portfolio, excluding unexpected events, and stand to generate an increasing dividend as compared to that proposed by the Board of Directors for the 2015/2016 financial year. On this basis, net profit would reach €42 million. The distributable reserves (statutory) calculated in accordance with Article 617 of the Belgian Companies Code and the Royal Decree of 7 December 2010 would amount to €13.1 million.

11.3 IMPORTANT REMARK CONCERNING PROJECTED FINANCIAL INFORMATION

The projected financial information presented above consists of estimates for which the actual realisation will vary, most notably, depending on the evolution of the real estate and financial markets. They do not constitute a commitment by the Company's Executive Managers and have not been certified by an external auditor. However, the Company's auditor, Ernst & Young Réviseurs d'Entreprises Sc s.f.d.SCRL, represented by Mr. Jean-François Hubin, has issued the following report (this auditor's report has been faithfully reproduced and, to Aedifica's knowledge, no facts have been omitted which would render the information reproduced inexact or misleading):

"As a statutory auditor of the company and applying the EC regulation n° 809/2004 of the European Commission of 29 April 2004, we have prepared the present report on the forecasts of the consolidated balance sheet and income statement of the company, included in chapter 11 of its annual report, as approved by the Board of Directors of the company on 2 September 2016. The assumptions included in paragraph 11.1 result in the following profit forecast (excluding changes in fair value) for the year 2016-2017:

- Date: 30 June 2017
- Result excluding changes in fair value entries: 42 million €

BOARD OF DIRECTOR'S RESPONSIBILITY

It is the board of directors' responsibility to prepare the profit forecast, together with the material assumptions upon which it is based, in accordance with the requirements of EU Regulation n° 809/2004.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion: (i) the forecasts have been properly compiled on the basis of the assumptions stated above; and (ii) the basis of accounting used for these forecasts is consistent with the accounting policies applied by Aedifica sa for the consolidated financial statements of 2015-2016.

Brussels, 2 September 2016

Ernst & Young Réviseurs d'Entreprises sccrl, Statutory auditor represented by Jean-François Hubin[1], Partner

1. Acting on behalf of a SPRL.

12. CONFLICTS OF INTEREST

Two conflicts of interest occurred over the course of the 2015/2016 financial year, as explained below.

AT THE 2 SEPTEMBER 2015 MEETING OF THE BOARD OF DIRECTORS: VARIABLE REMUNERATION OF THE MANAGEMENT COMMITTEE

"Pursuant to Article 523 of the Belgian Companies Code, the members of the Management Committee (Ms. Sarah Everaert, Ms. Laurence Gacoin, Mr. Jean Kotarakos and Mr. Stefaan Gielens) announced that they had interests contrary to those of the Company; after informing the Chairman, they left the meeting.

Mr. Pierre Iserbyt, Chairman of the Nomination and Remuneration Committee, made a report to the Board on the deliberation of the aforementioned committee, which proposed to establish the gross variable remuneration of the Management Committee as follows:

(i) The variable remuneration for the 2014/2015 financial year is a (gross) amount which does not exceed a certain percentage of the annual remuneration excluding sundry benefits and post-retirement benefits (CEO and CFO: 50%, COO and CLO: 30% prorata temporis). The effective amount was determined by the Board of Directors, based on quantitative and qualitative criteria listed in the 2013/2014 Annual Financial Report as well as in the aforementioned additional agreements signed on 25 August 2014 for the CEO and the CFO. They are determined in the recent Management Agreements for the COO and the CLO. Recall that the variable remuneration can only be paid if the actual profit excl. IAS 39 and IAS 40 per share is at least 85% of the budgeted amount. The criteria (and their weight) were as follows: consolidated profit excl. IAS 39 and IAS 40 per share (25%), growth of the consolidated property portfolio (including the internationalisation of the Group's activities) (30%), consolidated operating margin (25%) and management of the Group's teams (20%). The Board of Directors concluded that the Executive Managers met the objectives and decided to grant variable as remuneration €166,000 to the CEO, €125,000 to the CFO, € 30,000 to the COO and €3,750 to the CLO.

(ii) In respect of the 2015/2016 financial year, the maximum variable remuneration will not exceed a certain percentage of the annual remuneration excluding sundry benefits and post-retirement benefits (CEO and CFO: 50%; COO and CLO: 40%). The variable remuneration can only be paid if the actual profit excl. IAS 39 and IAS 40 per share is at least 85% of the budgeted amount. The effective amount will be determined by the Board of Directors based on consolidated quantitative and qualitative criteria: consolidated profit excl. IAS 39 and IAS 40 per share (25%), growth of the consolidated property portfolio (including the internationalisation of the Group's activities) (25%), consolidated operating margin (25%) and management of the Group's teams (25%).

(iii) In respect of the 2016/2017 financial year, the maximum variable remuneration will be kept to 50% of the annual remuneration excluding sundry benefits and post-retirement benefits, based on quantitative and qualitative criteria that will be set in a future stage.

The Board approved the Committee's proposals. The members of the Management Committee re-entered the meeting and heard the Board's decisions concerning executive management remuneration."

AT THE 20 JUNE 2016 MEETING OF THE BOARD OF DIRECTORS: VARIABLE REMUNERATION OF THE MANAGEMENT COMMITTEE

"Ms. Adeline Simont, Chairman of the Nomination and Remuneration Committee, proposed to report on the aforementioned Committee's meeting of 30 May 2016, which covered the following three points: (i) results of the benchmarking study on the remuneration of the four Management Committee members; (ii) deliberation of the Remuneration Committee regarding the remuneration of Management Committee members and proposal to the Board of Directors; (iii) evaluation of the Board of Director's functioning. Pursuant to Article 523 of the Belgian Companies Code, the Executive Managers included in membership of the Management Committee (Mr. Jean Kotarakos and Mr. Stefaan Gielens), and the other members of the Management Committee (Ms. Sarah Everaert and Ms. Laurence Gacoin), announced that they had interests contrary to those of the Company; after informing the Chairman, they left the meeting.

Ms. Adeline Simont subsequently reported to the Board on the Committee's deliberations and distributed draft minutes of the meeting of 30 May 2016. The following elements emerged:

(i) the abovementioned benchmarking study was conducted by an external expert consultant and was presented in detail to the members of the Committee, as well as to the CEO and the Chairman of the Board on 30 May 2016;

(ii) it was decided (in absence of the CEO) to propose to the Board of Directors to adapt the various components of the remuneration of the four Management Committee members as follows (effective 1 July 2016):

- CEO: increase of the fixed annual remuneration to €400,000 (resulting from the Management Agreement) plus an additional €110,000 (resulting from the long-term incentive plan) for the 2016/2017 financial year; increase of the maximum variable remuneration to €194,600 for the 2016/2017 financial year, based on criteria that remain to be determined;

- CFO, COO and CLO:
  - increase fixed remuneration by 3% effective (resulting from the Management Agreements, excluding potential indexation adjustments as of 1 July 2016); increase maximum variable remuneration to €303,122 for the 2016/2017 financial year for the three concerned parties (in aggregate), based on criteria that remain to be determined;
  - participation in the long term incentive plan €90,000 for the CFO, €40,000 for the COO and €40,000 for the CLO.

Moreover, the Committee decided to propose to the Board to grant the COO and the CLO a fixed allowance for representation expenses of €300 per month each (already provided for the CEO and the CFO).

The Board approved the Committee's proposals. The members of the Management Committee re-entered the meeting and heard the Board's decisions concerning executive management remuneration."

13. CAPITAL INCREASES CARRIED OUT WITHIN THE FRAMEWORK OF THE AUTHORISED CAPITAL

In accordance with Article 608 of the Belgian Companies Code, the Board of Directors comments on (i) the capital increases decided by the Board of Directors during the financial year; and (ii) the conditions and the effective impacts of the capital increases for which the Board of Directors limited or cancelled preferential rights (when applicable).

Following the decision of the Board of Directors of 2 October 2015, in the framework of the authorised capital (see section 2 of this Consolidated Board of Directors' Report), the capital was increased by €523,955.84 (from €370,640,990.50 to €371,164,946.34). 19,856 new shares without par value were issued. The shares have the same rights as existing shares and contribute pro rata temporis to the Company's results for the 2015/2016 financial year as of the date of issuance, except for abovementioned par value and pro rata temporis dividend rights until the ex-date of the coupon related to the 2015/2016 financial year.

RESIDENTIE SPORENPARK
BELGIUM –
SENIOR HOUSING

Following the decision of the Board of Directors of 17 December 2015, the capital was increased in the framework of the authorised capital (see section 2 of this Consolidated Board of Directors' report) by €2,748,340.46 (from €371,164,946.34 to €373,913,286.80). 104,152 new shares without par value were issued in exchange for a contribution in cash with cancellation of the preferential subscription right and with granting of priority allocation rights. The shares have the same rights as existing shares. As of 1 July 2015, these shares participate in the Company's results for the 2015/2016 financial year.

Following the decision of the Board of Directors of 24 March 2016, the capital was increased in the framework of the authorised capital (see section 2 of this Consolidated Board of Directors' report) by €582,985.31 (from €373,913,286.80 to €374,496,272.11). 22,093 new shares without par value were issued in exchange for a contribution in cash with cancellation of the preferential subscription right and with granting of priority allocation rights. The shares have the same rights as existing shares. As of 1 July 2015, these shares participate in the Company's results for the 2015/2016 financial year.

In the framework of capital increases by contribution in kind, shareholders do not have preferential rights.

14. ENVIRONMENTAL, ETHICAL, AND SOCIAL MATTERS

Environmental, ethical, and social matters are an integral part of Aedifica's daily management and blend into the Company's continual efforts to achieve and maintain quality standards.

14.1 ENVIRONMENTAL MATTERS

Aedifica follows a pragmatic approach to environmental issues, paying close and constant attention to find the right balance in its use of human and financial resources to generate maximum value-added.

Before each potential building acquisition, Aedifica examines the environmental risks. In the event that risks are identified, plans are put in place to mitigate or eliminate risks entirely. In order to identify and control pollution risks, the Company studies the soil quality for all sites that host risky activities (e.g. fuel tanks, printing industries, etc.) or which have done so in the past.

Aedifica holds environmental permits for operations relating to listed elements of its buildings or takes the necessary steps in case of extensions and renewals. It holds urban development permits, the majority of which were obtained by the former owners of buildings under development. Where the responsibility for environmental and urban development permits falls to its tenants, Aedifica endeavors to encourage the tenants to obtain the required permits on a timely basis.

For the buildings managed by Aedifica (directly or indirectly through external service providers), the technical and security installations are periodically inspected for conformity with applicable legislation. Regarding buildings for which the tenants assume responsibility for the property and its technical systems, Aedifica makes every effort to ensure that the required inspections are organised in due time. In addition, a programme is in place to ensure the conformity and compliance of building elevators.

A study is conducted for each new investment to determine the likelihood of asbestos and identify the related risks. All the devices identified as being at risk of containing asbestos and deemed harmful for humans are removed from the buildings. The remaining devices become the object of a management plan which is re-evaluated annually by accredited experts. The Company also uses regular maintenance works and planned upgrades to remove any remaining, insignificant, residues. With regard to triple net leases, the Company ensures that the management plan is carried out by the operators of the buildings.

Regarding the buildings located in Belgium, the regulation on the energy performance of buildings ("PEB") requires that a study on energy performance is conducted for all new construction projects. For existing buildings, the regulation has introduced a certificate to attest to the energy performance of the buildings, with reference to the energy performance coefficient. For buildings managed by Aedifica (directly or indirectly through external managers), a programme is in place to obtain this certification. Regarding buildings for which the tenant assumes responsibility for the property and its technical systems, Aedifica makes every effort to ensure that the necessary certificates are obtained.

Regarding its buildings located outside Belgium, Aedifica ensures the follow-up of local regulation.

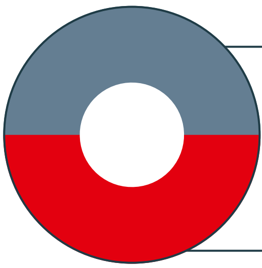
As a priority item for apartment building renovations, Aedifica replaces oil and gas burning heating systems with natural gas systems, and seeks to improve the overall level of thermal insulation in its buildings (level K). A number of buildings is also equipped with solar panels, namely Aedifica's registered office (Louise 331), Résidence Palace and Héliotropes.

At its head office, Aedifica uses certified paper (including for printing the Annual Financial Report), and encourages its staff to recycle waste to the greatest extent possible.

14.2 SOCIAL MATTERS

Aedifica's Board of Directors is composed of 10 directors, comprising 4 women and 6 men. The gender diversity requirement included in the Belgian Act of 28 July 2011

Gender balance at Aedifica



(which modifies the Belgian Companies Code, among others) is already met given the current composition of the Company's Board of Directors. The Company's mixed gender ratio of 40 % exceeds the 30 % threshold required by law for financial years beginning on or after 1 July 2017. Aedifica's high percentage of women on the Board has been noted in various studies dealing with gender diversity in governance bodies of Belgian companies (most notably in articles published on 18 October 2012 in *De Morgen*, 2 March 2011 in *L'Echo*, 26 July 2010 in *De Tijd*, and 4 December 2009 in *Expertise News*).

Aedifica aims to promote personal development of its employees by offering a work environment that is motivating, comfortable, and adapted to their needs. The Company strives to identify and further reinforce the talents of its staff in favour of promoting diversity and equal opportunity in the workplace. As of 30 June 2016, the Aedifica team consists of 42.2 full-time equivalent positions (FTEs), or 44 individuals (35 individuals on 30 June 2015). Total staff breakdown by gender is 22 women and 22 men, and by position type is 32 staff and 12 labourers. During the 2015/2016 financial year, Aedifica recorded an average of 13 hours of training per FTE (19 hours as of 30 June 2015). The average age of the Aedifica team is 41 years, an increase as compared to that observed on 30 June 2015 (40 years).

Aedifica functions in the framework of Joint Committees 100 (labourers) and 200 (staff). The remuneration proposed by Aedifica remains positioned with reference to market remuneration for similar functions. For the 2015/2016 financial year remuneration includes a plan for non-recurring benefits linked to the Company's profitability, as has been the case from 2008/2009 onwards. In addition, other recurring benefits are offered, such as a defined contribution group insurance plan and hospitalisation coverage.

Each member of the team participates in at least one performance review per year with his/her manager; this review is based on a multi-dimensional template that covers relations between the Company and its employees.

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FULL-TIME EQUIVALENT POSITIONS

RÉSIDENCE DE LA HOUSSIÈRE
BELGIUM – SENIOR HOUSING

OASE TIENEN
BELGIUM –
SENIOR HOUSING

14.3 ETHICAL AND SOCIETAL MATTERS

In 2010, Aedifica adopted a Charter of Ethics which formalised the code of conduct already in place. This charter addresses conflicts of interest, confidentiality, share purchase and sales, abuse of company property, business gifts, and respect for others. It is included in the Corporate Governance Charter.

Aedifica's investments respond to multiple housing needs and the Company contributes to the renewal of certain districts (for example, with the renovation of Freesias and certain buildings of Ensemble Souveraine in Brussels). The Company also offers solutions to the challenges associated with the ageing population through its investments in senior housing. Furthermore, Aedifica contributes to the perseveration of national heritage in Belgium as well as in The Netherlands, as the owner of several listed buildings in Belgium and protected buildings in The Netherlands (e.g. in Belgium: the Résidence Palace and building in rue du Lombard in Brussels, Hotel Martin's Brugge, and hotel Martin's Klooster in Leuven; in The Netherlands: Holland in Utrecht, Benvenuta in Hilversum, Walgaerde in Hilversum).

Aedifica presents a series of semi-annual and annual roadshows in Belgium and abroad (Luxembourg, Amsterdam, London, Paris, Frankfurt), which attract foreign investment to Belgian capital markets.

Aedifica participates in debates related to the Belgian REIT sector (via the REITs workshop organised within the Belgian Association of Asset Managers or BEAMA), and more recently related to the new legislation regarding Regulated Real Estate Companies (SIR/GVV), and is a member of the Association of Belgian listed companies (via the "Association Belge des Sociétés cotées" or ABSC) and a founding member of the ASBL BE-REIT Association. The Company is also a member of the "Union Professionnelle du Secteur Immobilier" (UPSI) and sponsors the VFB federation and investment association.

Members of Aedifica's Executive Management participate personally as speakers for university and post-graduate programmes offered by the University of Leuven (KU Leuven) and the University of Brussels (Université Libre de Bruxelles).

15. IN THE EVENT OF A TAKEOVER BID

In accordance with Article 34 of the Royal Decree of 14 November 2007, items that can be of influence in the event of a takeover bid are summarised below.

15.1 STRUCTURE OF THE SHARE CAPITAL

15.1.1 SHARE CAPITAL

There is one single category of shares without par value: all shares are fully paid-up. As of 30 June 2016, the share capital amounts to €374,496,272.11, consisting of 14,192,032 shares, each representing 1/14,192,032th of the share capital.

15.1.2 RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES

All holders of shares have equal rights and obligations, except for the pro rata temporis dividend right, which may be assigned when new shares are issued. In this case, these new shares must remain registered until the distribution of the dividend. The 3,121,318 new shares that were issued on 29 June 2015 are not entitled to the pro rata temporis dividend relating to the 2014/2015 financial year, but will participate in the Company's results for the 2015/2016 financial year. Please refer to applicable laws, including the Belgian Companies Code, the Act of 12 May 2014 on Regulated Real Estate Companies and the Royal Decree of 13 July 2014 on Regulated Real Estate Companies. Moreover, attention should be paid to the Company's Articles of Association (see section 4 of the chapter "Standing Documents" in the Annual Financial Report).

15.2 LEGAL, CONTRACTUAL OR STATUTORY LIMITS TO THE TRANSFER OF SHARES

There are no legal or statutory limits for share transfers.

In order to provide sufficient liquidity to the shareholders, Article 21 of the Act of 12 May 2014 quoted above requires that the shares of Belgian REITs are listed on a regulated stock exchange.

The totality of the 14,192,032 Aedifica shares are listed on the Euronext Brussels continuous market, except for the

19,856 shares which were admitted into trading on 2 October 2015 and which will be listed on Euronext Brussels as from the ex-date of the coupon relating to the 2015/2016 financial year, scheduled in principle on 2 November 2016.

15.3 SPECIFIC CONTROL RIGHTS

There are no shareholders benefitting from specific control rights.

15.4 CONTROL MECHANISMS IN FAVOUR OF PERSONNEL

Aedifica has not put in place any mechanism in relation to employee shareholdings.

15.5 LEGAL OR STATUTORY LIMITS TO VOTING RIGHTS

As of 30 June 2016, Aedifica holds no treasury shares.

15.6 AGREEMENTS BETWEEN SHAREHOLDERS, KNOWN BY AEDIFICA, WHICH COULD LIMIT THE TRANSFER OF SHARES AND/OR VOTING RIGHTS

Aedifica is not aware of any agreement between shareholders that could limit the transfer of shares and/or voting rights.

15.7 RULES FOR THE NOMINATION AND REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS, AND FOR ANY CHANGE OF THE ARTICLES OF ASSOCIATION

15.7.1 NOMINATION AND REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to Article 11 to the Articles of Association, the members of the Board of Directors are elected for a term of up to 3 years by the shareholders at the Annual General Meeting. They are always revocable. They can be re-elected.

If not re-elected, the office of director ends just after the general meeting that decides on re-elections.

In case of vacancy of one or several director seats, the remaining directors have the power to provisionally elect one or several persons, to act as director(s) until the next general meeting, when shareholders will decide on the re-election. This right of re-election by the remaining directors becomes an obligation when the number of directors falls below the statutory minimum number.

A director elected to replace another director finishes the original term of the replaced director.

15.7.2 CHANGE OF THE ARTICLES OF ASSOCIATION

Please refer to the regulations applicable to RRECs. In particular, one should bear in mind that any contemplated change to the Articles of Association must be approved by the market authority (FSMA).

15.8 POWERS OF THE BOARD OF DIRECTORS, ESPECIALLY REGARDING THE ISSUANCE OR REPURCHASE OF SHARES

Pursuant to Article 6.4 of the Articles of Association, the Board of Directors is authorised to increase the share capital in one or several steps up to €74,230,000.00, at the moment and subject to the conditions set by the Board of Directors (in accordance with Article 603 of Belgian Companies Code, and as set out in Note 38 of the Consolidated Financial Statements). To date, the remaining balance of the authorised capital as of 30 June 2016 amounts to €70,898,674.23.

During the extraordinary shareholders meeting of 28 October 2016 (the extraordinary shareholders meeting of 11 October 2016 will more than likely not reach the required quorum) the shareholders will be proposed to resolve to increase the share capital pursuant to sections 603 and following of the Belgian Companies Code, in one or more times, for a maximum amount of 1) €374,000,000 if the capital increase to be effected is a capital increase whereby the shareholders of the Company have the possibility to exercise a preferential subscription right or a priority allocation right, 2) €74,800,000 for any other type of capital increase, it being understood that the share capital can never be increased within the framework of the authorised capital in excess of €374,000,000, during a period of five years as of the date of publication of the resolutions in the Annexes to the Belgian State Gazette.

Moreover, Aedifica may, in accordance with Article 6.2 of the Articles of Association, repurchase, or receive as security, treasury shares under the conditions set out in the Belgian Companies Code; the Company must also inform the market authority (FSMA) in due time. Treasury shares pledged as of 30 June 2016 are described in section 10 of this Consolidated Board of Directors' Report.

15.9 MAJOR AGREEMENTS WHICH ARE INITIATED, CHANGED OR TERMINATED IN THE EVENT OF A TAKEOVER BID

The credit facilities of 26 August 2011, 11 July 2012, 27 June 2013, 5 August 2013, 10 July 2014 and 15 June 2016 (bilateral credits issued by BNP Paribas Fortis), as well as the credit facilities of 24 October 2011, 25 June 2012, 4 April 2013, 28 April 2014 and 8 October 2014 (bilateral credits issued by ING Belgium) and the credit facility of 7 May 2013 (bilateral credit issued by Bank Degroof), provide for early termination in the event of a change in control (control being defined as the concentration of 50 % plus one share in the hands of a single shareholder, or as the concentration of 50 % plus one voting right in the hands of a single shareholder).

The credit facilities of 28 June 2016 issued by KBC Bank provide for early termination in case of substantial change in the shareholding structure that could result in a change in the composition of the Board of Directors or in the risk assessment carried out by the bank.

The credit facilities of 26 June 2013 issued by Banque LB Lux (for which activities were resumed by its parent company Bayerische Landesbank on 1 July 2014) provide for early termination in the event of a substantial change in control. Control is defined with reference to the capital holdings of Aedifica (more than 50 %) or by reference to the right or possibility to control, either directly or indirectly, the management activities or the majority of the Board of Directors. The credit facility of 30 June 2015 issued by Caisse d'Epargne et de Prévoyance Nord France ("CENFE") and with which CENFE takes over the credit issued by Bayerische Landesbank, as well as the credit facility of 7 June 2016 issued by CENFE, includes an identical clause.

The credit facilities of 6 June 2014 and 13 November 2014 issued by Banque Européenne du Crédit Mutuel provides for early termination in the event of a substantial change in control in favour of one or more investors acting in concert. "Control" and "action in concert" are defined with reference to the Belgian Companies Code.

The credit facilities of 27 November 2014 and 27 June 2016 issued by Belfius Banque SA provide for early termination if the administration of the Company is modified or if one of the working partners of a partner with joint and several liability or one of the majority shareholders withdraws or passes away.

The credit facilities of 19 February 2016 issued by ING Belgium provide for immediate payment without notice of all amounts due related to these credit facilities (interests, fees, associated costs), and immediate cancellation of all obligations awaiting execution, unless otherwise agreed by the banks, in the event of a change in control. Control being defined as (i) the concentration, either directly or indirectly, of more than 50 % of shares, voting rights of similar rights in the hands of a single shareholder or (ii) the possibility to control, either directly or indirectly, the management activities or the composition of the majority of the Board of Directors, pursuant to an agreement and through the exercise of voting rights.

15.10 AGREEMENTS WITH DIRECTORS OR PERSONNEL WHICH PROVIDE FOR INDEMNITIES IN THE EVENT OF A TAKEOVER BID

If the management agreement signed with the CEO is terminated by the CEO or by the Company within a period of 6 months after the launch of a takeover bid, the CEO will receive an indemnity amounting to 18 months of benefits (except in case of serious misconduct).

If the management agreement signed with the CFO is terminated by the CFO or by the Company within a period of 6 months after the launch of a takeover bid, the CFO will receive an indemnity amounting to 12 months of benefits (except in case of serious misconduct).

No such clause has been included in contracts signed with other members of the Management Committee and the Aedifica staff.

RÉSIDENCE AUGUSTIN
BELGIUM –
SENIOR HOUSING

16. INDEPENDENCE AND COMPETENCE WITH RESPECT TO ACCOUNTING AND AUDIT OF AT LEAST ONE MEMBER OF THE AUDIT COMMITTEE

The Audit Committee of the Company is made up of 3 non-executive directors; among these, 2 meet the independence criteria set out by Article 526ter of the Belgian Companies Code. Namely, Ms. Katrien Kesteloot and Mr. Serge Wibaut:

1° Have never acted as executive directors, as members of the Management Committee, or as persons in charge of the daily management, of Aedifica or of a related party of Aedifica;

2° Have acted as non-executive directors during less than 3 consecutive terms, for a total term of less than 12 years;

3° Have not been part of management personnel (as defined by Article 19, 2° of the Act of 20 September 1948) of Aedifica, or of a related party of Aedifica. Moreover, they have never been hired as employees of Aedifica, or of a related party of Aedifica;

4° Have never received any remuneration or other substantial benefit from Aedifica or a related party of Aedifica, except as for their remuneration and attendance fees as non-executive directors;

5° Have no shareholdings in Aedifica;

6° Have no significant business relationships with Aedifica or with a related party of Aedifica, either directly as an employee or indirectly as a partner, shareholder, member of the Board of Directors, or as management personnel (as defined by Article 19,2° of the Act of 20 September 1948) of an entity with has that kind of relationship with Aedifica;

7° Have not been, over the last 3 years, a Partner of or employed by the statutory auditor of Aedifica, or of a related party of Aedifica;

8° Are not executive directors in another entity in which Mr. Stefaan Gielens and/or Mr. Jean Kotarakos and/or Ms. Laurence Gacoin and/or Ms. Sarah Everaert act as non-executive directors. Furthermore, they do not have major relationships with Mr. Stefaan Gielens and/or Mr. Jean Kotarakos and/or Ms. Laurence Gacoin and/or Ms. Sarah Everaert through other duties in other entities;

9° Have not, within Aedifica or within a related party of Aedifica, any spouse, parents, or family members up to the second grade, acting as director, members of the Management Committee, as person in charge of the daily management, or as management personnel (as defined by Article 19,2° of the Act of 20 September 1948), of Aedifica or of a related party of Aedifica;

10° Have no relationship with Aedifica which could affect their independence.

Moreover, all members of the Audit Committee have the necessary competencies with respect to accounting and audit, given their level of education and their broad experience in these matters.

17. CORPORATE GOVERNANCE STATEMENT

The statement of corporate governance (including the remuneration report and the description of the main features of systems of internal control and risk management) is provided in the chapter "Corporate Governance Statement", on pages 120 to 137 of this Annual Financial Report.

Brussels, 2 September 2016.

EPRA[1]

2%

EPRA VACANCY RATE

14.4%

WEIGHTING IN THE BELGIAN EPRA INDEX

€2.43/share

EPRA EARNINGS

1. The data in this chapter are not compulsory according to the RREC regulation and are not subject to verification by the FSMA or the statutory Auditor.

EPRA

Aedifica passed all eligibility criteria for inclusion in the EPRA indices during the March 2013 quarterly review. As a result, Aedifica's shares were added to the "FTSE EPRA/NAREIT Developed Europe Index" on 18 March 2013

HESTIA
BELGIUM –
SENIOR HOUSING

The EPRA ("European Public Real Estate Association") is the voice of Europe's publicly traded real estate sector and the most widely used global benchmark for listed real estate. It represents more than 220 active members and over €350 billion in real estate assets. The European indices include nearly 100 constituents, with a free-float market capitalisation of more than €200 billion. The criteria for inclusion in the indices are publicly available on the EPRA website (www.epra.com).

Aedifica is registered in the European Index with a weighting of approx. 0.4 % and in the Belgian Index with a weighting of approx. 14.4 %.

In August 2011, the Board of Directors of the European Public Real Estate Association ("EPRA") published an update of the report entitled "EPRA Reporting: Best Practices Recommendations" ("EPRA Best Practices"). The report is available on the EPRA website.

This document contains EPRA's recommendations for defining the main financial performance indicators applicable to listed real-estate companies. Aedifica supports this approach to reporting standardisation, which has been designed to improve the quality and comparability of information. The Company supplies its investors with most of the information recommended by EPRA.

On 24 September 2014, Aedifica was rewarded the "EPRA Silver Award" and the "EPRA Most Improved Award" for its 2012/2013 Annual Financial Report.

On 9 September 2015, Aedifica was rewarded for the first time the "EPRA Gold Award" for its 2013/2014 Annual Financial Report, bringing the Company to the forefront of the 106 companies surveyed. This performance repeted itself in September 2016 for the 2014/2015 Annual Financial Report.

Key performance indicators according to the EPRA principles

	30 June 2016	30 June 2015
EPRA Earnings (in €/share)	2.43	2.39
EPRA NAV (in €/share)	47.24	43.90
EPRA NNNAV (in €/share)	43.55	40.88
EPRA Net Initial Yield (NIY) (in %)	5.2	5.1
EPRA Topped-up NIY (in %)	5.2	5.1
EPRA Vacancy Rate (in %)	2	2
EPRA Cost Ratio (including direct vacancy costs) (in %)	20	22
EPRA Cost Ratio (excluding direct vacancy costs) (in %)	20	22

Key performance indicators according to the EPRA principles

		30 June 2016	30 June 2015
EPRA Earnings Recurring earnings from core operational activities	x €1,000	34,326	25,499
	€ / share	2.43	2.39
EPRA NAV Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystalise in a long-term investment property business model	x €1,000	670,361	616,669
	€ / share	47.24	43.90
EPRA NNNAV EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes	x €1,000	618,008	574,203
	€ / share	43.55	40.88
EPRA Net Initial Yield (NIY) Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchaser's costs	%	5.2	5.1
EPRA Topped-up NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods or other unexpired lease incentives such as discounted rent periods and step rents	%	5.2	5.1
EPRA Vacancy Rate Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	%	2	2
EPRA Cost Ratio (including direct vacancy costs) Administrative/operational expenses per IFRS income statement, including the direct costs of vacant buildings, divided by the gross rental income, less ground rent costs	%	20	22
EPRA Cost Ratio (excluding direct vacancy costs) Administrative/operational expenses per IFRS income statement, less the direct costs of vacant buildings, divided by the gross rental income, less ground rent costs	%	20	22

"INCLUSION IN THE EPRA INDEX HAS ALWAYS BEEN A KEY MILESTONE FOR AEDIFICA, THAT WAS ACHIEVED IN 2013. IT DISPLAYS A WIDER RECOGNITION OF AEDIFICA'S COMMITMENT TO BEST PRACTICE, AND PROVIDES AN OPPORTUNITY FOR GLOBAL INVESTORS TO PLAY A PART IN THE COMPANY'S CONTINUED SUCCESS."
STEFAAN GIELENS, CEO

EPRA Earnings (x € 1,000)

	30 June 2016	30 June 2015
Earnings for IFRS (owners of the parent) income statement	**40,266**	**45,165**
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in fair value of investment properties, development properties held for investment and other interests	-10,775	-19,259
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	-731	-428
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	0	0
(iv) Tax on profits or losses on disposals	0	0
(v) Negative goodwill / goodwill impairment	0	0
(vi) Changes in fair value of financial instruments and associated close-out costs	5,685	-374
(vii) Acquisition costs on share deals and non-controlling joint venture interests (IFRS 3)	0	0
(viii) Deferred taks in respect of EPRA adjustments	-120	395
(ix) Adjustments (i) to (viii) above in respect of joint ventures	0	0
(x) Minority interests in respect of the above	0	0
EPRA Earnings (owners of the parent)	**34,326**	**25,499**
Number of shares	14,122,758	10,658,981
EPRA Earnings per Share (EPRA EPS in €/share)	**2.43**	**2.39**

EPRA Net Asset Value (NAV) (x € 1,000)

	30 June 2016	30 June 2015
NAV per the financial statements (owners of the parent)	**620,749**	**576,421**
NAV per the financial statements (in €/share) (owners of the parent)	**43.74**	**41.04**
Effect of exercice of options, convertibles and other equity interests	0	0
Diluted NAV, after the exercice of options, convertibles and other equity interests	**620,749**	**576,421**
Include:		
(i) Revaluation to fair value of investment properties	0	0
(ii) Revaluation to fair value of tenant leases held as finance leases	0	0
(iii) Revaluation to fair value of trading properties	0	0
Exclude:		
(iv) Fair value of financial instruments	47,407	37,923
(v.a) Deferred tax	2,205	2,325
(v.b) Goodwill as a result of deferred tax	0	0
Include/exclude:		
Adjustments (i) to (v) in respect of joint venture interests	0	0
EPRA NAV (owners of the parent)	**670,361**	**616,669**
Number of shares	14,192,032	14,045,931
EPRA NAV (in €/share) (owners of the parent)	**47.24**	**43.90**

EPRA Triple Net Asset Value (NNNAV) (x € 1,000)

	30 June 2016	30 June 2015
EPRA NAV (owners of the parent)	**670,361**	**616,669**
Include:		
(i) Fair value of financial instruments	-47,407	-37,923
(ii) Fair value of debt	-2,741	-2,218
(iii) Deferred tax	-2,205	-2,325
EPRA NNNAV (owners of the parent)	**618,008**	**574,203**
Number of shares	14,192,032	14,045,931
EPRA NNNAV (in €/share) (owners of the parent)	**43.55**	**40.88**

EPRA Net Initial Yield (NIY) and EPRA "Topped-up" NIY (x € 1,000)

30 June 2016	Senior housing	Apartments buildings	Hotels and other	Non-allocated	Intersegment items	Total
Investment properties in fair value	835,300	219,332	71,657	25,924	0	1,152,213
Trading properties (+)	4,621	0	0	-	-	4,621
Development projects (-)	-	-	-	-25,924	-	-25,924
Marketable investment properties in fair value	**839,921**	**219,332**	**71,657**	**0**	**0**	**1,130,910**
Allowance for estimated purchasers' costs (+)	29,119	6,024	2,083	0	0	37,226
Investment value of investment properties available for lease	**869,040**	**225,356**	**73,740**	**0**	**0**	**1,168,136**
Annualised cash passing rental income (+)	49,300	11,779	4,533	0	0	65,612
Property charges[1] (-)	-664	-4,186	-46	-140	-119	-5,514
Annualised net rents	**48,636**	**7,593**	**4,487**	**-140**	**-119**	**60,458**
Notional rent expiration of rent free periods or other lease incentives (+)	0	0	0	0	0	0
Topped-up net annualised rent	**48,636**	**7,593**	**4,487**	**-140**	**-119**	**60,458**
EPRA NIY (in %)	**5.6**	**3.4**	**6.1**	**0.0**	**-**	**5.2**
EPRA "Topped-up" NIY (in %)	**5.6**	**3.4**	**6.1**	**0.0**	**-**	**5.2**

30 June 2015	Senior housing	Apartments buildings	Hotels and other	Non-allocated	Intersegment items	Total
Investment properties in fair value	694,467	214,461	72,696	21,734	0	1,003,358
Trading properties (+)	1,805	0	0	0	0	1,805
Development projects (-)	0	0	0	-21,734	0	-21,734
Marketable investment properties in fair value	**696,272**	**214,461**	**72,696**	**0**	**0**	**983,429**
Allowance for estimated purchasers' costs (+)	23,969	5,825	2,123	0	0	31,917
Investment value of investment properties available for lease	**720,241**	**220,286**	**74,819**	**0**	**0**	**1,015,346**
Annualised cash passing rental income (+)	41,038	11,866	4,538	0	0	57,442
Property charges[1] (-)	-306	-4,441	-42	-473	-115	-5,377
Annualised net rents	**40,732**	**7,425**	**4,496**	**-473**	**-115**	**52,065**
Notional rent expiration of rent free periods or other lease incentives (+)	0	0	0	0	0	0
Topped-up net annualised rent	**40,732**	**7,425**	**4,496**	**-473**	**-115**	**52,065**
EPRA NIY (in %)	**5.7**	**3.4**	**6.0**	**0.0**	**-**	**5.1**
EPRA "Topped-up" NIY (in %)	**5.7**	**3.4**	**6.0**	**0.0**	**-**	**5.1**

1. The scope of the real-estate charges to be excluded for calculating the EPRA Net Initial Yield is defined in the EPRA Best Practices and does not correspond to "real-estate charges" as presented in the consolidated IFRS accounts.

Investment properties - Rental data (x € 1,000)

	30 June 2016						
	Gross rental income	Net rental income	Lettable space (in m²)	Contractual rents[3]	Estimated rental value (ERV) on empty spaces	Estimated rental value (ERV)	EPRA Vacancy rate (in %)
Segment							
Senior housing	44,027	43,416	398,803	49,300	0	53,494	0
Apartment buildings	11,799	7,052	110,223	11,779	1,154	12,369[4]	9
Hotels and other	4,080	4,039	37,519	4,533	55	4,292	1
Non-allocated	0	-141					
Intersegment items	-119	-119					
Total marketable investment properties	**59,787**	**54,247**	**546,545**	**65,612**	**1,209**	**70,155**	**2**
Reconciliation to income statement							
Properties sold during the 2015/2016 financial year	0	0					
Properties held for sale	0	0					
Other Ajustments	0	0					
Total marketable investment properties	**59,787[1]**	**54,247[2]**					

	30 June 2015						
	Gross rental income	Net rental income	Lettable space (in m²)	Contractual rents[3]	Estimated rental value (ERV) on empty spaces	Estimated rental value (ERV)	EPRA Vacancy rate (in %)
Segment							
Senior housing	34,081	33,828	340,400	41,038	0	45,803	0
Apartment buildings	11,900	6,959	101,626	11,866	1,118	12,356[4]	9
Hotels and other	3,986	3,949	37,377	4,538	32	4,264	1
Non-allocated	0	-473					
Intersegment items	-114	-115					
Total marketable investment properties	**49,853**	**44,148**	**479,403**	**57,442**	**1,150**	**62,423**	**2**
Reconciliation to income statement							
Properties sold during the 2014/2015 financial year	0	0					
Properties held for sale	0	0					
Other Ajustments	0	0					
Total marketable investment properties	**49,853[1]**	**44,148[2]**					

1. The total “gross rental income” defined in EPRA Best Practices, reconciled with the consolidated IFRS income statement, corresponds to the “net rental income” of the consolidated IFRS accounts.
2. The total “net rental income” defined in EPRA Best Practices, reconciled with the consolidated IFRS income statement, corresponds to the “property operating result” of the consolidated IFRS accounts.
3. The current rent at the closing date plus future rent on leases signed as at 30 June 2015 or 30 June 2016.
4. This ERV does not take into account a furnished occupancy.

Investment properties - Like-for-like net rental income (x €1,000)

	30 June 2016					30 June 2015	
	Net rental income on a like-for-like basis	Acqui-sitions	Disposals	Transfers due to completion	Net rental income[1]	Net rental income on a like-for-like basis	Like-for-like net rental income
Segment							
Senior housing	28,623	12,513	17	2,263	43,416	28,291	1 %
Apartment buildings	7,052	0	0	0	7,052	6,959	1 %
Hotels and other	4,039	0	0	0	4,039	3,949	2 %
Non-allocated	-141	0	0	0	-141	-473	-
Intersegment items	-119	0	0	0	-119	-115	-
Total marketable investment properties	**39,454**	**12,513**	**17**	**2,263**	**54,247**	**38,611**	**2 %**
Reconciliation to income statement							
Properties sold during the financial year					0	0	
Properties held for sale					0	0	
Other Ajustments					0	0	
Total marketable investment properties					**54,247**	**38,611**	

1. Marketable investment properties owend throughout the 2 financial years.
2. The total “net rental income” defined in EPRA Best Practices, reconciled with the consolidated IFRS income statement, corresponds to the “property operating result” of the consolidated IFRS accounts.

Investment properties - Valuation data (x € 1,000)

	30 June 2016			
	Fair value	Changes in fair value	EPRA NIY (in %)	Reversion rate (in %)
Segment				
Senior housing	839,921	17,589	5.6	8
Apartment buildings	219,332	338	6.5	-5[1]
Hotels and other	71,657	-1,062	6.1	-7
Total marketable investment properties	**1,130,910**	**16,865**	**5.2**	**5**
Reconciliation to the consolidated IFRS balance sheet				
Development projects	25,924	-6,090		
Total marketable investment properties	**1,156,834**	**10,775**		

	30 June 2015			
	Fair value	Changes in fair value	EPRA NIY (in %)	Reversion rate (in %)
Segment				
Senior housing	696,272	13,343	5.7	10
Apartment buildings	214,461	1,061	6.6	-5[1]
Hotels and other	72,696	125	6.0	-7
Total marketable investment properties	**983,429**	**14,529**	**5.1**	**6**
Reconciliation to the consolidated IFRS balance sheet				
Development projects	21,734	4,730		
Total marketable investment properties	**1,005,163**	**19,259**		

1. This reversion rate does not take into account a furnished occupancy for some apartments.

Investment properties - Lease data

	30 June 2016				
		Current rent of leases expiring (x € 1,000)			
	Average remaining maturity[1] (in years)	Not later than one year	Later than one year and not later than two years	Later than two years and not later than five years	Later than five years
Segment					
Senior housing	23	0	0	0	49.366
Apartment buildings	4	8,669	2,714	0	594
Hotels and other	27	62	130	8	4,070
Total marketable investment properties	**20**	**8,731**	**2,844**	**8**	**54,030**

1. Termination at following possible break.

Properties being constructed or developed (in millions €)

	30 June 2016							
	Cost to date	Costs to completion	Future interest to be capitalised	Forecast total cost	Forecast completion date	Lettable space (in m²)	% Pre-let	ERV on completion
Total	24	226	1	252	2018/2019	± 120,000	99	15

	30 June 2015							
	Cost to date	Costs to completion	Future interest to be capitalised	Forecast total cost	Forecast completion date	Lettable space (in m²)	% Pre-let	ERV on completion
Total	21	118	2	138	2018/2019	± 67,000	95	8

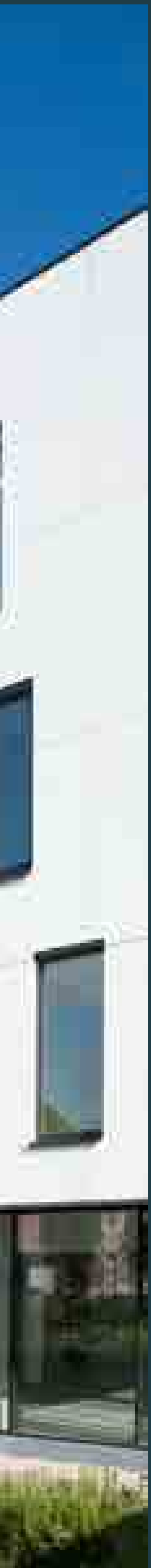
The breakdown for these projects is provided in section 4.2. of the property report.

EPRA Cost ratios (x € 1,000)

	30 June 2016	30 June 2015
Administrative/operating expense line per IFRS statement	**-12,208**	**-10,881**
Rental-related charges	-35	-50
Recovery of property charges	25	32
Rental charges and taxes normally paid by tenants on let properties	-1,454	-1,563
Technical costs	-1,119	-1,071
Commercial costs	-584	-492
Charges and taxes on unlet properties	-119	-131
Property management costs	-1,037	-892
Other property charges	-1,252	-1,588
Overheads	-6,694	-5,355
Other operating income and charges	61	229
EPRA Costs (including direct vacancy costs) (A)	**-12,208**	**-10,881**
Charges and taxes on unlet properties	119	131
EPRA Costs (excluding direct vacancy costs) (B)	**-12,089**	**-10,750**
Gross Rental Income (C)	**59,822**	**49,903**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**20 %**	**22 %**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**20 %**	**22 %**
Overhead and operating expenses capitalised (including share of joint ventures)	28	20

Aedifica capitalises project management costs.

PROPERTY REPORT



5.8%

AVERAGE GROSS YIELD
IN TERMS OF FAIR VALUE

14%

PART OF THE PORTFOLIO
IN GERMANY AND
IN THE NETHERLANDS

20 years

AVERAGE REMAINING LEASE
MATURITY OF CURRENT
CONTRACTS

€1.2 billion

FAIR VALUE OF INVESTMENT
PROPERTIES

PROPERTY REPORT

RÉSIDENCE DE GERLACHE
BELGIUM – APARTMENT BUILDINGS

		Total investment	Purchasing costs	Net purchase price	Financing 80 %	Required personal contribution
Existing	Minimum	200,000	20,000	180,000	144,000	56,000
	Maximum	250,000	25,000	225,000	180,000	70,000
New construction	Minimum	200,000	35,000	165,000	132,000	68,000
	Maximum	250,000	44,000	206,000	165,000	85,000

1. Written in Dutch on 7 July 2016 by Stadim CVBA, and reproduced with permission. Translation by Aedifica.

1. THE REAL ESTATE MARKET

All data presented in sections 1.1 and 1.3.1 of this chapter is based on information publicly available through the Belgian Ministry of Economy as of 31 March 2016.

1.1 THE BELGIAN RESIDENTIAL MARKET[1]

Turnover on the secondary residential market saw an increase at the end of 2014, mainly in Flanders, due to changes announced in relation to mortgage interest tax relief schemes. The stricter credit policies imposed by financial institutions as a result of Basel III directives, however, have an increasing impact on market activity. This trend is expected to continue in 2016.

Moreover, the base rates for mortgage loans decreased over the course of 2014 (from 3.7 % in the first half to 2.7 % by the end of the year) and fell further in the first quarter of 2015 to 2.5 % by April. At the beginning of 2016, the base rates further decreased to 2 %. At the same time, inflation was flat at 0 % in 2014 but climbed steadily to reach approx. 2.5 % by March 2016. This implies that the real interest rate (the difference between the base rate and rate of inflation), decreased to -0.5 % in 2016. There is a risk that a negative real interest rate will lead to excessive prices. In line with the adage that real estate offers protection against inflation, investors are being seduced by the notion that the value derived from their property will be greater than their cost of capital.

Therefore, two opposing undercurrents exist concerning private buyers (owner-occupiers); stricter credit policies require more initial capital and thus hinder investment in housing, whereas low – or even negative – interest rates encourage purchase. For investment buyers (landlords), real estate investments are very attractive under current conditions, given direct comparisons between real estate returns and yields on alternative investments.

In practice, we observe a convergence toward a total budget of between €200,000 and €250,000 for both first-time buyers and investors in residential real estate. In Flanders, this results in a net purchase price between €180,000 and €225,000 for existing properties (including renovations), and between €165,000 and €206,000 for new constructions. If financing covers 80 % of the purchase price, the initial capital required personal resources amounts to between €56,000 and €85,000 on average. The result is about the same in Brussels and Wallonia, taking into account the higher tax reductions in Brussels and the more common reduced tariffs in Wallonia (see table on the left).

The figures presented in the above table show the ceilings (maximum amount feasible) for young families, relying on their own savings and parental support.

As for the number of housing starts and approved development permits: after a strong 2014, 2015 was, frankly, rather weak. Compared to 2014, preliminary figures indicate a decline in the number of single-family homes and apartment starts in the magnitude of 17 %

(approx. 17,200 units) and almost 25 % (23,170 units), respectively. As for the number of development permits, approximately 19,230 (-14 %) were issued for single-family homes and 27,170 (-17 %) for apartments.

Demand for rented dwellings has experienced a significant increase as more and more higher-income households are staying in the rental market for longer periods of time. Prices continue to show an upward trend: in 2014, we observed an increase of 0.7 % for single-family dwellings, 1.1 % for apartments and 1.9 % for vacant lands. Preliminary figures for 2015 and 2016 point to a similar trend. Price increases seem to be mainly concentrated in the segment up to €250,000, whereas formation of prices above €500,000 is more difficult.

Between 1983 and 2014, prices for private dwellings have multiplied by 6.46 times. This represents an average yearly increase of 6.2 %, compared to average inflation of 2.15 %. The most important factors reflected during the period 1983-2015 include, on one hand, the increase in the consumer price index (+95.23 %) and in purchasing power (inflation excluded) of households (+59.31 %), and on the other hand, increased in the borrowing capacities as a result of lower interest rates (+112.26 %) and longer mortgage terms (+6.64 %). The result obtained by multiplying these four factors (1.9523 x 1.5931 x 2.1226 x 1.0664) shows that the baseline index of 100 (established in 1983) has increased to 704 by 2015. Thus, prices for private dwellings showed a 6 % growth rate for 2015. Over a period of 101 years (1913-2014), prices for single-family dwellings have been multiplied by a factor of 791, which represents an annual increase of 6.83 %, compared to average inflation of 5.54 % over the same period.

1.2 THE MARKET FOR FURNISHED APARTMENTS IN BELGIUM

The market for furnished apartments in Belgium is characterised by the dispersion of operators and by a very diverse offering (ranging from the simple activity of renting out furnished apartments to providing furnished apartment rentals with additional services, and from very short term (daily) rental contracts to the more common monthly rental contracts, etc.). Moreover, this market is characterised by its lack of transparency. To the best of our knowledge, no independent market study has been carried out on this segment to date.

The business of furnished apartment rentals must not be confused with the hotel industry. The main activity is indeed the renting out of apartments, which include all necessary furnishings such that tenants can immediately move in without having to worry about the interior design. However, the additional services provided are rather limited, usually consisting of a weekly cleaning service only.

Taking into account short-term rental contracts and the target clientele (expatriates), this rental activity is more sensitive to economic cycles. The current economic context and market conditions lead to increased volatility in occupancy rates and prices.

In Flanders, the activity of renting furnished apartments is currently subject to a specific regulation, the Decree of 10 July 2008 on Touristic Housing, as amended. However, the aforementioned Decree of 10 July 2008 will be replaced by the Decree of 5 February 2016 on Touristic Housing (published in the Belgian State Gazette dated 8 March 2016), which will be implemented by the Flemish Government at a date to be determined (probably early 2017). In the Brussels-Capital Region, an Ordinance was also adopted under which the activity of furnished apartment rentals, and their service providers, are in certain cases henceforth regulated by the Regulatory Framework for Touristic Housing (Ordinance of 8 May 2014 on Touristic Housing, which was implemented on 24 April 2016).

1.3 THE SENIOR HOUSING MARKET

1.3.1 BELGIUM

The total number of rest home beds in Belgium increased by 3,629 in units between 29 May 2015 and 22 June 2016 to reach a capacity of 140,888 units. However, according to several studies, this increase remains below the real annual incremental need, given the growth forecast for the population segment aged 65+, which is expected to rise from 17 % of the population in 2013 to 22 % by 2030. However, within this segment, the portion of seniors who are autonomous is growing, whereas the number of dependant persons is increasing less sharply. According to a Dutch study (CBS), life expectancies increased between 1980 and 2010, from 72.5 to 79 years for men and from 79 to 83 years for women. The number of years during which elderly people suffer from health problems has remained stable since 1990 for men (approx. 15 years) and since 1998 for women (approx. 20 years). Moreover, domestic technologies and homecare play an increasingly important role. The average duration of stay remains relatively stable. Over the last 5 years, the number of beds has increased by 9,900 units. Private not-for-profit organisations operate the lion's share of these units, representing 50 % of the market. It is notable as well that the number of rest home beds showed a consistent decrease between 1997 (93,056 beds) and 2012 (62,545 beds). Since 2012 however, it has risen to 68,761 units.

As a long-term investment, health care real estate is attracting more and more interest. The investment market has rapidly extended toward insurers and pension funds for whom (very) long-term and indexed contracts present attractive features. This also corresponds to operators' desire to pursue a long-term strategy. Financial ratios, such as the debt

POPULATION AGEING AND INCREASING LIFE EXPECTANCIES ESPECIALLY HAVE AN EFFECT ON THE GERMAN MARKET. GERMANY HAS APPROXIMATELY 81 MILLION INHABITANTS, OF WHICH APPROXIMATELY 17 MILLION ARE OVER 65 (21%) AND AN ESTIMATED 9 MILLION ARE MORE THAN 75 YEARS OF AGE (11%).

to turnover, are of greater concern to operators than to real estate investors. For investors, a debt that is eight times the turnover (rental income) is easily acceptable, whereas, for operators, debt generally amounts to only one quarter of the turnover. The separation between operational activities and real estate, which is also found in the hotel segment, is therefore a logical consequence. However, these two aspects remain linked, with profits split between the two parties: they are thus dependent on one another. For the operator, the building represents a "real estate machine" that cannot be defective at any time. Like in the hotel segment, triple net contracts are logically established in the healthcare sector as well. It is essential for operators that the quality of the asset is maintained and that they can intervene quickly if action is needed. This type of contract might be misleading for investors who think they are fully relieved of all matters relating to building management given the long-term contracts in place with the operators. Operational sustainability and technical requirements of the building, as well as compliance with constantly changing regional regulations, are the Achilles heel of relations between investors and operators. What value will remain if a building is not up to code? If the establishment were located in collective community services zone ("blue zone"), what alternative use would be possible? If operations become insufficiently profitable due to a reduction in state/public subsidies, change in regulation, or excessive rent, a downward rent revision may be required if the operations are to continue. It is crucial for the investor to monitor all changes and trends of either technical or regulatory nature, as well as those affecting operations.

Various authorities are taking initiatives to limit the ability to offer individual rooms in a rest home for sale as investment properties. Co-ownership in the health care sector, while permitted in the apartment sector has, fortunately, reached an impasse. Furthermore, it will be impossible in the long-term to impose significant investments on co-owners at the same time, except for justified social reasons. It is the hope that this legislation will be adopted in the different Regions of Belgium, and extended to other types of operational properties. How would it be possible to maintain, under co-ownership, the quality requirements of a hotel, a student residence or even a house transformed into an apartment building?

Given the increasing trend toward professionalisation among rest home operators, the attractiveness to investors, and reduced interest rates, gross rental yields are decreasing. Certain transactions (based on long-term triple net contracts) are already being established at rental yields lower than 5%. In this context, the need for quality and versatility and overall sustainability of the investment is even more important: with current yields, there is no room for error. Attempts are being made to capitalise on the experience accumulated in the senior care segment by combining or expanding residences to serve other types of dependent persons, such as youth with disabilities. Ancillary services such as welcoming, catering, etc. could also be combined which could serve to improve the complementarity and flexibility of real estate assets. In some cases, independent operators are not profitable due to their small size but, as targets for acquisition, offer new possibilities to pursue these types of projects, including projects at the local level.

1.3.2 GERMANY[1]

General Trends

Population ageing and increasing life expectancies have a significant effect on the German market. According to the most current data as of the end of 2014 Germany has approximately 81 million inhabitants, of which approximately 17 million are over 65 (21%) and an estimated 9 million are more than 75 years of age (11%). Population ageing will be further amplified by the generation of baby boomers who will reach age 60 in approximately ten years. Consequently, the need for senior housing will increase over the next decades.

When looking at the population by age cohorts, it is noted that approximately 0.6% of people below 60 years of age need long-term care. This percentage increases to 5% for those between 60 and 80 and reaches 33% after the age of 80. The total rest home capacity in Germany should be expanded, given the number of persons in need of care. It is expected that this number will rise from approximately 2.5 million today to approximately 3.2 million by 2030.

Currently, there are approximately 900,000 beds in more than 13,000 rest homes in Germany. These are operated by not-for-profit operators (approximately 54.2%), private operators (approximately 41.1%) and public operators (approximately 4.7%), in a very fragmented market. It is estimated that the market share of the five biggest operators is approx. 10%.

According to some market studies, the capacity of rest homes should increase by approximately 380,000 units by 2030. Thus, the ageing population offers significant growth potential and consolidation opportunities in the collective senior housing sector in Germany.

Investment Market

The trend towards a bullish market for suitable nursing home investments has continued in 2016. This is evident

HOLLAND
THE NETHERLANDS –
SENIOR HOUSING

KÄTHE-BERNHARDT-HAUS
GERMANY –
SENIOR HOUSING

not only in the increasing demand from investors already active in the market but also in the increasing numbers of international investors entering the market, having discovered this type of property as an asset class that is secured by demographic trends.

The transaction volume for nursing homes was at approximately €834 million in 2015, of which roughly 63% have been portfolio transactions. It is notable that approximately €386 million of the total transaction volume came from foreign investors (46%). It can be assumed that this volume will also be equalled in 2016, not least because of the increasing multipliers, which ever more frequently exceed 16.6-times of the rental income.

As well as the new international investors, many local investors are entering the market in order to separate properties into individual sheltered apartments, which are then offered to private investors. In doing so, they generate significant capital gains which leads to reduced rental yields. New buildings are particularly sought after by this type of investor.

As a consequence, institutional investors (special funds and closed-end funds) are forced to reconsider their acquisition criteria, which tend to be relatively inflexible.

At the end of 2015 the net initial yield for prime properties dropped to 6.00% which is 25 basis points below the figure of 2014. A trend toward steadily increasing demand for many types of property is now evident.

1.3.3 THE NETHERLANDS[2]

The Netherlands currently has a population of approx. 17 million inhabitants. The Central Bureau of Statistics predicts a slight growth in the population, to reach 17.8 million inhabitants by 2040. Population growth beyond 2040 remains uncertain.

However, it is certain that the number of elderly will increase sharply over this period, from 3 million to 4.7 million persons over 65 years old in 2040 (i.e. 26% of the population), and from 0.7 million to 2 million persons over 80 years in 2040 (i.e. 11% of the population). About 20% of this group needs care, and over 5% requires on-going assistance (as provided in traditional care facilities). This latter group often includes individuals suffering from dementia. According to Alzheimer Nederland, the number will more than double by 2040. Consequently, senior care constitutes a significant growth area in The Netherlands.

An increasing portion of these people do not choose for traditional care facilities, but prefer to obtain in-home care or care in private residential care facilities (such as the care residences offered by Domus Magnus). This is due to a number of factors:

- the increasing number of elderly persons with greater financial means and higher education levels as compared to average;
- the policy of separating financing for housing and care, which offers more freedom of choice;
- the high personal contribution required for occupancy in traditional care facilities;
- the higher expectations of the current generation of seniors and their children;
- the limited offerings available in traditional care facilities.

Dutch private care providers anticipate these trends: there are already more than 150 private residential care facilities in the country and it is foreseen that this number will increase to over 300 by 2025.

According to these trends, it appears that an increasing group of seniors seek - and are able to pay for - higher quality services.

On average, a private residential care facility contains 18 units. The limited number of units is what strengthens and distinguishes them from traditional care facilities and assisted-living apartment facilities, which comprise 60 to 200 residents.

1. Written in English on 8 July 2016 by CBRE GmbH, and reproduced with permission.
2. Written in Dutch on 13 July 2016, by Adviesbureau Zorgvastgoed ABZV, Amsterdam, and reproduced with permission. Translation by Aedifica.

More than half of the country's private residential care facilities are still operated independently. Expectations are thus that an increasing number of operators will manage several locations.

1.4 THE HOTEL MARKET[1]

Compared to 2014, the Belgian hotel market managed to close 2015 with a slight increase in the occupancy rate (±73.8 %) as compared to 2014. Thus, the positive trend of prior years continued in 2015; it would have been even better, however, were it not for the sharp decline in occupancy (> -10 %) during the months of November and December. After a slight recovery at the beginning of the year, the attacks in Brussels and Zaventem caused a sharp downturn in occupancy rates and RevPar (Revenue per Available Room). In comparison with the same period (January-May) of last year, the average decrease of RevPar amounts to more than 10 %. In the month of May alone, the decline amounted to almost 20 %.

Preliminary figures provided by Toerisme Vlaanderen (Tourism Flanders) for 2015 show a similar pattern, pointing to an increase in the number of overnight stays up to October, followed by a decrease of approx. 10 % in November and December. Regional figures are not yet available for the first months of 2016, but early indications suggest that both Brussels and the Flemish art cities continue to suffer from this negative trend.

The expansion of hotel accommodation continues given the opening of new or renovated hotels in De Haan (Ibis, 65 rooms), Brussels (Hilton Garden Inn, 83 rooms), Woluwe (Tangla Hotel, 187 rooms) and Leuven (Tafelrond, 44 rooms). In Bruges, Group GL obtained permission to construct a 111-room Ibis Budget Hotel near the train station.

In terms of investments in the hotel sector, 2015 was a record year with an investment volume of more than €210 million. Several investments have already been carried out in 2016, which saw changes in ownership of Martin's Relais Hotel in Bruges, Cour Saint Georges hotel in Gent and the Steigenberger Wiltcher's hotel in Brussels. The latter forms part of a larger building complex that was sold by AG Real Estate to AXA Investment Managers for an amount of ±€120 million.

Strong demand for hotel real estate is not only limited to Belgium but also extends across the EMEA region, thanks to the continued growth of global tourism and the overall economic situation. Unexpected external events, like attacks, impact occupancy rates and RevPar at the local level in the short term, but investments in this real estate segment are also supported by very low interest rates and investors' search for higher returns.

1. Written in Dutch on 4 July 2016 by de Crombrugghe & Partners SA, and reproduced with permission. Translation by Aedifica.

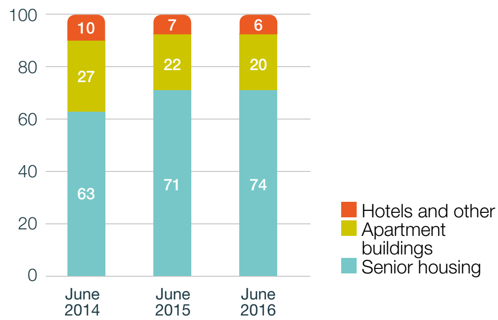
2. GROWTH OF THE CONSOLIDATED PROPERTY PORTFOLIO AS OF 30 JUNE 2016

(x1,000 €)	30 June 2016	31 March 2016	31 Dec. 2015	30 Sept. 2015	30 June 2015
Investment properties in fair value					
Senior housing[2]	839,921	818,393	755,039	729,674	696,272
Apartment buildings	219,332	218,369	217,005	215,884	214,461
Hotels and other	71,657	72,413	72,112	72,822	72,696
Total of marketable investment properties in fair value	**1,130,910**	**1,109,174**	**1,044,156**	**1,018,380**	**983,429**
Development projects	25,924	23,422	20,523	17,313	21,734
Total of investments properties in fair value	**1,156,834**	**1,132,596**	**1,064,679**	**1,035,693**	**1,005,163**
Contractual rents[1]	**65,612**	**64,440**	**60,775**	**59,490**	**57,442**
Contractual rents + ERV on empty spaces	**66,821**	**65,483**	**61,731**	**60,512**	**58,592**
Valeur locative estimée (ERV)[1]	**70,154**	**68,731**	**65,643**	**64,049**	**62,423**
Occupancy rate[1] of the investment properties (%)					
Total Portfolio (excl. furnished apartments)	98.1 %	98.3 %	98.3 %	98.2 %	97.9 %
Furnished apartments	78.6 %	79.3 %	81.0 %	81.4 %	78.3 %

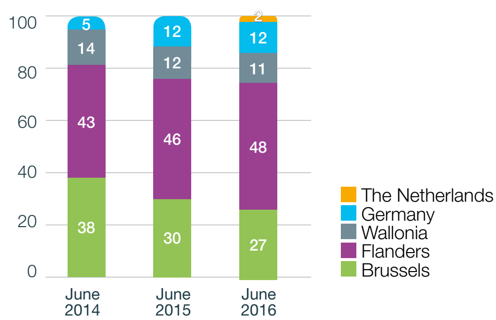
1. See glossary.
2. Including assets classified as held for sale.

3. PORTFOLIO ANALYSIS AS OF 30 JUNE 2016

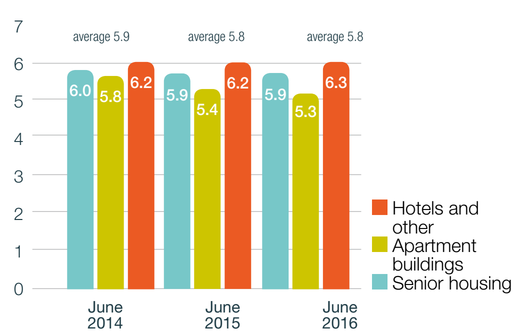
3.1 BREAKDOWN BY SEGMENT IN FAIR VALUE (%)



3.2 GEOGRAPHICAL BREAKDOWN IN FAIR VALUE (%)



3.3. GROSS YIELD BY SEGMENT BASED ON FAIR VALUE[1] (%)

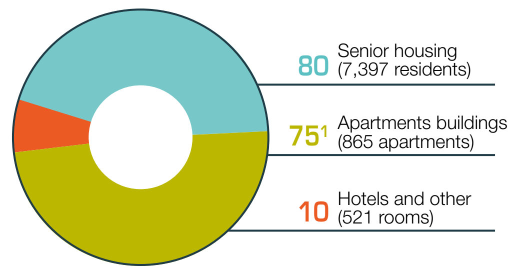


1. Based on the fair value (re-assessed every 3 months, plus goodwill and the furniture for the furnished apartments). In the senior housing segment in Belgium and in The Netherlands, gross yield and net yields are normally equal ("triple net" contracts, under which operating charges, maintenance costs and rents on empty spaces are borne by the operator). The same applies for hotels. In Germany, the net yield is normally less than the gross yield, as the owner remains responsible for certain expenses ("double net" contracts, under which the repair and maintenance of the roof, structure and facades of the building remain the responsibility of the owner while other costs are borne by operator).

3.4 BREAKDOWN BY BUILDING (IN FAIR VALUE)

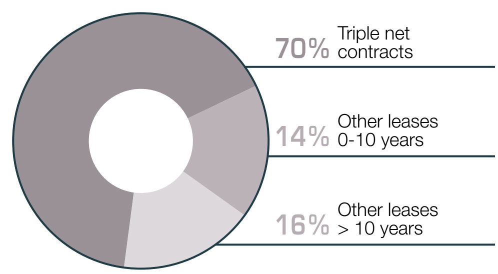
None of the buildings represents more than 3% of total consolidated assets.

3.5. NUMBER OF BUILDINGS PER SEGMENT

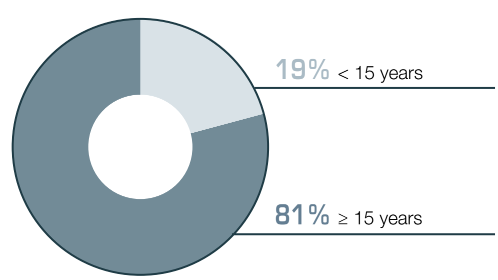


1. Every building of each complex is taken into account. In the table in section 4.1, all buildings that form part of a single complex appear on one line.

3.6. AGE OF BUILDINGS BY TYPE OF CONTRACT (BASED ON FAIR VALUE)

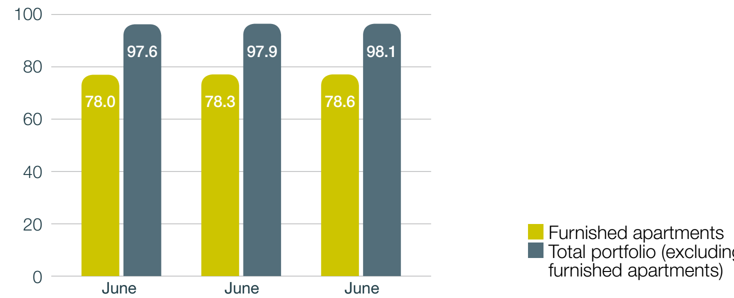


3.7. BREAKDOWN BY MATURITY OF LEASE CONTRACTS (BASED ON FAIR VALUE)



Remaining lease maturity 20 years.

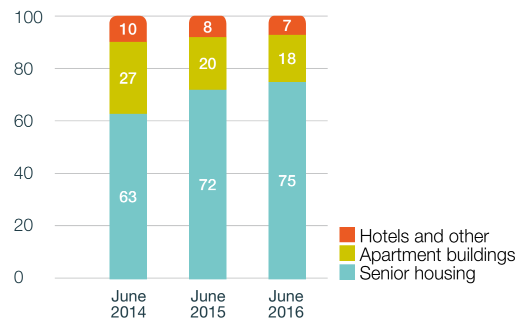
3.8. OCCUPANCY RATES[1] (%)



Overall occupancy rate for the year ended 30 June 2016 is 98%.

1. See glossary.

3.9. BREAKDOWN BY SEGMENT IN CONTRACTUAL RENT (%)



3.10. PROPERTY PORTFOLIO IN VALUE INSURED

Aedifica's investment properties are insured for a total value of €1,128 million (including furniture in the furnished apartments, and excluding lands), i.e. €810 million for senior housing, €242 million for apartment buildings and €76 million for hotels and other.

3.11. BREAKDOWN OF SENIOR HOUSING CONTRACTUAL RENT BY GROUP CONTROLLING THE LEGAL ENTITIES IN CONTRACTUAL RELATION WITH AEDIFICA (30 JUNE 2016)

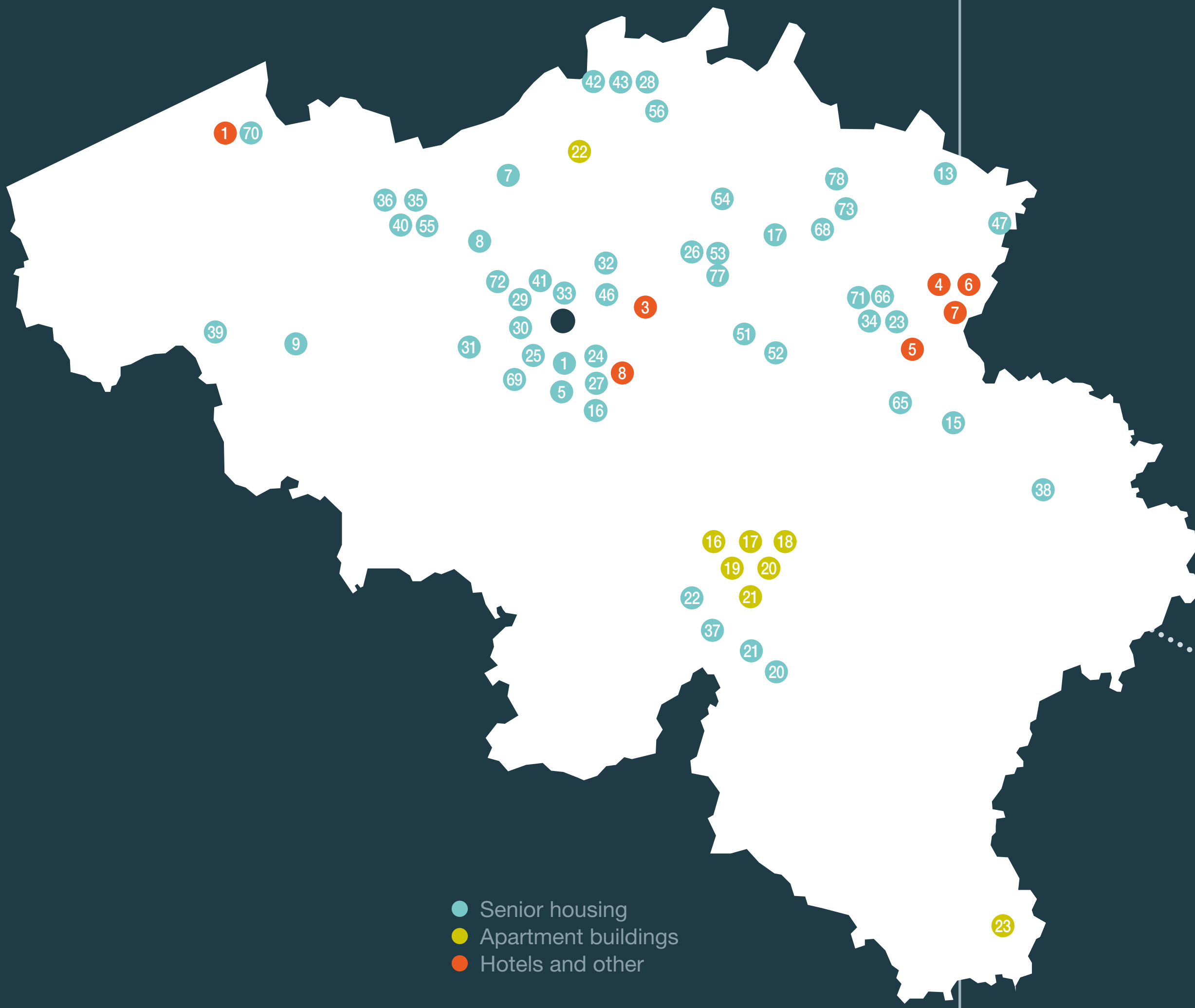
Segment	Country	Group controlling the legal entities in contractual relation with Aedifica	Tenants	Numbers of sites	30 June 2016	30 June 2015
Senior housing				80	75 %	73 %
	Belgium			**61**	**59 %**	**58 %**
		Armonea[1]		19	21 %	21 %
			Armonea SA	8	10 %	11 %
			Restel Flats SPRL	1	1 %	1 %
			LDC De Wimilingen ASBL	1	0 %	0 %
			Happy Old People SPRL	1	1 %	0 %
			Citadelle Mosane SPRL	1	1 %	1 %
			Soprim@ SA	4	4 %	5 %
			De Stichel ASBL	1	1 %	1 %
			Huize Lieve Moenssens ASBL	1	0 %	1 %
			Eyckenborgh ASBL	1	2 %	2 %
		Senior Living Group[2]		18	14 %	15 %
			Ennea Rustoord ASBL	1	0 %	0 %
			Residentie Kasteelhof SCS	1	1 %	1 %
			Wielant-Futuro SCS	1	1 %	1 %
			Home Residence du Plateau SPRL	1	2 %	2 %
			Seniorie de Maretak SA	1	1 %	1 %
			Senior Living Group SA	7	6 %	6 %
			Résidence Au Bon Vieux Temps SA	1	0 %	0 %
			Résidence Les Cheveux d'Argent SA	1	0 %	0 %
			Helianthus ASBL	1	1 %	0 %
			Rustoord 't Hoge ASBL	1	1 %	1 %
			Vinkenbosch ASBL	1	0 %	0 %
			Residentie Sporenpark SPRL	1	2 %	2 %
		Orpea		9	10 %	11 %
			Château Chenois Gestion SPRL	3	3 %	3 %
			New Philip SA	3	2 %	2 %
			Parc Palace SA	1	2 %	2 %
			Progestimmob SA	1	2 %	2 %
			Résidence du Golf SA	1	1 %	1 %

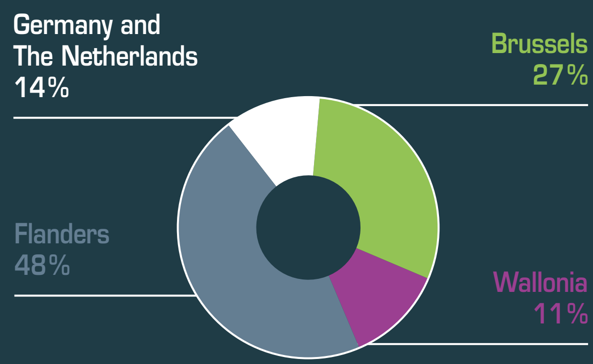
1. With Soprim@.
2. Korian Group.

Segment	Country	Group controlling the legal entities in contractual relation with Aedifica	Tenants	Number of sites	30 June 2016	30 June 2015
Senior housing						
	Belgium					
		Oase		3	4 %	5 %
			Oase ASBL	3	4 %	5 %
		Vulpia		5	5 %	3 %
			Vulpia Vlaanderen ASBL	4	5 %	2 %
			Résidence Alice aux Pays des Merveilles ASBL	1	0 %	0 %
		Time for Quality		1	1 %	1 %
			Service Flat Residenties ASBL	1	1 %	1 %
		Other		6	4 %	2 %
			Le Château de Tintagel SPRL	1	0 %	0 %
			Résidence Bois de la Pierre SA	1	1 %	1 %
			Buitenhof ASBL	1	1 %	1 %
			Résidence de la Houssière SA	1	1 %	0 %
			Heydeveld Woon- en Zorgcentrum ASBL	1	1 %	0 %
			WZC Prinsenhof ASBL	1	1 %	0 %
	Germany			**15**	**13 %**	**15 %**
		Orpea		5	5 %	5 %
			Senioren Wohnpark Weser GmbH	3	3 %	3 %
			Bonifatius Seniorendienstr GmbH[3]	1	1 %	1 %
			Seniorenresidenz Kierspe GmbH[3]	1	1 %	1 %
		AGO		3	2 %	3 %
			AGO Herkenrath Betriebsgesellschaft für Sozialeinrichtungen mbH	1	1 %	1 %
			AGO Dresden Betriebsgesellschaft für Sozialeinrichtungen mbH	1	1 %	1 %
			AGO Weisseritz Betriebsgesellschaft für Sozialeinrichtungen mbH	1	1 %	1 %
		Residenz Management		3	2 %	3 %
			Medeor Senioren-Residenzen GmbH[4]	1	1 %	1 %
			Katholische Hospitalgesellschaft Südwestfalen gGmbH Olpe[4]	2	1 %	2 %
		Alloheim		1	1 %	1 %
			Senator Senioren- und Pflegeeinrichtungen GmbH	1	1 %	1 %
		Volkssolidarität		1	1 %	1 %
			Volkssolidarität Südthüringen e. V.	1	1 %	1 %
		DRK Kreisverband Nordfriesland e. V.		1	1 %	0 %
			DRK Pflegedienste Nordfriesland gGmbH	1	1 %	0 %
		Other		1	1 %	2 %
			Schloss Bensberg Management GmbH + AachenMünchener Lebensversicherung AG	1	1 %	2 %
	The Netherlands			**4**	**3 %**	**0 %**
		Domus Magnus		2	2 %	0 %
			Panta Rhei V BV	1	1 %	0 %
			DM Benvenuta BV	1	0 %	0 %
		Stepping Stones Home & Care		1	1 %	0 %
			Poort van Sachsen Weimar BV	1	1 %	0 %
		Martha Flora		1	0 %	0 %
			Martha Flora Lochem BV	1	0 %	0 %
Hotels and other				10	7 %	8 %
	Belgium			**10**	**7 %**	**8 %**
		Martin's Hotels		2	5 %	5 %
			Martin's Brugge SA	1	3 %	3 %
			Martin's Hotel SA	1	2 %	2 %
		Different Hotel Group		4	2 %	2 %
			Different Hotels SA	4	2 %	2 %
		Other		4	0 %	0 %
Other tenants				75	18 %	19 %
	Belgium			**75**	**18 %**	**19 %**
TOTAL				165	100 %	100 %

3. Sub-tenant of Senioren Wohnpark Weser GmbH.
4. Sub-tenant of Residenz Management GmbH.

BELGIUM





86%

BELGIAN PORTION OF THE PORTFOLIO

5,968

RESIDENTS IN SENIOR HOUSING

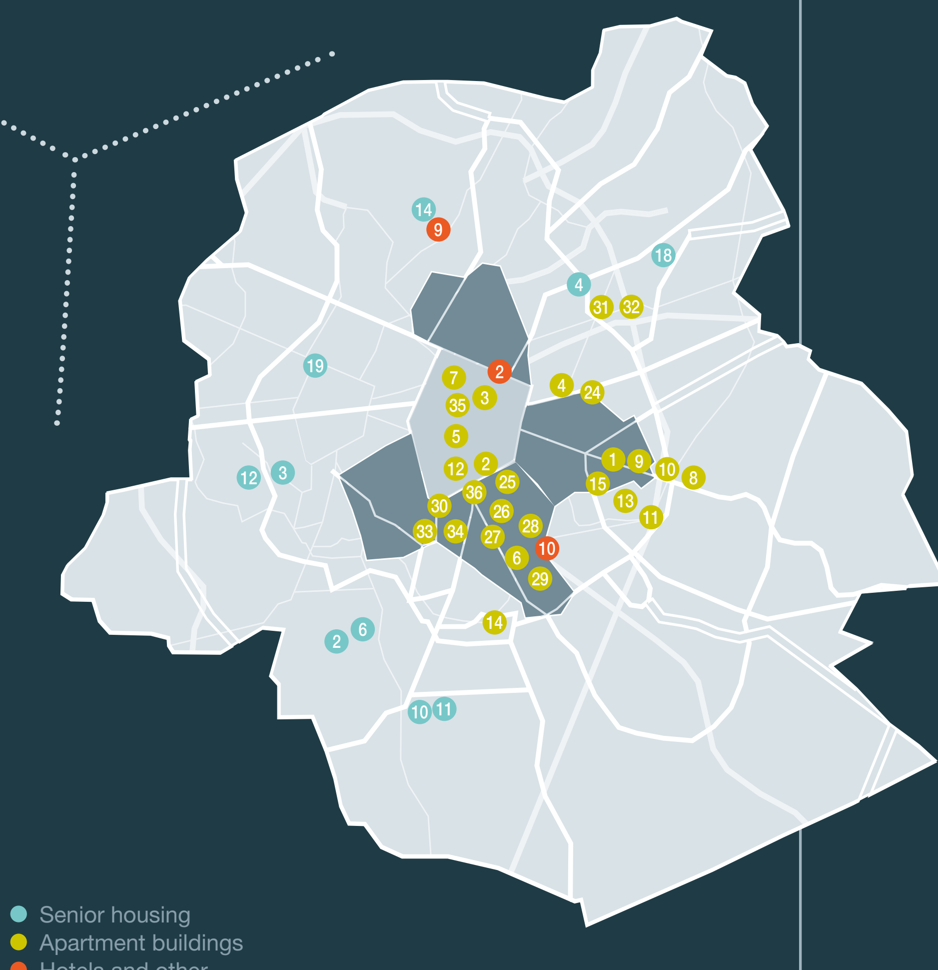
61

SENIOR HOUSING SITES

865
APARTMENTS

6
HOTELS

BRUSSELS



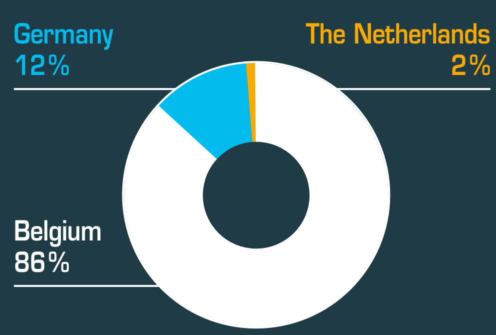
THE NETHERLANDS

2016

1ST INVESTMENTS IN
THE NETHERLANDS

4

SITES IN
THE NETHERLANDS



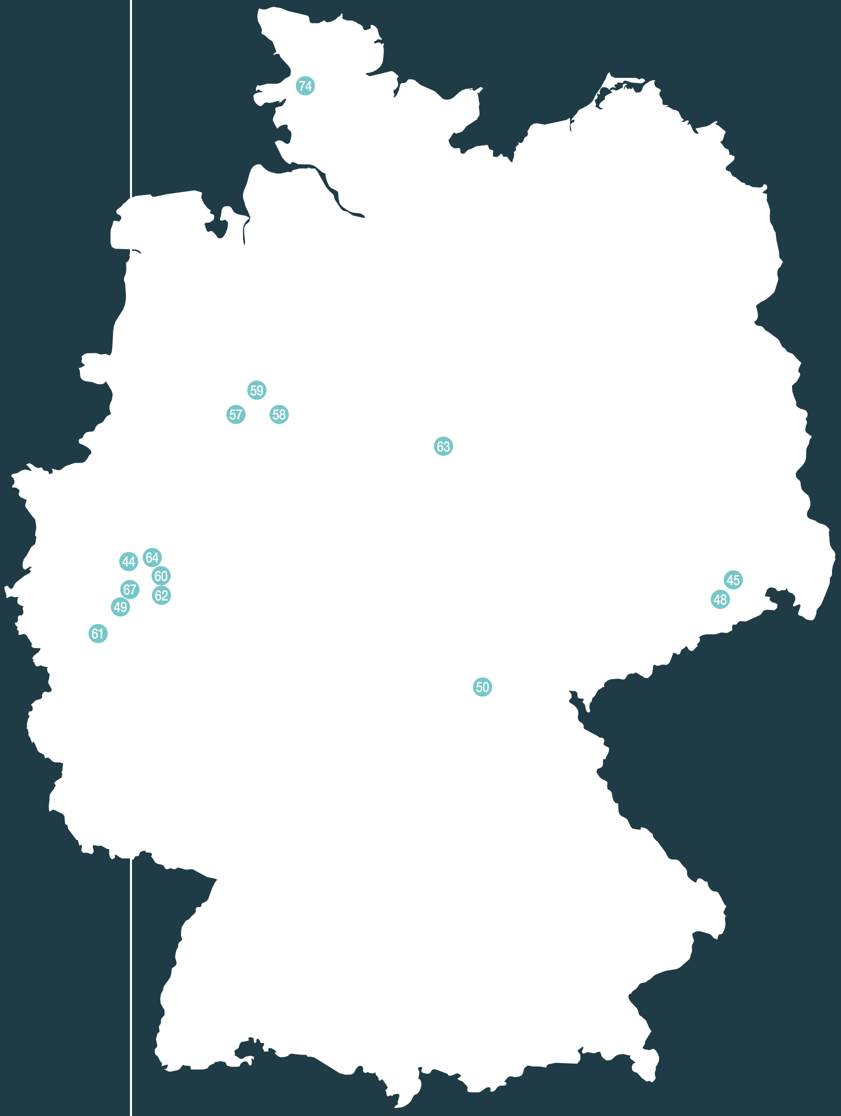
2013

1^{ST} INVESTMENTS IN GERMANY

15

SITES IN GERMANY

GERMANY



Senior housing

4. SUMMARY TABLE OF INVESTMENT PROPERTIES AS OF 30 JUNE 2016

4.1 MARKETABLE INVESTMENT PROPERTIES

	Total surface (m²)[1]	Number of residential units	% Occupancy rate[2]	Contractual rents[3]	Contractual rents + ERV on empty spaces[4]	Estimated rental value (ERV)[5]
Senior housing						
1 Château Chenois *(B-1410 Waterloo)*	6,354	115	100.0%	863,486	863,486	1,108,091
2 New Philip *(B-1190 Brussels)*	3914	111	100.0%	472,779	472,779	585,446
3 Jardins de Provence *(B-1070 Brussels)*	2,280	72	100.0%	388,102	388,102	410,003
4 Bel Air *(B-1030 Brussels)*	5,350	161	100.0%	705,641	705,641	826,023
5 Résidence Grange des Champs *(B-1420 Braine-l'Alleud)*	3,396	75	100.0%	417,532	417,532	485,342
6 Résidence Augustin *(B-1190 Brussels)*	4,832	94	100.0%	525,031	525,031	583,921
7 Ennea *(B-9100 Sint-Niklaas)*	1,848	34	100.0%	192,590	192,590	175,036
8 Kasteelhof *(B-9200 Dendermonde)*	3,500	81	100.0%	348,326	348,326	492,677
9 Wielant *(B-8570 Ingooigem)*	4,834	104	100.0%	534,971	534,971	691,993
10 Résidence Parc Palace *(B-1180 Brussels)*	6,719	162	100.0%	1,249,670	1,249,670	1,501,378
11 Résidence Service *(B-1180 Brussels)*	8,716	175	100.0%	1,285,375	1,285,375	1,085,157
12 Résidence du Golf *(B-1070 Brussels)*	6,424	194	100.0%	760,988	760,988	1,321,800
13 Résidence Boneput *(B-3960 Bree)*	2,993	78	100.0%	454,882	454,882	584,591
14 Résidence Aux Deux Parcs *(B-1090 Brussels)*	1,618	53	100.0%	262,784	262,784	308,472
15 Résidence L'Air du Temps *(B-4032 Chênée)*	2,763	88	100.0%	465,309	465,309	516,060
16 Au Bon Vieux Temps *(B-1435 Mont-Saint-Guibert)*	1,268	43	100.0%	230,505	230,505	182,675
17 Op Haanven *(B-2431 Veerle-Laakdal)*	6,613	89	100.0%	519,520	519,520	673,266
18 Résidence Exclusiv *(B-1140 Brussels)*	4,253	104	100.0%	710,614	710,614	670,039
19 Séniorie Mélopée *(B-1080 Brussels)*	2,967	70	100.0%	491,609	491,609	393,435
20 La Boule de Cristal *(B-5564 Wanlin)*	1,290	41	100.0%	91,750	91,750	163,676
21 Les Charmes en Famenne *(B-5560 Houyet)*	3,165	96	100.0%	293,983	293,983	347,471
22 Seniorerie La Pairelle *(B-5100 Wépion)*	6,016	118	100.0%	757,147	757,147	695,055
23 Gaerveld (résidence-services) *(B-3500 Hasselt)*	1,504	20	100.0%	169,412	169,412	168,978
24 Résidence du Plateau *(B-1300 Wavre)*	8,069	143	100.0%	1,259,568	1,259,568	1,224,876

1. The surface of apartment buildings has been adapted as of 31 December 2015 in order to be in line with the Code of Measuring Practice (6th edition) published by the Royal Institute of Chartered Surveyors (RICS), and is computed as follows: Gross External Area (GEA) + common areas + 50 % of terrace surface. It does not include parkings and other underground areas.
2. See glossary. As a reminder, the occupancy rate of the buildings with furnished apartments can not be compared to the occupancy rate calculated on the rest of the portfolio, as the methodology is different. We also note that the occupancy rate of the residential and mixed buildings includes units in renovation and hence temporarily not rentable.
3. The amounts related to the buildings with furnished apartments correspond to the annualised rental income excl. VAT.
4. For the buildings with furnished apartments, no estimated rented value (ERV) were added for vacancy.
5. See glossary.
6. Partially presented on the balance sheet among the assets classified as held for sale.

	Total surface (m²)[1]	Number of residential units	% Occupancy rate[2]	Contractual rents[3]	Contractual rents + ERV on empty spaces[4]	Estimated rental value (ERV)[5]
25 Seniorie de Maretak *(B-1500 Halle)*	5,684	122	100.0%	524,514	524,514	708,649
26 De Edelweis *(B-3130 Begijnendijk)*	6,914	122	100.0%	754,616	754,616	880,700
27 Bois de la Pierre *(B-1300 Wavre)*	2,272	65	100.0%	444,634	444,634	426,299
28 Buitenhof *(B-2930 Brasschaat)*	4,386	80	100.0%	543,901	543,901	737,227
29 Klein Veldeken *(B-1730 Asse)*	5,824	58	100.0%	622,391	622,391	676,586
30 Koning Albert I *(B-1700 Dilbeek)*	7,775	110	100.0%	912,762	912,762	926,956
31 Eyckenborch *(B-1755 Gooik)*	8,771	141	100.0%	1,087,788	1,087,788	871,339
32 Rietdijk *(B-1800 Vilvoorde)*	2,155	59	100.0%	333,388	333,388	348,939
33 Marie-Louise *(B-1780 Wemmel)*	1,959	0	100.0%	364,900	364,900	331,652
34 Gaerveld (rest home) *(B-3500 Hasselt)*	6,994	115	100.0%	790,292	790,292	797,363
35 Larenshof *(B-9270 Laarne)*	6,988	117	100.0%	1,007,106	1,007,106	961,002
36 Ter Venne *(B-9830 Sint-Martens-Latem)*	6,634	102	100.0%	972,341	972,341	1,146,917
37 Pont d'Amour *(B-5500 Dinant)*	8,984	150	100.0%	983,961	983,961	884,051
38 Résidence Les Cheveux d'Argent *(B-4845 Sart-lez-Spa)*	4,177	80	100.0%	244,672	244,672	317,232
39 't Hoge *(B-8500 Kortrijk)*	4,632	79	100.0%	438,927	438,927	562,768
40 Helianthus *(B-9090 Melle)*	4,799	67	100.0%	454,000	454,000	455,188
41 Hestia *(B-1780 Wemmel)*	12,682	222	100.0%	1,332,904	1,332,904	1,576,793
42 Plantijn *(B-2950 Kapellen)*	5,958	110	100.0%	472,033	472,033	831,389
43 Salve *(B-2930 Brasschaat)*	6,730	117	100.0%	1,001,361	1,001,361	903,629
44 SZ AGO Herkenrath *(D-51429 Bergisch Gladbach)*	4,000	80	100.0%	575,000	575,000	613,273
45 SZ AGO Dresden *(D-01159 Dresden)*	5,098	116	100.0%	583,233	583,233	670,950
46 De Stichel *(B-1800 Vilvoorde)*	6,257	116	100.0%	655,843	655,843	692,300
47 Huize Lieve Moenssens *(B-3650 Dilsen-Stokkem)*	4,301	68	100.0%	327,459	327,459	348,680
48 SZ AGO Kreischa *(D-01731 Kreischa)*	3,670	84	100.0%	416,516	416,516	414,896
49 Bonn *(D-53129 Bonn)*	5,927	130	100.0%	740,000	740,000	711,240
50 Goldene Au *(D-96515 Sonneberg)*	4,141	83	100.0%	402,240	402,240	397,531
51 Oase Binkom *(B-3211 Binkom)*	4,076	111	100.0%	744,160	744,160	727,180
52 Oase Tienen[6] *(B-3300 Tienen)*	8,496	130	100.0%	971,451	971,451	901,865

	Total surface (m²)[1]	Number of residential units	% Occupancy rate[2]	Contractual rents[3]	Contractual rents + ERV on empty spaces[4]	Estimated rental value (ERV)[5]
53 Oase Aarschot Wissenstraat *(B-3200 Aarschot)*	10,657	120	100.0 %	923,902	923,902	885,600
54 De Notelaar *(B-2250 Olen)*	8,651	94	100.0 %	955,689	955,689	1,015,361
55 Overbeke *(B-9230 Wetteren)*	6,917	113	100.0 %	788,857	788,857	828,390
56 Halmolen *(B-2980 Halle-Zoersel)*	9,200	140	100.0 %	1,015,864	1,015,864	1,093,570
57 Seniorenresidenz Mathilde *(D-32130 Enger)*	3,448	75	100.0 %	554,695	554,695	579,264
58 Die Rose im Kalletal *(D-32689 Kalletal)*	4,027	96	100.0 %	664,910	664,910	685,892
59 Seniorenresidenz Klosterbauerschaft *(D-32278 Kirchlengern)*	3,497	80	100.0 %	590,341	590,341	608,478
60 Senioreneinrichtung Haus Matthäus *(D-57462 Olpe-Rüblinghausen)*	2,391	50	100.0 %	354,666	354,666	365,823
61 Bonifatius Seniorenzentrum *(D-53359 Rheinbach)*	3,967	80	100.0 %	598,714	598,714	606,951
62 Senioreneinrichtung Haus Elisabeth *(D-57482 Wenden-Rothemühle)*	3,380	80	100.0 %	567,466	567,466	577,980
63 Seniorenresidenz Am Stübchenbach *(D-38667 Bad Harzburg)*	5,874	130	100.0 %	782,925	782,925	828,234
64 Seniorenresidenz Kierspe *(D-58566 Kierspe)*	3,721	79	100.0 %	548,395	548,395	546,987
65 La Ferme Blanche *(B-4350 Remicourt)*	1,697	61	100.0 %	203,989	203,989	562,027
66 Villa Temporis *(B-3500 Hasselt)*	3,964	40	100.0 %	289,664	289,664	359,272
67 Service-Residenz Schloss Bensberg *(D-51429 Bergisch Gladbach)*	8,215	87	100.0 %	929,240	929,240	1,157,696
68 Residentie Sporenpark *(B-3582 Beringen)*	9,261	127	100.0 %	1,059,205	1,059,205	1,043,416
69 Résidence de la Houssière *(B-7090 Braine-le-Comte)*	4,484	94	100.0 %	570,000	570,000	547,550
70 Senior Flandria *(B-8310 Brugge)*	7,501	108	100.0 %	610,835	610,835	712,800
71 Vinkenbosch *(B-3510 Hasselt)*	2,973	59	100.0 %	237,500	237,500	946,962
72 Heydeveld *(B-1745 Opwijk)*	3,414	75	100.0 %	500,000	500,000	466,500
73 Prinsenhof *(B-3582 Koersel)*	1,697	41	100.0 %	335,000	335,000	207,870
74 Käthe-Bernhardt-Haus *(D-25813 Husum)*	4,088	80	100.0 %	498,240	498,240	490,560
75 Holland *(NL-3743 HE Baarn)*	2,897	34	100.0 %	818,246	818,246	621,968
76 Benvenuta *(NL-1217 BR Hilversum)*	924	10	100.0 %	212,138	212,138	165,396
77 Residentie Poortvelden[6] *(B-3200 Aarschot)*	7,071	84	100.0 %	701,300	701,300	674,035
78 Leopoldspark (B-3970 Leopoldsburg)	10,614	150	100.0 %	1,170,750	1,170,750	1,204,340
79 Saksen Weimar *(NL-6822 Arnhem)*	2,291	42	100.0 %	504,000	504,000	504,020
80 Martha Flora Lochem *(NL-7241 Lochem)*	1,012	13	100.0 %	160,000	160,000	189,000
Total senior housing in Belgium	**326,235**	**5,968**	**100.0 %**	**38,799,532**	**38,799,532**	**42,575,855**
Total senior housing in Germany	**65,444**	**1,130**	**100.0 %**	**8,806,582**	**8,806,582**	**9,255,755**
Total senior housing in Netherlands	**7,124**	**99**	**100.0 %**	**1,694,384**	**1,694,384**	**1,480,384**
Total of the segment "Senior housing"	**398,803**	**7,397**	**100.0 %**	**49,300,498**	**49,300,498**	**53,493,993**

1. The surface of apartment buildings has been adapted as of 31 December 2015 in order to be in line with the Code of Measuring Practice (6th edition) published by the Royal Institute of Chartered Surveyors (RICS), and is computed as follows: Gross External Area (GEA) + common areas + 50 % of terrace surface. It does not include parkings and other underground areas.
2. See glossary. As reminder, the occupancy rate of the buildings with furnished apartments can not be compared to the occupancy rate calculated on the rest of the portfolio, as the methodology is different. We also note that the occupancy rate of the residential and mixed buildings includes units in renovation and hence temporarily not rentable.
3. The amounts related to the buildings with furnished apartments correspond to the annualised rental income excl. VAT.
4. For the buildings with furnished apartments, no estimated rented value (ERV) were added for vacancy.
5. See glossary. 6. Partially presented on the balance sheet among the assets classified as held for sale.
6. Partially presented on the balance sheet among the assets classified as held for sale.
7. This ERV is not comparable to the contractual rents because (for the buildings with furnished apartments) it does not take into account the fact that the apartments are furnished.

	Total surface (m²)[1]	Number of residential units	% Occupancy rate[2]	Contractual rents[3]	Contractual rents + ERV on empty spaces[4]	Estimated rental value (ERV)[5]
Apartment buildings						
1 Tervueren 13 A/B *(B-1040 Brussels)*	4,626	3	84.2 %	461,586	548,446	609,141
2 Sablon *(B-1000 Brussels)*	5,546	30	83.0 %	807,142	972,599	935,026
3 Complexe Laeken - Pont Neuf *(B-1000 Brussels)*	7,130	42	83.1 %	549,685	661,735	687,124
4 Le Bon 24-28 *(B-1000 Brussels)*	2,159	15	99.3 %	180,143	181,343	214,678
5 Lombard 32 *(B-1000 Brussels)*	1,622	13	94.3 %	209,483	222,083	181,067
6 Complexe Louise 331-333 *(B-1050 Brussels)*	4,962	8	97.5 %	660,516	677,166	674,567
7 Place du Samedi 6-10 *(B-1000 Brussels)*	4,543	24	94.9 %	308,227	324,667	311,361
8 Broqueville 8 *(B-1150 Brussels)*	725	6	46.7 %	33,024	70,735	70,419
9 Bataves 71 *(B-1040 Brussels)*	653	3	41.1 %	24,555	59,684	62,136
10 Tervueren 103 *(B-1040 Brussels)*	1,202	6	100.0 %	127,922	127,922	120,379
11 Louis Hap 128 *(B-1040 Brussels)*	969	7	80.9 %	58,864	72,729	79,528
12 Rue Haute *(B-1000 Brussels)*	2,600	20	97.1 %	244,567	251,767	294,787
13 Résidence Palace *(B-1040 Brussels)*	6,077	57	67.6 %	395,692	585,104	711,824
14 Churchill 157 *(B-1180 Brussels)*	2,440	22	86.9 %	233,070	268,340	272,368
15 Auderghem 237-239-241-266-272 *(B-1040 Brussels)*	2,241	22	80.4 %	161,848	201,324	221,978
16 Edison *(B-5000 Namur)*	1,897	7	89.2 %	110,892	124,284	138,089
17 Verlaine/Rimbaud/Baudelaire *(B-5000 Namur)*	3,671	21	89.4 %	241,711	270,331	271,490
18 Ionesco *(B-5100 Jambes)*	1,148	10	78.2 %	78,558	100,454	99,127
19 Musset *(B-5000 Namur)*	659	6	98.0 %	52,229	53,309	50,216
20 Giono & Hugo *(B-5100 Jambes)*	1,718	15	94.0 %	124,250	132,170	135,746
21 Antares *(B-5100 Jambes)*	476	7	100.0 %	41,167	41,167	39,698
22 Ring *(B-2018 Antwerp)*	9,604	88	100.0 %	720,467	720,467	860,115
23 Résidence Gauguin et Manet *(B-6700 Arlon)*	3,496	35	90.7 %	290,287	320,127	311,773
24 Résidence de Gerlache *(B-1030 Brussels)*	7,406	75	74.4 %	611,636	822,432	819,391
25 Ensemble Souveraine *(B-1050 Brussels)*	13,740	116	71.5 %	1,709,045	1,709,045	1,535,638
26 Louise 130 *(B-1050 Brussels)*	944	9	91.5 %	221,190	221,190	164,866
27 Louise 135 (+ 2 parkings Louise 137) *(B-1050 Brussels)*	2,505	31	87.9 %	539,606	539,606	346,802
28 Louise 270 *(B-1050 Brussels)*	1,205	14	81.4 %	223,253	223,253	149,978
29 Vallée 48 *(B-1000 Brussels)*	653	6	93.8 %	126,692	126,692	89,122
30 Livourne 16-18 (+ 24 parkings Livourne 7-11) *(B-1000 Brussels)*	1,982	16	74.7 %	309,223	309,223	266,715
31 Freesias *(B-1030 Brussels)*	2,777	38	83.6 %	448,073	448,073	361,552
32 Héliotropes *(B-1030 Brussels)*	1,364	25	68.2 %	190,732	190,732	175,289[7]
33 Livourne 20-22 *(B-1050 Brussels)*	1,407	12	89.3 %	304,852	304,852	187,744[7]
34 Livourne 14 *(B-1050 Brussels)*	275	6	92.6 %	53,401	53,401	34,371[7]
35 Résidence Chamaris *(B-1000 Brussels)*	2,328	23	87.9 %	474,302	474,302	360,190[7]
36 Stephanie's Corner *(B-1060 Brussels)*	3,472	27	86.6 %	451,235	521,150	524,580
Total of the segment "Apartment buildings"	**110,223**	**865**	**n.a.**	**11,8779,124**	**12,931,901**	**12,368,870**

	Total surface (m²)[1]	Number of residential units	% Occupancy rate[2]	Contractual rents[3]	Contractual rents + ERV on empty spaces[4]	Estimated rental value (ERV)[5]
Hotels and other						
1 Hotel Martin's Brugge *(B-8000 Brugge)*	11,369	0	100.0 %	1,655,567	1,655,567	1,226,980
2 Royale 35 *(B-1000 Brussels)*	1,955	0	71.2 %	137,238	192,620	174,370
3 Martin's Klooster *(B-3000 Leuven)*	6,935	0	100.0 %	1,304,937	1,304,937	1,141,080
4 Carbon *(B-3600 Genk)*	5,715	0	100.0 %	475,122	475,122	565,268
5 Eburon *(B-3700 Tongeren)*	4,016	0	100.0 %	347,151	347,151	462,878
6 Ecu *(B-3600 Genk)*	1,960	0	100.0 %	181,824	181,824	232,231
7 Eurotel *(B-3620 Lanaken)*	4,779	0	100.0 %	304,079	304,079	377,682
8 Villa Bois de la Pierre *(B-1300 Wavre)*	320	4	100.0 %	31,038	31,038	40,080
9 Duysburgh *(B-1090 Brussels)*	470	5	100.0 %	65,183	65,183	40,316
10 Résidence du Lac *(B-1050 Brussels)*	0	0	100.0 %	30,700	30,700	30,700
Total of the segment "Hotels and other"	**37,519**	**9**	**98.8 %**	**4,532,839**	**4,588,220**	**4,291,585**
Total marketable investment properties	546,545	8,271	n.a.	65,612,461	66,820,619	70,154,448

1. The surface of apartment buildings has been adapted as of 31 December 2015 in order to be in line with the Code of Measuring Practice (6th edition) published by the Royal Institute of Chartered Surveyors (RICS), and is computed as follows: Gross External Area (GEA) + common areas + 50 % of terrace surface. It does not include parkings and other underground areas.
2. See glossary. As reminder, the occupancy rate of the buildings with furnished apartments can not be compared to the occupancy rate calculated on the rest of the portfolio, as the methodology is different. We also note that the occupancy rate of the residential and mixed buildings includes units in renovation and hence temporarily not rentable.
3. The amounts related to the buildings with furnished apartments correspond to the annualised rental income excl. VAT.
4. For the buildings with furnished apartments, no estimated rented value (ERV) were added for vacancy.
5. See glossary.

4.2 PROJECTS AND RENOVATIONS IN PROGRESS (IN € MILLION)

Project or renovation		Estimated inv.	Inv. as of 30 June 2016	Future inv.	Date of completion	Comments
I. Projects in progress						
't Hoge	Kortrijk	2	0	1	2016/2017	Extension and renovation of a rest home
Molenenk	Deventer	10	4	6	2016/2017	Construction of a care residence
Villa Temporis	Hasselt	10	2	8	2016/2017	Construction of a rest home and renovation of an assisted-living building
Au Bon Vieux Temps	Mont-Saint-Guibert	10	9	2	2016/2017	Construction of a rest home
Op Haanven	Veerle-Laakdal	2	0	2	2016/2017	Extension and renovation of a rest home
La Ferme Blanche	Remicourt	6	1	5	2016/2017	Extension and renovation of a rest home
Vinkenbosch I	Hasselt	11	6	6	2016/2017	Extension d'une maison de repos
Prinsenhof	Koersel	4	0	4	2016/2017	Extension and renovation of a rest home
Huize Lieve Moenssens	Dilsen-Stokkem	7	0	7	2017/2018	Extension and renovation of a rest home
Air du Temps	Chênée	7	0	7	2017/2018	Extension and renovation of a rest home
Résidence Cheveux d'Argent	Spa	3	0	3	2017/2018	Extension of a rest home
Aux Deux Parcs	Jette	2	0	2	2018/2019	Extension of a rest home
Vinkenbosch II	Hasselt	1	0	1	2018/2019	Renovation of a rest home
Plantijn	Kapellen	9	1	8	2018/2019	Extension and renovation of a rest home
II. Projects subject to outstanding conditions						
Hotel Martin's Brugge	Brugge	1	0	1	2016/2017	Extension of the hotel
De Stichel	Vilvoorde	4	0	3	2017/2018	Extension of a rest home
Oase Binkom	Binkom	2	0	2	2017/2018	Extension of a rest home
III. Land reserves						
Plot of land Bois de la Pierre	Wavre	2	2	0	-	Land reserve
Platanes	Brussels	0	0	0	-	Land reserve
IV. Acquisitions subject to outstanding conditions						
Walgaerde	Hilversum	4	0	4	2016/2017	Acquisition of a care residence
Glabbeek	Glabbeek	10	0	10	2016/2017	Construction of a new rest home
Jardins de la Mémoire	Brussels	11	0	11	2016/2017	Acquisition of a rest home
Foyer de Lork	Flanders	97	0	97	2016/2017	Acquisition of 7 rest homes
Oostende	Oostende	11	0	11	2017/2018	Acquisition of a rest home
Martha Flora Rotterdam	Rotterdam	8	0	8	2017/2018	Acquisition of a new rest home
Mechelen	Mechelen	17	0	17	2018/2019	Acquisition of a new rest home
Total		**252**	**24**	**228**		
Changes in fair value			1			
Roundings			1			
On balance sheet			**26**			

Of these projects, 99 % are pre-let. It is expected that the total investment budget as of 30 June 2016 (€252 million) will be paid in cash, with the exception of €4 million, which would be financed by the issue of new Aedifica shares in the context of the Jardins de la Mémoire project. €60 million need to be added to the total investment budget due to the acquisition of a portfolio of five rest homes in Germany on 31 August 2016 (see section 2.2.1 of the consolidated Board of Director's Report).

5. INVESTMENT PROPERTY FACT SHEETS

SENIOR HOUSING

1 - Château Chenois

- Chemin des Postes 260 - 1410 Waterloo
- Year of construction / renovation: 1985 - 2009
- Location: Château Chenois is located at the heart of a very nice and green area between the chemin des Postes, rue Bruyère-Saint-Jean and avenue Beau Vallon.
- Operator: An entity of the Orpea group (30-year long lease).

2 - New Philip

- Avenue Monte-Carlo 178 - 1190 Brussels
- Year of construction / renovation: 1999
- Location: New Philip is located between the avenue de Monte-Carlo, the roundabout Monaco and the chaussée de Bruxelles.
- Operator: An entity of the Orpea group (30-year long lease).

3 - Jardins de Provence

- Boulevard Sylvain Dupuis 94-96 - 1070 Brussels
- Year of construction / renovation: by the end of the 1990s - extension in 2007
- Location: Jardins de Provence is located along the boulevard Sylvain Dupuis, between rue A. Demunter and rue J. Morjeau, behind the Anderlecht stadium.
- Operator: An entity of the Orpea group (30-year long lease).

4 - Bel-Air

- Boulevard Lambermont 227 - 1030 Brussels
- Year of construction / renovation: 1997
- Location: Bel Air is located at the corner of boulevard Lambermont and chaussée de Haecht with a lateral view over the Josaphat park, and in front of the Aeropolis site.
- Operator: An entity of the Orpea group (30-year long lease).

5 - Résidence Grange des Champs

- Rue Grange des Champs 140 - 1420 Braine-l'Alleud
- Year of construction / renovation: 1995
- Location: Résidence Grange des Champs is located in a residential area, in a street perpendicular to the chaussée d'Alsemberg and near to the chaussée Bara.
- Operator: An entity of the Orpea group (30-year long lease).

6 - Résidence Augustin

- Chaussée d'Alsemberg 305 - 1190 Brussels
- Year of construction / renovation: 2006
- Location: Résidence Augustin is located on the corner of chaussée d'Alsemberg and avenue Saint-Augustin, a few steps from Altitude 100.
- Operator: An entity of the Orpea group (15-year financial lease).

7 - Ennea

- Lepelhoekstraat 19 - 9100 Sint-Niklaas
- Year of construction / renovation: 1997
- Location: Ennea is located in the city of Sint-Niklaas, along the Lepelhoekstraat, in a residential area.
- Operator: An entity of the group Senior Living group (27-year long lease).

8 - Kasteelhof

- Steenweg van Aalst 110 - 9200 Dendermonde
- Year of construction / renovation: 1994
- Location: Kasteelhof is located in the city of Dendermonde, along the Steenweg van Aalst, between the Kerkhofweg and the Denderstraat.
- Operator: An entity of the group Senior Living group (27-year long lease).

9 - Wielant

- Schellebellestraat 8 - 8570 Anzegem/Ingooigem
- Year of construction / renovation: 1997 - 2001
- Location: Wielant is located in a green area in the municipality of Ingooigem (Anzegem).
- Operator: An entity of the group Senior Living group (27-year long lease).

10 - Résidence Parc Palace

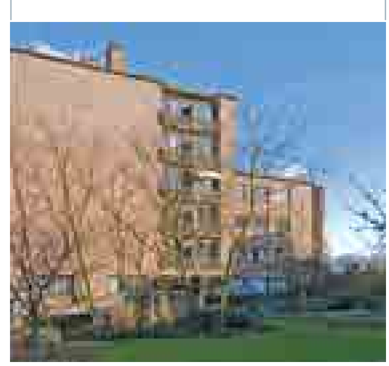
- Avenue du Lycée Français 2 - 1180 Brussels
- Year of construction / renovation: 1992 - 2001
- Location: Résidence Parc Palace is located in a green area in the municipality of Uccle.
- Operator: An entity of the Orpea group (36-year long lease).

11 - Résidence Service

- Avenue du Lycée Français 6 - 1180 Brussels
- Year of construction / renovation: 1997 - 2001 - 2008/2009
- Location: Résidence Service is located in a green area in the municipality of Uccle.
- Operator: An entity of the Orpea group (36-year long lease).

12 - Résidence du Golf

- Rue du Sillon 119-121 - 1070 Brussels
- Year of construction / renovation: 1997 - 2001
- Location: Résidence du Golf is located in the municipality of Anderlecht.
- Operator: An entity of the Orpea group (27-year long lease).



13 - Résidence Boneput

- Boneputstraat 5 - 3960 Bree
- Year of construction / renovation: 1994 - 1999
- Location: Résidence Boneput is located in a green area in the municipality of Bree, not far from the city centre.
- Operator: An entity of the group Senior Living group (27-year long lease).

14 - Résidence Aux Deux Parcs

- Rue Duysburgh 21 - 1090 Brussels
- Year of construction / renovation: 1987 - 2008
- Location: Résidence Aux Deux Parcs is located in a residential and green zone in Jette, between Parc de la Jeunesse and Square Léopold, at about 300 metres from the Brugmann hospital. An extension project is planned on the plot of land next to the building.
- Operator: An entity of the group Senior Living group (27-year long lease).

15 - Résidence l'Air du Temps

- Rue des Haisses 60 - 4032 Chênée
- Year of construction / renovation: 1997 - 2008
- Location: Résidence l'Air du Temps is perched on a hill, surrounded by nature despite its proximity to the city of Liège.
- Operator: An entity of the group Senior Living group (27-year long lease).

16 - Au Bon Vieux Temps

- Rue de Corbais 14 - 1435 Mont-Saint-Guibert
- Year of construction / renovation: 1988 - 2006 / 2016
- Location: Au Bon Vieux Temps is located 100 metres from the train station and 500 metres from the centre of the village.
- Operator: An entity of the group Senior Living group (27-year long lease).

17 - Op Haanven

- Oude Geelsebaan 33 - 2431 Veerle-Laakdal
- Year of construction / renovation: 1988 / 2005 - 2016
- Location: Op Haanven is located in the centre of the municipality of Veerle-Laakdal.
- Operator: An entity of the group Senior Living group (27-year long lease).

18 - Résidence Exclusiv

- Rue Jean-Baptiste Desmeth 50 - 1140 Brussels
- Year of construction / renovation: 1993 - extension in 2012
- Location: Résidence Exclusiv is located near the Square S. Hoedemaekers in Evere.
- Operator: An entity of the group Senior Living group (27-year long lease).

19 - Séniorie Mélopée

- Rue de la Mélopée 50 - 1080 Brussels
- Year of construction / renovation: 1993 - 1994 - extension in 2010
- Location: Séniorie Mélopée is located in the centre of the municipality of Molenbeek-Saint-Jean.
- Operator: An entity of the group Senior Living group (27-year long lease).

20 - La Boule de Cristal

- Rue du Château 47 - 5564 Wanlin
- Year of construction / renovation: 1998
- Location: La Boule de Cristal is located in Wanlin in the region of Dinant, in a rural and rustic environment.
- Operator: Le Carrosse (27-year long lease).

21 - Les Charmes en Famenne

- Rue du Tchaurnia 32 - 5560 Houyet (Mesnil-Saint-Blaise)
- Year of construction / renovation: 1982
- Location: Les Charmes en Famenne is located in a green and rural area.
- Operator: An entity of the Armonea group (27-year long lease).

22 - Seniorerie La Pairelle

- Chaussée de Dinant 708-710 - 5100 Wépion
- Year of construction / renovation: 2012
- Location: Seniorerie La Pairelle is located in Wépion, on the banks of the Meuse River, less than a kilometre from the city centre.
- Operator: An entity of the Armonea group (27-year long lease).

23 - Résidence Gaerveld

- Kramerslaan - 3500 Hasselt
- Year of construction / renovation: 2008 - 2009
- Location: Résidence Gaerveld is a new building located near the city centre of Hasselt.
- Operator: An entity of the Armonea group (27-year long lease).

24 - Résidence du Plateau

- Chaussée d'Ottenbourg 221 - 1300 Wavre
- Year of construction / renovation: 1994 - 2001 - 2007
- Location: Résidence du Plateau is located in Wavre.
- Operator: An entity of the group Senior Living group (27-year long lease).

25 - Seniorie de Maretak

- Ziekenhuis 10 - 1500 Halle
- Year of construction / renovation: 2007
- Location: Seniorie de Maretak is located in Halle, next to the regional St-Maria hospital.
- Operator: An entity of the group Senior Living group (27-year long lease).

26 - De Edelweis

- Liersesteenweg 165-171 - 3130 Begijnendijk
- Year of construction / renovation: 1993 - 2003 - 2014
- Location: De Edelweis is located in Begijnendijk (Flemish Brabant).
- Operator: An entity of the group Senior Living group (27-year long lease).

27 - Bois de la Pierre

- Venelle du Bois de la Pierre 20 - 1300 Wavre
- Year of construction / renovation: 1955 - 1987 - extension in 2012
- Location: Bois de la Pierre is located in Wavre.
- Operator: Pierre Invest SA (27-year long lease).

28 - Buitenhof

- Papestraat 24 - 2930 Brasschaat
- Year of construction / renovation: 2005 - 2008
- Location: Buitenhof is located in a green zone around Brasschaat in Antwerp.
- Operator: Buitenhof ASBL (27-year long lease).

29 - Klein Veldeken

- Klein Veldeken 12A - 1730 Asse
- Year of construction / renovation: 1996 - extension in 2014/2015
- Location: Klein Veldeken is located in a green zone around Asse in Flemish Brabant.
- Operator: Time for Quality (27-year long lease).

30 - Koning Albert I

- Keperenberg 36 - 1700 Dilbeek
- Year of construction / renovation: 1972 - extension in 2014
- Location: Koning Albert I is located in a park of 3 hectares in Dilbeek (Flemish Brabant).
- Operator: An entity of the Soprim@ group (27-year long lease).

31 - Eyckenborch

- Bronnenweg 2 - 1755 Gooik
- Year of construction / renovation: 1993/1994 - 2003/2004 - 2014/2015
- Location: Eyckenborch is located in the centre of Gooik (Flemish Brabant).
- Operator: An entity of the Soprim@ group (27-year long lease).

32 - Rietdijk

- Bolwerkstraat 7 - 1800 Vilvoorde
- Year of construction / renovation: 1996
- Location: Rietdijk is located in the centre of Vilvoorde (Flemish Brabant).
- Operator: An entity of the Soprim@ group (27-year long lease).

33 - Marie-Louise

- Zijp 157 - 1780 Wemmel
- Year of construction / renovation: 1960 -1970 - 2016
- Location: Marie-Louise is located in a residential area in Wemmel (Flemish Brabant).
- Operator: An entity of the Soprim@ group (27-year long lease).

34 - Gaerveld (Maison de repos)

- Runkstersteenweg 212 - 3500 Hasselt
- Year of construction / renovation: 2011
- Location: Gaerveld is a new building located near the city centre of Hasselt.
- Operator: An entity of the Armonea group (27-year long lease).

35 - Larenshof

- Schoolstraat 11-13-15 and Achterstraat 27, 35-37 - 9270 Laarne
- Year of construction / renovation: 2011 - 2012 - 2013
- Location: Larenshof is located in a residential area in Laarne.
- Operator: An entity of the Armonea group (30-year long lease).

36 - Ter Venne

- Vennelaan 21 - 9830 Sint-Martens-Latem
- Year of construction / renovation: 2011 - 2012
- Location: Ter Venne is located in the residential and green area of Elsakker.
- Operator: An entity of the Armonea group (30-year long lease).

SENIOR HOUSING

37 - Pont d'Amour

- Rue Pont d'Amour 58 - 5500 Dinant
- Year of construction / renovation: 2012 - 2015
- Location: Pont d'Amour is located close to the citadel and historical centre of Dinant.
- Operator: An entity of the Armonea group (27-year long lease).

38 - Résidence Les Cheveux d'Argent

- Avenue F. Jérôme - 4845 Sart-lez-Spa
- Year of construction / renovation: 1988 - 2000
- Location: Résidence Les Cheveux d'Argent benefits from a beautiful location on the hillside of Spa.
- Operator: An entity of the group Senior Living group (27-year long lease).

39 - 't Hoge

- 't Hoge 55-57 - 8500 Kortrijk
- Year of construction / renovation: 1983 - 1994 - 2015
- Location: 't Hoge is located in a residential area, near to the AZ Groeninge hospital, Kennedylaan and the university campus KULAK.
- Operator: An entity of the group Senior Living group (27-year long lease).

40 - Helianthus

- Bruxellesesteenweg 322 - 9090 Melle
- Year of construction / renovation: 1998 - 2007 / 2016
- Location: Helianthus is located in a private park measuring 1 hectare, in a residential area in front of the Paters Jozefieten College.
- Operator: An entity of the group Senior Living group (27-year long lease).

41 - Hestia

- Zijp 20 - 1780 Wemmel
- Year of construction / renovation: 2013
- Location: Hestia is located in a residential area in Wemmel (Flemish Brabant).
- Operator: An entity of the Soprim@ group (27-year long lease).

42 - Plantijn

- Koningin Astridlaan 5 - 2950 Kapellen
- Year of construction / renovation: 1972
- Location: Plantijn is located in a residential district close to the centre of Kapellen.
- Operator: An entity of the Armonea group (27-year long lease).

43 - Salve

- Rustoordlei 77 - 2930 Brasschaat
- Year of construction / renovation: 1979 - 2013 - 2015
- Location: Salve is located in a residential district in Brasschaat.
- Operator: An entity of the Armonea group (27-years long lease).

44 - SZ AGO Herkenrath

- Kirchgasse 1 - 51429 Bergisch Gladbach - Germany
- Year of construction / renovation: 2010
- Location: AGO Herkenrath is located 20 km from Cologne, in the city of Bergisch Gladbach in North Rhine-Westphalia.
- Operator: An entity of the AGO group (25-year long lease).

45 - SZ AGO Dresden

- Wernerstrasse 37 - 01159 Dresden - Germany
- Year of construction / renovation: 2012
- Location: AGO Dresden is located in a residential district of Dresden, the capital of Saxony.
- Operator: An entity of the AGO group (25-year long lease).

46 - De Stichel

- Romeinsesteenweg 145 - 1800 Vilvoorde
- Year of construction / renovation: from 1990 until 2006
- Location: De Stichel is located in a residential district of Vilvoorde, the Military Hospital Queen Astrid and the Brussels Ring highway.
- Operator: An entity of the Soprim@ group (27-year long lease).

47 - Huize Lieve Moenssens

- Lieve Moenssenslaan 3 - 3650 Dilsen-Stokkem
- Year of construction / renovation: 1986 - 2007
- Location: Huize Lieve Moenssens is located near a residential district of Dilsen-Stokkem, a few kilometres from Maasmechelen Village.
- Operator: An entity of the Soprim@ group (27-year long lease).

48 - SZ AGO Kreischa

- Dresdner Strasse 4-6 - 01731 Kreischa - Germany
- Year of construction / renovation: 2011
- Location: AGO Kreischa is located along the central park of Kreischa, approx. ten kilometres from Dresden.
- Operator: An entity of the AGO group (25-year long lease).

SENIOR HOUSING

49 - Bonn

- Hinter Hoben 179 - 53129 Bonn - Germany
- Year of construction / renovation: 1994
- Location: Bonn is located in a residential area close to a variety of shops.
- Operator: Alloheim (25-year long lease).

50 - Goldene Au

- Bettelhecker Strasse 1 - 96515 Sonneberg - Germany
- Year of construction / renovation: 2010
- Location: Goldene Au is located in a residential area, close to a variety of shops, the train station and the city hall.
- Operator: Volkssolidarität (20-year long lease).

51 - Oase Binkom

- Kerkstraat 5 - 3211 Binkom
- Year of construction / renovation: 1989 - 2012
- Location: Oase Binkom is located next to a church, approx. ten kilometres from Leuven.
- Operator: An entity of the Oase group (27-year long lease).

52 - Oase Tienen

- Withuisstraat-Raeymaeckersvest - 3300 Tienen
- Year of construction / renovation: 2014
- Location: Oase Tienen is located in a residential area of the city centre, close to a variety of shops, public transport and the RZ Tienen hospital. The construction of a rest home and assisted-living apartments is currently under way.
- Operator: An entity of the Oase group (27-year long lease).

53 - Oase Aarschot Wissenstraat

- Wissenstraat 20 - 3200 Aarschot
- Year of construction / renovation: 2014
- Location: Oase Aarschot Wissenstraat is located in a residential area close to Aarschot's city centre, approx. 20 kilometres from Leuven.
- Operator: An entity of the Oase group (27-year long lease).

54 - De Notelaar

- Notelaar 1 - 2250 Olen
- Year of construction / renovation: 2012
- Location: De Notelaar is located in a residential and green area of Olen.
- Operator: An entity of the Armonea group (27-year long lease).

55 - Overbeke

- Spinnerijstraat - Bovenboekakker - 9230 Wetteren
- Year of construction / renovation: 2012
- Location: Overbeke is situated in a central location next to the church of Overbeke, part of Wetteren and approx. 10 kilometres from Ghent.
- Operator: An entity of the Armonea group (27-year long lease).

56 - Halmolen

- Halmolenweg 68 - 2980 Halle-Zoersel
- Year of construction / renovation: 2013-2014
- Location: Halmolen is located in a green area, near the centre of Halle-Zoersel, approx. 15 kilometres from Antwerp.
- Operator: An entity of the Vulpia group (27-year long lease).

57 - Seniorenresidenz Mathilde

- Brandstraße 14 - 32130 Enger - Germany
- Year of construction / renovation: 2010
- Location: Seniorenresidenz Mathilde is located in Enger (North Rhine-Westphalia).
- Operator: Senioren Wohnpark Weser (25-year long lease).

58 - Die Rose im Kalletal

- Rosenweg 3 & 10 - 32689 Kalletal - Germany
- Year of construction / renovation: 2016
- Location: Die Rose im Kalletal is located in Kalletal (North Rhine-Westphalia).
- Operator: Medeor Seniorenresidenz (25-year long lease).

59 - Seniorenresidenz Klosterbauerschaft

- Heenfeld 5 - 32278 Kirchlengern - Germany
- Year of construction / renovation: 2010
- Location: Seniorenresidenz Klosterbauerschaft is located in Kirchlengern (North Rhine-Westphalia).
- Operator: Senioren Wohnpark Weser (25-year long lease).

60 - Senioreneinrichtung Haus Matthäus

- Biggestraße 65 - 57462 Olpe-Rüblinghausen - Germany
- Year of construction / renovation: 2009
- Location: Senioreneinrichtung Haus Matthäus is located in Olpe-Rüblinghausen (North Rhine-Westphalia).
- Operator: Katholische Hospitalgesellschaft (25-year long lease).

SENIOR HOUSING

61 - Bonifatius Seniorenzentrum

- Schweitzerstraße 2 - 53359 Rheinbach - Germany
- Year of construction / renovation: 2009
- Location: Bonifatius Seniorenzentrum is located in Rheinbach (North Rhine-Westphalia).
- Operator: Bonifatius Seniorendienste (25-year long lease).

62 - Senioreneinrichtung Haus Elisabeth

- Kölner Straße 3 - 57482 Wenden-Rothemühle - Germany
- Year of construction / renovation: 2010
- Location: Senioreneinrichtung Haus Elisabeth is located in Wenden-Rothemühle (North Rhine-Westphalia).
- Operator: Katholische Hospitalgesellschaft (25-year long lease).

63 - Seniorenresidenz Am Stübchenbach

- Stübchentalstraße 10 - 38667 Bad Harzburg - Germany
- Year of construction / renovation: 2010
- Location: Seniorenresidenz Am Stübchenbach is located in Bad Harzburg (Lower Saxony).
- Operator: Senioren Wohnpark Weser (25-year long lease).

64 - Seniorenresidenz Kierspe

- Montigny Allee 6 - 58566 Kierspe - Germany
- Year of construction / renovation: 2011
- Location: Seniorenresidenz Kierspe is located in Kierspe (North Rhine-Westphalia).
- Operator: Seniorenresidenz Kierspe (25-year long lease).

65 - La Ferme Blanche

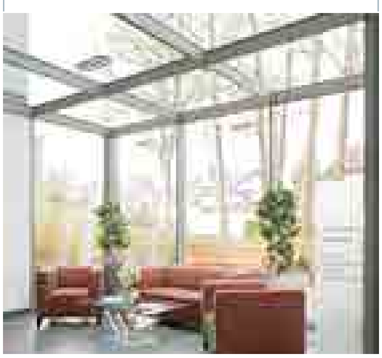
- Rue Modeste Rigo 10 - 4350 Remicourt
- Year of construction / renovation: different periods: only the section built in 2004 will be retained as part of the site redevelopment.
- Location: La Ferme Blanche is located in a residential area, next to the centre of Pousset (in the municipality of Remicourt) approx. 20 kilometres from Liège.
- Operator: An entity of the Vulpia group (27-year long lease).

66 - Villa Temporis

- Excelsiorlaan 6 - 3500 Hasselt
- Year of construction / renovation: 1993
- Location: Villa Temporis is located in a residential area, near the centre of Hasselt.
- Operator: An entity of the Vulpia group (27-year long lease).

67 - Service-Residenz Schloss Bensberg

- Im Schlosspark 10 - 51429 Bergisch Gladbach - Germany
- Year of construction / renovation: 2002/2003
- Location: Service-Residenz Schloss Bensberg is located in a private park, near the centre of Bergisch Gladbach.
- Operator: Schloss Bensberg Management GmbH (25-year fixed lease) and AachenMünchener Lebensversicherung (7-year fixed lease).



68 - Residentie Sporenpark

- Stationsstraat 20 - 3582 Beringen
- Year of construction / renovation: 2015
- Location: Residentie Sporenpark is located on the former mining site in Beringen-Mijn.
- Operator: An entity of the group Senior Living group (27-year long lease).

69 - Résidence de la Houssière

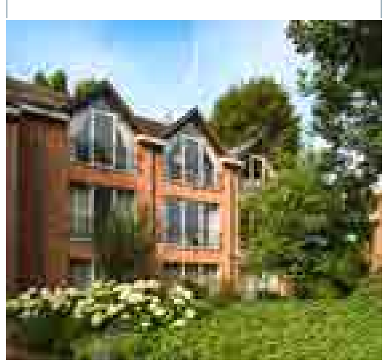
- Avenue de la Houssière 207 - 7090 Braine-le-Comte
- Year of construction / renovation: 2006
- Location: Résidence de la Houssière is located in a green area, near the centre of Braine-le-Comte.
- Operator: Résidence de la Houssière SA (27-year long lease).

70 - Senior Flandria

- Baron Ruzettelaan 74 - 8310 Brugge
- Year of construction / renovation: 1991
- Location: Senior Flandria is located in a residential area, close to the centre of Bruges.
- Operator: An entity of the Armonea group (20-year long lease).

71 - Vinkenbosch

- Lindekensveldstraat 56 - 3510 Hasselt
- Year of construction / renovation: 2016
- Location: Vinkenbosch is located in a residential and green area, close to the centre of Kermt, part of Hasselt.
- Operator: An entity of the group Senior Living group (long lease).



72 - Heydeveld

- Ringlaan 28 - 1745 Opwijk
- Year of construction / renovation: 2005
- Location: Heydeveld is located in a residential area, close to the centre of Opwijk.
- Operator: Heydeveld Woon- en Zorgcentrum ASBL (long lease).

SENIOR HOUSING

73 - Prinsenhof

- Heerbaan 375 - 3582 Koersel
- Year of construction / renovation: 2016
- Location: Heydeveld is located in a green area next to a park, near the centre of Koersel, part of Beringen.
- Operator: WZC Prinsenhof ASBL (long lease).

74 - Käthe-Bernhardt-Haus

- Ferdinand-Tönnies-Str. 1 - 25813 Husum - Germany
- Year of construction / renovation: 2009
- Location: Käthe-Bernhardt-Haus is located in the centre of Husum next to the Klinik Husum Hospital, in Schleswig-Holstein.
- Operator: Deutsches Rotes Kreuz Kreisverband Nordfriesland e.V. (25-year long lease).

75 - Holland

- Javalaan 3-5 - 3743 HE Baarn - The Netherlands
- Year of construction / renovation: 2015
- Location: Holland is situated in a historical villa area next to the central park in Baarn, in the Province of Utrecht.
- Operator: An entity of the Domus Magnus group (20-year long lease).

76 - Benvenuta

- Bussumergrintweg 40 - 1217 BR Hilversum - The Netherlands
- Year of construction / renovation: 2009
- Location: Benvenuta is a protected building situated in a residential area in the vicinity of the centre of Hilversum, in North Holland.
- Operator: An entity of the Domus Magnus group (20-year long lease).

77 - Residentie Poortvelden

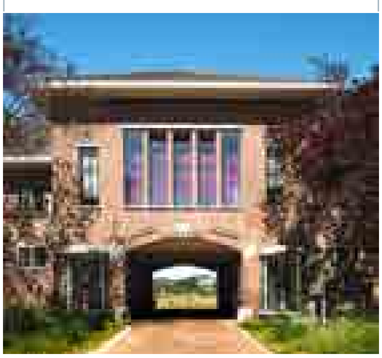
- Jan Hammeneckerlaan 4-4A - 3200 Aarschot
- Year of construction / renovation: 2016
- Location: Residentie Poortvelden benefits from an excellent location in a residential area, at approx. 20 km from Leuven.
- Operator: An entity of the Vulpia Group (27-year long lease).

78 - Leopoldspark

- Koningsstraat 39 - 3970 Leopoldsburg
- Year of construction / renovation: 2016
- Location: Leopoldspark is located in the centre of Leopoldsburg, next to the train station, in the province of Limburg.
- Operator: An entity of the Vulpia group (27-year long lease).

79 - Saksen Weimar

- Compagnieplaats 22 - 6822 Arnhem - The Netherlands
- Year of construction / renovation: 2015
- Location: Saksen Weimar is a barracks which was completely redeveloped. It's situated in a residential area, near a park.
- Operator: Stepping Stones Home & Care (20-year long lease).



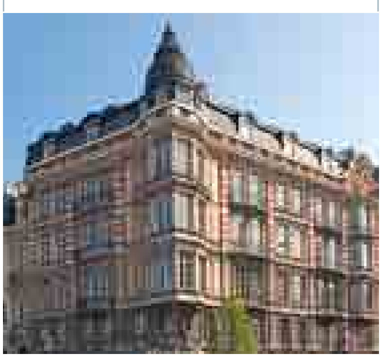
80 - Martha Flora Lochem

- Zutphenseweg 91 - 7241 Lochem - The Netherlands
- Year of construction / renovation: 2010
- Location: Martha Flora Lochem benefits from an excellent location in a residential area. An extension project is currently being completed.
- Operator: Martha Flora (20-year long lease).

APARTMENT BUILDINGS

1 - Tervueren 13 A/B

- Avenue de Tervueren 13 A/B
  Avenue des Celtes 4-10 - 1040 Brussels
- Year of construction / renovation:
  1990 - 1995
- Location: Building located close to the European district of Brussels, at the corner of avenue de Tervueren and avenue des Celtes.
- Description: The building comprises 3 apartments and commercial spaces spread over 9 levels, and a commercial level with the possibility to transform the commercial spaces into residential space.



2 - Sablon

- Rue Bodenbroek 22-25 -
  Rue de Ruysbroeck 63-67 -
  1000 Brussels
- Year of construction / renovation:
  2003 - 2004
- Location: Building ideally located in the Grand Sablon area, a highly regarded and central tourism and shopping district in the centre of Brussels.
- Description: The building comprises 30 apartments spread over five levels as well as a commercial level.

3 - Complexe Laeken-Pont Neuf

- Rue de Laeken 89-117-119-123-125
  Rue du Cirque 25-29 -
  Rue du Pont Neuf 3-3A - 1000 Brussels
- Year of construction / renovation:
  1993 - 2015
- Location: Benefitting from an impressive view of the Pont-Neuf gardens, the complex is located close to the place de Brouckère, the Flemish Royal Theatre, the Grand Place, and boulevard Albert II.
- Description: The complex consists of buildings designed by European architects and comprising 42 apartments, offices, and a commercial space.

4 - Le Bon 24-28

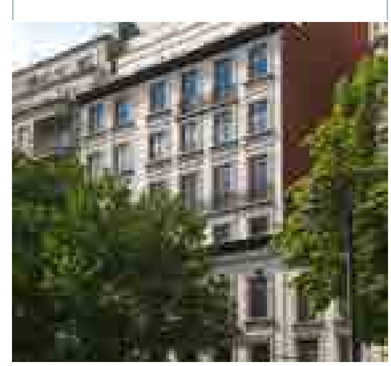
- Rue Philippe le Bon 24-28 -
  1000 Brussels
- Year of construction / renovation:
  1990
- Location: Located in the rue de la Loi and boulevard du Regent district, very close to the European institutions and the Leopold district.
- Description: The building comprises 15 apartments spread over 6 levels.

5 - Lombard 32

- Rue du Lombard 32 -
  1000 Brussels
- Year of construction / renovation:
  1995
- Location: Building located close to Brussels' Grand Place, on the corner of rue du Lombard and rue de l'Etuve, a lively tourist district in the capital.
- Description: The building comprises 13 apartments spread over 7 levels and a commercial level. The building's facade is classified by the city of Brussels as from the 1st level.

6 - Complexe Louise 331-333

- Avenue Louise 331-333 -
  Rue Jordaens 10 - 1050 Brussels
- Year of construction / renovation:
  2000
- Location: Complex located between avenue Louise and rue Jordaens.
- Description: Mixed-use complex, which includes a building fronting on avenue Louise and comprising 5 apartments and office spaces spread over 9 levels, a central block (former stables) comprising offices, as well as a single-family home located in the rear on rue Jordaens.

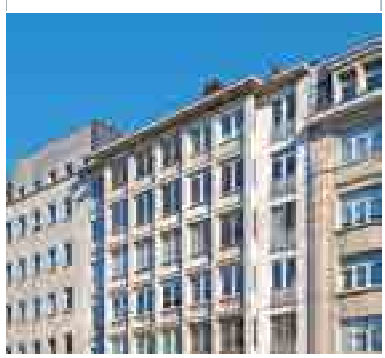


7 - Place du Samedi 6-10

- Place du Samedi 6-10 - 1000 Brussels
- Year of construction / renovation: Partially renovated in 2004
- Location: Building located in the touristic centre of Brussels, near to the Vieux Marché aux Poissons and the Grand Place.
- Description: The building comprises 24 apartments spread over 6 levels, as well as a commercial space on the ground level and on the first floor.

8 - Broqueville 8

- Avenue de Broqueville 8 - 1150 Brussels
- Year of construction / renovation: 1959 - partially renovated in 2008
- Location: Building located in Brussels near Montgomery Square.
- Description: The building is held under traditional co-ownership arrangements; Aedifica owns 6 apartments.



9 - Bataves 71

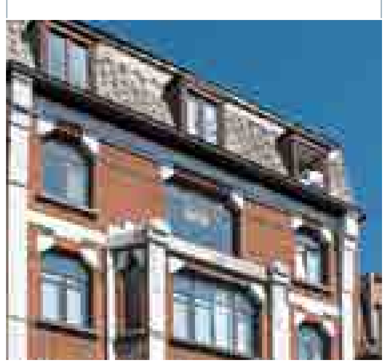
- Rue des Bataves 71 - 1040 Brussels
- Year of construction / renovation: Partially renovated in 1996 and 2011
- Location: Building located at the corner of rue des Bataves and avenue de Tervueren.
- Description: The building comprises 3 apartments and an office space spread over 4 levels.

10 - Tervueren 103

- Avenue de Tervueren 103 - 1040 Brussels
- Year of construction / renovation: 1990 (renovation) - 1995 (renovation), 2011 (partially renovated)
- Location: Building located at the corner of rue de l'Armée and avenue de Tervueren.
- Description: The building comprises 6 apartments and an office space spread over 4 levels, plus a commercial ground floor.

11 - Louis Hap 128

- Rue Louis Hap 128 - 1040 Brussels
- Year of construction / renovation: 1990 (renovation) - 2011/2012 (renovation)
- Location: Building located on a residential road that links place Saint-Pierre with chaussée d'Auderghem.
- Description: The building comprises 7 apartments spread over 6 levels.



12 - Rue Haute

- Rue Haute 39-51 - 1000 Brussels
- Year of construction / renovation: 1961 - 1985 (renovation) - 2015
- Location: Building located along the upper part of rue Haute, near to Sablon.
- Description: The building comprises 20 apartments spread over 5 levels, and a ground-floor commercial space.

APARTMENT BUILDINGS

13 - Résidence Palace

- Chaussée d'Etterbeek 62 - 1040 Brussels
- Year of construction / renovation: 2006
- Location: Building located at the heart of the Leopold district, near to the European institutions and the Schuman train station.
- Description: This prestigious building comprises 57 apartments spread over 7 floors, as well as a ground-floor commercial space.

14 - Churchill 157

- Avenue Winston Churchill 157 - 1180 Brussels
- Year of construction / renovation: 1974 - partially renovated in 2011 and 2012
- Location: Building located in the Churchill/Molière district in Uccle, offering a view over the Montjoie park, which is accessible via a private garden.
- Description: The building comprises 22 apartments and an office space spread over 9 levels.

15 - Auderghem 237-239-241-266-272

- Avenue d'Auderghem - 237-239-241-266-272 - 1040 Brussels
- Year of construction / renovation: End of 19th century - several renovations between 1999 and 2004
- Location: Building located near to La Chasse, the European district and the Cinquantenaire esplanade.
- Description: Houses in 19th-century Brussels' style divided into apartments (partially in co-ownership).

16 - Edison

- Avenue Sergent Vrithoff 123-129 - 5000 Namur
- Year of construction / renovation: 1972 - 2004
- Location: Building located in the municipality of Salzinnes, near to the centre of Namur.
- Description: Mixed-use building, which comprises 7 apartments and an office space, spread over 4 levels.

17 - Verlaine/Rimbaud/Baudelaire

- Avenue Sergent Vrithoff 131-143 - 5000 Namur
- Year of construction / renovation: 1998
- Location: Building located in the municipality of Salzinnes, near to the centre of Namur.
- Description: Mixed-use building, which comprises 21 apartments and an office space, spread over 5 levels.

18 - Ionesco

- Boulevard de la Meuse 81 - 5100 Jambes
- Year of construction / renovation: 2004
- Location: Building located in the municipality of Salzinnes, near to the centre of Namur, in a residential area near to the major traffic routes.
- Description: The building comprises 10 apartments spread over 7 levels.

19 - Musset

- Rue Henri Bles 140 - 5000 Namur
- Year of construction / renovation: 2002
- Location: Building located in the municipality of Salzinnes, near to the centre of Namur.
- Description: The building comprises 6 apartments and an office space spread over 4 levels.

20 - Giono & Hugo

- Rue Capitaine Jomouton 30-32 - 5100 Jambes
- Year of construction / renovation: 2004 - 2005
- Location: Complex located in the municipality of Jambes, south of Namur, in a residential district near to the major traffic routes.
- Description: 2 adjacent residential buildings of almost same configuration and finish, comprising 15 apartments spread over 4 levels.

21 - Antares

- Rue Champêtre 46 - 5100 Jambes
- Year of construction / renovation: 1956 - 1994
- Location: Building located in the municipality of Jambes, south of Namur, in a residential district near to the main roads.
- Description: Houses divided in apartments, comprising 7 apartments spread over 4 levels.

22 - Ring

- Plantin en Moretuslei 107-115 - 2018 Antwerp
- Year of construction / renovation: 1993 - 1994 (renovation) - 2015
- Location: Complex located near to the major road access leading to the centre of Antwerp, near the Ring, but also the Diamond district, the central train station and the offices of the Kievitplein.
- Description: Complex in 2 parts, of which the 1st section comprises commercial spaces and a hotel, and the 2nd section is in co-ownership (87 apartments owned by Aedifica).

23 - Résidence Gauguin et Manet

- Rue du Wäschbour 22-24 - 6700 Arlon
- Year of construction / renovation: 2007
- Location: Building located in a new subdivision, less than a kilometre from the centre of Arlon.
- Description: The building comprises 35 residential apartments spread over 2 blocks, each with 4 levels above ground.

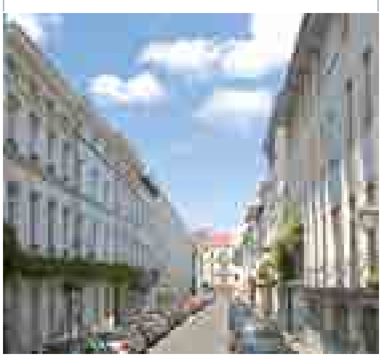
24 - Résidence de Gerlache

- Chaussée de Louvain 710-732 - 1030 Brussels
- Year of construction / renovation: 2011
- Location: Building located halfway between the European district and the NATO.
- Description: This low-energy building comprises 75 residential apartments spread over 5 levels, 4 commercial spaces and a space for liberal professional.

APARTMENT BUILDINGS

25 - Ensemble Souveraine

- Rue Souveraine 5, 21-35, 39-45 - 1050 Brussels
- Year of construction / renovation: 1985 to 1995 - 2011/2012 (partially renovated) - 2015 (renovation in progress)
- Location: Lot of building located in a quiet street, perpendicular to chaussée d'Ixelles and avenue Louise.
- Description: Houses divided in apartments; the building comprises 116 apartments and recreational infrastructure.



26 - Louise 130

- Avenue Louise 130 - 1050 Brussels
- Year of construction / renovation: End of the 19th century - 1996 - 2015
- Location: Building located in a highly regarded district, between the shops of avenue Louise and the restaurants of the Châtelain district.
- Description: The building comprises 9 furnished apartments spread over 3 levels and a ground-floor commercial space.

27 - Louise 135

- Avenue Louise 135 - 1050 Brussels
- Year of construction / renovation: 1996 - 2015
- Location: Building located in a highly regarded district, between the shops of avenue Louise and the restaurants of the Châtelain district.
- Description: The building comprises 31 furnished apartments spread over 12 levels and a ground-floor commercial space.

28 - Louise 270

- Avenue Louise 270 - 1050 Brussels
- Year of construction / renovation: 1996 - 2012 -2015
- Location: Building located in a highly regarded district, between the shops of avenue Louise and the restaurants of the Châtelain district.
- Description: The building comprises 14 furnished apartments and a small ground-floor commercial space.

29 - Vallée 48

- Rue de la Vallée 48 - 1000 Brussels
- Year of construction / renovation: 1993
- Location: Building located in a nice and green area near to avenue Louise, Abbaye de la Cambre and place Flagey.
- Description: The building comprises 6 furnished apartments.

30 - Livourne 16-18

- Rue de Livourne 16-18 - 1000 Brussels
- Year of construction / renovation: 2004
- Location: Building located between the chaussée de Charleroi and avenue Louise, near to the Goulet Louise and its numerous luxury shops.
- Description: The building comprises 2 adjacent houses, containing 16 furnished apartments.

31 - Freesias

- Allée des Freesias 18 - 1030 Brussels
- Year of construction / renovation: 1990 - 2015
- Location: Building located in the Flowers district of Schaerbeek, near to NATO, the industrial zones of Diegem and Zaventem Airport.
- Description: The building comprises 37 furnished apartments.

32 - Héliotropes

- Avenue des Héliotropes 35 - 1030 Brussels
- Year of construction / renovation: 1979
- Location: Building located in the Flowers district of Schaerbeek, near to NATO, the industrial zones of Diegem and Zaventem Airport.
- Description: The building comprises 25 furnished apartments.

33 - Livourne 20-24

- Rue de Livourne 20-24 - 1050 Brussels
- Year of construction / renovation: 2010
- Location: Building located between chaussée de Charleroi and avenue Louise, near to the Goulet Louise and its numerous luxury shops.
- Description: The building comprises 2 adjacent houses, containing 15 furnished apartments.

34 - Livourne 14

- Rue de Livourne 14 - 1050 Brussels
- Year of construction / renovation: 2010
- Location: Building located between chaussée de Charleroi and avenue Louise, near to the Goulet Louise and its numerous luxury shops.
- Description: The building comprises 3 furnished apartments.

35 - Résidence Chamaris

- Rue d'Arlon 39 - 1000 Brussels
- Year of construction / renovation: 2010
- Location: Building located at the heart of the Leopold Quarter, Brussels' premier business district, next to the main European Union institutions.
- Description: The building comprises 23 furnished apartments and 1 ground-floor commercial space.

36 - Stephanie's Corner

- Rue Jean Stas/ Rue Dejoncker - 1060 Brussels
- Year of construction / renovation: 2007
- Location: Building located in a highly ranked district, close to the shops of avenue Louise.
- Description: The building comprises 27 apartments, 3 commercial spaces and a 27-space underground parking lot.

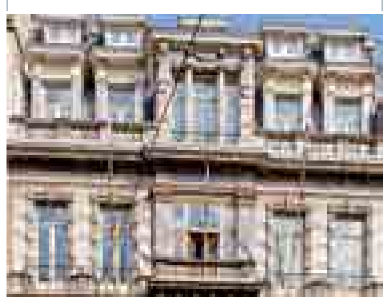
HOTELS AND OTHER

1 - Hotel Martin's Brugge

- Oude Burg 5 - 8000 Brugge
- Year of construction / renovation: 2005 - 2009
- Location: Three-star hotel located in the heart of Old Brugge, near to the Belfry and the historical city.
- Description: Hotel comprising 178 rooms (after integration of De Tassche Hotel, acquired in 2008), 8 seminar rooms, a central body and 3 annexed buildings equipped for the hotel industry. The entire complex has been transferred to the Martin's Hotels group which manages the hotel under a 36-year long lease (with an option to extend for both the lessor and the lessee).

2 - Royale 35

- Rue Royale 35 - 1000 Brussels
- Year of construction / renovation: 1985
- Location: Building located near to the boulevard du Botanique, which forms part of the Brussels' inner ring road.
- Description: The office building is spread over 6 levels with a ground-floor commercial space and a rear annex building.



3 - Martin's Klooster

- Onze-Lieve-Vrouwstraat 18 - 3000 Leuven
- Year of construction / renovation: 2003 - 2012
- Location: Four-star hotel located at the heart of the historic centre of Leuven ("island of the Dijle").
- Description: Hotel comprising 103 rooms and suites, a new conference centre, a lounge bar, a new reception lobby, and an orangery for events. The entire complex has been transferred to the Martin's Hotels group which manages the hotel (under a 36-year long lease).

4 - Carbon

- Europalaan 38 - 3600 Genk
- Year of construction / renovation: 2008
- Location: Four-star design hotel located in the heart of Genk.
- Description: The hotel comprises 60 rooms and suites, a restaurant and one of the most beautiful spas in Belgium. The entire complex has been transferred to the operator Different Hotel group which manages the hotel (under a 27-year long lease).

5 - Eburon

- De Schiervelstraat 10 - 3700 Tongres
- Year of construction / renovation: 2008
- Location: Four-star design hotel located at the heart of the historical city of Tongeren.
- Description: The hotel comprises 52 rooms and suites. The entire complex has been transferred to the operator Different Hotel Group which manages the hotel (under a 27-year long lease).

6 - Ecu

- Europalaan 46 - 3600 Genk
- Year of construction / renovation: 1992
- Location: Budget hotel of high quality in the centre of Genk.
- Description: The hotel comprises 51 rooms and has been transferred to the operator Different Hotel Group which manages the hotel (under a 27-year long lease).

7 - Eurotel

- Koning Albertlaan 269 - 3620 Lanaken
- Year of construction / renovation: 1987 - 2007 - 2010
- Location: Four-star hotel located in Lanaken, near to the centre of Maastricht.
- Description: The hotel comprises 79 rooms, all recently renovated, a restaurant, a spa and a sport centre. The entire complex has been transferred to the operator Different Hotel Group which manages the hotel (under a 27-year long lease).

8 - Villa Bois de la Pierre

- Venelle du Bois de la Pierre 20 - 1300 Wavre
- Year of construction / renovation: 1955 - 1987
- Location: Adjacent villa to the Villa Bois de la Pierre rest home.
- Description: Villa Bois de la Pierre is located next to the Bois de la Pierre rest home. The villa counts 4 apartments and office spaces.

9 - Duysburgh

- Rue Duysburgh 19 - 1090 Brussels
- Year of construction / renovation: -
- Location: Adjacent building to the Aux Deux Parcs rest home.
- Description: Duysburgh is a building located in a residential and green zone, between Parc de la Jeunesse and Square Léopold, and not far from the Brugmann hospital. The building is intended to be incorporated into the Aux Deux Parcs rest home.

10 - Résidence du Lac

- Between avenue Louise, rue Vilain XIIII and rue du Lac - 1050 Brussels
- Location: Plot of land located between avenue Louise, rue Vilain XIIII and rue du Lac.
- Description: The plot of land is located in a highly ranked district, near avenue Louise, the Etangs d'Ixelles and the Abbaye de la Cambre. A residential project is being studied on the plot of land, which is currently rented.

6. MANAGEMENT TEAM

6.1. AEDIFICA'S INTERNAL ORGANISATION

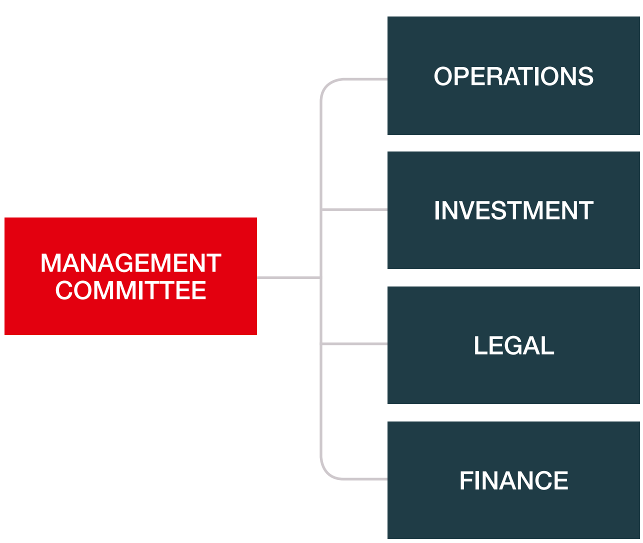
The Company is structured as shown in the organisational chart below.

Each component of the organisational chart is described in the following paragraphs. The "Operations" component, to which approx. 30 people are assigned, represents most of the Company's staff.

OPERATIONS

The daily management of Aedifica's real estate portfolio in Belgium, Germany and The Netherlands is supervised by the COO.

The Valuation & Asset Management function was recently created in order to enhance the dialogue between the Company and the independent experts who value Aedifica's real estate in each of the countries it is located.



OPERATIONS BELGIUM

Aedifica's daily activities in Belgium mainly involve managing the Company's senior housing sites and its apartment buildings.

Regarding senior housing in Belgium, Aedifica has established long-term contracts (mainly in the form of long leases) with specialised and professional operators who in turn assume responsibility for building maintenance (triple net contracts). Thus, Aedifica is not responsible for the daily management of these buildings. However, it monitors overall quality via ad hoc visits (in particular as part of periodic portfolio evaluations and monitoring of extension and renovation projects in progress). Although rental contracts are triple net, the Company insists on improving existing sites as well as developing new projects in partnership with its tenants/operators. This practice allows the Company to maintain a portfolio of high-quality buildings that generate attractive net yields over the long term. This kind of partnership includes all aspects of the development of real estate projects, whether they are of technical, legal, organisational or other nature. Such projects are presented in the table "projects and renovations in progress".

Management of the relations with operators, as well as the projects and renovations in progress, is entrusted to the recently established Asset Management Senior Housing team.

For commercial management of its apartment buildings, Aedifica employs a Sales and Marketing Manager who secures rentals through direct contact with tenants and real estate agents. He is assisted by an internal commercial team.

Technical management of Aedifica's apartment buildings ("technical property management") includes the diligent management of the buildings' common areas, implementation and follow-up of maintenance and technical control contracts, management of insurance claims, and assistance to tenants at the time of arrival and departure. Technical management is carried out by both Aedifica's own property management team and by external service providers who are continuously monitored by aforementioned team. It ensures that the required duties are performed and quality standards maintained.

Administrative and accounting management ("administrative property management") includes managing calls for rent payments and indexations, provisions for expesnses, quarterly closing of common area expenses, tax recoveries, budgeting for common area expenses, and tracking tenant payments. Administrative management is also carried out by both Aedifica's own team and by external service providers, under the supervision of Aedifica's Property Accounting Manager and his team.

External property managers are selected based on a competitive bidding process and their reputation in the Belgian market. Contracts generally cover a period of 1 year and include the possibility for renewal. In terms of risk management, Aedifica has divided its portfolio across several external property managers, depending, primarily based on their specialities and their geographic location. These intermediaries are assigned with either the full responsibility for day-to-day building management on both technical and administrative levels or for with day-to-day technical management only, in cases where Aedifica performs administrative and accounting management internally. Aedifica monitors external service providers through periodic reporting and by conducting spot checks. The remuneration of external managers is proportional to the rental incomes generated. Overall, remuneration of external service providers amounted to €0.2 million (VAT included) during the 2015/2016 financial year, or 2 % of the net rental income for the buildings concerned. Over the past few years, Aedifica gradually internalised most tasks that were previously outsourced. The only external building manager currently engaged by Aedifica in Belgium for fully owned buildings, is the following:

Pianissimmo

Rue des Fabriques 1
6747 Saint-Leger
For la Résidence Gauguin et Manet.

Management of buildings in co-ownership is assigned to external building managers as chosen during the General Meeting of the co-owners.

Hotels follow the management principles applicable for senior housing, whereas other buildings follow the management principles applicable for apartment buildings.

OPERATIONS GERMANY

The buildings located in Germany follow the same management principles as those described above for senior housing in Belgium. The contracts in place with the operators are also irrevocable long-term leases, but are of a double net structure (vs. triple net structure in Belgium). This means that the repair and maintenance of the roof, structure and facades of the buildings remains the responsibility of the owner.

Aedifica has held a German subsidiary since 1 January 2015: Aedifica Asset Management GmbH advises and supports Aedifica and its other subsidiaries on the growth and management of their real estate portfolio in Germany.

OPERATIONS THE NETHERLANDS

The buildings located in The Netherlands follow the same management principles as those described above for senior housing in Belgium. The contracts in place with the operators are also irrevocable long-term leases of a triple net structure (as in Belgium).

As from early 2016, Aedifica has a Dutch subsidiary (Aedifica Nederland BV) who holds its real estate portfolio on its balance sheet. It benefits from the know-how of its local experts and its parent company. Aedifica plans on establishing a local management team when it is justified by the scale of its Dutch portfolio.

INVESTMENT

Aedifica assigns the “investment” aspects of its operational activities to the Company’s Investment Officer and his team, which provides the primary point of contact for new investment opportunities in Belgium and abroad. The Investment Manager filters the cases and undertakes preliminary studies before presenting them to the Management Committee and, if accepted, to the Investment Committee and Board of Directors. The Investment Manager also organises various aspects of the due diligence audits in close cooperation with other members of the Company’s internal team and by engaging external specialists, depending on the need and characteristics of individual cases. The position of “International M&A Officer” was recently created in order to support the Group’s international expansion.

The Investment Officer and the International M&A Officer are supervised by the CEO.

LEGAL

Aedifica assigns the “Legal” aspects of its operational activities to a team led by the CLO, whose mission includes the day-to-day management of the legal affairs of the Company and its subsidiaries (“corporate housekeeping”) as well as assistance in other aspects of operational activities (“legal support”). Its mission mainly involves conducting legal due diligence audits, carried out with assistance of external specialists depending on the cases’ individual characteristics, drafting conventions and, occasionally, dispute management. Insurance coverage is also centralised here. The CLO is also charged with the functions of Compliance Officer and Secretary-General of the Board of Directors.

FINANCE

The “Finance” aspects of Aedifica’s operational activities cover many disciplines placed under the CFO’s supervision, such as the financing of day-to-day activities and investments (the “group treasury” function was recently created), accounting, taxation, cash management, internal reporting, controlling, external financial communication and investor relations, and credit control. Management of human resources, IT and the vehicle fleet is also centralised here.

LEOPOLDSPARK
BELGIUM –
SENIOR HOUSING

7. EXPERTS' REPORT[1]

Gentlemen,

We are pleased to send you our estimate of the fair value of investment properties held by the Aedifica group as of 30 June 2016.

Aedifica assigned to each of the three independent external valuers the task of determining the fair value (from which the investment value is derived[2]) of one part of its portfolio of investment properties. Assessments are established taking into account the remarks and definitions contained in the reports and following the guidelines of the International Valuation Standards issued by the "IVSC".

We have acted individually as independent external valuers and have a relevant and recognised qualification, as well as an ongoing experience for the location and the type of buildings assessed. The valuer's opinion of fair value was primarily derived using comparable recent market transactions at arm's length terms.

€1,157M
FAIR VALUE OF THE PORTFOLIO

Properties are considered in the context of current leases and of all rights and obligations that these commitments entail. We have evaluated each entity individually. Assessments do not take into account a potential value that can be generated by offering the whole portfolio on the market. Assessments do not take into account selling costs applicable to a specific transaction, such as brokerage fees or advertising. Assessments are based on the inspection of real estate properties and information provided by Aedifica (i.e. rental status and surface area, sketches or plans, rental charges and property taxes related to the property, and compliance and pollution matters). The information provided was assumed to be accurate and complete. Assessments are made under the assumption that no non-communicated piece of information is likely to affect the value of the property.

Based on the three assessments, the consolidated fair value of the portfolio amounted to €1,156,833,728[3] as of 30 June 2016, including €1,130,909,440 for marketable investment properties[4]. Contractual rents amounted to €65,612,461 which corresponds to an initial rental yield of 5.80 %[5] compared to the fair value of marketable investment properties. Assuming that the marketable investment properties, except for furnished apartments, are 100 % rented and that the currently vacant spaces are rented at market prices, contractual rents would amount to €66,820,619, i.e. an initial rental yield of 5.91 %[6] compared to the fair value of marketable investment properties.

In the context of a reporting in compliance with the International Financial Reporting Standards, our evaluations reflect the fair value. The fair value is defined by IAS 40 and IFRS 13 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The IVSC considers that the definition of fair value under IAS 40 and IFRS 13 is generally consistent with market value.

DE CROMBRUGGHE & PARTNERS SA OPINION

The fair value of the part of Aedifica's portfolio valued by de Crombrugghe & Partners SA is estimated as of 30 June 2016 at €354,972,500 and the investment value (before deduction of the transfer costs[7]) is estimated at €364,543,000.

Michaël Zapatero and Karen Cox
29 August 2016

STADIM CVBA OPINION

The fair value of the part of Aedifica's portfolio valued by Stadim CVBA is estimated as of 30 June 2016 at €671,271,311 and the investment value (before deduction of the transfer costs[8]) is estimated at €689,560,890.

Dave Verbist and Katrien Van Grieken, MRE
29 August 2016

CBRE GMBH OPINION

The fair value of the part of Aedifica's portfolio valued by CBRE GmbH is estimated as of 30 June 2016 at €130,590,000 and the investment value (before deduction of the transfer costs[9]) is estimated at €140,769,127.

Dr. Henrik Baumunk and Andreas Polter
29 August 2016

1. The expert report was reproduced with the agreement of Crombrugghe & Partners SA, Stadim CVBA and CBRE GmbH. The sum of all elements of the portfolio individually assessed by the abovementioned independent experts constitutes Aedifica's whole consolidated portfolio.
2. "Investment value" is defined by Aedifica as the value assessed by the external valuers, of which transfer costs are not deducted (also known as "gross capital value").
3. The abovementioned portfolio is broken down in two lines on the balance sheet (lines "I.C. Investment properties" and "II.A. Assets classified as held for sale").
4. "Marketable investment properties" are defined by Aedifica as investment properties including assets classified as held for sale and excluding development projects. Marketable investment properties are hence completed properties that are let or lettable.
5. 5.79% compared to the fair value of marketable investment properties increased by the goodwill on furnished apartments and furnishings.
6. 5.89% compared to the fair value of marketable investment properties increased by the goodwill on furnished apartments and furnishings.
7. In this context, the transfer costs require adaptation to the market conditions. Based on the analysis of a large number of transactions in Belgium, the Belgian experts acting at the request of publicly traded real estate companies, reunited in a working group, came to the following conclusion: given the various ways to transfer property in Belgium, the weighted average of the transfer costs was estimated at 2.5%, for investment properties with a value in excess of €2.5 million. The investment value corresponds therefore to the fair value plus 2.5% of transfer costs. The fair value is also calculated by dividing the investment value by 1.025. Properties in Belgium below the threshold of €2.5 million remain subject to usual transfer costs (10.0% or 12.5% depending on their location). Their fair value corresponds thus to the value excluding transfer costs. In this specific case, for residential units, the fair value reflects the potential capital gain per apartment, if sold.
8. Same comment on transfer costs as in footnote 7 above.
9. Assets located in Germany are not concerned by the comments in footnotes 7 and 8 above. In the assessment of their investment value, the usual German transfer costs are taken into account.

AEDIFICA ON THE STOCK MARKET

3.0%

GROSS DIVIDEND YIELD
AS OF 30 JUNE 2016

€69.68

SHARE PRICE
AS OF 30 JUNE 2016

14,172,176

TOTAL NUMBER OF SHARES LISTED
AS OF 30 JUNE 2016

€987M

MARKET CAPITALISATION
AS OF 30 JUNE 2016

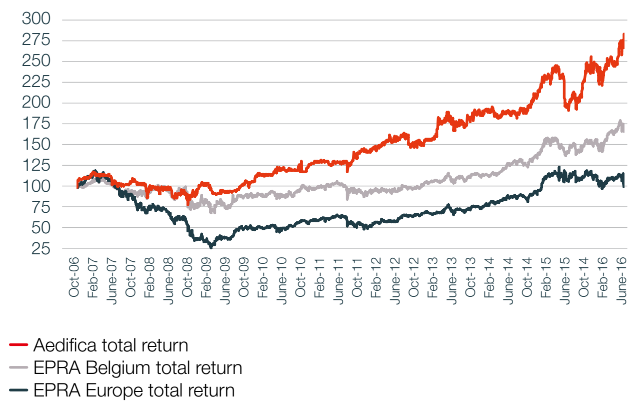
AEDIFICA ON THE STOCK MARKET

MARTIN'S KLOOSTER
BELGIUM – SENIOR HOUSING

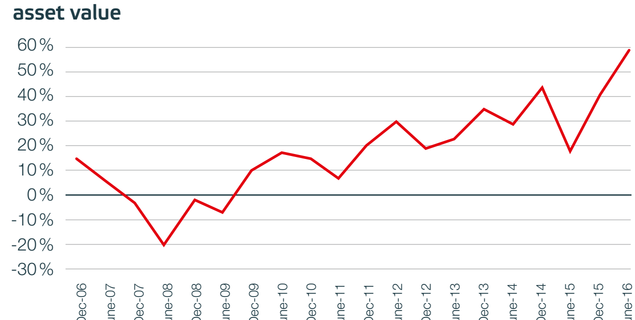
TERVUEREN 13 A/B
BELGIUM – APARTMENT BUILDINGS

Aedifica provides the investor an attractive with alternative to direct investment in residential real estate.

Comparison – indices in total return
From 23 octobre 2006 (IPO) to 30 June 2016



Premium and discount of the share price in relation to the net asset value



1. For additional information on the EPRA index, refer to EPRA's web site (www.EPRA.com).

Aedifica's diversified investment policy (see "Strategy" section of the Consolidated Board of Directors' Report) offers the shareholder a unique investment that generates optimal rental incomes with a limited risk profile. The structure of Aedifica's portfolio generates attractive returns, opportunities for growth and capital gains, and recurrent dividends.

According to the "Weekly table value", published on 26 August 2016 by Bank Degroof Petercam, Aedifica is currently the 4th REIT in terms of market capitalisation.

1. STOCK PRICE AND VOLUME

Aedifica's shares (AED) have been quoted on Euronext Brussels continuous market since 23 October 2006. Since that date, Aedifica has completed three capital increases, in cash and with preferential rights or priority allocation rights.

- 15 October 2010: issuance of 2,013,334 new shares at a subscription price of €33.45 per share to raise a total gross amount of €67 million.
- 7 December 2012: issuance of 2,697,777 new shares at a subscription price of €37.00 per share to raise a total gross amount of €99.8 million.
- 29 June 2015: issuance of 3,121,318 new shares at a subscription price of €49.00 per share to raise a a total gross amount of €153 million.

On 30 June 2016, Aedifica was registered in the European and Belgian EPRA indices[1] with weightings of 0.4 % and 14.4 %, respectively.

Taking the stock price on 30 June 2016 (€69.68) as a baseline, Aedifica shares show:

- a 48 % premium as compared to the net asset value per share excluding IAS 39, based on the fair value of the property portfolio;
- a 59 % premium as compared to the net asset value per share including IAS 39, based on the fair value of the property portfolio.

Between the date of the IPO (after deduction of the coupons which represented the preferential rights or the priority allocation rights issued as part of the 15 October 2010, 7 December 2012 and 29 June 2015 capital increases) and 30 June 2016, Aedifica's stock price increased by 92.0 %. This increase shows a very favourable contrast when compared to the Bel Mid Index, which increased by 17.1 %, and when compared to the EPRA Europe index, which fell by 22.8 %, over the same period.

Aedifica share

	30 June 2016	30 June 2015
Share price at closing (in €)	69.68	50.30
Net asset value per share (based on fair value) after deduction of the dividend 2014/2015 excl. IAS 39 (in €)	47.08	43.74
Premium (+)/(-) Discount (based on fair value) excl. impact IAS 39	48.0 %	15.0 %
Net asset value per share (based on fair value) before deduction of the dividend 2014/2015 incl. IAS 39 (in €)	43.74	41.04
Premium (+)/(-) Discount (based on fair value) inlc. impact IAS 39	59.3 %	22.6 %
Market capitalisation	987,517,176	706,510,329
Free float[1]	100.00 %	94.54 %
Total number of shares listed	14,172,176	14,045,931
Denominator for the calculation of the net asset value per share	14,192,032	14,045,931
Average daily volume	16,741	9,809
Velocity[2]	30.6 %	28.8 %
Gross dividend per share (in €)[3]	2.10	2.00
Dividend gross yield[4]	3.0 %	4.0 %

1. Percentage of the capital of a company held by the market, according to the definition of Euronext. See press release of 18 December 2015.
2. Total volume of share exchanged annualised divided by the total number of shares listed on the market, according to the definition of Euronext.
3. 2015/2016: Proposed dividend at the Annual General Meeting.
4. Gross dividend per share divided by the closing share price.

Number of shares

	30 June 2016	30 June 2015
Number of shares outstanding[1]	14,192,032	14,045,931
Total number of shares[3]	14,192,032	14,045,931
Total number of shares on the stock market	14,172,176	14,045,931
Weighted average number of shares outstanding (IAS 33)	14,122,758	10,658,981
Number of dividend rights[2]	14,186,987	10,924,613

1. After deduction of the treasury shares.
2. Based on the rights to the dividend for the shares issued during the year.
3. 19,856 shares will be traded in principle on 2 November 2016.

Internationally, the Aedifica shares have been included in the EPRA indices since 18 March 2013 and in the MSCI indices since 1 December 2015.

2. DIVIDEND POLICY

Aedifica has the obligation to distribute the majority of its profits in the form of dividends (see "income to distribute" in the glossary). The proposed gross dividend for 2015/2016 financial year amounts to €2.10 per share (2006/2007: €1.48 per share; 2007/2008: €1.71 per share; 2008/2009: €1.80 per share; 2009/2010: €1.82 per share; 2010/2011: €1.82 per share; 2011/2012: €1.86 per share; 2012/2013: €1.86; 2013/2014: €1.90 per share; 2014/2015: €2.00 per share) as detailed in Note 38 of the Consolidated Financial Statements. The coupon is payable 5 working days after the date of the ordinary general shareholder's meeting, which is fixed in the Articles of Association to be held annually on the 4th Friday of October. The coupon related to the 2015/2016 financial year will be in principle paid as from 4 November 2016.

As a RREC, the withholding tax for Aedifica investors amounts to 27 %. For the tax treatment of the dividend, readers, in particular shareholders who are Belgian tax payers (natural persons), are referred to section 4 of the chapter entitled "Standing Documents" included in this Annual Financial Report. The net dividend per share after deduction of the withholding tax of 27 % will amount to €1.5330. The Belgian Minister of Finance announced, in a press release dated 10 June 2016, that he *"will propose to the government to adapt the Act of 26 December 2015. This adaptation will permit Belgian RRECs , with at least 60 % of their investments concentrated in properties primarily devoted to healthcare, to benefit once again from a reduced withholding tax rate on dividends"*. This reduced rate would amount to 15 % (vs. 27 % currently) and would come into effect as of 1 January 2017. Subject to analysis of the final legal texts (to be approved), Aedifica's shareholders will benefit from this reduced rate as more than 60 % of the Company's portfolio is invested in senior housing; this segment comprises *"real estate destined for care and housing units suited for healthcare"*, as described in the Minister's press release. Aedifica welcomes this announcement, which supports the role of professional investors specialising in healthcare real estate, such as Aedifica, and is of direct benefit to its shareholders. The reader is referred to section 4.2 of the chapter entitled "Risk Factors" of the Annual Financial Report for more information on the tax treatment of dividends.

3. SHAREHOLDING STRUCTURE

Since 18 December 2015, no shareholder has held more than 5 % of the Company's capital. The free float is thus 100 % (as of 30 June 2016, based on the number of shares held by the shareholders concerned as of 18 December 2015). Declarations of transparency are available on Aedifica's website. As of the date of this report (12 September 2016), the Company has received no additional declarations of transparency since 18 December 2015.

4. SHAREHOLDERS' CALENDAR[1]

Annual General Meeting 2016	28 October 2016
Dividend payment date - Coupon related to the 2015/2016 financial year	
• Ex-date	2 November 2016
• Record date	3 November 2016
• Payment date	As from 4 November 2016
Interim statement	16 November 2016
Half-Year Financial Report 31.12.2016	21 February 2017
Interim statement	16 May 2017
Annual press release	5 September 2017
Annual Financial Report 2016/2017	22 September 2017
Annual General Meeting 2017	27 October 2017
Dividend - Coupon related to the 2016/2017 financial year ("ex-date")	2 November 2017

Financial service for the coupon payment: Degroof Bank Petercam (main paying agent) or any other financial institutions

1. These dates are subject to change.

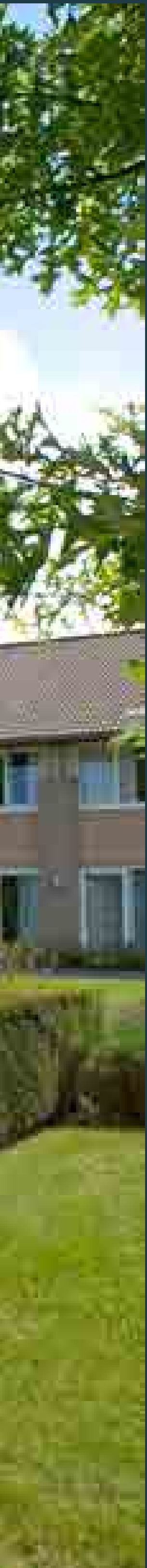
100%

FREE FLOAT

LOUISE 331
BELGIQUE –
APARTMENT BUILDINGS

VINKENBOSCH
BELGIUM –
SENIOR HOUSING

CORPORATE GOVERNANCE STATEMENT



40%
MIXED GENDER RATIO AMONG THE BOARD OF DIRECTORS

5 independents
AMONG THE 10 DIRECTORS

10 members
OF THE MANAGEMENT COMMITTEE

4 members
OF THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE STATEMENT

This chapter on corporate governance is part of the Consolidated Board of Directors' report. The Corporate Governance Statement is issued in accordance with the provisions of the Belgian Corporate Governance Code 2009 (the "2009 Code") and the Belgian Act of 6 April 2010 amending the Belgian Companies Code.

SERVICE-RESIDENZ SCHLOSS BENSBERG
GERMANY – SENIOR HOUSING

LA PAIRELLE
BELGIUM – SENIOR HOUSING

1. CODE OF REFERENCE

Aedifica acts in accordance with the principles of the 2009 Code published on 12 March 2009, while taking into consideration the Company's unique features and characteristics. Aedifica considers itself compliant with all provisions of the aforementioned Code.

The Royal Decree of 6 June 2010 specifies that the 2009 Code is the only applicable code. The 2009 Code is available on the website of the Belgian State Gazette, as well as on www.corporategovernancecommittee.be

The Corporate Governance Charter was set out by the Board of Directors of Aedifica and aims to provide full disclosure regarding the governance rules in place at Aedifica. It is available on the Company's website (www.aedifica.be) and was last updated on 2 September 2016.

2. INTERNAL CONTROL AND RISK MANAGEMENT

This section aims to provide a description of the main features of the Company's internal control system and risk management practices.

2.1 RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is responsible for the Company's identification and assessment of risks, as well as for monitoring the effectiveness of internal controls. Aedifica's Executive Managers are responsible for setting up an effective internal control environment and putting in place effective risk management practices.

In these respects, the Belgian legal framework is made up of the following regulations:

- The Belgian Act of 17 December 2008 setting up audit committees in listed companies (in application of the European Directive 2006/43 on the financial control of corporations);

- The Belgian Act of 6 April 2010 on corporate governance within listed companies and on the regulation modification concerning professional prohibition within the banking and financial sector (the so-called "Corporate Governance Act").

As of 30 June 2016, this framework is further enhanced by:

- The Belgian Corporate Governance Code 2009;
- The Belgian Act of 12 May 2014 on Regulated Real Estate Companies.

Pursuant to Article 17 of the Belgian Act of 12 May 2014, the Company has the following internal control functions:

RISK MANAGEMENT FUNCTION

The Risk Management function aims to implement measures and procedures to identify and monitor the risks to which the Company is confronted, and to avoid risks becoming reality and/or to limit the impact of these risks (if applicable) and to estimate, control and follow up as much as possible their effects.

The Board of Directors designated Mr. Jean Kotarakos, CFO, Executive Manager and member of the Management Committee, as Risk Manager. Mr. Jean Kotarakos' office of Risk Manager is of indefinite duration. He has the required professional reliability and appropriate experience to perform these duties.

INDEPENDENT COMPLIANCE FUNCTION

The Independent Compliance function aims to ensure that the Company, its Directors, its Executive Managers, its personnel or proxy holders respect the legal rules regarding the integrity of the Company's activity.

The Board of Directors appointed Ms. Sarah Everaerts, CLO/Secretary-General, Executive Manager and member of the Management Committee, as Compliance Officer. The Compliance Officer is appointed for an indefinite period and has the required professional reliability and appropriate experience to perform these duties.

INDEPENDENT INTERNAL AUDIT FUNCTION

The person in charge of the Independent Internal Audit function is appointed to independently and permanently judge the Company's activities and to examine the quality and the efficiency of the existing internal control procedures and methods.

The internal audit function is performed by an external consultant, namely Quiévreux Audit Services SPRL, represented by Mr. Christophe Quiévreux. The Internal Audit function (which is thus outsourced to an external legal person, represented by a natural person) is performed under the supervision and responsibility of Mr. Olivier Lippens, President of the Board of Directors. Mr. Olivier Lippens has the required professional reliability and appropriate experience to perform these duties.

Moreover, Aedifica has put in place risk management procedures and an internal control system that are consistent with the Company's manner of operating and with the environment in which it evolves. This system is based on the internal control model called "COSO" ("Committee of Sponsoring Organisations of the Threadway Commission"). COSO is a well-known international organisation that stems from the private sector. Its purpose is to promote improvement in the quality of corporate governance rules, internal control, risk management and financial reporting.

17

PRINCIPLES OF THE INTERNAL CONTROL MODEL CALLED "COSO"

The COSO model has 5 components:

- internal control environment;
- risk analysis;
- control activities;
- information and communication;
- surveillance and monitoring.

The latest version of the COSO (2013) defines 17 principles underlying these five components which clarify the requirements of an efficient internal control system.

2.2 INTERNAL CONTROL ENVIRONMENT

The underlying principles of the component "internal control environment" are the following:

- **Principle 1:** The organisation demonstrates a commitment to integrity and ethical values:
  - As regards ethics, Aedifica has developed a Charter of Ethics (named "Code of Conduct") in 2010, which formalises the previously existing unwritten codes of conduct. This charter includes matters such as conflicts of interests, confidentiality, dealing codes, misappropriation of corporate assets, business gifts, and respect for others. It has been attached to the Corporate Governance Charter.
  - As regards integrity, Aedifica complies with legal provisions regarding conflicts of interests (see below).
- **Principle 2:** The Board of Directors demonstrates independence from management and exercises oversight of the development and performance of internal control:

  The Board of Directors comprises 10 members, 5 of whom are independent, as defined in Article 526ter of the Belgian Companies Code and Appendix A of the 2009 Code (see below). Given their experience (see below), the Directors are sufficiently qualified for their positions, particularly in respect of accounting, finance and remuneration policy. Aedifica's Board of Directors supervises the effectiveness of the risk management practices and of the internal control implemented by the Executive Managers.

- **Principle 3:** The Executive Managers establish, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives:
  - The organisational chart of Aedifica is kept up to date.
  - Aedifica has a Board of Directors, an Audit Committee, a Nomination and Remuneration Committee, an Investment Committee and a Management Committee whose tasks are described below.
  - In accordance with Article 14 § 3 of the Belgian Act of 12 May 2014 on Regulated Real Estate Companies, the members of the Management Committee (who are all Executive Managers) are in charge of the daily management of the Company in these activities. They report to the Board of Directors. The Executive Managers are responsible for setting up an effective internal control environment and for putting in place effective risk management practices.

- **Principle 4:** The organisation demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives:
  The Company's recruitment processes ensure the qualification of the Executive Managers and personnel. For each position, there is a defined profile and a suitable training programme. Aedifica endeavours to support the personal development of its staff and associates by offering them a motivating and comfortable working environment that is adapted to their needs, by identifying their talents, and by further reinforcing these individual strengths. Succession plans are elaborated according to the evolution of the career plans and according to chances of personnel leaving temporarily (maternity leave, parental leave, etc.) or permanently (such as retirement).

- **Principle 5:** The organisation holds individuals accountable, in particular for their internal control responsibilities in the pursuit of objectives:
  Each member of the Aedifica team has at least one evaluation interview per year with his or her responsible, based on a framework that considers the relationships between Company and employee in a very broad way. Furthermore, the remuneration and assessment policy of Executive Managers and personnel is based on achievable and measurable targets. It was thoroughly analysed in 2009 by specialised consultants, with a follow-up performed in 2010 and in 2011. A study of remuneration of the members of the Management Committee was carried out in 2011, and a second time in 2016.

2.3 RISK ANALYSIS

The underlying principles of the component "risk analysis" are the following:

- **Principle 6:** The organisation specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives:
  The Company aims to position itself as a market leader among listed Belgian healthcare real estate companies, in particular with regard to senior housing. Its strategy is based on the demographic trend of population ageing in Europe and the consequent specific healthcare and housing needs. The Company aims to create a balanced portfolio that generates recurring revenues and offers potential for capital gains. Therefore, Aedifica acts in a conservative way with respect to risk culture.

- **Principle 7:** The organisation identifies risks to the achievement of its objectives across the entity and analyses risks to determine how the risks should be managed:
  The Company has a risk map. The main risks are monitored by the Board of Directors every 3 months and disclosed in the Annual and Half-year Financial Reports, as well as in interim statements. The risks are also followed up during the regular meetings of the Board of Directors. Mitigating actions are undertaken as and when required. For a detailed list of the risks identified, please refer to the section "Risks Factors" of the Annual Financial Report.

- **Principle 8:** The organisation considers the potential for fraud in assessing risks to the achievement of objectives:
  Any attempt to fraud is properly analysed to mitigate the potential effects on the Company and to avoid any new attempt.

- **Principle 9:** The organisation identifies and assesses changes that could significantly impact the system of internal control:
  Significant changes are continuously identified and analysed, both at the level of the Executive Managers as of that of the Board of Directors. This analysis enriches the section "Risk Factors" of the Annual Financial Report.

2.4 CONTROL ACTIVITIES

The underlying principles of the component "control activities" are the following:

- **Principle 10:** The organisation selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels:
  - There is an audit trail for each property acquisition or disposal. This covers the origin of the transaction, the identification of parties involved, the precise nature of the transaction, and the time and place were the transaction took place. This can be achieved through

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the notarial deeds (in cases of outright purchase of property, contribution in kind, merger, de-merger or partial de-merger). Furthermore, each transaction is tested upfront to ensure conformity with the Company's Articles of Association and with applicable regulations;
- The Management Committee carries out a monthly analysis of the deviation between actual figures and budgeted amounts. The same process is performed quarterly by the Audit Committee and then by the Board of Directors;
- Key indicators such as occupancy rates, trade receivables and cash balances are monitored daily;
- A summary of outstanding balances is reviewed daily for other tenants (long-term leases);
- The 4-eye principle is applied:
  - Contract signature: jointly by two Executive Directors (or, if not possible, jointly by two other Directors), or jointly by two members of the Management Committee, except in the case of rental agreements for apartments and office/retail spaces, for which a specific delegation of power is organised;
  - Invoice approval: jointly by the manager in charge and by a member of the Management Committee;
  - Invoice payment: jointly by the accountant in charge of daily treasury management and by the CFO (or CEO);
  - A specific delegation of power is organised for treasury operations.
- Moreover, the Company has put in place specific control measures to mitigate its main financial risks:
  - Interest rate risk: hedges are entered into with leading banks (mainly IRS and caps);
  - Counterparty risk: Aedifica has working relationships with several leading banks to diversify its funding sources.

TER VENNE
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- **Principle 11:** The organisation selects and develops general control activities over technology to support the achievement of objectives:
Technologies employed the Company are selected using a "best of breed" approach (as opposed to an integrated system approach). Every technological application is under the responsibility of a pilot, while the management of the infrastructure (hardware and network), the security of the access and the storage of computerised data are ensured by an external service provider, working with Aedifica on the basis of a service-level agreement ("SLA"). All rental agreements are registered. Contracts and other important documents, including notarial deeds, are stored in a suitable way outside the Company's headquarters.

- **Principle 12:** The organisation deploys control activities through policies that establish what is expected and in procedures that put policies into action:
Formal documentation is carried out with an objective aimed at continual improvement, which also takes into account the balance between the level of formalisation and the size of the Company.

2.5 INFORMATION AND COMMUNICATION

THE COMPANY'S INFORMATION MANAGEMENT SYSTEM PROVIDES RELEVANT AND COMPLETE INFORMATION IN A TIMELY MANNER, RESPONDING TO BOTH INTERNAL CONTROL AS WELL AS EXTERNAL REPORTING NEEDS.

The underlying principles of the component "information and communication" are the following:

- **Principle 13:** The organisation obtains or generates and uses relevant, quality information to support the functioning of internal control:
The Company's information management system provides relevant and complete information in a timely manner, responding to both internal control as well as external reporting needs.

- **Principle 14:** The organisation communicates information internally other necessary for the good functioning of other internal control components, including in relation to objectives and responsibilities for internal control:
The internal information elements regarding internal control are disseminated in a transparent manner within the Company to make clear to all the Company's policies, procedures, objectives, and roles and responsibilities. The communication procedures are aligned to fit with the size of the Company. They mainly consist of general communications targeted at personnel, physical meetings and e-mail correspondence.

- **Principle 15:** The organisation communicates with external parties regarding matters affecting the functioning of internal control:
  - In the broad sense, external communication (aimed at the shareholders – publication of occasional and periodic information – but also general communication towards other stakeholders) is essential for a listed company. Aedifica devotes attention to its external communication duties on a daily basis.
  - External communication related to internal control follows a process for the elaboration and publication of periodic information (editing by the members of the Management Committee, revision by the Audit Committee, approval by the Board of Directors).

2.6 MONITORING ACTIVITIES

The underlying principles of the component "surveillance and monitoring" are the following:

- **Principle 16:** The organisation selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning:
To ensure the effectiveness of the above components of COSO, Aedifica has put in place (since the 2010/2011 financial year) an internal audit function to review the Company's main processes. The internal audit is organised over a 3-year cycle. The specific scope of the internal audit is determined on an annual basis in consultation with the Audit Committee and the head of internal audit as defined by the Belgian Act of 12 May 2014 on Regulated Real Estate Companies (who can be no other than the President of the Board of Directors – see above) and the internal audit service provider (see above). Given the independence requirements and taking the principle of proportionality into consideration, Aedifica has indeed chosen to outsource the internal audit by entrusting this function to a specialised consultant, placed under the supervision and the responsibility of the head of internal audit as defined by the abovementionned Act.

- **Principle 17:** The organisation evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including the Management Committee and the Board of Directors, as appropriate:
The recommendations developed by the internal audit are communicated to the Audit Committee. This ensures that the Executive Managers put in place the anticipated corrective actions.

3. SHAREHOLDING STRUCTURE

The shareholding structure, as derived from the transparency declarations received, is provided in the section "Aedifica in the Stock Market" in this Annual Financial Report.

4. BOARD OF DIRECTORS AND COMMITTEES

4.1 CURRENT COMPOSITION OF THE BOARD OF DIRECTORS

The Company's directors are elected for a term of up to 3 years at the Annual General Meeting. They are revocable, and can be re-elected.

At the Annual General Meeting of 23 October 2015, the following Directors were appointed for a 3-year term ending after the Annual General Meeting of 2018:

- Mr. Stefaan Gielens, executive director;
- Ms. Katrien Kesteloot, non-executive independent Director;
- Ms. Elisabeth May-Roberti, non-executive independent Director;
- Mr. Serge Wibaut, non-executive independent Director.

As of 30 June 2016, Aedifica was directed by a Board of 10 members, which includes 5 independent Directors (required under Article 526ter of the Belgian Companies Code and Appendix A of the 2009 Code), as listed below.

Moreover, a significant level of gender diversity (required by the Belgian Act of 28 July 2011) has already been achieved. The Board includes 4 women and 6 men, a gender diversity ratio of 40 %, which is higher than the minimum ratio of one third set by law for financial years beginning on or after 1 July 2017.

4.2 MEMBERS EXPIRING AT THE ANNUAL GENERAL MEETING

The terms of Mr. Olivier Lippens, of Mr. Jean Franken and of Mr. Jean Kotarakos as members of the Board of Directors will expire at the upcoming Annual General Meeting of 28 October 2016. At the Annual General Meeting, a renewal of their offices will be proposed.

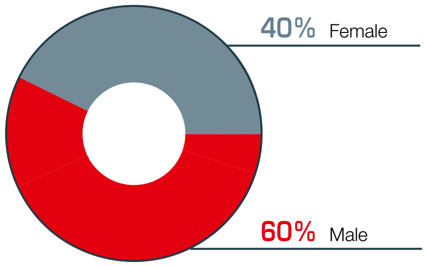
In case of election and after approval by the market authority (FSMA), they will act as director for a new term ending in October 2019.

4.3 ACTIVITY REPORT OF THE BOARD OF DIRECTORS

During the 2015/2016 financial year, the Board of Directors met 13 times and covered the following items:

- Operating and financial reporting;
- Communication policy;
- Investment policy;
- Financing policy by debt and equity;
- Analysis and approval of investment cases;
- Internal organisation of the Company;
- Organisation of the general meetings of shareholders;
- Reporting from the committees;
- Composition of the Board of Directors and of the Management Committee;
- Review and approval of the trading updates and of the Annual and Half-Year Financial Reports;
- Review and approval of the yearly budget, the long-term financial plan and the short-term outlook;
- Review and approval of the special reports issued by the Board of Directors in relation to mergers and contributions-in-kind;
- Completion of these mergers and contributions-in-kind.

Mixed gender ratio among the Board of Directors



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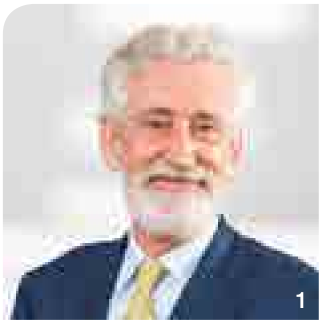
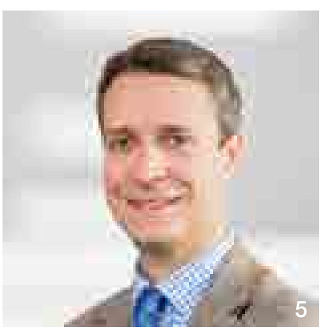
BOARD OF DIRECTORS





1. Mr. Olivier Lippens
Chairman
Director representing the shareholders
Belgian – 12.10.1953
Avenue Hermann-Debroux 40-42, 1160 Brussels
- Beginning of 1st office as Director: 12 October 2010
- Term of office: October 2016
- Other offices as Director or current positions: Managing Director of Wulfsdonck SA, Finasucre SA, Iscal Sugar SA, Iscal Sugar BV. Chairman of Devolder SA. Director of Bundaberg (FIA). Director of la Compagnie Sucrière, Galactic SA, Futerro SA, Unibra SA, Société anonyme des Galeries Royales Saint Hubert SA, Naturex.
- Offices as Director in the past 5 years and professional career: Finasucre - PwC (Coopers & Lybrand).

2. Mr. Stefaan Gielens, mrics
Managing Director
Chief Executive Officer - Executive Manager
Belgian - 21.10.1965
331-333, avenue Louise - 1050 Brussels
- Beginning of 1st office as Director: 1 January 2006
- Term of office: October 2018
- Other offices as Director or current positions: CEO of Aedifica SA – Director of Aedifica Invest SA, Aedifica Invest Brugge SA, Aedifica Luxemburg I SARL, La Crois Huart SA, Patrimoniale Flandria SA, Senior Hotel Flandria SA, Vinkenbosch SA and RL Invest SA. Permanent representative of Aedifica SA (manager of Heydeveld SPRL and Woon & Zorg Vg Poortvelde SPRL).
- Offices as Director in the past 5 years and professional career: Manager of Fish Affairs SPRL – Several positions and offices as director in several companies of the group KBC, including the group Almafin, including the offices of Managing Director of Almafin Real Estate SA and Director of Immolease-Trust SA – Member of the Brussels Bar.

3. Mr. Jean Franken
Independent Director
Belgian – 2.10.1948
30, avenue du Joli Mai - 1332 Genval
- Beginning of 1st office as Director: 1 July 2013
- Term of office: October 2016
- Other offices as Director or current positions: /
- Offices as Director in the past 5 years and professional career: Director and member of the Executive Committee of Cofinimmo, Managing Director of several investment and real estate developments companies, including Prifast SA and Igopex SA.

4. Mr. Eric Hohl
Director representing the shareholders
Belgian – 6.05.1962
7, avenu des Violettes – 1970 Wezembeek-Oppem
- Beginning of 1st office as director: 24 October 2014
- Term of office: October 2017
- Other offices as Director or current positions: Financial Director of Chrono Euro Diffusion SA.
- Offices as Director in the past 5 years and professional career: Head of administration, accountancy and IT services at TWC-Tapernoux SA.

5. Mr. Jean Kotarakos
Director
Chief Financial Officer - Executive Manager
Belge – 20.02.1973
331-333, avenue Louise - 1050 Bruxelles

- Beginning of 1st office as Director: 3 June 2008
- Term of office: October 2016
- Other offices as Director or current positions: CFO of Aedifica SA, Director of Aedifica Invest SA, Aedifica Invest Brugge SA, Aedifica Luxemburg II SARL, La Croix Huart SA, Patrimoniale Flandria SA, Senior Hotel Flandria SA, Vinkenbosch SA, RL Invest SA and BE-REIT Association ASBL.
- Offices as Director in the past 5 years and professional career: Finance and Quality Manager SA D'Ieteren Lease NV - Head of Consolidation & Corporate Planning SA D'Ieteren NV - Auditor KPMG.

6. Ms. Katrien Kesteloot
Independent Director
Belgian – 28.07.1962
47, Hoveniersdreef – 3001 Leuven

- Beginning of 1st office as Director: 23 October 2015
- Term of office: October 2018
- Other offices as Director or current positions: CFO University Hospitals Leuven, Member of the Board of Directors of Hospex SA, of ASBL Faculty Club KU Leuven, of Rondom ASBL – Member (and vice-president) of the Board of Directors and president of the Audit Committee of EMMAUS ASBL. Expert advisor in hospital financing at the strategic unit of the Minister of social affairs and public health. Professor at KU Leuven.
- Offices as Director in the past 5 years and professional career: PhD in Economics and academic career at KU Leuven (Faculty of Medicine), member of various advisory bodies at the Flemish and Federal authorities.

7. Ms. Sophie Maes
Independent Director
Belgian – 29.04.1957
Moutstraat 9 – 9000 Ghent

- Beginning of 1st office as Director: 24 October 2014 (Ms. Maes was previously permanent representative of Bevalex SA, then of Insumat SA, consecutively Directors of Aedifica since 13 October 2009).
- Term of office: October 2017
- Other offices as Director or current positions: CEO Group Maes – Director van UPSI-BVS, VOKA-Kamer van Koophandel Oost-Vlaanderen ASBL, VOKA Vlaams Economisch Verbond ASBL, Investissement Leopold SA, Algemene Bouw Maes SA, Insumat SA, Vlaams Overleg Voor Ruimtelijke ordening en huisvesting ASBL and Montea – Member of the Comité de Gestion at BNP Paribas Fortis – Manager of Imco SCI and Profin SPRL.
- Offices as Director in the past 5 years and professional career: Executive Director of Bevalex SA, Espace Belliard SA, Ghent Industrial Investment SA, Fonsny SA, Alides Projects SA, Krekelendries SA and Immo Spa SA – Chairman and Managing Director of Aalterpaint, R. Maes SA – Director of Messian SA, Orelio SA, Wonen op Poel en Ramen ASBL, Advanced Computer Systems Technics SA, Alides SA, Building Hotel Maes SA – Operational and management function in the Maes group – Manager of MAPP SCI.

8. Ms. Elisabeth May-Roberti
Independent Director
Belgian – 17.11.1963
22, Avenue Maurice – 1050 Bruxelles

- Beginning of 1st office as Director: 23 October 2015
- Term of office: October 2018
- Other offices as Director or current positions: Parking Des Deux Portes SA, Parking Kouter SA, Parking Monnaie SA, Servipark SA, Servipark International SA, Uniparc-Belgium SA, Parking Entre-Deux-Portes SA, Belgian Parking Federation ASBL, Interparking France SA, Centre 85 Parkgaragen und Immobilien GmbH, Contipark International Parking GmbH, Contipark Parkgaragen GmbH, DB Bahnpark GmbH, Interparking italia S.r.l., Interparking Servizi S.r.l., Interparking Nederland B.V., Uniparc Nederland B.V., Interparking Hispania SA.
- Offices as Director in the past 5 years and professional career: Öpark Garagen GmbH, Optimus Parkhausverwaltungs GmbH, Metropark Aparcamientos SAU, Villacher Parkgaragen GmbH & Co. KG, Optimus Parkhausverwaltungs GmbH & Co. KG, Mazzini 82 Spa, SIS Srl. Held various offices within companies of the Interpaking-group – Secretary General of the Interparking-group.

9. Ms. Adeline Simont
Director
Belgian - 16.01.1960
36, Ancien Dieweg – 1180 Brussels

- Beginning of 1st office as Director: 14 November 2005
- Term of office: October 2017
- Other offices as Director or current positions: Managing Director of Degroof Corporate Finance SA - Director of Andel SA (Group Martin's Hotels), Société anonyme des Galeries Royales Saint Hubert, Collines de Wavre SA, Axxes Certificates SA, Bassem Certificates SA, Atlantic Certificates SA, Picardie Invest SA, Stockel Residence Certificates SA, Stockel Residence Investment SA.
- Offices as Director in the past 5 years and professional career: Director of Société Civile des Galeries Royales Saint Hubert, Inclusio, ReKoDe – Several positions within Banque Degroof SA in the Corporate Finance & Investment Banking department and in the Credit department.

10. Mr. Serge Wibaut
Independent Director
Belgian – 18.08.1957
29, Chemin des Etangs – 1640 Rhode-Saint-Genèse

- Beginning of 1st office as Director: 23 October 2015
- Term of office: October 2018
- Other offices as Director or current positions: Securex Assurance, Cigna Life Insurance Company of Europe SA, Alpha Assurances SA, Reacfin SA, ADE SA, Eurinvest Partners SA. Professor of finance at Université Saint-Louis.
- Offices as Director in the past 5 years and professional career: BNP Paribas Fortis SA, Belfius Banque SA, Gambit Financial Solutions SA. Former CEO at AXA Bank. Professor of Finance.

4.4 COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three specialised committees: the Audit Committee, the Nomination and Remuneration Committee and the Investment Committee. They are meant to assist and provide guidance to the Board in their respective domains. The committees have no decision power and are hence consultative bodies only. They report to the Board of Directors, which takes the decisions.

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BELGIUM –
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4.4.1 AUDIT COMMITTEE

The Board of Directors established an Audit Committee from among its members.

The 2009 Code recommends that the majority of the members of the Audit Committee are independent directors, which is effectively the case.

Aedifica's Corporate Governance Charter provides that the Audit Committee is chaired by an independent Director. However, in the interest of continuity, the Board of Directors requested that Ms. Adeline Simont, member of the Audit Committee since its creation in 2006, chair the Committee on a temporary basis given that the two other members are new Directors. As of 2 September 2016, Mr. Serge Wibaut (independent Director) will chair the Audit Committee. The Board of Directors thanks Ms. Adeline Simont for her efficient interim Chair.

As of 30 June 2016, the Audit Committee consists of 3 Directors, including 2 independent Directors, namely:

- Ms. Adeline Simont
  Chairman of the Committee
  Director
- Ms. Katrien Kesteloot
  Independent Director
- Mr. Serge Wibaut
  Independent Director

During the 2015/2016 financial year, the audit committee met 4 times. The statutory auditor attended committee meetings on 1 occasion.

In the context of its mission (i.e. to ensure the accuracy and fair presentation of the annual and half-year reports, the quality of internal and external reporting, and the quality of the published information), the Audit Committee covered the following items:

- Quarterly reviews of the accounts, press releases and financial reports;
- Review of internal management procedures;
- Interview with independent Belgian experts;
- Monitoring of changes in standards and regulations.

4.4.2 NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors established a Nomination and Remuneration Committee from among its members. The current composition of the Nomination and Remuneration Committee, and as well as the tasks entrusted to it, meet the criteria set out in the Belgian Act of 6 April 2010 inserting Article 526quater in the Belgian Companies Code. The Nomination and Remuneration Committee is made up of a majority of independent directors, as defined by Article 526ter of the Belgian Companies Code, who are sufficiently qualified with regard remuneration policy.

As of 30 June 2016, the Nomination and Remuneration Committee consists of 3 Directors, namely:

- Ms. Adeline Simont
  Chairman of the Committee
  Director
- Ms. Elisabeth May-Roberti
  Independent Director
- Mr. Jean Franken
  Independent Director

During the 2015/2016 financial year, the Committee met 4 times, to cover the following items:

- Composition of the Board of Directors;
- Study of the remuneration of the members of the Management Committee;
- Assessment of the members of the Management Committee and of the variable remuneration for the financial year ended 30 June 2015;
- Preparation of the remuneration report as of 30 June 2016;
- Organisation of the Company.

4.4.3 INVESTMENT COMMITTEE

As of 30 June 2016, the Investment Committee consists of the Executive Directors and of three other directors, all independent, namely:

- Mr. Jean Franken
  Chairman of the Committee
  Independent Director
- Ms. Sophie Maes
  Independent Director
- Mr. Olivier Lippens
  Director
- Mr. Stefaan Gielens
  CEO
- Mr. Jean Kotarakos
  CFO

During the 2015/2016 financial year, the Investment Committee met 9 times to assess investment opportunities. Many cases were analysed. In addition, a number of communications were organised (by phone or by electronic means) when formal meetings were deemed unnecessary.

BOARD OF DIRECTORS
(FROM LEFT TO RIGHT)

FIRST ROW:
STEFAAN GIELENS, SOPHIE MAES, SERGE WIBAUT, ADELINE SIMONT

SECOND ROW:
ELISABETH MAY-ROBERTI, JEAN FRANKEN, KATRIEN KESTELOOT, JEAN KOTARAKOS, OLIVIER LIPPENS, ERIC HOHL

4.5 ATTENDANCE OF THE DIRECTORS AND REMUNERATION OF THE NON-EXECUTIVE DIRECTORS

Attendance at the Board of Directors and the committees and the related remuneration

Name	Board of Directors	Audit Committee	Nomination and Remuneration Committee	Investment Committee	Remuneration of the office (€)	Attendance fees (€)
Olivier Lippens	11/13	-	-	6/7	13,600	14,150
Jean Franken	13/13	-	2/2	9/9	11,330	19,850
Stefaan Gielens	13/13	-	-	9/9	-	-
Eric Hohl	9/13	-	-	-	11,330	7,650
Katrien Kesteloot	5/10	2/3	-	-	7,760	5,850
Jean Kotarakos	12/13	-	-	9/9	-	-
Hilde Laga	1/3	1/1	-	-	3,570	1,650
Sophie Maes	8/13	-	-	9/9	11,330	14,000
Elisabeth May-Roberti	8/10	-	2/2	-	7,760	8,400
RE-Invest représentée par Brigitte Gouder de Beauregard	1/3	1/1	2/2	2/2	3,570	4,850
Serdiser SCA représentée par Pierre Iserbyt	2/3	-	2/2	2/2	3,570	4,900
Adeline Simont	11/13	4/4	4/4	-	11,330	15,750
Serge Wibaut	8/10	3/3	-	-	7,760	9,200
Total	**-**	**-**	**-**	**-**	**92,910**	**106,250**

4.6 MANAGEMENT COMMITTEE AND EXECUTIVE MANAGERS

4.6.1 COMPOSITION

The Board of Directors decided to set up a Management Committee as defined by Article 524bis of the Belgian Companies Code, effective 12 May 2015. The Management Committee consists of the following persons, who are all Executive Managers in accordance with the Belgian Act of 12 May 2014:

Name	Function
Stefaan Gielens	Chief Executive Officer (CEO)
Jean Kotarakos	Chief Financial Officer (CFO)
Laurence Gacoin	Chief Operating Officer (COO)
Sarah Everaert	Chief Legal Officer (CLO) / Secretary-General

Mr. Stefaan Gielens and Mr. Jean Kotarakos were already Executive Managers of the Company before the establishment of the Management Committee. Moreover, they are Executive Directors (see above).

Ms. Laurence Gacoin has performed the duties of Chief Operating Officer within the Company since 1 January 2015 and is also a member of the Management Committee, acting as Executive Manager since 12 May 2015. Her office is of indefinite duration.

MANAGEMENT COMMITTEE (FROM LEFT TO RIGHT)
FIRST ROW: SARAH EVERAERT, STEFAAN GIELENS
SECOND ROW: JEAN KOTARAKOS, LAURENCE GACOIN

Ms. Sarah Everaert has performed the duties of Chief Legal Officer/Secretary-General since 12 May 2015 and in that capacity she is member of the Management Committee as Executive Manager. She is also the Company's Compliance Officer. Previously, she performed the duties of Legal Counsel within Aedifica for more than 5 years. Her office is of indefinite duration.

The division of tasks between the Management Committee and the Board of Directors, along with other aspects of the Management Committee's functioning is available in the Company's Corporate Governance Charter (version of 2 September 2016), published on its website (www.Aedifica.be).

Ms. Laurence Gacoin
Executive Manager – Chief Operating Officer
French – 26.01.1977
331-333, avenue Louise - 1050 Brussels
- Other offices as Director or current positions: Member of the Management Committee of Aedifica. Director of La Croix Huart SA, Patrimoniale Flandria SA and Senior Hotel Flandria SA. Director and Manager of NOVA Laga SPRL.
- Offices as Director in the past 5 years and professional career: Director of Vinkenbosch SA and RL Invest SA. Chairman of FPR Leuze SA – Director of FIDES Capman SPRL and APERIO SA – Managing partner of FIDES Capital Group – Head of Development of Cofinimmo SA – Area & Development Manager of Cofinimmo SA.

Ms. Sarah Everaert
Executive Manager – Chief Legal Officer / Secretary-General
Belgian – 14.06.1977
331-333, avenue Louise - 1050 Brussels
- Other offices as Director or current positions: Member of the Management Committee of Aedifica. Director of La Croix Huart SA, Patrimoniale Flandria SA, Senior Hotel Flandria SA, Vinkenbosch SA and RL Invest SA.
- Offices as Director in the past 5 years and professional career: Legal Counsel of Aedifica SA – Real estate and administrative lawyer and secretary ad interim of LRM SA – Member of the Brussels Bar.

4.6.2 REMUNERATION

Please refer to the Remuneration Report presented in section 8 below.

5. PREVENTING CONFLICTS OF INTEREST

5.1 CONFLICTS OF INTEREST

The directors, the persons in charge of daily management and any other corporate officers cannot act as counterparties in transactions with the Company or entities controlled by the Company. They cannot earn any benefit from transactions carried out with the Company, except when the transaction is undertaken in the best interest of the Company, in accordance with the Company's investment policy, and in line with market practice. The Company must inform the market authority (FSMA) in advance of any such transactions.

These transactions are immediately disclosed in a press release and in the annual and half-year financial reports.

The market authority need not be informed of the transactions listed in Article 38 of the Belgian Act of 12 May 2014 on Regulated Real Estate Companies. Articles 523 and 524 of the Belgian Companies Code are always applicable, as is Article 37 of the abovementioned Belgian Act.

No conflict of interest on real estate transactions occurred during the course of the 2015/2016 financial year. The only occurrences of conflicts of interest were the Management Committee's remuneration, as detailed in section 12 of the Consolidated Board of Directors' Report included in this Annual Financial Report.

5.2 COMPLIANCE OFFICER

The independent compliance function is carried out in accordance with Article 17 of the Belgian Act of 12 May 2014 on Regulated Real Estate Companies (see above) and with Appendix B of the 2009 Code. Ms. Sarah Everaert, CLO, acts as the Company's Compliance Officer. In this regard, she must ensure that the Deal Code is properly applied and that any insider trading is properly reported, in order to reduce the risk of abuse of insider trading.

5.2.1 MONITORING OF THE TRANSACTIONS CARRIED OUT ON AEDIFICA SHARES

The compliance officer updates the list of persons having access to privileged information. She ensures that the persons on this list are aware of what this implies.

Furthermore, she oversees of the definition of closed periods by the Board of Directors. During these periods, trading of Aedifica shares is prohibited for the Company leaders, for the persons listed and for their relatives. The closed periods are as follows:

- (a) starting on the first day of a new financial year and on the first day of the second half of the financial year, ending when the annual and half-year press releases are published;
- (b) starting one month before the press release related to the first and third quarters of the financial year, and ending when the quarterly press releases are published;
- (c) when privileged information is known.

5.2.2 LIMITS TO INSIDER DEALINGS

Leaders who contemplate any transaction on equity instruments or derivative instruments linked to Aedifica must give notice to the Compliance Officer at least 48 hours in advance (by fax or e-mail). The Compliance Officer, who contemplates any transaction on equity instruments or derivatives instruments linked to the Company, must give notice to the Chairman of the Board of Directors at least 48 hours in advance (by fax or e-mail). The leaders must then confirm completion of the transaction to the Company within two working days.

The leaders must notify the FSMA of transactions realised on their account in relation to shares of the Company. Notification must be given within 3 working days following the completion of the transaction(s).

6. ASSESSMENT PROCESS

Under the scrutiny of the Chairman, the Board of Directors regularly performs a self-assessment of its size, composition, way of functioning (as well as those of the committees), and interaction with the Executive Managers. This should be done at least every 2 to 3 years.

This assessment aims to perform 4 tasks:

- review the way the Board and its committees operate;
- check whether the most important topics are well prepared and deeply debated;
- determine the effective input of each director, and his/her attendance record and commitment during discussions and the discussion process;
- check whether the composition of the Board and its committees remains adequate.

In this respect, the Board of Directors is supported by the Nomination and Remuneration Committee, and, if needed, by external experts.

The non-executive directors regularly review their own interaction with the Executive Managers. To this end, they meet at least once per year in the absence of the CEO and of any other executive director.

A regular review of the input of each director is organised in order to adapt the composition of the Board as needed and take into account any changes in circumstances. When the re-election of a director is approaching, the input and effectiveness of the director is reviewed based on a transparent and well defined procedure.

The Board of Directors ensures that adequate succession planning is in place. It monitors the balance of skills and experience in the Board (for both executive and non-executive directors).

7. RIGHTS TO ACQUIRE SHARES

The "long-term incentive plan" granted to the CEO and the CFO (as announced in the 2008/2009 Annual Financial Report for subsequent financial years) was approved at the 23 October 2015 Annual General Meeting of the Shareholders. Within this plan, the CEO and the CFO have the right to definitively purchase Aedifica shares in subsequent financial years. The CEO and CFO received additional gross remuneration of €90,000 which, after deducting personal withholding taxes, permitted them to acquire 850 shares each at a unit price of €48.95833 (the last known closing share price multiplied by a factor amounting to 100/120th, in accordance with comment 36/16 of the Belgian Income Tax Code), corresponding to a total net amount of €41,614.58 for both the CEO and CFO. The CEO and the CFO are irrevocably committed to hold these shares for a period of 2 years. The shares sold by Aedifica were part of the treasury shares held by the Company that were acquired on the stock exchange.

For the upcoming financial year, the Board of Directors will propose to the shareholders to approve a "long-term incentive plan" for the four members of the Management Committee, namely the CEO, the CFO, the COO and the CLO, under the same form previously used, with individual gross values of respectively €110,000, €90,000, €40,000, €40,000, in accordance with principle 7.13 of the 2009 Code and with Article 14 of the Belgian Act of 6 April 2010.

STEPHANIE'S CORNER
BELGIUM –
APARTMENT BUILDINGS

8. REMUNERATION REPORT

The Remuneration Report is provided in accordance with the 2009 Code and with the Belgian Act of 6 April 2010; it has been applicable to Aedifica since the beginning of the 2010/2011 financial year.

8.1 INTERNAL PROCEDURES

During the 2015/2016 financial year, the remuneration policy for non-executive directors and Executive Managers were set out as follows:

- **Non-executive directors:** the continuity principle has been applied (as regards the composition of the remuneration).
- **Executive Managers:**
  - the Management agreements signed with the CEO and the CFO in 2006 and 2007, respectively, have been honoured. The foreseen contractual indexation is applicable. Additional agreements were signed on 2 September 2011, 3 September 2012, 2 September 2013, 25 August 2014, 2 September 2015 and 2 September 2016 with the CEO and CFO in order to clearly define criteria for the variable remuneration (see section 8.2 below), in accordance with Article 13 of the Act of 6 April 2010, which came into force for Aedifica on 1 July 2011.
  - the Management agreements signed with the COO and the CLO in 2014 and 2015, respectively, have been honoured. The foreseen contractual indexation is applicable. Additional agreements were signed on 2 September 2015 and 2 September 2016 with the CEO and CFO in order to clearly define criteria for the variable remuneration (see section 8.2 below), in accordance with Article 13 of the Act of 6 April 2010, which came into force for Aedifica on 1 July 2011.

During the same period, the actual remuneration of the non-executive directors and Executive Managers was determined as follows:

- **Non-executive directors:** in accordance with the decisions taken by the shareholders during the Annual General Meeting of 11 October 2011, the actual remuneration of the non-executive directors amounted to: a fixed remuneration of €13,600 excl. VAT for the Chairman and of €11,330 excl. VAT for the other non-executive directors, and attendance fees of €850 excl. VAT for each meeting of the Board or of €800 excl. VAT for each committee meeting. For the 2015/2016 financial year, the Board of Directors will collectively receive €199,160.
- **Executive Managers:** the actual level of remuneration was determined based on **the Management Committee's** agreements signed in 2006 (CEO), 2007 (CFO), 2014 (COO) and 2015 (CLO), and on the additional abovementioned agreements, in accordance with the criteria for the variable remuneration set out in section 12 of the Consolidated Board of Directors' Report. These remuneration packages were reviewed in 2009 and 2011 by specialised consultants. In light of the creation of the Management Committee on 12 May 2015, a specialised consultant conducted a new survey in May 2016, making a comparison with remuneration of Management Committee members with similar functions in (non-)listed real estate companies in Belgium and neighbouring countries (France, Germany, The Netherlands), as well as in other similar sized companies who don't invest in real estate. This survey led the Nomination and Remuneration Committee to propose the Board of Directors to adapt certain components of the remuneration of the CEO and the other members of the Management Committee as from the 2016/2017 financial year (see section 8.2 below).

8.2 EXECUTIVE MANAGERS' REMUNERATION

The remuneration package of the Executive Managers consists of: fixed remuneration (arising from the Management Agreements), variable remuneration (for which no claw-back in favour of the Company is applicable), post-retirement benefits (defined contribution plan and associated benefits), and other components (medical insurance, benefits-in-kind linked to the usage of a company car). Moreover, in the case of the CEO and the CFO, the fixed remuneration also consists of amounts resulting from the long-term incentive plan, which should also be the case for the COO and the CLO as from the 2016/2017 financial year, upon approval of the Board of Directors' proposal by the Annual General Meeting of 28 October 2016. The amounts are shown in the opposite page.

The Executive Managers carry out their office as director of Aedifica and its subsidiaries for free. They are not remunerated by Aedifica's subsidiaries.

The gross variable remuneration of the Executive Managers was determined as follows:

- The variable remuneration for the 2015/2016 financial year is a (gross) amount which does not exceed a certain percentage of the annual remuneration excluding sundry benefits and post-retirement benefits (CEO and CFO: 50 %, COO and CLO: 40 %). The effective amount was determined by the Board of Directors, based on quantitative and qualitative criteria listed in the 2014/2015 Annual Financial Report as well as in the aforementioned additional agreements signed on 2 September 2015. Recall that the variable remuneration can only be paid if the actual profit excl. changes in fair value per share is at least 85 % of the budgeted amount. The criteria (and their weight) were as follows: consolidated profit excl. changes in fair value per share (25 %), growth of the consolidated property portfolio (including the internationalisation of the Group's activities) (25 %), consolidated operating margin (25 %) and management of the Group's teams (25 %). The Board of Directors concluded on 2 September 2016 that the Executive Managers met the objectives and decided to grant as variable remuneration €170,500 to the CEO, €127,500 to the CFO, €78,500 to the COO and €58,000 to the CLO.
- In respect of the 2016/2017 financial year, the variable remuneration of the members of the Management Committee will not exceed a maximum amount of 50 % of the annual remuneration excluding sundry benefits and post-retirement benefits. The variable remuneration can only be paid if the actual profit excl. changes in fair value per share is at least 85 % of the budgeted amount. The effective amount will be determined by the Board of Directors based on consolidated quantitative and qualitative criteria: consolidated profit excl. changes in fair value per share (30 %), growth of the consolidated property portfolio (including the internationalisation of the Group's activities) (20 %), consolidated operating margin (25 %) and others (25 %).
- In respect of the 2017/2018 financial year, the maximum variable remuneration will be kept to 50 % of the annual remuneration excluding sundry benefits and post-retirement benefits, based on quantitative and qualitative criteria that will be set in a future stage.

The Nomination and Remuneration Committee has established a "long-term incentive plan" for the members of the Management Committee (see section 7 above).

For information purposes, note that the ratio between the total remuneration of the CEO for 2015/2016 and the average remuneration of personnel amounts to 10 times.

Each Executive Manager benefits from a company car as from the time of entering the Company. In 2015/2016, the cost to the Company (rental charge and petrol) was €20,000 excl. VAT for the CEO and a combined total of €38,000 excl. VAT for the three other Executive Managers. Each Executive Manager also uses a laptop and mobile phone. Moreover, the Company reimburses the Executive Managers' actual professional expenses, and grants the CEO and the CFO (as from 1 July 2008), as well as the COO and the CLO (as from 1 July 2016) a fixed allowance for representation expenses of €300 per month.

During the 2016/2017 financial year, Executive Managers' remunerations will be indexed, as specified in the Management Agreements. Moreover, taking into account the survey conducted by the specialised consultants in May 2016 (mentioned above), on a proposal by the Nomination and Remuneration Committee in order to provide the members of the Management Committee with an adequate and motivating remuneration in line with market practice, the Board of Directors decided on 20 June 2016 to adapt executive remuneration as follows (effective 1 July 2016):

- increase CEO's fixed annual remuneration to €400,000 (resulting from the Management Agreement), plus an additional €110,000 (resulting from the long-term incentive plan) for the 2016/2017 financial year, and increase the maximum variable remuneration to €194,600 for the 2016/2017 financial year, based on criteria that remain to be determined;
- With respect to the CFO, COO and CLO:
  - increase fixed remuneration by 3 % (resulting from the Management Agreements, without possibly provided indexation at that date) for those concerned, increase the maximum variable remuneration to €303,000 (rounded amount) for the 2016/2017 financial year for

Total remuneration for the year 2015/2016 (in €)

	Stefaan Gielens - CEO	Others	Total
Fixed remuneration (management agreements)	354,486	607,753	962,239
Fixed remuneration ("long term incentive plan")	90,000	90,000	180,000
Variable remuneration	170,500	264,000	434,500
Pension scheme	56,655	82,353	139,008
Insurance premiums	5,957	10,631	16,588
Benefits in kind	6,836	15,854	22,690
Total	**684,434**	**1,070,591**	**1,755,025**

the three concerned parties in aggregate, based on criteria that remain to be determined;

- participation in the long term incentive plan €90,000 for the CFO, €40,000 for the COO and €40,000 for the CLO;
- fixed allowance for representation expenses €300 per month for the COO and the CLO (already provided for the CEO and the CFO).

The Management Agreements signed with the Executive Managers may be terminated in the following circumstances:

- If Aedifica gives a 12-month notice;
- Immediately in case of serious misconduct (notice must be sent by registered mail);
- Immediately in case of withdrawal by the market authority (FSMA) of their approval of the hiring of the Executive Manager;
- Immediately if the Executive Manager does not act as Executive Manager during a period of 3 months, except in case of illness or accident;
- Immediately if the Executive Manager cannot act as Executive Manager during a period of 6 months, in case of illness or accident.

The Management Agreements provide for specific events of termination in the event of a change in control of the Company, as disclosed in section 15.10 of the Consolidated Board of Directors' Report.

The only case in which an indemnity granted to an Executive Manager could exceed 12 months of remuneration is in the event of a change in control of the Company; in this case, the CEO is eligible to obtain 18 months' remuneration. The Nomination and Remuneration Committee highlights the fact that this clause is included in the Management Agreement signed with the CEO in 2006 and that it is consistent with market practice. The approval of the shareholders is not required, as specified in Article 9 of the Belgian Act of 6 April 2010.

8.3 REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors is at the moment reviewing the remuneration policy for the non-executive directors. The eventual changes will be proposed in due time at the Annual General Meeting.

FINANCIAL STATEMENTS[1]

1. The annual financial reports, the Board of Directors' reports and the statutory auditor's reports related to financial years 2012/2013, 2013/2014 and 2014/2015, and the experts' reports, interim statements and semi-annual reports (including the statutory auditor's reports) are available on the website of the Company (www.aedifica.be) or on request at the headquarters of the Company.

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1. Consolidated Financial Statements

1.1 Consolidated Income Statement

Year ending on 30 June (x €1,000)		Notes	2016	2015
I.	Rental income	4	59,822	49,903
II.	Writeback of lease payments sold and discounted		0	0
III.	Rental-related charges	5	-35	-50
Net rental income			**59,787**	**49,853**
IV.	Recovery of property charges	6	25	32
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	7	2,064	1,811
VI.	Costs payable by the tenant and borne by the landlord on rental damage and repair at end of lease	8	0	0
VII.	Rental charges and taxes normally paid by tenants on let properties	9	-2,064	-1,811
VIII.	Other rental-related income and charges	10	-1,454	-1,563
Property result			**58,358**	**48,322**
IX.	Technical costs	11	-1,119	-1,071
X.	Commercial costs	12	-584	-492
XI.	Charges and taxes on unlet properties	13	-119	-131
XII.	Property management costs	14	-1,037	-892
XIII.	Other property charges	15	-1,252	-1,588
Property charges			**-4,111**	**-4,174**
Property operating result			**54,247**	**44,148**
XIV.	Overheads	16	-6,694	-5,355
XV.	Other operating income and charges	17	61	229
Operating result before result on portfolio			**47,614**	**39,022**
XVI.	Gains and losses on disposals of investment properties	18	731	428
XVII.	Gains and losses on disposals of other non-financial assets	19	0	0
XVIII.	Changes in fair value of investment properties	20	10,775	19,259
Operating result			**59,120**	**58,709**
XX.	Financial income	21	283	478
XXI.	Net interest charges	22	-11,904	-12,833
XXII.	Other financial charges	23	-1,087	-792
XXIII.	Changes in fair value of financial assets and liabilities	47	-5,685	374
Net finance costs			**-18,393**	**-12,773**
XXIV.	Share in the profit or loss of associates and joint ventures accounted for using the equity method		0	0
Profit before tax (loss)			**40,727**	**45,936**
XXV.	Corporate tax	24	-461	-771
XXVI.	Exit tax	25	0	0
Tax expense			**-461**	**-771**
Profit (loss)			**40,266**	**45,165**
Attributable to:				
	Non-controlling interests		0	0
	Owners of the parent		**40,266**	**45,165**
Basic earnings per share (€)		26	2.85	4.24
Diluted earnings per share (€)		26	2.85	4.24

1.2 Consolidated Statement of Comprehensive Income

Year ending on 30 June (x €1,000)		2016	2015
I.	Profit (loss)	40,266	45,165
II.	Other comprehensive income recyclable under the income statement		
	A. Impact on fair value of estimated transaction costs resulting from hypothetical disposal of investment properties	0	-7,432
	B. Changes in the effective part of the fair value of authorised cash flow hedge instruments as defined under IFRS	-3,893	-181
	H. Other comprehensive income, net of taxes	0	0
Comprehensive income		**36,373**	**37,552**
	Attributable to:		
	Non-controlling interests	0	0
	Owners of the parent	**36,373**	**37,552**

1.3 Consolidated Balance Sheet

ASSETS **Year ending on 30 June (x €1,000)**	Notes	2016	2015
I. Non-current assets			
A. Goodwill	27	1,856	1,856
B. Intangible assets	28	119	102
C. Investment properties	29	1,152,213	1,003,358
D. Other tangible assets	31	1,624	1,834
E. Non-current financial assets	32	794	1,397
F. Finance lease receivables		0	0
G. Trade receivables and other non-current assets		0	0
H. Deferred tax assets	54	676	110
I. Equity-accounted investments		0	0
Total non-current assets		**1,157,282**	**1,008,657**
II. Current assets			
A. Assets classified as held for sale	29	4,621	1,805
B. Current financial assets		0	0
C. Finance lease receivables		0	0
D. Trade receivables and other non-current assets	34	3,880	4,352
E. Tax receivables and other current assets	35	1,374	962
F. Cash and cash equivalents	36	4,947	3,598
G. Deferred charges and accrued income	37	1,058	910
Total current assets		**15,880**	**11,627**
TOTAL ASSETS		**1,173,162**	**1,020,284**

EQUITY AND LIABILITIES Year ending on 30 June (x €1,000)		Notes	2016	2015
EQUITY		38		
I.	**Issued capital and reserves attributable to owners of the parent**			
A.	Capital		364,467	360,633
B.	Share premium account		155,509	151,388
C.	Reserves		60,507	41,084
	a. Legal reserve		*0*	*0*
	b. Reserve for the balance of changes in fair value of investment properties		*115,366*	*95,679*
	c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties		*-25,015*	*-25,015*
	d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS		*-23,560*	*-19,667*
	e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS		*-18,256*	*-18,717*
	h. Reserve for treasury shares		*0*	*0*
	k. Reserve for deferred taxes on investment properties located abroad		*110*	*244*
	m. Other reserves		*0*	*0*
	n. Result brought forward from previous years		*11,862*	*8,560*
D.	Profit (loss) of the year		40,266	45,165
Equity attributable to owners of the parent			**620,749**	**598,270**
II.	**Non-controlling interests**		**0**	**0**
TOTAL EQUITY			**620,749**	**598,270**
LIABILITIES				
I.	**Non-current liabilities**			
A.	Provisions	39	0	0
B.	Non-current financial debts			
	a. Borrowings	40	447,721	340,752
C.	Other non-current financial liabilities	32	47,382	39,320
	a. Authorised hedges		46,055	38,050
	b. Other		1,327	1,270
D.	Trade debts and other non-current debts		0	0
E.	Other non-current liabilities		0	0
F.	Deferred taxes liabilities	54	2,881	2,435
Non-current liabilities			**497,984**	**382,507**
II.	**Current liabilities**			
A.	Provisions	39	0	0
B.	Current financial debts			
	a. Borrowings	40	31,027	25,897
C.	Other current financial liabilities		0	0
D.	Trade debts and other current debts			
	a. Exit tax	41	4,505	813
	b. Other	41	14,216	8,484
E.	Other current liabilities		0	0
F.	Accrued charges and deferred income	42	4,681	4,313
Total current liabilities			**54,429**	**39,507**
TOTAL LIABILITIES			**552,413**	**422,014**
TOTAL EQUITY AND LIABILITIES			**1,173,162**	**1,020,284**

1.4 Consolidated Cash Flow Statement

Year ending on 30 June (x €1,000)	Notes	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss)		40,266	45,165
Non-controlling interests		0	0
Tax expense	24	461	771
Amortisation and depreciation		701	670
Write-downs	5	15	33
Change in fair value of investment properties (+/-)	20	-10,775	-19,259
Gains and losses on disposals of investment properties	18	-731	-428
Net finance costs		18,393	12,773
Changes in trade receivables (+/-)		457	-1,446
Changes in tax receivables and other current assets (+/-)		321	-467
Changes in deferred charges and accrued income (+/-)		-148	-250
Changes in trade payables and other current debts (excl. exit tax) (+/-)		1,135	-2,100
Changes in accrued charges and deferred income (+/-)		366	1,253
Cash generated from operations		**50,461**	**36,715**
Taxes paid		-376	-141
Net cash from operating activities		**50,085**	**36,574**
CASH FLOW RESULTING FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-67	-96
Purchase of real estate companies and marketable investment properties		-56,166	-66,675
Purchase of tangible assets		-441	-577
Purchase of development projects		-20,604	-33,435
Disposals of investment properties		2,656	15,943
Net changes in non-current receivables		51	49
Net investments in other assets		0	0
Net cash from investing activities		**-74,571**	**-84,791**
CASH FLOW FROM FINANCING ACTIVITIES			
Capital increase, net of costs *		0	149,158
Disposals of treasury shares		0	56
Dividend for previous fiscal year		-21,887	-8,891
Net changes in borrowings		108,583	20,749
Net changes in other loans		0	0
Net finance costs paid		-13,634	-13,574
Repayment of financial debts of acquired or merged companies		-2,150	-36,258
Repayment of working capital of acquired or merged companies		-45,077	-60,581
Net cash from financing activities		**25,835**	**50,659**
TOTAL CASH FLOW FOR THE PERIOD			
Total cash flow for the period		**1,349**	**2,442**
RECONCILIATION WITH BALANCE SHEET			
Cash and cash equivalents at beginning of period		3,598	1,156
Total cash flow for the period		1,349	2,442
Cash and cash equivalents at end of period	**36**	**4,947**	**3,598**

* Some types of capital increases (contributions in kind, partial demergers) do not result in any cash flow.

1.5 Consolidated Statement of Changes in Equity

Year ending on 30 June (x €1,000)	1/07/2014	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Roundings	30/06/2015
Capital	264,231	78,812	17,591	0	0	0	-1	360,633
Share premium account	64,729	70,580	16,079	0	0	0	0	151,388
Reserves	46,730	0	0	56	-7,613	1,912	-1	41,084
a. Legal reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*91,863*	*0*	*0*	*0*	*0*	*3,816*	*0*	*95,679*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-17,582*	*0*	*0*	*0*	*-7,432*	*0*	*-1*	*-25,015*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-19,484*	*0*	*0*	*0*	*-181*	*-1*	*-1*	*-19,667*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	*-15,729*	*0*	*0*	*0*	*0*	*-2,989*	*1*	*-18,717*
h. Reserve for treasury shares	*-56*	*0*	*0*	*56*	*0*	*0*	*0*	*0*
k. Reserve for deferred taxes on investment properties located abroad	*0*	*0*	*0*	*0*	*0*	*244*	*0*	*244*
m. Other reserves	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
n. Result brought forward from previous years	*7,718*	*0*	*0*	*0*	*0*	*842*	*0*	*8,560*
Profit (loss)	21,385	0	0	0	45,165	-21,385	0	45,165
Equity attributable to owners of the parent	**397,075**	**149,392**	**33,670**	**56**	**37,552**	**-19,473**	**-2**	**598,270**
Non-controlling interests	0	0	0	0	0	0	0	0
TOTAL EQUITY	**397,075**	**149,392**	**33,670**	**56**	**37,552**	**-19,473**	**-2**	**598,270**

Year ending on 30 June (x €1,000)	1/07/2015	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Roundings	30/06/2016
Capital	360,633	1	3,833	0	0	0	0	364,467
Share premium account	151,388	0	4,121	0	0	0	0	155,509
Reserves	41,084	0	0	0	-3,893	23,315	1	60,507
a. Legal reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*95,679*	*0*	*0*	*0*	*0*	*19,686*	*1*	*115,366*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-25,015*	*0*	*0*	*0*	*0*	*0*	*0*	*-25,015*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-19,667*	*0*	*0*	*0*	*-3,893*	*0*	*0*	*-23,560*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	*-18,717*	*0*	*0*	*0*	*0*	*461*	*0*	*-18,256*
h. Reserve for treasury shares	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
k. Reserve for deferred taxes on investment properties located abroad	*244*	*0*	*0*	*0*	*0*	*-134*	*0*	*110*
m. Other reserves	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
n. Result brought forward from previous years	*8,560*	*0*	*0*	*0*	*0*	*3,302*	*0*	*11,862*
Profit (loss)	45,165	0	0	0	40,266	-45,165	0	40,266
Equity attributable to owners of the parent	**598,270**	**1**	**7,954**	**0**	**36,373**	**-21,850**	**1**	**620,749**
Non-controlling interests	0	0	0	0	0	0	0	0
TOTAL EQUITY	**598,270**	**1**	**7,954**	**0**	**36,373**	**-21,850**	**1**	**620,749**

1.6 Notes to the Consolidated Financial Statements

Note 1: General information

Aedifica SA (referred to in the financial statements as “the Company”, “the Parent” or “the Group”) is a limited liability company having opted for public Regulated Real Estate Company (RREC) status under Belgian law. Its primary shareholders are listed in Note 38. The address of its registered office is the following:
Avenue Louise 331-333, B-1050 Brussels (telephone: +32 (0)2 626 07 70)

Aedifica aims to position itself as a market leader among listed Belgian healthcare real estate companies, in particular in terms of senior housing. Its strategy is focused on the underlying demographic trend toward population ageing in Europe and the specific needs this trend implies in terms of care and housing. The Company aims to create a balanced portfolio that generates recurring revenues and offers potential for capital gains.

The Group mainly concentrates its activity in the senior housing segment, but is also active in apartment buildings and hotels and other building types.

The Company’s shares are listed on the Euronext Brussels (continuous market), as they have been since October 2006.

Publication of the Consolidated Financial Statements was approved by the Board of Directors on 2 September 2016. The Company’s shareholders have the power to amend the Consolidated Financial Statements after issue at the Annual General Meeting, to be held on 28 October 2016.

Note 2: Accounting policies

Note 2.1: Basis of preparation

The Consolidated Financial Statements cover the 12-month period ending 30 June 2016. They have been prepared in conformity with “International Financial Reporting Standards” (“IFRS”) and the interpretations of the “International Financial Reporting Interpretations Committee” (“IFRIC”), issued as of 30 June 2016 and approved by the European Union (“EU”).

These are fully in line with the standards and interpretations published by the “International Accounting Standards Board” (“IASB”) applicable as of 30 June 2016. Elements of IAS 39 that were rejected by the EU are not applicable for the Aedifica group. The Consolidated Financial Statements have also been prepared in accordance with the spirit and provisions of the Royal Decree of 13 July 2014 on Regulated Real Estate Companies.

The Consolidated Financial Statements are prepared in Euros, and presented in thousands of Euros.

The Consolidated Financial Statements have been prepared with application of the historical cost convention, except for the following assets and liabilities, which are measured at fair value: investment properties, investment properties held for sale, financial assets and liabilities held for hedging or held for trading (mainly derivatives), and put options granted to non-controlling shareholders.

The Consolidated Financial Statements have been prepared in accordance with accrual accounting principles on a going concern basis.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires significant judgment in the application of accounting policies (including the classification of lease contracts, identification of business combinations, and calculation of deferred taxes) and the use of certain accounting estimates (such as impairment tests involving goodwill). Underlying assumptions are based on prior experience, input from third parties (notably real estate experts), and on other relevant factors. Actual results may vary on the basis of these estimations. Consequently, the assumptions and estimates are regularly revisited and modified as necessary.

No new and amended standards and interpretations are applicable for the Group since 1 July 2015.

Several new standards, as well as amendments and interpretations related to existing standards have been issued and will become mandatory for application in financial years beginning on or after 1 July 2016. These changes, which the Aedifica group has not adopted anticipatively, include the following (as of 30 June 2016):

- IFRS 9 (new) – Financial Instruments (effective 1 July 2018, pending EU approval);
- IFRS 11 (amended) – Accounting for Acquisitions of Interests in Joint Operations (effective 1 July 2016);
- IAS 16 and IAS 38 (amended) – Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 July 2016);
- IAS 16 et IAS 41 (amended) – Bearer Plants (effective 1 July 2016);
- IFRS 14 (new) – Regulatory Deferral Accounts (for which no effective date can be determined, because the EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard);
- IFRS 15 (new) – Revenue from Contracts with Customers (effective 1 July 2018, pending EU approval);
- IFRS 16 (new) – Leases (effective 1 July 2019, pending EU approval);
- IAS 27 (amended) – Equity Method in Separate Financial Statements (effective 1 July 2016);
- Annual Improvements to IFRS 2012-2014 Cycle issued in September 2014 (effective 1 July 2016);
- IFRS 1 (amended) – Disclosure Initiative (effective 1 July 2016);
- IFRS 10, IFRS 12 and IFRS 28 (amended) – Investment Entities: Applying the Consolidation Exception (effective 1 July 2016, pending EU approval);
- IAS 12 (amended) – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 July 2017, pending EU approval);
- IAS 7 (amended) – Disclosure Initiative (effective 1 July 2017, pending EU approval);
- IFRS 15 (clarification) – Revenue from Contracts with Customers (effective 1 July 2018, pending EU approval);
- IFRS 2 (amended) – Classification and Measurement of Share-based Payment Transactions (effective 1 July 2018, pending EU approval).

The Group is currently evaluating the impacts of the above-listed changes.

Note 2.2: Summary of significant accounting policies

The main significant accounting policies applied during the preparation of the Consolidated Financial Statements are presented below. These methods were applied consistently to all previous financial years, with the exception of rule I.C.1.3 ("Treatment of differences at the time of acquisition"), which has been prospectively modified as of 1 July 2015 in order to (i) simplify the accounting method for recognising transfer taxes and (ii) align itself with the practices of other REIT (Real Estate Investment Trusts) in Belgium and or in other countries. Up to 30 June 2015, when an acquisition was made, transfer taxes applicable to a later, theoretical sale were directly entered in equity and any change in the fair value of the properties during the financial year, was recognised in the income statement. Since 1 July 2015, both the transfer taxes on acquisitions and any change in the fair value of the properties during the financial year are immediately recognised in the income statement. This change in accounting method explains why line II.A. of the Consolidated statement of comprehensive income presents a nil amount as of 30 June 2016, but €7 million as of 30 June 2015. This change has no effect on equity. The I.C.1.3. rule is now as follows: If, for an acquisition such as defined in section I.C.1.1 ("Acquisition value") above, the value of the buildings determined by the independent expert at fair value is different to the acquisition value defined in section I.C.1.1, the difference (after subtracting the exit tax) is booked in the income statement under line "XVIII. Changes in fair value of investment properties".

The numbering of the paragraphs below refers to the lines presented on the balance sheet and income statement.

Consolidation principles – Subsidiaries

All entities for which Aedifica directly or indirectly holds more than half of the voting rights or has the power to control operations are considered subsidiaries and included in the scope of consolidation. In accordance with IFRS 10, subsidiaries are fully consolidated as from the date on which control is transferred to the Group; they are de-consolidated as from the date that control ceases. All intercompany transactions, balances, and unrealised gains and losses on transactions between the Group's companies are eliminated.

I.A. Goodwill

Business combinations are recognized using the purchase method in accordance with IFRS 3. The excess of the acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition is recognized as goodwill (an asset). In the event that this value is negative, it is recognized immediately in profit. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

I.B. Intangible Assets

Intangible assets are capitalised as assets at their acquisition cost and are amortised using the straight-line method at annual rates between 25 % and 30 %.

I.C. Investment Properties

1. Initial recognition

1.1. Acquisition value

If the acquisition of a building takes place by cash payment, through the acquisition of shares of a real estate company, through the non-monetary contribution of a building against the issuance of new shares, by merger through takeover of a property, or by a partial de-merger, the deed costs, audit and consultancy costs, reinvestment bank fees, costs of lifting security on the financing of the absorbed company, and other costs relating to the merger are also considered part of the acquisition cost and capitalised in the asset accounts on the balance sheet.

1.2. Fair value

Properties in the Group's portfolio or which enter into its portfolio, either with payment in cash or in kind, are valued by independent experts at their fair value.

The fair value of investment properties located in Belgium is calculated as follows:

- Buildings with an investment value greater than €2.5 million: Fair value = investment value / (1+ the average transaction cost defined by BEAMA);
- Buildings with an investment value less than €2.5 million:
  1) Where the expert considers that the building can be divided and sold in separate units (notably individual apartments), the fair value is defined as the lower of the separated investment value / (1 + % transfer tax levied in the region where the building is located) and the investment value / (1+ the average transaction cost defined by BEAMA);
  2) Where the expert considers that the building cannot be divided and sold in separate units, the fair value is the investment value / (1 + % transfer tax levied in the region where the building is located).

The average transaction cost defined by BEAMA is revised annually and adjusted as necessary in increments of 0.5 %. Experts attest to the percentage deducted and retained in regular reports to shareholders; it currently amounts to 2.5 %.

The fair value of investment properties located abroad take into account locally applicable legal costs.

1.3. Treatment of differences at the time of acquisition

This rule changed effective 1 July 2015 (see previous page).

If, for acquisitions such as those defined in section IC 1.1 ("Acquisition value") above, the fair value determined by the independent expert is different than the acquisition value defined in section I.C.1.1, the difference (after subtracting the exit tax) is booked in the income statement under line "XVIII. Changes in fair value of investment properties".

2. Accounting for works projects (subsequent expenditures)

Costs incurred by Aedifica for works carried out on investment properties are accounted for using one of two distinct methods, depending on the nature of the costs. The cost of repairs and maintenance, which neither add new functionality nor constitute a significant enhancement or upgrade to the building, are recognised as expenses as incurred and, thus, deducted from profit for the year. Subsequent expenditures related to two types of works projects are capitalised as assets on the Company's balance sheet:

a) Major renovations and extensions: these usually take place every 25 to 35 years and represent an almost complete renovation of the building, often reusing parts of the original building and applying the most up-to-date building techniques. Upon completion of these major renovation projects, the buildings are considered as new and are presented as such in the real estate portfolio.

b) Upgrades: these consist of occasional works that add new functionality, increase capacity, or significantly enhance or upgrade the building, making it possible to raise rents, and thus increasing the building's estimated rental income.

The appreciation in building values as a result of these projects is generally recognised by experts, which validates the probability that future benefits will flow to the Group as a result of the investment. Thus, all costs directly attributable to these types of works projects are capitalised in assets on the balance sheet. Attributable costs include but are not limited to: direct materials, contractor fees, technical studies, and architectural fees (up to 30 June 2006, only the cost of external architects were deemed eligible; since that time, the cost of both internal and external architects is included). Any excess of these costs over fair value is recognised as an expense in the income statement.

Borrowing costs are capitalised for all qualifying works projects with duration of more than one year.

3. Recurring remeasurement and remeasurement in the event of share transactions

3.1. Depreciation

In accordance with IAS 40, Aedifica applies the fair value model and does not recognise depreciation on its properties, the rights in rem on properties, or on properties rented to the Company under finance leases.

3.2. Share transactions

Real estate properties held by Aedifica and by the subsidiaries under its control are valued by experts each time the Company proceeds to issue new shares, list shares on the stock exchange, or repurchase shares other than through the stock exchange. While Aedifica is not bound by this valuation, any issue or repurchase price set below this level must be justified (in the form of a special report).

A new valuation is not required when a share issuance falls within four months of the last valuation of the property concerned, so long as the experts confirm that neither the economic situation nor the physical state of the property make a new valuation necessary.

3.3. Quarterly revaluations

Real estate experts perform a calculation of fair value at the end of the first three quarters of the financial year based on the conditions of the properties and on fluctuations observed in the real estate market. This valuation is carried out on a building-by-building basis and covers Aedifica's entire real estate portfolio, including properties held by its subsidiaries.

3.4. Annual revaluation

At the end of each financial year, an expert conducts a precise valuation of the following items:

- Real estate properties, properties by destination, and property rights in rem held by Aedifica and by its subsidiaries;
- Options on properties held by Aedifica and its subsidiaries, as well as the properties to which these options relate;
- Rights arising from contracts through which one or multiple properties are held by Aedifica (or its subsidiaries) under finance lease, as well as the underlying properties.

These valuations are binding for Aedifica and must be reflected in the accounts. Thus, the carrying amount of the properties in the accounts corresponds to the fair value at which they are assessed by Aedifica's independent experts.

3.5. Accounting for changes in fair value

Changes in the fair value of real estate properties, as determined by independent experts, arise each time the value is assessed. They are accounted for in the income statement.

4. Asset disposals

Upon disposal of an investment property, the gain or loss on disposal is recognised in the income statement, in line "XVI. Gains and losses on disposals of investment properties".

5. Owner-occupied investment property

Any investment property occupied by Aedifica is transferred to the line "other tangible assets" of the balance sheet. Its fair value at the time of the transfer becomes its deemed acquisition cost. If the Company only occupies a small part of the building, the whole building is recognised as "investment property" in the balance sheet and continues to be carried at fair value.

6. Development projects

Buildings under construction, renovation, or extension, which are considered development projects are recognised on the balance sheet at historical cost, including transfer taxes, non-recoverable VAT and indirect expenses (capitalised interest, insurance, legal fees, architectural fees, consulting fees, etc.). If the historical cost deviates from the fair value appraised by the independent expert, the deviation is recognised in the income statement in order to bring the carrying amount in line with the fair value. Costs incurred in the preliminary phase of development projects are recognised at their historical value.

I.D. Other tangible assets

Tangible assets with definite useful lives, which fall outside the scope of investment property, are initially recognised at their acquisition cost. The components approach is not applied (based on materiality criteria). Depreciation is charged on a linear basis using the pro rata temporis method. Thus, if the financial year does not cover 12 months (i.e. in case of a change in the Company's year-end), the depreciation charge is adjusted accordingly. As residual values are considered marginal, accumulated depreciation is expected to cover the total acquisition cost of each item included in other tangible assets.

The following depreciation rates are applied:
- Plant, machinery and equipment: 20 %;
- Furniture for furnished apartments: 10 % to 20 %;
- Other furniture and vehicles: 25 %;
- IT: 33 %.

I.E. Non-current financial assets

1. Hedging instruments
When a derivative provides cash flow hedges to cover a specific risk arising from a financial asset or a firm commitment or a highly probable transaction liability and meets the criteria for hedge accounting under IAS 39, the effective portion of the income or expense is recognised directly in equity (line “I.C.d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS”). The ineffective portion is recognised in the income statement.

When a derivative does not meet the criteria for hedge accounting under IAS 39, it is recognised on the balance sheet at its fair value, and changes in fair value are recognised in the income statement as they occur. The same treatment is applied for hedging instruments showing a negative fair value.

2. Other financial and non-current assets
Financial assets available for sale are valued at fair value (market value if available, otherwise acquisition value). Changes in fair value are recognised in equity (under “I.C.i. Reserve for the balance of changes in fair value of financial assets available for sale“). Receivables are valued at amortised cost.

I.H. Deferred tax assets
When a building is acquired outside of Belgium, the net income generated is subject to a foreign income tax. Deferred taxes are recognised on the balance sheet in relation to any unrealised gains (temporary difference between the fair value and the assessed value used for tax purposes of the building in question).

II.A. Assets classified as held for sale
Properties that are considered non-strategic and which are intended to be sold are included in line II.A. They are recognised at fair value, in accordance with IFRS 5.

II.C/D/E. Receivables
Receivables are measured at amortised cost. Impairments are recognised when the insolvency of the debtor is confirmed.

II.G. Deferred charges and accrued income
Costs incurred during the year, which relate partially or in full to the following year, are recognised on a proportional basis as deferred charges. Revenues and portions of revenues earned over the course of one or several subsequent financial years, but which are also related to the current year, are recognised in income for the amount earned in the current year.

I.A. et II.A. Provisions
A provision is recognized on the balance sheet when the Group has an implicit or explicit legal obligation as a result of a past event, and for which it is probable the resources will be used to extinguish this obligation. Provisions are measured by calculating the present value of expected cash flows using a market interest rate. They are reflected as a liability on the balance sheet.

I.C.b. Other non-current financial liabilities – Other
The Company can commit itself to acquire the non-controlling shareholdings owned by third parties in subsidiaries, should these third parties wish to exercise their put options. The exercise price of such options granted to non-controlling interest is reflected on the balance sheet on line “I.C.b. Other non-current financial liabilities – Other”.

I.F. Deferred tax liabilities
When a building is acquired outside of Belgium, the net income generated is subject to a foreign income tax. Deferred taxes are recognised on the balance sheet in relation to any unrealised gains (temporary difference between the fair value and the assessed value used for tax purposes of the building in question).

II.B/D/E. Current debts
Debts are recognized at amortised cost at the year-end date. Debts denominated in foreign currencies are converted into Euros using the spot rate on the year-end date.

II.F. Accrued charges and deferred income
Damages and interests paid by a lessee for breach of contract are recognised in the income statement at the time of receipt.

I. to XV. Operating result before result on portfolio
The objective of lines I through XV is to reflect the operating profit generated by the Company's rental property portfolio (operating leases in accordance with IAS 17), including general operating costs.

XVI. to XVIII. Operating result
The objective of lines XVI through XVIII is to reflect in the income statement all transactions and accounting adjustments related to the value of the Company's portfolio:
- Realised capital gains and losses: capital gains and losses are included in the line "Gains and losses on disposals of investment properties".
- Unrealised gains and losses (carried at fair value): changes in the portfolio's fair value are included in the income statement under "changes in fair value of investment properties".
- Commissions paid to real estate agents and other transaction costs: commissions related to the sale of buildings are deducted from the sale price in determining the gain or loss on disposal which is recognised in the operating result. Fees paid to real estate and technical experts are recognised as current expenses.

Commitments and contingencies
The Board of Directors values commitments and contingencies at the nominal value of the legal obligation as stated in the contract; in the absence of a nominal value or in exceptional cases, these values are disclosed for information purposes.

Group insurance
Aedifica's insurance contracts are considered defined contribution plans. These contracts are analysed in Note 39.

Note 3: Operating segments

Note 3.1: Presented segments

The following operating segments have been identified with application of IFRS 8:

- Senior housing: consists of rest homes and assisted-living complexes, rented to operators often under “triple net” long leases (which are reflected in the low operating expenses accounted for in the segment income statement).
- Apartment buildings: consists of residential apartment buildings located in Belgian cities. When let, the apartments generate rental income. This segment also includes rental income from commercial ground floors and/or office space included in these buildings.
- Hotels and other: consists mainly of hotels rented to operators under “triple net” long leases.

These three operating segments are consistent with the internal reports provided to the Group’s chief operating decision-makers, as required under IFRS 8. The accounting policies presented in Note 2 are used for internal reporting purposes, including segment reporting.

All revenues are earned from external clients located in the Company’s country of residence (Belgium: €51,567 thousand) with the exception of revenues from Germany (€7,827 thousand) and The Netherlands (€428 thousand), and all non-current assets are located in Belgium, with the exception of €130,590 thousand located in Germany and €28,035 thousand in The Netherlands. In 2014/2015, all revenues were earned from external clients located in the Company’s country of residence (Belgium: €45,008 thousand) with the exception of revenues from Germany (€4,895 thousand), and all non-current assets were located in Belgium, with the exception of €119,800 thousand located in Germany.

Each group of entities that falls under common control is considered as a single customer under IFRS 8. Revenues generated through transactions with a single customer representing more than 10 % of the Company’s total revenues must be disclosed. This requirement applies to:

- the 14 buildings in the senior housing segment (9 in Belgium and 5 in Germany) rented by legal entities controlled by the Orpea group, for which rents represent 16 % of the Company’s total 2015/2016 rental income (11 % in Belgium and 4% in Germany; 2014/2015: 13 % in Belgium);
- the 18 buildings in the senior housing segment rented by legal entities controlled by the Senior Living Group group (a subsidiary of the Korian group), for which rents represent 14 % of the Company’s total 2015/2016 rental income (14 % in the prior financial year);
- the 19 buildings in the senior housing segment rented by legal entities controlled by the Armonea group, for which rents represent 23 % of the Company’s total 2015/2016 rental income (13 % in the prior financial year, plus 8 % relative to the Soprim@ group, that was acquired by the Armonea group in 2015/2016).

Rents mentioned here represent the turnover realised by the Company over the duration of the financial year, which differ from the contractual rents (representing the agreements in place at the time of the year-end closure) on which the analyses included in the Property Report of this Annual Financial Report are based (refer to sections 3.7 and 3.8 of the Property Report).

Note 3.2: Segment information

Year ending on 30 June (x €1,000)		2015					
		Senior housing	Apartment buildings	Hotels and other	Non-allocated	Inter-segment items*	TOTAL
SEGMENT RESULT							
I.	Rental income	34,082	11,949	3,986	0	-114	49,903
II.	Writeback of lease payments sold and discounted	0	0	0	0	0	0
III.	Rental-related charges	-1	-49	0	0	0	-50
Net rental income		**34,081**	**11,900**	**3,986**	**0**	**-114**	**49,853**
IV.	Recovery of property charges	0	30	2	0	0	32
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	547	884	145	235	0	1,811
VI.	Costs payable by the tenant and borne by the landlord on rental damage and repair at end of lease	0	0	0	0	0	0
VII.	Rental charges and taxes normally paid by tenants on let properties	-547	-884	-145	-235	0	-1,811
VIII.	Other rental-related income and charges	-74	-1,494	5	0	0	-1,563
Property result		**34,007**	**10,436**	**3,993**	**0**	**-114**	**48,322**
IX.	Technical costs	-35	-916	-18	-101	-1	-1,071
X.	Commercial costs	0	-492	0	0	0	-492
XI.	Charges and taxes on unlet properties	0	-124	-7	0	0	-131
XII.	Property management costs	-133	-760	0	0	1	-892
XIII.	Other property charges	-11	-1,185	-19	-372	-1	-1,588
Property charges		**-179**	**-3,477**	**-44**	**-473**	**-1**	**-4,174**
Property operating result		**33,828**	**6,959**	**3,949**	**-473**	**-115**	**44,148**
XIV.	Overheads	-92	-81	0	-5,296	114	-5,355
XV.	Other operating income and charges	134	66	0	29	0	229
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		**33,870**	**6,944**	**3,949**	**-5,740**	**-1**	**39,022**
SEGMENT ASSETS							
Marketable investment properties		694,467	214,461	72,696	-	-	981,624
Development projects		-	-	-	21,734	-	21,734
Investment properties							**1,003,358**
Assets classified as held for sale		1,805	0	0	-	-	1,805
Other assets		-	-	-	15,121	-	15,121
Total assets							**1,020,284**
SEGMENT DEPRECIATION		**0**	**-578**	**0**	**-92**	**0**	**-670**
SEGMENT INVESTMENTS							
Marketable investment properties		184,871	0	0	-	-	184,871
Development projects		-	-	-	1,526	-	1,526
Investment properties		**184,871**	**0**	**0**	**1,526**	**0**	**186,397**
INVESTMENT PROPERTIES IN ACQUISITION VALUE		**640,638**	**201,688**	**70,978**	**-**	**-**	**913,304**
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES		**13,343**	**1,061**	**125**	**4,730**	**-**	**19,259**
VALUE INSURED		**572,643**	**191,941**	**77,105**	**-**	**-**	**841,689**
GROSS YIELD IN FAIR VALUE		**5.9%**	**5.4%**	**6.2%**	**-**	**-**	**5.8%**

* Mainly elimination of the internal rent for the administrative offices of the Company.

Year ending on 30 June (x €1,000)	2016					
	Senior housing	Apartment buildings	Hotels and other	Non-allocated	Inter-segment items*	TOTAL
SEGMENT RESULT						
I. Rental income	44,033	11,828	4,080	0	-119	59,822
II. Writeback of lease payments sold and discounted	0	0	0	0	0	0
III. Rental-related charges	-6	-29	0	0	0	-35
Net rental income	**44,027**	**11,799**	**4,080**	**0**	**-119**	**59,787**
IV. Recovery of property charges	0	25	0	0	0	25
V. Recovery of rental charges and taxes normally paid by tenants on let properties	983	1,043	38	0	0	2,064
VI. Costs payable by the tenant and borne by the landlord on rental damage and repair at end of lease	0	0	0	0	0	0
VII. Rental charges and taxes normally paid by tenants on let properties	-983	-1,043	-38	0	0	-2,064
VIII. Other rental-related income and charges	-150	-1,310	6	0	0	-1,454
Property result	**43,877**	**10,514**	**4,086**	**0**	**-119**	**58,358**
IX. Technical costs	-110	-913	-18	-78	0	-1,119
X. Commercial costs	-24	-559	0	-1	0	-584
XI. Charges and taxes on unlet properties	0	-113	-6	0	0	-119
XII. Property management costs	-310	-676	0	-51	0	-1,037
XIII. Other property charges	-17	-1,201	-23	-11	0	-1,252
Property charges	**-461**	**-3,462**	**-47**	**-141**	**0**	**-4,111**
Property operating result	**43,416**	**7,052**	**4,039**	**-141**	**-119**	**54,247**
XIV. Overheads	-50	-84	0	-6,679	119	-6,694
XV. Other operating income and charges	33	37	3	-12	0	61
OPERATING RESULT BEFORE RESULT ON PORTFOLIO	**43,399**	**7,005**	**4,042**	**-6,832**	**0**	**47,614**
SEGMENT ASSETS						
Marketable investment properties	835,300	219,332	71,657	-	-	1,126,289
Development projects	-	-	-	25,924	-	25,924
Investment properties						**1,152,213**
Assets classified as held for sale	4,621	0	0	-	-	4,621
Other assets	-	-	-	16,328	-	16,328
Total assets						**1,173,162**
SEGMENT DEPRECIATION	**0**	**-575**	**0**	**-126**	**0**	**-701**
SEGMENT INVESTMENTS						
Marketable investment properties	105,169	0	0	-	-	105,169
Development projects	-	-	-	5,089	-	5,089
Investment properties	**105,169**	**0**	**0**	**5,089**	**0**	**110,258**
INVESTMENT PROPERTIES IN ACQUISITION VALUE	**755,662**	**201,688**	**70,978**	**-**	**-**	**1,028,328**
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	**17,589**	**338**	**-1,062**	**-6,090**	**-**	**10,775**
VALUE INSURED	**809,808**	**241,990**	**76,269**	**-**	**-**	**1,128,067**
GROSS YIELD IN FAIR VALUE	**5.9%**	**5.3%**	**6.3%**	**-**	**-**	**5.8%**

* Mainly elimination of the internal rent for the administrative offices of the Company.

Note 4: Rental income

(x €1,000)	2016	2015
Rents earned	59,781	49,844
Guaranteed income	0	0
Cost of rent free periods	-22	-23
Indemnities for early termination of rental contracts	63	82
TOTAL	**59,822**	**49,903**

The Group rents its buildings exclusively under operating leases.

The increase in rents earned is linked to the portfolio's growth during 2015/2016 and 2014/2015 financial years.

The schedule of future minimum lease payments to be collected under non-cancellable operating leases required by IAS 17 is based on the following assumptions, which are extremely conservative:

- Residential leases: termination of all leases on 1 July 2016, with an average indemnity payment of one and a half months as indemnity payment.
- Commercial and office leases: termination of leases after one and a half years on average.
- Long-term leases (senior housing, hotels): no inflation.

Future minimum lease payments to be collected under non-cancellable operating leases are presented as follow:

(x €1,000)	2016	2015
Not later than one year	57,621	49,573
Later than one year and not later than five years	218,316	185,327
Later than five years	995,337	883,244
TOTAL	**1,271,274**	**1,118,144**

Rental income includes contingent rents amounting to €84 thousand (30 June 2014: €41 thousand).

Note 5: Rental-related charges

(x €1,000)	2016	2015
Rents payable as lessee	-20	-17
Write-downs on trade receivables	-15	-33
TOTAL	**-35**	**-50**

Note 6: Recovery of property charges

(x €1,000)	2016	2015
Indemnities on rental damage	25	32
TOTAL	**25**	**32**

Note 7: Recovery of rental charges and taxes normally paid by tenants on let properties

(x €1,000)	2016	2015
Rebilling of rental charges invoiced to the landlord	1,170	785
Rebilling of property taxes and other taxes on let properties	894	1,026
TOTAL	**2,064**	**1,811**

Note 8: Costs payable by the tenant and borne by the landlord on rental damage and repair of lease

Aedifica has not paid any amounts justifying particular mention in relation to costs payable by tenants and borne by the landlord on rental damage and/or repairs at the end of the lease term.

Note 9: Rental charges and taxes normally paid by tenants on let properties

(x €1,000)	2016	2015
Rental charges invoiced to the landlord	-1,170	-785
Property taxes and other taxes on let properties	-894	-1,026
TOTAL	**-2,064**	**-1,811**

Note 10: Other rental-related income and charges

(x €1,000)	2016	2015
Cleaning	-274	-332
Energy	-307	-318
Depreciation of furniture	-539	-569
Employee benefits	-247	-260
Other	-87	-84
TOTAL	**-1,454**	**-1,563**

Note 11: Technical costs

(x €1,000)	2016	2015
Recurring technical costs		
Repair	-338	-369
Insurance	-95	-81
Employee benefits	-386	-383
Maintenance	-126	-110
Expert fees	-174	-128
TOTAL	**-1,119**	**-1,071**

Note 12: Commercial costs

(x €1,000)	2016	2015
Letting fees paid to real estate brokers	-263	-244
Marketing	-191	-227
Fees paid to lawyers and other legal costs	-49	-14
Other	-81	-7
TOTAL	**-584**	**-492**

Note 13: Charges and taxes on unlet properties

(x €1,000)	2016	2015
Charges	-119	-131
TOTAL	**-119**	**-131**

Note 14: Property management costs

(x €1,000)	2016	2015
Fees paid to external property managers	-165	-118
Internal property management expenses	-872	-774
TOTAL	**-1,037**	**-892**

Note 15: Other property charges

(x €1,000)	2016	2015
Property taxes and other taxes	-1,252	-1,588
TOTAL	**-1,252**	**-1,588**

A number of disputes are ongoing with respect to local taxes; Aedifica continues to defend its position in these cases. The disputed amounts have been recognised as an expense and have been paid.

Note 16: Overheads

(x €1,000)	2016	2015
Lawyers/notaries	-306	-337
Auditors	-126	-72
Real estate experts	-671	-599
IT	-131	-139
Insurance	-65	-56
Public relations, communication, marketing, publicity	-339	-258
Directors and executive management	-1,987	-1,577
Employee benefits	-1,214	-1,038
Depreciation and amortisation of other assets	-162	-101
Tax expense	-575	-418
Other	-1,118	-760
TOTAL	**-6,694**	**-5,355**

Note 17: Other operating income and charges

(x €1,000)	2016	2015
Recovery of damage expenses	27	6
Other	34	223
TOTAL	**61**	**229**

Note 18: Gains and losses on disposals of investment properties

(x €1,000)	2016	2015
Net sale of properties (selling price - transaction costs)	2,656	15,943
Carrying amount of properties sold	-1,925	-15,515
TOTAL	**731**	**428**

Note 19: Gains and losses on disposals of other non-financial assets

Over the course of the current and previous financial years, Aedifica has not recognised any gains or losses from the sale of other non-financial assets.

Note 20: Changes in fair value of investment properties

(x €1,000)	2016	2015
Positive changes	22,396	34,209
Negative changes	-11,621	-14,950
TOTAL	**10,775**	**19,259**
of which: marketable investment properties	16,865	14,529
development projects	-6,090	4,730

Note 21: Financial income

(x €1,000)	2016	2015
Interests earned	59	31
Other	224	447
TOTAL	**283**	**478**

The 2015/2015 financial income included €0.1 million of non-recurrent income. This amount represents the fee paid to Aedifica at the time of the contributions-in-kind of 17 December 2015 and 24 March 2016 as compensation for the allocation of full dividend rights for the 2015/2016 financial year to the new shares issued that day.

The 2014/2015 financial income includes €0.4 million of non-recurrent income. This amount represents the fee paid to Aedifica at the time of the partial demerger on 4 December 2014 as compensation for the allocation of full dividend rights for the 2014/2015 financial year to the new shares issued that day.

Note 22: Net interest charges

(x €1,000)	2016	2015
Nominal interest on borrowings	-5,580	-6,753
Charges arising from authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	-3,440	-3,566
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	-3,255	-3,186
Subtotal	-6,695	-6,752
Income arising from authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	0	0
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	0	1
Subtotal	0	1
Capitalised borrowings costs	372	675
Other interest charges	-1	-4
TOTAL	**-11,904**	**-12,833**

Charges and income arising from hedging instruments represents Aedifica's cash interest receipts or payments related to derivatives presented in Note 32 and detailed in Note 33. Changes in the fair value of these derivatives are listed in Note 47 and recognised in the income statement.

Note 23: Other financial charges

(x €1,000)	2016	2015
Bank charges and other commissions	-1,049	-746
Other	-38	-46
TOTAL	**-1,087**	**-792**

Note 24: Corporate tax

(x €1,000)	2016	2015
Parent		
Profit before tax (loss)	41,009	39,848
Effect of the Belgian REIT tax regime	-41,009	-39,848
Taxable result in Belgium based on non-deductible costs	381	264
Belgian current tax at rate of 33,99%	-130	-90
Belgian current tax regularisation for the previous year	-1	0
Foreign current tax	-213	-180
Foreign deferred taxes: originations	108	142
Foreign deferred taxes: reversals	-432	-276
Subtotal	-668	-404
Subsidiaries		
Belgian current tax	-147	-100
Foreign current tax	-90	-6
Foreign deferred taxes: originations	802	0
Foreign deferred taxes: reversals	-358	-261
Subtotal	207	-367
TOTAL	**-461**	**-771**

The corporate taxes are composed of current taxes and deferred taxes.

Current taxes consist primarily of Belgian tax on Aedifica's non-deductible expenditures (since Belgian REITs benefit from a specific tax regime, leading to the taxation of only non-deductible costs, such as regional taxes, car costs, representation costs, social costs, donations, etc.), tax generated abroad and tax on the result of the consolidated subsidiaries.

Deferred taxes arose from the recognition at fair value of buildings located abroad in conformity with IAS 40. This deferred tax (with no monetary impact, that is to say, non-cash) is thus excluded from the result excluding changes in fair value (see Note 54).

Note 25: Exit tax

Aedifica has not recognised any exit tax in the income statement.

Note 26: Earnings per share

The earnings per share ("EPS" as defined by IAS 33) is calculated as follows:

	2016	2015
Profit (loss) (Owners of the parent) (x €1,000)	40,266	45,165
Weighted average number of shares outstanding during the period	14,122,758	10,658,981
Basic EPS (in €)	2.85	4.24
Diluted EPS (in €)	2.85	4.24

Aedifica uses profit excluding changes in fair value to measure its operational and financial performance; however, this performance measure is not defined under IFRS. Profit excluding changes in fair value represents the profit (attributable to owners of the Parent) after removing exclusively changes in fair value of investment properties (and the movements of deferred taxes related to these) and hedging instruments. The definition of profit excluding changes in fair value as applied to Aedifica's financial statements may differ from that used in the financial statements of other companies.

Profit excluding changes in fair value is calculated as follows:

(x €1,000)	**2016**	**2015**
Profit (loss) (Owners of the parent)	40,266	45,165
Less: Changes in fair value of investment properties (see Note 20)	-10,775	-19,259
Less: Gain and losses on disposal of investment properties (see Note 18)	-731	-428
Less: Deferred taxes (see Note 54)	-120	395
Less: Changes in fair value of financial assets and liabilities (see Note 47)	5,685	-374
Roundings	1	-1
Profit excl. changes in fair value (before gains and losses on disposals of investment properties)	**34,326**	**25,498**

Weighted average number of shares outstanding during the period	14,122,758	10,658,981
EPS excl. changes in fair value (before gains and losses on disposals of investment properties - in €)	2.43	2.39

Note 27 : Goodwill

(x €1,000)	2016	2015
Gross value at the beginning of the year	1,856	1,856
Cumulative impairment losses at the beginning of the year	0	0
Carrying amount at the beginning of the year	**1,856**	**1,856**
Movements of the year	0	0
CARRYING AMOUNT AT THE END OF THE YEAR	**1,856**	**1,856**
of which: gross value	1,856	1,856
cumulative impairment losses	0	0

Goodwill relates to the acquisition of a company that was active in furnished apartment rentals.

In applying IAS 36 – Impairment of Assets, the Group performed an analysis of the carrying amount, principally of goodwill. Goodwill arose from the acquisition of Ixelinvest SA, the original owner of a residential complex that is rented out as apartments on rue Souveraine in Brussels. This complex constitutes the cash-generating unit for the purposes of the goodwill impairment test.

An impairment review, performed by calculating value in use, was carried out to ensure that the carrying value of the cash-generating unit's assets (fair value of properties of €31 million, carrying amount of furniture of less than €1 million and carrying amount of goodwill for less than €2 million, i.e. €33 million in total) does not exceed their recoverable amount, defined as the higher of (i) the fair value less costs to sell and (ii) the value in use (estimated at €70 million).

In determining the value in use, the Group calculated the present value of the estimated future cash flows expected to arise from the continued use of the assets using a pre-tax discount rate of 3 %. The discount rate applied is based upon the weighted average cost of capital with appropriate adjustment for the relevant risks associated with the businesses, and can vary one year to another depending on market indicators. Estimated future cash flows are based on long-term plans (i.e. over 5 years) for each cash-generating unit, with extrapolation thereafter based on long-term average growth rates for the individual cash-generating units. This growth rate is set at 1.5 %, in line with expected inflation.

Future cash flows are estimated and may be revised in future periods as underlying assumptions change. Key assumptions in supporting the value of goodwill include long-term interest rates and other market data, captured in the abovementioned pre-tax discount. Should the assumptions vary adversely in the future, the value in use of goodwill may fall below the carrying amount. Based on current valuations, the headroom (estimated at €37 million) appears sufficient to absorb a normal variation of approx. 1.5 % in the pre-tax discount. An impairment on goodwill would be booked for any excess over this headroom.

Note 28: Intangible assets

All intangible assets (consisting mainly of computer software) have a fixed useful life. Amortisation is recognised in income under the line “overheads”.

(x €1,000)	2016	2015
Gross value at the beginning of the year	402	305
Depreciation and cumulative impairment losses at the beginning of the year	-300	-284
Carrying amount at the beginning of the year	**102**	**21**
Entries: items acquired separately	67	97
Amortisations	-50	-16
CARRYING AMOUNT AT THE END OF THE YEAR	**119**	**102**
of which: gross value	468	402
amortisations and cumulative impairment losses	-350	-300

Note 29: Investment properties

(x €1,000)	Marketable investment properties	Development projects	TOTAL
CARRYING AMOUNT AS OF 1/07/2014	**765,789**	**19,191**	**784,980**
Acquisitions	184,871	1,526	186,397
Disposals	-15,139	0	-15,139
Capitalised interest charges	0	675	675
Capitalised employee benefits	0	20	20
Other capitalised expenses	3,353	25,618	28,971
Transfers due to completion	30,026	-30,026	0
Changes in fair value (see Note 20)	14,529	4,730	19,259
Other expenses booked in the income statement	0	0	0
Transfers to equity	0	0	0
Assets classified as held for sale	-1,805	0	-1,805
CARRYING AMOUNT AS OF 30/06/2015	**981,624**	**21,734**	**1,003,358**
CARRYING AMOUNT AS OF 1/07/2015	**981,624**	**21,734**	**1,003,358**
Acquisitions	105,169	5,089	110,258
Disposals	-1,925	0	-1,925
Capitalised interest charges	0	372	372
Capitalised employee benefits	0	28	28
Other capitalised expenses	6,532	25,631	32,163
Transfers due to completion	20,840	-20,840	0
Changes in fair value (see Note 20)	16,865	-6,090	10,775
Other expenses booked in the income statement	0	0	0
Transfers to equity	0	0	0
Assets classified as held for sale	-2,816	0	-2,816
CARRYING AMOUNT AS OF 30/06/2016	**1,126,289**	**25,924**	**1,152,213**

Determination of fair values depends on market factors and is based on valuations provided by independent experts who hold relevant and recognised professional qualifications and recent experience in the geographic areas and property types included in the Group's portfolio. All investment properties are located in Belgium, in Germany and in The Netherlands.

The fair value of the Group's portfolio of marketable investment properties assessed by independent experts as of 30 June 2016. The average capitalisation rate applied to contractual rents is 5.80 % (in accordance with the valuation methodology – presented in the first bullet of section 1.12 of the Standing Documents included in the 2015/2016 Annual Financial Report). A positive 0.10 % change in the capitalisation rate would lead to a negative change of €19 million in the portfolio's fair value.

Development projects are described in detail in the Property Report included in the 2015/2016 Annual Financial Report.

Assets classified as held for sale (line II.A. included in the assets on the balance sheet) amounts to €4.6 million as of 30 June 2016. These are assisted-living apartments (senior housing) located in Tienen and Aarschot (see section 2.1.7. of the Consolidated Board of Directors' report) that are considered as non-strategic assets.

Acquisitions made during the year are described in detail in the Consolidated Board of Directors' Report included in the 2015/2016 Annual Financial Report.

All investment properties are considered to be at "level 3" on the fair value scale defined under IFRS 13. This scale includes three levels: Level 1: observable listed prices in active markets; Level 2: observable data other than the listed prices included in level 1; Level 3: unobservable data. During the 2015/2016 financial year, there were no transfers between level 1, level 2 and level 3.

The valuation methodologies (approach under which a capitalisation rate is applied to the estimated rental value and another based on the present value of future cash flows) are described in section 1.12 of the "Standing Documents" of the 2015/2016 Annual Financial Report.

The quantitative information presented below in relation to the determination of the fair value of investment properties based on unobservable data (level 3) is taken from various reports produced by the independent real estate experts:

Type of asset	Fair value as of 30 June 2016 (x €1,000)	Assessment method	Unobservable inputs	Min	Max	Weighted average
Senior housing	**839,921**	**DCF**	ERV / m²	76	331	139
			Inflation	1.0%	1.9%	1.3%
			Discount rate	4.9%	7.3%	5.7%
			Residual maturity (year)	3	29	23
Apartment buildings	**219,332**	**Capitalisation**	ERV / m²	69	175	119
			Capitalisation rate	4.7%	8.4%	5.5%
Hotels and other	**71,657**	**DCF**	ERV / m²	79	125	102
			Inflation	1.3%	2.0%	1.7%
			Discount rate	5.9%	7.8%	7.2%
			Residual maturity (year)	21	32	27
		Capitalisation	ERV / m²	86	165	131
			Capitalisation rate	3.4%	7.5%	5.3%
Development projects	**25,924**	**DCF**	ERV / m²	91	331	197
			Inflation	1.3%	1.3%	1.3%
			Discount rate	5.1%	5.7%	5.3%
			Residual maturity (year)	20	27	25
Total	**1,156,834**					

Type of asset	Fair value as of 30 June 2015 (x €1,000)	Assessment method	Unobservable inputs	Min	Max	Weighted average
Senior housing	**696,272**	**DCF**	ERV / m²	76	218	193
			Inflation	1.0%	1.6%	1.1%
			Discount rate	4.7%	6.9%	5.6%
			Residual maturity (year)	4	28	24
Apartment buildings	**214,461**	**Capitalisation**	ERV / m²	68	201	132
			Capitalisation rate	4.6%	8.8%	5.6%
Hotels and other	**72,696**	**DCF**	ERV / m²	79	125	98
			Inflation	1.1%	2.0%	1.7%
			Discount rate	5.7%	8.1%	7.1%
			Residual maturity (year)	22	33	28
		Capitalisation	ERV / m²	86	165	131
			Capitalisation rate	3.3%	7.4%	5.2%
Development projects	**21,734**	**DCF**	ERV / m²	89	201	163
			Inflation	1.0%	1.0%	1.0%
			Discount rate	4.7%	6.2%	5.5%
			Residual maturity (year)	27	27	27
Total	**1,005,163**					

In accordance with legal provisions, properties are revalued four times per year based on valuation reports prepared by the three independent experts appointed by the Company. These valuations are based on:

- information provided by the Company such as contractual rents, rental contracts, investment budgets, etc. These data are extracted from the Company's information system and are thus subject to the Company's internal control environment.
- assumptions and valuation models used by the independent experts, based on their professional judgment and market knowledge.

Reports provided by the independent experts are reviewed by the Company's Valuation & Asset Manager, the Control Manager and the Executive Managers. This includes a review of the changes in fair value over the period. When the Executive Managers consider that the valuation reports of the independent experts are coherent, the valuation report is submitted to the Audit Committee. Following a favourable opinion of the Audit Committee, these reports are submitted to the Board of Directors.

The sensitivity of the fair value measurement to a change of the abovementioned unobservable data is generally as follows (all else being equal):

Unobservable inputs	**Effect on the fair value**	
	in case of decrease of the unobservable input value	**in case of increase of the unobservable input value**
ERV / m²	negative	positive
Capitalisation rate	positive	negative
Inflation	negative	positive
Discount rate	positive	negative
Residual maturity (year)	negative	positive

Interrelations between unobservable data are possible, as they are determined in part by market conditions.

Note 30: Development projects

This Note became redundant with the introduction of the revised IAS 40 “Investment Property” on 1 July 2009. Changes in development projects are now covered in Note 29. Development projects are also described in detail in section 4.2. of the Property Report included in the 2015/2016 Annual Financial Report.

Note 31: Other tangible assets

(x €1,000)	**2016**	**2015**
Gross value at beginning of the period	5,531	5,080
Depreciation and cumulative impairment losses at beginning of period	-3,697	-3,169
Carrying amount at beginning of period	**1,834**	**1,911**
Additions	442	577
Disposals	0	0
Depreciation	-652	-654
CARRYING AMOUNT AT END OF PERIOD	**1,624**	**1,834**
of which: gross value	5,972	5,531
depreciations and cumulative impairment losses	-4,348	-3,697

Other tangible assets consist of capital employed in operations (mainly furniture in the furnished apartments).

Note 32: Non-current financial assets and other non-current financial liabilities

(x €1,000)	2016	2015
Receivables		
Collateral	0	0
Other non-current receivables	298	349
Assets at fair value through profit or loss		
Hedging instruments (see Note 33)	496	1,048
Other non-current financial assets		
Hedging instruments (see Note 33)	0	0
TOTAL NON-CURRENT FINANCIAL ASSETS	**794**	**1,397**
Liabilities at fair value through profit or loss		
Hedging instruments (see Note 33)	-22,361	-18,383
Other	-1,327	-1,270
Total non-current financial liabilities		
Hedging instruments (see Note 33)	-23,694	-19,667
TOTAL OTHER NON-CURRENT FINANCIAL LIABILITIES	**-47,382**	**-39,320**

Other non-current receivables (included in “loans and receivables” under IAS 39) generate interest and will be recovered over the course of subsequent fiscal years.

Assets and liabilities recognised at fair value through profit or loss consist principally of hedging instruments for which hedge accounting in the sense of IAS 39 is not applied. However, they serve to hedge against interest rate risks. Other hedging instruments, whether assets or liabilities, meet the criteria set out in IAS 39 for application of hedge accounting. Cash flows generated by all hedges, and/or changes in the fair value recognised in income are covered in Notes 22 and 47.

The other liabilities recognised at fair value through profit or loss (€1,327 thousand) include the put options granted to non-controlling shareholders (see Notes 47 and 56).

Note 33: Hedges

1. Framework

In order to limit the interest rate risk, Aedifica has put in place hedges that turn floating rate debts into fixed rate debt or capped-rate debt (cash flow hedges). All hedges (interest rate swaps or “IRS”, caps and collars) relate to existing or highly probable risks. Hedging instruments are either derivatives that meet the strict criteria set by IAS 39 to allow hedge accounting or derivatives which do not meet these criteria but which nonetheless provide economic hedging against interest rate risk. All hedges are entered into in accordance with the hedging policy set out in Note 44. The fair value of hedges is computed by banks based on the present value of expected cash flows and is adapted in accordance with IFRS 13 to reflect the own credit risk (“DVA” or “Debit Valuation Adjustment”) and the counterparty credit risk (“CVA” or “Credit Valuation Adjustment”). The table below lists the hedging instruments.

INSTRUMENT Analysis as at 30 June 2015	Notional amount (x €1,000)	Beginning	Periodicity (months)	Duration (years)	First date possible for the call	Max. interest rate (in %)	Fair value (x €1,000)
IRS*	10,356	1/04/2011	3	32	-	4.89	-5,398
IRS*	27,779	31/07/2014	3	29	-	4.39	-10,520
IRS	15,000	2/04/2013	3	9	-	3.50	-2,925
IRS	12,000	3/06/2013	3	9	-	3.64	-2,438
IRS	8,000	3/06/2013	3	9	-	3.67	-1,667
IRS	25,000	2/01/2015	3	5	-	2.99	-3,015
Cap	25,000	3/11/2014	3	1	-	1.00	0
Cap	25,000	1/10/2013	3	2	-	1.00	0
Cap	25,000	1/10/2014	3	1	-	1.25	0
Cap	25,000	1/11/2015	3	2	-	2.50	8
IRS	25,000	3/01/2014	3	7	-	3.10	-3,631
Cap	25,000	1/11/2014	3	3	-	2.50	8
IRS	25,000	2/02/2015	3	6	-	1.94	-1,946
IRS	25,000	3/11/2014	3	6	-	2.51	-2,674
IRS	25,000	1/01/2015	3	3	-	0.70	-362
Cap	50,000	1/10/2015	3	3	-	0.50	284
Cap	50,000	1/10/2015	3	4	-	0.35	748
IRS	25,000	3/11/2014	3	6	-	2.76	-3,003
IRS	25,000	1/01/2015	3	3	-	0.89	-470
Cap	40,000	1/09/2014	1	1	-	0.05	0
TOTAL	**513,135**						**-37,001**

* Notional amount depreciable over the duration of the swap. Aedifica and the bank may liquidate in advance these contracts every 10 years.

INSTRUMENT Analysis as at 30 June 2016	Notional amount (x €1,000)	Beginning	Periodicity (months)	Duration (years)	First date possible for the call	Max. interest rate (in %)	Fair value (x €1,000)
IRS*	10,175	1/04/2011	3	32	-	4.89	-6,957
IRS*	26,796	31/07/2014	3	29	-	4.39	-13,585
IRS	15,000	2/04/2013	3	9	-	3.50	-3,377
IRS	12,000	3/06/2013	3	9	-	3.64	-2,772
IRS	8,000	3/06/2013	3	9	-	3.67	-1,907
Cap	25,000	1/11/2015	3	2	-	2.50	0
IRS	25,000	3/01/2014	3	7	-	3.10	-3,919
Cap	25,000	1/11/2014	3	3	-	2.50	0
IRS	25,000	2/02/2015	3	6	-	1.94	-2,351
IRS	25,000	3/11/2014	3	6	-	2.51	-2,945
IRS	25,000	1/01/2015	3	3	-	0.70	-329
Cap	50,000	1/10/2015	3	3	-	0.50	23
Cap	50,000	1/10/2015	3	4	-	0.35	86
IRS	25,000	3/11/2014	3	6	-	2.76	-3,219
IRS	25,000	1/01/2015	3	3	-	0.89	-391
IRS	25,000	3/10/2016	3	5	-	2.88	-4,303
Cap	8,000	6/06/2016	1	1	-	0.00	0
Cap	50,000	1/07/2016	3	4	-	0.50	72
Cap	100,000	1/11/2017	3	2	-	0.50	114
Cap	50,000	1/07/2017	3	4	-	0.50	201
TOTAL	**604,971**						**-45,559**

* Notional amount depreciable over the duration of the swap. Aedifica and the bank may liquidate in advance these contracts every 10 years.

The total notional amount of €605 million presented in the table above is broken down as follows:

- operational and active instruments: €222 million;
- operational instruments which became out of the money (caps): €158 million;
- instruments with forward start: €225 million.

The total fair value of the hedging instruments presented in the table above (-€45,559 thousand) can be broken down as follows: €496 thousand on line I.E. of the asset side of the consolidated balance sheet (see Note 32) and €46,055 thousand on line I.C.a. of the liability side of the consolidated balance sheet. Taking into account the carrying amount of the upfront premiums paid for the caps (€1,848 thousand), the IAS 39 impact on equity amounts to -€47,407 thousand.

2. Derivatives for which hedge accounting is applied

(x €1,000)	2016	2015
Changes in fair of the derivatives		
Beginning of the year	-19,667	-19,484
Changes in the effective portion of the fair value of hedging instruments (accrued interests)	-10,416	-6,454
Transfer to the income statement of interests paid on hedging instruments	6,523	6,271
Transfer to the income statement regarding revoked designation	0	0
AT YEAR-END	**-23,560**	**-19,667**

The amounts recorded in equity will be transferred to net finance costs, in line with the payment of interest on the hedged financial debt, between 1 July 2016 and 31 July 2043.

The year-end equity value includes the effective part (as defined in IAS 39) of the change in fair value (-€3,893 thousand) of derivatives for which hedge accounting is applied, and the ineffective portion of the 2014/2015 financial year (no charge) that was appropriated in 2015/2016 by decision of the Annual General Meeting held in October 2015. These financial instruments are “level 2” derivatives (according to IFRS 13p81). The ineffective part is €135 thousand in 2015/2016. Cash flows arising from interest on the hedges are shown in Note 22.

3. Derivatives for which hedge accounting is not applied

The financial result includes a charge of €5,456 thousand (30 June 2015: an income of €461 thousand), arising from the change in the fair value of derivatives for which hedge accounting is not applied (in line with IAS 39, as listed in the aforementioned framework) (see Note 47). These financial instruments are “level 2” derivatives (as defined in IFRS 13p81). The financial result also includes the amortisation of the premiums paid at the time of the subscription to the caps, which amounts to €238 thousand (30 June 2015: €291 thousand).

The interest cash flows arising from the hedges are shown in Note 22 and the change in fair value recognised in the income statement is shown in Note 47.

4. Sensitivity analysis

The fair value of hedging instruments is a function of the interest rates on the financial markets. Changes in market interest rates explain most of the change in the fair value of hedging instruments between 1 July 2015 and 30 June 2016, which led to the recognition of a charge of €5,590 thousand in the income statement and a charge of €13,893 thousand directly in equity.

A change in the interest rate curve would impact the fair value of instruments for which hedge accounting is applied (in accordance with IAS 39), and recognised in equity (line “I.C.d. Reserve for the balance of changes in the fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS”). All else being equal, a positive change of 10 bps in the interest rate curve at the balance sheet date would have had a positive impact on equity in the amount of €832 thousand (30 June 2015: €856 thousand). A negative change of 10 bps in the interest rate curve at the balance sheet date would have had a negative impact on equity in the same amount. The impact of a change in the interest rate curve on the fair value (instruments for which hedge accounting under IAS 39 is not applied, cannot be determined as precisely, since options can be embedded within these instruments. The fair value of these options will change in a non-symmetric and non-linear pattern, and is a function of other parameters (e.g. volatility of interest rates). The sensitivity of the “mark-to-market” value of these instruments to an increase of 10 bps in the interest rate curve is estimated at approx. +€820 thousand (30 June 2015: +€1,134 thousand) in the income statement. A decrease of 10 bps in the interest rate curve would have a negative impact on the income statement in the same range.

Note 34: Trade receivables

(x €1,000)	2016	2015
TRADE RECEIVABLES - NET VALUE	**3,880**	**4,352**

It is anticipated that the carrying amount of trade receivables will be recovered within 12 months. This carrying amount represents an estimate of the fair value of assets which do not generate interest.

The credit risk associated with trade receivables is limited thanks to the diversity of the client base and rental guarantees (2016: €23.6 million; 2015: €20.0 million) received from tenants to cover their commitments. The carrying amount on the balance sheet is presented net of the provision for doubtful debts. Thus, the risk of exposure to credit risk is reflected in the carrying amount of receivables recognised on the balance sheet.

Trade receivables are analysed as follows:

(x €1,000)	2016	2015
under 90 days	817	206
over 90 days	458	130
Subtotal	1,275	336
Not due	2,718	4,128
Write-downs	-113	-112
CARRYING AMOUNT	**3,880**	**4,352**

Write-downs have evolved as follows:

(x €1,000)	2016	2015
At beginning of period	-112	-227
Addition	-39	-58
Utilisation	8	137
Reversal	30	38
Mergers	0	-2
AT END OF PERIOD	**-113**	**-112**

Note 35: Tax receivables and other current assets

(x €1,000)	2016	2015
Tax	988	608
Other	386	354
TOTAL	**1,374**	**962**

Tax receivables are composed mainly of prepayments. Account receivables from subsidiaries are granted by the Company at market conditions.

Note 36: Cash and cash equivalents

(x €1,000)	2016	2015
Short-term deposits	0	0
Cash at bank and in hands	4,947	3,598
TOTAL	**4,947**	**3,598**

Cash and cash equivalents are assets which generate interest at varying rates. The amounts presented above were available as of 30 June 2016 and 30 June 2015. Short-term investments may be held during the year, normally for periods of one week to one month.

Note 37: Deferred charges and accrued income

(x €1,000)	2016	2015
Accrued rental income	738	563
Deferred property charges	320	347
Other	0	0
TOTAL	**1,058**	**910**

Note 38 : Equity

Aedifica has completed three capital increases by way of contributions in kind during the 2015/2016 financial year:

- 2 October 2015: capital increase of approx. €1 million (including share premium) by way of a contribution in kind that enabled acquisition of the plot of land on which the Heydeveld rest home is located in Opwijk.
- 17 December 2015: capital increase of approx. €6 million (including share premium) by way of a contribution in kind that enabled acquisition of the Prinsenhof senior housing site in Beringen (Koersel).
- 24 March 2016: capital increase of approx. €1 million (including share premium) by way of a contribution in kind that enabled acquisition of the plot of land on which is located the Poortvelden senior housing site in Aarschot.

The capital has thus evolved as follows:

	Number of shares	Capital (x €1,000)
Situation at the beginning of the previous year	10,249,117	270,451
Capital increase	3,796,814	100,190
Situation at the end of the previous year	**14,045,931**	**370,641**
Capital increase of 2 October 2015	19,856	524
Capital increase of 17 December 2015	104,152	2,748
Capital increase of 24 March 2016	22,093	583
Situation at the end of the year	**14,192,032**	**374,496**

Equity is presented above before subtracting the costs of raising capital; the equity value presented on the balance sheet in accordance with IFRS is shown net of these costs.

Since 18 December 2015, no shareholder holds more than 5 % of the share capital. The free float is thus 100 %. Declarations of transparency and control strings are available on Aedifica's website. The Company has not received any additional declarations of transparency after those received on 18 December 2015.

The totality of the 14,192,032 shares issued as of 30 June 2016 are listed on the Euronext Brussels continuous market, with the exception of 19,856 shares that will be quoted on the stock market after the ex-date of the coupon related to the 2015/2016 financial year, which will in principle take place on 2 November 2016.

Capital increases are detailed in the "Standing Documents" included in the 2015/2016 Annual Financial Report. All subscribed shares are fully paid-up, with no par value. The shares are registered, bearer, or dematerialised shares and grant one vote.

Aedifica SA holds no treasury shares.

The Board of Directors is authorised to raise share capital through one or a series of issuances up to a maximum amount of €74,230 thousand on the dates and following the procedures established by the Board, in accordance with Article 603 of the Belgian Companies Code. This authorisation is granted to the Board of Directors for a period of 5 years from the publication date in the annexes of the Belgian State Gazette (Moniteur belge/Belgisch Staatsblad) of the minutes of the Extraordinary General Meeting of 14 December 2015. Each time new shares are issued, the Board of Directors determines the price, the possible issue premium and the terms of issue for the new shares (unless such decisions are made by shareholders at the Annual General Meeting). Increases in share capital decided upon by the Board of Directors may also be realised through subscriptions paid in cash or by way of in-kind incorporation of premiums, reserves, or profits, with or without the issuance of new shares. These capital increases can equally be realised through the issuance of convertible debt securities or subscription rights. The remaining balance of the authorised capital amounts to €71 million as of 30 June 2016.

The Board of Directors has proposed a dividend distribution of €2.10 gross per share for the year ended 30 June 2016, i.e. a total dividend of €29,793 thousand.

Calculated in accordance with Article 617 of the Belgian Companies Code and given the Royal Decree of 13 July 2014, reserves available for distribution (statutory) amount to €12,848 thousand as of 30 June 2016, after taking into account the dividend proposed above (2015: €10,801 thousand). Detailed calculations are provided in the notes to the attached Abridged Statutory Accounts.

Aedifica defines capital in accordance with of IAS 1p134 as the sum of all equity accounts. The equity level is monitored using a consolidated debt-to-assets ratio calculated in accordance with the provisions of the Royal Decree of 13 July 2014 (see Note 52), which cannot exceed 60 % and according to the credit agreements in place with the Company's banks (see Notes 40 and 44). Equity is managed so as to permit the Group to continue as a going concern and to finance its future growth.

Note 39: Provisions

Aedifica contributes to a number of defined contribution plans in Belgium, which are open to new beneficiaries. These include funded pension schemes for all beneficiaries, i.e. labourers, staff members and members of the Management Committee (Executive Managers). These schemes are managed through private insurances plans with a guaranteed return. No personal contributions from the beneficiaries are required.

On 23 October 2015 the Belgian government formally approved the "Group of 10" proposal regarding the guaranteed return on defined contributions plans; the new law of 18 December 2015 was published on 24 December 2015. For classic "branch 21" insurance contracts, the new guaranteed return applies to future contributions (from the employer and from the employee) paid as from 1 January 2016, but the old guarantee (3.25% on the contributions paid by the employer and 3.75% on the contributions paid by the employee) remains to be granted on the built up minimum reserve at 31 December 2015. The new guaranteed return is based on Belgian government bonds with a duration of 10 years (OLO10) with a minimum of 1.75% and a maximum of 3.75%. At this moment (since 1 January 2016), a minimum return of 1.75% applies. This could generate a liability in the balance sheet of the employer. This guarantee is not applicable to the scheme applicable for the members of the Management Committee.

The obligations for defined benefit plans correspond to the maximum amount between the current accounts and the account calculated with the minimum guaranteed return, assessed for each individual (intrinsic value approach). Under these schemes, Aedifica had externalised assets amounting to €240 thousand as of 30 June 2016. During the 2016/2017 financial year, the expected contribution for the schemes will amount to €97 thousand. An actuarial valuation (intrinsic value approach) showed that as of 30 June 2016 no net asset or liability had to be recognised in the balance sheet for these schemes.

Given that the interest rates that are guaranteed by the insurers have decreased below the level of 3.25 % since 2013, there is a risk for future underfunding, however this risk is limited in view of the externalised assets.

The amounts recognised as an expense for the long-term benefits granted the members of the Management Committee are detailed in the Remuneration Report included in the 2015/2016 Annual Financial Report.

In Germany, a supplementary defined contribution plan was introduced during the 2015/2016 accounting year. For this plan, no provision needs to be taken into account as, according to IAS 19, it does not concern a defined benefit plan, unlike the abovementioned defined contribution plans in Belgium.

Note 40: Borrowings

(x €1,000)	2016	2015
Non-current financial debts		
Borrowings	447,721	340,752
Current financial debts		
Borrowings	31,027	25,897
TOTAL	**478,748**	**366,649**

The increase in the borrowings is linked to the growth of the real estate portfolio during the course of the 2015/2016 financial year.

As of 30 June 2016, Aedifica benefits from committed credit facilities (financial liabilities carried at amortised cost according to IAS 39 and presented as current and non-current financial debts on the balance sheet) issued by ten banks (Bank für Sozialwirtschaft, Bank Degroof Petercam, Banque Européenne du Crédit Mutuel, Belfius Bank, BNP Paribas Fortis, Caisse d'Epargne et de Prévoyance Nord France Europe, Deutsche Postbank, Förde Sparkasse, ING and KBC Bank) totalling €753 million:

- Aedifica can use up €699 million depending on its needs, so long as the debt-to-assets ratio does not exceed 60 % and other covenants (in line with market practice) are met. Each withdrawal is made in Euros for a period of up to 12 months, at a fixed margin set with reference to the euribor rate prevailing at the time of the withdrawal.
- Aedifica also benefits from amortising facilities amounting to €19 million at fixed rates between 3.1 % and 5.8 % and €35 million at variable rate.

The average interest rate, including the spread charged by the banks and the effect of hedging instruments, was 2.8 % after deduction of capitalised interest (2.8 % in 2014/2015) and 2.9 % before deduction of capitalised interest (3.0 % in 2014/2015). Given the short duration of the withdrawals, the carrying amount of the variable-rate financial debts is an approximation for their fair value (€460 million). The hedges in place as of 30 June 2016 are detailed in Note 33. The fair value of the fixed-rate financial debts (€19 million) is estimated at €21 million.

As of 30 June 2016, the Group has neither pledged any Belgian buildings as collateral for its debts, nor has it granted any other securities to debt-holders. Note that in Germany, it is customary that real estate buildings financed by bank credit are linked to a mortgage in favour to the creditor bank. As such, 12 of the 15 buildings in Germany are linked to a mortgage, respecting the requirements laid down in Article 43 of the Belgian Act of 12 May 2014 on Regulated Real Estate Companies.

The classification between current financial debts and non-current financial debts is made based on the maturity dates of the underlying credit facilities on which the drawings are made, rather than on the maturity date of the individual drawings.

The timetable showing the maturity of Aedifica's credit facilities is as follows (in € million):

	Lines	Utilisation
— 2016/2017 :	30	30
— 2017/2018 :	92	60
— 2018/2019 :	131	111
— 2019/2020 :	80	80
— 2020/2021 :	91	66
— 2021/2022 :	95	75
— > 2022/2023 :	234	58
Total	**753**	**480**
Weighted average maturity (years)	**4.5**	**3.7**

Note 41: Trade payables and other current debts

(x €1,000)	2016	2015
Exit tax	4,505	813
Other		
Suppliers	10,639	4,661
Tenants	1,370	1,408
Tax	1,174	1,513
Salaries and social charges	1,010	880
Dividends of previous years	23	22
TOTAL	**18,721**	**9,297**

The majority of trade payables and other current debts (recognised as "financial liabilities at amortised cost" under IAS 39, excluding taxes covered by IAS 12 and remuneration and contributions to social security plans covered by IAS 19). It is anticipated that these debts will be settled within 12 months. The carrying amount constitutes an approximation of their fair value.

Note 42: Accrued charges and deferred income

(x €1,000)	2016	2015
Property income received in advance	451	424
Financial charges accrued	2,059	1,912
Other accrued charges	2,171	1,977
TOTAL	**4,681**	**4,313**

Note 43: Employee benefits expense

Total employee benefits (excluding Executive Managers and Directors presented in Note 16) are broken down in the income statement as follows:

(x €1,000)	2016	2015
Cleaning costs (see Note 10)	-247	-260
Technical costs (see Note 11)	-386	-383
Commercial costs	-76	-51
Overheads (see Note 16)	-1,214	-1,038
Property management costs (see Note 14)	-872	-774
Capitalised costs	-28	-20
TOTAL	**-2,823**	**-2,526**

Headcount at the year-end (excluding Executive Managers and Directors):

	2016	2015
Total excluding students	44	35
Students	0	0
TOTAL	**44**	**35**

Note 44: Financial risk management

Aedifica's financial risk management aims to ensure permanent access to borrowings, and to closely follow and minimize interest risk rate.

1. Debt structure

The debt-to-assets ratio (as defined in the Royal Decree of 13 July 2014) is provided in section 3.3 of the Consolidated Board of Directors' Report included in this Annual Financial Report. As of 30 June 2016, it amounts to 40.4 % on statutory level and to 42.5 % on consolidated level. This section also discloses the maximum ratio permitted before the Company reaches the maximum debt-to-assets ratio permitted for Belgian REITs (65 % of total assets) or arising due to bank covenants (60 % of total assets). The debt-to-assets ratio is published quarterly and monitored monthly in the framework of account closings and its evolution is estimated in the framework of approval process of each major investment project. When exceeding the debt-to-assets threshold of 50 %, a financial plan with an implementation schedule must be elaborated, describing the measures taken to prevent the consolidated debt-to-assets ratio from exceeding the maximum permissible threshold of 65 % (Article 24 of the Royal Decree of 13 July 2014). The Company has expressed in each of its last three Securities Notes (2010, 2012 and 2015) that its policy in this matter aims to maintain an adequate debt-to-assets ratio of approx. 50 to 55 % over the long term.

Aedifica's financial model relies on a structural indebtedness. As a result, cash balances are usually low, amounting to €5 million as of 30 June 2016.

As of 30 June 2016, Aedifica has neither pledged any Belgian building as collateral for its debts, nor has it granted any other securities to debt-holders. Note that in Germany, it is customary that real estate buildings financed by bank credit are linked to a mortgage in favour to the creditor bank. As such, 12 out of the 15 buildings in Germany are linked to a mortgage as of 30 June 2016, respecting the requirements laid down in Article 43 of the Act of 12 May 2014 (the total amount covered by the collaterals may not excess 50 % of the global fair value and no mortgage may concern more than 75 % of the value of the concerned building). In the framework of additional financing of assets located in Germany, it is not excluded that additional mortgages are given.

2. Liquidity risk

Aedifica enjoys a strong and stable relationship with its banks, which form a diversified pool, comprising an increasing number of European institutions, with each bank in bilateral relation with the Company. Details of Aedifica's credit facilities are disclosed in Note 40.

As of 30 June 2016, Aedifica is using committed credit facilities totalling €480 million (2015: €367 million), out of €753 million in total available credit. This provides a headroom of €273 million is sufficient to cover Aedifica's short-term financial needs (including the development projects in progress) until the end of the 2016/2017 financial year. The investment amount that is budgeted in the Company's financial plan for the existing projects as of 30 June 2016 is estimated at €252 million, to which an acquisition (subject to outstanding conditions) for a portfolio of five rest home in Germany for €60 million (announced on 6 July 2016 and realised on 31 August 2016), and a hypothetical investment of €50 million should be added. This brings the total investment included in the financial plan for the 2016/2017 financial year to €290 million.

Given the regulatory status of Belgian REITs/RRECs, and the type of property in which Aedifica invests, the risk of non-renewal of mature credit facilities is remote, even in the context of a credit crunch, except in unforeseen and extreme circumstances. There is a risk of increasing credit spreads should market conditions deteriorate as compared to those present at the time of the current credit facilities were signed.

The Company would be exposed to a liquidity risk which would arise due to a lack of cash flow in the event of early termination of the credit facilities. Should the Company fail to comply with the provisions of credit facility arrangements, the facilities might indeed be cancelled, re-negotiated, or forced into reimbursement. The covenants in place are in line with market practice, and in particular require that the debt-to-assets ratio (as defined by the Royal Decree of 13 July 2014) does not exceed 60 %. Moreover, there is a risk of early termination in the event of a change of control, in case of non-compliance with the Company's obligations, and, more generally speaking, in the event of default as defined in these arrangements. A default situation of a contract can lead to default situation of all contracts ("cross-default" clauses). Based on the information available to date, and the prospects for the foreseeable future, there is no indication of a possible early termination of one or more of the existing credit facilities. However, this risk cannot be ignored completely. Moreover, Aedifica does not itself retain control over certain commitments, such as in the event of a change of control, which could lead to the early termination of the credit facilities.

Internally, Aedifica is organised so as to regularly monitor the evolution of financial markets, optimise the Company's financial structure over both the short and long terms, and manage financial risks (liquidity risk, interest rate risk). Aedifica aims to further diversify its funding sources, given market conditions.

As of 30 June 2016, the undiscounted future cash flows related to the credit facilities include €428 million maturing within 1 year, €41 million maturing within 1 to 5 years, and €10 million maturing in more than 5 years. The credit facilities also give rise to an interest expense of €2.3 million that is due within 1 year (2015: €352 million capital and €0.9 million interest within 1 year).

The undiscounted contractual future cash flows related to hedging instruments are analysed as follows:

As at 30 June 2016 (x €1,000)	Due within the year	Due between one to five years	Due after more than five years	TOTAL
Derivatives for which hedge accounting is applied	-3,871	-15,361	-5,529	-24,761
Derivatives for which hedge accounting is not applied	-3,199	-10,308	-9,939	-23,446

As at 30 June 2015 (x €1,000)	Due within the year	Due between one to five years	Due after more than five years	TOTAL
Derivatives for which hedge accounting is applied	-3,214	-13,542	-4,632	-21,388
Derivatives for which hedge accounting is not applied	-2,890	-8,969	-8,156	-20,015

3. Interest rate risk

Almost all of Aedifica's financial debts are floating-rate borrowings. This allows Aedifica to benefit from low interest rates on the non-hedged part of its borrowings. To mitigate the risk of increasing interest rates, Aedifica follows a policy aimed at securing the interest rates related to at least 60 % of its current or highly probable indebtedness over several years. Some fixed-rate debt are assumed by the Company and originates from preexisting investment credits held in real estate companies that have been acquired or merged by the Company.

This policy is supported by the fact that an increase in nominal interest rates, when not coupled with a simultaneous increase in inflation, implies an increase in real interest rates that cannot be offset by increasing rental incomes through indexation alone. Moreover, in case of accelerating inflation, there is a delay between the moment of the increase of the nominal interest rates and the timing of the indexation of rental incomes. When the interest rate curve is sufficiently flat (i.e. when interest does not vary a lot in relation of the maturity date), Aedifica aims to enter into hedges over longer periods, in line with its investment horizon.

For example, assuming that the structure and level of financial debts remain unchanged, and assuming that no hedges have been entered into, simulations show that a 25 bps positive deviation (increase) in the 2016/2017 interest rates over the forecast rates would lead to an additional €1.7 million interest expense for the year ending 30 June 2017.

In order to manage the interest rate risk, Aedifica has put in place hedges (interest rate swaps and caps). All hedges are entered into with leading banks and relate to existing or highly probable risks. Where appropriate, Aedifica applies hedge accounting as defined by IAS 39. An analysis of the Company's hedges is provided in the Consolidated Board of Directors' Report and in Note 33 of the Consolidated Financial Statements included in this Annual Financial Report. The hedges are entered into for long periods; however, hedge agreements include provisions (in line with market practice) that could lead the issuing banks to terminate the hedges early or initiate margin calls (in cash for example) in their own favour in certain circumstances.

Changes in the interest rate curve have a limited impact on the future interest expense, as 60 % of the financial debts are hedged by IRS or caps. Each change in the interest rate curve has an impact on the fair value of hedging instruments against income statement and/or equity (line "I.C.d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS" and line "I.C.e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS"). A sensitivity analysis is provided in Note 33 of the Consolidated Financial Statements included in this Annual Financial Report.

Some external events may lead to an increase in the credit margin at cost to the Group, in accordance with "increased cost" clauses included in the bank covenants. However, in the course of worldwide crises since 2007, no bank has never invoked any of these clauses towards the Group.

4. Counterparty risk

The signing of a credit facility or a hedging instrument with a bank generates a counterparty risk in terms of counterparty default. In order to mitigate this risk, Aedifica trades with several leading national and international banks to diversify its funding and hedging sources, while remaining cautious as to the balance between cost and quality of the services provided. In the context of the current banking crisis, one should bear in mind that one or several counterparties could default.

In line with market practice, the agreements signed with banks include market shock clauses and major adverse change clauses which could lead, in extreme circumstances, to additional costs for the Company or possibly the early termination of the credit facility. However, in the course of worldwide crises since 2007, no bank has never invoked any of these clauses towards the Group.

Aedifica is in an on-going relationship with the banks listed Note 40. In terms of hedging, the main providers (by order of magnitude) are ING and BNP Paribas Fortis.

5. Foreign exchange risk

Aedifica earns all its rental income and incurs all expenses within the euro-zone (except for certain small suppliers which charge for their services in USD and CAD). The borrowings of the Company are all denominated in Euros. Thus, Aedifica is not exposed to significant foreign exchange risk.

6. Financial planning risk

The yearly budget and long-term financial plan are important tools used in the decision-making process and in daily management activities. The budget and financial plan are derived from a computerised model that incorporates a number of assumptions; this model can suffer from programming errors, and human errors which may arise when using it. The potential for wrong assumptions, and undetected programming or human errors might put pressure on the Company's performance or threaten its compliance with regulatory (e.g. legal covenants associated to the public RREC status, such as the debt-to-assets ratio), contractual provisions (e.g. bank covenants), and the confidence from the markets.

Note 45: Contingencies and commitments

1. Commitments

The acquisition values mentioned below respect the requirements laid down in Article 49 § 1 of the Belgian Act of 12 May 2014 on Regulated Real Estate Companies (at the time of the signing of the agreements which generated the commitment).

1.1 Extension of the Aux Deux Parcs rest home in Jette (Belgium)

Aedifica committed to finance the extension of the existing rest home for a maximum budget of €2 million. Works are expected to begin shortly.

1.2 Renovation and extension of the L'Air du Temps rest home in Chênée (Belgium)

Under the long lease with Senior Living Group, Aedifica committed to finance the renovation and extension of the L'Air du Temps rest home in Chênée for a maximum budget of €7 million. Works are expected to begin shortly.

1.3 Construction of a new rest home and assisted-living apartments next to the existing building Au Bon Vieux Temps in Mont-Saint-Guibert (Belgium)

Under the long lease with the operator of the Au Bon Vieux Temps rest home (part of Senior Living Group), Aedifica committed to finance the construction of a new rest home and assisted-living apartments next to the existing rest home in Mont-Saint-Guibert, for a maximum budget of €10 million. Works are currently in progress.

1.4 Renovation and extension of the Op Haanven rest home in Veerle-Laakdal (Belgium)

Under the long lease with Senior Living Group, Aedifica committed to finance the renovation and extension of the rest home in Veerle-Laakdal for a maximum budget of €4 million. The first phase is already operational (€2 million). Works for the second phase are currently in progress (€2 million).

1.5 Construction of a new assisted-living apartment building next to the Cheveux d'Argent rest home in Sart-lez-Spa (Belgium)

Under the long lease with the operator of the Cheveux d'Argent rest home (being part of Senior Living Group), Aedifica committed to finance the construction of a new assisted-living apartment building next to the existing rest home in Sart-lez-Spa for a maximum budget of €3 million. The development permit has been obtained.

1.6 Renovation and extension of the 't Hoge rest home in Kortrijk (Belgium)

Under the long lease with the operator of the 't Hoge rest home (which includes a guarantee from Senior Living Group), Aedifica committed to finance the renovation and extension of the existing building in Kortrijk for a maximum budget of €6 million. The first phase is already operational (€4 million). Works for the second phase are currently in progress (budget of €2 million).

1.7 Renovation and extension of the Plantijn rest home in Kapellen (Belgium)

Under the long lease with Armonea, Aedifica committed to finance the renovation and extension of the Plantijn rest home for a maximum budget of €9 million. Works are currently in progress.

1.8 Renovation and extension of the Huize Lieve Moenssens rest home in Dilsen-Stokkem (Belgium)

Under the long lease with the operator of the Huize Lieve Moenssens rest home, Aedifica committed to finance the renovation and the extension of the rest home for a maximum budget of €7 million.

1.9 Extension of the De Stichel rest home in Vilvoorde (Belgium)

Under the long lease with the operator of the De Stichel rest home, Aedifica committed to finance the extension of the site for a maximum budget of €4 million.

1.10 Extension of the Oase Binkom rest home in Binkom (Belgium)

Under the long lease with Oase, Aedifica committed to finance the extension of the rest home for a maximum budget of €2 million. The development permit has been obtained.

1.11 Renovation and extension of the La Ferme Blanche rest home in Remicourt (Belgium)

Aedifica committed to finance the extension and the renovation of the existing La Ferme Blanche rest home, located in Remicourt, for a budget of €6 million. Works are in progress.

1.12 Construction of a new rest home and renovation of the Villa Temporis assisted-living apartment complex in Hasselt (Belgium)

Aedifica committed to finance the construction of a new rest home and renovation of the existing assisted-living apartment complex for a budget of €10 million (including plot of land). Works are currently under progress.

1.13 Acquisition of the senior housing sites in Glabbeek (Belgium)

On 12 June 2014, Aedifica concluded an agreement in principle (subject to outstanding conditions) in which Aedifica committed to acquire a company. This company is the owner of the rest home under construction in Glabbeek. The contractual value for this property amounts to approx. €10 million.

1.14 Extension and renovation of the Vinkenbosch rest home in Kermt (Hasselt, Belgium)

Aedifica committed to finance the extension and renovation of the existing Residentie Vinkenbosch rest home, located in Kermt (Hasselt), for a maximum budget of €12 million. Works are currently in progress.

1.15 Extension of the Martin's Brugge hotel in Brugge (Belgium)

Aedifica committed to finance the transformation of the conference rooms into 20 additional rooms at the Martin's Brugge hotel in Brugge for a maximum budget of €1 million. The development permit has been obtained.

1.16 Extension of the Prinsenhof rest home in Koersel (Beringen, Belgium)

Aedifica committed to finance the extension of the existing Prinsenhof rest home, located in Koersel (Beringen), for a maximum budget of €4 million. Works are currently in progress.

1.17 Acquisition of the Molenenk care residence in Deventer (The Netherlands)

Aedifica Nederland BV committed to acquire the Molenenk care residence under construction by turnkey agreement, located in Deventer, for a maximum budget of €10 million (plot of land included).

1.18 Acquisition of a rest home in Mechelen (Belgium)

Aedifica signed a framework agreement (subject to outstanding conditions) to acquire the shares of a company that owns a new rest home in Mechelen. The contractual value of this property will amount to approx. €17 million.

1.19 Acquisition of a senior housing site in Oostende (Belgium)

Aedifica signed a framework agreement (subject to outstanding conditions) to acquire the shares of a company that owns a senior housing site in Oostende. The contractual value of this property will amount to approx. €11 million.

1.20 Acquisition of the Walgaerde care residence in Hilversum (The Netherlands)

Aedifica Nederland BV concluded an agreement to acquire the Walgaerde care residence following completion of the interior transformation works. Works are currently in progress. The contractual value of this property will amount to approx. €4 million.

1.21 Acquisition of seven senior housing sites in the Belgian provinces of Antwerp, Limburg and Flemish Brabant (Belgium)
Aedifica concluded an agreement (under outstanding conditions) in which it has committed to acquire the shares of eight companies that own 7 senior housing sites (Oosterzonne in Zutendaal, De Witte Bergen in Lichtaart, Seniorenhof in Tongres, Beerzelhof in Putte, Uilenspiegel in Genk, Coham in Ham and Sorgvliet in Linter). Aedifica has also committed to acquire a senior housing site (Ezeldijk à Diest) through a purchase agreement with VAT. The contractual value of these properties will amount to approx. €97 million.

1.22 Acquisition of the Jardins de la Mémoire rest home in Anderlecht (Belgium)
Aedifica concluded an agreement (under outstanding conditions) to acquire the Jardins de la Mémoire rest home in Anderlecht. This investment will be carried out by way of contribution in kind (including the takeover of an existing credit facility). The contractual value of this property will amount to approx. €11 million and the credit facility to approx. €7 million.

1.23 Acquisition of the Martha Flora Rotterdam care residence in Rotterdam (The Netherlands)
On 2 June 2016, Aedifica announced an agreement in principle (subject to outstanding conditions) to acquire, via Aedifica Nederland BV, the Martha Flora Rotterdam care residence in Rotterdam. This property, which will be operated by the Martha Flora group, is in planning phase. The contractual value of this site will amount to approx. €8 million.

1.24 Earn-outs
For some acquisition deals, a portion of the acquisition price has been set based on future contingent events, such as (in the case of one rest home) the increase of rent after an extension. These events could trigger earn-outs.

2. Contingent liabilities

2.1 Credit facilities
Security has been pledged in relation to the Company's credit agreements, and within the limits authorised by the regulation on the following buildings: SZ AGO Herkenrath, SZ AGO Dresden, SZ AGO Kreischa, Seniorenresidenz Mathilde, Die Rose im Kalletal, Seniorenresidenz Klosterbauerschaft, Senioreneinrichtung Haus Matthäus, Bonifatius Seniorenzentrum, Senioreneinrichtung Haus Elisabeth, Seniorenresidenz Am Stübchenbach, Seniorenresidenz Kierspe and Käthe-Bernhardt-Haus.

2.2 Acquisition of shares in property companies, mergers and de-mergers
Aedifica benefits from warranties provided by the sellers of shares in property companies acquired.

3. Contingent assets

3.1 Securities received on rental agreements
Aedifica benefits from rental guarantees (in line with market practice and applicable regulations), in the form of bank guarantees, restricted bank deposits or guarantor backings.

Moreover, in certain cases, Aedifica benefits from other securities:
- Martin's Brugge: commitments of the lessee are covered by a mortgage (ranked #2) in the amount of €25 thousand and a mortgage authorisation in the amount of €1,230 thousand on the buildings "Château du Lac" located at avenue du Lac 87, 1332 Genval, "la Villa du Lac", located at avenue des Merisiers 8 and Drève des Magnolias, 1332 Genval and "Le Manoir du Lac", located at avenue Hoover 8, 1332 Genval;
- Martin's Klooster in Leuven: commitments of the lessee are covered by a mortgage (ranked #2) in the amount of €50 thousand and a mortgage authorisation in the amount of €1,340 thousand on the buildings "Château du Lac" located at avenue du Lac 87, 1332 Genval, "la Villa du Lac", located at avenue des Merisiers 8 and Drève des Magnolias, 1332 Genval and "Le Manoir du Lac", located at avenue Hoover 8, 1332 Genval.

3.2 Securities received following acquisitions
In case of acquisitions, contributions in kind, mergers and de-mergers, Aedifica benefits from the declarations and securities in line with market practices.

4. Other

4.1 Sundry options

- Long leases on rest homes and hotels: in some cases, Aedifica has granted preferential rights, renewal rights or purchase options to the lessees. Aedifica also benefits from a number of preferential rights granted by rest homes lessees.
- Sale or purchase options (related to some development projects): in certain cases, Aedifica has granted options to third parties, and/or benefits from options allowing it to sell buildings (e.g. when it appears that pieces of buildings will not be used for the development projects).

Note 46: Acquisitions and disposals of investment properties

The main investment property acquisitions of the financial year are the following:

ACQUISITIONS NAME	Business segment	Properties valuation* (in million €)	Register of corporations	Acquisition date**	Acquisition method
La Croix Huart SA	Senior housing	10	0454.836.562	2/07/2015	Acquisition of shares
Senior Hotel Flandria NV and Patrimoniale Flandria NV	Senior housing	10	0434.250.687 0437.966.183	9/07/2015	Acquisition of shares
Vinkenbosch SA	Senior housing	4	0438.349.532	1/10/2015	Acquisition of shares
Heydeveld BVBA	Senior housing	9	0860.484.327	2/10/2015	Contribution in kind and acquisition of shares
Prinsenhof	Senior housing	6	-	17/12/2015	Contribution in kind
Käthe-Bernhardt-Haus	Senior housing	7	-	1/03/2016	Acquisition of a building
Holland	Senior housing	12	-	1/03/2016	Acquisition of a building via Aedifica Nederland BV
Benvenuta	Senior housing	3	-	1/03/2016	Acquisition of a building via Aedifica Nederland BV
Molenenk	Senior housing	3	-	1/03/2016	Acquisition of a building via Aedifica Nederland BV
Woon & Zorg Vg Poortvelde BVBA	Senior housing	12	0840.009.013	24/03/2016	Contribution in kind and acquisition of shares
RL Invest SA	Senior housing	21	0456.868.317	31/03/2016	Acquisition of shares
Saksen Weimar	Senior housing	8	-	13/05/2016	Acquisition of a building via Aedifica Nederland BV
Martha Flora Lochem	Senior housing	2	-	31/05/2016	Acquisition of a building via Aedifica Nederland BV
Die Rose im Kalletal	Senior housing	3	-	15/06/2016	Acquisition of a building via Aedifica Luxemburg I SARL
TOTAL		**110**			

* in order to determine the number of shares issued, the exchange ratio and/or the value of the acquired shares.

** and consolidation date in the financial statements.

All these operations are detailed in the Board of Directors' Report.

Note 47: Changes in fair value of financial assets and liabilities

(x €1,000)	2016	2015
Authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	-135	0
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	-5,456	461
Subtotal	-5,591	461
Other	-94	-87
TOTAL	**-5,685**	**374**

The Line "Other" represents the changes in fair value of the put options granted to non-controlling shareholders (see Notes 32 and 56).

Note 48: Related party transactions

Related party transactions (as defined under IAS 24 and the Belgian Companies Code) relate exclusively to the remuneration of the Company's Directors and Executive Managers (€1,987 thousand in 2015/2016; €1,577 thousand in 2014/2015). Remuneration details are provided in the Corporate Governance Statement included in the 2015/2016 Annual Financial Report.

Note 49: Subsequent events

- **Agreement for the acquisition of a portfolio of five rest homes in Germany**

On 6 July 2016, Aedifica announced the signing of a share purchase agreement for the acquisition of two companies based in Luxemburg, which own five rest homes in Germany. This agreement was subject to outstanding conditions, which were mainly of administrative nature and which were fulfilled on 31 August 2016. The portfolio comprises five rest homes in the German states of Saxony-Anhalt, Bavaria and Berlin. All buildings were built between 2001 and 2003, with the exception of Frohnau rest home. The Am Kloster rest home is located at the outskirts of the city centre of Halberstadt (40,000 inhabitants, State of Saxony-Anhalt), 55 km southwest of Magdeburg. The site was built in 2003 and houses 136 residents. The Rosenpark rest home is located in Uehlfeld, a village near Höchstadt (13,000 inhabitants, State of Bavaria), at 40 km from Nuremberg. The site benefits from a location at the outskirts of a residential area in a green environment. The rest home was built in 2003 and houses 79 residents. The Patricia rest home is located in a lively residential area in Nuremberg (500,000 inhabitants, State of Bavaria), in the vicinity of several recreation activities. The rest home was built in 2003 and houses 174 residents. The St. Anna rest home is located in a residential area at the outskirts of the historic centre of Höchstadt (13,000 inhabitants, State of Bavaria). The site is situated in a green environment. The rest home was built in 2002 and houses 161 residents. The Frohnau rest home is located in Berlin (3,562,000 inhabitants, State of Berlin). The site benefits from an excellent location in a green, residential area and houses 107 residents. The rest home was originally built in 1969 and subsequently renovated and expanded in 1992. The location and size of the site also offer future extension potential. This investment was realised by acquiring control of two companies based in Luxemburg, which currently own the buildings. The operation was financed using Aedifica's credit facilities. The operator of the rest homes is the Vitanas group, a German company that has been active in the private senior care market since 1969. Vitanas currently operates over 5,000 beds in 39 sites and employs over 4,300 staff. The leases for these five sites are new irrevocable long leases. Initial gross yields amount to more than 6 % for a contractual value of approx. €60 million.

- **Acquisition of a portfolio of 8 senior housing sites in Belgium**

On 19 August 2016, Aedifica acquired a portfolio of eight senior housing sites in Belgium following the fulfilment of the outstanding conditions, as was announced in the press release of 24 May 2016. See section 2.1.1. in the Board of Directors' Report for a more elaborate account of the acquired sites, considering that construction of Oosterzonne and Ezeldijk has been completed in the meantime. The transaction was carried out as follows:

- Ezeldijk was acquired through a VAT purchase agreement.
- Aedifica took control over the seven other sites by acquiring the majority stake in real estate companies. Before the end of the year, Aedifica will acquire the remaining minority stakes in these companies which amount to approx. €20 million.

The cumulated contractual value of these eight sites amounts to approx. €97 million. The operation was financed in part using Aedifica's credit facilities and partly through the takeover of existing credit facilities with an average remaining duration of 12 years.

Note 50: Corrected profit as defined in the Royal Decree of 13 July 2014

The corrected profit as defined in the Royal Decree of 13 July 2014 is calculated based on the Statutory Accounts as follows:

(x €1,000)	**2016**	**2015**
Profit (loss)	40,341	39,444
Depreciation	701	670
Write-downs	15	33
Other non-cash items	4,533	-2,187
Gains and losses on disposals of investment properties	-731	-428
Changes in fair value of investment properties	-12,637	-12,105
Roundings	1	-1
Corrected profit	32,223	25,426
Denominator* (in shares)	14,186,987	10,924,613
CORRECTED PROFIT PER SHARE* (in € per share)	**2.27**	**2.33**

* Based on the rights to the dividend for the shares issued during the year.

Note 51: List of subsidiaries, associates and joint ventures

The table below presents a full list of the companies covered by Articles 114 and 165 of the Royal Decree of 30 January 2001 pertaining to the execution of the Belgian Companies Code. For the subsidiaries already present in the prior year (Aedifica Invest SA, Aedifica Invest Brugge SA, Aedifica Asset Management GmbH, Aedifica Luxemburg I SARL, Aedifica Luxemburg II SARL and Aedifica Luxemburg III SARL), the percentage of equity held by Aedifica is unchanged as compared to 30 June 2015.

NAME	Country	Category	Register of corporations	Capital held (in %)
Aedifica Invest SA*	Belgium	Subsidiary	BE0879.109.317	100.00
Aedifica Invest Brugge SA*	Belgium	Subsidiary	BE0899.665.397	100.00
Aedifica Asset Management GmbH**	Germany	Subsidiary	DE297302957	100.00
Aedifica Luxemburg I SARL***	Luxembourg	Subsidiary	B128048	94.00
Aedifica Luxemburg II SARL***	Luxembourg	Subsidiary	B139725	94.00
Aedifica Luxemburg III SARL***	Luxembourg	Subsidiary	B143704	94.00
Aedifica Nederland BV****	The Netherlands	Subsidiary	NL856005356B01	100.00
La Croix Huart SA*	Belgium	Subsidiary	BE0454.836.562	100.00
Patrimoniale Flandria NV*	Belgium	Subsidiary	BE0437.966.183	100.00
Senior Hotel Flandria NV*	Belgium	Subsidiary	BE0434.250.687	100.00
Vinkenbosch NV*	Belgium	Subsidiary	BE0438.349.532	100.00
Heydeveld BVBA*	Belgium	Subsidiary	BE0860.484.327	100.00
Woon & Zorg Vg Poortvelde BVBA*	Belgium	Subsidiary	BE0840.009.013	100.00
RL Invest NV*	Belgium	Subsidiary	BE0456.868.317	100.00

* Located avenue Louise 331 in 1050 Brussels (Belgium).
* Located Frankfurter Landstr. 23 in 61352 Bad Homburg v.d. Höhe (Germany).
* Located avenue de la Liberté 55 in 1931 Luxembourg (Luxembourg).
* Located Herengracht 466 in 1017 CA Amsterdam (The Netherlands).

Note 52: Belgian RREC status

(x €1,000)	2016	2015
Consolidated debt-to-assets ratio (max. 65%)		
Total liabilities	552,413	422,014
Corrections	-53,617	-44,798
Total liabilities according to the Royal Decree of 13 July 2014	498,796	377,216
Total assets	1,173,162	1,020,284
Corrections	-496	-1,048
Total assets according to the Royal Decree of 13 July 2014	1,172,666	1,019,236
Debt-to-assets ratio (in %)	**42.5%**	**37.0%**
STATUTORY PAY-OUT RATIO		
Statutory corrected profit	32,223	25,426
Proposed dividend	29,793	21,849
PAY-OUT RATIO (MIN. 80%)	**92%**	**86%**

Prohibition to invest more than 20 % of assets in real estate assets that form a single property
Refer to section 1.4 of the “Risk Factors” chapter of 2015/2016 Annual Financial Report.

Valuation of investment properties by an expert
Aedifica’s properties are valued quarterly by independent experts, Stadim CVBA, de Crombrugghe & Partners SA and CBRE GmbH.

Note 53: Audit fees

(x €1,000)	2016	2015
Statutory (audit Aedifica SA)	36	29
Statutory audit (subsidiaries)	78	46
Opinion reports foreseen in the Belgian Companies Code (Aedifica SA)	10	20
Other opinion reports (comfort letter, etc.) (Aedifica SA)	0	36
Tax advice missions	0	0
Other missions unconnected with the statutory audit	0	0
TOTAL	**124**	**131**

Note 54: Deferred taxes

Deferred taxes recognised on the balance sheet arise from the acquisition of investment properties located outside of Belgium.

They arise from the temporal difference between the buildings' fair value and the assessed value used for tax purposes.

Changes in deferred taxes are presented as follows (see also Note 24):

(x €1,000)	Assets	Liabilities
CARRYING AMOUNT AS OF 1/07/2014	**244**	**0**
Originations	142	0
Reversals	-276	-261
Scope changes	0	-2,174
CARRYING AMOUNT AS OF 30/06/2015	**110**	**-2,435**

(x €1,000)	Assets	Liabilities
CARRYING AMOUNT AS OF 1/07/2015	**110**	**-2,435**
Originations	763	147
Reversals	-197	-593
Scope changes	0	0
CARRYING AMOUNT AS OF 30/06/2016	**676**	**-2,881**

Note 55: Fair value

In accordance with IFRS 13, balance sheet elements for which the fair value can be computed are presented below and broken down according to the levels defined by IFRS 13:

(x €1,000)	Level 1	Level 2	Level 3	Carrying amounts of the balance sheet 2016
Investment properties	-	-	1,152,213	**1,152,213**
Assets classified as held for sale	-	-	4,621	**4,621**
Non-current financial assets	-	794	-	**794**
Trade receivables and other non-current assets	-	3,880	-	**3,880**
Tax receivables and other current assets	-	1,374	-	**1,374**
Cash and cash equivalents	4,947	-	-	**4,947**
Non-current financial debts (a. Borrowings)	-	-450,462	-	**-447,721**
Other non-current financial liabilities	-	-47,382	-	**-47,382**
Current financial debts (a. Borrowings)	-	-31,027	-	**-31,027**
Trade debts and other current debts (b. Other)	-	-14,216	-	**-14,216**

(x €1,000)	Level 1	Level 2	Level 3	Carrying amounts of the balance sheet 2015
Investment properties	-	-	1,003,358	**1,003,358**
Assets classified as held for sale	-	-	1,805	**1,805**
Non-current financial assets	-	1,397	-	**1,397**
Trade receivables and other non-current assets	-	4,352	-	**4,352**
Tax receivables and other current assets	-	962	-	**962**
Cash and cash equivalents	3,598	-	-	**3,598**
Non-current financial debts (a. Borrowings)	-	-342,970	-	**-340,752**
Other non-current financial liabilities	-	-39,320	-	**-39,320**
Current financial debts (a. Borrowings)	-	-25,897	-	**-25,897**
Trade debts and other current debts (b. Other)	-	-8,484	-	**-8,484**

In the table above, the fair value of hedging instruments is included under lines “non-current financial assets” and “other non-current financial liabilities”, as broken down in Note 32.

Note 56: Put options granted to non-controlling shareholders

The Company has committed to acquire the non-controlling shareholdings (6 % of the share capital) owned by third parties in Aedifica Luxemburg I SARL, Aedifica Luxemburg II SARL and Aedifica Luxemburg III SARL, should these third parties wish to exercise their put options. The exercise price of such options granted to non-controlling interest is reflected on the liability side of balance sheet on line “I.C.b. Other non-current financial liabilities – Other” (see Notes 32 and 47).

1.7 Auditor's Report

This auditor's report has been faithfully reproduced and, to Aedifica's knowledge, no facts have been omitted which would render the information reproduced inexact or misleading.

Statutory auditor's report to the general meeting of the company Aedifica SA for the year ended 30 June 2016

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated balance sheet as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in capital and reserves and the consolidated cash flow statement for the year ended 30 June 2016 and the notes (all elements together "the Consolidated Financial Statements"), and includes as well our report on other legal and regulatory requirements.

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of Aedifica SA ("the Company") and its subsidiaries (together "the Group") as of and for the year ended 30 June 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated balance sheet total of €1.173.162 thousand and of which the consolidated income statement shows a profit for the year of € 40.266 thousand.

Responsibility of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and presentation of the Consolidated Financial Statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the Board of Directors and the Company's officials the explanations and information necessary for performing our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 30 June 2016 give a true and fair view of the consolidated net equity and financial position, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional standard issued by the 'Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises' as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- In the context of our mandate and in accordance with the additional standard issued by the 'Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises' as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

Brussels, 2 September 2016
Ernst & Young Réviseurs d'Entreprises SCCRL
Statutory auditor
represented Jean-François Hubin*, Partner

* Acting on behalf of a SPRL

2. Abridged Statutory Financial Statements 2015/2016

The Abridged Statutory Financial Statements of Aedifica SA, prepared under IFRS, are summarised below in accordance with Article 105 of Belgian Companies Code.

The unabridged Statutory Financial Statements of Aedifica SA, its Board of Directors' Report and its Auditors' Report will be registered at the National Bank of Belgium within the legal deadlines. They will also be available for free on the Company's website (www.aedifica.be) or on request at the Company's headquarters.

The statutory auditor released an unqualified opinion on the Statutory Financial Statements of Aedifica SA.

Abridged Statutory Income Statement

Year ending on 30 June (x €1,000)		2016	2015
I.	Rental income	53,438	47,178
II.	Writeback of lease payments sold and discounted	0	0
III.	Rental-related charges	-34	-84
Net rental income		**53,404**	**47,094**
IV.	Recovery of property charges	25	32
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	1,847	1,687
VI.	Costs payable by the tenant and borne by the landlord on rental damage and repair at end of lease	0	0
VII.	Rental charges and taxes normally paid by tenants on let properties	-1,847	-1,687
VIII.	Other rental-related income and charges	-1,454	-1,563
Property result		**51,975**	**45,563**
IX.	Technical costs	-1,118	-1,071
X.	Commercial costs	-584	-492
XI.	Charges and taxes on unlet properties	-119	-131
XII.	Property management costs	-1,032	-892
XIII.	Other property charges	-1,197	-1,567
Property charges		**-4,050**	**-4,153**
Property operating result		**47,925**	**41,410**
XIV.	Overheads	-6,275	-5,230
XV.	Other operating income and charges	997	915
Operating result before result on portfolio		**42,647**	**37,095**
XVI.	Gains and losses on disposals of investment properties	731	428
XVII.	Gains and losses on disposals of other non-financial assets	0	0
XVIII.	Changes in fair value of investment properties	12,637	12,105
XIX.	Other result on portfolio	1,046	1,792
Operating result		**57,061**	**51,420**
XX.	Financial income	2,543	1,474
XXI.	Net interest charges	-11,938	-12,720
XXII.	Other financial charges	-1,067	-787
XXIII.	Changes in fair value of financial assets and liabilities	-5,590	461
Net finance costs		**-16,052**	**-11,572**
Profit before tax (loss)		**41,009**	**39,848**
XXIV.	Corporate tax	-668	-404
XXV.	Exit tax	0	0
Tax expense		**-668**	**-404**
Profit (loss)		**40,341**	**39,444**
Basic earnings per share (€)		2.86	3.70
Diluted earnings per share (€)		2.86	3.70

Abridged Statutory Statement of Comprehensive Income

Year ending on 30 June (x €1,000)			2016	2015
I.	Profit (loss)		40,341	39,444
II.	Other comprehensive income recyclable under the income statement			
	A.	Impact on fair value of estimated transaction costs resulting from hypothetical disposal of investment properties	0	-3,517
	B.	Changes in the effective part of the fair value of authorised cash flow hedge instruments as defined under IFRS	-3,893	-181
	H.	Other comprehensive income, net of taxes	0	0
Comprehensive income			**36,448**	**35,746**

Abridged Statutory Balance Sheet

ASSETS **Year ending on 30 June (x €1,000)**		2016	2015
I.	**Non-current assets**		
A.	Goodwill	1,856	1,856
B.	Intangible assets	119	102
C.	Investment properties	986,575	909,048
D.	Other tangible assets	1,623	1,833
E.	Non-current financial assets	91,869	80,252
F.	Finance lease receivables	0	0
G.	Trade receivables and other non-current assets	0	0
H.	Deferred tax assets	0	110
Total non-current assets		**1,082,042**	**993,201**
II.	**Current assets**		
A.	Assets classified as held for sale	807	1,805
B.	Current financial assets	0	0
C.	Finance lease receivables	0	0
D.	Trade receivables and other non-current assets	3,719	4,222
E.	Tax receivables and other current assets	29,495	6,049
F.	Cash and cash equivalents	3,551	2,639
G.	Deferred charges and accrued income	923	897
Total current assets		**38,495**	**15,612**
TOTAL ASSETS		**1,120,537**	**1,008,813**

EQUITY AND LIABILITIES **Year ending on 30 June (x €1,000)**	**2016**	**2015**
EQUITY		
A. Capital	364,467	360,633
B. Share premium account	155,509	151,388
C. Reserves	56,986	43,285
a. Legal reserve	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*107,923*	*93,599*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-20,032*	*-20,032*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-23,560*	*-19,667*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	*-18,256*	*-18,718*
h. Reserve for treasury shares	*0*	*0*
k. Reserve for deferred taxes on investment properties located abroad	*110*	*244*
m. Other reserves	*0*	*0*
n. Result brought forward from previous years	*10,801*	*7,859*
D. Profit (loss) of the year	40,341	39,444
TOTAL EQUITY	**617,303**	**594,750**
LIABILITIES		
I. Non-current liabilities		
A. Provisions	0	0
B. Non-current financial debts		
a. Borrowings	413,215	337,913
C. Other non-current financial liabilities	46,055	38,049
a. Authorised hedges	46,055	38,049
b. Other	0	0
D. Trade debts and other non-current debts	0	0
E. Other non-current liabilities	0	0
F. Deferred taxes liabilities	213	0
Non-current liabilities	**459,483**	**375,962**
II. Current liabilities		
A. Provisions	0	0
B. Current financial debts		
a. Borrowings	31,027	25,663
C. Other current financial liabilities	0	0
D. Trade debts and other current debts		
a. Exit tax	143	114
b. Other	8,099	8,057
E. Other current liabilities	0	0
F. Accrued charges and deferred income	4,482	4,267
Total current liabilities	**43,751**	**38,101**
TOTAL LIABILITIES	**503,234**	**414,063**
TOTAL EQUITY AND LIABILITIES	**1,120,537**	**1,008,813**

Abridged Statutory Statement of Changes in Equity

Year ending on 30 June (x €1,000)	**1/07/2014**	**Capital increase in cash**	**Capital increase in kind**	**Acquisitions / disposals of treasury shares**	**Consolidated comprehensive income**	**Appropriation of the result**	**Roundings**	**30/06/2015**
Capital	264,231	78,812	17,591	0	0	0	-1	360,633
Share premium account	64,729	70,580	16,079	0	0	0	0	151,388
Reserves	47,818	0	0	56	-3,698	-891	0	43,285
a. Legal reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*91,800*	*0*	*0*	*0*	*0*	*1,799*	*0*	*93,599*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-16,516*	*0*	*0*	*0*	*-3,517*	*0*	*1*	*-20,032*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-19,484*	*0*	*0*	*0*	*-181*	*-1*	*-1*	*-19,667*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	*-15,729*	*0*	*0*	*0*	*0*	*-2,989*	*0*	*-18,718*
h. Reserve for treasury shares	*-56*	*0*	*0*	*56*	*0*	*0*	*0*	*0*
k. Reserve for deferred taxes on investment properties located abroad	*0*	*0*	*0*	*0*	*0*	*244*	*0*	*244*
m. Other reserves	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
n. Result brought forward from previous years	*7,803*	*0*	*0*	*0*	*0*	*56*	*0*	*7,859*
Profit (loss)	18,582	0	0	0	39,444	-18,582	0	39,444
TOTAL EQUITY	**395,360**	**149,392**	**33,670**	**56**	**35,746**	**-19,473**	**-1**	**594,750**

Year ending on 30 June (x €1,000)	1/07/2015	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Roundings	30/06/2016
Capital	360,633	1	3,833	0	0	0	0	364,467
Share premium account	151,388	0	4,121	0	0	0	0	155,509
Reserves	43,285	0	0	0	-3,893	17,594	0	56,986
a. Legal reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*93,599*	*0*	*0*	*0*	*0*	*14,325*	*-1*	*107,923*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-20,032*	*0*	*0*	*0*	*0*	*0*	*0*	*-20,032*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-19,667*	*0*	*0*	*0*	*-3,893*	*0*	*0*	*-23,560*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	*-18,718*	*0*	*0*	*0*	*0*	*461*	*1*	*-18,256*
h. Reserve for treasury shares	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
k. Reserve for deferred taxes on investment properties located abroad	*244*	*0*	*0*	*0*	*0*	*-134*	*0*	*110*
m. Other reserves	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
n. Result brought forward from previous years	*7,859*	*0*	*0*	*0*	*0*	*2,942*	*0*	*10,801*
Profit (loss)	39,444	0	0	0	40,341	-39,444	0	40,341
TOTAL EQUITY	**594,750**	**1**	**7,954**	**0**	**36,448**	**-21,850**	**0**	**617,303**

Abridged Statutory Appropriation Account

PROPOSED APPROPRIATION **Year ending on 30 June (x €1,000)**	**2016**	**2015**
A. Profit (loss)	40,341	39,444
B. Transfer to/from the reserves	8,501	14,653
1. Transfer to/from the reserve of the (positive or negative) balance of changes in fair value of investment properties (-/+)		
- fiscal year	*18,066*	*13,898*
- previous fiscal years	*0*	*0*
- disposals of investment properties	*731*	*428*
2. Transfer to/from the reserve of the estimated transaction costs resulting from hypothetical disposal of investment properties (-/+)	*-4,382*	*0*
3. Transfer to the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments qualifying for hedge accounting (-)		
- fiscal year	*-135*	*0*
- previous years	*0*	*0*
4. Transfer to the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments qualifying for hedge accounting (+)		
- fiscal year	*0*	*0*
- previous years	*0*	*0*
5. Transfer to the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments not qualifying for hedge accounting (-)		
- fiscal year	*-5,456*	*461*
- previous years	*0*	*0*
6. Transfer to the reserve of the balance of the changes in fair value of authorised cash flow hedging instruments not qualifying for hedge accounting (+)		
- fiscal year	*0*	*0*
- previous years	*0*	*0*
7. Transfer to/from the reserve of the balance of currency translation differences on monetary assets and liabilities (-/+)	0	0
8. Transfer to the reserve of the fiscal latencies related to investment properties abroad (-/+)	-324	-134
9. Transfer to the reserve of the received dividends aimed at the reimbursement of financial debts (-/+)	0	0
10. Transfer to/from other reserves (-/+)	0	0
11. Transfer to/from the result carried forward of the previous years (-/+)	0	0
C. Remuneration of the capital provided in article 13, § 1, para. 1	25,778	20,341
D. Remuneration of the capital - other than C	4,014	1,508
Result to be carried forward	2,048	2,942

SHAREHOLDERS' EQUITY THAT CAN NOT BE DISTRIBUTED ACCORDING TO ARTICLE 617 OF THE COMPANY CODE **(x €1,000)**	**2016**	**2015**
Paid-up capital or, if greater, subscribed capital (+)	364,467	360,633
Share premium account unavailable for distribution according to the Articles of Association (+)	155,509	151,388
Reserve for positive balance of changes in fair value of investment properties (+)	126,721	107,924
Reserve for the estimated transaction costs resulting from hypothetical disposal of investment properties (-)	-24,415	-20,032
Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS (+/-)	-23,695	-19,667
Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS (+/-)	-23,712	-18,256
Reserve of the balance of currency translation differences on monetary assets and liabilities (+)	0	0
Reserve for foreign exchange differences linked to conversion of foreign operations (+/-)	0	0
Reserve for the balance of changes in fair value of financial assets available for sale (+/-)	0	0
Reserve for actuarial differences of defined benefits pension plans (+)	0	0
Reserve of the fiscal latencies related to investment properties abroad (+)	-213	110
Reserve of the received dividends aimed at the reimbursement of financial debts (+)	0	0
Other reserves declared as non-distributable by the general meeting (+)	0	0
Legal reserve (+)	0	0
Shareholders' equity that cannot be distributed according to Article 617 of the Company Code	**574,662**	**562,100**
Net asset	617,303	594,750
Dividend to be paid out	-29,793	-21,849
Net asset after distribution	**587,510**	**572,901**
Headroom after distribution	**12,848**	**10,801**

Standing Documents

1. General information

1.1 Company name (Article 1 of the Articles of Association)

The legal form of the Company is that of a public limited liability company with the name “Aedifica”.

The Company is a Public Regulated Real Estate Company (“PRREC”), subject to the Belgian Act of 12 May 2014 on Regulated Real Estate Companies (the ”Act”) as well as the Royal Decree of 13 July 2014 on Regulated Real Estate Companies (the “Royal Decree”) (hereafter together “the RREC legislation”).

The name of the Company and all documents that it issues must include a reference to it being a Regulated Real Estate Company under Belgian law, either written out in full as “openbare gereglementeerde vastgoedvennootschap naar Belgisch recht” / “société immobilière réglementée publique de droit belge” (“public regulated real estate company under Belgian law”) or abbreviated as “openbare GVV naar Belgisch recht” or “OGGV naar Belgisch recht” / “SIR publique de droit belge” or “SIRP de droit belge” (“public RREC under Belgian law”), or be immediately followed by these words.

The Company has made a public call on savings within the meaning of Article 438 of the Belgian Companies Code.

1.2 Registered and administrative offices (Article 2 of the Articles of Association)

The registered and administrative office is located at Avenue Louise/Louizalaan 331-333, 1050 Brussels.

The registered office may be moved to any other place in Belgium, subject to compliance with the language legislation in administrative affairs, by means of a simple resolution of the Board of Directors, which is authorised to have the ensuing amendment to the Articles of Association recorded in an officially certified deed.

1.3 Constitution, legal form and publication

Aedifica was set up as a limited liability company incorporated under Belgian law (Société Anonyme/Naamloze Vennootschap) by Degroof Bank SA and GVA Finance SCA, by deed enacted on 7 November 2005 by Notary Bertrand Nerincx, Notary in Brussels, published in the annexes to the Belgian State Gazette (Moniteur belge/Belgisch Staatsblad) of 23 November 2005, under number 20051123/05168061.

Aedifica was recognised as a Belgian REIT by the Commission Bancaire, Financière et des Assurances (CBFA), which became the FSMA, on 8 December 2005. Aedifica was recognised as a RREC by the FSMA on 17 October 2014.

1.4 Registry of Legal Entities

The Company is entered in the Brussels Registry of Legal Entities (R.L.E., or “R.P.M.” in French / “R.P.R.” in Dutch) under No. 0877.248.501.

1.5 Duration (Article 5 of the Articles of Association)

The Company is incorporated for an indefinite duration.

1.6 Purpose (Article 3 of the Articles of Association)

The Company's sole purpose is:

- (a) to make immovable property available to users, directly or through a company in which it holds a participation in accordance with the provisions of the Act and its implementing decrees and regulations; and
- (b) within the limits set out in the Act, to possess real estate as specified in article 2,5°, vi to x of the Act.

The notion real estate is to be understood as “real estate” within the meaning of the RREC legislation.

In the context of making available immovable property, the company can carry out all activities relating to the construction, conversion, renovation, development, acquisition, disposal, administration and exploitation of immovable property.

As an additional or temporary activity, the company may invest in securities that are not real estate within the meaning of the RREC legislation, insofar as these securities may be traded on a regulated market. These investments will be made in accordance with the risk management policy adopted by the company and will be diversified so as to ensure an appropriate risk diversification. It may also hold non-allocated liquid assets in all currencies, in the form of a call or term deposit or in the form of any monetary instrument that can be traded easily.

The Company may moreover carry out hedging transactions, insofar as the latter's exclusive purpose is to cover interest rate and exchange rate risks within the context of the financing and administration of the real estate of the company, to the exclusion of any speculative transactions.

The Company may lease out or take a lease on (under finance leases) one or more immovable properties. Leasing out (under finance leases) immovable property with an option to purchase may only be carried out as an additional activity, unless the immovable properties are intended for purposes of public interest, including social housing and education (in this case, the activity may be carried out as main activity).

The Company may carry out all transactions and studies relating to all immovable property as described above, and may perform all acts relating to immovable property, such as purchase, refurbishment, laying out, letting, furnished letting, subletting, management, exchange, sale, parcelling, placing under a system of co-ownership, and have dealings with all enterprises with a corporate purpose that is similar to or complements its own by way of merger or otherwise, insofar as these acts are permitted under the RREC legislation and, generally, perform all acts that are directly or indirectly related to its purpose.

1.7 Prohibitions (Article 4 of the Articles of Association)

The Company may not:

- act as a real estate promotor within the meaning of the RREC legislation, with the exception of occasional transactions;
- participate in a firm underwriting or guarantee syndicate;
- lend stock, with the exception of loans which are carried out in accordance with the provisions and under the conditions of the royal decree of 7 March 2006;
- acquire stock which is issued by a company or a private law association which has been declared bankrupt, has entered into an amicable settlement with its creditors, is the subject of a corporate reorganisation, has received a suspension of payment or which has been the subject of similar measures in another country.

1.8 Financial year (Article 28 of the Articles of Association)

The financial year commences on the **1st July** of each year and ends on the **30th June** of the following year. At the end of each financial year, the Board of Directors draws up an inventory and the annual accounts.

The annual and half-year financial reports of the Company, which contain its consolidated accounts and the statutory auditor's report, are made available to the shareholders, in accordance with the provisions that apply to issuers of financial instruments that are admitted to trading on a regulated market. The annual and half-year financial reports of the Company and the annual accounts are published on the Company's website. The shareholders are entitled to obtain a free copy of the annual and half-year financial reports at the registered office.

The Board of Directors then prepares a report, called "Board of Directors' Report", in which it reports its management. The statutory auditor writes, for the ordinary general meeting, a detailed report called "Auditor's Report".

1.9 General meetings (Article 19 and 20 of the Articles of Association)

The ordinary general meeting will be held at **3pm on the fourth Friday of October**.
If this day is a public holiday, the meeting will be held at the same time on the next business day, except if the next day is a Saturday or Sunday. Ordinary or extraordinary general meetings are held at the venue specified in the meeting notice. A general meeting must be convened by the Board of Directors whenever shareholders representing one-fifth of the capital request it to do so. One or more shareholders who jointly hold at least 3 % of the share capital may, subject to the conditions laid down by the Belgian Companies Code, also ask to add items to the agenda of general meetings and submit proposals for resolutions relating to items included or to be included on the agenda. Meeting notices are drawn up and distributed in accordance with the applicable provisions of the Belgian Companies Code.

1.10 Accredited statutory auditor

The statutory auditor of the Company, accredited by the Financial Services and Markets Authority (FSMA), is Ernst & Young Réviseurs d'Entreprises SCCRL, represented by Jean-François Hubin, Partner, located at 2 De Kleetlaan in 1831 Diegem.

The statutory auditor has an unlimited right of supervision over the operations of the Company.

The accredited statutory auditor was appointed for a 3-year period by the Ordinary General Meeting on 24 October 2014, and receives an indexed audit fee of €29,100 excluding VAT per year for auditing the consolidated and statutory annual accounts.

1.11 Depositary bank

Since the entry into force of the Royal Decree of 7 December 2010, the mission of Bank Degroof Petercam SA as depositary bank is complete.

1.12 Real estate expert

To avoid conflicts of interest, Aedifica's real estate portfolio is assessed by three independent real estate experts, namely:
- de Crombrugghe & Partners SA, represented (within the meaning of Article 24 of the RREC Act) by Mr Michaël Zapatero and Ms Karen Cox, with its registered office is located in Avenue Hermann Debroux 54 in 1160 Brussels.
- Stadim SCRL, represented (within the meaning of Article 24 of the RREC Act) by Mr Dave Verbist and Ms Katrien Van Grieken, with its registered office is located in Uitbreidingstraat 10-16 in 2018 Antwerp.
- CBRE GmbH, represented (within the meaning of Article 24 of the RREC Act) by Mr Henrik Baumunk and Mr Andreas Polter, with its registered office is located in Hausvogteiplatz 10 in 10117 Berlin.

According to the RREC legislation, the experts assess the entire portfolio every quarter and their assessment is recognised as the carrying amount ("fair value") of the buildings on the balance sheet.

Since 1 January 2011, the expert fee excluding VAT is determined as a fixed amount per type of property appraised.

Valuation methodology

The valuations are established on the basis of several widely used methodologies:
- Application of a capitalisation rate to the estimated rental value adapted for actual deviations as regards rental income and operating expenses on a going concern basis.
- Computation of the present value of future cash flows based on assumptions regarding future income (DCF method) and the exit value. The discount factor takes into account the interest rate on financial market as well as a risk premium specific to real estate investments. The impact of expected changes in inflation and interest rates is hence embedded in a conservative way in this evaluation.
- These assessments are also tested by reference to unit prices recorded when similar properties are sold, taking into account deviations arising from differences in the characteristics of the property.
- Development projects (constructions, renovations, extensions) are valued by deducting the costs upon completion of the projects from the anticipated value determined by applying the abovementioned methodologies. Costs incurred in the preliminary phase of construction, renovation or extension projects are considered at their historical value.

1.13 Financial services

Aedifica has established financial service conventions with the two following banks:
- Bank Degroof Petercam SA, located rue Guimard 18 in 1040 Brussels ("main paying agent" and share depository for the general meetings);
- KBC Bank SA, located avenue du Port 2 in 1080 Brussels (share depository for the general meetings).

The remuneration of the financial service is almost entirely based on the amount of the distributed dividend. It amounted to €40 thousand for the 2015/2016 financial year (€64 thousand for the 2014/2015 financial year).

1.14 Places at which documents are available to the public

The Company's Articles of Association are available at the Commercial Court of Brussels and on the Company's website (www.aedifica.be).

The statutory and consolidated accounts of the Aedifica Group are registered at the National Bank of Belgium, in accordance with the related legal provisions. The decisions regarding the nomination and the dismissal of the members of the Board of Directors are published in the annexes to the Belgian State Gazette (Moniteur belge/Belgisch Staatsblad). The convening of general meetings is published in the annexes to the Belgian State Gazette (Moniteur belge/Belgisch Staatsblad) and in two financial dailies.

These meeting notices and all documents related to the general meetings are simultaneously available on the Company's website (www.aedifica.be). All press releases, annual and semi-annual reports, as well as all financial information published by the Aedifica Group are available on the Company's website (www.aedifica.be).

The Auditor's Report and the real estate experts' report are available in the Annual Financial Reports provided on the Company's website (www.aedifica.be).
During the period of validity of the registration document, the following documents are available in print at the Company's headquarters, or electronically at www.aedifica.be:

- The Articles of Association of Aedifica;
- All reports, letters and other documents, historical financial information, valuation and declarations established by an expert at the request of Aedifica, for which a part is included or referred in the registration document;
- The historical financial information of Aedifica and its subsidiaries for the two years preceding the publication of the registration document.

1.15 Investors' profile

Given the specific legal regime of RRECs, and in particular residential RRECs, the Aedifica shares can present an interesting investment for both private investors and institutional investors.

1.16 Historical financial information referred by reference

The Annual Financial Reports (which include the Consolidated Financial Statements -with an abridged version of the Statutory Accounts-, the Consolidated Board of Directors' Report, the Auditor's Report, the Property Report), the interim statements, the semi-annual reports, the description of the financial situation, the information regarding the related-parties, and the historical information regarding the subsidiaries of Aedifica, for the 2012/2013, 2013/2014 and 2014/2015 financial years are included by reference in this Annual Financial Report and are available at the headquarters of Aedifica. These can also be downloaded from the Company's website (www.aedifica.be).

1.17 Significant change of the financial or trading situation

No significant change in the Group's financial or trading situation has occurred since the end of last financial year for which audited financial statements or half-year statements have been published.

1.18 Actions necessary to change the rights of the shareholders

The modification of shareholders' rights can only be done within the framework of an extraordinary general meeting, in accordance with Articles 558 and 560 of the Belgian Companies Code. The document containing the information on the rights of the shareholders referred to in Articles 533ter and 540 of the Belgian Companies Code can be downloaded from the Company's website (www.aedifica.be).

1.19 Strategy or factors of governmental, economical, budgetary, monetary or political nature which have substantially influenced, directly or indirectly, Aedifica's operations

Refer to chapter on "Risks factors" within this Annual Financial Report.

1.20 History and evolution of the Company - important events in the development of Aedifica's activities

In addition to paragraph 1.3 above, the history of Aedifica was marked by its IPO on 23 October 2006 (see the chapter "Aedifica in the stock market"), and by numerous acquisitions of real estate assets that have occurred since its creation (detailed in the occasional press releases, in the periodic press releases and in the annual and half-year financial reports available on the Company's website) and that led to the formation of an investment properties portfolio of more than €1 billion.

1.21 Rights to vote of the main shareholders

Voting rights for Aedifica's main shareholders are no different from those that arise from their share in the share capital (as defined in item 18.2 of Annex I of Regulation (EC) No 809/2004).

2. Declarations

Persons responsible (Royal Decree 14 November 2007)

Mr. Olivier Lippens, Chairman of the Board of Directors of Aedifica SA, and Mr. Stefaan Gielens, CEO of Aedifica SA, declare for and on behalf of Aedifica SA, that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give an accurate picture of the assets, financial situation and results of Aedifica SA and the businesses included in the consolidation;
- the Board of Directors' Report contains an accurate account of the development of the business, results and situation of Aedifica SA and businesses included in the consolidation, and a description of the main risks and uncertainties they face.

Persons responsible (Annex I to the Regulation (EC) No 809/2004)

Mr. Olivier Lippens, Chairman of the Board of Directors of Aedifica SA, and Mr. Stefaan Gielens, CEO of Aedifica SA, attest that, after having taken all reasonable measures for this matter, the information contained in the registration document is, to their knowledge, in accordance with reality and contains no omission likely to affect its scope.

Information from third parties

Aedifica SA declares that the information provided by the real estate experts and by the accredited statutory auditor have been faithfully reproduced and included with their consent. As far as Aedifica SA knows and is able to assure, in the light of data published by these third parties, no facts have been omitted that might render the information reproduced incorrect or misleading.

Forecast information

This report contains forecast information. This information is based on Company's estimates and projections and is, by its nature, subject to risks, uncertainties and other factors. Consequently, the results, financial situation, performance and figures, expressed or implicitly communicated, may differ substantially from those mentioned or suggested by the forecast information. Taking into account these uncertain factors, statements regarding future developments cannot be interpreted as a guarantee in any way.

Proceedings and arbitration procedures

The Board of Directors of Aedifica SA declares that there exists no government intervention, proceeding or arbitration procedure that may have a significant influence, or may have had such an influence in the recent past, on the financial position or profitability of Aedifica SA and that, as far as is known, there are no situations or facts that could give rise to such government intervention, proceeding or arbitration procedure.

Declaration concerning the Directors (Annex I to the Regulation (EC) No 809/2004) and the members of the Management Committee

The Board of Directors declares that, to the best of its knowledge:

- none of the Directors and none of the members of the Management Committee has ever been convicted for a fraud-related offence, that no official and/or public accusation has been expressed against one of them by statutory or regulatory authorities (including designated professional bodies) for at least the previous five years;
- none of the Directors and none of the members of the Management Committee has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years;
- none of the Directors and none of the members of the Management Committee has been involved in any bankruptcies, receiverships or liquidations for at least the previous five years, with the exception of the following:
  - SA Insumat (permanently represented by Ms. Sophie Maes) is one of the directors of SA Gindac. SA Gindac was as of 26 June 2013 one of the directors of SA Afinco – in which SA Gindac held a participation – and has since then been represented permanently by Ms. Sophie Maes. Following a judicial reorganisation proceeding through a transfer under judicial authority, SA Afinco was declared bankrupt as of 29 January 2015;
  - Ms. Laurence Gacoin was co-partner and co-manager of SPRL Fides CapMan. This company was voluntarily dissolved and liquidated on 7 May 2015;
- no employment contract has been concluded with the non-executive directors, which provides for the payment of indemnities upon termination of the employment contract. However, there exists a (management) agreement between the Company and the Executive Manager(s) and members of the Management Committee providing for such indemnities;
- no Director or member of the Management Committee holds shares of the Company, except for Mr. Stefaan Gielens (4,833 shares), Mr. Jean Kotarakos (3,646 shares), Ms. Laurence Gacoin (140 shares), Ms. Sarah Everaert (135 shares) Ms. Adeline Simon (1,730 shares jointly-owned, bare-ownership and management contract) ;
- no option on the Company's shares has been given to date;

no family ties exist between the Directors and/or members of the Management Committee.

3. Share capital

Date	Description	Amount of capital (€)	Number of shares [1]
7 November 2005	Initial capital paid up by Degroof Bank and GVA Finance	2,500,000.00	2,500
		2,500,000.00	**2,500**
29 December 2005	Contribution in cash	4,750,000.00	4,750
	Merger of "Jacobs Hotel Company SA"	100,000.00	278
	Merger of "Oude Burg Company SA"	3,599,587.51	4,473
	Transfer of reserves to capital	4,119,260.93	
	Capital decrease	-4,891,134.08	
		10,177,714.56	**12,001**
23 March 2006	Merger of "Sablon-Résidence de l'Europe SA"	1,487,361.15	11,491
	Merger of "Bertimo SA"	1,415,000.00	3,694
	Merger of "Le Manoir SA"	1,630,000.00	3,474
	Merger of "Olphi SA"	800,000.00	2,314
	Merger of "Services et Promotion de la Vallée (SPV) SA"	65,000.00	1,028
	Merger of "Emmane SA"	2,035,000.00	5,105
	Merger of "Ixelinvest SA"	219.06	72
	Merger of "Imfina SA"	1,860.95	8
	Contribution in kind of the business of "Immobe SA"	908,000.00	908
	Contribution in kind (Lombard 32)	2,500,000.00	2,500
	Contribution in kind (Laeken complex - Pont Neuf and Lebon 24-28)	109,115,000.00	10,915
		31,935,155.52	**53,510**
24 May 2006	Contribution in kind (Louise 331-333 complex)	8,500,000.00	8,500
		40,435,155.52	**62,010**
17 August 2006	Contribution in kind (Laeken 119 and 123-125)	1,285,000.00	1,285
	Partial demerger of "Financière Wavrienne SA"	5,400,000.00	5,400
	Mixed demerger of "Château Chenois SA"	123,743.15	14,377
	Merger of "Medimmo SA"	1,000,000.00	2,301
	Merger of "Cledixa SA"	74,417.64	199
	Merger of "Société de Transport et du Commerce en Afrique SA"	62,000.00	1,247
	Mixed merger of "Hôtel Central & Café Central SA"	175,825.75	6,294
		48,556,142.06	**93,113**
26 September 2006	Split by 25 of the number of shares	48,556,142.06	2,327,825
	Contribution in kind (Rue Haute and Klooster Hotel)	11,350,000.00	283,750
		59,906,142.06	**2,611,575**
3 October 2006	Contribution in cash	23,962,454.18	1,044,630
		83,868,596.24	**3,656,205**
27 March 2007	Contribution in kind (Auderghem 237, 239-241, 266 et 272, Platanes 6 and Winston Churchill 157)	4,911,972.00	105,248
		88,780,568.24	**3,761,453**
17 April 2007	Merger of "Legrand CPI SA"	337,092.73	57,879
	Contribution in kind (Livourne 14, 20-24)	2,100,000.00	44,996
		91,217,660.97	**3,846,328**
28 June 2007	Partial demerger of "Alcasena SA"	2,704,128.00	342,832
	Contribution in kind (Plantin Moretus)	3,000,000.00	68,566
		96,921,788.97	**4,275,726**
30 November 2007	Partial demerger of "Feninvest SA"	1,862,497.95	44,229
	Partial demerger of "Résidence du Golf SA"	5,009,531.00	118,963
		103,793,817.92	**4,438,918**
30 July 2008	Partial demerger of "Famifamenne SA"	2,215,000.00	50,387
	Partial demerger of "Rouimmo SA"	1,185,000.00	26,956
		107,193,817.92	**4,516,261**
30 June 2009	Contribution in kind (Gaerveld service flats)	2,200,000.00	62,786
		109,393,817.92	**4,579,047**
30 December 2009	Contribution in kind (Freesias)	4,950,000.00	129,110
		114,343,817.92	**4,708,157**
30 June 2010	Partial demerger of "Carbon SA", "Eburon SA", "Hotel Ecu SA" and "Eurotel SA"	11,239,125.00	273,831
	Partial demerger of "Carlinvest SA"	2,200,000.00	51,350
		127,782,942.92	**5,033,338**

15 October 2010	Contribution in cash	51,113,114.26	2,013,334
		178,896,057.18	**7,046,672**
8 April 2011	Contribution in kind (Project Group Hermibouw)	1,827,014.06	43,651
		180,723,071.24	**7,090,323**
29 June 2011	Merger of "IDM A SA"	24,383.89	592
		180,747,455.13	**7,090,915**
5 October 2011	Contribution in kind of the shares of "SIRACAM SA"	3,382,709.00	86,293
		184,130,164.13	**7,177,208**
12 July 2012	Mixed demerger of "S.I.F.I. LOUISE SA"	800,000.00	16,868
		184,930,164.13	**7,194,076**
7 December 2012	Capital increase through contribution in cash	69,348,785.78	2,697,777
		254,278,949.91	**9,891,853**
24 June 2013	Merger of limited liability company "Terinvest"	10,398.81	8,622
	Merger of limited partnership "Kasteelhof-Futuro"	3,182.80	3,215
		254,292,531.52	**9,903,690**
12 June 2014	Contribution in kind (Binkom)	12,158,952.00	258,475
		266,451,483.52	**10,162,165**
30 June 2014	Contribution in kind (plot of land in Tienen)	4,000,000.00	86,952
		270,451,483.52	**10,249,117**
24 November 2014	Optional dividend	5,763,329.48	218,409
		276,214,813.00	**10,467,526**
4 December 2014	Partial demerger of "La Réserve Invest SA"	12,061,512.94	457,087
		288,276,325.94	**10,924,613**
29 June 2015	Capital increase through contribution in cash	82,364,664.56	3,121,318
		370,640,990.50	**14,045,931**
2 October 2015	Contribution in kind (plot of land in Opwijk)	523,955.84	19,856 [2]
		371,164,946.34	**14,065,787**
17 December 2015	Contribution in kind (Prinsenhof)	2,748,340.46	104,152 [3]
		373,913,286.80	**14,169,939**
24 March 2016	Contribution in kind (plot of land in Aarschot Poortvelden)	582,985.31	22,093 [4]
		374,496,272.11	**14,192,032**

[1] Shares without par value.

[2] These shares will be traded after coupon detachment related to the 2015/2016 financial year in principle on 2 November 2016 and give prorata temporirs dividend rights for the 2015/2016 financial year. They enjoy the same rights and benefits as listed shares and participate in the result of Aedifica prorata temporis.

[3] These shares are quoted on the stock market as from 21 December 2015 and give dividend rights for the 2015/2016 financial year. They enjoy the same rights and benefits as listed shares and participate in the result of Aedifica.

[4] These shares are quoted on the stock market as from 30 March 2016 and give dividend rights for the 2015/2016 financial year. They enjoy the same rights and benefits as listed shares and participate in the result of Aedifica.

4. Extracts from the Articles of Association

4.1 Subscribed and fully paid-up capital (Article 6.1 of the Articles of Association)

The share capital amounts to €374,496,272.11 (three hundred seventy four million, four hundred ninety six thousand, two hundred seventy two euro and eleven cents). It is represented by 14,192,032 (fourteen million, one hundred ninety two thousand and thirty-two) shares without nominal value, which each represent 1/14,192,032nd (fourteen million, one hundred ninety two thousand and thirty-two) of the capital. These shares are fully subscribed and paid up.

4.2 Acquisition and disposal of treasury shares (Article 6.2 of the Articles of Association)

The Company may acquire its own shares by purchasing them or may accept them in pledge in accordance with the conditions set out in the Belgian Companies Code, provided that notice of the transaction is given to the Financial Services and Markets Authority (FSMA). In accordance with the general meeting resolution of 24 June 2013, two thousand and nine, the Board of Directors is authorised to acquire own shares (which are then called treasury shares), subject to a maximum of 20 % (twenty per cent) of the total number of issued shares, at a unit price that may not be lower than 90 % (ninety per cent) of the average price quoted for the last thirty days of listing of the share on NYSE Euronext Brussels, or higher than 110 % (one hundred and ten per cent) of the average price quoted for the last thirty days of listing of the share on NYSE Euronext Brussels, i.e. a maximum increase or decrease of 10 % (ten per cent) compared to that average price. This authorisation is granted for a renewable period of five years, calculated from the publication of the minutes of the extraordinary general meeting of 24 June 2013, two thousand and nine, in the Annexes to the Belgian State Gazette.
The company may dispose of its treasury shares, on or outside of the stock exchange, under the conditions determined by the Board of Directors and without the prior consent of the general meeting, provided that it observes the applicable market regulations.
The authorisations referred to above also apply to the acquisition and disposal of shares in the company by one or more of its direct subsidiaries, within the meaning of the statutory provisions on the acquisition of shares of a parent company by its subsidiaries.

4.3 Capital increase (Article 6.3 of the Articles of Association)

Every capital increase must take place in accordance with the applicable regulations, i.e. the Belgian Companies Code and the Royal Decree.

(a) Cash contribution

In case of a capital increase by means of a cash contribution pursuant to a general meeting resolution or in the context of the authorised capital as provided for in Article 6.4. and without prejudice to the application of Sections 592 to 598 of the Belgian Companies Code, the preferential subscription right of the shareholders may only be restricted or cancelled if existing shareholders are granted an irreducible right of allocation when new securities are allocated. This irreducible right of allocation must comply with the following conditions as set out in the RREC legislation:

1. it must relate to all newly issued securities;
2. it must be granted to shareholders pro rata to the portion of the capital that is represented by their shares at the time of the transaction;
3. a maximum price for each share must be announced no later than the eve of the opening of the public subscription period;
4. the public subscription period must last for at least three trading days.

   Without prejudice to the application of Sections 595 to 599 of the Belgian Companies Code, the irreducible right of allocation does not have to be granted in case of a cash contribution with restriction or cancellation of the preferential subscription right which is made to supplement a contribution in kind for the purpose of distributing an optional dividend, insofar as this is actually made payable to all shareholders.

(b) Contribution in kind

Without prejudice to Sections 601 and 602 of the Belgian Companies Code, the following conditions must be complied with, in accordance with the RREC legislation, in case of a contribution in kind:

1. the identity of the contributor must be mentioned in the Board of Directors' report referred to in Section 602 of the Belgian Companies Code, as well as, if applicable, in the convening notice of the general meeting that is convened for the capital increase;
2. the issue price may not be less than the lowest amount of (a) a net value per share that dates from no more than four months before the date of the contribution agreement, or, at the company's discretion, before the date of the deed effecting the capital increase and (b) the average closing price during the thirty day period prior to that same day.

   It is permitted to deduct an amount from the amount referred to in item 2(b) that corresponds to the portion of the undistributed gross dividend to which the new shares would potentially not confer any right, provided that the Board of Directors specifically accounts for the amount of the accumulated dividend to be deducted in its special report and the financial conditions of the transaction are explained in its Annual Financial Report.

3. unless no later than the working day after the execution of the contribution agreement the issue price or, in the case referred to in Article 6.5, the exchange ratio, as well as the relevant terms and conditions are determined and publicly disclosed, including the term within which the capital increase will actually be implemented, the deed effecting the capital increase must be executed within a maximum term of four months; and
4. the report referred to above under item 1° must also explain the impact of the proposed contribution on the position of the existing shareholders, in particular as regards their share in the profit, in the net value per share and in the capital, as well as the impact in terms of voting rights.

This last paragraph will not apply to the contribution of the right to a dividend for the purpose of distributing an optional dividend, insofar as this will actually be made payable to all shareholders.

4.4 Authorised capital (Article 6.4 of the Articles of Association)

The Board of Directors is authorised to increase the share capital in one or more transactions by a maximum amount of €74,230,000.00 (seventy four million and two hundred and thirty euro) on such dates and in accordance with such terms and conditions as will be determined by the Board of Directors, in accordance with Section 603 of the Belgian Companies Code.

This authorisation is granted for a renewable period of five years, calculated from the publication of the minutes of the extraordinary general meeting of 14 December 2015, in the Annexes to the Belgian State Gazette.

For each capital increase, the Board of Directors will determine the price, the issue premium (if any) and the terms and conditions of issue of the new securities.

The capital increases that are thus decided on by the Board of Directors may be subscribed to in cash, in kind, or by means of a mixed contribution, or by the incorporation of reserves or by issue premiums, with or without the creation of new securities. These capital increases can also be achieved through the issue of convertible bonds or warrants.

If the capital increases realized within the framework of these authorisations include an issue premium, the amount of this premium, after deduction of any costs, will be allocated to a non-disposable account («share premium account»), which will provide a guarantee for third parties in the same manner as the share capital and which, subject to its incorporation in the capital, can only be reduced or abolished by means of a resolution of the general meeting of shareholders deliberating in accordance with the quorum and majority requirements for capital reductions.

If the capital increase is accompanied by an issue premium, only the amount of the capital increase will be deducted from the remaining available amount of the authorised capital.

The Board of Directors is authorised to restrict or cancel the preferential subscription right of shareholders, including in favour of specific persons who are not employees of the company or one of its subsidiaries, provided that an irreducible right of allocation is granted to the existing shareholders when the new securities are allocated. This irreducible right of allocation must comply with the conditions that are laid down in the RREC legislation and Article 6.3(a) of the Articles of Association. It does not have to be granted in case of a cash contribution for the purpose of distributing an optional dividend, in accordance with Article 6.3(a) of the Articles of Association. Capital increases by means of contributions in kind are carried out in accordance with the conditions of the RREC legislation and the conditions provided for in Article 6.3(a) of the Articles of Association. These contributions may also be based on the dividend right in the context of the distribution of an optional dividend.

The Board of Directors is authorised to record the ensuing amendments to the Articles of Association in an officially certified deed.

4.5 Mergers, de-mergers and equivalent transactions (Article 6.5 of the Articles of Association)

Pursuant to the RREC legislation, the provisions of Article 6.3(b) apply mutatis mutandis to mergers, de-mergers and equivalent transactions as referred to in Sections 671 to 677, 681 to 758 and 772/1 of the Belgian Companies Code.

4.6 Capital increase in a subsidiary with the status of an institutional RREC (Article 6.6 of the Articles of Association)

Pursuant to the RREC legislation, if there is a capital increase in a subsidiary that has the status of an institutional RREC by means of a cash contribution at a price that is 10 % higher or lower than the lowest of (a) a net asset value that dates from no more than four months before the launch of the issue and (b) the average closing price during the thirty calendar day period before the launch date of the issue, the Board of Directors of Aedifica will draw up a report in which it explains the economic justification of the applied discount, the financial consequences of the transaction for the shareholders of Aedifica and the importance of that capital increase for Aedifica. This report and the applied valuation criteria and methods will be explained by the statutory auditor in a separate report. The reports of the Board of Directors and of the statutory auditor will be publicly disclosed no later than the launch date of the issue and, in any event, as soon as the price is established if this occurs earlier, in accordance with Sections 35 et seq. of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments that are admitted to trading on a regulated market.

It is permitted to deduct from the amount referred to in item (b) of the previous paragraph an amount that corresponds to the portion of the undistributed gross dividend to which the new shares would potentially not confer any right, provided that the Board of Directors of Aedifica specifically accounts for the amount of the accumulated dividend to be deducted and explains the financial conditions of the transaction in Aedifica's Annual Financial Report.

If the relevant subsidiary is not listed, the discount referred to in the first paragraph will be calculated solely on the basis of a net value per share that is not more than four months old.
This Article 6.6 does not apply to capital increases that are fully subscribed to by Aedifica or subsidiaries of which the entire capital is held either directly or indirectly by Aedifica.

4.7 Capital reduction (Article 6.6 of the Articles of Association)

The Company may reduce its capital subject to compliance with the relevant statutory provisions.

4.8 Nature of the shares (Article 8 of the Articles of Association)

The shares are registered or dematerialised shares, at the option of the shareholder and within the limits set by law.
Every dematerialised share is represented by an accounting entry in the name of the owner or holder at a recognised account holder or settlement institution.
A register of registered shares is held at the Company's registered office, and may be in electronic form. Every shareholder may consult the register in relation to his shares.
In accordance with the act of 14 December 2005 on the abolition of bearer securities, the shares which were not converted into dematerialised shares or for which no conversion into registered shares has been requested by 1 January 2014 will be automatically converted into dematerialised shares. These shares will be entered into a securities account which is registered to the Company, without the Company thus gaining ownership of these shares. The exercise of the rights attached to these shares is suspended until the shareholder has requested the conversion of the shares and the shares have been registered in his name in the registered shareholders' register or in a securities account held by the Company, a recognised account holder or by a settlement institution.
As of 1 January 2015, the shares of which the owner has not been identified will be offered for sale in accordance with the applicable legislation.

4.9 Other securities (Article 9 of the Articles of Association)

The Company may issue the securities referred to in Section 460 of the Belgian Companies Code, with the exception of profit sharing certificates and similar securities, in compliance with the Belgian Companies Code and the RREC legislation.

4.10 Notification and disclosure of major shareholdings (Article 10 of the Articles of Association)

Every shareholder must notify the Company and the Financial Services and Markets Authority (FSMA) that he possesses voting securities, voting rights or similar financial instruments of the Company, in accordance with the legislation on the disclosure of major shareholdings (the "Transparency Legislation").
The thresholds, which if exceeded (both upwards and downwards) give rise to a notification obligation under the Transparency Legislation, are set at five per cent and multiples of five per cent of the total number of existing voting rights.
Without prejudice to Section 545 of the Belgian Companies Code, nobody may participate in voting at the general meeting of the Company with more voting rights than those associated with the securities that he has given notice of holding at least 20 (twenty) days prior to the date of the general meeting.

4.11 Participation in the General Meeting (Article 21 of the Articles of Association)

The right to participate in and vote at a general meeting is only granted on the basis of the registration for accounting purposes of the shares in the shareholder's name by midnight (Belgian time) on the fourteenth day prior to the general meeting (hereinafter: the "record date"), either by their entry in the Company's share register, their entry in the accounts of a recognised account holder or settlement institution, regardless of the number of shares that the shareholder holds on the day of the general meeting.
Owners of registered shares who wish to participate in the meeting must communicate their intention to the Company by means of an ordinary letter, fax or e-mail, to be sent no later than the sixth day prior to the date of the meeting.
Owners of dematerialised shares who wish to participate in the meeting must submit a certificate issued by a financial intermediary or a recognised account holder which indicates with how many dematerialised shares, as entered in the name of the shareholder in his accounts on the record date, the shareholder has indicated that he wishes to participate in the general meeting. This certificate must be filed at the locations mentioned in the meeting notices, no later than the sixth day prior to the date of the general meeting.

4.12 Representation (Article 22 of the Articles of Association)

Every owner of securities may be represented at the general meeting by a proxy holder who may or may not be a shareholder.
The shareholder may only designate one person as his proxy holder for any specific general meeting, save for the exceptions set out in the Belgian Companies Code.
The Board of Directors draws up a proxy form.
The proxy must be signed by the shareholder. Notice of the proxy must be given to the Company by means of an ordinary letter, fax or e-mail, in accordance with the terms and conditions laid down by the Board of Directors in the meeting notice. The proxy must reach the Company or the venue indicated in the meeting notice no later than the sixth day prior to the meeting. The

person granting the proxy and the proxy holder must comply with the provisions of the Belgian Companies Code in all other respects.
Minors, persons declared incompetent and legal entities must be represented by their statutory representatives or representatives under the Articles of Association.
Co-owners, usufructuaries and bare owners, pledgees and pledgors must in each respective case be represented by one and the same person.

4.13 Voting by letter (Article 23 of the Articles of Association)

Shareholders will be able to vote by letter using a form drawn up by the Company, if the Board of Directors has allowed for this in its meeting notice.
The form must reach the Company no later than the sixth day prior to the date of the meeting.

4.14 Bureau (Article 24 of the Articles of Association)

All general meetings are chaired by the chairman of the Board of Directors or, in his absence, by the managing director or one of the managing directors or, in their absence, by the person designated by the directors in attendance. The chairman designates the secretary.
The meeting elects two vote tellers.
The other members of the Board of Directors complete the bureau.

4.15 Number of votes (Article 25 of the Articles of Association)

Every share confers the right to one vote, subject to the suspension of the right to vote provided for by the Belgian Companies Code.

4.16 Deliberation (Article 26 of the Articles of Association)

No meeting can validly deliberate on items that do not appear on the agenda.
The general meeting can validly deliberate and vote, regardless of the portion of the share capital that is present or represented, except in those cases for which the Belgian Companies Code requires an attendance quorum.
The general meeting can only validly deliberate on amendments to the Articles of Association if at least half of the share capital is present or represented. If this condition is not met, a new meeting must be convened. The second meeting will validly deliberate and decide regardless of the portion of the capital that is represented by the shareholders who are present or represented.
Unless a statutory provision requires otherwise, all resolutions of the general meeting will be adopted by a simple majority of votes.
Resolutions relating to the approval of the Company's annual accounts and the discharge of directors and statutory auditor(s) from liability are adopted by a majority of votes.
Notwithstanding the exceptions provided for in the Belgian Companies Code, an amendment to the Articles of Association requires a majority of three-quarters of the votes cast.
Voting takes place by a show of hands or roll call, unless the general meeting decides otherwise by means of a simple majority of the votes cast.

4.17 Minutes (Article 27 of the Articles of Association)

Copies or extracts from the minutes for use in court or otherwise will be signed by the chairman, the secretary and the two vote tellers or, in their absence, by two directors.

4.18 Distribution (Article 29 of the Articles of Association)

Within the limits set out by the Belgian Companies Code and the RECC legislation, the Company distributes a dividend to its shareholders, the minimum amount of which is determined in accordance with article 13 of the Royal Decree.

4.19 Advances on dividends (Article 30 of the Articles of Association)

The Board of Directors may adopt a resolution, under its responsibility and insofar as the results allow for it, to pay advances on dividends, in such cases and within such periods as permitted by the Belgian Companies Code.

4.20 Dissolution - Liquidation

ARTICLE 31 - LOSS OF CAPITAL.

If the capital has been reduced by half or three-quarters, the directors must put the question of dissolution to the general meeting, pursuant to and in accordance with the formalities set out in Section 633 of the Belgian Companies Code.

ARTICLE 32 - APPOINTMENT AND POWERS OF LIQUIDATORS.

If the Company is dissolved, for any reason and at any time, it will be wound up by liquidators who are appointed for this purpose by the general meeting or, in the absence of such an appointment, by the Board of Directors that is in office at that time, acting as the liquidator.
Insofar as required by law, the liquidators will only take office after their appointment has been confirmed by the Commercial Court.
The liquidators have the most extensive powers for that purpose, granted by the provisions of Section 186 et seq. of the Belgian Companies Code.
Where applicable, the general meeting determines the remuneration of the liquidators.

ARTICLE 33 - DISTRIBUTION.

After all debts, charges and costs of liquidation have been paid, the net assets will preferably be used to refund the fully paid-up, unredeemed amount of the shares, in cash or in securities.
The balance will be distributed among all shareholders in proportion to their shareholding.

4.21 Statutory provisions on the members of administrative, management and supervisory bodies

The provisions on the members of administrative, management and supervisory bodies contained in the Articles of Association are presented below; the surplus is available in the Corporate Governance charter on www.aedifica.be and we refer you to the section "Corporate Governance Statement" in this Annual Financial Report.

ARTICLE 11 - COMPOSITION OF THE BOARD OF DIRECTORS.

The Company is managed by a Board of Directors. This board consists of at least five members who are appointed for a maximum term of three years by the general meeting of shareholders, which can also dismiss them at any time. The directors are eligible for re-election.
The majority of the directors do not perform any executive duties in the Company. At least three directors must be independent. Directors who comply with the conditions for independence as set out in Section 526ter of the Belgian Companies Code are considered to be independent directors.
The mandate of outgoing directors who are not re-elected ends immediately after the general meeting that has made the new appointments.
If one or more mandates become vacant, the remaining directors, convening as a board, may provide for temporary replacement(s) until the next general meeting, which will then make the final appointment(s). The directors must ensure in this case that a sufficient number of independent directors remain as set forth in this article and the applicable regulations. This right will become an obligation each time the number of directors actually in office or the number of independent directors no longer amounts to the minimum number under the Articles of Association.
Notwithstanding the transitional provisions of the RREC legislation, only natural persons can be directors.
A director who is appointed to replace another director will complete the mandate of the director whom he replaces.
Directors must possess the professional reliability and the appropriate competence which is required for the performance of their duties and may not be in a situation as referred to in article 15 of the Act. Their appointment is subject to the prior approval of the Financial Services and Markets Authority (FSMA).
Unless the general meeting decides otherwise, the mandate of directors is unpaid.
Any remuneration the directors do receive, may not be determined on the basis of the activities and transactions carried out by the Company or its subsidiaries.

ARTICLE 12 - CHAIRMANSHIP – DELIBERATIONS.

The Board of Directors chooses a chairman from among its members and meets at the venue specified in the meeting notice or, as appropriate, by video conferencing, telephone or internet conferencing as often as is required by the interests of the Company. The Board of Directors must also be convened when two directors make a request to that effect.
The Board of Directors can only validly deliberate and pass resolutions if the majority of its members are present or represented.
Meeting notices are given by ordinary letter, by fax or by e-mail. Meetings are held at the venue specified in the meeting notices.
Any director who is unable to attend or absent, may even delegate another member of the board by letter, fax or e-mail to represent him at a specific board meeting and vote in his place. The director granting the proxy is deemed to be present in that case.
However, a director may not represent more than one of his colleagues in this manner.
Resolutions are adopted by a majority of votes. If the votes are tied, the chairman of the board has the casting vote. If the chairman is absent, the oldest director will have the casting vote.
The resolutions of the Board of Directors are recorded in the minutes. The minutes are kept in a special register for that purpose at the Company's registered office and signed by the chairman of the meeting or, in his absence, by two directors.
The proxies are attached to the minutes.

The members of the Board of Directors may arrange to have their comments and remarks entered on these minutes if they are of the opinion they need to relieve themselves of their responsibility, notwithstanding the application of Sections 527 and 528 of the Belgian Companies Code.
Copies or extracts of those minutes will be signed by the chairman of the Board of Directors or, in his absence, by two directors.
Pursuant to Section 521, paragraph 1 of the Belgian Companies Code, resolutions of the Board of Directors may be adopted by means of the unanimous written consent of the directors in exceptional cases, when required by urgent necessity and the interests of the Company. However, this procedure cannot be used to prepare the annual accounts or to make use of the authorised capital.

ARTICLE 13 - POWERS OF THE BOARD.

The Board of Directors has the most extensive powers to perform all acts that are necessary or useful to achieve the corporate purpose, with the exception of the acts that are reserved for the general meeting by the Belgian Companies Code or the Articles of Association.
The Board of Directors may delegate all or part of its powers to any authorised representative, who need not be a shareholder or director, with a view to achieving specific and well-defined objectives. Pursuant to the Act and the Royal Decree, the board may determine the remuneration of authorised representatives to whom special powers are delegated.
The Board of Directors draws up semi-annual financial reports as well as a draft Annual Financial Report. The board appoints the real estate expert(s) in accordance with the Royal Decree.

ARTICLE 14 - ADVISORY COMMITTEES.

Pursuant to Sections 522 and 526bis of the Belgian Companies Code, the Board of Directors may establish advisory committees, from among its members and under its responsibility, such as an audit committee, a nomination and remuneration committee or an investment and divestment committee.
The Board of Directors determines the composition and powers of these committees, taking into account the applicable regulations.

ARTICLE 15 - MANAGEMENT COMMITTEE.

The Board of Directors may establish a management committee, comprised of several people, who may or may not be directors.
The Board of Directors determines the procedures of the committee, the conditions for the appointment of its members, their dismissal, their remuneration and the duration of their mandate.
Without prejudice to the transitional provisions of the RREC legislation, the members of the management are all natural persons. They must possess the professional reliability and the appropriate competence which is required for the performance of their duties and may not be in a situation as referred to in article 15 of the Act. Their appointment is subject to the prior approval of the Financial Services and Markets Authority (FSMA).

ARTICLE 16 - EFFECTIVE MANAGEMENT AND ASSIGNMENT OF POWERS.

Notwithstanding the right of the Board of Directors or, where applicable, the management committee, to designate special representatives for the duties that it specifies, with the exception of those powers which, according to the Belgian Companies Code, the Act and its implementing decrees, are reserved for the Board of Directors, the Board of Directors or, where applicable, the management committee, will entrust the effective management of the Company to at least two natural persons.
These natural persons must have the required professional reliability and appropriate competence to perform these duties and may not be in a situation as referred to in article 15 of the Act. Their appointment is subject to the prior approval of the Financial Services and Markets Authority (FSMA).
These delegates are entrusted with the day-to-day management of the Company and may be given the title of managing director.
They report to the Board of Directors or, where applicable, the management committee.
They can assign powers to special representatives.
These delegates designate the financial institution that is entrusted with providing financial services and distributing the dividend and the surplus after liquidation, with settling the securities issued by the Company and with providing the information that must be disclosed by the Company pursuant to laws and regulations. The delegates to whom the day-to-day management has been delegated may at any time suspend, withdraw or replace the institution entrusted with providing financial services. The decisions relating thereto will be published according to the statutory rules on the Company's website and via press releases. The Company must satisfy itself that such a suspension/withdrawal will not adversely affect the provision of the financial services.

ARTICLE 17 - REPRESENTATION OF THE COMPANY - SIGNATURE OF INSTRUMENTS.

The Company is validly and legally represented in all its acts either by two directors acting jointly, or by two members of the management committee acting jointly, or within the limitations of the day-to-day management, by two persons who have been entrusted with the day-to-day management acting jointly.
The Company is moreover validly represented by special representatives of the Company and, within the limit of the power of attorney granted to them by the Board of Directors, by the management committee or by the delegates entrusted with the day-to-day management.

ARTICLE 18 – AUDIT.

The audit of the Company is entrusted to one or more statutory auditors who are accredited by the Financial Services and Markets Authority (FSMA).
They perform the duties that are assigned to them under the Belgian Companies Code and the RREC legislation.

4.22 General provisions

ARTICLE 34 - ELECTION OF DOMICILE.

Every shareholder who is domiciled abroad and every director, statutory auditor, manager and liquidator must elect domicile in Belgium for the implementation of the Articles of Association. If no election is made, these parties will be deemed to have chosen their domicile at the registered office, where all communications, demands, summonses and notifications can be validly served.

ARTICLE 35 - JURISDICTION OF COURTS.

Unless expressly waived by the Company, exclusive jurisdiction is granted to the courts of the Company's registered office for the purpose of all disputes among the Company, its shareholders, bondholders, directors, statutory auditors and liquidators relating to the Company's affairs and the implementation of these Articles of Association.

ARTICLE 36 - ORDINARY LAW.

The Company is moreover governed by the Belgian Companies Code, the Act, the Royal Decree, as well as all other regulatory provisions that apply to it. Provisions that are inconsistent with the mandatory provisions of these laws and decrees will be regarded as null and void. The invalidity of one article, or part of an article, of these Articles of Association will not affect the validity of any of the other articles.

5. RREC

5.1 General definition

Aedifica is a limited liability Company ("SA/NV") having opted for a public Regulated Real Estate Company (RREC) status.

A Regulated Real Estate Company (RREC) is:

- set up in the form of a limited liability Company (“SA/NV”) or limited partnership by shares (“SCA/CommVA”);
- set up on the basis of the RREC legislation (Act of 12 May 2014 and Royal Decree of 13 July 2014);
- quoted on the stock exchange, where at least 30% of shares are traded on the market;
- a Company of which the sole purpose is:
  (a) to make property available to users, directly or through a Company in which it holds a participation in accordance with the provisions of the RREC legislation; and
  (b) within the limits set out in the RREC legislation, to possess real estate as specified in article 2, 5°, vi to x of the Act;
  - The notion real estate is to be understood as “real estate” within the meaning of the RREC legislation;
  - In the context of making available property, the Company can carry out all activities relating to the construction, conversion, renovation, development, acquisition, disposal, management and use of property.

RRECs are regulated by the Financial Services and Markets Authority (FSMA) and have to follow extremely strict rules governing conflicts of interest.

Until 17 October 2014, "REIT" or "Belgian REIT" referred to the status legally known in Belgium as "sicafi" (French) or "vastgoedbevak" (Dutch). As from 17 October 2014, "REIT", "Belgian REIT" or “RREC” refers to "société immobilière réglementée" (SIR, in French) or "gereglementeerde vastgoedvennootschap" (GVV, in Dutch), also translated as "regulated real estate Company" (RREC).

5.2 Particular regulations

Real estate property

Article 30 of the Act of 12 May 2014 specifies that a public RREC may invest a maximum of 20 % of its consolidated assets in real estate properties which form a single real estate complex. The FSMA can give an exemption under certain circumstances.

Accounting

European legislation specifies that RRECs, along with all listed companies, must prepare their consolidated annual accounts in accordance with the IAS/IFRS international standards. Given that investment properties constitute their main assets, RRECs must pay particular attention to appraising the fair value of their properties, i.e., in technical terms, to applying IAS 40. This is also applied to the statutory accounts, also prepared under IFRS. In addition, IAS 39 (valuation of financial instruments) is likely to generate significant movements from one year to another in the income statement or balance sheet (statutory and consolidated) of RRECs. IAS 39 and IAS 40 refer to IFRS 13 for the definition of fair value. Aedifica uses the accounting scheme shown in Annex C of the Royal Decree of 13 July 2014.

Valuation

Real estate properties are assessed at their fair value on a quarterly basis by independent experts and recorded in the balance sheet at this value. Depreciation is not recognised on investment properties.

Profit or loss

As return on capital, the Company is required to distribute a sum corresponding to at least the positive difference between the following amounts:

- 80 % of an amount (“corrected profit”) determined in the form shown in Chapter III of Annex C of the Royal Decree of 13 July 2014;
- and the net decrease in the debt of the public RREC during the financial year.

Debt

The debt-to-assets ratio of the public RREC and its subsidiaries, and the statutory debt-to-assets ratio of public RRECs, may not exceed 65 % (other than by the change in the fair value of assets) of total consolidated or statutory assets, after deduction of authorised hedging instruments. When exceeding the threshold of 50 %, a financial plan with an implementation schedule must be elaborated, describing the measures taken to prevent the consolidated debt-to-assets ratio from exceeding the threshold of 65 %.

Financing

A RREC may not provide financing, except to its subsidiaries.

Fiscal status

A RREC is not subject to corporate tax (except on non-recoverable expenses and abnormal or benevolent benefits), provided that at least 80 % of corrected profit is distributed in the form of dividends. Refer to section 4 of chapter “Risks factors” of this Annual Financial Report.

Effective 1 January 2013, the withholding tax on dividends amounts in principle to 27 %. However, the Belgian Minister of Finance announced, in a press release dated 10 June 2016, that he *“will propose to the government to adapt the Act of 26 December 2015. This adaptation will permit Belgian RRECs, with at least 60 % of their investments concentrated in properties primarily devoted to healthcare, to benefit once again from a reduced withholding tax rate on dividends”*. This reduced rate would amount to 15 % (vs. 27 % currently) and would come into effect as of 1 January 2017. Subject to analysis of the final legal texts (to be approved), Aedifica’s shareholders could benefit from this reduced rate as more than 60 % of the Company’s portfolio is invested in senior housing; this segment comprises “real estate destined for care and housing units suited for healthcare”, as described in the Minister’s press release. Aedifica welcomes this announcement, which supports the role of professional investors specialising in healthcare real estate, such as Aedifica, and directly benefits to its shareholders.

Companies applying for approved RREC status, or which merge with a RREC, are subject to a reduced rate of taxation, which currently stands at 16.995 % (i.e. 16.5 % plus the crisis tax uplift of 3 %), referred to as the exit tax (i.e. the rate of corporate tax which has to be paid in order to leave the common law system).

Belgian RRECs (SIR/GVV) are investment instruments which can be compared to the Dutch FBI (Fiscale BeleggingsInstellingen), the French SIIC (Société d’Investissement Cotée en Immobilier) and the REIT (Real Estate Investment Trust) which exist in a number of countries, including the United States.

Glossary

1. Definitions

Acquisition value

The acquisition value is the agreed value between parties on the basis of which the transaction is performed. If the acquisition of a building takes place by cash payment, through the acquisition of shares of a real estate Company, through the non-monetary contribution of a building against the issue of new shares, by merger through takeover of a property, or by a partial de-merger, the deed costs, audit and consultancy costs, reinvestment bank fees and costs of lifting security on the financing of the absorbed Company and other costs of the merger are also considered as part of the acquisition cost and capitalised in the asset accounts on the balance sheet. Transfer taxes are included if they were paid at the acquisition of the building.

Assisted-living apartment complex

One or more buildings forming a functional unit and including special housing for the elderly, allowing them to lead independent lives and with additional services available on demand.

Closed period

Period during which any officer or any person covered on the lists established by the Company in accordance with Article 6.5 of the Corporate Governance Charter, as well as any person who is closely related to them, may not carry out any trading of Aedifica shares. Closed periods are shown in the corporate governance statement.

Contractual rents

Indexed rents, including rental guarantees, but excluding cost of rent-free periods for occupied surface area.

Debt-to-assets ratio

The Royal Decree of 13 July 2014 regarding RRECs defines the debt-to-assets ratio as follows:
"Total liabilities" in balance sheet
- I. Non-current liabilities – A. Provisions
- I. Non-current liabilities – C. Other non-current financial liabilities - Hedges
- I. Non-current liabilities – F. Deferred taxes liabilities
- II. Current liabilities – A. Provisions
- II. Current liabilities – C. Other current financial liabilities - Hedges
- II. Current liabilities – Accrued charges and deferred income as provided in the annexes of the Royal Decree of 13 July 2014 on RRECs.
/ Total assets less authorised hedging instruments
≤ 65 %

Double net

Type of contract under which the repair and maintenance of the roof, structure and facades of the building remain the responsibility of the owner while other costs and risks are borne by the operator. This type of contract is common for senior housing in Germany.

EBIT margin

Operating result before result on portfolio divided by net rental income.

EPRA

European Public Real Estate Association is an association, founded in 1999 in order to promote, develop and regroup listed European real estate companies. EPRA establishes standards of conduct in accounting, reporting and corporate governance matters, and harmonises these rules to different countries in order to provide quality and comparable information to investors.

EPRA also organises discussion forums on issues that are shaping the future of the sector. Finally, EPRA has created indices that serve as benchmarks for the real estate sector. All this information is available on the website www.epra.com.

Estimated rental value (ERV)

The estimated rental value (ERV) is the rental value as determined by independent experts. For furnished apartment buildings, experts' assumptions take into account a hypothetical lease period of 3/6/9 years at the market rent with a single operator, and overlooking furnished occupancy, in order to avoid double assessment of furnishings and goodwill, which are excluded from property values. The rents actually received for furnished apartments are significantly higher than these estimated rental values.

Exit tax

Companies applying for approved RREC status, or which merge with a RREC, are subject to an exit tax. This tax, equivalent to a liquidation tax on net unrealised gains and on tax-exempt reserves, is charged at 16.5 % (increased by a supplementary crisis tax uplift of 3 % for a total of 16.995 %).

Fair value

The fair value of the Belgian investment properties is calculated as following:

- Buildings with an investment value over €2.5 million:

Fair value = investment value / (1+ average transaction cost rate defined by BEAMA)

- Buildings with an investment value under €2.5 million:
  1. when the expert considers a building can be sold in units, the fair value is defined as the lowest value between the investment value in units / (1 + % transfer taxes depending on the region where they are located) and the investment value / (1 + average transaction cost rate defined by BEAMA);
  2. when the expert considers a building cannot be sold in units, the fair value is the investment value / (1 + % transfer taxes depending on the region where they are located).

The average transaction cost rate defined by BEAMA is reviewed annually and adjusted as necessary in 0.5 % increments.

The Belgian experts attest the deduction percentage retained in their periodic reports.

Free float

Percentage of shares held by the public, according to the Euronext definition.

Gross dividend yield

Gross dividend per share divided by the stock market price as of closure.

Gross yield of the portfolio

For the total portfolio (excluding furnished apartments): (contractual rents + guaranteed income) / investment value, acquisition value or fair value of the concerned buildings.
For the furnished apartments: (Turnover of the financial year) / (Investment value, acquisition value or fair value of the concerned buildings + goodwill + furnishments).

IFRS

The international accounting standards (IFRS, or International Financial Reporting Standards, previously called IAS, or International Accounting Standards) are drawn up by the International Accounting Standards Board (IASB). European listed companies have been obliged to apply these standards in their consolidated accounts since the financial year commencing on or after 1 January 2005. Since 2007, RRECs have also been required to apply IFRS in their statutory accounts.

Investment properties

Investment properties including buildings intended for sale and development projects.

Investment value

Value assessed by the expert, of which transfer taxes are not deducted.

Long lease

Contract with an initial duration of at least 27 years and less than 99 years, giving a temporary right in rem to the tenant. The tenant has full use of the property during this period and pays an annual fee (rent) in return.

Market capitalisation

Closing stock market price multiplied by the total number of shares.

Marketable investment properties

Investment properties including buildings intended for sale and excluding development projects.

Net asset value

Total equity and liabilities divided by the number of shares outstanding (after deduction of the treasury shares).

Net rental income

Rental income
- Writeback of lease payments sold and discounted
- Rental-related charges

Occupancy rate

For the total portfolio (excluding the furnished apartments): (contractual rents + guaranteed income) / (contractual rents + estimated rental value (ERV) on vacant areas of the property portfolio). We note that this occupancy rate includes the investment properties for which units are in renovation and hence temporarily not rentable. For the furnished apartments: % rented days during the financial year. This occupancy rate can thus not be compared to the one calculated on the rest of the portfolio, as the methodology is specific to this segment.

Operating margin

Property operating result divided by net rental income.

Operating result before result on portfolio

The Royal Decree of 13 July 2014 regarding RRECs defines the operating result before result on portfolio as follows:
Property operating result
- Overheads
± Other operating income and charges

Pay-out ratio

Dividend per share divided by the corrected profit per share.

Profit to be paid out (or corrected profit)

The Royal Decree of 13 July 2014 regarding RRECs defines the profit to be paid out (or corrected profit) as follows:
The Company must distribute, as return on capital, an amount corresponding at least to the positive difference between the following amounts:

- 80 % of an amount equal to the sum of the adjusted result (A) and the net capital gains on realisation of investment properties not exempt from the obligation of distribution (B). (A) and (B) are calculated according to the following scheme:

Corrected profit (A)
Profit of loss
+ Depreciations
+ Write-downs
- Reversals of write-downs
- Writeback of lease payments sold and discounted
± Other non-cash items
± Gains and losses on disposals of investment properties
± Changes in fair value of investment properties
= Corrected profit (A)

Net capital gains on realisation of investment properties not exempt from the obligation of distribution (B)
± Gains and losses on disposals of investment properties during the financial year (gains and losses compared to the acquisition value plus capital expenditures)
- Gains and losses on disposals of investment properties during the financial year, exempted from the obligation of distribution, subject to reinvestment within 4 years (gains compared to the acquisition value plus capital expenditure)
± Gains and losses on disposals of investment properties earlier exempted from the obligation of distribution and not reinvested within 4 years (gains and losses compared to the acquisition value plus capital expenditures)
= Net capital gains on realisation of investment properties not exempt from the obligation of distribution (B)

And
- net decrease during the financial year of the debt of the public RREC, as provided in Article 13 of the Royal Decree of 13 July 2014 (see definition of the debt-to-assets ratio).

Profits excluding changes in fair value

Profit (attributable to owners of the parent)
- Changes in fair value of investment properties (IAS 40)
- Changes in fair value of financial assets and liabilities (IAS 39)

Property operating result

The Royal Decree of 13 July 2014 regarding RRECs defines the property operating result as follows:
Property result
- Technical, commercial and property management costs
- Charges and taxes on unlet properties
- Other property charges

Property result

The Royal Decree of 13 July 2014 regarding RRECs defines the property result as follows:
Net rental income
- All rental charges and taxes normally paid by Aedifica on let properties
± Other rental-related income and charges

Result on portfolio

The Royal Decree of 13 July 2014 regarding RRECs defines the result on portfolio as follows:
Gains and losses on disposals of investment properties
- Gains and losses on disposals of other non-financial assets
± Changes in fair value of investment properties

Transfer taxes

The transfer of ownership of a property is subject to the payment of transfer taxes. The amount of these taxes depends on the method of transfer, the type of purchaser and the location of the property. The first two elements, and therefore the total amount of taxes to be paid, are only known once the transfer has been completed.

The range of taxes for the major types of property transfer includes:

- Sale of properties: 12.5 % for properties situated in the Brussels Capital Region and in the Walloon Region, 10 % for properties situated in the Flemish Region;
- Sale of real estate under the rules governing estate traders: 4.0 to 8.0 %, depending on the Region;
- Surface and long lease agreements for real estate (up to 50 years for surface rights and up to 99 years for the long lease right): 2 %, or 0.5 % if the tenant is a non-profit organisation);
- Sales of properties where the purchaser is a public body (e.g. an agency of the European Union, the Federal Government, a regional government or a foreign government): tax exempt;
- Contribution in kind of real estate property against the issue of new shares in favour of the contributing party: tax exempt;
- Sale of shares of a real estate Company: no taxes;
- Merger, split and other forms of Company restructuring: no taxes;
- etc.

The effective rate of the transfer tax therefore varies from 0 to 12.5 %, whereby it is not possible to predict which rate would apply to the transfer of a given property before that transfer has effectively taken place.

N.B. We note that, following the interpretations of IFRS by the Belgian Asset Managers Association (BEAMA), the book value of the investment properties under IFRS on the balance sheet is calculated by the expert by deducting a fixed percentage of transfer tax (currently 2.5 %) from the investment value. However, for investment properties with a value of less than €2.5 million, the transfer taxes to be deducted vary depending on the rates applicable given the building's location.

Triple net

Type of contract under which operating charges, maintenance costs and rents on empty spaces related to the operations are borne by the operator.

Velocity

Total volume of shares exchanged over the year divided by the total number of listed shares, following the definition of Euronext.

2. Acronyms

BEAMA: Belgian Asset Managers Association
CEO: Chief Executive Officer
CFO: Chief Financial Officer
CLO: Chief Legal Officer
COO: Chief Operating Officer
DCF: Discounted Cash Flow
EBIT: Earnings Before Interests and Taxes
ECB: European Central Bank
EPRA: European Public Real Estate Association
ERV: Estimated Rental Value
FSMA: Financial Services and Markets Authority
IAS: International Accounting Standards
IFRS: International Financial Reporting Standards
IPO: Initial Public Offering
IRS: Interest Rate Swap
REIT: Real Estate Investment Trust
RREC: Regulated Real Estate Company

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- Buildings: Yvan Glavie, Denis Lafosse, Antoine Rose, Atelier Jahr & Wilhelm Westergren
- Portraits: Antoine Rose & Jean-Michel Byl

CE RAPPORT FINANCIER ANNUEL EST ÉGALEMENT DISPONIBLE EN FRANÇAIS[1]

DIT JAARVERSLAG IS EVENEENS BESCHIKBAAR IN HET NEDERLANDS[1]

The 2015/2016 Annual Financial Report constitutes a registration document in accordance with Article 28 of the Belgian Act of 16 June 2006 on the public offering of investment instruments and the admission of investments instruments to trading on a regulated market. It has been approved by the FSMA on 12 September 2016 in accordance with Article 32 of the abovementioned Act.

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1. The French version of this annual financial report represents the original document. The Dutch and English versions are translations and are offered for information purposes only. All documents are written and translated under the supervision of Aedifica.

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