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, 2014/2015, 2015/2016 and 2016/2017 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

(x €1,000)		Notes	2018	2017
I.	Rental income	4	91,677	78,983
II.	Writeback of lease payments sold and discounted		0	0
III.	Rental-related charges	5	-80	-48
Net rental income			**91,597**	**78,935**
IV.	Recovery of property charges	6	84	40
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	7	2,469	2,588
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	-2,469	-2,588
VIII.	Other rental-related income and charges	10	-985	-917
Property result			**90,696**	**78,058**
IX.	Technical costs	11	-1,379	-1,247
X.	Commercial costs	12	-552	-567
XI.	Charges and taxes on unlet properties	13	-136	-165
XII.	Property management costs	14	-1,273	-998
XIII.	Other property charges	15	-1,281	-1,026
Property charges			**-4,621**	**-4,003**
Property operating result			**86,075**	**74,055**
XIV.	Overheads	16	-10,963	-8,544
XV.	Other operating income and charges	17	2,163	266
Operating result before result on portfolio			**77,275**	**65,777**
XVI.	Gains and losses on disposals of investment properties	18	789	1,459
XVII.	Gains and losses on disposals of other non-financial assets	19	0	0
XVIII.	Changes in fair value of investment properties°	20	15,018	10,357
XIX.	Other result on portfolio	20	-344	0
Operating result			**92,738**	**77,593**
XX.	Financial income	21	554	155
XXI.	Net interest charges	22	-14,321	-15,365
XXII.	Other financial charges	23	-1,552	-1,328
XXIII.	Changes in fair value of financial assets and liabilities	47	-2,157	5,119
Net finance costs			**-17,476**	**-11,419**
XXIV.	Share in the profit or loss of associates and joint ventures accounted for using the equity method		0	0
Profit before tax (loss)			**75,262**	**66,174**
XXV.	Corporate tax	24	-6,066	-2,816
XXVI.	Exit tax°	25	2,659	0
Tax expense			**-3,407**	**-2,816**
Profit (loss)			**71,855**	**63,358**
Attributable to:				
	Non-controlling interests		0	0
	Owners of the parent		**71,855**	**63,358**
Basic earnings per share (€)		26	3.99	4.16
Diluted earnings per share (€)		26	3.99	4.16

° Applying the 2018 presentation of the exit tax (separately presented on line "XXVI. Exit tax" instead of being included on line "XVIII. Changes in fair value of investment properties") to the 2017 figures, line "XVIII. Changes in fair value of investment properties" would amount to €10,833 thousand instead of €10,357 thousand and line "XXVI. Exit tax" would amount to - €526 thousand instead of €0 thousand. This change of presentation had no impact on either net profit or EPRA Earnings*.

1.2 Consolidated Statement of Comprehensive Income

(x €1,000)		2018	2017
I.	Profit (loss)	71,855	63,358
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	0
	B. Changes in the effective part of the fair value of authorised cash flow hedge instruments as defined under IFRS	-871	7,276
	H. Other comprehensive income, net of taxes (see Note 33.3.)	831	0
Comprehensive income		**71,815**	**70,634**
	Attributable to:		
	Non-controlling interests	0	0
	Owners of the parent	**71,815**	**70,634**

1.3 Consolidated Balance Sheet

ASSETS (x €1,000)		Notes	2018	2017
I.	**Non-current assets**			
A.	Goodwill	27	1,856	1,856
B.	Intangible assets	28	301	221
C.	Investment properties	29	1,736,463	1,540,409
D.	Other tangible assets	31	2,569	1,611
E.	Non-current financial assets	32	1,888	2,959
F.	Finance lease receivables		0	0
G.	Trade receivables and other non-current assets		0	0
H.	Deferred tax assets	54	0	1,208
I.	Equity-accounted investments		0	0
Total non-current assets			**1,743,077**	**1,548,264**
II.	**Current assets**			
A.	Assets classified as held for sale	29	4,070	4,440
B.	Current financial assets		0	0
C.	Finance lease receivables		0	0
D.	Trade receivables	34	7,518	6,718
E.	Tax receivables and other current assets	35	446	1,679
F.	Cash and cash equivalents	36	10,589	8,135
G.	Deferred charges and accrued income	37	943	886
Total current assets			**23,566**	**21,858**
TOTAL ASSETS			**1,766,643**	**1,570,122**

EQUITY AND LIABILITIES (x €1,000)	Notes	2018	2017
EQUITY	38		
I. Issued capital and reserves attributable to owners of the parent			
A. Capital		465,126	459,231
B. Share premium account		297,569	287,194
C. Reserves		107,097	78,256
a. Legal reserve		*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties		*153,582*	*131,253*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties		*-37,953*	*-29,397*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS		*-16,436*	*-16,418*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS		*-17,659*	*-23,712*
h. Reserve for treasury shares		*0*	*0*
k. Reserve for deferred taxes on investment properties located abroad		*-1,311*	*230*
m. Other reserves		*-1,957*	*0*
n. Result brought forward from previous years		*28,831*	*16,300*
D. Profit (loss) of the year		71,855	63,358
Equity attributable to owners of the parent		**941,647**	**888,039**
II. Non-controlling interests		**0**	**0**
TOTAL EQUITY		**941,647**	**888,039**
LIABILITIES			
I. Non-current liabilities			
A. Provisions	39	0	0
B. Non-current financial debts			
a. Borrowings	40	716,927	579,438
C. Other non-current financial liabilities	32	37,599	37,933
a. Authorised hedges		33,210	33,787
b. Other		4,389	4,146
D. Trade debts and other non-current debts		0	0
E. Other non-current liabilities		0	0
F. Deferred tax liabilities	54	6,211	4,306
Non-current liabilities		**760,737**	**621,677**
II. Current liabilities			
A. Provisions	39	0	0
B. Current financial debts			
a. Borrowings	40	22,830	34,524
C. Other current financial liabilities		0	0
D. Trade debts and other current debts			
a. Exit tax	41	8,818	717
b. Other	41	28,485	20,252
E. Other current liabilities		0	0
F. Accrued charges and deferred income	42	4,126	4,913
Total current liabilities		**64,259**	**60,406**
TOTAL LIABILITIES		**824,996**	**682,083**
TOTAL EQUITY AND LIABILITIES		**1,766,643**	**1,570,122**

1.4 Consolidated Cash Flow Statement

(x €1,000)	Notes	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (loss)		71,855	63,358
Non-controlling interests		0	0
Tax expense	24	6,066	2,816
Amortisation and depreciation		804	678
Write-downs	5	57	28
Change in fair value of investment properties (+/-)	20	-15,018	-10,357
Gains and losses on disposals of investment properties	18	-789	-1,459
Net finance costs		17,475	11,419
Goodwill impairment		335	0
Changes in trade receivables (+/-)		-856	-2,866
Changes in tax receivables and other current assets (+/-)		1,233	18
Changes in deferred charges and accrued income (+/-)		-58	173
Changes in trade payables and other current debts (excl. exit tax) (+/-)		5,955	5,694
Changes in accrued charges and deferred income (+/-)		-792	233
Cash generated from operations		**86,267**	**69,735**
Taxes paid		-1,275	-581
Net cash from operating activities		**84,992**	**69,154**
CASH FLOW RESULTING FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-201	-177
Purchase of real estate companies and marketable investment properties		-115,911	-247,585
Purchase of tangible assets		-1,591	-592
Purchase of development projects		-57,349	-42,343
Disposals of investment properties		15,517	11,044
Net changes in non-current receivables		56	46
Net investments in other assets		0	0
Net cash from investing activities		**-159,479**	**-279,607**
CASH FLOW FROM FINANCING ACTIVITIES			
Capital increase, net of costs°		0	214,438
Disposals of treasury shares		0	0
Dividend for previous fiscal year		-34,478	-22,108
Net changes in borrowings	40	125,795	95,127
Net changes in other non-current financial liabilities		-1,092	0
Net financial items received (+) / paid (-)		-16,264	-17,666
Repayment of financial debts of acquired or merged companies		-18,350	0
Repayment of working capital of acquired or merged companies		21,330	-56,150
Net cash from financing activities		**76,941**	**213,641**
TOTAL CASH FLOW FOR THE PERIOD			
Total cash flow for the period		**2,454**	**3,188**
RECONCILIATION WITH BALANCE SHEET			
Cash and cash equivalents at beginning of period		8,135	4,947
Total cash flow for the period		2,454	3,188
Cash and cash equivalents at end of period	**36**	**10,589**	**8,135**

° 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

(x €1,000)	2016	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Other transfers and roundings	2017
Capital	364,467	90,002	4,762	0	0	0	0	459,231
Share premium account	155,509	124,437	7,248	0	0	0	0	287,194
Reserves	60,507	0	0	0	7,276	10,473	0	78,256
a. Legal reserve	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*115,366*	*0*	*0*	*0*	*0*	*15,888*	*-1*	*131,253*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-25,015*	*0*	*0*	*0*	*0*	*-4,382*	*0*	*-29,397*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-23,560*	*0*	*0*	*0*	*7,276*	*-135*	*1*	*-16,418*
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*	*0*	*0*	*0*	*0*	*-5,456*	*0*	*-23,712*
h. Reserve for treasury shares	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
k. Reserve for deferred taxes on investment properties located abroad	*110*	*0*	*0*	*0*	*0*	*120*	*0*	*230*
m. Other reserves	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
n. Result brought forward from previous years	*11,862*	*0*	*0*	*0*	*0*	*4,438*	*0*	*16,300*
Profit (loss)	40,266	0	0	0	63,358	-40,266	0	63,358
Equity attributable to owners of the parent	**620,749**	**214,439**	**12,010**	**0**	**70,634**	**-29,793**	**0**	**888,039**
Non-controlling interests	0	0	0	0	0	0	0	0
TOTAL EQUITY	**620,749**	**214,439**	**12,010**	**0**	**70,634**	**-29,793**	**0**	**888,039**

(x €1,000)	2017	Capital increase in cash	Capital increase in kind	Acquisitions / disposals of treasury shares	Consolidated comprehensive income	Appropriation of the result	Other transfers and roundings	2018
Capital	459,231	0	5,895	0	0	0	0	465,126
Share premium account	287,194	0	10,376	0	0	0	-1	297,569
Reserves	78,256	0	0	0	-40	28,880	1	107,097
a. Legal reserve	*0*	*0*	*0*	*0*	*0*	0	*0*	*0*
b. Reserve for the balance of changes in fair value of investment properties	*131,253*	*0*	*0*	*0*	*0*	*20,842*	*1,487*	*153,582*
c. Reserve for estimated transaction costs resulting from hypothetical disposal of investment properties	*-29,397*	*0*	*0*	*0*	*0*	*-9,026*	*470*	*-37,953*
d. Reserve for the balance of changes in fair value of authorised hedging instruments qualifying for hedge accounting as defined under IFRS	*-16,418*	*0*	*0*	*0*	*-40*	*22*	*0*	*-16,436*
e. Reserve for the balance of changes in fair value of authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	*-23,712*	*0*	*0*	*0*	*0*	*6,053*	*0*	*-17,659*
h. Reserve for treasury shares	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
k. Reserve for deferred taxes on investment properties located abroad	*230*	*0*	*0*	*0*	*0*	*-1,541*	*0*	*-1,311*
m. Other reserves	*0*	*0*	*0*	*0*	*0*	*0*	*-1,957*	*-1,957*
n. Result brought forward from previous years	*16,300*	*0*	*0*	*0*	*0*	*12,530*	*1*	*28,831*
Profit (loss)	63,358	0	0	0	*71,855*	*-63,358*	0	71,855
Equity attributable to owners of the parent	**888,039**	**0**	**16,271**	**0**	**71,815**	**-34,478**	**0**	**941,647**
Non-controlling interests	0	0	0	0	0	0	0	0
TOTAL EQUITY	**888,039**	**0**	**16,271**	**0**	**71,815**	**-34,478**	**0**	**941,647**

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:
Rue Belliard 40, B-1040 Brussels (telephone: +32 (0)2 626 07 70)

The Aedifica Group (referred to in the financial statements as “the Group”) is composed of the parent-company and its subsidiaries.

Aedifica is positioned as a leading Belgian listed company investing in healthcare real estate in Europe – senior housing in particular. Its strategy is focused on the demographic trend of population ageing in Europe and the specific care and housing needs this trend implies. The Company aims to create a balanced portfolio that generates recurring revenues and offers potential for capital gains.

Aedifica’s activities are mainly concentrated in the healthcare real estate segment (with a focus on senior housing), but the Group is also active in apartment buildings and hotels.

The Company’s shares have been listed on Euronext Brussels (regulated market) since October 2006.

Publication of the Consolidated Financial Statements was approved by the Board of Directors on 4 September 2018. The Company’s shareholders have the power to amend the Consolidated Financial Statements after issue at the Annual General Meeting, to be held on 23 October 2018.

Note 2: Accounting policies

Note 2.1: Basis of preparation

The Consolidated Financial Statements cover the 12-month period ending 30 June 2018. 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 2018 and approved by the European Union (“EU”).

These Consolidated Financial Statements are fully in line with the standards and interpretations published by the “International Accounting Standards Board” (“IASB”) applicable as of 30 June 2018. 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.

The new and amended standards and interpretations listed below are obligatory and have been applied by the Group since 1 July 2017 and have no impact on the Consolidated Financial Statements presented for the 2017/2018 financial year:

- IAS 7 (amended) – Disclosure Initiative;
- IAS 12 (amended) – Recognition of Deferred Tax Assets for Unrealised Losses;
- Annual Improvements to IFRS Standards 2014-2016 Cycle issued in December 2016 (partially effective 1 July 2017 and 1 July 2018);

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 2018. These changes, which the Aedifica group has not adopted anticipatively, include the following (as of 6 July 2018):

- IFRIC 22 (new) – Foreign Currency Transactions and Advance Consideration (effective 1 July 2018);
- IFRIC 23 (new) – Uncertainty over Income Tax Treatments (effective 1 July 2019, pending EU approval);
- IFRS 9 (new) – Financial Instruments (effective 1 July 2018);
- IFRS 15 (new) – Revenue from Contracts with Customers (effective 1 July 2018);
- IFRS 16 (new) – Leases (effective 1 July 2019);
- IFRS 17 (new) – Insurance Contracts (effective 1 July 2021, pending EU approval);
- IAS 19 (amended) – Plan Amendment, Curtailment or Settlement (effective 1 July 2019, pending EU approval);
- IAS 28 (amended) – Long-term Interests in Associates and Joint Ventures (effective 1 July 2019, pending EU approval);
- IAS 40 (amended) – Transfers of Investment Property (effective 1 July 2018);
- IFRS 2 (amended) – Classification and Measurement of Share-based Payment Transactions (effective 1 July 2018);
- IFRS 4 (amended) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 July 2018);
- IFRS 9 (amended) – Prepayment Features with Negative Compensation (effective 1 July 2019);
- IFRS 15 (amended) – Revenue from Contracts with Customers (effective 1 July 2018);
- IFRS 15 (clarification) – Revenue from Contracts with Customers (effective 1 July 2018);
- Amendments to References to the Conceptual Framework in IFRS Standards issued in March 2018 (effective 1 July 2020, pending EU approval);
- Annual Improvements to IFRS Standards 2014-2016 Cycle issued in December 2016 (partially effective 1 July 2017 and 1 July 2018);
- Annual Improvements to IFRS Standards 2015-2017 Cycle issued in December 2017 (effective 1 July 2019, pending EU approval).

The Group is currently evaluating the impacts of the above-listed changes. Among them, the most relevant elements for the Company are the following:

- IFRS 9 – Financial Instruments (effective 1 July 2018):

  IFRS 9 was finalised and published by IASB in July 2014 and endorsed by the EU in November 2016. IFRS 9 contains the requirements for the classification and measurement of financial assets and financial liabilities, the impairment of financial assets, and the general hedge accounting. IFRS 9 will replace most parts of IAS 39 – Financial Instruments: Recognition and Measurement.

  Based on an analysis of Aedifica's situation as at 30 June 2018, IFRS 9 is not expected to have a material impact on the statutory or consolidated financial statements. With respect to the impairment of financial assets measured at amortised cost, including trade receivables, the initial application of the expected credit loss model under IFRS 9 will result in earlier recognition of credit losses compared to the incurred loss model currently applied under IAS 39. Considering the relatively limited amount of trade receivables combined with the low associated credit risk, Aedifica does not anticipate a material impact on the statutory accounts or consolidated financial statements.

- IFRS 15 – Revenue from Contracts with Customers (effective 1 July 2018):

  IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Upon its effective date IFRS 15 will replace IAS 18, which covers revenue arising from the sale of goods and the rendering of services, and IAS 11, which covers construction contracts, and related interpretations.

  IFRS 15 is not expected to have a material impact on the statutory accounts or consolidated financial statements of Aedifica as lease contracts are excluded from the scope of the standard and represent the main source of income for Aedifica. The principles of IFRS 15 are still applicable to the non-lease components that may be contained in lease contracts or in separate agreements, such as maintenance related services charged to the lessee. Considering however that such non-lease components are relatively limited in amount and mostly represent services recognised over time under both IFRS 15 and IAS 18, Aedifica does not anticipate a material impact in that respect.

- IFRS 16 – Leases (effective 1 July 2019):

  IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede IAS 17 – Leases and related interpretations upon its effective date.

  Significant changes to lessee accounting are introduced by IFRS 16, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements found in IAS 17; it continues to require a lessor to classify a lease either as an operating lease or a finance lease.

  As Aedifica is almost exclusively acting as lessor, IFRS 16 is not expected to have a material impact on its statutory or consolidated financial statements. In the limited cases where Aedifica is the lessee in contracts classified as operating leases under IAS 17 and not subject to the IFRS 16 exemptions (e.g. lease of cars, property used by the Group, etc.), a right-of-use asset and related liability will be recognised on the statutory and consolidated balance sheet.

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.

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 33 %.

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 the BE-REIT Association 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.

Transfer taxes on acquisitions and any change in the fair value of properties during the financial year are directly recognised in the income statement.

1.3. Treatment of differences at the time of acquisition

This rule changed effective 1 July 2015.

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 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 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.H. 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, including general operating costs.

All of Aedifica's leases are classified as operating leases for which Aedifica is the lessor. Lease income is recognised on a straight-line basis over the lease term, in accordance with IAS 17.

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.

The result on disposals of investment properties represents the difference between sales proceeds (excluding transaction costs) and the latest reported fair value of the properties sold. The result is realised at the moment of the transfer of risks and rewards.

Generally, transfer taxes are to be paid by the purchasor. However, in the case of "deed in hand" disposals, the transfer taxes are to be paid by the seller and are thus deducted from the sale price and reduce the gain effectively realised.

In the event of a disposal, transfer taxes do not need to be deducted from the difference between the received amount and the carrying value of the sold properties in order to calculate the capital gain or loss effectively realised, as they have already been recognised in the income statement at the moment of acquisition.

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:

- Healthcare real estate: consists mainly 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: consists 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: €65,968 thousand) with the exception of revenues from Germany (€15,593 thousand) and The Netherlands (€10,298 thousand). All non-current assets are located in Belgium, with the exception of €285,398 thousand located in Germany and €243,050 thousand in The Netherlands. In 2016/2017, all revenues were earned from external clients located in the Company's country of residence (Belgium: €61,443 thousand) with the exception of revenues from Germany (€12,290 thousand) and The Netherlands (5,447 k€). All non-current assets were located in Belgium, with the exception of €208,890 thousand located in Germany and €156,520 located in The Netherlands.

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 healthcare real estate segment (9 in Belgium and 5 in Germany) rented by legal entities controlled by the Orpea group, for which rents represent 11 % of the Company's total 2017/2018 rental income (8 % in Belgium and 3 % in Germany; 2016/2017: 9 % in Belgium and 4% in Germany);
- the 27 buildings in the healthcare real estate segment rented by legal entities controlled by Senior Living Group (a subsidiary of the Korian group), for which rents represent 18 % of the Company's total 2017/2018 rental income (19 % in the prior financial year);
- the 20 buildings in the healthcare real estate segment (19 in Belgium and 1 in Germany) rented by legal entities controlled by the Armonea group, for which rents represent 16 % of the Company's total 2017/2018 rental income (15 % in Belgium and 1 % in Germany; 2016/2017: 18 % in Belgium and 0 % in Germany).

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)		2017					
		Healthcare real estate	Apartment buildings	Hotels	Non-allocated	Inter-segment items°	TOTAL
SEGMENT RESULT							
I.	Rental income	63,939	11,021	4,220	0	-197	78,983
II.	Writeback of lease payments sold and discounted	0	0	0	0	0	0
III.	Rental-related charges	-6	-19	-23	0	0	-48
Net rental income		**63,933**	**11,002**	**4,197**	**0**	**-197**	**78,935**
IV.	Recovery of property charges	3	37	0	0	0	40
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	1,085	1,398	105	0	0	2,588
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	-1,085	-1,398	-105	0	0	-2,588
VIII.	Other rental-related income and charges	-36	-884	3	0	0	-917
Property result		**63,900**	**10,155**	**4,200**	**0**	**-197**	**78,058**
IX.	Technical costs	-311	-923	-13	0	0	-1,247
X.	Commercial costs	-61	-502	-4	0	0	-567
XI.	Charges and taxes on unlet properties	0	-165	0	0	0	-165
XII.	Property management costs	-438	-560	0	0	0	-998
XIII.	Other property charges	-28	-976	-22	0	0	-1,026
Property charges		**-838**	**-3,126**	**-39**	**0**	**0**	**-4,003**
Property operating result		**63,062**	**7,029**	**4,161**	**0**	**-197**	**74,055**
XIV.	Overheads	-78	-85	0	-8,578	197	-8,544
XV.	Other operating income and charges	222	37	0	7	0	266
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		**63,206**	**6,981**	**4,161**	**-8,571**	**0**	**65,777**
SEGMENT ASSETS							
Marketable investment properties		1,240,021	215,205	68,009	-	-	1,523,235
Development projects		-	-	-	17,174	-	17,174
Investment properties							**1,540,409**
Assets classified as held for sale		4,440	0	0	-	-	4,440
Other assets		-	-	-	25,273	-	25,273
Total assets							**1,570,122**
SEGMENT DEPRECIATION		**0**	**-524**	**0**	**-154**	**0**	**-678**
SEGMENT INVESTMENTS							
Marketable investment properties		333,028	0	0	-	-	333,028
Development projects		-	-	-	0	-	0
Investment properties		**333,028**	**0**	**0**	**0**	**0**	**333,028**
INVESTMENT PROPERTIES IN ACQUISITION VALUE		**1,133,987**	**193,438**	**69,703**	**-**	**-**	**1,397,128**
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES		**18,782**	**217**	**-2,880**	**-5,762**	**0**	**10,357**
VALUE INSURED		**1,123,608**	**199,835**	**83,988**	**-**	**-**	**1,407,431**
GROSS YIELD IN FAIR VALUE		**5.7%**	**4.9%**	**6.5%**	**-**	**-**	**5.7%**

° Mainly elimination of the internal rent for the administrative offices of the Company.

Year ending on 30 June (x €1,000)		2018					
		Healthcare real estate	Apartment buildings	Hotels	Non-allocated	Inter-segment items°	TOTAL
SEGMENT RESULT							
I.	Rental income	76,454	10,489	4,916	0	-182	91,677
II.	Writeback of lease payments sold and discounted	0	0	0	0	0	0
III.	Rental-related charges	-8	-60	-12	0	0	-80
Net rental income		**76,446**	**10,429**	**4,904**	**0**	**-182**	**91,597**
IV.	Recovery of property charges	0	83	1	0	0	84
V.	Recovery of rental charges and taxes normally paid by tenants on let properties	1,285	1,157	27	0	0	2,469
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	-1,285	-1,157	-27	0	0	-2,469
VIII.	Other rental-related income and charges	-97	-907	19	0	0	-985
Property result		**76,349**	**9,605**	**4,924**	**0**	**-182**	**90,696**
IX.	Technical costs	-400	-951	-28	0	0	-1,379
X.	Commercial costs	-13	-539	0	0	0	-552
XI.	Charges and taxes on unlet properties	5	-142	1	0	0	-136
XII.	Property management costs	-658	-613	-2	0	0	-1,273
XIII.	Other property charges	-226	-1,039	-16	0	0	-1,281
Property charges		**-1,292**	**-3,284**	**-45**	**0**	**0**	**-4,621**
Property operating result		**75,057**	**6,321**	**4,879**	**0**	**-182**	**86,075**
XIV.	Overheads	-187	-54	-2	-10,902	182	-10,963
XV.	Other operating income and charges	53	28	-32	2,114	0	2,163
OPERATING RESULT BEFORE RESULT ON PORTFOLIO		**74,923**	**6,295**	**4,845**	**-8,788**	**0**	**77,275**
SEGMENT ASSETS							
Marketable investment properties		1,426,736	206,938	67,606	-	-	1,701,280
Development projects		-	-	-	35,183	-	35,183
Investment properties							**1,736,463**
Assets classified as held for sale		4,070	0	0	-	-	4,070
Other assets		-	-	-	26,110	-	26,110
Total assets							**1,766,643**
SEGMENT DEPRECIATION		**0**	**-569**	**0**	**-235**	**0**	**-804**
SEGMENT INVESTMENTS							
Marketable investment properties		127,250	0	0	-	-	127,250
Development projects		-	-	-	0	-	0
Investment properties		**127,250**	**0**	**0**	**0**	**0**	**127,250**
INVESTMENT PROPERTIES IN ACQUISITION VALUE		**1,297,561**	**178,414**	**68,903**	**-**	**-**	**1,544,878**
CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES		**22,475**	**2,474**	**277**	**-10,208**	**0**	**15,018**
VALUE INSURED		**1,340,428**	**189,405**	**86,397**	**-**	**-**	**1,616,230**
GROSS YIELD IN FAIR VALUE		**5.7%**	**5.1%**	**6.3%**	**-**	**-**	**5.7%**

° Mainly elimination of the internal rent for the administrative offices of the Company.

Note 4: Rental income

(x €1,000)	2018	2017
Rents earned	91,600	78,908
Guaranteed income	0	0
Cost of rent free periods	-3	-4
Indemnities for early termination of rental contracts	80	79
TOTAL	**91,677**	**78,983**

The Group rents its buildings exclusively under operating leases.

The increase in rents earned is linked to the portfolio's growth during the 2017/2018 financial year.

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 2018, 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)	2018	2017
Not later than one year	88,437	79,605
Later than one year and not later than five years	342,883	305,113
Later than five years	1,454,681	1,314,214
TOTAL	**1,886,001**	**1,698,932**

Rental income includes contingent rents amounting to €124 thousand (30 June 2017: €77 thousand).

Note 5: Rental-related charges

(x €1,000)	2018	2017
Rents payable as lessee	-23	-20
Write-downs on trade receivables	-57	-28
TOTAL	**-80**	**-48**

Note 6: Recovery of property charges

(x €1,000)	2018	2017
Indemnities on rental damage	84	40
TOTAL	**84**	**40**

Note 7: Recovery of rental charges and taxes normally paid by tenants on let properties

(x €1,000)	2018	2017
Rebilling of rental charges invoiced to the landlord	1,443	1,744
Rebilling of property taxes and other taxes on let properties	1,026	844
TOTAL	**2,469**	**2,588**

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)	2018	2017
Rental charges invoiced to the landlord	-1,443	-1,744
Property taxes and other taxes on let properties	-1,026	-844
TOTAL	**-2,469**	**-2,588**

Note 10: Other rental-related income and charges

(x €1,000)	2018	2017
Cleaning	-280	-196
Energy	-194	-192
Depreciation of furniture	-526	-482
Employee benefits	-186	-229
Other	201	182
TOTAL	**-985**	**-917**

Note 11: Technical costs

(x €1,000)	2018	2017
Recurring technical costs		
Repair	-282	-415
Insurance	-110	-100
Employee benefits	-583	-455
Maintenance	-185	-101
Expert fees	-219	-176
TOTAL	**-1,379**	**-1,247**

Note 12: Commercial costs

(x €1,000)	2018	2017
Letting fees paid to real estate brokers	-313	-264
Marketing	-142	-146
Fees paid to lawyers and other legal costs	-14	-80
Other	-83	-77
TOTAL	**-552**	**-567**

Note 13: Charges and taxes on unlet properties

(x €1,000)	2018	2017
Charges	-136	-165
TOTAL	**-136**	**-165**

Note 14: Property management costs

(x €1,000)	2018	2017
Fees paid to external property managers	-146	-134
Internal property management expenses	-1,127	-864
TOTAL	**-1,273**	**-998**

Note 15: Other property charges

(x €1,000)	2018	2017
Property taxes and other taxes	-1,281	-1,026
TOTAL	**-1,281**	**-1,026**

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)	2018	2017
Lawyers/notaries	-310	-259
Auditors	-254	-133
Real estate experts	-759	-783
IT	-203	-186
Insurance	-96	-71
Public relations, communication, marketing, publicity	-405	-286
Directors and executive management	-2,933	-2,359
Employee benefits	-2,418	-1,926
Depreciation and amortisation of other assets	-279	-196
Tax expense	-890	-632
Other	-2,416	-1,713
TOTAL	**-10,963**	**-8,544**

Note 17: Other operating income and charges

(x €1,000)	2018	2017
Recovery of damage expenses	7	31
Other	2,156	235
TOTAL	**2,163**	**266**

Other operating income and charges include a non-recurrent income of €2.0 million. This income results from an agreement with an operator regarding the transfer of its operational activities to another operator.

Note 18: Gains and losses on disposals of investment properties

(x €1,000)	2018	2017
Net sale of properties (selling price - transaction costs)	15,517	11,044
Carrying amount of properties sold	-14,728	-9,585
TOTAL	**789**	**1,459**

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 and other result on portfolio

Changes in fair value of investment properties:

(x €1,000)	2018	2017
Positive changes	35,900	26,486
Negative changes	-20,882	-16,129
TOTAL	**15,018**	**10,357**
of which: marketable investment properties	25,226	16,119
development projects	-10,208	-5,762

Applying the 2018 presentation of the exit tax (separately presented on line "XXVI. Exit tax" instead of being included on line "XVIII. Changes in fair value of investment properties") to the 2017 figures, the changes in fair value of investment properties would amount to €10,833 thousand instead of €10,357 thousand.

This change of presentation had no impact on either net profit or EPRA Earnings*.

Other result on portfolio:

(x €1,000)	2018	2017
Goodwill impairment	-335	0
Other	-9	0
TOTAL	**-344**	**0**

During the financial year under review, the Group recognised a goodwill impairment of €335 thousand as a result of the annual impairment test of the cash-generating units. See Note 27 for more information on this topic.

The line "Other" refers to the difference between Aedifica SA's investment in Aedifica Project Management GmbH and this subsidiary's net assets at the time of the first consolidation.

Note 21: Financial income

(x €1,000)	2018	2017
Interests earned	15	71
Other	539	84
TOTAL	**554**	**155**

The 2017/2018 financial income included €0.5 million of non-recurrent income. This amount represents the fee paid to Aedifica at the time of the contribution-in-kind of 7 June 2018 as compensation for the allocation of full dividend rights for the 2017/2018 financial year to the new shares issued that day.

The 2016/2017 financial income included €0.1 million of non-recurrent income. This amount represents the fee paid to Aedifica at the time of the contribution in kind of 8 December 2016 as compensation for the allocation of full dividend rights for the 2016/2017 financial year to the new shares issued that day.

Note 22: Net interest charges

(x €1,000)	2018	2017
Nominal interest on borrowings	-9,209	-8,702
Charges arising from authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	-2,362	-3,593
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	-3,229	-3,391
Subtotal	-5,591	-6,984
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	0
Subtotal	0	0
Capitalised borrowings costs	483	321
Other interest charges	-4	0
TOTAL	**-14,321**	**-15,365**

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)	2018	2017
Bank charges and other commissions	-1,478	-1,262
Other	-74	-66
TOTAL	**-1,552**	**-1,328**

Note 24: Corporate tax

(x €1,000)	2018	2017
Parent		
Profit before tax (loss)	65,288	58,273
Effect of the Belgian REIT tax regime	-65,288	-58,273
Taxable result in Belgium based on non-deductible costs	382	406
Belgian current tax at rate of 33,99%	-130	-138
Belgian current tax regularisation for the previous year	-58	-125
Foreign current tax	-1,046	-187
Foreign deferred taxes: originations	350	47
Foreign deferred taxes: reversals	-1,048	-830
Subtotal	-1,932	-1,233
Subsidiaries		
Belgian current tax	-625	-208
Foreign current tax	-1,694	-617
Foreign deferred taxes: originations	700	446
Foreign deferred taxes: reversals	-2,515	-1,204
Subtotal	-4,134	-1,583
Corporate tax	-6,066	-2,816
Exit tax	2,659	0
TOTAL TAX	**-3,407**	**-2,816**

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 EPRA Earnings* (see Note 54).

Applying the 2018 presentation of the exit tax (separately presented on line "XXVI. Exit tax" instead of being included on line "XVIII. Changes in fair value of investment properties") to the 2017 figures, line "XXVI. Exit tax" would amount to -€526 thousand instead of €0 thousand. This change of presentation had no impact on either net profit or EPRA Earnings*.

The positive change in the exit tax is attributed to the reduced tax rate on capital gain (from 16.995 % to 12.75 %).

Note 25: Exit tax

The amounts related to the exit tax are included and discussed in Note 24.

Note 26: Earnings per share

The earnings per share ("EPS" as defined by IAS 33) is calculated as follows:

	2018	2017
Profit (loss) (Owners of the parent) (x €1,000)	71,855	63,358
Weighted average number of shares outstanding during the period	17,990,607	15,235,696
Basic EPS (in €)	3.99	4.16
Diluted EPS (in €)	3.99	4.16

Aedifica uses EPRA Earnings* to comply with the EPRA's recommendations and to measure its operational and financial performance; however, this performance measure is not defined under IFRS (see Note 57). In Aedifica's case, it 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.

Profit excluding changes in fair value is calculated as follows:

(x €1,000)	2018	2017
Profit (loss) (Owners of the parent)	71,855	63,358
Less: Changes in fair value of investment properties (see Note 20)	-15,018	-10,357
Less: Gain and losses on disposal of investment properties (see Note 18)	-789	-1,459
Less: Deferred taxes in respect of EPRA adjustments (see Note 25 and 54)	-146	1,541
Less: Changes in fair value of financial assets and liabilities (see Note 47)	2,157	-5,119
Less: Negative goodwill / goodwill impairment (see Note 20)	344	0
Roundings	0	0
EPRA Earnings*	**58,403**	**47,964**

Weighted average number of shares outstanding during the period	17,990,607	15,235,696
EPRA Earnings* per share (in €)	3.25	3.15

The calculation in accordance with the model recommended by EPRA is included in the EPRA chapter of the Annual Financial Report.

Note 27 : Goodwill

(x €1,000)	2018	2017
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**
Additions	335	0
Impairment losses	-335	0
CARRYING AMOUNT AT THE END OF THE YEAR	**1,856**	**1,856**
of which: gross value	2,191	1,856
cumulative impairment losses	-335	0

In applying IAS 36 – Impairment of Assets, the Group primarily performed an analysis of the carrying amount of goodwill.

Goodwill prior to the 2017/2018 financial year:

Goodwill arose from the acquisition of Ixelinvest SA, the original owner of a residential complex that is rented out as furnished 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 €33 million, carrying amount of furniture of less than €1 million and carrying amount of goodwill for less than €2 million, i.e. €35 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 €66 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 4 %. 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 (6 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 2 %, 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 €31 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.

In 2017, no impairment was recognised in the cash-generating units.

New goodwill recognised during the 2017/2018 financial year:

Goodwill arose from the acquisition of Schloss Bensberg Management GmbH, as set out in Note 58.

The impairment test resulted in an impairment of €335 thousand, which implies that goodwill is fully reduced to zero. Although the Group continues to explore ways to improve profitability, it is not certain at present whether Schloss Bensberg Management GmbH's operating model will be able to generate enough positive cash flow to absorb the loss carryforwards of this subsidiary.

This impairment was recognised in the operating result on line "XIX. Other result on portfolio" (see Note 20).

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)	2018	2017
Gross value at the beginning of the year	645	468
Depreciation and cumulative impairment losses at the beginning of the year	-425	-350
Carrying amount at the beginning of the year	**221**	**119**
Entries: items acquired separately	188	177
Amortisations	-108	-75
CARRYING AMOUNT AT THE END OF THE YEAR	**301**	**221**
of which: gross value	833	645
amortisations and cumulative impairment losses	-533	-425

Note 29: Investment properties

(x €1,000)	Marketable investment properties	Development projects	TOTAL
CARRYING AMOUNT AS OF 1/07/2016	**1,126,289**	**25,924**	**1,152,213**
Acquisitions	333,028	0	333,028
Disposals	-9,585	0	-9,585
Capitalised interest charges	0	322	322
Capitalised employee benefits	0	78	78
Other capitalised expenses	6,364	47,451	53,815
Transfers due to completion	50,839	-50,839	0
Changes in fair value (see Note 20)	16,119	-5,762	10,357
Other expenses booked in the income statement	0	0	0
Transfers to equity	0	0	0
Assets classified as held for sale	181	0	181
CARRYING AMOUNT AS OF 30/06/2017	**1,523,235**	**17,174**	**1,540,409**
CARRYING AMOUNT AS OF 1/07/2017	**1,523,235**	**17,174**	**1,540,409**
Acquisitions	127,250	0	127,250
Disposals	-14,728	0	-14,728
Capitalised interest charges	0	482	482
Capitalised employee benefits	0	85	85
Other capitalised expenses	3,677	63,900	67,577
Transfers due to completion	36,250	-36,250	0
Changes in fair value (see Note 20)	25,226	-10,208	15,018
Other expenses booked in the income statement	0	0	0
Transfers to equity	0	0	0
Assets classified as held for sale	370	0	370
CARRYING AMOUNT AS OF 30/06/2018	**1,701,280**	**35,183**	**1,736,463**

Determination of fair values depends on market factors and is based on valuations provided by valuation 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 is assessed by valuation experts as of 30 June 2018. The average capitalisation rate applied to contractual rents is 5.66 % (in accordance with the valuation methodology – presented in the first bullet of section 1.11 of the Standing Documents included in the 2017/2018 Annual Financial Report). A positive 0.10 % change in the capitalisation rate would lead to a negative change of approx. €30 million in the portfolio's fair value.

Development projects are described in detail in the Property Report included in the 2017/2018 Annual Financial Report.

Assets classified as held for sale (line II.A. included in the assets on the balance sheet) amounts to €4.1 million as of 30 June 2018. These are assisted-living apartments (senior housing) located in Aarschot (see section 2.1.7 of the Consolidated Board of Directors' Report) and 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 2017/2018 Annual Financial Report.

All investment properties are considered to be at "level 3" on the fair value scale defined in 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 2017/2018 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 1.11 of the "Standing Documents" of the 2017/2018 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 valuation experts:

Type of asset	Fair value as of 30 June 2018 (x €1,000)	Assessment method	Unobservable inputs	Min	Max	Weighted average
Healthcare real estate	**1,430,806**	**DCF**	ERV / m²	45	309	134
			Inflation	1.5%	2.0%	1.7%
			Discount rate	4.6%	7.6%	5.8%
			Residual maturity (year)	2	30	22
Apartment buildings	**206,938**	**Capitalisation**	ERV / m²	71	163	118
			Capitalisation rate	4.3%	6.2%	4.9%
Hotels	**67,606**	**DCF**	ERV / m²	51	156	130
			Inflation	1.5%	1.5%	1.5%
			Discount rate	6.7%	8.6%	6.9%
			Residual maturity (year)	2	30	25
		Capitalisation	ERV / m²	0	0	0
			Capitalisation rate	0.0%	0.0%	0.0%
Development projects	**35,183**	**DCF**	ERV / m²	81	242	174
			Inflation	1.5%	2.0%	1.6%
			Discount rate	5.4%	6.9%	6.3%
			Residual maturity (year)	13	28	21
Total	**1,740,533**					

Type of asset	Fair value as of 30 June 2017 (x €1,000)	Assessment method	Unobservable inputs	Min	Max	Weighted average
Healthcare real estate	**1,244,461**	**DCF**	ERV / m²	45	304	133
			Inflation	1.5%	2.0%	1.6%
			Discount rate	5.1%	7.0%	5.8%
			Residual maturity (year)	3	29	22
Apartment buildings	**215,205**	**Capitalisation**	ERV / m²	71	175	119
			Capitalisation rate	4.5%	6.9%	5.4%
Hotels	**68,009**	**DCF**	ERV / m²	79	126	103
			Inflation	1.5%	1.5%	1.5%
			Discount rate	6.3%	6.8%	6.7%
			Residual maturity (year)	20	31	26
		Capitalisation	ERV / m²	86	165	129
			Capitalisation rate	3.5%	5.6%	5.0%
Development projects	**17,175**	**DCF**	ERV / m²	97	306	237
			Inflation	1.5%	1.6%	1.6%
			Discount rate	5.8%	6.9%	6.6%
			Residual maturity (year)	15	27	21
Total	**1,544,849**					

In accordance with legal provisions, properties are revalued four times per year based on valuation reports prepared by the five valuation 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 valuation experts, based on their professional judgment and market knowledge.

Reports provided by the valuation experts are reviewed by the Company's Senior Valuation & Asset Manager, the Senior Manager Group Reporting & Corporate Planning 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 valuation 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 2017/2018 Annual Financial Report.

Note 31: Other tangible assets

(x €1,000)	2018	2017
Gross value at beginning of the period	6,544	5,972
Depreciation and cumulative impairment losses at beginning of period	-4,933	-4,348
Carrying amount at beginning of period	**1,611**	**1,624**
Additions	1,610	598
Disposals	0	-8
Depreciation	-652	-603
CARRYING AMOUNT AT END OF PERIOD	**2,569**	**1,611**
of which: gross value	8,155	6,544
depreciations and cumulative impairment losses	-5,586	-4,933

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)	2018	2017
Receivables		
Collateral	0	0
Other non-current receivables	196	252
Assets at fair value through profit or loss		
Hedging instruments (see Note 33)	1,692	2,707
Other non-current financial assets		
Hedging instruments (see Note 33)	0	0
TOTAL NON-CURRENT FINANCIAL ASSETS	**1,888**	**2,959**
Liabilities at fair value through profit or loss		
Hedging instruments (see Note 33)	-21,877	-16,763
Other	-4,389	-4,146
Total non-current financial liabilities		
Hedging instruments (see Note 33)	-11,333	-17,024
TOTAL OTHER NON-CURRENT FINANCIAL LIABILITIES	**-37,599**	**-37,933**

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 (€4,389 thousand; 30 June 2017: €4,146 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 2017	Notional amount (x €1,000)	Beginning	Periodicity (months)	Duration (years)	First date possible for the call	Interest rate (in %)	Fair value (x €1,000)
IRS°	9,986	1/04/2011	3	32	-	4.89	-5,294
IRS°	25,813	31/07/2014	3	29	-	4.39	-10,199
IRS	15,000	1/07/2018	3	7	-	3.28	-2,746
IRS	12,000	1/07/2018	3	7	-	3.25	-2,171
IRS	8,000	1/07/2018	3	7	-	3.35	-1,501
Cap	25,000	1/11/2015	3	2	-	2.50	0
IRS	25,000	3/04/2017	3	8	-	1.99	-2,811
Cap	25,000	1/11/2014	3	3	-	2.50	0
IRS	25,000	2/11/2016	3	6	-	1.30	-1,444
IRS	25,000	2/11/2016	3	6	-	1.68	-1,932
IRS	25,000	1/01/2015	3	3	-	0.70	-67
Cap	50,000	1/10/2015	3	3	-	0.50	7
Cap	50,000	1/10/2015	3	4	-	0.35	64
IRS	25,000	2/11/2016	3	6	-	1.87	-2,187
IRS	25,000	1/01/2015	3	3	-	0.89	-80
IRS	25,000	3/10/2016	3	5	-	2.88	-3,306
Cap	50,000	1/07/2016	3	4	-	0.50	51
Cap	100,000	1/11/2017	3	2	-	0.50	76
Cap	50,000	1/07/2017	3	4	-	0.50	191
Cap	50,000	1/11/2016	3	5	-	0.50	460
Cap	50,000	1/01/2019	3	2	-	0.35	218
Cap	50,000	1/11/2019	3	2	-	0.50	422
Cap	50,000	1/11/2017	3	4	-	0.25	591
IRS	75,000	2/01/2020	3	2	-	0.33	120
IRS	50,000	1/01/2021	3	3	-	0.80	21
IRS	50,000	1/01/2021	3	2	-	0.64	38
IRS	50,000	1/11/2019	3	3	-	0.39	155
IRS	50,000	1/11/2019	3	5	-	0.78	-49
IRS	50,000	3/01/2022	3	1	-	0.65	80
IRS	50,000	3/01/2022	3	2	-	0.73	214
TOTAL	**1,170,799**						**-31,080**

° 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 2018**	Notional amount (x €1,000)	Beginning	Periodicity (months)	Duration (years)	First date possible for the call	Interest rate (in %)	Fair value (x €1,000)
IRS°	9,789	1/04/2011	3	32	-	4.89	-5,081
IRS°	24,829	31/07/2014	3	29	-	4.39	-9,619
IRS	15,000	1/07/2018	3	7	-	3.28	-2,980
IRS	12,000	1/07/2018	3	7	-	3.25	-2,358
IRS	8,000	1/07/2018	3	7	-	3.35	-1,626
IRS	25,000	3/04/2017	3	8	-	1.99	-2,567
IRS	25,000	2/11/2016	3	6	-	1.30	-1,278
IRS	25,000	2/11/2016	3	6	-	1.68	-1,672
Cap	50,000	1/10/2015	3	3	-	0.50	0
Cap	50,000	1/10/2015	3	4	-	0.35	3
IRS	25,000	2/11/2016	3	6	-	1.87	-1,875
IRS	25,000	3/10/2016	3	5	-	2.88	-2,728
Cap	50,000	1/07/2016	3	4	-	0.50	2
Cap	100,000	1/11/2017	3	2	-	0.50	2
Cap	50,000	1/07/2017	3	4	-	0.50	39
Cap	50,000	1/11/2016	3	5	-	0.50	203
Cap	50,000	1/01/2019	3	2	-	0.35	52
Cap	50,000	1/11/2019	3	2	-	0.50	202
Cap	50,000	1/11/2017	3	4	-	0.25	277
IRS	75,000	2/01/2020	3	2	-	0.33	-243
IRS	50,000	1/01/2021	3	3	-	0.80	-266
IRS	50,000	1/01/2021	3	2	-	0.64	-155
IRS	50,000	1/11/2019	3	3	-	0.39	-176
IRS	50,000	1/11/2019	3	5	-	0.78	-578
IRS	50,000	3/01/2022	3	1	-	0.65	-8
IRS	50,000	3/01/2022	3	2	-	0.73	31
CAP	50,000	1/11/2017	3	2	-	0.00	25
CAP	50,000	1/11/2017	3	2	-	0.00	25
CAP	100,000	1/04/2019	3	2	-	0.25	192
CAP	100,000	1/01/2019	3	2	-	0.00	216
CAP	100,000	1/01/2019	3	3	-	0.00	423
TOTAL	**1,469,618**						**-31,518**

° 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 €1,470 million presented in the table above is broken down as follows:

- operational and active instruments: €160 million;
- operational instruments which became out of the money (caps): €500 million;
- instruments with forward start: €810 million.

The total fair value of the hedging instruments presented in the table above (-€31,518 thousand) can be broken down as follows: €1,692 thousand on line I.E. of the asset side of the consolidated balance sheet (see Note 32) and €33,210 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 (€3,921 thousand), the IAS 39 impact on equity amounts to -€35,439 thousand.

2. Derivatives for which hedge accounting is applied

(x €1,000)	2018	2017
Changes in fair of the derivatives		
Beginning of the year	-16,418	-23,560
Changes in the effective portion of the fair value of hedging instruments (accrued interests)	-3,551	410
Transfer to the income statement of interests paid on hedging instruments	2,703	6,732
Transfer to the reserve account regarding revoked designation	5,976	0
AT YEAR-END	**-11,290**	**-16,418**

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 2018 and 31 July 2043.

The year-end equity value includes the effective part (as defined in IAS 39) of the change in fair value (-€870 thousand) of derivatives for which hedge accounting is applied, and the ineffective portion of the 2016/2017 financial year (income of €22 thousand) that was appropriated in 2017/2018 by decision of the Annual General Meeting held in October 2017. These financial instruments are “level 2” derivatives (according to IFRS 13p81). The ineffective part is a charge of €11 thousand in 2017/2018. 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 chargeof €502 thousand (30 June 2017: an income of €6,053 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) and the amortisation of the fair value of de-designated derivatives as of their date of de-designation charged on a linear basis, which amounts to €831 thousand (see Note 47). The latter is recognised on line “II. H. Other comprehensive income, net of taxes” of the consolidated comprehensive income. 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 €821 thousand (30 June 2017: €404 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 2017 and 30 June 2018, which led to the recognition of a charge of €1,344 thousand in the income statement and a charge of €40 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 €1,389 thousand (30 June 2017: €2,022 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. +€517 thousand (30 June 2017: +€306 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)	2018	2017
TRADE RECEIVABLES - NET VALUE	**7,518**	**6,718**

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 (2018: €33.6 million; 2017: €31.8 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)	2018	2017
under 90 days	787	826
over 90 days	326	258
Subtotal	1,113	1,084
Not due	6,515	5,717
Write-downs	-110	-83
CARRYING AMOUNT	**7,518**	**6,718**

Write-downs have evolved as follows:

(x €1,000)	2018	2017
At beginning of period	-83	-113
Addition	-76	-69
Utilisation	31	55
Reversal	18	44
Mergers	0	0
AT END OF PERIOD	**-110**	**-83**

Note 35: Tax receivables and other current assets

(x €1,000)	2018	2017
Tax	186	897
Other	260	782
TOTAL	**446**	**1,679**

Tax receivables are composed mainly of prepayments.

Note 36: Cash and cash equivalents

(x €1,000)	2018	2017
Short-term deposits	0	0
Cash at bank and in hands	10,589	8,135
TOTAL	**10,589**	**8,135**

Cash and cash equivalents are assets which generate interest at varying rates. The amounts presented above were available as of 30 June 2018 and 30 June 2017. Short-term deposits 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)	2018	2017
Accrued rental income	93	481
Deferred property charges	818	405
Other	32	0
TOTAL	**943**	**886**

Note 38 : Equity

Aedifica shareholders holding more than 5% of the Company's capital are listed in the table below (as of 30 June 2018, based on the number of shares held by the shareholders concerned as of 5 January 2018 – see chapter "Aedifica on the stock market", section 3). As of the date of this report (4 September 2018), the Company has not received any additional declarations of transparency since 5 January 2018. According to the definition of Euronext, Aedifica's free float amounts to 100 %.

SHAREHOLDERS	Share in capital (in %)
Black Rock, Inc.	5.09
Others < 5 %	94.91
Total	**100.00**

Aedifica has completed a capital increase by way of a contribution in kind during the 2017/2018 financial year:

- 7 June 2018: capital increase of approx. €16 million (including share premium) by way of a contribution in kind that enabled the acquisition of two healthcare real estate sites located in The Netherlands (Zorghuis Smakt and Zorgresidentie Mariëndaal).

The capital has thus evolved as follows:

	Number of shares	Capital (x €1,000)
Situation at the beginning of the previous year	14,192,032	374,496
Capital increase	3,783,788	99,846
Situation at the end of the previous year	**17,975,820**	**474,342**
Capital increase of 7 June 2018	225,009	5,937
Situation at the end of the year	**18,200,829**	**480,280**

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.

All of the 18,200,829 shares issued as of 30 June 2018 are listed on Euronext Brussels (regulated market).

Capital increases are detailed in the "Standing Documents" included in the 2017/2018 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

- 1) €374,000 thousand 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 thousand 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 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 28 October 2016. 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. As of 30 June 2018, the remaining balance of the authorised capital amounts to 1) €271,453,773.66 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) €67,122,184.03 for any other type of capital increase.

The Board of Directors has proposed a dividend distribution of €2.50 gross per share for the year ended 30 June 2018, i.e. a total dividend of €45,502 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 €24,226 thousand as of 30 June 2018, after taking into account the dividend proposed above (2017: €19,415 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 % 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, Management 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 that are self-employed.

Under these schemes, Aedifica had externalised assets amounting to 490 k€ as of 30 June 2018. During the 2018/2019 financial year, the expected contribution for the schemes will amount to 148 k€.

An actuarial valuation where the liabilities (Traditional unit credit method approach - TUC) are based on the actual build up minimum reserves projected with the minimum guaranteed return and discounted with the discount rate as described by IAS 19 and where the assets are set equal to individual mathematical reserves with addition of the reserves of the available financing funds leads to a total liability of less than 8 k€ as at 30 June 2018.

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 2017/2018 Annual Financial Report.

In Germany, a supplementary defined contribution plan was introduced during the 2015/2016 accounting year. For this plan, no provision has been taken into account as, according to IAS 19, it does not concern a defined benefit plan.

Note 40: Borrowings

(x €1,000)	2018	2017
Non-current financial debts		
Borrowings	716,927	579,438
Current financial debts		
Borrowings	22,830	34,524
TOTAL	**739,757**	**613,962**

The increase in the borrowings is linked to the growth of the real estate portfolio during the course of the 2017/2018 financial year.

As of 30 June 2018, 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 fifteen credit providers, of which twelve banks (Bank für Sozialwirtschaft, Bank Degroof Petercam, Banque Européenne du Crédit Mutuel, Belfius Bank, BNP Paribas Deutschland, BNP Paribas Fortis, Caisse d'Epargne et de Prévoyance Nord France Europe, Deutsche Postbank, Förde Sparkasse, ING, KBC Bank and Triodos Bank), an insurance company (Argenta Assuranties), a savings bank (Argenta Spaarbank) and a syndicated banking group (Groupe BPCE), totalling €1,215 million:

- Aedifica can use up €1,130 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 €51 million at fixed rates between 1.4 % and 6.0 % and €34 million at variable rate.

The average interest rate, including the spread charged by the banks and the effect of hedging instruments, was 2.0 % after deduction of capitalised interest (2.3 % in 2016/2017) and 2.1 % before deduction of capitalised interest (2.3 % in 2016/2017). Given the short duration of the withdrawals, the carrying amount of the variable-rate financial debts is an approximation for their fair value (€689 million). The hedges in place as of 30 June 2018 are detailed in Note 33. The fair value of the fixed-rate financial debts (€51 million) is estimated at €58 million.

As of 30 June 2018, the Group has neither pledged any Belgian or Dutch 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 30 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
– 2018/2019 :	38	18
– 2019/2020 :	80	80
– 2020/2021 :	90	90
– 2021/2022 :	171	122
– 2022/2023 :	195	90
– 2023/2024 :	185	74
– > 2024/2025 :	455	268
Total as of 30 June 2018	**1,215**	**742**
Weighted average maturity (years)	**5.1**	**4.9**

Note 41: Trade payables and other current debts

(x €1,000)	2018	2017
Exit tax	8,818	717
Other		
Suppliers	15,923	14,896
Tenants	6,772	2,021
Tax	4,489	2,246
Salaries and social charges	1,278	1,066
Dividends of previous years	23	23
TOTAL	**37,303**	**20,969**

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) will be settled within 12 months. The carrying amount constitutes an approximation of their fair value.

The increase of the “exit tax” line relates to a refund of prepayments by the tax authorities.

The increase of the “tenants” line is related to the establishment of a temporary checking account with an operator, which will be reimbursed within 12 months.

Note 42: Accrued charges and deferred income

(x €1,000)	2018	2017
Property income received in advance	1,349	1,003
Financial charges accrued	1,990	2,003
Other accrued charges	787	1,907
TOTAL	**4,126**	**4,913**

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)	2018	2017
Cleaning costs (see Note 10)	-186	-229
Technical costs (see Note 11)	-583	-455
Commercial costs	-83	-77
Overheads (see Note 16)	-2,418	-1,926
Property management costs (see Note 14)	-1,127	-864
Capitalised costs	-85	-78
TOTAL	**-4,482**	**-3,629**

Headcount at the year-end (excluding Executive Managers and Directors):

	2018	2017
Total excluding trainees and students	65	47
Trainees	0	1
Students	1	0
TOTAL	**66**	**48**

Note 44: Financial risk management

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

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 2018, it amounts to 42.5 % on statutory level and to 44.3 % 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 four Securities Notes (2010, 2012, 2015 and 2017) that its policy in this area focuses on maintaining an appropriate debt-to-assets ratio over the long term 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 €11 million as of 30 June 2018.

As of 30 June 2018, Aedifica has neither pledged any Belgian or Dutch 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 30 buildings in Germany are linked to a mortgage as of 30 June 2018, respecting the requirements laid down in Article 43 of the Belgian Law 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.

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. Details of Aedifica's credit facilities are disclosed in Note 40.

As of 30 June 2018, Aedifica is using committed credit facilities totalling €742 million (2017: €615 million), out of €1,215 million in total available confirmed credit. The remaining headroom of €473 million is sufficient to cover Aedifica's short-term financial needs (including the development projects in progress) until the end of the 2018/2019 financial year. The investment amount that is budgeted in the Company's financial plan for the existing projects as of 30 June 2018 is estimated at €459 million, to be invested over a three-year period. €23 million should be added to that amount for the acquisitions announced on 12 July (€19 million) and 19 July (€4 million), as well as €150 million for a hypothetical investment, which brings the total net investment included in the financial plan for the 2018/2019 financial year to €400 million. This amount does not include any positive cash flow corresponding to possible disinvestments (including the possible sale of Immobe shares).

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 may 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 (covenants), which were included in the credit facility arrangements to take into account key financial ratios, the facilities might indeed be cancelled, renegotiated, or forced into repayment. The covenants in place are in line with market practice and notably 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 which could lead to the early termination of credit facilities, such as in the event of a change of control.

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. For this reason, Aedifica started a multi-term treasury notes programme in late June 2018. The treasury notes are fully covered by the available funds on confirmed long term credit lines. As such, they do not increase the liquidity risk.

As of 30 June 2018, the undiscounted future cash flows related to the credit facilities include €500 million maturing within 1 year, €123 million maturing within 1 to 5 years, and €119 million maturing in more than 5 years. The credit facilities also give rise to an interest expense of €6 million that is due within 1 year (2017: €530 million capital and €4.0 million interest within 1 year).

The undiscounted contractual future cash flows related to hedging instruments are analysed as follows:

As at 30 June 2018 (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	-3,359	-10,986	-3,414	-17,760
Derivatives for which hedge accounting is not applied	-2,121	-8,008	-7,372	-17,501

As at 30 June 2017 (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	-3,381	-10,556	-3,102	-17,039
Derivatives for which hedge accounting is not applied	-1,504	-7,941	-8,505	-17,950

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. On 30 June 2018, 95 % of the drawings on the variable-rate credit facilities (30 June 2017: 82 %) are covered by hedging instruments (swaps and caps).

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 shows little variation in relation to 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 100 bps positive deviation (increase) in the 2018/2019 interest rates over the forecast rates would lead to an approx. additional €8.3 million interest expense for the year ended 30 June 2019. Taking into account the hedging instruments at present, the interest expense would amount to just €2.2 million.

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. 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, since at least 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.

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. Such clauses allow the lending banks to increase the cost price of the granted credit at the expense of the Company and its subsidiaries, among other things, in case these banks are subjected by their supervisory authority to more severe solvability, liquidity or other capital requirements. 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.

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 European banks to diversify its funding and hedging sources, while remaining cautious about the balance between cost and quality of the services provided. 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 material adverse change clauses ("MAC" 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, BNP Paribas Fortis, KBC and Banque Européenne du Crédit Mutuel.

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). The borrowings of the Company are all denominated in euros. Thus, Aedifica is not exposed to significant foreign exchange risk.

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 Aedifica's performance and the market's confidence in the Company, 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).

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 rest home for a budget of approx. €2 million. Works are currently in progress.

1.2 Extension of the Kasteelhof rest home in Dendermonde (Belgium)

Aedifica committed to finance the extension of the rest home, which includes construction of an assisted-living apartments complex, for a budget of approx. €3 million. Works are currently being prepared.

1.3 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 extension, which includes construction of a 12-unit assisted-living apartments complex), of the rest home for a budget of approx. €2 million. Works are currently in progress.

1.4 Renovation and xtension of the Plantijn rest home in Kapellen (Belgium)

Under the long lease with Armonea, Aedifica committed to finance the renovation and extension of the rest home for a budget of approx. €5 million. Works are currently in progress.

1.5 Extension of the Heydeveld rest home in Opwijk (Belgium)

Aedifica committed to finance the extension of the rest home for a budget of approx. €4 million. Works are currently in progress.

1.6 Renovation and extension of the Huize Lieve Moenssens rest home in Dilsen-Stokkem (Belgium)

Aedifica committed to finance the renovation and extension of the rest home for a budget of approx. €4 million. Works are currently in progress.

1.7 Extension and renovation of the De Stichel rest home in Vilvoorde (Belgium)

Aedifica committed to finance the extension and renovation of the rest home for a budget of approx. €4 million. Works are currently in progress.

1.8 Renovation of the rest home in Bonn (Germany)

Aedifica committed to finance the renovation of the rest home located in Bonn for a budget of approx. €1 million. Works are currently in progress.

1.9 Renovation of the Vinkenbosch rest home in Kermt (Belgium)

Aedifica committed to finance the renovation of the rest home for a budget of approx. €2 million. Works are currently in progress.

1.10 Renovation of the Frohnau rest home in Berlin (Germany)

Aedifica Luxemburg IV SCS committed to finance the renovation of the rest home for a budget of approx. €1 million. Works are currently being prepared

1.11 Renovation of the Residenz Zehlendorf rest home in Berlin (Germany)

Aedifica Luxemburg VI SCS committed to finance the renovation of the rest home for a budget of approx. €5 million. Works are currently in progress.

1.12 Construction of the LTS Winschoten care residence in Winschoten (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Winschoten (The Netherlands), for a budget of approx. €11 million. The site will be operated by Stichting Oosterlengte. Works are currently in progress.

1.13 Renovation of the Seniorenresidenz Laurentiusplatz rest home in Wuppertal-Elberfeld (Germany)

Aedifica committed to finance the extension of the rest home for a budget of approx. €3 million. Works are currently in progress.

1.14 Extension of the De Duinpieper rest home in Ostend (Belgium)

Aedifica committed to finance certain extension and renovation works for a budget of approx. €2 million. Works are currently in progress.

1.15 Acquisition of a rest home in Mechelen (Belgium)

Aedifica signed an agreement to acquire a new rest home in Mechelen. The contractual value of this property will amount to approx. €15 million.

1.16 Extension of the Uilenspiegel rest home in Genk (Belgium)

Aedifica committed to finance the extension of the rest home, which includes construction of an assisted-living apartments complex, for a budget of approx. €2 million.

1.17 Extension of the Sorgvliet rest home in Linter (Belgium)

Aedifica committed to finance the extension of the rest home, which includes construction of additional rooms and an assisted-living apartments complex, for a budget of approx. €5 million.

1.18 Construction of the Martha Flora Rotterdam care residence in Rotterdam (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Rotterdam for a budget of approx. €6 million. The site will be operated by the Martha Flora group. Works are currently in progress.

1.19 Construction of the Huize De Compagnie care residence in Ede (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Ede for a budget of approx. €7 million. The site will be operated by the Compartijn group. Works are currently in progress.

1.20 Cooperation agreement for the construction and acquisition of two senior housing sites in Leeuwarden and Heerenveen (The Netherlands)

Aedifica signed a cooperation agreement (subject to outstanding conditions) for the construction and acquisition of two seniors apartment buildings in Leeuwarden and Heerenveen. The budget that will be financed by Aedifica amounts to approx. €40 million (including the amount for the plots of land). The sites will be operated by Stichting Rendant. Works are currently being prepared.

1.21 Cooperation agreement for the construction of 17 rest homes in Germany

Aedifica signed a cooperation agreement (subject to outstanding conditions) with Specht Gruppe for the construction and acquisition of seventeen rest homes in northern Germany. The Company also announced an expansion of this cooperation, which includes the additional construction and acquisition of seniors apartment buildings and houses for seniors on 8 of the 17 sites. The budget that will be financed by Aedifica amounts to approx. €245 million (including the amount for the plots of land).

1.22 Construction of the Huize Ter Beegden care residence in Beegden (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Beegden, near Roermond, for a budget of approx. €4 million. The site will be operated by the Compartijn group. Works are currently in progress.

1.23 Construction of the Martha Flora Bosch en Duin care residence in Bosch en Duin (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Bosch en Duin, a part of the municipality of Zeist, for a budget of approx. €5 million. The site will be operated by the Martha Flora group. Works are currently in progress.

1.24 Renovation of the De Merenhoef rest home in Maarssen (The Netherlands)

Aedifica Nederland BV committed to finance the renovation of a rest home for a budget of approx. €8 million. The site will be operated by Stichting Leger des Heils Welzijns- en Gezondheidszorg. Works are currently in progress.

1.25 Construction of the Huize Roosdael care residence in Roosendaal (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Roosendaal for a budget of approx. €5 million. The site will be operated by the Compartijn group. Works are currently in progress.

1.26 Construction of a care residence in Leusden (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Leusden for a budget of approx. €3 million. The site will be operated by the Stepping Stones Home & Care group. Works are currently in progress.

1.27 Construction of the September Nijverdal care residence in Nijverdal (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Nijverdal for a budget of approx. €3 million. The site will be operated by the Wonen bij September group. Works are currently in progress.

1.28 Construction of the Huize Groot Waardijn care residence in Tilburg (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Tilburg for a budget of approx. €5 million. The site will be operated by the Compartijn group. Works are currently in progress.

1.29 Construction of the Huize Eresloo care residence in Eersel (The Netherlands)

Aedifica Nederland BV committed to finance the construction of a new care residence in Eersel for a budget of approx. €5 million. The site will be operated by the Compartijn group. Works are currently in progress.

1.30 Acquisition of four operational healthcare sites and construction of a rest home in Germany

Aedifica signed an agreement for the acquisition of four operational senior housing sites (Seniorenzentrum Sonneberg in Sonneberg, Seniorenzentrum Haus Cordula I and II in Rothenberg and Hansa Pflege- und Betreuungszentrum Dornum in Dornum) and a rest home (upon completion of construction; Seniorenzentrum Weimar in Weimar). The sites are/will be operated by the Azurit group. The contractual value will amount to approx. €39 million in total.

1.31 Acquisition of the SARA Seniorenresidenz senior housing site in Bitterfeld-Wolfen (Germany)

Aedifica signed an agreement for the acquisition of a senior housing site in Bitterfeld-Wolfen. The site is operated by SARA, a private German player in the local senior care market. The contractual value will amount to approx. €10 million.

1.32 Earn-outs

For some acquisition deals, a portion of the acquisition price has been set based on future contingent events, such as the payment of an earn-out, upon completion of a care residence within the limits of the maximum budget committed by Aedifica.

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/tenants. Aedifica also benefits from a number of preferential rights granted by rest homes lessees/tenants.
- Sale or purchase options (related to some development projects): in some 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	Business segment	Properties valuation° (in million €)	Register of corporations	Acquisition date°°	Acquisition method
Seniorenheim am Dom	Healthcare real estate	10	-	28/07/2017	Acquisition of a building
Huize de Compagnie	Healthcare real estate	2	-	10/07/2017	Acquisition of a building via Aedifica Nederland BV
Huize Hoog Kerckebosch	Healthcare real estate	8	-	24/08/2017	Acquisition of a building via Aedifica Nederland BV
Dujofin BVBA	Healthcare real estate	10	0446.022.925	8/09/2017	Acquisition of shares and acquisition of a building
Martha Flora Den Haag	Healthcare real estate	9	-	12/09/2017	Acquisition of a building via Aedifica Nederland BV
Huize Ter Beegden	Healthcare real estate	0	-	12/09/2017	Acquisition of a building via Aedifica Nederland BV
Martha Flora Rotterdam	Healthcare real estate	2	-	26/09/2017	Acquisition of a building via Aedifica Nederland BV
Martha Flora Bosch en Duin	Healthcare real estate	2	-	8/11/2017	Acquisition of a building via Aedifica Nederland BV
Seniorenresidenz an den Kienfichten	Healthcare real estate	7	-	30/11/2017	Acquisition of a building
Aedifica Residenzen Nord GmbH	Healthcare real estate	28	HRB110850	8/12/2017	Acquisition of shares
De Merenhoef	Healthcare real estate	3	-	19/12/2017	Acquisition of a building via Aedifica Nederland BV
Huize Roosdael	Healthcare real estate	1	-	9/01/2018	Acquisition of a building via Aedifica Nederland BV
Leusden	Healthcare real estate	1	-	24/01/2018	Acquisition of a building via Aedifica Nederland BV
Martha Flora Hoorn	Healthcare real estate	1	-	1/02/2018	Acquisition of a building via Aedifica Nederland BV
September Nijverdal	Healthcare real estate	1	-	16/02/2018	Acquisition of a building via Aedifica Nederland BV
Huize Groot Waardijn	Healthcare real estate	1	-	27/02/2018	Acquisition of a building via Aedifica Nederland BV
Huize Eresloo	Healthcare real estate	1	-	16/03/2018	Acquisition of a building via Aedifica Nederland BV
Haus Zur Alten Berufsschule	Healthcare real estate	9	-	17/04/2018	Acquisition of a building
Pflegeteam Odenwald	Healthcare real estate	3	-	31/05/2018	Acquisition of a building
Park Residenz	Healthcare real estate	11	-	1/06/2018	Acquisition of a building
Zorghuis Smakt	Healthcare real estate	3	-	7/06/2018	Acquisition of a building via Aedifica Nederland BV
Zorgresidentie Mariëndaal	Healthcare real estate	13	-	7/06/2018	Acquisition of a building via Aedifica Nederland BV
TOTAL		**127**			

° 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.

The main disposals of the financial year are the following:

DISPOSALS	Business segment	Selling price (in million €)	Disposals date
Building located avenue de Broqueville 8 in 1150 Brussels (Belgium)	Apartment buildings	1	19/09/2017 + 25/10/2017
Plot of land located between avenue Louise, rue Vilain XIIII and rue du Lac in 1050 Brussels (Belgium)	Hotels	1	4/12/2017
Assisted-living apartments located Jan Hammeneckerlaan 4-4A in 3200 Aarschot (Belgium)	Healthcare real estate	0	22/12/2017
Building Ring located Plantin et Moretuslei 107-115 in 2018 Antwerp (Belgium)	Hotels	13	27/06/2018
TOTAL		**16**	

All these operations are detailed in the Consolidated Board of Directors' Report.

Note 47: Changes in fair value of financial assets and liabilities

(x €1,000)	2018	2017
Authorised hedging instruments		
Authorised hedging instruments qualifying for hedge accounting as defined under IFRS	-11	22
Authorised hedging instruments not qualifying for hedge accounting as defined under IFRS	-1,332	6,053
Subtotal	-1,343	6,075
Other	-814	-956
TOTAL	**-2,157**	**5,119**

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 members of the Board of Directors and the Management Committee (€2,933 thousand in 2017/2018; €2,359 thousand in 2016/2017).

(x €1,000)	2018	2017
Short-term benefits	2,700	2,183
Post-employment benefits	193	153
Other long-term benefits	0	0
Termination benfits	0	0
Share-based payments	40	23
Total	**2,933**	**2,359**

Note 49: Subsequent events

— First execution of the cooperation agreement with Specht Gruppe in Germany: construction of three care campuses

On 11 July 2018, Aedifica acquired the plots of land on which three of the seventeen rest homes announced in the cooperation agreement with Specht Gruppe will be built (see section 2.1.2 above). The acquisition took place through the takeover of Specht Gruppe Eins mbH (by Aedifica Invest SA). Aedifica also signed an agreement with Residenz Baugesellschaft (an entity of Specht Gruppe) for the construction of these three rest homes, which will be located in Kaltenkirchen, Schwerin and Lübbecke. Construction works have already begun. The first buildings are expected to be completed during the second half of 2019. The contractual value of these three plots of land amounts to approx. €4 million. Aedifica's total investment (including works) will ultimately amount to approx. €40 million. The operation will be financed using Aedifica's credit facilities. Upon completion, all sites will be leased to Residenz Management GmbH, also an entity of Specht Gruppe, and will be operated by high quality operators. They will be leased on the basis of irrevocable 30-year long leases and, in addition, will benefit from a triple net warranty of limited duration that will cover the buildings' maintenance. Gross yields will amount to approx. 5.5 %.

— Acquisition of 4 healthcare sites in Bad Sachsa (State of Lower-Saxony, Germany

On 12 July 2018, Aedifica announced the signing of an agreement for the acquisition of four healthcare sites in Germany. The four sites benefit from a central location in Bad Sachsa (State of Lower-Saxony, Germany). The buildings were constructed in different years and have undergone several renovations and extensions. They can welcome 221 residents in total. The first site has a capacity of 70 units catering to seniors requiring continuous care, while the second site has a capacity of 64 units intended for individuals with severe neurological damage or suffering from mental health disorders. The third and fourth sites have capacities of 74 and 13 units, respectively, and are intended for individuals suffering from mental health disorders. The agreement for the acquisition of these four sites by Aedifica SA is subject to the usual conditions in Germany, which are mainly of administrative nature and which should be fulfilled soon. The purchase price will be paid and the property and full use of the buildings will automatically be acquired at that time. The contractual value amounts to approx. €19 million. The operation will be financed using Aedifica's credit facilities. The sites will be operated by an entity of Argentum Holding GmbH under irrevocable 30-year double net long leases. The initial gross yield amounts to approx. 7 %.

— Agreement signed for the apartment buildings segment

As previously announced, Aedifica is preparing to transfer its "apartment buildings" branch of activities to a new subsidiary, Immobe SA. Effective 1 July 2018, Immobe is authorised by the FSMA as an Institutional Regulated Real Estate Company ("IRREC") under Belgian law. Aedifica anticipates that the transfer of this branch of activities could take place at the end of the third quarter of 2018. On 12 July 2018, after conducting the due diligence, Aedifica and the candidate-partner (which is an international investor represented by CODABEL) signed the final agreement, subject to usual outstanding conditions, for the sale (in two phases) of up to 75 % (minus one share) in Immobe SA. The first phase comprises the transfer of 50 % (minus one share) of the shares in Immobe SA. The completion of this phase is expected to take place during the fourth quarter of 2018.

— Acquisition and redevelopment of a care residence in Berkel-Enschot (Province of North Brabant, The Netherlands)

On 19 July 2018, Aedifica announced the acquisition and redevelopment of a care residence in The Netherlands. The Sorghuys Tilburg care residence is located in a green, residential area of Berkel-Enschot, part of Tilburg (214,000 inhabitants, Province of North Brabant). Extension works will be carried out and the current villa will be entirely redeveloped into a modern residential care facility for seniors requiring continuous care. The care residence is expected to be completed in the third quarter of 2019 and will have a capacity of 22 residents. Aedifica Nederland BV, a 100 % subsidiary of Aedifica SA, acquired the full property of the plot of land (including the building located thereon). The contractual value amounts to approx. €1 million. The construction will be carried out by Sorghuys Tilburg BV and delivered turnkey to Aedifica. Approx. €3 million has been budgeted for construction works; the total investment (including works) will amount to approx. €4 million. The operation will be financed using Aedifica's credit facilities. The care residence will be operated by Blueprint Group in partnership with Boeijend Huys, under the Zorghuis Nederland brand, under an irrevocable 25-year triple net long lease. Upon completion of the works, the gross yield will amount to approx. 6.5 %.

— Acquisition of four healthcare sites in Germany

Late August 2018, Aedifica acquired four healthcare sites in Germany given fulfilment of the outstanding conditions, as announced in the press release of 4 June 2018. See section 2.1.2 for a more detailed account of the acquired sites. The purchase price was paid and Aedifica SA acquired the property and full use of the building. The operation was financed using Aedifica's credit facilities.

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)	2018	2017
Profit (loss)	63,357	57,040
Depreciation	798	678
Write-downs	55	28
Other non-cash items	4,702	-4,775
Gains and losses on disposals of investment properties	-790	-1,485
Changes in fair value of investment properties	-12,696	-9,434
Roundings	-1	1
Corrected profit	55,425	42,053
Denominator° (in shares)	18,200,829	15,323,388
CORRECTED PROFIT PER SHARE° (in € per share)	**3.05**	**2.74**

° 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 SCS, Aedifica Luxemburg II SCS, Aedifica Luxemburg III SCS, Aedifica Luxemburg IV SCS, Aedifica Luxemburg V SCS, Aedifica Luxemburg VI SCS, Aedifica Nederland BV, VSP SA, VSP Kasterlee SA, Het Seniorenhof SA, Compagnie Immobilière Beerzelhof SA, Avorum SA, Coham SA, Residentie Sorgvliet SPRL and WZC Arcadia SPRL), the percentage of equity held by Aedifica is unchanged as compared to 30 June 2017.

NAME	Country	Category	Register of corporations	Capital held (in %)
Aedifica Invest NV°	Belgium	Subsidiary	0879.109.317	100
Aedifica Invest Brugge NV°	Belgium	Subsidiary	0899.665.397	100
Immobe NV°	Belgium	Subsidiary	0697.566.095	100
Aedifica Asset Management GmbH°°	Germany	Subsidiary	HRB100562	100
Aedifica Project Management GmbH°°	Germany	Subsidiary	HRB111389	100
Schloss Bensberg Management GmbH°°°°°	Germany	Subsidiary	HRB47122	100
Aedifica Residenzen Nord GmbH°°	Germany	Subsidiary	HRB110850	94
Aedifica Luxemburg I SCS°°°	Luxembourg	Subsidiary	B128048	94
Aedifica Luxemburg II SCS°°°	Luxembourg	Subsidiary	B139725	94
Aedifica Luxemburg III SCS°°°	Luxembourg	Subsidiary	B143704	94
Aedifica Luxemburg IV SCS°°°	Luxembourg	Subsidiary	B117441	94
Aedifica Luxemburg V SCS°°°	Luxembourg	Subsidiary	B117445	94
Aedifica Luxemburg VI SCS°°°	Luxembourg	Subsidiary	B132154	94
Aedifica Nederland BV°°°°	The Netherlands	Subsidiary	65422082	100
VSP NV°	Belgium	Subsidiary	0425.057.859	100
VSP Kasterlee NV°	Belgium	Subsidiary	0877.687.276	100
Het Seniorenhof NV°	Belgium	Subsidiary	0434.691.543	100
Compagnie Immobilière Beerzelhof NV°	Belgium	Subsidiary	0475.364.039	100
Avorum NV°	Belgium	Subsidiary	0870.199.371	100
Coham NV°	Belgium	Subsidiary	0456.236.332	100
Residentie Sorgvliet BVBA°	Belgium	Subsidiary	0470.494.639	100
WZC Arcadia BVBA°	Belgium	Subsidiary	0554.950.658	100
Dujofin BVBA°	Belgium	Subsidiary	0446.022.925	100

° Located Rue Belliard 40 in 1040 Brussels (Belgium).
°° Located Mainzer Landstr. 46 in 60325 Frankfurt am Main (Germany).
°°° Located rue Guillaume J. Kroll 7 in 1882 Luxembourg (Luxembourg).
°°°° Located Herengracht 466 in 1017 CA Amsterdam (The Netherlands).
°°°°° Located Im Schloßpark 10 in 51429 Bergisch-Gladbach (Germany).

Note 52: Belgian RREC status

(x €1,000)	2018	2017
Consolidated debt-to-assets ratio (max. 65%)		
Total liabilities	824,996	682,083
Corrections	-43,547	-43,006
Total liabilities according to the Royal Decree of 13 July 2014	781,449	639,077
Total assets	1,766,643	1,570,122
Corrections	-1,692	-2,707
Total assets according to the Royal Decree of 13 July 2014	1,764,951	1,567,415
Debt-to-assets ratio (in %)	**44.3%**	**40.8%**
STATUTORY PAY-OUT RATIO		
Statutory corrected profit	55,425	42,053
Proposed dividend	45,502	34,478
PAY-OUT RATIO (MIN. 80%)	**82%**	**82%**

Prohibition to invest more than 20 % of assets in real estate assets that form a single property
See section 1.4 of the “Risk Factors” chapter of 2017/2018 Annual Financial Report.

Valuation of investment properties by a valuation expert
Aedifica’s properties are valued quarterly by the following valuation experts: Winssinger & Associés SA, Deloitte Consulting & Advisory SCRL, IP Belgium SPRL, CBRE GmbH and DTZ Zadelhoff VOF.

Note 53: Audit fees

(x €1,000)	2018	2017
Statutory audit (Aedifica SA)	38	37
Statutory audit (subsidiaries)	191	78
Opinion reports foreseen in the Belgian Companies Code (Aedifica SA)	15	18
Other opinion reports (comfort letter, etc.) (Aedifica SA)	26	34
Tax advice missions	7	0
Other missions unconnected with the statutory audit	0	0
TOTAL	**277**	**167**

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 1/07/2016	**676**	**-2,881**
Originations	446	47
Reversals	-532	-1,502
Scope changes	618	30
CARRYING AMOUNT AS OF 30/06/2017	**1,208**	**-4,306**

(x €1,000)	Assets	Liabilities
CARRYING AMOUNT AS OF 1/07/2017	**1,208**	**-4,306**
Originations	699	350
Reversals	-2,225	-1,338
Scope changes	318	-917
CARRYING AMOUNT AS OF 30/06/2018	**0**	**-6,211**

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 2018
Investment properties	-	-	1,736,463	**1,736,463**
Assets classified as held for sale	-	-	4,070	**4,070**
Non-current financial assets	-	1,888	-	**1,888**
Trade receivables	-	7,518	-	**7,518**
Tax receivables and other current assets	-	446	-	**446**
Cash and cash equivalents	10,589	-	-	**10,589**
Non-current financial debts (a. Borrowings)	-	-723,793	-	**-716,927**
Other non-current financial liabilities	-	-37,599	-	**-37,599**
Current financial debts (a. Borrowings)	-	-22,830	-	**-22,830**
Trade debts and other current debts (b. Other)	-	-28,485	-	**-28,485**

(x €1,000)	Level 1	Level 2	Level 3	Carrying amounts of the balance sheet 2017
Investment properties	-	-	1,540,409	**1,540,409**
Assets classified as held for sale	-	-	4,440	**4,440**
Non-current financial assets	-	2,959	-	**2,959**
Trade receivables	-	6,718	-	**6,718**
Tax receivables and other current assets	-	1,679	-	**1,679**
Cash and cash equivalents	8,135	-	-	**8,135**
Non-current financial debts (a. Borrowings)	-	-587,961	-	**-579,438**
Other non-current financial liabilities	-	-37,933	-	**-37,933**
Current financial debts (a. Borrowings)	-	-34,524	-	**-34,524**
Trade debts and other current debts (b. Other)	-	-20,252	-	**-20,252**

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 SCS, Aedifica Luxemburg II SCS, Aedifica Luxemburg III SCS, Aedifica Luxemburg IV SCS, Aedifica Luxemburg V SCS, Aedifica Luxemburg VI SCS and Aedifica Residenzen Nord GmbH, 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).

Note 57: Alternative Performance Measures (APM)

For many years, Aedifica has been using Alternative Performance Measures in its financial communications based on ESMA (European Securities and Market Authority) guidelines published on 5 October 2015. Some of these APM are recommended by the European Public Real Estate Association (EPRA) while others have been defined by the industry or by Aedifica; the aim is to provide readers with a better understanding of the Company's results and performance. The APM used in this annual financial report are identified with an asterisk (*). Performance measures defined by IFRS standards or by Law are not considered APM, nor are those measures that are not based on the consolidated income statement or the balance sheet. In this appendix, the APM are defined, annotated and connected with the most relevant line, total or subtotal of the financial statements.

Note 57.1: Investment properties

Aedifica uses the performance measures presented below to determine the value of its investment properties; however, these measures are not defined under IFRS. They reflect alternate clustering of investment properties with the aim of providing the reader with the most relevant information. The definition of these concepts, as applied to Aedifica's financial statements, may differ from those used in the financial statements of other companies. They are calculated as follows:

(x €1,000)	2018	2017
Marketable investment properties	1,701,280	1,523,235
+ Development projects	35,183	17,174
Investment properties	**1,736,463**	**1,540,409**
+ Assets classified as held for sale	4,070	4,440
Investment properties including assets classified as held for sale*, or real estate portfolio*	**1,740,533**	**1,544,849**
- Development projects	-35,183	-17,174
Roundings	0	0
Marketable investment properties including assets classified as held for sale*, or investment properties portfolio	**1,705,350**	**1,527,675**

Note 57.2: Rental income on a like-for-like basis*

uses the net rental income on a like-for-like basis* to reflect the performance of investment properties excluding the effect of scope changes; however, this performance measure is not defined under IFRS. It represents rental income excluding the effect of scope changes. The definition of this concept, as applied to Aedifica's financial statements, may differ from that used in the financial statements of other companies. It is calculated as follows:

(x €1,000)	2018	2017
Rental income	91,677	78,983
- Scope changes	-26,957	-15,763
= Rental income on a like-for-like basis*	**64,720**	**63,220**

Note 57.3: Operating charges, operating margin* and EBIT margin*

Aedifica uses operating charges* to aggregate the operating charges*; however, this performance measure is not defined under IFRS. It represents items IV. to XV. of the income statement. The definition of this concept, as applied to Aedifica's financial statements, may differ from that used in the financial statements of other companies. It is calculated as indicated in the table below.

Aedifica uses the operating margin* and the EBIT margin* to reflect the profitability of its rental activities; however, these performance measures are not defined under IFRS. They represent the property operating result divided by net rental income and the operating result before result on portfolio divided by net rental income, respectively. The definition of these concepts, as applied to Aedifica's financial statements may differ from those used in the financial statements of other companies. They are calculated as indicated in the table below.

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(x €1,000)	Healthcare real estate	Apartment buildings	Hotels	Non-allocated	Inter-segment items°	TOTAL
SEGMENT RESULT						
Rental income (a)	76,454	10,489	4,916	0	-182	91,677
Net rental income (b)	76,446	10,429	4,904	0	-182	91,597
Property result (c)	76,349	9,605	4,924	0	-182	90,696
Property operating result (d)	75,057	6,321	4,879	0	-182	86,075
OPERATING RESULT BEFORE RESULT ON PORTFOLIO (e)	**74,923**	**6,295**	**4,845**	**-8,788**	**0**	**77,275**
Operating margin* (d)/(b)						94%
EBIT margin* (e)/(b)						84%
Operating charges* (e)-(b)						14,322

30 June 2017

(x €1,000)	Healthcare real estate	Apartment buildings	Hotels	Non-allocated	Inter-segment items°	TOTAL
SEGMENT RESULT						
Rental income (a)	63,939	11,021	4,220	0	-197	78,983
Net rental income (b)	63,933	11,002	4,197	0	-197	78,935
Property result (c)	63,900	10,155	4,200	0	-197	78,058
Property operating result (d)	63,062	7,029	4,161	0	-197	74,055
OPERATING RESULT BEFORE RESULT ON PORTFOLIO (e)	**63,206**	**6,981**	**4,161**	**-8,571**	**0**	**65,777**
Operating margin* (d)/(b)						94%
EBIT margin* (e)/(b)						83%
Operating charges* (e)-(b)						13,158

° Mainly elimination of the internal rent for the administrative offices of the Company.

Note 57.4: Financial result excl. changes in fair value of financial instruments*

uses the financial result excl. changes in fair value of financial instruments* to reflect its financial result before the non-cash effect of financial instruments; however, this performance measure is not defined under IFRS. It represents the total of items XX., XXI. and XXII. of the income statement. The definition of this concept, as applied to Aedifica's financial statements, may differ from that used in the financial statements of other companies. It is calculated as follows:

(x €1,000)	2018	2017
XX. Financial income	554	155
XXI. Net interest charges	-14,321	-15,365
XXII. Other financial charges	-1,552	-1,328
Financial result excl. changes in fair value of financial instruments*	**-15,319**	**-16,538**

Note 57.5: Interest rate

Aedifica uses average effective interest rate* and average effective interest rate before deduction of capitalised interests* to reflect the costs of its financial debts; however, these performance measures are not defined under IFRS. They represent annualised net interest charges (after or before capitalised interests) divided by weighted average financial debts. The definition of these concepts, as applied to Aedifica's financial statements, may differ from those used in the financial statements of other companies. They are calculated as follows:

(x €1,000)	2018	2017
XXI. Net interest charges	-14,321	-15,365
Capitalised interests	482	322
Annualised net interest charges (a)	-14,125	-15,365
Net interest charges before annualised capitalised interests (b)	-14,600	-15,687
Weighted average financial debts (c)	697,832	662,008
Average effective interest rate* (a)/(c)	**2.0%**	**2.3%**
Average effective interest rate before capitalised interests* (b)/(c)	**2.1%**	**2.3%**

Note 57.6: Equity and net asset value per share

Aedifica uses equity excl. changes in fair value of hedging instruments* to reflect equity before non-cash effects of the revaluation of hedging instruments; however, this performance measure is not defined under IFRS. It represents the line "equity attributable to owners of the parent" without cumulated non-cash effects of the revaluation of hedging instruments. The definition of this concept, as applied to Aedifica's financial statements, may differ from that used in the financial statements of other companies. It is calculated as follows:

(x €1,000)	2018	2017
Equity attributable to owners of the parent	941,647	888,039
- Effect of the distribution of the dividend 2016/2017	0	-34,478
Sub-total excl. effect of the distribution of the dividend 2016/2017	**941,647**	**853,561**
- Effect of the changes in fair value of hedging instruments	35,439	34,055
Equity excl. changes in fair value of hedging instruments*	**977,086**	**887,616**

Aedifica uses net asset value per share excl. changes in fair value of hedging instruments* to reflect equity per share before the non-cash effect of the revaluation of hedging instruments; however, this performance measure is not defined under IFRS. It represents the line "equity attributable to owners of the parent" without cumulated non-cash effects of the revaluation of hedging instruments, divided by the number of shares outstanding (after deduction of treasury shares) at the closing date. The definition of this concept, as applied to Aedifica's financial statements, may differ from that used in the financial statements of other companies. It is calculated by dividing equity excl. changes in fair value of hedging instruments* by the number of shares outstanding (after deduction of treasury shares).

1.7 Auditor's Report

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Independent auditor's report to the general meeting of Aedifica SA for the year ended 30 June 2018

As required by law and the Company's articles of association, we report to you as statutory auditor of Aedifica SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated balance sheet as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 30 June 2018 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory auditor by the shareholders meeting of 27 October 2017, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 30 June 2020. We performed the audit of the Consolidated Financial Statements of the Group during 7 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Aedifica SA, which consists of the consolidated balance sheet as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 30 June 2018 and the disclosures, which show a consolidated balance sheet total of € 1.766.643 thousand and of which the consolidated income statement shows a profit for the year of € 71.855 thousand.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 30 June 2018, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the consolidated financial statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect of independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Valuation of the investment properties

- Description of the matter and audit risk:

Investment property amounts to a significant part (98%) of the assets of the Group.

In accordance with the accounting policies and IAS 40 standard "Investment property", investment property is valued at fair value, and the changes in the fair value of investment property are recognized in the income statement. The fair value of investment properties belongs to the level 3 of the fair value hierarchy defined within the IFRS 13 standard "Fair Value Measurement", some parameters used for valuation purposes being based on unobservable data (discount rate, future occupancy rate, ...). For these reasons, we consider the valuation of the investment properties as a key audit matter.

- Summary of audit procedures performed

As external appraisers carry out an estimate of the fair value of the investment properties of the Group, we have assessed their valuation reports (with the support of real estate valuation specialists of our firm). More precisely, we have:

- assessed the objectivity, the independence and the competence of the external appraisers,
- tested the integrity of source data (contractual rentals, maturities of the rental contracts, ...) used in their calculations,
- reviewed the models, assumptions and parameters used in their reports (discount rates, future occupancy rates, ...).

Finally, we have assessed the appropriateness of the information on the fair value of the investment properties disclosed in note 29 of the consolidated accounts.

Valuation of financial instruments

- Description of the matter and audit risk:

Aedifica uses interest rate swaps (IRS) and options (caps) to hedge its interest rate risk on its variable rate debts. The measurement of the derivatives at fair value is an important source of volatility of the result and/or the shareholders' equity. As a matter of fact, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", these derivatives are valued at fair value (considered to belong to the level 2 of the fair value hierarchy defined by IFRS 13 "Fair Value Measurement"). The changes in fair value are recognized in the income statements except for some IRS for which the Group applies hedge accounting ("cash-flow hedging"), which allows to record most of the changes in fair value in the caption C.d of the shareholders' equity ("Reserve for the balance of changes in fair value of authorized hedging instruments qualifying for hedge accounting as defined under IFRS"). The audit risk appears on the one hand in the valuation of these derivatives and on the other hand in the application of hedge accounting. For these reasons, we consider this as a key audit matter.

- Summary of audit procedures performed

We have compared the fair values of the derivatives with the values communicated by the counterparties and the credit risk adjustments calculated by an external specialist. We have assessed the assumptions and the calculations performed by this external specialist. Regarding the correct application of hedge accounting, we have reviewed the effectiveness tests performed by the external specialist involved by the Company and we have compared the volume of derivatives subject to hedge accounting with the volume of the variable rate debts projected on the future accounting years in order to identify any potential overhedging which could potentially jeopardize the application of hedge accounting.

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Audit report dated 5 September 2018 on the Annual Accounts of Aedifica SA as of and for the year ended 30 June 2018 (continued)

Finally, we have assessed the appropriateness of the information on the financial instruments disclosed in note 33 of the consolidated accounts.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium as well as internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company s ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;

- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report, as well as to report on these matters.

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements and has been in prepared accordance with article 119 of the Belgian Companies Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Director's report and other information included in the annual report, being:

- Key figures 2017/2018 p. 13
- Analysis of the 30 June 2018 consolidated financial statements p. 46-50
- EPRA p.67-73

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, we do not need to report any material inconsistencies. In addition, we do not express any form of assurance regarding the Board of Directors' report and the other information included in the annual report.

Independence matters

Our auditor's office [and our network] has not performed any services that are not compatible with the statutory audit of the Annual Accounts and has remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the statutory audit of the Annual Accounts as referred to in article 134 of the Belgian Companies Code were duly itemized and valued in the notes to the Annual Accounts.

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 5 September 2018

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

Joeri Klaykens*
Partner
*Acting on behalf of a SPRL

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