

## **Independent auditor's report to the general meeting of Aedifica SA for the year ended 31 December 2020**

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 31 December 2020, 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 of 18 months ended 31 December 2020 and the disclosures (all elements together the "Consolidated Financial Statements") as well as 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 Consolidated Financial Statements for the year ending 31 December 2020. We performed the audit of the Consolidated Financial Statements of the Group during 9 consecutive years.

### **Report on the audit of the Consolidated Financial Statements**

#### **Unqualified opinion**

We have audited the Consolidated Financial Statements of Aedifica SA, that comprise of the consolidated balance sheet on 31 December 2020, the consolidated income Statement, the consolidated statement of comprehensive income, the consolidated Statement of changes in equity and the consolidated cash flow statement of the year and the disclosures, which show a consolidated balance sheet total of € 4.067.175 thousand and of which the consolidated income statement shows a profit for the year of € 173.422 thousand.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position as at 31 December 2020, and of its consolidated results for the year then ended, prepared 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 to 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 Investment Properties**

#### **▶ Description of the key audit matter**

Investment property amounts to a significant part (94%) 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, ...).

#### **▶ Summary of the procedures performed**

The Group uses external experts to make an estimate of the fair value of its buildings. We have assessed the valuation reports of the external experts (with the support of our internal experts). 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, ...), including the impact of Covid-19 on the assumptions and parameters.

Finally, we have assessed the appropriateness of the information on the fair value of the investment properties disclosed in note 22 of the Consolidated Financial Statements.

### **Valuation Financial Instruments**

#### **▶ Description of the key audit matter**

The Group uses interest rate swaps (IRS) and options (CAPs) to hedge its interest rate risk on its variable rate debts and has concluded forward exchange rate contracts during the financial year to hedge the risk of exchange rate fluctuations. 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 IFRS 9 "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 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.

#### **▶ Summary of the 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 most important 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 Group 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.

- ▶ Finally, we have assessed the appropriateness of the information on the financial instruments disclosed in note 33 of the Consolidated Financial Statements.

#### **Goodwill impairment**

##### **▶ Description of the key audit matter**

Aedifica has been holding a stake in its Finnish subsidiary Hoivatilat since January 2020. In obtaining this participation, an amount higher than the equity of Hoivatilat was paid. This results in the inclusion of a goodwill in Aedifica NV's consolidated financial statements amounting to EUR 161,7 million. Management's assessment of potential impairments on this goodwill recorded is based on a discounted cash flow method (DCF) of the underlying participation in Hoivatilat, which is based on budgets approved by the Board of Directors of the subsidiary concerned. This requires judgments and assessments by management of the assumptions used, including the determination of Hoivatilat's future cash flows and also the determination of the discount rate used, which are complex and subjective. Changes in these assumptions could lead to material changes in the estimated value, which may have a potential effect on potential impairments that need to be recorded at the level of goodwill.

##### **▶ Summary of the procedures performed**

- ▶ Review of management's process to identify the impairment indicators;
- ▶ Assessment of the methods used by management to determine Hoivatilat's recoverable value;
- ▶ Assessment of the reasonableness of the assumptions used in the management's assessment of the recoverable values (with the help of internal specialists);
- ▶ Assessing the reasonableness of future cash flows included in the goodwill valuation test based on historical results and the available business plan;
- ▶ Verify that future cash flows are based on business plans approved by the Board of Directors;

- ▶ Testing the mathematical accuracy of valuation models;
- ▶ Assessment of management's sensitivity analysis;
- ▶ Analysis of the adequacy and completeness of the notes included in note 20 of the consolidated financial statements.

#### **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 and for such 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 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 whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and 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 resulting from fraud is higher than when such misstatements result from errors, 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 Company'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 the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 to cease to continue as a going-concern;

- ▶ evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a true and fair view of the underlying transactions and events.

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 Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, and other information included in the annual report.

### **Responsibilities of the auditor**

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, and other information included in the annual report, as well as to report on these matters.

### **Aspects relating to Board of Directors' report and other information included in the annual report**

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 3:32 of the Code of companies and associations.

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 Directors' report and other information included in the annual report, being:

- ▶ Summary of the consolidated financial statements of 31 December 2020 p.46-53
- ▶ EPRA p.63-70

contain any material inconsistencies or contains information that is inaccurate or otherwise

misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide any assurance regarding the Board of Directors' report and other information included in the annual report.

### **Independence matters**

Our audit firm and our network have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Consolidated Financial Statements as referred to in article 3:65 of the Code of companies and associations were duly itemized and valued in the notes to the Consolidated Financial Statements.

### **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, 30 March 2021

EY Bedrijfsrevisoren BV  
Statutory auditor  
Represented by



Joeri Klaykens \*  
Partner

\*Acting on behalf of a BV/SRL

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