

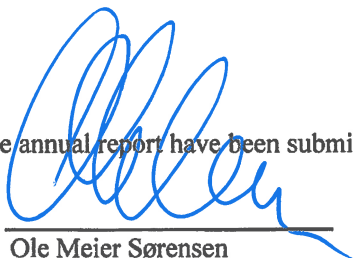
**WPC DF Denmark ApS**  
c/o Citco, Holbergsgade 14, 1057 København K

CVR-nr.25 62 20 14  
Company reg. no.25 62 20 14

**Annual report**

**1 January - 31 December 2018**

The annual report have been submitted and approved by the general meeting on 31 May 2019



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Ole Meier Sørensen  
*Chairman of the meeting*

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## **Management's report**

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The executive board has today presented the annual report of WPC DF Denmark ApS for the financial year 1 January - 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as at 31 December 2018 and of the company's results of its activities and cash flows in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen K, 31 May 2019

Executive board



Ole Meier Sørensen



Ramses van Toor



Gregory Mark Butchart

## Independent auditor's report

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### Auditor's responsibilities for the audit of the financial statements

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

We communicate with those charged with governance 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.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.


31 May 2019

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR-nr. 25 57 81 98

Company reg. no. 25 57 81 89

  
Michael Tuborg

State Authorised  
Public Accountant

MNE no. 24621

## Company data

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|                        |  |
|------------------------|--|
| <b>The company</b>     | WPC DF Denmark ApS<br>c/o Citco<br>Holbergsgade 14<br>1057 København K   |
|                        | Company reg no. 25 62 20 14<br>Domicile: Copenhagen<br>Financial year 1 January - 31 December 2018   |
| <b>Executive board</b> | Ole Meier Sørensen<br>Ramses van Toor (appointed on 28 June 2018)<br>Gregory Mark Butchart (appointed on 28 June 2018)<br>Charlotte Sydow Bech Jensen (resigned on 28 June 2018) |
| <b>Auditors</b>        | KPMG P/S<br>Statsautoriseret Revisionspartnerselskab<br>Dampfærgevej 28<br>2100 København Ø  |
| <b>Parent company</b>  | WPC Pan-European Holding Coöperatief U.A.<br>Strawinskylaan 741, Tower C, 7th floor, 1077 XX<br>Amsterdam  |

## **Management's review**

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### **The principal activities of the company**

The principal activities are investment, ownership, administration and development of properties and any business related hereto.

### **Uncertainties as to recognition or measurement**

The Company's investment properties are recognized in the balance by applying a return-based model. The yield requirement is associated with critical accounting estimates, which means that the fair value may differ from the properties' actual value. We refer to note 4 for additional information.

### **Development in activities and financial matters**

The net turnover for the year is t.DKK 78,855 against t.DKK 77,454 last year. The results from ordinary activities after tax are t.DKK 10,353 against t.DKK 80,676 last year. The management consider the results satisfactory.

### **Events subsequent to the financial year**

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

## **Accounting policies used**

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The annual report for WPC DF Denmark ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises with opt-in from a higher reporting class.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

### **Translation of foreign currency**

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

## **The profit and loss account**

### **Net turnover**

Revenue from rent income is recognised in the income statement in the periods the rent concerns.

### **Operating costs**

Operating costs include costs directly associated with the operation of the property, repair and maintenance, taxes and other costs that are not paid by the tenant.

### **Other external costs**

Other external expenses comprise expenses for administration etc.

### **Fair value adjustment of investment property**

Value adjustment of investment property comprises value adjustments of properties at fair value and gain or loss from disposal of properties.

### **Net financials**

Net financials comprise interest, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

## **Accounting policies used**

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### **Tax of the results for the year**

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to all Danish taxes applicable to a specified class of enterprises in Denmark.

### **The balance sheet**

#### **Investment properties**

Investment properties comprise properties that are held to earn rentals, held for capital appreciation or both.

Initially, investment properties are measured at cost including purchase price and directly related costs. The carrying amount also includes costs for improvements if the recognition criteria is met.

Subsequent to initial recognition, investment properties are stated at fair value. Gains and losses arising from changes in the fair values are included in the income statement in the year which they arise

The properties are valued using the income capitalisation method where a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate. The calculated value is adjusted with expected future change in rental value, voids, capital expenses and other special circumstances

Investment properties are not depreciated.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling prices less selling costs and the carrying amount on the date of the disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

#### **Debtors**

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, write-down takes place at the net realisable value.

#### **Deferred expenses**

Deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

#### **Available funds**

Available funds comprise cash at bank.



## **Accounting policies used**

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### **Corporate tax and deferred tax**

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

### **Liabilities**

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Liabilities relating to investment properties are measured at amortised cost.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

## Profit and loss account 1 January - 31 December 2018

DKK in thousands.

| <u>Note</u>                                    | 2018<br>t.kr. | 2017<br>t.kr.  |
|--|---------------|----------------|
| Net turnover                                   | 78,855        | 77,454         |
| Operating costs                                | (355)         | (105)          |
| 1 Other external costs                         | (28,114)      | (3,683)        |
| Fair value adjustment of investment properties | 11,400        | 49,200         |
| <b>Gross results</b>                           | <b>61,786</b> | <b>122,866</b> |
| 2 Financial expenses                           | (40,479)      | (19,408)       |
| <b>Results before tax</b>                      | <b>21,307</b> | <b>103,458</b> |
| Tax on ordinary results                        | (10,954)      | (22,782)       |
| 3 <b>Results for the year</b>                  | <b>10,353</b> | <b>80,676</b>  |

## Balance sheet 31 December

DKK in thousands.

| <b>Assets</b> |                                      |                  |                  |
|---------------|--------------------------------------|------------------|------------------|
| <u>Note</u>   |                                      | 2018<br>t.kr.    | 2017<br>t.kr.    |
|               | <b>Fixed assets</b>                  |                  |                  |
| 4             | Investment properties                | 1,289,450        | 1,270,550        |
|               | Tangible fixed assets in total       | 1,289,450        | 1,270,550        |
|               | <b>Fixed assets in total</b>         | <b>1,289,450</b> | <b>1,270,550</b> |
|               | <b>Current assets</b>                |                  |                  |
|               | Other debtors                        | 8,849            | 793              |
|               | Accrued income and deferred expenses | 8                | 20               |
|               | Debtors in total                     | 8,857            | 813              |
|               | Available funds                      | 48,108           | 73,976           |
|               | <b>Current assets in total</b>       | <b>56,965</b>    | <b>74,789</b>    |
|               | <b>Assets in total</b>               | <b>1,346,415</b> | <b>1,345,339</b> |
|               | <b>Equity and liabilities</b>        |                  |                  |
|               | <b>Equity</b>                        |                  |                  |
|               | Contributed capital                  | 1,001            | 1,001            |
|               | Results brought forward              | 365,662          | 355,309          |
|               | <b>Equity in total</b>               | <b>366,663</b>   | <b>356,310</b>   |
|               | <b>Provisions</b>                    |                  |                  |
|               | Provisions for deferred tax          | 187,009          | 173,598          |
|               | <b>Provisions in total</b>           | <b>187,009</b>   | <b>173,598</b>   |

## Balance sheet 31 December

DKK in thousands.

| <b>Equity and liabilities</b> |  |                  |                  |
|-------------------------------|--|------------------|------------------|
| <b>Liabilities</b>            |  |                  |                  |
| <u>Note</u>                   |  | 2018<br>t.kr.    | 2017<br>t.kr.    |
| 5                             | Mortgage debt                            | -                | 586,492          |
| 6                             | Debt to group enterprises                | 721,148          | 182,446          |
| 7                             | Deposits and prepaid rent                | 39,428           | 38,711           |
|                               | <b>Long-term liabilities in total</b>    | <b>760,576</b>   | <b>807,649</b>   |
| 5,6,7                         | Short-term part of long-term liabilities | 18,323           | 271              |
|                               | Trade creditors                          | 218              | 65               |
|                               | Short term debt to group enterprises     | 345              | -                |
|                               | Corporate tax                            | 7,705            | 6,313            |
|                               | Other debts                              | 5,576            | 1,133            |
|                               | <b>Short-term liabilities in total</b>   | <b>32,167</b>    | <b>7,782</b>     |
|                               | <b>Liabilities in total</b>              | <b>792,743</b>   | <b>815,431</b>   |
|                               | <b>Equity and liabilities in total</b>   | <b>1,346,415</b> | <b>1,345,339</b> |
| 8                             | <b>Mortgage and securities</b>           |                  |                  |

## Statement of changes in equity

DKK in thousands.

|   | Contributed capital<br>t.kr. | Results brought forward<br>t.kr. | in total<br>t.kr. |
|---|------------------------------|----------------------------------|-------------------|
| Equity 1 January 2017                       | 1,001                        | 274,633                          | 275,634           |
| Profit or loss for the year brought forward | -                            | 80,676                           | 80,676            |
| Equity 1 January 2018                       | 1,001                        | 355,309                          | 356,310           |
| Profit or loss for the year brought forward | -                            | 10,353                           | 10,353            |
|   | <b>1,001</b>                 | <b>365,662</b>                   | <b>366,663</b>    |

## Notes

DKK in thousands.

### 1 Other external costs

Other external costs include asset management fee related to disposal of the property via a share deal.

|                                      | 2018<br>t.kr. | 2017<br>t.kr. |
|--------------------------------------|---------------|---------------|
| <b>2 Financial expenses</b>          |               |               |
| Financial costs, group enterprises   | 18,323        | 9,466         |
| Capital losses on repayment of loans | 10,124        | -             |
| Other financial costs                | 12,032        | 9,942         |
|                                      | <b>40,479</b> | <b>19,408</b> |

### 3 Proposed distribution of the results

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Allocated to results brought forward | 10,353        | 80,676        |
| <b>Distribution in total</b>         | <b>10,353</b> | <b>80,676</b> |

### 4 Investment properties

|  |                  |                  |
|--|------------------|------------------|
| Cost 1 January                           | 887,874          | 887,874          |
| Additions                                | 7,500            | -                |
| <b>Cost 31 December</b>                  | <b>895,374</b>   | <b>887,874</b>   |
| Fair value adjustment 1 January          | 382,676          | 333,476          |
| Adjust of the year to fair value         | 11,400           | 49,200           |
| <b>Fair value adjustment 31 December</b> | <b>394,076</b>   | <b>382,676</b>   |
| <b>Book value 31 December</b>            | <b>1,289,450</b> | <b>1,270,550</b> |

The management's estimate of the value of the investment properties is determined from market-conforming standards and is based on an assessment of the current returns, the maintenance condition, and the return requirement of the investment properties.

The investment property consist of logistic properties and are located in large and small cities located at Funen and Jutland and are used for commercial purposes.

The fair value of investment properties in the annual report is estimated based on the external valuation report. Valuation has been prepared using an income capitalisation methodology.

The return requirement estimates are based on information about the general regional development in return requirements and other relevant local conditions.

## Notes

DKK in thousands.

### 4 Investment properties

#### Key assumptions:

An individually determined Equivalent Yield of 6,12% has been applied in the market value assessment at 31 December 2018.

Changes in estimated required rate of return for investment properties will affect the value of investment properties recognised in the balance sheet as well as value adjustments carried in the income statement.

#### Sensitivity analysis:

|   | Rate of return | Fair value | Book value     | Change in fair value |
|---|----------------|------------|----------------|----------------------|
|   | 6.62%          | 1,192,060  | 1,289,450      | (97,390)             |
|   | 5.62%          | 1,404,170  | 1,289,450      | 114,720              |
|   |                |            | 31/12 2018     | 31/12 2017           |
|   |                |            | t.kr.          | t.kr.                |
| <b>5 Mortgage debt</b>                    |                |            |                |                      |
| Mortgage debt in total                    |                |            | -              | 586,763              |
| Share of amount due within 1 year         |                |            | -              | (271)                |
|   |                |            | -              | <b>586,492</b>       |
| Share of liabilities due after 5 years    |                |            | -              | 441,970              |
| <b>6 Debt to group enterprises</b>        |                |            |                |                      |
| Debt to group enterprises in total        |                |            | 739,471        | 182,446              |
| Share of amount due within 1 year         |                |            | (18,323)       | -                    |
| <b>Debt to group enterprises in total</b> |                |            | <b>721,148</b> | <b>182,446</b>       |
| Share of liabilities due after 5 years    |                |            | 721,148        | -                    |
| <b>7 Deposits and prepaid rent</b>        |                |            |                |                      |
| Deposits and prepaid rent in total        |                |            | 39,428         | 38,711               |
| Share of amount due within 1 year         |                |            | -              | -                    |
| <b>Deposits and prepaid rent in total</b> |                |            | <b>39,428</b>  | <b>38,711</b>        |
| Share of liabilities due after 5 years    |                |            | 39,428         | -                    |

### 8 Mortgage and securities

As security for mortgage debts, t.DKK 586,763, mortgage has been granted on investment properties representing a book value of t.DKK 1,270,550 at 31 December 2017. In 2018, the mortgage was repaid in full.

## Notes

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DKK in thousands.

### 9 Contingencies

#### Joint taxation

The company was subject to the Danish scheme of joint taxation and it was proportionally liable for tax claims within the joint taxation scheme until 27 June 2018. After this date the company is no longer part of any joint taxation scheme.

The company was proportionally liable for any obligation to withhold tax on interest, royalties and dividends of the jointly taxed companies until 27 June 2018.

### 10 Related parties

The company is consolidated at the level of W.P. Carey Inc. and Annual report of this entity is publicly available and could be downloaded through W.P. Carey online site.