

EHI FUND DENMARK ApS

Kay Fiskers Plads 9, st.
2300 København S
Business Registration No
27438377

Annual report 2018

The Annual General Meeting adopted the annual report on 11.03.2019

Chairman of the General Meeting



Name: Thierry Leleu

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Entity details

Entity

EHI FUND DENMARK ApS
Kay Fiskers Plads 9, st.
2300 København S

Central Business Registration No (CVR): 27438377

Registered in: København

Financial year: 01.01.2018 - 31.12.2018

Executive Board

Thierry Leleu, Direktør

Paul Christian Roger Weber, Direktør

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of EHI FUND DENMARK ApS for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 11.03.2019

Executive Board



Thierry Leleu
Direktør



Paul Christian Roger Weber
Direktør

Independent auditor's report

To the shareholder of EHI FUND DENMARK ApS

Opinion

We have audited the financial statements of EHI FUND DENMARK ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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 financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- 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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Copenhagen, 11.03.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556



Lars Kronow

State Authorised Public Accountant
Identification No (MNE) mne19708

Management commentary

	2018	2017	2016	2015	2014
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	46.793	54.734	52.081	49.522	52.181
Gross profit/loss	35.403	37.608	37.560	29.459	37.879
Operating profit/loss	35.403	37.608	37.560	29.459	37.879
Net financials	(6.796)	(7.852)	(8.487)	(15.616)	(18.308)
Profit/loss for the year	43.092	10.365	23.326	11.080	17.330
Total assets	611.156	629.724	625.238	606.719	600.664
Investments in property, plant and equipment	781	4.706	7.620	7.365	349
Equity	271.572	301.703	290.701	267.638	204.152
Ratios					
Gross margin (%)	75,7	68,7	72,1	59,5	72,6
Return of investment (%)	10,1	3,6	5,6	4,9	6,3
Equity ratio (%)	44,4	47,9	46,5	44,1	34,0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Return of investment (%)	$\frac{\text{EBIT} \times 100}{\text{Total assets}}$	The return generated by the entity on the investors' funds
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Companies purpose is to invest in commercial properties and through active management to optimize operation of those.

Development in activities and finances

Profit/loss of the year was TDKK 55.220 before taxes and include a positiv value adjustment on TDKK 26.613.

In 2018 the portfolio void has been stabilised

Profit/loss of the year after taxes on TDKK 43.092 is a satisfying result regarded to the management.

Uncertainty relating to recognition and measurement

The properties are measured and recognised in the balance sheet at a value based on an assessment made by an established, independent real estate appraiser. As to the uncertainty regarding recognition and measurement of investment properties, please see note 1 to the financial statements.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Revenue		46.793	54.734
Other external expenses		<u>(11.390)</u>	<u>(17.126)</u>
Operating profit/loss		35.403	37.608
Other financial income		0	629
Other financial expenses	3	<u>(6.796)</u>	<u>(8.481)</u>
Profit/loss before fair value adjustments and tax		28.607	29.756
Fair value adjustment of investment properties		<u>26.613</u>	<u>(15.959)</u>
Profit/loss before tax		55.220	13.797
Tax on profit/loss for the year	4	<u>(12.128)</u>	<u>(3.432)</u>
Profit/loss for the year		43.092	10.365
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		10.700	0
Extraordinary dividend distributed in the financial year		73.436	0
Retained earnings		<u>(41.044)</u>	<u>10.365</u>
		43.092	10.365

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Investment property		594.147	566.753
Property, plant and equipment	5	594.147	566.753
Fixed assets		594.147	566.753
Trade receivables		695	402
Receivables from group enterprises		2.755	0
Other receivables		2.214	3.270
Income tax receivable		293	0
Prepayments		571	650
Receivables		6.528	4.322
Cash		10.481	58.649
Current assets		17.009	62.971
Assets		611.156	629.724

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital		226	226
Retained earnings		260.646	301.477
Proposed dividend		10.700	0
Equity		<u>271.572</u>	<u>301.703</u>
Deferred tax		31.235	22.434
Provisions		<u>31.235</u>	<u>22.434</u>
Mortgage debt		193.363	192.523
Prepayments received from customers		8.255	15.983
Payables to group enterprises		90.631	90.631
Non-current liabilities other than provisions	6	<u>292.249</u>	<u>299.137</u>
Prepayments received from customers		8.689	0
Trade payables		6.295	3.595
Payables to group enterprises		347	1
Income tax payable		0	1.905
Other payables	7	769	949
Current liabilities other than provisions		<u>16.100</u>	<u>6.450</u>
Liabilities other than provisions		<u>308.349</u>	<u>305.587</u>
Equity and liabilities		<u>611.156</u>	<u>629.724</u>
Uncertainty relating to recognition and measurement	1		
Staff costs	2		
Contingent liabilities	8		
Assets charged and collateral	9		
Group relations	10		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Proposed dividend DKK'000
Equity beginning of year	226	301.477	0	0
Extraordinary dividend paid	0	0	(73.436)	0
Fair value adjustments of hedging instruments	0	273	0	0
Tax of entries on equity	0	(60)	0	0
Profit/loss for the year	0	(41.044)	73.436	10.700
Equity end of year	226	260.646	0	10.700
				Total DKK'000
Equity beginning of year				301.703
Extraordinary dividend paid				(73.436)
Fair value adjustments of hedging instruments				273
Tax of entries on equity				(60)
Profit/loss for the year				43.092
Equity end of year				271.572

Notes

1. Uncertainty relating to recognition and measurement

Regarding the practical use of the accounting policies specified, Management has made a significant accounting estimate based on an external value assessment of the portfolio.

At 31 December 2018, the properties have been recognised at a fair value of DKK 594 million (DKK 596 million including deposit).

At 31 December 2018, the portfolio has been recognised based on external and independent experts' assessments to get the most accurate fair value in a non-forced transaction between two independent parties.

The most important factor in the fair value calculation is the rate of return. An increase in the rate of return will lead to a decrease in the fair value and, on the other hand, a decrease in the rate of return will mean an increase in the fair value. At present, the market is very volatile. For the sensitivity when calculating the fair value of the investment properties see note 5.

Investment properties are measured at fair value. The fair value is calculated using established valuation techniques (RICS valuation model - red book).

	<u>2018</u>	<u>2017</u>
2. Staff costs		
Average number of employees	<u>0</u>	<u>0</u>

	<u>2018</u>	<u>2017</u>
	<u>DKK'000</u>	<u>DKK'000</u>
3. Other financial expenses		
Financial expenses from group enterprises	3.263	0
Other interest expenses	3.531	8.471
Exchange rate adjustments	2	0
Other financial expenses	<u>0</u>	<u>10</u>
	<u>6.796</u>	<u>8.481</u>

	<u>2018</u>	<u>2017</u>
	<u>DKK'000</u>	<u>DKK'000</u>
4. Tax on profit/loss for the year		
Current tax	3.387	1.738
Change in deferred tax	<u>8.741</u>	<u>1.694</u>
	<u>12.128</u>	<u>3.432</u>

Notes

	Investment property DKK'000
5. Property, plant and equipment	
Cost beginning of year	685.023
Additions	<u>781</u>
Cost end of year	<u>685.804</u>
Depreciation and impairment losses beginning of year	(118.270)
Reversal of impairment losses	<u>26.613</u>
Depreciation and impairment losses end of year	<u>(91.657)</u>
Carrying amount end of year	<u>594.147</u>

Assumptions when calculating the fair value of the investment properties

The investment properties are measured at fair value. The fair value is calculated using established valuation techniques (the RICS valuation model - red book).

The investment properties consist of warehouses and office buildings located in the metropolitan area and the Triangle Region.

The total fair value of DKK 594,147 thousand has been calculated by the following assumptions:

- The budget period consists of 10 years and a termination period.
- The increase in market rent is set at 2%.
- The expected idle rent in per cent of the rental income is an average of 24% in the first year of the budget period and drops to 12% at the end of the budget period. In the termination period, the idle rent is set at 12%.

Sensitivity when calculating the fair value of the investment properties

At 31 December 2018, the market value has been assessed using an individually fixed rate of return between 5.0% and 8.5%. The average rate of return can be calculated at 7.2%.

Changes in the estimate of the rate of return on the investment properties will affect the value of the investment properties recognised in the balance sheet and the value adjustment recognised in the income statement.

Notes

Sensitivity when calculating the fair value of the investment properties (continued)

Change in the average rate of return:

	<u>÷0,5%</u>	<u>Basis</u>	<u>+0.5%</u>
Rate of return	6.7%	7.2%	7.7%
Fair value	638,794	594,147	555,335
Change in fair value	44,646	0	(38,813)

The valuation for the year has resulted in a revaluation of DKK 26,613 thousand.

	<u>Outstanding after 5 years DKK'000</u>
6. Liabilities other than provisions	
Payables to group enterprises	90,631
	<u>90.631</u>

	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
7. Other payables		
Other costs payable	769	949
	<u>769</u>	<u>949</u>

An interest rate swap agreement has been entered into to hedge future interest payments on floating rate debt. The agreement has a maturity period of 18 months. In the agreement, an interest rate of CI-BOR3 has been exchanged for a fixed interest rate of 0.14% on a loan with a principal amount of DKK 195 thousand. The interest rate swap agreement covers the entire term to maturity of two years. The fair value of the interest rate swap amounts to DKK 167 thousand at the balance sheet date, which is recognised as other payables.

	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
8. Contingent liabilities		
Other contingent liabilities	4,984	5,352
Contingent liabilities in total	<u>4.984</u>	<u>5.352</u>

Other contingent liabilities relate to VAT adjustment liability.

9. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

Notes

The carrying amount of mortgaged properties is DKK'000 594,147.

10. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Euroind Three C.V., Amsterdam, Netherlands.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

The annual report is presented in DKK'000.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

Revenue

Rental income is recognized on a straight-line basis during the rental periode.

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other external expenses

Other external expenses includes expenses to office conditions, audit and so on.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Investment property

On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Accounting policies

Fair value is determined by using the DCF model as the calculated value in use of expected cash flows from each property. To determine expected cash flows, the budgeted cash flows for each property for the next 10 years is used, including increases in price and rent levels, as well as a calculated terminal value which reflects the amount of normalised cash flows expected to be generated by the property after the budget period. The cash flows so calculated are discounted to net present value by using a discount rate that is estimated to reflect current market required yield rates for similar properties inclusive of expected inflation.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Accounting policies

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

