

ESPLANADEN BERLIN HOLDING A/S

Gl. Torv 2, 1. 4.
5800 Nyborg
Central Business Registration
No 27963536

Annual report 2019

The Annual General Meeting adopted the annual report on 18.05.2020

Chairman of the General Meeting

Name: Jesper Kim Pedersen

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Entity details

Entity

ESPLANADEN BERLIN HOLDING A/S

Gl. Torv 2, 1. 4.

5800 Nyborg

Central Business Registration No (CVR): 27963536

Founded: 07.09.2005

Registered in: Nyborg

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Torben Hjort Friderichsen, chairman

Jan Leth Christensen

Niels Johan Pohlmann

Brian Djernes

Niels Peter Nielsen

Executive Board

Jesper Kim Pedersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

Postboks 10

5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of ESPLANADEN BERLIN HOLDING A/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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.

Nyborg, 11.05.2020

Executive Board

Jesper Kim Pedersen

Board of Directors

Torben Hjort Friderichsen
chairman

Jan Leth Christensen

Niels Johan Pohlmann

Brian Djernes

Niels Peter Nielsen

Independent auditor's report

To the shareholders of ESPLANADEN BERLIN HOLDING A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of ESPLANADEN BERLIN HOLDING A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent 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

Independent auditor's report

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 consolidated financial statements and parent 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:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent 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 Group's and 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 consolidated financial statements and parent 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 Group's and 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 consolidated financial statements and parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and parent 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 consolidated financial statements and parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and parent 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.

Odense, 11.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Per Krause Therkelsen
State Authorised Public Accountant
Identification No (MNE) mne19698

Lars Rynord
State Authorised Public Accountant
Identification No (MNE) mne28680

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	92.291	83.663	77.634	74.692	68.650
Gross profit/loss	285.880	192.134	398.839	146.641	118.577
Operating profit/loss	251.180	168.602	355.091	128.558	115.592
Net financials	26.452	22.320	45.747	5.575	(7.301)
Profit/loss for the year	231.098	163.442	339.990	115.967	92.207
Total assets	2.178.687	1.842.541	1.575.626	1.103.946	1.091.972
Investments in property, plant and equipment	101.204	81.261	75.514	40.127	25.222
Equity	916.897	777.833	664.552	379.207	307.032
Cash flows from (used in) operating activities	28.387	(12.776)	38.287	(2.225)	62.637
Cash flows from (used in) investing activities	(93.319)	(73.155)	(72.165)	3.050	(6.085)
Cash flows from (used in) financing activities	57.637	121.581	45.812	(96.180)	86.858
Ratios					
Gross margin (%)	309,8	229,7	513,7	196,3	172,7
Net margin (%)	250,4	195,4	437,9	155,3	134,3
Return on equity (%)	27,3	22,7	65,1	33,8	32,7
Equity ratio (%)	42,1	42,2	42,2	34,4	28,1

In 2016 there has been a change in accounting policies concerning recognition of mortgages. The comparative figures and key figures and ratios have not been changed.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" 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.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The purpose and activities of the Company are investment in rental properties, primarily residential properties, located in and around Berlin as well as related activities. The investments are made through German companies.

Development in activities and finances

Consolidated profit before tax amounts to DKK 277,632 thousand, and after tax the profit for the year amounts to DKK 231,098 thousand. The profit is considered satisfactory and is positively affected by the development on the property market in Berlin.

At 31 December 2019, the group equity incl. minority interests amounts to DKK 916,897 thousand compared to total consolidated assets of DKK 2,178,687 thousand.

Outlook

A profit is expected for the next financial year at the level of or higher than in 2019 before value adjustment of properties.

Particular risks

The Company and the Group are affected by the interest development and the general development on the property market in Berlin.

The Berlin Senate has passed a bill on limitations of rents in the Berlin housing sector (MietenWoG Bln "Mietendeckel") effective from 23 February 2020. The law will apply to most buildings in Berlin, except new apartment buildings completed after 1. January 2014 and price-bound housing. Most of the Group's investment properties will therefore be governed by the "Mietendeckel". The economic effects of the rent limitations on the Berlin housing market are meanwhile assessed differently and there are added uncertainties in the market regarding further development and implications on housing prices.

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. The Coronavirus Outbreak at the beginning of 2020 has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue		92.291	83.663
Fair value adjustments of investment property		213.184	128.650
Other operating income		46	79
Other external expenses		(7.821)	(9.193)
Property costs		(11.820)	(11.065)
Gross profit/loss		285.880	192.134
Staff costs	2	(33.885)	(22.799)
Depreciation, amortisation and impairment losses	3	(815)	(733)
Operating profit/loss		251.180	168.602
Income from investments in associates		33.845	27.157
Income from other fixed asset investments		10	159
Other financial income	4	73	34
Other financial expenses	5	(7.476)	(5.030)
Profit/loss before tax		277.632	190.922
Tax on profit/loss for the year	6	(46.534)	(27.480)
Profit/loss for the year	7	231.098	163.442

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Investment property		1.953.464	1.639.835
Other fixtures and fittings, tools and equipment		2.545	2.048
Property, plant and equipment	8	<u>1.956.009</u>	<u>1.641.883</u>
Investments in associates		143.350	114.975
Other investments		395	395
Deposits		13.188	11.688
Other receivables		9.160	9.557
Fixed asset investments	9	<u>166.093</u>	<u>136.615</u>
Fixed assets		<u>2.122.102</u>	<u>1.778.498</u>
Raw materials and consumables		532	545
Inventories		<u>532</u>	<u>545</u>
Trade receivables		2.182	1.281
Receivables from associates		1.877	2.318
Other receivables		3.080	3.592
Prepayments	11	85	183
Receivables		<u>7.224</u>	<u>7.374</u>
Cash		<u>48.829</u>	<u>56.124</u>
Current assets		<u>56.585</u>	<u>64.043</u>
Assets		<u>2.178.687</u>	<u>1.842.541</u>

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital		15.000	15.000
Retained earnings		825.878	700.724
Equity attributable to the Parent's owners		840.878	715.724
Share of equity attributable to minority interests		76.019	62.109
Equity		916.897	777.833
Deferred tax	12	190.845	149.846
Other provisions		38.295	14.389
Provisions		229.140	164.235
Mortgage debt		614.883	588.395
Deposits		13.203	11.703
Non-current liabilities other than provisions	13	628.086	600.098
Current portion of long-term liabilities other than provisions	13	286.410	276.676
Trade payables		9.385	8.590
Payables to shareholders and management		89.309	0
Income tax payable		5.318	564
Other payables		10.991	11.230
Deferred income	14	3.151	3.315
Current liabilities other than provisions		404.564	300.375
Liabilities other than provisions		1.032.650	900.473
Equity and liabilities		2.178.687	1.842.541
Events after the balance sheet date	1		
Associates	10		
Contingent liabilities	16		
Assets charged and collateral	17		
Transactions with related parties	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000
Equity beginning of year	15.000	700.724	0
Extraordinary dividend paid	0	0	(90.000)
Exchange rate adjustments	0	18	0
Other entries on equity	0	0	0
Profit/loss for the year	0	125.136	90.000
Equity end of year	15.000	825.878	0

	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	62.110	777.834
Extraordinary dividend paid	(2.200)	(92.200)
Exchange rate adjustments	26	44
Other entries on equity	121	121
Profit/loss for the year	15.962	231.098
Equity end of year	76.019	916.897

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Operating profit/loss		251.180	168.602
Amortisation, depreciation and impairment losses		815	733
Working capital changes	15	2.582	(43.686)
Value adjustment of investment properties		(213.184)	(128.650)
Cash flow from ordinary operating activities		41.393	(3.001)
Financial income received		73	34
Financial expenses paid		(7.476)	(9.152)
Income taxes refunded/(paid)		(5.603)	(657)
Cash flows from operating activities		28.387	(12.776)
Acquisition etc of property, plant and equipment		(99.758)	(80.202)
Acquisition of fixed asset investments		0	(617)
Sale of fixed asset investments		3.353	13.221
Dividends received		4.000	4.000
Loans		397	(9.557)
Other cash flows from investing activities		(1.311)	0
Cash flows from investing activities		(93.319)	(73.155)
Dividend paid		(2.200)	(53.834)
Raising of and instalment on loan		35.926	161.025
Deposit		5	1
Other provisions		23.906	14.389
Cash flows from financing activities		57.637	121.581
Increase/decrease in cash and cash equivalents		(7.295)	35.650
Cash and cash equivalents beginning of year		56.124	20.643
Currency translation adjustments of cash and cash equivalents		0	(169)
Cash and cash equivalents end of year		48.829	56.124

Notes to consolidated financial statements

1. 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. The Coronavirus Outbreak at the beginning of 2020 has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	32.142	21.610
Other social security costs	1.352	846
Other staff costs	391	343
	33.885	22.799
Average number of employees	35	28
	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	25.592	15.910
	25.592	15.910
	2019 DKK'000	2018 DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	815	733
	815	733
	2019 DKK'000	2018 DKK'000
4. Other financial income		
Financial income from associates	25	23
Other interest income	48	11
	73	34

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
5. Other financial expenses		
Other interest expenses	6.924	4.697
Other financial expenses	552	333
	7.476	5.030
	2019 DKK'000	2018 DKK'000
6. Tax on profit/loss for the year		
Current tax	4.993	583
Change in deferred tax	40.930	26.823
Adjustment concerning previous years	611	74
	46.534	27.480
	2019 DKK'000	2018 DKK'000
7. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	92.200	50.000
Retained earnings	122.936	100.089
Minority interests' share of profit/loss	15.962	13.353
	231.098	163.442

Notes to consolidated financial statements

	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment		
Cost beginning of year	985.849	4.378
Exchange rate adjustments	317	1
Additions	99.809	1.395
Disposals	0	(580)
Cost end of year	1.085.975	5.194
Revaluations beginning of year	653.986	0
Exchange rate adjustments	211	0
Revaluations for the year	213.292	0
Revaluations end of year	867.489	0
Depreciation and impairment losses beginning of year	0	(2.330)
Exchange rate adjustments	0	(1)
Depreciation for the year	0	(815)
Reversal regarding disposals	0	497
Depreciation and impairment losses end of year	0	(2.649)
Carrying amount end of year	1.953.464	2.545

The group's investment properties are, cf. the description in accounting policies, measured at fair value based on an internal estimate which are based on three calculated reference values on each property. The calculated reference values lie within a span of DKK 29m (2018: 22m) for the total property portfolio and are based on average required rate of return of 4,5% (2018: 4.75%), a price factor of 18.9 (2018: 17.7) and a sales price of DKK 17,130 per m² (2018: 14,562 per m²). Building projects in progress are added to cost, respectively any lower recoverable amount.

All the Group's 41 properties are situated in Berlin and are primarily residential properties. Vacancy level for the portfolio is low.

The Berlin Senate has passed a bill on limitations of rents in the Berlin housing sector (MietenWoG Bln "Mietendeckel") effective from 23 February 2020. The law will apply to most buildings in Berlin, except new apartment buildings completed after 1. January 2014 and price-bound housing. Most of the Group's investment properties will therefore be governed by the "Mietendeckel". The economic effects of the rent limitations on the Berlin housing market are meanwhile assessed differently and there are added uncertainties in the market regarding further development and implications on housing prices.

Notes to consolidated financial statements

However, in general it's expected that the "Mietendeckel" will negatively impact the real estate market in Berlin. We have made certain adjustments in the market price valuation to reflect the situation in the current market situation in Berlin as described above.

An external valuer has been used for input to Management's determination of parameters in the 3 calculated reference values as well as the prospected value adjustment caused by the "Mietendeckel".

	Investments in associates DKK'000	Other investments DKK'000	Deposits DKK'000	Other receivables DKK'000
9. Fixed asset investments				
Cost beginning of year	50.384	395	11.688	9.557
Additions	0	0	1.500	0
Disposals	0	0	0	(397)
Cost end of year	50.384	395	13.188	9.160
Revaluations beginning of year	64.593	0	0	0
Exchange rate adjustments	52	0	0	0
Share of profit/loss for the year	32.598	0	0	0
Dividend	(4.000)	0	0	0
Investments with negative equity value depreciated over receivables	(277)	0	0	0
Revaluations end of year	92.966	0	0	0
Carrying amount end of year	143.350	395	13.188	9.160

	Registered in	Equity interest %
10. Associates		
REK Berlin Apartments Management GmbH	Germany, Berlin	40,0
Berlin KGI A/S	Denmark	22,5

11. Prepayments

Prepayments consist of prepaid expenses.

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
12. Deferred tax		
Property, plant and equipment	191.556	153.925
Tax losses carried forward	(711)	(4.079)
	190.845	149.846

Changes during the year

Beginning of year	149.846
Recognised in the income statement	40.930
Other changes	69
End of year	190.845

	Due within 12 months 2019 DKK'000	Due within 12 months 2018 DKK'000	Due after more than 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Mortgage debt	286.410	276.676	614.883	36.021
Deposits	0	0	13.203	0
	286.410	276.676	628.086	36.021

14. Short-term deferred income

Deferred income consists of prepayments from lessees.

	2019 DKK'000	2018 DKK'000
15. Change in working capital		
Increase/decrease in inventories	12	83
Increase/decrease in receivables	(288)	2.813
Increase/decrease in trade payables etc	2.858	(46.582)
	2.582	(43.686)

16. Contingent liabilities

The Group has an investment property located on leased land. The lease agreement run until 2062. At the expiry of the lease agreement, the building are passed to the owner of the land with compensation payment according to an expert valuation of the fair value. There is no commitment to pay rent for the plot of land.

17. Assets charged and collateral

The Group has raised mortgage debt at a carrying amount of DKK 901,293 thousand at 31 December 2019, which is secured on investment properties at a carrying amount of DKK 1,786,815 thousand at 31 December 2019.

Notes to consolidated financial statements

Deposits under fixed asset investments at 31.12.2019 amount to DKK 13,188 thousand and consist of deposits paid by the lessees held in escrow accounts.

18. Transactions with related parties

The Company's related parties comprise the following:

Significant influence – members of the Board of Directors and Executive Board.

Related party transactions:

	2019 DKK'000	2018 DKK'000
Remuneration to the Executive Board and the Board of Directors	25,702	15,910
Dividend to the shareholders	92,200	19,494
Interest (net) associates	25	23
Intercompany accounts (net) associates	1,877	2,318
Services - associates	11,649	8,624

	Registered in	Corpo- rate form	Equity inte- rest %
19. Subsidiaries			
Esplanaden Immobilien I GmbH	Germany	GmbH	100,0
Esplanaden Berlin Invest ApS	Denmark	ApS	100,0
Berlin Nyborg Holding ApS	Denmark	ApS	50,5
Berlin KGI A/S	Denmark	A/S	11,4

Esplanaden Immobilien I GmbH owns shares in 18 German subsidiaries. The share of ownership amounts to 94% to 100%.

Esplanaden Berlin Invest ApS owns shares in 1 German subsidiary. The share of ownership amounts to 100%.

Disclosures on subsidiaries have been omitted in accordance with S. 97a(4) of the Danish Financial Statements Act.

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Other external expenses		(2.157)	(2.038)
Gross profit/loss		(2.157)	(2.038)
Staff costs	2	(26.149)	(18.253)
Depreciation, amortisation and impairment losses		(198)	(95)
Operating profit/loss		(28.504)	(20.386)
Income from investments in group enterprises		243.189	171.643
Income from investments in associates		518	197
Other financial income	3	63	26
Other financial expenses	4	(134)	(1.390)
Profit/loss for the year	5	215.132	150.090

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Other fixtures and fittings, tools and equipment		703	287
Property, plant and equipment	6	703	287
Investments in group enterprises		898.316	773.050
Investments in associates		241	0
Fixed asset investments	7	898.557	773.050
Fixed assets		899.260	773.337
Receivables from group enterprises		64.942	5.275
Receivables from associates		1.872	2.317
Other receivables		179	94
Prepayments	8	0	48
Receivables		66.993	7.734
Cash		3.230	11.434
Current assets		70.223	19.168
Assets		969.483	792.505

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital	9	15.000	15.000
Reserve for net revaluation according to the equity method		839.722	713.939
Retained earnings		(13.842)	(13.209)
Equity		840.880	715.730
Other provisions	10	38.295	14.389
Provisions		38.295	14.389
Trade payables		164	148
Payables to group enterprises		0	56.039
Payables to shareholders and management		89.309	0
Other payables		835	6.199
Current liabilities other than provisions		90.308	62.386
Liabilities other than provisions		90.308	62.386
Equity and liabilities		969.483	792.505
Events after the balance sheet date	1		
Contingent liabilities	11		
Assets charged and collateral	12		
Transactions with related parties	13		

Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000
Equity beginning of year	15.000	713.939	(13.209)
Extraordinary dividend paid	0	0	0
Exchange rate adjustments	0	43	(25)
Dividends from group enterprises	0	(117.966)	117.966
Profit/loss for the year	0	243.706	(118.574)
Equity end of year	15.000	839.722	(13.842)

	Proposed extraordinary dividend DKK'000	Total DKK'000
Equity beginning of year	0	715.730
Extraordinary dividend paid	(90.000)	(90.000)
Exchange rate adjustments	0	18
Dividends from group enterprises	0	0
Profit/loss for the year	90.000	215.132
Equity end of year	0	840.880

Notes to parent financial statements

1. 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. The Coronavirus Outbreak at the beginning of 2020 has not and is not expected to have significant impact on the Group's financial statement, as the Group's revenue is primarily rental income from residential property.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	25.845	17.928
Other social security costs	19	16
Other staff costs	285	309
	26.149	18.253
Average number of employees	3	4

	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	25.592	15.910
	25.592	15.910

	2019 DKK'000	2018 DKK'000
3. Other financial income		
Financial income arising from group enterprises	0	26
Exchange rate adjustments	63	0
	63	26

	2019 DKK'000	2018 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	106	0
Other interest expenses	28	165
Other financial expenses	0	1.225
	134	1.390

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	215.132	150.090
	215.132	150.090
		Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment		
Cost beginning of year		1.079
Additions		725
Disposals		(543)
Cost end of year		1.261
Depreciation and impairment losses beginning of year		(792)
Depreciation for the year		(235)
Reversal regarding disposals		469
Depreciation and impairment losses end of year		(558)
Carrying amount end of year		703
	Invest- ments in group enterprises DKK'000	Investments in associates DKK'000
7. Fixed asset investments		
Cost beginning of year	58.090	744
Cost end of year	58.090	744
Revaluations beginning of year	714.960	(744)
Exchange rate adjustments	312	0
Transfers	(270)	0
Share of profit/loss for the year	243.189	518
Dividend	(117.965)	0
Investments with negative equity value depreciated over receivables	0	(277)
Revaluations end of year	840.226	(503)
Carrying amount end of year	898.316	241

Notes to parent financial statements

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in associates comprise:			
REK Berlin Apartments Management GmbH	Germany, Berlin	GmbH	40,0

8. Prepayments

Prepayments consists of prepaid expenses.

	<u>Number</u>	<u>Nominal value DKK'000</u>
9. Contributed capital		
Share class A	810.000	4.050
Share class B	750.375	3.752
Share class C	600.000	3.000
Share class D	360.000	1.800
Share class E	360.000	1.800
Share class F	119.625	598
	<u>3.000.000</u>	<u>15.000</u>

10. Other provisions

Other provisions comprise other employee benefits.

11. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

12. Assets charged and collateral

Collateral securities provided for subsidiaries and group enterprises

The Entity has guaranteed the subsidiaries' mortgages.

The share of group enterprises' mortgage debt guaranteed by the Company has a carrying amount of DKK 689,098 thousand at 31.12.2019.

Notes to parent financial statements

13. Transactions with related parties

The Company's related parties comprise the following:

Significant influence – members of the Board of Directors and Executive Board.

Related party transactions:

	2019 DKK'000	2018 DKK'000
Remuneration to the Executive Board and the Board of Directors	25,702	15,910
Dividend to the shareholders	90,000	19,494
Dividend from group enterprises	117,966	0
Interest (net) group enterprises	(131)	26
Interest (net) associates	25	0
Intercompany accounts (net) group enterprises	(64,942)	(50,764)
Intercompany accounts (net) associates	1,872	2,317

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied for the consolidated financial statements and the parent financial statements are consistent with those applied last year.

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover

Accounting policies

date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of equity investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

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 one 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Accounting policies

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from property operations includes rental income regarding letting of investment properties and related income from letting out. The lessees contribution to cover the costs of the properties regarding heat supply and contributions to cover operating costs that eventually rest with the lessee are set off against paid costs in the balance sheet as other receivables or payables.

Fair value adjustments of investment property

Fair value adjustment of investment properties comprises adjustments for the financial year of the Entity's investment properties at fair value.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to equipment comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets as well as gains and losses from the sale of equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Accounting policies

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc. on fixed asset investments which are not investments in group enterprises or associates.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

Other financial income

Other financial income comprises interest income, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc. from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, 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.

The Entity is jointly taxed with the Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Accounting policies

Other fixtures and fittings, tools and equipment

5-7 years

Estimated useful lives and residual amounts are reassessed annually.

Other fixtures and fittings, tools and equipment are written down to the lower of recoverable amount and carrying amount.

Investment properties

On initial recognition, investment properties are recognised at cost which consists of the property's acquisition price plus any directly related acquisition costs.

After initial recognition, properties are measured at fair value, which represents the amount at which the individual property may be sold to an independent buyer.

Determination of the fair value of investment properties in Germany is based on an estimate. In making the estimate, three calculated reference values have been used for each property:

1. Fair value based on market price in proportion to rental income (price factor multiplied by rental income for one year)
2. Fair value based on market price per square metre
3. Fair value based on a yield-based calculation

Price factor in relation to annual rent and price per square metre are commonly used to express market value of properties in Germany.

The yield-based calculation is made according to principles that correspond in all material respects to comparable calculations for investment properties in Denmark, adapted to German market conditions. The calculation is based on the expected net earnings for the next year, adjusted to normal earnings and by using a required rate of return reflecting the market's actual required rate of return for similar properties.

The value adjustments to fair value are recognised in the income statement as value adjustments of investment properties. Properties are not depreciated as value impairments are included in the fair value adjustment.

Costs incurred that provide the properties with new or improved qualities compared to the date of acquisition are added to the properties' cost as improvements.

Gains and losses on disposal of investment properties are computed as the difference between the sales price less sales costs and the cost price according to the financial statements at the date of disposal.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity.

Accounting policies

Group enterprises with negative equity values are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Associates with a negative equity value are measured at zero value. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Other investments

Other investments comprise securities and shares measured at cost at the balance sheet date.

Inventories

Inventories consists of fuel oil for properties. Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Deferred tax

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

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.

Deferred tax relating to re-taxation of previously deducted losses of foreign subsidiaries is recognised based on a specific assessment of the purpose of the individual subsidiary.

Other provisions

Other provisions comprise other employee benefits.

Mortgage debt

The mortgage debt concerning investment properties is measured at amortised cost.

Other financial liabilities

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

Income tax receivable or payable

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

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Accounting policies

Cash and cash equivalents comprise cash funds.