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# ***NREP A/S***

Skodsborgvej 48 A, DK-2830 Virum

## **Annual Report for 1 January - 31 December 2017**

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CVR No 29 16 87 09

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
5 /7 2018

Peter Franks  
Chairman of the General  
Meeting



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of NREP A/S for the financial year 1 January - 31 December 2017.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for 2017

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company.

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

Virum, 5 July 2018

## Executive Board

Mikkel Bülow-Lehnsby

## Board of Directors

Rasmus Nørgaard  
Chairman

Mikkel Bülow-Lehnsby

Peter Franks

Claus Schei Mathisen

# Independent Auditor's Report

To the Shareholders of NREP A/S

## Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of NREP A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("Financial Statements").

## 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 Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

# Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## **Management's responsibilities for the Financial Statements**

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Parent Company 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 judgment and maintain professional skepticism throughout the audit. We also:

- 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 Company's internal control.

## Independent Auditor's Report

- 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

Hellerup, 5 July 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jacob F Christiansen  
statsautoriseret revisor  
mne18628

Thomas Wraae Holm  
statsautoriseret revisor  
mne30141

## Company Information

### The Company

NREP A/S  
Skodsborgvej 48 A  
DK-2830 Virum  
Website: [www.nrep.com](http://www.nrep.com)

CVR No: 29 16 87 09  
Financial period: 1 January - 31 December  
Incorporated: 2 November 2005  
Financial year: 12 th financial year  
Municipality of reg. office: Rudersdal

### Board of Directors

Rasmus Nørgaard, Chairman  
Mikkel Bülow-Lehnsby  
Peter Franks  
Claus Schei Mathisen

### Executive Board

Mikkel Bülow-Lehnsby

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### Lawyers

Bruun & Hjejle  
Nørregade 21  
DK-1165 København K

### Bankers

Danske Bank A/S  
Strødamvej 46  
DK-2100 København Ø

# Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

|   | <b>Group</b> |              |                |                |                |
|---|--------------|--------------|----------------|----------------|----------------|
|   | 2017<br>TDKK | 2016<br>TDKK | 2015 *<br>TDKK | 2014 *<br>TDKK | 2013 *<br>TDKK |
| <b>Key figures</b>                                    |              |              |                |                |                |
| <b>Profit/loss</b>                                    |              |              |                |                |                |
| Revenue   | 168,219      | 158,983      | 94,806         | 62,635         | 43,498         |
| EBITDA  | 41,127       | 52,057       | 11,682         | 5,750          | 4,272          |
| Operating profit/loss                                 | 40,089       | 59,536       | 10,672         | 4,884          | 3,393          |
| Net financials  | -313         | -377         | 20,061         | 86             | 232            |
| Net profit/loss for the year                          | 36,180       | 44,332       | 26,832         | 3,491          | 2,763          |
| <b>Balance sheet</b>                                  |              |              |                |                |                |
| Balance sheet total                                   | 158,787      | 101,625      | 84,934         | 57,505         | 20,554         |
| Equity  | 49,115       | 32,810       | 40,661         | 11,592         | 8,520          |
| <b>Cash flows</b>                                     |              |              |                |                |                |
| Cash flows from:                                      |              |              |                |                |                |
| - operating activities                                | -12,800      | 52,868       | 24,588         | 17,984         | 4,686          |
| - investing activities                                | 19,019       | -8,399       | -10,974        | -24,008        | -276           |
| including investment in property, plant and equipment | -1,792       | -1,442       | -769           | -17,382        | -723           |
| - financing activities                                | -3,385       | -51,084      | -887           | 17,417         | -181           |
| Change in cash and cash equivalents for the year      | 2,835        | -6,615       | 12,727         | 11,393         | 4,229          |
| Number of employees                                   | 88           | 64           | 43             | 34             | 28             |
| <b>Ratios</b>   |              |              |                |                |                |
| Gross margin  | 58.1%        | 69.8%        | 61.9%          | 63.0%          | 73.1%          |
| Profit margin   | 23.8%        | 37.4%        | 11.3%          | 7.8%           | 7.8%           |
| Return on assets                                      | 25.2%        | 58.6%        | 12.6%          | 8.5%           | 16.5%          |
| Solvency ratio  | 30.9%        | 32.3%        | 47.9%          | 20.2%          | 41.5%          |
| Return on equity                                      | 88.3%        | 120.7%       | 102.7%         | 34.7%          | 38.1%          |

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

\*) The Group has adopted IFRS as per January 1, 2017. The comparative figures for 2013-2015 reported under the Danish Financial Statements Act have not been restated.



# Management's Review

## Key activities

NREP is a vertically integrated real estate product innovator, developer, investor and operator that seeks to make real estate better. NREP takes a multi-stakeholder approach and leverages its multidisciplinary team to develop real estate and real estate anchored businesses that create long-term value for tenants, investors and the wider communities in which NREP invests.

The core competence of NREP is its ability to identify, assess and execute long-term, value-adding investment strategies in the property sector. NREP aims at identifying strategies under which competitive advantages may be accumulated over time; either through various skills or through the process of building a brand.

## Basis of preparation

The financial statements of the NREP Group for 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in EU and additional Danish disclosure requirements. Comparative figures have been restated.

Information about the first time adoption of IFRS is disclosed in note 25 in the Financial Statements

The Financial Statements of the NREP A/S (Parent Company) have been prepared in accordance with the Danish Financial Statements Act.

## Development in the year

The income statement of the Group for 2017 shows a profit of DKK 36,180,446, and at 31 December 2017 the balance sheet of the Group shows equity of DKK 49,115,329.

The main activities in 2017 have been:

- March 2017 – NREP launches NREP LPF Fund (Logistics)
- March 2017 - NREP recruits Mattias Kettlehoit as Commercial head of Logicentres
- April 2017 – NREP expands its team to 100 professionals to support the growth of its business
- August 2017 – NREP secures the largest portfolio exit of necessity driven retail assets in the Nordics
- December 2017 – NREP completes first closing of NREP Nordic Strategies Fund III
- December 2017 – Tobias Alsborger (Partner) leaves after 12 years with NREP

# Management's Review

## Follow-up on development expectations from last year

The profit of the year reflects:

- Higher management fees as a result of the launch of new funds during 2017,
- Continued recruitment of professionals,
- Returns on co-investments in NREP managed funds

The revenue and the profit of the year is as expected.

Management consider the result for the year to be satisfactory as a result of the above mentioned circumstances.

## Targets and expectations for the year ahead

Management expect a higher level of activity and improved earnings in the coming financial year based on:

- Complete final closing of NREP Nordic Strategies Fund III
- Continue the divestment of mature assets in the managed funds
- Identify, assess and acquire value-adding real estate investments to NREP Managed Funds
- Continued hiring of professionals
- Continued growth in asset management fees and salaries

## Special risks - operating risks and financial risks

### *Market risks*

Management fees received from funds are primarily based on the committed or deployed capital. In Management's assessment, the risk profile of the NREP Group is normal for this market.

The value assessments of properties held directly or indirectly through equity investments are inherently subject to some degree of uncertainty. In order to limit the risk as much as possible, all relevant properties have been assessed by external valuers, who are external parties independent of the Company.

### *Foreign exchange risks*

The Group primarily receives management fees in EUR, whereas the Group's expenses are distributed on DKK, SEK, NOK and EUR. This implies a risk in respect of exchange fluctuation of which the main part is however hedged for operating purposes by matching income and expenses in the same currency.

# Management's Review

## ***Interest rate risks***

NREP AB and affiliated companies have little exposure to interest rate risk as external financing is limited to a working capital facility and a mortgage loan. NREP Group might be indirectly exposed to interest rate risk through the Funds' performance. Funds have a dedicated policy for their own interest rate risk exposures.

The Fund's interest rate risks principally arise from long-term and short-term borrowings. Borrowings issued at variable rates expose the Funds to cash flow interest rate risk. To manage this, the Funds have entered into interest rate swaps and interest rate caps. For the interest rate swaps the Funds agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. Interest rate caps cap the floating interest at a specific rate.

## **Development activities**

During the year investments of DKK 2,518,491 was made in development activities. Development projects includes investment in a number of new platforms.

## **External environment**

The Group regularly defines, monitors and manages its external risks (including foreign exchange risk, credit risk, investment risk, liquidity risk, reputation risk et. al.) to align with the risk appetite of its stakeholders.

## **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income statement

|   | Note | Group              |                    | Parent             |                    |
|---|------|--------------------|--------------------|--------------------|--------------------|
|   |      | 2017<br>DKK        | 2016<br>DKK        | 2017<br>DKK        | 2016<br>DKK        |
| <b>Revenue</b>  | 4    | <b>168,218,674</b> | <b>158,982,747</b> | <b>75,899,278</b>  | <b>72,792,848</b>  |
| Other external expenses   |      | <u>-70,421,451</u> | <u>-47,983,104</u> | <u>-35,671,548</u> | <u>-24,768,737</u> |
| <b>Operating profit/loss</b>  |      | <b>97,797,223</b>  | <b>110,999,643</b> | <b>40,227,730</b>  | <b>48,024,111</b>  |
| Income from investments in associates related to NREP managed funds |      | 22,508,690         | 970,396            | 0                  | 0                  |
| Income from investments in NREP managed funds                       |      | 13,972,248         | 11,327,491         | 0                  | 0                  |
| Staff expenses  | 5    | -90,029,934        | -62,461,246        | -35,557,624        | -27,866,481        |
| Depreciation, amortisation and impairment                           |      | <u>-4,159,039</u>  | <u>-1,300,124</u>  | <u>-2,813,874</u>  | <u>-152,445</u>    |
| <b>Profit/loss before financial income and expenses</b>             |      | <b>40,089,188</b>  | <b>59,536,160</b>  | <b>1,856,232</b>   | <b>20,005,185</b>  |
| Income from investments in subsidiaries                             |      | 0                  | 0                  | 17,314,900         | 18,404,258         |
| Income from Investments in associates                               |      | -521,454           | 57,428             | 0                  | 0                  |
| Financial income  | 6    | 1,885,329          | 1,486,892          | 7,710,370          | 6,321,688          |
| Financial expenses  | 7    | <u>-1,676,612</u>  | <u>-1,921,339</u>  | <u>-1,558,136</u>  | <u>-2,089,506</u>  |
| <b>Profit/loss before tax</b>                                       |      | <b>39,776,451</b>  | <b>59,159,141</b>  | <b>25,323,366</b>  | <b>42,641,625</b>  |
| Tax on profit/loss for the year                                     | 8    | <u>-3,596,005</u>  | <u>-14,826,871</u> | <u>-736,988</u>    | <u>-5,104,360</u>  |
| <b>Net profit/loss for the year</b>                                 |      | <b>36,180,446</b>  | <b>44,332,270</b>  | <b>24,586,378</b>  | <b>37,537,265</b>  |
| <b>Proposed distribution of profit, Parent</b>                      |      |                    |                    |                    |                    |
| Extraordinary dividend paid   |      |                    |                    | 0                  | 50,000,000         |
| Reserve for net revaluation under the equity method                 |      |                    |                    | 14,669,326         | -11,626,658        |
| Minority interests' share of net profit/loss of subsidiaries        |      |                    |                    | 0                  | 0                  |
| Retained earnings   |      |                    |                    | <u>9,917,052</u>   | <u>-836,077</u>    |
|   |      |                    |                    | <b>24,586,378</b>  | <b>37,537,265</b>  |

|                                   | <b>Group</b>             |                          |
|-----------------------------------|--------------------------|--------------------------|
|                                   | <u>2017</u>              | <u>2016</u>              |
|                                   | DKK                      | DKK                      |
| Profit for the year               | 36,180,446               | 44,332,270               |
| Distribution profit for the year: |                          |                          |
| Owners of the parent company      | 31,650,258               | 41,055,780               |
| Non-controlling interests         | <u>4,530,188</u>         | <u>3,276,490</u>         |
|                                   | <b><u>36,180,446</u></b> | <b><u>44,332,270</u></b> |

## Comprehensive income, Group

|   |                          |                          |
|---|--------------------------|--------------------------|
| Profit for the year                                       | 36,180,446               | 44,332,270               |
| <b>Other comprehensive income</b>                         |                          |                          |
| <i>Item that may be reclassified to profit or loss</i>    |                          |                          |
| Exchange differences on translation of foreign operations | -1,033,449               | -1,438,437               |
| Income tax relating to these items                        | <u>0</u>                 | <u>0</u>                 |
| <b>Total other comprehensive income</b>                   | <b><u>-1,033,449</u></b> | <b><u>-1,438,437</u></b> |
| <b>Total comprehensive income</b>                         | <b><u>35,146,997</u></b> | <b><u>42,893,833</u></b> |
| Distribution of total comprehensive income for the year:  |                          |                          |
| Owners of the parent company                              | 30,617,073               | 39,617,343               |
| Non-controlling interests                                 | <u>4,529,924</u>         | <u>3,276,490</u>         |
|   | <b><u>35,146,997</u></b> | <b><u>42,893,833</u></b> |

# Balance Sheet

## Assets

|  | Note | Group             |                   |                            | Parent            |                   |
|--|------|-------------------|-------------------|----------------------------|-------------------|-------------------|
|  |      | 2017              | 2016              | As at 1<br>January<br>2016 | 2017              | 2016              |
|  |      | DKK               | DKK               | DKK                        | DKK               | DKK               |
| Software   |      | 0                 | 0                 | 0                          | 0                 | 0                 |
| Development projects in progress                 |      | 5,371,557         | 2,853,066         | 0                          | 0                 | 0                 |
| <b>Intangible assets</b>                         | 9    | <b>5,371,557</b>  | <b>2,853,066</b>  | <b>0</b>                   | <b>0</b>          | <b>0</b>          |
| Land and buildings                               |      | 14,798,564        | 15,232,308        | 15,629,968                 | 0                 | 0                 |
| Other fixtures and fittings, tools and equipment |      | 2,580,958         | 1,948,195         | 1,748,873                  | 279,275           | 188,208           |
| Leasehold improvements                           |      | 243,659           | 205,795           | 0                          | 243,659           | 205,795           |
| Property, plant and equipment in progress        |      | 0                 | 100,860           | 0                          | 0                 | 0                 |
| <b>Property, plant and equipment</b>             | 10   | <b>17,623,181</b> | <b>17,487,158</b> | <b>17,378,841</b>          | <b>522,934</b>    | <b>394,003</b>    |
| Investments in subsidiaries                      | 11   | 0                 | 0                 | 0                          | 44,809,990        | 31,622,457        |
| Investments in associates                        | 12   | 23,414,782        | 5,563,618         | 582,500                    | 4,210,186         | 4,210,186         |
| Receivables from group enterprises               | 13   | 0                 | 0                 | 0                          | 3,370,252         | 3,631,805         |
| Other investments                                | 13   | 31,967,806        | 23,260,640        | 16,550,828                 | 9,596,102         | 9,360,696         |
| Other receivables                                | 13   | 2,448,467         | 2,598,616         | 1,446,497                  | 1,483,778         | 1,396,897         |
| Deferred tax asset                               | 8    | 69,407            | 252,836           | 282,778                    | 30,428            | 30,410            |
| <b>Financial assets</b>                          |      | <b>57,900,462</b> | <b>31,675,710</b> | <b>18,862,603</b>          | <b>63,500,736</b> | <b>50,252,451</b> |
| <b>Total non-current assets</b>                  |      | <b>80,895,200</b> | <b>52,015,934</b> | <b>36,241,444</b>          | <b>64,023,670</b> | <b>50,646,454</b> |

# Balance Sheet

## Assets

|                                    | Note | Group              |                    |                                   | Parent            |                   |
|------------------------------------|------|--------------------|--------------------|-----------------------------------|-------------------|-------------------|
|                                    |      | 2017<br>DKK        | 2016<br>DKK        | As at 1<br>January<br>2016<br>DKK | 2017<br>DKK       | 2016<br>DKK       |
| Trade receivables                  | 14   | 9,157,895          | 2,286,166          | 1,881,153                         | 3,790,849         | 154,330           |
| Receivables from group enterprises |      | 0                  | 0                  | 126,841                           | 2,060,818         | 2,828,909         |
| Other receivables                  |      | 19,881,879         | 15,435,089         | 8,976,823                         | 9,314,825         | 3,478,469         |
| Income tax receivable              |      | 788,330            | 7,843              | 29,980                            | 0                 | 297               |
| Prepayments                        |      | 17,392,469         | 3,370,542          | 2,501,854                         | 15,879,374        | 1,524,618         |
| <b>Receivables</b>                 |      | <b>47,220,573</b>  | <b>21,099,640</b>  | <b>13,516,651</b>                 | <b>31,045,866</b> | <b>7,986,623</b>  |
| <b>Cash</b>                        |      | <b>30,671,123</b>  | <b>28,509,115</b>  | <b>35,175,643</b>                 | <b>823,182</b>    | <b>4,580,473</b>  |
| <b>Total currents assets</b>       |      | <b>77,891,696</b>  | <b>49,608,755</b>  | <b>48,692,294</b>                 | <b>31,869,048</b> | <b>12,567,096</b> |
| <b>Total assets</b>                |      | <b>158,786,896</b> | <b>101,624,689</b> | <b>84,933,738</b>                 | <b>95,892,718</b> | <b>63,213,550</b> |

# Balance Sheet

## Liabilities and equity

|  | Note | Group             |                   |                            | Parent            |                   |
|--|------|-------------------|-------------------|----------------------------|-------------------|-------------------|
|  |      | 2017              | 2016              | As at 1<br>January<br>2016 | 2017              | 2016              |
|  |      | DKK               | DKK               | DKK                        | DKK               | DKK               |
| Share capital  |      | 1,000,000         | 1,000,000         | 1,000,000                  | 1,000,000         | 1,000,000         |
| Reserve for net revaluation under<br>the equity method                   |      | 0                 | 0                 | 0                          | 28,656,570        | 15,020,693        |
| Reserve for foreign currency<br>translation                              |      | -2,471,886        | -1,438,437        | 0                          | 0                 | 0                 |
| Retained earnings  |      | 47,721,613        | 29,633,949        | 38,578,169                 | 19,573,356        | 9,656,304         |
| <b>Equity attributable to<br/>shareholders of the Parent<br/>Company</b> |      | <b>46,249,727</b> | <b>29,195,512</b> | <b>39,578,169</b>          | <b>49,229,926</b> | <b>25,676,997</b> |
| Minority interests   |      | 2,865,602         | 3,614,111         | 1,082,573                  | 0                 | 0                 |
| <b>Equity</b>  | 16   | <b>49,115,329</b> | <b>32,809,623</b> | <b>40,660,742</b>          | <b>49,229,926</b> | <b>25,676,997</b> |
| Provision for deferred tax   | 8    | 397,172           | 0                 | 0                          | 0                 | 0                 |
| Mortgage loans   | 16   | 12,484,499        | 12,647,535        | 12,809,439                 | 0                 | 0                 |
| Credit institutions  | 17   | 1,728,851         | 2,025,365         | 2,312,985                  | 0                 | 0                 |
| Other payables   | 17   | 7,311,942         | 5,977,313         | 1,915,830                  | 0                 | 0                 |
| <b>Long-term debt</b>  |      | <b>21,922,464</b> | <b>20,650,213</b> | <b>17,038,254</b>          | <b>0</b>          | <b>0</b>          |



# Balance Sheet

## Liabilities and equity

|  | Note | Group              |                    |                            | Parent            |                   |
|--|------|--------------------|--------------------|----------------------------|-------------------|-------------------|
|  |      | 2017               | 2016               | As at 1<br>January<br>2016 | 2017              | 2016              |
|  |      | DKK                | DKK                | DKK                        | DKK               | DKK               |
| Mortgage loans   | 17   | 162,674            | 161,372            | 161,176                    | 0                 | 0                 |
| Credit institutions  | 17   | 16,664,566         | 388,883            | 278,807                    | 16,291,632        | 0                 |
| Trade payables   |      | 8,108,711          | 11,121,562         | 12,609,644                 | 2,326,104         | 7,600,072         |
| Payables to group enterprises                                  |      | 186,621            | 547,404            | 547,404                    | 13,661,731        | 14,745,467        |
| Corporation tax  |      | 3,794,896          | 10,953,277         | 1,416,090                  | 737,012           | 6,268,221         |
| Other payables   | 17   | 58,831,635         | 24,992,355         | 12,221,621                 | 13,646,313        | 8,922,793         |
| <b>Short-term debt</b>   |      | <b>87,749,103</b>  | <b>48,164,853</b>  | <b>27,234,742</b>          | <b>46,662,792</b> | <b>37,536,553</b> |
| <b>Total liabilities</b>                                       |      | <b>109,671,567</b> | <b>68,815,066</b>  | <b>44,272,996</b>          | <b>46,662,792</b> | <b>37,536,553</b> |
| <b>Total equity and liabilities</b>                            |      | <b>158,786,896</b> | <b>101,624,689</b> | <b>84,933,738</b>          | <b>95,892,718</b> | <b>63,213,550</b> |
| General Information  |      |                    |                    |                            |                   | 1                 |
| Critical accounting estimates and judgements                   |      |                    |                    |                            |                   | 2                 |
| Financial risk management                                      |      |                    |                    |                            |                   | 3                 |
| Changes in liabilities arising from financing activities       |      |                    |                    |                            |                   | 20                |
| Related parties  |      |                    |                    |                            |                   | 21                |
| Contingent assets, liabilities and other financial obligations |      |                    |                    |                            |                   | 22                |
| Events after the balance sheet date                            |      |                    |                    |                            |                   | 23                |
| Financial instruments  |      |                    |                    |                            |                   | 24                |
| First time adoption of IFRS                                    |      |                    |                    |                            |                   | 25                |
| Accounting Policies  |      |                    |                    |                            |                   | 26                |

# Statement of Changes in Equity

## Group

|   | Share capital    | Reserve for net revaluation under the equity method | Reserve for foreign currency translation | Retained earnings  | Equity attributable to owners of the parent company | Non-controlling interests | Total              |
|---|------------------|---|--|--------------------|---|---------------------------|--------------------|
|   | DKK              | DKK   | DKK                                      | DKK                | DKK   | DKK                       | DKK                |
| <b>2017</b>                                       |                  |   |  |                    |   |                           |                    |
| Equity at 1 January                               | 1,000,000        | 0   | -1,438,437                               | 29,633,949         | 29,195,512  | 3,614,111                 | 32,809,623         |
| Net profit/loss for the year                      | 0                | 0   | 0  | 31,650,258         | 31,650,258  | 4,530,188                 | 36,180,446         |
| Exchange adjustments relating to foreign entities | 0                | 0   | -1,033,449                               | 0                  | -1,033,449  | 0                         | -1,033,449         |
| <b>Total comprehensive income for the period</b>  | <b>0</b>         | <b>0</b>  | <b>-1,033,449</b>                        | <b>31,650,258</b>  | <b>30,616,809</b>                                   | <b>4,530,188</b>          | <b>35,146,997</b>  |
| Ordinary dividend paid                            | 0                | 0   | 0  | 0                  | 0   | -5,278,697                | -5,278,697         |
| Extraordinary dividend paid                       | 0                | 0   | 0  | 0                  | 0   | 0                         | 0                  |
| Purchase of own shares                            | 0                | 0   | 0  | -13,562,594        | -13,562,594   | 0                         | -13,562,594        |
| <b>Transactions with owners</b>                   | <b>0</b>         | <b>0</b>  | <b>0</b>                                 | <b>-13,562,594</b> | <b>-13,562,594</b>                                  | <b>-5,278,697</b>         | <b>-18,841,291</b> |
| <b>Equity at 31 December</b>                      | <b>1,000,000</b> | <b>0</b>  | <b>-2,471,886</b>                        | <b>47,721,613</b>  | <b>46,249,727</b>                                   | <b>2,865,602</b>          | <b>49,115,329</b>  |

## Group

|   |                  |          |                   |                    |                    |                  |                    |
|---|------------------|----------|-------------------|--------------------|--------------------|------------------|--------------------|
| <b>2016</b>                                       |                  |          |                   |                    |                    |                  |                    |
| Equity at 1. January                              | 1,000,000        | 0        | 0                 | 38,578,169         | 39,578,169         | 1,082,573        | 40,660,742         |
| Net profit/loss for the year                      | 0                | 0        | 0                 | 41,055,780         | 41,055,780         | 3,276,490        | 44,332,270         |
| Exchange adjustments relating to foreign entities | 0                | 0        | -1,438,437        | 0                  | -1,438,437         | 0                | -1,438,437         |
| <b>Total comprehensive income for the period</b>  | <b>0</b>         | <b>0</b> | <b>-1,438,437</b> | <b>41,055,780</b>  | <b>39,617,343</b>  | <b>3,276,490</b> | <b>42,893,833</b>  |
| Ordinary dividend paid                            | 0                | 0        | 0                 | 0                  | 0                  | -744,952         | -744,952           |
| Extraordinary dividend paid                       | 0                | 0        | 0                 | -50,000,000        | -50,000,000        | 0                | -50,000,000        |
| <b>Transactions with owners</b>                   | <b>0</b>         | <b>0</b> | <b>0</b>          | <b>-50,000,000</b> | <b>-50,000,000</b> | <b>-744,952</b>  | <b>-50,744,952</b> |
| <b>Equity at 31 December</b>                      | <b>1,000,000</b> | <b>0</b> | <b>-1,438,437</b> | <b>29,633,949</b>  | <b>29,195,512</b>  | <b>3,614,111</b> | <b>32,809,623</b>  |

# Statement of Changes in Equity

## Parent

|  | Share capital    | Reserve for net<br>revaluation<br>under the<br>equity method | Reserve for<br>foreign<br>currency<br>translation | Retained<br>earnings | Total             |
|--|------------------|--|---|----------------------|-------------------|
|  | DKK              | DKK  | DKK   | DKK                  | DKK               |
| <b>2017</b>  |                  |  |   |                      |                   |
| Equity at 1 January                                  | 1,000,000        | 15,020,693   | 0   | 9,656,304            | 25,676,997        |
| Net profit/loss for the year                         | 0                | 14,669,326   | 0   | 9,917,052            | 24,586,378        |
| Exchange adjustments relating to foreign<br>entities | 0                | -1,033,449   | 0   | 0                    | -1,033,449        |
| <b>Equity at 31 December</b>                         | <b>1,000,000</b> | <b>28,656,570</b>  | <b>0</b>  | <b>19,573,356</b>    | <b>49,229,926</b> |

## Parent

### 2016

|  |                  |                   |          |                  |                   |
|--|------------------|-------------------|----------|------------------|-------------------|
| Equity at 1. January                                 | 1,000,000        | 27,976,460        | 0        | 10,601,709       | 39,578,169        |
| Net profit/loss for the year                         | 0                | -11,517,330       | 0        | 49,054,595       | 37,537,265        |
| Exchange adjustments relating to foreign<br>entities | 0                | -1,438,437        | 0        | 0                | -1,438,437        |
| Extraordinary dividend paid                          | 0                | 0                 | 0        | -50,000,000      | -50,000,000       |
| <b>Equity at 31 December</b>                         | <b>1,000,000</b> | <b>15,020,693</b> | <b>0</b> | <b>9,656,304</b> | <b>25,676,997</b> |

## Statement of Cash Flow

|  | Note | Group              |                    |
|--|------|--------------------|--------------------|
|  |      | 2017<br>DKK        | 2016<br>DKK        |
| Net profit/loss for the year   |      | 36,180,446         | 44,332,270         |
| Adjustments  | 18   | -28,413,157        | 4,206,127          |
| Change in working capital  | 19   | -9,830,574         | 7,739,009          |
| <b>Cash flows from operating activities before financial income and expenses</b> |      | <b>-2,063,285</b>  | <b>56,277,406</b>  |
| Financial income   |      | 1,885,339          | 4,509,083          |
| Financial expenses   |      | -1,676,609         | -1,921,340         |
| <b>Cash flows from ordinary activities</b>                                       |      | <b>-1,854,555</b>  | <b>58,865,149</b>  |
| Corporation tax paid   |      | -10,945,434        | -5,996,925         |
| <b>Net cash flow from operating activities</b>                                   |      | <b>-12,799,989</b> | <b>52,868,224</b>  |
| Purchase of intangible assets  |      | -5,117,979         | -2,853,066         |
| Purchase of property, plant and equipment  |      | -1,791,966         | -1,441,856         |
| Purchase of investments in associates  |      | -1,285,478         | -9,558,643         |
| Purchase of investments in NREP managed funds                                    |      | -14,312,787        | 0                  |
| Sale of fixed asset investments etc  |      | 314,078            | 235,709            |
| Dividends received from investments  |      | 41,213,567         | 5,218,490          |
| <b>Net cash flow from investing activities</b>                                   |      | <b>19,019,435</b>  | <b>-8,399,366</b>  |
| Repayment of mortgage loans  |      | -161,734           | -161,708           |
| Change of loans from credit institutions   |      | 15,979,169         | -177,543           |
| Repayment of payables to group enterprises                                       |      | -360,783           | 0                  |
| Purchase of treasury shares  |      | -13,562,594        | 0                  |
| Dividend paid  |      | -5,278,697         | -50,744,952        |
| <b>Cash flows from financing activities</b>                                      |      | <b>-3,384,639</b>  | <b>-51,084,203</b> |
| <b>Change in cash and cash equivalents</b>                                       |      | <b>2,834,807</b>   | <b>-6,615,345</b>  |
| Cash and cash equivalents at 1 January   |      | 28,509,115         | 35,175,643         |
| Exchange adjustment of cash and cash equivalents                                 |      | -672,799           | -51,183            |
| <b>Cash and cash equivalents at 31 December</b>                                  |      | <b>30,671,123</b>  | <b>28,509,115</b>  |
| Cash and cash equivalents are specified as follows:                              |      |                    |                    |
| Cash   |      | 30,671,123         | 28,509,115         |
| <b>Cash and cash equivalents at 31 December</b>                                  |      | <b>30,671,123</b>  | <b>28,509,115</b>  |

# Notes to the Financial Statements

## 1 General Information

NREP is a vertically integrated real estate product innovator, developer, investor and operator that seeks to make real estate better. NREP takes a multi-stakeholder approach and leverages its multidisciplinary team to develop real estate and real estate anchored businesses that create long-term value for tenants, investors and the wider communities in which NREP invests.

NREP A/S was established on 2 November 2005 and operates as a North European investment group focusing on identifying, assessing and executing property related investment platforms in the Scandinavian region.

The investment objective of these platforms is to pursue investments in real estate, either through equity or debt instruments in Denmark, Finland, Norway and Sweden, with the intention of delivering strong risk adjusted returns. These platforms typically focus primarily on suburban areas around all capital cities as well as the main regional cities, targeting attractive locations in supply constrained areas in order to maintain high occupancy levels and the ability to increase rental income over time.

NREP A/S has its registered office at Skodsborgvej 48A, 2830 Virum, Denmark.

## 2 Critical accounting estimates and judgements

The Group makes accounting estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates and assumptions applied are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical estimates, judgements and assumptions for the individual items are described below.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

The following assets are subject to significant estimation uncertainty:

### *Development projects*

Development projects are measured at cost less impairment.

Management has reviewed the projects and assessed the possibilities for realising a profitable business basis. These assessments have been used to assess the need of impairment of activated project costs.

# Notes to the Financial Statements

## 2 Critical accounting estimates and judgements (continued)

### *Properties in investments*

Properties held by entities in which the Group hold an equity interest through investments in associates or non controlling interests are measured at fair value. The fair value of investment properties is determined by NREP and assessed by independent valuers using acknowledged valuation techniques. The models used for valuing investment properties can include the net present value of estimated future cash flows, the capitalisation approach, and/or recent transactions of comparable properties. The determination of the inputs in the valuation calculations requires management to make judgments and estimates. The carrying amount such equity investments is DKK 49,578,639 as of 31 December 2017 (31 December 2016: DKK 23,260,363) of which DKK 19,204,596 are held through associated companies (31 December 2016: DKK 1,353,432). Refer to note 3 for a further discussion of the assumptions applied and an sensitivity analysis.

The cost of properties in the course of development includes attributable interest and other associated expenses. Interest is calculated on the development expenditure by reference to a specific borrowing where relevant. Interest is not capitalised where no development activity is taking place. A property ceases to be treated as development property on completion.

Investment properties under construction for which the fair value cannot be determined reliably, are measured at cost less impairment until the fair value becomes reliably determinable.

### *Other investments*

Other investments includes shares which are measured at fair value. Valuation of some of the shares are subject to significant accounting estimates as the valuation is based on the performance of the NREP Managed Fund exceeding a predetermined hurdle rate, which is in turn driven by the risk factors of the fund including financial capacity of tenants to pay rent, market conditions in terms of supply and demand of buildings / rental space, NREP ability to buy / sell buildings at low / high valuation respectively at the right cycles of the fund investment cycle, independent valuations or better are obtained on sale, vacancy rates, renegotiation terms of rental and financing arrangements, FX rates stability as FX risk is not hedged in the fund, compliance with loan covenants, taxation rules stability and the discount rate applicable to forecasted carried interest flows.

### *Management has made the following judgments when applying accounting policies:*

Shares are classified as equity investments if the Group does not have an obligation to sell the shares at cost or an amount lower than fair value if the Investors elect another Fund Manager. If the Group has such an obligation, such shares are considered contingent consideration arrangement related to the services delivered under the Investment Management agreements.

# Notes to the Financial Statements

## 3 Financial risk management

### *Market risks*

The Group is subject to the following markets risks:

- Share price risk/property price risk
- Foreign exchange risks
- Interest rate risk

The valuation of NREP's co-investments in NREP managed funds is inherently linked to the valuation of real estate properties in the fund portfolios. The value of investment property is subject to market conditions and is estimated with some degree of uncertainty. All real estate properties have been valued by independent external valuers.

### *Share price risk*

The Group holds Co-Investments in NREP Managed funds. Fair value of the shares is determined on the basis of the fair value of the property funds reported to investors.

The fair value of the properties has been determined on discounted cash flows using equivalent yields between 3.9% and 9.5%. These inputs include:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

The following table visualizes the effect on value of the share portfolio in response to the variation in market rents of properties measured at fair value by up to -10% / + 10% and the variation of the market yields of all underlying properties up to -0.5% / + 0.5%

### **Group 2017**

#### **Value of shares (DKK million)**

| <b>Yield Change (bps)</b>   | <b>-50</b>  | <b>0</b>  | <b>50</b>  |
|-----------------------------|-------------|-----------|------------|
| Fair Value                  | 10.2        | 9.1       | 8.2        |
| <b>Market Rent Change %</b> | <b>-10%</b> | <b>0%</b> | <b>10%</b> |
| Fair Value                  | 7.7         | 9.1       | 10.3       |

## Notes to the Financial Statements

### 3 Financial risk management (continued)

#### *Fair value*

|   | <u>Quoted<br/>prices<br/>(Level 1)</u><br>DKK | <u>Significant<br/>other<br/>observable<br/>inputs<br/>(Level 2)</u><br>DKK | <u>Significant<br/>unobserva<br/>ble inputs<br/>(Level 3)</u><br>DKK | <u>Total</u><br>DKK |
|---|---|---|--|---------------------|
| Other investments                       | 0   | 0   | 31,967,806   | 31,967,806          |
| <b>Carrying amount 31 December 2017</b> | <b>0</b>                                      | <b>0</b>  | <b>31,967,806</b>  | <b>31,967,806</b>   |

The fair value Hierachy levels are as follows:

Level 1 - quoted proces (unadjusted) in active markets for identical assets and liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability

Level 3 - Inputs for the asset or liability that are not based on observable market data

#### *Foreign exchange risks*

The Group primarily receives management fees in EUR, whereas the Group's expenses are distributed on DKK, SEK, NOK and EUR. This implies a risk in respect of exchange fluctuation of which the main part is however hedged for operating purposes by matching income and expenses in the same currency.

#### *Interest rate risk*

NREP AB and affiliated companies have little exposure to interest rate risk as external financing is limited to a working capital facility and a mortgage loan. NREP Group might be indirectly exposed to interest rate risk through the Funds' performance. Funds have a dedicated policy for their own interest rate risk exposures.

The Fund's interest rate risks principally arise from long-term and short-term borrowings.

Borrowings issued at variable rates expose the Funds to cash flow interest rate risk. To manage this, the Funds have entered into interest rate swaps and interest rate caps. For the interest rate swaps the Funds agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. Interest rate caps cap the floating interest at a specific rate.



# Notes to the Financial Statements

## 3 Financial risk management (continued)

### Liquidity risk

The Group manages its liquidity risk by monitoring the changes in working capital and by ensuring adequate funding. Based on the Group's cash management principle, the Group's cash is accumulated in dedicated bank accounts.

Risk analysis and designing of risk management plans are conducted at the top management level. The Group's liquidity risk policy is based on a conservative approach, whose main objective is to secure the safeguarding of the cash flows generated from the operations to ensure sufficient liquidity enabling timely settlement of the liabilities undertaken.

The Group has undrawn borrowing facilities of DKK 13 million (EUR 2 million) that may be available for future operating activities and to settle capital commitments.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Group                         | Less than<br>3 months<br>DKK | Less than<br>1 year<br>DKK | Between 1<br>and 5 year<br>DKK | More than<br>5 years<br>DKK | Total<br>DKK       |
|-------------------------------|------------------------------|----------------------------|--------------------------------|-----------------------------|--------------------|
| <b>As at 31 December 2017</b> |                              |                            |                                |                             |                    |
| Mortgage loans                | 82,936                       | 238,457                    | 3,368,793                      | 10,111,184                  | <b>13,801,371</b>  |
| Credit institutions           | 16,456,712                   | 265,977                    | 1,418,544                      | 459,617                     | <b>18,600,849</b>  |
| Other payables                | 52,794,175                   | 6,251,595                  | 5,874,965                      | 1,436,977                   | <b>66,357,712</b>  |
| Trade payables                | 8,108,711                    | 0                          | 0                              | 0                           | <b>8,108,711</b>   |
| Payables to group enterprises | 0                            | 186,621                    | 0                              | 0                           | <b>186,621</b>     |
|                               | <b>77,442,534</b>            | <b>6,942,651</b>           | <b>10,662,303</b>              | <b>12,007,778</b>           | <b>107,055,264</b> |
| <b>As at 31 December 2016</b> |                              |                            |                                |                             |                    |
| Mortgage loans                | 83,831                       | 249,964                    | 2,776,516                      | 11,024,855                  | <b>14,135,166</b>  |
| Credit institutions           | 189,922                      | 265,977                    | 1,418,544                      | 814,253                     | <b>2,688,695</b>   |
| Other payables                | 24,992,355                   | 0                          | 5,977,313                      | 0                           | <b>30,969,668</b>  |
| Trade payables                | 11,121,562                   |                            |                                |                             | <b>11,121,562</b>  |
| Payables to group enterprises | 0                            | 547,404                    | 0                              | 0                           | <b>547,404</b>     |
|                               | <b>36,387,670</b>            | <b>1,063,345</b>           | <b>10,172,373</b>              | <b>11,839,108</b>           | <b>59,462,495</b>  |

Fair values are approximately the same as the carrying amounts.

## Notes to the Financial Statements

|                                    | Group              |                    | Parent            |                   |
|------------------------------------|--------------------|--------------------|-------------------|-------------------|
|                                    | 2017<br>DKK        | 2016<br>DKK        | 2017<br>DKK       | 2016<br>DKK       |
| <b>4 Revenue</b>                   |                    |                    |                   |                   |
| Asset Management Fee               | 140,055,550        | 146,865,786        | 33,811,827        | 28,785,815        |
| Recharge                           | 19,784,986         | 4,759,271          | 4,741,579         | 2,498,361         |
| Other income                       | 8,378,138          | 7,357,690          | 0                 | 141,042           |
| Internal Advisory Fee              | 0                  | 0                  | 37,345,872        | 41,367,630        |
|                                    | <b>168,218,674</b> | <b>158,982,747</b> | <b>75,899,278</b> | <b>72,792,848</b> |
| <b>5 Staff expenses</b>            |                    |                    |                   |                   |
| Wages and salaries                 | 68,308,717         | 57,780,681         | 30,499,927        | 23,223,187        |
| Pensions                           | 6,523,145          | 1,236,101          | 1,554,458         | 1,203,719         |
| Other social security expenses     | 7,568,448          | 50,407             | 8,220             | 45,702            |
| Other staff expenses               | 7,629,624          | 3,394,057          | 3,495,019         | 3,393,873         |
|                                    | <b>90,029,934</b>  | <b>62,461,246</b>  | <b>35,557,624</b> | <b>27,866,481</b> |
| <b>Average number of employees</b> | <b>88</b>          | <b>64</b>          | <b>35</b>         | <b>29</b>         |

### Key Management Compensation

Key Management includes Board of Directors and Executive Management. The compensation paid or payables to key management for employee services is shown below:

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Wages and salaries                   | 13,890,379        | 13,718,907        |
| Pensions, defined contribution plans | 381,233           | 371,196           |
| Other long-term benefits             | 4,544             | 5,680             |
|                                      | <b>14,276,156</b> | <b>14,095,783</b> |

The key management for the NREP Group has been defined as the partner group consist of 11 persons.

### Compensation to the Board of Directors and Executive Management

|  |                   |                   |
|--|-------------------|-------------------|
| Compensation to the Board of Directors   | 4,605,779         | 4,370,563         |
| Compensation to the Executive Management | 9,670,377         | 9,725,221         |
|  | <b>14,276,156</b> | <b>14,095,784</b> |

## Notes to the Financial Statements

|  | Group            |                  | Parent           |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2017<br>DKK      | 2016<br>DKK      | 2017<br>DKK      | 2016<br>DKK      |
| <b>6 Financial income</b>                |                  |                  |                  |                  |
| Interest received from group enterprises | 0                | 0                | 606,356          | 388,828          |
| Other interest income                    | 566,925          | 61,284           | 6,746,383        | 5,365,121        |
| Exchange gains                           | 1,318,404        | 1,425,608        | 357,631          | 567,739          |
|  | <b>1,885,329</b> | <b>1,486,892</b> | <b>7,710,370</b> | <b>6,321,688</b> |
| <b>7 Financial expenses</b>              |                  |                  |                  |                  |
| Interest paid to group enterprises       | 0                | 0                | 722,395          | 595,393          |
| Other interest expenses                  | 1,676,612        | 1,921,339        | 835,741          | 1,494,113        |
|  | <b>1,676,612</b> | <b>1,921,339</b> | <b>1,558,136</b> | <b>2,089,506</b> |

## Notes to the Financial Statements

|  | Group             |                   | Parent            |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2017<br>DKK       | 2016<br>DKK       | 2017<br>DKK       | 2016<br>DKK       |
| <b>8 Tax on profit/loss for the year</b>                             |                   |                   |                   |                   |
| Current tax for the year   | 3,572,965         | 14,883,018        | 737,012           | 5,102,174         |
| Deferred tax for the year  | 47,815            | -47,798           | -24               | 2,186             |
| Adjustment of tax concerning previous years                          | -24,775           | -8,349            | 0                 | 0                 |
|  | <b>3,596,005</b>  | <b>14,826,871</b> | <b>736,988</b>    | <b>5,104,360</b>  |
| <b>Income tax expenses are specified as follows:</b>                 |                   |                   |                   |                   |
| <b>Calculated 22.0% tax on profit for the year before income tax</b> | <b>8,750,819</b>  | <b>13,015,011</b> | <b>5,571,141</b>  | <b>9,381,158</b>  |
| <b>Tax effects</b>   |                   |                   |                   |                   |
| Difference in tax rates  | 3,312,819         | 3,955,900         | 0                 | 0                 |
| Fair value adjustments   | -1,554,054        | -774,073          | 0                 | 0                 |
| Non-taxable income   | -1,825,405        | -57,503           | 0                 | 0                 |
| Non-deductible expenses  | 3,549,827         | 138,396           | 101,859           | 927,973           |
| Tax exempt dividends   | -10,541,548       | -5,204,522        | -4,935,827        | -5,204,522        |
| Adjustment of tax relating to previous years                         | -2,181            | 8,349             | 0                 | 0                 |
| Other  | 1,905,728         | 3,745,313         | -185              | -249              |
| <b>Tax effects, total</b>  | <b>-5,154,814</b> | <b>1,811,860</b>  | <b>-4,834,153</b> | <b>-4,276,798</b> |
| <b>Tax expenses</b>  | <b>3,596,005</b>  | <b>14,826,871</b> | <b>736,988</b>    | <b>5,104,360</b>  |
| <b>Effective tax rate</b>  | <b>9%</b>         | <b>25%</b>        | <b>3%</b>         | <b>12%</b>        |

## Notes to the Financial Statements

|   | Group          |                 | Parent         |                |
|---|----------------|-----------------|----------------|----------------|
|   | 2017<br>DKK    | 2016<br>DKK     | 2017<br>DKK    | 2016<br>DKK    |
| <b>8 Tax on profit/loss for the year</b><br>(continued) |                |                 |                |                |
| <i>Provision for deferred tax</i>                       |                |                 |                |                |
| Provision for deferred tax at 1 January                 | -252,836       | -282,778        | -30,410        | -32,596        |
| Amounts recognised in the income statement for the year | 650,008        | 29,942          | -18            | 2,186          |
| <b>Provision for deferred tax at 31 December</b>        | <b>397,172</b> | <b>-252,836</b> | <b>-30,428</b> | <b>-30,410</b> |
| Property, plant and equipment                           | -370,210       | -252,836        | 0              | -30,410        |
| Development projects                                    | 767,382        | 625,286         | 0              | 0              |
| Tax loss carry-forward                                  | -69,407        | -625,286        | -30,428        | 0              |
| Transferred to deferred tax asset                       | 69,407         | 252,836         | 30,428         | 30,410         |
|   | <b>397,172</b> | <b>0</b>        | <b>0</b>       | <b>0</b>       |
| Of which presented as deferred tax assets               | 69,407         | 252,836         | 30,434         | 30,410         |
| Of which presented as deferred tax liabilities          | 327,765        | 0               | 0              | 0              |

# Notes to the Financial Statements

## 9 Intangible assets

### Group 2017

|   | Software<br>DKK  | Development<br>projects in<br>progress<br>DKK |
|---|------------------|---|
| Cost at 1 January                                 | 0                | 2,853,066                                     |
| Additions for the year                            | 2,599,488        | 2,518,491                                     |
| Cost at 31 December                               | <u>2,599,488</u> | <u>5,371,557</u>                              |
| Impairment losses for the year                    | <u>2,599,488</u> | 0   |
| Impairment losses and amortisation at 31 December | <u>2,599,488</u> | 0   |
| <b>Carrying amount at 31 December</b>             | <b><u>0</u></b>  | <b><u>5,371,557</u></b>                       |

### Group 2016

|                                       |  | Development<br>projects in<br>progress |
|---------------------------------------|--|--|
| Cost at 1 January                     |  | 0                                      |
| Additions for the year                |  | <u>2,853,066</u>                       |
| Cost at 31 December                   |  | <u>2,853,066</u>                       |
| <b>Carrying amount at 31 December</b> |  | <b><u>2,853,066</u></b>                |

### Parent 2017

|   | Software<br>DKK  |
|---|------------------|
| Cost at 1 January                                 | 0                |
| Additions for the year                            | <u>2,599,488</u> |
| Cost at 31 December                               | <u>2,599,488</u> |
| Impairment losses for the year                    | <u>2,599,488</u> |
| Impairment losses and amortisation at 31 December | <u>2,599,488</u> |
| <b>Carrying amount at 31 December</b>             | <b><u>0</u></b>  |

# Notes to the Financial Statements

## 10 Property, plant and equipment

### Group 2017

|  | Land and<br>buildings    | Other fixtures<br>and fittings,<br>tools and<br>equipment | Leasehold<br>improvements | Property, plant<br>and equipment<br>in progress |
|--|--------------------------|---|---------------------------|---|
|  | DKK                      | DKK   | DKK                       | DKK   |
| Cost at 1 January                                    | 16,065,732               | 6,705,357   | 225,387                   | 100,860   |
| Additions for the year                               | 0                        | 1,800,629   | 92,197                    | 0   |
| Disposals for the year                               | 0                        | 0   | 0                         | -100,860  |
| Cost at 31 December                                  | <u>16,065,732</u>        | <u>8,505,986</u>  | <u>317,584</u>            | <u>0</u>  |
| Impairment losses and depreciation at<br>1 January   | 833,424                  | 4,757,162   | 19,592                    | 0   |
| Depreciation for the year                            | 433,744                  | 1,167,866   | 54,333                    | 0   |
| Impairment losses and depreciation at<br>31 December | <u>1,267,168</u>         | <u>5,925,028</u>  | <u>73,925</u>             | <u>0</u>  |
| <b>Carrying amount at 31 December</b>                | <b><u>14,798,564</u></b> | <b><u>2,580,958</u></b>                                   | <b><u>243,659</u></b>     | <b><u>0</u></b>                                 |

### Group 2016

|  | Land and<br>buildings    | Other fixtures<br>and fittings,<br>tools and<br>equipment | Leasehold<br>improvements | Property, plant<br>and equipment<br>in progress |
|--|--------------------------|---|---------------------------|---|
|  | DKK                      | DKK   | DKK                       | DKK   |
| Cost at 1 January                                    | 16,029,648               | 5,692,988   | 0                         | 0   |
| Exchange adjustment                                  | 0                        | -67,156   | 0                         | 0   |
| Additions for the year                               | 36,084                   | 1,079,525   | 225,387                   | 100,860   |
| Cost at 31 December                                  | <u>16,065,732</u>        | <u>6,705,357</u>  | <u>225,387</u>            | <u>100,860</u>                                  |
| Impairment losses and depreciation at<br>1 January   | 399,680                  | 3,944,115   | 0                         | 0   |
| Exchange adjustment                                  | 0                        | -33,741   | 0                         | 0   |
| Depreciation for the year                            | 433,744                  | 846,788   | 19,592                    | 0   |
| Impairment losses and depreciation at<br>31 December | <u>833,424</u>           | <u>4,757,162</u>  | <u>19,592</u>             | <u>0</u>  |
| <b>Carrying amount at 31 December</b>                | <b><u>15,232,308</u></b> | <b><u>1,948,195</u></b>                                   | <b><u>205,795</u></b>     | <b><u>100,860</u></b>                           |
| Depreciated over                                     | <u>50 years</u>          | <u>3-5 years</u>  | <u>5-20 years</u>         |   |

# Notes to the Financial Statements

## 10 Property, plant and equipment (continued)

### Parent 2017

|   | Other fixtures<br>and fittings,<br>tools and<br>equipment<br>DKK | Leasehold<br>improvements<br>DKK |
|---|--|----------------------------------|
| Cost at 1 January                                 | 2,564,724  | 225,387                          |
| Additions for the year                            | <u>251,120</u>   | <u>92,197</u>                    |
| Cost at 31 December                               | <u>2,815,844</u>   | <u>317,584</u>                   |
| Impairment losses and depreciation at 1 January   | 2,376,516  | 19,592                           |
| Depreciation for the year                         | <u>160,053</u>   | <u>54,333</u>                    |
| Impairment losses and depreciation at 31 December | <u>2,536,569</u>   | <u>73,925</u>                    |
| <b>Carrying amount at 31 December</b>             | <b><u>279,275</u></b>  | <b><u>243,659</u></b>            |
| Depreciated over                                  | <u>3-5 years</u>   | <u>5-20 years</u>                |

### Parent 2016

|   | Other fixtures<br>and fittings,<br>tools and<br>equipment<br>DKK | Leasehold<br>improvements<br>DKK |
|---|--|----------------------------------|
| Cost at 1 January                                 | 2,564,724  | 0                                |
| Additions for the year                            | <u>0</u>   | <u>225,387</u>                   |
| Cost at 31 December                               | <u>2,564,724</u>   | <u>225,387</u>                   |
| Impairment losses and depreciation at 1 January   | 2,243,663  | 0                                |
| Depreciation for the year                         | <u>132,853</u>   | <u>19,592</u>                    |
| Impairment losses and depreciation at 31 December | <u>2,376,516</u>   | <u>19,592</u>                    |
| <b>Carrying amount at 31 December</b>             | <b><u>188,208</u></b>  | <b><u>205,795</u></b>            |
| Depreciated over                                  | <u>3-5 years</u>   | <u>5-20 years</u>                |



# Notes to the Financial Statements

|   | Parent                   |                          |
|---|--------------------------|--------------------------|
|   | 2017<br>DKK              | 2016<br>DKK              |
| <b>11 Investments in subsidiaries</b>                                       |                          |                          |
| Cost at 1 January   | 15,217,991               | 15,157,359               |
| Additions for the year  | 1,030,903                | 60,632                   |
| Cost at 31 December   | <u>16,248,894</u>        | <u>15,217,991</u>        |
| Value adjustments at 1 January  | 15,020,693               | 26,844,034               |
| Exchange adjustment   | -1,033,449               | -1,438,437               |
| Net profit/loss for the year  | 17,314,900               | 18,464,890               |
| Dividend to the Parent Company  | -5,321,203               | -28,789,162              |
| Other adjustments   | 0                        | -60,632                  |
| Value adjustments at 31 December  | <u>25,980,941</u>        | <u>15,020,693</u>        |
| Equity investments with negative net asset value amortised over receivables | <u>2,580,155</u>         | <u>1,383,773</u>         |
| <b>Carrying amount at 31 December</b>                                       | <b><u>44,809,990</u></b> | <b><u>31,622,457</u></b> |

Investments in subsidiaries are specified as follows:

| Name   | Place of registered office | Share capital | Votes and ownership |
|--|----------------------------|---------------|---------------------|
| NREP AB  | Stockholm, Sweden          | SEK 100,000   | 100%                |
| NREP Oy  | Helsinki, Finland          | EUR 2,500     | 50%                 |
| NREP AS  | Oslo, Norway               | NOK 110,000   | 100%                |
| NREP Management Company S.a.r.l.                             | Luxembourg                 | EUR 125,000   | 100%                |
| NREP Strategies Fund II GP S.a.r.l.                          | Luxembourg                 | EUR 12,500    | 100%                |
| Ejendomsselskabet Skodsborgvej 48 ApS                        | Rudersdal,<br>Denmark      | DKK 80,000    | 100%                |
| NREP Komplementarselskab ApS                                 | Rudersdal,<br>Denmark      | DKK 80,000    | 100%                |
| Komplementarselskabet NREP Copenhagen Residential Fund 1 ApS | Rudersdal,<br>Denmark      | DKK 80,000    | 100%                |
| UMEUS ManCo ApS  | Rudersdal,<br>Denmark      | DKK 50,000    | 100%                |
| NREP LPF GP S.á.r.l.   | Denmark                    | DKK 50,000    | 100%                |
| NREP LPF MLP S.á.r.l.  | Luxembourg                 | EUR 12,000    | 100%                |
| NREP Hotel Operating Company Finland Oy                      | Luxembourg                 | EUR 12,000    | 100%                |
| Nordic Strategies Fund III GP S.á.r.l.                       | Helsinki, Finland          | EUR 2,500     | 100%                |
| NREP Investco 65 AB  | Luxembourg                 | EUR 12,000    | 100%                |
|  | Stockholm, Sweden          | SEK 50,000    | 81%                 |

## Notes to the Financial Statements

|                                       | Group             |                  | Parent           |                  |
|---------------------------------------|-------------------|------------------|------------------|------------------|
|                                       | 2017<br>DKK       | 2016<br>DKK      | 2017<br>DKK      | 2016<br>DKK      |
| <b>12 Investments in associates</b>   |                   |                  |                  |                  |
| Cost at 1 January                     | 4,535,794         | 582,500          | 4,210,186        | 582,500          |
| Additions for the year                | 17,936,660        | 3,953,294        | 0                | 3,627,686        |
| Transfers for the year                | 7,944,839         | 0                | 0                | 0                |
| Cost at 31 December                   | 30,417,293        | 4,535,794        | 4,210,186        | 4,210,186        |
| Value adjustments at 1 January        | 1,027,824         | 0                | 0                | 0                |
| Exchange adjustment                   | -212,622          | 0                | 0                | 0                |
| Fair value adjustment                 | -110,981          | 1,027,824        | 0                | 0                |
| Other equity movements, net           | -7,706,732        | 0                | 0                | 0                |
| Value adjustments at 31 December      | -7,002,511        | 1,027,824        | 0                | 0                |
| <b>Carrying amount at 31 December</b> | <b>23,414,782</b> | <b>5,563,618</b> | <b>4,210,186</b> | <b>4,210,186</b> |

Investments in associates are specified as follows:

| Name                           | Place of registered office | Share capital | Votes and ownership | Equity    | Net profit/loss for the year |
|--------------------------------|----------------------------|---------------|---------------------|-----------|------------------------------|
| <b>Investment in NREP Fund</b> |                            |               |                     |           |                              |
| InvestCo 3 AB                  | Sweden                     | SEK 100,000   | 23%                 | 4,539,096 | -2,441,735                   |
| InvestCo 28 AB                 | Sweden                     | SEK 50,000    | 32%                 | 50,502    | -35,200                      |
| InvestCo 15 AB                 | Sweden                     | EUR 6,500     | 47%                 | 79,470    | -12,557                      |
| InvestCo 31 AB                 | Sweden                     | SEK 50,000    | 43%                 | 2,479,710 | -13,603                      |
| InvestCo 50 AB                 | Sweden                     | EUR 6,500     | 30%                 | 125,122   | -11,582                      |
| InvestCo 14 AB                 | Sweden                     | EUR 6,500     | 36%                 | 72,404    | 12,624                       |
| <b>Investments in other</b>    |                            |               |                     |           |                              |
| NREP Partner Holding           |                            |               |                     |           |                              |
| ApS                            | Denmark                    | DKK 125,000   | 25%                 | 1,236,551 | -55,116                      |
| Lendager Group ApS             | Denmark                    | DKK 80,000    | 45%                 | 1,714,586 | -1,158,786                   |

## Notes to the Financial Statements

### 13 Other financial assets

|  | Group                    |                         | Parent                             |                         |                         |
|--|--------------------------|-------------------------|------------------------------------|-------------------------|-------------------------|
|  | Other investments        | Other receivables       | Receivables from group enterprises | Other investments       | Other receivables       |
|  | DKK                      | DKK                     | DKK                                | DKK                     | DKK                     |
| Cost at 1 January                      | 22,179,299               | 2,598,616               | 5,015,578                          | 10,770,046              | 1,396,897               |
| Additions for the year                 | 14,312,787               | 0                       | 934,829                            | 223,349                 | 86,881                  |
| Disposals for the year                 | -163,929                 | -150,149                | 0                                  | 0                       | 0                       |
| Transfers for the year                 | -7,944,839               | 0                       | 0                                  | 0                       | 0                       |
| Cost at 31 December                    | <u>28,383,318</u>        | <u>2,448,467</u>        | <u>5,950,407</u>                   | <u>10,993,395</u>       | <u>1,483,778</u>        |
| Value adjustments at at 1 January      | 1,081,341                | 0                       | 0                                  | 0                       | 0                       |
| Exchange adjustment                    | -277,592                 | 0                       | 0                                  | 0                       | 0                       |
| Net effect from merger and acquisition | 0                        | 0                       | 0                                  | 0                       | 0                       |
| Fair value adjustment                  | <u>2,780,739</u>         | <u>0</u>                | <u>0</u>                           | <u>0</u>                | <u>0</u>                |
| Value adjustments at at 31 December    | <u>3,584,488</u>         | <u>0</u>                | <u>0</u>                           | <u>0</u>                | <u>0</u>                |
| Impairment at 1 January                | 0                        | 0                       | 1,383,773                          | 1,409,350               | 0                       |
| Exchange adjustment                    | 0                        | 0                       | 0                                  | -12,057                 | 0                       |
| Impairment losses for the year         | <u>0</u>                 | <u>0</u>                | <u>1,196,382</u>                   | <u>0</u>                | <u>0</u>                |
| Impairment at 31 December              | <u>0</u>                 | <u>0</u>                | <u>2,580,155</u>                   | <u>1,397,293</u>        | <u>0</u>                |
| <b>Carrying amount at 31 December</b>  | <b><u>31,967,806</u></b> | <b><u>2,448,467</u></b> | <b><u>3,370,252</u></b>            | <b><u>9,596,102</u></b> | <b><u>1,483,778</u></b> |

## Notes to the Financial Statements

|  | Group            |                  | Parent           |                |
|--|------------------|------------------|------------------|----------------|
|  | 2017<br>DKK      | 2016<br>DKK      | 2017<br>DKK      | 2016<br>DKK    |
| <b>14 Trade receivables</b>  |                  |                  |                  |                |
| Trade receivables and other<br>receivables at 31.12.2017                                 | 9,157,895        | 2,286,166        | 3,761,709        | 154,330        |
| <b>Trade receivables net</b>   | <b>9,157,895</b> | <b>2,286,166</b> | <b>3,761,709</b> | <b>154,330</b> |
| Allocation of net receivables (not<br>written off) by maturity period are as<br>follows: |                  |                  |                  |                |
| Up to 30 days  | 7,038,637        | 1,902,014        | 1,874,787        | 154,330        |
| Between 31 and 90 days   | 2,113,907        | 384,152          | 1,881,571        | 0              |
| Between 91 and 365 days  | 5,351            | 0                | 5,351            | 0              |
| <b>Net receivables at 31.12.2017</b>   | <b>9,157,895</b> | <b>2,286,166</b> | <b>3,761,709</b> | <b>154,330</b> |

### 15 Prepayment

Prepayments includes consultancy fee in relation to funding of NREP Group managed funds.

# Notes to the Financial Statements

## 16 Share capital

### *Dividends*

In 2017, no dividend was paid (2016: 50,000,000 DKK equal to 50 DKK per share). The Board of Directors has not proposed dividend for 2017.

### *Capital management*

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital as defined by management at 31 Decemebr 2017 and 2016 consists of total equity of the Group plus net debt of the Group, as shown on the face of the consolidated balance sheet.

### *Treasury shares*

NREP A/S holds 14,363 treasury shares through NREP Partners Investments ApS with a total value of DKK 723,553 and NREP AB holds 31,830 shares through NREP Partner Holding ApS with a total value of DKK 13,807,557.

NREP AB acquired 31,830 shares in NREP Partner Holding ApS on 15 December 2017 for the amount of DKK 13,807,557 (SEK 18,250,145). NREP AB acquired shares in a corporate shareholder of NREP A/S during December 2017 from a departing NREP partner.

Shares held by NREP AB and NREP A/S amounts to 8.8 percent of the total share capital.

The share capital has developed as follows:

|                                     | 2017             | 2016             | 2015             | 2014             | 2013           |
|-------------------------------------|------------------|------------------|------------------|------------------|----------------|
|                                     | DKK              | DKK              | DKK              | DKK              | DKK            |
| Share capital at 1 January          | 1,000,000        | 1,000,000        | 1,000,000        | 279,011          | 279,011        |
| Capital increase                    | 0                | 0                | 0                | 720,989          | 0              |
| Capital decrease                    | 0                | 0                | 0                | 0                | 0              |
| <b>Share capital at 31 December</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>1,000,000</b> | <b>279,011</b> |

# Notes to the Financial Statements

## 17 Mortgage loans and credit institutions

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

|  | Group             |                   | Parent            |                  |
|--|-------------------|-------------------|-------------------|------------------|
|  | 2017<br>DKK       | 2016<br>DKK       | 2017<br>DKK       | 2016<br>DKK      |
| <b>Mortgage loans</b>                        |                   |                   |                   |                  |
| After 5 years                                | 9,567,525         | 10,395,930        | 0                 | 0                |
| Between 1 and 5 years                        | 2,916,974         | 2,251,605         | 0                 | 0                |
| Long-term part                               | 12,484,499        | 12,647,535        | 0                 | 0                |
| Within 1 year                                | 162,674           | 161,372           | 0                 | 0                |
|  | <b>12,647,173</b> | <b>12,808,907</b> | <b>0</b>          | <b>0</b>         |
| <b>Credit institutions</b>                   |                   |                   |                   |                  |
| After 5 years                                | 449,069           | 783,723           | 0                 | 0                |
| Between 1 and 5 years                        | 1,279,782         | 1,241,642         | 0                 | 0                |
| Long-term part                               | 1,728,851         | 2,025,365         | 0                 | 0                |
| Within 1 year                                | 0                 | 287,620           | 0                 | 0                |
| Other short-term debt to credit institutions | 16,664,566        | 101,263           | 16,291,632        | 0                |
| Short-term part                              | 16,664,566        | 388,883           | 16,291,632        | 0                |
|  | <b>18,393,417</b> | <b>2,414,248</b>  | <b>16,291,632</b> | <b>0</b>         |
| <b>Other payables</b>                        |                   |                   |                   |                  |
| Between 1 and 5 years                        | 7,311,942         | 5,977,313         | 0                 | 0                |
| Long-term part                               | 7,311,942         | 5,977,313         | 0                 | 0                |
| Within 1 year                                | 7,421,772         | 5,977,313         | 0                 | 382,862          |
| Other short-term payables                    | 51,409,863        | 19,015,042        | 13,646,313        | 8,539,931        |
| Short-term part                              | 58,831,635        | 24,992,355        | 13,646,313        | 8,922,793        |
|  | <b>66,143,577</b> | <b>30,969,668</b> | <b>13,646,313</b> | <b>8,922,793</b> |

Other payables short-term including payable amounts for purchase of shares.

## Notes to the Financial Statements

|   | Group              |                  |
|---|--------------------|------------------|
|   | 2017               | 2016             |
|   | DKK                | DKK              |
| <b>18 Cash flow statement - adjustments</b>   |                    |                  |
| Financial income  | -1,885,329         | -1,486,892       |
| Financial expenses  | 1,676,612          | 1,921,339        |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 4,159,039          | 1,300,124        |
| Income from Investments in associates   | 521,454            | -57,428          |
| Income from investments in NREP managed funds   | -13,972,248        | -11,327,491      |
| Income from investments in associates related to NREP managed funds                   | -22,508,690        | -970,396         |
| Tax on profit/loss for the year   | 3,596,005          | 14,826,871       |
|   | <b>-28,413,157</b> | <b>4,206,127</b> |

### 19 Cash flow statement - change in working capital

|                               |                   |                  |
|-------------------------------|-------------------|------------------|
| Change in receivables         | -25,340,446       | -7,605,126       |
| Change in trade payables, etc | 15,509,872        | 15,344,135       |
|                               | <b>-9,830,574</b> | <b>7,739,009</b> |

### 20 Changes in liabilities arising from financing activities

| Group                         | Beginning of year | Cash flows        | Non-cash changes   | End of year       |
|-------------------------------|-------------------|-------------------|--------------------|-------------------|
| Non-current borrowings        | 14,672,900        | -459,550          | 0                  | 14,213,350        |
| Current borrowings            | 550,255           | 16,276,986        | 0                  | 16,827,241        |
| Payables to group enterprises | 547,404           | 0                 | -360,783           | 186,621           |
|                               | <b>15,770,559</b> | <b>15,817,436</b> | <b>-360,783</b>    | <b>31,227,212</b> |
| <b>Parent</b>                 |                   |                   |                    |                   |
| Current borrowings            | 0                 | 16,291,632        | 0                  | 16,291,632        |
| Payables to group enterprises | 14,745,467        | 9,276,481         | -10,347,200        | 13,674,748        |
|                               | <b>14,745,467</b> | <b>25,568,113</b> | <b>-10,347,200</b> | <b>29,966,380</b> |

# Notes to the Financial Statements

## 21 Related parties

### Transactions

The following transactions were carried through with related parties:

|   | Group       |             |
|---|-------------|-------------|
|   | 2017<br>DKK | 2016<br>DKK |
| <b>Transaction with TBL Holding ApS:</b>      |             |             |
| Loan received                                 | 11,000,000  | 0           |
| Loan paid                                     | -11,000,000 | 0           |
| <b>Transaction with other related parties</b> |             |             |
| Loans granted/received                        | -14,877,200 | 50,000      |
| Loans repaid                                  | 14,914,393  | -152,850    |
| Interest received                             | -37,193     | 0           |
| Interest paid                                 | 0           | 7,469       |
| Other expenses                                | -83,160     | 0           |

### Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

TBL Holding ApS, Skodsborgvej 48 A, 2830 Virum  
NREP Partner Holding ApS, Skodsborgvej 48 A, 2830 Virum  
NREP Partners Investment ApS, Skodsborgvej 48 A, 2830 Virum



## Notes to the Financial Statements

|  | Group |      | Parent |      |
|--|-------|------|--------|------|
|  | 2017  | 2016 | 2017   | 2016 |
|  | DKK   | DKK  | DKK    | DKK  |
| <b>22 Contingent assets, liabilities and other financial obligations</b> |       |      |        |      |

### Charges and security

The following assets have been placed as security with mortgage credit institutes:

|  |            |            |   |   |
|--|------------|------------|---|---|
| Land and buildings with a carrying amount of | 14,798,564 | 15,232,308 | 0 | 0 |
|--|------------|------------|---|---|

### Contingent liabilities

#### Parent

The parent company has issued a letter of financial support to Ejendomsselskabet Skodsborgvej 48 ApS and Umeus ManCo ApS and issued a guarantee for the subsidiaries, as security toward the bank for the subsidiary's bank exposure.

The parent company has given cross-borders guarantee to the credit institutions which amount to DKK 1,187,414 (SEK 1,569,200).

#### Group

The Group companies are jointly and separately liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of TBL Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Group have entered into binding commitments to add further capital DKK 255,918 (EUR 34,375) to the Group's investments in NREP Investco 16 AB, NREP Investco 18 AB and NREP Investco 19 AB according to investment agreements.

## 23 Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Notes to the Financial Statements

## 24 Financial instruments

### Parent

|   | <b>2017</b>        | <b>2017</b>        | <b>2016</b>        | <b>2016</b>        |
|---|--------------------|--------------------|--------------------|--------------------|
|   | <b>Carrying</b>    | <b>Fair</b>        | <b>Carrying</b>    | <b>Fair</b>        |
|   | <b>amount</b>      | <b>value</b>       | <b>amount</b>      | <b>Value</b>       |
|   | DKK                | DKK                | DKK                | DKK                |
| <i>Loans and receivables at amortised cost</i>            |                    |                    |                    |                    |
| Trade receivables   | 3,790,849          | 3,790,849          | 154,330            | 154,330            |
| Other receivables   | 10,798,603         | 10,798,603         | 4,875,366          | 4,875,366          |
| Receivables from group enterprises                        | 5,431,070          | 5,431,070          | 6,460,714          | 6,460,714          |
| Cash and cash equivalents                                 | 823,182            | 823,182            | 4,580,473          | 4,580,473          |
| <i>Financial assets at fair value through profit/loss</i> |                    |                    |                    |                    |
| Other investments   | 9,596,102          | 9,596,102          | 9,360,696          | 9,360,696          |
| <b>Financial assets</b>                                   | <b>30,439,806</b>  | <b>30,439,806</b>  | <b>25,431,579</b>  | <b>25,431,579</b>  |
| <i>Carried at amortised cost</i>                          |                    |                    |                    |                    |
| Credit institutions                                       | -16,291,632        | -16,291,632        | 0                  | 0                  |
| Trade payables  | -2,326,104         | -2,326,104         | -7,600,072         | -7,600,072         |
| Other payables  | -13,646,313        | -13,646,313        | -8,922,793         | -8,922,793         |
| Payables to group enterprises                             | -13,661,731        | -13,661,731        | -14,745,467        | -14,745,467        |
| <b>Financial liabilities</b>                              | <b>-45,925,780</b> | <b>-45,925,780</b> | <b>-31,268,332</b> | <b>-31,268,332</b> |

# Notes to the Financial Statements

## 25 First time adoption of IFRS

Adoption of IFRS has resulted in the following changes to the accounting policies:

Under Danish GAAP, unquoted equity investments were measured at cost. Investments in associates were measured at cost.

Under IFRS, unquoted equity instruments are measured at fair value through profit or loss if reliable fair value measurement is available. For Investments in associates, the equity method is applied using accounting policies required by IFRS including measurement of unquoted equity instruments at fair value through profit or loss.

The accounting policies for the parent company prepared under Danish GAAP have been changed accordingly to better reflect the financial position and performance of the parent company.

|   | <u>Group</u><br>DKK      |
|---|--------------------------|
| <b>Reconciliation of equity as at 1 January 2016 (date of transition to IFRS)</b> |                          |
| Danish GAAP   | 40,660,742               |
| Adjustment of unquoted instruments to fair value                                  | <u>0</u>                 |
| <b>IFRS</b>   | <b><u>40,660,742</u></b> |
| <b>Reconciliation of equity as at 31 December 2016</b>                            |                          |
| Danish GAAP   | 29,291,108               |
| Adjustment of unquoted instruments to fair value                                  | <u>3,518,515</u>         |
| <b>IFRS</b>   | <b><u>32,809,623</u></b> |
| <b>Reconciliation of profit for the year ended 31 December 2016</b>               |                          |
| Danish GAAP   | 40,813,755               |
| Adjustment of unquoted instruments to fair value                                  | <u>3,518,515</u>         |
| <b>IFRS</b>   | <b><u>44,332,270</u></b> |

Under Danish GAAP, unquoted equity instruments were measured at cost.

Under IFRS, they are measured at fair value through profit and loss if fair value can be estimated reliably.

The Group presents, as required by IFRS, a statement of other comprehensive income. Under Danish GAAP, no such statement has been presented. Instead, Items classified as other comprehensive income under IFRS have been presented directly in the statement of changes in equity.

# Notes to the Financial Statements

## 25 First time adoption of IFRS (continued)

Further, adoption of IFRS has resulted in separate presentation of income from entities holding investments in the fund managed by NREP within profit before financial income and expense.

Finally, adoption of IFRS has resulted in minor reclassifications in the balance sheet.

# Notes to the Financial Statements

## 26 Accounting Policies

The financial statements of the NREP Group A/S for 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in EU and additional Danish disclosure requirements for medium sized class C entities.

The financial statements have been prepared on a historical cost basis, except for investments in unquoted equity instruments which are measured at fair value through profit or loss.

The financial statements of the NREP A/S have been prepared in accordance with the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Consolidated and Parent Company Financial Statements for 2017 are presented in DKK.

### ***First time adoption of IFRS***

These consolidated financial statements are the first financial statement presented in accordance with IFRS. The date of transition is 1 January 2016. The figures for 2016 in the income statement and the balance sheet items as at 1 January 2016 and 31 December 2016 have been restated accordingly.

The Group has applied the standards and interpretations which are mandatory for accounting periods beginning on 1 January 2017.

The disclosures required by IFRS 1, First-time Adoption of International Financial Reporting Standards, concerning the transition from Danish GAAP to IFRS are provided in note 24.

The Group has applied the exemption to set the the foreign currency translation reserve at 0 as of the date of transition to IFRS.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

### ***Adoption of new and amended standards***

The IASB has issued a number of new or amended standards and interpretations effective for financial years beginning after 1 January 2018. Some of these have not yet been endorsed by the EU. Most relevant to the Group are the following:

- IFRS 9 "Financial Instruments" reducing the number of asset classes for financial assets to three: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The standard replaces the current credit loss model based on incurred losses with a measurement model based on expected credit losses. The standard will be effective for financial years beginning on or after 1 January 2018. The Group is in process of evaluating the impact on IFRS, but expect the new standard to have no significant impact.

- IFRS 15 "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is in process of evaluating the impact on IFRS, but expect the new standard to have no significant impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group.

### **Basis of consolidation**

The Consolidated Financial Statements comprise the Parent Company, NREP A/S, and subsidiaries, i.e. entities in which the Parent Company:

- Has power
- Has exposure or right to variable returns, and
- Has the ability to use its power to affect the return

Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

### Business combinations

#### Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in “Amortisation, depreciation and impairment losses”.

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group’s interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of NREP A/S.

### Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

### Translation policies

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Oneland currency units (CU), which is VALUE IFRS Plc's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.



# Notes to the Financial Statements

## 26 Accounting Policies (continued)

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions),
- and all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## Income Statement

### Revenue

Revenue consists of Management fee from investment funds managed by the company. Management fee is recognised as income as earned in accordance with agreements, typically on a time proportionate basis.

### Income from investments in NREP managed funds

Fair value changes and dividend income from investments in NREP managed funds are presented as a single amount in the line item "Income from investments in NREP managed funds". If the investments are held by associated companies, the investments in NREP managed funds are presented as part of the result of associated companies.

### Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

### **Financial income and expenses**

Financial income and expenses comprises interest income and expense determined on an amortised cost basis and exchange rate adjustments.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

## **Balance Sheet**

### **Intangible assets**

#### ***Development projects, patents and licences***

Development projects are measured at cost less accumulated amortisation or recoverable amount if the amount is less.

Software investments are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Software licences are amortised over the period of the agreement, which is 10 years.

### **Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

|   |            |
|---|------------|
| Buildings   | 50 years   |
| Other fixtures and fittings,<br>tools and equipment | 3-5 years  |
| Leasehold improvements                              | 5-20 years |

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Investments in associates

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### Other financial assets

Other financial assets consist of long term loans to affiliated companies, and investments in unlisted equity instruments. Long-term loans are measured at amortised cost, and investments in unlisted equity instruments are measured at fair value through profit or loss, based on management and evaluation of the performance on a fair value basis.

### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### **Equity**

#### ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### ***Dividend distribution***

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

#### ***Treasury shares***

Treasury shares are deducted from equity and no gain or loss are recognised on the purchase, sale, issue or cancellation of such shares.

Treasury shares are presented in 'other equity'/disclosed as a separate line item in the balance sheet/deducted from retained earnings/ presented in a specific reserve.

Where any group company purchases the company's equity instruments, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the owners of the parent company. The Group's share of equity instruments of the Group held by associates are treated as own equity instruments. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the owners of the parent company.

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

#### **Deferred tax assets and liabilities**

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

## Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

### Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

|                  |   |
|------------------|---|
| Return on assets | $\text{Profit before financials} * 100 / \text{Total assets}$       |
| Solvency ratio   | $\text{Equity at year end} * 100 / \text{Total assets at year end}$ |

### Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

### Accounting policies for the Parent Company

The accounting policies of the Parent Company are the same as for the Group except as described below:

The income statement is presented according to the nature of expenses. To obtain a true and fair view of the investment management activities of company, fair value changes and dividend from entities holding investments in the funds managed by NREP is presented as a separate line item within profit before financial items. Previously such shares were measured at cost and no fair value changes were reported. Further, income from associates holding such investments is presented as a separate item within profit before financial items.

The balance sheet is presented in a current/non current order.

#### Investments in subsidiaries and associates

Investments in subsidiaries are accounted for under the equity method. Undistributed reserves insubsidiaries are recognised in a separate reserve within equity.

Investments in associates are measured at cost.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

#### Cash Flow Statement

With reference to section 86 paragraph 4 of the Danish Financial Statements Act, no Cash Flow Statement for the Parent Company are prepared.

# Notes to the Financial Statements

## 26 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

|                  |  |
|------------------|--|
| Gross margin     | $\frac{\text{Gross profit} \times 100}{\text{Revenue}}$                        |
| Profit margin    | $\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$            |
| Return on assets | $\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$       |
| Solvency ratio   | $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$ |
| Return on equity | $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$      |