
NREP A/S

Southamptongade 4, DK-2150 Nordhavn

Annual report for 1 January - 31 December 2018

CVR No 29 16 87 09

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on:
31/5 2019

Rasmus Nørgaard
Chairman of the General
Meeting



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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 to 31 December 2018.

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. The Directors Report 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 2018 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for 1 January to 31 December 2018.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial matters 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.

Nordhavn, 31 May 2019

Executive Board

Claus Schei Mathisen

Board of Directors

Rasmus Nørgaard
Chairman

Mikkel Bülow-Lehnsby

Rune Højby Kock

Claus Schei Mathisen

Independent Auditors 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 2018 and of the results of the Groups's operations and cash flows for the financial year 1 January to 31 December 2018 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 2018 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2018 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.

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 Statement Act. We did not identify any material misstatement in Management's Review.

Independent Auditors Report

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 over-ride 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditors Report

- 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 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, 31 May 2019

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
Southamptongade 4
DK-2150 Nordhavn
Website: www.nrep.com

CVR No: 29 16 87 09
Financial period: 1 January - 31 December
Incorporated: 2 November 2005
Financial year: 13 th financial year
Municipality of reg. Office: Copenhagen

Board of Directors

Rasmus Nørgaard, Chairman
Mikkel Bülow-Lehnsby
Rune Højby Kock
Claus Schei Mathisen

Executive Board

Claus Schei Mathisen

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:

	Group				
	2018	2017	2016	2015 *	2014 *
	DKK ('000s)	DKK ('000s)	DKK ('000s)	DKK ('000s)	DKK ('000s)
Key figures					
Profit/loss					
Revenue	249.927	168.219	158.983	94.806	62.635
Operating profit/loss	36.221	40.089	59.536	10.672	4.884
Net financials	-5.182	-313	-377	20.061	86
Net profit/loss for the year	22.228	36.180	44.332	26.832	3.491
Balance sheet					
Balance sheet total	199.261	158.787	101.625	84.934	57.505
Equity	72.841	49.115	32.810	40.661	11.592
Cash flows					
Cash flows from:					
- operating activities	20.611	-12.800	52.868	24.588	17.984
- investing activities	-16.278	19.019	-8.399	-10.974	-24.008
including investment in property, plant and equipment	-858	-1.792	-1.442	-769	-17.382
- financing activities	11.314	-3.385	-51.084	-887	17.417
Change in cash and cash equivalents for the year	15.647	2.835	-6.615	12.727	11.393
Number of employees	121	88	64	43	34
Ratios					
Gross margin	73,9%	58,1%	69,8%	61,9%	63,0%
Profit margin	14,5%	23,8%	37,4%	11,3%	7,8%
Return on assets	18,2%	25,2%	58,6%	12,6%	8,5%
Solvency ratio	33,3%	30,9%	32,3%	47,9%	20,2%
Return on equity	38,5%	88,3%	120,7%	102,7%	34,7%

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 1 January 2017 and the comparative figures for 2016 have been restated. The comparative figures for 2014-2015 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 continues to take 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. NREP continues to develop its expertise and has continued to enter into new platforms, i.e. for student housing, care homes, as well as enter into upstream value-chain developments.

Basis of preparation

The Consolidated Financial Statements of the NREP Group for 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in EU and additional Danish disclosure requirements. 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 2018 shows a profit of DKK 22,228k and at 31 December 2018 the balance sheet of the Group shows equity of DKK 72,841k.

The main activities in 2018 have been:

- August 2018: NREP appoints former Lord Mayor of Copenhagen, Jens Kramer Mikkelsen as Director of Urban Development
- September 2018: NREP appoints Claus Mathisen as CEO
- November 2018: NREP announces that CFO Peter Franks, will leave NREP, and announces Bo Holse Rasmussen as new CFO, based in Copenhagen

Follow-up on development expectations from last year

The profit of the year reflects:

- Managements fees in line with budgets and expectations, as funds committed investments in accordance with plans
- Continued recruitment of professionals, hereunder focus on investment teams locally
- 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.

Management's Review

Targets and expectations for the year ahead

Management expects a higher level of activity during 2019. Due to divestment of smaller existing funds, some fees are to be reduced, however with expected launch of NSF4 commencing in Q3 or Q4, some uplift is expected. Costs are expected to increase, as investments in new platforms will not yield additional fees until later in 2019. Hence, the result for the year is expected to be lower than for 2018, however in line with budgets and longer term plans.

NREP is investing for future growth in 2019, which will yield results on longer term:

- First final closing of NREP Nordic Strategies Fund IV
- Continue the divestment of matures assets in the managed funds, i.e. Cheney fund and tail-end of NSF1
- Continued hiring of professionals and build a stronger base on also specialist functions
- Continued growth in asset management fees and salaries

Special risks - operating risks and financial risks

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.

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 A/S and affiliated companies have little exposure to interest rate risk as external financing is limited to a working capital facility and a mortgage loan.

The 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 2,552k was made in development activities. Development projects includes investment in a number of new platforms.

External environment

NREP considers effective environmental risk management and sustainability a prerequisite to operate, but we also see it as an integrated part of ensuring and improving the long term value of our investments. Effective environmental management not only mitigates potential future risks and liabilities, but is also an opportunity to directly improve both net operating income, capital requirements and residual value.

NREP is committed to establish sustainable relationships with the local stakeholders impacted by our businesses to ensure mutual respect and understanding, active partnership and a long term sustainable commitment. Well beyond mere regulatory compliance, NREP's ambition is to have a positive impact on the local communities in which we invest.

Subsequent events

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

Income Statement

	Note	Group		Parent	
		2018	2017	2018	2017
		DKK	DKK	DKK	DKK
Revenue	5	249.927.042	168.218.674	120.334.848	75.899.278
Other external expenses		-66.740.747	-70.421.451	-32.848.670	-35.671.548
Other Income		1.490.000	0	0	0
Operating profit/loss		184.676.295	97.797.223	87.486.178	40.227.730
Income from investments in associates related to NREP managed funds		-507.000	22.508.690	0	0
Income from investments in NREP managed funds		-88.000	13.972.248	0	0
Staff expenses	6	-145.565.698	-90.029.934	-67.433.595	-35.557.624
Depreciation, amortisation and impairment	10, 11	-2.294.516	-4.159.039	-205.992	-2.813.874
Profit/loss before financial income and expenses		36.221.081	40.089.188	19.846.591	1.856.232
Income from investments in subsidiaries		0	0	3.581.579	17.314.900
Income from investments in associates		-1.174.278	-521.454	0	0
Financial income	7	8.725.190	1.885.329	3.187.850	7.710.370
Financial expenses	8	-12.733.292	-1.676.612	-3.704.793	-1.558.136
Profit/loss before tax		31.038.701	39.776.451	22.911.227	25.323.366
Tax on profit/loss for the year	9	-8.810.319	-3.596.005	-4.276.982	-736.988
Net profit/loss for the year		22.228.382	36.180.446	18.634.245	24.586.378
Of which:					
Owners of the parent company		18.563.031	31.650.258		
Non-controlling interests		3.665.351	4.530.188		
		22.228.382	36.180.446		

Comprehensive income, Group

	<u>2018</u>	<u>2017</u>
	DKK	DKK
Profit for the year	22.228.382	36.180.446
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	1.497.147	-1.033.449
Income tax relating to these items	<u>0</u>	<u>0</u>
Total other comprehensive income	1.497.147	-1.033.449
Total comprehensive income	23.725.529	35.146.997
Of which:		
Owners of the parent company	20.060.178	30.617.073
Non-controlling interests	<u>3.665.351</u>	<u>4.529.924</u>
	23.725.529	35.146.997

Balance Sheet

Assets

	Note	Group		Parent	
		2018	2017	2018	2017
		DKK	DKK	DKK	DKK
Software		6.933.603	0	5.998.751	0
Development projects in progress		6.904.132	5.371.557	0	0
Intangible assets	10	13.837.735	5.371.557	5.998.751	0
Land and buildings		0	14.798.564	0	0
Other fixtures and fittings, tools and equipment		1.668.406	2.580.958	140.214	279.275
Leasehold improvements		220.357	243.659	220.357	243.659
Property, plant and equipment in progress		483.954	0	0	0
Property, plant and equipment	11	2.372.717	17.623.181	360.571	522.934
Investments in subsidiaries	12	0	0	56.396.780	44.809.990
Investments in associates	13	26.342.116	23.414.782	4.235.186	4.210.186
Receivables from group enterprises	14	0	0	6.718.668	3.370.252
Other investments	14	24.453.655	31.967.806	13.801.096	9.596.102
Other receivables	14, 15	3.038.018	2.448.467	2.734.916	1.483.778
Deferred tax asset	9	0	69.407	34.984	30.428
Financial assets		53.833.789	57.900.462	83.921.630	63.500.736
Total non-current assets		70.044.241	80.895.200	90.280.952	64.023.670
Trade receivables	15	20.677.976	9.157.895	5.996.536	3.790.849
Receivables from group enterprises		0	0	16.696.416	2.060.818
Other receivables	15	37.749.077	19.881.879	10.445.839	9.314.825
Income tax receivable		349.854	788.330	0	0
Prepayments		8.539.778	17.392.469	7.420.034	15.879.374
Receivables		67.316.685	47.220.573	40.558.825	31.045.866
Cash		46.601.252	30.671.123	4.262.326	823.182
Total current assets		113.917.937	77.891.696	44.821.151	31.869.048
Assets classified as held for sale	11.1	15.298.342	0	0	0
Total assets		199.260.520	158.786.896	135.102.103	95.892.718

Balance Sheet

Liabilities and equity

	Note	Group		Parent	
		2018	2017	2018	2017
		DKK	DKK	DKK	DKK
Share capital		1.000.000	1.000.000	1.000.000	1.000.000
Reserve for net revaluation under the equity method		0	0	27.754.448	28.656.570
Reserve for foreign currency translation		-974.739	-2.471.886	0	0
Retained earnings		66.284.644	47.721.613	39.109.747	19.573.356
Equity attributable to shareholders of parent company		66.309.905	46.249.727	67.864.195	49.229.926
Minority interests		6.530.953	2.865.602	0	0
Equity	17	72.840.858	49.115.329	67.864.195	49.229.926
Provision for deferred tax	9	436.742	397.172	0	0
Mortgage loans	18	0	12.484.499	0	0
Credit institutions	18	0	1.728.851	0	0
Other payables	18	19.457.862	7.311.942	0	0
Long-term debt		19.894.604	21.922.464	0	0
Mortgage loans	18	0	162.674	0	0
Credit institutions	18	27.779.654	16.664.566	27.716.524	16.291.632
Trade payables		13.290.883	8.108.711	7.656.121	2.326.104
Payables to group enterprises		547.404	186.621	13.631.128	13.661.731
Corporation tax		4.281.530	3.794.896	4.281.530	737.012
Other payables	18	45.969.142	58.831.635	13.952.605	13.646.313
Short-term debt		91.868.613	87.749.103	67.237.908	46.662.792
Total liabilities		111.763.217	109.671.567	67.237.908	46.662.792
Liabilities directly associated with assets classified as held for sale	11.1	14.656.445	0	0	0
Total equity and liabilities		199.260.520	158.786.896	135.102.103	95.892.718

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Statement of Changes in Equity

Group

	Share capital	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
2018						
Equity at 1 January	1.000.000	-2.471.886	47.721.613	46.249.727	2.865.602	49.115.329
Net profit/loss for the year	0	0	18.563.031	18.563.031	3.665.351	22.228.382
Investment in developments	0	0	0	0	0	0
Exchange differences relating to foreign entities	0	1.497.147	0	1.497.147	0	1.497.147
Total comprehensive income for the period	0	1.497.147	18.563.031	20.060.178	3.665.351	23.725.529
Ordinary dividend paid	0	0	0	0	0	0
Extraordinary dividend paid	0	0	0	0	0	0
Purchase of own shares	0	0	0	0	0	0
Transactions with owners	0	0	0	0	0	0
Equity at 31 December	1.000.000	-974.739	66.284.644	66.309.905	6.530.953	72.840.858

Group

2017						
Equity at 1 January	1.000.000	-1.438.437	29.633.949	29.195.512	3.614.111	32.809.623
Net profit/loss for the year	0	0	31.650.258	31.650.258	4.530.188	36.180.446
Exchange differences relating to foreign entities	0	-1.033.449	0	-1.033.449	0	-1.033.449
Total comprehensive income for the period	0	-1.033.449	31.650.258	30.616.809	4.530.188	35.146.997
Ordinary dividend paid	0	0	0	0	-5.278.697	-5.278.697
Extraordinary dividend paid	0	0	0	0	0	0
Purchase of own shares	0	0	-13.562.594	-13.562.594	0	-13.562.594
Transactions with owners	0	0	-13.562.594	-13.562.594	-5.278.697	-18.841.291
Equity at 31 December	1.000.000	-2.471.886	47.721.613	46.249.727	2.865.602	49.115.329

Statement of Changes in Equity

Parent

	Share capital	Reserve for net revaluation under the equity method	Reserve for foreign currency translation	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
2018					
Equity at 1 January	1.000.000	28.656.570	0	19.573.356	49.229.926
Profit for the period	0	-902.122	0	19.536.367	18.634.245
Exchange differences relating to foreign entities	0	0	0	24	0
Equity at 31.12.2018	1.000.000	27.754.448	0	39.109.747	67.864.195
Parent					
2017					
Equity at 1 January	1.000.000	15.020.693	0	9.656.304	25.676.997
Profit for the period	0	14.669.326	0	9.917.052	24.586.378
Exchange differences relating to foreign entities	0	-1.033.449	0	0	-1.033.449
Equity at 31.12.2017	1.000.000	28.656.570	0	19.573.356	49.229.926

Statement of Cashflow

	Note	Group	
		2018 DKK	2017 DKK
Net profit/loss for the year		22.228.382	36.180.446
Adjustments	19	16.471.854	-28.413.157
Changes in net working capital	20	-16.815.001	-9.830.574
Cash flows from ordinary activities before financial income and expenses		21.885.235	-2.063.285
Financial income		8.725.190	1.885.339
Financial expenses		-6.993.065	-1.676.609
Cash flows from ordinary activities		23.617.360	-1.854.555
Corporation tax paid		-3.006.566	-10.945.434
Net cash flow from operating activities		20.610.794	-12.799.989
Purchase of intangible assets		-9.483.026	-5.117.979
Purchase of property, plant and equipment		-858.164	-1.791.966
Purchase of investments in associates		-5.937.247	-1.285.478
Purchase of investments in NREP managed funds		0	-14.312.787
Sale of fixed asset investments etc		0	314.078
Dividends received from associates and other investments		0	41.213.567
Net cash flow from investing activities		-16.278.437	19.019.435
Repayment of mortgage loans		-162.655	-161.734
Change of loans from credit institutions		11.116.207	15.979.169
Repayment of loans from group enterprises		360.783	-360.783
Purchase of treasury shares		0	-13.562.594
Divident paid			
Other financing activities		0	-5.278.697
Cash flow from financing activities		11.314.335	-3.384.639
Change in cash and cash equivalents		15.646.692	2.834.807
Cash and cash equivalents at 1 January		30.671.123	28.509.115
Exchange adjustment of cash and cash equivalents		283.617	-672.799
Cash and cash equivalents at 31 December		46.601.432	30.671.123
Cash and cash equivalents are specified as follows:			
Cash		46.601.432	30.671.123
Cash and cash equivalents at 31 December		46.601.432	30.671.123

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 2150 Nordhavn, 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. The carrying amount is DKK 6,904k (31 December 2017: DKK 5,372k).

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.

The assessment did not lead to impairments.

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 normally 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 of expected yields 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 24,590k as of 31 December 2018 (31 December 2017: DKK 28,581k) of which DKK 4,020k are held through associated companies (31 December 2017: DKK 586k). Refer to note 3 for a further discussion of the assumptions applied.

The cost of properties in the course of development includes attributable interest and other associated expenses. Interest is calculated and capitalized on the development 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.

Investments

Investments in associates and other investments includes shares owned directly or indirectly which are measured at fair value. The carrying amount of such equity investments is DKK 26,207k (31 December 2017: DKK 26,802k). 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
- Market risks
- Foreign exchange risks
- Interest rate risk
- Liquidity risk
- Credit risk

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.

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 as 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% depending on the type and location of the property. 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.

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.

Notes to the Financial Statements

3 Financial risk management (continued)

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 risks

NREP A/S and affiliated companies have little exposure to interest rate risk as external financing is limited to a working capital facility and a mortgage loan.

The 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)

Fair value	2018			
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservab- le inputs (Level 3)	Total
Other investments and associates (with shares or underlying shares measures at fair value)	0	0	26.207	26.207
Carrying amount 31 December	0	0	26.207	26.207
	2017			
	DKK ('000s)	DKK ('000s)	DKK ('000s)	DKK ('000s)
Other investments and associates (with shares or underlying shares measures at fair value)	0	0	26.802	26.802
Carrying amount 31 December	0	0	26.802	26.802

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

The following table presents the change in level 3 items for the years ended 31 December 2018 and 31 December 2017:

	2018
	DKK ('000s)
Opening at 1 January	26.802
Value adjustments from associates related to NREP managed funds	-507
Value adjustments from investments related to NREP managed funds	-88
Closing balance 31 December	26.207

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	2018				
	Less than 3 months	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
	DKK	DKK	DKK	DKK	DKK
As at 31 December					
Mortgage loans	0	0	0	0	0
Credit institutions	235.036	27.966.741	0	0	28.201.777
Other payables	46.236.036	0	15.307.258	4.150.604	65.693.898
Trade payables	13.290.883	0	0	0	13.290.883
Payables to group enterprises	0	547.404	0	0	547.404
	59.761.955	28.514.145	15.307.258	4.150.604	107.733.962
	2017				
As at 31 December					
Mortgage loans	82.936	238.457	3.368.793	10.111.184	13.801.371
Credit institutions	16.456.712	265.977	1.418.544	459.617	18.600.849
Other payables	52.794.175	6.251.595	5.874.965	1.436.977	66.357.712
Trade payables	8.108.711	0	0	0	8.108.711
Payables to group enterprises	0	186.621	0	0	186.621
	36.387.670	1.063.345	10.172.373	11.839.108	59.462.495

Fair values are approximately the same as the carrying amounts.

Notes to the Financial Statements

3 Financial risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk.

Credit risk arises from cash and cash equivalents held at banks, trade receivables and other receivables.

Credit risk is managed on a group basis. The Group does not monitor the credit quality of trade and other receivables on an ongoing basis. Cash balances are held only with financial institutions with a Moody's or Fitch credit rating of Aa3 or above, except in cases where amounts are immaterial

Credit risk arises principally from other receivable, trade receivables and cash and cash equivalents.

NREP A/S monitors credit risk of any Financial Counterparty on an annual basis and performs initial financial due diligence.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	Group	
	2018	2017
	DKK ('000s)	DKK ('000s)
Trade receivables	20.678	9.158
Other receivables	40.787	22.300
Cash and Cash Equivalents	46.601	30.671

Cash and cash equivalents and deposits were placed with financial institutions whose ratings are as follows:

<i>Financial Institution</i>	<i>Rating Agency</i>	<i>Rating</i>	Group	
			2018	2017
			DKK ('000s)	DKK ('000s)
BBH *	Fitch	A+	16.020	4.568
Danske Bank	Moody's	A1	27.016	21.214
Nordea Bank	Moody's	Aa3	3.483	4.607
SEB	Moody's	Aa3	63	75
Other banks	Moody's/Fitch	-	117	207
<i>Cash at bank and in hand classified as held for sale (Note 11.1)</i>			-98	0
			46.601	30.671

* Acting as an intermediary for HSBC, Nordea Bank Denmark, Nordea Bank Norway and SEB

The ratings for financial institutions with which the Group does business in multiple countries are the same for all locations of that institution.

Further details on the Group's credit risk and the related expected credit loss for rent and service charge receivables and debt investments are included in Notes 14 and 15 respectively.

Notes to the Financial Statements

4 Proposed distribution of profit, Parent

Reserve for net revaluation under the equity method
Retained earnings

Parent	
2018	2017
DKK	DKK
-902.122	14.669.326
19.536.367	9.917.052
18.634.245	24.586.378

5 Revenue

Asset Management Fee
Fee other services
Other
Internal Advisory Fee

	Group		Parent	
	2018	2017	2018	2017
	DKK	DKK	DKK	DKK
Asset Management Fee	227.100.673	140.055.550	32.614.810	33.811.827
Fee other services	17.359.184	19.784.986	5.494.652	4.741.579
Other	5.467.185	8.378.138	0	0
Internal Advisory Fee	0	0	82.225.396	37.345.872
	249.927.042	168.218.674	120.334.858	75.899.278

The timing of revenue and cost recognition has changed to an insignificant extent for certain types of contracts due to IFRS 15, because revenue now is recognised over time rather than at a point in time. IFRS 15 is applied based upon the modified retrospective method and prior-year figures have not been adjusted.

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
6 Staff expenses				
Wages and salaries	100.390.634	68.308.717	48.778.217	30.499.927
Pensions	8.852.233	6.523.145	2.643.467	1.554.458
Other social security expenses	7.899.207	7.568.448	14.102	8.220
Other staff expenses	28.423.624	7.629.624	15.997.809	3.495.019
	145.565.698	90.029.934	67.433.595	35.557.624
Average number of employees	121	88	48	35

Key Management Compensation

The key management for the NREP Group has been defined as the partner group, which consist of 10 persons (2017: 11 persons), executive Management and Board of Directors. The compensation paid or payables to key management for employee services is shown below:

Wages and salaries	11.536.836	13.890.379
Pensions, defined contribution plans	77.532	381.233
Other long-term benefits	2.333	4.544
	11.616.701	14.276.156

Compensation to the Board of Directors and Executive Management

Compensation to the Board of Directors	5.328.670	4.605.779
Compensation to the Executive Management	6.288.031	9.670.377
	11.616.701	14.276.156

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
7 Financial Income				
Interest received from group enterprises	0	0	677.595	606.356
Other interest income	8.725.190	566.925	2.510.255	6.746.383
Exchange gains	0	1.318.404	0	357.631
	8.725.190	1.885.329	3.187.850	7.710.370
8 Financial expenses				
Interest paid to group enterprises	0	0	535.527	722.395
Other interest expenses	5.359.369	1.676.612	735.227	835.741
Exchange losses	625.664	0	2.434.039	0
Value adjustments other investments	6.748.259	0	0	0
	12.733.292	1.676.612	3.704.793	1.558.136

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
9 Tax on profit/loss for the year				
Current tax for the year	8.814.867	3.572.965	4.281.530	737.012
Deferred tax for the year	39.570	47.815	-2.379	-24
Adjustment of tax concerning previous years	-44.118	-24.775	-2.169	0
	8.810.319	3.596.005	4.276.982	736.988
Income tax expenses are specified as follows:				
Calculated 22.0% tax on profit for the year before income tax	6.828.514	8.750.819	5.040.470	5.571.141
Tax effects				
Difference in tax rates	-171.228	3.312.819	0	0
Fair value adjustments	0	-1.554.054	0	0
Non-taxable income	0	-1.825.405	0	0
Non-deductible expenses	1.526.318	3.549.827	24.615	101.859
Tax exempt dividends	0	-10.541.548	-787.947	-4.935.827
Adjustment of tax relating to previous years	0	-2.181	0	0
Other	626.715	1.905.728	-156	-185
Tax effects, total	1.981.805	-5.154.814	-763.488	-4.834.153
Tax expenses	8.810.319	3.596.005	4.276.982	736.988
Effective tax rate	28%	9%	19%	3%

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
9 Tax on profit/loss for the year (continued)				
<i>Provision for deferred tax</i>				
Provision for deferred tax at 1 January	397.172	-252.836	-32.614	-32.596
Amounts recognised in the income statement for the year	39.570	650.008	-2.370	-18
Provision for deferred tax at 31 December	436.742	397.172	-34.984	-32.614
Property, plant and equipment	-330.640	-370.210	-34.984	-30.410
Development projects	767.382	767.382	0	0
Tax loss carry-forward	0	-69.407	0	0
Transferred to deferred tax asset	0	69.407	34.984	30.410
	436.742	397.172	0	0
Of which presented as deferred tax assets	0	69.407	34.984	30.428
Of which presented as deferred tax liabilities	436.742	397.172	0	0

Notes to the Financial Statements

10 Intangible assets

Group 2018

	Software DKK	Development projects in progress DKK
Cost at 1 January	2.599.488	5.371.557
Additions for the year	6.931.519	2.551.507
Cost at 31 December	<u>9.531.007</u>	<u>7.923.064</u>
Impairment losses and amortisation at 1 January	2.599.488	0
Impairment losses for the year	0	1.026.827
Movements due to currency	-2.084	-7.895
Impairment losses and amortisation at 31 December	<u>2.597.404</u>	<u>1.018.932</u>
Carrying amount at 31 December	<u>6.933.603</u>	<u>6.904.132</u>

Group 2017

	Software DKK	Development projects in progress 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	2.599.488	0
Impairment losses and amortisation at 31 December	<u>2.599.488</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>5.371.557</u>

Notes to the Financial Statements

10 Intangible assets

Parent 2018

	Software
	DKK
Cost at 1 January	2.599.488
Additions for the year	5.998.751
Cost at 31 December	<u>8.598.239</u>
Impairment losses and amortisation at 1 January	2.599.488
Impairment losses for the year	<u>0</u>
Impairment losses and amortisation at 31 December	<u>2.599.488</u>
Carrying amount at 31 December	<u>5.998.751</u>

Parent 2017

	Software
	DKK
Cost at 1 January	0
Additions for the year	2.599.488
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>
Carrying amount at 31 December	<u>0</u>

Notes to the Financial Statements

11 Property, plant and equipment

Group 2018

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost at 1 January	16.065.732	8.505.986	317.584	0
Additions for the year	0	331.494	43.629	483.040
Assets classified as held for sale (Note 11.1)	-16.065.732	-454.787	0	0
Cost at 31 December	0	8.382.693	361.213	483.040
Impairment losses and depreciation at 1 January	1.267.168	5.925.028	73.925	0
Depreciation for the year	344.126	856.632	66.931	0
Movements due to currency	8.414	8.425	0	-914
Impairment losses and depreciation at 31 December	1.619.708	6.790.085	140.856	-914
Assets classified as held for sale (Note 11.1)	-1.619.708	-75.798	0	0
	<u>0</u>	<u>6.714.287</u>	<u>140.856</u>	<u>-914</u>
Carrying amount at 31 December	0	1.668.406	220.357	483.954

Group 2017

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress 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	16.065.732	8.505.986	317.584	0
Impairment losses and depreciation at 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 31 December	1.267.168	5.925.028	73.925	0
Carrying amount at 31 December	14.798.564	2.580.958	243.659	0
Depreciated over	50 years	3-5 years	5-20 years	

Notes to the Financial Statements

11 Property, plant and equipment (continued)

Parent 2018

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	2.815.844	317.584
Additions for the year	0	43.629
Cost at 31 December	<u>2.815.844</u>	<u>361.213</u>
Impairment losses and depreciation at 1 January	2.536.569	73.925
Depreciation for the year	139.061	66.931
Impairment losses and depreciation at 31 December	<u>2.675.630</u>	<u>140.856</u>
Carrying amount at 31 December	<u>140.214</u>	<u>220.357</u>
Depreciated over	<u>3-5 years</u>	<u>5-20 years</u>

Parent 2017

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	2.564.724	225.387
Additions for the year	251.120	92.197
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	160.053	54.333
Impairment losses and depreciation at 31 December	<u>2.536.569</u>	<u>73.925</u>
Carrying amount at 31 December	<u>279.275</u>	<u>243.659</u>
Depreciated over	<u>3-5 years</u>	<u>5-20 years</u>

Notes to the Financial Statements

11.1 Assets classified as held for sale

Assets classified as held for sale relates to the expected sales of Ejendomsselskabet Skodsborgvej 48 ApS. There were no assets held for sale end 2017. The net effect for held for sale for the year at the income statement is DKK 0k.

As at 31 December 2018, assets classified as held for sale amount to DKK 15,298k (2017: DKK 0k). As at 31 December 2018, liabilities classified as held for sale amount to DKK 14,656k (2017: DKK 0k).

	Group
	<u>2018</u>
	DKK
Non-current assets	
Land and buildings	14.446.024
Leashold improvements	378.989
Deferred tax Assets	400.172
	<u>15.225.185</u>
Current assets	
Trade receivables	-260.154
Other receivables	32.000
Income tax receivable	187.002
Prepayments	16.269
Cash at bank and in hand	98.040
	<u>73.157</u>
Assets classified as held for sale	<u>15.298.342</u>
Non-current liabilities	
Mortgage loans	12.000.266
Credit institutions	1.423.245
	<u>13.423.511</u>
Current liabilities	
Mortgage loans	484.252
Credit institutions	306.725
Trade payables	174.672
Coporation tax	391
Other payables	266.894
	<u>1.232.934</u>
Liabilities directly associated to non-current assets classified as held for sale	<u>14.656.445</u>

Notes to the Financial Statements

	Parent	
	<u>2018</u> DKK	<u>2017</u> DKK
12 Investments in subsidiaries		
Cost at 1 January	16.248.894	15.217.991
Additions for the year	7.890.993	1.030.903
Cost at 31 December	<u>24.139.887</u>	<u>16.248.894</u>
Value adjustments at 1 January	25.980.941	15.020.693
Exchange adjustment	-1.433.922	-1.033.449
Net profit/loss for the year	3.581.580	17.314.900
Dividend to the Parent Company	-374.151	-5.321.203
Other adjustments	0	0
Value adjustments at 31 December	<u>27.754.448</u>	<u>25.980.941</u>
Equity investments with negative net asset value amortised over receivables	<u>4.502.445</u>	<u>2.580.155</u>
Carrying amount at 31 December	<u>56.396.780</u>	<u>44.809.990</u>

DKK 7,304k of the additions for the year are capital injections in newly registered entities, i.e. not business combination. Amounts invested in other subsidiaries are immaterial and therefore further disclosures are not given.

Notes to the Financial Statements

12 Investments in subsidiaries (continued)

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, Denmark	DKK 80,000	100%
NREP Komplementarselskab ApS	Nordhavn, Denmark	DKK 80,000	100%
Komplementarselskabet NREP Copenhagen Residential Fund 1 ApS	Nordhavn, Denmark	DKK 80,000	100%
UMEUS ManCo ApS	Nordhavn, Denmark	DKK 50,000	100%
NREP LPF GP S.á.r.l	Luxembourg	EUR 12,000	100%
NREP LPF MLP S.á.r.l	Luxembourg	EUR 12,000	100%
Nordic Strategies Fund III GP S.á.r.l	Luxembourg	EUR 12,000	100%
Komplementarselskabet ResiReal NSF-Innovater B1 ApS	Aarhus, Denmark	DKK 50,000	100%
Noli Studios Finland Oy	Helsinki, Finland	EUR 2,500	100%
NREP Administration AB	Stockholm, Sweden	SEK 0	100%
Tetrep Woods OpCo ApS	Nordhavn, Denmark	DKK 200,000	75%
Nordic Investment Opportunities Holding	Nordhavn, Denmark	DKK 50,001	100%
Den Studios Denmark ApS	Nordhavn, Denmark	DKK 50,000	100%
NREP InvestCo 65 AB	Stockholm, Sweden	EUR 6,500	74%
NREP InvestCo 95 AB	Stockholm, Sweden	EUR 17,333	80%

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
13 Investments in associates				
Cost at 1 January	30.417.293	4.535.794	4.210.186	4.210.186
Additions for the year	6.556.985	17.936.660	25.000	0
Disposals for the year	-9.645	0	0	0
Transfers for the year	63.725	7.944.839	0	0
Other adjustments	-610.093	0	0	0
Cost at 31 December	36.418.265	30.417.293	4.235.186	4.210.186
Value adjustments at 1 January	-7.002.511	1.027.824	0	0
Exchange adjustment	-664.835	-212.622	0	0
Share of result, NREP managed funds	-507.000	22.508.690	0	0
Share of result	-1.174.278	-521.454	0	0
Other adjustments including dividends	-727.525	-29.804.949	0	0
Value adjustments at 31 December	-10.076.149	-7.002.511	0	0
Carrying amount at 31 December	26.342.116	23.414.782	4.235.186	4.210.186

Investments in associates are specified as follows therefore further disclosures are not given for business combinations:

Name	Place of registered office	Share capital	Votes and ownership
Investment in NREP Fund			
InvestCo 3 AB	Sweden	SEK 100,000	23%
InvestCo 28 AB	Sweden	SEK 50,000	32%
InvestCo 15 AB	Sweden	EUR 6,500	47%
InvestCo 31 AB	Sweden	SEK 50,000	43%
InvestCo 50 AB	Sweden	EUR 6,500	30%
InvestCo 14 AB	Sweden	EUR 6,500	36%
Investments in other			
NREP Partner Holding ApS	Denmark	DKK 125,000	25%
Lendager Group ApS	Denmark	DKK 80,000	45%

Notes to the Financial Statements

14 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	28.383.318	2.448.467	5.950.407	10.993.395	1.483.778
Additions for the year	0	589.551	4.296.074	4.179.824	778.492
Disposals for the year	0	0	-1.123.794	0	-518.858
Other adjustments	-614.167	0	0	0	0
Transfers for the year	-63.725	0	2.098.426	0	991.504
Cost at 31 December	27.705.426	3.038.018	11.221.113	15.173.219	2.734.916
Value adjustments at at 1 January	3.584.488	0	0	0	0
Fair value adjustment , NREP managed funds	-88.000	0	0	0	0
Fair value adjustment	-6.748.259	0	0	0	0
Value adjustments at at 31 December	-3.251.771	0	0	0	0
Impairment at 1 January	0	0	2.580.155	1.397.293	0
Exchange adjustment	0	0	0	-25.170	0
Impairment losses for the year	0	0	1.922.290	0	0
Impairment at 31 December	0	0	4.502.445	1.372.123	0
Carrying amount at 31 December	24.453.655	3.038.018	6.718.668	13.801.096	2.734.916

Notes to the Financial Statements

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
15 Receivables				
Trade receivables at 31 December	20.677.976	9.157.895	5.996.536	3.790.849
Trade receivables net	20.677.976	9.157.895	5.996.536	3.790.849

The expected credit loss is based on a provision matrix, which considers the Groups's historic credit losses combined with forward looking information that is expected to affect the loss rates. The Group has no history of significant credit losses on receivables. Due to the substance in and the agreements for Other receivables combined with the historic low credit loss rate, the expected credit loss on rent and services charge receivables is immaterial.

Receivables are written off, when they are assessed as uncollectible.

In the prior year, the impairment of receivables was assessed based on the incurred loss model. As further described in Note 26, the impact from adopting IFRS 9 on the loss allowance was immaterial.

Allocation of net trade receivables (not written off) by maturity period are as follows:

Up to 30 days	17.306.064	7.038.637	2.486.170	1.903.927
Between 31 and 90 days	823.825	2.113.907	630.782	1.881.571
Between 91 and 365 days	2.548.087	5.351	2.879.584	5.351
Net receivables at 31 December	20.677.976	9.157.895	5.996.536	3.790.849
Other receivables at 31 December	40.787.094	22.330.346	13.180.755	10.798.603
Other receivables net	40.787.094	22.330.346	13.180.755	10.798.603

The Group considers that the carrying amount of trade and other receivables approximate their fair value. There is no concentration of credit risk with respect to specific receivables.

16 Prepayment

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

Notes to the Financial Statements

17 Share capital

Dividends

The Board of Directors has not proposed dividend for 2018 (2017: DKK 0).

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 December 2018 and 2017 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 Investment ApS with a total value of DKK 723,553 and NREP AB holds 9,102 shares through NREP Partner Holding ApS with a total value of DKK 3,482,859.

The share capital has developed as follows:

	2018	2017	2016	2015	2014
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	1.000.000	1.000.000	1.000.000	1.000.000	279.011
Capital increase	0	0	0	0	720.989
Capital decrease	0	0	0	0	0
Share capital at 31 December	1.000.000	1.000.000	1.000.000	1.000.000	1.000.000

Notes to the Financial Statements

18 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	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
Mortgage loans				
After 5 years	0	9.567.525	0	0
Between 1 and 5 years	0	2.916.974	0	0
Long-term part	0	12.484.499	0	0
Within 1 year	0	162.674	0	0
Short-term part	0	162.674	0	0
Carrying amount at 31 December	0	12.647.173	0	0
Credit institutions				
After 5 years		449.069	0	0
Between 1 and 5 years		1.279.782	0	0
Long-term part	0	1.728.851	0	0
Other short-term debt to credit institutions	27.779.654	16.664.566	27.716.524	16.291.632
Short-term part	27.779.654	16.664.566	27.716.524	16.291.632
Carrying amount at 31 December	27.779.654	18.393.417	27.716.524	16.291.632

Notes to the Financial Statements

18 Mortgage loans and credit institutions (continued)

	Group		Parent	
	2018 DKK	2017 DKK	2018 DKK	2017 DKK
Other payables				
After 5 years	4.150.604	0	0	0
Between 1 and 5 years	15.307.258	7.311.942	0	0
Long-term part	<u>19.457.862</u>	<u>7.311.942</u>	<u>0</u>	<u>0</u>
Within 1 year	0	7.421.772	0	0
Other short-term payables	45.969.142	51.409.863	13.952.605	13.646.313
Short-term part	<u>45.969.142</u>	<u>58.831.635</u>	<u>13.952.605</u>	<u>13.646.313</u>
Carrying amount at 31 December	<u>65.427.004</u>	<u>66.143.577</u>	<u>13.952.605</u>	<u>13.646.313</u>

Notes to the Financial Statements

	Group	
	<u>2018</u>	<u>2017</u>
	DKK	DKK
19 Cash flow statement - adjustments		
Financial income	-8.725.190	-1.885.329
Financial expenses	12.733.292	1.676.612
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.294.516	4.159.039
Income from Investments in associates	1.174.278	521.454
Income from investments in NREP managed funds	88.000	-13.972.248
Income from investments in associates related to NREP managed funds	507.000	-22.508.690
Net gain/Loss fair value adjustments on investments	-410.361	0
Tax on profit/loss for the year	8.810.319	3.596.005
	<u>16.471.854</u>	<u>-28.413.157</u>
20 Cash flow statement - change in working capital		
Change in receivables	-21.124.138	-25.340.446
Change in trade payables, etc	4.309.137	
Additions other Financial Assets	0	15.509.872
	<u>-16.815.001</u>	<u>-9.830.574</u>

Notes to the Financial Statements

2018

DKK

21 Changes in liabilities arising from financing activities

Group	Beginning of year	Cash flows	Non-cash changes	End of year
Non-current borrowings	14.213.350	-14.213.350	0	0
Non-current borrowings - disclosed as liabilities to held for sale	0	13.423.511	0	13.423.511
Current borrowings	16.827.241	10.952.413	0	27.779.654
Current borrowings - disclosed as liabilities to held for sale	0	790.977	0	790.977
Payables to group enterprises	186.621	360.783	0	547.404
	31.227.212	11.314.334	0	42.541.546
Parent				
Current borrowings	16.291.632	11.424.892	0	27.716.524
Payables to group enterprises	13.673.748	-7.972.472	7.929.852	13.631.128
	29.965.380	3.452.420	7.929.852	41.347.652

2017

DKK

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
	15.770.559	15.817.436	-360.783	31.227.212
Parent				
Current borrowings	0	16.291.632	0	16.291.632
Payables to group enterprises	14.745.467	9.276.481	-10.348.200	13.673.748
	14.745.467	25.568.113	-10.348.200	29.965.380

Notes to the Financial Statements

Group	
2018	2017
DKK	DKK

22 Related parties

Transactions

The following transactions were carried through with related parties:

Transaction with TBL Holding ApS:

Loan received	0	11.000.000
Loan paid	0	-11.000.000

Transactions with other related parties:

Loans granted/received	2.000.000	-14.877.200
Loans repaid	-2.000.000	14.914.393
Interest received	9.969	-37.193
Interest paid	0	0
Other expenses	-1.504.113	-83.160

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, Southamptongade 4, 2150 Nordhavn
 NREP Partner Holding ApS, Southamptongade 4, 2150 Nordhavn
 NREP Partners Investment ApS, Southamptongade 4, 2150 Nordhavn

The Company's ultimate parent, TBL Holding ApS, prepares consolidated Financial Statements.

Notes to the Financial Statements

Group		Parent	
2018	2017	2018	2017
DKK	DKK	DKK	DKK

23 Contingent assets, liabilities and other financial obligations

Charges and security

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

Land and buildings with a carrying amount of	14.446.024	14.798.564	0	0
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The property and related debt is classified as held for sale.

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 1,140,495 (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 227,730 (EUR 30,497) to the Group's investments in NREP Investco 44 AB, NREP Investco 52 AS and NREP NSF III InvestCo 94 AS according to investment agreements.

24 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

25 Financial instruments

	Parent			
	2018 DKK	2018 DKK	2017 DKK	2017 DKK
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Loans and receivables at amortised cost</i>				
Trade receivables	5.996.536	5.996.536	3.790.849	3.790.849
Other receivables	13.180.755	13.180.755	10.798.603	10.798.603
Receivables from group enterprises	23.415.089	23.415.089	5.431.070	5.431.070
Cash and cash equivalents	4.262.326	4.262.326	823.182	823.182
<i>Financial assets at fair value through profit/loss</i>				
Other investments	13.801.096	13.801.096	9.596.102	9.596.102
Financial assets	60.655.802	60.655.802	30.439.806	30.439.806
<i>Carried at amortised cost</i>				
Credit institutions	-27.716.524	-27.716.524	-16.291.632	-16.291.632
Trade payables	-7.656.121	-7.656.121	-2.326.104	-2.326.104
Other payables	-13.952.605	-13.952.605	-13.646.313	-13.646.313
Payables to group enterprises	-13.631.128	-13.631.128	-13.661.731	-13.661.731
Financial liabilities	-62.956.378	-62.956.378	-45.925.780	-45.925.780

Notes to the Financial Statements

26 Accounting Policies

The financial statements of the Group for 2018 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 of the Parent company 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 Group and Parent Company Financial Statements for 2018 are presented in DKK.

New IFRS standards and interpretations

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2018 that had a material impact on the Group.

Standards and Interpretations recently effective

As of 1 January 2018, the Group has adopted the following new and amended standards

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018

IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces the provision of IAS 39 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies. In accordance with the transition provisions of IFRS 9, the Group has chosen not to restate comparative figures arising from the Group's adoption of the new classification, measurement and impairment requirements.

Notes to the Financial Statements

26 Accounting Policies (continued)

On the date of initial application, 1 January 2018, the measurement category of the financial assets of the

	Original (IAS 39)	New (IFRS 9)
Trade and other receivables	Amortized costs	Amortized costs
Cash and cash equivalents	Amortized costs	Amortized costs

As a result of the above there is no impact on the Group's net assets as at 1 January 2018.

Impairment of financial assets

The Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Other receivables

From 1 January, 2018 the Group has to assess on a forward-looking basis the expected credit losses associated with financial assets measured at amortized costs. The changes in the impairment methodology has only had an immaterial impact on the Group's net assets as at 1 January 2018.

The cash and cash equivalents are also subject to the impairment requirements of IFRS 9, where the expected credit losses are immaterial.

For trade receivables and other receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. The impact from the new impairment provisions in IFRS 9 the Group's trade receivables as at 1 January 2018 is immaterial. Refer to Note 15 for further information on the Group's impairment provision.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15, Revenue from Contract with Customers, from 1 January 2018, which has resulted in changes in accounting policies for recognizing revenue from service charges and property management charges. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively with the cumulative effect recognized in retained earnings as at 1 January 2018, without restatement of comparative figures. The new requirements are applied only to contracts that were not completed on 1 January 2018.

The implementation of IFRS 15 has not had an impact on the Group's net assets as at 1 January 2018.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

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.

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. 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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

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 and fee for other services. Management 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.

Notes to the Financial Statements

26 Accounting Policies (continued)

Staff expenses

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

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, tools and equipment	3-5 years
Leasehold improvements	5-20 years

Depreciation period and residual value are reassessed annually.

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.

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 deductions, 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.

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.

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 in subsidiaries 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.

Notes to the Financial Statements

26 Accounting Policies (continued)

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.

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$