



CHRISTENSEN
KJÆRULFF

PERSONLIGT ENGAGEMENT

STATSAUTORISERET
REVISIONSAKTIESELSKAB

CVR: 15 91 56 41

STORE KONGENSGADE 68
1264 KØBENHAVN K

TLF: 33 30 15 15
E-MAIL: CK@CK.DK
WEB: WWW.CK.DK

Covivio Hamburg 3 ApS

Store Kongensgade 68, 1264 København K

Company reg. no. 29 77 72 76

Annual report

1 January - 31 December 2018

The annual report has been submitted and approved by the general meeting on the 21 May 2019.

Daniel Frey
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance EUR 146.940 means the amount of EUR 146,940, and that 23,5 % means 23.5 %.



Contents

	<u>Page</u>
Reports	
Management's report	1
Independent auditor's report	2
Management's review	
Company data	5
Financial highlights	6
Management's review	7
Annual accounts 1 January - 31 December 2018	
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	11
Notes	12
Accounting policies used	16



Management's report

The executive board has today presented the annual report of Covivio Hamburg 3 ApS for the financial year 1 January to 31 December 2018.

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

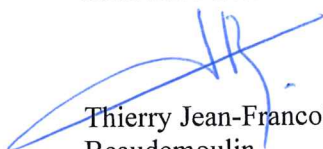
We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December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

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

The annual report is recommended for approval by the general meeting.

Copenhagen, 15 May 2019

Executive board



Thierry Jean-Francois
Beudemoulin
Managing Director



Arnaud Brément



Peter Westphal



Independent auditor's report

To the shareholders of Covivio Hamburg 3 ApS

Opinion

We have audited the annual accounts of Covivio Hamburg 3 ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.



Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.



Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 15 May 2019

Christensen Kjarulff

Statsautoriseret Revisionsaktieselskab
Company reg. no. 15 91 56 41

Iver Haugsted
State Authorised Public Accountant
mne10678



Company data

The company

Covivio Hamburg 3 ApS
Store Kongensgade 68
1264 København K

Company reg. no. 29 77 72 76
Established: 1 July 2006
Domicile: Copenhagen
Financial year: 1 January - 31 December
12th financial year

Executive board

Thierry Jean-Francois Beaudemoulin, Managing Director
Arnaud Brément
Peter Westphal

Auditors

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
Store Kongensgade 68
1264 København K

Parent company

Covivio Hamburg Holding ApS



Financial highlights

EUR in thousands.	<u>2018</u>	<u>2017</u>
Profit and loss account:		
Gross profit	2.390	1.958
Results from operating activities	13.379	14.505
Net financials	-886	-828
Results for the year	10.515	11.555
Balance sheet:		
Balance sheet sum	115.904	104.034
Investments in tangible fixed assets represent	19	0
Equity	52.927	43.012
Key figures in %:		
Acid test ratio	48,5	108,6
Solvency ratio	45,7	41,3
Return on equity	21,9	53,7

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.



Management's review

The principal activities of the company

The principal activities of the company consist of real estate investment property and rental properties in Germany.

Uncertainties as to recognition or measurement

Investment properties are measured at fair value. Investment properties are accounted for t.EUR 114.300 as of 31 December 2018. Fair values are measured individually for each property based on a number of assumptions including the budgeted cash flows and discount rate, according to accounting policies used. The discount rate is determined to reflect the current market required rate of return. In particular determination of the discount rate is subject to uncertainty.

Development in activities and financial matters

The gross profit for the year is t.EUR 2.390 against t.EUR 1.958 last year. The results from ordinary activities after tax are t.EUR 10.515 against t.EUR 11.555 last year. The results for 2018 are significantly affected by the value adjustment of investment property t.EUR 10.999. The value adjustment of investment property is mainly caused by a reduction in the discount rate. The management consider the results satisfactory.

The expected development

The management expect a positive result for 2019.

Events subsequent to the financial year

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



Profit and loss account 1 January - 31 December

EUR in thousands.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Gross profit	2.390	1.958
Value adjustment of investment property	10.999	12.563
Other operating costs	<u>-10</u>	<u>-16</u>
Operating profit	13.379	14.505
Other financial costs	<u>-886</u>	<u>-828</u>
Results before tax	12.493	13.677
Tax on ordinary results	<u>-1.978</u>	<u>-2.122</u>
1 Results for the year	<u>10.515</u>	<u>11.555</u>



Balance sheet 31 December

EUR in thousands.

Assets	<u>2018</u>	<u>2017</u>
Note		
Fixed assets		
2 Tangible assets under construction and prepayments for tangible assets	18	0
3 Investment property	<u>114.300</u>	<u>103.300</u>
Tangible fixed assets in total	<u>114.318</u>	<u>103.300</u>
Fixed assets in total	<u>114.318</u>	<u>103.300</u>
Current assets		
Trade debtors	27	25
Amounts owed by group enterprises	1.511	600
Other debtors	30	15
4 Accrued income and deferred expenses	<u>18</u>	<u>94</u>
Debtors in total	<u>1.586</u>	<u>734</u>
Current assets in total	<u>1.586</u>	<u>734</u>
Assets in total	<u>115.904</u>	<u>104.034</u>



Balance sheet 31 December

EUR in thousands.

Equity and liabilities	2018	2017
Note	<u> </u>	<u> </u>
Equity		
5 Contributed capital	134	134
6 Results brought forward	50.293	42.278
7 Proposed dividend for the financial year	2.500	600
Equity in total	<u>52.927</u>	<u>43.012</u>
 Provisions		
8 Provisions for deferred tax	10.412	8.434
Provisions in total	<u>10.412</u>	<u>8.434</u>
 Liabilities		
9 Mortgage debt	49.296	51.912
Long-term liabilities in total	<u>49.296</u>	<u>51.912</u>
Short-term part of long-term liabilities	2.652	0
Prepayments received from customers	176	179
Trade creditors	237	222
Debt to group enterprises	4	53
Corporate tax	26	36
Other debts	174	186
Short-term liabilities in total	<u>3.269</u>	<u>676</u>
Liabilities in total	<u>52.565</u>	<u>52.588</u>
 Equity and liabilities in total	 <u>115.904</u>	 <u>104.034</u>
 10 Mortgage and securities		
11 Contingencies		
12 Related parties		



Statement of changes in equity

EUR in thousands.

	<u>Contributed capital</u>	<u>Results brought forward</u>	<u>Proposed dividend for the financial year</u>	<u>In total</u>
Equity 1 January 2017	134	31.323	5.380	36.837
Distributed dividend	0	0	-5.380	-5.380
Profit or loss for the year brought forward	0	10.955	600	11.555
Equity 1 January 2018	134	42.278	600	43.012
Distributed dividend	0	0	-600	-600
Profit or loss for the year brought forward	0	8.015	2.500	10.515
	134	50.293	2.500	52.927



Notes

EUR in thousands.

	<u>2018</u>	<u>2017</u>
1. Proposed distribution of the results		
Dividend for the financial year	2.500	600
Allocated to results brought forward	<u>8.015</u>	<u>10.955</u>
Distribution in total	<u>10.515</u>	<u>11.555</u>
	<u>31/12 2018</u>	<u>31/12 2017</u>
2. Tangible assets under construction and prepayments for tangible assets		
Additions during the year	<u>18</u>	<u>0</u>
Cost 31 December 2018	<u>18</u>	<u>0</u>
Book value 31 December 2018	<u>18</u>	<u>0</u>
3. Investment property		
Cost 1 January 2018	57.696	57.759
Additions during the year	1	0
Disposals during the year	<u>0</u>	<u>-63</u>
Cost 31 December 2018	<u>57.697</u>	<u>57.696</u>
Fair value adjustment 1 January 2018	45.604	33.041
Adjust of the year to fair value	<u>10.999</u>	<u>12.563</u>
Fair value adjustment 31 December 2018	<u>56.603</u>	<u>45.604</u>
Book value 31 December 2018	<u>114.300</u>	<u>103.300</u>

The company's investment properties consist of 648 residential properties and 22 commercial properties with a total of 35.562 m² in the area of Hamburg, Germany. Investment properties are according to the description in the accounting policies used measured at fair value based on a return-based cash flow model.

The average discount rate including the expected inflation rate (2,00 %) amounts to 4,54 % (2017: 4,70 %).



Notes

EUR in thousands.

3. Investment property (continued)

The following significant assumptions are used to measure fair value:

An occupancy rate of 100 %

A market rental grow of 2,0 %

A rental uplift on current rents of 6,50 %

The investment properties are valued at an average value of 3.038 EUR/m².

An external assessor has assisted in assessing the investment properties at a total fair value of t.EUR 114.300 equivalent to 100 % of the total fair value.

Compared to the latest financial year, the methods of measurement used have not been changed.

	<u>31/12 2018</u>	<u>31/12 2017</u>
4. Accrued income and deferred expenses		
Prepaid insurance	16	92
Deferred expenses	<u>2</u>	<u>2</u>
	<u>18</u>	<u>94</u>
5. Contributed capital		
Contributed capital 1 January 2018	<u>134</u>	<u>134</u>
	<u>134</u>	<u>134</u>
6. Results brought forward		
Results brought forward 1 January 2018	42.278	31.323
Profit or loss for the year brought forward	<u>8.015</u>	<u>10.955</u>
	<u>50.293</u>	<u>42.278</u>
7. Proposed dividend for the financial year		
Dividend 1 January 2018	600	5.380
Distributed dividend	-600	-5.380
Dividend for the financial year	<u>2.500</u>	<u>600</u>
	<u>2.500</u>	<u>600</u>



Notes

EUR in thousands.

	<u>31/12 2018</u>	<u>31/12 2017</u>
8. Provisions for deferred tax		
Provisions for deferred tax 1 January 2018	8.434	6.312
Deferred tax of the results for the year	<u>1.978</u>	<u>2.122</u>
	<u>10.412</u>	<u>8.434</u>
The following items are subject to deferred tax:		
Tangible fixed assets	10.768	8.915
Financial costs	34	40
Losses brought forward from previous years	<u>-390</u>	<u>-521</u>
	<u>10.412</u>	<u>8.434</u>
9. Mortgage debt		
Mortgage debt	52.164	52.164
Capitalized financial costs	<u>-216</u>	<u>-252</u>
	51.948	51.912
Share of amount due within 1 year	<u>-2.652</u>	<u>0</u>
	<u>49.296</u>	<u>51.912</u>
Share of liabilities due after 5 years	<u>47.611</u>	<u>47.864</u>
10. Mortgage and securities		
The company is liable for the total mortgage debt to ING Bank, t.EUR 131.458, incurred with the group companies Covivio Hamburg 1 ApS, Covivio Hamburg 2 ApS, Covivio Hamburg 4 ApS and Covivio North ApS. As security for mortgage debts, t.EUR 131.458, mortgage has been granted on land and buildings representing a book values of t.EUR 114.300 at 31 December 2018		
11. Contingencies		
Joint taxation		
Covivio Dansk Holding ApS, company reg. no 30535723 being the administration company, the company is subject to the Danish scheme of joint taxation and, as from the financial year 2012, unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.		



Notes

EUR in thousands.

11. Contingencies (continued)

Joint taxation (continued)

As from 1 July 2012, the company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

12. Related parties

Controlling interest

Covivio Hamburg Holding ApS

Majority shareholder

Store Kongensgade 68

1264 Copenhagen

Denmark

Transactions

All transactions have taken place on arm's-lengths basis.

Consolidated annual accounts

The company is included in the consolidated annual accounts of Covivio Immobilien SE, Essener Str. 66, D-46047 Oberhausen, Germany.



Accounting policies used

The annual report for Covivio Hamburg 3 ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual report is presented in euro (EUR).

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the consolidated annual accounts of Covivio Immobilien SE.

The consolidated annual accounts for Covivio Immobilien SE can be found on the following link: <https://www.unternehmensregister.de/ureg/result.html>

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.



Accounting policies used

Translation of foreign currency

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

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

The profit and loss account

Gross profit

The gross profit comprises rental income from investment properties, costs concerning investment properties, other operating income, and external costs.

Rental income comprises income from the lease of property and from charged joint costs, and it is recognised in the profit and loss account for the period relating to the lease payment. Income from the heating account is recognised in the balance sheet as a balance among the lessees.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Other external costs comprise costs for sales, advertisement, administration, premises and loss on debtors.

Costs concerning investment properties comprise operation costs, repair and maintenance costs, taxes, charges and other costs. Costs concerning the heating accounts are recognised in the balance sheet as a balance among the lessees.

Value adjustment of investment property

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

Other operating costs

Other operating costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including losses on disposal of intangible and tangible fixed assets.



Accounting policies used

Net financials

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

Tax of the results for the year

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

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses). Actual Danish tax rate is 22 %. Actual German tax rate is 15,8 %.

The balance sheet

Tangible fixed assets

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Investment property

At the first recognition, investment property is measured at cost, comprising the cost of the property and directly attached costs, if any.



Accounting policies used

Hereafter, investment are measured individually on the basis of a return-based cash flow model based on expected future net cash flow over a period of 10 years. The required rate of return is determined by an external assessor. Fair value measurement is made on the basis of estimated rental income and expected operating costs, including scheduled maintenance. Compared to the latest financial year, the methods of measurement used have not been changed.

Costs which add new or improved qualities to an investment property compared to its condition at the time of acquisition and which thereby improves the future return on the property are added to the cost as an improvement. Costs which do not add new or improved qualities to an investment property are recognised in the profit and loss account in the item "Costs concerning investment property".

Like other material fixed assets, except from land, investment property has a limited life financial life. The impairment taking place concurrently with the aging of the investment property is reflected in the current measuring of the investment property at fair value.

Value adjustments are recognised in the profit and loss account in the item "Value adjustments of property".

Debtors

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

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

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

According to the rules of joint taxation, Covivio Hamburg 3 ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.



Accounting policies used

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

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

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

Liabilities

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Liabilities relating to investment properties are measured at amortised cost.

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