
Galleri K Retail ApS

Adelgade 15, 2., DK-1304 København K

Annual Report for 1 January - 31 December 2015

CVR No 30 54 82 64

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23/5 2016

Søren Salby
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Galleri K Retail ApS for the financial year 1 January - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

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

Copenhagen, 23 May 2016

Executive Board

David Hilmar Herbert Girra

Board of Directors

Rikke Lykke
Chairman

David Hilmar Herbert Girra

Klaus Alois Schmitt

Independent Auditor's Report on the Financial Statements

To the Shareholders of Galleri K Retail ApS

We have audited the Financial Statements of Galleri K Retail ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Hellerup, 23 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Erik Stener Jørgesen
State Authorised Public Accountant

René Poulsen
State Authorised Public Accountant

Company Information

The Company

Galleri K Retail ApS
Adelgade 15, 2.
DK-1304 København K

CVR No: 30 54 82 64
Financial period: 1 January - 31 December
Municipality of reg. office: København K

Board of Directors

Rikke Lykke, Chairman
David Hilmar Herbert Girra
Klaus Alois Schmitt

Executive Board

David Hilmar Herbert Girra

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Income Statement 1 January - 31 December

	Note	2015 DKK	2014 DKK
Revenue		50,485,764	56,979,166
Expenses concerning apartments		-3,634,057	-11,059,864
Other external expenses		-3,134,710	-2,558,023
Gross profit/loss before sales of apartments		43,716,997	43,361,279
Value adjustment of investment properties and related obligations	1	345,485,958	78,940,357
Gross profit/loss		389,202,955	122,301,636
Financial income	2	12,760,620	1,198,740
Financial expenses	3	-79,523,288	-37,725,890
Profit/loss before tax		322,440,287	85,774,486
Tax on profit/loss for the year	4	-71,415,844	-21,554,883
Net profit/loss for the year		251,024,443	64,219,603

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	28,924,000	0
Retained earnings	222,100,443	64,219,603
	251,024,443	64,219,603

Balance Sheet 31 December

Assets

	Note	2015 DKK	2014 DKK
Investment properties		1,390,085,700	1,009,600,998
Plant and equipment	5	1,390,085,700	1,009,600,998
Fixed assets		1,390,085,700	1,009,600,998
Trade receivables		0	2,611
Receivables from group enterprises		9,389,413	27,928,424
Other receivables		933,256	1,040,495
Receivables		10,322,669	28,971,530
Cash at bank and in hand		26,388,667	15,915,971
Currents assets		36,711,336	44,887,501
Assets		1,426,797,036	1,054,488,499

Balance Sheet 31 December

Liabilities and equity

	Note	2015 DKK	2014 DKK
Share capital		1,000,000	500,000
Retained earnings		655,964,307	324,078,000
Equity	6	656,964,307	324,578,000
Provision for deferred tax	7	82,915,880	2,115,000
Provisions		82,915,880	2,115,000
Mortgage loans		669,751,514	578,462,364
Credit institutions		0	38,296,276
Long-term debt	8	669,751,514	616,758,640
Credit institutions	8	3,631,993	14,966,000
Prepayments received from customers		12,183,772	12,591,277
Trade payables		825,195	184,648
Corporation tax		0	102,000
Other payables	9	524,375	83,192,934
Short-term debt		17,165,335	111,036,859
Debt		686,916,849	727,795,499
Liabilities and equity		1,426,797,036	1,054,488,499
Contingent assets, liabilities and other financial obligations	10		
Related parties and ownership	11		

Notes to the Financial Statements

	2015 DKK	2014 DKK
1 Value adjustment of investment properties and related obligations		
Value adjustments of investment properties due to operational improvements	379,941,998	81,947,186
Adjustments of financial liabilities	-34,456,040	-3,006,829
	345,485,958	78,940,357
2 Financial income		
Interest received from group enterprises	601,220	1,198,740
Regulation on hedging instruments	3,185,249	0
Gain on settlement of loans	8,974,151	0
	12,760,620	1,198,740
3 Financial expenses		
Cumulative loss on hedging instrument, reclassified from equity	50,812,626	0
Interest expense on hedging instruments	19,601,875	33,388,670
Interest expense to mortgage credit institutions	9,105,257	4,327,720
Other interest expenses	3,530	9,500
	79,523,288	37,725,890
4 Tax on profit/loss for the year		
Current tax for the year	0	102,000
Deferred tax for the year incl. adjustments previous years etc.	71,411,467	23,684,883
Adjustment of tax concerning previous years	4,377	0
Fair value adjustment of hedging instruments taken directly to equity	0	-2,232,000
	71,415,844	21,554,883

Notes to the Financial Statements

5 Assets measured at fair value

	Investment pro- perties <u>DKK</u>
Cost at 1 January	1,030,115,000
Net effect from change of accounting policy	0
Exchange adjustment	0
Additions for the year	<u>543,702</u>
Cost at 31 December	<u>1,030,658,702</u>
Value adjustments at 1 January	-20,515,000
Revaluations for the year	<u>379,941,998</u>
Value adjustments at 31 December	<u>359,426,998</u>
Carrying amount at 31 December	<u>1,390,085,700</u>

In determining fair value, a return requirement of approx. 4% is used.

6 Equity

	Share capital <u>DKK</u>	Retained earnings <u>DKK</u>	Total <u>DKK</u>
2015			
Equity at 1 January	500,000	324,078,000	324,578,000
Cash capital increase	500,000	46,836,730	47,336,730
Extraordinary dividend paid	0	-28,924,000	-28,924,000
Cumulative fair value adjustment of hedging instruments 2015	0	12,136,508	12,136,508
Fair value adjustment of hedging instruments reversed	0	50,812,626	50,812,626
Net profit/loss for the year	<u>0</u>	<u>251,024,443</u>	<u>251,024,443</u>
Equity at 31 December	<u>1,000,000</u>	<u>655,964,307</u>	<u>656,964,307</u>
2014			
Equity 1. januar	500,000	252,592,397	253,092,397
Fair value adjustment of hedging instruments reversed	0	7,266,000	7,266,000
Net profit/loss for the year	<u>0</u>	<u>64,219,603</u>	<u>64,219,603</u>
Equity at 31 December	<u>500,000</u>	<u>324,078,000</u>	<u>324,578,000</u>

Notes to the Financial Statements

The share capital has developed as follows:

	2015	2014	2013	2012	2011
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	500,000	500,000	500,000	500,000	500,000
Capital increase	500,000	0	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31					
December	1,000,000	500,000	500,000	500,000	500,000

	2015	2014
	DKK	DKK
7 Provision for deferred tax		
Property, plant and equipment	109,512,000	81,240
Amortization	-22,904,000	0
Tax loss carry-forward	-3,692,120	2,033,760
	82,915,880	2,115,000

8 Long-term debt

Mortgage loans

After 5 years	669,751,514	544,638,000
Between 1 and 5 years	0	33,824,364
Long-term part	<u>669,751,514</u>	<u>578,462,364</u>
Within 1 year	0	0
	669,751,514	578,462,364

Credit institutions

Between 1 and 5 years	0	38,296,276
Long-term part	<u>0</u>	<u>38,296,276</u>
Within 1 year	0	14,966,000
Other short-term debt to credit institutions	3,631,993	0
Short-term part	<u>3,631,993</u>	<u>14,966,000</u>
	3,631,993	53,262,276

Notes to the Financial Statements

	2015	2014
	DKK	DKK
9 Other payables		
Other payables regarding swap	0	82,288,860
Other debt	524,375	904,074
	<u>524,375</u>	<u>83,192,934</u>

10 Contingent assets, liabilities and other financial obligations

Contingent liabilities

As collateral for its Mortgage debt. TDKK 661,000 the company has provided collateral in land and building with of carrying amount of TDKK 1,390,089 at 31 December 2015.

Jointly taxation

The Danish group enterprises are jointly and severally liable for tax on the jointly taxed income of the Group and for Danish taxes at source such as dividend tax, tax on royalty payments and withholding tax. The total payable corporation tax is disclosed in the Annual Report of PATRIZIA UNICORN ApS, which is the management company of the joint taxation.

11 Related parties and ownership

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:

Patrizia Square ApS
Adelgade 15, 2.
1304 København K

Accounting Policies

Basis of Preparation

The Annual Report of Galleri K Retail ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

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

Accounting Policies

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Revenue comprises rentals which are recognised on a straight line-basis over the lease term.

Expenses concerning apartments

Expenses concerning apartments primarily include operating expenses for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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.

Accounting Policies

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Investment properties

On acquisition investment properties are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed investment properties comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and suppliers up until the time when the asset is ready for use.

After the initial recognition investment properties are measured at fair value. Value adjustments of investment properties are recognised in the income statement.

In Management's opinion the classification of the properties as investment properties did not cause any difficulties.

Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The determination of fair value involves material accounting estimates.

In Management's opinion it has not been possible to determine fair value through market information for the year and, consequently, valuation has been made based on discount models.

The fair value of investment properties has been determined at 31 December 2015 for each property by using a Discounted Cash Flow model. The calculations are based on property budgets for the coming years. Allowance has been made for developments in rentals, vacancies, operating expenses, maintenance and administration, etc. The individual, budgeted cash flows are discounted at an individually fixed discount rate added a terminal value. The value thus calculated is adjusted for any non-operating assets such as cash and cash equivalents, deposits, etc if they are not shown separately in the balance sheet, thus arriving at the fair value.

The fair value of investment properties has been assessed by the independent assessor firm at 31 December .

The estimates applied are based on information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material.

Accounting Policies

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Equity

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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 within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

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

Debt to financial institutions is initially measured at fair value of the consideration paid or received. Subsequently, debt to financial institutions is measured at fair value like investment properties.

Changes in the fair value of financial debts are recognised in "Value adjustment of investment properties and related obligations" in the income statement.

Borrowing costs incurred when contracting financial debts are recognised in "Financial expenses" in the income statement.

Other payables comprising deposits, trade payables, group enterprises and other payables are measured at amortised cost.