Galleri K Retail ApS

Adelgade 15, 2., DK-1304 København K

Annual Report for 1 January - 31 December 2017

CVR No 30 54 82 64

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 03/05 2018

Olga Ciesla
Chairman

Contents

	Page
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	4
Financial Statements	
Income Statement 1 January - 31 December	5
Balance Sheet 31 December	6
Notes to the Financial Statements	8

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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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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

Copenhagen, 3 May 2018

Executive Board

David Hilmar Herbert Girra

Board of Directors

Rikke Lykke Chairman	David Hilmar Herbert Girra	Klaus Alois Schmitt

Independent Auditor's Report

To the Shareholders of Galleri K Retail ApS

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

We have audited the Financial Statements of Galleri K Retail ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("the 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 Company 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.

Management's responsibilities 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.

In preparing the Financial Statements, Management is responsible for assessing the 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 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

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

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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, 3 May 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Erik Stener Jørgensen
State Authorised Public Accountant
mne9947

René Otto Poulsen
State Authorised Public Accountant
mne26718

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	2017	2016
		DKK	DKK
Revenue		**64,105,153**	**60,987,273**
Other operating income		263,063	431,301
Expenses concerning apartments		-2,813,060	-9,318,659
Other external expenses		-6,398,993	-6,674,312
Gross profit/loss before value adjustments		**55,156,163**	**45,425,603**
Value adjustment of investment properties	2	122,319,999	-6,612,181
Gross profit/loss efter værdireguleringer		**177,476,162**	**38,813,422**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		0	-4,339,252
Profit/loss before financial income and expenses		**177,476,162**	**34,474,170**
Financial income	3	6,353	1,407,112
Financial expenses	4	-31,648,872	-31,476,767
Profit/loss before tax		**145,833,643**	**4,404,515**
Tax on profit/loss for the year	5	-8,783,658	-868,260
Net profit/loss for the year		**137,049,985**	**3,536,255**

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	15,278,000	0
Proposed dividend for the year	16,178,000	0
Retained earnings	105,593,985	3,536,255
	137,049,985	**3,536,255**

Balance Sheet 31 December

Assets

	Note	2017	2016
		DKK	DKK
Investment properties		1,672,000,000	1,539,487,865
Plant and equipment	6	**1,672,000,000**	**1,539,487,865**
Fixed assets		**1,672,000,000**	**1,539,487,865**
Receivables from group enterprises		8,275,104	13,068,976
Other receivables		3,357,666	5,411,049
Corporation tax		3,385,661	0
Prepayments		4,849,818	0
Receivables		**19,868,249**	**18,480,025**
Cash at bank and in hand		**83,573,806**	**73,121,482**
Currents assets		**103,442,055**	**91,601,507**
Assets		**1,775,442,055**	**1,631,089,372**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		DKK	DKK
Share capital		1,000,000	1,000,000
Retained earnings		584,998,704	479,404,719
Proposed dividend for the year		16,178,000	0
Equity	7	**602,176,704**	**480,404,719**
Provision for deferred tax		30,449,743	7,563,546
Provisions		**30,449,743**	**7,563,546**
Mortgage loans		752,675,758	753,373,926
Deposits		0	2,082,460
Payables to group enterprises		371,868,289	371,343,819
Long-term debt	8	**1,124,544,047**	**1,126,800,205**
Prepayments received from customers	8	16,885,798	13,261,006
Trade payables		784,483	1,079,919
Payables to group enterprises	8	532,204	481,458
Corporation tax		0	570,150
Other payables		69,076	928,369
Short-term debt		**18,271,561**	**16,320,902**
Debt		**1,142,815,608**	**1,143,121,107**
Liabilities and equity		**1,775,442,055**	**1,631,089,372**
Main activity	1		
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		
Accounting Policies	11		

Notes to the Financial Statements

1 Main activity

The company's main activity is to own and lease out investment properties.

The Company has merged with its Parent Company Patrizia Square ApS as at 1 January 2017. Profit for the year is thus affected positively by the merger due to increase in net revenue and value adjustments of investment properties to fair value.

The merger has taken place by using the pooling-of-interests method resulting in the book value in the parent company’s being carried forward in the continuing company.

	2017	2016
	DKK	DKK

2 Value adjustment of investment properties

	2017	2016
Value adjustments of investment properties	122,319,999	-6,612,181
	122,319,999	**-6,612,181**

3 Financial income

	2017	2016
Gain on settlement of loans	6,353	0
Exchange gains	0	1,407,112
	6,353	**1,407,112**

4 Financial expenses

	2017	2016
Interest paid to group enterprises	16,859,966	16,609,517
Other interest expenses	14,257,727	14,867,060
Exchange adjustments, expenses	531,179	0
Exchange loss	0	190
	31,648,872	**31,476,767**

Notes to the Financial Statements

5 Tax on profit/loss for the year

Current tax for the year	-1,945,661	-1,959,835
Deferred tax for the year	10,077,507	2,828,095
Adjustment of deferred tax concerning previous years	651,812	0
	8,783,658	**868,260**

6 Assets measured at fair value

	Investment properties
	DKK
Cost at 1 January	1,031,185,183
Net effect from merger	62,435,243
Additions for the year	10,192,136
Cost at 31 December	1,103,812,562
Value adjustments at 1 January	352,814,817
Net effect from merger	93,052,622
Revaluations for the year	122,319,999
Value adjustments at 31 December	568,187,438
Carrying amount at 31 December	**1,672,000,000**

Assumptions underlying the determination of fair value of investment properties

Investment properties are measured at fair value. The fair value is calculated by using generally accepted valuation methods (DCF calculations) based on Management's assumptions regarding future cash flows, required rate of return etc.

The fair value of investment properties at 31 December 2017 has been assessed by an independent assessor.

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.

The fair value of the investment properties has been calculated based on the following assumptions:

Notes to the Financial Statements

6 Assets measured at fair value (continued)

	2017	2016
	DKK	DKK
Budget period	10 years	10 years
Discount rate	4.55 %	4.70 %
Growth in terminal period	2 %	2 %

7 Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1,000,000	674,357,548	0	675,357,548
Net effect from merger	0	-194,952,829	0	-194,952,829
Adjusted equity at 1 January	1,000,000	479,404,719	0	480,404,719
Extraordinary dividend paid	0	-15,278,000	0	-15,278,000
Net profit/loss for the year	0	120,871,985	16,178,000	137,049,985
Equity at 31 December	**1,000,000**	**584,998,704**	**16,178,000**	**602,176,704**

The share capital has developed as follows:

	2017	2016	2015	2014	2013
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	1,000,000	1,000,000	500,000	500,000	500,000
Capital increase	0	0	500,000	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	**1,000,000**	**1,000,000**	**1,000,000**	**500,000**	**500,000**

Notes to the Financial Statements

8 Long-term debt

Mortgage loans		
After 5 years	724,201,953	753,373,926
Between 1 and 5 years	28,473,805	0
Long-term part	752,675,758	753,373,926
Within 1 year	0	0
	752,675,758	**753,373,926**
Deposits		
After 5 years	0	0
Between 1 and 5 years	0	2,082,460
Long-term part	0	2,082,460
Within 1 year	1,211,595	81,916
Other prepayments from customers	15,674,203	13,179,090
Short-term part	16,885,798	13,261,006
	16,885,798	**15,343,466**
Payables to group enterprises		
After 5 years	371,868,289	371,343,819
Long-term part	371,868,289	371,343,819
Other short-term debt to group enterprises	532,204	481,458
	372,400,493	**371,825,277**

Notes to the Financial Statements

9 Contingent assets, liabilities and other financial obligations

Contingent liabilities

As collateral for its Mortgage debt TDKK 753,000 the company has provided collateral in land and building with of carrying amount of TDKK 1,672,000 at 31 December 2017.

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.

10 Related parties

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 Wohnmodul I Zwischenholding S.á r. l
2-4 Rue Beck
1222 Luxembourg

Notes to the Financial Statements

11 Accounting Policies

The Annual Report of Galleri K Retail ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Financial Statements for 2017 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.

Business combinations

Pooling-of-interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied as if the two enterprises had always been combined by restating comparative figures.

Translation policies

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. 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 rates at the time when the receivable or the debt

Notes to the Financial Statements

11 Accounting Policies (continued)

arose are recognised in financial income and expenses in the income statement.

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

Income Statement

Revenue

Rental income is recognised on a straight line-basis over the term of the lease.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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.

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

Notes to the Financial Statements

11 Accounting Policies (continued)

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 supsuppliers 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.

The investment properties are measured at fair value.

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.

The fair value of investment properties has been assessed by the independent assessor firm at 31 December 2017.

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. The assumptions applied are disclosed in the notes.

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.

Dividend

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

Notes to the Financial Statements

11 Accounting Policies (continued)

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 income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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 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 or in equity if the deferred tax relates to items recognised in equity.

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.