Galleri K Retail ApS

Adelgade 15, 2., DK-1304 København K

Annual Report for 1 January - 31 December 2016

CVR No 30 54 82 64

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/04 2017

Søren Salby
Chairman

Contents

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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 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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

Copenhagen, 28 April 2017

Direktion

David Hilmar Herbert Girra

Bestyrelse

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 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 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 2016, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("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 judgment and maintain professional skepticism throughout the audit.

Independent Auditor's Report

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, 28 April 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Erik Stener Jørgensen
State Authorised Public Accountant

René Otto 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	2016	2015
		DKK	DKK
Revenue		**50,262,176**	**50,485,764**
Other operating income		431,301	0
Expenses concerning apartments		-5,732,348	-3,634,057
Other external expenses		-1,568,882	-3,134,710
Gross profit/loss before value adjustments		**43,392,247**	**43,716,997**
Value adjustment of investment properties	2	-6,612,181	345,485,958
Gross profit/loss efter værdireguleringer		**36,780,066**	**389,202,955**
Financial income	3	0	12,760,620
Financial expenses	4	-13,199,008	-79,523,288
Profit/loss before tax		**23,581,058**	**322,440,287**
Tax on profit/loss for the year	5	-5,187,821	-71,415,844
Net profit/loss for the year		**18,393,237**	**251,024,443**

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	0	28,924,000
Retained earnings	18,393,237	222,100,443
	18,393,237	**251,024,443**

Balance Sheet 31 December

Assets

	Note	2016	2015
		DKK	DKK
Investment properties		1,384,000,000	1,390,085,700
Plant and equipment	6	**1,384,000,000**	**1,390,085,700**
Fixed assets		**1,384,000,000**	**1,390,085,700**
Receivables from group enterprises		13,068,976	9,389,413
Other receivables		5,408,374	933,256
Receivables		**18,477,350**	**10,322,669**
Cash at bank and in hand		**56,618,984**	**26,388,667**
Currents assets		**75,096,334**	**36,711,336**
Assets		**1,459,096,334**	**1,426,797,036**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		DKK	DKK
Share capital		1,000,000	1,000,000
Retained earnings		674,357,548	655,964,307
Equity	7	**675,357,548**	**656,964,307**
Provision for deferred tax		99,702,527	82,915,880
Provisions		**99,702,527**	**82,915,880**
Mortgage loans		669,819,567	669,751,514
Long-term debt	8	**669,819,567**	**669,751,514**
Credit institutions		0	3,631,993
Prepayments received from customers		13,136,684	12,183,772
Trade payables		279,679	825,195
Corporation tax		670,150	0
Other payables		130,179	524,375
Short-term debt		**14,216,692**	**17,165,335**
Debt		**684,036,259**	**686,916,849**
Liabilities and equity		**1,459,096,334**	**1,426,797,036**
Main activity	1		
Contingent assets, liabilities and other financial obligations	9		
Related parties and ownership	10		

Notes to the Financial Statements

1 Main activity

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

2 Value adjustment of investment properties

	2016	2015
	DKK	DKK
Value adjustments of investment properties	-6,612,181	379,941,998
Adjustments of financial liabilities	0	-34,456,040
	-6,612,181	**345,485,958**

3 Financial income

	2016	2015
Interest received from group enterprises	0	601,220
Regulation on hedging instruments	0	3,185,249
Gain on settlement of loans	0	8,974,151
	0	**12,760,620**

4 Financial expenses

	2016	2015
Cumulative loss on hedging instrument, reclassified from equity	0	50,812,626
Interest expense on hedging instruments	0	19,601,875
Interest expense to mortgage credit institutions	13,130,072	9,105,257
Other interest expenses	68,746	3,530
Exchange loss	190	0
	13,199,008	**79,523,288**

5 Tax on profit/loss for the year

	2016	2015
Current tax for the year	1,470,150	0
Deferred tax for the year incl. adjustments previous years etc.	3,717,671	71,411,467
Adjustment of tax concerning previous years	0	4,377
	5,187,821	**71,415,844**

Notes to the Financial Statements

6 Assets measured at fair value

	Investment properties
	DKK
Cost at 1 January	1,030,658,702
Net effect from change of accounting policy	0
Exchange adjustment	0
Additions for the year	526,481
Cost at 31 December	1,031,185,183
Value adjustments at 1 January	359,426,998
Revaluations for the year	-6,612,181
Value adjustments at 31 December	352,814,817
Carrying amount at 31 December	**1,384,000,000**

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

7 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	1,000,000	655,964,311	656,964,311
Net profit/loss for the year	0	18,393,237	18,393,237
Equity at 31 December	**1,000,000**	**674,357,548**	**675,357,548**

The share capital has developed as follows:

	2016	2015	2014	2013	2012
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	1,000,000	500,000	500,000	500,000	500,000
Capital increase	0	500,000	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	**1,000,000**	**1,000,000**	**500,000**	**500,000**	**500,000**

Notes to the Financial Statements

8 Long-term debt

Mortgage loans

After 5 years	669,819,567	669,751,514
Long-term part	669,819,567	669,751,514
Within 1 year	0	0
	669,819,567	**669,751,514**

Notes to the Financial Statements

9 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 1,384,000 at 31 December 2016.

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 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 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

Financial Statements for 2016 are presented in DKK.

Changes in accounting policies

The company has in accordance with law no. 738 of 1 June 2015 (amendment to the Danish Financial Statements Act) changed the accounting policy for measurement of liabilities related to investment properties. The debt related to investment properties has so far been measured at fair value but from the financial year 2016 has to be measured at amortized cost. In relation to this the company has applied the exemption in the Financial Statements Act and has recognized the debt at cost, which corresponds to the latest fair value of the debt as at 31 December 2015. Subsequently the debt has been measured at amortized cost. Due to the mentioned exemption the comparison figures have not been adjusted.

The change has resulted in an increase in the operating profit of MDKK 28.1 for the financial year 2016 with the same effect on the equity, financial debts and total balance as at 31 December 2016. The change in the accounting principles has no effect on the company's cash flow.

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.

Accounting Policies

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.

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.

Accounting Policies

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 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 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.

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.

Accounting Policies

The fair value of investment properties has been determined at 31 December 2016 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.

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.

Accounting Policies

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 amortized cost.

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.