



**CHRISTENSEN  
KJÆRULFF**

**PERSONLIGT ENGAGEMENT**

STATSAUTORISERET  
REVISIONSAKTIESELSKAB

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# **Covivio Dansk L ApS**

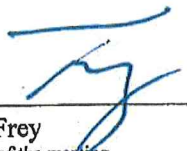
**Store Kongensgade 68, 1264 København K**

**Company reg. no. 30 71 23 90**

## **Annual report**

**1 January - 31 December 2019**

The annual report has been submitted and approved by the general meeting on the 27 August 2020.

**Daniel Frey**

Chairman of the meeting

**Notes:**

- To ensure the greatest possible applicability of this document, IAS/IFRS 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 %.



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## Management's report

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The executive board has today presented the annual report of Covivio Dansk L ApS for the financial year 1 January to 31 December 2019.

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 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

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

We recommend that the annual report be approved by the general meeting.

Copenhagen, 13 August 2020

### Executive board

Arnaud Brément  
Managing Director

Myriam Despas

Peter Westphal



## **Independent auditor's report**

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**To the shareholders of Covivio Dansk L ApS**

### **Opinion**

We have audited the annual accounts of Covivio Dansk L ApS for the financial year 1 January to 31 December 2019, 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 2019 and of the results of the company's operations for the financial year 1 January to 31 December 2019 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**

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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**

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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, 13 August 2020

### **Christensen Kjarulff**

Statsautoriseret Revisionsaktieselskab  
Company reg. no. 15 91 56 41

Iver Haugsted  
State Authorised Public Accountant  
mne10678



## Company information

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### **The company**

Covivio Dansk L ApS  
Store Kongensgade 68  
1264 København K

Company reg. no. 30 71 23 90  
Established: 5 July 2007  
Domicile: Copenhagen  
Financial year: 1 January - 31 December  
6th financial year

### **Executive board**

Arnaud Brément, Managing Director  
Myriam Despas  
Peter Westphal

### **Auditors**

Christensen Kjarulff  
Statsautoriseret Revisionsaktieselskab  
Store Kongensgade 68  
1264 København K



## Financial highlights

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EUR in thousands.	2019	2018	2017	2016	2015
<b>Profit and loss account:</b>					
Net turnover	17.194	17.424	16.934	16.276	15.333
Gross profit	72.823	75.316	74.822	5.383	784
Results from operating activities	68.521	75.159	74.554	43.533	21.024
Net financials	-2.466	-2.624	-2.245	-3.572	-2.745
Results for the year	55.738	61.295	60.884	34.377	14.261
<b>Balance sheet:</b>					
Balance sheet sum	512.899	449.762	386.850	319.329	284.209
Investments in tangible fixed assets represent	0	780	335	122	13
Equity	334.667	278.929	217.634	156.750	122.374
<b>Key figures in %:</b>					
Gross margin	423,5	432,3	441,8	33,1	5,1
Profit margin	398,5	431,4	440,3	267,5	137,1
Acid test ratio	549,3	518,9	218,6	5,0	44,7
Solvency ratio	65,3	62,0	56,3	49,1	43,1
Return on equity	18,2	24,7	32,5	24,6	12,4

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





## Management commentary

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### **The principal activities of the company**

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

### **Unusual matters**

No unusual matters.

### **Uncertainties as to recognition or measurement**

Investment properties are measured at fair value. Investment properties are accounted for t.EUR 462.908 as of 31 December 2019. Fair value 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 net turnover for the year is t.EUR 17.194 against t.EUR 17.424 last year. The results from ordinary activities after tax are t.EUR 55.738 against t.EUR 61.295 last year. The results for 2019 are significantly affected by value adjustment of investment property t.EUR 58.590. The value adjustment of investment property is mainly caused by a reduction in the discount rate. The management consider the results satisfactory.

### **Special risks**

#### *Operating risks*

The company's operating profit are particularly sensitive to developments in the following factors: rental income, maintenance, improvements and operating costs. The management manages the risks based on ongoing reporting and by entering into administrative agreements with recognized partners.

#### *Financial risks*

The value of investment properties are measured at fair value based on the properties discounted cash flows

#### *Exchange rate risks*

The management has not identified any exchange rate risks. The company's assets, liabilities and cash flow are calculated in EUR.

#### *Interest risks*

The company has secured its floating-rate mortgage loans by entering into interest-rate swaps at a yield of 1,11 %.

#### *Credit risks*

The company's credit risks are mainly related to the tenants' ability to their obligations according to the lease contract. As the majority of the portfolio is for residential space, the management consider the credit risks as minimal.



## **Management commentary**

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### **Environmental issues**

Environmental issues are described in the group's CSR report.

### **Know how resources**

Know how resources are described in the group's CSR report.

### **Research and development activities**

None.

### **The expected development**

The Corona / COVID-19 presents challenges and risks for the company.

Corona / COVID-19 has or may have a significant impact on the number of customers, nationally or internationally, as a result of the recommendations and orders given by the political team. Given the major uncertainty Corona / COVID-19 has created and the uncertainty about the duration of the situation, it is currently not possible to make a reasonable assessment of the financial consequences of the Corona crisis. On the same basis, it is not possible to express a sufficiently secure expectation of revenue and profit before tax. So far, however, management believes that the company has the necessary liquidity and credit facilities to continue its operations.

Prior to the Corona /COVID-19, expectations were a result in line with 2019.

### **Events subsequent to the financial year**

Subsequent to the balance sheet date the government in Germany implemented a new law in Berlin (Berliner Mietendeckel). The new law states that the rent level for all existing apartments will be frozen for five years. The price cap shall apply for both existing leases and to new leases. According to the new law the increase in rent due to modernization can only be 0,5 EUR/m2.

The management believes that the law will not affect the fair value calculation of the investment properties as investors will accept a lower yield.

### **Statement of corporate social responsibility**

Covivio Dansk L ApS is a subsidiary to Covivio Immobilien SE. The statutory statement for the group cf. section 99 a of the Danish Financial Statements Act has been published on the group's website on the following url: <https://www.covivio.eu/en/profil/strategy/publication/>

### **Target figures and policies for the under-represented sex**

With reference to the account of the gender composition of the management cf. section 99 b of the Danish Financial Statements Act, Covivio Dansk L ApS' executive board has in 2019 found one woman to the board based on an overall assessment of competencies and continuity.



## Income statement 1 January - 31 December

EUR in thousands.

Note	2019	2018
2 Net turnover	17.194	17.424
Other operating income	3.689	1.171
Other external costs	-321	-249
Costs concerning investment property	-6.329	-8.162
Value adjustment of investment property	58.590	65.132
<b>Gross profit</b>	<b>72.823</b>	<b>75.316</b>
Other operating costs	-4.302	-157
<b>Operating profit</b>	<b>68.521</b>	<b>75.159</b>
Other financial income from group enterprises	1	0
Other financial income	345	1
4 Other financial costs	-2.812	-2.625
<b>Pre-tax net profit or loss</b>	<b>66.055</b>	<b>72.535</b>
Tax on ordinary results	-10.317	-11.240
<b>5 Net profit or loss for the year</b>	<b>55.738</b>	<b>61.295</b>



## Statement of financial position 31 December

EUR in thousands.

<b>Assets</b>			
<u>Note</u>		<u>2019</u>	<u>2018</u>
<b>Non-current assets</b>			
6	Tangible assets under construction and prepayments for tangible assets	0	1.098
7	Investment property	462.908	421.000
	Total property, plant, and equipment	462.908	422.098
	<b>Total non-current assets</b>	<b>462.908</b>	<b>422.098</b>
<b>Current assets</b>			
	Assets intended for sale	12.030	108
	Total inventories	12.030	108
	Trade debtors	139	2.556
	Amounts owed by group enterprises	37.014	23.335
	Receivable corporate tax	0	956
	Other debtors	599	367
8	Accrued income and deferred expenses	209	342
	Total receivables	37.961	27.556
	<b>Total current assets</b>	<b>49.991</b>	<b>27.664</b>
	<b>Total assets</b>	<b>512.899</b>	<b>449.762</b>



## Statement of financial position 31 December

EUR in thousands.

<b>Equity and liabilities</b>			
<u>Note</u>		<u>2019</u>	<u>2018</u>
<b>Equity</b>			
9	Contributed capital	134	134
10	Results brought forward	334.533	278.795
	<b>Total equity</b>	<b>334.667</b>	<b>278.929</b>
<b>Provisions</b>			
11	Provisions for deferred tax	50.107	41.286
	<b>Total provisions</b>	<b>50.107</b>	<b>41.286</b>
<b>Liabilities other than provisions</b>			
12	Mortgage debt	119.024	124.216
	Total long term liabilities other than provisions	119.024	124.216
	Short-term part of long-term liabilities	1.450	1.450
	Prepayments received from customers	504	489
	Trade creditors	1.143	1.102
	Debt to group enterprises	776	184
	Corporate tax	3.356	0
	Other debts	1.818	1.751
13	Accrued expenses and deferred income	54	355
	Total short term liabilities other than provisions	9.101	5.331
	<b>Total liabilities other than provisions</b>	<b>128.125</b>	<b>129.547</b>
	<b>Total equity and liabilities</b>	<b>512.899</b>	<b>449.762</b>

1 Subsequent events

3 Fee, auditor

14 Mortgage and securities

15 Contingencies

16 Related parties



## Statement of changes in equity

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EUR thousand.

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2018	134	217.500	217.634
Profit or loss for the year brought forward	<u>0</u>	<u>61.295</u>	<u>61.295</u>
Equity 1 January 2019	134	278.795	278.929
Profit or loss for the year brought forward	<u>0</u>	<u>55.738</u>	<u>55.738</u>
	<u>134</u>	<u>334.533</u>	<u>334.667</u>



## Notes

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EUR in thousands.

### 1. Subsequent events

Subsequent to the balance sheet date the government in Germany implemented a new law in Berlin (Berliner Mietendeckel). The new law states that the rent level for all existing apartments will be frozen for five years. The price cap shall apply for both existing leases and to new leases. According to the new law the increase in rent due to modernization can only be 0,5 EUR/m2.

The management believes that the law will not affect the fair value calculation of the investment properties as investors will accept a lower yield.

### 2. Net turnover

The management has considered the segment information for Covivio Dansk L ApS. Covivio Dansk L ApS' activity consist of rental properties in Germany which is considered as one segment.

	<u>2019</u>	<u>2018</u>
<b>3. Fee, auditor</b>		
Total fee for Christensen Kjørulff	<u>23</u>	<u>23</u>
Fee concerning compulsory audit	10	10
Tax consultancy	1	1
Other services	<u>12</u>	<u>12</u>
	<u><b>23</b></u>	<u><b>23</b></u>
<b>4. Other financial costs</b>		
Other financial costs	<u>2.812</u>	<u>2.625</u>
	<u><b>2.812</b></u>	<u><b>2.625</b></u>
<b>5. Proposed distribution of the results</b>		
Allocated to results brought forward	<u>55.738</u>	<u>61.295</u>
<b>Distribution in total</b>	<u><b>55.738</b></u>	<u><b>61.295</b></u>



## Notes

EUR in thousands.

	31/12 2019	31/12 2018
<b>6. Tangible assets under construction and prepayments for tangible assets</b>		
Cost 1 January	1.098	0
Additions during the year	0	763
Disposals during the year	-1.098	0
Transfers	0	335
<b>Cost 31 December</b>	<b>0</b>	<b>1.098</b>
<b>Book value 31 December</b>	<b>0</b>	<b>1.098</b>
<b>7. Investment property</b>		
Cost 1 January	185.238	195.265
Additions during the year	0	17
Disposals during the year	-5.633	-6.664
Transfers	-2.404	-3.380
<b>Cost 31 December</b>	<b>177.201</b>	<b>185.238</b>
Fair value adjustment 1 January	235.762	172.919
Adjustment for the year to fair value	58.590	65.132
Adjustment to fair value, assets disposed of	-8.645	-5.236
Transfers	0	2.947
<b>Fair value adjustment 31 December</b>	<b>285.707</b>	<b>235.762</b>
<b>Carrying amount, 31 December</b>	<b>462.908</b>	<b>421.000</b>

The company's investment properties consist of 3.211 residential properties and 76 commercial properties with a total of 188.894 m<sup>2</sup> in the area of Berlin and 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 capitalization rate amounts to 3,23% (2018: 4,07%)

The following significant assumptions are used to measure the fair value:

An indexation on market rent residential of 2,38%

Fluctuation on residential of 8,16%

A structural vacancy on residential of 0,70%





## Notes

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EUR in thousands.

### 7. Investment property (continued)

The investment properties are valued at an average value of 2.690 EUR/m<sup>2</sup>

An external assessor has assisted in assessing the investment properties at a total fair value of t.EUR 462.908 equivalent to 100% of the total fair value.

Compared to the previous financial year, the methods of measurement remain unchanged.

	<u>31/12 2019</u>	<u>31/12 2018</u>
<b>8. Accrued income and deferred expenses</b>		
Prepaid insurance	209	331
Other prepayments	<u>0</u>	<u>11</u>
	<b><u>209</u></b>	<b><u>342</u></b>

### 9. Contributed capital

Contributed capital 1 January	<u>134</u>	<u>134</u>
	<b><u>134</u></b>	<b><u>134</u></b>

The share capital consists of 1.000.000 shares, each with a nominal value of EUR 0,134.

### 10. Results brought forward

Results brought forward 1 January	278.795	217.500
Profit or loss for the year brought forward	<u>55.738</u>	<u>61.295</u>
	<b><u>334.533</u></b>	<b><u>278.795</u></b>



## Notes

EUR in thousands.

	31/12 2019	31/12 2018
<b>11. Provisions for deferred tax</b>		
Provisions for deferred tax 1 January	41.285	31.538
Deferred tax of the results for the year	8.822	9.748
	<b>50.107</b>	<b>41.286</b>
The following items are subject to deferred tax:		
Tangible fixed assets	50.312	41.402
Financial fixed assets	-205	-212
Current assets	0	96
	<b>50.107</b>	<b>41.286</b>
<b>12. Mortgage debt</b>		
Mortgage debt, fixed	68.875	69.600
Mortgage debt, flexible	51.978	56.542
Capitalized financial costs	-379	-476
	120.474	125.666
Share of amount due within 1 year	-1.450	-1.450
	<b>119.024</b>	<b>124.216</b>
Share of liabilities due after 5 years	0	118.892
<b>13. Accrued expenses and deferred income</b>		
Prepayments/deferred income	54	355
	<b>54</b>	<b>355</b>
<b>14. Mortgage and securities</b>		

As security for mortgage debts, t.EUR 120.474, mortgage has been granted on land and buildings representing a book value of t.EUR 462.908 at 31 December 2019.

As a security for group company's mortgage debts, t.EUR 50.000, mortgage has been granted on land and buildings representing a book value of t.EUR 462.908 at 31 December 2019.



## Notes

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EUR in thousands.

### 15. 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.

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.

### 16. Related parties

#### Controlling interest

Covivio Dansk Holding ApS  
Store Kongensgade 68  
1264 Copenhagen  
Denmark

Majority shareholder

#### 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, 46047 Oberhausen Germany.



## Accounting policies

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The annual report for Covivio Dansk L ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (large 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**

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### **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.

### **Income statement**

#### **Revenue**

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

#### **Other operating income**

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**

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.

#### **Depreciation, amortisation and writedown**

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

#### **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

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### **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).

### **The balance sheet**

#### **Tangible fixed assets**

As regards assets of own production, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

#### **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.



## **Accounting policies**

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### **Investment property**

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

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".

### **Assets intended for sale**

Assets intended for sale consists of fixed assets, which is going to be sold, assets intended for sale is measured at cost price.

### **Receivables**

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to 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.

### **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 Dansk L 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**

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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.

### **Derivatives**

Derivatives and other financial instruments are measured at the balance sheet date according to the market-to-market valuation..

### **Accrued expenses and deferred income**

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

### **Segment information**

Information on activity and geographical markets is provided. The segment information follows the consolidated accounting policies, risks and internal financial control systems.