# Datter Rosetum K/S

Rosengårdcentret
Ørbækvej 75, DK-5220 Odense SØ

CVR no. 32 34 89 20

## Annual report 2020

Approved at the Company's annual general meeting on 14 April 2021

Chair of the meeting:

........................................................
Markus Oskar Schmitt-Habersack

Building a better
working world

## Contents

## Statement by the Board of Directors

Today, the Management has discussed and approved the annual report of Datter Rosetum K/S for the financial year 1 January - 31 December 2020.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2020 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Odense,
Board of Directors:

| | | |
|---|---|---|
| Dr. Volker Kraft | Andre Scharf | Martin Vang Hansen |
| Markus Oskar Schmitt-Habersack | | |

## Statement by the Board of Directors

Today, the Management has discussed and approved the annual report of Datter Rosetum K/S for the financial year 1 January - 31 December 2020.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2020 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Odense,
Board of Directors:

| | | |
|---|---|---|
| Dr. Volker Kraft | Andre Scharf | Martin Vang Hansen |
| Markus Oskar Schmitt-Habersack | | |

## Independent auditor's report

To the limited partners of Datter Rosetum K/S

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Datter Rosetum K/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in net assets attributable to limited partners and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

### 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 consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Group 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 rules and requirements.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

## Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

## Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, 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 conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen,
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kaare K. Lendorf
State Authorised Public Accountant
mne33819

# Management's review

## Company details

| | |
|---|---|
| Name | Datter Rosetum K/S |
| Address, Postal code, City | Rosengårdcentret<br>Ørbækvej 75, DK-5220 Odense SØ |
| CVR no. | 32 34 89 20 |
| Registered office | Odense |
| Financial year | 1 January - 31 December |
| Limited partners | Dr. Volker Kraft<br>Andre Scharf<br>Martin Vang Hansen<br>Markus Oskar Schmitt-Habersack |
| General Partner | RGC JV CO. S.á r.l.<br>Arbejdsmarkedets Tillægspension |
| Auditors | EY Godkendt Revisionspartnerselskab<br>Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark |

## Management's review

### Financial highlights for the Group

| DKK'000 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 155,706 | 154,194 | 151,871 | 154,669 | 155,705 |
| Gross profit | 115,477 | 122,754 | 120,685 | 122,259 | 126,355 |
| Operating profit/loss | -2,334 | 244,104 | 96,211 | 377,905 | 186,128 |
| Net financials | -118,520 | -46,436 | -45,470 | -45,338 | -45,744 |
| Profit/loss for the year | -120,854 | 197,668 | 50,741 | 332,567 | 140,384 |
| | | | | | |
| Total assets | 3,890,912 | 3,982,718 | 3,828,862 | 3,785,020 | 3,461,114 |
| Investment in property, plant and equipment | -28,636 | -54,433 | -84,784 | -42,417 | -13,633 |
| Net assets attributable to limited partners | 1,805,085 | 1,994,571 | 1,951,797 | 1,920,224 | 1,606,825 |
| **Financial ratios** | | | | | |
| Operating margin | -1.5% | 158.3% | 63.4% | 244.3 % | 119.5 % |
| Gross margin | 74.2% | 79.6% | 79.5% | 79.0% | 81.2% |
| Return on assets | -0.1% | 6.2% | 2.5% | 10.4% | 5.4% |
| Current ratio | 70.7% | 18.3% | 68.5% | 95.7% | 43.7% |
| Solvency ratio | 46.4% | 50.1% | 51.0% | 50.7% | 46.4% |
| Return on net assets attributable to limited partners | -6.4% | 10.0% | 2.6% | 18.9% | 8.7% |

# Management's review

## Business review

The Group's primary activity is to own and to carry on letting of real property.

## Recognition and measurement uncertainties

The outbreak of COVID-19 continues to impact the tenants within the mall and retail sectors. Management is monitoring the situation closely as the COVID-19 pandemic is ongoing, and uncertainties remain over its extent, duration and business impacts.

Within Denmark, we see a high number of transactions in the market for investment properties. However the transaction activity regarding investment properties in the mall and retail sector are minimal, as the investors allocation of capital due to COVID-19 is less.

The reduction in the level of transactions within the sector increases the valuation uncertainty. As a consequence of the increased valuation uncertainty, Management has prepared a sensitivity analysis. Reference is made to note 3 for the sensitivity analysis of the assumption used to assess the fair value of the investment property.

## Financial review

In 2020, the group's revenue came in at DKK 155,706 thousand compared to DKK 154,194 thousand last year. The income statement for 2020 shows a loss of DKK 120,854 thousand against a profit of DKK 197,668 thousand last year, and the balance sheet at 31 December 2020 shows net assets attributable to limited partners of DKK 1,805,085 thousand.

Revenue and profit for 2020 are below the original budget for the year, but in face of the world-wide COVID-19 pandemic above expectation.

Management considers the group's financial performance in the year satisfactory.

## Events after the balance sheet date

No events materially affecting the Group's and the Company's financial position have occurred subsequent to the financial year-end.

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Income statement

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| Note | DKK'000 | 2020 | 2019 | 2020 | 2019 |
| | Revenue | 155,706 | 154,194 | 121,663 | 123,594 |
| | Other external expenses | -40,229 | -31,440 | -30,180 | -22,490 |
| | Gross profit | 115,477 | 122,754 | 91,483 | 101,104 |
| | Fair value adjustments of investment property | -117,811 | 121,350 | -83,881 | 87,622 |
| | Profit/loss before net financials | -2,334 | 244,104 | 7,602 | 188,726 |
| | Income from investments in group entities | 0 | 0 | -48,037 | 42,033 |
| | Financial income | 9 | 13 | 9 | 13 |
| | Financial expenses | -118,529 | -46,449 | -80,428 | -33,104 |
| | Profit/loss for the year | -120,854 | 197,668 | -120,854 | 197,668 |

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Balance sheet

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| Note | DKK'000 | 2020 | 2019 | 2020 | 2019 |
| | ASSETS | | | | |
| | Non-current assets | | | | |
| 2 | Property, plant and equipment | | | | |
| 3 | Investment property | 3,759,516 | 3,875,837 | 2,841,823 | 2,924,214 |
| | Lease incentives | 80,484 | 63,163 | 39,637 | 36,141 |
| | | 3,840,000 | 3,939,000 | 2,881,460 | 2,960,355 |
| 4 | Financial assets | | | | |
| | Investments in group entities, net asset value | 0 | 0 | 381,623 | 429,660 |
| | | 0 | 0 | 381,623 | 429,660 |
| | Total non-current assets | 3,840,000 | 3,939,000 | 3,263,083 | 3,390,015 |
| | Current assets | | | | |
| | Trade receivables | 15,513 | 7,930 | 13,334 | 5,680 |
| | Other receivables | 1,143 | 5,440 | 1,143 | 3,885 |
| 5 | Prepayments | 1,608 | 364 | 1,292 | 296 |
| | | 18,264 | 13,734 | 15,769 | 9,861 |
| | Cash | 32,648 | 29,984 | 12,670 | 10,898 |
| | Total current assets | 50,912 | 43,718 | 28,439 | 20,759 |
| | TOTAL ASSETS | 3,890,912 | 3,982,718 | 3,291,522 | 3,410,774 |

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Balance sheet

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| Note | DKK'000 | 2020 | 2019 | 2020 | 2019 |
| | NET ASSETS ATTRIBUTABLE TO LIMITED PARTNERS AND LIABILITIES | | | | |
| | Net assets attributable to limited partners | | | | |
| | Limited partnership capital | 1,040,057 | 1,040,057 | 1,040,057 | 1,040,057 |
| | Retained earnings | 765,028 | 954,514 | 765,028 | 954,514 |
| | Total net assets attributable to limited partners | 1,805,085 | 1,994,571 | 1,805,085 | 1,994,571 |
| | Liabilities | | | | |
| 6 | Non-current liabilities | | | | |
| | Mortgage debt | 1,938,620 | 1,749,898 | 1,340,174 | 1,234,258 |
| | Derivative financial instruments | 75,212 | 0 | 51,994 | 0 |
| | Total non-current liabilities | 2,013,832 | 1,749,898 | 1,392,168 | 1,234,258 |
| | Current liabilities | | | | |
| | Mortgage debt | 0 | 60,107 | 0 | 41,624 |
| | Bridge financing | 0 | 111,905 | 0 | 54,480 |
| | Trade payables | 5,314 | 4,437 | 4,055 | 3,494 |
| | Payables to group entities | 0 | 0 | 48,346 | 43,600 |
| | Other payables | 66,681 | 61,800 | 41,868 | 38,747 |
| | Total current liabilities | 71,995 | 238,249 | 94,269 | 181,945 |
| | | 2,085,827 | 1,988,147 | 1,486,437 | 1,416,203 |
| | TOTAL NET ASSETS ATTRIBUTABLE TO LIMITED PARTNERS AND LIABILITIES | 3,890,912 | 3,982,718 | 3,291,522 | 3,410,774 |

1 Accounting policies
7 Derivative financial instruments and disclosure of fair values
8 Collateral
9 Related parties
10 Appropriation of profit/loss

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Statement of changes in net assets attributable to limited partners

| | | Group | | |
|---|---|---|---|---|
| Note | DKK'000 | Limited partnership capital | Retained earnings | Total |
| | Net assets attributable to limited partners at 1 January 2020 | 1,040,057 | 954,514 | 1,994,571 |
| | Transfer through appropriation of loss | 0 | -189,486 | -189,486 |
| | Net assets attributable to limited partners at 31 December 2020 | 1,040,057 | 765,028 | 1,805,085 |

| | | Parent company | | |
|---|---|---|---|---|
| Note | DKK'000 | Limited partnership capital | Retained earnings | Total |
| | Net assets attributable to limited partners at 1 January 2020 | 1,040,057 | 954,514 | 1,994,571 |
| 10 | Transfer, see "Appropriation of profit/loss" | 0 | -189,486 | -189,486 |
| | Net assets attributable to limited partners at 31 December 2020 | 1,040,057 | 765,028 | 1,805,085 |

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Cash flow statement

| | | Group | |
|---|---|---|---|
| Note | DKK'000 | 2020 | 2019 |
| | Profit/loss for the year | -120,854 | 197,668 |
| 11 | Adjustments | 246,156 | -56,130 |
| | Cash generated from operations (operating activities) | 125,302 | 141,538 |
| 12 | Changes in working capital | 1,229 | -4,122 |
| | Cash generated from operations (operating activities) | 126,531 | 137,416 |
| | Interest received, etc. | 9 | 13 |
| | Interest paid, etc. | -26,735 | -45,111 |
| | Cash flows from operating activities | 99,805 | 92,318 |
| | Additions of property, plant and equipment | -28,636 | -54,433 |
| | Cash flows to investing activities | -28,636 | -54,433 |
| | Dividends distributed | -68,632 | -154,894 |
| | Proceeds of long-term liabilities | 1,937,786 | 0 |
| | Proceeds from bridge financing | -111,905 | 111,905 |
| | Repayments, long-term liabilities | -1,825,754 | 0 |
| | Cash flows from financing activities | -68,505 | -42,989 |
| | Net cash flow | 2,664 | -5,104 |
| | Cash and cash equivalents at 1 January | 29,984 | 35,088 |
| 13 | Cash and cash equivalents at 31 December | 32,648 | 29,984 |

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies

The annual report of Datter Rosetum K/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The figures regarding Datter Rosetum II K/S are included in the consolidated financial statements for Datter Rosetum K/S, and consequently there is no requirement to submit stand-alone financial statements for this entity. Instead of submitting stand-alone financial statements for Datter Rosetum II K/S, Management will submit an exemption statement in accordance with section 5(1) of the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

*Control*

The consolidated financial statements comprise the Parent Company, Datter Rosetum K/S, and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

*Preparation of consolidated financial statements*

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement on a current basis.

## Income statement

### Revenue

Rental income receivable from operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis.

The lease period is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where at the inception of the lease the directors are reasonably certain that the tenant will exercise that option. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

Service charges and expenses recoverable from tenants:
Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue when the directors deem that the Group acts as principal and net when the directors deem that the Group acts as agent.

### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to sales activities, maintance, administration in general, bad debts, etc.

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Profit/loss from investments in subsidiaries

The item includes the Parent Company's proportionate share of the profit/loss for the year in subsidaries after elimination of intra-group income or losses.

### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses.

### Tax

The financial statements do not include tax as the individual limited partners include results from the limited partnership in their income statements.

## Balance sheet

### Investment property

On initial recognition, investment property is measured at cost. Investment property is subsequently measured at fair value, and the value adjustment for the year is recognised in the income statement under the item "Fair value adjustment of investment property". The fair value is based on the expected future cash flows for the investment property.

### Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Newly acquried of formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Corporate acquisitions are accounted for using the purchase method accounting to which the acquried entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. In connection with the acquisition, a provision is made for expenses related to adopted plans to restructure the acquired entity.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

1 Accounting policies (continued)

#### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

#### Net assets attributable to limited partners

According to the Company's Articles of Association, the net results of operations are distributed to the limited partners in proportion to the individual limited partner's share of the Aggregate Commitments.

Any non-discretionary obligation to pay dividends entails a liability that must be recorded on initial recognition of the instrument.

The fact that the limited partners are entitled to a distribution of the net results of the operations establishes an additional liability for the Company, as the Company has a contractual obligation to pay cash in respect of both the redemption of paid commitment and the required dividend payments.

The liability must be recognised at an amount equal to the present value of both the redemption amount of the paid commitment and the non-discretionary dividends. As the dividends were set at market rate, this resulted in an overall liability classification of both the paid commitment and the required dividend payments.

The paid commitment and retained earnings have therefore been presented as net assets attributable to limited partners in the financial statements.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

1 Accounting policies (continued)

#### Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

#### Cash flow statement

The cash flow statement shows the Group's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of investment property.

Cash flows from financing activities comprise changes in the size or composition of the Group's net assets and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

| | |
|---|---|
| Operating profit/loss | Profit/loss before financial items adjusted for other operating income and other operating expenses |
| Operating margin | $\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$ |
| Gross margin | $\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$ |
| Return on assets | $\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$ |
| Current ratio | $\frac{\text{Current assets x 100}}{\text{Current liabilities}}$ |
| Solvency ratio | $\frac{\text{Net assets attributable to limited partners at year end x 100}}{\text{Total net assets attributable to limited partners and liabilities at year end}}$ |
| Return on net assets attributable to limited partners | $\frac{\text{Profit/loss after tax x 100}}{\text{Average net assets attributable to limited partners}}$ |

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Notes to the financial statements

### 2 Property, plant and equipment

| | Group | | |
|---|---|---|---|
| DKK'000 | Investment property | Lease incentives | Total |
| Cost at 1 January 2020 | 3,099,397 | 101,653 | 3,201,050 |
| Additions in the year | 1,490 | 35,292 | 36,782 |
| Disposals in the year | 0 | -10,469 | -10,469 |
| Cost at 31 December 2020 | 3,100,887 | 126,476 | 3,227,363 |
| Revaluations at 1 January 2020 | 776,440 | 0 | 776,440 |
| Revaluations in the year | -117,811 | 0 | -117,811 |
| Revaluations at 31 December 2020 | 658,629 | 0 | 658,629 |
| Impairment losses and depreciation at 1 January 2020 | 0 | 38,490 | 38,490 |
| Amortisation/depreciation in the year | 0 | 17,971 | 17,971 |
| Reversal of amortisation/depreciation and impairment of disposals | 0 | -10,469 | -10,469 |
| Impairment losses and depreciation at 31 December 2020 | 0 | 45,992 | 45,992 |
| Carrying amount at 31 December 2020 | 3,759,516 | 80,484 | 3,840,000 |

| | Parent company | | |
|---|---|---|---|
| DKK'000 | Investment property | Lease incentives | Total |
| Cost at 1 January 2020 | 2,210,578 | 66,011 | 2,276,589 |
| Additions in the year | 1,490 | 14,844 | 16,334 |
| Disposals in the year | 0 | -10,469 | -10,469 |
| Cost at 31 December 2020 | 2,212,068 | 70,386 | 2,282,454 |
| Revaluations at 1 January 2020 | 713,636 | 0 | 713,636 |
| Revaluations in the year | -83,881 | 0 | -83,881 |
| Revaluations at 31 December 2020 | 629,755 | 0 | 629,755 |
| Impairment losses and depreciation at 1 January 2020 | 0 | 29,870 | 29,870 |
| Amortisation/depreciation in the year | 0 | 11,348 | 11,348 |
| Reversal of amortisation/depreciation and impairment of disposals | 0 | -10,469 | -10,469 |
| Impairment losses and depreciation at 31 December 2020 | 0 | 30,749 | 30,749 |
| Carrying amount at 31 December 2020 | 2,841,823 | 39,637 | 2,881,460 |

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Notes to the financial statements

### 3 Investment property

Group

*Fair value estimation*

The fair value is based on a level 3 assesment.
The fair value of the investment property is an estimate calculated by the appraiser based on information available and actual expectations for the future provided by management.

The independent appraisers Cushman & Wakefield | RED have been consulted for purposes of estimating the fair value of the investment property.

The valuation model used to estimate the fair value is a DCF model with a ten-year budget model.

Expected future cash flows are based on budgets approved by Management for the coming years and an estimated terminal value for the remaining life of the property. The discount factor comprises the risk-free interest rate and a risk premium for the property.

The most significant fair value assumptions are the following:

- Discount rate 6.65%
- Exit yield 4.60%
- Inflation rate 2.00 %
- First year NOI net of capex DKK 141.2 million and terminal NOI DKK 225.3 million, Extraordinary capex DKK 1.4 million in 2021 and 56 million in 2022.

*Sensitivity analysis*

Changes in estimated required rate of return for investment properties will affect the value of investment properties recognized in the balance sheet as well as value adjustments carried in the income statement.

An increase in the exit yield and discount rate by 0.25 percentage points will imply a decrease in the fair value of T.DKK 205,000. A decrease in the exit yield and discount rate by 0.25 percentage points will imply an increase in the fair value of T.DKK 229,000.

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Notes to the financial statements

### 4 Financial assets

| DKK'000 | Parent company<br>Investments in group entities, net asset value |
|---|---|
| Cost at 1 January 2020 | 317,500 |
| Cost at 31 December 2020 | 317,500 |
| Value adjustments at 1 January 2020 | 112,160 |
| Share of the profit/loss for the year | -48,037 |
| Value adjustments at 31 December 2020 | 64,123 |
| Carrying amount at 31 December 2020 | 381,623 |

Parent company

| Name | Legal form | Domicile | Interest | Equity DKK'000 | Profit/loss DKK'000 |
|---|---|---|---|---|---|
| Subsidiaries | | | | | |
| Datter Rosetum II | K/S | Odense | 100.00% | 381,623 | -48,037 |

### 5 Prepayments

Group

Prepayments include accrual of expenses relating to subsequent financial years DKK 1,608 thousand (2019: DKK 364 thousand).

Parent company

Prepayments include accrual of expenses relating to subsequent financial years, DKK 1,292 thousand (2019: DKK 296 thousand).

### 6 Non-current liabilities

| | Group | | | |
|---|---|---|---|---|
| DKK'000 | Total debt at 31/12 2020 | Repayment, next year | Long-term portion | Outstanding debt after 5 years |
| Mortgage debt | 1,938,620 | 0 | 1,938,620 | 1,944,253 |
| Derivative financial instruments | 75,212 | 0 | 75,212 | 75,212 |
| | 2,013,832 | 0 | 2,013,832 | 2,019,465 |

Amortised borrowing costs recognised in mortgage debt represents DKK 16,560 thousand.

| | Parent company | | | |
|---|---|---|---|---|
| DKK'000 | Total debt at 31/12 2020 | Repayment, next year | Long-term portion | Outstanding debt after 5 years |
| Mortgage debt | 1,340,174 | 0 | 1,340,174 | 1,344,068 |
| Derivative financial instruments | 51,994 | 0 | 51,994 | 51,994 |
| | 1,392,168 | 0 | 1,392,168 | 1,396,062 |

Amortised borrowing costs recognised in mortgage debt represents DKK 11,448 thousand.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

7 Derivative financial instruments and disclosure of fair values

Group

Interest rate risks

The Group uses interest rate swaps to hedge interest rate risks, whereby floating interest payments are rescheduled into fixed interest payments.

Group

Interest rate risks

| | 2020 | | | | |
|---|---|---|---|---|---|
| DKK'000 | Paying interest | Notional principal amount | Fair value | Time to maturity |
| Interest rate swaps | 6,841 | 1,955,180 | -75,212 | years 9 |

Group

Fair values

The fair value of the below financial instruments deviates from the value recognised in the Group's balance sheet at 31 December 2020.

*Fair value disclosures*

The Group has the following assets and liabilities measured at fair value:

| DKK'000 | Derivative financial instruments |
|---|---|
| Group | |
| Fair value at year end | -75,212 |
| Value adjustments in the income statement | -75,212 |
| Fair value level | 2 |
| Parent Company | |
| Fair value at year end | -51,994 |
| Value adjustments in the income statement | -51,994 |
| Fair value level | 2 |

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Notes to the financial statements

### 7 Derivative financial instruments and disclosure of fair values (continued)

Group

Interest rate swaps have been entered into in order to hedge future interest payments on floating-rate loans. The swaps have a original maturity term of 10 years. Under the contracts, an intertest rate of CIBOR 6 months is exchanged for a fixed rate of interest of 0,36% on loans with a principal amount of T.DKK 1,955,180.
The interest rate swaps have been entered into in order for the total term of the grace period of the loans. The fair value of interest rate swaps at the balance sheet date amount to T.DKK 75,212. Which has been recognized as a liability under derivative financial instruments.

Parent company

Interest rate swap has been entered into in order to hedge future interest payments on floating-rate loan. The swap have a original maturity term of 10 years. Under the contract, an intertest rate of CIBOR 6 months is exchanged for a fixed rate of interest of 0,36% on loan with a principal amount of T.DKK 1,351,622.
The interest rate swap has been entered into in order for the total term of the grace period of the loan. The fair value of interest rate swap at the balance sheet date amount to T.DKK 51,994. Which has been recognized as a liability under derivative financial instruments.

### 8 Collateral

Group

As security for the Group's debt to mortgage credit institutions and banks, DKK 2,013,832 thousand, the Group has pledged land and buildings. The total carrying amount of the assets placed as security was DKK 3,759,516 thousand at 31 December 2020.

Parent company

As security for the parent company's debt to mortgage credit institutions and banks, DKK 1,392,168 thousand, the parent company has placed land and buildings as security. The total carrying amount of the assets placed as security was DKK 2,841,823 thousand at 31 December 2020.

### 9 Related parties

Parent company

Datter Rosetum K/S' related parties comprise the following:

Parties exercising control

| Related party | Domicile | Basis for control |
|---|---|---|
| ECE Progressive Income Growth Fund, SCA SICAV-RAIF | Luxembourg | Participating interest |
| Arbejdsmarkedets Tillægspension | Denmark | Participating interest |

Transactions with related parties

All internal group transactions have been carried through on an arm's length basis.

# Consolidated financial statements and parent company financial statements 1 January - 31 December

## Notes to the financial statements

| | DKK'000 | Parent company 2020 | Parent company 2019 |
|---|---|---|---|
| 10 | Appropriation of profit/loss | | |
| | Recommended appropriation of profit/loss | | |
| | Dividend to limited partners | 68,632 | 154,894 |
| | Retained earnings/accumulated loss | -189,486 | 42,774 |
| | | -120,854 | 197,668 |

| | DKK'000 | Group 2020 | Group 2019 |
|---|---|---|---|
| 11 | Adjustments | | |
| | Net adjustment lease incentives | 9,825 | 18,784 |
| | Financial income | -9 | -13 |
| | Financial expenses | 118,529 | 46,449 |
| | Fair value adjustments of investment property | 117,811 | -121,350 |
| | | 246,156 | -56,130 |
| 12 | Changes in working capital | | |
| | Change in receivables | -4,530 | -1,960 |
| | Change in trade payables, etc. | 5,759 | -2,162 |
| | | 1,229 | -4,122 |
| 13 | Cash and cash equivalents at year-end | | |
| | Cash according to the balance sheet | 32,648 | 29,984 |
| | | 32,648 | 29,984 |