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CER III Denmark 4 Propco ApS

Meldahlsgade 5
1613 København V
CVR No. 32451241

Annual report 01.07.2022 - 30.06.2023

The Annual General Meeting adopted the annual report on 27.11.2023

Mikkel Hanskov
Chairman of the General Meeting

Contents

Entity details

Entity

CER III Denmark 4 Propco ApS
Meldahlsgade 5
1613 København V

Business Registration No.: 32451241
Registered office: København
Financial year: 01.07.2022 - 30.06.2023

Executive Board

Jan van Beek
Henrik Groos

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Executive Board has today considered and approved the annual report of CER III Denmark 4 Propco ApS for the financial year 01.07.2022 - 30.06.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2023 and of the results of its operations for the financial year 01.07.2022 - 30.06.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 27.11.2023

Executive Board

Jan van Beek

Henrik Groos

Independent auditor's report

To the shareholders of CER III Denmark 4 Propco ApS

Opinion

We have audited the financial statements of CER III Denmark 4 Propco ApS for the financial year 01.07.2022 - 30.06.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2023 and of the results of its operations for the financial year 01.07.2022 - 30.06.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 27.11.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Thomas Frommelt Hertz
State Authorised Public Accountant
Identification No (MNE) mne31543

Management commentary

Primary activities
The objective of the Company is to acquire real estate properties for investment purposes and other connected activities.

Description of material changes in activities and finances
The result for the year 2023 is a loss of DKK 32.501 thousand compared to profit of DKK 50.868 thousand in 2022. The years result is effected by the fair value adjustment of the property.

The Investment property is measured at fair value based on a discounted cashflow model. The valuation of the property as of June 30th 2023 is based on a required rate of return of 1,79% based on external appraisers judgement.

Uncertainty relating to recognition and measurement
The company's Investment property is measured at fair value, which at the balance date is DKK 203 mio. The fair value of the property is calculated on the basis of a number of assumptions, including the expected normal earnings of the property and fixed yield claims, as mentioned in the description of the accounting policies used.

The yield requirement is set so that it is considered to reflect the current yield requirements of the market on similar property.

For further description we refer to note 3.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2022/23

	Notes	2022/23 DKK	2021/22 DKK
Gross profit/loss		**1,943,815**	**3,637,843**
Other financial expenses		(634,118)	(782,728)
Profit/loss before fair value adjustments and tax		**1,309,697**	**2,855,115**
Fair value adjustments of investment property		(44,000,000)	62,000,000
Profit/loss before tax		**(42,690,303)**	**64,855,115**
Tax on profit/loss for the year	2	10,188,873	(13,987,100)
Profit/loss for the year		**(32,501,430)**	**50,868,015**
Proposed distribution of profit and loss			
Ordinary dividend for the financial year		0	2,855,115
Retained earnings		(32,501,430)	48,012,900
Proposed distribution of profit and loss		**(32,501,430)**	**50,868,015**

Balance sheet at 30.06.2023

Assets

	Notes	2022/23 DKK	2021/22 DKK
Investment property		203,000,000	247,000,000
Property, plant and equipment	3	**203,000,000**	**247,000,000**
Fixed assets		**203,000,000**	**247,000,000**
Trade receivables		39,563	35,403
Receivables from group enterprises		4,080,635	3,906,477
Other receivables		113,922	95,006
Receivables		**4,234,120**	**4,036,886**
Cash		**57,778**	**2,024,396**
Current assets		**4,291,898**	**6,061,282**
Assets		**207,291,898**	**253,061,282**

Equity and liabilities

	Notes	2022/23 DKK	2021/22 DKK
Contributed capital		126,000	126,000
Retained earnings		93,218,163	125,719,593
Proposed dividend		0	2,855,115
Equity		**93,344,163**	**128,700,708**
Deferred tax		28,591,127	38,780,000
Provisions		**28,591,127**	**38,780,000**
Mortgage debt		74,985,150	75,013,821
Deposits		1,281,352	1,264,334
Prepayments received from customers		1,477,007	1,513,900
Non-current liabilities other than provisions	4	**77,743,509**	**77,792,055**
Current portion of non-current liabilities other than provisions	4	24,053	0
Trade payables		667,810	729,441
Payables to group enterprises		6,528,502	6,830,197
Other payables		392,734	228,881
Current liabilities other than provisions		**7,613,099**	**7,788,519**
Liabilities other than provisions		**85,356,608**	**85,580,574**
Equity and liabilities		**207,291,898**	**253,061,282**
Going concern	1		
Contingent liabilities	5		
Assets charged and collateral	6		

Statement of changes in equity for 2022/23

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	126,000	125,719,593	2,855,115	128,700,708
Ordinary dividend paid	0	0	(2,855,115)	(2,855,115)
Profit/loss for the year	0	(32,501,430)	0	(32,501,430)
Equity end of year	**126,000**	**93,218,163**	**0**	**93,344,163**

Notes

1 Going concern

The company's parent CER III Master Holdco S.á.r.l. (Luxemburg) and CER Fund III SCS SICAV SIF (Luxemburg) has issued a financial support statement for grants of financial resources for the continued operations in the coming 12 months.

2 Tax on profit/loss for the year

	2022/23 DKK	2021/22 DKK
Change in deferred tax	(10,188,873)	13,987,100
	(10,188,873)	**13,987,100**

3 Property, plant and equipment

	Investment property DKK
Cost beginning of year	65,274,124
Cost end of year	**65,274,124**
Fair value adjustments beginning of year	181,725,876
Fair value adjustments for the year	(44,000,000)
Fair value adjustments end of year	**137,725,876**
Carrying amount end of year	**203,000,000**

The company's investment property is a residential building with 114 residential units in Copenhagen, Denmark. The property has a total letable area of 4,087 m2.

The investment property, cf. the description of accounting policies, is measured at fair value based on a discounted cash flow valuation model.

The yield which is the basis for the valuation and discount rate is fixed for the property, considering the specific location, condition, tenant mix, non-terminability profile, tenants´ standing and on an estimate of how the general property market is developing.

The yield used for the valuation at 30 June 2023 is 1.79% (2021/22: 1.53%). An increase in the required rate of return by 0.5% points will reduce the fair value by approx. DKK 44 mio. A decrease in the required rate of return by 0.5% will increase the fair value by approx. DKK 79 mio.

The above used yield is very low, because the rent level is fixed until 2027. From 2027 the rent will change to market rent.

An external appraiser has been used to determine the fair value.

4 Non-current liabilities other than provisions

	Due within 12 months 2022/23 DKK	Due after more than 12 months 2022/23 DKK	Outstanding after 5 years 2022/23 DKK
Mortgage debt	24,053	74,985,150	74,943,601
Deposits	0	1,281,352	0
Prepayments received from customers	0	1,477,007	0
	24,053	**77,743,509**	**74,943,601**

5 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where CER III Master Holdco S.à.r.l. serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

6 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The carrying amount of mortgaged properties is DKK 203 mio.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and other external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Fair value adjustments of investment property

Fair value adjustments of investment property comprise adjustments for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Property costs
Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Investment property
On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by using the DCF model as the calculated value in use of expected cash flows from each property. To determine expected cash flows, the budgeted cash flows for each property for the next years are used, including increases in price and rent levels, and a calculated terminal value which reflects the amount of normalised cash flows expected to be generated by the property after the budget period. The cash flows so calculated are discounted to net present value by using a discount rate that is estimated to reflect current market -required yield rates for similar properties inclusive of expected inflation.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Cash
Cash comprises cash in bank deposits.

Dividend
Proposed dividend forthe financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financialyear is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.