

Sparinvest Property Fund II K/S

CVR-no. 32 47 15 60

Strandvejen 102 E, 4th floor

2900 Hellerup

Annual report

1 October 2016 - 30 September 2017

8th financial year

Approved at the annual general meeting on 31 January 2018



Chairman

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1 Statement by the general partner and independent auditor's report

1.1 Statement by the general partner

The general partner has today considered and approved the annual report of Sparinvest Property Fund II K/S (Fund) for the period 1 October 2016 - 30 September 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act with the adjustments following the legal form and operating activities of the Fund.

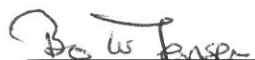
In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and Parent Company at 30 September 2017 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 October 2016 - 30 September 2017.

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

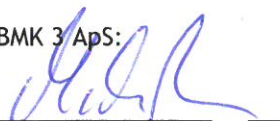
We recommend that the annual report is approved at the annual general meeting.

Hellerup, 1 December 2017

Komplementarselskab BMK 3 ApS:



Bo W. Jensen
Managing Partner



Mads Rude
Senior Partner

Independent auditor's report

To the limited partners of Sparinvest Property Fund II K/S

Opinion

We have audited the consolidated financial statements and the Parent Company financial statements of Sparinvest Property Fund II K/S for the financial year 1 October 2016 - 30 September 2017, which comprise an income statement, balance sheet and notes, including accounting policies, for the Group and the Parent Company, as well as 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 30 September 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 October 2016 - 30 September 2017 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 consolidated financial statements and the Parent Company financial statements" section of our report. 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the Parent Company 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 consolidated financial statements and Parent Company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the Parent Company 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 consolidated financial statements and the Parent Company 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.

Auditor's responsibilities for the audit of the consolidated financial statements and the Parent Company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the Parent Company 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 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 consolidated financial statements and Parent Company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the Parent Company 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 consolidated financial statements and the Parent Company 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 consolidated financial statements and the Parent Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 consolidated financial statements and the Parent Company financial statements, including the note disclosures, and whether the consolidated financial statements and the Parent Company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the Parent Company 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 consolidated financial statements and the Parent Company 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 consolidated financial statements or the Parent Company 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 our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the Parent Company 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, 1 December 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Ole Karstensen
State Authorised
Public Accountant
mne16615


Kaare Kristensen Lendorf
State Authorised
Public Accountant
mne33819

2 Management's review

2.1 Company details

Sparinvest Property Fund II K/S
Strandvejen 102E, 4th floor
DK-2900 Hellerup
Telephone: + 45 36 34 75 00

Registration no.: 32 47 15 60
Established: 1 October 2009
Registered office: Hellerup
Financial year: 1 October - 30 September
Bank: Nykredit Bank

Investor Board

Daniel Voss
Nikolaj Stampe
Helle Ærendahl Heldbo
Bo Terkelsen
Signe Krog
Niels Mazanti

Management

Komplementarselskab BMK 3 ApS, Strandvejen 102E, 4th floor, 2900 Hellerup v/
Managing Partner Bo W. Jensen
Senior Partner Kresten D. Juelner
Senior Partner Mads Rude

Auditors

Ernst & Young P/S
Godkendt Revisionspartnerselskab
Osvold Helmuths Vej 4
DK-2000 Frederiksberg

Annual general meeting

The annual general meeting is to be held on 31 January 2018.

2.2 Business concept and objectives

2.2.1 Business concept

Sparinvest Property Fund II K/S' business concept is investment in and management of indirect investments in foreign property via international partners.

At 30 September 2017, Sparinvest Property Fund II K/S had given commitments to 14 property investments and the following diversification had been obtained on the three geographic regions, measured as commitments including the effect of gearing:

Region	Current investment volume based on actual gross asset value in the investments
Europe	21.4%
Americas	31.8%
Asia	46.8%

Similarly, the following diversification on property sectors has been obtained based on the current restrictions stated below:

Property segment	Current investment volume based on actual gross asset value in the portfolio investments
Retail	28.2%
Office	35.3%
Logistics	14.1%
Residential	17.6%
Other	4.9%

2.2.2 Long-term objectives

The Fund's objectives are to generate an attractive total rate of return of 10-13% per annum, including approximately 3-4% in dividends from operating cash flow.

2.3

The year at a glance

Real estate is still attractive, and high demand for real estate benefits our investments. In combination with the low interest rate environment and growing economies, the future looks bright for the Fund.

Profit for the year amounted to EUR 4.7 million, which is in line with the expectations.

The currency adjustment amount to EUR -3.1 million.

As a result of implementing changes in the Danish Financial Statements Act act no. 738 of 1 June 2015, which became effective on 1 January 2016, with the effect that positive fair value adjustments on investments in foreign property recognised as associates from 2016 is no longer recognised at the income statement but is recognised directly at the equity.

The effect of the above mentioned change has reduced/raised the profit in the financial year 2016/17 with EUR 0 and with EUR 6,986 thousand in the financial year 2015/16 compared to previous accounting policies.

The investments continue to be recognised at fair value, and the change in the accounting policies has not any effect on the balance sheet or the equity.

2.3.1

Operating activities

In the financial year 2016/17, the Group generated a positive operating profit of EUR 7,767 thousand. Profit after foreign exchange adjustments and financial expenses amounted to EUR 4,648 thousand.

Administrative expenses for the year and fees to the auditors appointed by the annual general meeting amounted to EUR 564 thousand.

Financial income for the year totalled EUR 2,350 thousand, whereas financial expenses, including foreign exchange losses, amounted to EUR 5,469 thousand.

2.3.2

Financing

In the financial year, the investors in the Group made capital injections (cash calls) of EUR 4 million. The Investors have received exit distributions of EUR 42 million.

The limited partner's committed capital totalled EUR 200.4 million. Undrawn capital amounted to EUR 24 million. There is not assessed to be any risk in connection with payment of the undrawn commitment.

2.3.3 ***Investments***

At the end of the financial year, total commitments to investments amounted to EUR 90 million, equivalent to 44.8% of total commitments to the Fund. Of the total commitments, net investments made (cash calls) totalled EUR 78 million or approx. 39% of the total commitments to the Fund.

2.3.4 ***Parent Company***

In the financial year 2016/17, the Parent Company generated a positive operating profit of EUR 2,953 thousand. Profit after foreign exchange adjustments, financial income and financial expenses was positive by EUR 4,648 thousand.

Administrative expenses for the year and fees to the auditors appointed by the annual general meeting amounted to EUR 497 thousand.

Financial income for the year totalled EUR 1,716 thousand, whereas financial expenses, including foreign exchange losses, amounted to EUR 4,711 thousand.

2.3.5 ***Uncertainties relating to recognition and measurement in investment in property investments***

In the Parent Company, investments in property investments and investments in subsidiaries are measured at fair value. The measurement includes accounting estimates and is, therefore, subject to uncertainty.

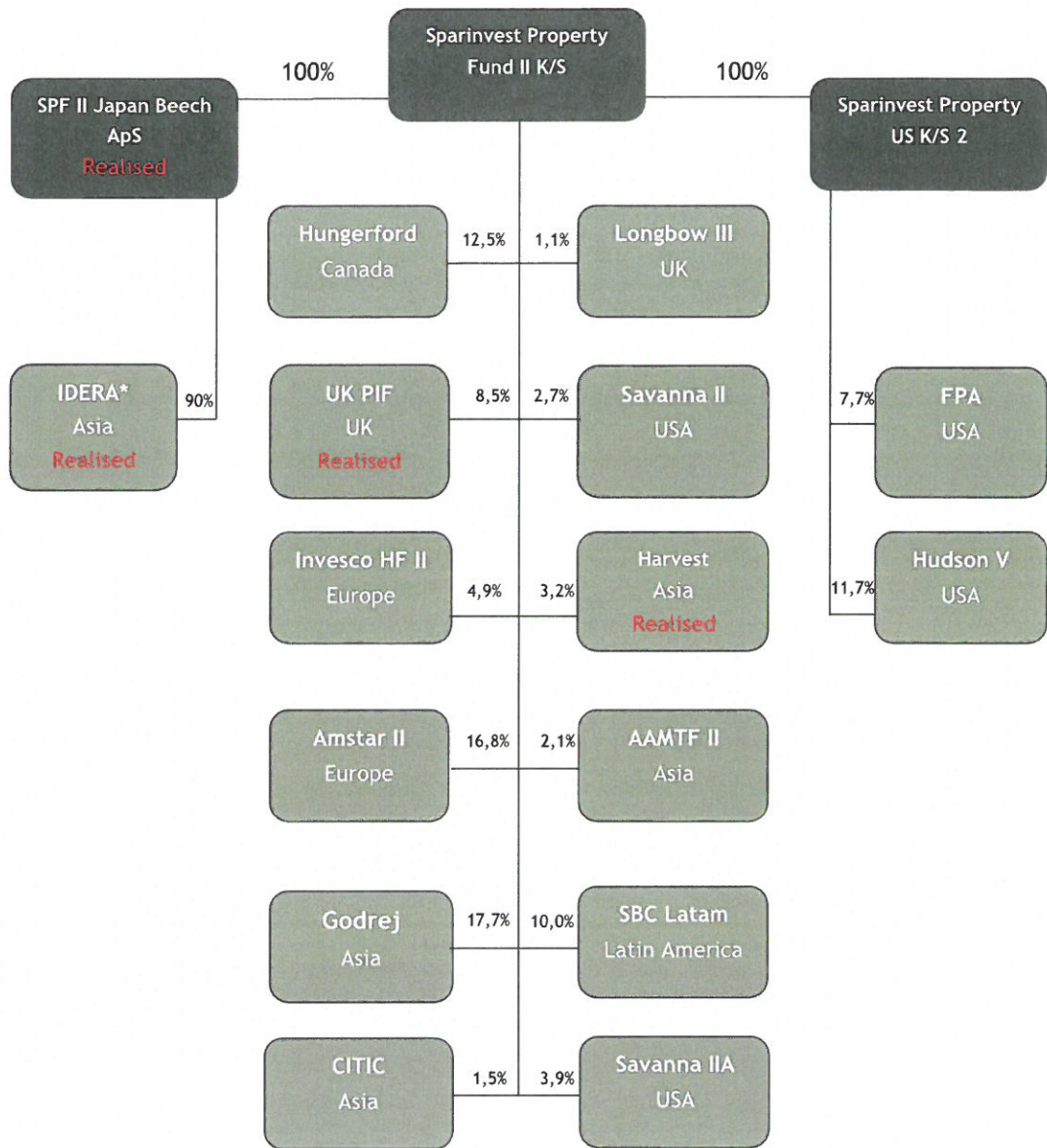
2.3.6 ***Events after the balance sheet date***

The management company of Sparinvest Property Fund II, Sparinvest Property Investors II A/S, has been sold to Patrizia AG, with effect from 12 October 2017. This will not have any effect to the current management agreement between Sparinvest Property Fund IV and Sparinvest Property Investors II A/S.

2.3.7 ***Outlook***

Going forward, we expect satisfying performance as the partners in the Fund will implement their business plans. Our expectations for the coming financial year is a total rate of return of 9-10% before exchange rate fluctuations.

Investments



Note: The above mentioned percentages refer to Sparinvest Property Fund II K/S' ownership shares in each of the investments. The country/region specification refers to the location of the assets.

*The Company has, as a consequence of the structure, characteristics and contractual agreement of the fund, no significant influence on the fund.

2.5 Group financial highlights

EUR 1,000	30.09.2017	30.09.2016	30.09.2015	30.09.2014	30.09.2013
Net operating income from properties	14,909	30,657	10,504	10,007	7,428
Fair value adjustment of foreign investments and properties*	-6,577	-23,130	8,814	17,345	14,414
Impairment adjustments for associates	0	0	0	0	0
Operating profit	7,767	6,752	18,536	26,533	20,803
Profit/loss from financial income and expenses	-3,119	-291	12,324	5,862	-4,905
Profit for the year	4,648	6,460	30,860	32,396	15,898
Investments	93,727	125,076	179,474	167,422	135,202
Total assets	97,615	131,293	186,867	169,784	139,494
Cash calls from limited partners	176,585	172,577	152,537	130,180	120,160
Equity called during the period	4,008	20,040	22,357	10,020	40,080
Total equity	97,539	131,207	186,816	168,695	139,417
Non-current liabilities	28	28	28	28	28
Current liabilities	48	58	23	1,061	49
Cash flows from operating activities	-698	210	-792	-2,141	-3,207
Net cash flows from investing activities, net	36,723	61,682	19,743	1,280	-28,109
Cash flows from financing activities	-38,317	-62,070	-12,739	-3,119	35,245
Total cash flows	-2,291	-179	6,211	-3,979	3,929
Weighted rate of return in % <i>(Profit for the year/weighted investment in property investments)</i>	4.4	4.3	18.2	21.2	14.6
DPI <i>(Total distributions/Total contributions)</i>	1.01	0.78	0.34	0.15	0.05
TVPI <i>(Total Value/Total contributions)</i>	1.56	1.54	1.57	1.43	1.20

* Fair value adjustments of property investments for 30.09.2015 has not been restated as a consequence of the changed accounting policies.

Special risks**Operating risks**

The Fund's most significant operating risks are related to the development of the property market and general economic risks. During the investment period, the Fund mitigated the risks by diversified investments in the European, American and Asian markets.

Financial risks

Apart from liabilities relating to operating activities and trading activities, the Fund has no debt and investments are not leveraged. For each of the foreign property investments, no investments have been made in investments with leverage - the proportion between liabilities and assets - exceeding 70%. The leverage total for all property investments may not exceed 60%. The current leverage in the investments made in foreign property investments is 40.5%. Accordingly, the financial risk is assessed as moderate.

Foreign exchange risks

The Fund makes investments in foreign property investments in foreign currency. No hedging of foreign currency risks on long-term investments is made. At their own discretion, the Fund's investors may decide to hedge the underlying risk on an investment.

Knowledge resources

The Fund makes investments based on an overall assessment of potential property investments using a systematised selection method involving external consultants, when necessary. When selecting investments, the personal knowledge and competencies of the partners are decisive. Consequently, the Fund has ensured strong alignment of the partners through financial incentives.

Environmental matters

The Fund's operations have no direct environmental impact, but the Fund intends to contribute to a minimal environmental impact through its investment policy.

Research and development activities

During the financial year, the Fund had no research and development activities and none are expected in the coming financial year.

3 Accounting policies

The annual report of Sparinvest Property Fund II K/S has been prepared in accordance with the provisions applying to medium-sized reporting class C entities under the Danish Financial Statements Act with the adjustments following the legal form and operating activities of the Fund.

Changes in accounting policies

In order to achieve a true and fair view of operations of the Fund, the presentation of the income statement has been changed compared to the reporting form shown in schedule 2 to the Danish Financial Act. Fair value adjustment of investment in property investments and liabilities and net operating income from properties is presented as an item under operating profit.

Effective 1 January 2016, the Fund has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

Investment in associates

Investments in associates are measured at fair value, see section 41 of the Danish Financial Statements Act, and value adjustments are taken directly to equity. Value adjustments are made on a continuous basis, and revaluations and reversals relative to cost are now recognised in a special reserve under equity called "Revaluation reserve". Previously, these revaluations were recognised in the income statement. Write-downs are, as previously, recognised in the income statement.

Comparative figures have been restated in the income statement and notes to reflect the policy change. The accumulated effect of the above-mentioned change has been shown below:

Income statement for the Group

The amendment act has solely implied new or changed presentation and disclosure requirements in the Financial Statement Act, which have been incorporated in the financial statements.

EUR000	2016/17			2015/16		
	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies
Net operating income from properties	14,909	0	14,909	30,657	0	30,657
Fair value adjustment of property investments	-6,577	0	-6,577	-23,130	8,391	-14,739
Administrative expenses	-564	0	-564	-775	0	-775
Operating profit	7,767	0	7,767	6,752	8,391	15,143
Financial income	2,350	0	2,350	11,700	-1,405	10,295
Financial expenses	-5,469	0	-5,469	-11,991	0	-11,991
Profit for the year	4,648	0	4,648	6,460	6,986	13,447

Income statement for the Parent Company:

EUR'000	2016/17			2015/16		
	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies	Former accounting policies	Restatement due to change in accounting policies	Changed accounting policies
Net operating income from properties	8,965	0	8,965	8,342	0	8,342
Fair value adjustment of property investments	-5,515	0	-5,515	-4,617	0	-4,617
Administrative expenses	-497	0	-497	-587	0	-587
Operating profit	2,953	0	2,953	3,138	0	3,138
Profit from group entities	4,692	0	4,692	5,242	6,986	12,228
Financial income	1,716	0	1,716	6,554	0	6,554
Financial expenses	-4,711	0	-4,711	-8,474	0	-8,474
Profit for the year	4,648	0	4,648	6,460	6,986	13,447

The change has not had any financial effect on the balance sheet or on equity for the two years in question.

Apart from the above-mentioned change, the accounting policies are consistent with those of last year.

The consolidated cash flow statement is only comprised of the Group in accordance with section 86(4) of the Danish Financial Statements Act.

Basis of preparation

The annual report has been presented in EUR, rounded to the nearest thousand.

Recognition and measurement

All income in relation to the financial year is recognised in the income statement as earned. Negative value adjustments in respect of investments in foreign property investments are also recognised in the income statement.

Equally, costs incurred to generate the year's earnings are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Fund and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits from the Fund is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below. In recognising and measuring assets and liabilities, expected losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Foreign currency translation

EUR is used as the functional currency. Transactions denominated in other currencies than EUR are considered transactions denominated in foreign currencies.

On initial recognition, investments in property investments are translated to EUR at the exchange rates at the transaction date. Subsequent fair value adjustments of investments in property investments are recognised in the income statement at the same historical exchange rate to the effect that exchange rate adjustments do not affect the operating profit. Differences arising between the exchange rate at the balance sheet date and the historical exchange rate are recognised in the income statement as financial items. Financial items are specified in the note regarding financial income and expenses on investments in foreign property investments and other items.

Receivables, payables and other monetary items denominated in foreign currencies are translated to EUR at the exchange rate or forward price at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or the exchange rate in the latest annual report is recognised in the income statement as financial income or expenses.

Investments in foreign property investments are translated at the exchange rate at the balance sheet date.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company Sparinvest Property Fund II K/S and subsidiaries in which the Parent Company directly or indirectly holds the majority of the voting rights or which it, through shareholding or in some other way, controls.

On consolidation, similar items are aggregated. Intra-group income and expenses, shareholdings, dividends, balances and realised and unrealised gains on intra-group transactions are eliminated.

The Parent Company's investments in consolidated subsidiaries are set off against the Parent Company's share of the subsidiaries' equity value at the date when the subsidiary was acquired.

3.1 Income statement

Net operating income from properties

In the income statement, net operating income received from properties translated at the weighted historical exchange rates at the transaction date is recognised as income.

Fair value adjustment of investments in property investments

In the income statement, fair value adjustment of property investments translated at the weighted historical exchange rates at the transaction date for cash calls are recognised as income.

Value adjustments due to changes in exchange rates are recognised as financial income or expenses.

Administrative expenses

Administrative expenses comprise expenses for management fee to Sparinvest Property Investors II A/S, transaction costs in connection with investments, remuneration to the general partner, success fee and audit fee.

The Fund has entered into a management agreement regarding the Fund's activities. A fixed management fee is paid.

Financial income and expenses

Financial income and expenses comprise foreign exchange adjustments of investments in foreign property investments, other realised and unrealised foreign exchange adjustments and interest.

Tax on profit/loss for the year

Sparinvest Property Fund II K/S is not a separate entity subject to taxation. The tax liability in respect of the Fund's earnings is incumbent on the individual investors of the Fund. For this reason, no tax is calculated on the Fund's earnings, and withholding of foreign tax on dividends from property investments is charged directly to the Fund's investors.

3.2

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are recognised and measured according to the equity method.

The proportionate ownership share of the subsidiaries' equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in subsidiaries".

The total net revaluation of investments in subsidiaries is transferred via distribution of profit to "Reserve for net revaluation according to the equity method" under equity. The reserve is reduced by distribution of dividends to the Parent Company and is adjusted by other changes in equity in subsidiaries.

Investments in associates

On initial recognition, investments in associates are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each fund based on the fair value of the underlying properties. Liabilities in property investments are measured at fair value.

The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 2).

The proportionate ownership share of the associates equity value determined based on the fair value of the identifiable net assets at the acquisition date minus or plus unrealised intragroup gains or losses is recognised in the balance sheet as "Investments in associates".

Investment commitments where cash calls have not been made at the balance sheet date are disclosed under contingent liabilities in the notes. Received dividends from property investments are deducted from the value of the investments.

Investments in foreign property investments

On initial recognition, investments in property investments are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is

determined by each fund based on the fair value of the underlying properties. Liabilities in investments in property investments are measured at fair value.

The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 3).

Investment commitments where cash calls have not been made at the balance sheet date are disclosed under contingent liabilities in the notes. Received dividends from property investments are deducted from the value of the investments.

Loan to foreign property investments

On initial recognition loan to foreign property investments are recognised in the balance sheet at fair value. Subsequently loan to foreign property investments are measured to amortised cost, which is equivalent to nominal value less write-down for bad debt losses. Write-downs are made for bad debt losses based on an individual assessment of the loans.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which is equivalent to nominal value less write-down for bad debt losses. Write-downs are made for bad debt losses based on an individual assessment of receivables.

Receivables from limited partners regarding cash calls receivable, etc., are recognised at nominal value.

Equity

Investments by limited partners are recognised when cash calls are made. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

The reserve for net revaluation according to the equity method is determined as the total net revaluation of investments in subsidiaries less distribution of dividends to the Parent Company and adjusted by other changes in equity in subsidiaries.

Fair value adjustments of investments in associates are made on a continuous basis, and revaluations and reversals relative to cost are recognised in a special reserve under equity called "Revaluation reserve".

Dividends for the year are disclosed as a separate item under proposed distribution of profit for the year.

Liabilities

Liabilities (current and non-current) are included when the Fund, as a consequence of an event occurring no later than on the balance sheet date, has a legal or constructive obligation and an outflow of economic benefits from the Fund to settle the obligation is probable. Investment commitments where cash calls have not been made at the balance sheet date are disclosed in the notes.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning of the year and the statement shows the cash position at the end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as profit/loss for the year adjusted for changes in working capital and non-cash operating items such as value adjustments. The working capital comprises fixed assets minus current liabilities - excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from and to investments in property investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from and to the investors.

3.3

Accounting estimates and judgements

The determination of the carrying amount of property investments and liabilities requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are based on fair value calculations from property investments, historical experiences and other factors assessed by Management to be reliable in the circumstances, but which by nature are associated with uncertainty and unpredictability.

The assumptions made may prove incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the Fund is subject to risks and uncertainties, which may lead to actual results differing from the estimates. Particular risks for Sparinvest Properties Fund II K/S are mentioned in the Management's review.

It may be necessary to change previously made estimates as a consequence of changes in the circumstances on which the previous estimates were based or due to new knowledge or subsequent events.

Estimates essential to the financial reporting may for example comprise determination of the value of the underlying investments in foreign property investments. Because of the measurement principles used, the calculation of fair value will be subject to uncertainty.

4 Consolidated financial statement and Parent Company financial statement for 1 October 2016 - 30 September 2017

4.1 Income statement

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
1	Net operating income from properties	14,909	30,657	8,965	8,342
2	Fair value adjustment of foreign investment properties	-6,577	-14,739	-5,515	-4,617
	Impairment adjustments for associates	0	0	0	0
3	Administrative expenses	564	775	497	587
	Operating profit	7,767	15,143	2,953	3,138
	Profit from group entities	0	0	4,692	12,228
4	Financial income	2,350	10,295	1,716	6,554
5	Financial expenses	5,469	11,991	4,711	8,474
	Profit for the year	4,648	13,447	4,648	13,447
Proposed distribution of the profit for the year					
	Dividend to limited partners	14,203	29,046	14,203	29,046
	Charged the limited partners				
	Retained earnings	-9,555	-15,600	-14,247	-27,828
	Reserve for net revaluation, equity method	0	0	4,692	12,228
	Total distribution	4,648	13,447	4,648	13,447

4.2 Balance sheet

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
Assets					
Non-fixed assets					
Investments					
6	Investments in subsidiaries	0	0	22,162	17,499
7	Investments in associates	0	0	0	0
8	Investments in foreign property investments	72,481	100,577	70,171	93,986
9	Loan to foreign property investments	21,245	24,499	21,245	24,499
Total investments		93,727	125,076	113,578	135,984
Total non-fixed assets		93,727	125,076	113,578	135,984
Fixed assets					
	Other receivables	192	227	192	191
	Cash at bank and in hand	3,696	5,987	3,696	4,458
Total fixed assets		3,888	6,214	3,888	4,649
Total assets		97,615	131,293	117,466	140,633

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
	Equity and liabilities				
10	Equity				
	Investments by limited partners	176,585	172,577	176,585	172,577
	Reserve for net revaluation, equity method	0	0	39,471	41,765
	Retained earnings	-79,047	-41,370	-118,519	-83,136
	Total equity	97,539	131,207	97,539	131,207
	Liabilities				
	Non-current liabilities				
	Loan general partners (mature after 5 years)	28	28	17	17
	Total non-current liabilities	28	28	17	17
	Current liabilities				
	Other payables	48	58	19,911	9,409
	Total current liabilities	48	58	19,911	9,409
	Total liabilities	76	86	19,928	9,426
	Total equity and liabilities	97,615	131,293	117,466	140,633

- 11 Contingent assets, liabilities and security
- 12 Related parties
- 13 Currency and interest rate risks and use of derivative financial instruments
- 14 Events after the balance sheet date
- 15 Exemption from filing requirements

4.3 Cash flow statement

Group

EUR 1,000	30 Sept. 2017	30 Sept. 2016
Profit	4,648	13,447
Adjustment for non-cash operating items		
Value adjustment of property investments and loans	-10,793	-21,099
Unrealised exchange adjustments of property investments and loans	5,421	6,829
Cash flow from operating activities before changes in working capital	-723	-824
Changes in working capital		
Changes in receivables	35	999
Changes in current liabilities	-10	35
Cash flow from operating activities	-698	210
Acquisition of investments in property investments	-3,197	-7,413
Loan for foreign property investments	-766	-293
Disposal of investments in property investments	23,427	33,549
Distribution from property investments and loans	17,259	35,840
Cash flow from investing activities	36,723	61,682
External financing		
Investments by limited partners	4,008	20,040
Exits to limited partners	-28,122	-53,064
Dividend to limited partners	-14,203	-29,046
Cash flow from financing activities	-38,317	-62,070
Net cash flows from operating, investing and financing activities	-2,291	-179
Cash and cash equivalents at the beginning of the period	5,987	6,166
Net cash flows from operating, investing and financing activities	-2,291	-179
Cash and cash equivalents at 30 September	3,696	5,987

5 Notes

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
1	Net operating income from properties				
	Legal & General UK Property Income Geared	145	3,944	145	3,944
	Savanna Real Estate (PIV) Fund I, LP	93	306	93	306
	CR China Retail Real Estate Development Fund	967	0	967	0
	FPA Apartment Opportunity Fund	5,534	5,737	0	0
	Invesco European Hotel Real Estate Fund II	3,482	914	3,482	914
	Alpha Asia Macro Trends Fund II	1,676	1,798	1,676	1,798
	Hudson Realty Capital Fund V	409	3,078	0	0
	Amstar Global Property Fund II	118	118	118	118
	Godrej Residential Partnership	1,095	0	1,095	0
	SBC Latin America Housing Fund	175	436	175	436
	Hungerford Properties Opportunities Fund	469	27	469	27
	Savanna IIA	0	0	0	0
	Longbow UK Real Estate Debt Investments III	745	799	745	799
	CITIC Capital China Retail Fund	0	0	0	0
	Idera Residential Partnership	0	13,500	0	0
		14,909	30,657	8,965	8,342
2	Fair value adjustment of investments in foreign property investments				
	Legal & General UK Property Income Geared Fund, LP	-141	-2,724	-141	-2,724
	Savanna Real Estate (PIV) Fund I, LP	-38	-228	-38	-228
	CR China Retail Real Estate Development Fund	-863	-970	-863	-970
	FPA Apartment Opportunity Fund	-818	-7,371	0	0
	Invesco European Hotel Real Estate Fund II	-376	869	-376	869
	Alpha Asia Macro Trends Fund II	808	1,309	808	1,309
	Hudson Realty Capital Fund V	-244	-2,752	0	0
	Amstar Global Property Fund II	-4,739	-161	-4,739	-161
	Godrej Residential Partnership	-642	1,347	-642	1,347
	SBC Latin America Housing Fund	-312	-85	-312	-85
	Hungerford Properties Opportunities Fund	-679	-4,205	-679	-4,205
	Savanna IIA	588	612	588	612
	Longbow UK Real Estate Debt Investments III	-72	-8	-72	-8
	CITIC Capital China Retail Fund	951	-372	951	-372
	Idera Residential Partnership	0	-8,391	0	0
	Fair value adjustment of property investments	-6,577	-23,130	-5,515	-4,617

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
3	Management fee Sparinvest Property Investors II A/S	484	601	428	485
	Administrative expenses	80	173	69	102
	Total administrative expenses	564	775	497	587
Fees for auditors appointed by the annual general meeting					
	Total fee for EY (incl. VAT)	35	33	30	29
Specified as follows:					
	Audit	17	17	13	13
	Other assistance	18	16	17	16
	Total	35	33	30	29

Management remuneration is settled through the fee to the General Partner amounting to EUR 27 thousand.

4	Financial income				
	Unrealised foreign exchange gains, property investments and loans	0	4,727	0	3,922
	Realised foreign exchange gains, property investments	2,350	5,209	1,716	2,607
	Other foreign exchange gains	0	359	0	0
	Interest income from subsidiaries	0	0	0	25
	Other financial income	0	0	0	0
	Total financial income	2,350	10,295	1,716	6,554
5	Financial expenses				
	Interest losses	15	103	15	103
	Financial expenses general partner	11	11	7	7
	Unrealised foreign exchange losses, property investments	5,421	11,555	4,689	8,066
	Realised foreign exchange losses, property investments	0	30	0	17
	Other foreign exchange losses	21	292	0	281
	Total financial expenses	5,469	11,991	4,711	8,474

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
6	Investments in subsidiaries				
	Acquisition cost at the beginning of the financial year	0	0	16,494	30,654
	Additions during the year	0	0	0	0
	Disposals during the year	0	0	0	14,160
	Acquisition cost at year end	0	0	16,494	16,494
	Value adjustments at the beginning of the financial year	0	0	1,005	11,969
	Profit for the year	0	0	4,692	5,242
	Distributed from the profit for the year	0	0	-30	-16,206
	Value adjustments at year end	0	0	5,668	1,005
	Carrying amount at 30 September	0	0	22,162	17,499

Investments in subsidiaries regards the 100% ownerships in Sparinvest Property US K/S 2 with place of residence in Hellerup.

Name	Region	Carrying amount at		Carrying amount at	
		30/9 2017	Ownership	30/9 2016	Ownership
Sparinvest Property US K/S 2	Europe	22,162	100.00%	17,499	100.00%
SPF II Japan Beech ApS	Europe	0	100.00%	0	100.00%
Total		22.162		17,499	

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
7	Investments in associates				
	Acquisition cost at the beginning of the financial year	-405	12,943	0	0
	Additions during the year	405	0	0	0
	Disposals during the year	0	-13,347	0	0
	Acquisition cost at year end	0	-405	0	0
	Value adjustments at the beginning of the financial year	405	7,391	0	0
	Value adjustments	0	7,324	0	0
	Distributed	-405	-14,310	0	0
	Value adjustments at year end	0	405	0	0
	Carrying amount at 30 September	0	0	0	0
	<i>Value adjustments recognised over the income statement are specified as follows:</i>				
	Net operating income from properties	0	13,500	0	0
	Realised foreign exchange adjustment property investments	0	810	0	0
		0	14,310	0	0
	<i>Value adjustments recognised in the equity are specified as follows:</i>				
	Fair value adjustments of property investments	0	-8,391	0	0
	Unrealised foreign exchange income, property investments	0	1,405	0	0
	Unrealised foreign exchange losses, property investments	0	0	0	0
		0	-6,986	0	0
	Total value adjustments	0	7,324	0	0

Name	Region	Carrying amount at 30/9 2017	Ownership	Carrying amount at 30/9 2016	Ownership
Total Parent Company					
Idera Residential Partnership	Asia	0	90%	7,324	90%
Total Group		0		7,324	

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
8	Investments in foreign property investments				
	Acquisition cost at the beginning of the financial year	74,100	86,888	66,033	73,775
	Additions during the year	3,197	7,413	3,197	7,413
	Disposals during the year	-20,119	-20,202	-17,632	-15,155
	Acquisition cost at year end	57,178	74,100	51,598	66,033
	Value adjustments at the beginning of the financial year	26,477	43,399	27,953	32,067
	Value adjustments	4,228	3,779	-557	5,993
	Distribution from property funds	-15,403	-20,701	-8,825	-10,107
	Value adjustments at year end	15,302	26,477	18,683	27,953
	Carrying amount at 30 September	72,481	100,577	70,171	93,986
	<i>Value adjustments are specified as follows:</i>				
	Fair value adjustments of property investments	-6,016	-11,376	-4,955	-1,253
	Net operating income from properties	12,717	16,336	6,773	7,521
	Realised foreign exchange adjustment property investments	2,686	4,364	2,052	2,585
	Unrealised foreign exchange income, property investments	46	3,960	46	3,155
	Unrealised foreign exchange losses, property investments	-5,204	-9,505	-4,472	-6,015
	Total value adjustments	4,228	3,779	-557	5,993

Foreign property investments:

Name	Region	Carrying amount at 30/9 2017	Ownership	Carrying amount at 30/9 2016	Ownership
Legal & General UK Property Income Geared Fund, LP	Europe	0	8.5%	116	8.5%
Savanna Real Estate (PIV) Fund II, LP	USA	25	2.7%	85	2.7%
CR China Retail Real Estate Development Fund 1	Asia	0	3.2%	8,508	3.2%
Invesco European Hotel Real Estate Fund II	Europe	200	4.9%	8,787	4.9%
Alpha Asia Macro Trends Fund II	Asia	20,346	2.1%	23,269	2.1%
Amstar Global Property Fund II	Europe	13,752	16.8%	18,491	16.8%
Godrej Residential Partnership	Asia	8,893	17.7%	9,800	17.7%
SBC Latin America Housing Fund	Latin am.	11,206	10.0%	12,430	10.0%
Hungerford Properties Opportunities Fund	Canada	2,400	12.5%	1,866	12.5%
Longbow UK Real Estate Debt Investments III	Europe	10	1.1%	80	1.1%
Savanna Real Estate Fund IIA	USA	5,819	3.9%	5,485	3.9%
CITIC Capital China Retail Fund	Asia	7,521	1.5%	5,071	1.5%
Total Parent Company		70,171		93,986	
FPA Apartment Opportunity Fund	USA	65	7.7%	1,021	7.7%
Hudson Realty Capital Fund V	USA	2,245	11.7%	5,570	11.7%
Total Group		72,481		100,577	

On initial recognition, property investments are measured at cost translated at the exchange rates at the transaction date. Subsequently property investments are measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each Fund based on the fair value of the net assets in the fund comprising underlying properties and related liabilities.

Sparinvest Property Fund II K/S invests in managed real estate funds, which are not quoted on an active market. The investments in these funds will generally be classified as Level 3 in the fair value hierarchy. The valuation models applied for the real estate funds assets will typically be based on (i) discounted cash flow analysis; (ii) direct capitalisation method; and/or (iii) comparable sales method. The real estate funds reflects its real estate equity investments net of investment level financing. Increases or decreases in any of the assumptions in isolation would result in a lower or higher fair value measurement.

The real estate funds generally invest in real estate and real estate related investments for which there is no liquid market. The market price for such investments may not be readily ascertainable. As a result, amounts ultimately realised by the fund from investments sold may differ from the fair value presented and the difference could be material.

The review of the valuation process is performed by the management of Sparinvest Property Investors II A/S ("SPI"). SPI considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing to ensure they are reasonable and appropriate.

SPI bases their ongoing review of the valuation process on the information reported from the real estate funds in their annual financial statements and quarterly reports. In SPI's review of the valuation process, the obtained reported information is compared to what is budgetted or expected by the management of SPI and, if the information is not in accordance with what is expected, the management engages in dialog with the real estate funds in order to clarify any irregularities. At least once every year, SPI ensures that an external valuation of all the assets in the funds is carried out.

The following table shows information about the by the real estate funds used unobservable inputs related to the fair value measurement at 30 September 2017 as per their quarterly reports:

Foreign property investments:

At 30 September 2017						
	Type	Asset class	Valuation techniques	Unobservable inputs	Weighted average	Vacancy Q3 2017
Alpha Asia Macro Trends Fund II	Investment in Real estate equity	Office	Discounted CF, Capitalisation method, comparable sales, cost method	a) NOI b) Comparable land prices	a) Range:42%-88% b) USD 166,000 - 377,000	18,4%
Amstar Global Property Fund II	Investment in Real estate equity	Retail	Discounted CF (10 year)	a) Cap rate b) Disc. rate	a) 8.5%-9.5% b) 11.0%-12.0%	4.6%
Hudson Realty Capital Fund V	Investment in Real estate loans	Loan	Discounted CF (10 year) Comparable sales contracts	a) Cap. rate b) Disc. rate c) Price per SF	a) 6.5%-12.0% b) 10.0%-23.0% c) USD 80-250	35%
Godrej Residential Partnership	Real estate development	Residential	Discounted CF (unobservable inputs used for discount rate/cost of equity calculated using CAPM)	a) Risk free rate of return b) Market rate of return c) Beta (systematic risk) d) Alpha (asset specific risk)	a) 7.5% b) 15.0% c) 1.16 d) 6.0% - 10.0%	8%
SBC Latin America Housing Fund	Real estate development	Residential	Market approach Discounted CF	a) Average land value b) Disc.rate	a) USD 140 - 353 per sq.m. b) 16.5%-19.5%	26.2%
Hungerford Properties Opportunities Fund	Investment in Real estate equity	Log./industrial	Direct capitalisation Discounted CF Comparison approach	a) Cap.rate b) Dis.rate c) Comparable properties	N/A	34.0%
Longbow UK Real Estate Debt Investments II	Investment in Real estate loans	Loan	Principal and capitalised interest	N/A	N/A	16.1%
CITIC Capital China Retail Fund	Investment in Real estate equity	Retail	Discounted CF	a) Disc.rate b) Rental grow c) Occ.rate	a) 7.75% b) 5% c) 86.8%-91.7%	8.7%
Savanna Real Estate Fund IIA	Investment in Real estate equity	Retail Developm. Office Land	Discounted CF Market value	a) Disc.rate b) Cap.rate c) Price per SF	a) 6.4%-9.25% b) 4.75%-5.75% c) USD 345	67%

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
9	Loan to foreign property investments				
	Loan at the beginning of the financial year	24,393	24,100	24,393	24,100
	Loan during the year	745	293	766	293
	Payment during the period	3,197	0	3,197	0
	Loan at year end	21,941	24,393	21,962	24,393
	Value adjustments at the beginning of the financial year	106	4,753	106	4,753
	Value adjustments	1,076	-3,819	1,033	-3,819
	Distribution from loans	-1,819	-829	-1,856	-829
	Value adjustments at year end	-697	106	-717	106
	Carrying amount at 30 September	21,245	24,499	21,245	24,499
	<i>Value adjustments are specified as follows:</i>				
	Fair value adjustments, loan for property investments	-543	-3,364	-560	-3,364
	Net operating income from loans	2,215	821	2,192	821
	Realised foreign exchange adjustment loans	-336	8	-336	8
	Unrealised foreign exchange income, loans	70	767	67	767
	Unrealised foreign exchange losses, loans	-330	-2,051	-330	-2,051
	Total value adjustments	1,076	-3,819	1,033	-3,819

Note	EUR 1,000	Group		Parent Company	
		30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
10	Equity				
	The Company's equity capital				
	Equity called at the beginning of the financial year	172,577	152,537	172,577	152,537
	Equity called during the period	4,008	20,040	4,008	20,040
		176,585	172,577	176,585	172,577
	Reserve for net revaluation according to the equity method				
	Reserve for net revaluation according to the equity method at the beginning of the financial year	0	0	34,779	29,537
	Transferred according to distribution of the profit	0	0	4,692	12,228
		0	0	39,471	41,765
	Retained earnings				
	Retained earnings at the beginning of the financial year	-41,370	34,280	-76,150	4,742
	Distributions, exits in foreign property investments	-28,122	-53,064	-28,122	-53,064
	Fair value adjustments of property investments	0	-6,986	0	-6,986
	Transferred according to distribution of the profit	-9,555	-15,600	-14,247	-27,828
	Total retained earnings	-79,047	-41,370	-118,519	-83,136
	Total equity	97,539	131,207	97,539	131,207

At the balance sheet date, allocated carried interest amounted to approx. EUR 4,086 thousand. In case of liquidation of the Fund, the amount would be redistributed between A and B shares at the balance sheet date. Carried interest will only be relevant in case it is earned over the total lifetime of the Fund and, in that case, it will be paid in connection with the liquidation of the Fund.

The subscribed equity capital consists of 200.4 shares of EUR 1,000,000 each allocated to 199.7 A-shares and 0.7 B-shares. The subscribed equity is specified as follows:

Total subscribed equity capital	200,400
Charged the limited partners	-2,317
Equity called	-174,268
Commitments for additional investments	23,815

Limited partners holding more than 5% of the subscribed capital:

Pensam Liv Forsikringsaktieselskab
Lærernes Pension Forsikringsaktieselskab
Pensionskassen for Sygeplejersker og Lægeseekretærer
Pensionskassen for Socialrådgivere/-pædagoger og Kontorpersonale
Pensionskassen for Sundhedsfaglige

11 Contingent assets, liabilities and security

EUR million Fund	Commitment		Residual commitment	
	Currency	EUR	Currency	EUR
Legal & General UK Property Income Geared Fund	GBP 0.8	0,9	GBP 0.8	0.9
Amstar Global Property Fund II	EUR 10,4	10.4	EUR 1.1	1.1
Godrej Residential Partnership	INR 1,375	18.9	INR 547	7.1
SBC Latin America Housing Fund	USD 13.1	10.4	USD 0.2	0.1
Hungerford Properties Opportunities Fund	CAD 14.6	10.3	CAD 0.9	0.6
Savanna Real Estate Fund IIA	USD 5.0	4.0	USD 0.3	0.3
CITIC Capital China Retail Fund	USD 10.0	8.5	USD 1.2	1.0
Total Parent Company		63.4		11.1
FPA Apartment Opportunity Fund	USD 1.0	0.9	USD 1.0	0.8
Total		64.3		11.9

12 Related parties

Sparinvest Property Fund II K/S has the following related parties exercising control:

BMK 3 ApS, registration no. 32 46 89 26 is general partner in Sparinvest Property Fund II K/S. As general partner the company has the general management responsibility for Sparinvest Property Fund II K/S. However, a management agreement with a management company was entered when founding Sparinvest Property Fund II K/S, see below. As general partner BMK 3 ApS receives a fixed fee of EUR 20 thousand and a return on loan capital. Transactions have been made on an arm's length basis.

On behalf of BMK 3 ApS, Sparinvest Property Investors II A/S, registration no. 32 46 88 88 has entered into an agreement with Sparinvest Property Fund II K/S on management of Sparinvest Property Fund II K/S. As management company Sparinvest Property Investors II A/S receives a fee calculated as a percentage of obtained commitments to invest in foreign property investments. Transactions have been made on an arm's length basis. No other transactions between Sparinvest Property Fund II K/S and Sparinvest Property Investors II A/S have taken place.

BMK Holding ApS, registration no. 29 24 30 34, is Parent Company for the general partnership BMK 3 ApS and owns 30% of the share capital in Sparinvest Property Investors II A/S. No transactions between the companies have taken place during the financial year.

Investor Board and partners

The Fund's Investor Board does not receive any fees. The partners receive fees from the administration company in accordance with the administration agreement made with the management company.

Other related parties

The Fund's other related parties comprise the Sparinvest Group. No transactions between the companies have taken place during the financial year.

The Fund's other related parties comprise the owners of BMK Holding ApS and SPF III GP ApS. These are BWJ Holding ApS, registration no. 28 48 79 32, MR ApS, registration no. 28 70 16 67, KDJ ApS, registration no. 28 70 10 04, which holds equal shares of the capital in BMK Holding ApS and SomeCapital OY, which, in addition to the 3 first-mentioned, is part owner of SPF III GP ApS. In addition, other related parties comprise the Groups Sparinvest Property Fund K/S, registration no. 29 31 60 58, and Sparinvest Property Fund II K/S, registration no. 32 47 15 60, as parent companies. No transactions between the companies have taken place during the financial year.

13 Currency and interest rate risks and use of derivative financial instruments

As a consequence of its operating activities, investments and financing activities the Fund is exposed to currency risks and interest rate risks. The Fund's policy is not to hedge against the exposure to financial risks. This hedging is made independently by the Fund's investors. However, active speculation in financial risks is not made. The Fund's financial management is only directed at management of those financial risks arising as a consequence of the Company's operating activities.

14 Events after the balance sheet date

The management company of Sparinvest Property Fund II, Sparinvest Property Investors II A/S, has been sold to Patrizia AG, with effect from 12 October 2017. This will not have any effect to the current management agreement between Sparinvest Property Fund II and Sparinvest Property Investors II A/S.

15 Exemption from filing requirements

Pursuant to section 5(1) of the Danish Financial Statements Act, no annual report for the subsidiary Sparinvest Property US K/S 2 has been prepared.