

Core Bolig III Kommanditaktieselskab

c/o Patrizia Denmark, Adelgade 15, 2.
1304 København

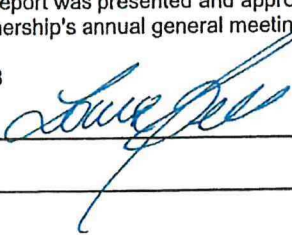
CVR no. 33 35 12 83

Annual report 2017

The annual report was presented and approved at the
Limited partnership's annual general meeting on

30 May 2018

Louise Hertz
chairman



Core Bolig III Kommanditaktieselskab
Annual report 2017
CVR no. 33 35 12 83

Contents

Statement by the Board of Directors	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements 1 January – 31 December	8
Income statement	8
Balance sheet	9
Statement of changes in equity	11
Notes	12

Core Bolig III Kommanditaktieselskab
Annual report 2017
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Statement by the Board of Directors

The Board of Directors have today discussed and approved the annual report of Core Bolig III Kommanditaktieselskab for the financial year 1 January – 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the Limited Partnership's assets, liabilities and financial position at 31 December 2017 and of the results of the Limited Partnership's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 30 May 2018
Executive Board:



Rikke Lykke

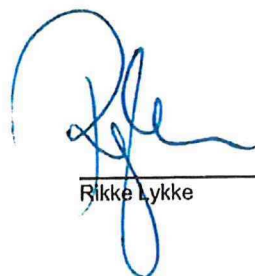
Board of Directors:



Peret Bergmann
Chairman



Timm Anton Grün



Rikke Lykke



Louise Hertz



Independent auditor's report

To the shareholders of Core Bolig III Kommanditaktieselskab

Opinion

We have audited the financial statements of Core Bolig III Kommanditaktieselskab for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Limited Partnership's assets, liabilities and financial position at 31 December 2017 and of the results of the Limited Partnership's operations for the financial year 1 January – 31 December 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Limited Partnership 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 Limited Partnership'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 Limited Partnership 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 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 Limited Partnership 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



Independent auditor's report

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 Limited Partnership'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 Limited Partnership'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 Limited Partnership to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, 30 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Michael Tuborg
State Authorised
Public Accountant
MNE no. 24621

Core Bolig III Kommanditaktieselskab
Annual report 2017
CVR no. 33 35 12 83

Management's review

Company details

Core Bolig III Kommanditaktieselskab
c/o Patrizia Denmark, Adelgade 15, 2.
1304 København

CVR no.:	33 35 12 83
Established:	16 November 2010
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Peret Bergmann, Chairman
Timm Anton Grün
Rikke Lykke
Louise Hertz

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Annual general meeting

The annual general meeting will be held on 30 May 2018.

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Gross profit	17,844	16,260	18,847	19,090	11,677
Ordinary operating profit	35,903	132,573	90,247	25,449	49,597
Profit/loss from financial income and expenses	-17,588	-5,576	-9,330	-9,397	-5,315
Profit/loss for the year	6,699	126,997	80,916	16,052	44,282
Total assets					
Equity	843,505	782,888	687,397	642,582	605,770
Investment in property, plant and equipment	396,527	385,766	272,808	214,356	200,253
Ratios					
Return on equity	1.7%	38.6%	33.2%	7.7%	44.0%
Solvency ratio	38.9%	49.3%	39.7%	33.4%	33.1%
Rate of return	2.4%	16.9%	13.1%	4.0%	8.2%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & Ratios". The financial ratios have been calculated as follows:

Return on equity $\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$

Solvency ratio $\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Rate of return $\frac{\text{Ordinary operating profit/loss} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

The objective of the Limited Partnership is to acquire real estate properties for investment purposes.

Development in activities and financial position

The Limited Partnership's income statement for the year shows a profit of DKK 6,699 thousand, and the balance sheet at 31 December 2017 shows equity of DKK 396,527 thousand.

Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the Limited partnership's financial position.

Uncertainty regarding recognition and measurement

The investment property is measured at fair value using a DCF-model and assumptions and estimates relating to yields, vacancy etc. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the investment property. Please see note 4.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2017	2016
Gross profit		17,844	16,260
Staff costs	2	-217	0
Fair value adjustment of investment properties		18,276	116,313
Profit before fair value adjustments		35,903	132,573
Other operating costs		-745	0
Profit before financial income and expenses		35,158	132,573
Financial income		13	0
Financial expenses		-28,472	-5,576
Profit for the year	3	6,699	126,997

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
ASSETS			
Fixed assets			
Property, plant and equipment	4		
Investment properties		709,000	769,396
Investment properties under construction		<u>88,954</u>	<u>9,015</u>
		<u>797,954</u>	<u>778,411</u>
Total fixed assets		<u>797,954</u>	<u>778,411</u>
Current assets			
Receivables			
Trade receivables		87	386
Other receivables		200	447
Prepayments		<u>0</u>	<u>21</u>
		<u>287</u>	<u>854</u>
Cash at bank and in hand		<u>45,264</u>	<u>3,623</u>
Total current assets		<u>45,551</u>	<u>4,477</u>
TOTAL ASSETS		<u><u>843,505</u></u>	<u><u>782,888</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Contributed capital		91,110	78,000
Share premium		78,000	78,000
Proposed dividends for the financial year		0	9,048
Retained earnings		<u>227,417</u>	<u>220,718</u>
Total equity		<u>396,527</u>	<u>385,766</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Subordinary loan capital	5	100	100
Mortgage loans		391,004	375,488
Shareholder loan		<u>32,436</u>	<u>0</u>
		<u>423,540</u>	<u>375,588</u>
Current liabilities other than provisions			
Current portion of non-current liabilities		172	3,698
Trade payables		9,570	3,509
Other payables		2,054	1,093
Deposits and prepaid rent		<u>11,642</u>	<u>13,234</u>
		<u>23,438</u>	<u>21,534</u>
Total liabilities other than provisions		<u>446,978</u>	<u>397,122</u>
TOTAL EQUITY AND LIABILITIES		<u>843,505</u>	<u>782,888</u>
Contractual obligations, contingencies, etc.	6		
Related party disclosures	7		

Financial statements 1 January – 31 December

Statement of changes in equity

	<u>Contributed capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Proposed dividends for the financial year</u>	<u>Total</u>
Equity at 1 January 2017	78,000	78,000	220,718	9,048	385,766
Cash capital increase	13,110	0	0	0	13,110
Ordinary dividends paid	0	0	0	-9,048	-9,048
Transferred over the profit appropriation	<u>0</u>	<u>0</u>	<u>6,699</u>	<u>0</u>	<u>6,699</u>
Equity at 31 December 2017	<u><u>91,110</u></u>	<u><u>78,000</u></u>	<u><u>227,417</u></u>	<u><u>0</u></u>	<u><u>396,527</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Core Bolig III Kommanditaktieselskab for 2017 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

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

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Limited Partnership's cash flows are included in the cash flow statement in the consolidated financial statements of Ejendomsselskabet PADK-3 ApS.

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Limited partnership has decided only to disclose gross profit.

Revenue

Revenue, comprising rental income, is recognised in the period which it relates.

Other external costs

Other external costs comprise costs incurred during the year as a result of the rental of the Limited Partnership's properties and administration.

Other operating costs

Other operating costs comprises items secondary to the activities of the entity, including loss on the disposal of and property, plant and equipment.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees.

Fair value adjustments of investment properties

Fair value adjustments of investment properties related to properties are recognised in the income statement.

Financial income and expenses

Financial costs comprise interest expenses, exchange rate adjustments, amortisation expenses and other

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

financial costs.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year, and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Investment properties

Investment property comprises property that is held to earn rentals, held for capital appreciation or both.

Initially, investment property is measured at cost including purchase price and directly related costs. The carrying amount also includes costs for improvements if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise.

The fair value of completed investment property is determined using a discounted cash flow (DCF). Under the DCF-method, a property's fair value is estimated using explicit assumptions about the risks and yields over the asset's life, including an exit or terminal value. This involves the projection of a series of cash flows and to do this, an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal, re-letting, redevelopment, or refurbishment.

The valuations were performed by Shadolin Albæk, an accredited independent value with a recognised and relevant professional qualification and recent experience of the location and category of the investment property being valued. The valuation model applied is in accordance with that recommended by the International Valuation Standards Committee. These valuation models are consistent with the principles in IFRS 13.

Investment properties under construction

Investment properties under construction is measured at cost or net realization value, if lower than cost. Costs include project development and construction costs directly attributable to the project.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayment of rent relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Equity

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

The Limited Partnership is not subject to taxation.

Liabilities other than provisions

Payables to credit institutions are recognised at cost at the date of borrowing, equivalent to proceeds received less transaction costs paid.

Subsequently, these financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

2 Staff costs

DKK'000

Wages and salaries

Pensions

Average number of full-time employees

2017	2016
212	0
5	0
217	0
1	0

Financial statements 1 January – 31 December

Notes

3 Proposed profit appropriation

DKK'000	2017	2016
Proposed dividends for the year	0	9,048
Retained earnings	6,699	117,949
	6,699	126,997

4 Property, plant and equipment

DKK'000	Investment properties	Investment properties under construction	Total
Cost at 1 January 2017	531,814	9,015	540,829
Additions for the year	60,047	79,939	139,986
Disposals for the year	-79,229	0	-79,229
Cost at 31 December 2017	512,632	88,954	601,586
Revaluations at 1 January 2017	237,582	0	237,582
Revaluations for the year	18,276	0	18,276
Reversal for the year of revaluation of assets sold	-59,490	0	-59,490
Revaluations at 31 December 2017	196,368	0	196,368
Carrying amount at 31 December 2017	709,000	88,954	797,954

The Limited Partnership's investment properties are located in Copenhagen, Northern Zealand and Århus. The seven properties are mainly used for residential and parking spaces.

Assumptions

In the valuation of the property, the following key assumptions have been applied:

- Reversionary yield for the residential units of properties vary from 3.75% to 5.5%
- Churn rate of 15 - 20%

Sensitivity analysis

An increase of the yield by 0.5 percentage points would reduce the property value by DKK 74.5 million and a decreased of the yield by 0.5 percentage points would increase the property value by DKK 95.0 million.

5 Long term debt

DKK'000	Debt at 31 December 2017	Repayment, first year	Outstanding debt after five years
Subordinary loan capital	100	0	100
Mortgage loans	391,176	172	401,060
Shareholder loan	32,436	0	32,436
	423,712	172	433,596

Financial statements 1 January – 31 December

Notes

6 Contractual obligations, contingencies, etc.

Mortgages and collateral

As collateral for its mortgage debt, DKK 391,176 thousand, the Limited Partnership has provided collateral in investments properties with a carrying amount of DKK 797,954 thousand at 31 December 2017.

Contingent liabilities

The Limited Partnership has provided the developer, CG Jensen A/S, with a contract guarantee of DKK 11.8 million, which relates to the investment properties under construction.

7 Related party disclosures

CORE BOLIG III Kommanditaktieselskab is included in the consolidated financial statements of Ejendomsselskabet PADK-3 ApS, from where they can be obtained.