

Byggefelt H, Teglholmen ApS

c/o PATRIZIA Denmark A/S, Adelgade 15, 2.
1304 København K

CVR no. 35 86 65 31

Annual report 2017

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

23 May 2018

Carolin Maria Förster
Chairman



Byggefelt H, Teglholmen ApS
Annual report 2017
CVR no. 35 86 65 31

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Byggefelt H, Teglholmen ApS
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Byggefelt H, Teglholmen ApS 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 Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company'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, 23 May 2018
Executive Board:



Carolin Maria Förster

Board of Directors:



Rikke Lykke
Chairman



Karoline Ulrike Krames



Carolin Maria Förster



Independent auditor's report

To the shareholder of Byggefelt H, Tegllholmen ApS

Opinion

We have audited the financial statements of Byggefelt H, Tegllholmen ApS 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 Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company'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 Company 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 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.



Independent auditor's report

- 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

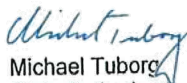
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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, 23 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98


Michael Tuborg
State Authorised
Public Accountant
MNE no. 24621

Byggefelt H, Teglholmen ApS
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Management's review

Company details

Byggefelt H, Teglholmen ApS
c/o PATRIZIA Denmark A/S, Adelgade 15, 2.
1304 København K

| | |
|--------------------|-------------------------|
| CVR no.: | 35 86 65 31 |
| Established: | 2 June 2014 |
| Registered office: | Copenhagen |
| Financial year: | 1 January – 31 December |

Board of Directors

Rikke Lykke, Chairman
Karoline Ulrike Krames
Carolin Maria Förster

Executive Board

Carolin Maria Förster

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Management's review

Operating review

Principal activities

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

Uncertainty regarding recognition and measurement

The Company's investment properties are recognised in the balance sheet applying a discounted cash flow (DCF) model. The yield requirement is associated with critical accounting estimates, which means that the fair value may differ from the properties' actual value. We refer to note 4 for additional information.

Development in activities and financial position

The Company's income statement for the year ended 31 December 2017 showed a profit of DKK 116,485 thousand and the Company's balance sheet at 31 December 2017 showed equity of DKK 294,440 thousand.

The results for the year are considered in accordance with expectations.

Subsequent events

No events have occurred after the balance sheet date, that may materially affect the Company's financial position.

Financial statements 1 January – 31 December

Income statement

| DKK'000 | Note | 2017 | 2016 |
|--|------|----------------|-----------|
| Gross profit | | <u>3,363</u> | <u>38</u> |
| Ordinary operating profit | | 3,363 | 38 |
| Fair value adjustment of investment properties | | <u>147,551</u> | <u>0</u> |
| Operating loss | | 150,914 | 38 |
| Income from equity investments in group entities | | 2,366 | 10 |
| Financial expenses | 2 | <u>-3,163</u> | <u>-1</u> |
| Profit before tax | | 150,117 | 47 |
| Tax on loss for the year | 3 | <u>-33,632</u> | <u>-8</u> |
| Profit for the year | | <u>116,485</u> | <u>39</u> |
| Proposed profit appropriation | | | |
| Paid extraordinary dividend | | 5,480 | 0 |
| Retained earnings | | <u>111,005</u> | <u>39</u> |
| | | <u>116,485</u> | <u>39</u> |

Financial statements 1 January – 31 December

Balance sheet

| DKK'000 | Note | 2017 | 2016 |
|---|------|---------|---------|
| ASSETS | | | |
| Fixed assets | | | |
| Property, plant and equipment | 4 | 539,500 | 0 |
| Investment properties | | 0 | 354,202 |
| Property, plant and equipment in progress | | 539,500 | 354,202 |
| Investments | | | |
| Equity investments in group entities | | 0 | 71 |
| | | 0 | 71 |
| Total fixed assets | | 539,500 | 354,273 |
| Current assets | | | |
| Receivables | | | |
| Receivables from group entities | | 41,238 | 28,423 |
| Other receivables | | 55 | 836 |
| Deferred tax asset | | 0 | 5,814 |
| | | 41,293 | 35,073 |
| Cash at bank and in hand | | 7,142 | 16,319 |
| Total current assets | | 48,435 | 51,392 |
| TOTAL ASSETS | | 587,935 | 405,665 |

Financial statements 1 January – 31 December

Balance sheet

| DKK'000 | Note | 2017 | 2016 |
|--|------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Contributed capital | | 12,301 | 12,300 |
| Share premium | | 142,579 | 0 |
| Retained earnings | | <u>139,560</u> | <u>28,555</u> |
| Total equity | | <u>294,440</u> | <u>40,855</u> |
| Provisions | | | |
| Provisions for deferred tax | | <u>27,902</u> | <u>0</u> |
| Total provisions | | <u>27,902</u> | <u>0</u> |
| Liabilities other than provisions | | | |
| Non-current liabilities other than provisions | | | |
| Subordinary loan capital | 5 | 0 | 105,863 |
| Mortgage loans | | <u>254,908</u> | <u>0</u> |
| | | <u>254,908</u> | <u>105,863</u> |
| Current liabilities other than provisions | | | |
| Banks, current liabilities | | 0 | 108,047 |
| Deposit and prepaid rent | | 7,366 | 16,288 |
| Payables to group entities | | 0 | 1,661 |
| Other payables | | <u>3,319</u> | <u>132,951</u> |
| | | <u>10,685</u> | <u>258,947</u> |
| Total liabilities other than provisions | | <u>265,593</u> | <u>364,810</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>587,935</u> | <u>405,665</u> |
| Mortgages and collateral | 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 extraordinary dividends</u> | <u>Total</u> |
|--|--------------------------------|--------------------------|------------------------------|---|----------------|
| Equity at 1 January 2017 | 12,300 | 0 | 28,555 | 0 | 40,855 |
| Cash capital increase | 1 | 142,579 | 0 | 0 | 142,580 |
| Transferred over the profit appropriation | 0 | 0 | 111,005 | 5,480 | 116,485 |
| Extraordinary dividends paid | <u>0</u> | <u>0</u> | <u>0</u> | <u>-5,480</u> | <u>-5,480</u> |
| Equity at 31 December 2017 | <u>12,301</u> | <u>142,579</u> | <u>139,560</u> | <u>0</u> | <u>294,440</u> |

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Byggefelt H, Teglholmen ApS for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in of specific provisions for reporting class C.

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

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company 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 Company's properties and administration.

Value adjustment of investment properties

Value adjustment comprises the year's changes in the fair value of investment property.

Income from equity investments in subsidiaries

Income from equity investments in subsidiaries comprises value adjustment of equity investments in subsidiaries and gain from disposal of equity investments in group entities.

Financial expenses

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 CBRE A/S, 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.

Equity investments in group entities

Equity investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayments of costs incurred relating to subsequent financial years.

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

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement and in equity, respectively.

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.

Financial statements 1 January – 31 December

Notes

2 Financial expenses

| DKK'000 | 2017 | 2016 |
|------------------------------------|--------------|----------|
| Interest expense to group entities | 100 | 0 |
| Other financial costs | 3,063 | 1 |
| | <u>3,163</u> | <u>1</u> |

3 Tax on profit/loss for the year

| | | |
|-------------------------------------|---------------|----------|
| Tax on profit/loss for the year | | |
| Change in deferred tax for the year | 33,632 | 8 |
| | <u>33,632</u> | <u>8</u> |

4 Property, plant and equipment

| DKK'000 | Investment properties | Investment property under construction | Total |
|-------------------------------------|-----------------------|--|----------------|
| Cost at 1 January 2017 | 0 | 354,202 | 354,202 |
| Addition for the year | 0 | 37,747 | 37,747 |
| Transfer for the year | 391,949 | -391,949 | 0 |
| Cost at 31 December 2017 | <u>391,949</u> | <u>0</u> | <u>391,949</u> |
| Revaluations at 1 January 2017 | 0 | 0 | 0 |
| Revaluations for the year | 147,551 | 0 | 147,551 |
| Revaluations at 31 December 2017 | <u>147,551</u> | <u>0</u> | <u>147,551</u> |
| Carrying amount at 31 December 2017 | <u>539,500</u> | <u>0</u> | <u>539,500</u> |

Disclosure in note

The property located in Copenhagen is mainly used for residential, totalling 14,662 sqm.

Assumptions

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

- Reversionary yield of 3.85 %
- Vacant residential units totaling 24% of the total area is expected to be re-let within 12 months.
- Running void of 2 %

Sensitivity analysis

An increase of initial yield by 0.5 percentage points would reduce the property value by DKK 62 million and a decrease in the yield by 0.5 percentage points would increase the property value by DKK 81 million at Balance sheet date.

Financial statements 1 January – 31 December

Notes

5 Non-current liabilities other than provisions

| DKK'000 | Total debt at 31/12 2017 | Outstanding debt after five years |
|----------------|-----------------------------|---|
| Mortgage loans | 254,908 | 255,400 |
| | <u>254,908</u> | <u>255,400</u> |

6 Mortgages and collateral

As collateral for its mortgage debt, DKK 254,908 thousand, the Company has provided collateral in land and buildings with a carrying amount of DKK 539,500 thousand at 31 December 2017.

7 Related party disclosures

The financial statements of Byggefelt H, Tegllholmen ApS is included in the consolidated financial statements of BIF II SCS SICAV-SIF, 2-4 Rue Beck L-1222 Luxembourg, where they can be obtained.