

---

# ***PATRIZIA ROYAL ApS***

C/O PATRIZIA DENMARK A/S, Adelgade 15, 2.,  
DK-1304 Copenhagen

## **Annual Report for 1 January - 31 December 2016**

---

CVR No 36 44 72 49

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
28/04 2017

Olga Ciesla  
Chairman



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Company Information</b>	
Company Information	4
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	5
Balance Sheet 31 December	6
Notes to the Financial Statements	8
Notes, Accounting Policies	13

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of PATRIZIA ROYAL ApS for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 28 April 2017

## Direktion

David Hilmar Herbert Girra

## Bestyrelse

Rikke Lykke  
Chairman

David Hilmar Herbert Girra

Klaus Alois Schmitt

# Independent Auditor's Report

To the Shareholders of PATRIZIA ROYAL ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of PATRIZIA ROYAL ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("financial statements").

## 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 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 Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

# Independent Auditor's Report

We also:

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

Hellerup, 28 April 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Erik Stener Jørgensen  
State Authorised Public Accountant

René Otto Poulsen  
State Authorised Public Accountant

## **Company Information**

### **The Company**

PATRIZIA ROYAL ApS  
C/O PATRIZIA DENMARK A/S  
Adelgade 15, 2.  
DK-1304 Copenhagen

CVR No: 36 44 72 49  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Rikke Lykke, Chairman  
David Hilmar Herbert Girra  
Klaus Alois Schmitt

### **Executive Board**

David Hilmar Herbert Girra

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Income Statement 1 January - 31 December

	Note	2016 DKK	2015/14 DKK
<b>Revenue</b>		<b>10,641,960</b>	<b>15,227,343</b>
Other operating income		2,006,210	383,830
Expenses concerning apartments		-5,147,640	-6,413,627
Other external expenses		-1,413,136	-2,624,008
<b>Gross profit/loss before sales of apartments</b>		<b>6,087,394</b>	<b>6,573,538</b>
Profit on sales of apartments	2	17,601,626	17,998,981
<b>Gross profit/loss after profit on sales of apartments</b>		<b>23,689,020</b>	<b>24,572,519</b>
Depreciation and impairment of property and plant		-1,207,163	-1,160,513
<b>Profit/loss before financial income and expenses</b>		<b>22,481,857</b>	<b>23,412,006</b>
Financial income	3	329,975	7,793
Financial expenses	4	-8,206,987	-10,710,740
<b>Profit/loss before tax</b>		<b>14,604,845</b>	<b>12,709,059</b>
Tax on profit/loss for the year	5	-2,668,234	-3,123,367
<b>Net profit/loss for the year</b>		<b>11,936,611</b>	<b>9,585,692</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	11,936,611	9,585,692
	<b>11,936,611</b>	<b>9,585,692</b>

# Balance Sheet 31 December

## Assets

	Note	2016 DKK	2015 DKK
Land and buildings		317,510,913	353,372,672
<b>Plant and equipment</b>	6	<b>317,510,913</b>	<b>353,372,672</b>
<b>Fixed assets</b>		<b>317,510,913</b>	<b>353,372,672</b>
Trade receivables		49,140	160,126
Receivables from group enterprises		0	517,745
Other receivables	7	12,487,243	63,196
Deferred tax asset		2,115,533	611,727
<b>Receivables</b>		<b>14,651,916</b>	<b>1,352,794</b>
<b>Cash at bank and in hand</b>		<b>27,182,452</b>	<b>47,313,140</b>
<b>Currents assets</b>		<b>41,834,368</b>	<b>48,665,934</b>
<b>Assets</b>		<b>359,345,281</b>	<b>402,038,606</b>



# Balance Sheet 31 December

## Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		1,100,000	1,100,000
Retained earnings		67,351,926	55,415,262
<b>Equity</b>	<b>8</b>	<b>68,451,926</b>	<b>56,515,262</b>
Mortgage loans		202,701,505	216,761,055
Payables to group enterprises		74,510,543	117,006,884
Deposits		3,015,467	3,188,157
<b>Long-term debt</b>	<b>9</b>	<b>280,227,515</b>	<b>336,956,096</b>
Trade payables		584,602	614,063
Prepayments received from customers		293,720	283,938
Payables to group enterprises		1,356,997	399,712
Other payables		0	28,303
Corporation tax		3,372,040	1,770,760
Deferred income		5,058,481	5,470,472
<b>Short-term debt</b>		<b>10,665,840</b>	<b>8,567,248</b>
<b>Debt</b>		<b>290,893,355</b>	<b>345,523,344</b>
<b>Liabilities and equity</b>		<b>359,345,281</b>	<b>402,038,606</b>
Main activity	1		
Contingent assets, liabilities and other financial obligations	10		
Related parties and ownership	11		

# Notes to the Financial Statements

## 1 Main activity

The company's main activity is to own and sell investment properties.

## 2 Profit on sales of apartments

	<u>2016</u> DKK	<u>2015/14</u> DKK
Sale of apartments	17,601,626	17,998,981
	<b><u>17,601,626</u></b>	<b><u>17,998,981</u></b>

The financial line consists of profit on sold apartments. The purchased properties consist of single apartments, which are sold as the tenants move out of the apartments. The remaining apartments are expected to be sold within 5 years after the purchase of the properties.

## 3 Financial income

Other financial income	11,732	7,793
Exchange adjustments	318,243	0
	<b><u>329,975</u></b>	<b><u>7,793</u></b>

## 4 Financial expenses

Interest paid to group enterprises	4,870,143	7,335,264
Other financial expenses	3,322,631	2,772,319
Exchange adjustments, expenses	0	555,501
Exchange loss	14,213	47,656
	<b><u>8,206,987</u></b>	<b><u>10,710,740</u></b>

## 5 Tax on profit/loss for the year

Current tax for the year	4,172,040	3,657,164
Deferred tax for the year	-1,503,806	-533,797
	<b><u>2,668,234</u></b>	<b><u>3,123,367</u></b>

## Notes to the Financial Statements

### 6 Plant and equipment

	Land and buildings DKK
Cost at 1 January	354,292,528
Adjustment to cost price	-13,000,000
Disposals for the year	<u>-21,674,270</u>
Cost at 31 December	<u>319,618,258</u>
Impairment losses and depreciation at 1 January	919,857
Depreciation for the year	1,207,163
Reversal of depreciation of sold assets	<u>-19,675</u>
Impairment losses and depreciation at 31 December	<u>2,107,345</u>
<b>Carrying amount at 31 December</b>	<b><u>317,510,913</u></b>

### 7 Other receivables

Other receivables contain mDKK 13 that is deposited at property owners' investment fund (grundejernes investeringsfund) and is received in connection to exterior improvements of the properties carried out or when the apartments are sold.

### 8 Equity

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 1 January	1,100,000	55,415,315	56,515,315
Net profit/loss for the year	0	11,936,611	11,936,611
<b>Equity at 31 December</b>	<b><u>1,100,000</u></b>	<b><u>67,351,926</u></b>	<b><u>68,451,926</u></b>

## Notes to the Financial Statements

The share capital consists of 1,100,000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2016	2015
	DKK	DKK
Share capital at 1 January	1,100,000	50,000
Capital increase	0	1,050,000
Capital decrease	0	0
<b>Share capital at 31 December</b>	<b>1,100,000</b>	<b>1,100,000</b>

### 9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2016	2015
	DKK	DKK
<b>Mortgage loans</b>		
After 5 years	202,701,505	216,761,055
Long-term part	202,701,505	216,761,055
Within 1 year	0	0
	<b>202,701,505</b>	<b>216,761,055</b>
<b>Payables to group enterprises</b>		
After 5 years	74,510,543	117,006,884
Long-term part	74,510,543	117,006,884
Within 1 year	0	0
	<b>74,510,543</b>	<b>117,006,884</b>
<b>Deposits</b>		
After 5 years	3,015,467	3,188,157
Long-term part	3,015,467	3,188,157
Within 1 year	0	0
	<b>3,015,467</b>	<b>3,188,157</b>

### 10 Contingent assets, liabilities and other financial obligations

## Notes to the Financial Statements

### 10 Contingent assets, liabilities and other financial obligations (continued)

#### Contingent liabilities

As collateral for the company's mortgage debt of TDKK 202,702 has the company provided collateral in land and building with the carrying amount of TDKK 330,511 at 31 December 2016.

# Notes to the Financial Statements

## 10 Contingent assets, liabilities and other financial obligations (continued)

### Jointly taxation

The Danish group enterprises are jointly and severally liable for tax on the jointly taxed income of the Group and for Danish taxes at source such as dividend tax, tax on royalty payments and withholding tax. The total payable corporation tax is disclosed in the Annual Report of PATRIZIA UNICORN ApS, which is the management company of the joint taxation.

## 11 Related parties and ownership

### Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

The company is 100% owned by

PATRIZIA Wohnmodul I Zwischenholding S.à r.l.  
2-4 Rue Beck  
1222 Luxembourg

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of PATRIZIA ROYAL ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in DKK.

### **Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### **Income Statement**

#### **Profit on sales of apartments**

Profit on sales of apartments are recognized as the difference between the price, which the unit has been sold for, and the purchase price plus selling expenses.

## **Notes, Accounting Policies**

### **Revenue**

Rental income is recognised on a straight line-basis over the term of the lease.

### **Expenses concerning apartments**

Expenses concerning apartments primarily include operating expenses for the year.

### **Other external expenses**

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### **Depreciation and impairment losses**

Depreciation and impairment losses comprise depreciation and impairment of property and plant.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Plant and equipment**

Plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.



## Notes, Accounting Policies

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	100 years
-----------	-----------

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

### Equity

#### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

## **Notes, Accounting Policies**

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

Debt to financial institutions and intercompany is initially measured at fair value of the consideration paid or received. Subsequently, debt to financial institutions is measured at amortized cost.

Borrowing costs incurred when contracting financial debts are recognised in “Financial expenses” in the income statement.

Other payables comprising deposits, trade payables, group enterprises and other payables are measured at amortised cost that in all material respects corresponds to nominal value.

### **Deferred income**

Deferred income comprises payments received in respect of income in subsequent years.