
PATRIZIA ROYAL ApS

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

Annual Report for 1 January - 31 December 2017

CVR No 36 44 72 49

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
03/05 2018

Olga Ciesla
Chairman



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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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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

Copenhagen, 3 May 2018

Executive Board

David Hilmar Herbert Girra

Board of Directors

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 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.

We have audited the Financial Statements of PATRIZIA ROYAL ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("the 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 judgement and maintain professional scepticism throughout the

Independent Auditor's Report

audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 3 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Erik Stener Jørgensen
State Authorised Public Accountant
mne9947

René Otto Poulsen
State Authorised Public Accountant
mne26718

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	2017 DKK	2016 DKK
Revenue		9,292,014	10,641,960
Other operating income		63,812	2,006,210
Expenses concerning apartments		-3,211,206	-5,147,640
Other external expenses		-2,096,731	-1,413,136
Gross profit/loss before value adjustments		4,047,889	6,087,394
Profit on sales of apartments	2	33,289,181	17,601,626
Gross profit/loss after value adjustments		37,337,070	23,689,020
Depreciation and impairment of property and plant		-949,594	-1,207,163
Profit/loss before financial income and expenses		36,387,476	22,481,857
Financial income	3	39,179	329,975
Financial expenses	4	-6,780,501	-8,206,987
Profit/loss before tax		29,646,154	14,604,845
Tax on profit/loss for the year	5	-7,495,322	-2,668,234
Net profit/loss for the year		22,150,832	11,936,611

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	19,000,000	0
Proposed dividend for the year	12,000,000	0
Retained earnings	-8,849,168	11,936,611
	22,150,832	11,936,611

Balance Sheet 31 December

Assets

	Note	2017 DKK	2016 DKK
Land and buildings		263,049,121	317,510,913
Plant and equipment	6	263,049,121	317,510,913
Fixed assets		263,049,121	317,510,913
Trade receivables		3,556	49,140
Other receivables	7	22,029,116	12,487,243
Deferred tax asset		1,184,159	2,115,533
Receivables		23,216,831	14,651,916
Cash at bank and in hand		32,259,772	27,182,452
Currents assets		55,476,603	41,834,368
Assets		318,525,724	359,345,281

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		1,100,000	1,100,000
Retained earnings		58,502,757	67,351,926
Proposed dividend for the year		12,000,000	0
Equity	8	<u>71,602,757</u>	<u>68,451,926</u>
Mortgage loans		163,979,840	202,701,505
Payables to group enterprises		70,104,168	74,510,543
Deposits		1,856,124	3,015,467
Long-term debt	9	<u>235,940,132</u>	<u>280,227,515</u>
Prepayments received from customers		28,494	293,720
Trade payables		380,807	584,602
Payables to group enterprises	9	742,401	1,356,997
Other payables		14,513	0
Corporation tax		4,978,010	3,372,040
Deferred income		4,838,610	5,058,481
Short-term debt		<u>10,982,835</u>	<u>10,665,840</u>
Debt		<u>246,922,967</u>	<u>290,893,355</u>
Liabilities and equity		<u>318,525,724</u>	<u>359,345,281</u>
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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

	2017 DKK	2016 DKK
Sale of apartments	33,289,181	17,601,626
	33,289,181	17,601,626

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.

3 Financial income

Other financial income	38,133	11,732
Exchange adjustments	0	318,243
Exchange gains	1,046	0
	39,179	329,975

4 Financial expenses

Interest paid to group enterprises	3,943,616	4,870,143
Other financial expenses	2,510,166	3,322,631
Exchange adjustments, expenses	313,496	0
Exchange loss	13,223	14,213
	6,780,501	8,206,987

5 Tax on profit/loss for the year

Current tax for the year	6,278,010	4,172,040
Deferred tax for the year	550,826	0
Adjustment of tax concerning previous years	285,938	-1,503,806
Adjustment of deferred tax concerning previous years	380,548	0
	7,495,322	2,668,234

Notes to the Financial Statements

6 Plant and equipment

	Land and buildings DKK
Cost at 1 January	319,618,258
Additions for the year	3,256,977
Disposals for the year	<u>-57,264,848</u>
Cost at 31 December	<u>265,610,387</u>
Impairment losses and depreciation at 1 January	2,107,345
Depreciation for the year	949,593
Reversal of depreciation of sold assets	<u>-495,672</u>
Impairment losses and depreciation at 31 December	<u>2,561,266</u>
Carrying amount at 31 December	<u>263,049,121</u>

7 Other receivables

Other receivables contain mDKK 10 (2016: 14 mDKK) 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	Proposed dividend for the year DKK	Total DKK
Equity at 1 January	1,100,000	67,351,925	0	68,451,925
Extraordinary dividend paid	0	-19,000,000	0	-19,000,000
Net profit/loss for the year	<u>0</u>	<u>10,150,832</u>	<u>12,000,000</u>	<u>22,150,832</u>
Equity at 31 December	<u>1,100,000</u>	<u>58,502,757</u>	<u>12,000,000</u>	<u>71,602,757</u>

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:

	2017	2016	2015
	DKK	DKK	DKK
Share capital at 1 January	1,100,000	1,100,000	50,000
Capital increase	0	0	1,050,000
Capital decrease	0	0	0
Share capital at 31 December	1,100,000	1,100,000	1,100,000

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:

	2017	2016
	DKK	DKK
Mortgage loans		
After 5 years	29,511,558	0
Between 1 and 5 years	134,468,282	202,701,505
Long-term part	163,979,840	202,701,505
Within 1 year	0	0
	163,979,840	202,701,505
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	70,104,168	74,510,543
Long-term part	70,104,168	74,510,543
Other short-term debt to group enterprises	742,401	1,356,997
	70,846,569	75,867,540
Deposits		
After 5 years	1,856,124	3,015,467
Long-term part	1,856,124	3,015,467
Within 1 year	0	0
	1,856,124	3,015,467

Notes to the Financial Statements

10 Contingent assets, liabilities and other financial obligations

Contingent liabilities

As collateral for the company's mortgage debt of TDKK 163,980 has the company provided collateral in land and building with the carrying amount of TDKK 263,049 at 31 December 2016.

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

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:

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

Notes to the Financial Statements

12 Accounting Policies

The Annual Report of PATRIZIA ROYAL ApS for 2017 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.

The Financial Statements for 2017 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

Revenue

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

Notes to the Financial Statements

12 Accounting Policies (continued)

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.

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.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, 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 enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

12 Accounting Policies (continued)

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.

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
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Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 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.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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 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

Notes to the Financial Statements

12 Accounting Policies (continued)

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 or in equity if the deferred tax relates to items recognised in equity.

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

Loans, such as mortgage loans, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

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