

PATRIZIA Nordic Cities PropCo A ApS

c/o Cobblestone A/S, Gammel Køge Landevej 57, 3.
1304 København K

CVR no. 36 44 72 57

Annual report 2018

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

22 May 2019

chairman

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PATRIZIA Nordic Cities PropCo A 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 PATRIZIA Nordic Cities PropCo A ApS for the financial year 1 January – 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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, 22 May 2019
Executive Board:

Marco Geisler

Horst Franz Baumann

Board of Directors:

Louise Hertz
Chairman

Marco Geisler

Klaus Alois Schmitt

Independent auditor's report

To the shareholder of PATRIZIA Nordic Cities PropCo A ApS

Opinion

We have audited the financial statements of PATRIZIA Nordic Cities PropCo A ApS for the financial year 1 January – 31 December 2018 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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.



Independent auditor's report

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, 22 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Tuborg
State Authorised
Public Accountant
mne24621

PATRIZIA Nordic Cities PropCo A ApS
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Management's review

Company details

PATRIZIA Nordic Cities PropCo A ApS
c/o Cobblestone A/S, Gammel Køge Landevej 57, 3.
2500 Valby

CVR no.:	36 44 72 57
Established:	27 November 2014
Registered office:	Copenhagen K
Financial year:	1 January – 31 December

Board of Directors

Louise Hertz, Chairman
Marco Geisler
Klaus Alois Schmitt

Executive Board

Marco Geisler
Horst Franz Baumann

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Annual general meeting

The annual general meeting will be held on 22 May 2019.

Management's review

Operating review

Principal activities

The objective of the Company is to acquire real estate property for a subsequent resale.

Development in activities and financial position

The income statement shows a loss for the financial year of DKK 5,230 thousand. The balance sheet shows an equity of DKK 145,268 thousand.

Events after the balance sheet date

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

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Revenue		30,005	30,769
Other external costs		<u>-7,640</u>	<u>-5,359</u>
Gross profit		22,365	25,410
Depreciation, amortisation and impairment		<u>-11,477</u>	<u>-11,457</u>
Operating profit		10,888	13,953
Financial income	2	2	1
Financial expenses	3	<u>-14,519</u>	<u>-14,191</u>
Loss before tax		-3,629	-237
Tax on loss for the year	4	<u>-1,601</u>	<u>52</u>
Loss for the year		<u><u>-5,230</u></u>	<u><u>-185</u></u>
Proposed distribution of loss			
Extraordinary dividend paid during the year		-2,017	0
Proposed dividends for the year		5,831	11,220
Retained earnings		<u>-11,061</u>	<u>-11,405</u>
		<u><u>-7,247</u></u>	<u><u>-185</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
ASSETS			
Fixed assets			
Property, plant and equipment	5		
Land and buildings		594,321	596,635
Technical installations		70,019	73,429
		<u>664,340</u>	<u>670,064</u>
Total fixed assets		<u>664,340</u>	<u>670,064</u>
Current assets			
Receivables			
Other receivables		46	24
Deferred tax asset		101	1,701
Prepayments		0	16
		<u>147</u>	<u>1,741</u>
Cash at bank and in hand		<u>10,584</u>	<u>24,831</u>
Total current assets		<u>10,731</u>	<u>26,572</u>
TOTAL ASSETS		<u><u>675,071</u></u>	<u><u>696,636</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,000	1,000
Share premium		174,767	174,767
Retained earnings		-36,330	-23,252
Proposed dividends for the financial year		5,831	11,220
Total equity		145,268	163,735
Liabilities			
Non-current liabilities			
Mortgage loans	6	384,596	384,495
Payables to shareholders	6	132,156	131,759
		516,752	516,254
Current liabilities			
Prepayments received from customers		9,403	11,465
Trade payables		258	677
Other payables		1,497	2,253
Deferred income		1,893	2,252
		13,051	16,647
Total liabilities		529,803	532,901
TOTAL EQUITY AND LIABILITIES		675,071	696,636
Mortgages and collateral	7		
Related party disclosures	8		
Disclosure of events after the balance sheet date			

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Share premium	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	1,000	174,767	-23,252	11,220	163,735
Ordinary dividends paid	0	0	0	-11,220	-11,220
Transferred over the distribution of loss	0	0	-11,061	5,831	-5,230
Extraordinary dividends paid	0	0	-2,017	0	-2,017
Equity at 31 December 2018	1,000	174,767	-36,330	5,831	145,268

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of PATRIZIA Nordic Cities PropCo A ApS for 2018 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.

Minor reclassifications have been made in the balance sheet and comparatives have been adjusted.

Income statement

Revenue

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

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Financial costs

Financial costs comprise interest expense, exchange rate adjustments and other financial costs.

Tax on 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

Property, plant and equipment

Land and buildings and technical installations are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Buildings	50 years
Technical installation	25 years

The residual value of buildings is 20%.

Land is not depreciated.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of assets

The carrying amount of investment properties is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Liabilities

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

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

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

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 based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at 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 or equity, respectively.

2 Financial income

DKK'000

Other interest income

2018	2017
<u>2</u>	<u>1</u>
<u>2</u>	<u>1</u>

Financial statements 1 January – 31 December

Notes

3 Financial costs

DKK'000	2018	2017
Interest paid to shareholder	7,249	7,242
Other financial costs	6,855	6,949
Exchange losses	415	0
	<u>14,519</u>	<u>14,191</u>

4 Tax on loss for the year

Deferred tax for the year	-798	-52
Adjustment of deferred tax concerning previous years	2,399	0
	<u>1,601</u>	<u>-52</u>

5 Investment properties

DKK'000	Land and buildings	Technical installations	Total
Cost at 1 January 2018	614,470	83,663	698,133
Additions for the year	5,753	0	5,753
Cost at 31 December 2018	<u>620,223</u>	<u>83,663</u>	<u>703,886</u>
Depreciation and impairment losses at 1 January 2018	-17,836	-10,234	-28,070
Depreciation for the year	-8,066	-3,410	-11,476
Depreciation and impairment losses at 31 December 2018	<u>-25,902</u>	<u>-13,644</u>	<u>-39,546</u>
Carrying amount at 31 December 2018	<u>594,321</u>	<u>70,019</u>	<u>664,340</u>

Financial statements 1 January – 31 December

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6 Non-current liabilities other than provisions

DKK'000	<u>2018</u>	<u>2017</u>
Credit institutions		
After 5 years	384,596	384,495
Shareholder loan		
After 5 years	132,156	131,759

7 Mortgages and collateral

Investment properties with a carrying amount of DKK 664 million at 31 December 2018 have been provided as collateral for mortgages of DKK 384.6 million.

8 Related party disclosures

PATRIZIA Nordic Cities PropCo A ApS is included in the consolidated financial statements of PATRIZIA Nordic Cities SCS, SICAV-SIF, 2-4 rue Beck, L-12222 Luxemburg, where they can be obtained.