

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 2019

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

26 May 2020

chairman

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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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 K, 26 May 2020
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 2019 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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, 26 May 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Tuborg
State Authorised
Public Accountant
mne24621

PATRIZIA Nordic Cities PropCo A ApS
Annual report 2019
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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 26 May 2020.

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 profit for the financial year of DKK 363 thousand (2018: DKK -5,230 thousand). The result of the year is affected by a gain of DKK 23,513 thousand from disposal of a property and by a loss of DKK 13,018 thousand from impairment of a property.

The balance sheet shows an equity of DKK 70,327 thousand (2018: DKK 145,268 thousand).

The result for the year are considered to be in accordance with expectations.

Events after the balance sheet date

After the balance sheet date, the virus COVID-19 has been declared a pandemic by the WHO, which affects the world and our society, including the real estate business.

Because of this, it is possible that the Company will be affected by COVID-19 from reduced rental income.

At the current stage, it is impossible to quantify the effect from COVID-19 as no one knows how this will impact the society, including the Companies' tenants on the long-term basis.

No other subsequent 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	2019	2018
Revenue		25,323	30,005
Other operating income		23,513	0
Other external costs		<u>-8,272</u>	<u>-7,640</u>
Gross profit		40,564	22,365
Depreciation, amortisation and impairment losses		<u>-23,223</u>	<u>-11,477</u>
Operating profit		17,341	10,888
Financial income		0	2
Financial expenses	2	<u>-16,879</u>	<u>-14,519</u>
Profit before tax		462	-3,629
Tax on profit for the year	3	<u>-99</u>	<u>-1,601</u>
Profit for the year		<u>363</u>	<u>-5,230</u>
Proposed profit appropriation/distribution of loss			
Extraordinary dividend paid during the year		-69,472	-2,017
Proposed dividends for the year		0	5,831
Retained earnings		<u>363</u>	<u>-11,061</u>
		<u>-69,109</u>	<u>-7,247</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Property, plant and equipment	4		
Land and buildings		466,302	594,321
Technical installations		55,773	70,019
		<u>522,075</u>	<u>664,340</u>
Total fixed assets		<u>522,075</u>	<u>664,340</u>
Current assets			
Receivables			
Other receivables		1,880	46
Deferred tax asset		1	101
		<u>1,881</u>	<u>147</u>
Cash at bank and in hand		<u>14,535</u>	<u>10,584</u>
Total current assets		<u>16,416</u>	<u>10,731</u>
TOTAL ASSETS		<u><u>538,491</u></u>	<u><u>675,071</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital		1,000	1,000
Share premium		0	174,767
Retained earnings		69,327	-36,330
Proposed dividends for the financial year		0	5,831
Total equity		70,327	145,268
Liabilities			
Non-current liabilities			
Mortgage loans	5	333,802	384,596
Payables to shareholders	5	114,741	132,156
		448,543	516,752
Current liabilities			
Deposits and prepaid rent		9,056	9,403
Trade payables		200	258
Payables to group entities		6,792	0
Other payables		2,044	1,497
Deferred income		1,529	1,893
		19,621	13,051
Total liabilities		468,164	529,803
TOTAL EQUITY AND LIABILITIES		538,491	675,071
Mortgages and collateral	6		
Related party disclosures	7		

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 2019	1,000	174,767	-36,330	5,831	145,268
Ordinary dividends paid	0	0	0	-5,831	-5,831
Transferred over the profit appropriation	0	0	363	0	363
Extraordinary dividends paid	0	0	-69,472	0	-69,472
Transfer from share premium account	0	-174,767	174,767	0	0
Equity at 31 December 2019	1,000	0	69,328	0	70,328

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of PATRIZIA Nordic Cities PropCo A ApS for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

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

Income statement

Revenue

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

Other operating income

Other operating income comprises gains on the disposal of property, plant and equipment.

Other external costs

Other external costs comprises costs incurred during the year as a result of the rental of the Company's properties and administration.

Financial expenses

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

Tax on profit 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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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:

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.

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)

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.

Financial statements 1 January – 31 December

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2 Financial expenses

DKK'000	2019	2018
Financial expenses		
Interest paid to shareholder	6,782	7,249
Other financial costs	10,097	6,855
Exchange losses	0	415
	<u>16,879</u>	<u>14,519</u>

3 Tax on profit for the year

Deferred tax for the year	99	-798
Adjustment of deferred tax concerning previous years	0	2,399
	<u>99</u>	<u>1,601</u>

4 Property, plant and equipment

DKK'000	Land and buildings	Technical installations	Total
Cost at 1 January 2019	620,223	83,664	703,887
Disposals for the year	-111,754	-15,564	-127,318
Transfers for the year	-1,616	1,616	0
Cost at 31 December 2019	<u>506,853</u>	<u>69,716</u>	<u>576,569</u>
Depreciation and impairment losses at 1 January 2019	-25,902	-13,645	-39,547
Impairment losses for the year	-13,018	0	-13,018
Depreciation for the year	-7,157	-3,048	-10,205
Reversed depreciation and impairment losses on assets sold	5,527	2,750	8,277
Depreciation and impairment losses at 31 December 2019	<u>-40,550</u>	<u>-13,943</u>	<u>-54,493</u>
Carrying amount at 31 December 2019	<u>466,303</u>	<u>55,773</u>	<u>522,076</u>

Financial statements 1 January – 31 December

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5 Non-current liabilities other than provisions

DKK'000	2019	2018
Credit institutions		
After 5 years	308,191	384,495
	<u>308,191</u>	<u>384,495</u>
Shareholder loan		
After 5 years	114,741	132,156
	<u>114,741</u>	<u>132,156</u>

6 Mortgages and collateral

Property, plant and equipment with a carrying amount of DKK 522 millions at 31 December 2019 (2018: DKK 664 millions) have been provided as collateral for mortgages of DKK 334 millions (2018: DKK 385 millions).

7 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.