

REI Denmark Solvgade A/S

Kristen Bernikows Gade 4, 1. sal., 1105 København K

Annual report

2019

Company reg. no. 36 50 37 50

The annual report was submitted and approved by the general meeting on the 13 August 2020.

Kenneth Strandlyst
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of REI Denmark Solvgade A/S for the financial year 2019 of REI Denmark Solvgade A/S.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the company's results of activities in the financial year 1 January - 31 December 2019.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

København, 15 July 2020

Managing Director

Jesper Dam

Board of directors

Christophorus J. Hoorenman
Chairman

Line Verroken

Jan Lyng-Petersen

Independent auditor's report

To the shareholder of REI Denmark Solvgade A/S

Opinion

We have audited the financial statements of REI Denmark Solvgade A/S for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the results of the company's activities 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 and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 15 July 2020

KPMG

State Authorised Public Accountants
Company reg. no. 25 57 81 98

Jette Kjær Bach

State Authorised Public Accountant
mne19812

Company information

The company	REI Denmark Solvgade A/S Kristen Bernikows Gade 4, 1. sal. 1105 København K
	Company reg. no. 36 50 37 50 Financial year: 1 January - 31 December 5th financial year
Board of directors	Christophorus J. Hoorenman, Chairman Line Verroken Jan Lyng-Petersen
Managing Director	Jesper Dam
Auditors	KPMG Dampfærgevej 28 2100 København Ø
Parent company	REI Denmark Solvgade Holding A/S

Management commentary

The principal activities of the company

Like previous years, the principal activities is directly to own, develop and rent real estate as well as directly or indirectly to carry out other activities that the board of directors deem is connected therewith.

Development in activities and financial matters

The revenue for the year totals DKK 38.951.978 against DKK 40.067.383 last year. Income or loss from ordinary activities after tax totals DKK 40.067.383 against DKK 44.519.496 last year. Management considers the net profit or loss for the year satisfactory.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Net turnover	38.951.978	40.067.383
Other external costs	-20.107.622	-14.912.421
Gross profit	18.844.356	25.154.962
Depreciation and impairment of property, land, and equipment	-30.285	-27.141
Value adjustment of investment property	52.721.813	37.230.057
Operating profit	71.535.884	62.357.878
2 Other financial costs	-7.732.184	-7.695.172
Pre-tax net profit	63.803.700	54.662.706
3 Tax on net profit for the year	-12.330.000	-10.143.210
Net profit or loss for the year	51.473.700	44.519.496
Proposed appropriation of net profit:		
Dividend for the financial year	18.625.000	18.625.000
Transferred to retained earnings	32.848.700	25.894.496
Total allocations and transfers	51.473.700	44.519.496

Statement of financial position at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2019</u>	<u>2018</u>
Non-current assets		
4 Other fixtures and fittings, tools and equipment	86.698	77.408
5 Investment property	<u>793.300.000</u>	<u>736.100.000</u>
Total property, plant, and equipment	<u>793.386.698</u>	<u>736.177.408</u>
Total non-current assets	<u>793.386.698</u>	<u>736.177.408</u>
Current assets		
Trade receivables	2.677.459	1.014.636
Prepayments and accrued income	<u>1.548.572</u>	<u>129.694</u>
Total receivables	<u>4.226.031</u>	<u>1.144.330</u>
Cash on hand and demand deposits	<u>20.219.378</u>	<u>24.292.323</u>
Total current assets	<u>24.445.409</u>	<u>25.436.653</u>
Total assets	<u>817.832.107</u>	<u>761.614.061</u>

Statement of financial position at 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Equity and liabilities		
Equity		
Contributed capital	20.000.000	20.000.000
Retained earnings	86.198.493	53.334.793
Proposed dividend for the financial year	18.625.000	18.625.000
Total equity	<u>124.823.493</u>	<u>91.959.793</u>
Provisions		
Provisions for deferred tax	31.830.000	19.500.000
Other provisions	8.600.000	0
Total provisions	<u>40.430.000</u>	<u>19.500.000</u>
Liabilities other than provisions		
Deposits	11.108.321	9.256.449
6 Debt to group enterprises	629.036.061	629.054.186
7 Other debts	1.445.649	1.445.649
Total long term liabilities other than provisions	<u>641.590.031</u>	<u>639.756.284</u>
Other debts	10.640.443	10.319.484
Accruals and deferred income	348.140	78.500
Total short term liabilities other than provisions	<u>10.988.583</u>	<u>10.397.984</u>
Total liabilities other than provisions	<u>652.578.614</u>	<u>650.154.268</u>
Total equity and liabilities	<u>817.832.107</u>	<u>761.614.061</u>
8 Contingencies		
9 Related parties		

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Proposed dividend for the financial year</u>	<u>Total</u>
Equity 1 January 2019	20.000.000	53.334.793	18.625.000	91.959.793
Currency adjustment	0	15.000	-15.000	0
Distributed dividend	0	0	-18.610.000	-18.610.000
Profit or loss for the year brought forward	0	32.848.700	18.625.000	51.473.700
	<u>20.000.000</u>	<u>86.198.493</u>	<u>18.625.000</u>	<u>124.823.493</u>

Accounting policies

The annual report for REI Denmark Solvgade A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Income statement

Net turnover

Rental income comprises income from the lease of property and from overhead costs collected and is recognised in the income statement for the period relating to the lease payment. Income from the heating account is recognised in the statement of financial position as a balance with lessees.

Other external costs

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Costs concerning investment properties

Costs concerning investment properties comprise operating costs, repair and maintenance costs, taxes, charges, and other costs.

Value adjustment of investment property

Value adjustment of investment property comprises value adjustments of properties at fair value and profit or loss from the disposal of properties.

Accounting policies

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Net financials

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Tangible fixed assets

Tangible fixed assets are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %

Accounting policies

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Investment property

At the initial recognition, investment property is measured at cost, comprising the cost of the property and directly associated costs, if any.

Hereafter, investments are measured individually on the basis of a return-based cash flow model based on expected future net cash flows over a period of 10 years. The required rate of return is determined by an external assessor. Fair value measurement is made on the basis of estimated lease income and expected operating costs, including scheduled maintenance. Compared to the previous financial year, the method of measurement remains unchanged.

Costs adding new or improved qualities to an investment property compared to its condition at the time of acquisition, thereby improving the future return on the property, are added to the cost as an improvement. Costs which do not add new or improved qualities to an investment property are recognised in the income statement under the item "Costs concerning investment property".

Like other property, plant, and equipment except for land, investment property has a limited economic life. The impairment taking place concurrently with the ageing of the investment property is reflected in the continuing measurement of the investment property at fair value.

Value adjustments are recognised in the income statement under the item "Value adjustments of property".

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Accounting policies

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity. Proposed dividend is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, REI Denmark Solvgade A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions comprise expected costs in connection with the Asset and Property Management Agreement. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

If the settlement of the commitment is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Liabilities other than provisions

Liabilities other than provisions relating to investment properties are measured at amortised cost.

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.

Notes

All amounts in DKK.

	<u>2019</u>	<u>2018</u>
1. Staff costs		
Average number of employees	<u>0</u>	<u>0</u>
2. Other financial costs		
Financial costs, group enterprises	7.561.262	7.561.262
Other financial costs	<u>170.922</u>	<u>133.910</u>
	<u>7.732.184</u>	<u>7.695.172</u>
3. Tax on net profit for the year		
Adjustment for the year of deferred tax	12.330.000	11.100.000
Other taxes	<u>0</u>	<u>-956.790</u>
	<u>12.330.000</u>	<u>10.143.210</u>
4. Other fixtures and fittings, tools and equipment		
Cost 1 January	131.690	131.690
Additions during the year	<u>39.575</u>	<u>0</u>
Cost 31 December	<u>171.265</u>	<u>131.690</u>
Amortisation and writedown 1 January	-54.282	-27.141
Depreciation for the year	<u>-30.285</u>	<u>-27.141</u>
Amortisation and writedown 31 December	<u>-84.567</u>	<u>-54.282</u>
Carrying amount, 31 December	<u>86.698</u>	<u>77.408</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
5. Investment property		
Cost 1 January	651.532.045	648.962.102
Additions during the year	<u>4.478.187</u>	<u>2.569.943</u>
Cost 31 December	<u>656.010.232</u>	<u>651.532.045</u>
Fair value adjustment 1 January	84.567.955	47.337.898
Adjust of the year to fair value	<u>52.721.813</u>	<u>37.230.057</u>
Fair value adjustment 31 December	<u>137.289.768</u>	<u>84.567.955</u>
Carrying amount, 31 December	<u>793.300.000</u>	<u>736.100.000</u>

The measurement of properties is made using a returnbased cash flow model based on expected future net cash flows over a period of 10 years. The required rate of return is determined by an external assessor. The fair value measurement is made on the basis of estimated rental income and expected operating costs, including scheduled maintenance. Cash flows beyond the 10th year (terminal value) is determined according to a netrent model based on the 10th year, but at average estimates as to vacant periods, improvement costs, major maintenance costs, and investments. Cash flows from each year and the value of the terminal year are discounted with the required rate of return determined for each individual property with addition of inflation.

Compared to the previous financial year, the methods of measurement remain unchanged.

The property, which is located in Copenhagen, is mainly used as student housing, totalling 20.947 squaremeters.

The external assessor has applied a Discount Rate of 5.50 % with an Exit Capitalisation Rate of 4.00%.

6. Debt to group enterprises

Total debt to group enterprises	<u>629.036.061</u>	<u>629.054.186</u>
Share of liabilities due after 5 years	<u>629.036.061</u>	<u>629.054.186</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
7. Other debts		
Total other debts	<u>1.445.649</u>	<u>1.445.649</u>
Share of liabilities due after 5 years	<u>1.445.649</u>	<u>1.445.649</u>

8. Contingencies

Joint taxation

With REI Denmark Copenhagen ApS, company reg. no 36045213 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The total tax payable under the joint taxation scheme totals DKK 0.

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of DKK 0.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Notes

All amounts in DKK.

9. Related parties

Consolidated financial statements

The company is a part of the consolidated financial statements of REI Investment I B.V and ING Groep N.V and can be obtained at the following address:

Largest group:

ING Groep N. V
Bijlmerplein 888
1102 MG Amsterdam
P.O Box 1800, 1000 BV Amsterdam

Smallest group:

REI Investment I B.V.
Prinses Beatrixlaan 35
90504, 2509LM's - Gravenhage
Belgium