

Pineapple Commercial 2 Propco K/S

Amaliegade 15, 2. sal, 1256 København K

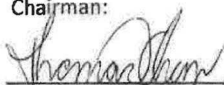
CVR No. 37 15 48 81

Annual report

For the year ended 31 December 2017

Approved at the annual general meeting, on 31/5 2018

Chairman:

A handwritten signature in black ink, appearing to read 'Thomas Thomsen', written over a horizontal line.

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Statement by the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Pineapple Commercial 2 Propco K/S for the financial year 1 January - 31 December 2017.

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 financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January 2017 – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

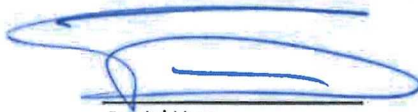
We recommend that the annual report be approved at the annual general meeting.


Copenhagen, 3/15 2018

General partner:
Pineapple Commercial 2 Komplementarselskab ApS

Executive Board:


Kevin Jeremiah Cahill


Daniel Liem


Kristian Foss

Independent auditors' report

To the shareholders of Pineapple Commercial 2 Propco K/S

Opinion

We have audited the financial statements of Pineapple Commercial 2 Propco K/S for the financial year 1 January 2017 – 31 December 2017, which comprise an 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 financial position of company at 31 December 2017, and of the results of the company operations for the financial year 1 January 2017 – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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 responsibility

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 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 the financial statements.

Independent auditors' report

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. 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 in-adequate, to modify our opinion. Our conclusion is 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 Management's review

Management is responsible for Management's review.

Our opinion on the financial statements does not cover 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 Management's review and, in doing so, consider whether 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 Management's review provides the information required under the Danish Financial Statements Act.

Independent auditors' report

Based on the work we have performed, we conclude that Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's review.

Odense, 31/5 2018

Ernst & Young

Godkendt Revisionspartnerselskab

CVR No. 30 70 02 28


Morten Schougaard Sørensen

State Authorised

Public Accountant

Management's review

Company details

Name Pineapple Commercial 2 Propco K/S
Address, Postal code, City Amaliegade 15, 2. sal, 1256 København K

CVR No. 37 15 48 81
Established 14 October 2015
Registered office Copenhagen
Financial year 1 January – 31 December

General partner: Pineapple Commercial 2 Komplementarselskab ApS

Executive Board in Pineapple Commercial 2 Komplementar- selskab ApS:

Kevin Jeremiah Cahill, chairman
Daniel Liem
Kristian Foss

Auditors

Ernst & Young Godkendt Revisionspartnerselskab
Englandsgade 25, P O Box 200, 5100 Odense C, Denmark

Management's review

The company's primary activities and company details

The company is primarily engaged in investment in real estate and related activities.

Significant changes in business and economic conditions

Property Lykkebækvej, Vandmanden and the Court house in Soenderborg were sold in 2017.

Uncertainties relating to recognition and measurement in the financial statements

Investments are valued at their fair values, according to the description in Accounting policies.

The valuation includes accounting estimates and such valuation is therefore subject to some uncertainty. Please refer to note 2.

Financial statements for the period 1 January 2017 - 31 December 2017

Income statement

Notes	DKK	2017	2016
	Gross profit/loss	<u>4.387.669</u>	<u>14.357.287</u>
	Fair value adjustment of investment property	1.866.530	16.847.709
	Profit/loss on divestments	<u>-5.328.641</u>	<u>12.192.428</u>
	Operating profit	925.557	43.397.423
	Financial expenses	<u>-3.093.223</u>	<u>-4.815.975</u>
	Profit/loss for the year	<u>-2.167.665</u>	<u>38.581.448</u>
	Recommended appropriation of the profit/loss for the year		
	Retained earnings	<u>-2.167.665</u>	<u>38.581.448</u>
		<u>-2.167.665</u>	<u>38.581.448</u>

Financial statements for the period 1 January 2017 - 31 December 2017

Balance sheet

Notes DKK	<u>2017</u>	<u>2016</u>
Assets		
Fixed assets		
Investment property	92.700.000	143.500.000
2 Property, plant and equipment	<u>92.700.000</u>	<u>143.500.000</u>
Total fixed assets	<u>92.700.000</u>	<u>143.500.000</u>
Current assets		
Receivables from group entities	13.698.999	13.800.578
Trade receivables	803.196	572.787
Other receivables	2.174.823	4.915.606
Receivables	<u>16.677.017</u>	<u>19.288.971</u>
Cash	<u>464.827</u>	<u>91.946.918</u>
Total current assets	<u>17.141.844</u>	<u>111.235.889</u>
Total assets	<u><u>109.841.844</u></u>	<u><u>254.735.889</u></u>

Financial statements for the period 1 January 2017 - 31 December 2017

Balance sheet

Notes DKK	2017	2016
Equity and liabilities		
Equity		
Paid-in capital	19.997.447	19.997.447
Retained earnings	36.413.782	38.581.448
Total equity	56.411.229	58.578.895
Liabilities		
Subordinate loan capital	0	42.175.491
Mortgage debt	44.885.746	138.585.766
Other payables	2.296.166	6.218.328
3 Long-term liabilities	47.181.912	186.979.586
3 Current portion of long-term liabilities	3.350.009	4.985.260
Trade payables	120.979	3.340.184
Other payables	2.777.714	851.964
Short-term liabilities	6.248.703	9.177.409
Total liabilities	53.430.615	196.156.994
Total equity and liabilities	109.841.844	254.735.889

Financial statements for the period 1 January 2017 - 31 December 2017

Statement of changes in equity

(DKK)	<u>Paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1/1 2017	19.997.447	38.581.447	58.578.894
Profit/loss for the year	<u>0</u>	<u>-2.167.665</u>	<u>-2.167.665</u>
Equity at 31/12 2017	<u><u>19.997.447</u></u>	<u><u>36.413.782</u></u>	<u><u>56.411.229</u></u>

Financial statements for the period 1 January 2017 - 31 December 2017

Notes

1. Accounting policies

The annual report of Pineapple Commercial 2 Propco K/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies are consistent with last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Income Statement

Revenue

Revenue comprises rental income from the leases of properties. Revenue is recognized on an actual basis.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross margin'.

Financial

Financial income and expenses are recognized in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses, etc.

Tax

The company is not taxable. Therefore no tax cost or liabilities are included in the accounts.

Financial statements for the period 1 January 2017 - 31 December 2017

Notes

1. Accounting policies

Balance sheet

Investment property

Investment properties are measured at cost at first recognition. After the first recognition investment properties are measured at fair value. Fair value is measured based on yield for comparable properties. Annual changes in fair value is recognized in the income statement.

In the valuation of Jyllandsgade 30 et al., DK-6400 Sønderborg a WACC of 12 % has been applied.

A part of the property is not let out and the valuation corresponds to a net initial yield of 6,61 %.

In the valuation it is assumed that the property will be partly refurbished for new tenants in 2018 and 2019 and that only a minor part will be empty from 2020.

Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realizable value and the carrying amount.

Cash and cash equivalents

Cash comprises cash balances and bank balances.

Liabilities

Financial liabilities related to investment properties are measured at amortized cost.

Other liabilities are measured at net realizable value.

Financial statements for the period 1 January 2017 - 31 December 2017

Notes

2. Property, plant and equipment

DKK	Investment property
Cost	
Balance at 1/1 2017	126.652.291
Additions	542.832
Disposals	<u>-48.108.699</u>
Cost at 31/12 2017	<u>79.086.424</u>
Value adjustments at 1/1 2017	16.847.709
Value adjustments for the year	1.866.530
Reversal of accumulated revaluation of disposals	<u>-5.100.663</u>
Value adjustments at 31/12 2017	<u>13.613.576</u>
Carrying amount at 31/12 2017	<u>92.700.000</u>

In the valuation of Jyllandsgade 30 et al., DK-6400 Sønderborg a WACC of 12 % has been applied.

A part of the property is not let out and the valuation corresponds to a net initial yield of 6,61 %.

In the valuation it is assumed that the property will be partly refurbished for new tenants in 2018 and 2019 and that only a minor part will be empty from 2020.

If WACC is changes to 11 % the value would be DKK 103,300,000 and if changed to 13 % the value would be DKK 83,100,000.

3. Long-term liabilities

Of the long-term liabilities, DKK 31.254.677 falls due for payment after more than 5 years after the balance sheet date.

Other payables comprise of deposits and prepaid rent.

4. Contractual obligations and contingencies, etc.

Guarantee commitments: None

Rent and lease liabilities: None

Cautionary commitments: None

5. Security for loans

As security for the company's mortgage debt, the company has pledged assets with carrying amount of DKK 92.700.000.

6. Related parties

The company is included in the consolidated financial statements of Ares Management, L.P., Los Angeles, California. The consolidated financial statements can be obtained upon request from the parent company.