

Marmorbyen Vest 1 P/S

c/o Cobblestone A/S, Gammel Køge Landevej 57, 3.
2500 Valby
Denmark

CVR no. 39 19 40 74

Annual report for the period 1 January – 31 December 2019

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

25 May 2020

Louise Hertz
chairman

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Marmorbyen Vest 1 P/S
Annual report 2019
CVR no. 39 19 40 74

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 Marmorbyen Vest 1 P/S 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 25 May 2020
Executive Board:

Louise Hertz

Board of Directors:

Nathalie Marion-Denise
Winkelmann
Chairman

Vjaceslav Wilhelm

Louise Hertz

Independent auditor's report

To the shareholders of Marmorbyen Vest 1 P/S

Opinion

We have audited the financial statements of Marmorbyen Vest 1 P/S 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, 25 May 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Michael Tuborg
State Authorised
Public Accountant
mne24621

Marmorbyen Vest 1 P/S
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Management's review

Company details

Marmorbyen Vest 1 P/S
c/o Cobblestone A/S, Gammel Køge Landevej 57, 3.
2500 Valby
Denmark

CVR no.:	39 19 40 74
Established:	19 December 2017
Financial year:	1 January – 31 December

Board of Directors

Nathalie Marion-Denise Winkelmann, Chairman
Vjaceslav Wilhelm
Louise Hertz

Executive Board

Louise Hertz

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen
Denmark

Annual general meeting

The annual general meeting will be held on 25 May 2020

Management's review

Operating review

Principal activities

The objective of the Company is to acquire real estate properties for investment purposes.

Development in activities and financial position

The Company's income statement for the year ended 31 December 2019 shows a profit of DKK 3,278 (2018: DKK 10,571), and the Company's balance sheet at 31 December 2019 shows equity of DKK 61,125 thousand, (2018: DKK 59,747 thousand).

The results 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.

At the current stage, Management assess that the effects from COVID-19 will not have a material impact on the Company's rental income nor its financial position.

No other 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
Gross profit		<u>8,807</u>	<u>8,354</u>
Operating profit		8,807	8,354
Fair value adjustment of investment properties		580	8,252
Financial expenses	3	<u>-6,109</u>	<u>-6,035</u>
Profit for the year		<u>3,278</u>	<u>10,571</u>
Proposed profit appropriation			
Extraordinary dividends paid		-1,900	0
Retained earnings		<u>3,278</u>	<u>10,571</u>
		<u>1,378</u>	<u>10,571</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			
Investment properties	4	315,200	314,620
Fixtures and fittings, tools and equipment		129	129
		<u>315,329</u>	<u>314,749</u>
Total fixed assets		<u>315,329</u>	<u>314,749</u>
Current assets			
Receivables			
Receivables from group entities		0	758
Other receivables		89	94
		<u>89</u>	<u>852</u>
Cash at bank and in hand		<u>4,120</u>	<u>2,962</u>
Total current assets		<u>4,209</u>	<u>3,814</u>
TOTAL ASSETS		<u><u>319,538</u></u>	<u><u>318,563</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Share capital		500	500
Retained earnings		60,625	59,247
Total equity		<u>61,125</u>	<u>59,747</u>
Liabilities			
Non-current liabilities			
Shareholder loan	5	98,536	98,536
Debt to credit institutions	5	152,407	152,379
		<u>250,943</u>	<u>250,915</u>
Current liabilities			
Deposits and prepaid rent		4,597	5,198
Trade payables		1,182	75
Payables to group entities		9	398
Other payables		1,682	2,230
		<u>7,470</u>	<u>7,901</u>
Total liabilities		<u>258,413</u>	<u>258,816</u>
TOTAL EQUITY AND LIABILITIES		<u><u>319,538</u></u>	<u><u>318,563</u></u>
Average number of employees	2		
Mortgages and securities	6		
Related party disclosures	7		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	500	59,247	59,747
Transferred over the profit appropriation	0	3,278	3,278
Extraordinary dividends paid	0	-1,900	-1,900
Equity at 31 December 2019	500	60,625	61,125

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Marmorbyen Vest 1 P/S 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

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company does not disclose its revenue.

The gross profit reflects an aggregation of revenue and other external expenses.

Revenue

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

Other external costs

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

Value adjustment of investment properties

Value adjustment comprises the year's changes in the fair value of investment property.

Financial expenses

Financial expenses comprise interest expenses, realized and unrealized capital losses on mortgage debt.

Balance sheet

Investment properties

Investment properties comprises properties that is held to earn rentals, held for capital appreciation or both.

Initially, investment properties is measured at cost including purchase price and directly related costs. The carrying amount also includes costs for improvements if the recognition criteria is met.

Subsequent to initial recognition, investment properties is stated at fair value. Gain and losses arising from changes in the fair values are included in the income statement in the year which they arise.

The properties are valued using the income capitalisation method where a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate. The calculated value is adjusted with expected future change in rental value, voids,

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

capital expenses and other special circumstances.

The valuations was performed by v/Rönne Grünwald Partner, an accredited an independant valuer with recognised and relevant professional qualifications and recent experience of the location and category of investment properties being valued. The valuation model applied is in accordance with the recommended by the International Valuation Standards Committee. These valuations models are consistent with the principles in IFRS 13.

Investment properties 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.

Fixtures and fittings, tools and equipment

Fixtures and fittings, tools and equipment 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:

Fixtures and fittings, tools and equipment	5 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Cash at bank and in hand

Cash at bank and in hand comprise cash.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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.

Liabilities

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

Subsequently, these financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Corporation tax

The company is not subject to taxation. Taxable income is taxed in the parent company Ejendomsselskabet PADK M2 ApS.

Financial statements 1 January – 31 December

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2 Average number of employees

	<u>31/12 2019</u>	<u>31/12 2018</u>
Average full time employees	0	0
	<u>0</u>	<u>0</u>

3 Financial expenses

DKK'000	<u>2019</u>	<u>2018</u>
Interest expense to group entities	5,173	5,173
Other financial costs	936	862
Total	<u>6,109</u>	<u>6,035</u>

4 Investment properties

DKK'000	<u>Investment properties</u>
Cost at 1 January 2019	306,368
Cost at 31 December 2019	<u>306,368</u>
Revaluations at 1 January 2019	8,252
Revaluations for the year	580
Revaluations at 31 December 2019	<u>8,832</u>
Carrying amount at 31 December 2019	<u><u>315,200</u></u>

Key assumptions:

The property is located in Copenhagen and used for residential, totalling 7,140 sqm. At 31 December 2019, actual vacancy is 2%. A void period of 1.5 months is estimated for vacant residential units. Additionally, a structural vacancy of 2% has been included in the estimated cash flow. The exit yield is estimated at 3.20% (2018: 3.25%).

Sensitivity analysis:

An increase of exit yield by 0.25 percentage points would reduce the property value by DKK 23.2 million and a decrease in the exit yield by 0.25 percentage points would increase the property value by DKK 27.2 million at the balance sheet date.

Financial statements 1 January – 31 December

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5 Non-current liabilities

DKK'000	Total debt at 31/12 2019	Outstanding debt after five years
Debt to credit institutions	152,407	153,184
Shareholder loan	98,536	98,536
	<u>250,943</u>	<u>251,720</u>

6 Mortgages and securities

Investment properties with a carrying amount of DKK 315 million at 31 December 2019 (2018: DKK 315 million) have been provided as collateral for mortgages of DKK 152 million (2018: DKK 152 million).

7 Related party disclosures

Marmorbyen Vest 1 P/S is included in the consolidated financial statements of PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH, Fuggerstrasse 26, 86150 Augsburg, Germany, where they can be obtained.