

M7 EREIP IV DK PropCo 2 K/S

c/o M7 Real Estate ApS, Borgergade 2, 6.
1300 København K

CVR no. 39 37 19 36

**Annual report for the period 27 February – 31 December
2018**

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

25 March 2019

Mads Berg
chairman



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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of M7 EREIP IV DK PropCo 2 K/S for the financial period 27 February – 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 period 27 February – 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, 25 March 2019
Executive Board:


Pernille Ohlsen


Niels Christian Wedell-
Wedellsborg


Mette Seifert



Independent auditor's report

To the shareholder of M7 EREIP IV DK PropCo 2 K/S

Opinion

We have audited the financial statements of M7 EREIP IV DK PropCo 2 K/S for the financial period 27 February – 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 period 27 February – 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.

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.



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Independent auditor's report

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 March 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jette Kjær Bach
State Authorized
Public Accountant
mne19812

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Management's review

Company details

M7 EREIP IV DK PropCo 2 K/S
c/o M7 Real Estate ApS
Borgergade 2, 6.
1300 København K

CVR no :	39 37 19 36
Established:	27 February 2018
Registered office	Copenhagen
Financial period	27 February – 31 December

Executive Board

Pernille Ohlsen
Niels Christian Wedell-Wedellsborg
Mette Seifert

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 25 March 2019.

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Management's review

Operating review

Principal activities

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

Development in activities and financial position

The Company's income statement for the year ended 31 December 2018 shows profit of DKK 13,847 thousand, and the Company's balance sheet at 31 December shows equity of DKK 82,387 thousand.

The results for the period are considered to be in accordance with expectations.

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 27 February – 31 December

Income statement

DKK'000	Note	27/02-31/12 2018
Gross profit		<u>13,437</u>
Operating profit		<u>13,437</u>
Fair value adjustment of investment properties		12,423
Financial expenses	2	<u>-12,013</u>
Profit for the year		<u><u>13,847</u></u>
Proposed profit appropriation		
Retained earnings		<u>13,847</u>
		<u><u>13,847</u></u>

Financial statements 27 February – 31 December

Balance sheet

DKK000	Note	2018
ASSETS		
Fixed assets		
Property, plant and equipment		
Investment properties	3	<u>318,390</u>
Total fixed assets		<u>318,390</u>
Current assets		
Receivables		
Trade receivables		381
Prepayments		<u>291</u>
		672
Cash at bank and in hand		<u>18,326</u>
Total current assets		<u>18,998</u>
TOTAL ASSETS		<u><u>337,388</u></u>

Financial statements 27 February – 31 December

Balance sheet

DKK'000	Note	2018
EQUITY AND LIABILITIES		
Equity		
Share premium		68,540
Retained earnings		<u>13,847</u>
Total equity		<u>82,387</u>
Liabilities		
Non-current liabilities		
Mezzanine loans	4	70,984
Debt to credit institutions		154,127
Payables to shareholders		11,640
Deposits and prepaid rent		<u>8,911</u>
		<u>245,662</u>
Current liabilities		
Mezzanine loans	4	1,518
Debt to credit institutions	4	4,977
Trade payables		537
Other payables		2,123
Payables to shareholders	4	<u>184</u>
		<u>9,339</u>
Total liabilities		<u>255,001</u>
TOTAL EQUITY AND LIABILITIES		<u>337,388</u>
Contractual obligations, contingencies, etc.	5	
Mortgages and collateral	6	
Related party disclosures	7	

Financial statements 27 February – 31 December

Statement of changes in equity

DKK'000	<u>Contributed capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 27 February 2018	0	0	0	0
Contribution	0	68,540	0	68,540
Transferred over the profit appropriation	0	0	13,847	13,847
Equity at 31 December 2018	<u>0</u>	<u>68,540</u>	<u>13,847</u>	<u>82,387</u>

Financial statements 27 February – 31 December

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1 Accounting policies

The annual report of M7 EREIP IV DK PropCo 2 K/S 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 from higher reporting classes

This is the entity's first financial year why there are no comparative figures. The first financial year has been shortened to 10 months.

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 period as a result of the rental of the Company's properties and administration.

Fair value adjustment of investment properties

Fair value adjustment comprises the year's changes in the fair value of investment properties.

Financial income and expenses

Financial costs comprise interest expenses, realised and unrealised capital losses on mortgage debt.

Balance sheet

Property, plant and equipment

Investment properties comprise properties that are held to earn rentals, held for capital appreciation or both.

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

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

The properties are valued using the income capitalisation method where a property's fair value is

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1 Accounting policies (continued)

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, capital expenses and other special circumstances.

Investment properties are 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.

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.

Prepayments

Prepayments comprise prepayments of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and in hand.

Liabilities

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

Subsequently, these financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Corporation tax and deferred tax

The Company is not subject to taxation. Taxable income is taxed in the parent company M7 EREIP IV Lux Denmark HoldCo S.a.r.l.

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2 Financial expenses

DKK'000	27/02-31/12 2018
Interest expense to group entities	775
Other financial costs	11,238
	<u>12,013</u>

3 Property, plant and equipment

DKK'000	Investment properties
Cost at 27 February 2018	0
Additions for the year	305,987
Cost at 31 December 2018	<u>305,987</u>
Revaluations at 27 February 2018	0
Revaluations for the year	12,423
Revaluations at 31 December 2018	<u>12,423</u>
Carrying amount at 31 December 2018	<u>318,390</u>

The valuations were performed by CBRE, an accredited independent valuer with a recognised and relevant professional qualification and recent experience of the location and category of the investment property being valued. The valuation model applied is in accordance with that recommended by the International Valuation Standards Committee.

Investment properties comprise of 10 logistic properties located in Denmark.

Assumptions

In valuation of the properties there have been applied an equivalent yield of between 6.75% and 10.0% with an average of 7.63%. When the non-termination lease terms of current rental agreement expires, it is assumed that the tenancies can be re-let to market rent. Furthermore, it is assumed that vacant units of 2,412 m² can be re-let to market rent within 12-15 months.

Sensitivity analysis:

An increase of the equivalent yield by 0.50 percentage points would reduce the value of investment properties by DKK 20 million and a decrease of the equivalent yield by 0.50 percentage points would increase the property value by DKK 22 million at the balance sheet date.

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4 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2018	Repayment, first year	Outstanding debt after five years
Mezzanine loans	72,502	1,518	0
Debt to credit institutions	159,104	4,977	0
Payables to shareholders	11,824	184	0
Prepaid rent and deposits	8,911	0	8,911
	<u>252,341</u>	<u>6,679</u>	<u>8,911</u>

5 Contractual obligations, contingencies, etc.

The Company has provided a self-liable guarantee to credit institutions of DKK 13,500 thousands.

6 Mortgages and collateral

Investment properties with a carrying amount of DKK 318.4 million at 31 December 2018 have been provided as collateral for debt to credit institutions of DKK 163 million.

7 Related party disclosures

M7 EREIP IV DK PropCo 2 K/S is included in the consolidated financial statement of M7 European Real Estate Investment Partners IV LP, The Monument Building, 11 Monument Street, London, EC3R 8AF, United Kingdom, where they can be obtained.