

M7 EREIP V DK PropCo 1 K/S

c/o M7 Real Estate ApS, Borbjergade 2,6
1300 Copenhagen K
Denmark

CVR no. 39 96 89 40

Annual report for the period 24 October 2018 – 31 December 2019

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

7 May 2020

Line Pedersen
chairman

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of M7 EREIP V DK PropCo 1 K/S for the financial period 24 October 2018 – 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 period 24 October 2018 – 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.

7 May 2020
Executive Board:

Peter Matzen Drachmann

Niels Christian Wedell-
Wedellsborg

Mette Seifert

Independent auditor's report

To the shareholder of M7 EREIP V DK PropCo 1 K/S

Opinion

We have audited the financial statements of M7 EREIP V DK PropCo 1 K/S for the financial period 24 October 2018 – 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 period 24 October 2018 – 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, 7 May 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jette Kjær Bach
State Authorised
Public Accountant
mne19812

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Management's review

Company details

M7 EREIP V DK PropCo 1 K/S
c/o M7 Real Estate ApS
Borgergade 2,6
1300 Copenhagen K
Denmark

CVR no.:	39 96 89 40
Established:	24 October 2018
Financial period:	24 October 2018 – 31 December 2019

Executive Board

Peter Matzen Drachmann
Niels Christian Wedell-Wedellsborg
Mette Seifert

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen
Denmark

Annual general meeting

The annual general meeting will be held on 7 May 2020.

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 2019 shows a profit of DKK 30,779 thousand, and the Company's balance sheet at 31 December 2019 shows equity of DKK 30,829 thousand.

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

Events after the balance sheet date

On December 31, 2019, the World Health Organization was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, China. On January 7, 2020, Chinese authorities identified coronavirus (COVID-19) as the cause. Since December 31, 2019, the rapid outbreak of the COVID-19 is not only causing a global health crisis but also causing a shock to the global economy and financial markets.

The Fund's investment portfolio comprises light industrial properties which are measured at fair value. As a result of the COVID-19 crisis, there has been a significant negative impact in the financial markets. While the duration and future economic impact of COVID-19 is difficult to predict, the executive board of the Fund and the AIFM continue to watch the efforts of governments to contain the spread of the virus and monitor the economic impact, if any, on the companies in the portfolio.

The executive board informs that there is no indicators that the Company should suffer any problems collecting the rent for the year and will follow normal practice. Furthermore the Company does not expect the above will result in any major decrease in any of the property values and therefore do not anticipate any breaches on the debt covenants.

No events have occurred after the balance sheet date that materially affect the Company's financial position.

Financial statements 24 October – 31 December

Income statement

DKK'000	Note	24/10 2018- 31/12 2019
Gross profit		<u>21,502</u>
Operating profit		<u>21,502</u>
Fair value adjustment of investment properties		29,685
Financial expenses	3	<u>-20,408</u>
Profit before tax		<u>30,779</u>
Tax on profit for the year		<u>0</u>
Profit for the year		<u><u>30,779</u></u>
Proposed profit appropriation		
Retained earnings		<u>30,779</u>
		<u><u>30,779</u></u>

Financial statements 24 October – 31 December

Balance sheet

DKK'000	Note	24/10 2018- 31/12 2019
ASSETS		
Fixed assets		
Property, plant and equipment		
Investment properties	4	<u>456,075</u>
Total fixed assets		<u>456,075</u>
Current assets		
Receivables		
Trade receivables		218
Receivables from subsidiaries		250
Other receivables		1,110
Prepayments		<u>221</u>
		<u>1,799</u>
Cash at bank and in hand		<u>40,971</u>
Total current assets		<u>42,770</u>
TOTAL ASSETS		<u><u>498,845</u></u>

Financial statements 24 October – 31 December

Balance sheet

DKK'000	Note	24/10 2018- 31/12 2019
EQUITY AND LIABILITIES		
Equity		
Contributed capital		50
Retained earnings		<u>30,779</u>
Total equity		<u>30,829</u>
Liabilities		
Non-current liabilities		
Mezzanine loans	5	10,455
Debt to credit institutions		209,742
Payables to shareholders		206,500
Deposits and prepaid rent		<u>13,184</u>
		<u>439,881</u>
Current liabilities		
Mezzanine loans		43
Debt to credit institutions		7,562
Trade payables		560
Other payables	6	2,683
Payables to shareholders		<u>17,287</u>
		<u>28,135</u>
Total liabilities		<u>468,016</u>
TOTAL EQUITY AND LIABILITIES		<u>498,845</u>
Mortgages and securities		
	7	
Related parties	8	

Financial statements 24 October – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 24 October 2018	50	0	50
Transferred over the profit appropriation	0	30,779	30,779
Equity at 31 December 2019	50	30,779	30,829

Financial statements 24 October – 31 December

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1 Accounting policies

The annual report of M7 EREIP V DK PropCo 1 K/S for 2018/19 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with options from higher reporting classes.

This is the entity's first financial year why there are no comparative figures.

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 expenses 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 property.

Financial expenses

Financial expenses 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 is met.

Subsequent to initial recognition, investment properties are stated at fair value. Gains 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

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Notes

1 Accounting policies (continued)

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 prices less selling costs and the carrying amount on the date of the disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, 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, write-down is made.

Prepayments

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

Cash at bank and in hand

Cash at bank and in hand comprise cash.

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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in fair value are recognised in the income statement on an ongoing basis.

Corporation tax and deferred tax

The company is not subject to taxation. Taxable income is taxed in the parent company M7 EREIP V Lux

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1 Accounting policies (continued)

Denmark HoldCo S.a.r.l

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Notes

2 Average number of employees

	24/10 2018- 31/12 2019
Average full-time employees	0

3 Financial expenses

	24/10 2018- 31/12 2019
DKK'000	
Interest expense to group entities	17,282
Other financial costs	3,126
	<u>20,408</u>

4 Property, plant and equipment

	Investment properties
DKK'000	
Cost at 24 October 2018	0
Additions for the year	426,390
Cost at 31 December 2019	<u>426,390</u>
Revaluations at 24 October 2018	0
Revaluations for the year	29,685
Revaluations at 31 December 2019	<u>29,685</u>
Carrying amount at 31 December 2019	<u><u>456,075</u></u>

The valuation was performed by CBRE, an accredited and independent 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.

Investment properties comprise of 16 logistic properties located in Denmark.

Key assumptions:

In valuation of the properties there have been applied an equivalent yield of between 6,5% and 11% with an average of 8,3%. When the non-termination lease terms of current rental agreement expires, it is assumed that the tenancies can be re-let to market rent.

Sensitivity analysis:

An increase of the equivalent yield by 0.50 percentage points would reduce the value of investment properties by DKK 19 million and a decrease of the equivalent yield by 0.50 percentage points would increase the property value by DKK 21 million at the balance sheet date.

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5 Non-current liabilities

DKK'000	Total debt at 31/12 2019	Repayment, first year	Outstanding debt after five years
Mezzanine loans	10,498	43	0
Debt to credit institutions	217,304	7,562	0
Payables to shareholders	223,787	17,287	0
Prepaid rent and deposits	13,851	0	0
	<u>465,440</u>	<u>24,892</u>	<u>0</u>

6 Derivate financial instruments

2019

DKK'000	Notional amount	Value adjustment	Fair value	Remaining term
Interest rate swap	110,473	434	969	2024

7 Mortgages and securities

Investment properties with a carrying amount of DKK 456 million at 31 December 2019 have been provided as collateral to credit institutions of DKK 217 million.

8 Related parties

M7 EREIP V DK PropCo 1 K/S is included in the consolidated financial statement of M7 European Real Estate Investment Partners V LP, The Monument Building, 11 Monument Street, London, EC3R 8AF, United Kingdom, where they can be obtained.