

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

Annual report 2020

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

25 March 2021 

Cathrine Moesgaard Albertsen
chairman

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M7 EREIP V DK PropCo 1 K/S
Annual report 2020
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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 year 1 January – 31 December 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

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 2021

On behalf of Komplementar M7 EREIP V DK 2 ApS:

Peter Drachmann

Peter Drachmann

N.C. Wedell

Niels Christian Wedell-
Wedellsborg

Mette Seifert

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 year 1 January – 31 December 2020 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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.

Emphasis of matter regarding matters in the financial statements

We draw attention to note 5 to the financial statements setting out the uncertainty related to recognition and measurement of the Company's investment properties. Our opinion is not modified in respect of this matter.

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.

Independent auditor's report

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.
- 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.



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 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'Jette Kjær Bach'.

Jette Kjær Bach
State Authorised
Public Accountant
mne19812

M7 EREIP V DK PropCo 1 K/S
Annual report 2020
CVR no. 39 96 89 40

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 |
| Registered office: | Copenhagen |
| Financial year: | 1 January – 31 December |

On behalf of Komplementar M7 EREIP V DK 2 ApS

Peter Drachmann
Niels Christian Wedell-Wedellsborg
Mette Seifert

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen
Denmark

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 2020 shows a loss of DKK -8,799 thousand as against a profit of DKK 30,779 thousand for the period 24 October 2018 - 31 December 2019. Equity in the Company's balance sheet at 31 December 2020 amounts to DKK 22,030 thousand as against DKK 30,829 thousand at 31 December 2019.

The result of the period is considered as unsatisfactory.

Uncertainty regarding measurement of investment properties

The Company's investment properties are recognized in the balance by using the income capitalization method. The valuation of the properties is from an external valuation expert. The yield requirement, vacancy assumptions and expected rental are associated with uncertainty and can therefore have a significant impact on the valuation of investment properties. Reference is made to note 5, where a sensitivity analysis is shown for changes in yield and the vacancy period.

Events after the balance sheet date

In the beginning of 2020 the Covid-19 outbreak has had significant impact on the world economy. The Covid-19 outbreak can potentially impact future cash flows and property valuations for real estate companies. The Company realised operations as planned in the financial year 2020. During the fiscal year 2020 and beginning of 2021 management do not identify any risk in regards to outstanding receivables.

The tenants in the Company's investment property could potentially also be impacted. However, it is expected that the tenant will continue to pay rent in accordance with the lease agreements. However, at this stage and given the uncertainty surrounding the disease, possible financial impact cannot be estimated and is therefore not included therein.

Financial statements 1 January – 31 December

Income statement

| DKK'000 | Note | 2020 | 24/10 2018- 31/12 2019 |
|---|------|---------|---------------------------|
| Gross profit | | 12,928 | 21,502 |
| Profit before financial income and expenses | | 12,928 | 21,502 |
| Fair value adjustment and sale of investment properties | 3 | 121 | 29,685 |
| Financial expenses | 4 | -21,848 | -20,408 |
| Profit/loss for the year | | -8,799 | 30,779 |
| Proposed result appropriation | | | |
| Retained earnings | | -8,799 | 30,779 |
| | | -8,799 | 30,779 |

Financial statements 1 January – 31 December

Balance sheet

| DKK'000 | Note | 2020 | 2019 |
|--------------------------------------|------|-----------------------|-----------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Property, plant and equipment | | | |
| Investment properties | 5 | <u>444,815</u> | <u>456,075</u> |
| Total fixed assets | | <u>444,815</u> | <u>456,075</u> |
| Current assets | | | |
| Receivables | | | |
| Trade receivables | | 2,187 | 218 |
| Receivables from subsidiaries | | 577 | 250 |
| Other receivables | | 0 | 1,110 |
| Prepayments | | <u>87</u> | <u>221</u> |
| | | <u>2,851</u> | <u>1,799</u> |
| Cash at bank and in hand | 6 | <u>48,392</u> | <u>40,971</u> |
| Total current assets | | <u>51,243</u> | <u>42,770</u> |
| TOTAL ASSETS | | <u><u>496,058</u></u> | <u><u>498,845</u></u> |

Financial statements 1 January – 31 December

Balance sheet

| DKK'000 | Note | 2020 | 2019 |
|---------------------------------------|------|----------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Contributed capital | | 50 | 50 |
| Retained earnings | | <u>21,980</u> | <u>30,779</u> |
| Total equity | | <u>22,030</u> | <u>30,829</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| | 7 | | |
| Mezzanine loans | | 10,113 | 10,455 |
| Debt to credit institutions | | 196,498 | 209,742 |
| Payables to shareholders | | 241,639 | 206,500 |
| Deposits and prepaid rent | | <u>12,934</u> | <u>13,184</u> |
| | | <u>461,184</u> | <u>439,881</u> |
| Current liabilities | | | |
| Mezzanine loans | | 180 | 43 |
| Debt to credit institutions | | 7,147 | 7,562 |
| Trade payables | | 2,346 | 560 |
| Other payables | | 3,171 | 2,683 |
| Payables to shareholders | | <u>0</u> | <u>17,287</u> |
| | | <u>12,844</u> | <u>28,135</u> |
| Total liabilities | | <u>474,028</u> | <u>468,016</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>496,058</u> | <u>498,845</u> |
| Average number of employees | 2 | | |
| Derivate financial instruments | 2 | | |
| Mortgages and collateral | 9 | | |
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Financial statements 1 January – 31 December

Statement of changes in equity

| DKK'000 | <u>Contributed capital</u> | <u>Retained earnings</u> | <u>Total</u> |
|---|--------------------------------|------------------------------|----------------------|
| Equity at 1 January 2020 | 50 | 30,779 | 30,829 |
| Transferred over the distribution of loss | <u>0</u> | <u>-8,799</u> | <u>-8,799</u> |
| Equity at 31 December 2020 | <u><u>50</u></u> | <u><u>21,980</u></u> | <u><u>22,030</u></u> |

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of M7 EREIP V DK PropCo 1 K/S for 2020 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.

Prior financial year was extended and the income statement was for the financial period 24 October 2018 to 31 December 2019.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

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 and sale of investment properties

Fair value adjustment and sale of investment properties comprise the year's changes in the fair value and result from sale of investment properties.

Financial expenses

Financial expenses comprise interest expenses, realised and unrealised capital losses on mortgage debt and losses on transactions denominated in foreign currencies.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 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 under fair value adjustment and sale of investment properties.

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 at bank.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 Denmark HoldCo S.a.r.l

Financial statements 1 January – 31 December

Notes

| DKK'000 | 2020 | 24/10 2018- 31/12 2019 |
|--|--------|---------------------------|
| 2 Average number of employees | | |
| Average number of full-time employees | 0 | 0 |
| | 0 | 0 |
| 3 Fair value adjustment and sale of investment properties | | |
| Fair value adjustment of investment properties | 21 | 29,685 |
| Sale of investment properties | 100 | 0 |
| | 121 | 29,685 |
| 4 Financial expenses | | |
| Interest expenses to group entities | 18,620 | 17,282 |
| Other financial costs | 3,228 | 3,126 |
| | 21,848 | 20,408 |
| 5 Property, plant and equipment | | |
| DKK'000 | | Investment properties |
| Cost at 1 January 2020 | | 426,390 |
| Additions for the year | | 1,369 |
| Disposals for the year | | -13,677 |
| Cost at 31 December 2020 | | 414,082 |
| Revaluations at 1 January 2020 | | 29,685 |
| Revaluations for the year | | 21 |
| Reversal of revaluations of sold property | | 1,027 |
| Revaluations at 31 December 2020 | | 30,733 |
| Carrying amount at 31 December 2020 | | 444,815 |

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.

The valuation report prepared by CBRE shows a property value of DKK 444,815 thousand.

Investment properties comprise of 15 logistic properties located in Denmark.

Key assumptions:

In valuation of the properties there have been applied an equivalent yield of between 6.25% and 8.00% with an average of 7.20%. When the non-termination lease terms of current rental agreement expires, it is assumed that the tenancies can be re-let to market rent.

Further it has been expected that vacant units of 31,388 m² will be fully leased within 9 - 15 months.

Financial statements 1 January – 31 December

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Sensitivity analysis:

An increase of the equivalent yield by 0.50 percentage points would reduce the value of investment properties by DKK 32.6 million and a decrease of the equivalent yield by 0.50 percentage points would increase the property value by DKK 37.5 million at the balance sheet date.

An increase in vacancy period of 6 months would reduce the value of the investment properties by DKK 6.1 million. An increase in vacancy period of 12 months would reduce the value of the investment properties by DKK 12.3 million.

6 Cash at bank and in hand

| DKK'000 | 2020 |
|-----------------|---------------|
| Free cash | 30,415 |
| Restricted cash | 17,977 |
| | <u>48,392</u> |

Restricted cash comprises a CAPEX facility to be released by the credit institution, provided that a tenancy improvement will result in a new lease.

7 Non-current liabilities

| DKK'000 | Total debt at 31/12 2020 | Repayment, first year | Outstanding debt after five years |
|-----------------------------|-----------------------------|--------------------------|---|
| Mezzanine loans | 10,293 | 180 | 0 |
| Debt to credit institutions | 203,645 | 7,147 | 0 |
| Payables to shareholders | 241,639 | 0 | 0 |
| Prepaid rent and deposits | 12,934 | 0 | 0 |
| | <u>468,511</u> | <u>7,327</u> | <u>0</u> |

8 Derivate financial instruments

| DKK'000 | 2020 | | | Remaining term |
|--------------------|--------------------|---------------------|------------|-------------------|
| | Notional amount | Value adjustment | Fair value | |
| Interest rate swap | 104,938 | 67 | -902 | 2024 |

9 Mortgages and collateral

Investment properties with a carrying amount of DKK 445 million at 31 December 2020 have been provided as collateral to credit institutions of DKK 204 million.

A surety bond has been issued to credit institutions for M7 EREIP V DK HoldCo K/S, concerning debt of DKK 1.8 thousand as at 31 December 2020.

Financial statements 1 January – 31 December

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10 Related party disclosures

Control

M7 EREIP V DK PropCo 1 K/S is part of the consolidated financial statements of M7 European Real Estate Investment Partners V LP, 3rd floor, 37 Esplanade, St Helier, JE1 1AD Jersey, Channel Islands, which is the smallest group, in which the Company is included as a subsidiary.

The consolidated financial statements of M7 European Real Estate Investment Partners V LP can be obtained by contacting the Company at the address above.