

M7 EREIP IV DK PropCo 2 K/S

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

CVR no. 39 37 19 36

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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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 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 IV DK3 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 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 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.

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

Independent auditor's report

- 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 IV DK PropCo 2 K/S
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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
Denmark

CVR no.:	39 37 19 36
Established:	27 February 2018
Registered office:	Copenhagen
Financial year:	1 January – 31 December

On behalf of Komplementar M7 EREIP IV DK3 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 profit of DKK 17,354 thousand as against DKK 23,520 thousand in 2019. Equity in the Company's balance sheet at 31 December 2020 amounts to DKK 121,932 thousand as against DKK 104,578 thousand at 31 December 2019.

The financial year was in line with forecast, and results for the year are considered satisfactory.

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 tenants 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	2019
Gross profit		<u>20,451</u>	<u>16,775</u>
Profit before financial income and expenses		<u>20,451</u>	<u>16,775</u>
Fair value adjustment and sale of investment properties	3	8,014	18,073
Financial expenses	4	<u>-11,111</u>	<u>-11,328</u>
Profit for the year		<u>17,354</u>	<u>23,520</u>
Proposed profit appropriation			
Retained earnings		<u>17,354</u>	<u>23,520</u>
		<u>17,354</u>	<u>23,520</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2020	2019
ASSETS			
Fixed assets			
Property, plant and equipment			
Investment properties	5	<u>345,000</u>	<u>336,463</u>
Total fixed assets		<u>345,000</u>	<u>336,463</u>
Current assets			
Receivables			
Trade receivables		2,014	1,220
Prepayments		<u>578</u>	<u>67</u>
		<u>2,592</u>	<u>1,287</u>
Cash at bank and in hand		<u>9,920</u>	<u>22,292</u>
Total current assets		<u>12,512</u>	<u>23,579</u>
TOTAL ASSETS		<u><u>357,512</u></u>	<u><u>360,042</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital		67,211	67,211
Retained earnings		54,721	37,367
Total equity		121,932	104,578
Liabilities			
Non-current liabilities			
Mezzanine loans	6	48,449	67,849
Debt to credit institutions		157,380	163,310
Payables to shareholders		8,236	4,180
Deposits and prepaid rent		9,785	9,208
		223,850	244,547
Current liabilities			
Mezzanine loans		1,046	1,394
Debt to credit institutions		5,805	5,336
Prepayments		0	554
Trade payables		1,834	292
Other payables		3,045	2,748
Payables to shareholders		0	593
		11,730	10,917
Total liabilities		235,580	255,464
TOTAL EQUITY AND LIABILITIES		357,512	360,042
Average number of employees	2		
Derivative financial instruments	6		
Contractual obligations, contingencies, etc.	7		
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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	67,211	37,367	104,578
Transferred over the profit appropriation	<u>0</u>	<u>17,354</u>	<u>17,354</u>
Equity at 31 December 2020	<u><u>67,211</u></u>	<u><u>54,721</u></u>	<u><u>121,932</u></u>

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of M7 EREIP IV DK PropCo 2 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.

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 expenses

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 gain from sale 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

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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 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 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 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, a 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 transactions costs paid.

Subsequently, these financial liabilities are measured at amortised cost.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 the 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 IV Lux Denmark HoldCo S.a.r.l.

Financial statements 1 January – 31 December

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DKK'000	<u>2020</u>	<u>2019</u>
2 Average number of employees		
Average number of full-time employees	<u>0</u>	<u>0</u>
3 Fair value adjustment and sale of investment properties		
Fair value adjustment of investment properties	<u>8,014</u>	<u>18,073</u>
	<u>8,014</u>	<u>18,073</u>
4 Financial expenses		
Interest expense to group entities	9,330	9,338
Other financial costs	<u>1,781</u>	<u>1,990</u>
	<u>11,111</u>	<u>11,328</u>
5 Property, plant and equipment		
DKK'000		<u>Investment properties</u>
Cost at 1 January 2020		305,967
Additions for the year		<u>523</u>
Cost at 31 December 2020		<u>306,490</u>
Revaluations at 1 January 2020		30,496
Revaluations for the year		<u>8,014</u>
Revaluations at 31 December 2020		<u>38,510</u>
Carrying amount at 31 December 2020		<u>345,000</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.

The valuation report prepared by CBRE shows a property value of DKK 345,000 thousand.

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 6.05% and 9.74% with an average of 6.94%. 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 2,810 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 24.9 million and a decrease of the equivalent yield by 0.50 percentage points would increase the property value by DKK 29.1 million at the balance sheet date.

Financial statements 1 January – 31 December

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6 Non-current liabilities

DKK'000	Total debt at 31/12 2020	Repayment, first year	Outstanding debt after five years
Mezzanine loans	49,495	1,046	0
Debt to credit institutions	163,185	5,805	0
Payables to shareholders	8,238	0	0
Prepaid rent and deposits	9,785	0	0
	<u>230,703</u>	<u>6,851</u>	<u>0</u>

7 Derivative financial instruments

DKK'000	2020			
	Notional amount	Value adjustment	Fair value	Remaining term
Interest rate swap	81,335	170	-342	2022

8 Contractual obligations, contingencies, etc.

The Company has provided a self-liable guarantee to credit institutions of DKK 6 million regarding M7 EREIP IV DK HoldCo K/S and M7 EREIP IV DK PropCo 1 K/S.

9 Mortgages and collateral

Investment properties with a carrying amount of DKK 345 million at 31 December 2020 have been provided as collateral for debt to credit institutions of DKK 163 million.

10 Related party disclosures

Control

M7 EREIP IV DK PropCo K/S is part of the consolidated financial statements of M7 European Real Estate Investment Partners IV LP, The Monument Building, 11 Monument Street, London, EC3R 8AF, United Kingdom, 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 IV LP can be obtained by contacting the Company at the address above