

## Aarhus Residentials Denmark AB

The company has on January 16, 2023, completed the sale of its shares in the wholly owned subsidiaries GASA E&F ApS, owner of the properties Honningvænget 91-125 and Pollenvænget 70-106, 8381 Tilst, to Round Hill Capital (RHC).



## Status on sales process

The board and Pareto have over a long period of time actively worked on reaching an agreement with the buyer, to finalize the sellers' obligations and to have the outstanding holdbacks released. This has been more challenging than expected, and in this investor letter we are providing an update on the current status.

## Rental guarantee and outstanding technical issues

### Rental Guarantee

A total of DKK 9,245,968 in rental guarantee has been charged from the buyer to cover the vacancy during the 18 months rental guarantee period. The deposited amount for the rental guarantee was DKK 7,058,686 (deposited on an escrow account at closing), calculated based upon the vacancy at signing of the SPA (approx. 40 % vacancy per December 2022), **and intended to support the buyer with vacancy challenges**, with the expectation that the occupancy would improve over the guarantee period. However, the buyer failed to improve occupancy during the guarantee period, the average vacancy **throughout the guarantee period** being 41% (with up to 55% vacancy during a single month). Therefore, the higher amount in rental guarantee has to be paid.

### Outstanding holdbacks

Outstanding holdbacks (also deposited in escrow accounts) total DKK 3,000,000 and relate to surface rust on the balconies and brass components used in water piping installations. Holdbacks do not constitute a limit on the seller's potential liability; they simply guarantee that the buyer will receive up to this amount in respect of issues to which the holdbacks relate.

## Surface rust on balconies

The repair obligation related to surface rust on the balconies has been accepted by the contractor. Throughout the dialogue with the buyer, it has been proposed that the outstanding work is carried out by the contractor in connection with the 5-year review on the buildings (Q2 2025), and in exchange for a release by the buyer to the seller of the DKK 1,500,000 holdback related thereto. However, the buyer has not agreed and has instead required further technical details. To bring this issue to a resolution an all-party site visit was carried out in February 2025. Despite these efforts, the buyer continues to delay, expressing ongoing concerns about the durability of the solution presented from the contractor. As a result, the matter has remained unresolved. Efforts to reach a solution in the near term continue.

## Brass components used in water piping installations

We have conducted lengthy discussions with the buyer regarding the issue of brass components used in water piping installations. The holdback here is for DKK 1,500,000. The buyer claims the installations in place do not comply with SBI 227 (Danish technical building instructions). The seller's position is that they do, such position being supported by the seller's technical advisor. The buyer has continued to request further assessments and is aiming for replacement of certain components. Despite the lack of agreement, efforts to reach a solution in the near term continue.

## Conclusion

Based on the higher costs, particularly related to the rental guarantee, and the high degree of uncertainty, we have to postpone the final payment until the remaining disagreements have been resolved. We are aiming for a closure and liquidation of the company in 2026, but the negotiations with the buyer are subject to significant uncertainty, and while the discussions with the buyer are dragging out, additional costs for external advisors will be incurred and without any guarantee that we can reach an agreement on the remaining holdbacks.

We will send further updates when we know more.

If there are any questions regarding the project, please feel free to contact us.

Kind regards

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