

Investeringselskabet Luxor A/S

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Announcement No 4, 2017/18

page 1 of 21

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ref. IK/ls

Interim Report as at 31 December 2017

The Supervisory Board of Investeringselskabet Luxor A/S has today adopted the Interim Report as at 31 December 2017.

First quarter 2017/18:

- Basic earnings amount to DKK 5.0 million (DKK 7.1 million), which is in line with expectations.
- The Group's results before tax show a profit of DKK 2.9 million (DKK 12.9 million).

The results are negatively affected by DKK 2.1 million relating to:

- Fair value adjustments, bonds and shares, including currency hedging, DKK -1.5 million.
- Fair value adjustments, interest swaps and mortgage credit institutes, DKK -0.6 million.

In comparison, results before tax for the first quarter 2016/17 were positively affected by gains and fair value adjustments relating to bonds and interest swaps of DKK 8.1 million. Adjusted for these items, the profit before tax amounts to DKK 5.0 million compared to DKK 4.8 million in the first quarter 2016/17.

Expected basic earnings 2017/18:

- For the financial year 2017/18, basic earnings in line with the financial year 2016/17 (DKK 24.9 million) are expected, which is in accordance with the most recent announcement made in Company Announcement No 1, 2017/18.

Fair value adjustments of bonds, foreign currencies and interest swaps, etc are not included in basic earnings and will from the beginning of the financial year until 19 February 2018 affect results for the year before tax positively by DKK 3.6 million. The amount is distributed with DKK -2.1 million in the first quarter of the financial year and DKK 5.7 million in the period 1 January to 19 February 2018.

For additional information concerning this Interim Report, please contact Jannik Rolf Larsen, CEO.

Yours faithfully
Investeringselskabet Luxor A/S

Jannik Rolf Larsen
CEO

Announcement No 4 of 28 February 2018
Interim Report for the period 1 October to 31 December 2017

Contents

| | <u>Page</u> |
|---|-------------|
| Financial Highlights of the Group | 3 |
| Interim Report..... | 4 - 9 |
| Management's Statement | 10 |
| Consolidated Statement of Comprehensive Income..... | 11 |
| Consolidated Balance Sheet | 12 - 13 |
| Statement of Changes in Equity | 14 |
| Cash Flow Statement | 15 |
| Segment Reporting | 16 |
| Significant Notes. | 17 - 21 |

Investeringselskabet Luxor A/S is a company investing shareholders' equity and debt capital in capital investments. The Company's main activities are distributed on interest-bearing claims and properties. The Company has adopted a flexible investment strategy within a number of specific investment frameworks.

The overall objective of the Group is to achieve the best possible long-term return on investments for the shareholders by investing shareholders' equity and debt capital in capital investments within the risk frameworks established.

Pursuant to the Danish Act on Alternative Investment Fund Managers, Investeringselskabet Luxor A/S is permitted to invest in mortgage deeds, bonds and properties and has been granted an exemption in respect of being permitted to manage shares received in connection with a corporate bond in the portfolio being wholly or partly converted into shares.

FINANCIAL HIGHLIGHTS OF THE GROUP

OCTOBER - DECEMBER

| <u>DKK million</u> | <u>2017/18</u> <u>Q1</u> | <u>2016/17</u> <u>Q1</u> | <u>2015/16</u> <u>Q1</u> | <u>2016/17</u> <u>Full year</u> |
|---|-----------------------------|-----------------------------|-----------------------------|------------------------------------|
| <u>Key figures</u> | | | | |
| Income..... | 12.7 | 21.4 | 4.9 | 63.7 |
| Gross earnings..... | 11.0 | 19.3 | 3.3 | 54.5 |
| Profit/loss before tax | 2.9 | 12.9 | -9.5 | 27.4 |
| Net profit/loss for the period..... | 2.3 | 10.0 | -7.4 | 20.9 |
| Basic earnings | 5.0 | 7.1 | 8.8 | 24.9 |
| Assets | 865.2 | 829.2 | 917.2 | 846.8 |
| Equity | 354.5 | 366.4 | 346.9 | 352.3 |
| Investment in property, plant and equip- ment..... | 0.3 | 0.0 | 0.1 | 0.1 |
| Profit/loss for analytical purposes: | | | | |
| Net profit/loss for the period (after tax) | <u>2.3</u> | <u>10.0</u> | <u>-7.4</u> | <u>20.9</u> |
| <u>Ratios</u> | | | | |
| <u>Values per DKK 100 share</u> | | | | |
| Earnings per share (EPS) (DKK) | 2.29 | 10.03 | -7.40 | 20.90 |
| Net asset value per share in circulation (DKK) | 354.54 | 366.38 | 346.89 | 352.25 |
| Return on equity in percentage p.a..... | 2.59 | 11.10 | -8.45 | 5.90 |
| Equity share in percentage | 40.98 | 44.19 | 37.82 | 41.60 |
| <u>Share capital</u> | | | | |
| Nominal share capital, end of period (DKK million) | 100.0 | 100.0 | 100.0 | 100.0 |
| Number of shares in circulation (DKK million)..... | 100.0 | 100.0 | 100.0 | 100.0 |
| Official price on the Stock Exchange per DKK 100 share: | | | | |
| Lowest..... | 405 | 333 | 310 | 333 |
| Highest | 440 | 355 | 355 | 440 |
| End of period..... | 415 | 350 | 350 | 408 |
| Volume of trade on the Stock Exchange, | | | | |
| number of shares | 3,605 | 2,364 | 5,718 | 14,695 |
| Listed on the Stock Exchange, number of shares | 825,000 | 825,000 | 825,000 | 825,000 |

The key figures have been calculated in accordance with "Recommendations & Ratios January 2018" issued by the Danish Society of Financial Analysts. EPS and diluted EPS are in accordance with IAS 33.

INTERIM REPORT

Basic earnings and results

The Group's basic earnings for the first quarter amount to DKK 5.0 million (DKK 7.1 million).

The lower basic earnings are primarily due to a decrease in capital gains on mortgage deeds of DKK 0.9 million and an increase of net loss/gain on mortgage deeds of DKK 1.2 million.

Basic earnings are calculated as profit/loss before tax for the period adjusted for fair value adjustments of securities, debt and foreign exchange movements.

The Group's profit before tax for the first quarter amounts to DKK 2.9 million (DKK 12.9 million).

The results for the quarter are negatively affected by fair value adjustments of DKK 2.1 million distributed with fair value adjustments relating to bonds and shares including currency hedging of DKK -1.5 million and fair value adjustments relating to interest swaps and mortgage credit institutes of DKK -0.6 million.

In comparison, results before tax for the first quarter 2016/17 were positively affected by gains and fair value adjustments relating to bonds and interest swaps of DKK 8.1 million. Adjusted for these items, the profit before tax amounts to DKK 5.0 million compared to DKK 4.8 million in the first quarter 2016/17.

After recognition of tax of DKK 0.7 million (DKK 2.9 million), the profit after tax for the period amounts to DKK 2.3 million (DKK 10.0 million).

Business areas

The Group's balance sheet, which compared with the same time last year has increased from DKK 829.2 million to DKK 865.2 million, includes the following business areas:

| | <u>2017/18</u> DKK million | <u>2016/17</u> DKK million |
|----------------------------|-------------------------------|-------------------------------|
| Mortgage deeds..... | 640.3 | 547.2 |
| Bonds | 5.6 | 42.1 |
| Shares..... | <u>1.2</u> | <u>1.7</u> |
| Total securities..... | 647.1 | 591.0 |
| Investment properties..... | <u>184.1</u> | <u>182.3</u> |
| Total..... | <u>831.2</u> | <u>773.3</u> |

Below, the individual business areas are described. The financing and the effect of currency hedging as well as currency exposure and hedging of currency risk are described in the section financing and debt.

Mortgage deeds

The fair value of the Group's portfolio of mortgage deeds amounts to DKK 640.3 million (DKK 547.2 million), and the nominal value amounts to DKK 719.6 million (DKK 619.7 million).

The total return on the portfolio of mortgage deeds for the period is specified as follows:

| | <u>2017/18</u> DKK million | <u>2016/17</u> DKK million |
|--|-------------------------------|-------------------------------|
| Interest income | 12.4 | 11.4 |
| Capital gains, mortgage deeds | 0.4 | 1.3 |
| Fair value adjustment | <u>-0.3</u> | <u>-0.6</u> |
| Gross return..... | 12.5 | 12.1 |
| Direct expenses, mortgage deeds | 0.5 | 0.2 |
| Realised and unrealised losses on mortgage deeds, bad debts recovered and gain on sale of properties acquired for the purpose of resale..... | <u>-2.4</u> | <u>-1.3</u> |
| | <u>9.6</u> | <u>10.6</u> |

Fixed-interest mortgage deeds of a nominal amount of DKK 470.2 million are measured at fair value in the balance sheet on the basis of an average effective interest rate of 8.50% p.a. (8.50% p.a.) irrespective of the term to maturity and the present market rate for new mortgage deeds at the level of 7.5% - 9.0% p.a. (7.5% - 9.0% p.a.). Fixed-interest mortgage deeds of a nominal amount of DKK 43.0 million and cibor mortgage deeds of a nominal amount of DKK 206.3 million are measured at fair value on the basis of the cost of the mortgage deeds. Adjustment for credit risk has been deducted at the fair value measurement of the portfolio of mortgage deeds.

The Group's portfolio of mortgage deeds has an average fair value per mortgage deed of kDKK 293.1 (kDKK 274.5).

Net loss/gain and direct expenses amount to DKK -2.4 million (DKK -1.3 million), which is in line with expectations.

Net loss/gain and direct expenses include:

- realised net losses on mortgage deeds and mortgage deed receivables of DKK 4.0 million (DKK 2.5 million), including adjustment to meet the credit risk on mortgage deeds, properties acquired for the purpose of resale and mortgage deed receivables;
- bad debts recovered of DKK 1.5 million (DKK 1.2 million).

The total fair value adjustment of credit risk on mortgage deeds amounts to DKK 22.0 million (DKK 14.8 million), corresponding to 3.3% (2.6%) of the portfolio.

For the current financial year, the Group expects a small increase of the mortgage deed portfolio.

Bonds

The fair value of the Group's portfolio of bonds amounts to DKK 5.6 million (DKK 42.1 million) and the nominal value amounts to DKK 22.1 million (DKK 56.4 million).

The total return on the portfolio of bonds for the period is specified as follows:

| | <u>2017/18</u> <u>DKK million</u> | <u>2016/17</u> <u>DKK million</u> |
|---|--------------------------------------|--------------------------------------|
| Interest income | 0.1 | 1.0 |
| Realised capital gains on bonds (including foreign exchange) | 0.0 | 2.8 |
| Fair value adjustment | -1.0 | 4.9 |
| Currency swaps | 0.1 | -1.8 |
| Exchange loss/gain on foreign loans etc, net | <u>0.0</u> <u>-0.9</u> | <u>-2.0</u> <u>3.9</u> |
| Return after currency hedging..... | <u>-0.8</u> | <u>4.9</u> |

The gain on bonds realised, DKK 0.0 million (DKK 2.8 million), includes a realised exchange gain of DKK 0.0 million (DKK 4.6 million), and fair value adjustments include an unrealised exchange loss of DKK 0.1 million (DKK -0.6 million).

The portfolio of bonds which is in USD has by and large been hedged with regard to currency fluctuations by means of currency swaps.

At 31 December 2017, the portfolio of bonds, with a term to maturity until 2020, comprises a total negative fair value adjustment and expected gains on redemptions of up to approx. DKK 4.0 million excluding foreign exchange provided that the portfolio of bonds is redeemed or sold at par/estimated redemption prices.

Since the closing of the financial period and until 19 February 2018, the Group has seen positive fair value adjustments of bonds of DKK 1.2 million. The fair value adjustments include an exchange loss of DKK 0.2 million.

Shares

The fair value of the Group's portfolio of shares amounts to DKK 1.2 million (DKK 1.7 million). The shares were received in connection with a reconstruction of a bond issuer where the Group's portfolio of bonds has been converted into shares.

To the extent that corporate bonds in the Parent Company's portfolio are converted into shares, the Supervisory Board has granted authority to maintain the ownership of the listed or unlisted shares for a period until the shares can be sold at a value which, in the opinion of the Parent Company, reflects the actual value of the share.

The shares which are in NOK have by and large been hedged with regard to currency fluctuations by means of currency swaps.

Currency swaps

The Group uses currency swaps with a view to hedging bonds and shares in USD and NOK.

The net movement for the period deriving from exchange adjustments of bonds and shares as well as currency swaps amounts to DKK 0.0 million (DKK 0.2 million).

Investment properties

The Group's balance sheet includes 5 (5) investment properties with a fair value of DKK 184.1 million (DKK 182.3 million).

The total return on investment properties for the period is specified as follows:

| | <u>2017/18</u> DKK million | <u>2016/17</u> DKK million |
|---|-------------------------------|-------------------------------|
| Rental income..... | 2.9 | 3.5 |
| Direct expenses, investment properties..... | <u>1.1</u> | <u>1.9</u> |
| | <u>1.8</u> | <u>1.6</u> |

The Group expects a small reduction of the property portfolio in the coming years.

Property acquired for the purpose of resale

A residential property acquired to secure a loan granted by the Group amounts to DKK 2.6 million (DKK 11.4 million).

Provision for loss on properties acquired for the purpose of resale amounts to DKK 0.2 million (DKK 0.0 million).

Financing and debt

The fair value of the Group's short-term debt to credit institutions amounts to DKK 415.7 million (DKK 349.9 million), raised in Danish kroner.

The Company has pegged the interest rate on DKK 250 million (DKK 150 million) through DKK interest swaps with a remaining duration of up to approx. 9.5 years. Fair value adjustment of interest swaps for the quarter is a negative DKK 1.0 million (DKK -1.6 million).

The total fair value adjustment of interest swaps with credit institutions is a negative DKK 5.9 million.

Since the end of the period, the Group has converted an interest swap of DKK 25 million with expiry on 17 April 2020 to expiry in 2028.

Mortgage credit loans, investment properties

The fair value of the Group's debt to mortgage credit institutes amounts to DKK 73.4 million (DKK 78.1 million).

Fair value adjustment relating to mortgage credit institutes is a positive DKK 0.1 million (DKK -1.0 million).

The Group has pegged the interest rate on DKK 39.0 million (DKK 41.2 million) through interest swaps with a duration of up to 9 years; fair value adjustment of interest swaps for mortgage credit loans for the financial year is a positive DKK 0.3 million (DKK 1.0 million).

The total fair value adjustment relating to interest swaps with mortgage credit institutes is a negative DKK 5.1 million. The amount is counterbalanced through current fair value adjustment over the term of the contract.

Risk relating to equity and market values upon change of parameter

The below table shows the sensitivity of a number of significant balance sheet items at 31 December 2017 and 31 December 2016.

| <u>DKK million</u> | <u>Increase in parameter</u> | <u>2017/18 Fair value</u> | <u>2017/18 Change of value</u> | <u>2016/17 Fair value</u> | <u>2016/17 Change of value</u> |
|----------------------------------|-------------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| Mortgage deeds | 1% effective rate of interest | 640.3 | 24.4 | 547.2 | 20.3 |
| Bonds | 10% change in value | 5.6 | 0.6 | 42.2 | 4.2 |
| Shares | 10% change in value | 1.2 | 0.1 | 1.7 | 0.2 |
| Investment properties | 0.5% yield requirement | 184.1 | 11.8 | 182.3 | 11.8 |
| Foreign currency loans | 10% change in exchange rate* | 0.0 | 0.0 | 26.4 | 2.6 |
| Securities in foreign currencies | 10% change in value | 6.7 | 0.7 | 42.2 | 4.2 |
| Interest swaps | 0.5% per cent | 11.1 | 7.9 | 12.1 | 5.7 |

* Change in exchange rate 10% for loans in NOK and USD.

It should be added that if the above parameters were to develop negatively due to an increase in interest rates, this would be counterbalanced by a certain reduction of the cash value of mortgage credit loans and interest swaps.

The Group's financial risks and financial instruments are described in note 30 to the Annual Report; see the Company's website www.luxor.dk.

Future prospects and post balance sheet events

For the financial year 2017/18, basic earnings in line with the financial year 2016/17 (DKK 24.9 million) are expected, which is in accordance with the most recent announcement made in Company Announcement No 1, 2017/18.

Fair value adjustments of bonds, foreign currencies and interest swaps, etc are not included in basic earnings and will from the beginning of the financial year until 19 February 2018 affect results for the year before tax positively by DKK 3.6 million. The amount is distributed with DKK -2.1 million in the first quarter of the financial year and DKK 5.7 million in the period 1 January to 19 February 2018.

The expectations for the future, including expectations relating to basic earnings, fair value adjustments and losses/gains on securities, are subject to risks and uncertainties such as global economic conditions, including the credit market and interest rate and foreign exchange developments. Thus, the actual development and actual results might differ significantly from the expectations.

Basis of preparation

The Interim Report has been prepared in accordance with the same accounting policies as the Annual Report 2016/17, to which we refer.

The accounting policies applied remain unchanged compared to the Annual Report at 30 September 2017.

The chosen presentation of the Interim Report as at 31 December 2017 remains unchanged compared to last year, except for reclassification of direct expenses relating to securities from other external expenses to direct expenses, securities. The comparative figures for 2016/17 have been restated so that direct expenses, securities are recognised at kDKK 195, and the same amount has been deducted from other external expenses.

The Interim Report comprises summarised consolidated financial statements of Investeringselskabet Luxor A/S.

The Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, including IAS 34 on Interim Reports, and additional Danish disclosure requirements relating to listed companies.

MANAGEMENT'S STATEMENT

The Supervisory and Executive Boards have today considered and adopted the Interim Report of Investeringselskabet Luxor A/S for the period 1 October - 31 December 2017.

The Interim Report, which comprises summarised consolidated financial statements of Investeringselskabet Luxor A/S, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, including IAS 34 on Interim Reports, and additional Danish disclosure requirements relating to listed companies.

We consider the accounting policies applied appropriate, so that the Interim Report gives a true and fair view of the financial position as at 31 December 2017 of the Group and of the results of the Group's operations and cash flows for the period 1 October - 31 December 2017.

The Interim Report has not been audited by the Company's auditor.

Copenhagen, 28 February 2018

Executive Board:

Jannik Rolf Larsen

Supervisory Board:

Steffen Heegaard

Casper Moltke
Chairman

Michael Hedegaard Lyng

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD
1 OCTOBER - 31 DECEMBER 2017

| | Note | <u>G R O U P</u> | | |
|---|------|----------------------|----------------------|-------------------------|
| | | 1/10 - 31/12 2017 | 1/10 - 31/12 2016 | 1/10 2016- 30/9 2017 |
| | | <u>DKK '000</u> | <u>DKK '000</u> | <u>DKK '000</u> |
| Financial income | 2 | 13,165 | 14,900 | 61,849 |
| Net loss/gain, mortgage deeds | 3 | -2,441 | -1,256 | -7,129 |
| Fair value adjustment of financial assets | 4 | <u>-1,570</u> | <u>4,257</u> | <u>-4,038</u> |
| | | 9,154 | 17,901 | 50,682 |
| Rental income | | 2,943 | 3,538 | 12,860 |
| Fair value adjustment of investment properties | | 0 | 0 | 114 |
| Other income | | <u>586</u> | <u>0</u> | <u>0</u> |
| | | <u>3,529</u> | <u>3,538</u> | <u>12,974</u> |
| Total income | | 12,683 | 21,439 | 63,656 |
| Direct expenses, securities | | 535 | 242 | 1,129 |
| Direct expenses, properties | | <u>1,135</u> | <u>1,885</u> | <u>8,025</u> |
| Total gross earnings | | 11,013 | 19,312 | 54,502 |
| Financial expenses | 5 | <u>3,990</u> | <u>2,826</u> | <u>12,674</u> |
| | | <u>7,023</u> | <u>16,486</u> | <u>41,828</u> |
| Other external expenses | | 797 | 857 | 3,384 |
| Other income | | 80 | 0 | 59 |
| Staff expenses | | 3,267 | 2,655 | 10,568 |
| Depreciation and amortisation | | <u>92</u> | <u>104</u> | <u>422</u> |
| | | <u>4,076</u> | <u>3,616</u> | <u>14,433</u> |
| Profit/loss before tax | | 2,947 | 12,870 | 27,395 |
| Tax on profit/loss for the period | 7 | <u>659</u> | <u>2,838</u> | <u>6,496</u> |
| NET PROFIT/LOSS FOR THE PERIOD (COMPREHENSIVE INCOME) | | <u>2,288</u> | <u>10,032</u> | <u>20,899</u> |
| Earnings per share (EPS) for A & B shares in DKK | | 2.3 | 10.0 | 20.9 |
| Earnings per share (EPS) for A & B shares in DKK (diluted value) | | 2.3 | 10.0 | 20.9 |

BALANCE SHEET AS AT 31 DECEMBER 2017

ASSETS

| | | GROUP | | |
|--|-------------|--------------------------------------|--------------------------------------|-------------------------------------|
| | <u>Note</u> | <u>31/12 2017</u> <u>DKK '000</u> | <u>31/12 2016</u> <u>DKK '000</u> | <u>30/9 2017</u> <u>DKK '000</u> |
| Fixed assets | | | | |
| Domicile properties | | 10,973 | 11,130 | 11,020 |
| Fixtures, fittings and equipment | | 876 | 990 | 855 |
| Property, plant and equipment | | 11,849 | 12,120 | 11,875 |
| Investment properties..... | | 184,104 | 182,300 | 184,104 |
| Rebuilding in progress | | 1,206 | 442 | 796 |
| Investment properties..... | | 185,310 | 182,742 | 184,900 |
| Securities | 8 | 647,067 | 590,991 | 630,644 |
| Fixed asset investments | | 647,067 | 590,991 | 630,644 |
| Deferred tax..... | 7 | 1,384 | 4,887 | 2,043 |
| Non-current assets | | 845,610 | 790,740 | 829,462 |
| Property acquired for the purpose of resale | | 2,644 | 11,406 | 2,828 |
| Other receivables | | 10,826 | 19,477 | 11,090 |
| Forward contracts and currency swaps..... | 11 | 60 | 133 | 0 |
| Prepayments | | 223 | 243 | 557 |
| Receivables | | 11,109 | 19,853 | 11,647 |
| Cash at bank and in hand..... | | 5,874 | 7,181 | 2,845 |
| Current assets | | 19,627 | 38,440 | 17,320 |
| ASSETS | | 865,237 | 829,180 | 846,782 |

BALANCE SHEET AS AT 31 DECEMBER 2017

LIABILITIES AND EQUITY

| | | GROUP | | |
|---|-------------|--------------------------------------|--------------------------------------|-------------------------------------|
| | <u>Note</u> | <u>31/12 2017</u> <u>DKK '000</u> | <u>31/12 2016</u> <u>DKK '000</u> | <u>30/9 2017</u> <u>DKK '000</u> |
| Share capital | | 100,000 | 100,000 | 100,000 |
| Proposed dividend | | 22,000 | 25,000 | 22,000 |
| Retained earnings | | <u>232,538</u> | <u>241,383</u> | <u>230,250</u> |
| Equity | | <u>354,538</u> | <u>366,383</u> | <u>352,250</u> |
| | | | | |
| Mortgage credit institutes | 9 | 66,331 | 73,301 | 68,188 |
| Forward contracts, interest swaps..... | 11 | <u>11,061</u> | <u>12,091</u> | <u>10,341</u> |
| Non-current liabilities | | <u>77,392</u> | <u>85,392</u> | <u>78,529</u> |
| | | | | |
| Mortgage credit institutes | 9 | 6,876 | 4,603 | 6,298 |
| Credit institutions | 10 | 415,716 | 349,888 | 395,365 |
| Deposits | | 3,123 | 2,997 | 2,673 |
| Corporation tax | | 57 | 2,303 | 3,116 |
| Other payables | | 4,979 | 16,796 | 6,590 |
| Forward contracts and currency swaps..... | | 0 | 0 | 31 |
| Deferred income | | <u>2,556</u> | <u>818</u> | <u>1,930</u> |
| Current liabilities | | <u>433,307</u> | <u>377,405</u> | <u>416,003</u> |
| | | | | |
| Liabilities | | <u>510,699</u> | <u>462,797</u> | <u>494,532</u> |
| | | | | |
| LIABILITIES AND EQUITY | | <u>865,237</u> | <u>829,180</u> | <u>846,782</u> |

STATEMENT OF CHANGES IN EQUITY
Group

| | Share capital A shares DKK '000 | Share capital B shares DKK '000 | Retained earnings DKK '000 | Proposed dividend DKK '000 | Total DKK '000 |
|---|--|--|----------------------------------|----------------------------------|-----------------------|
| Equity A and B shares at 1 October 2016..... | 17,500 | 82,500 | 231,351 | 25,000 | 356,351 |
| Net profit/loss for the period (comprehensive income)..... | <u>0</u> | <u>0</u> | <u>10,032</u> | <u>0</u> | <u>10,032</u> |
| Equity A and B shares at 31 December 2016..... | <u>17,500</u> | <u>82,500</u> | <u>241,383</u> | <u>25,000</u> | <u>366,383</u> |
| | | | | | |
| Equity A and B shares at 1 October 2017 | 17,500 | 82,500 | 230,250 | 22,000 | 352,250 |
| Net profit/loss for the period (comprehensive income)..... | <u>0</u> | <u>0</u> | <u>2,288</u> | <u>0</u> | <u>2,288</u> |
| Equity A and B shares at 31 December 2017..... | <u>17,500</u> | <u>82,500</u> | <u>232,538</u> | <u>22,000</u> | <u>354,538</u> |

CASH FLOW STATEMENT FOR THE PERIOD 1 OCTOBER - 31 DECEMBER 2017

| | G R O U P | |
|--|---------------------|---------------------|
| | 2017/18 DKK '000 | 2016/17 DKK '000 |
| Cash flows from operating activities | | |
| Interest received on mortgage deeds and bonds | 12,389 | 13,190 |
| Other financial income | 174 | -1,673 |
| Other income | 586 | 0 |
| Rental income..... | 3,603 | 4,151 |
| Interest payments..... | -3,742 | -3,296 |
| Operating expenses and other payments | -6,583 | -4,892 |
| Properties acquired for the purpose of resale | -17 | -2,701 |
| Corporation tax..... | -3,059 | 36 |
| Cash flows from operating activities..... | 3,351 | 4,815 |
| Cash flows from investing activities | | |
| Additions of mortgage deeds and bonds..... | -43,899 | -20,884 |
| Disposals of mortgage deeds and bonds..... | 24,413 | 71,733 |
| Deposits received..... | 479 | 6 |
| Capital investments | -476 | -443 |
| Cash flows from investing activities..... | -19,483 | 50,412 |
| Cash flows from financing activities | | |
| Raising of loans, credit institutions. | 20,352 | -48,540 |
| Repayment, mortgage credit institutes | -1,162 | -1,142 |
| Payments, subsidiaries..... | 0 | 0 |
| Deposits paid | -29 | -6 |
| Cash flows from financing activities..... | 19,161 | -49,688 |
| Net change in cash and cash equivalents..... | 3,029 | 5,539 |
| Cash and cash equivalents, beginning of period..... | 2,845 | 1,642 |
| Cash and cash equivalents, end of period..... | 5,874 | 7,181 |

SEGMENT REPORTING
Group

| | <u>Mortgage deeds</u> DKK '000 | <u>Bonds</u> DKK '000 | <u>Shares</u> DKK '000 | <u>Investment properties</u> DKK '000 | <u>Other</u> DKK '000 | <u>Total</u> DKK '000 |
|--|---------------------------------------|--------------------------|---------------------------|--|--------------------------|--------------------------|
|--|---------------------------------------|--------------------------|---------------------------|--|--------------------------|--------------------------|

| <u>Group 2017/18</u> | | | | | | |
|-----------------------------|---------|-------|-------|---------|--------|---------|
| Income (realised) | 12,908 | 257 | 0 | 2,943 | 586 | 16,694 |
| Fair value adjustment.... | -302 | -959 | -309 | 0 | 0 | -1,570 |
| Gross earnings | 9,630 | -702 | -309 | 1,808 | 586 | 11,013 |
| Assets..... | 652,449 | 5,913 | 1,180 | 160,632 | 45,063 | 865,237 |
| Capital investments..... | 43,899 | 0 | 0 | 410 | 310 | 44,619 |
| Liabilities (segments).... | 420,883 | 0 | 765 | 76,884 | 4,575 | 503,107 |

| <u>Group 2016/17</u> | | | | | | |
|-----------------------------|---------|--------|-------|---------|--------|---------|
| Income (realised) | 12,865 | 2,035 | 0 | 3,538 | 0 | 18,438 |
| Fair value adjustment.... | -625 | 4,933 | -51 | 0 | 0 | 4,257 |
| Gross earnings | 10,742 | 6,968 | -51 | 1,653 | 0 | 19,312 |
| Assets..... | 576,555 | 43,266 | 1,667 | 158,659 | 49,033 | 829,180 |
| Capital investments..... | 20,884 | 0 | 0 | 443 | 0 | 21,327 |
| Liabilities (segments).... | 341,620 | 13,108 | 1,023 | 82,327 | 4,802 | 442,880 |

Gross earnings of the segments do not include depreciation, amortisation and interest expenses. Consequently, there is an asymmetry between interest expenses and liabilities.

For a specification from gross earnings to net profit/loss for the period, please refer to the Consolidated Income Statement.

The segment mortgage deeds includes fair value adjustments relating to credit risks of kDKK 21,997 (kDKK 14,805). The financial period saw a negative fair value adjustment relating to credit risks on mortgage deeds and mortgage deed receivables of kDKK 2,377 (kDKK 2,449). Negative fair value adjustments relating to credit risks are based on an individual assessment of each claim.

For all segments, gross earnings include the item fair value adjustment, which is not a cash income/expense. The item is specified in note 4.

The liabilities in the segment reporting can be reconciled with group totals as follows:

| | Group | |
|-----------------------------|---------------------|---------------------|
| | 2017/18 DKK '000 | 2016/17 DKK '000 |
| Liabilities, segments | 503,107 | 442,880 |
| Other payables | 4,979 | 16,796 |
| Corporation tax | 57 | 2,303 |
| Deferred income | 2,556 | 818 |
| Liabilities | 510,699 | 462,797 |

GROUP

| | 2017/18 DKK '000 | 2016/17 DKK '000 |
|--|---------------------|---------------------|
|--|---------------------|---------------------|

1. Statement of basic earnings

| | | |
|-------------------------------------|--------------|--------------|
| Financial income | 13,053 | 13,893 |
| Rental income | 2,943 | 3,538 |
| Other income | 586 | 0 |
| Net loss/gain, mortgage deeds | 2,441 | 1,256 |
| Direct expenses, securities | 535 | 242 |
| Direct expenses, properties | 1,135 | 1,885 |
| Financial expenses | 3,389 | 3,299 |
| Other external expenses | 717 | 857 |
| Staff expenses | 3,267 | 2,655 |
| Depreciation and amortisation | <u>92</u> | <u>104</u> |
| Basic earnings | <u>5,006</u> | <u>7,133</u> |

2. Financial income

| | | |
|--|---------------|---------------|
| Mortgage deeds, interest | 12,429 | 11,414 |
| Bonds, interest | <u>145</u> | <u>1,028</u> |
| | 12,574 | 12,442 |
| Capital gains, mortgage deeds | 418 | 1,347 |
| Capital gains, bonds | 0 | -1,790 |
| Currency swaps | 112 | -1,777 |
| Exchange adjustments, securities | 0 | 4,574 |
| Other financial income | <u>61</u> | <u>104</u> |
| | <u>13,165</u> | <u>14,900</u> |

3. Net loss/gain and direct expenses

| | | |
|--|---------------|---------------|
| Realised net losses on mortgage deeds and mortgage deed receivables | 1,389 | 4,919 |
| Fair value adjustment of credit risk, mortgage deeds and mortgage deed receivables | -2,377 | 2,449 |
| Loss/gain on sale of properties acquired for the purpose of resale | 1 | 9 |
| Provision for losses on properties acquired for the purpose of resale | <u>200</u> | <u>0</u> |
| | -3,967 | -2,479 |
| Bad debts recovered | <u>1,526</u> | <u>1,223</u> |
| | <u>-2,441</u> | <u>-1,256</u> |

4. Fair value adjustment of financial assets

| | | |
|---|---------------|--------------|
| Fair value adjustment, mortgage deeds | -302 | -625 |
| Fair value adjustment, bonds | -959 | 4,933 |
| Fair value adjustment, shares | <u>-309</u> | <u>-51</u> |
| | <u>-1,570</u> | <u>4,257</u> |

GROUP

| | <u>2017/18</u> <u>DKK '000</u> | <u>2016/17</u> <u>DKK '000</u> |
|---|-----------------------------------|-----------------------------------|
| 5. Financial expenses | | |
| Credit institutions | 2,645 | 2,556 |
| Interest swaps, credit institutions..... | 59 | -7 |
| Interest swaps, credit institutions, fair value adjustment..... | 985 | -1,603 |
| Exchange loss/gain on foreign loans etc, net..... | <u>0</u> | <u>1,986</u> |
| | 3,689 | 2,932 |
| | | |
| Mortgage credit institutes | 366 | 429 |
| Interest swaps, mortgage credit institutes..... | 317 | 315 |
| Mortgage credit institutes, fair value adjustment | -119 | 83 |
| Interest swaps, mortgage credit institutes, fair value adjustment | -265 | -939 |
| Other interest expenses | <u>2</u> | <u>6</u> |
| | <u>3,990</u> | <u>2,826</u> |

6. Staff expenses

| | | |
|---|--------------|--------------|
| Remuneration of Supervisory Board | <u>153</u> | <u>144</u> |
| Wages and salaries | 2,933 | 2,336 |
| Defined contribution plan..... | 166 | 156 |
| Other social security expenses..... | <u>15</u> | <u>19</u> |
| Other staff, total..... | <u>3,114</u> | <u>2,511</u> |
| Total staff expenses | <u>3,267</u> | <u>2,655</u> |
| Average number of employees | <u>13</u> | <u>11</u> |

Pursuant to the Danish Act on Alternative Investment Fund Managers etc, it can be stated that the remuneration policy and practice are in accordance with the requirements concerning sound and effective risk management.

In the Parent Company, remuneration of the Executive Board and employees, a total of two persons in the financial year, who have a significant influence on the Parent Company's risk profile amounts to DKK 0.8 million (DKK 0.9 million).

7. Corporation tax

Tax on profit/loss on ordinary activities for the period is specified as follows:

| | | |
|--|---------------|---------------|
| Calculated tax 22% on profit/loss before tax for the period..... | 648 | 2,831 |
| Tax effect of: | | |
| Non-taxable income, expenses, value adjustments, etc..... | <u>11</u> | <u>7</u> |
| | <u>659</u> | <u>2,838</u> |
| Effective tax rate..... | <u>22.36%</u> | <u>22.05%</u> |

Note 7 continued:

| | G R O U P | |
|---|---------------------|---------------------|
| | 2017/18 DKK '000 | 2016/17 DKK '000 |
| Tax asset at 1 October | 27,242 | 31,446 |
| Transferred to DI-Ejendoms Invest A/S | -185 | -77 |
| Adjustment corporation tax | 0 | 360 |
| Change in deferred tax recognised in the income statement | -408 | -2,289 |
| | | |
| Tax asset at 31 December | 26,649 | 29,440 |
| | | |
| Deferred tax at 1 October | 25,199 | 24,492 |
| Change in deferred tax recognised in the income statement | 66 | 61 |
| | | |
| Deferred tax at 31 December | 25,265 | 24,553 |
| | | |
| Total tax asset at 31 December | 1,384 | 4,887 |
| | | |
| Specification tax asset: | | |
| Investment properties | -25,247 | -24,517 |
| Fixed asset investments, fair value adjustments relating to mortgage credit institutes and credit institutions, etc | 390 | 1,350 |
| Tax loss carry-forwards | 26,241 | 28,054 |
| | | |
| Tax asset | 1,384 | 4,887 |

The deferred tax asset is recognised at the tax rate which is expected to be applicable when the deferred tax is realised. The calculation has been made at 22%.

The tax asset is recognised to the extent that it is expected to be realised in the form of future taxable profits. It is assessed that the tax asset of DKK 1.4 million (DKK 4.9 million) can be realised within a short time horizon. Utilisation of the tax asset is assessed on the basis of expected stable basic earnings and gains on redemptions on the Company's portfolio of bonds and mortgage deeds.

The loss on the Group's portfolio of shares which is deductible against income from like-kind source is not recognised in the tax loss. At 31 December 2017, the loss amounts to DKK 97.6 million (DKK 97.6 million) measured on the basis of a tax rate of 22%. Utilisation of the tax loss is not time-limited.

8. Securities

The portfolio of securities in the Parent Company and the Group at 31 December 2017 is specified as follows:

| | Mortgage deeds | Bonds | Shares | Total |
|--|-------------------|---------|--------|---------|
| Total cost | 656,882 | 21,503 | 1,951 | 680,336 |
| Fair value adjustment | 5,448 | -15,949 | -771 | -11,272 |
| Fair value adjustment, credit risk | -21,997 | 0 | 0 | -21,997 |
| | | | | |
| Fair value | 640,333 | 5,554 | 1,180 | 647,067 |

Note 8 continued

| | G R O U P | |
|--|---------------------|---------------------|
| | 2017/18 DKK '000 | 2016/17 DKK '000 |
| Number of mortgage deeds..... | 2,260 | 2,047 |
| Mortgage deeds distributed on nominal value: Fixed-interest mortgage deeds: | | |
| Measured at fair value on the basis of an average effective interest rate of 8.5% p.a. (8.5% p.a.)..... | 470,235 | 399,330 |
| Measured at fair value on the basis of the cost of the mortgage deeds... | 43,030 | 45,213 |
| Total fixed-interest mortgage deeds | 513,265 | 444,543 |
| Cibor mortgage deeds, measured at fair value on the basis of the cost of the mortgage deeds | 206,318 | 175,160 |
| | 719,583 | 619,703 |

Adjustment for credit risk has been deducted at the fair value measurement of the portfolio of mortgage deeds.

At the fair value measurement, no redeemable mortgage deeds are recognised at a higher value than the nominal amount or the minimum redemption price. The difference between fair value and nominal amount is kDKK 79,250 (kDKK 72,534), of which kDKK 21,997 (kDKK 14,805) relates to fair value adjustment for credit risk.

Fair value adjustment for credit risk for the period to meet losses on mortgage deeds in default and mortgage deed receivables is a negative kDKK 2,377 (kDKK 2,449) and has been recognised in the income statement under the item net loss/gain, mortgage deeds, see note 3.

9. Mortgage credit institutes

| | | |
|--|--------|--------|
| Debt to mortgage credit institutes with mortgage on real property: | | |
| Cash loan, outstanding debt..... | 72,237 | 76,850 |
| Fair value of outstanding debt, bonds..... | 73,362 | 78,069 |
| Measurement of debt to mortgage credit institutes: | | |
| Investment properties measured at fair value | 68,632 | 73,102 |
| Domicile property measured at amortised cost | 4,575 | 4,802 |
| | 73,207 | 77,904 |

10. Credit institutions

| | | |
|--|---------|---------|
| Nominal debt to credit institutions and other loans: | | |
| Loans, credit institutions | 415,716 | 345,468 |
| Other loans..... | 0 | 4,420 |
| | 415,716 | 349,888 |

11. Forward contracts, currency swaps and interest swaps

The Group has entered into currency hedging contracts which do not qualify for hedge accounting. Currency swaps of net DKK 8.8 million (DKK 16.9 million) for the hedging of securities in foreign currencies are specified as follows:

| Currency swaps | <u>Remaining term</u> | <u>Contractual value per currency in '000</u> | <u>Hedge value DKK '000</u> | <u>Value adjustment in the income statement DKK '000</u> |
|-----------------------|-----------------------|---|-----------------------------|--|
| Group | | | | |
| 31 December 2017 | | | | |
| Currency swap | DKK/USD 0-180 days | 1,205 | 7,480 | 68 |
| Currency swap | DKK/NOK 0-180 days | 1,800 | <u>1,362</u> | <u>-8</u> |
| | | | <u>8,842</u> | <u>60</u> |

The Group has entered into interest swaps for the hedging of interest risks on floating-rate loans from mortgage credit institutes with a contractual nominal value of DKK 39.0 million (DKK 41.2 million) and loans from credit institutions with a contractual value of DKK 250.0 million (DKK 150.0 million). The interest swaps entered into do not qualify for hedge accounting.

| Interest swaps, mortgage credit institutes | <u>Contractual value per currency in million</u> | <u>Remaining term</u> | <u>Fair value DKK '000</u> | <u>Value adjustment in the income statement DKK '000</u> |
|---|--|-----------------------|----------------------------|--|
| Group | | | | |
| 31 December 2017 | | | | |
| Interest swaps cibor 6 months | DKK 22.5 million | 31.12.2027 | -4,518 | -201 |
| Interest swaps cibor 3 months | DKK 16.5 million | 31.12.2024 | <u>-611</u> | <u>-64</u> |
| | | | <u>-5,129</u> | <u>-265</u> |

Interest swaps, loans credit institutions

| | | | | |
|------------------|----------------|------------|---------------|------------|
| Group | | | | |
| 31 December 2017 | | | | |
| Interest swap | DKK 25 million | 13.03.2019 | -722 | 13 |
| Interest swap | DKK 25 million | 17.04.2020 | -347 | 8 |
| Interest swap | DKK 25 million | 03.07.2020 | -627 | 23 |
| Interest swap | DKK 50 million | 09.07.2022 | -1,906 | 23 |
| Interest swap | DKK 25 million | 29.07.2025 | -1,374 | 137 |
| Interest swap | DKK 25 million | 26.06.2025 | -193 | 123 |
| Interest swap | DKK 25 million | 26.06.2026 | -233 | 183 |
| Interest swap | DKK 50 million | 26.06.2027 | <u>-530</u> | <u>475</u> |
| | | | <u>-5,932</u> | <u>985</u> |