

Investeringselskabet Luxor A/S

Frederiksborggade 50, 4. 1360 København K
Telefon 33 32 50 15 - CVR-nr. 49 63 99 10

Nasdaq Copenhagen A/S
Nikolaj Plads 6
PO Box 1040
DK-1007 Copenhagen K

Announcement No 5, 2017/18

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date 28 May 2018
ref. IK/nn

Half-year Report as at 31 March 2018

The Supervisory Board of Investeringselskabet Luxor A/S has today adopted the Half-year Report as at 31 March 2018.

Second quarter 2017/18:

- Basic earnings amount to DKK 4.2 million (DKK 5.9 million).

The lower basic earnings are primarily due to increased net losses on mortgage deeds (DKK 1.1 million) and direct expenses relating to investment properties (DKK 0.8 million).

- The Group's profit before tax amounts to DKK 6.5 million (DKK 10.5 million).

Half-year 2017/18:

- Basic earnings for the half-year amount to DKK 9.2 million (DKK 13.1 million).

Basic earnings for the half-year are negatively affected by an increase in net losses on mortgage deeds (DKK 2.3 million), a decrease in rental income (DKK 0.8 million) and an increase in financial expenses (DKK 0.5 million).

- The Group's results before tax for the half-year show a profit of DKK 9.4 million (DKK 23.4 million).

For the half-year 2017/18, results before tax are affected by gains and fair value adjustments of DKK 0.2 million relating to bonds and shares as well as interest swaps; similarly, results before tax for the half-year 2016/17 were positively affected by DKK 10.3 million. Adjusted for these items, profit before tax amounts to DKK 9.2 million for the half-year 2017/18 compared to DKK 13.1 million for the half-year 2016/17.

Expected basic earnings 2017/18:

- For the financial year 2017/18, basic earnings in line with the financial year 2016/17 are expected (DKK 24.9 million), which is in accordance with the most recent announcement made in Company Announcement No 4, 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 17 May 2018 affect results for the year before tax positively by DKK 0.5 million. The amount is distributed with DKK 0.2 million for the half-year and DKK 0.3 million for the period 1 April to 17 May 2018.

For additional information concerning this Half-year Report, please contact Jannik Rolf Larsen, CEO.

Announcement No 5 of 28 May 2018
Half-year Report for the period 1 October 2017 to 31 March 2018

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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 - MARCH			
<u>DKK million</u>	<u>2017/18</u> <u>half-year</u>	<u>2016/17</u> <u>half-year</u>	<u>2015/16</u> <u>half-year</u>	<u>2016/17</u> <u>full year</u>
<u>Key figures</u>				
Income.....	29.8	40.7	20.1	63.7
Gross earnings.....	24.7	36.1	16.6	55.6
Profit/loss before tax	9.4	23.4	-4.0	27.4
Net profit/loss for the period.....	7.3	18.2	-3.1	20.9
Basic earnings	9.2	13.1	14.5	24.9
Assets	869.8	811.6	885.1	846.8
Equity	337.6	349.6	331.2	352.3
Investment in property, plant and equipment.....	0.3	0.0	0.1	0.1
Profit/loss for analytical purposes:				
Net profit/loss for the period (after tax).....	<u>7.3</u>	<u>18.2</u>	<u>-3.1</u>	<u>20.9</u>
<u>Ratios</u>				
<u>Values per DKK 100 share</u>				
Earnings per share (EPS) (DKK)	7.31	18.21	-3.12	20.90
Net asset value per share in circulation (DKK)	337.56	349.56	331.17	352.25
Return on equity in percentage p.a.....	4.24	10.32	-1.82	5.90
Equity share in percentage	38.81	43.07	37.42	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.....	401	333	310	333
Highest	460	420	360	440
End of period.....	424	385	322	408
Volume of trade on the Stock Exchange,				
number of shares	7,953	7,512	11,803	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.

HALF-YEAR REPORT

Basic earnings and results

The Group's basic earnings for the half-year amount to DKK 9.2 million (DKK 13.1 million).

The lower basic earnings are primarily due to an increase in net losses on mortgage deeds of DKK 2.3 million, a decrease in rental income of DKK 0.8 million and an increase in financial expenses of DKK 0.5 million.

Basic earnings are calculated as profit before tax for the half-year adjusted for fair value adjustments of securities, debt, interest swaps and foreign exchange movements.

The Group's profit before tax for the half-year amounts to DKK 9.4 million (DKK 23.4 million).

Besides basic earnings, results before tax for the half-year are positively affected by DKK 0.2 million, which is distributed with DKK -0.1 million relating to fair value adjustments and losses on bonds and shares, including currency hedging, and DKK 0.3 million relating to fair value adjustments of interest swaps and mortgage credit institutes.

Similarly, results before tax for the half-year 2016/17 were positively affected by DKK 10.3 million relating to losses and fair value adjustments of bonds and shares as well as interest swaps. Adjusted for these items, profit before tax for the half-year 2016/17 amounts to DKK 13.1 million; similarly, profit before tax for the half-year 2017/18 amounts to DKK 9.2 million.

After recognition of tax of DKK 2.1 million (DKK 5.2 million), profit after tax for the half-year amounts to DKK 7.3 million (DKK 18.2 million).

Business areas

The Group's balance sheet, which compared with the same time last year has increased from DKK 811.6 million to DKK 869.8 million, includes the following business areas:

	<u>2017/18</u> <u>DKK million</u>	<u>2016/17</u> <u>DKK million</u>
Mortgage deeds.....	647.6	562.0
Bonds	2.2	25.3
Shares.....	<u>0.9</u>	<u>1.7</u>
Total securities.....	650.7	589.0
Investment properties.....	<u>184.1</u>	<u>182.3</u>
 Total.....	 <u>834.8</u>	 <u>771.3</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 647.6 million (DKK 562.0 million), and the nominal value amounts to DKK 723.8 million (DKK 632.5 million).

Return on the portfolio of mortgage deeds for the half-year is specified as follows:

	<u>2017/18</u> DKK million	<u>2016/17</u> DKK million
Interest income	25.0	22.5
Capital gains, mortgage deeds	2.5	3.3
Fair value adjustment	<u>-0.5</u>	<u>-0.2</u>
Gross return.....	27.0	25.6
Direct expenses, mortgage deeds	1.0	0.5
Realised and unrealised losses on mortgage deeds, bad debts recovered and gain on sale of properties acquired for the purpose of resale	<u>-5.2</u>	<u>-2.8</u>
	<u>20.8</u>	<u>22.3</u>

Fixed-interest mortgage deeds of a nominal amount of DKK 476.1 million have been measured in the balance sheet at fair value 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 41.8 million and cibor mortgage deeds of a nominal amount of DKK 205.9 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 295.9 (kDKK 281.1).

Net loss/gain, mortgage deeds amounts to DKK -5.2 million (DKK -2.8 million), which is higher than expected.

Net loss/gain, mortgage deeds includes:

- realised net losses on mortgage deeds and mortgage deed receivables of DKK 8.2 million (DKK 5.2 million), including adjustment to meet credit risk on mortgage deeds, properties acquired for the purpose of resale and mortgage deed receivables;
- bad debts recovered of DKK 3.1 million (DKK 2.4 million).

The total fair value adjustment of credit risk on mortgage deeds amounts to DKK 20.6 million (DKK 15.4 million), corresponding to 3.1% (2.7%) of the portfolio.

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

Bonds

The fair value of the Group's bond in Seadrill Ltd. (nom. USD 1.8 million) amounts to DKK 2.2 million.

Return on the portfolio of bonds for the half-year is specified as follows:

	<u>2017/18</u> DKK million	<u>2016/17</u> DKK million
Interest income	0.2	1.7
Realised capital gains on bonds (including foreign exchange)	-6.9	5.0
Fair value adjustment	7.4	6.2
Currency swaps	0.2	-1.7
Exchange loss/gain on foreign loans etc, net	<u>0.0</u> <u>0.7</u>	<u>-1.7</u> <u>7.8</u>
Return after currency hedging.....	<u>0.9</u>	<u>9.5</u>

The loss on bonds realised, DKK 6.9 million (DKK 5.0 million), includes a realised exchange loss of DKK 0.3 million (DKK 8.2 million), and fair value adjustments include an unrealised exchange loss of DKK 0.0 million (DKK -4.5 million).

The bond is in USD and has by and large been hedged with regard to currency fluctuations by means of a currency swap.

Since the closing of the financial period and until 17 May 2018, the Group has seen negative fair value adjustments of bonds of DKK 0.5 million.

Shares

The fair value of the Group's portfolio of shares amounts to DKK 0.9 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 was 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 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 half-year deriving from exchange adjustments of bonds and shares as well as currency swaps amounts to DKK 0.1 million (DKK 0.3 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).

Return on investment properties for the half-year is specified as follows:

	<u>2017/18</u> <u>DKK million</u>	<u>2016/17</u> <u>DKK million</u>
Rental income.....	6.0	6.9
Direct expenses, investment properties.....	<u>4.1</u>	<u>4.0</u>
	<u>1.9</u>	<u>2.9</u>

A considerable share of the direct expenses paid relates to the re-letting of a vacant rental unit.

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 loans granted by the Group amounts to DKK 2.5 million (DKK 6.5 million).

Provision for losses on properties acquired for the purpose of resale amounts to DKK 0.4 million (DKK 2.6 million).

The Group has sold the above-mentioned property in the period after 31 March 2018.

Financing and debt

The fair value of the Group's short-term debt to credit institutions amounts to DKK 440.7 million (DKK 360.9 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. 9.25 years. Fair value adjustment of interest swaps for the half-year is a negative DKK 0.1 million (DKK 2.1 million).

The total fair value adjustment of interest swaps with credit institutions is a negative DKK 5.1 million.

During the quarter, an interest swap of DKK 25 million maturing on 17 April 2020 has been converted to maturity in 2028.

Mortgage credit loans, investment properties

The fair value of the Group's debt to mortgage credit institutes amounts to DKK 71.6 million (DKK 77.0 million).

Fair value adjustment of mortgage credit institutes is a positive DKK 0.2 million (DKK -0.2 million).

The Group has pegged the interest rate on DKK 38,0 million (DKK 40,7 million) through interest swaps with a duration of up to 8.75 years. Fair value adjustment of interest swaps for mortgage credit loans for the half-year is a positive DKK 0.6 million (DKK 1.3 million).

The total fair value adjustment of interest swaps with mortgage credit institutes is a negative DKK 4.8 million. The amount is counterbalanced through current fair value adjustments 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 March 2018 and 31 March 2017.

<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	647.6	24.7	562.0	21.4
Bonds	10% change in value	2.2	0.2	25.3	0.5
Shares	10% change in value	0.9	0.1	1.7	0.2
Investment properties	0.5% yield requirement	184.1	11.8	182.3	11.8
Foreign currency loans	Change in exchange rate *	0.0	0.0	11.5	1.2
Securities in foreign currencies	10% change in value	3.1	0.3	27.0	2.7
Interest swaps	0.5% per cent	9.9	9.2	11.2	7.3

* 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 raised.

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 are expected (DKK 24.9 million), which is in accordance with the most recent announcement made in Company Announcement No 4, 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 17 May 2018 affect results for the year before tax positively by DKK 0.5 million. The amount is distributed with DKK 0.2 million for the half-year and DKK 0.3 million for the period 1 April to 17 May 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 Half-year Report has been prepared in accordance with the same accounting policies as the Annual Report 2016/17, to which we refer.

The accounting policies remain unchanged from those applied in the Annual Report as at 30 September 2017.

The chosen presentation of the Half-year Report as at 31 March 2018 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 537, and the same amount has been deducted from other external expenses.

The Half-year Report comprises summarised consolidated financial statements of Investeringsselskabet Luxor A/S.

The Half-year 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 Half-year Report of Investeringselskabet Luxor A/S for the period 1 October 2017 - 31 March 2018.

The Half-year 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 Half-year Report gives a true and fair view of the financial position as at 31 March 2018 of the Group and of the results of the Group's operations and cash flows for the period 1 October 2017 - 31 March 2018.

The Half-year Report has not been audited by the Company's auditor.

Copenhagen, 28 May 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 2017 - 31 MARCH 2018

		G R O U P				
		1/1 - 31/3 2018	1/1 - 31/3 2017	1/10 2017 - 31/3 2018	1/10 2016 - 31/3 2017	1/10 2016 - 30/9 2017
Note		<u>DKK '000</u>	<u>DKK '000</u>	<u>DKK '000</u>	<u>DKK '000</u>	<u>DKK '000</u>
Income						
	2	7,950	15,715	21,115	30,615	61,849
	3	-2,725	-1,563	-5,166	-2,819	-7,129
	4	<u>8,264</u>	<u>1,754</u>	<u>6,694</u>	<u>6,011</u>	<u>-4,038</u>
		<u>13,489</u>	<u>15,906</u>	<u>22,643</u>	<u>33,807</u>	<u>50,682</u>
		3,076	3,328	6,019	6,866	12,860
		566	0	1,152	0	0
		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>114</u>
		<u>3,642</u>	<u>3,328</u>	<u>7,171</u>	<u>6,866</u>	<u>12,974</u>
		17,131	19,234	29,814	40,673	63,656
		503	295	1,038	537	1,129
		<u>2,939</u>	<u>2,164</u>	<u>4,074</u>	<u>4,049</u>	<u>8,025</u>
		13,689	16,775	24,702	36,087	54,502
	5	<u>2,920</u>	<u>2,336</u>	<u>6,910</u>	<u>5,162</u>	<u>12,674</u>
		<u>10,769</u>	<u>14,439</u>	<u>17,792</u>	<u>30,925</u>	<u>41,828</u>
		797	946	1,594	1,803	3,384
		0	0	80	0	59
	6	3,418	2,888	6,685	5,543	10,568
		<u>103</u>	<u>105</u>	<u>195</u>	<u>209</u>	<u>422</u>
		<u>4,318</u>	<u>3,939</u>	<u>8,394</u>	<u>7,555</u>	<u>14,433</u>
		6,451	10,500	9,398	23,370	27,395
	7	<u>1,430</u>	<u>2,324</u>	<u>2,089</u>	<u>5,162</u>	<u>6,496</u>
NET PROFIT/LOSS FOR THE PERIOD (COMPREHENSIVE INCOME)						
		<u>5,021</u>	<u>8,176</u>	<u>7,309</u>	<u>18,208</u>	<u>20,899</u>
		5.0	8.2	7.3	18.2	20.9
		5.0	8.2	7.3	18.2	20.9

BALANCE SHEET AS AT 31 MARCH 2018

ASSETS

	<u>Note</u>	<u>GROUP</u>		
		<u>31/3 2018</u> <u>DKK '000</u>	<u>31/3 2017</u> <u>DKK '000</u>	<u>30/9 2017</u> <u>DKK '000</u>
Fixed assets				
Domicile properties		10,926	11,083	11,020
Fixtures, fittings and equipment		<u>820</u>	<u>932</u>	<u>855</u>
Property, plant and equipment		<u>11,746</u>	<u>12,015</u>	<u>11,875</u>
Investment properties.....		184,104	182,300	184,104
Rebuilding in progress		<u>1,739</u>	<u>1,854</u>	<u>796</u>
Investment properties.....		<u>185,843</u>	<u>184,154</u>	<u>184,900</u>
Securities	8	<u>650,707</u>	<u>588,971</u>	<u>630,644</u>
Fixed asset investments		<u>650,707</u>	<u>588,971</u>	<u>630,644</u>
Deferred tax.....	7	<u>27</u>	<u>3,241</u>	<u>2,043</u>
Non-current assets		<u>848,323</u>	<u>788,381</u>	<u>829,462</u>
Property acquired for the purpose of resale		<u>2,454</u>	<u>6,502</u>	<u>2,828</u>
Other receivables		10,502	7,683	11,090
Corporation tax		54	0	0
Prepayments		<u>534</u>	<u>613</u>	<u>557</u>
Receivables		<u>11,090</u>	<u>8,296</u>	<u>11,647</u>
Cash at bank and in hand.....		<u>7,961</u>	<u>8,467</u>	<u>2,845</u>
Current assets		<u>21,505</u>	<u>23,265</u>	<u>17,320</u>
ASSETS		<u>869,828</u>	<u>811,646</u>	<u>846,782</u>

BALANCE SHEET AS AT 31 MARCH 2018

LIABILITIES AND EQUITY

		GROUP		
	<u>Note</u>	<u>31/3 2018</u>	<u>31/3 2017</u>	<u>30/9 2017</u>
		<u>DKK '000</u>	<u>DKK '000</u>	<u>DKK '000</u>
Share capital		100,000	100,000	100,000
Proposed dividend		0	0	22,000
Retained earnings		<u>237,559</u>	<u>249,559</u>	<u>230,250</u>
Equity		<u>337,559</u>	<u>349,559</u>	<u>352,250</u>
Mortgage credit institutes	9	64,562	71,681	68,188
Interest swaps	11	<u>9,886</u>	<u>11,219</u>	<u>10,341</u>
Non-current liabilities		<u>74,448</u>	<u>82,900</u>	<u>78,529</u>
Mortgage credit institutes	9	6,888	5,164	6,298
Credit institutions	10	440,685	360,905	395,365
Deposits		3,149	2,387	2,673
Corporation tax		0	2,916	3,116
Other payables		5,086	5,162	6,590
Currency swaps	11	84	26	31
Deferred income		<u>1,929</u>	<u>2,627</u>	<u>1,930</u>
Current liabilities		<u>457,821</u>	<u>379,187</u>	<u>416,003</u>
Liabilities		<u>532,269</u>	<u>462,087</u>	<u>494,532</u>
LIABILITIES AND EQUITY		<u>869,828</u>	<u>811,646</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 & B shares at 1 October 2016.....	17,500	82,500	231,351	25,000	356,351
Dividend paid	0	0	0	-25,000	-25,000
Net profit/loss for the period (comprehensive income).....	<u>0</u>	<u>0</u>	<u>18,208</u>	<u>0</u>	<u>18,208</u>
Equity A & B shares at 31 March 2017	<u>17,500</u>	<u>82,500</u>	<u>249,559</u>	<u>0</u>	<u>349,559</u>
Equity A & B shares at 1 October 2017	17,500	82,500	230,250	22,000	352,250
Dividend paid	0	0	0	-22,000	-22,000
Net profit/loss for the period (comprehensive income).....	<u>0</u>	<u>0</u>	<u>7,309</u>	<u>0</u>	<u>7,309</u>
Equity A & B shares at 31 March 2018	<u>17,500</u>	<u>82,500</u>	<u>237,559</u>	<u>0</u>	<u>337,559</u>

CASH FLOW STATEMENT FOR THE PERIOD 1 OCTOBER 2017 - 31 MARCH 2018

	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	25,254	25,571
Other financial income	417	-1,399
Other income	1,152	0
Rental income.....	6,637	7,435
Interest payments.....	-7,738	-6,459
Operating expenses and other payments	-14,601	-9,516
Properties acquired for the purpose of resale	-428	4,251
Corporation tax.....	-3,243	-29
Cash flows from operating activities.....	7,450	19,854
 Cash flows from investing activities		
Additions of mortgage deeds.....	-84,405	-56,926
Disposals of mortgage deeds and bonds.....	62,160	110,878
Deposits received.....	537	30
Capital investments	-1,010	-1,853
Cash flows from investing activities.....	-22,718	52,129
 Cash flows from financing activities		
Raising of loans, credit institutions.	45,320	-37,228
Repayment, credit institutions	-2,875	-2,289
Dividend.....	-22,000	-25,000
Deposits paid	-61	-641
Cash flows from financing activities.....	20,384	-65,158
Net change in cash and cash equivalents.....	5,116	6,825
Cash and cash equivalents, beginning of period.....	2,845	1,642
Cash and cash equivalents, end of period.....	7,961	8,467

SEGMENT REPORTING

Group

	Mortgage deeds DKK '000	Bonds DKK '000	Shares DKK '000	Investment properties DKK '000	Other DKK '000	Total DKK '000
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<u>Group 2017/18</u>						
Income (realised)	27,690	-6,466	-109	6,019	1,152	28,286
Fair value adjustment....	-479	7,413	-240	0	0	6,694
Gross earnings	21,007	947	-349	1,945	1,152	24,702
Assets.....	659,461	2,218	910	161,504	45,735	869,828
Capital investments.....	84,405	0	0	943	310	85,658
Liabilities (segments)....	445,124	0	618	74,911	4,517	525,170

<u>Group 2016/17</u>						
Income (realised)	26,129	5,054	-568	6,866	0	37,481
Fair value adjustment....	-183	6,238	-44	0	0	6,011
Gross earnings	22,590	11,292	-612	2,817	0	36,087
Assets.....	574,570	25,747	1,674	160,410	49,245	811,646
Capital investments.....	55,061	1,865	0	1,853	0	58,779
Liabilities (segments)....	359,098	6,142	1,054	80,317	4,745	451,356

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 20,620 (kDKK 15,358). The financial period saw a negative fair value adjustment relating to credit risks on mortgage deeds and mortgage deed receivables of kDKK 901 (kDKK 2,536). 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	525,170	451,356
Other payables	5,086	5,162
Corporation tax	0	2,916
Interest and currency swaps.....	84	26
Deferred income	1,929	2,627
Liabilities	532,269	462,087

GROUP

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

1. Statement of basic earnings

Financial income	27,881	27,875
Rental income	6,019	6,866
Other income	1,152	0
Net loss/gain, mortgage deeds	-5,166	-2,819
Direct expenses, securities	1,038	537
Direct expenses, properties	4,074	4,049
Financial expenses	7,181	6,716
Other external expenses	1,514	1,804
Staff expenses	6,685	5,543
Depreciation and amortisation	<u>195</u>	<u>208</u>
Basic earnings	<u>9,199</u>	<u>13,065</u>

2. Financial income

Mortgage deeds, interest	25,034	22,525
Bonds, interest	<u>191</u>	<u>1,746</u>
	25,225	24,271
Capital gains, mortgage deeds	2,482	3,323
Capital gains, bonds	-6,636	-3,258
Capital gain, shares	-79	-568
Currency swaps	243	-1,679
Exchange adjustments, securities	-294	8,245
Other financial income	<u>174</u>	<u>281</u>
	<u>21,115</u>	<u>30,615</u>

3. Net loss/gain and direct expenses

Realised net losses on mortgage deeds and mortgage deed receivables	6,532	9,802
Fair value adjustment of credit risk, mortgage deeds and mortgage deed receivables	-901	2,536
Loss/gain relating to properties acquired for the purpose of resale	-10	-561
Expenses relating to the sale of mortgages in default	392	0
Provision for losses on properties acquired for the purpose of resale	<u>-400</u>	<u>2,600</u>
	-8,235	-5,227
Bad debts recovered	<u>3,069</u>	<u>2,408</u>
	<u>-5,166</u>	<u>-2,819</u>

4. Fair value adjustment of financial assets

Fair value adjustment, mortgage deeds	-479	-183
Fair value adjustment, bonds	7,413	6,238
Fair value adjustment, shares	<u>-240</u>	<u>-44</u>
	<u>6,694</u>	<u>6,011</u>

GROUP

	<u>2017/18</u>	<u>2016/17</u>
	<u>DKK '000</u>	<u>DKK '000</u>

5. Financial expenses

Credit institutions	5,371	4,876
Interest swaps, credit institutions.....	807	347
Interest swaps, credit institutions, fair value adjustment.....	110	-2,076
Exchange loss/gain on foreign loans etc, net.....	<u>-2</u>	<u>1,692</u>
	6,286	4,839
Mortgage credit institutes	721	852
Interest swaps, mortgage credit institutes.....	629	628
Mortgage credit institutes, fair value adjustment	-163	168
Interest swaps, mortgage credit institutes, fair value adjustment	-565	-1,337
Other interest expenses	<u>2</u>	<u>12</u>
	<u>6,910</u>	<u>5,162</u>

6. Staff expenses

Remuneration of Supervisory Board	<u>305</u>	<u>288</u>
Wages and salaries	5,938	4,902
Defined contribution plan.....	402	314
Other social security expenses.....	<u>40</u>	<u>39</u>
Other staff, total.....	<u>6,380</u>	<u>5,255</u>
Total staff expenses	<u>6,685</u>	<u>5,543</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 financial year, remuneration of the Executive Board and employees in the Parent Company (a total of two persons) who have a significant influence on the Parent Company's risk profile amounts to DKK 1.6 million (DKK 1.9 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.....	2,068	5,141
Tax effect of:		
Non-taxable income, expenses, value adjustments, etc.....	<u>21</u>	<u>21</u>
	<u>2,089</u>	<u>5,162</u>
Effective tax rate.....	<u>22.23%</u>	<u>22.09%</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	-389	-234
Adjustment corporation tax	0	360
Change in deferred tax recognised in the income statement	-1,493	-3,707
Tax asset at 31 March.....	25,360	27,865
Deferred tax at 1 October	25,199	24,492
Change in deferred tax recognised in the income statement	134	132
Deferred tax at 31 March.....	25,333	24,624
Total tax asset at 31 March.....	27	3,241
Specification tax asset:		
Investment properties	-25,314	-24,590
Fixed asset investments, fair value adjustments relating to mortgage credit institutes and credit institutions, etc	422	794
Tax loss carry-forwards	24,919	27,037
Tax asset.....	27	3,241

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 0.0 million (DKK 3.2 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 March 2018, 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 March 2018 is specified as follows:

	Mortgage deeds	Bonds	Shares	Total
Total cost	662,929	9,794	1,612	674,335
Fair value adjustment	5,270	-7,576	-702	-3,008
Fair value adjustment, credit risk	-20,620	0	0	-20,620
Fair value.....	647,579	2,218	910	650,707

Note 8 continued

	G R O U P	
	2017/18 DKK '000	2016/17 DKK '000
Number of mortgage deeds.....	2,258	2,054
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.).....	476,103	416,569
Measured at fair value on the basis of the cost of the mortgage deeds...	41,788	43,126
Total fixed-interest mortgage deeds	517,891	459,695
Cibor mortgage deeds, measured at fair value on the basis of the cost of the mortgage deeds	205,883	172,785
	723,774	632,480

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 76,195 (kDKK 70,493), of which kDKK 20,620 (kDKK 15,358) 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 901 (kDKK 2,536) 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.....	70,524	75,704
Fair value of outstanding debt, bonds.....	71,601	77,011
Measurement of debt to mortgage credit institutes:		
Investment properties measured at fair value	66,933	72,100
Domicile property measured at amortised cost	4,517	4,745
	71,450	76,845

10. Credit institutions

Nominal debt to credit institutions and other loans:

Loans, credit institutions	440,685	356,485
Other loans.....	0	4,420
	440,685	360,905

11. Currency and interest swaps

The Group has entered into currency hedging contracts which do not qualify for hedge accounting. Currency swaps of net DKK 8.4 million (DKK 14.6 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 March 2018				
Currency swap	DKK/USD 0-180 days	1,200	7,212	83
Currency swap	DKK/NOK 0-180 days	1,500	<u>1,159</u>	<u>1</u>
			<u>8,371</u>	<u>84</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 38.0 million (DKK 40.7 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 March 2018				
Interest swaps cibor 6 months	DKK 22.0 million	31.12.2027	-4,267	452
Interest swaps cibor 3 months	DKK 16.0 million	31.12.2024	<u>-562</u>	<u>113</u>
			<u>-4,829</u>	<u>565</u>
Interest swaps, loans credit institutions				
Group				
31 March 2018				
Interest swap	DKK 25 million	13.03.2019	-372	337
Interest swap	DKK 25 million	17.04.2020	0	339
Interest swap	DKK 25 million	03.07.2020	-647	-42
Interest swap	DKK 50 million	09.07.2022	-1,923	-40
Interest swap	DKK 25 million	29.07.2025	-1,284	-48
Interest swap	DKK 25 million	26.06.2025	-118	-48
Interest swap	DKK 25 million	26.06.2026	-137	-86
Interest swap	DKK 50 million	26.06.2027	-311	-257
Interest swap	DKK 25 million	25.01.2028	<u>-265</u>	<u>-265</u>
			<u>-5,057</u>	<u>-110</u>