

Investeringselskabet Luxor A/S

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Announcement No 6, 2017/18

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Interim Report as at 30 June 2018

The Supervisory Board of Investeringselskabet Luxor A/S has today adopted the Interim Report as at 30 June 2018.

Third quarter 2017/18:

- Basic earnings amount to DKK 9.2 million (DKK 5.8 million).

The higher basic earnings are primarily attributable to:

- lower losses and provisions relating to mortgage deeds (DKK 1.7 million)
 - an increase in net income from investment properties (DKK 1.6 million)
 - an increase in net interest income (DKK 0.7 million)
- The Group's profit before tax amounts to DKK 6.4 million (DKK -0.9 million).

Interim period 2017/18:

- Basic earnings for the period amount to DKK 18.4 million (DKK 18.9 million).
- The Group's results before tax for the period show a profit of DKK 15.8 million (DKK 22.5 million).

Results before tax for the period are negatively affected by fair value adjustments and losses relating to bonds and shares as well as interest swaps of DKK 2.6 million; similarly, results before tax for the period 2016/17 were positively affected by DKK 3.6 million. Adjusted for these items, profit before tax amounts to DKK 18.4 million for the period 2017/18 compared to DKK 18.9 million for the period 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 5, 2017/18 of 28 May 2018.

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 16 August 2018 affect results for the year before tax negatively by DKK 2.1 million. The amount is distributed with DKK -2.6 million for the period and DKK 0.5 million for the period 1 July to 16 August 2018.

For additional information concerning this Interim Report, please contact Jannik Rolf Larsen, CEO (tel: +45 33325015).

Announcement No 6 of 27 August 2018
Interim Report for the period 1 October 2017 to 30 June 2018

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 - 22

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

	<u>OCTOBER - JUNE</u>			
<u>DKK million</u>	<u>2017/18</u> <u>Q1-Q3</u>	<u>2016/17</u> <u>Q1-Q3</u>	<u>2015/16</u> <u>Q1-Q3</u>	<u>2016/17</u> <u>full year</u>
<u>Key figures</u>				
Income.....	48.4	48.5	57.1	63.7
Gross earnings.....	41.6	40.5	52.0	54.5
Profit/loss before tax	15.8	22.5	19.3	27.4
Net profit/loss for the period.....	12.3	17.5	15.0	20.9
Basic earnings	18.4	18.9	24.3	24.9
Assets	863.6	842.0	901.1	846.8
Equity	342.6	348.8	349.3	352.3
Investment in property, plant and equipment.....	0.3	0.0	0.4	0.1
Profit/loss for analytical purposes:				
Net profit/loss for the period (after tax)	<u>12.3</u>	<u>17.5</u>	<u>15.0</u>	<u>20.9</u>
<u>Ratios</u>				
<u>Values per DKK 100 share</u>				
Earnings per share (EPS) (DKK)	12.31	17.49	15.04	20.90
Net asset value per share in circulation (DKK)	342.56	348.85	349.34	352.25
Return on equity in percentage p.a.....	4.72	6.62	5.70	5.90
Equity share in percentage	39.67	41.43	38.77	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.....	414	333	310	333
Highest	460	420	360	440
End of period.....	401	400	316	408
Volume of trade on the Stock Exchange,				
number of shares	11,361	11,886	12,970	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 period amount to DKK 18.4 million (DKK 18.9 million).

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

The Group's profit before tax for the period amounts to DKK 15.8 million (DKK 22.5 million).

Besides basic earnings, results before tax for the period are negatively affected by DKK 2.6 million, which is distributed with DKK 1.2 million relating to fair value adjustments and losses on bonds and shares, including currency hedging, and DKK 1.4 million relating to fair value adjustments of interest swaps and mortgage credit institutes.

Similarly, results before tax for the period 2016/17 were positively affected by DKK 3.6 million relating to fair value adjustments and losses on bonds and shares as well as interest swaps. Adjusted for these items, profit before tax for the period 2017/18 amounts to DKK 18.4 million; similarly, profit before tax for the period 2016/17 amounts to DKK 18.9 million.

After recognition of tax, DKK 3.5 million (DKK 5.0 million), the profit after tax for the period amounts to DKK 12.3 million (DKK 17.5 million).

Business areas

The Group's balance sheet, which compared to the same time last year has increased from DKK 842.0 million to DKK 863.6 million, includes the following business areas:

	<u>2017/18</u>	<u>2016/17</u>
	<u>DKK million</u>	<u>DKK million</u>
Mortgage deeds.....	645.1	603.6
Bonds	1.2	16.3
Shares.....	<u>0.9</u>	<u>1.3</u>
Total securities.....	647.2	621.2
Investment properties.....	<u>185.7</u>	<u>182.3</u>
 Total.....	 <u>832.9</u>	 <u>803.5</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 645.1 million (DKK 603.6 million), and the nominal value amounts to DKK 716.5 million (DKK 680.7 million).

Return on the portfolio of mortgage deeds for the period is specified as follows:

	2017/18 <u>DKK million</u>	2016/17 <u>DKK million</u>
Interest income	38.0	34.9
Capital gains, mortgage deeds	4.8	4.5
Fair value adjustment	<u>-0.3</u>	<u>-0.3</u>
Gross return.....	42.5	39.1
Direct expenses, mortgage deeds	1.5	1.4
Realised and unrealised losses on mortgage deeds, bad debts recovered and gain on sale of properties acquired for the purpose of resale.....	<u>-4.7</u>	<u>-3.9</u>
	<u>36.3</u>	<u>33.8</u>

Fixed-interest mortgage deeds of a nominal amount of DKK 477.9 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 41.0 million and cibor mortgage deeds of a nominal amount of DKK 197.6 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 294.7 (kDKK 279.1).

Net loss/gain, mortgage deeds amounts to DKK -4.7 million (DKK -3.9 million), which is lower than expected.

Net loss/gain, mortgage deeds includes:

- realised net losses on mortgage deeds and mortgage deed receivables of DKK 9.7 million (DKK 7.9 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 5.0 million (DKK 4.0 million).

The total fair value adjustment of credit risk on mortgage deeds amounts to DKK 17.9 million (DKK 16.9 million), corresponding to 2.7% (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 1.2 million.

Return on the portfolio of bonds for the period is specified as follows:

	<u>2017/18</u> DKK million	<u>2016/17</u> DKK million
Interest income	0.2	2.3
Realised capital gains on bonds (including foreign exchange)	-6.9	5.0
Fair value adjustment	6.4	-2.8
Currency swaps	0.0	-0.5
Exchange loss/gain on foreign loans etc, net	<u>0.0</u> <u>-0.5</u>	<u>-1.5</u> <u>0.2</u>
Return after currency hedging.....	<u>-0.3</u>	<u>2.5</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 -6.4 million).

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

During the period after 30 June 2018, Seadrill Ltd. has carried out a reconstruction, and in that connection, Luxor has received listed shares in the company and has subscribed for new bonds.

Since the closing of the financial period and until 16 August 2018, the Group has seen negative fair value adjustments of bonds of DKK 1.1 million as a result of the reconstruction.

Shares

The fair value of the Group's portfolio of shares amounts to DKK 0.9 million (DKK 1.3 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 in NOK have by and large been hedged with regard to currency fluctuations by means of currency swaps.

Since the closing of the financial period and until 16 August 2018, the Group has seen positive fair value adjustments of shares of DKK 1.0 million as a result of the reconstruction of Seadrill Ltd.

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 is a negative DKK 0.3 million (DKK -0.3 million).

Investment properties

The Group's balance sheet includes 5 (5) investment properties with a fair value of DKK 185.7 million (DKK 182.3 million).

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.....	9.3	9.9
Direct expenses, investment properties.....	<u>5.3</u>	<u>6.6</u>
	<u>4.0</u>	<u>3.3</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.

Financing and debt

The fair value of the Group's short-term debt to credit institutions amounts to DKK 428.8 million (DKK 344.8 million), raised in Danish kroner.

The Company has pegged the interest rate on DKK 250 million (DKK 250 million) through DKK interest swaps with a remaining duration of up to approx. 9.00 years. Fair value adjustment of interest swaps for the period is a negative DKK 1.9 million (DKK 3.1 million).

The total fair value adjustment of interest swaps with credit institutions is a negative DKK 6.8 million.

Mortgage credit loans, investment properties

The fair value of the Group's debt to mortgage credit institutes amounts to DKK 69.8 million (DKK 75.8 million).

Fair value adjustment of mortgage credit institutes is a positive DKK 0.2 million (DKK -0.1 million).

The Group has pegged the interest rate on DKK 37,0 million (DKK 40,1 million) through interest swaps with a duration of up to 8.5 years. Fair value adjustment of interest swaps for mortgage credit loans for the period is a positive DKK 0.6 million (DKK 1.8 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 contracts.

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 30 June 2018 and 30 June 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	645.1	24.6	603.6	23.4
Bonds	10% change in value	1.2	0.2	16.3	1.6
Shares	10% change in value	0.9	0.1	1.3	0.1
Investment properties	0.5% yield requirement	185.7	11.8	182.3	11.8
Securities in foreign currencies	10% change in value	2.1	0.2	17.6	1.8
Interest swaps	0.5% per cent	11.6	9.2	9.8	10.6

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 are expected (DKK 24.9 million), which is in accordance with the most recent announcement made in Company Announcement No 5, 2017/18 of 28 May 2018.

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 16 August 2018 affect results for the year before tax negatively by DKK 2.1 million. The amount is distributed with DKK -2.6 million for the period and DKK 0.5 million for the period 1 July to 16 August 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 remain unchanged from those applied in the Annual Report as at 30 September 2017.

The chosen presentation of the Interim Report as at 30 June 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 1,479, 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 2017 - 30 June 2018.

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 assets, liabilities and financial position as at 30 June 2018 of the Group and of the results of the Group's operations and cash flows for the period 1 October 2017 - 30 June 2018.

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

Copenhagen, 27 August 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 - 30 JUNE 2018

		<u>GROUP</u>					
		<u>1/4 - 30/6</u>	<u>1/4 - 30/6</u>	<u>1/10 2017 -</u>	<u>1/10 2016 -</u>	<u>1/10 2016 -</u>	
		<u>2018</u>	<u>2017</u>	<u>30/6 2018</u>	<u>30/6 2017</u>	<u>30/9 2017</u>	
<u>Note</u>		<u>DKK '000</u>	<u>DKK '000</u>	<u>DKK '000</u>	<u>DKK '000</u>	<u>DKK '000</u>	
Income							
	Financial income	2	15,146	15,468	36,261	46,083	61,849
	Net loss/gain, mortgage deeds	3	441	-1,105	-4,725	-3,924	-7,129
	Fair value adjustment of financial assets	4	-817	-9,541	5,877	-3,530	-4,038
			<u>14,770</u>	<u>4,822</u>	<u>37,413</u>	<u>38,629</u>	<u>50,682</u>
	Rental income		3,242	2,987	9,261	9,853	12,860
	Other income		604	0	1,756	0	0
	Fair value adjustment of investment properties		0	0	0	0	114
			<u>3,846</u>	<u>2,987</u>	<u>11,017</u>	<u>9,853</u>	<u>12,974</u>
	Total income		18,616	7,809	48,430	48,482	63,656
	Direct expenses, securities		441	498	1,479	1,352	1,129
	Direct expenses, properties		<u>1,242</u>	<u>2,594</u>	<u>5,316</u>	<u>6,643</u>	<u>8,025</u>
	Total gross earnings		16,933	4,717	41,635	40,487	54,502
	Financial expenses	5	<u>6,155</u>	<u>2,423</u>	<u>13,065</u>	<u>7,585</u>	<u>12,674</u>
			<u>10,778</u>	<u>2,294</u>	<u>28,570</u>	<u>32,902</u>	<u>41,828</u>
	Other external expenses		658	630	2,252	2,116	3,384
	Other income		0	0	80	0	59
	Staff expenses	6	3,592	2,459	10,277	8,002	10,568
	Depreciation and amortisation		<u>103</u>	<u>106</u>	<u>298</u>	<u>315</u>	<u>422</u>
			<u>4,353</u>	<u>3,195</u>	<u>12,747</u>	<u>10,433</u>	<u>14,433</u>
	Profit/loss before tax		6,425	-901	15,823	22,469	27,395
	Tax on profit/loss for the period ..	7	<u>1,424</u>	<u>-187</u>	<u>3,513</u>	<u>4,975</u>	<u>6,496</u>
	NET PROFIT/LOSS FOR THE PERIOD (COMPREHENSIVE INCOME)		<u>5,001</u>	<u>-714</u>	<u>12,310</u>	<u>17,494</u>	<u>20,899</u>
	Earnings per A & B share (EPS) in DKK		5.0	-0.7	12.3	17.5	20.9
	Earnings per A & B share (EPS) in DKK (diluted value)		5.0	-0.7	12.3	17.5	20.9

BALANCE SHEET AS AT 30 JUNE 2018

ASSETS

	<u>Note</u>	<u>G R O U P</u>		
		<u>30/6 2018</u> <u>DKK '000</u>	<u>30/6 2017</u> <u>DKK '000</u>	<u>30/9 2017</u> <u>DKK '000</u>
Fixed assets				
Domicile properties		10,879	11,036	11,020
Fixtures, fittings and equipment		<u>764</u>	<u>915</u>	<u>855</u>
Property, plant and equipment		<u>11,643</u>	<u>11,951</u>	<u>11,875</u>
Investment properties.....		185,692	182,300	184,104
Rebuilding in progress		<u>628</u>	<u>2,020</u>	<u>796</u>
Investment properties.....		<u>186,320</u>	<u>184,320</u>	<u>184,900</u>
Securities	8	<u>647,236</u>	<u>621,236</u>	<u>630,644</u>
Fixed asset investments		<u>647,236</u>	<u>621,236</u>	<u>630,644</u>
Deferred tax	7	<u>0</u>	<u>3,142</u>	<u>2,043</u>
Non-current assets		<u>845,199</u>	<u>820,649</u>	<u>829,462</u>
Property acquired for the purpose of resale		<u>0</u>	<u>2,879</u>	<u>2,828</u>
Other receivables		9,512	15,616	11,090
Currency swaps		0	307	0
Prepayments		<u>187</u>	<u>109</u>	<u>557</u>
Receivables		<u>9,699</u>	<u>16,032</u>	<u>11,647</u>
Cash at bank and in hand.....		<u>8,682</u>	<u>2,420</u>	<u>2,845</u>
Current assets		<u>18,381</u>	<u>21,331</u>	<u>17,320</u>
ASSETS		<u>863,580</u>	<u>841,980</u>	<u>846,782</u>

BALANCE SHEET AS AT 30 JUNE 2018

LIABILITIES AND EQUITY

	<u>Note</u>	<u>G R O U P</u>		
		<u>30/6 2018</u> <u>DKK '000</u>	<u>30/6 2017</u> <u>DKK '000</u>	<u>30/9 2017</u> <u>DKK '000</u>
Share capital		100,000	100,000	100,000
Proposed dividend		0	0	22,000
Retained earnings		<u>242,560</u>	<u>248,845</u>	<u>230,250</u>
Equity		<u>342,560</u>	<u>348,845</u>	<u>352,250</u>
Deferred tax		<u>909</u>	<u>0</u>	<u>0</u>
Provisions		<u>909</u>	<u>0</u>	<u>0</u>
Mortgage credit institutes	9	62,802	69,943	68,188
Interest swaps	11	<u>11,636</u>	<u>9,762</u>	<u>10,341</u>
Non-current liabilities		<u>74,438</u>	<u>79,705</u>	<u>78,529</u>
Mortgage credit institutes	9	6,900	5,722	6,298
Credit institutions	10	428,795	344,800	395,365
Deposits		3,158	2,667	2,673
Corporation tax		434	2,630	3,116
Other payables		4,467	55,704	6,590
Currency swaps	11	120	0	31
Deferred income		<u>1,799</u>	<u>1,907</u>	<u>1,930</u>
Current liabilities.....		<u>445,673</u>	<u>413,430</u>	<u>416,003</u>
Liabilities.....		<u>521,020</u>	<u>493,135</u>	<u>494,532</u>
LIABILITIES AND EQUITY		<u>863,580</u>	<u>841,980</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>17,494</u>	<u>0</u>	<u>17,494</u>
Equity A & B shares at 30 June 2017.....	<u>17,500</u>	<u>82,500</u>	<u>248,845</u>	<u>0</u>	<u>348,845</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>12,310</u>	<u>0</u>	<u>12,310</u>
Equity A & B shares at 30 June 2018.....	<u>17,500</u>	<u>82,500</u>	<u>242,560</u>	<u>0</u>	<u>342,560</u>

CASH FLOW STATEMENT FOR THE PERIOD 1 OCTOBER 2017 - 30 JUNE 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	38,201	38,181
Other financial income	261	-46
Other income	1,756	0
Rental income.....	9,879	9,905
Interest payments.....	-12,166	-10,876
Operating expenses and other payments	-19,934	-20,602
Properties acquired for the purpose of resale	2,526	8,627
Corporation tax.....	-3,243	-29
Cash flows from operating activities.....	17,280	25,160
 Cash flows from investing activities		
Additions of mortgage deeds.....	-122,645	-133,630
Disposals of mortgage deeds and bonds.....	105,335	144,331
Deposits received.....	556	495
Capital investments	-1,487	-2,062
Cash flows from investing activities.....	-18,241	9,134
 Cash flows from financing activities		
Raising of loans, credit institutions.	33,460	-4,252
Repayment, credit institutions	-4,591	-3,439
Dividend.....	-22,000	-25,000
Deposits paid	-71	-825
Cash flows from financing activities.....	6,798	-33,516
Net change in cash and cash equivalents.....	5,837	778
Cash and cash equivalents, beginning of period.....	2,845	1,642
Cash and cash equivalents, end of period.....	8,682	2,420

SEGMENT REPORTING
Group

	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>
<u>Group 2017/18</u>						
Income (realised)	43,079	-6,709	-109	9,261	1,756	47,278
Fair value adjustment....	-288	6,403	-238	0	0	5,877
Gross earnings	36,587	-306	-347	3,945	1,756	41,635
Assets.....	653,685	1,208	911	186,414	21,362	863,580
Capital investments.....	122,645	0	0	1,588	310	124,543
Liabilities (segments)....	435,002	69	656	95,877	-17,284	514,320

<u>Group 2016/17</u>						
Income (realised)	39,854	6,797	-568	9,853	0	55,936
Fair value adjustment....	-342	-2,812	-376	0	0	-3,530
Gross earnings	34,236	3,985	-944	3,210	0	40,487
Assets.....	621,452	17,149	1,361	160,064	41,954	841,980
Capital investments.....	131,764	1,866	0	0	42	133,672
Liabilities (segments)....	394,032	4,902	754	79,071	4,688	483,447

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 17,888 (kDKK 16,907). The financial period saw a negative fair value adjustment relating to credit risks on mortgage deeds and mortgage deed receivables of kDKK 1,449 (kDKK 1,582). 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:

	<u>Group</u>	
	<u>2017/18</u> <u>DKK '000</u>	<u>2016/17</u> <u>DKK '000</u>
Liabilities, segments	514,320	483,447
Other payables	4,467	5,151
Corporation tax	434	2,630
Deferred income	<u>1,799</u>	<u>1,907</u>
Liabilities	<u>521,020</u>	<u>493,135</u>

GROUP

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

1. Statement of basic earnings

Financial income	43,270	42,150
Rental income.....	9,261	9,853
Other income	1,756	0
Net loss/gain, mortgage deeds.....	-4,725	-3,924
Direct expenses, securities.....	1,479	1,352
Direct expenses, properties.....	5,316	6,643
Financial expenses.....	11,647	10,771
Other external expenses.....	2,172	2,116
Staff expenses.....	10,277	8,002
Depreciation and amortisation.....	<u>298</u>	<u>315</u>
Basic earnings	<u>18,373</u>	<u>18,880</u>

2. Financial income

Mortgage deeds, interest.....	37,969	34,911
Bonds, interest	<u>191</u>	<u>2,295</u>
	38,160	37,206
Capital gains, mortgage deeds.....	4,849	4,503
Capital gains, bonds.....	-6,636	-3,257
Capital gain, shares.....	-79	-568
Currency swaps	-1	-486
Exchange adjustments, securities	-293	8,245
Other financial income	<u>261</u>	<u>440</u>
	<u>36,261</u>	<u>46,083</u>

3. Net loss/gain and direct expenses

Realised net losses on mortgage deeds and mortgage deed receivables.....	10,885	12,264
Fair value adjustment of credit risk, mortgage deeds and mortgage deed receivables.....	1,449	1,582
Loss/gain relating to properties acquired for the purpose of resale.....	-4	-1,838
Expenses relating to the sale of mortgages in default.....	498	0
Provision for losses on properties acquired for the purpose of resale	<u>200</u>	<u>4,630</u>
	-9,738	-7,890
Bad debts recovered	<u>5,013</u>	<u>3,966</u>
	<u>-4,725</u>	<u>-3,924</u>

4. Fair value adjustment of financial assets

Fair value adjustment, mortgage deeds	-288	-342
Fair value adjustment, bonds.....	6,403	-2,812
Fair value adjustment, shares.....	<u>-238</u>	<u>-376</u>
	<u>5,877</u>	<u>-3,530</u>

GROUP

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

5. Financial expenses

Credit institutions	8,128	7,219
Interest swaps, credit institutions.....	1,849	466
Interest swaps, credit institutions, fair value adjustment.....	1,865	-3,114
Exchange loss/gain on foreign loans etc, net.....	<u>-30</u>	<u>1,548</u>
	11,812	6,119
Mortgage credit institutes	1,070	1,269
Interest swaps, mortgage credit institutes.....	947	940
Mortgage credit institutes, fair value adjustment	-196	137
Interest swaps, mortgage credit institutes, fair value adjustment	-570	-1,757
Other interest expenses.....	<u>2</u>	<u>877</u>
	<u>13,065</u>	<u>7,585</u>

6. Staff expenses

Remuneration of Supervisory Board	<u>458</u>	<u>431</u>
Wages and salaries	9,099	7,046
Defined contribution plan.....	657	467
Other social security expenses.....	<u>63</u>	<u>58</u>
Other staff, total.....	<u>9,819</u>	<u>7,571</u>
Total staff expenses	<u>10,277</u>	<u>8,002</u>
Average number of employees.....	<u>13</u>	<u>11</u>

The increase in the Group's staff expenses is primarily due to the fact that at 1 October 2017, an agreement was entered into concerning the administration of mortgage deeds and claims on behalf of third parties as well as increased focus on bad debts.

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 2.6 million (DKK 2.8 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.....	3,481	4,943
Tax effect of:		
Non-taxable income, expenses, value adjustments, etc.....	<u>32</u>	<u>32</u>
	<u>3,513</u>	<u>4,975</u>
Effective tax rate.....	<u>22.20%</u>	<u>22.14%</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	-597	-350
Adjustment corporation tax	0	360
Change in deferred tax recognised in the income statement	-2,153	-3,621
Tax asset at 30 June	24,492	27,835
Deferred tax at 1 October	25,199	24,492
Change in deferred tax recognised in the income statement	202	201
Deferred tax at 30 June	25,401	24,693
Total tax asset at 30 June	-909	3,142
Specification tax asset:		
Investment properties	-25,377	-24,663
Fixed asset investments, fair value adjustments relating to mortgage credit institutes and credit institutions, etc	281	339
Tax loss carry-forwards	24,187	27,466
Deferred tax	-909	3,142

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.

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 30 June 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 30 June 2018 is specified as follows:

	Mortgage deeds	Bonds	Shares	Total
Total cost	657,543	9,794	1,612	668,949
Fair value adjustment	5,462	-8,586	-701	-3,825
Fair value adjustment, credit risk	-17,888	0	0	-17,888
Fair value	645,117	1,208	911	647,236

Note 8 continued

	G R O U P	
	2017/18 DKK '000	2016/17 DKK '000
Number of mortgage deeds.....	2,250	2,223
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.).....	477,928	445,819
Measured at fair value on the basis of the cost of the mortgage deeds...	40,982	38,595
Total fixed-interest mortgage deeds	518,910	484,414
Cibor mortgage deeds, measured at fair value on the basis of the cost of the mortgage deeds	197,585	196,268
	716,495	680,682

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 have been recognised at a value higher than the nominal value or minimum the redemption price. The difference between fair value and nominal amount is kDKK 71,378 (kDKK 77,048), of which kDKK 17,888 (kDKK 16,907) 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 1,449 (kDKK 1,582) 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.....	68,808	74,554
Fair value of outstanding debt, bonds.....	69,849	75,828
Measurement of debt to mortgage credit institutes:		
Investment properties measured at fair value	65,243	70,977
Domicile property measured at amortised cost	4,459	4,688
	69,702	75,665

10. Credit institutions

Fair value of loans, credit institutions	428,795	344,800
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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 4.1 million (DKK 18.3 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				
30 June 2018				
Currency swap	DKK/USD 0-180 days	500	3,196	-105
Currency swap	DKK/NOK 0-180 days	1,200	<u>940</u>	<u>-15</u>
			<u>4,136</u>	<u>-120</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 37.0 million (DKK 40.1 million) and loans from credit institutions with a contractual value of DKK 250.0 million (DKK 250.0 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				
30 June 2018				
Interest swaps cibor 6 months	DKK 21.6 million	31.12.2027	-4,233	486
Interest swaps cibor 3 months	DKK 15.4 million	31.12.2024	<u>-591</u>	<u>84</u>
			<u>-4,824</u>	<u>570</u>

Interest swaps, loans credit institutions

Group				
30 June 2018				
Interest swap	DKK 25 million	13.03.2019	-372	337
Interest swap (closed)	DKK 25 million	17.04.2020	0	339
Interest swap	DKK 25 million	03.07.2020	-689	-84
Interest swap	DKK 50 million	09.07.2022	-2,282	-399
Interest swap	DKK 25 million	29.07.2025	-1,644	-408
Interest swap	DKK 25 million	26.06.2025	-245	-175
Interest swap	DKK 25 million	26.06.2026	-274	-223
Interest swap	DKK 50 million	26.06.2027	-598	-544
Interest swap	DKK 25 million	25.01.2028	<u>-708</u>	<u>-708</u>
			<u>-6,812</u>	<u>-1,865</u>

12. Financial gearing

Group

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

The Group's financial gearing is calculated as follows:

Credit institutions	428,795	344,800
Mortgage credit institutes	69,702	75,665
Other payables	4,467	55,704
Corporation tax	434	2,630
Cash and cash equivalents	<u>-8,682</u>	<u>-2,420</u>
	<u>494,716</u>	<u>476,379</u>
Equity	<u>342,560</u>	<u>348,845</u>
Financial gearing	<u>1.44</u>	<u>1.37</u>