

**Stock Exchange Announcement of
13 December 2018
and extract of
Annual Report
1 October 2017 - 30 September 2018
(The Company's 45th financial year)**

Investeringselskabet

Luxor A/S

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Nasdaq Copenhagen A/S
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Annual Report 2017/18
 Date 13 December 2018

Company Announcement No 1 2018/19

The Supervisory Board of Investeringsselskabet Luxor A/S has today considered and adopted the Company's Annual Report for 2017/18.

The Annual Report:

- Basic earnings amount to DKK 27.1 million (DKK 24.9 million), which is higher than the expected basic earnings level of approx. DKK 24.9 million stated in the Interim Report of 27 August 2018.

The higher basic earnings are primarily attributable to an increase in net yield on mortgage deeds and bad debts recovered.

- The Group's profit before tax amounts to DKK 29.6 million (DKK 27.4 million). The Group's profit after tax amounts to DKK 23.3 million (DKK 20.9 million).

The Group's profit before tax is DKK 2.5 million higher than basic earnings due to:

- DKK 1.8 million from fair value adjustments etc of investment properties;
- DKK 0.8 million from fair value adjustments of interest swaps and fair value adjustments of debt to mortgage credit institutes;
- DKK -0.1 million from fair value adjustments of securities as well as realised gains on bonds and shares.

Dividend:

- The Supervisory Board proposes to the General Meeting that dividend of DKK 23 million (DKK 22 million) be distributed, corresponding to DKK 23 (DKK 22) per share, which is a payout ratio of 98.6% and a dividend yield of 5.4%.

Fourth quarter of the financial year 2018:

- Basic earnings for the quarter amount to DKK 8.7 million (DKK 6.0 million).
- The Group's profit before tax amounts to DKK 13.8 million (DKK 4.9 million).

The Group's profit before tax is DKK 5.1 million higher than basic earnings due to:

- DKK 2.3 million from fair value adjustments of interest swaps and fair value adjustments of debt to mortgage credit institutes;
- DKK 1.8 million from fair value adjustments etc of investment properties;
- DKK 1.0 million from fair value adjustments of securities as well as realised gains/losses on bonds and shares.

Expected basic earnings for 2018/19:

- For the coming financial year 2018/19, basic earnings of approx. DKK 28 million are expected.
- Fair value adjustments of interest swaps are not included in basic earnings and would at 6 December 2018 affect the Group's profit before tax by DKK -2.3 million.

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

Financial Highlights of the Group

<u>DKK million</u>	<u>OCTOBER - SEPTEMBER</u>					<u>Q4</u>	<u>Q4</u>
	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2017/18</u>	<u>2016/17</u>
<u>Key figures</u>							
Income	69.3	63.7	75.7	49.0	67.9	20.9	15.2
Gross earnings	61.6	54.5	69.2	42.7	60.0	20.0	14.0
Profit/loss before tax.....	29.6	27.4	29.1	-10.2	15.0	13.8	4.9
Net profit/loss	23.3	20.9	22.1	-8.5	11.1	11.0	3.4
Basic earnings.....	27.1	24.9	31.1	24.1	13.8	8.7	6.0
Assets.....	867.1	846.8	868.6	915.5	888.2	867.1	846.8
Investment in property, plant and equipment	0.3	0.1	0.4	0.7	0.0	0.0	0.0
Equity	353.6	352.3	356.4	354.3	412.8	353.6	352.3
Proposed dividend for the year.....	23.0	22.0	25.0	20.0	50.0	23.0	22.0
Profit/loss for analytical purposes:							
Net profit/loss (after tax)	<u>23.3</u>	<u>20.9</u>	<u>22.1</u>	<u>-8.5</u>	<u>11.1</u>	<u>11.0</u>	<u>3.4</u>
<u>Ratios</u>							
<u>Values per DKK 100 share</u>							
Earnings per share (EPS) (DKK).....	23.32	20.90	22.06	-8.48	11.15	11.01	3.40
Net asset value per share in circulation (DKK).....	353.57	352.25	356.35	354.29	412.78	353.57	352.25
Return on equity in percentage p.a.	6.61	5.90	6.21	-2.21	2.72	12.65	3.89
Equity share in percentage.....	40.77	41.60	41.03	38.70	46.47	40.77	41.60
Dividend per share (DKK)*	23.00	22.00	25.00	20.00	50.00	23.00	22.00
<u>Share capital</u>							
Nominal share capital, end of year (DKK million)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of shares in circulation (DKK million).....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Official price on the Stock Exchange per DKK 100 share:							
Lowest	405	333	310	261	216	406	391
Highest.....	460	440	360	362	264	450	440
End of year	426	408	334	317	264	426	408
Volume of trade on the Stock Exchange, number of shares.....							
Listed on the Stock Exchange, number of shares.....	13,249	14,695	16,011	32,385	20,679	1,888	2,785
	825,000	825,000	825,000	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.

* Calculated on the basis of proposed dividend distribution.

Basic earnings and results for the year

The Group's basic earnings amount to DKK 27.1 million (DKK 24.9 million), which is higher than the expected basic earnings level of approx. DKK 24.9 million stated in the Interim Report of 27 August 2018. The higher basic earnings are primarily attributable to increased net yield on mortgage deeds and bad debts recovered.

Basic earnings are calculated as profit/loss before tax for the year adjusted for fair value adjustments of financial assets, debt and foreign exchange movements and realised gains/losses on bonds and shares.

The profit for the year before tax amounts to DKK 29.6 million (DKK 27.4 million); after recognition of tax for the year of DKK 6.3 million (DKK 6.5 million), the profit for the year after tax amounts to DKK 23.3 million (DKK 20.9 million).

The profit for the year before tax is DKK 2.5 million higher than basic earnings due to:

- DKK 1.8 million from fair value adjustments etc of investment properties;
- DKK 0.8 million from fair value adjustments of interest swaps and fair value adjustments of debt to mortgage credit institutes;
- DKK -0.1 million from fair value adjustments of securities as well as realised gains on bonds and shares.

Fourth quarter of the financial year 2018

The Group's basic earnings for the fourth quarter of the financial year 2018 amount to DKK 8.7 million (DKK 6.0 million), and profit before tax amounts to DKK 13.8 million (DKK 4.9 million).

The profit for the quarter before tax is DKK 5.1 million higher than basic earnings due to:

- DKK 2.3 million from fair value adjustments of interest swaps and fair value adjustments of debt to mortgage credit institutes;
- DKK 1.8 million from fair value adjustments etc of investment properties;
- DKK 1.0 million from fair value adjustments of securities as well as realised gains/losses on bonds and shares.

Business areas

The Group's balance sheet, DKK 867.1 million (DKK 846.8 million), includes the following business areas:

	2017/18 <u>DKK million</u>	2016/17 <u>DKK million</u>
Mortgage deeds	645.1	622.6
Bonds	0.0	6.5
Shares	<u>1.0</u>	<u>1.5</u>
Total securities	646.1	630.6
Investment properties	<u>189.5</u>	<u>184.9</u>
Total	<u>835.6</u>	<u>815.5</u>

Below, the individual business areas are described. The financing and the effect of interest and currency hedging 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 622.6 million), and the nominal value amounts to DKK 713.9 million (DKK 699.6 million).

The fair value of the Group's portfolio of mortgage deeds is distributed with DKK 479.1 million (DKK 452.3 million) in fixed-interest mortgage deeds and DKK 166.0 million (DKK 170.3 million) in floating-rate cibar mortgage deeds.

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

	2017/18 DKK million	2016/17 DKK million
Interest income.....	51.3	46.7
Capital gains, mortgage deeds	7.2	8.5
Fair value adjustment	-0.1	-0.6
	58.4	54.6
Realised losses on mortgage deeds, fair value adjustment for credit risk as well as gain on sale of properties acquired for the purpose of resale	-12.4	-12.1
Bad debts recovered.....	6.5	5.0
	-5.9	-7.1
	52.5	47.5

Fixed-interest mortgage deeds of a nominal amount of DKK 482.8 million are measured in the balance sheet at fair value on the basis of an effective interest rate of 8.5% p.a. (average 8.5% p.a.). Fixed-interest mortgage deeds of a nominal amount of DKK 40.1 million and cibar mortgage deeds of a nominal amount of DKK 191.0 million are measured at fair value, which substantially corresponds to the cost of the mortgage deeds. At the measurement of the portfolio of mortgage deeds at fair value, adjustment for credit risk has been deducted.

The Group's portfolio of mortgage deeds has an average market value per mortgage deed of kDKK 295.3 (kDKK 285.6).

The nominal amount of the mortgage deed portfolio has increased from DKK 699.6 million to DKK 713.9 million. The increase consists of additions of DKK 166.9 million (DKK 185.8 million) and redemptions of DKK 152.6 million (DKK 116.9 million). The addition of mortgage deeds in the financial year primarily consists of specific mortgage deeds purchased on the basis of an individual assessment.

The rate of redemption of mortgage deeds in the financial year 2017/18 is higher than in the financial year 2016/17. For the coming year, the Group expects a small net increase in the portfolio of mortgage deeds and lower premature repayments than in 2017/18.

Capital gains on redeemed mortgage deeds amount to DKK 7.2 million (DKK 8.5 million). The lower capital gains primarily relate to the composition of the cost of the redeemed mortgage deeds.

Net loss/gain, mortgage deeds amounts to DKK -5.9 million (DKK -7.1 million).

Net loss/gain, mortgage deeds includes:

- realised net losses on mortgage deeds and mortgage deed receivables of DKK 12.4 million (DKK 12.1 million), including adjustment to meet credit risk on mortgage deeds, properties acquired for the purpose of resale and mortgage deed receivables, which is in line with expectations;
- bad debts recovered of DKK 6.5 million (DKK 5.0 million), which is higher than expected.

The total fair value adjustment of credit risk on mortgage deeds amounts to DKK 17.6 million (DKK 20.1 million), corresponding to 2.7% (3.1%) of the portfolio.

The mortgage deed portfolio is distributed on the following types of property:

	<u>2017/18</u>	<u>2016/17</u>
Single-family houses.....	53.88%	50.23%
Freehold flats	6.47%	7.05%
Cooperative housing	4.49%	4.47%
Holiday houses.....	6.22%	5.68%
Disused farms.....	2.48%	2.72%
Residential and business properties	5.25%	6.09%
Farms.....	1.32%	1.53%
Rental properties	17.27%	19.19%
Trade and industry	2.19%	2.43%
Other	<u>0.43%</u>	<u>0.61%</u>
 Total.....	 <u>100.00%</u>	 <u>100.00%</u>

The average term to maturity of the mortgage deed portfolio before extraordinary and premature repayments is approx. 10.5 years (10.25 years).

Bonds

The fair value of the Group's portfolio of corporate bonds amounts to DKK 0 million (DKK 6.5 million).

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

	<u>2017/18</u> DKK million	<u>2016/17</u> DKK million
Interest income	0.3	2.4
Realised gains on bonds (including foreign exchange).....	-15.5	4.3
Fair value adjustment	15.0	-3.2
Exchange loss/gain on foreign loans etc, net.....	<u>0</u> <u>-0.5</u>	<u>-1.6</u> <u>-0.5</u>
 Return after currency hedging.....	 <u>-0.2</u>	 <u>1.9</u>

Investment properties

The Group's balance sheet includes 5 (5) rental properties with a fair value of DKK 189.5 million (DKK 184.9 million).

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

	<u>2017/18</u> DKK million	<u>2016/17</u> DKK million
Rental income.....	12.5	12.9
Fair value adjustment	1.3	0.1
Direct expenses, investment properties.....	<u>5.8</u>	<u>8.0</u>
	<u>8.0</u>	<u>5.0</u>

As to the Group's total portfolio of rental properties, which comprises approx. 34,085 m² (approx. 34,085 m²), it can be stated that at 1 October 2018 the lease rate in m² is 79.7% (73.6%). In the financial year, the Group has had average floorage vacancy of 23.2% (22.5%), corresponding to lost rental income of approx. DKK 4.3 million (DKK 4.0 million). Calculation of lost rental income compared with obtainable rental income shows an average rental vacancy of approx. 22.0% (28.8%).

The fair value of the Group's property portfolio corresponds to a yield of 7.3% (7.3%) calculated as expected rental income at full lease less expected operating expenses.

The Group's portfolio of investment properties distributed on type is as follows:

	2017/18		2016/17	
	DKK million	Yield range	DKK million	Yield range
Office/shop/residential	27.1	6.50%	23.7	6.75%
Warehouse/production/office	162.4	6.50 - 8.00%	161.2	6.50 - 8.00%
Total	189.5	6.50 - 8.00%	184.9	6.50 - 8.00%

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

Property acquired for the purpose of resale

Loss on the sale of properties acquired for the purpose of resale for the financial year amounts to DKK 0.7 million (DKK 1.8 million). Provision for loss and reversed provision for loss on properties acquired for the purpose of resale are a positive DKK 0.2 million (DKK 4.4 million).

Financing and debt

The fair value of the Group's short-term debt to credit institutions amounts to DKK 422.7 million, raised in Danish kroner (DKK 395.4 million).

The Group has pegged the interest rate on a total of DKK 250 million (DKK 250.0 million) through DKK interest swaps with a remaining duration of up to approx. 9.25 years.

Fair value adjustment of interest swaps for the financial year is a negative DKK 0.1 million (DKK 2.5 million).

The total fair value adjustment of interest swaps with credit institutions is a negative DKK 5.0 million (DKK -4.9 million). The amount is counterbalanced through current fair value adjustments over the terms of the contracts.

Mortgage credit loans, investment properties

The fair value of the Group's debt to mortgage credit institutes amounts to DKK 68.0 million (DKK 74.6 million).

Fair value adjustment of mortgage credit institutes for the financial year is a positive DKK 0.3 million (DKK -0.1 million).

The Group has pegged the interest rate on DKK 36.0 million (DKK 39.6 million) through interest swaps with a remaining duration of up to 9 years.

Fair value adjustment of interest swaps for mortgage credit loans for the financial year is a positive DKK 1.0 million (DKK 1.8 million).

The total fair value adjustment of interest swaps with mortgage credit institutes is a negative DKK 4.4 million (DKK 5.4 million). The amount is counterbalanced through current fair value adjustments over the terms of the contracts.

Cash flows and liquidity

Cash flows from the Group's operating activities amount to DKK 25.1 million (DKK 35.9 million). In 2017/18, cash flows from operating activities were affected by the inflow of cash from properties acquired for the purpose of resale of DKK 2.3 million (DKK 8.5 million).

Based on the current cash generation and the credit facilities available at the end of September 2018, the Group is able to carry through the planned activities in the coming financial year.

Risk factors

The Group's activities are exposed to a number of risk factors, which may be divided into categories. For an elaboration of these and other factors, reference is made to the description of the Group's risk factors in note 31.

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 September 2018 and 30 September 2017.

DKK million	Parameter	2017/18 Fair value	2017/18 Change of value	2016/17 Fair value	2016/17 Change of value
Mortgage deeds	1% effective rate of interest	645.1	24.8	622.6	23.7
Bonds	10% change in value	0.0	0.0	6.5	0.7
Shares	10% change in value	1.0	0.1	1.5	0.2
Investment properties	0.5% yield requirement	189.5	12.3	184.9	11.8
Securities in foreign currencies	10% change in value	1.0	0.1	8.0	0.8
Interest swaps	0.5% per cent	9.4	8.7	10.3	9.5

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 other fixed-interest loans raised. A 1% change in interest rates on the part of the Company's financing which is not raised at a fixed interest rate over a multi-year period will affect the profit/loss for the year before tax by approx. DKK 1.7 million (DKK 1.5 million) on an annual basis.

Uncertainty relating to recognition and measurement

In connection with the preparation of the Annual Report, Management makes a number of accounting estimates and lays down the assumptions forming the basis of the presentation, recognition and measurement of the Group's assets and liabilities. The most significant accounting estimates and assessments appear from the paragraph significant accounting estimates and assessments in note 2 to the Annual Report, accounting policies.

Dividend, repurchase of own shares and other capital issues

Based on an overall assessment of results for the year, the development in basic earnings, the present earnings expectations and more efficient utilisation of the capital structure, etc, the Supervisory Board proposes a dividend of DKK 23.0 (DKK 22.0) per share - corresponding to DKK 23.0 million (DKK 22.0 million).

The Supervisory Board is authorised to let the Company acquire own shares for up to a nominal amount of DKK 10.0 million. The acquisition must take place at prices which do not deviate more than +/- 10% from the official price for the Company's shares quoted on Nasdaq Copenhagen A/S at the time of the acquisition. The authorisation was granted at the Annual General Meeting on 30 January 2015 and applies for 5 years.

During the financial year, no repurchases were made under the scheme for repurchase of own shares, and the Company holds no own shares at present.

Future prospects and post balance sheet events

At present, basic earnings of approx. DKK 28 million are expected for the coming financial year. Fair value adjustments of interest swaps are not included in basic earnings and would at 6 December 2018 affect profit for the year before tax by DKK -2.3 million.

The expectations relating to basic earnings are subject to a number of risks and uncertainties. Therefore, actual basic earnings may differ from the expectations in the Annual Report.

The Company publishes the expected level of basic earnings for the year in its Annual Report and Interim Reports. The earnings expectations are not specified in detail as the yield on fixed asset investments changes on a daily basis, which means that the earnings expectations differ from the actual expectations already at the time of publication.

Alternative investment fund manager

Investeringsselskabet Luxor A/S has a permission of 28 November 2014 to carry on management activities as an alternative investment fund manager according to section 6 (1) of the Danish Act on Alternative Investment Fund Managers etc.

There have been no significant changes in the Parent Company's information.

The Company's shares are listed on Nasdaq Copenhagen A/S, and therefore the Company's shares cannot be redeemed; consequently, the market value of the share may differ from the net asset value of the Company.

Information to the investors can be read on www.luxor.dk under Investor information.

Reporting on corporate social responsibility, human rights and environmental and climatic impacts

Based on the Company's size and activities, which primarily comprise investment in mortgage deeds with recorded mortgage on real property in Denmark and investment in and leasing of investment properties in Denmark, the Supervisory Board has decided not to adopt any policies on corporate social responsibility including human rights and environmental and climatic impacts. It is assessed on a current basis whether there is a need for adopting policies in the area.

Intellectual capital resources

The Group's future development depends on its ability also in future to retain and attract qualified employees for the performance of the Group's main activities.

Capital

Information the purpose of which is to promote the sale of the Company's shares is included partly in note 20 and partly in continuation of the Company's statement of Corporate Governance on the Company's website under Investor information.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD
1 OCTOBER 2017 - 30 SEPTEMBER 2018

<u>Parent Company</u>				<u>Group</u>	
2017/18	2016/17			2017/18	2016/17
DKK '000	DKK '000	Note		DKK '000	DKK '000
44,358	61,847	4	Financial income	44,358	61,849
-5,927	-7,129	5	Net loss/gain, mortgage deeds.....	-5,927	-7,129
<u>19,052</u>	<u>-3,625</u>	6	Fair value adjustment of financial assets.....	<u>14,694</u>	<u>-4,038</u>
<u>57,483</u>	<u>51,093</u>			<u>53,125</u>	<u>50,682</u>
8,139	8,625	7	Rental income.....	12,549	12,860
0	0		Other income	2,373	0
529	2,100	16	Fair value adjustment of investment properties.....	<u>1,256</u>	<u>114</u>
<u>8,668</u>	<u>10,725</u>			<u>16,178</u>	<u>12,974</u>
66,151	61,818		Total income	69,303	63,656
1,931	1,136		Direct expenses, securities	1,931	1,136
<u>4,463</u>	<u>6,171</u>	8	Direct expenses, properties	<u>5,768</u>	<u>8,025</u>
59,757	54,511	9	Total gross earnings	61,604	54,495
<u>16,737</u>	<u>14,116</u>	10	Financial expenses	<u>15,386</u>	<u>12,674</u>
<u>43,020</u>	<u>40,395</u>			<u>46,218</u>	<u>41,821</u>
2,716	3,278	11	Other external expenses	2,916	3,377
-78	59		Other income and expenses.....	-78	59
11,334	9,885	12	Staff expenses.....	13,336	10,568
<u>350</u>	<u>422</u>	15	Depreciation and amortisation	<u>401</u>	<u>422</u>
<u>14,322</u>	<u>13,644</u>			<u>16,575</u>	<u>14,426</u>
28,698	26,751		Profit/loss before tax	29,643	27,395
<u>5,320</u>	<u>5,852</u>	13	Tax on profit/loss for the year.....	<u>6,326</u>	<u>6,496</u>
<u>23,378</u>	<u>20,899</u>		NET PROFIT/LOSS FOR THE YEAR (COMPREHENSIVE INCOME).....	<u>23,317</u>	<u>20,899</u>
23.4	20.9		Earnings per share (EPS) for A & B shares in DKK	23.3	20.9
23.4	20.9		Earnings per share (EPS) for A & B shares in DKK (diluted value)	23.3	20.9

BALANCE SHEET AT 30 SEPTEMBER 2018

ASSETS

Parent Company				Group	
2017/18	2016/17			2017/18	2016/17
<u>DKK '000</u>	<u>DKK '000</u>	<u>Note</u>		<u>DKK '000</u>	<u>DKK '000</u>
10,831	11,020		Domicile properties.....	10,831	11,020
<u>450</u>	<u>855</u>		Fixtures, fittings and equipment.....	<u>709</u>	<u>855</u>
<u>11,281</u>	<u>11,875</u>	15	Property, plant and equipment.....	<u>11,540</u>	<u>11,875</u>
127,400	126,100	16	Investment properties.....	187,886	184,104
<u>0</u>	<u>0</u>		Rebuilding in progress	<u>1,614</u>	<u>796</u>
<u>127,400</u>	<u>126,100</u>		Investment properties.....	<u>189,500</u>	<u>184,900</u>
80,347	75,989	14	Subsidiaries measured at fair value.....	0	0
<u>646,054</u>	<u>630,644</u>	17	Securities.....	<u>646,054</u>	<u>630,644</u>
<u>726,401</u>	<u>706,633</u>		Fixed asset investments.....	<u>646,054</u>	<u>630,644</u>
<u>3,582</u>	<u>8,060</u>	13	Deferred tax.....	<u>0</u>	<u>2,043</u>
<u>868,664</u>	<u>852,668</u>		Non-current assets.....	<u>847,094</u>	<u>829,462</u>
<u>0</u>	<u>2,828</u>		Property acquired for the purpose of resale.....	<u>0</u>	<u>2,828</u>
8,284	11,077	18	Other receivables.....	8,917	11,090
<u>499</u>	<u>476</u>		Prepayments.....	<u>588</u>	<u>557</u>
<u>8,783</u>	<u>11,553</u>		Receivables.....	<u>9,505</u>	<u>11,647</u>
<u>9,696</u>	<u>1,732</u>	19	Cash at bank and in hand.....	<u>10,535</u>	<u>2,845</u>
<u>18,479</u>	<u>16,113</u>		Current assets.....	<u>20,040</u>	<u>17,320</u>
<u>887,143</u>	<u>868,781</u>		ASSETS.....	<u>867,134</u>	<u>846,782</u>

BALANCE SHEET AT 30 SEPTEMBER 2018

LIABILITIES AND EQUITY

<u>Parent Company</u>				<u>Group</u>	
2017/18	2016/17			2017/18	2016/17
DKK '000	DKK '000	Note		DKK '000	DKK '000
100,000	100,000	20	Share capital	100,000	100,000
4,771	413		Fair value reserve, subsidiaries	0	0
23,000	22,000	21	Proposed dividend	23,000	22,000
<u>225,784</u>	<u>229,764</u>		Retained earnings	<u>230,567</u>	<u>230,250</u>
<u>353,555</u>	<u>352,177</u>		Equity	<u>353,567</u>	<u>352,250</u>
<u>0</u>	<u>0</u>	13	Deferred tax	<u>2,682</u>	<u>0</u>
<u>0</u>	<u>0</u>		Provisions	<u>2,682</u>	<u>0</u>
50,921	56,259	23	Mortgage credit institutes	60,983	68,188
8,114	9,172	28	Interest swaps	9,086	10,341
<u>59,035</u>	<u>65,431</u>		Non-current liabilities	<u>70,069</u>	<u>78,529</u>
5,125	4,674	23	Mortgage credit institutes	6,915	6,298
422,679	395,365	24	Credit institutions	422,679	395,365
1,329	926		Deposits	3,153	2,673
38,349	39,379		Payables to subsidiaries	0	0
1,476	3,116	13	Corporation tax	1,476	3,116
3,569	5,764	27	Other payables	4,517	6,590
398	31	28	Interest and currency swaps	398	31
<u>1,628</u>	<u>1,918</u>		Deferred income	<u>1,678</u>	<u>1,930</u>
<u>474,553</u>	<u>451,173</u>		Current liabilities	<u>440,816</u>	<u>416,003</u>
<u>533,588</u>	<u>516,604</u>		Liabilities	<u>513,567</u>	<u>494,532</u>
<u>887,143</u>	<u>868,781</u>		LIABILITIES AND EQUITY	<u>867,134</u>	<u>846,782</u>

STATEMENT OF CHANGES IN EQUITY
Parent Company

	Share capital A shares DKK '000	Share capital B shares DKK '000	Retained earnings DKK '000	Fair value reserve, subsi- diaries DKK '000	Proposed dividend DKK '000	Total DKK '000
Equity A & B shares at 1 October 2016	17,500	82,500	231,278	0	25,000	356,278
Dividend paid	0	0	0	0	-25,000	-25,000
Proposed dividend	0	0	-22,000	0	22,000	0
Net profit/loss for the year (comprehensive income).....	0	0	20,486	413	0	20,899
Equity A & B shares at 30 September 2017	<u>17,500</u>	<u>82,500</u>	<u>229,764</u>	<u>413</u>	<u>22,000</u>	<u>352,177</u>
Equity A & B shares at 1 October 2017	17,500	82,500	229,764	413	22,000	352,177
Dividend paid	0	0	0	0	-22,000	-22,000
Proposed dividend	0	0	-23,000	0	23,000	0
Net profit/loss for the year (comprehensive income).....	0	0	19,020	4,358	0	23,378
Equity A & B shares at 30 September 2018	<u>17,500</u>	<u>82,500</u>	<u>225,784</u>	<u>4,771</u>	<u>23,000</u>	<u>353,555</u>

According to the Articles of Association, the Company's share classes have the following rights in connection with dividend distribution:

B shareholders have the right to an interim dividend of 6% of the nominal B share capital. If the adopted dividend exceeds 6% of the nominal B share capital, the A shareholders receive up to 6% dividend of the nominal A share capital. When both A and B shareholders have received 6% dividend of the nominal amount, any remaining adopted dividend is divided between all shareholders in proportion to the nominal amount of their respective shares without any distinction between A and B shares. The right to dividend cannot be accumulated.

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
Proposed dividend	0	0	-22,000	22,000	0
Net profit/loss for the year (comprehensive income)	0	0	20,899	0	20,899
Equity A & B shares at 30 September 2017	<u>17,500</u>	<u>82,500</u>	<u>230,250</u>	<u>22,000</u>	<u>352,250</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
Proposed dividend	0	0	-23,000	23,000	0
Net profit/loss for the year (comprehensive income)	0	0	23,317	0	23,317
Equity A & B shares at 30 September 2018	<u>17,500</u>	<u>82,500</u>	<u>230,567</u>	<u>23,000</u>	<u>353,567</u>

CASH FLOW STATEMENT FOR THE PERIOD 1 OCTOBER 2017 - 30 SEPTEMBER 2018

<u>Parent Company</u>			<u>Group</u>	
2017/18 DKK '000	2016/17 DKK '000		2017/18 DKK '000	2016/17 DKK '000
		Cash flows from operating activities		
51,451	50,509	Interest received on mortgage deeds and bonds.....	51,451	50,509
336	542	Other financial income.....	336	544
0	0	Other income.....	2,373	0
8,460	8,657	Rental income.....	12,920	12,925
-16,320	-14,624	Interest payments	-16,847	-15,198
-20,239	-18,180	Operating expenses and other payments	-24,265	-21,396
2,336	8,478	Net proceeds, properties acquired for the purpose of resale	2,336	8,478
-3,241	35	Corporation tax.....	-3,241	35
<u>22,783</u>	<u>35,417</u>	Cash flows from operating activities	<u>25,063</u>	<u>35,897</u>
		Cash flows from investing activities		
-169,044	-187,672	Additions of mortgage deeds, shares and bonds	-169,044	-187,672
155,568	188,099	Disposals of mortgage deeds, shares and bonds	155,568	188,099
4,951	413	Payments, subsidiaries	0	0
420	455	Deposits received	585	508
-527	-73	Capital investments	-3,410	-2,559
<u>-8,632</u>	<u>1,222</u>	Cash flows from investing activities	<u>-16,301</u>	<u>-1,624</u>
		Cash flows from financing activities		
27,346	-2,644	Raising of loans, credit institutions.....	27,346	-2,644
-4,685	-3,402	Repayment, mortgage credit institutes.....	-6,312	-4,594
-6,830	-3,647	Payments, subsidiaries	0	0
-22,000	-25,000	Dividend.....	-22,000	-25,000
-18	-737	Deposits paid.....	-106	-832
<u>-6,187</u>	<u>-35,430</u>	Cash flows from financing activities.....	<u>-1,072</u>	<u>-33,070</u>
7,964	1,209	Net change in cash and cash equivalents	7,690	1,203
1,732	523	Cash and cash equivalents, beginning of year.....	2,845	1,642
<u>9,696</u>	<u>1,732</u>	Cash and cash equivalents, end of year.....	<u>10,535</u>	<u>2,845</u>

NOTES TO THE ANNUAL REPORT

1. Segment information

	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						
Income (realised).....	52,925	-15,153	659	12,549	2,373	53,353
Fair value adjustment ...	-101	14,989	-194	1,256	0	15,950
Gross earnings	50,893	-164	465	8,037	2,373	61,604
Assets.....	652,818	0	956	190,032	23,328	867,134
Capital investments	166,908	663	1,473	3,100	310	172,454
Liabilities (segments) ...	427,066	0	669	96,383	-18,222	505,896

Group 2016/17						
Income (realised).....	48,522	6,766	-568	12,860	0	67,580
Fair value adjustment ...	-620	-3,188	-230	114	0	-3,924
Gross earnings	46,766	3,578	-798	4,949	0	54,495
Assets.....	636,148	6,667	1,489	160,577	41,901	846,782
Capital investments	185,806	1,866	0	2,486	73	190,231
Liabilities (segments) ...	399,369	25	949	77,921	4,632	482,896

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 year, please refer to the Consolidated Income Statement.

The segment mortgage deeds includes fair value adjustments relating to credit risks of kDKK 17,627 (kDKK 20,060). The financial period saw a positive fair value adjustment relating to credit risks on mortgage deeds and mortgage deed receivables of kDKK 2,112 (kDKK -466). For mortgage deeds, fair value adjustments relating to credit risks are made on the basis of an individual assessment, and for mortgage deed receivables, partly as a general provision and partly on the basis of an individual assessment.

For all segments, gross earnings include the item fair value adjustment, which is not a cash income/expense. The item is specified in note 6.

Gross earnings in the segment reporting can be reconciled with the Group's profit for the year as follows:

	<u>Group</u>	
	<u>2017/18</u>	<u>2016/17</u>
	<u>DKK '000</u>	<u>DKK '000</u>
Gross earnings.....	61,604	54,495
Financial expenses	15,386	12,674
Other external expenses	2,916	3,377
Other income and expenses	-78	59
Staff expenses	13,336	10,568
Depreciation and amortisation	401	422
Profit/loss before tax	<u>29,643</u>	<u>27,395</u>

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	505,896	482,896
Other payables	4,517	6,590
Corporation tax	1,476	3,116
Deferred income	1,678	1,930
Liabilities.....	513,567	494,532

3. Statement of basic earnings

	Group	
	2017/18 DKK '000	2016/17 DKK '000
Financial income	59,185	58,069
Rental income	12,549	12,860
Other income	2,373	0
Net loss/gain, mortgage deeds	-5,927	-7,129
Direct expenses, securities.....	1,931	1,136
Direct expenses, properties.....	6,362	8,025
Financial expenses.....	16,252	15,286
Other external expenses.....	2,838	3,436
Staff expenses.....	13,336	10,568
Depreciation and amortisation.....	401	422
Basic earnings	27,060	24,927

Basic earnings are calculated for the Group only.

Parent Company		Group	
2017/18 DKK '000	2016/17 DKK '000	2017/18 DKK '000	2016/17 DKK '000
4. Financial income			
51,256	46,662	51,256	46,662
331	2,418	331	2,418
51,587	49,080	51,587	49,080
7,213	8,487	7,213	8,487
-15,358	-4,652	-15,358	-4,652
678	-568	678	-568
-47	42	-47	42
-98	8,958	-98	8,958
383	500	383	500
44,358	61,847	44,358	61,849
44,358	61,847	44,358	61,849

Financial income relating to assets measured at fair value in the income statement.....

Note 4 continued

Interest income on lost and impaired mortgage deeds amounts to kDKK 2,966 (kDKK 3,457) distributed as follows: kDKK 2,622 (kDKK 3,048) relating to impaired mortgage deeds and kDKK 344 (kDKK 409) relating to realised losses on mortgage deeds.

Capital gain on mortgage deeds consists of gains from current repayments and from premature repayments as the mortgage deeds usually include a clause concerning premature repayment at a fixed price which is typically higher than 100.

<u>Parent Company</u>			<u>Group</u>	
<u>2017/18</u>	<u>2016/17</u>		<u>2017/18</u>	<u>2016/17</u>
<u>DKK '000</u>	<u>DKK '000</u>		<u>DKK '000</u>	<u>DKK '000</u>
5. Net loss/gain, mortgage deeds				
14,094	14,241	Realised net losses on mortgage deeds and mortgage deed receivables	14,094	14,241
2,112	-466	Fair value adjustment of credit risk, mortgage deeds and mortgage deed receivables ...	2,112	-466
-692	-1,838	Loss/gain on sale of properties acquired for the purpose of resale	-692	-1,838
200	4,430	Provision for losses on properties acquired for the purpose of resale.....	200	4,430
-12,474	-12,115		-12,474	-12,115
6,547	4,986	Bad debts recovered	6,547	4,986
-5,927	-7,129		-5,927	-7,129
6. Fair value adjustment of financial assets				
-101	-620	Fair value adjustment, mortgage deeds	-101	-620
14,989	-3,188	Fair value adjustment, bonds.....	14,989	-3,188
-194	-230	Fair value adjustment, shares	-194	-230
4,358	413	Fair value adjustment, subsidiary.....	0	0
19,052	-3,625		14,694	-4,038

Fixed-interest mortgage deeds of a nominal amount of DKK 482.8 million (DKK 457.7 million) have been measured at fair value on the basis of an average effective interest rate of 8.5% (8.5%).

Total fair value adjustment included in notes 4, 6 and 10, respectively:

19,052	-3,625	Securities	14,694	-4,038
-13	-129	Forward contracts, currency swaps	-13	-129
704	3,945	Forward contracts, interest swaps	902	4,292
19,743	191		15,583	125
208	-158	Mortgage credit institutes.....	281	-112
19,951	33		15,864	13

<u>Parent Company</u>			<u>Group</u>	
<u>2017/18</u>	<u>2016/17</u>		<u>2017/18</u>	<u>2016/17</u>
<u>DKK '000</u>	<u>DKK '000</u>		<u>DKK '000</u>	<u>DKK '000</u>
10. Financial expenses				
10,863	9,785	Credit institutions	10,865	9,785
3,083	1,625	Interest swaps, credit institutions	3,083	1,625
65	-2,503	Interest swaps, credit institutions, fair value adjustment	65	-2,503
<u>-31</u>	<u>1,567</u>	Exchange loss/gain on foreign loans etc, net	<u>-31</u>	<u>1,567</u>
13,980	10,474		13,982	10,474
1,120	1,316	Mortgage credit institutes.....	1,399	1,644
1,004	1,010	Interest swaps, mortgage credit institutes	1,251	1,256
-208	158	Mortgage credit institutes, fair value adjustment..	-281	112
-769	-1,442	Interest swaps, mortgage credit institutes, fair value adjustment	-967	-1,789
1,608	1,623	Interest expenses, subsidiaries	0	0
<u>2</u>	<u>977</u>	Other interest expenses	<u>2</u>	<u>977</u>
<u>16,737</u>	<u>14,116</u>		<u>15,386</u>	<u>12,674</u>
Interest expenses are specified as follows:				
10,863	9,785	Credit institutions	10,865	9,785
1,120	1,316	Mortgage credit institutes.....	1,399	1,644
1,608	1,623	Interest expenses, subsidiaries	0	0
<u>2</u>	<u>977</u>	Other interest expenses	<u>2</u>	<u>977</u>
<u>13,593</u>	<u>13,701</u>		<u>12,266</u>	<u>12,406</u>
<u>16,595</u>	<u>13,877</u>	Financial expenses on debt measured at fair value in the income statement.....	<u>15,244</u>	<u>12,435</u>
<u>142</u>	<u>239</u>	Financial expenses on debt measured at amortised value	<u>142</u>	<u>239</u>

The average effective interest rate for the year is 3.37% (3.43%) based on total average financial expenses in the Group.

17. Securities

The portfolio of securities in the Parent Company and the Group at 30 September 2018 is specified as follows:

	Mortgage deeds	Bonds	Shares	Total
Total cost	657,077	0	1,612	658,689
Fair value adjustment	5,648	0	-656	4,992
Fair value adjustment, credit risk	<u>-17,627</u>	<u>0</u>	<u>0</u>	<u>-17,627</u>
Fair value	<u>645,098</u>	<u>0</u>	<u>956</u>	<u>646,054</u>

<u>Parent Company</u>			<u>Group</u>	
2017/18 DKK '000	2016/17 DKK '000		2017/18 DKK '000	2016/17 DKK '000
<u>2,244</u>	<u>2,250</u>	Mortgage deeds, number	<u>2,244</u>	<u>2,250</u>
		Mortgage deeds distributed on nominal value:		
		Fixed-interest mortgage deeds:		
		Measured at fair value based on an average		
		effective interest rate of 8.5% p.a. (8.5% p.a.)		
482,755	457,748	Measured at fair value, which substantially	482,755	457,748
		corresponds to the cost of the mortgage		
<u>40,106</u>	<u>41,837</u>	deeds.....	<u>40,106</u>	<u>41,837</u>
522,861	499,585	Total fixed-interest mortgage deeds.....	522,861	499,585
		Cibor mortgage deeds, measured at fair value		
<u>191,010</u>	<u>199,992</u>	based on the cost of the mortgage deeds.....	<u>191,010</u>	<u>199,992</u>
<u>713,871</u>	<u>699,577</u>		<u>713,871</u>	<u>699,577</u>

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 68,773 (kDKK 76,935), of which kDKK 17,627 (kDKK 20,060) relates to fair value adjustment for credit risk.

Fair value adjustment for credit risk for the year to meet losses on mortgage deeds in default and mortgage deed receivables is a positive kDKK 2,112 (kDKK -466) and has been recognised in the income statement under the item net loss/gain, mortgage deeds, see note 5.

<u>Parent Company</u>			<u>Group</u>	
<u>2017/18</u>	<u>2016/17</u>		<u>2017/18</u>	<u>2016/17</u>
<u>DKK '000</u>	<u>DKK '000</u>		<u>DKK '000</u>	<u>DKK '000</u>
23. Mortgage credit institutes				
<u>55,392</u>	<u>60,077</u>	Cash loan, outstanding debt	<u>67,087</u>	<u>73,399</u>
<u>56,186</u>	<u>61,094</u>	Fair value of outstanding debt, bonds	<u>68,038</u>	<u>74,647</u>
Measurement of debt to mortgage credit institutes:				
51,644	56,301	Investment properties measured at fair value.....	63,496	69,854
<u>4,402</u>	<u>4,632</u>	Domicile property measured at amortised cost	<u>4,402</u>	<u>4,632</u>
<u>56,046</u>	<u>60,933</u>		<u>67,898</u>	<u>74,486</u>
24. Credit institutions				
<u>422,679</u>	<u>395,365</u>	Fair value of debt to credit institutions.....	<u>422,679</u>	<u>395,365</u>

The fair value of loans has been calculated as the present value of expected future repayments and interest payments using the current market rate as discount rate. Bank overdrafts are measured at fair value, which substantially corresponds to nominal amount. The difference between fair value and nominal amount is kDKK 0 (kDKK 0).

28. Currency and interest swaps

The Parent Company and the Group have entered into currency hedging contracts which do not qualify for hedge accounting. Currency swaps of net DKK 7.4 million (DKK 26.5 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 ad- justment in the income statement DKK '000</u>
2017/2018				
Parent Company and Group				
30 September 2018				
Currency swap	DKK/USD 0-180 days	500	3,221	-19
Currency swap	USD/DKK 0-180 days	500	3,204	7
Currency swap	DKK/NOK 0-180 days	1,200	<u>945</u>	<u>-32</u>
			<u>7,370</u>	<u>-44</u>

The Parent Company and the Group have 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 36.0 million (DKK 39.6 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.

Note 28 continued:

	Contractual value <u>DKK million</u>	Remaining term <u> </u>	Fair value <u>DKK '000</u>	Value ad- justment in the income statement <u>DKK '000</u>
Interest swaps mortgage credit institutes				
Group				
30 September 2018				
Interest swaps cibor 6 months	21.1	31.12.2027	-3,921	798
Interest swaps cibor 3 months	14.9	31.12.2024	<u>-506</u>	<u>169</u>
			<u>-4,427</u>	<u>967</u>
Interest swaps, loans credit institutions				
2017/2018				
Parent Company/Group				
30 September 2018	25.0	13.03.2019	-354	355
30 September 2018 (closed)	25.0	17.04.2020	0	339
30 September 2018	25.0	03.07.2020	-445	159
30 September 2018	50.0	09.07.2022	-1,599	284
30 September 2018	25.0	29.07.2025	-169	-99
30 September 2018	25.0	26.06.2025	-1,189	48
30 September 2018	25.0	26.06.2026	-197	-147
30 September 2018	50.0	26.06.2027	-448	-393
30 September 2018	25.0	25.01.2028	<u>-611</u>	<u>-611</u>
			<u>-5,012</u>	<u>-65</u>