

# Investeringselskabet Luxor A/S

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## Interim Report as at 30 June 2020

27 August 2020

Announcement No 8, 2019/20

## Interim Report 1 October 2019 - 30 June 2020

The Supervisory Board of Investeringselskabet Luxor A/S has today adopted the Interim Report for the period 1 October 2019 - 30 June 2020.

### Third quarter 2019/20:

- Basic earnings amount to DKK 10.8 million (DKK 6.5 million).
- The Group's profit before tax amounts to DKK 8.3 million (DKK 7.5 million).

Profit before tax for the quarter is DKK 2.5 million lower than basic earnings, primarily due to fair value adjustments of interest swaps and mortgage credit loans.

### Interim period 2019/20:

- Basic earnings for the period amount to DKK 31.4 million (DKK 22.4 million).
- The Group's profit before tax for the period amounts to DKK 35.4 million (DKK 15.9 million).

Profit before tax for the period is DKK 4.0 million higher than basic earnings, primarily due to:

- fair value adjustments of interest swaps and mortgage credit loans of DKK 4.8 million;
- fair value adjustments of financial assets and loss on sale of shares of DKK -0.8 million.

### Expected basic earnings 2019/20:

- For the financial year 2019/20, basic earnings of approx. DKK 38 million are expected, which is in accordance with the most recent announcement made in Company Announcement No 7 of 10 August 2020.
- Fair value adjustments of interest swaps and financial assets are not included in basic earnings and will until 20 August 2020 affect results for the year before tax by DKK 4.8 million. The amount is distributed with DKK 3.9 million for the period and DKK 0.9 million for the period 1 July - 20 August 2020.

To date, the Company's basic earnings have not been materially affected by COVID-19.

The Company is to a certain extent dependent on the impact of COVID-19 on society and assesses on a current basis whether any adjustments are to be made based on this.

For additional information concerning this Interim Report, please contact Jannik Rolf Larsen, CEO (tel: +45 3332 5015).

**Interim Report 1 October 2019 - 30 June 2020**

**Contents**

<b>Financial Highlights of the Group .....</b>	<b>3</b>
<b>Management's Review .....</b>	<b>4</b>
<b>Management's Statement .....</b>	<b>8</b>
<b>Statement of Comprehensive Income .....</b>	<b>9</b>
<b>Assets .....</b>	<b>10</b>
<b>Liabilities and equity .....</b>	<b>11</b>
<b>Cash Flow Statement .....</b>	<b>13</b>
<b>Notes to the Interim Report .....</b>	<b>14</b>

The Company's main activities are distributed on interest-bearing securities and properties, for which 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.

Investeringselskabet Luxor A/S intends to distribute annual dividend to the investors to the extent this is appropriate in view of results for the year and other circumstances.

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 full or partial conversion of a corporate bond.

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

**Financial Highlights of the Group**

**1 October 2019 - 30 June 2020**

<u>DKK million</u>	<u>2019/20</u> <u>Q1-Q3</u>	<u>2018/19</u> <u>Q1-Q3</u>	<u>2017/18</u> <u>Q1-Q3</u>	<u>2018/19</u> <u>full year</u>
<u>Key figures</u>				
Income .....	64.2	63.2	48.4	81.6
Gross earnings .....	55.9	53.3	41.6	69.0
Profit/loss before tax.....	35.4	15.9	15.8	19.7
Net profit/loss for the period .....	27.6	12.3	12.3	15.3
Basic earnings.....	31.4	22.4	18.4	29.0
Non-current assets .....	880.9	887.0	845.2	890.5
Current assets.....	17.0	36.4	18.4	17.8
Total assets .....	897.9	923.4	863.6	908.3
Equity .....	350.4	342.9	342.6	345.8
Non-current liabilities.....	125.9	103.4	75.3	116.8
Current liabilities .....	421.6	477.2	445.7	445.6
Investment in property, plant and equipment .....	0.00	0.0	0.3	0.0
Profit/loss for analytical purposes:				
Net profit/loss for the period (after tax).....	<u>27.6</u>	<u>12.3</u>	<u>12.3</u>	<u>15.3</u>
<u>Ratios</u>				
<u>Values per DKK 100 share</u>				
Earnings per share (EPS) (DKK).....	27.60	12.29	12.31	15.26
Net asset value per share in circulation (DKK) ..	350.43	342.86	342.56	345.83
Return on equity in percentage p.a. ....	10.57	4.71	4.72	4.36
Equity share in percentage.....	39.03	37.13	39.67	38.07
<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 .....	334	402	414	402
Highest.....	484	555	460	555
End of period.....	404	406	401	416
Volume of trade on the Stock Exchange,				
number of shares.....	12,087	10,290	11,361	11,104
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.

## Management's Review

### Basic earnings and results for the period

The Group's basic earnings for the period amount to DKK 31.4 million (DKK 22.4 million).

Basic earnings are calculated as profit before tax for the period adjusted for fair value adjustments of interest swaps and financial assets.

The Group's profit before tax for the period amounts to DKK 35.4 million (DKK 15.9 million).

Profit before tax for the period is DKK 4.0 million higher than basic earnings, primarily due to fair value adjustments of interest swaps and debt to mortgage credit institutes of DKK 4.8 million and fair value adjustments of financial assets and loss on sale of shares of DKK -0.8 million.

Similarly, profit before tax for the period 2018/19 was DKK 6.5 million lower than basic earnings, primarily due to fair value adjustments of interest swaps and debt to mortgage credit institutes as well as financial assets.

After recognition of tax for the period of DKK 7.8 million (DKK 3.6 million), the profit after tax for the period amounts to DKK 27.6 million (DKK 12.3 million).

### Business areas

The Group's balance sheet, which compared with the same time last year has decreased from DKK 923.4 million to DKK 897.9 million, includes the following business areas:

	<u>2019/20</u> DKK million	<u>2018/19</u> DKK million
Mortgage deeds .....	678.7	684.6
Shares .....	<u>0.0</u>	<u>0.6</u>
Total securities.....	678.7	685.2
Investment properties .....	<u>191.4</u>	<u>190.6</u>
Total.....	<u>870.1</u>	<u>875.8</u>

### Mortgage deeds

The fair value of the Group's portfolio of mortgage deeds amounts to DKK 678.7 million (DKK 684.6 million), and the nominal value amounts to DKK 724.2 million (DKK 736.2 million).

The fair value of the Group's portfolio of mortgage deeds is distributed with DKK 523.9 million (DKK 514.2 million) in fixed-interest mortgage deeds and DKK 154.8 million (DKK 170.4 million) in floating-rate cibor mortgage deeds.

**Investeringsselskabet Luxor A/S**  
**INTERIM REPORT**

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

	<u>2019/20</u> <u>DKK million</u>	<u>2018/19</u> <u>DKK million</u>
Interest income.....	41.1	40.1
Capital gains, mortgage deeds .....	7.0	5.8
Fair value adjustment.....	<u>-1.1</u>	<u>6.8</u>
	47.0	52.7
Direct expenses, mortgage deeds.....	1.7	1.4
Realised losses on mortgage deeds, fair value adjustment for credit risk as well as expenses relating to the sale of mortgages in default.....	-5.9	-6.1
Bad debts recovered.....	<u>8.7</u> <u>2.8</u>	<u>5.3</u> <u>-0.8</u>
	<u>48.1</u>	<u>50.5</u>

Fixed-interest mortgage deeds of a nominal amount of DKK 522.5 million (DKK 510.9 million) have been measured in the balance sheet at fair value on the basis of an effective interest rate of 8.25% p.a. (8.25% p.a.). Fixed-interest mortgage deeds of a nominal amount of DKK 30.6 million (DKK 33.6 million) and cibor mortgage deeds of a nominal amount of DKK 171.1 million (DKK 191.7 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 recognised.

Fair value adjustment amounts to DKK -1.1 million compared with DKK 6.8 million in 2018/19 when the effective rate of interest on fixed-interest mortgage deeds was adjusted from 8.5% p.a. to 8.25% p.a. The adjustment of the effective rate of interest had an effect of approx. DKK 6.6 million.

The fair value adjustment of DKK -1.1 million includes DKK -0.6 million relating to reclassification of the value assesment of two mortgage deeds.

The Group's portfolio of mortgage deeds has an average fair value per mortgage deed of kDKK 300.2 (kDKK 298.5).

Net loss/gain, mortgage deeds amounts to DKK 2.8 million (DKK -0.8 million), which is better than expected.

Net loss/gain on mortgage deeds includes:

- realised net losses on mortgage deeds and mortgage deed receivables of DKK -5.9 million (DKK -6.1 million), including adjustment to meet credit risk on mortgage deeds and mortgage deed receivables as well as expenses relating to the sale of mortgages in default;
- bad debts recovered of DKK 8.7 million (DKK 5.3 million), which is higher than expected.

The total fair value adjustment for credit risk on mortgage deeds amounts to DKK -12.0 million (DKK -13.0 million), corresponding to 1.7% (1.9%) of the portfolio.

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

### **Investment properties**

The Group's balance sheet includes 5 (5) investment properties with a fair value of DKK 191.4 million (DKK 190.6 million).

Return on investment properties for the period is specified as follows:

	<u>2019/20</u> DKK million	<u>2018/19</u> DKK million
Rental income .....	11.5	10.2
Direct expenses, investment properties .....	<u>6.5</u>	<u>8.6</u>
	<u>5.0</u>	<u>1.6</u>

As to the Group's total portfolio of rental properties, which comprises approx. 34,085 m2, it can be stated that at 30 June 2020, the lease rate is approx. 93.6% (91.6%).

In connection with new letting, costs for rebuilding and renovation of the m2 let out have been recognised at approx. DKK 3.4 million.

### **Financing and debt**

The fair value of the Group's short-term debt to credit institutions amounts to DKK 400 million (DKK 442.5 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. 8.75 years. Fair value adjustments of interest swaps for the period amount to DKK 3.4 million (DKK -11.5 million) due to the interest rate development.

The interest swaps entered into are used to hedge the interest rate risk on basic earnings. The total fair value adjustment of interest swaps with credit institutions is DKK -15.9 million (DKK -16.5 million). The amount is counterbalanced through current fair value adjustments over the terms of the contracts.

### **Mortgage credit loans, investment properties**

The Group's debt to mortgage credit institutes amounts to DKK 102.4 million (DKK 84.3 million).

Fair value adjustment of mortgage credit loans for the period amounts to DKK 0.5 million (DKK -0.2 million).

The Group has pegged the interest rate on DKK 28.8 million (DKK 32.9 million) through interest swaps with a duration of up to 8.75 years. Fair value adjustment of interest swaps for the period amounts to DKK 1.0 million (DKK -0.4 million).

The interest swaps entered into are used to hedge floating-rate loans from mortgage credit institutes. The total fair value adjustment of interest swaps with mortgage credit institutes is DKK 3.7 million (DKK -4.8 million). The amount is counterbalanced through current fair value adjustments over the terms of the contracts.

During the financial year, the Group has raised mortgage credit loans of DKK 14 million. The loans have been raised as cash loans issued on the basis of 0.5% bonds with maturity in 2040.

**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 as at 30 June 2020 and 30 June 2019.

<u>DKK million</u>	<u>Increase in parameter</u>	<u>2019/20 Fair value</u>	<u>2019/20 Change of value</u>	<u>2018/19 Fair value</u>	<u>2018/19 Change of value</u>
Mortgage deeds	1% effective rate of interest	678.7	27.2	684.6	26.5
Investment properties	0.5% yield requirement	191.4	12.3	190.6	12.3
Interest swaps	0.5% change in rate of interest	19.7	7.9	21.3	9.1

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 32 to the Annual Report; see the Company's website [www.luxor.dk](http://www.luxor.dk).

**Future prospects and post balance sheet events**

For the financial year 2019/20, basic earnings of approx. DKK 38 million are expected, which is in accordance with the most recent announcement made in Company Announcement No 7 of 10 August 2020.

Fair value adjustments of interest swaps and financial assets are not included in basic earnings and will until 20 August 2020 affect results for the year before tax by DKK 4.8 million. The amount is distributed with DKK 3.9 million for the period and DKK 0.9 million for the period 1 July - 20 August 2020.

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 Interim Report.

To date, the Company's basic earnings have not been materially affected by COVID-19.

The Company is to a certain extent dependent on the impact of COVID-19 on society and assesses on a current basis whether any adjustments are to be made based on this.

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 return on fixed asset investments and debt changes on a daily basis, which means that the earnings expectations differ from the actual expectations already at the time of publication.

**Management's Statement**

The Supervisory and Executive Boards have today considered and adopted the Interim Report of Investeringsselskabet Luxor A/S for the period 1 October 2019 - 30 June 2020.

The Interim Report, which comprises summarised consolidated financial statements of Investeringsselskabet 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 2020 of the Group and of the results of the Group's operations and cash flows for the period 1 October 2019 - 30 June 2020.

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

Copenhagen, 27 August 2020

Executive Board:

Jannik Rolf Larsen

Supervisory Board:

Steffen Heegaard

Casper Moltke  
Chairman

Michael Hedegaard Lyng

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

**Statement of Comprehensive Income**  
**1 October 2019 - 30 June 2020**

		GROUP				
	Note	1/4 - 30/6 2020 DKK '000	1/4 - 30/6 2019 DKK '000	1/10 2019 - 30/6 2020 DKK '000	1/10 2018 - 30/6 2019 DKK '000	1/10 2018 - 30/9 2019 DKK '000
Financial income .....	4	14,829	15,586	47,611	46,249	61,797
Net loss/gain, mortgage deeds .....	5	681	-365	2,867	-857	-3,511
Fair value adjustment of financial assets .....	6	<u>260</u>	<u>6,509</u>	<u>-135</u>	<u>6,406</u>	<u>6,463</u>
		<u>15,770</u>	<u>21,730</u>	<u>50,343</u>	<u>51,798</u>	<u>64,749</u>
Rental income .....		3,837	3,719	11,538	10,216	13,987
Other income .....		751	547	2,288	1,802	2,615
Fair value adjustment of investment properties .....		<u>0</u>	<u>-581</u>	<u>0</u>	<u>-581</u>	<u>219</u>
		<u>4,588</u>	<u>3,685</u>	<u>13,826</u>	<u>11,437</u>	<u>16,821</u>
<b>Total income .....</b>		20,358	25,415	64,169	63,235	81,570
Direct expenses, securities .....		531	540	1,749	1,361	1,853
Direct expenses, properties .....	7	<u>1,203</u>	<u>4,368</u>	<u>6,496</u>	<u>8,598</u>	<u>10,759</u>
<b>Total gross earnings .....</b>		18,624	20,507	55,924	53,276	68,958
Financial expenses .....	8	<u>6,333</u>	<u>9,036</u>	<u>7,042</u>	<u>24,330</u>	<u>32,773</u>
		<u>12,291</u>	<u>11,471</u>	<u>48,882</u>	<u>28,946</u>	<u>36,185</u>
Other external expenses .....		566	707	2,641	2,636	3,299
Staff expenses .....	9	3,341	3,131	10,568	10,066	12,753
Depreciation and amortisation .....		<u>97</u>	<u>102</u>	<u>298</u>	<u>308</u>	<u>412</u>
		<u>4,004</u>	<u>3,940</u>	<u>13,507</u>	<u>13,010</u>	<u>16,464</u>
<b>Profit/loss before tax .....</b>		8,287	7,531	35,375	15,936	19,721
Tax on profit/loss for the period ..	10	<u>1,711</u>	<u>1,796</u>	<u>7,777</u>	<u>3,646</u>	<u>4,459</u>
<b>NET PROFIT/LOSS FOR THE PERIOD (COMPREHENSIVE INCOME)</b>		<u>6,576</u>	<u>5,735</u>	<u>27,598</u>	<u>12,290</u>	<u>15,262</u>
Earnings per A & B share (EPS) in DKK .....		6.6	5.7	27.6	12.3	15.3
Earnings per A & B share (EPS) in DKK (diluted value) .....		6.6	5.7	27.6	12.3	15.3

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

**Balance Sheet**  
**as at 30 June 2020**

**Assets**

		Group		
	<u>Note</u>	<u>30/6 2020</u> <u>DKK '000</u>	<u>30/6 2019</u> <u>DKK '000</u>	<u>30/9 2019</u> <u>DKK '000</u>
<b>Fixed assets</b>				
Domicile properties .....		10,501	10,690	10,642
Fixtures, fittings and equipment .....		330	542	486
<b>Property, plant and equipment .....</b>		<b>10,831</b>	<b>11,232</b>	<b>11,128</b>
Investment properties.....		191,400	190,600	191,400
<b>Investment properties.....</b>		<b>191,400</b>	<b>190,600</b>	<b>191,400</b>
Securities .....	11	678,714	685,165	687,984
<b>Fixed asset investments .....</b>		<b>678,714</b>	<b>685,165</b>	<b>687,984</b>
<b>Non-current assets.....</b>		<b>880,945</b>	<b>886,997</b>	<b>890,512</b>
Other receivables .....		6,542	7,434	7,063
Prepayments .....		1,128	566	1,081
<b>Receivables .....</b>		<b>7,670</b>	<b>8,000</b>	<b>8,144</b>
<b>Cash at bank and in hand.....</b>	12	<b>9,288</b>	<b>28,432</b>	<b>9,659</b>
<b>Current assets .....</b>		<b>16,958</b>	<b>36,432</b>	<b>17,803</b>
<b>ASSETS .....</b>		<b>897,903</b>	<b>923,429</b>	<b>908,315</b>

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

**Balance Sheet**  
**as at 30 June 2020**

**Liabilities and equity**

	Note	Group		
		30/6 2020 DKK '000	30/6 2019 DKK '000	30/9 2019 DKK '000
Share capital .....		100,000	100,000	100,000
Proposed dividend .....		0	0	23,000
Retained earnings .....		<u>250,427</u>	<u>242,857</u>	<u>222,829</u>
<b>Equity .....</b>		<u>350,427</u>	<u>342,857</u>	<u>345,829</u>
Deferred tax .....	10	11,798	5,700	6,253
Mortgage credit institutes .....	13	93,606	76,371	86,723
Interest swaps .....	16	19,419	21,310	23,775
Other payables .....		<u>1,107</u>	<u>0</u>	<u>97</u>
<b>Non-current liabilities .....</b>		<u>125,930</u>	<u>103,381</u>	<u>116,848</u>
Mortgage credit institutes .....	13	8,797	7,906	8,381
Credit institutions .....	14	400,004	442,457	425,559
Deposits .....		4,578	4,322	4,363
Corporation tax .....	10	1,755	358	618
Other payables .....		5,811	21,521	5,837
Interest swaps .....	16	241	0	290
Deferred income .....		<u>360</u>	<u>627</u>	<u>590</u>
<b>Current liabilities.....</b>		<u>421,546</u>	<u>477,191</u>	<u>445,638</u>
<b>Liabilities .....</b>		<u>547,476</u>	<u>580,572</u>	<u>562,486</u>
<b>LIABILITIES AND EQUITY .....</b>		<u><b>897,903</b></u>	<u><b>923,429</b></u>	<u><b>908,315</b></u>

Note 19 Security, contingent liabilities, recourse guarantee commitments and other guarantee commitments

Note 15 Financial gearing

**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
<b>Equity A &amp; B shares at 1 October 2018.....</b>	<b>17,500</b>	<b>82,500</b>	<b>230,567</b>	<b>23,000</b>	<b>353,567</b>
Dividend paid .....	0	0	0	-23,000	-23,000
Net profit/loss for the period (comprehensive income).....	<u>0</u>	<u>0</u>	<u>12,290</u>	<u>0</u>	<u>12,290</u>
<b>Equity A &amp; B shares at 30 June 2019.....</b>	<b><u>17,500</u></b>	<b><u>82,500</u></b>	<b><u>242,857</u></b>	<b><u>0</u></b>	<b><u>342,857</u></b>
<b>Equity A &amp; B shares at 1 October 2019.....</b>	<b>17,500</b>	<b>82,500</b>	<b>222,829</b>	<b>23,000</b>	<b>345,829</b>
Dividend paid .....	0	0	0	-23,000	-23,000
Net profit/loss for the period (comprehensive income).....	<u>0</u>	<u>0</u>	<u>27,598</u>	<u>0</u>	<u>27,598</u>
<b>Equity A &amp; B shares at 30 June 2020.....</b>	<b><u>17,500</u></b>	<b><u>82,500</u></b>	<b><u>250,427</u></b>	<b><u>0</u></b>	<b><u>350,427</u></b>

**Share capital**

The share capital, which has been fully paid-up, consists of:

	<u>A shares</u>	<u>B shares</u>	<u>Total</u>
2 shares of DKK 8,750,000 each .....	17,500		17,500
825,000 shares of DKK 100 each .....		<u>82,500</u>	<u>82,500</u>
	<u>17,500</u>	<u>82,500</u>	<u>100,000</u>

The Company's share capital is divided into A and B shares of a nominal value of DKK 100 or multiples hereof. Each A share carries the right to ten votes, whereas one B share carries the right to one vote. The B share capital is listed on Nasdaq Copenhagen A/S under securities ID DK0010213628.

No own shares were purchased or sold during the financial period. The Company has no portfolio of own shares.

Ownership shares for which the voting right amounts to at least 5% or the nominal value is at least 5% of the share capital:  
A. Rolf Larsen Holding S.A., Luxembourg. Ownership share: 85.65% (85.65%). Voting share: 94.43% (94.43%).

**Cash Flow Statement**  
**1 October 2019 - 30 June 2020**

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>Cash flows from operating activities</b>		
Interest received on mortgage deeds .....	41,057	40,033
Other financial income .....	274	314
Other income .....	2,288	1,802
Rental income .....	11,847	10,503
Interest payments .....	-11,801	-12,117
Operating expenses and other payments .....	-21,330	-21,422
Expenses relating to the sale of mortgages in default.....	0	-201
Corporation tax .....	-1,096	-1,746
<b>Cash flows from operating activities.....</b>	<b>21,239</b>	<b>17,166</b>
<b>Cash flows from investing activities</b>		
Additions of mortgage deeds.....	-100,184	-120,874
Disposals of mortgage deeds and shares .....	119,147	91,919
Deposits received.....	237	1,208
Capital investments .....	0	-1,681
<b>Cash flows from investing activities.....</b>	<b>19,200</b>	<b>-29,428</b>
<b>Cash flows from financing activities</b>		
Repayment, credit institutions .....	-25,555	36,938
Raising of loans, mortgage credit institutes.....	15,465	21,980
Repayment, mortgage credit institutes .....	-7,698	-5,720
Dividend .....	-23,000	-23,000
Deposits paid .....	-22	-39
<b>Cash flows from financing activities .....</b>	<b>-40,810</b>	<b>30,159</b>
Net change in cash and cash equivalents .....	-371	17,897
Cash and cash equivalents, beginning of period.....	9,659	10,535
<b>Cash and cash equivalents, end of period.....</b>	<b>9,288</b>	<b>28,432</b>

**Notes to the Interim Report**

**1. Segment reporting**

	Mortgage deeds <u>DKK '000</u>	Investment properties <u>DKK '000</u>	Other <u>DKK '000</u>	Total <u>DKK '000</u>
<b><u>Group 2019/20</u></b>				
Income (realised) .....	51,186	11,538	1,580	64,304
Fair value adjustment.....	-1,132	0	997	-135
Gross earnings .....	48,305	5,042	2,577	55,924
Assets.....	683,975	192,466	21,462	897,903
Capital investments.....	100,184	0	0	100,184
Liabilities (segments).....	415,915	129,697	-7,169	538,443

<b><u>Group 2018/19</u></b>				
Income (realised) .....	45,330	10,216	1,864	57,410
Fair value adjustment.....	6,755	-581	-349	5,825
Gross earnings .....	50,683	1,037	1,556	53,276
Assets.....	690,812	191,061	40,953	922,826
Capital investments.....	120,874	1,681	0	122,555
Liabilities (segments).....	458,589	111,496	-12,019	558,066

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 -11,988 (kDKK -13,038). The financial period saw a positive fair value adjustment relating to credit risks on mortgage deeds and mortgage deed receivables of kDKK 3,007 (kDKK 5,947), see note 5. 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 period before tax as follows:

	<u>Group</u>	
	<u>2019/20</u>	<u>2018/19</u>
	<u>DKK '000</u>	<u>DKK '000</u>
Gross earnings.....	55,924	53,276
Financial expenses .....	7,042	24,330
Other external expenses .....	2,641	2,636
Staff expenses .....	10,568	10,066
Depreciation and amortisation .....	<u>298</u>	<u>308</u>
Profit/loss before tax .....	<u>35,375</u>	<u>15,936</u>

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

Note 1 continued

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

	<u>Group</u>	
	<u>2019/20</u> <u>DKK '000</u>	<u>2018/19</u> <u>DKK '000</u>
Liabilities, segments .....	538,443	558,066
Other payables .....	6,918	21,521
Corporation tax .....	1,755	358
Deferred income .....	<u>360</u>	<u>627</u>
Liabilities.....	<u>547,476</u>	<u>580,572</u>

## 2. Accounting policies

The Interim Report for the period 1 October 2019 - 30 June 2020 and the accounting figures for Q3 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements relating to listed companies.

The financial part of the Interim Report complies with the provisions of IAS 34 relating to condensed interim financial statements.

The accounting policies and the presentation remain unchanged compared with the Consolidated and Parent Company Financial Statements as at 30 September 2019.

The Consolidated and Parent Company Financial Statements for 2018/19 include a complete description of the accounting policies applied. Reference is made to note 2, Accounting policies, and note 35, New and amended Standards, as well as Interpretations that have not yet become effective in the Annual Report as at 30 September 2019.

	<u>Group</u>	
	<u>2019/20</u> <u>DKK '000</u>	<u>2018/19</u> <u>DKK '000</u>
Financial income .....	48,319	46,186
Rental income .....	11,538	10,216
Other income .....	2,288	1,802
Net loss/gain, mortgage deeds .....	2,867	-857
Direct expenses, securities.....	1,749	1,361
Direct expenses, properties.....	6,496	8,598
Financial expenses.....	11,811	12,005
Other external expenses.....	2,641	2,636
Staff expenses.....	10,568	10,066
Depreciation and amortisation.....	<u>298</u>	<u>309</u>

## 3. Statement of basic earnings

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

<b>Basic earnings .....</b>	<u>31,449</u>	<u>22,372</u>
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**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>4. Financial income</b>		
Mortgage deeds, interest.....	41,051	40,060
Capital gains, mortgage deeds.....	6,994	5,774
Capital gain, shares.....	-708	62
Other financial income .....	274	353
	47,611	46,249
<b>5. Net loss/gain, mortgage deeds</b>		
Realised net losses on mortgage deeds and mortgage deed receivables.....	8,880	11,863
Fair value adjustment of credit risk, mortgage deeds and mortgage deed receivables.....	3,007	5,947
Expenses relating to the sale of mortgages in default.....	0	201
	-5,873	-6,117
Bad debts recovered .....	8,740	5,260
	2,867	-857
<b>6. Fair value adjustment of financial assets</b>		
Fair value adjustment, mortgage deeds .....	-1,132	6,755
Fair value adjustment, shares.....	997	-349
	-135	6,406
<b>7. Direct expenses, properties</b>		
Property taxes .....	1,216	1,224
Insurance.....	113	111
Maintenance costs incurred .....	4,804	6,180
Other expenses.....	363	1,083
	6,496	8,598

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>8. Financial expenses</b>		
Credit institutions .....	7,871	8,035
Interest swaps, credit institutions.....	1,901	1,846
Interest swaps, credit institutions, fair value adjustment .....	-3,400	11,509
	6,372	21,390
Mortgage credit institutes .....	1,241	1,259
Interest swaps, mortgage credit institutes.....	793	865
Mortgage credit institutes, fair value adjustment .....	-477	187
Interest swaps, mortgage credit institutes fair value adjustment .....	-1,006	361
Expenses relating to raising of loans from mortgage credit institutes....	114	268
Other interest expenses.....	5	0
	7,042	24,330

**9. Staff expenses**

Remuneration of Supervisory Board .....	510	458
Wages and salaries .....	9,172	8,812
Defined contribution plan.....	829	728
Other social security expenses.....	57	68
Other staff, total.....	10,058	9,608
Total staff expenses .....	10,568	10,066
Average number of employees .....	13	13

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 2.4 million (DKK 3.0 million).

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>10. Corporation tax</b>		
Tax on profit/loss on ordinary activities for the period:		
Calculated tax 22% on profit/loss before tax for the period.....	7,783	3,506
Non-taxable income, expenses, value adjustments, etc.....	-6	140
	7,777	3,646
Effective tax rate.....	21.98%	22.88%

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

Note 10 continued

	Group	
	2019/20 DKK '000	2018/19 DKK '000
Tax asset at 1 October 2019 .....	19,930	22,911
Transferred to DI-Ejendoms Invest A/S .....	-691	-311
Adjustment of deferred tax .....	-45	12
Change in deferred tax recognised in the income statement .....	-4,628	-2,388
Tax asset at 30 June 2020 .....	14,566	20,224
Deferred tax at 1 October 2019 .....	26,183	25,593
Change in deferred tax recognised in the income statement .....	181	331
Deferred tax at 30 June 2020 .....	26,364	25,924
Total deferred tax at 30 June 2020 .....	11,798	5,700
The value of deferred tax is specified as follows:		
Investment properties .....	26,317	25,890
Fixed asset investments, fair value adjustments relating to mortgage credit institutes and credit institutions, etc .....	-305	-350
Tax loss carry-forwards .....	-14,214	-19,840
Deferred tax .....	11,798	5,700

Deferred tax is calculated at a tax rate of 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 2020, the loss amounts to DKK 97.4 million (DKK 97.5 million) measured on the basis of a tax rate of 22%. Utilisation of the tax loss is not time-limited.

	Group	
	2019/20 DKK '000	2018/19 DKK '000
Accrued corporation tax:		
Accrued corporation tax at 1 October .....	618	1,476
Tax paid and prepaid tax .....	1,096	1,746
Adjustment of corporation tax .....	0	8
Corporation tax .....	2,233	636
Accrued corporation tax at 30 June .....	1,755	358

**Investeringsselskabet Luxor A/S**  
**INTERIM REPORT**

	Group	
	2019/20	2018/19
	DKK '000	DKK '000
<b>11. Securities</b>		
The portfolio of securities as at 30 June 2020 is specified as follows:		
Number of mortgage deeds.....	2,301	2,337
Nominal value fixed-interest mortgage deeds:		
Measured at fair value on the basis of an average effective interest rate of 8.25% p.a. (8.25% p.a.).....	522,525	510,859
Measured at fair value, which substantially corresponds to the cost of the mortgage deeds .....	30,561	33,598
Total fixed-interest mortgage deeds .....	553,086	544,457
Nominal value cibor mortgage deeds, measured at fair value on the basis of the cost of the mortgage deeds .....	171,082	191,790
Mortgage deeds distributed on nominal value .....	724,168	736,247

The portfolio of mortgage deeds as at 30 June 2020 is specified as follows:

Total cost .....	679,382	685,196
Fair value adjustment .....	11,320	12,404
Fair value adjustment, credit risk .....	-11,988	-13,038
Fair value .....	678,714	684,562

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 45,454 (kDKK 51,685), of which kDKK 11,988 (kDKK 13,038) relates to fair value adjustment for credit risk.

	Group	
	2019/20	2018/19
	DKK '000	DKK '000
<b>12. Cash at bank and in hand</b>		
Cash and bank deposits .....	8,515	27,659
Bank deposits for later release.....	773	773
	9,288	28,432

**Investeringselskabet Luxor A/S**  
**INTERIM REPORT**

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>13. Mortgage credit institutes</b>		
Cash loan, outstanding debt.....	101,701	83,347
Fair value of outstanding debt, bonds.....	102,612	84,514
Measurement of debt to mortgage credit institutes:		
Investment properties, fair value .....	95,339	76,838
Domicile property, amortised cost.....	7,064	7,439
	102,403	84,277
Specification of debt to mortgage credit institutes with mortgage on real property:		
Non-current liabilities.....	93,606	76,371
Current liabilities .....	8,797	7,906
	102,403	84,277
<b>14. Credit institutions</b>		
Fair value of loans (DKK), credit institutions .....	400,004	442,457
<b>15. Financial gearing</b>		
The Group's financial gearing is specified as follows:		
Credit institutions .....	400,004	442,457
Mortgage credit institutes .....	102,403	84,277
Other payables .....	5,811	21,521
Corporation tax .....	1,755	358
Cash and cash equivalents .....	-9,288	-28,432
	500,685	520,181
Equity .....	350,427	342,857
Financial gearing .....	1.43	1.52

## 16. Interest swaps

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 28.8 million (DKK 32.9 million) and loans from credit institutions with a contractual value of DKK 250 million (DKK 250.0 million). The interest swaps entered into do not qualify for hedge accounting.

<b>Interest swaps, mortgage credit institutes</b>	Contractual value <u>in million</u>	Remaining term <u>                    </u>	Fair value <u>DKK '000</u>	Value ad- justment in the income statement <u>DKK '000</u>
Group				
30 June 2020				
Interest swaps cibor 6 months	DKK 17.8	31.12.2027	-3,305	-790
Interest swaps cibor 3 months	DKK 11.0	31.12.2024	<u>-444</u>	<u>-216</u>
			<u>-3,749</u>	<u>-1,006</u>
<b>Interest swaps, credit institutions</b>				
Group				
30 June 2020				
Interest swap	DKK 25.0	03.07.2020	-241	-49
Interest swap	DKK 50.0	09.07.2022	-1,870	-346
Interest swap	DKK 25.0	26.06.2025	-1,211	-466
Interest swap	DKK 25.0	29.07.2025	-2,380	-234
Interest swap	DKK 25.0	26.06.2026	-1,608	-494
Interest swap	DKK 50.0	26.06.2027	-4,061	-1,003
Interest swap	DKK 25.0	25.01.2028	-2,645	-492
Interest swap	DKK 25.0	22.03.2029	<u>-1,895</u>	<u>-316</u>
			<u>-15,911</u>	<u>-3,400</u>

## 17. Fair value hierarchy for assets and liabilities measured at fair value in the balance sheet

Accounting policies, valuation methods and sensitivities related to fair value measurement of assets and financial debts remain unchanged compared with the most recent Annual Report, to which reference is made.

### Classification of financial instruments

Financial instruments have been classified under the fair value hierarchy as follows:

- Level 1: Listed prices in active markets of identical assets or liabilities. The amounts correspond to the Group's shares and cash and cash equivalents.
- Level 2: Inputs other than listed prices that are observable for the asset or the liability, either directly or indirectly. The amounts correspond to the Group's mortgage deed receivables and outstanding interest as well as bank and mortgage credit loans and interest rate agreements.
- Level 3: Inputs for the asset or the liability that are not based on observable market data. The amounts correspond to the Group's mortgage deeds and investment properties.

Note 17 continued

The below table shows the classification under the fair value hierarchy of assets and financial instruments measured at fair value:

Group in DKK '000 as at 30 June 2020	Listed prices (level 1)	Observ- able input (level 2)	Non- observ- able input (level 3)	Total
<b>Assets</b>				
Mortgage deeds	0	0	678,714	678,714
Investment properties	0	0	191,400	191,400
Other assets	<u>9,288</u>	<u>0</u>	<u>0</u>	<u>9,288</u>
<b>Total assets for fair value hierarchy</b>	<u>9,288</u>	<u>0</u>	<u>870,114</u>	<u>879,402</u>
<b>Financial liabilities</b>				
Financial liabilities	0	495,343	0	495,343
Forward contracts, interest and currency swaps	<u>0</u>	<u>19,660</u>	<u>0</u>	<u>19,660</u>
<b>Total financial liabilities at fair value</b>	<u>0</u>	<u>515,003</u>	<u>0</u>	<u>515,003</u>

## 18. Related parties

Related parties include A. Rolf Larsen Holding S.A., Luxembourg as well as the Supervisory Board, the Executive Board and other executives and close family members of these persons. Moreover, related parties include enterprises in which the above-mentioned group of people hold considerable interests.

Supervisory Board and Executive Board

Apart from remuneration of Management, there have been no transactions with members of the Executive Board or the Supervisory Board.

Other related parties are:

A. Rolf Larsen Holding S.A., which controls the Company through the group-related holding of the majority of the votes.

The subsidiaries DI-Ejendoms Invest A/S, Copenhagen and Metalvarefabriken Luxor A/S, Copenhagen.

**19. Security, contingent liabilities, recourse guarantee commitments and other guarantee commitments**

	Group	
	2019/20 DKK '000	2018/19 DKK '000
<b>The Group has provided the following security for balance with credit institution:</b>		
Mortgage deeds at fair value .....	678,714	684,562
Accrued interest on mortgage deeds.....	3,307	3,287
Cash and cash equivalents .....	1,009	19,788
 <b>The Group has provided the following security for balances with mortgage credit institute:</b>		
Debt to mortgage credit institute secured by mortgage on investment properties and domicile property.		
Carrying amount of mortgaged investment properties .....	191,400	190,600
Carrying amount of mortgaged domicile property .....	10,501	10,690
 <b>Surety provided to third parties:</b>		
Surety in respect of DI-Ejendoms Invest A/S	100	100
 <b>Contingent liabilities:</b>		
The Group's VAT adjustment liability concerning purchase of property, new building and maintenance:		
The Group's VAT adjustment liability concerning purchase of property, new building and maintenance .....	2,369	1,887

The Parent Company is jointly taxed with other group enterprises. As the management company, the Parent Company is jointly and severally liable for corporation taxes and withholding taxes on dividend and interest together with the other enterprises in the jointly taxed group. Any adjustments of the joint taxation income may increase the Parent Company's liability.

The Group has no recourse guarantee commitments, other guarantee commitments or contingent liabilities other than those disclosed in the Interim Report.