



2018

ANNUAL REPORT

HUSCOMPAGNIET SJÆLLAND A/S

HUSCOMPAGNIET



HusCompagniet



175 m²
CLASSIC
CONTEMPORARY

Optimal use of every square
meter – no waste.

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HUSCOMPAGNIET **AT A GLANCE**


25,000
SHOW PARK VISITS


3
MARKETS


277 DKKM
EBITDA BEFORE
SPECIAL ITEMS

504
DIRECT EMPLOYEES



2.5
MILLION
WEBSITE VISITS

3.3
DKKBN
REVENUE


42
POINTS OF
SALE


5 YEARS
Housebuilder of the year

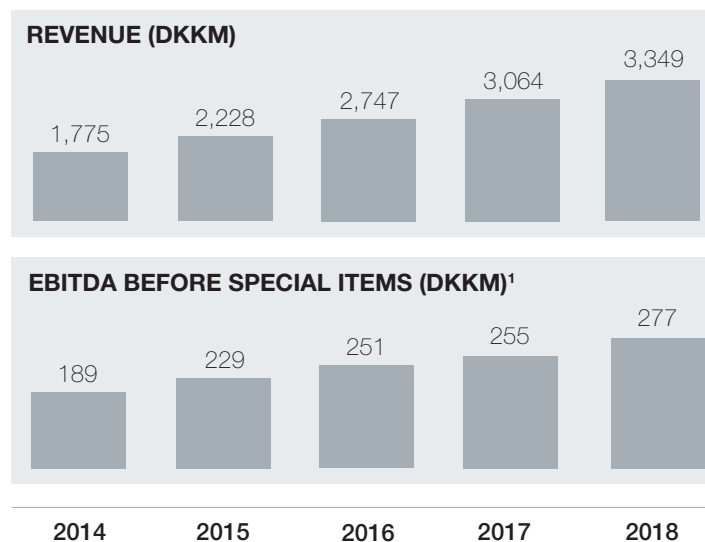
1.8
DKKBN
EQUITY

11
SHOW PARKS


5 STARS
TRUSTPILOT.dk

KEY HIGHLIGHTS

GROUP PERFORMANCE



¹ EBITDA is defined on page 70

KEY MESSAGES

GROUP

In 2018, we delivered more than 1,700 new homes to families, growing revenue by 9% and once again set a new record for the company in both revenue and EBITDA before special items.

This marks our 11th consecutive record year in terms of both houses delivered and financial performance.

Three office openings and five new show parks in Denmark marks an acceleration in our core market.

During 2018 we continued our journey to digitalise our business system with the implementation of a digitalised building process across all building sites in Denmark. With an online project management platform we have enabled reporting from building sites in real time improving collaboration and communication across all stakeholders. The digitalized building process will increase efficiency and transparency within operations to the benefit of the customer. (see page 29)

DENMARK

In 2018, we have maintained our leading position in Denmark.

Increasing the density in our office and show park network we are increasing our customer proximity creating valuable local advice to our growing customer base.

GERMANY

We have re-focused on key locations improving our German product offering and local management team.

We have increased focus on further developing our key business concepts within customer experience and a differentiated, lean delivery model tailored to the German market.

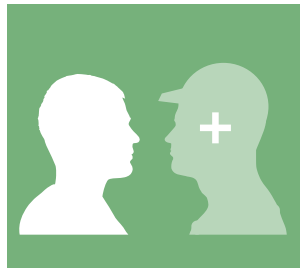
SWEDEN

We have changed our management team and increased focus on direct customer experience and product differentiation and launched a number of new offerings to the Swedish market.

BUSINESS CASE



**RELENTLESS PURSUIT
OF CUSTOMER
SATISFACTION**



**HIGHLY SCALABLE
AND ASSET-LIGHT
OPERATING MODEL**



**GEOGRAPHICAL
EXPANSION**



STRONG REPUTATION

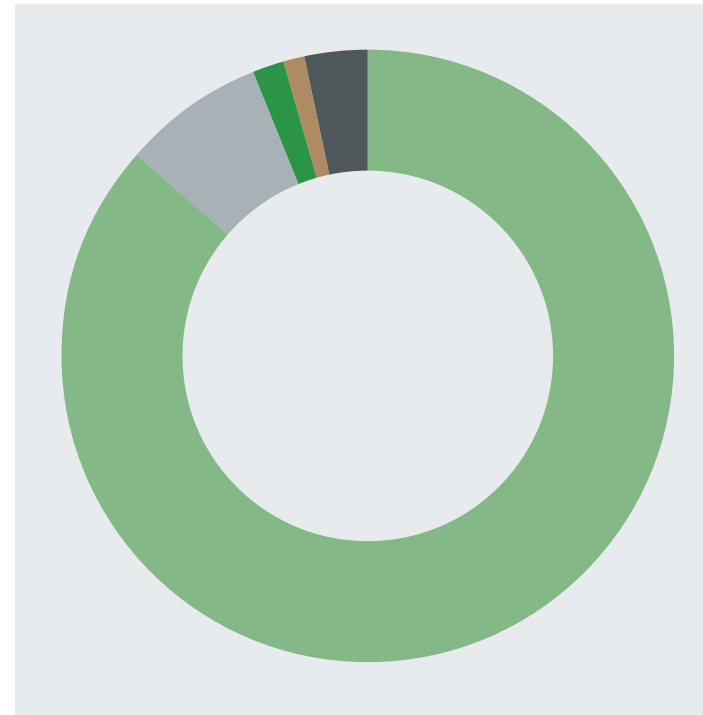


**CUSTOMISABLE
PRODUCT OFFERING**



**STRONG
PERFORMANCE**

VALUE ADDED REVENUE 2018



- Procurement of goods and services¹ DKK 2,696m
- Employees, DKK 288m
- Lenders² DKK 47m
- Corporation tax, DKK 36m
- Profit by HusCompagniet, DKK 90m

1) This includes production costs, other operating expenses and special items

2) This includes financial income and expenses

CEO LETTER

I am pleased to report yet another strong year, delivering all-time high financial performance and number of houses delivered.

We have completed the integration of VårgårdaHus, expanded our digital footprint to all our Danish building sites and opened three new offices in Denmark.

Our management teams have been strengthened both in Germany, Sweden and Denmark while also increasing the organization by 36 colleagues. The talent pool and leadership team is now stronger and broader than ever, creating a unique platform for future growth.

Our German set-up has been significantly changed in order to improve the customer journey, and the overall offering with the aim to build a sustainable business in Germany combining competences from Denmark with local market needs.

ALL-TIME HIGH

2018 was another great year for HusCompagniet with 9% growth, revenue of DKK 3,349 million and a record high EBITDA before special items of DKK 277 million.

NEW OFFICE EXPANSION

Our strong competences as market leaders combined with increasing local knowledge have resulted in great feedback and good performance. Therefore, we have opened three new offices in Denmark.

CONTINUED FOCUS ON CUSTOMER SATISFACTION

We marked a unique achievement in 2018 as we received a "category killer" reward from Anmeld Håndværker, the Danish consumer rating portal.

The honorary price for Best House Builder was received following our five consecutive wins (2013-2017).

Once again, this demonstrates our relentless focus on customer satisfaction.

In 2018 we have continued to focus on our core business of designing, selling and delivering new homes to satisfied families.

As many of our customers share their positive experiences online and in their own network, we are confident that even more families can look forward to a new home from HusCompagniet.

DENMARK – BOOSTING SALES

In 2018, we continued to increase our business to customers providing their own land, but we also continued to provide attractive land opportunities to customers together with our differentiated house offering.

Our three new offices opened in attractive local markets and we have successfully established local footholds with local experts from our strong talent pool.

We continue to see potential in further land acquisitions and collaborations on land plots. We have seen an increasing demand in semi-detached houses and have successfully completed a number of high quality developments during the year.

COMBINING OUR PRODUCT OFFERING TO SWEDISH CUSTOMERS

Following our 2017 acquisition of VårgårdaHus we have implemented our go to market and customer centric business model in parts of the Swedish market.

We have established our well known show house concept in Stockholm and have increased our turn key product offerings out of a new office combining our own talent with our strong local partners and agents.

Further we have strengthened the management team adding customer centric capabilities to our team of competent employees.

GERMANY

In Germany we have re-focused our footprint during 2018, centralizing our agent representation from our sales satellite offices towards our larger and more established offices.

This re-focus has concentrated on stronger alignment of the HusCompagniet business concept with local requirements, while still enforcing and capitalizing on the proven group concept.

As a consequence of this process we have changed our Country Manager in Germany and incurred a number of one off costs.

DIGITALISING THE VALUE CHAIN

We continued our journey to digitalise our value chain with the implementation of an online management platform across all building sites in Denmark. This enables reporting from building sites in real time improving collaboration and communication across all parties. The digitalised construction process will support us in ensuring continued high customer satisfaction and in increasing efficiency within operations.

WE REMAIN CUSTOMER CENTRIC IN OUR DNA

HusCompagniet has a customer centric DNA which implies that everything we do is focusing on high perceived value by our customers. In practice, this means marketing activities in HusCompagniet is having the superior customer journey as the guiding light for all activities we develop and initiate.

One of the key focus areas in our marketing strategy is how we can increase the market size for new builds by expanding our

INCREASING LOCAL PRESENCE RELEASING FURTHER POTENTIAL IN OUR CORE MARKET (DENMARK)

For a number of years HusCompagniet Denmark has built a strong local presence delivering strong growth and creating an even stronger platform of offices on which to build further growth in Denmark.

With our strong base of talent, systems and go to market model increased our footprint with one new office in 2017, and accelerated this development with three new office openings in 2018.

We address a high demand for local presence from our customers and local communities and offer our customers more “entry points” into the HusCompagniet Universe. In combination with our multi-platform marketing approach to create top-of-mind awareness, we follow up with a passionate team of local sales and delivery teams to support our customer’s experience. We have seen great response and business traction from these recent office openings and continue to accelerate the expansion in Denmark.

With the increasing number of offices we further strengthen our unmatched customer proximity. We increase our presence in all regions of Denmark and continue to support this with local show parks and standalone show houses. With offices strategically located across the country we strive for an optimal customer convenience dedicating ourselves to local knowledge of the area.

From this platform we deliver safety and comfort for our customers working with the largest home provider in the country in a local context. We invest into our local communities and we open up to partnerships advancing local community development in small and large scale.

FACTS

- Four office openings over the past 18 months, Næstved, Holbæk, Randers and Viborg
- Involvement in partnerships and land developments in all regions of Denmark
- Increasing average customer proximity



focus to the families choosing to buy a used home. This replacement market is approximately 10 times larger than the current market for new builds and therefore represents a significant growth opportunity for HusCompagniet.

OUR PEOPLE

Our people remains the foundation for HusCompagniet's continued success and growth. We work continuously to develop our 500 loyal employees to have an in-depth market leading understanding of what is crucial to our customers.

We trust our employees, who are the essential contact points for our customers on a day-to-day basis. Internal training programmes and specialist courses empower our employees to take further responsibility and decisions on a local basis, exactly where our customers need it. Our specialists within sales, design, planning and construction all cooperate across professional disciplines to deliver the best experience for our customers.

HusCompagniet is committed to the development of our employees at all levels of the organisation. Building our own talent pool is

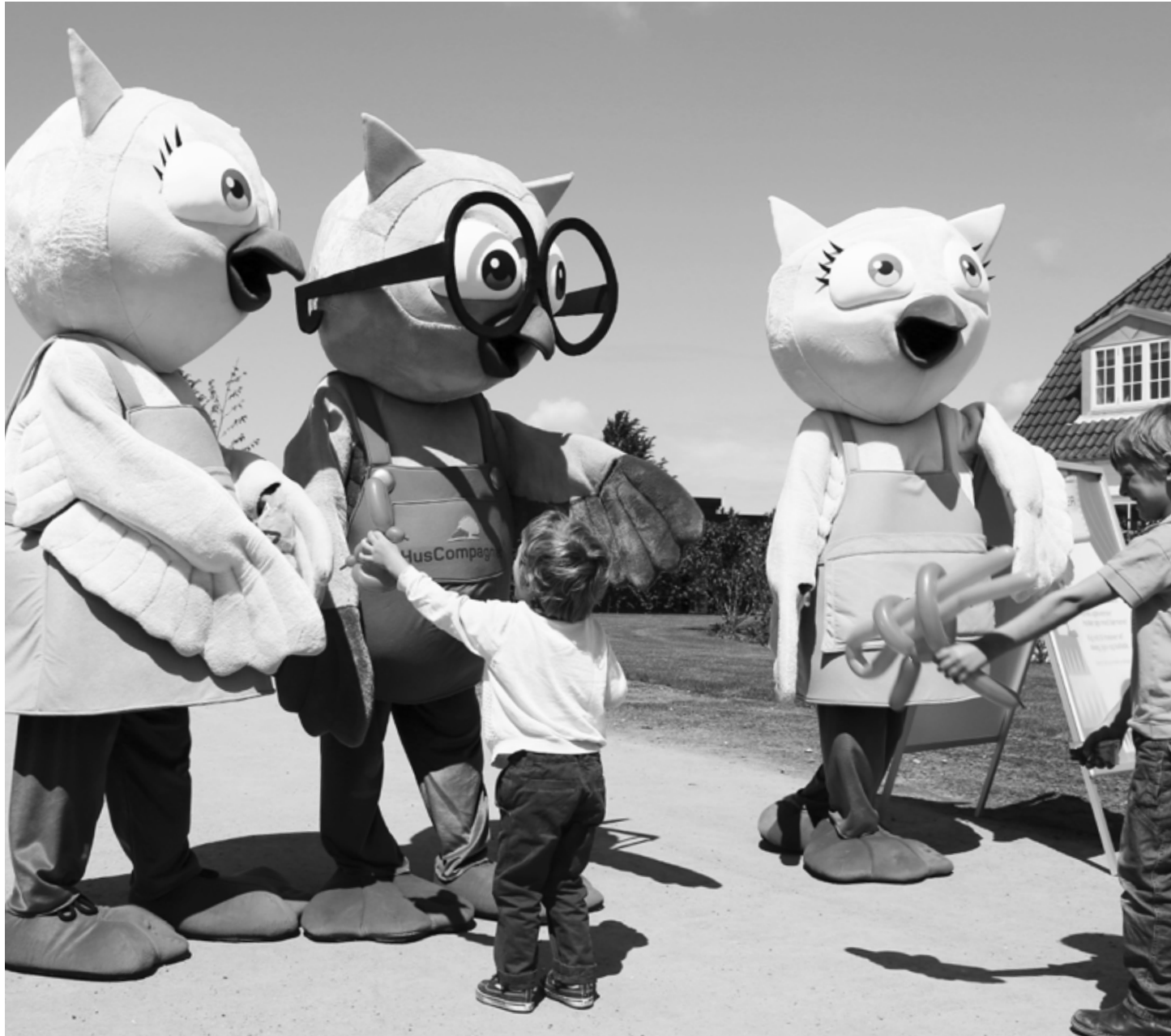
critical to our success. We strive to attract and develop the best talent.

FINAL WORDS

In conclusion, 2018 was a satisfactory year for HusCompagniet. More than 1,700 families have moved into a new HusCompagniet home, customer satisfaction was continuously high and our financial performance was solid.

Karsten Rydder Pedersen
Group CEO

A handwritten signature in black ink, appearing to read 'Karsten', written in a cursive, flowing style.



The owl is our mascot.
Customers and their children
meet them in our show parks.

OUR BUSINESS MODEL

KEY RESOURCES

HusCompagniet is an asset-light business, with all construction work being outsourced and vast majority built on third party land, securing a highly scalable business model

REPUTATION



We rely on our many satisfied customers to act as our ambassadors

PEOPLE



We rely on our highly skilled workforce

CUSTOMER-FACING ASSETS



We rely on our entrepreneurial spirit to maintain our competitive advantage

KNOW-HOW



We rely on our know-how proven by a strong track record of more than 22,000 houses built

FUNDING



We finance our business through cash flows from our operations and debt

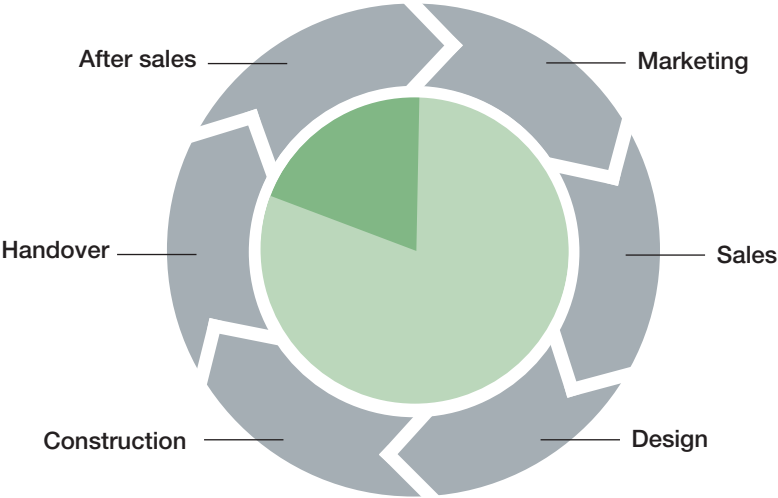
SUPPLY CHAIN



We rely on high quality from our suppliers and contractors and a digital building process

MODEL

CUSTOMER-CENTRIC HOUSEBUILDING MODEL



- Homes provided on own land
- Homes provided on third party land

Our business model is illustrated as a circle, because our previous and existing customers act as HusCompagniet's brand ambassadors, and are critical to generating future sales

OUTCOMES

- **SATISFIED CUSTOMERS**
By delivering competitively priced houses of high quality, we have been awarded 5 stars on Trustpilot.dk
- **FINANCIAL PERFORMANCE**
EBITDA before special items DKK 277m (see page 34)
- **SKILLED AND SAFE WORKFORCE**
By investing in our employees, we ensure safe, healthy, engaged and skilled employees (see page 24)
- **ENVIRONMENTAL IMPACT**
By building energy-efficient houses, we help to reduce CO2 emissions (see page 24)
- **INDUSTRY-LEADING WORKING CONDITIONS**
We raise the bar in the construction sector by improving working conditions (see page 25)
- **FEEDING THE SUPPLY CHAIN**
We engage a large number of people in our supply chain, and add value to our suppliers (see page 7)

OUR BUSINESS MODEL

HOW WE EXPRESS OUR MINDSET



MARKETING

KEY RESOURCES:



For five years in a row HusCompagniet has been awarded "Housebuilder of the Year" on the independent review portal Anmeld-haandvaerker.dk

At HusCompagniet, our marketing strategy always derives from a focus on customers, as our customers are our ambassadors. It is vital for us that our customers have the best experience with HusCompagniet. The approach we take to marketing is to ensure that what we show our customers is innovative and new within the industry. HusCompagniet embraces technological innovation in the way that we face our customers. This is best reflected in our app

that will inspire our customers by enabling them to customise and visualise the many architectures and materials selections available.

Another example is the development of Virtual Reality that give our customers the opportunity to take a virtual tour of their dream house, in order to become inspired. The customer as the centre of attention is also shown by the development of a feature on HusCompagniet.dk

that allows our customers to find the building location of their dreams; regardless of whether the plot already has a house on it or not. Additionally, HusCompagniet was the first to offer customers the option not to pay for the house until the house keys are handed over; exempting and relieving the customers of the potential risk of higher production costs.

SALES

KEY RESOURCES:



★ Trustpilot

The first point-of-contact between our potential customers and our organisation is usually through our local sales force. The most important objective for our sales professionals is to make the customer's dream house a reality by matching it with our architectures (see page

16), and the customer's financial budget. To strengthen our skillset and on-board new sales professionals, we established a HusCompagniet Sales Academy where we train our sales force in fulfilling our customer promise. To help our customers with inspiration when selecting their

dream house, we offer the opportunity to see a diverse range of our architectures in our show parks, illustrating the breadth of our offering and many customisation opportunities.

DESIGN

KEY RESOURCES:



HusCompagniet employs first-class designers, and it is our designers who help our customers transform their dreams into their dream home. We use 3D tools to help customers visualise these dreams and outline the design of their house to the best possible extent.

Currently, we have designed and built close to 22,000 houses. Our architects have assembled the best of all these in our five architectural styles (see page 16). Our extensive experience enables our designers to provide the customers with great advice, and to foresee potential issues that the customers would not have

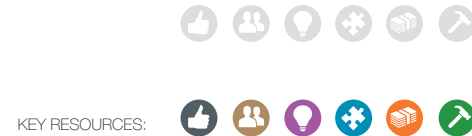
predicted themselves. It is part of our culture and values that we stick to what we are good at, which means building high quality single-family houses. Our proprietary app gives our customers an overview of the many choices to be made in the course of building a house.

CONSTRUCTION

To ensure that our high expectations of quality are met by our suppliers and contractors, the construction phase is managed by our very experienced construction managers. We are highly selective in our choice of suppliers, in order to ensure the highest quality. In accordance with the culture and values of HusCompagniet, all suppliers and contractors are expected to tidy up the construction site every day.

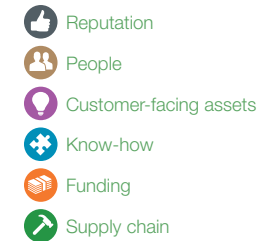
A clean and tidy construction site is key to ensuring that the contractors can always make their way around safely, and get started on their particular tasks quickly and efficiently.

The agreed price is the final price. We guarantee our customers that they will not be subject to any extra or unjustified costs during the process. Payment is not due until the customer moves in.



HusCompagniet is investing into digitalisation of the building process, leading the way in improving construction site efficiency and coordination.

HusCompagniet offers the most efficient building process in the market by building our single-family houses in just 17 weeks on average.



HANDOVER

When the house is ready for handover, our customer and HusCompagniet inspect the house together, allowing the customer to review the work and identify potential flaws or over-

sights to be remedied by HusCompagniet. The construction manager, who has been the point-of-contact to the customer through the construction phase, is always present at the



handover, ensuring the customer receives a house that fully satisfies his or her wishes.

AFTER SALES

We continue to follow the customer after handover as needed. Since not all issues will be

identified before or at the handover, we are always available to remedy these quickly and ensure that



our customers can fully enjoy their new home.

OUR ARCHITECTURES

Over time HusCompagniet has built more than 22,000 houses. They are all different and every house is carefully customised and tailored to the family's needs. The majority of the houses we build fall into the five architectural styles we call our core product styles.

Our most popular designs are Classic Contemporary or Modern Contemporary, and although styles like Functionalism and the Cottage style are gaining popularity, more than approx. 80% of the houses we delivered in 2018 are Classic or Modern Contemporary.



CLASSIC CONTEMPORARY

This classic Danish architecture has been the Danes' favourite building style for the past 40 years, and nothing suggests that this will change any time soon. The large tiled roof is characteristic of the style. It has a significant overhang, protecting the brick walls, doors and win-

dows. Typically, the roof tiles will be either black or red, whilst the façade bricks vary in the colours of white, grey, golden, yellow, red and shades of brown. The Classic Contemporary style always has a large terrace, as well as either a carport or a garage for the family car.

MODERN CONTEMPORARY

If you dream of combining the feel of home with modern style, contemporary materials, and thinking out of the box, the "Modern Contemporary" style will provide new opportunities. The Modern Contemporary style offers great and innovative solutions for everyday family challenges, from laundry room to storage. The interior design matches both the children's toys and bright colours, as a contrast to the white walls. The exterior focuses on large surfaces with striking windows, and architectural effects alongside materials such as zinc and wood.





PATRICIAN

Many dream of a spacious, exclusive villa with high ceilings and extravagant detailing in a classic architecture inspired by the patrician villas of the late 1800s.

The Patrician style means distinguished detailing and exclusive materials. The exterior is characterised by an impressive size. Often, the façades will be white, the roof black and the villa will have a relatively large number of windows and doors. Indoors, you will find white walls, beautiful wooden floors, panelled doors and maybe even the occasional high wooden panels in either the dining room or hall.



COTTAGE STYLE

Architectural references to the early 20th century are currently widely popular in both exterior and interior design. The Cottage style is a beautiful example of this, and it is also a style that matches the Northern European landscape well.

The original idea behind the Cottage style was to promote the appreciation of great craftsmanship in masonry and carpentry. And even though it has become easier – and cheaper – to build with great detail, this is still the approach today.





FUNCTIONALISM

Both classic and modern at once – this style is growing fast in popularity. Functionalism is characterised by clean lines and a sharp profile both indoors and outdoors. The style is cubic with the flat roofs.

Essential to the style are the cubic sections, allowing for dramatic shifts in the architecture and great options to individualise the size and shape according to your dreams.

OUR PEOPLE

PROFESSIONAL AND CUSTOMER-FOCUSED EMPLOYEES ARE ESSENTIAL TO THE SUCCESS OF HUSCOMPAGNIET. WE BELIEVE THAT OUR PEOPLE PLAY A CRITICAL ROLE IN OUR CONTINUED BUSINESS SUCCESS. AT HUSCOMPAGNIET, WE OFFER UNIQUE AND INDIVIDUAL SOLUTIONS FOR NEW HOUSE BUYERS. OUR APPROACH REQUIRES OUR EMPLOYEES TO DELIVER A HIGH DEGREE OF SERVICE FROM START TO FINISH. THEY MUST ALSO BE ABLE TO BUILD AND MAINTAIN A CLOSE AND TRUST-BASED RELATIONSHIP WITH THE CUSTOMER.

WHO ARE OUR PEOPLE

At HusCompagniet, our people are trained professionals within their fields of expertise. Our specialists within marketing, sales, design, building, construction management and administration all cooperate to deliver a seamless experiences for our customers. They each understand the role they play in ensuring that HusCompagniet delivers on its customer promise in each phase of the building process. We strive to ensure that our 500 employees have an in-depth understanding of what is crucial to the customer, as the building of a single-family house evolves from a vague idea to blueprints at a building site and, finally, to a dream house.

OUR PEOPLE CULTURE

Our culture reflects the customer-focused approach. Part of our Group strategy is to be present wherever our customers wish to build. Our sales offices are found at 21 locations in the three countries in which we operate. We trust our local people to meet local needs and demands. Continuous internal training programmes, such as our Sales Academy and specialist courses, empower our employees to take further responsibility on a local basis. Our employee manual supports the local empowerment

strategy, by capturing in writing what we consider to be our code of conduct.

EMPLOYEE SATISFACTION

HusCompagniet is an informal, non-hierarchical organisation, where personal involvement and motivation are core elements of both our leadership style and working environment. We celebrate together when we are successful and do our best to learn from our experiences across offices and national borders. We offer each employee opportunities to develop their skills and expertise, and to plan their careers through employee interviews and feedback sessions. Our APV (Workplace Assessment) ensures that HR monitors and takes the initiative to resolve any potential physical and psychosocial working environment issues in due time.

DEVELOPMENT AND TRAINING

HusCompagniet is committed to the development of our employees at all levels of the organisation. Building our own talent pool is critical to our success. We offer both vocational and personal training. Since 2015, we have held our trainee programme for sales and construction management staff. The goal is to create an even better understanding of our products, processes and how to improve the quality and

quantity of our deliveries. In 2019, we plan to launch additional tailored training programmes to meet future needs within the entire range of services.

HEALTH AND SAFETY

The health and safety of our employees are of great importance to us. We conduct and develop our business with respect for the health, safety and welfare of all employees, partners, contractors and customers. We observe all requirements of national laws, rules and regulations, and a health insurance package is included in the insurance and pension programme. We regularly offer first aid courses to all employees and have installed an AED (Automated External Defibrillator) at many of our locations.

GROUP EXECUTIVE MANAGEMENT

The officially registered Executive Management of HusCompagniet consists of the Group CEO, the Group COO and the Group CFO.

The Group Executive Management consists of the officially registered Executive Management and Martin Ravn-Nielsen.

The Group Executive Management is overall responsible for all day-to-day operations.

GENDER EQUALITY

Traditionally, male employees have dom-

inated the building industry – and the pattern is the same for male and female representation within HusCompagniet. We monitor the demographics of our employees and aim to balance the gender composition more in the coming years.



People make us strong, and HusCompagniet's 504 employees are our most important resource.



213 m²
COTTAGE STYLE

The mix of classic styling with modern features is the perfect match.

CORPORATE SOCIAL RESPONSIBILITY

It is a key strategic priority for HusCompagniet that our employees and partners act responsibly in every situation especially in terms of improving the environmental footprint related to housing. This commitment to responsibility affects the entire organisation, internally and externally. Our choice of strategic partners expresses this commitment: how we build our houses and how we carry out our work in accordance with the law; how we take care of our employees and ensure that our partners take care of their people; and how we care for the environment and our surroundings.

When we involve ourselves in CSR activities, such as making donations and sponsorships, we make sure that there is a match in terms of fundamental values.

CLIMATE AND THE ENVIRONMENT

As the leading house builder in Northern Europe, we meet, and often exceeds, all the environmental requirements when conducting our business, thereby lowering our climate and environmental impact. Specifically, we comply with applicable BR18 building regulations. The regulations stipulate strict requirements for energy consumption in new buildings, including requirements for better insulation of new houses. HusCom-

pagniet is proactive and ahead of the current BR18, since we today already support many of the new energy and environmental requirements introduced in the optional BR2020. One example is the construction of a RockZero house, designed in cooperation with Rockwool. Here, all requirements of BR2020 are fulfilled, resulting in a low-energy consumption house that meets the standards for the energy-optimised houses of the future. An important element of environmental and climate-friendly houses is the heating system. We have continued in 2018 to offer several forms of environmentally sound heating, such as geothermal heating and solar panels, besides recycling of excess indoor heating from bathrooms and kitchens this is to reduce the risk of high energy consumption in newly build houses. We have seen positive development in our customers' selection of geothermal heating, solar panels and recycling of heating in 2018.

In 2018, HusCompagniet has been environmentally innovative and met current requirements. One concrete risk of building houses is that the soil is polluted. The soil that is removed from building sites is environmentally tested. Our contractors document that they deal with all surplus soil in accordance with current requirements. In 2018 we have

not seen any breaches. We install rainwater recycling systems for use in e.g. toilet flush systems. When choosing strategic partners and suppliers, we require that they are committed to complying with current legislation.

HUMAN RIGHTS AND ANTICORRUPTION

The policies and processes of HusCompagniet comply with the current acts and guidelines for best practice, including such areas as business conduct, equal opportunities and anti-corruption. We expect the same from all of our partners and suppliers. We oppose any discrimination, regardless of age, gender, race, religion, political conviction or other aspects of basic human rights.

HusCompagniet handles sensitive data regarding customers and suppliers where there could be a risk of breaching GDPR policy. Our policy is always to be compliant with the General Data Protection Regulation (GDPR) and store data properly and safe. In 2018 we have continued our focus on handling data properly and safe by giving our employees further instructions of how to be in line with our group policies and the General Data Protection Regulation. All relevant employees has received instructions.

At Huscompagniet, the primary risks of corruption and unethical business conduct are considered to be within procurement, sales and logistics functions. This is mainly due to the ongoing business activities of these functions, which require close contact with suppliers, customers and other stakeholders. Huscompagniet does not tolerate corruption in any forms.

To ensure employees conducts with the anticorruption policy a Code of Conduct is made. In 2018 all relevant employees were trained in the code of conduct. No breaches with the anticorruption policy has been identified in 2018.

SOCIAL AND EMPLOYEE RELATIONS

Our employees are the foundation for HusCompagniet. Each department is equally important and consists of people who are experts within their fields. The departments depend on each other and the employees in each department rely on each other to give our customers the best possible experience. Our focus is to create a healthy workplace where our employees thrive and have the physical and mental energy for their tasks, every day. This also means reducing the risk of work related accidents. One way to accommodate this is through the APV (Workplace Assessment) process, whereby we explore potential action plans

and training programmes, and regularly follow up on individual and collective needs. We had positive development in our workplace assessments performed in 2018 and will make a new workplace assessment in 2019.

Overall, HusCompagniet has good relationships with our suppliers, the relevant trade unions and professional organisations. In cooperation with the Danish trade union 3F, which organises all building professionals, HusCompagniet has issued a letter of intent to improve working conditions at our building sites, for the benefit of our suppliers and in line with our keep-it-clean mindset. This proactive approach not only ensures good working conditions at HusCompagniet's many building sites, but the cooperation has also contributed to raising general standards within the construction industry. Our social contribution also includes engaging a large number of people hired by our suppliers and contractors.

FOOTPRINT

WHERE WE OPERATE

DENMARK

- Aalborg
- Aarhus
- Esbjerg
- Herning
- Hillerød
- Horsens
- Holbæk
- Kolding
- Næstved
- Odense
- Randers
- Ringsted
- Silkeborg
- Virum

- Offices
- Agent representation

GERMANY

- Flensburg
- Hamborg
- Neumünster

SWEDEN

- Malmö
- VårgårdaHus**
 - Alingsås
 - Lyckeby
 - Eskilstuna
 - Falun
 - Gothenburg
 - Halmstad
 - Helsingborg
 - Jönköping
 - Karlstad
 - Lidköping
 - Luleå
 - Malmö
 - Norrköping
 - Nyköping
 - Stockholm
 - Trollhättan
 - Uddevalla
 - Umeå
 - Uppsala
 - Västerås
 - Växjö
 - Örebro
 - Vårgårda (Headquarter and factory)

STRATEGY, RISK AND GOVERNANCE

HUSCOMPAGNIET IS AN INDUSTRY PIONEERING HOME RETAIL CONCEPT WITH A UNIQUE AND SCALABLE BUSINESS MODEL

GROUP STRATEGY

HusCompagniet is a leading and rapidly scaling Northern European single-family home retailer across “value” to “premium” segments. We design, sell and deliver customised and high-quality personal homes through a seamless customer journey, securing future support and advocacy from every single owner of a HusCompagniet home.

The HusCompagniet universe includes show parks with a family-like feeling, guaranteed delivery times, innovative digital initiatives and a customer satisfaction-focused culture.

We focus on Denmark, Sweden and Germany, but maintain a strategic approach to further international growth through acquisitions or organic entry. We deliver turn-key homes, modified as local markets dictate. We offer our customers an end-to-end solution, including designing and building their home through our physical and digital channels. Our core products are detached residential one-family homes but we also offer semi-detached homes mainly on a project basis. We are focused on the ‘value’ to ‘premium’ segment and do not compete with “DIY” low-cost value propositions or highly

tailored architect focused solutions. We predominately build on customer-owned land with close to 100% of all blue-collar workers outsourced. To facilitate continuous improvements we aim for long-term relationships with our external contractors.

Referrals and advocacy from customers is our #1 differentiator. We are industry-leading on digital channels and highly innovative in customer targeting. We mainly use in-house sales force with local offices and full-service advisory concepts – however sales agents are leveraged where local markets require.

We negotiate key material categories directly with manufacturers to obtain best prices and ensure delivery. Smaller categories are sourced from builder merchants. We maintain a strong central centre of excellence for leading technical delivery, tools, and methods and apply local adaptations where possible.

RISK MANAGEMENT

External factors that could affect our ability to generate revenue include employment rate, mortgage availability, property prices, interest rate changes and GDP growth. To mitigate these factors, HusCompagniet diversifies its business by operating an agile and asset light business model across different geographies

and only acquiring a small number of highly selective strategic land plots.

To meet customers' expectations to product quality and service standards, we focus on the quality of our suppliers and partners, as well as quality inspections of all houses throughout the construction phase.

To mitigate injuries and health risks, HusCompagniet ensures all buildings are in compliance with safety regulations.

Financial risks include foreign currency, interest rates, liquidity and credit. HusCompagniet keeps local suppliers and cost base in local currency to mitigate foreign currency risk. HusCompagniet also has a balanced debt structure of fixed and floating interest rates, as well as financial derivatives to mitigate exposure. We monitor liquidity on a daily basis and have policies in place to mitigate credit risks.

GOVERNANCE

HusCompagniet's corporate governance in general complies with DVCA's recommendations, except for the recommendation that the annual report must include a description of the company's revenue and earnings expectations. Diego HC TopCo A/S' share

capital is divided into three share classes. A shares that carry no voting rights, B shares that carry 10 votes per share and C shares that carry one vote per share. A shares have preferential rights of distribution, corresponding to a maximum of 9% p.a. (incl. compound interest). B shares and C shares receive the amount remaining after the A shares' preferential right.

The target ratio of female members on the Board of Directors is 20% in 2020 and at present there are no female members. The Board of Directions consists of 5 male members. We have not identified the right female candidate with the right competencies in time to achieve our target ratio this year and therefore the elected members were men. It is the company's policy to increase the share of the underrepresented gender on other executive levels as well. Other executive levels of the Group are represented by over 10% female managers, which is above the group target of minimum 10%. To the extent possible one of each gender is invited for each job interview.

The remuneration of the members of the Executive Board and executive employees includes incentive programs which align interests between the company's management

and the shareholders, as the schemes consider both short-term and long-term goals. In addition to the usual performance related bonus scheme, certain employees of the Group, as well as members of the Board of Directors of Diego HC Topco A/S take part in the Group's share investment program, which is disclosed in a note to the Annual Report. In addition to the usual performance related bonus scheme, certain employees of the Group, as well as members of the Board of Directors of Diego HC Topco A/S take part in the Group's share investment program, which is disclosed in a note to the Annual Report.

CASE STUDY: **DIGITALISING THE BUILDING PROCESS**

During 2018 we continued our journey to fully digitalise our value chain with the implementation of a digital building tool across all building sites in Denmark. We have an online project management platform enabling reporting from building sites in real time improving collaboration and communication across all parties. The digitalised construction process will support us in increasing efficiency within operations; key benefits include:

- More efficient communication across all parties (construction managers, sub-contractors, suppliers)
- Enhanced overview and transparency across projects for all parties (single source of truth)
- Reduced dependency on individual construction manager and easier handover
- Scalability across multiple sites
- Reduction in late repairs and idle time

This will further optimise our industry leading building process.

In partnership with our development partner, our sub contractors, suppliers and other relevant stakeholders we continue developing product function and features to further improve operations.

“OVERALL, SUPER HAPPY. THE COOPERATION HAS NEVER BEEN BETTER SINCE THE APP WAS IMPLEMENTED”

HusCompagniet supplier

Key figures

DKK m	2018	2017	2016	2015	2014
Income statement					
Revenue	1.131	933	984	851	667
Gross profit	238	179	198	186	140
Operating profit before depreciation and amortisation (EBITDA) before special items	123	78	110	109	78
Operating profit (EBIT)	119	75	108	91	77
Financial income	-1	-1	0	-1	0
Profit for the year	92	58	84	69	58
Financial position at 31 December					
Total assets	692	551	481	328	257
Equity	414	322	264	180	141
Cash flow					
Cash flow from operating activities	117	5	114	28	66
Key figures					
Revenue growth	21%	-5%	16%	28%	29%
Gross margin	21%	19%	20%	22%	21%
EBITDA margin	11%	8%	11%	13%	12%
Average number of employees	102	97	82	68	54

The key figures for the years 2014-2017 have not adjusted following implementation of IFRS 9 and IFRS 15 at 1 January 2018.

Financial review

Net revenue totaled DKK 1,131 million for 2018, compared to DKK 933 million in 2017, corresponding to an increase of 21%. The increase in revenue was mainly driven by a increase in the number of delivered houses. We also experienced an increase in the average price of houses.

EBITDA totaled DKK 123 million for 2018, compared to DKK 78 million in 2017, corresponding to a increase of 58%. The increase in EBITDA is mainly attributable to the increase in our activities.

Profit before tax totaled DKK 118 million for 2018, compared to DKK 74 million in 2017.

The board of Directors and management consider the financial result for 2018 to be satisfactory.

OUTLOOK

We expect revenue and profit before tax to increase compared to 2018.

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INCOME STATEMENT

DKK'000	Note	2018	2017
Revenue	2.1	1.131.407	933.339
Production costs		-893.226	-754.191
Gross profit		238.181	179.148
Staff cost	2.2	-99.232	-88.081
Other operating expenses		-15.851	-12.922
Operating profit before depreciation and amortisation (EBITDA) before special items		123.098	78.145
Special items	2.4	0	-105
Operating profit before depreciation and amortisation (EBITDA) after special items		123.098	78.040
Depreciation and amortisation	4.1	-3.655	-3.039
Operating profit (EBIT)		119.443	75.001
Financial expenses	5.4	-1.357	-637
Profit before tax		118.086	74.364
Tax on profit	6.1	-25.999	-16.375
Profit for the year		92.087	57.989

Profits attributable to:

DKK'000	Note	2018	2017
Equity owners of the Company		92.087	57.989

STATEMENT OF OTHER COMPREHENSIVE INCOME

DKK'000	Note	2018	2017
Profit for the year		92.087	57.989
Other comprehensive income, net of tax		0	0
Total comprehensive income for the year		92.087	57.989

Total comprehensive income attributable to:

DKK'000	Note	2018	2017
Equity owners of the Company		92.087	57.989

BALANCE SHEET

DKK'000	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	4.1	12.022	11.756
Other receivables		1.469	1.291
Total non-current assets		13.491	13.047
Current assets			
Inventories	3.1	117.849	132.434
Contracts assets	3.2	256.073	204.356
Trade and other receivables		17.446	10.712
Prepayments		0	907
Cash and cash equivalents		287.256	189.844
Total current assets		678.624	538.253
Total assets		692.115	551.300
Equity and liabilities			
Equity			
Share capital	5.1	1.000	1.000
Retained earnings and other reserves		412.698	320.611
Total equity		413.698	321.611
Liabilities			
Non-current liabilities			
Interest-bearing long term debt	5.2	6.239	3.451
Provisions	3.3	1.047	2.208
Deferred tax liability	6.1	9.549	8.207
Total non-current liabilities		16.835	13.866
Current liabilities			
Credit institutions	5.2	1.713	593
Trade and other payables		134.193	112.075
Contracts liabilities	3.2	329	3.109
Prepayments from customers	3.2	17.117	1.126
Provisions	3.3	4.189	8.833
Income tax payable	6.1	24.657	17.451
Payables to affiliated companies		0	19.465
Other liabilities		79.385	53.171
Total current liabilities		261.582	215.823
Total liabilities		278.418	229.689
Total equity and liabilities		692.115	551.300

Reference to off-balance sheet notes: Operating leases 6.2, Related parties 6.4, and Contingent liabilities 3.3

STATEMENT OF CASH FLOWS

DKK'000	Note	2018	2017
Cash flow from operating activities			
Profit before tax		118.086	74.364
Changes in working capital	3.4	18.583	-48.459
Adjustments for non-cash items	6.3	-1.268	2.707
Interest paid		-1.357	-637
Corporation tax paid		-17.451	-22.659
Net cash generated from operating activities		116.593	5.316
Cash flow from investing activities			
Acquisition of assets recognised as property, plant and equipment		-3.446	-5.106
Acquisition of assets recognised as other receivables		-178	-109
Net cash generated from investing activities		-3.624	-5.215
Cash flow from financing activities			
Proceeds from loans		3.908	4.044
Repayment/Proceeds from payables to affiliated		-19.465	23.332
Net cash generated from financing activities		-15.557	27.376
Total cash flows		97.412	27.477
Cash and cash equivalents at 1 January		189.844	162.367
Cash and cash equivalents at 31 December		287.256	189.844
Cash and cash equivalents			
Cash at bank and on hand		287.256	189.844
Cash and cash equivalents as at 31 December		287.256	189.844
Net cash and cash equivalents as at 31 December		287.256	189.844

STATEMENT OF CHANGES IN EQUITY

2018			
DKK'000	Share capital	Retained earnings	Total
Equity at 1 January	1.000	320.611	321.611
Profit for the period	0	92.087	92.087
Total other comprehensive income	0	0	0
Total transactions with owners of the Company and other equity transactions	0	0	0
Equity on 31 December	1.000	412.698	413.698

2017			
DKK'000	Share capital	Retained earnings	Total
Equity at 1 st January	1.000	262.622	263.622
Profit for the period	0	57.989	57.989
Total other comprehensive income	0	0	0
Total transactions with owners of the Company and other equity transactions	0	0	0
Equity on 31 December	1.000	320.611	321.611

Capital management

The primary objective of HusCompagniet Sjælland A/S's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

HusCompagniet Sjælland A/S manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, HusCompagniet Midt-og Nordjylland A/S may adjust the dividend payments to shareholders, acquire its own shares or issue new shares.

SECTION 1: BASIS OF PREPARATION

Introduction

HusCompagniet Sjælland A/S is a company incorporated and domiciled in Denmark. The Company is principally engaged in construction and sale of single-family-houses in Denmark.

The following is a summary of the significant accounting policies adopted by HusCompagniet Midt- og Nordjylland A/S.

General accounting policies applied to the financial statements as a whole are described below. Significant accounting policies covering specific accounts are placed in each section to which they relate.

These financial statements for the Company are for the year ended 31 December 2018.

They were approved at the general meeting on 31 May 2019 by chairman Ulrik Thougaard Jensen.

The accounting policies are unchanged from last year.

The following notes are presented in Section 1:

1.1 General accounting policies

1.2 Introduction to significant estimates and judgements

1.3 Application of materiality

Note 1.1 General accounting policies

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards as endorsed by the EU ("IFRS") and additional requirements of the Danish Financial Statements Act, applying to large reporting class C entities.

The financial statements have been prepared on a historical cost basis, except as noted in the various accounting policies.

These financial statements are expressed in DKK, as this is HusCompagniet Sjælland A/S's functional and presentation currency. All values are rounded to the nearest thousand DKK '000 where indicated.

Foreign currency translation

Transactions and balances

Foreign currency transactions are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are recognised in the Income Statement under financial items. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Implementation of new or amended standards and interpretations

Standards issued but not yet effective

The Group has implemented all new IFRS standards, amendments and IFRIC interpretations as adopted by EU and effective as of 1 January 2018.

The standards relevant for the Group are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 2+L212 Transactions in foreign currency and prepayments

Of the above, only IFRS 9 and IFRS 15 have implications on the recognition, measurement, and presentation in the annual report.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Constructions Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted the new standard using the modified retrospective method of adoption with the date of initial application of 1 January 2018 under which the cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained and the comparative figures are not restated.

The Group has performed a detailed analysis on IFRS 15 and current accounting procedures. The analysis shows that accounting policies within the Group are compliant with the new IFRS 15 Revenue from Contracts with Customers.

IFRS 15 requires assessment of performance obligations and the assessment of the allocation of the transaction price hereto. The Group considered the contracts to comprise only one performance obligation and any changes to a contract will therefore be recognized as changes to the original contract and not as a separate performance obligation. All contracted construction contracts are recognized over time according to costs incurred, while revenue from the sale of non-contracted building constructions (sales of houses constructed on own land for which no customer contract has been entered into before construction starts) are recognized at the single point in time where control is transferred to the customers.

The presentation and disclosure requirements in IFRS 15 are more detailed compared to the previous standard, whereby several disclosure requirements in IFRS 15 are new. The Group implemented the disclosures required according to IFRS 15.

Based on the Group's revenue and contract types, IFRS 15 did not affect the financial statements, but only affected the level of detail in the disclosures provided in the notes.

Note 1.1 General accounting policies

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for the financial instruments: classification and measurement; impairment; and hedge accounting.

IFRS 9 introduces a logical classification of financial assets based on the Group's business model and its underlying cash flow. Furthermore, a new expected credit loss (ECL) model is introduced, as opposed the previous credit loss model under IAS 39. The expected credit loss model requires and entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk.

The Group applied IFRS prospectively, with an initial application date of 1 January 2018.

The classification, recognition and measurement requirements of IFRS 9 did not have a significant impact to the Group. Due to immateriality no impacts on opening balance are reported and no details on the previous accounting policy applied was disclosed.

IFRIC 22 Transactions in foreign currency and prepayments

The interpretation is a clarification interpretation with no significant impact on the Group.

Standards issued but not yet effective

The IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The Group expects to implement the new standards, if applicable, when they become effective.

IFRS 16 – Leases

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on-balance, similar to accounting treatment for finance leases under IAS 17. The standard will significantly change the accounting treatment for lease contracts that are currently treated as operational leases.

The standard requires that all lease contracts at the commencement date of a lease need to be capitalized as a lease asset, representing the right to use the underlying asset, with a matching lease liability, representing the lease payments. The two exemptions for lessees are leases of low value assets and leases with a lease term of 12 months or less. The interest expense on the lease liability and the depreciation expense will be recognized separately.

Under the current treatment lease payments are classified as operating expenses. Under IFRS 16 annual leasing costs will be divided into two elements, depreciation and interest costs. This will have a positive impact on the Group's EBITDA and to a lesser extent on EBIT.

Furthermore, IFRS 16 requires more extensive disclosures than under IAS 17.

The Group plans to adopt IFRS 16 retrospectively to each prior reporting period presented.

During the financial year the Group has performed a detailed impact assessment of IFRS 16. In summary, the impact on the Group's consolidated financial statements of transition to IFRS 16 is expected to be within the following ranges:

- Profit or loss increase in EBITDA of DKK 4 to 5 million, and an increase in EBIT of less than DKK 1 million.
- It is expected that the net result will not be significantly affected.
- Assets increase in total assets of approximately DKK 15 to 25 million.
- Liabilities increase in total liabilities of approximately DKK 15 to 25 million.
- Equity will not be affected of transition to IFRS 16.

In accordance with IFRS 16 the annual operational lease payment of approximately DKK 10.6 million in 2018 needs to be presented as cash flow from financing activities, as opposed to the current treatment as cash flow from operating activities. This change in disclosure will improve the cash flow from operating activities by approximately 9 percent.

The Group's expectation is that the majority of the leasing portfolio in amount of contracts relates to vehicles and rental of buildings. Most of the leasing contracts within the Group are identified in Denmark.

The impact assessment may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019.

Within the estimated effects on the 2019 financial statements the Group undertakes several assumptions and judgements. The discount rates used for calculating the present value of the lease assets is based on the currencies of the leasing contract and the length of a leasing contract. In addition, the Group uses their internal mark-up on the discount rate.

The Group will elect to use the exemptions proposed by the standard on short-term lease contracts with an initial term of less than 12 months, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment that are considered of low value (i.e. printing and photocopying machines).

Note 1.2 Introduction to significant estimates and judgements

In preparing the financial statements, management made various judgements, estimates and assumptions concerning future events that affected the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking the financial market situation into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors.

Significant estimates and judgements covering specific accounts are placed in each section to which they relate.

Significant estimates and judgements	Note
Percentage-of-completion profit recognition	2.7
Guarantee commitments	3.7

Note 1.3 Application of materiality

The financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the financial statements.

If a line item is not individually material, it is aggregated with other items of a similar nature in the financial statements or in the notes.

The disclosure requirements are substantial in IFRS and the group provides these specific required disclosures unless the information is considered immaterial to the economic decision-making of the readers of the financial statements or not applicable.

SECTION 2:

Introduction

This section provides information regarding the Company's performance in 2018, including the effects of non-recurring items on EBITDA.

The development of primary costs, staff costs and remuneration, and information about the Company's low exposure towards currency risk on transaction level is also contained in this section.

The following notes are presented in Section 2:

- 2.1 Revenue
- 2.2 Costs including staff costs and remuneration
- 2.3 Reconciliation of EBITDA to normalised EBITDA (analysis of special items)
- 2.4 Special items
- 2.5 Financial risk management
- 2.6 Accounting policy
- 2.7 Significant estimates and judgements

Note 2.1 Revenue

Revenue per category

2018

DKK'000	Contracted sales	Non-contracted sales	Total revenue
Sales value houses sold on customers building sites	861.867	0	861.867
Sales value houses sold on own building sites	232.479	0	232.479
Sales of land plots	34.900	0	34.900
Other revenue	0	2.161	2.161
Total	1.129.246	2.161	1.131.407

2017

DKK'000	Contracted sales	Non-contracted sales	Total revenue
Sales value houses sold on customers building sites	740.267	0	740.267
Sales value houses sold on own building sites	172.157	0	172.157
Sales of land plots	15.424	0	15.424
Other revenue	0	5.491	5.491
Total	927.848	5.491	933.339

Contracted sales comprises sale of houses constructed on the customers land, or houses sold on own land that are covered by a customer contract before construction is started.

Conversely, non-contracted sales comprise sale of houses constructed on own land to which no customer contract has been entered before construction starts, including sale of show-houses.

Note 2.2 Costs including staff costs and remuneration

Staff costs

DKK'000	2018	2017
Wages and salaries	67.903	62.990
Defined contribution plans	3.263	2.283
Other social security costs	1.117	507
Other staff Costs	26.949	22.301
Transfer to Production cost	0	0
Total	99.232	88.081
Average number of full-time employees	102	97

Remuneration of key management personnel and Directors

Diego HC TopCo A/S and HusCompagniet A/S have issued a Management Participation programme (MPP) through which Management and selected key employees have received an opportunity to purchase shares in Diego HC TopCo A/S subject to certain market conditions.

Note 2.3 Reconciliation of EBITDA to normalised EBITDA (analysis of special items)

Reconciliation of EBITDA

DKK'000	2018	2017
Operating profit before depreciation and amortisation	123.098	78.040
Special items		
- Strategic organisational changes	0	105
Total special items	0	105
Operating profit before depreciation and amortisation (EBITDA) before special items	123.098	78.145

The Company presents certain financial measures in the financial statements that are not defined under IFRS. It is Management's belief that these measures provide valuable supplemental information to investors and the Company's management, as they allow for evaluation of trends and the Company's performance.

Since such financial measures are not calculated by all companies in the same way, they are not always comparable to measures used by other companies. These financial measures should therefore not be considered to be a replacement for measurements as defined under IFRS. The definition section 6.7 provides information in greater detail regarding definitions of financial performance measures. Information regarding special items is included in note 2.4

Note 2.4 Special items

DKK'000	2018	2017
Cost related to restructuring of process and fundamental structural adjustment :		
- Strategic organisational changes	0	105
Total special items	0	105

Note 2.5 Financial risk management

Currency Risk

The Group is exposed to currency fluctuations from its activities in Germany and Sweden. The subsidiaries in the two countries are not affected, as income and costs are denominated in the local functional currency.

Management continuously assesses the significance of the Group's activities denominated in foreign currencies.

Total revenue generated in SEK and EUR for 2018 amounted to 474 million (2017: 418 million). Management considers the Group's exposure to SEK and EUR as low.

Revenue

Accounting policies are described for 2018 only based on IFRS 15, as the effect of the transition has been insignificant. The transition is described earlier in the accounting policies in the paragraphs relating to changes in accounting policies, and reference is made to these.

Revenue comprises completed construction contracts and construction contracts in progress (contracted sales) and sale of showhouses (non-contracted sales).

Construction contracts

Contracted sales are recognized over time according to percentage-of-completion in relation to costs recognized, as all performance obligations are fulfilled on an ongoing basis through-out the construction. The contracted sales contracts are considered to comprise of only one performance obligation, as all components are considered interrelated, and any changes to a contract will therefore be recognized as changes to the original contract and not as a separate performance obligation. The Group acts as primarily responsible for the delivery of the performance obligation and carries the risks related to the construction and is therefore considered as the principal.

The contracts are not assessed to have a significant financing component. The time value of the transaction price for contracts with a duration that exceeds 12 months is assessed insignificant, as the Group does not consume the main part of the costs before the end of the contract phase. Therefore, an adjustment of the transaction price with regards to a financing component in the contracts with customers is not required. Payment is typically due at the time of final delivery of the construction, however a small deposit is paid upon contract negotiation.

Any contract modifications are recognised when they have been approved by all parties to the contract. Modifications and the associated revenue are accounted for based on an assessment of the standalone price of the modifications and an actual assessment of the elements of the contract with the other performance obligations under the sales contract.

The transfer of control and recognition of revenue are determined using input methods based on costs incurred relative to total estimated costs for the contracts, as these methods are considered to best depict the continuous transfer of control.

The selling price is measured by reference to the total expected income from each contract and the stage of completion at the reporting date. The stage of completion is determined on the basis of the costs incurred and the total expected costs.

If the outcome of a construction contract cannot be estimated reliably, revenue is only recognised corresponding to costs incurred and indirect production costs, insofar as it is probable that these will be recovered.

The Group expenses incremental costs of obtaining a contract, as the amortisation period of the asset that the entity otherwise would have recognized is less than one year.

Costs in connection with sales work to secure contracts are recognized as costs in the income statement in the financial year in which they are incurred.

Non-contracted sales

For non-contracted sales revenue is recognized in the income statement when the performance obligation is fulfilled. This is defined as the point in time when control of the non-contracted construction (sales of houses constructed on own land for which no customer contract has been entered into before construction starts) is transferred to the customer, the amount of revenue can be measured reliably and collection is probable. The transfer of control to customers takes place according to agreed delivery date. Furthermore, revenue is only recognized when it is highly probable that a significant reversal in the revenue amount will not occur.

Production costs

Production costs include direct and indirect costs of raw materials and consumables incurred in generating the revenue for the year.

Other external expenses

Other external expenses include the period's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Other operating income

Other operating income includes income from secondary activities such as gains/losses from sale of property, plant and equipment.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees.

The item is net of refunds made by public authorities.

Special items

Special items include significant income and costs of a special nature in terms of the Company's revenue-generating operating activities which cannot be attributed directly to the Company's ordinary operating activities. Such income and costs include costs related to significant restructuring of processes and fundamental structural adjustment, as well as gains or losses arising in this connection, and which are significant.

Special items also include items that by nature are non-recurring, specifically impairment of goodwill, gains and losses on the disposal of activities and transaction cost from a business combinations.

These items are classified separately in the Income Statement, in order to provide a more accurate and transparent view of the Company's recurring operating profit.

Construction contracts, including estimated recognition and measurement of revenue and contribution margin

At contract inception, management assesses that the contracts involve a high degree of individual customisation and satisfy the criteria for recognition over time. The assessment is based on an analysis of, among other things, the contract provisions on:

- The degree of customisation, including the alternative use potential of buildings and civil works
- The time of transfer of legal title
- Payment terms, including early termination of contract.

For construction contracts, management considers that they essentially constitute a single performance obligation and that the recognition of the selling price of contracts over time is best depicted by using an input method based on costs incurred relative to budgeted project costs.

Variable elements of consideration are not recognised in revenue until it is highly probable that a reversal of the amount of consideration will not occur in future periods.

Percentage-of-completion profit recognition

A fundamental condition for being able to estimate percentage-of-completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with the Group's systems for project control and that project management has the necessary skills.

The assessment of project revenues and project costs is based on a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, training and the prior management of project. There is a risk that the final result will differ from the profit accrued based on percentage-of-completion. At year-end, recognized revenues amounted to DKK 262 million (2017: DKK 210 million); refer to note 3.2 Construction contracts.

SECTION 3:

Introduction

This section provides information regarding the development in the Company's working capital. This includes notes to understand the development in construction contracts and related guarantee commitments.

Information to understand the Company's low exposure towards credit risk is also contained in this section

The following notes are presented in Section 3:

- 3.1 Inventories
- 3.2 Construction contracts
- 3.3 Guarantee commitments and contingent liabilities
- 3.4 Changes in working capital
- 3.5 Financial risk management
- 3.6 Accounting policy
- 3.7 Significant estimates and judgements

Note 3.1 Inventories

DKK'000	2018	2017
Raw materials	1.226	881
Show houses and semi-detached houses (non-contracted)	65.373	68.080
Land	51.250	63.473
Total inventories	117.849	132.434

Note 3.2 Construction contracts

DKK'000	2018	2017
Selling price of construction contracts	261.995	209.734
Prepayments	-6.251	-8.487
	255.744	201.247
Calculated as follows:		
Contracts assets	256.073	204.356
Contracts liabilities	-329	-3.109
	255.744	201.247
Prepayments from customers regarding construction contracts not yet started	17.117	1.126

Note 3.3 Guarantee commitments and contingent liabilities

DKK'000	2018	2017
Guarantee provision at 1 January	11.041	12.010
Arising during the year	5.236	11.041
Utilised	-11.041	-12.010
Guarantee provision at 31 December	5.236	11.041
Distributed in the balance as follows:		
Non-current liabilities	1.047	2.208
Current liabilities	4.189	8.833

At year-end, the guarantee provision amounted to DKK 5.2 million (2017: DKK 11 million). Provisions for future costs due to guarantee commitments are recognized at the amount expected to be required to settle the commitment on the balance-sheet date.

This estimate is based on calculations, assessments by company management and experiences gained from past transactions.

Contingent liabilities

The company is continuously involved in minor disputes, but nothing significant per 31st December 2018

The Company is jointly taxed with its parent, Diego HC A/S, which acts as Management Company for the other Danish group entities. The Company is jointly and severally liable with other jointly taxed group entities for payment of income taxes and withholding taxes falling due for payment in the group of jointly taxed entities.

Collateral

DKK 12 million of cash and short term deposits is placed in restricted accounts, and is released when the completed houses are delivered to the customers (2017: DKK 3.8 million).

The Company has issued guaranties to trade creditors of DKK 4.5 million as at 31 December 2018 (2017: DKK 3.4 million)

Note 3.4 Changes in working capital

DKK'000	2018	2017
Increase/decrease in construction contracts & Inventory	-23.921	-110.853
Increase/decrease in trade and other receivables	-5.827	54.380
Increase/decrease in trade and other payables	48.331	8.014
Total	18.583	-48.459

Note 3.5 Financial risk management

Credit risk

HusCompagniet Sjælland A/S is exposed towards customers' inability to meet their financial obligations. To address this risk, the Group obtains a bank guarantee from all customers before construction starts. In contracts where the scope and price is subsequently changed, the bank guarantee is updated, if the change by Management is considered significant.

It is the Company's assessment that the exposure towards credit risk is not significant. The current loss on debtors in 2018 is caused by deviation from group policy and is included in special items.

Impairment of receivables amounted to nil in 2018 and 2017.

Note 3.6 Accounting policy

Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost price of raw materials includes costs of bringing each product to its present location and condition. Cost of raw materials are measured on a first-in/first-out basis.

Work in progress and finished houses (non-contracted construction)

The cost of work in progress and finished houses (non-contracted), includes costs of direct materials and labour.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions

Provisions differ from other liabilities in that there is a degree of uncertainty concerning when payment will occur or concerning the size of the amount required to settle the provision.

Provisions are recognized in the balance sheet when a legal or informal commitment exists due to an event that has occurred, it is probable that an outflow of resources will be required to settle the commitment and the amount can be estimated reliably.

Trade and other receivables

Receivables are measured at amortised cost. Provisions are made for bad debts where there is an objective indication that an individual receivable or a portfolio of receivables has been impaired.

Provisions are made up as the difference between the carrying amount and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate used at the time of initial recognition is used as the discount rate for the individual receivable or portfolio.

Other receivables are deposits on leaseholds. On initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR) less impairment. The EIR amortisation is included in financial income in the income statement. The losses arising from impairment are recognised in the income statement in financial expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and demand deposits.

For the purpose of the financial statement of cash flows, cash and cash equivalents consists of cash and short-term deposits, net of outstanding overdrafts.

Note 3.7 Significant estimates and judgements

Guarantee commitments

Provisions for future costs due to guarantee commitments are recognized at the amount expected to be required to settle the commitment on the balance-sheet date. This estimate is based on calculations, assessments by company management and experiences gained from past transactions.

At year-end, the guarantee provision amounted to DKK 5.2 million (2017: DKK 11 million), refer to note 3.3 Provisions and contingent liabilities.

SECTION 4: INVESTMENTS

Introduction

In this section the Company's investments are explained. This includes investments in intangible and tangible assets.

The following notes are presented in Section 4:

- 4.1 Property, plant and equipment
- 4.2 Accounting policy

Note 4.1 Property, plant and equipment

DKK'000	2018	2017
Cost at 1 January	17.882	14.213
Additions	6.138	5.699
Disposals	-5.582	-2.030
Cost at 31 December	18.438	17.882
Depreciation and impairment 1 January	6.126	4.524
Depreciation	3.655	3.039
Disposals	-3.365	-1.437
Depreciation and impairment 31 December	6.416	6.126
Carrying amount 31 December	12.022	11.756

Note 4.2 Accounting policy

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs of materials, components, suppliers, direct wages and salaries and indirect production costs until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives, which are 3-5 years for operating assets and equipment, and 3-5 for leasehold improvements.

SECTION 5: FUNDING AND CAPITAL STRUCTURE

Introduction

This sections includes information regarding the Company's capital structure, and information on how the activities and investments of the Company is funded.

Information regarding the Company's exposure towards liquidity and interest rate risk is also contained in this section.

The following notes are presented in Section 5:

- 5.1 Equity
- 5.2 Borrowings and non-current liabilities
- 5.3 Financial leasing
- 5.4 Financial income and expenses
- 5.5 Financial risk management
- 5.6 Accounting policy

Note 5.1 Equity

Share capital

	2018		2017	
	Nominal value (DKK'000)	Number of shares	Nominal value (DKK'000)	Number of shares
Share capital at 1 January (issued and fully paid)	1.000	1.000	1.000	1.000
Share capital at 31 December	1.000	1.000	1.000	1.000

The company's share capital is nominally DKK 1,000,000 divided into 1,000,000 shares of DKK 1 each or multiples hereof.

Note 5.2 Borrowings and non-current liabilities

Borrowings

DKK'000	2018	2017
Non-current liabilities	6.239	3.451
Current liabilities	1.713	593
Total carrying amount	7.952	4.044
Nominal value	10.378	4.687

2018

DKK'000	Currency	Interest rate	Average interest rate	Carrying amount
Commitments on financial leasing agreements	DKK	Fixed-rate	8,75%	7.952

2017

DKK'000	Currency	Interest rate	Average interest rate	Carrying amount
Commitments on financial leasing agreements	DKK	Fixed-rate	4,38%	4.044

Note 5.3 Financial leasing

The Group has entered into financial leasing agreements for cars. Present value of lease payments constitute a significant portion of the asset's fair value. The leased assets act as collateral for lease commitments.

Commitments on financial leased assets included in borrowings:

DKK'000	Minimum lease payment		Present value of minimum lease payment	
	2018	2017	2018	2017
0-1 year	1.880	781	1.713	593
1-5 years	7.520	3.125	6.019	2.690
> 5 years	978	781	220	761
	10.378	4.687	7.952	4.044
Interest element	-2.426	-643	0	0
Present value of minimum lease payment	7.952	4.044	7.952	4.044

According to leasing contracts, there is no contingent rental payments.

The carrying amount of the leased assets amounts per 31. December 2018 8,484 T. DKK.

Note 5.4 Financial income and expenses

DKK'000	2018	2017
Financial expenses		
Interest paid to banks*	885	630
Exchange rate losses	7	1
Other financial cost	465	6
Total financial expenses	1.357	637
Net financials	-1.357	-637

*Interest expenses from financial assets and financial liabilities measured at amortised cost.

Note 5.5 Financial risk management

HusCompagniet Sjælland A/S's activities and capital structure is exposed to a variety of financial risks: Market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Group management oversees the management of these risks in accordance with the Group's risk management policies.

This section includes description of the risks related to liquidity risk and interest rate risk. Please refer to section 2 for description of currency risk, and section 3 for description of credit risk.

Liquidity risk

HusCompagniet Sjælland A/S does not receive payment until construction is finished and the house is handed over to the client.

Accordingly, the Group needs sufficient credit facilities to fund constructions in progress.

The Group continues monitoring the need of liquidity. At 31 December 2018, the Group has an undrawn credit facility of DKK 351 million to ensure that the Group is able to meet its obligations (2017: DKK 252 million). Management considers the credit availability to be sufficient for the next 12 months.

The below presented cash flows are non-discounted amounts, on the earliest possible date at which the Group can be required to settle the financial liability. Floating interest payments on bank borrowings have been determined applying a forward curve on the underlying interest rate at the reporting date.

Contractual maturity analysis of financial liabilities

2018		Hedging instrument	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
DKK'000							
Non-derivative financial liabilities							
			134.193	0	0	134.193	134.193
			1.713	6.019	220	7.952	10.378
			79.385	0	0	79.385	79.385
			215.291	6.019	220	221.530	223.956
Derivative financial liabilities							
		IRS	0	0	0	0	0
		CAP	0	0	0	0	0
			0	0	0	0	0
			215.291	6.019	220	221.530	223.956

2017		Hedging instrument	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
DKK'000							
Non-derivative financial liabilities							
			112.075	0	0	112.075	112.075
			593	2.690	761	4.044	4.687
			53.171	0	0	53.171	53.171
			165.839	2.690	761	169.290	169.933
Derivative financial liabilities							
		IRS	0	0	0	0	0
		CAP	0	0	0	0	0
			0	0	0	0	0
			165.839	2.690	761	169.290	169.933

The presented cash flows are non-discounted amounts, on the earliest possible date at which the Company can be required to settle the financial liability.

Interest rate risk

HusCompagniet Sjælland A/S is exposed to fluctuations in market interest rates primarily related to the Company's long-term loan with floating rates.

Categories of financial assets and financial liabilities

DKK'000	2018	2017
Cash and receivables	304.702	200.556
Financial liabilities measured at amortised cost	221.530	169.290
Derivatives, financial liabilities	0	0

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item in equity. Proposed dividends are recognized as a liability at the date they are adopted by the annual general meeting (declaration date).

Share premium reserve

The share premium reserve represents positive differences between the nominal share capital and the amount paid by shareholders for newly issued shares. The reserve is a distributable reserve.

Foreign currency translation reserve

The reserve comprises currency translation adjustments arising on the translation of financial statements of foreign subsidiaries from their functional currencies into the presentation currency used by HusCompagniet Sjælland A/S.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, cost of permanent loan facilities, gains and losses on securities, receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, etc.

Financial assets

Financial assets are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Company's financial liabilities comprise other payables, which primarily consist of staff-related costs not due for payment.

Finance lease

A lease is classified at the inception date as a finance lease or an operating lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Derivative financial instruments

The Company uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risk. Such derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value are taken directly to the Income Statement, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects the Income Statement.

Fair value measurement

The Company measured financial instruments such as derivatives at fair value at each balance sheet date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of interest rate swaps are determined using quoted forward interest rates at the balance sheet date and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

SECTION 6: OTHER DISCLOSURES

Introduction

This section includes other disclosures required by IFRS or additional disclosures required by the Danish Companies Act, but which are not relevant for the understanding of section 2-5.

The following notes are presented in Section 6:

- 6.1 Tax
- 6.2 Operating leases
- 6.3 Other non-cash items
- 6.4 Related parties
- 6.5 Auditor's fee
- 6.6 Events after the balance sheet date
- 6.7 Definitions
- 6.8 Accounting policy

Note 6.1 Tax

Current tax

DKK'000	2018	2017
Income tax	24.657	17.451
Movement in deferred tax	1.342	-1.076
Adjustment relating to previous years	0	0
Income taxes in the income statement	25.999	16.375
Profit before tax	118.086	74.364
Tax rate, Denmark	22%	22%
Tax at the applicable rate	25.979	16.360
Expenses not deductible for tax purposes	20	15
Tax expense for the year	25.999	16.375
Effective tax rate, %	22,02%	22,02%

Deferred tax

DKK'000	2018	2017
Deferred tax at 1 January	8.207	9.283
Recognised in profit or loss	1.342	-1.076
Deferred tax at 31 December	9.549	8.207

Deferred tax is presented in the statement of financial position as follows:

DKK'000	Deferred tax liability	
	2018	2017
Intangible assets	0	-20
Tangible assets	-126	128
Construction contracts	9.675	8.099
Deferred tax	9.549	8.207

Corporation tax payable

DKK'000	2018	2017
Corporation tax payable at 1 January	17.451	22.659
Current tax including jointly taxed subsidiaries	24.657	17.451
Corporation tax paid during the year	-17.451	-22.659
Corporation tax payable at 31 December	24.657	17.451

Note 6.2 Operating leases

The Company leases properties and equipment under operational leasing contracts. The term of the leases are usually between 1-13 years with possible extension. None of the leasing contracts include conditional lease payments.

The DKK'000	0-1 year	1-5 years	> 5 years	Total
2018				
Operating leases	3.664	6.892	0	10.556
Total contractual obligations	3.664	6.892	0	10.556
2017				
Operating leases	2.918	6.821	539	10.278
Total contractual obligations	2.918	6.821	539	10.278

Note 6.3 Other non-cash items

DKK'000	2018	2017
Gains/(Losses) from sale of property, plant and equipment	-475	0
Depreciation of property, plant and equipment	3.655	3.039
Movements in provisions recognised in the income statement	-5.805	-969
Non-cash financial items	1.357	637
Other non-cash items	-1.268	2.707

Note 6.4 Related parties

The ultimate Parent

The ultimate Parent of the Company is EQT's fond VI. There were no transactions between the company and the ultimate company

The direct Parent of the Company is HusCompagniet A/S.

Other related Parties

Name	Country of incorporation
HusCompagniet Midt- og Nordjylland A/S	Denmark
HusCompagniet Fyn A/S	Denmark
HusCompagniet Sønderjylland A/S	Denmark
FM-Søkjær Entreprise A/S	Denmark
Svenska HusCompagniet AB	Sweden
VårgårdaHus AB	Sweden
Svenska HusCompagniet Fastighetsutveckling AB	Sweden
Svenska HusCompagniet Fastighetsutveckling Allerum 1 AB	Sweden
Svenska HusCompagniet Fastighetsutveckling Allerum 2 AB	Sweden
Die Haus-Compagnie GmbH	Germany
HusCompagniet A/S	Denmark
LejlighedsCompagniet A/S	Denmark
Diego HC A/S	Denmark
Diego HC TopCo A/S	Denmark

HusCompagniet Sjælland A/S was engaged in the below related parties transactions:

DKK'000	2018	2017
Acquisition of services (Management fee and allocated cost) from parent company	22.796	18.288
Sales of goods and services from affiliated companies	0	0
Total	22.796	18.288

Transactions with key management personnel

Transactions with key management personnel include transactions with companies controlled by the key management personnel.

No direct payroll costs have been paid to key management personnel, but indirectly in the form of management fees for executive management services.

Note 6.5 Auditor's fee

Fees to auditors

DKK'000	2018	2017
Audit Service	108	80
Tax advice services	10	0
Other non-audit services	0	41
Total	118	121

Note 6.6 Events after the balance sheet date

No significant events have occurred since the Balance Sheet date

Note 6.7 Definitions

EBITDA before special items

Operating profit before depreciation amortisation and special items.

EBITDA after special items

Operating profit before depreciation amortisation and after special items.

Operating profit (EBIT)

Operating profit after depreciation and amortisation.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA before special items} \times 100}{\text{Revenue}}$
ROCE	$\frac{\text{Operating profit (EBIT)}}{\text{Total assets} - \text{Current Liabilities}}$

Note 6.8 Accounting policy

Current income tax

The parent company is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit (loss) for the year is recognized in the income statement, and the tax expense relating to amounts recognized in other comprehensive income is recognized in other comprehensive income.

Current tax payable is recognized in current liabilities and deferred tax is recognized in non-current liabilities. Tax receivable is recognized in current assets and deferred tax assets are recognized in non-current assets.

Deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the period, adjusted for tax on the taxable income of prior periods and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of HusCompagniet Sjøælland A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Horsens, 31 May 2019

Executive Board:



Martin Ravn-Nielsen

CEO

Board of Directors:



Steffen Martin Baungaard
Chairman



Michael Toxværd Hansen



Søren Haugaard



Morten Chrone

Independent auditor's report

To the shareholders of HusCompagniet Sjælland A/S

Opinion

We have audited the financial statements of HusCompagniet Sjælland A/S for the financial year 1 January – 31 December 2018, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Company. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" (hereinafter referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 31 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab



Torben Bender
State Authorised
Public Accountant
MNE no.: mne21332



Thomas Bruun Kofoed
State Authorised
Public Accountant
mne28677