

# 2016

ANNUAL REPORT

HUSCOMPAGNIET

MIDT- OG NORDJYLLAND A/S



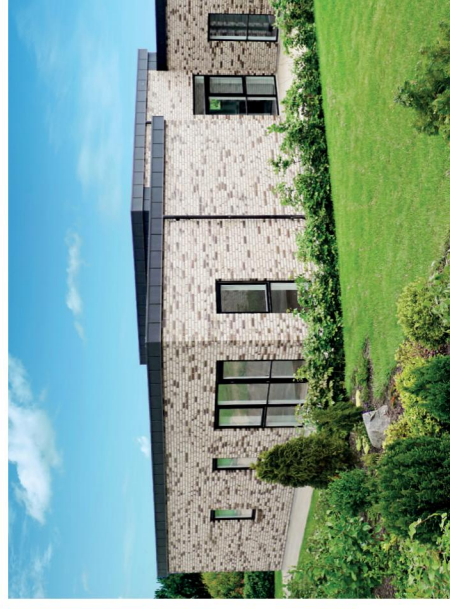


145 M<sup>2</sup>  
**MODERN  
CONTEMPORARY**

Tailored with extra large  
children's room and two  
bathrooms.

# CONTENT

<b>AT A GLANCE</b>	<b>4</b>
<b>CEO LETTER</b>	<b>8</b>
<b>OUR BUSINESS MODEL</b>	<b>12</b>
<b>OUR ARCHITECTURES</b>	<b>16</b>
<b>OUR PEOPLE</b>	<b>22</b>
<b>ACTING RESPONSIBLY</b>	<b>24</b>
<b>GEOGRAPHICAL FOOTPRINT</b>	<b>26</b>
<b>STRATEGY, RISK AND GOVERNANCE</b>	<b>28</b>
<b>FINANCIAL STATEMENTS</b>	<b>30</b>



# HUSCOMPAGNIET AT A GLANCE

**3** MARKETS

**25,000**  
SHOW PARK VISITS



**251 DKKM**  
EBITDA

**317**  
DIRECT EMPLOYEES

**ONE MILLION**  
WEBSITE VISITS

**1,444**  
HOUSES  
SOLD

**16**  
LOCATIONS

**234**  
LAND  
SALES

**5 STARS**  
TRUSTPILOT.dk

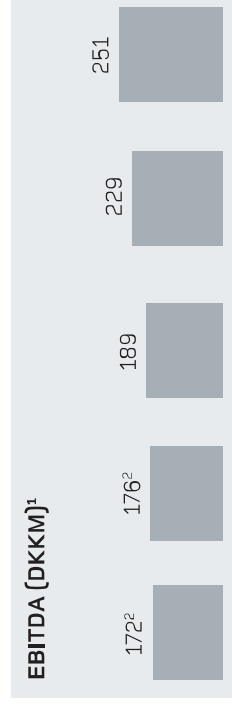
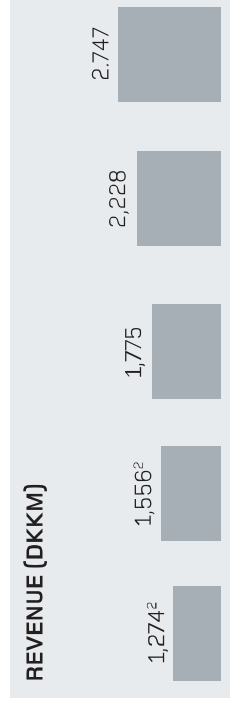
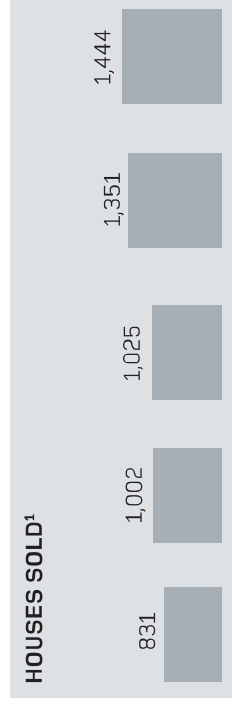


**5 YEARS**  
AnmeldHåndværker.dk

**2.75**  
DKKBN  
REVENUE

# KEY HIGHLIGHT MESSAGES

## GROUP PERFORMANCE



<sup>1</sup> Houses sold and EBITDA are defined on page 64

<sup>2</sup> For 2012 and 2013 is prepared in accordance with Danish GAAP, and has not been restated in accordance with IFRS as adopted by the EU.

## KEY MESSAGES

### GROUP

In 2016, we delivered more than 1,300 new homes to families, which is a 16% increase compared to last year and a new record for the company. This was achieved through our continued focus on delivering a consistent high quality at affordable prices and on maintaining our industry-leading customer satisfaction. As part of our continuous effort to improve our customers' experience, we are testing a new Virtual-Reality technology that enables our customers to take a visual tour in one of our architectures. We have also developed an App called "HusCompagniet" that can help our customers with new house inspiration, and help to understand the process of building a new home (page 29). Additionally, we are developing a search feature on Huscompagniet.dk that finds available building sites (developed and undeveloped sites) in a specified area (page 9). The HusCompagniet App and the search feature will be tested in 2017.

### DENMARK

In 2016, we solidified our leading position in Denmark and increased our overall market share. Our success in Denmark rests upon a continued focus on customer satisfaction, reflected in our 5-star rating from our customers on Trust Pilot and winning the "House-builder of the Year" award for the fifth consecutive time.

### GERMANY

We continued our strong growth in Germany and increased the number of houses sold in 2016 by 68% compared to 2015. We continue our efforts to establish a significant position in the Northern German housebuilding market.

### SWEDEN

We have strengthened our organisation in Sweden and continued to grow our position in the Southern Swedish market. In April 2017, we completed the acquisition of VårgårdaHus, a leading Swedish builder of wood houses.

## BUSINESS CASE



**UNCOMPROMISING  
CUSTOMER FOCUS**



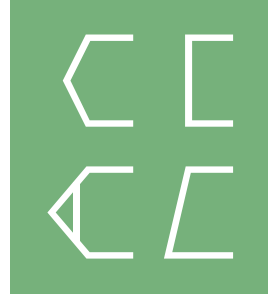
**HIGHLY SCALABLE AND  
ASSET-LIGHT OPERATING  
MODEL**



**GEOGRAPHICAL  
DIVERSIFICATION FOCUS**



**STRONG REPUTATION**

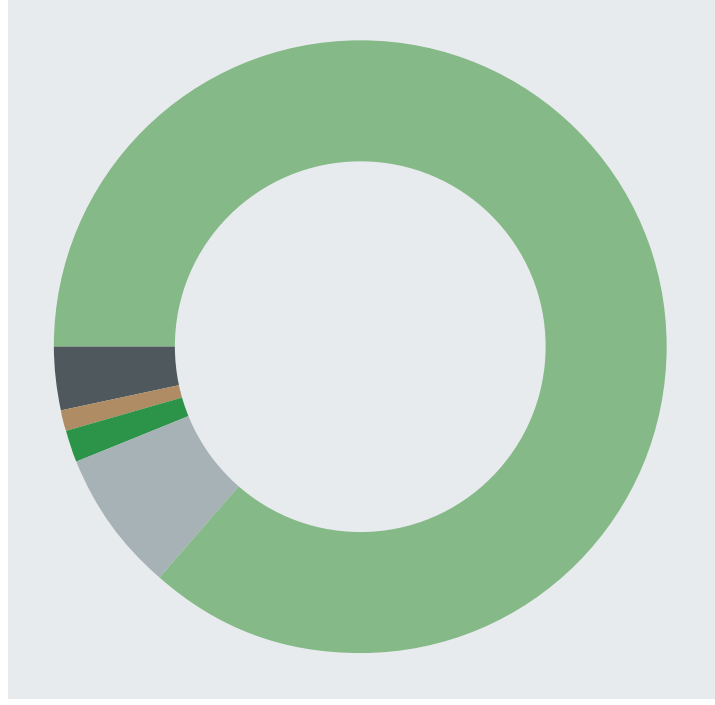


**STANDARDISED  
PRODUCT PORTFOLIO**



**STRONG PERFORMANCE**

## VALUE ADDED



Procurement of goods and services<sup>1</sup> DKK 2.3bn

Employees, DKK 203m

Lenders<sup>2</sup> DKK 46m

Corporation tax, DKK 32m

Profit retained by HusCompagniet, DKK 85m

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 results with both satisfactory growth and profit. We continue to expand across markets with more than 50 new colleagues that joined our organisation. We have strengthened the corporate backbone with several key hires, including new Chief Commercial Officer, Head of Germany, Head of Accounting and Head of IT.**

## **ALL-TIME HIGH**

2016 was another positive year for HusCompagniet where we achieved organic growth across the markets we operate in. We achieved turnover of DKK 2,747 million, which is an increase of DKK 520 million, corresponding to 23% growth compared to 2015. Our EBITDA of DKK 251 million is an increase of 11% compared to 2015.

We achieved growth in the actual number of single-family houses sold across all our markets. In the Danish market, 1,276 new houses sold (2015: 1,238 houses). In Germany, 124 new houses sold (2015: 74 houses). In Sweden, 44 houses were sold (2015: 39 houses). 2016 represents all-time high revenue, EBITDA and numbers of houses sold for HusCompagniet.

## **SHOW PARKS**

In Denmark, HusCompagniet has established Show Parks and Show Houses across the country. When new potential house buyers visit the parks and houses, they receive a first-hand experience of all the advantages of a new house. Within our eight Show Parks and Show Houses we have more than 60 different variations of new-built houses for our customers to explore. Each house provides a unique experience of the many customi-

sation possibilities offered by an individual house from HusCompagniet. Our trained building advisers are present at our parks and houses during opening hours, ready to guide and support visitors and follow up on potential sales leads.

## **CONTINUED FOCUS ON CUSTOMER SATISFACTION**

2016 was another year of high customer satisfaction with more than 1,300 satisfied families in new homes. Many of our customers have shared their positive experiences online and in their own network, for the benefit of other families potentially looking for a new home. An example of this is on Trust Pilot, where more than 760 of our customers have reviewed HusCompagniet with an average rating of five stars out of five possible. The high customer satisfaction is also reflected in HusCompagniet receiving the "Housebuilder of the Year" award for the fifth consecutive time.

## **OUR JOURNEY IN SWEDEN**

In April 2017, we expanded our presence in Sweden through the acquisition of VårgårdaHus. VårgårdaHus, headquartered East of Gothenburg, is a leading Swedish single-family wood house builder with an attractive market position, complementary to HusCompagniet. Vårgårda-

Hus has approximately 25 sales offices across Sweden, increasing the group's local presence across the entire Swedish market. Together with VårgårdaHus, we have a strong platform for continued future growth across Sweden.

## **GROWTH PLANS IN GERMANY**

Since establishment in 2012, HusCompagniet (HausCompagnie) has continued to expand our activities and today we have three offices, located in Flensburg, Neumunster and Hamburg. We continue to work towards achieving our ambition of becoming a significant player in the Northern German market. We are actively investing in our German organisation with a new Head of Germany in place, and we plan to open additional locations in the coming years.

## **DENMARK – BUILDING ON A STRONG MARKET POSITION**

In 2016, we have increased our market share and solidified our position as the leading Danish house builder. We continue to develop our business in Denmark and the agenda for 2017 is focused on always improving our project execution through the implementation of new, and improvements to existing, process management tools.



## CASE STUDY: INCREASING MARKET CAPACITY

We see significant potential in continuing to acquire land and the right to build exclusively on land plots. By investing in individual building sites or larger plots, we can begin to develop the sites quickly, consistently and to a high quality standard from the beginning. This strategy enables us to offer our customers sites in attractive locations that are ready for building, without the customer having to wait for the site to be developed and approved for building.

### THE DIGITAL EXPERIENCE

HusCompagniet is a first mover within innovation in the building industry. The latest we are testing is to offer potential customers the opportunity to tour all of our exhibition houses in Virtual Reality – even at home wearing Virtual Reality glasses while sitting comfortably on their sofa. The Virtual Reality option was introduced in Q4 2016.

In 2016, we developed a new app that gives all of our new customers the opportunity to walk around in their new house before it is built. The app was introduced in May 2017. This virtual and digital experience can be combined with a brick-by-brick inspection in one of the eight Show Parks opened in Denmark at the end of 2016. They

display a wide range of the more than 100 base models that we work from to create a customised, individual single-family house for each customer. Customers' creativity is infinite. Last year, none of the 1,338 houses delivered were identical. In certain popular areas, new building sites are seldom available for sale, and instead, some of our customers buy sites already occupied with older houses. They demolish the old house and build a new single-family house according to their dreams and requirements. We plan to add a feature to our Danish website HusCompagniet.dk that gives our customers access to empty or occupied building sites for sale. By comparing house prices in the area with the total cost of purchasing the site and buying a new house from HusCompagniet, the feature can help to determine the feasibility (see page 9).

A new feature on [Huscompagniet.dk](http://Huscompagniet.dk), to be launched for test in Q3 2017, will expand the list of available building sites presented to the potential HusCompagniet customer. The feature shows the user all new building sites in a chosen geographical area, and the algorithm also includes sites with old houses for sale. Sites where it is a good financial proposition to demolish the old building and build a brand-new house. The cost of pulling down an old house is often equivalent to the cost of developing a site for building. In metropolitan areas, it is difficult to find new building sites and reusing plots is a way to build new single-family houses. HusCompagniet is the first housebuilder in Denmark to offer its customers the opportunity to systematically identify potential building sites.

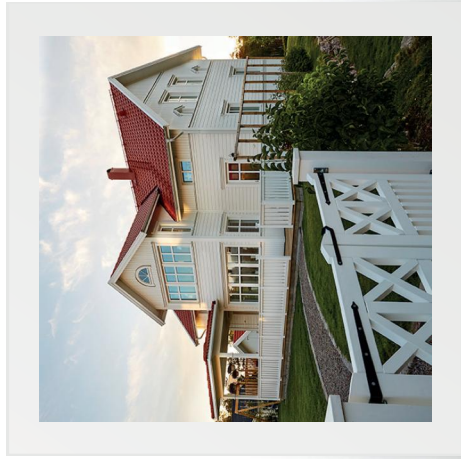
By demolishing an old building and erecting a new house, the customer is also able to comply with future energy requirements (BR2015), resulting in lower costs for heating, energy and maintenance. Comparable improvements and savings are almost impossible to achieve when restoring an older house.

**“THE NEW FUNCTION IS BASED ON AN ALGORITHM DESIGNED BY HUSCOMPAGNIET. A SEARCH IN THE APP IS UNIQUE COMPARED TO THE SEARCH ENGINES OF OUR COMPETITORS. WE ARE ABLE TO SHOW ALL BUILDING SITES FOR SALE IN A CHOSEN AREA. IN ADDITION, THE SEARCH SHOWS ALL SITES WITH HOUSES THAT COULD POTENTIALLY BE RELEVANT FOR DEMOLITION AND REPLACEMENT WITH A NEW, UPDATED HOUSE FROM HUSCOMPAGNIET.”**

Mikkel Simonsen, Head of Digital Marketing

### Facts

- Algorithm that helps customers to find the perfect building site for their new home
- Project to increase the number of new houses built per year
- Will go live on [HusCompagniet.dk](http://HusCompagniet.dk) in Q3 2017



The strategic acquisition of Swedish VårgårdaHus will also benefit HusCompagniet on other markets.

## OUR PEOPLE

Our people is the foundation for HusCompagniet's continued success and growth. We work continuously to develop our more than 300 employees and ensure they have an in-depth understanding of what is crucial to our customers.

We trust our local employees, whom are the essential contact point to our customers day-to-day. Internal training programmes, such as our HusCompagniet Sales Academy and specialist courses, empower our employees to take further responsibility on a local basis. Our specialists within marketing, sales, design, construction management and administration are all encouraged to cooperate across professional disciplines to deliver the best experience for our customers.

In 2016, we introduced a new financial tool that analyses detailed data on each individual project. This will support our specialists in communicating and cooperating to meet quality, service and financial expectations. 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.

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, 2016 was a satisfactory year for HusCompagniet. We have delivered more than 1,300 new homes to our customers, with continued high customer satisfaction, and strong financial results.

**Steffen Baungaard**  
Group CEO



The owl is our mascot. Customers and their children meet him in our Show Parks around the country.

# OUR BUSINESS MODEL

## KEY RESOURCES

HusCompagniet is an asset-light business, with all construction work being performed by our supply chain, so that we have a highly scalable business model

### REPUTATION



We rely on our 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 close to 20,000 houses built

### FUNDING



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

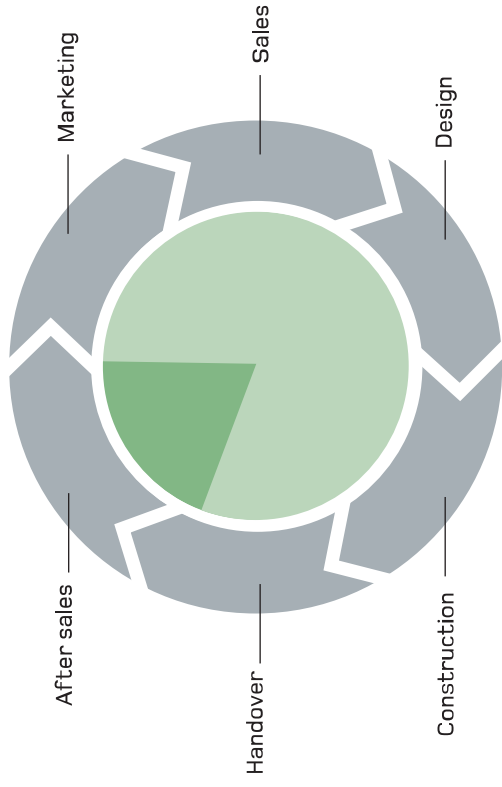
### SUPPLY CHAIN



We rely on high quality from our suppliers

## MODEL

### CUSTOMER-CENTRIC HOUSEBUILDING MODEL



- Land development 15%
- House building 85%

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 (see page 14)
- **FINANCIAL PERFORMANCE**  
EBITDA DKK 251m (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

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

newly launched app that will inspire our customers by enabling them to customise and visualise the many architectures and materials selections available (see page 29).

Another example is the development of Virtual Reality glasses 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 (see page 9). 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.

KEY RESOURCES:



### SALES

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.

KEY RESOURCES:



### DESIGN

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

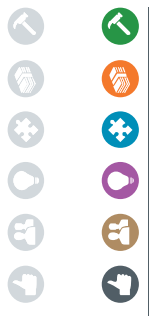
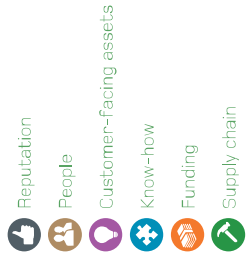
Currently, we have designed and built close to 20,000 houses. Our architects have assembled the best of all these in our five architectural styles (see page 16). Our extensive experience enables our designers to provide the customers with great advice, and to foresee potential issues that the customers 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 (see page 29) gives our customers an overview of the many choices to be made in the course of the process.

KEY RESOURCES:



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



## CONSTRUCTION

To ensure that our high expectations of quality are met by our suppliers, 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 craftsmen are expected to tidy up the construction site every day.

A clean and tidy construction site is key to ensuring that the craftsmen can always make their way around safely, and get started on their particular tasks quickly and efficiently. The price is the price. We guarantee our customers no extra or unjustified costs during the process. Payment is not due until the customer moves in.

HusCompagniet can offer the most effective building process in the market by building our single-family houses in just 17 weeks on average.

KEY RESOURCES:

## 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

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

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

KEY RESOURCES:

## 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.

KEY RESOURCES:

# OUR ARCHITECTURES

Over time HusCompagniet has built close to 20,000 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 80% of the houses we delivered in 2016 are Classic or Modern Contemporary.





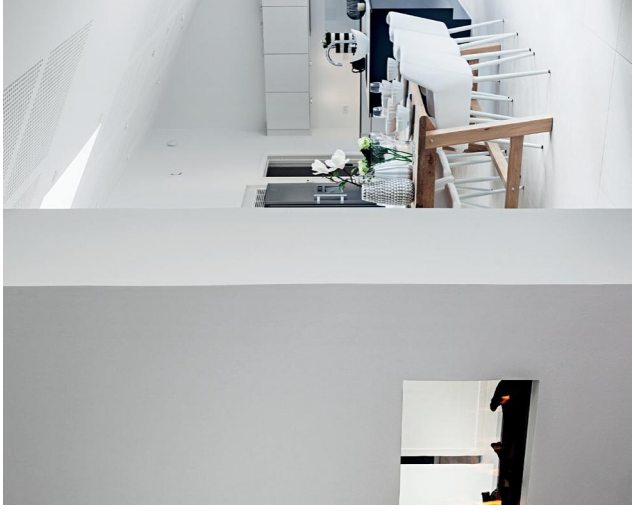
## CLASSIC CONTEMPORARY

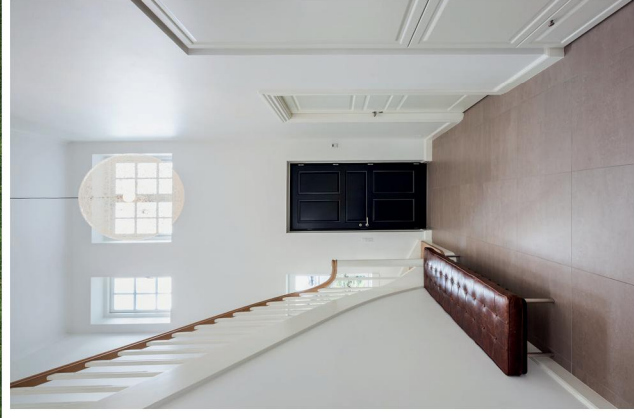
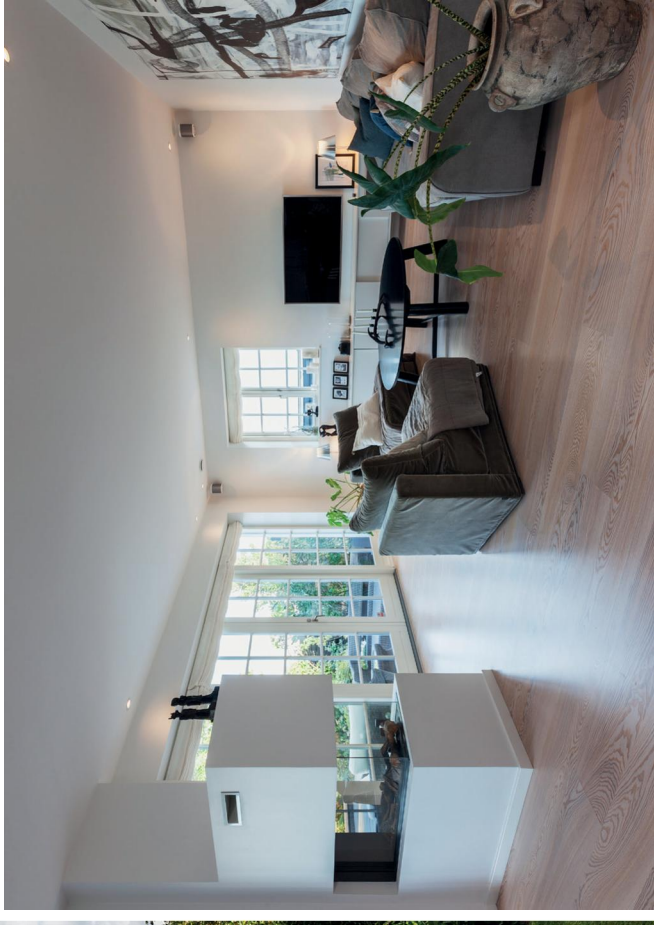
This classical Danish architecture has been the Danes' favoured building style for the past 40 years, and nothing suggests that this will change any time soon. The large tiled roof is characteristic of the style. It has a significant overhang, protecting the brick walls, doors and win-

dows. Typically, the roof tiles will be either black or red, while 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 your childhood 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 classical architecture inspired by the patrician villas of the late 1900s.

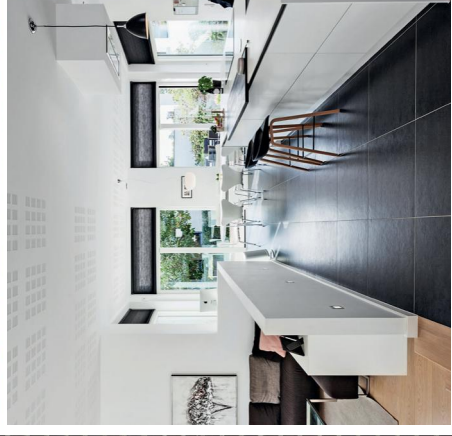
The Patrician style means distinguished detailing and exclusive materials. The exterior is characterised by an impressive size. Often, the façades will be white, the roof black and the villa will have a relatively large number of windows and doors. Indoors, you will find white walls, beautiful wooden 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 Danish 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. 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 experience for our customers. They each understand the role they play in ensuring that HusCompagniet delivers on its customer promise in each phase of the process. We strive to ensure that our more than 300 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.

#### 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.

#### HEALTH AND SAFETY

The health and safety of our employees is 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 a "Hjertestarter" (AED – Automated External Defibrillator) at many of our locations.

#### GENDER EQUALITY

Traditionally, male employees have dominated 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.

#### 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 16 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.

#### 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 2017, we plan to launch additional tailored training programmes to meet future needs within the entire range of services.



People make us strong, and HusCompagniet's 317 employees are our most important resource.

# CORPORATE SOCIAL RESPONSIBILITY

In order for HusCompagniet to be successful, it is of great importance that our employees and partners act responsibly in every situation. 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 too; 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 all the environmental requirements when conducting our business. Specifically, we comply with applicable BR15 building regulations. The regulations stipulate strict requirements for energy consumption in new buildings, including requirements for better insulation of new houses. HusCompagniet is proactive and ahead of the current BR15, since we today already comply with many of the new energy and environmental requirements

introduced in the optional BR2020. One example is the construction of an iHus (iHouse), 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. HusCompagniet offers several forms of environmentally-sound heating, such as geothermal heating and solar panels, besides recycling of excess indoor heating from bathrooms and kitchens. We have seen positive developments in our customers' selection of geothermal heating, solar panels and recycling of heating in 2016.

In 2016, HusCompagniet has been environmentally innovative and met current requirements. One concrete example is that the soil removed from building sites is environmentally tested. Our contractors document that they deal with all surplus soil in accordance with current requirements. 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.



176 M<sup>2</sup>

## COTTAGE STYLE

Tailored with rustic glass façade and open kitchen with gas fireplace.



### **HUMAN RIGHTS AND ANTI-CORRUPTION**

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.

### **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. 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 have seen positive development in our workplace assessments performed in 2016.

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.

### **HUSCOMPAGNIET, BØRNEFONDEN AND THE UN'S 17 SUSTAINABLE DEVELOPMENT GOALS**

The aim of the UN's 17 Sustainable Development Goals is to drive the world in a better direction by ending poverty, reducing inequality and tackling climate change. A number of the goals focus on poverty, fighting famine and providing a better life for human beings all over the world through education and healthcare. By incorporating selected development goals in HusCompagniet's CSR strategy, we contribute to the global development in areas that correspond to our core values and business.

Since 2013, HusCompagniet has worked with BØRNEFONDEN with the ambition to build and create safe conditions for children and their families in an entire village in Benin. We want to help build a better future for families in some of the poorest countries in the world, and building schools, wells, toilet facilities and libraries is a good match for our core culture and business, since our efforts result in the safety and well-being of the local community.



# **BØRNEFONDEN**

# FOOTPRINT

WHERE WE OPERATE

# DENMARK

1,276 houses sold (2015: 1,238)

- Aalborg
- Aarhus
- Esbjerg
- Haderslev
- Herning
- Hillerød
- Horsens
- Næstved (2017)
- Odense
- Ringsted
- Virum

# GERMANY

124 houses sold (2015: 74)

- Hamburg
- Flensburg
- Neumünster

# SWEDEN

44 houses sold (2015: 39)

- Malmö
- Gothenburg
- Helsingborg

## VärgårdaHus (acquired offices)

- Allingsås
- Lyckeby
- Eksjö
- Södermanland
- Falun
- Gothenburg
- Halmstad
- Jönköping
- Karlsstad
- Lidköping
- Linköping
- Luleå
- Malmö
- Norrköping
- Bromma
- Stockholm
- Trollhättan
- Uddevalla
- Umeå
- Uppsala
- Västerås
- Växjö
- Örebro

- Existing offices
- New offices
- Acquired offices

New offices include offices opened within the past three years

Acquired offices include offices acquired during the past 12 months

# STRATEGY, RISK AND GOVERNANCE

## HUSCOMPAGNIET IS THE LEADING HOUSE BUILDER OF SINGLE FAMILY HOUSES IN NORTHERN EUROPE

### GROUP STRATEGY

HusCompagniet's strategy is to provide high-quality houses at affordable prices, supported by a best-in-class delivery model that fulfils our customers demand. We aim to give customers the best house building experience possible and become their trusted house building partner throughout the process.

We will continue to invest strategically in land plots and expand our network for Show Houses and Show Parks. In 2017, we will continue our efforts to share best practices and business procedures from the individual local office to the entire organisation.

We strive to drive innovation as a first mover in the industry, demonstrated by leading industry initiatives including the development of Virtual Reality glasses, a site search feature (see page 9) and our building app (see page 29).

### 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 across different markets and acquiring 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.

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 balance 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.

The target ratio of female members on the Board of Directors is 20% in 2020 and at present there are no female members. It is the company's policy to increase the share of the underrepresented gender on other executive levels. Other executive levels of the Group are represented by approximately 5% female managers, whereas the group target is 10%.

During 2016, the Group merged HC TopCo A/S, HC NewCo A/S and HusCompagniet A/S, with HusCompagniet A/S as the continuing entity.

## CASE STUDY: ENHANCING COMMUNICATION WITH OUR CUSTOMERS

### THE HUSCOMPAGNIET APP

In May 2017, HusCompagniet launched its new app "HusCompagniet". The app includes a large number of features that make it easier and more fun for new house buyers to get inspired, and to understand the process of building a new house. The app is free for all users, and can be downloaded from both App Store and Google Play.

**"WITH THE APP, HUSCOMPAGNIET AIMS AT AN EVEN HIGHER LEVEL OF CUSTOMER INVOLVEMENT AND SATISFACTION. THIS WILL HELP US TO PERFORM BETTER IN ALL STAGES OF THE CUSTOMER LIFE CYCLE."**

Thuri Jested-Pask, CMO

### FROM DREAM TO REALITY

HusCompagniet's app ensures excellent sales and customer service support. It allows customer interaction even before the decision to build is made. When the customer has decided to buy a new house the app furthermore offers a specific set of features to help the customer in the process of choosing architecture, size, building materials and much more.

The app is the only one of its kind in HusCompagniet's three markets.

### IMPORTANT FEATURES

- View ground plans in 3D
- Try styling your house with different types of roof and brick colour
- Change the size and shape of the house
- Enter the house with virtual reality
- Save favourites



## Key figures

DKK'm	2016	2015	2014	2013*	2012*
<b>Income statement</b>					
Revenue	995	768	508	582	422
Gross profit	171	137	122	121	89
Operating profit before depreciation and amortisation (EBITDA) before special items	80	71	68	90	63
Operating profit (EBIT)	78	60	67	90	63
Financial income	0	0	0	0	0
Profit for the year	61	46	50	67	47
<b>Financial position at 31 December</b>					
Total assets	403	286	284	246	265
Equity	213	152	176	163	155
<b>Cash flow</b>					
Cash flow from operating activities	-19	35	78	54	65
<b>Key figures</b>					
Revenue growth	30%	51%	-13%	38%	4%
Gross margin	17%	18%	24%	21%	21%
EBITDA margin	8%	9%	13%	15%	15%
Average number of employees	88	61	47	42	35

\*The consolidated key figures for 2012 and 2013 is prepared in accordance with Danish GAAP, and has not been restated in accordance with IFRS as adopted by the EU.

### Financial review

Net revenue totalled DKK 995 million for 2016, compared to DKK 768 million in 2015, corresponding to an increase of 30%. The increase in revenue was mainly driven by an increase in the number of sold houses. We also witnessed an increase in the average price of houses,

EBITDA totalled DKK 80 million for 2016, compared to DKK 71 million in 2015, corresponding to an increase of 13%. The increase in EBITDA is mainly attributable to the increase in our activities.

Profit before tax totalled DKK 78 million for 2016, compared to DKK 60 million in 2015.

The board of Directors and management consider the financial result for 2016 to be satisfactory.

### OUTLOOK

We expect revenue and profit before tax to increase compared to 2016.

# FINANCIAL STATEMENTS

	Page		Page
<b>PRIMARY STATEMENTS</b>		<b>5 FUNDING AND CAPITAL</b>	
Income statement	32	<b>STRUCTURE</b>	45
Balance sheet	33	5.1 Equity	
Statement of cash flow	34	5.2 Financial income and expenses	
Statement of changes in equity	35	5.3 Financial risk management	
		5.4 Accounting policy	
<b>1 BASIS OF PREPARATION</b>	36		
1.1 General accounting policies		<b>6 OTHER DISCLOSURES</b>	
1.2 Introduction to significant estimates and judgements		6.1 Tax	49
1.3 Application of materiality		6.2 Operating leases	
		6.3 Other non-cash items	
<b>2 EBITDA</b>		6.4 Related parties	
2.1 Revenue	38	6.5 Auditor's fee	
2.2 Costs including staff costs and remuneration		6.6 Events after the balance sheet date	
2.3 Reconciliation of EBITDA to normalised EBITDA (analysis of special items)		6.7 Definitions	
2.4 Special items		6.8 Accounting policy	
2.5 Financial risk management			
2.6 Accounting policy		Statement by the board of directors and executive board	50
2.7 Significant estimates and judgements		Independent auditor's report	51
<b>3 WORKING CAPITAL</b>	41		
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			
<b>4 INVESTMENTS</b>	43		
4.1 Property, plant and equipment			
4.2 Accounting policy			
4.3 Significant estimates and judgements			

## INCOME STATEMENT

DKK'000	Note	2016	2015
Revenue	2.1	994.908	767.661
Production costs		-824.016	-630.531
Gross profit		170.892	137.130
Staff cost	2.2	-73.138	-52.046
Other operating income		52	0
Other operating expenses		-17.934	-13.739
Operating profit before depreciation and amortisation (EBITDA) before special items		79.872	71.345
Special items	2.4	0	-10.370
Operating profit before depreciation and amortisation (EBITDA) after special items		79.872	60.975
Depreciation and amortisation	4.1	-2.087	-1.146
Operating profit (EBIT)		77.785	59.829
Financial income	5.2	3	0
Financial expenses	5.2	-206	-199
Profit before tax		77.582	59.630
Tax on profit	6.1	-17.071	-13.958
Profit for the year		60.511	45.672

Profits attributable to:

DKK'000	Note	2016	2015
Equity owners of the Company		60.511	45.672,00

## STATEMENT OF OTHER COMPREHENSIVE INCOME

DKK'000	Note	2016	2015
Profit for the year		60.511	45.672
Other comprehensive income, net of tax		0	0
Total comprehensive income for the year		60.511	45.672

Total comprehensive income attributable to:

DKK'000	Note	2016	2015
Equity owners of the Company		60.511	45.672



## BALANCE SHEET

DKK'000	Note	2016	2015
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	4.1	8.135	4.949
Other receivables		1.022	1.107
<b>Total non-current assets</b>		<b>9.157</b>	<b>6.056</b>
Current assets			
Inventories	3.1	131.059	75.444
Construction contracts	3.2	185.031	121.077
Trade and other receivables	5.3	33.922	12.054
Prepayments		1.001	0
Receivables from affiliated companies		1.318	118
Income tax receivable	6.1	0	1.087
Cash and cash equivalents		41.874	70.409
<b>Total current assets</b>		<b>394.205</b>	<b>280.189</b>
<b>Total assets</b>		<b>403.362</b>	<b>286.245</b>
<b>Equity and liabilities</b>			
Equity			
Share capital	5.1	2.000	2.000
Retained earnings and other reserves		210.526	150.015
<b>Total equity</b>		<b>212.526</b>	<b>152.015</b>
Liabilities			
Non-current liabilities			
Provisions	3.3	1.762	1.251
Deferred tax liability	6.1	6.489	4.170
<b>Total non-current liabilities</b>		<b>8.251</b>	<b>5.421</b>
Current liabilities			
Trade and other payables	5.3	112.754	93.140
Construction contracts	3.2	2.972	0
Prepayments from customers	3.2	705	4.234
Provisions	3.3	7.047	5.004
Income tax payable	6.1	14.752	0
Payables to affiliated companies		3.172	5.898
Other liabilities		41.183	20.533
<b>Total current liabilities</b>		<b>182.585</b>	<b>128.809</b>
<b>Total liabilities</b>		<b>190.836</b>	<b>134.230</b>
<b>Total equity and liabilities</b>		<b>403.362</b>	<b>286.245</b>

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	2016	2015
Cash flow from operating activities			
Profit before tax		77.582	59.630
Changes in working capital	3.4	-102.731	-11.954
Adjustments for non-cash items	6.3	4.844	1.824
Interest received		3	0
Interest paid		-206	-199
Corporation tax paid		1.087	-14.656
<b>Net cash generated from operating activities</b>		<b>-19.421</b>	<b>34.645</b>
Cash flow from investing activities			
Acquisition of assets recognised as property, plant and equipment		-5.188	-2.760
Disposal of assets recognised as property, plant and equipment		0	0
<b>Net cash generated from investing activities</b>		<b>-5.188</b>	<b>-2.760</b>
Cash flow from financing activities			
Proceeds from payables to affiliated companies		-3.926	1.400
Dividend to equity holders		0	-70.000
<b>Net cash generated from financing activities</b>		<b>-3.926</b>	<b>-68.600</b>
<b>Total cash flows</b>		<b>-28.535</b>	<b>-36.715</b>
Cash and cash equivalents at 1 January		70.409	107.124
Net foreign currency gains or losses		0	0
<b>Cash and cash equivalents at 31 December</b>		<b>41.874</b>	<b>70.409</b>
Cash and cash equivalents			
Cash at bank and on hand		41.874	70.409
Short-term bank deposits		0	0
<b>Cash and cash equivalents as at 31 December</b>		<b>41.874</b>	<b>70.409</b>
Bank overdrafts		0	0
<b>Net cash and cash equivalents as at 31 December</b>		<b>41.874</b>	<b>70.409</b>

## STATEMENT OF CHANGES IN EQUITY

2016						
DKK'000	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total	
Equity at 1 January	2.000	0	0	150.015	152.015	
Profit for the period	0	0	0	60.511	60.511	
Other comprehensive income:						
Foreign currency translation differences	0	0	0	0	0	
Tax relating to other comprehensive income	0	0	0	0	0	
Total other comprehensive income	0	0	0	0	0	
Transactions with owners of the Company and other equity transactions:						
Dividends paid	0	0	0	0	0	
Total transactions with owners of the Company and other equity transactions	0	0	0	0	0	
Equity on 31 December	2.000	0	0	210.526	212.526	

2015						
DKK'000	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total	
Equity at 1 <sup>st</sup> January	2.000	0	0	174.343	176.343	
Profit for the period	0	0	0	45.672	45.672	
Other comprehensive income:						
Foreign currency translation differences	0	0	0	0	0	
Tax relating to other comprehensive income	0	0	0	0	0	
Total other comprehensive income	0	0	0	0	0	
Transactions with owners of the Company and other equity transactions:						
Capital Injection	0	0	0	0	0	
Capital Reduction	0	0	0	0	0	
Dividends paid	0	0	0	-70.000	-70.000	
Total transactions with owners of the Company and other equity transactions	0	0	0	-70.000	-70.000	
Equity on 31 December	2.000	0	0	150.015	152.015	

### Capital management

The primary objective of HusCompagniet Midt- og Nordjylland 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 Midt- og Nordjylland 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 Midt- og Nordjylland 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 2016.

They were approved at the general meeting on 31 May 2017 by chairman Ulrik Thougard 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").

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 Midt- og Nordjylland 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 IASB has issued a number of new IFRS standards, amended standards, revised standards and interpretations, which are effective for financial years beginning on or after 1 January 2017, most significantly:

IFRS 9 Financial Instruments, with effective date 1 January 2018. IFRS 9 is part of the IASB's project to replace IAS 39, and the new standard will substantially change the classification of financial assets and measurement of financial instruments and hedging requirements.

IFRS 15 Revenue from contracts with customers, with effective date 1 January 2018. IFRS 15 is part of the convergence project with FASB to replace IAS 18. The new standard will establish a single, comprehensive framework for revenue recognition.

IFRS 16 Leasing, with effective date 1 January 2019. The change in lease accounting requires capitalisation of the majority of the Company's operational lease contracts.

All new or amended standards and interpretations not yet effective are not expected to have any material impact.

### 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	2.5
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 2016, 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

2016

DKK'000	Contracted sales	Non-contracted sales	Total revenue
Sales value houses sold on customers building sites	831.152	0	831.152
Sales value houses sold on own building sites	94.811	0	94.811
Sales of land plots	66.205	0	66.205
Other revenue	0	2.740	2.740
<b>Total</b>	<b>992.168</b>	<b>2.740</b>	<b>994.908</b>

2015

DKK'000	Contracted sales	Non-contracted sales	Total revenue
Sales value houses sold on customers building sites	672.381	0	672.381
Sales value houses sold on own building sites	58.192	9.035	67.227
Sales of land plots	24.309	0	24.309
Other revenue	0	3.744	3.744
<b>Total</b>	<b>754.882</b>	<b>12.779</b>	<b>767.661</b>

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	2016	2015
Wages and salaries	48.887	33.757
Defined contribution plans	2.313	18
Other social security costs	710	435
Other staff Costs	21.228	17.836
Transfer to Production cost	0	0
<b>Total</b>	<b>73.138</b>	<b>52.046</b>
Average number of full-time employees	88	61

### Remuneration of key management personnel and Directors

By reference to section 98 b (3), (iii), of the Danish Financial Statements Act, remuneration to management and Board is not disclosed.

In 2015, Diego HC TopCo A/S and HusCompagniet Midt- og Nordjylland 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	2016	2015
Operating profit before depreciation and amortisation	79.872	60.975
Special items		
-Organisational Changes	0	3.646
-Write-down of excess building sites as a result of new strategy	0	6.724
-Other special items	0	0
<b>Total special items</b>	<b>0</b>	<b>10.370</b>
<b>Operating profit before depreciation and amortisation (EBITDA) before special items</b>	<b>79.872</b>	<b>71.345</b>

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	2016	2015
Cost related to restructuring of process and fundamental structural adjustment in connection with acquisition of HusCompagniet Midt- og Nordjylland A/S group:		
-Organisational Changes	0	3.646
-Write down of excess building sites as a result of new strategy	0	6.724
<b>Total special items</b>	<b>0</b>	<b>10.370</b>

## 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 2016 amounted to 198 million (2015: 156 million). Management considers the Group's exposure to SEK and EUR as insignificant.

## Note 2.6 Accounting policy

### Revenue

Revenue from sale of completed non-contracted houses is recognised at legal completion and when the significant risks and rewards have been transferred to the buyer, which is on delivery of the house to the customer. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the house, net of discounts and VAT.

### Construction contracts

Sale of contracted houses, when the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied. For such contracts, revenue is recognised as work progresses.

Continuous transfer of work in progress is applied when the buyer controls the work in progress, typically when the land plot on which the development takes place is owned by the final customer, and all significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Company. In such situations, the percentage of work completed is measured based on the costs.

### Production costs

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

### Other operating 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.

## Note 2.7 Significant estimates and judgements

### 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 195 (2015: DKK 128 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	2016	2015
Raw materials	1.388	1.215
Work in progress (non-contracted)	63.232	45.582
Building sites	66.439	28.647
Total inventories	131.059	75.444

### Note 3.2 Construction contracts

DKK'000	2016	2015
Selling price of construction contracts	195.480	127.831
Invoicing on Accounts	-13.421	-6.754
	182.059	121.077
Calculated as follows:		
Construction contracts (assets)	185.031	122.550
Construction contracts (liabilities)	-2.972	-1.473
	182.059	121.077
Prepayments from customers regarding construction contracts not yet started	705	4.234

### Note 3.3 Guarantee commitments and contingent liabilities

DKK'000	2016	2015
Guarantee provision at 1 January	6.255	5.776
Arising during the year	8.809	6.255
Provisions related to business combinations	0	0
Utilised	-6.255	-5.776
Guarantee provision at 31 December	8.809	6.255
Distributed in the balance as follows:		
Non-current liabilities	1.762	1.251
Current liabilities	7.047	5.004

At year-end, the guarantee provision amounted to DKK 8.8 million (2015: DKK 6.3 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 2016

The Company is jointly taxed with its parent, Diego HC TopCo 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 for the income years 2013 and withholding taxes falling due for payment on or after 1 July 2012 in the group of jointly taxed entities.

#### Collateral

DKK 8.5 million of cash and short term deposit is placed in restricted accounts, and is released when the completed houses are delivered to the customers (2015: DKK 5.2 million).

### Note 3.4 Changes in working capital

DKK'000	2016	2015
Increase in construction contracts & Inventory	-116.597	-35.666
Increase in trade and other receivables	-22.869	-823
Increase in trade and other payables	36.735	24.535
Total	-102.731	-11.954

### Note 3.5 Financial risk management

#### Credit risk

HusCompagniet Midt- og Nordjylland 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.

Impairment of receivables amounted to nil in 2016 and 2015.

## 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, and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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 8.8 million (2015: DKK 6.3 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	2016	2015
Cost at 1 January	9.210	6.481
Additions from business combinations	0	0
Additions	5.273	2.759
Disposals	-418	-30
Cost at 31 December	14.065	9.210
Depreciation and impairment 1 January	4.261	3.146
Additions from business combinations	0	0
Depreciation	2.087	1.145
Disposals	-418	-30
Depreciation and impairment 31 December	5.930	4.261
Carrying amount 31 December	8.135	4.949

### 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 section 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 Financial income and expenses
- 5.3 Financial risk management
- 5.4 Accounting policy

### Note 5.1 Equity

#### Share capital

	2016		2015	
	Nominal value (DKK'000)	Number of shares	Nominal value (DKK'000)	Number of shares
Share capital at 1 January (issued and fully paid)	2.000	2.000	2.000	2.000
Additions	0	0	0	0
Share capital at 31 December	2.000	2.000	2.000	2.000

The company's share capital is nominally DKK 2,000,000 divided into 2,000,000 shares of DKK 1 each or multiples hereof.

### Note 5.2 Financial income and expenses

#### Financial income and financial expenses

DKK'000	2016	2015
Financial income		
Interests received from banks*	3	0
Exchange rate gains	0	0
Total financial income	3	0
Financial expenses		
Interest paid to banks*	162	108
Exchange rate losses	0	0
Other financial cost	44	91
Total financial expenses	206	199
Net financials	-203	-199

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

## Note 5.3 Financial risk management

HusCompagniet Midt- og Nordjylland 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 Midt- og Nordjylland 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 2016, the Group has an undrawn credit facility of DKK 200 million to ensure that the Group is able to meet its obligations (2015: DKK 200 million). Management considers the exposure as being low.

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

2016

DKK'000	Hedging instrument	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
<b>Non-derivative financial liabilities</b>						
Other payables		112.754	0	0	112.754	112.754
Bank Borrowings		0	0	0	0	0
Other Liabilities		41.183	0	0	41.183	41.183
<b>Total non-derivative financial liabilities</b>		<b>153.937</b>	<b>0</b>	<b>0</b>	<b>153.937</b>	<b>153.937</b>
<b>Derivative financial liabilities</b>						
Bank borrowings	IRS	0	0	0	0	0
Bank borrowings	CAP	0	0	0	0	0
<b>Total derivative financial liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total financial liabilities</b>		<b>153.937</b>	<b>0</b>	<b>0</b>	<b>153.937</b>	<b>153.937</b>

2015

DKK'000	Hedging instrument	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
<b>Non-derivative financial liabilities</b>						
Other payables		93.140	0	0	93.140	93.140
Bank Borrowings		0	0	0	0	0
Other Liabilities		20.533	0	0	20.533	20.533
<b>Total non-derivative financial liabilities</b>		<b>113.673</b>	<b>0</b>	<b>0</b>	<b>113.673</b>	<b>113.673</b>
<b>Derivative financial liabilities</b>						
Bank borrowings	IRS	0	0	0	0	0
Bank borrowings	CAP	0	0	0	0	0
<b>Total derivative financial liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total financial liabilities</b>		<b>113.673</b>	<b>0</b>	<b>0</b>	<b>113.673</b>	<b>113.673</b>

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 Midt- og Nordjylland 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	2016	2015
Loans and receivables	33.922	12.054
Financial liabilities measured at amortised cost	153.937	113.673
Derivatives, financial liabilities	-	-

### Borrowings

#### 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 Sønderjylland 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.

### 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	2016	2015
Income tax	14.752	12.913
Movement in deferred tax	2.319	1.045
Adjustment relating to previous years	0	0
Income taxes in the income statement	17.071	13.958
Profit before tax	77.582	59.630
Tax rate, Denmark	0	0
Tax at the applicable rate	17.068	14.013
Non-taxable income	3	16
Expenses not deductible for tax purposes	0	0
Adjustments relating to prior years	0	0
Effect of change in tax rate	0	-71
Other	0	0
Tax expense for the year	17.071	13.958
Effective tax rate, %	22,00%	23,40%



## Note 6.1 Tax (continued)

### Deferred tax

DKK'000	2016	2015
Deferred tax at 1 January	4.170	3.125
Recognised in profit or loss	2.319	1.045
Exchange differences	0	0
Deferred tax at 31 December	6.489	4.170

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

DKK'000	Deferred tax asset		Deferred tax liability	
	2016	2015	2016	2015
Intangible assets	0	0	0	0
Tangible assets	0	0	123	70
Construction contracts	0	0	0	0
Inventories	0	0	6.366	4.100
Deferred tax	0	0	6.489	4.170

### Corporation tax payable

DKK'000	2016	2015
Corporation tax payable at 1 January	-1.087	656
Adjustment of corporation tax at 1 January , from deferred tax	0	0
Current tax including jointly taxed subsidiaries	14.752	12.913
Corporation tax paid during the year	0	-14.656
Adjustemnt relating to prior years	1.087	0
Corporation tax payable at 31 December	14.752	-1.087

## Note 6.2 Operating leases

The Company leases properties and equipment under operational leasing contracts. The term of the leases are usually between 0-8 years with possible extension. None of the leasing contracts include conditional lease payments.

DKK'000	0-1 year	1-5 years	> 5 years	Total
2016				
Operating leases	2.816	8.080	1.790	12.686
Total contractual obligations	-	2.816	8.080	1.790
2015				
Operating leases	3.058	9.306	3.410	15.774
Total contractual obligations	-	3.058	9.306	3.410

### Note 6.3 Other non-cash items

DKK'000	2016	2015
Amortisation of intangible assets	0	0
Depreciation of property, plant and equipment	2.087	1.146
Movements in provisions recognised in the income statement	2.554	479
Non-cash financial items	203	199
Other non-cash items	4.844	1.824

### Note 6.4 Related parties

#### The ultimate Parent

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

#### Other related Parties

Name	Country of incorporation
HusCompagniet Sjælland A/S	Denmark
HusCompagniet Fyn A/S	Denmark
HusCompagniet Sønderjylland A/S	Denmark
FM-Søkjær Entreprise A/S	Denmark
Svenska HusCompagniet 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 Midt- og Nordjylland A/S was engaged in the below related parties transactions:

DKK'000	2016	2015
Acquisition of services (Management fee and allocated cost) from parent company	13.500	10.400
Sales of goods and services from affiliated companies	19.299	16.532
Total	32.799	26.932

#### 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	2016	2015
Audit Service	96	95
Tax advice services	0	0
Other non-audit services	0	0
Total	96	95

### 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 (EBITDA)

Operating profit excluding amortisation and depreciation and special items.

Operating profit (EBITDA) before special items  
Operating profit before special items.

Gross margin  
 $\text{Gross profit} \times 100 / \text{Revenue}$

EBITDA margin  
 $\text{EBITDA before special items} \times 100 / \text{Revenue}$

### 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.

## 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 Midt- og Nordjylland A/S for the financial year 1 January – 31 December 2016.

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 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016.

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 2017

Executive Board:

---

Martin Ravn-Nielsen

CEO

Board of Directors:

---

Steffen Martin Baungaard

Chairman

---

Mads Munkholt Ditlevsen

---

Søren Haugaard

---

Morten Chrone

# Independent auditor's report

To the shareholders of HusCompagniet Midt- og Nordjylland A/S

## Opinion

We have audited the consolidated financial statements and the parent company financial statements of HusCompagniet Midt- og Nordjylland A/S for the financial year 1 January – 31 December 2016, comprising an income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group as well as for the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2016 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 consolidated financial statements and the parent company financial statements" section of our report. As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Group, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 concluded that the Management's review is in accordance with the consolidated financial statements and the parent company 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.

## Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and the parent company 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.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company

financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's+C2 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 these consolidated financial statements and parent company financial statements.

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

- ▶ Identify and assess the risk of material misstatement of the consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may imply that the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 2017  
Ernst & Young  
Godkendt Revisionspartnerselskab



Torben Bender  
State Authorised  
Public Accountant



Steen Skorstengaard  
State Authorised  
Public Accountant