Group Report 2017

Den Grønne Fatning, Herlev
Construction start January 2017

ELF Development A/S

CVR-nr 27528449

The Group Report has been submitted and approved at the company's Annual General Meeting, May 30th 2018

ELF Development

Jeppe Aran Pauli
Dirigent

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the executive board have today presented the annual report of ELF Development A/S for the financial year 1 January to 31 December 2017.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively as on 31 December 2017, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Hellerup, 30 May 2018

Executive board

Erik Ludvig Find CEO	Jan Aarestrup CFO

Board of directors

Andreea Ioana Kaiser Chairman	Erik Ludvig Find CEO	Christian Henri Leroy

To the shareholder of ELF Development A/S

Opinion

We have audited the consolidated annual accounts and the annual accounts of ELF Development A/S for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes, consolidated and for the company respectively and consolidated cash flow statement. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2017 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section “Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts”. We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group’s and the company’s ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 company’s internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group’s and the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect 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 the business activities within the group to express an opinion on the consolidated annual accounts. 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts or the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Aalborg, 30 May 2018

Redmark
State Authorised Public Accountants
Company reg. no. 29 44 27 89

Steen Jensen
State Authorised Public Accountant
MNE-nr. 27739

Company data

The company	ELF Development A/S Strandvejen 70, 1. 2900 Hellerup	
	Phone	39200250
	Web site	www.elfdevelopment.dk
	E mail	info@elfdevelopment.dk
	Company reg. no.	27 52 84 49
	Established:	1 July 2006
	Domicile:	Gentofte
	Financial year:	1 January - 31 December
Board of directors	Andreea Ioana Kaiser, Chairman Erik Ludvig Find, CEO Christian Henri Leroy	
Executive board	Erik Ludvig Find, CEO Jan Aarestrup, CFO	
Senior management	Andreea Ioana Kaiser Erik Ludvig Find Jan Aarestrup	
Auditors	Redmark Statsautoriseret Revisionspartnerselskab Hasseris Bymidte 6 9000 Aalborg	
Bankers	Danske Bank Jyske Bank	
Parent company	E.L.F. Holding S.á.r.l	

Subsidiary	ELF Ejendomme A/S, Gentofte
	Holdingselskabet af 27.10.2010 ApS, Gentofte
	Korsdalskvarteret ApS, Gentofte
	Bakkegårds Alle ApS, Gentofte
	4 Minds Holding ApS, Gentofte
	4 Minds ApS, Gentofte
	4 Minds Byg ApS, Gentofte
	SHV 57 ApS, Gentofte
	Karlshøj 7 ApS, Gentofte
	Amager Strand 1 ApS, Gentofte
	Amager Strand 2 ApS, Gentofte
	Amager Strand 3 ApS, Gentofte
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	IrmaByen 9 ApS, Gentofte
	IrmaByen 13 ApS, Gentofte
	IrmaByen 14 ApS, Gentofte
	IrmaByen 17 ApS, Gentofte
	Njalsgade Komplekset ApS, Gentofte
	Frimærket ApS, Gentofte
	Sophienberg ApS, Gentofte
	Trongården ApS, Gentofte

Consolidated financial highlights

DKK in thousands.	2017	2016	2015	2014	2013
Profit and loss account:					
Net turnover	862.638	268.823			
Gross profit	314.689	119.349	43.428	10.229	27.342
Results from operating activities	287.269	121.605	58.528	13.137	24.724
Net financials	-15.726	-33.343	-7.865	-3.711	-1.051
Results before tax	271.543	88.262	50.663	9.426	23.673
Results for the year	211.497	69.191	43.090	7.350	19.190
Balance sheet:					
Balance sheet sum	1.625.228	1.675.157	1.172.414	659.617	562.240
Investments in tangible fixed assets represent	201.586	233.990	354.111	104.840	58.989
Equity	461.740	250.243	181.051	137.962	130.612
Cash flow:					
Operating activities	320.596	-61.850	-171.576	-26.994	15.427
Investment activities	-19.038	-182.173	-265.825	-98.090	-58.870
Financing activities	-333.212	294.208	458.421	122.315	-8.457
Cash flow in total	-31.654	50.185	21.020	-2.769	-51.900
Employees:					
Average number of full time employees	21	15	12	10	7
Key figures in %:					
Acid test ratio	97,8	113,8	252,6	142,2	63,3
Solvency ratio	28,4	14,9	15,4	20,9	23,2
Return on equity	59,4	32,1	27,0	5,5	15,9

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.

In connection with the presentation of the accounts, the board of directors has changed the accounting statements so that the Income statement is prepared according to a classification by function against the previously classification by nature. For the period 2013 - 2015 the gross profit has been presented according classification by nature. These figures have not been changed.

Further the key figures for 2013-2015 do not show turnover due to the fact, that these years are not presented according to reporting class C large enterprises.

Main activities

ELF Development A/S has two main business areas; administration of own portfolio of investment properties and development of real estate projects. The investment portfolio is mainly placed in the subsidiary ELF Ejendomme A/S. The development projects are primarily based on residential properties either sold unit by unit to private individuals or sold in blocks to professional investors or to own portfolio. The activities related to both business areas are only performed in Denmark.

Market overview

Property investment and administration

The rental market consists of the main asset classes residential, office and retail as well as the smaller asset classes hotel and industrial real estate. Measured on transactions, where the total transaction volume in 2017 was 88.000 MDKK according to the real estate advisor Sadolin & Albæk, the residential market share was 45%, while office and retail accounted for around 20% each. The Copenhagen area accounts for 68% of all transactions.

ELF's investment portfolio is invested in the most liquid part of the market, mainly in the segments residential and office, and mainly in the Greater Copenhagen area. In terms of delivery of new built projects to institutional investors, ELF mainly focuses on residential rental apartment blocks in the Greater Copenhagen area.

The residential rental market has seen increasing rental levels since 2014, with market rents in Central Copenhagen going from 1.650 DKK/m2 to 2.000 DKK/m2. This has priced many long-term tenants out of the market. Mid-market residential rental levels have also increased, but not as drastically, to levels around 1.500-1.600 DKK/m2.

We believe the high-end residential rental market is at risk in 2018 with increasing vacancies, stagnating rent levels and in isolated cases even a downwards pressure on rent levels.

The office market is strong, in line with the strong economic activity, with declining low vacancies and stable rental levels of 1.800-2.000 DKK/m2 in CBD/prime, and 1.100-1.300 DKK/m2 in secondary areas.

In 2017, for the first time since the financial crisis, new office projects to be built speculatively without an anchor tenant, started appearing, and flexible office hotels have been on the rise, becoming an accepted alternative to a traditional office lease.

Both for residential and office, the yields have come down in 2017, fueled by high demand and low interest rates. Residential yields are at 3,75-4% in Copenhagen and 4-4,25% in the surrounding suburbs for the best category of properties. Office yields are more varied with 4-4,5% in CBD, Copenhagen City and harbor area increasing to 5-6% in secondary areas.

As long as interest rates stay low and the economic activity level stays high, we believe rental markets, especially office, will continue to look good.

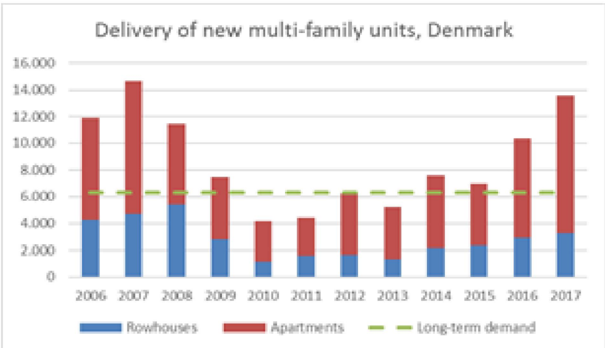
Real estate development

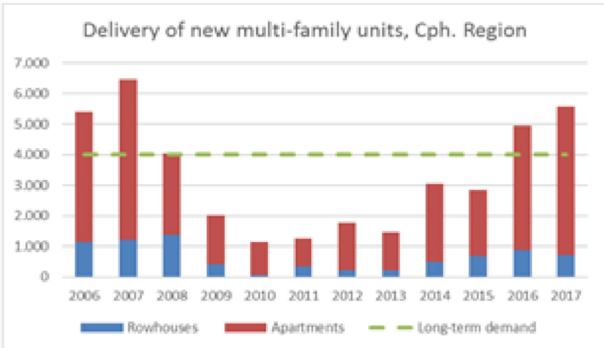
In 2017, there were 2,66 million homes in Denmark, out of which 54%, 1,43 million units, were apartments or rowhouses, the part of the market where ELF Development operates. The population is expected to grow with 4,8% over the next 10 years, expected to result in a general increased demand of 11.775 homes on a yearly basis, out of which approximately 6.300 units will be apartments and rowhouses. The forecasted demand for new housing is partially due to population growth, partially due to growth in the share of the population living in single-adult households.

For the Copenhagen Region, where ELF Development mainly operates, population is expected to grow with 7,9% over the next 10 years, resulting in a general increased demand of 4.000 homes on a yearly basis, with approximately 3.000 units as apartments and rowhouses.

In practise, the demand is cyclical and varies significantly over time, as the market sentiment and thus the conditions for housing development fluctuates due to macroeconomic factors such as policies, interest rates, GDP growth, unimployment and disposable income.

Currently, we are at a prolonged peak of the cycle, with a positive market sentiment, where the market absorbs more than the long term demand. This is the case both in Denmark and in Greater Copenhagen, as seen below.





Sources: Danmarks Statistik, DREAM, ELF

On the supply side, the Danish market for new housing construction is fragmented, with a large number of small housing developers and medium sized developers such as Arkitektgruppen, Gefion, ELF Development, Bonava and FB Gruppen as well as a number of institutional investors moving down the supply chain from asset management towards development.

With a turnover of 47.000 m2 land and buildings in 2017 (roughly 435 units) and a pipeline of 160.000 m2 (roughly 1.450 units) ELF Development is one of the bigger players, despite a market share of less than 10%.

After a decline in housing prices from 2007 to 2012 due to the Lehman Brothers financial crisis and subsequent macroeconomic weakening, the housing market has been on an upwards trend. Far from being a uniform development, the high-end locations in metropolitan regions have experienced the strongest growth in prices in recent years, while suburbs have seen slower price growth with an increasing price spread to prime. Likewise, rental levels have increased significantly from 2012 onwards.

In the last 4 years, many developers and institutional investors have built and are planning to build luxury developments in central locations, while fewer have focused on the mid-market segment. As a result, there has been a high supply of high-end residential rental and sales properties available.

As long as macroeconomic factors stay relatively constant, we see no reason for a collapse in the market, but we believe that some segments of the market will be more under pressure than others. The high-end condominium market is experiencing increased time-to-sales but still no price negotiation, indicating the price levels are still stable. In the mid-end market, where the price point is seen as attractive compared to prime, the demand is strong and there is room for more supply as well as price increases.

Terrassehaven, Irmabyen, 140 units delivered August/November 2017

The year and follow up on last year's expected development

Investment portfolio

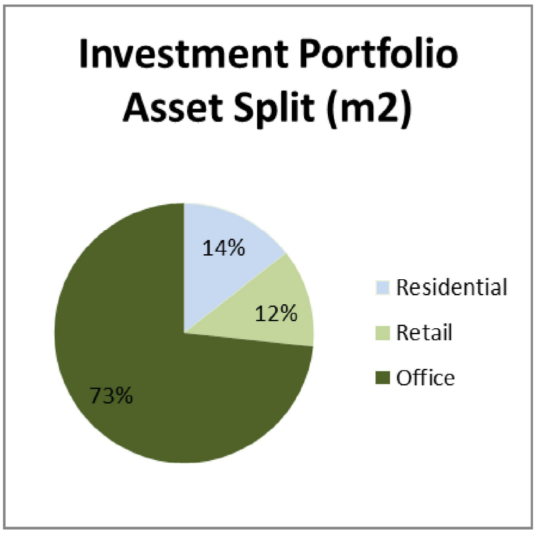
During 2017, 2.200 m2 of retail spaces were transferred from the development portfolio into the investment portfolio. Besides this, no other purchases were made during 2017. Instead, the focus has been on renting out the retail spaces in Amager Strand and continuously improving our existing properties.

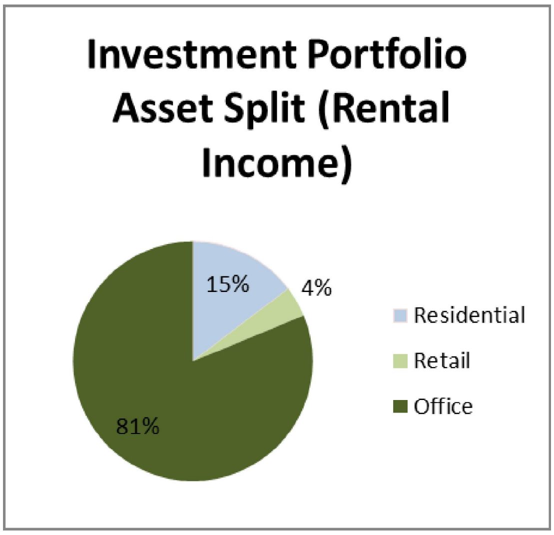
Major renovations were done to our flagship office property in Njalsgade and further improvements were made to our retail space in Frederiksberggade.

In line with ELF's strategy of moving away from rent controlled (OMK) properties and into large market rent residential properties, we have divested our building in Toldbodgade (1.444 m2 residential and 437 m2 commercial). Furthermore, a small residential property in Tappernøje and an office building in Niels Jules Gade have been sold. The above-mentioned sales have contributed positively to the profit for the year.

In line with ELF's strategy of focusing on larger areas, the construction of a mixed-use property of 21.270 m2 in Hørkær, Herlev, of which 15.463 m2 are residential rental units, was started in Q1 2017 and is continuing ahead of schedule. This property will be delivered to the investment portfolio from the development portfolio during 2018/2019.

The current value of the investment portfolio as of 31/12/2017 is 864 MDKK which includes 185 MDKK in accumulated write-ups. The yearend portfolio consists of a mix of office (73% of total m2), residential (14% of total m2) and retail (12% of total m2), primarily located in Greater Copenhagen. All projects under development or in the building process focus on large blocks of 80-150 residential units. These large, new and well optimised properties will be more efficient to operate than the older units that we are divesting.



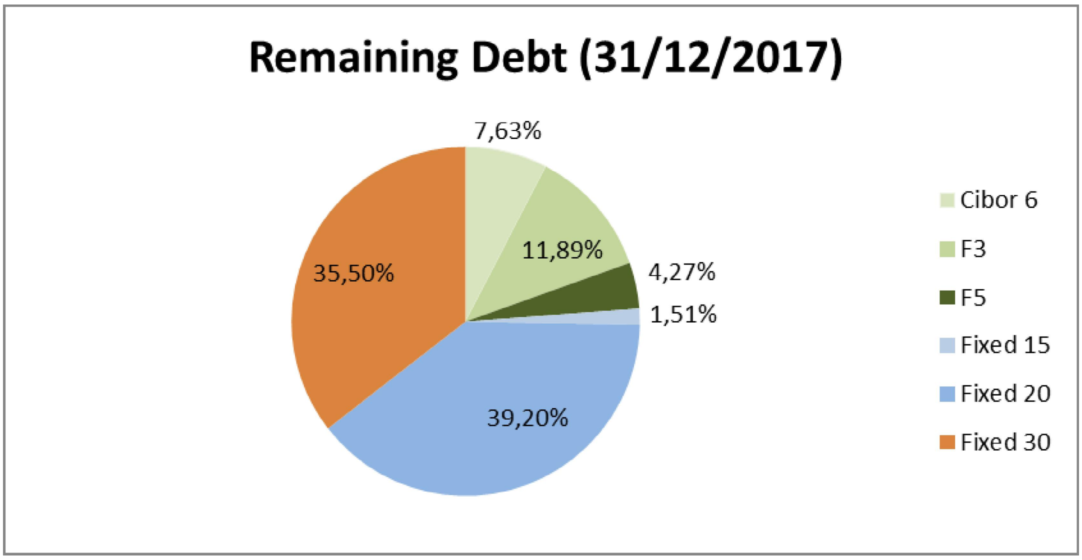


The duration of the investment portfolio as of 31/12/2017 is approximately 8,6 years.

The current overall LTV as of 31/12/2017 is 42%. There are no second priority loans in the Group's investment portfolio. The Group has no currency risk in the loan portfolio.

Swaps constitutes 2,25% of the investment portfolio as of 31/12/2017.

No significant changes were made to the loan portfolio during 2018 besides the repayment of mortgages related to sold properties.



The simulated effect of 1% interest rate rise per. 31/12 2017 is around DKK 39,6 million in value adjustments of financial instruments. The simulated effect of 1% decrease in interest rate per. 31/12 2017 is DKK 26,2 million.

Mokkahusene, IrmaByen
71 units, 1st phase delivered December 2017

Development portfolio

During 2017, there has been three purchases and one sale in the development portfolio. One plot of 18.300 m2 residential building rights in Aalborg was sold to Aberdeen and contributed positively to the 2017 result. Two of three additions to the landbank are conditional on a satisfactory final district plan. Sophienberg Slot was a final purchase of a listed sea front, old royal residence to be converted into luxury apartments. The process of conversion is continuing with local authorities and “Slots og Kulturstyrelsen” (agency in charge of National Heritage Buildings) with a final solution expected end 2018.

Trongården, Lyngby is one of the conditional purchase agreements amounting to around 24.000 m2 of residential space for both rental and sales.

Another conditional purchase agreement has been signed during 2017 on a residential space in Herlev, adjacent to the old post office already in our landbank. This purchase would enable us to finish the redevelopment of this area with a new district plan expected in the middle of 2018.

The district plan for the Sundholmsvej area in Amager is delayed but progressing with the final plan expected in early 2019.

The development of IrmaByen, a total of 115.000 mainly residential m2 purchased in 2015 with an expected development horizon of 7 years, progressed better than expected again in 2017. Out of the original 20 construction plots, only six projects amounting to 48.000 m2 were left to develop at the end of 2017. From the 333 apartments that were opened for project sales only 24 units were left unsold by the end of the year 2017. Four projects, a total of 21.500 m2 or 226 apartments were delivered to customers during 2017 and all contributed positively to our 2017 result. Additionally, there are approximately 15.660 m2 under construction with expected delivery during 2018.

The development of Amager Strand, a total of 55.000 m2 building rights purchased in 2010, progressed as predicted during 2017. As expected, 56 condominiums in Strandgården were delivered to customers during 2017, contributing positively to our 2017 result. Of the initial 13 projects in Amager Strand only three are left undeveloped and these now have a final amended local plan allowing for the construction of 40 luxury row houses and one office building of 4.600 m2. The detailed development of the row houses is well advanced with sale start expected in Q2 2018.

The development of Hørkær 17-19, Herlev, is progressing as planned. Based on a district plan approved in 2016, 163 rental apartments for our own portfolio, 45 youth rental apartments for a rental association and 37 condominiums are currently under construction. This project will be delivered in four stages during 2018 and early 2019.

The development portfolio turned over 47.000 m2 during 2017, measured on 29.000 m2 (275 units) delivered condominiums to end users and 18.000 m2 building rights sold to external parties. Internal sales within ELF are not included in the above numbers.

Management and organization

ELF's organization is generally grouped into four operational departments, respectively *Development, Marketing & Sales, Construction management* and *Property administration*. The operational departments are supported by administrative functions i.e. *Finance, Legal, HR* etc.

In 2016 and 2017, a strong focus has been kept on strengthening Sales and Construction management to deliver a good service level to the customers throughout the purchase process as well as a consistently high level of quality in design and construction. These goals have been achieved, and at the last four projects on average 0-10 errors were documented at handover per unit. Errors are typically very small and handled fast. This is highly satisfactory, as the industry level is many times higher per unit at handover.

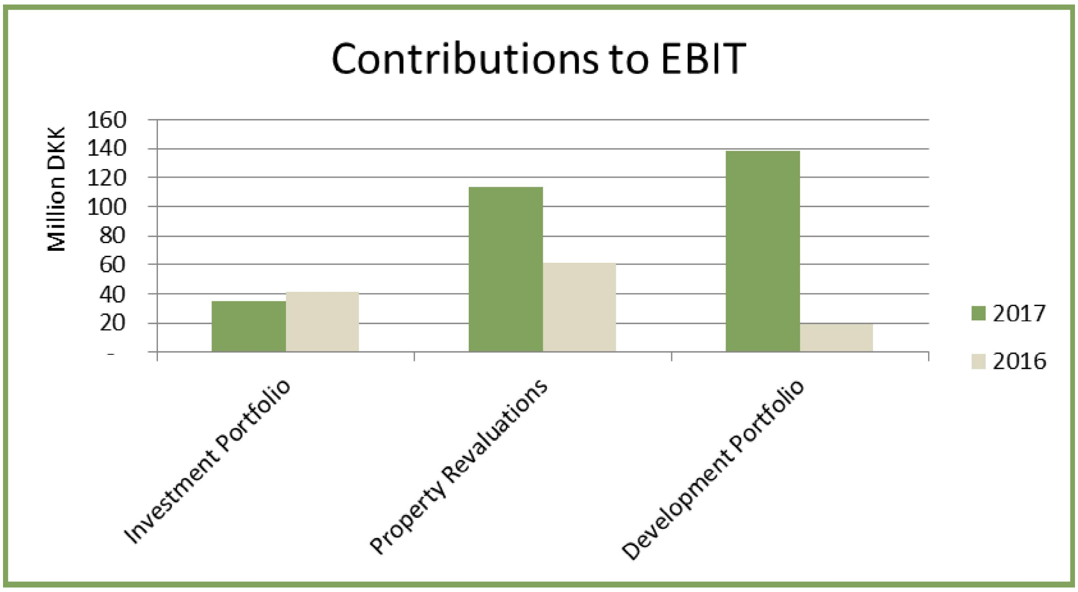
The organization grew from 20 employees in 2016 to 25 employees in 2017.

Financial performance

The consolidated income statement for 2017 shows a gross profit of 315 MDKK, an operating profit (EBIT) of 287 MDKK and a profit before tax (EBT) of 272 MDKK (88 MDKK in 2016), corresponding to a 208% improvement over 2016.

During 2017, ELF has started working on a non-profit, socio-economic project in a 2.000 m2 glass tower “Kaffetårnet” in IrmaByen. An initial vision of creating life and content in IrmaByen by placing cultural, food and sports-related activities in “Kaffetårnet” has been formulated through a range of workshops. The work on formulating and executing a more detailed strategy plan will continue in 2018 in collaboration with Insp!, a socio-economic organization running a similar facility in Roskilde. It is uncertain if and in that case how much the expenses will impact ELF, but a reservation has been included in the annual account related to this as a special item.

The development portfolio contributed with 814 MDKK to Turnover, while the investment portfolio before value adjustments contributed with 48 MDKK. The write-up of the investment properties affected operating profits with 114 MDKK (of which 35 MDKK relates to the sale of a property).



Salary costs increased to 17 MDKK from DKK 14 MDKK in 2016. Financial expenses decreased to 21 MDKK from 36 MDKK in 2016. Tax on earnings for the year is 60 MDKK, corresponding to an effective tax rate of 22,1%, resulting in an after tax profit for the year of 212 MDKK (69 MDKK in 2016).

The consolidated balance sheet has fallen to total assets of 1.625 MDKK. The total value of the investment portfolio was 864 MDKK at year end after all sales, purchases, transfers and adjustments to market value.

The Group has had a target of a solvency ratio of 25%. This target was reached during 2017 with a solvency ratio of 28% at year-end – a significant increase compared to 15 % at year-end 2016.

Profit for the year has met expectations and is considered very satisfactory.

Strandgården, Amager Strand
56 units and 2.000 m^2 commercial space, delivered July 2017

Significant risks

The largest risks for ELF's business activities are related to changes in macroeconomic conditions.

Macroeconomic risks

Demographics i.e. population growth and migration flows influence the demand for housing. ELF focuses its operations on cities and regions that clearly qualify on a number of parameters – not least strong demographic growth and economic prerequisites.

Economic growth influences in general the demand for new built homes as well as the demand for commercial premises. The demand and price for new build homes is correlated with consumer purchasing power, unemployment and other factors that directly or indirectly affect consumer confidence. In a growing city, a decline in the demand for new homes due to adverse economic conditions or due to changes in market sentiment, results in a higher demand for rental homes. Thus, a lower activity level in one business area, sales, will be absorbed by a higher activity level in the other business area, rental. This creates a natural hedge in ELF through the real estate cycle. Regarding the demand for commercial premises, ELF focuses on creating attractive, unique environments that cannot easily be copied and on securing a well-balanced diversification of tenants and contracts.

Political risks relate to decisions that directly or indirectly can change the prerequisites for the activities in ELF’s business areas. It can be changes within personal taxation, property taxation, corporate taxation, rental legislation, mortgage loan legislation, but can also concern changes in infrastructure and municipal planning. ELF monitors the political landscape to be able to act fast on changes that may impact business.

Operational risks

Reductions in the potential of the building rights portfolio primarily relates to a lower than expected outcome of a district plan approval. ELF minimizes this risk by, if possible, making acquisitions conditional on the district plan final approval and by playing an active role in the district plan processes.

Increasing project costs during the construction period is a risk that mostly concerns construction costs. ELF collaborates with reliable partners and only uses turn key contractors. Before construction start, all contracts are signed, and the contract sums are fixed. Ongoing projects are thoroughly monitored and follow a strict and frequent reporting and controlling process.

Unsold units will impact cash flow negatively and have the potential of impacting earnings negatively. As alternative to lowering prices, and thereby compromising earnings, ELF has the possibility to transfer unsold units from the development portfolio to the investment portfolio thus renting out the unsold units. This will secure a stable positive cashflow until satisfactory sales can be made.

The risk of *falling housing prices* during the construction period is related to the above and handed identically.

Financial risks

The risk that ELF's customers are unable or unwilling to pay in accordance with terms i.e. *the credit risk*, is in general insignificant. Protection through the rental legislation, prepaid rent, deposits and a diligent procedure for following up on unpaid rent secure that no losses and only few delays in rental payments could affect the incoming cash flow from the investment portfolio. In close connection with the signature on a sales agreement, the customers to ELF's developed properties – private as well as professional investors – must secure the full payment through a combination of down payment (deposit) and a guarantee.

Changes in market *interest rates* will impact earnings and cash flow. Increasing interest rates will affect the portfolio of investment properties, as well as the project development activities, negatively. The yield on investment properties will be pushed up and thereby cause a downward pressure on the valuations. On the financing side, interest expenses will – in general – increase. However, due to ELFs financing strategy for the investment portfolio, the risk exposure will be limited – among other aspects, the market value of the mortgage loan portfolio will decline with increasing interest rates. Interest expenses related to land purchases, credit facilities and building credit facilities will inevitably increase and thereby affect the profitably from development activities negatively. On short term basis, the expectations are somewhat stable interest rates.

The *financing risks* relate primarily to a potential weakening in the ability to get new credit facilities – for land purchases as well as construction. ELF has a strong collaboration with some of the largest banks in Denmark and has through the latest years improved the solvency ratio significantly. These facts in combination with ELF's thorough and risk focused business approach should limit the financing risk to a manageable level.

The risk that ELF should be unable to fulfil payment obligations i.e. *the liquidity risk* is handled through a thorough control of cash and cash equivalents. A well implemented cash flow forecast process secures that the required cash surplus is always available.

Transactions in foreign currencies are very limited and ELF's exposed to any *currency risk* is highly insignificant.

Strategy and objectives

The investment portfolio is a long-term investment for ELF with the yearly cash flows used to finance the organization. Therefore, it is the financing strategy that solely mortgage loans are used to finance the investment portfolio with a target of 80 percent callable long-term loans (20-30 years) and a target overall duration of 10.

The LTV target for the investment portfolio is 55% for commercial properties and 75% for the residential properties. The duration of individual loans should reflect the investment horizon of the respective properties. Swaps will only be used for hedging purposes and may not exceed 15% of the loan portfolio. A forward SWAP has been initiated to hedge our interest rate exposure on half of the mortgage that will be issued during the summer of 2018 for our residential rental property in Hørkær, Herlev. With this swap, the swap exposure will increase to 14% in 2018. ELF Development will not accept any currency risk in the loan portfolio.

The investment portfolio has a target of 50% residential and 50% commercial (office and retail combined) which will be achieved with already planned projects. Future acquisitions will focus on well-established residential areas with good infrastructure or on commercial properties in Greater Copenhagen with stable income and future development potential. It is expected that the investment portfolio will increase to 1,700 MDKK within 18 months primarily through own development of housing projects in Greater Copenhagen.

The project development arm operates in a cyclical market, but with a long-term view on value creation, which stretches further than one full cycle. We use thorough analysis and risk management to systematically and opportunistically pursue business opportunities across markets and asset classes through purchase, development, rental and sale of real estate, and we do that without a fixed geographical or sector driven focus. Currently, our development activities operate mainly in mid-market rental and condominium sales projects in the Greater Copenhagen region, but we adjust and expand our strategic focus on an ongoing basis to adapt to changes in the markets, while keeping the long-term demand and supply situation in view. Central for our residential real estate development strategy is a focus on developing full scale neighbourhoods, where the quality of both buildings and surroundings has to be high, and create value in the lives of the residents moving in.

The organization is expected to grow to 29 employees at the end of 2018. During the year, focus will be on strengthening *Development* with several new employees to enable an increase in execution rate of due diligences, purchases, municipality plans and projects in the pipeline.

The work on extending the board with two external resources is still ongoing. The ambition is to complete this task within 12-18 months.

The outlook for 2018 is fine and the expectation is another year with a solid financial performance. However, EBIT will most likely not reach the same superior level as in 2017. The solvency ratio is expected to stay above the 25% target.

Our vision:

"Passionately, we strive to create and manage well-functioning communities and well-designed quality buildings that we can be proud of"

Corporate Social Responsibility

ELF has not yet completed a policy for corporate social responsibility. The management team is working on the policy and expect it to be drafted during second half of 2018.

Build on the values *Professionalism, Quality, Credibility and trust and Responsibility*, ELF is focused on delivering high quality developments and neighbourhoods, we can be proud of. ELF has, accordingly, already implemented environmental-based initiatives in several projects.

On the development of 115.000 m2 in IrmaByen, ELF has signed and is building according to Nordic Built Charter, which states 10 principles for how our future built environment should be constructed, from people-centred buildings to minimizing the environmental footprint through the construction, use and demolition.

As examples of how ELF has implemented this, all former industrial concrete buildings on the site have been environmentally cleaned, crushed and fully reused for building up roads within IrmaByen, and high quality outdoor areas have been designed and are being built to support a high quality of living. At the centre of the development, a 2.000 m2 former industrial building is being turned into a cultural and social gathering point for citizens in IrmaByen and Rødovre.

On the development of 24.000 m2 in Trongården, Lyngby, ELF is designing and building a new residential community fully certified with the Nordic Swan Ecolabel (Svanemærket).

A swan-labelled building must meet stringent requirements throughout its life cycle and is characterized by low energy consumption and a good indoor climate obtained through strict requirements on daylight, ventilation and moisture protection. It meets strict requirements for environmentally and harmful substances in both building materials and chemical products. A swan-labelled building is being reviewed and certified by an impartial third party both through the construction process and upon completion.

Knowledge resources

Without compromising the operational and financial performance, it is ELF’s goal to keep a rather small, flat, agile, and highly productive organization focused on team work and cooperation. Furthermore, it is ELF’s strategy to avoid the bureaucracy and compartmentalisation associated to larger organisations. This implies that ELF only wants to attract highly competent employees on all levels and across all functions. Due to the general high activity level in the Danish real estate industry, the attraction of competent employees is somewhat a challenge, not least within development, construction management and property administration. However, ELF has – also under these circumstances – succeeded in getting the right people onboard. Furthermore, despite the challenges in the market, ELF has through the latest years benefitted from a very low employee turnover. To secure the platform for further success ahead, ELF’s management team is working on different initiatives to make ELF an even more attractive workplace and on a strategy for bringing this to a wider attention among employees in the industry.

Numer of employees distributed in competencies (functions)	2017	2018
Development	8%	11%
Construction management	32%	33%
Sales and marketing	16%	11%
Property administration	16%	17%
Legal, finance and office administration	16%	17%
Senior management team	12%	11%
In total	**100%**	**100%**

Status on the gender balance

ELF Development complies with the required gender balance in the board and on all management levels. CIO Andreea Ioana Kaiser is part of the senior management team but is not registered as director in Erhversstyrelsen due to her position as chairman of the board.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact om the financial position og the company.

Definitions of key figures I the Management’s review

LTV (loan-to-value) is calculated as the ratio between nominal residual debt and marked value of investment property.

Profit and loss account 1 January - 31 December

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group		Parent company	
Note		2017	2016	2017	2016
2	Net turnover	862.638.103	268.823	13.468.719	12.015
	Production costs	-661.633.983	-210.709	-17.151.217	-14.194
	Value adjustment of investment property	113.684.928	61.235	0	0
	Gross results	**314.689.048**	**119.349**	**-3.682.498**	**-2.179**
	Distribution costs	-23.735.939	-7.226	0	0
	Administration costs	-3.729.040	-2.925	-2.735.984	-2.004
	Other operating income	45.313	12.407	45.313	12.407
	Operating profit	**287.269.382**	**121.605**	**-6.373.169**	**8.224**
	Income from equity investments in group enterprises	0	0	206.764.057	51.827
	Other financial income from group enterprises	0	0	16.186.488	15.608
	Other financial income	4.740.818	2.581	5.757.558	4.796
5	Other financial costs	-20.467.022	-35.924	-9.133.685	-6.347
	Results before tax	**271.543.178**	**88.262**	**213.201.249**	**74.108**
6	Tax on ordinary results	-60.046.060	-19.071	-1.704.131	-4.917
7	**Results for the year**	**211.497.118**	**69.191**	**211.497.118**	**69.191**

Balance sheet 31 December

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Assets

Note		Group 2017	Group 2016	Parent company 2017	Parent company 2016
	Fixed assets				
8	Other plants, operating assets, and fixtures and furniture	868.609	823	868.609	823
9	Investment property	863.541.966	867.802	0	0
10	Investment property in progress and prepayments for investment properties	174.003.866	55.607	0	0
	Tangible fixed assets in total	1.038.414.441	924.232	868.609	823
11	Equity investments in group enterprises	0	0	336.802.807	164.559
12	Amounts owed by group enterprises	0	0	266.231.319	262.616
13	Other debtors	181.033	181	181.033	181
	Financial fixed assets in total	181.033	181	603.215.159	427.356
	Fixed assets in total	**1.038.595.474**	**924.413**	**604.083.768**	**428.179**

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Assets

Note		Group 2017	Group 2016	Parent company 2017	Parent company 2016
	Current assets				
14	Project portfolio	538.421.233	611.994	0	0
	property held for sale	0	24.800	0	0
	Prepayments for project portfolio	0	2.555	0	0
	Inventories in total	538.421.233	639.349	0	0
	Trade debtors	92.446	430	0	0
	Amounts owed by group enterprises	982.000	982	2.421.007	2.451
15	Deferred tax assets	0	0	0	119
	Tax receivables from group enterprises	0	0	41.679.939	16.723
	Other debtors	4.140.936	29.497	5.959	8.056
16	Accrued income and deferred expenses	245.532	6.082	242.246	11
	Debtors in total	5.460.914	36.991	44.349.151	27.360
17	Available funds	42.750.275	74.404	0	14.463
	Current assets in total	**586.632.422**	**750.744**	**44.349.151**	**41.823**
	Assets in total	**1.625.227.896**	**1.675.157**	**648.432.919**	**470.002**

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Equity and liabilities

		Group		Parent company	
Note		2017	2016	2017	2016
	Equity				
18	Contributed capital	61.000.000	61.000	61.000.000	61.000
	Reserves for net revaluation as per the equity method	0	0	323.687.806	140.156
	Results brought forward	400.739.721	189.243	77.051.917	49.086
	Equity in total	**461.739.721**	**250.243**	**461.739.723**	**250.242**
	Provisions				
19	Provisions for deferred tax	75.537.585	65.092	52.940	0
20	Other provisions	17.451.000	0	0	0
	Provisions in total	**92.988.585**	**65.092**	**52.940**	**0**
	Liabilities				
21	Mortgage debt	353.892.437	461.569	0	0
22	Bank debts	74.654.610	57.432	0	0
23	Deposits	0	29	0	0
24	Prepayments received from customers	3.639.970	26.039	0	0
25	Other debts	38.577.817	155.215	38.577.817	155.215
	Long-term liabilities in total	470.764.834	700.284	38.577.817	155.215

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Equity and liabilities

		Group		Parent company	
Note		2017	2016	2017	2016
	Short-term part of long-term liabilities	26.319.583	199.682	0	0
	Bank debts	333.044.801	263.375	452.650	0
	Prepayments received from customers	28.423.523	23.024	0	0
	Trade creditors	114.436.002	114.262	307.886	414
	Debt to group enterprises	0	0	102.897.871	45.829
	Corporate tax	41.786.518	16.012	41.636.628	15.920
26	Other debts	55.724.329	43.116	2.146.404	2.315
27	Accrued expenses and deferred income	0	67	621.000	67
	Short-term liabilities in total	599.734.756	659.538	148.062.439	64.545
	Liabilities in total	**1.070.499.590**	**1.359.822**	**186.640.256**	**219.760**
	Equity and liabilities in total	**1.625.227.896**	**1.675.157**	**648.432.919**	**470.002**

1 Special items
3 Staff matters
4 Fee, auditor
28 Mortgage and securities
29 Contingencies
30 Financial risks
31 Related parties

Consolidated statement of changes in equity

DKK in thousands.

	Contributed capital	Reserves for net revaluation as per the equity method	Results brought forward	In total
Equity 1 January 2017	61.000	0	189.243	250.243
Share of results	0	0	211.497	211.497
	61.000	**0**	**400.740**	**461.740**

Statement of changes in equity of the parent company

DKK in thousands.

	Contributed capital	Reserves for net revaluation as per the equity method	Results brought forward	In total
Equity 1 January 2017	61.000	140.156	49.087	250.243
Share of results	0	206.764	4.733	211.497
Correction to last year	0	-197	197	0
Subsidiaries sold	0	-23.035	23.035	0
	61.000	**323.688**	**77.052**	**461.740**

Cash flow statement 1 January - 31 December

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Note		Group 2017	2016
	Results for the year	211.497.118	69.191
32	Adjustments	-18.504.476	-8.546
33	Change in working capital	168.023.407	-76.513
	Cash flow from operating activities before net financials	361.016.049	-15.868
	Interest received and similar amounts	4.740.817	2.581
	Interest paid and similar amounts	-20.467.022	-35.924
	Cash flow from ordinary activities	345.289.844	-49.211
	Corporate tax paid	-24.693.809	-12.639
	Cash flow from operating activities	**320.596.035**	**-61.850**
	Purchase and transfer of tangible fixed assets	-78.790.335	-160.563
	Purchase and transfer of tangible fixed assets in progress and prepayments for tangible fixed assets	-118.397.271	-41.607
	Sale of tangible fixed assets	178.150.000	20.062
	Purchase of financial fixed assets	0	-181
	Sale of financial fixed assets	0	116
	Cash flow from investment activities	**-19.037.606**	**-182.173**
	Raising of long-term debts	0	424.169
	Repayments of long-term debt	-402.881.663	-285.421
	Change in short-term bank debts	69.669.359	155.460
	Cash flow from financing activities	**-333.212.304**	**294.208**
	Changes in available funds	**-31.653.875**	**50.185**
	Available funds opening balance	74.404.150	24.219
	Available funds closing balance	**42.750.275**	**74.404**

Available funds		
Available funds	42.750.275	74.404
Available funds closing balance	**42.750.275**	**74.404**

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

1. Special items

Special items include significant income and expenses of a special nature in proportion to the enterprise's ordinary operating activities. Special items also include other significant amounts of non-recurring nature.

As mentioned in the management's review, the results for the year are affected by a change in accounting estimates that resulted in a provision of DKK 15,7 million regarding a project in progress.

Special items for the year are specified below, showing where these are recognised in the income profit and loss account.

	Group		Parent company	
	2017	2016	2017	2016
Income:				
Adjustment for the year of deferred tax	3.454.000	7.903	3.454.000	7.903
	3.454.000	7.903	3.454.000	7.903
Costs:				
Writedown of current assets excessing usual writedown	0	35.924	0	35.924
Provision regarding projects in progress	15.700.000	0	15.700.000	0
	15.700.000	35.924	15.700.000	35.924
Special items are recognised in the following items in the annual accounts:				
Income fra equity investments in group enterprises	0	0	-12.246.000	-28.021
Production costs	-15.700.000	-35.924	0	0
Tax on ordinary results	3.454.000	7.903	0	0
Results of special items, net	**-12.246.000**	**-28.021**	**-12.246.000**	**-28.021**

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group 2017	Group 2016	Parent company 2017	Parent company 2016
2.	**Net turnover**				
	Net turnover	0	0	13.468.719	12.015
	Turnover regarding projects	814.229.105	218.043	0	0
	Rental income	48.408.998	50.780	0	0
		862.638.103	**268.823**	**13.468.719**	**12.015**
3.	**Staff matters**				
	Salaries and wages	15.168.302	12.282	15.168.302	12.282
	Pension costs	497.413	341	497.413	341
	Other costs for social security	101.074	105	101.074	105
	Other staff costs	1.221.344	738	1.221.344	738
		16.988.133	**13.466**	**16.988.133**	**13.466**
	Executive board	477.183	0	477.183	0
	Board of directors	25.000	0	25.000	0
	Executive board and board of directors	502.183	75	502.183	75
	Average number of employees	21	15	21	15

		Group 2017	Group 2016
4.	**Fee, auditor**		
	Total fee for Redmark, State Authorised Public Accountants	940.721	1.010
	Fee concerning compulsory audit	708.992	747
	Tax consultancy	13.614	30
	Other services	218.115	233
		940.721	**1.010**

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group		Parent company	
		2017	2016	2017	2016
5.	**Other financial costs**				
	Financial costs, group enterprises	0	0	889.542	246
	Other financial costs	20.467.022	35.924	8.244.143	6.101
		20.467.022	**35.924**	**9.133.685**	**6.347**
6.	**Tax on ordinary results**				
	Tax of the results for the year	49.575.004	21.590	1.532.905	4.872
	Adjustment for the year of deferred tax	10.437.611	-2.521	171.226	45
	Adjustment of tax for previous years	33.445	2	0	0
		60.046.060	**19.071**	**1.704.131**	**4.917**

7. Proposed distribution of the results

Reserves for net revaluation as per the equity method	206.764.057	52.023
Allocated to results brought forward	4.733.061	17.168
Distribution in total	**211.497.118**	**69.191**

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group		Parent company	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
8.	**Other plants, operating assets, and fixtures and furniture**				
	Cost opening balance	1.417.150	695	1.417.150	695
	Additions during the year	299.156	820	299.156	820
	Disposals during the year	0	-98	0	-98
	Cost closing balance	**1.716.306**	**1.417**	**1.716.306**	**1.417**
	Amortisation and writedown opening balance	-594.240	-407	-594.240	-407
	Depreciation and writedown for the year	-253.457	-214	-253.457	-214
	Depreciation and writedown, assets disposed of	0	27	0	27
	Amortisation and writedown closing balance	**-847.697**	**-594**	**-847.697**	**-594**
	Book value closing balance	**868.609**	**823**	**868.609**	**823**

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group		Parent company	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
9.	**Investment property**				
	Cost opening balance	767.572.728	606.263	0	0
	Additions during the year	28.333.929	235.472	0	0
	Disposals during the year	-167.419.179	-16.254	0	0
	Transfers	50.157.250	-57.908	0	0
	Cost closing balance	**678.644.728**	**767.573**	**0**	**0**
	Fair value adjustment opening balance	100.229.573	60.628	0	0
	Adjust of the year to fair value	86.698.486	61.228	0	0
	Adjustment to fair value, transfers	0	-17.821	0	0
	Adjustment to fair value, assets disposed of	-2.030.821	-3.806	0	0
	Fair value adjustment closing balance	**184.897.238**	**100.229**	**0**	**0**
	Book value closing balance	**863.541.966**	**867.802**	**0**	**0**

A determination of the return from the individual properties is based on the expected rental income by fully leased property. Expected operating costs, administration costs and maintenance costs are deducted. The subsequent value is adjusted in respect of recognised lack of lease for a reasonable period and expected costs for decoration and large maintenance projects etc. Likewise, deposits and prepaid lease are added.

The rate of return has been determined on the basis of market statistics, trades and management's knowledge of the property market in general. When determining the rate of return, parameters such as type (residence, office, shop, etc.), location, age, state of maintenance, duration of rental agreements and tenant credit quality, etc. are considered.

Compared to the latest financial year, the methods of measurement used have not been changed.

The fixing of the market value (book value) is based on the following rates of return:

Highest rate of return	7,75%
Lowest rate of return	3,5%

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group	
		31/12 2017	31/12 2016
10.	**Investment property in progress and prepayments for investment properties**		
	Cost opening balance	55.606.595	14.000
	Additions during the year	128.457.801	0
	Disposals during the year	0	-14.000
	Transfers	-10.060.530	55.607
	Cost closing balance	**174.003.866**	**55.607**
	Book value closing balance	**174.003.866**	**55.607**
	Interest expenses are included in the cost by	2.872.338	3.288

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

	Parent company 31/12 2017	Parent company 31/12 2016
11. Equity investments in group enterprises		
Acquisition sum opening balance	14.140.000	14.650
Additions during the year	100.000	500
Disposals during the year	-1.125.000	-1.010
Cost closing balance	**13.115.000**	**14.140**
Revaluations opening balance	140.601.469	88.547
Results for the year	206.764.057	51.825
Reversals for the year concerning disposals	-23.035.002	1.009
Dividend	0	-780
Revaluation closing balance	**324.330.524**	**140.601**
Amortisation of goodwill opening balance	-642.717	-643
Depreciation on goodwill closing balance	**-642.717**	**-643**
Offsetting against debtors	0	10.461
Set off against debtors and provisions for liabilities	**0**	**10.461**
Book value closing balance	**336.802.807**	**164.559**

Group enterprises:

	Domicile	**Share of ownership**
ELF Ejendomme A/S	Gentofte	100 %
Holdingselskabet af 27.10.2010 ApS	Gentofte	100 %
Korsdalskvarteret ApS	Gentofte	100 %
Bakkegårds Alle ApS	Gentofte	100 %
4 Minds Holding ApS	Gentofte	100 %
4 Minds ApS	Gentofte	100 %
4 Minds Byg ApS	Gentofte	100 %
SHV 57 ApS	Gentofte	100 %
Karlshøj 7 ApS	Gentofte	100 %
Amager Strand 1 ApS	Gentofte	100 %
Amager Strand 2 ApS	Gentofte	100 %
Amager Strand 3 ApS	Gentofte	100 %
Amager Strand 4 ApS	Gentofte	100 %
Amager Strand 6 ApS	Gentofte	100 %

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Amager Strand 7 ApS	Gentofte	100 %
Amager Strand 8 ApS	Gentofte	100 %
Amager Strand 9 ApS	Gentofte	100 %
Amager Strand 10 ApS	Gentofte	100 %
Amager Strand 11 ApS	Gentofte	100 %
Amager Strand 12 ApS	Gentofte	100 %
Amager Strand 13 ApS	Gentofte	100 %
IrmaByen 1 ApS	Gentofte	100 %
IrmaByen 3 ApS	Gentofte	100 %
IrmaByen 6 ApS	Gentofte	100 %
IrmaByen 7 ApS	Gentofte	100 %
IrmaByen 9 ApS	Gentofte	100 %
IrmaByen 13 ApS	Gentofte	100 %
IrmaByen 14 ApS	Gentofte	100 %
IrmaByen 17 ApS	Gentofte	100 %
Njalsgade Komplekset ApS	Gentofte	100 %
Frimærket ApS	Gentofte	100 %
Sophienberg ApS	Gentofte	100 %
Trongården ApS	Gentofte	100 %

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Parent company	
		31/12 2017	31/12 2016
12.	**Amounts owed by group enterprises**		
	Cost opening balance	273.076.867	244.308
	Additions during the year	369.663.511	348.687
	Disposals during the year	-376.509.059	-319.918
	Cost closing balance	**266.231.319**	**273.077**
	Writedown opening balance	-10.461.025	-62
	Writedown for the year	0	-10.461
	Writedown, securities disposed of	10.461.025	62
	Writedown closing balance	**0**	**-10.461**
	Book value closing balance	**266.231.319**	**262.616**

		Group		Parent company	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
13.	**Other debtors**				
	Cost opening balance	181.033	116	181.033	116
	Additions during the year	0	181	0	181
	Disposals during the year	0	-116	0	-116
	Cost closing balance	**181.033**	**181**	**181.033**	**181**
	Book value closing balance	**181.033**	**181**	**181.033**	**181**

		Group	
		31/12 2017	31/12 2016
14.	**Project portfolio**		
	Project portfolio	538.421.233	611.994
		538.421.233	**611.994**

Capitalized interest amounts to DKK 12.321.639 (2016 tDKK 30.494) of the project portfolio.

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Parent company	
		31/12 2017	31/12 2016
15.	**Deferred tax assets**		
	Deferred tax assets opening balance	0	164
	Deferred tax of the results for the year	0	-45
		0	**119**

16. Accrued income and deferred expenses

Deferred expenses comprise expenses incurred relating to subsequent years, including prepaid project costs.

17. Available funds

DKK 35,6 million of the available funds is in escrow accounts.

18. Contributed capital

The share capital consists of 2.440 shares, each with a nominal value of DKK 25.000. The share capital is not divided into classes.

		Group		Parent company	
		31/12 2017	31/12 2016	31/12 2017	31/12 2016
19.	**Provisions for deferred tax**				
	Provisions for deferred tax opening balance	65.091.502	67.605	-118.286	-164
	Deferred tax of the results for the year	10.446.083	-2.513	171.226	45
		75.537.585	**65.092**	**52.940**	**-119**

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

		Group	
		31/12 2017	31/12 2016
20.	**Other provisions**		
	Change of the year in other provisions	17.451.000	0
		17.451.000	**0**
	0-1 year	1.522.000	0
	1-5 year	15.929.000	0
		17.451.000	**0**

Other provisions includes expected costs attributable to already sold properties and projects in progress.

		Group	
		31/12 2017	31/12 2016
21.	**Mortgage debt**		
	Mortgage debt in total	364.121.766	480.498
	Share of amount due within 1 year	-10.229.329	-18.929
		353.892.437	**461.569**
	Share of liabilities due after 5 years	309.425.608	414.643

		Group	
		31/12 2017	31/12 2016
22.	**Bank debts**		
	Bank debts in total	90.744.864	238.186
	Share of amount due within 1 year	-16.090.254	-180.754
		74.654.610	**57.432**
	Share of liabilities due after 5 years	0	0

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

23. Deposits

No part of the debt is due after 5 years.

24. Prepayments received from customers

No part of the debt is due after 5 years.

	Group		Parent company	
	31/12 2017	31/12 2016	31/12 2017	31/12 2016
25. Other debts				
Other debts in total	38.577.817	155.215	38.577.817	155.215
Other debts in total	**38.577.817**	**155.215**	**38.577.817**	**155.215**
Share of liabilities due after 5 years	0	155.215	0	155.215

26. Other debts

The Group holds interest rate swapcontracts, swapping from variable to fixed interest rate amounting to a total of DKK 168,4 million. DKK 18,4 million of the swapcontracts expires in 2032 and DKK 150 million expires in 2046.

27. Accrued expenses and deferred income

Deferred income include prepaid fees.

28. Mortgage and securities

Group:

As security for mortgage debts, DKK 364,1 million, mortgage has been granted on investment properties, representing a book value of DKK 803 million at 31 December 2017, and on investment property in progress and prepayments for investment properties, representing a book value of DKK 151 million at 31 December 2017.

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

. Mortgage and securities (continued)

As security for debt to owners associations, DKK 0, mortgage tDKK 311 has been granted on investment properties representing a book value of DKK 73,9 million at 31 December 2017.

For bank debts, DKK 58,2 million, the following security is given:
-transport in received purchase sum guarantees, DKK 92,4 million.
-transport in received supplier guarantees, DKK 88,5 million.

For bank debts, DKK 76,8 million, the Group has granted a right of entry in construction contracts.

DKK 35,6 million of the cash deposits is in escrow accounts.

For bank debts, DKK 57,4 million, mortgage DKK 18,2 million has been granted on project portfolio representing a book value of DKK 386,2 million at 31 December 2017. Furthermore the group has in possession mortgage DKK 278,8 million granted in the project portfolio, representing a book value of DKK 86,6 million, and investment properties, representing a book value of DKK 43,3 million.

Parent company:

As security for the subsidiary's bank debt, DKK 57,4 million, has been provided the shares of subsidiary repesenting a book value of DKK 110,2 million at 31 December 2017.

29. Contingencies

Contingent liabilities

Group:

The Group has entered into contracts of which DKK 278,2 mio. remains at 31. December 2017.

Group banks have made payment and contractor guarantees total DKK 103,4 mio.

The Group is involved in ongoing expert's report in relation to the deficiencies relating to delivered apartments. There is no decision at this time. Further there is currently not calculated a final extent of a possible claim. Management believes that any claim can be passed on to the turnkey contractor, therefore no reservations have been recognized in the annual report.

The group has office leases, which are interminable until 1 March 2019. The remaining obligation is tDKK 833.

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

. **Contingencies (continued)**

Contingent liabilities (continued)

The group has entered into lease contracts regarding operating assets. As of 31 December 2017 the total lease liability amounts to tDKK 283, and the lease period expires in 34 months.

Parent company:

The parent company has indicated, that it will provide funding for next year's activities in some subsidiaries.

The parent company has provided an absolute guarantee against Korsdalskvarteret ApS' balance with a bank. Corporate debt to the bank totaled DKK 0 at 31 December 2017.

The parent company has provided an absolute guarantee against ELF Ejendomme A/S' debt to the bank regarding financial instruments. Corporate debt to the bank regarding financial instruments totaled DKK 16,6 mio. at 31 December 2017.

The parent company has office leases, which are interminable until 1 March 2019. The remaining obligation is tDKK 833.

The parent company is liable for payment of subsidiaries' obligations totaled DKK 57,8 mio.

The parent company has entered into lease contracts regarding operating assets. As of 31 December 2017 the total lease liability amounts to tDKK 283, and the lease period expires in 34 months.

The company is liable for VAT under the joint VAT registration. The liability regarding VAT amounts to a total of DKK 2,7 mio. as of 31 December 2017.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

. **Contingencies (continued)**

Joint taxation (continued)

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties amounts to DKK 0.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

30. Financial risks

Interest risks

Changes in market interest rates will impact earnings and cash flow. Increasing interest rates will affect the portfolio of investment properties, as well as the project development activities, negatively. The yield on investment properties will be pushed up and thereby cause a downward pressure on the valuations.

On the financing side, interest expenses will – in general – increase. However, due to ELFs financing strategy for the investment portfolio, the risk exposure will be limited – among other aspects, the market value of the mortgage loan portfolio will decline with increasing interest rates. Interest expenses related to land purchases, credit facilities and building credit facilities will inevitably increase and thereby affect the profitably from development activities negatively. On short term basis, the expectations are somewhat stable interest rates.

31. Related parties

Controlling interest

E.L.F. Holding S.á.r.l 23 Avenue Monterey L-2086 Luxembourg Luxembourg	Majority shareholder
Erik Ludvig Find Sofievej 19 2900 Hellerup	Ultimate Shareholder

Amounts concerning 2017: DKK.
Amounts concerning 2016: DKK in thousands.

Other related parties

Other related parties with significant influence include the Board of Directors and the Executive Board as well as the members of their families. Related parties also include companies in which the aforementioned persons have significant interests.

Transactions

Pursuant to section 98c, paragraph 7 of the Danish Financial Statements, it may be disclosed that there have not been transactions with related parties that have not been implemented under normal market conditions.

		Group	
		2017	2016
32.	**Adjustments**		
	Depreciation and amortisation	253.457	267
	Value adjustment of investment property	-113.684.928	-61.227
	Loss from sale of fixed assets	6.425.275	0
	Modtaget optionspræmie	11.861.167	0
	Other financial income	-4.740.818	-2.581
	Other financial costs	20.467.022	35.924
	Tax on ordinary results	60.046.060	19.071
	Deferred tax	868.289	0
		-18.504.476	**-8.546**

33.	**Change in working capital**		
	Change in inventories	100.927.894	-239.308
	Change in debtors	31.530.435	29.868
	Change in trade creditors and other liabilities	18.114.078	137.932
	Other changes in working capital	17.451.000	-5.005
		168.023.407	**-76.513**

The annual report for ELF Development A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (large enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Change in accounting statements

In connection with the presentation of the accounts, The board of directors has changed the accounting statements so that the Income statement is prepared according to a classification by function against the previously classification by nature. The board of directors believes that the classification by function gives a more true and fair view of the results of the company and the Group's activities. The change has not had any effect on the profit for the year or last year.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Derived financial instruments

At the first recognition, derived financial instruments are recognised at cost in the balance sheet. Afterwards they are measured at fair value. Positive and negative fair values of derived financial instruments are recognised under other debtors and other creditors respectively.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the profit and loss account together with any changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging future cash flows are recognised under amounts owed or other debt in the equity.

If the future transaction results in the recognition of assets or liabilities, amounts which have been recognised in the equity previously, are transferred to the cost for the asset or the liability, respectively. If the future transaction results in income or costs, amounts which have been recognised in the equity currently, are transferred to the profit and loss account in the period in which the hedged item influenced the profit and loss account.

As regards any derived financial instruments which do not meet the criteria for being treated as hedging instruments, changes in the fair value are recognised currently in the profit and loss account.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company ELF Development A/S and those group enterprises of which ELF Development A/S directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

In connection with the acquisition of new enterprises, the acquisition method is applied, by which the acquirees' identifiable assets and liabilities are measured at fair value at the time of acquisition. Costs for restructuring which are recognised in the acquiree before the acquisition date and which have not been agreed upon as part of the acquisition, are recognised in the pre-acquisition balance sheet and thereby forms part of the measurement of goodwill. Restructuring decided by the acquiree is recognised in the profit and loss account. The tax effect of the revaluations carried out is taken into consideration.

Positive balances (goodwill) between cost and fair value of the acquired, identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and in accordance with an individual evaluation allocated on a systematic basis over their useful lives in the profit and loss account. Negative balances (negative goodwill) is recognised as income in the profit and loss account at the date of acquisition when the general requirements for recognition of income are met.

Goodwill and negative goodwill from acquirees may be adjusted until 12 months after the acquisition.

Gains or losses from the disposal or termination of group enterprises or associated enterprises are recognised as the difference between the sales price or the termination sum and the book value of the net assets at the sales date and expected costs of sale or termination.

The profit and loss account

Net turnover

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Rental income comprises income from the lease of property and from charged joint costs, and it is recognised in the profit and loss account for the period relating to the lease payment. Income from the heating account is recognised in the balance sheet as a balance among the lessees.

Production costs

The production costs comprise costs, including salaries, wages and depreciation, which are incurred in order to achieve the net turnover of the year including rente income from investment property. Trade enterprises recognise cost of sales, and manufacturing enterprises recognise production costs corresponding to the turnover of the year. These costs include direct and indirect costs for raw materials and consumables, salaries and wages, rent and leasing, and depreciation on the production plant.

Furthermore, production costs comprise operation costs, repair and maintenance costs, taxes, charges and other costs regarding investment property. Costs concerning the heating account are recognised in the balance sheet as a balance among the lessees.

Furthermore, the production costs comprise research costs, development costs which do not meet the criteria for capitalisation, and amortisation of capitalised development costs.

Additionally, writedown in connection with expected losses on contracts are recognised.

Distribution costs

The distribution costs comprise costs which have been incurred for distribution of goods sold during the year and for sales campaigns carried out during the year. Additionally, costs for sales staff, costs for advertising and exhibitions, and depreciation are recognised in the profit and loss account.

Administration costs

Administration costs comprise costs which have been incurred during the year for management and administration, including costs for the administrative staff, the executive board, offices, stationery and office supplies, and depreciation.

Other operating income

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Value adjustment of investment property

Value adjustment of investment property comprises value adjustments of properties at fair value and gain or loss from disposal of properties.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Interest and other costs concerning loans for financing the projects are recognised in the cost of the project portfolio.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The parent company and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Other plants, operating assets and fixtures and furniture are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Other plants, operating assets, fixtures and furniture	*3-5 years*

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the group holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The group's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Investment property

At the first recognition, investment property is measured at cost, comprising the cost of the property and directly attached costs, if any.

Hereafter, investment properties are measured individually at an estimated fair value. The properties are measured using a return-based model, by which the expected future cash flows for the next year along with a rate of return (determined property for property). Compared to the latest financial year, the method of measurement used remains unchanged.

Costs which add new or improved qualities to an investment property compared to its condition at the time of acquisition and which thereby improves the future return on the property are added to the cost as an improvement. Costs which do not add new or improved qualities to an investment property are recognised in the profit and loss account in the item "Costs concerning investment property".

Like other material fixed assets, except from land, investment property has a limited life financial life. The impairment taking place concurrently with the aging of the investment property is reflected in the current measuring of the investment property at fair value.

Value adjustments are recognised in the profit and loss account in the item "Value adjustments of property".

Investment property in progress is measured at an estimated fair value, if it can be measured reliable. If not, it is measured at cost.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Project portfolio

Project portfolios are measured at cost. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

ELF Development A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, ELF Development A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or “Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carryover, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions comprise expected costs for guarantee liabilities, completion of projects sold and expected loss on projects in progress. Provisions are recognised when the group has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the group.

If the settlement of the liability is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. The provisions are measured at the net realisable value and recognised on basis of the obtained experience with guarantee work. If provisions have an expected due date later than 1 year from the balance sheet date, they are discounted at the average bond interest.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Liabilities relating to investment properties are measured at amortised cost.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds.