2018
ANNUAL REPORT
HUSCOMPAGNIET A/S

HUSCOMPAGNIET

HusCompagniet

175 m^2
CLASSIC
CONTEMPORARY

Optimal use of every square meter – no waste.

CONTENT

HUSCOMPAGNIET
AT A GLANCE

504
DIRECT EMPLOYEES

25,000
SHOW PARK VISITS

3
MARKETS

277 DKKM
EBITDA BEFORE SPECIAL ITEMS

2.5 MILLION
WEBSITE VISITS

3.3 DKKBN
REVENUE

42
POINTS OF SALE

5 YEARS
Housebuilder of the year

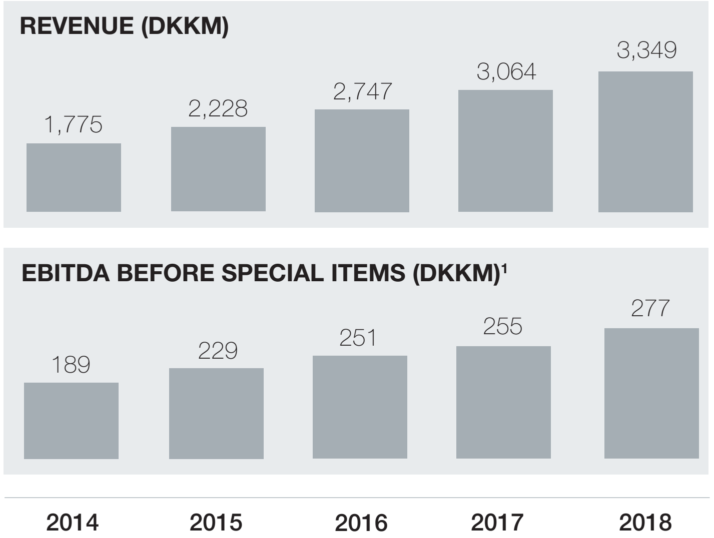
1.8 DKKBN
EQUITY

11
SHOW PARKS

5 STARS
TRUSTPILOT.dk

KEY HIGHLIGHTS

GROUP PERFORMANCE



[1] EBITDA is defined on page 70

KEY MESSAGES

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

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

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

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

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

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

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

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

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

BUSINESS CASE

RELENTLESS PURSUIT OF CUSTOMER SATISFACTION

HIGHLY SCALABLE AND ASSET-LIGHT OPERATING MODEL

GEOGRAPHICAL EXPANSION

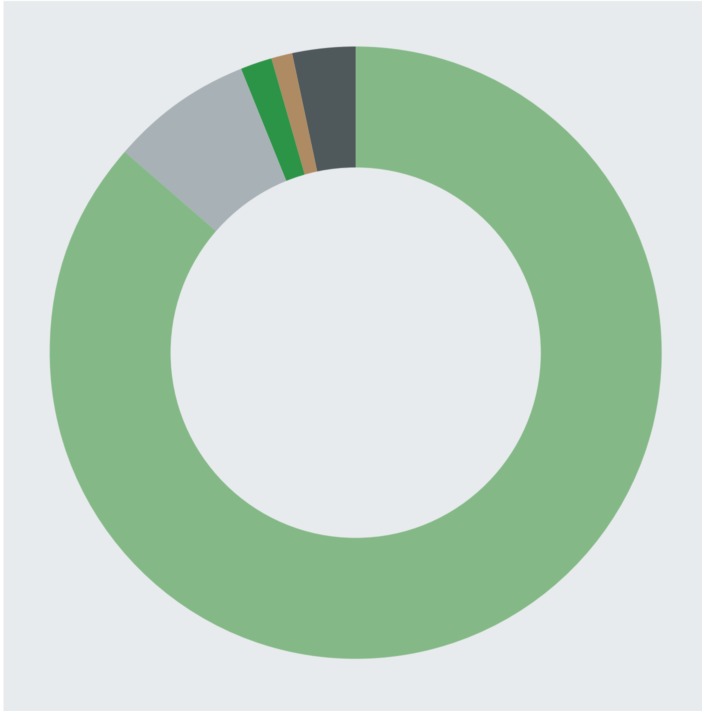
STRONG REPUTATION

CUSTOMISABLE PRODUCT OFFERING

277 DKKM
EBITDA

STRONG PERFORMANCE

VALUE ADDED REVENUE 2018



- Procurement of goods and services[1] DKK 2,696m
- Employees, DKK 288m
- Lenders[2] DKK 47m
- Corporation tax, DKK 36m
- Profit by HusCompagniet, DKK 90m

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

CEO LETTER

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

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

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

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

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

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

CONTINUED FOCUS ON CUSTOMER SATISFACTION
We marked a unique achievement in 2018 as we received a “category killer” reward from Anmeld Håndværker, the Danish consumer rating portal.

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

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

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

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

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

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

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

COMBINING OUR PRODUCT OFFERING TO SWEDISH CUSTOMERS
Following our 2017 acquisition of VårgårdaHus we have implemented our go to market and customer centric business model in parts of the Swedish market.

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

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

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

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

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

DIGITALISING THE VALUE CHAIN

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

WE REMAIN CUSTOMER CENTRIC IN OUR DNA

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

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

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

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

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

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

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

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

FACTS

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

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

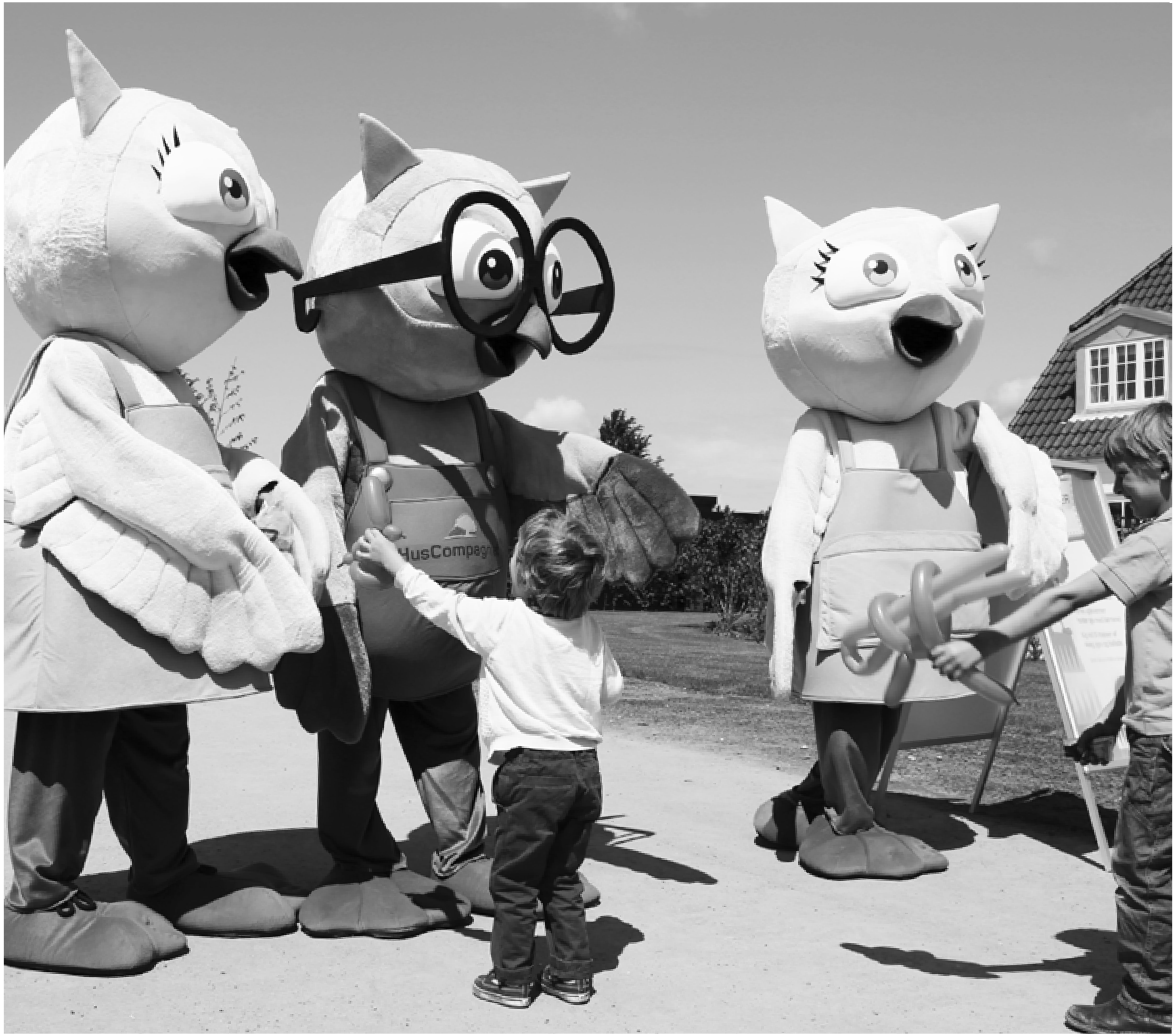
OUR PEOPLE
Our people remains the foundation for HusCompagniet's continued success and growth. We work continuously to develop our 500 loyal employees to have an in-depth market leading understanding of what is crucial to our customers.

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

HusCompagniet is committed to the development of our employees at all levels of the organisation. Building our own talent pool is critical to our success. We strive to attract and develop the best talent.

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

Karsten Rydder Pedersen
Group CEO



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

OUR BUSINESS MODEL

KEY RESOURCES

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

REPUTATION

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

PEOPLE

We rely on our highly skilled workforce

CUSTOMER-FACING ASSETS

We rely on our entrepreneurial spirit to maintain our competitive advantage

KNOW-HOW

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

FUNDING

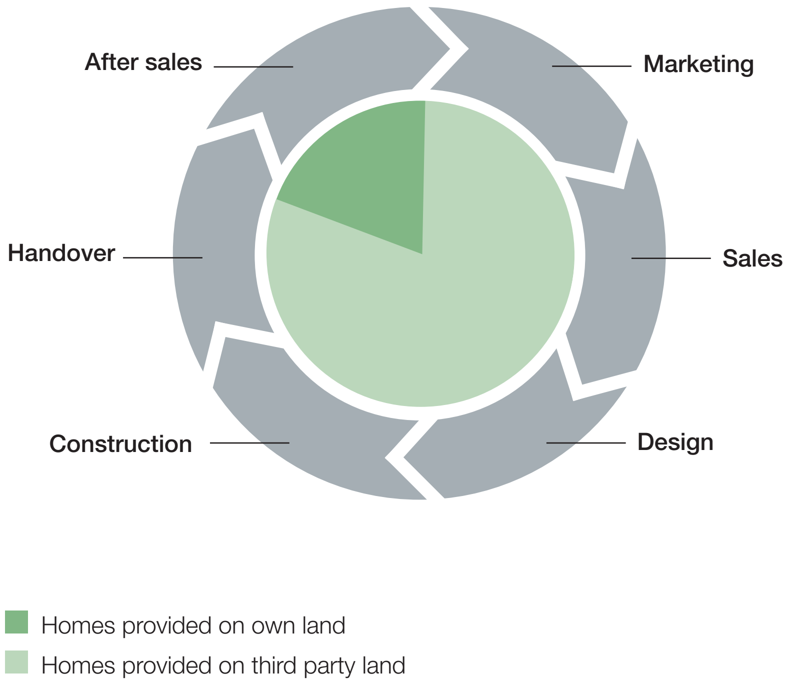
We finance our business through cash flows from our operations and debt

SUPPLY CHAIN

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

MODEL

CUSTOMER-CENTRIC HOUSEBUILDING MODEL



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

OUTCOMES

- **SATISFIED CUSTOMERS**
  By delivering competitively priced houses of high quality, we have been awarded 5 stars on Trustpilot.dk

- **FINANCIAL PERFORMANCE**
  EBITDA before special items DKK 277m (see page 34)

- **SKILLED AND SAFE WORKFORCE**
  By investing in our employees, we ensure safe, healthy, engaged and skilled employees (see page 24)

- **ENVIRONMENTAL IMPACT**
  By building energy-efficient houses, we help to reduce CO2 emissions (see page 24)

- **INDUSTRY-LEADING WORKING CONDITIONS**
  We raise the bar in the construction sector by improving working conditions (see page 25)

- **FEEDING THE SUPPLY CHAIN**
  We engage a large number of people in our supply chain, and add value to our suppliers (see page 7)

OUR BUSINESS MODEL

HOW WE EXPRESS OUR MINDSET

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

Trustpilot

MARKETING

KEY RESOURCES:

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

Another example is the development of Virtual Reality that give our customers the opportunity to take a virtual tour of their dream house, in order to become inspired. The customer as the centre of attention is also shown by the development of a feature on HusCompagniet.dk that allows our customers to find the building location of their dreams; regardless of whether the plot already has a house on it or not. Additionally, HusCompagniet was the first to offer customers the option not to pay for the house until the house keys are handed over; exempting and relieving the customers of the potential risk of higher production costs.

SALES

KEY RESOURCES:

The first point-of-contact between our potential customers and our organisation is usually through our local sales force. The most important objective for our sales professionals is to make the customer's dream house a reality by matching it with our architectures (see page 16), and the customer's financial budget. To strengthen our skillset and on-board new sales professionals, we established a HusCompagniet Sales Academy where we train our sales force in fulfilling our customer promise. To help our customers with inspiration when selecting their dream house, we offer the opportunity to see a diverse range of our architectures in our show parks, illustrating the breadth of our offering and many customisation opportunities.

DESIGN

KEY RESOURCES:

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

Currently, we have designed and built close to 22,000 houses. Our architects have assembled the best of all these in our five architectural styles (see page 16). Our extensive experience enables our designers to provide the customers with great advice, and to foresee potential issues that the customers would not have predicted themselves. It is part of our culture and values that we stick to what we are good at, which means building high quality single-family houses. Our proprietary app gives our customers an overview of the many choices to be made in the course of building a house.

CONSTRUCTION

KEY RESOURCES:

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

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

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

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

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

Reputation
People
Customer-facing assets
Know-how
Funding
Supply chain

HANDOVER

KEY RESOURCES:

When the house is ready for handover, our customer and HusCompagniet inspect the house together, allowing the customer to review the work and identify potential flaws or oversights to be remedied by HusCompagniet. The construction manager, who has been the point-of-contact to the customer through the construction phase, is always present at the handover, ensuring the customer receives a house that fully satisfies his or her wishes.

AFTER SALES

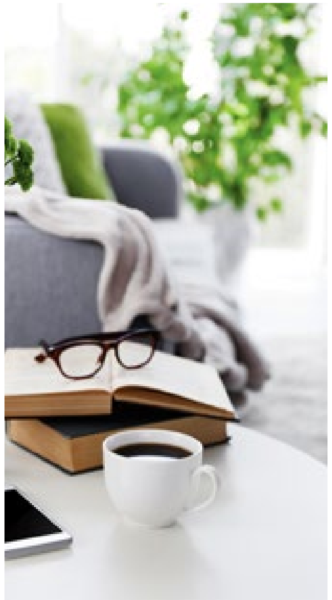
KEY RESOURCES:

We continue to follow the customer after handover as needed. Since not all issues will be identified before or at the handover, we are always available to remedy these quickly and ensure that our customers can fully enjoy their new home.

OUR ARCHITECTURES

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

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

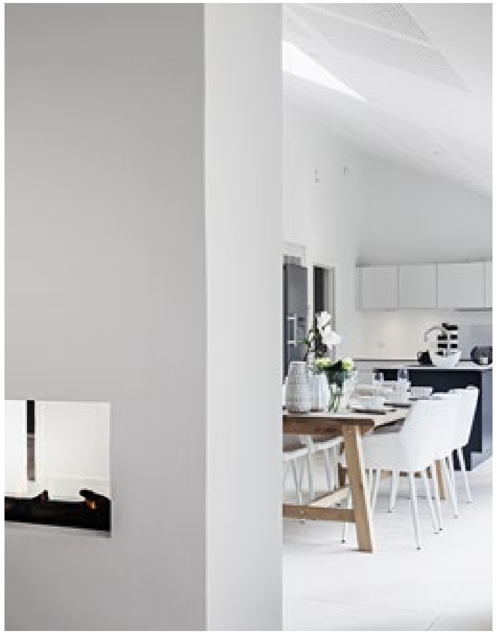


CLASSIC CONTEMPORARY

This classic Danish architecture has been the Danes' favourite building style for the past 40 years, and nothing suggests that this will change any time soon. The large tiled roof is characteristic of the style. It has a significant overhang, protecting the brick walls, doors and windows. Typically, the roof tiles will be either black or red, whilst the façade bricks vary in the colours of white, grey, golden, yellow, red and shades of brown. The Classic Contemporary style always has a large terrace, as well as either a carport or a garage for the family car.

MODERN CONTEMPORARY

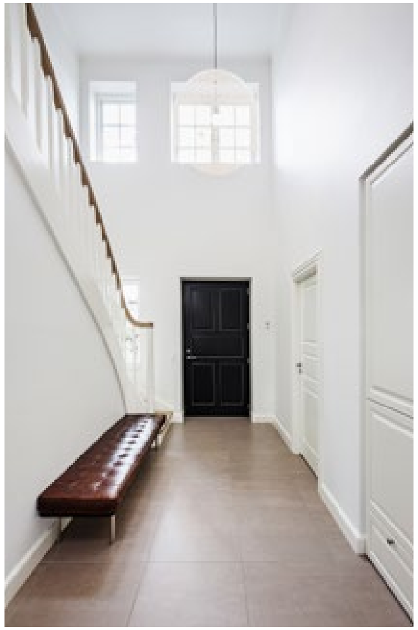
If you dream of combining the feel of home with modern style, contemporary materials, and thinking out of the box, the ”Modern Contemporary” style will provide new opportunities. The Modern Contemporary style offers great and innovative solutions for everyday family challenges, from laundry room to storage.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



PATRICIAN

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

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



COTTAGE STYLE

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

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

FUNCTIONALISM

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

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

OUR PEOPLE

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

WHO ARE OUR PEOPLE

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

OUR PEOPLE CULTURE

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

EMPLOYEE SATISFACTION

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

DEVELOPMENT AND TRAINING

HusCompagniet is committed to the development of our employees at all levels of the organisation. Building our own talent pool is critical to our success. We offer both vocational and personal training. Since 2015, we have held our trainee programme for sales and construction management staff. The goal is to create an even better understanding of our products, processes and how to improve the quality and quantity of our deliveries. In 2019, we plan to launch additional tailored training programmes to meet future needs within the entire range of services.

HEALTH AND SAFETY

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

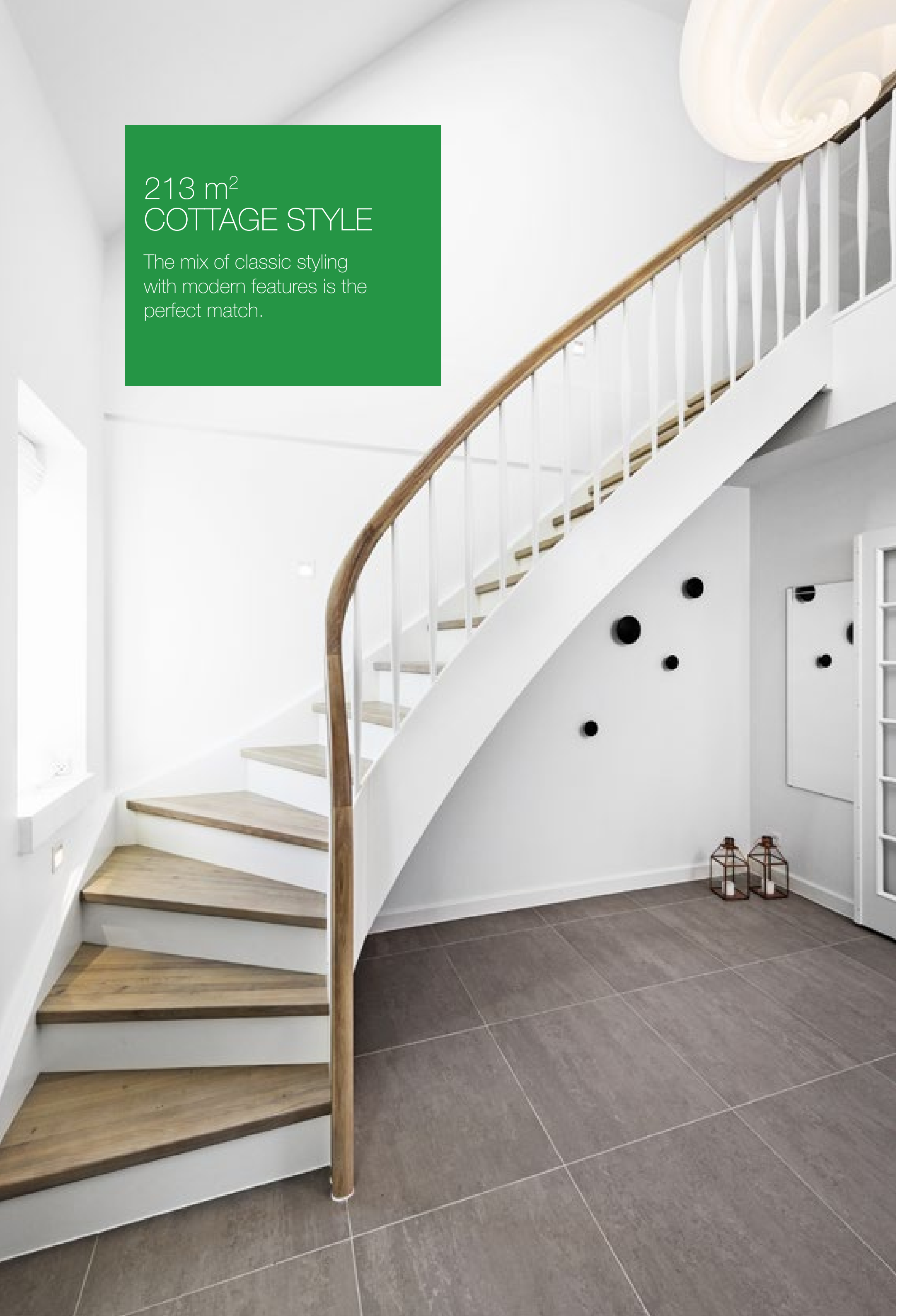
GROUP EXECUTIVE MANAGEMENT

The officially registered Executive Management of HusCompagniet consists of the Group CEO, the Group COO and the Group CFO.
The Group Executive Management consists of the officially registered Executive Management and Martin Ravn-Nielsen.
The Group Executive Management is overall responsable for all day-to-day operations.

GENDER EQUALITY

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

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



213 m^2
COTTAGE STYLE
The mix of classic styling with modern features is the perfect match.

CORPORATE SOCIAL RESPONSIBILITY

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

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

CLIMATE AND THE ENVIRONMENT
As the leading house builder in Northern Europe, we meet, and often exceeds, all the environmental requirements when conducting our business, thereby lowering our climate and environmental impact. Specifically, we comply with applicable BR18 building regulations. The regulations stipulate strict requirements for energy consumption in new buildings, including requirements for better insulation of new houses. HusCompagniet is proactive and ahead of the current BR18, since we today already support many of the new energy and environmental requirements introduced in the optional BR2020. One example is the construction of a RockZero house, designed in cooperation with Rockwool. Here, all requirements of BR2020 are fulfilled, resulting in a low-energy consumption house that meets the standards for the energy-optimised houses of the future. An important element of environmental and climate-friendly houses is the heating system. We have continued in 2018 to offer several forms of environmentally sound heating, such as geothermal heating and solar panels, besides recycling of excess indoor heating from bathrooms and kitchens this is to reduce the risk of high energy consumption in newly build houses. We have seen positive development in our customers' selection of geothermal heating, solar panels and recycling of heating in 2018.

In 2018, HusCompagniet has been environmentally innovative and met current requirements. One concrete risk of building houses is that the soil is polluted. The soil that is removed from building sites is environmentally tested. Our contractors document that they deal with all surplus soil in accordance with current requirements. In 2018 we have not seen any breaches. We install rainwater recycling systems for use in e.g. toilet flush systems. When choosing strategic partners and suppliers, we require that they are committed to complying with current legislation.

HUMAN RIGHTS AND ANTICORRUPTION

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

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

At Huscompagniet, the primary risks of corruption and unethical business conduct are considered to be within procurement, sales and logistics functions. This is mainly due to the ongoing business activities of these functions, which require close contact with suppliers, customers and other stakeholders.
Huscompagniet does not tolerate corruption in any forms.
To ensure emplyees conducts with the anticorruption policy a Code of Conduct is made. In 2018 all relevant employees were trained in the code of conduct.
No breaches with the anticorruption policy has been identified in 2018.

SOCIAL AND EMPLOYEE RELATIONS

Our employees are the foundation for HusCompagniet. Each department is equally important and consists of people who are experts within their fields. The departments depend on each other and the employees in each department rely on each other to give our customers the best possible experience. Our focus is to create a healthy workplace where our employees thrive and have the physical and mental energy for their tasks, every day. This also means reducing the risk of work related accidents. One way to accommodate this is through the APV (Workplace Assessment) process, whereby we explore potential action plans and training programmes, and regularly follow up on individual and collective needs. We had positive development in our workplace assessments performed in 2018 and will make a new workplace assessment in 2019.

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

FOOTPRINT

WHERE WE OPERATE

DENMARK

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

GERMANY

- Flensburg
- Hamborg
- Neumünster

SWEDEN

- Malmö

VårgårdaHus

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

● Offices

• Agent representation

STRATEGY, RISK AND GOVERNANCE

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

GROUP STRATEGY

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

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

We focus on Denmark, Sweden and Germany, but maintain a strategic approach to further international growth through acquisitions or organic entry. We deliver turn-key homes, modified as local markets dictate. We offer our customers an end-to-end solution, including designing and building their home through our physical and digital channels. Our core products are detached residential one-family homes but we also offer semi-detached homes mainly on a project basis. We are focused on the 'value' to 'premium' segment and do not compete with "DIY" low-cost value propositions or highly tailored architect focused solutions. We predominately build on customer-owned land with close to 100% of all blue-collar workers outsourced. To facilitate continuous improvements we aim for long-term relationships with our external contractors.

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

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

RISK MANAGEMENT

External factors that could affect our ability to generate revenue include employment rate, mortgage availability, property prices, interest rate changes and GDP growth. To mitigate these factors, HusCompagniet diversifies its business by operating an agile and asset light business model across different geographies and only acquiring a small number of highly selective strategic land plots.

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

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

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

GOVERNANCE

HusCompagniet's corporate governance in general complies with DVCA's recommendations, except for the recommendation that the annual report must include a description of the company's revenue and earnings expectations. Diego HC TopCo A/S' share capital is divided into three share classes. A shares that carry no voting rights, B shares that carry 10 votes per share and C shares that carry one vote per share. A shares have preferential rights of distribution, corresponding to a maximum of 9% p.a. (incl. compound interest). B shares and C shares receive the amount remaining after the A shares' preferential right.

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

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

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

CASE STUDY:
DIGITALISING THE BUILDING PROCESS

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

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

This will further optimise our industry leading building process.
In partnership with our development partner, our sub contractors, suppliers and other relevant stakeholders we continue developing product function and features to further improve operations.

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

HusCompagniet supplier

Consolidated key figures

DKK'm	2018	2017	2016	2015	2014
Income statement					
Revenue	3.349	3.064	2.747	2.228	1.775
Gross profit	654	594	529	448	368
Operating profit before depreciation and amortisation (EBITDA) before special items	272	255	251	229	189
Operating profit (EBIT) before special items	252	238	242	193	186
Operating profit (EBIT)	195	232	241	193	186
Financial income	-2	-12	-3	-1	-2
Profit for the year	153	166	186	148	139
Financial position at 31 December					
Total assets	2.868	2.642	1.854	1.503	1.164
Equity	1.436	1.285	1.080	1.020	648
Cash flow					
Cash flow from operating activities	214	91	149	70	180
Cash flow from investing activities	-38	-265	-22	-14	-10
Cash flow from financing activities	-155	278	-125	-59	-131
Free cash flow	177	-174	127	56	170
Key figures					
Revenue growth	9%	12%	23%	26%	14%
Gross margin	20%	19%	19%	20%	21%
EBITDA margin	8%	8%	9%	10%	11%
ROCE	12%	16%	23%	19%	28%
Average number of employees	501	465	315	260	231

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

Financial review

Net revenue totaled DKK 3,349 million for 2018, compared to DKK 3,064 million in 2017, corresponding to an increase of 9%. The increase in revenue was mainly driven by en increase in the number of delivered houses. We also experienced an increase in the average price of houses.

EBITDA totaled DKK 272 million for 2018, compared to DKK 255 million in 2017, corresponding to an increase of 7%. The increase in EBITDA is mainly attributable to the increase in our activities and the acquisition of VårgårdaHus.

Profit before tax totaled DKK 193 million for 2018, compared to DKK 220 million in 2017.

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

OUTLOOK

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

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT - CONSOLIDATED

DKK'000	Note	2018	2017
Revenue	2.1	3.349.194	3.063.515
Production costs		-2.694.927	-2.469.751
Gross profit		654.267	593.764
Staff cost	2.2	-274.818	-248.036
Other operating income		0	121
Other operating expenses		-107.773	-90.528
Operating profit before depreciation and amortisation (EBITDA) before special items		271.676	255.321
Special items	2.4	-56.992	-6.080
Operating profit before depreciation and amortisation (EBITDA) after special items		214.684	249.241
Depreciation and amortisation	4.2, 4.3	-19.646	-17.582
Operating profit (EBIT)		195.038	231.659
Financial income	5.4	20.700	6.326
Financial expenses	5.4	-22.280	-18.112
Profit before tax		193.458	219.873
Tax on profit	6.1	-40.391	-54.341
Profit for the year		153.067	165.532

Profits attributable to:

DKK'000	Note	2018	2017
Equity owners of the Company		153.067	165.532

STATEMENT OF OTHER COMPREHENSIVE INCOME

DKK'000	Note	2018	2017
Profit for the year		153.067	165.532
Other comprehensive income			
Items that may be reclassified to the income statement in subsequent periods			
Foreign currency translation differences, subsidiary		-2.630	-446
Other comprehensive income, net of tax		-2.630	-446
Total comprehensive income for the year		150.437	165.086

Total comprehensive income attributable to:

DKK'000	Note	2018	2017
Equity owners of the Company		150.437	165.086
		150.437	165.086

BALANCE SHEET - CONSOLIDATED

DKK'000	Note	2018	2017
Assets			
Non-current assets			
Intangible assets	4.2	889.260	885.381
Property, plant and equipment	4.3	56.314	53.582
Deferred tax asset	6.1	32.308	20.017
Other receivables		4.797	3.815
Total non-current assets		982.679	962.795
Current assets			
Inventories	3.1	434.047	450.367
Contracts assets	3.2	593.895	578.849
Trade and other receivables		78.585	132.641
Prepayments		5.582	3.473
Cash and cash equivalents		773.272	513.572
Total current assets		1.885.381	1.678.902
Total assets		2.868.059	2.641.697
Equity and liabilities			
Equity			
Share capital	5.1	600	600
Retained earnings and other reserves		1.435.246	1.284.809
Total equity		1.435.846	1.285.409
Liabilities			
Non-current liabilities			
Interest-bearing long term debt	5.2	134.487	173.259
Provisions	3.3	5.472	5.082
Deferred tax liability	6.1	21.262	25.952
Total non-current liabilities		161.221	204.293
Current liabilities			
Borrowings	5.2	521.327	285.572
Trade and other payables		403.318	407.321
Contracts liabilities	3.2	2.704	11.159
Prepayments from customers	3.2	29.250	3.523
Provisions	3.3	21.888	20.327
Income tax payable	6.1	51.383	53.143
Other liabilities		241.121	248.609
Payables to affiliated companies		0	122.341
Total current liabilities		1.270.991	1.151.995
Total liabilities		1.432.213	1.356.288
Total equity and liabilities		2.868.059	2.641.697

Reference to off-balance sheet notes: Operating leases 6.2, Related parties 6.3, and Contingent liabilities 3.3

STATEMENT OF CASH FLOWS - CONSOLIDATED

DKK'000	Note	2018	2.017
Cash flow from operating activities			
Profit before tax		193.458	219.873
Changes in working capital	3.4	68.861	-82.012
Adjustments for non-cash items	6.3	23.177	28.740
Interest received		9.860	6.326
Interest paid		-22.279	-17.726
Borrowing Cost Paid		0	-4.538
Corporation tax paid		-58.672	-59.338
Net cash generated from operating activities		214.405	91.325
Cash flow from investing activities			
Acquisition of subsidiaries, net cash acquired		0	-226.276
Acquisition of assets recognised as property, plant and equipment		-37.872	-38.674
Net cash generated from investing activities		-37.872	-264.950
Cash flow from financing activities			
Repayment of long-term debt		-43.200	-57.857
Proceeds from loans		10.173	244.250
Proceeds from payables to affiliated companies		-122.341	49.854
Change in Equity		0	41.927
Net cash generated from financing activities		-155.368	278.174
Total cash flows		21.165	104.549
Cash and cash equivalents at 1 January		275.924	158.880
Cash acquisition VårgårdaHus AB 28 april 2017		0	11.702
Net foreign currency gains or losses		4.121	793
Cash and cash equivalents at 31 December		301.210	275.924
Cash and cash equivalents			
Cash at bank and on hand		773.272	513.572
Cash and cash equivalents as at 31 December		773.272	513.572
Bank overdrafts		-472.062	-237.648
Net cash and cash equivalents as at 31 December		301.210	275.924

STATEMENT OF CHANGES IN EQUITY - CONSOLIDATED

2018 DKK'000	Share capital	Foreign currency translation reserve	Retained earnings	Total
Equity at 1 January	600	-673	1.285.482	1.285.409
Profit for the period	0	0	153.067	153.067
Other comprehensive income:				
Foreign currency translation differences	0	-2.630	0	-2.630
Total other comprehensive income	0	-2.630	0	-2.630
Total transactions with owners of the Company and other equity transactions	0	0	0	0
Equity on 31 December	600	-3.303	1.438.549	1.435.846

2017 DKK'000	Share capital	Foreign currency translation reserve	Retained earnings	Total
Equity at 1 January	600	-227	1.079.909	1.080.282
Profit for the period	0	0	165.532	165.532
Other comprehensive income:				
Foreign currency translation differences	0	-446	0	-446
Total other comprehensive income	0	-446	0	-446
Transactions with owners of the Company and other equity transactions:				
Capital Injection	0	0	40.041	40.041
Total transactions with owners of the Company and other equity transactions	0	0	40.041	40.041
Equity on 31 December	600	-673	1.285.482	1.285.409

Capital management

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

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

SECTION 1: BASIS OF PREPARATION

Introduction

HusCompagniet A/S ('HusCompagniet') is a company incorporated and domiciled in Denmark. The Group is principally engaged in construction and sale of single-family-houses in Denmark, Sweden and Germany.

The following is a summary of the significant accounting policies adopted by HusCompagniet and its subsidiaries, collectively referred to in these consolidated financial statements as the "Group".

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

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

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

The accounting policies are unchanged from last year.

The following notes are presented in Section 1:

1.1 General accounting policies

1.2 Introduction to significant estimates and judgements

1.3 Application of materiality

Note 1.1 General accounting policies

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

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

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

Basis of consolidation
The consolidated financial statements comprise HusCompagniet A/S and entities controlled by HusCompagniet A/S. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and
has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements for the subsidiaries are prepared for the same accounting period as HusCompagniet using consistent accounting policies.

On consolidation, intragroup balances and intragroup transactions are eliminated in full.

Foreign currency translation
Transactions and balances
Foreign currency transactions are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

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

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

Implementation of new or amended standards and interpretations
Standards issued but not yet effective
The Group has implemented all new IFRS standards, amendments and IFRIC interpretations as adopted by EU and effective as of 1 January 2018.

The standards relevant for the Group are:
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 2+L212 Transactions in foreign currency and prepayments

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

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

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

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

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

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

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

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

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

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

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

Note 1.1 General accounting policies

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

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

IFRIC 22 Transactions in foreign currency and prepayments

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

Standards issued but not yet effective

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

IFRS 16 – Leases

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

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

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

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

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

During the financial year the Group has performed a detailed impact assessment of IFRS 16. In summary, the impact on the Group's consolidated financial statements of transition to IFRS 16 is expected to be within the following ranges:
- Profit or loss increase in EBITDA of DKK 15 to 25 million, and an increase in EBIT of less than DKK 10 million.
- It is expected that the net result will not be significantly affected.
- Assets increase in total assets of approximately DKK 115 to 130 million. Liabilities increase in total liabilities of approxi-mately DKK 115 to 130 million.
-Equity will not be affected of transition to IFRS 16.

In accordance with IFRS 16 the annual operational lease payment of approximately DKK 22.3 million in 2018 needs to be presented as cash flow from financing activities, as opposed to the current treatment as cash flow from operating activities. This change in disclosure will im-prove the cash flow from operating activities by approximately 13 percent.

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

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

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

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

Note 1.2 Introduction to significant estimates and judgements

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

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

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

Significant estimates and judgements	Note
Percentage-of-completion profit recognition	2.7
Guarantee commitments	3.7
Impairment of non-financial assets	4.6

Note 1.3 Application of materiality

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

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

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

SECTION 2:

Introduction

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

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

The following notes are presented in Section 2:

2.1 Revenue

2.2 Costs including staff costs and remuneration

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

2.4 Special items

2.5 Financial risk management

2.6 Accounting policy

2.7 Significant estimates and judgements

Note 2.1 Revenue

Revenue per category

2018

DKK'000	Contracted sales	Non-contracted sales	Total revenue
Sales value houses sold on customers building sites	2.568.777	0	2.568.777
Sales value houses sold on own building sites	630.699	2.357	633.056
Sales of land plots	139.386	0	139.386
Other revenue	0	7.975	7.975
Total	3.338.862	10.332	3.349.194

2017

DKK'000	Contracted sales	Non-contracted sales	Total revenue
Sales value houses sold on customers building sites	2.378.869	0	2.378.869
Sales value houses sold on own building sites	501.110	6.163	507.273
Sales of land plots	173.903	0	173.903
Other revenue	0	3.470	3.470
Total	3.053.882	9.633	3.063.515

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

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

Note 2.2 Costs including staff costs and remuneration

Staff costs

DKK'000	2018	2017
Wages and salaries	264.734	226.076
Defined contribution plans	18.497	13.977
Other social security costs	15.895	5.594
Other staff Costs	33.397	21.599
Transfer to Production cost	-57.705	-19.210
Total	274.818	248.036
Average number of full-time employees	501	465

Remuneration of key management personnel and Directors

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

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

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

Reconciliation of EBITDA

DKK'000	2018	2017
Operating profit before depreciation and amortisation	214.684	249.241
Special items		
-Strategic organisational changes	0	1.980
-Costs in connection with Acquisition (sale/buy)	5.918	4.100
-Terminated people in connection with strategic change in organisation	4.354	0
-Costs incurred due to commitments entered into by German management beyond delegated authority	40.872	0
-Loss-making contracts as a consequence of fraudulent commitments conducted by agent	2.176	0
-Legal case in connection with violated rights	892	0
-Other special items	2.780	0
Total special items	56.992	6.080
Operating profit before depreciation and amortisation (EBITDA) before special items	271.676	255.321

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

Since such financial measures are not calculated by all companies in the same way, they are not always comparable to measures used by other companies. These financial measures should therefore not be considered to be a replacement for measurements as defined under IFRS. The definition section 6.8 provides information in greater detail regarding definitions of financial performance measures. Information regarding special items is included in note 2.4

Note 2.4 Special items

DKK'000	2018	2017
Cost related to restructuring of process and fundamental structural adjustment:		
-Strategic organisational changes	0	1.980
-Costs in connection with Acquisition (sale/buy)	5.918	4.100
-Terminated people in connection with strategic change in organisation	4.354	0
-Costs incurred due to commitments entered into by German management beyond delegated authority	40.872	0
-Loss-making contracts as a consequence of fraudulent commitments conducted by agent	2.176	0
-Legal case in connection with violated rights	892	0
-Other special items	2.780	0
Total special items	56.992	6.080

Note 2.5 Financial risk management

Currency Risk

The Group is exposured to currency fluctuations from it's activities in Germany and Sweden. The subsidiaries in the two counties are not affected, as income and costs are denominated in the local functional currency.

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

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

Note 2.6 Accounting policy

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

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

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

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

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

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

The selling price is measured by reference to the total expected income from each contract and the stage of completion at the reporting date. The stage of completion is determined on the basis of the costs incurred and the total expected costs.
If the outcome of a construction contract cannot be estimated reliably, revenue is only recognised corresponding to costs incurred and indirect production costs, insofar as it is probable that these will be recovered.

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

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

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

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

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

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

Staff costs
Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Group's employees.
The item is net of refunds made by public authorities.

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

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

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

Note 2.7 Significant estimates and judgements

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

At contract inception, management assesses that the contracts involve a high degree of individu-al customisation and satisfy the criteria for recognition over time. The assessment is based on an analysis of, among other things, the contract provisions on:
· The degree of customisation, including the alternative use potential of buildings and civil works
· The time of transfer of legal title
· Payment terms, including early termination of contract.

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

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

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

The assessment of project revenues and project costs is based on a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, training and the prior management of project. There is a risk that the final result will differ from the profit accrued based on percentage-of-completion. At year-end, recognized revenues amounted to DKK 631 million (2017: DKK 615 million); refer to note 3.2 Construction contracts.

SECTION 3:

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

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

The following notes are presented in Section 3:

Note 3.1 Inventories

DKK'000	2018	2017
Raw materials	8.702	5.849
Work in progress (non-contracted)	235.265	224.715
Building sites	190.080	219.803
Total inventories	434.047	450.367

Note 3.2 Construction contracts

DKK'000	2018	2017
Selling price of construction contracts	630.928	615.121
Invoicing on Accounts	-39.738	-47.431
	591.190	567.690
Calculated as follows:		
Contracts assets	593.895	578.849
Contracts liabilities	-2.704	-11.159
	591.190	567.690
Prepayments from customers regarding construction contracts not yet started	29.250	3.523

Note 3.3 Guarantee commitments and contingent liabilities

DKK'000	2018	2017
Guarantee provision at 1 January	25.409	26.037
Exchange rate adjustment	-58	0
Arising during the year	27.360	25.409
Utilised	-25.351	-26.037
Guarantee provision at 31 December	27.360	25.409
Distributed in the balance as follows:		
Non-current liabilities	5.472	5.082
Current liabilities	21.888	20.327

At year-end, the guarantee provision amounted to DKK 25 million (2017: DKK 23 million). Provisions for future costs due to guarantee commitments are recognized at the amount expected to be required to settle the commitment on the balance-sheet date.

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

Contingent liabilities

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

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

Collateral

DKK 21,6 million of cash and short term deposis is placed in restricted accounts, and is released when the completed houses are delivered to the customers (2017: DKK 13 million).

Investment in subsidaries has been provided as a security for balances with Nordea.

The Company has issued guaranties to trade creditors of DKK 143,5 million as at 31 December 2018 (2017: DKK 65 million)

Note 3.4 Changes in working capital

DKK'000	2018	2017
Increase/decrease in construction contracts & Inventory	18.546	-260.486
Increase/decrease in trade and other receivables	50.965	21.929
Increase/decrease in trade and other payables	-650	156.545
Total	68.861	-82.012

Note 3.5 Financial risk management

Credit risk

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

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

Impairment of receivables amounted to nil in 2018 and 2017.

Note 3.6 Accounting policy

Inventories

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

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

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

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

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

Provisions

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

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

Trade and other receivables

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

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

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

Cash and cash equivalents

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

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

Note 3.7 Significant estimates and judgements

Guarantee commitments

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

At year-end, the guarantee provision amounted to DKK 25 million (2017: DKK 23 million), refer to note 3.3 Provisions and contingent liabilities.

SECTION 4: INVESTMENTS

Introduction
In this section the Group's investments are explained. This includes investments in intangible and intangible assets, and how these are tested for impairment.

The following notes are presented in Section 4:

Note 4.1 Acquisition of subsidiaries and activities

On 28 April 2017, the Group acquired 100% of the voting shares of VårgårdaHus AB, an unlisted company based in Sweden and specializing in production of prefabricated single-family wood houses. The Company is headquartered close to Gothenburg and has approximately 25 sales offices across Sweden.

From the date of acquisition, VårgårdaHus contributed DKK 169 million of revenue and DKK 15 million to profit from continuing operations of the Group. If the combination had taken place at 1 January 2017, the Group's revenue from continuing operations would have been DKK 3,144 million and the profit from continuing operations would have been DKK 121 million.

Fair value recognised on acquisition

DKK'000	28 April 2017
Assets	
Order port folio	4.824
Brand "VårgårdaHus"	3.061
Property, plant and equipment	6.992
Inventories	7.300
Construction contracts	244
Trade and other receivables	20.738
Prepayments	2.557
	45.716
Liabilities	
Deferred tax	1.735
Trade and other payables	28.583
Income tax payables	10.135
	40.453
Total identifiable net assets at fair value	5.263
Goodwill arising from acquisition	287.578
Purchase consideration transferred	292.841
Net cash acquired with the subsidiary included in cash flows from investing activities	11.702
Debt securities issued	-39.712
Earn-out agreement	-38.555
Net cash outflow	226.276

The purchase price for VårgårdaHus AB was DKK 292 million, of which DKK 226 million is paid in cash.
The Group has incurred transaction costs associated with the acquisition of approx. DKK 4.2 million relating to legal advisers. The amount is included in special items in the profit and loss account.

After recognition of identifiable assets, liabilities and contingent liabilities at fair value goodwill in connection with the acquisition valued at DKK 287 million. Goodwill represents the value of existing staff and know-how. Recognised goodwill is not tax deductible.

Fair value measurement
In connection with the acquisition, the Company has prepared a fair value of assets and liabilities, including values for the brand "VårgårdaHus" and the order portfolio.
The brand "VårgårdaHus" is valued at DKK 3 million based on the cost of building up the brand over a period of four years. The valuation is supported by a royalty-based calculation.
Order portfolio is valued at DKK 4.8 million, corresponding to the expected sales price minus the direct costs as well as capacity costs.

Note 4.2 Intangible assets

Intangible assets
2018

DKK'000	Goodwill	Order portfolio	Other intangible assets	Total
Cost at 1 January	1.052.458	4.732	19.636	1.076.826
Additions	0	0	19.442	19.442
Exchange rate adjustments	-11.076	0	-318	-11.394
Cost at 31 December	1.041.382	4.732	38.760	1.084.874
Amortisation and impairment losses at 1 January	185.411	4.732	1.302	191.445
Amortisation	0	0	4.382	4.382
Exchange rate adjustments	0	0	-213	-213
Amortisation and impairment losses at 31 December	185.411	4.732	5.471	195.614
Carrying amount at 31 December	855.971	0	33.289	889.260

2017

DKK'000	Goodwill	Order portfolio	Other intangible assets	Total
Cost at 1 January	770.400	0	5.567	775.967
Additions through acquisition of subsidiary	287.578	4.824	3.061	295.463
Additions	0	0	11.551	11.551
Disposals	0	0	-484	-484
Exchange rate adjustments	-5.520	-92	-59	-5.671
Cost at 31 December	1.052.458	4.732	19.636	1.076.826
Amortisation and impairment losses at 1 January	185.411	0	0	185.411
Amortisation	0	4.732	1.423	6.155
Exchange rate adjustments	0	0	-121	-121
Amortisation and impairment losses at 31 December	185.411	4.732	1.302	191.445
Carrying amount at 31 December	867.047	0	18.334	885.381

Note 4.3 Property, plant and equipment

DKK'000	2018	2017
Cost at 1 January	81.437	54.495
Exhange rate adjustments	-570	-237
Additions from business combinations	0	9.976
Additions	24.233	31.252
Disposals	-13.717	-14.049
Cost at 31 December	91.383	81.437
Depreciation and impairment 1 January	27.855	23.841
Exhange rate adjustments	-135	-114
Additions from business combinations	0	2.984
Depreciation	15.263	11.427
Impairment of disposals	-7.914	-10.283
Depreciation and impairment 31 December	35.069	27.855
Carrying amount 31 December	56.314	53.582

Note 4.4 Impairment

Goodwill and intangible assets with indefinite lives

At 31 December 2018, Management tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill on the geographic segments.

DKK'000	2018	2017
Cost at 1 January		
Denmark	584.987	584.987
Sweden	270.982	282.058
Carrying amount 31 December	855.969	867.045

In each individual case, the recoverable amount is calculated as the highest of the value in use and fair value less selling costs. The below descriptions state the value on which the recoverable amount is based.

The recoverable amount is based on the value in use determined using expected net cash flows based on budgets for the years 2018-2019 approved by Management and with a pre-tax discount factor of 10.8% (2017: 10.8%).

The contribution margin for the budget period is estimated based on the average contribution margin.

The budgeted number of houses sold is expected to increase by an average of 12-13% in the budget period (2017: 8-9%).

The weighted average growth rate used in connection with extrapolation of future net cash flows for the years after 2022 is estimated to 2% (2017: 2%). The growth rate is not assessed to exceed the long-term average growth rate within the Company's markets.

Our impairment test did not give rise to any need for impairment write-down.

Sensitivity analysis
Management assesses that probable changes in the basic assumptions would not cause the carrying amount of goodwill would exceed recoverable value.

Note 4.5 Accounting policy

Intangible assets

Goodwill
At the acquisition date goodwill is recognized in the balance sheet at cost as described under Business combinations. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least once a year. Goodwill is written down to the recoverable amount if the carrying amount is higher than the computed recoverable amount. The recoverable amount is computed as the present value of the expected future net cash flows from the enterprises or activities to which the goodwill is allocated. Impairment of goodwill is not reversed.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of cash-generating units is based on the management structure and internal financial control.

Trademarks
Trademarks are initially recognised at cost. Subsequently, trademarks are measured at cost less accumulated amortisations and impairments. Trademarks are amortised on a straight-line basis over its estimated useful life, which are no longer than 10 years.

Trademarks are impairment tested on an annual basis using the relief from royalty method and is based on expected future free cash flows generated by the individual trademark for the next 5 years and projections for subsequent years.

Property, plant and equipment

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

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it will measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Note 4.6 Significant estimates and judgements

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a Discounted Cash Flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 4.4.

SECTION 5: FUNDING AND CAPITAL STRUCTURE

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

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

The following notes are presented in Section 5:

Note 5.1 Equity

Share capital

	2018		2017	
	Nominal value (DKK'000)	Number of shares	Nominal value (DKK'000)	Number of shares
Share capital at 1 January (issued and fully paid)	600	600	600	600
Share capital at 31 December	600	600	600	600

The company's share capital is nominally DKK 600,000 divided into 600.000 shares of DKK 1 each or multiples hereof.

Note 5.2 Borrowings and non-current liabilities

Borrowings

DKK'000	2018	2017
Non-current liabilities	134.487	173.259
Current liabilities	521.327	285.572
Total carrying amount	655.814	458.831
Nominal value	661.000	462.991

2018

DKK'000	Currency	Interest rate	Average interest rate	Carrying amount
Bank borrowings	DKK	Floating	3,60%	628.281
Commitments on financial leasing agreements	DKK	Fixed-rate	5,58%	27.533
				655.814

2017

DKK'000	Currency	Interest rate	Average interest rate	Carrying amount
Bank borrowings	DKK	Floating	3,70%	441.471
Commitments on financial leasing agreements	DKK	Fixed-rate	4,38%	17.360
				458.831

Investments in subsidiaries have been provided as security for Groups balances with Nordea, including parentcompanies balances with Nordea.

Note 5.3 Finance leasing

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

Commitments on financial leased assets included in borrowings:

DKK'000	Minimum lease payment 2018	Minimum lease payment 2017	Present value of minimum lease payment 2018	Present value of minimum lease payment 2017
0-1 year	6.012	3.353	5.529	2.546
1-5 years	24.048	13.415	21.126	11.549
> 5 years	2.658	3.353	878	3.265
	32.718	20.121	27.533	17.360
Interest element	-5.185	-2.761	0	0
Present value of minimum lease payment	27.533	17.360	27.533	17.360

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

The carrying amount of the leased assets amounts per 31. December 2018 27,331 T.DKK (2017: 17,360 T. DKK.)

Note 5.4 Financial income and expenses

Financial income and financial expenses

DKK'000	2018	2017
Financial income		
Interests received from banks*	9.627	6.276
Exchange rate gains	224	1
Adjustment relating to prior years aquisition	10.839	0
Other financial income	9	49
Total financial income	20.700	6.326
Financial expenses		
Interest paid to banks*	19.146	11.870
Exchange rate losses	1.971	5.360
Other financial cost	1.162	882
Total financial expenses	22.280	18.112
Net financials	-1.580	-11.786

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

Note 5.5 Financial risk management

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

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

Liquidity risk

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

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

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

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

Contractual maturity analysis of financial liabilities

2018

DKK'000	Hedging instrument	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
Non-derivative financial liabilities						
Other payables		403.318	0	0	403.318	403.318
Bank Borrowings		521.327	134.487	0	655.814	655.814
Other Liabilities		241.121	0	0	241.121	241.121
Total non-derivative financial liabilities		1.165.766	134.487	0	1.300.253	1.300.253
Derivative financial liabilities						
Bank borrowings	IRS	0	0	0	0	0
Bank borrowings	CAP	0	0	0	0	0
Total derivative financial liabilities		0	0	0	0	0
Total financial liabilities		1.165.766	134.487	0	1.300.253	1.300.253

2017

DKK'000	Hedging instrument	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
Non-derivative financial liabilities						
Other payables		407.321	0	0	407.321	407.321
Bank Borrowings		285.572	173.259	0	458.831	458.831
Other Liabilities		248.609	0	0	248.609	248.609
Total non-derivative financial liabilities		941.502	173.259	0	1.114.761	1.114.761
Derivative financial liabilities						
Bank borrowings	IRS	0	0	0	0	0
Bank borrowings	CAP	0	0	0	0	0
Total derivative financial liabilities		0	0	0	0	0
Total financial liabilities		941.502	173.259	0	1.114.761	1.114.761

*Deducted amortiesed borrowing costs and NPV adjustment leasing debt of 5.2 million (2017: DKK 4 million) in consolidated financial statements.

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

Interest rate risk

HusCompagniet is only minor exposed to fluctuations in market interest rates primarily related to the Group's short-term loan with floating rates.

Categories of financial assets and financial liabilities

DKK'000	2018	2017
Cash and receivables	851.857	646.213
Financial liabilities measured at amortised cost	1.300.253	1.114.761
Derivatives, financial liabilities	0	0

Note 5.6 Accounting policy

Equity

Dividends

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

Share premium reserve

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

Foreign currency translation reserve

The reserve comprises currency translation adjustments arising on the translation of financial statements of foreign subsidiaries from their functional currencies into the presentation currency used by Diego HC TopCo.

Financial income and expenses

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

Financial assets

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

Financial liabilities

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

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

Finance lease

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

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

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

Derivative financial instruments

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

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

Fair value measurement

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

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

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

SECTION 6: OTHER DISCLOSURES

Introduction

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

The following notes are presented in Section 6:

Note 6.1 Tax

Current tax

DKK'000	2018	2017
Income tax	58.672	54.735
Movement in deferred tax	-18.127	-7.993
Adjustment relating to previous years	-154	7.599
Income taxes in the income statement	40.391	54.341
Profit before tax	193.458	219.873
Tax rate, Denmark	22,00%	22,00%
Tax at the applicable rate	37.105	46.464
Expenses not deductible for tax purposes	617	25
Adjustments relating to prior years	-154	7.601
Other	2.822	251
Tax expense for the year	40.390	54.341
Effective tax rate, %	20,88%	24,71%

Note 6.1 Tax (continued)

Deferred tax

DKK'000	2018	2017
Deferred tax at 1 January	5.935	12.758
Recognised in profit or loss	-18.127	-7.995
Adjustments relating to prior years	0	955
Exchange differences	1.145	217
Deferred tax at 31 December	-11.047	5.935

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

	Deferred tax asset		Deferred tax liability	
DKK'000	2018	2017	2018	2017
Intangible assets	0	0	3.367	3.063
Tangible assets	0	-440	-377	476
Inventories	0	0	19.121	0
Construction contracts	0	2.985	-11	22.424
Other payables	32.308	0	-838	-11
Tax loss carried forward	0	17.472	0	0
Deferred tax	32.308	20.017	21.262	25.952

Corporation tax payable

DKK'000	2018	2017
Corporation tax payable at 1 January	53.143	49.399
Addition of corporation tax aquisitions	0	10.135
Foreign exchange adjustments	-61	-379
Adjustment of corporation tax at 1 January	0	6.644
Current tax including jointly taxed subsidiaries	58.672	54.735
Corporation tax regarding previus years tranferred from other receivables	0	-8.053
Corporation tax paid during the year	-60.371	-59.338
Corporation tax payable at 31 December	51.383	53.143

Note 6.2 Operating leases

DKK'000	0-1 year	1-5 years	> 5 years	Total
2018				
Operating leases	21.830	50.927	45.212	117.969
Total contractual obligations	21.830	50.927	45.212	117.969
2017				
Operating leases	17.366	47.506	52.280	117.152
Total contractual obligations	17.366	47.506	52.280	117.152

Note 6.3 Other non-cash items

DKK'000	2018	2017
Depreciation of property, plant and equipment	19.646	17.582
Movements in provisions recognised in the income statement	1.951	-628
Non-cash financial items	1.580	11.786
Other non-cash items	23.177	28.740

Note 6.4 Related parties

Transactions with key management personnel

Transactions with key management personnel include transactions with companies controlled by the key management personnel. Reference is made to note 2.2 in the consolidated statements.

The ultimate Parent

The ultimate Parent of the Group is EQT's fond VI.

The direct owner of the Group is Diego HC A/S.

Significant transactions between the Group and the ultimate parent company

No transaction between the Group and the ultimate parent company

The Group was engaged in the below related parties transactions:

DKK'000	2018	2017
Acquisition of services (Management fee and allocted cost) from parent company	15.656	11.052
Total	15.656	11.052

Note 6.5 Auditor's fee

Fees to auditors

DKK'000	2018	2017
Audit Service	695	674
Tax advice services	67	0
Other non-audit services	0	310
Total	762	984

Note 6.6 Events after the balance sheet date

No significant events have occurred since the Balance Sheet date

Note 6.7 List of Group companies

Investment in group companies comprise the following at 31 December 2018.

Name	Country of incorporation	% equity interest
Huscompagniet Midt- og Nordjylland A/S	Denmark	100%
Huscompagniet Sjælland A/S	Denmark	100%
Huscompagniet Fyn A/S	Denmark	100%
Huscompagniet Sønderjylland A/S	Denmark	100%
Fm-Søkjær Enterprise A/S	Denmark	100%
LejlighedsCompagniet A/S	Denmark	100%
Svenska Huscompagniet AB	Sweden	100%
VårgårdaHus AB	Sweden	100%
Svenska HusCompagniet Fastighetsutveckling AB	Sweden	100%
Svenska HusCompagniet Fastighetsutveckling Allerum 1 AB	Sweden	100%
Svenska HusCompagniet Fastighetsutveckling Allerum 2 AB	Sweden	100%
Die Haus-Compagnie GmbH	Germany	100%

Note 6.8 Definitions

EBITDA before special items
Operating profit before depreciation amortisation and special items.

EBITDA after special items
Operating profit before depreciation amortisation and after special items.

Operating profit (EBIT)
Operating profit after depreciation and amortisation.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".
The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin	Gross profit x 100 / Revenue
EBITDA margin	EBITDA before special items x 100 / Revenue
ROCE	Operationg profit (EBIT) / Total assets - Current Liabilities

Note 6.9 Accounting policy

Current income tax

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

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit (loss) for the year is recognized in the income statement, and the tax expense relating to amounts recognized in other comprehensive income is recognized in other comprehensive income.
Current tax payable is recognized in current liabilities and deferred tax is recognized in non-current liabilities. Tax receivable is recognized in current assets and deferred tax assets are recognized in non-current assets.

Deferred tax

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

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

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

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

Operating leases

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

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

INCOME STATEMENT - PARENT

DKK'000	Note	2018	2017
Revenue		65.385	56.364
Gross profit		65.385	56.364
Staff cost	2	-46.652	-37.239
Other operating expenses		-21.598	-16.691
Operating profit before depreciation and amortisation (EBITDA) before special items		-2.865	2.434
Special items	4	-7.428	0
Operating profit before depreciation and amortisation (EBITDA) after special items		-10.293	2.434
Depreciation and amortisation		-3.887	-796
Operating profit (EBIT)		-14.180	1.638
Share of result of subsidiary companies after tax	8	162.573	170.635
Financial income	6	9.634	6.270
Financial expenses	5	-7.135	-4.645
Profit before tax		150.892	173.898
Tax on profit	7	2.175	-8.365
Profit for the year		153.067	165.533

Profits attributable to:

DKK'000	Note	2018	2017
Equity owners of the Company		153.067	165.533

STATEMENT OF OTHER COMPREHENSIVE INCOME - PARENT

DKK'000	Note	2018	2017
Profit for the year		153.067	165.533
Other comprehensive income			
periods			
Foreign currency translation differences, subsidiary		-2.628	-451
Other comprehensive income, net of tax		-2.628	-451
Total comprehensive income for the year		150.439	165.082

Total comprehensive income attributable to:

DKK'000	Note	2018	2017
Equity owners of the Company		150.439	165.082

BALANCE SHEET - PARENT

DKK'000	Note	2018	2017
Assets			
Non-current assets			
Intangible assets		32.486	16.020
Property, plant and equipment		3.683	1.075
Deferred tax asset	7	0	0
Investments in subsidiaries	8	1.732.392	1.512.591
Total non-current assets		1.768.561	1.529.686
Current assets			
Trade and other receivables		4.489	10.300
Prepayments		0	2.494
Income tax receivable	7	1.812	1.536
Total current assets		6.301	14.330
Total assets		1.774.862	1.544.016
Equity and liabilities			
Equity			
Share capital		600	600
Retained earnings and other reserves		1.435.246	1.284.807
Total equity		1.435.846	1.285.407
Liabilities			
Non-current liabilities			
Interest-bearing long term debt		1.303	297
Deferred tax liability		3.112	3.321
Total non-current liabilities		4.415	3.618
Current liabilities			
Other liabilities		10.713	4.516
Borrowings		254.189	111.754
Payables to affiliated companies		63.424	135.042
Trade and other payables		6.275	3.679
Total current liabilities		334.601	254.991
Total liabilities		339.016	258.609
Total equity and liabilities		1.774.862	1.544.016

Reference to off-balance sheet notes: Other disclosures 11

STATEMENT OF CASH FLOWS - PARENT

DKK'000	Note	2018	2017
Cash flow from operating activities			
Profit before tax		150.892	173.898
Changes in working capital	9	17.098	-1.205
Adjustments for non-cash items	10	-218.413	-171.464
Interest received		9.634	6.270
Interest paid		-7.135	-4.645
Corporation tax paid		1.536	-6.349
Net cash generated from operating activities		-46.388	-3.495
Cash flow from investing activities			
Acquisition of subsidiaries, net cash acquired		0	-62.331
Acquisition of assets recognised as property, plant and equipment		-3.542	-653
Acquisition of assets recognised as other intagible assets		-19.419	-10.755
Net cash generated from investing activities		-22.961	-73.739
Cash flow from financing activities			
Proceeds from loans		1.490	348
Repayment/Proceeds from payables to affiliated companies		-71.618	25.073
Capital injection		0	40.041
Net cash generated from financing activities		-70.128	65.462
Total cash flows		-139.477	-11.772
Cash and cash equivalents at 1 January		-111.703	-99.931
Net foreign currency gains or losses		-2.474	0
Cash and cash equivalents at 31 December		-253.654	-111.703

Cash and cash equivalents		
Cash and cash equivalents as at 31 December	0	0
Bank overdrafts	-253.654	-111.703
Net cash and cash equivalents as at 31 December	-253.654	-111.703

STATEMENT OF CHANGES IN EQUITY - PARENT

2018 DKK'000	Share capital	Revaluations reserve under the equity method	Foreign currency translation reserve	Retained earnings	Total
Equity at 1 January	600	594.352	-454	690.909	1.285.407
Profit for the period	0	0	0	153.067	153.067
Reserve for Net Revaluation according to Equity Method	0	0	0	0	0
Other comprehensive income:					
Foreign currency translation differences	0	0	-2.628	0	-2.628
Total other comprehensive income	0	0	-2.628	0	-2.628
Total transactions with owners of the Company and other equity transactions	0	0	0	0	0
Equity on 31 December	600	594.352	-3.082	843.976	1.435.846

2017 DKK'000	Share capital	Revaluations reserve under the equity method	Foreign currency translation reserve	Retained earnings	Total
Equity at 1 January	600	424.168	-454	655.968	1.080.282
Profit for the period	0	0	0	165.533	165.533
Reserve for Net Revaluation according to Equity Method	0	170.633	0	-170.633	0
Other comprehensive income:					0
Foreign currency translation differences	0	-449	0	0	-449
Total other comprehensive income	0	-449	0	0	-449
Transactions with owners of the Company and other equity transactions:					
Capital Injection	0	0	0	40.041	40.041
Total transactions with owners of the Company and other equity transactions	0	0	0	40.041	40.041
Equity on 31 December	600	594.352	-454	690.909	1.285.407

NOTES OVERVIEW

Notes to the Parent Company financial statements

Note 1 Summary of significant accounting policies

Basis of preparation

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

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

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

Investments in subsidiaries

The Company's investments in subsidiaries are accounted for using the equity-method.

Under the equity method, the investments in subsidiaries are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company’s share of net assets of the subsidiary since the acquisition date. Goodwill relating to the subsidiary is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Company’s share of the results of operations of the subsidiary. Any change in OCI of those investees is presented as part of the Company’s OCI. In addition, when there has been a change recognised directly in the equity of the subsidiary, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the subsidiaries are eliminated to the extent of the interest in the subsidiary.

The aggregate of the Company’s share of profit or loss of an subsidiary is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests of the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its subsidiaries. At each reporting date, the Company determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises the loss as ‘Share of profit of a subsidiary’ in the income statement.

Note 2 Staff costs

Staff costs

DKK'000	2018	2017
Wages and salaries	26.344	23.202
Defined contribution plans	2.029	1.629
Other social security costs	348	213
Other staff costs	17.931	12.195
Total	46.652	37.239
Average number of full-time employees	47	40

Reference is made to note 2.2 in the consolidated financial statements for overview of remuneration of executive management, board of directors and key management personnel.

Note 3 Reconciliation of EBITDA to normalised EBITDA (analysis of special items)

Reconciliation of EBITDA

DKK'000	2018	2017
Operating profit before depreciation and amortisation	-10.293	2.434
Special items		
Terminated people in connection with strategic change in organisation	382	0
Legal case in connection with violated rights	892	0
Costs in connection with the acquisition (sales/buy)	5.918	0
Other	236	0
Total special items	7.428	0
Operating profit before depreciation and amortisation (EBITDA) before special items	-2.865	2.434

Note 4 Special items

DKK'000	2018	2017
Terminated people in connection with strategic change in organisation	382	0
Legal case in connection with violated rights	892	0
Costs in connection with the acquisition (sales/buy)	5.918	0
Other	236	0
Total special items	7.428	0

Note 5 Finance costs

DKK'000	2018	2017
Interests paid to banks*	5.789	3.288
Exchange rate losses	3	1
Other financial cost	52	332
Interest receivable, group entities	1.291	1.024
Total financial costs	7.135	4.645

Note 6 Finance income

DKK'000	2018	2017
Interest received from banks*	9.627	6.270
Other financial income	7	0
Total financial income	9.634	6.270

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

Note 7 Income taxes

Current tax

DKK'000	2018	2017
Income tax	-1.812	-1.536
Movement in deferred tax	-209	2.255
Adjustment relating to previous years	-154	7.646
Income taxes in the income statement	-2.175	8.365
Profit before tax	150.892	173.898
Tax rate, Denmark	22,00%	22,00%
Tax at the applicable rate	33.196	38.258
Non-taxable income	-35.766	-37.540
Expenses not deductible for tax purposes	549	1
Adjustments relating to prior years	-154	7.646
Tax expense for the year	-2.175	8.365
Effective tax rate, %	-1,44%	4,81%

Deferred tax

DKK'000	2018	2017
Deferred tax at 1 January	3.364	-38
Recognised in profit or loss	-209	2.255
Adjustments relating to prior years	-43	1.147
Deferred tax at 31 December	3.112	3.364

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

	Deferred tax asset		Deferred tax liability	
DKK'000	2018	2017	2018	2017
Intangible assets	0	0	3.262	3.493
Tangible assets	0	0	-150	-172
Deferred tax	0	0	3.112	3.321

Corporation tax payable

DKK'000	2018	2017
Corporation tax payable at 1 January	-1.536	4
Adjustment of corporation tax at 1 January	0	6.345
Current tax including jointly taxed subsidiaries	-1.812	-1.536
Corporation tax paid during the year	1.536	-6.349
Corporation tax payable at 31 December	-1.812	-1.536

Note 8 Investments in subsidiaries

Investments in subsidiaries

DKK'000	2018	2017
Cost at 1 January	918.238	855.907
Additions	59.854	62.331
Cost at 31 December	978.092	918.238
Share of result at 1 January	594.353	424.168
Share of results	162.573	170.635
Other comprehensive income	-2.626	-450
Share of results at 31 December	754.300	594.353
Net book value	1.732.392	1.512.591

Reference is made to note 6.7 in the consolidated financial statements for overview of subsidiaries.

Note 9 Changes in working capital

DKK'000	2018	2017
Increase in trade and other receivables	8.305	-3.939
Increase in trade and other payables	8.793	2.734
Total	17.098	-1.205

Note 10 Adjustments for non-cash items

DKK'000	2018	2017
Depreciation of property, plant and equipment	3.887	796
Share of results in subsidiaries	-219.801	-170.635
Non-cash financial items	-2.499	-1.625
Other non-cash items	-218.413	-171.464

Note 11 Other disclosures

For the following disclosures reference is made to the consolidated financial statements:

- Guarantee commitments and contingent liabilities (note 3.3)
- Intangible assets (note 4.1)
- Equity (note 5.1)
- Borrowings and non-current liabilities (note 5.2)
- Related parties (note 6.4)
- Events after the balance sheet date (note 6.6)

Statement by the Board of Directors and the Executive Board

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

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

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

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

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

Horsens, 31 May 2019

Executive Board:

Steffen Martin Baungaard
CEO

Board of Directors:

Michael Toxværd Hansen Chairman	Martin Ravn-Nielsen	Steffen Martin Baungaard

Morten Chrone

Independent auditor's report

To the shareholders of HusCompagniet A/S

Opinion

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

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

Basis for opinion

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

Independence

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Independent auditor's report

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Copenhagen, 31 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
MNE no.: mne21332

Thomas Bruun Kofoed
State Authorised
Public Accountant
mne28677