HusCompagniet

Diego HC TopCo A/S

2019

Annual Report

Modern Contemporary
200 m²

Content

Management's review

Financial statements

At a glance

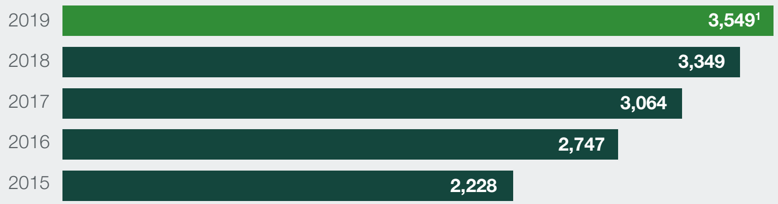
HusCompagniet
a leading Nordic single-family housebuilder

Over time we have built more than **22,000** houses

Revenue in 2019

3,549[1] **+14.7%** ↑

DKK ml



482

employees (end-2019)

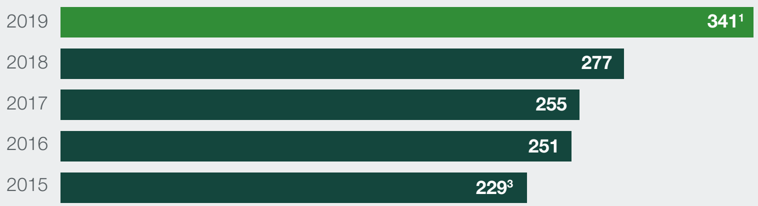
1,696

houses built in 2019

EBITDA before special items in 2019

341[1] **+8.5%**[2] ↑

DKK ml



Sustainability in 2019

48%

ratio of houses sold in 2019 with sustainable energy sources

70%

2030 reduction target in CO_2 emissions from building materials through the lifecycle of a house compared to 2019

[1] Excluding German and Swedish brick house activities
[2] Growth rate in EBITDA before special items is effected by implementation of IFRS 16
[3] In 2015, Diego HC TopCo A/S acquired HusCompagniet A/S. Accordingly, the comparative key figures only cover the period before HusCompagniet A/S was under the control of Diego HC TopCo A/S

Letter from Management

2019 - another strong year in the history of HusCompagniet

While 2019 was a year of record-high, profitable turnover, building and hand-over of houses to almost 1,700 families, it was also a year marked by big strategic decisions and concrete initiatives to prepare for the future growth of our business.

Tore Thorstensen
Chairman

Martin Ravn-Nielsen
Group CEO

In Denmark, we further strengthen our leading market position in 2019, building around 1,400 houses. This is an increase of 4.5% from 2018. To build on our market position, and as a consequence of an increased interest in and demand for semi-detached houses for rental purposes from mainly institutional investors, we have invested in developing the concept and building an organization to exploit this exciting potential. We expect to be able to see early results of this in 2021.

In the fall of 2019, we entered into an agreement to acquire Eurodan-huse. The acquisition is subject to approvals from the competition authorities in Denmark.

Following our 2017 acquisition of VårgårdaHus in Sweden, we have applied HusCompagniet's customer-centric concept with Vårgårdahus' pre-fabricated and popular product assortment of wooden houses as a supplement to the traditional agent distribution model. This gives us flexibility on our facade type offering and ability to more easily scale the business. As a consequence, we decided to close down our brick house activities in Southern Sweden.

To further focus our efforts and resources on the profitable growth opportunities in Denmark and Sweden, we have also decided to close down our operations in Germany.

All in all, 2019 ended with reported revenues of DKK 3,759 million, a 12% increase from 2018, and reported EBITDA before special items ended of DKK 270 million. Looking at the business excluding the German and Swedish brick house activities, which is the future HusCompagniet, revenues grew 14.7% to DKK 3,549 million in 2019, while EBITDA before special items rose 8.5% to DKK 341 million (positively impacted by IFRS 16 by DKK 21 million).

14.7%

increase in revenues to DKK 3,549 million in 2019, excluding German and Swedish brick house activities

8.5%

increase in EBITDA before special items to DKK 341 million in 2019, excluding German and Swedish brick house activities

This is especially the result of a strong performance in Denmark, somewhat offset by a less favourable development in Sweden, where the market in 2019 was impacted by credit restrictions introduced by the Swedish authorities in 2018. The close down of the operations in Germany and parts of the Swedish business resulted in total write-off and close-down costs of DKK 118.8 million.

The results are a testimony to our customer centric DNA, and an endorsement of our business model of designing, selling and building high-quality single-family houses at fixed prices and delivered on time, combined with a relentless focus on customer satisfaction throughout the whole process. We are proud to say that this approach has earned us a very high customer satisfaction, measured on many parameters like for instance the highest Trustpilot score in the industry.

Digitalisation of HusCompagniet also continued at full speed in 2019. We have further optimized the entire building process from the early dialogue with the customer, over the construction phase to the final handing over of the key to the customer. We have strengthened the internal it-infrastructure by implementing a new ERP system, and further rolled-out the use of online solutions to optimise communication and coordination between all professionals during the construction phase, and to improve project and budget management on all individual building sites.

This comes on top of our customer-facing digital tools, such as our website and our presence on Instagram and Facebook, where we have seen a huge increase in the number of visits and followers, a development which has continued into 2020.

It is rewarding to see that our persistent focus on digitalisation leads to increased efficiency and contributes to continued high customer satisfaction.

In 2019, we stepped up on the green agenda, intensifying our efforts to integrate sustainability throughout our business and the lifecycle of our houses. As a leading houseprovider in the Nordics, we see it as our responsibility to contribute to sustainability within our industry - from sourcing building materials, to construction, energy efficient houses and recycling of materials at the end of a house's life. In this annual report you can read about our commitment to sustainability and concrete initiatives and targets.

Performance excluding German and Swedish brick house activities was very strong in 2019. Revenue grew by 14.7%, EBITDA before special items grew by 8.5%

Our people is the foundation for HusCompagniet's continued success and growth. We work continuously to develop our almost 500 employees to have an in-depth market understanding to deliver the best experience for our customers, and the 2019 result is due to the hard and dedicated work of our highly engaged employees and their collaboration with skilled sub-contractors and material suppliers.

By the time of publishing this annual report, the spread of the Corona-virus had closed down big parts of many countries, including Denmark and Sweden, for several weeks. This has led to significant uncertainty about both short and long-term impact on economies, including the development of the housing market. Despite this uncertainty and short-term lack of transparency, we are confident that HusCompagniet will benefit from our solid financial profile and resilient business model with growth rates above market growth, a strong cash conversion and industry-leading return on capital employed.

Tore Thorstensen
Chairman of the Board of Directors

Martin Ravn-Nielsen
Group CEO

Classic Contemporary

Classic Contemporary
181 m^2

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 with a significant overhang, protecting the brick walls, doors and windows. Typically, the roof tiles are 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.

Over time HusCompagniet has built more than **22,000** houses, and our architects have assembled the best of all these in our five core architectural styles which are all presented in this annual report:

Classic Contemporary
Modern Contemporary
Patrician
Cottage Style
Functionalism

Our Business

HusCompagniet is a leading Nordic single-family house-builder with roots going back more than 40 years. Based on a range of standardised house types, we offer a wealth of customisation options, allowing customers to fulfill their dreams of a new house.

HusCompagniet is a clear market leader in Denmark, which accounts for around 90% of the Group's total revenues. In Sweden, which accounts for most of the remaining part of total revenues, we are operating under the brand of VårgårdaHus and HusCompagniet in South Sweden.

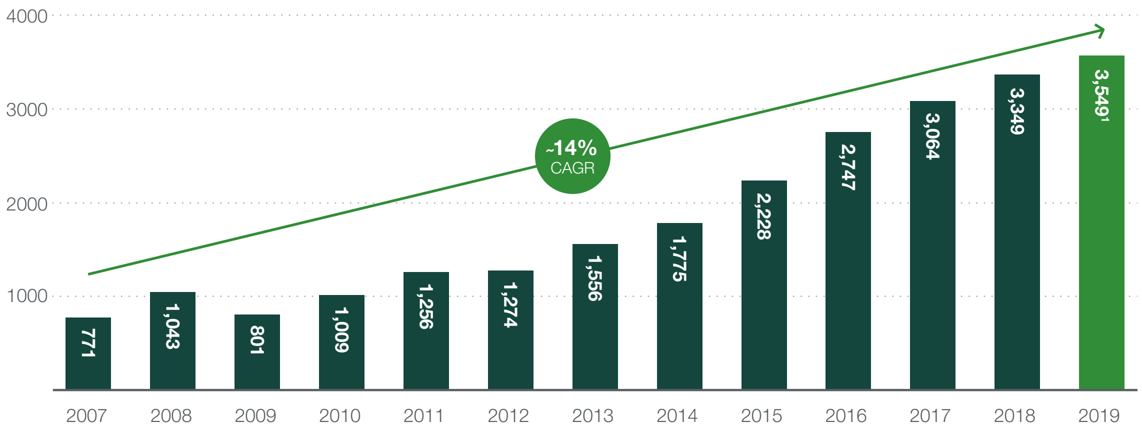
HusCompagniet's leading market position is built on constant innovation and a relentless focus on customer satisfaction through end-to-end, customised turnkey solutions based on a fixed price, payment at delivery and not least delivery of the house on time.

Since the foundation of the company that later became HusCompagniet, we have built more than 22,000 houses – all different and customized to each family's needs and dreams.

In late 2019, HusCompagniet signed the acquisition of Danish peer Eurodan-huse. The acquisition is subject to pending customary approvals from the authorities. The plan is to continue to operate with both brands separately.

HusCompagniet was founded in 2007 through a merger of house-builders FM-Søkjær and Interbyg. Shortly after, HusCompagniet was a pioneer in introducing the payment-at-delivery concept in the Danish house building market as part of our customer satisfaction focus.

Revenue (DKKm)



[1] Excluding German and Swedish brick house activities

Classic Contemporary
154 m²

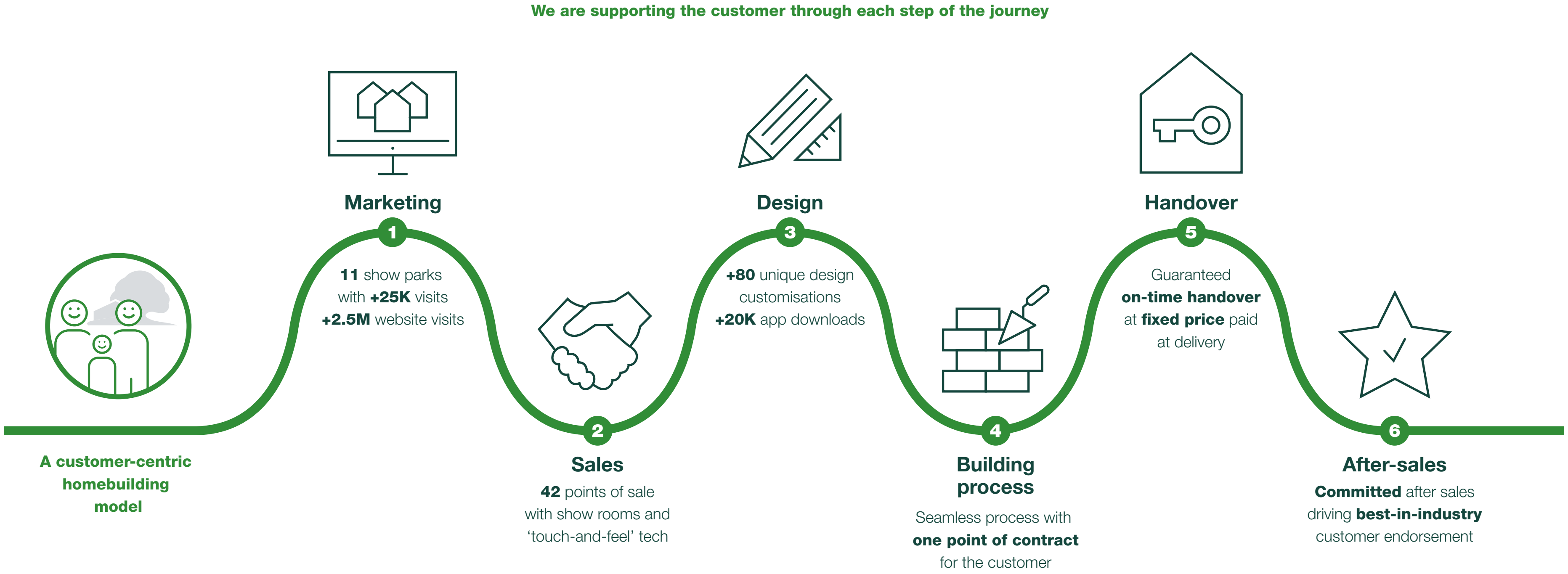
Customer satisfaction above all

Customers normally first meet us in one of our showrooms or show parks, which typically have four different show houses at display. Customers can then start to design their dream house in our app or other digital tools. At this time, customers will be assigned a salesperson who will guide them through all the customisation options, including type and size of house, exterior colour and materials, interior design and materials. The salesperson will act as their one point of contact through the entire building process to the hand-over of the key.

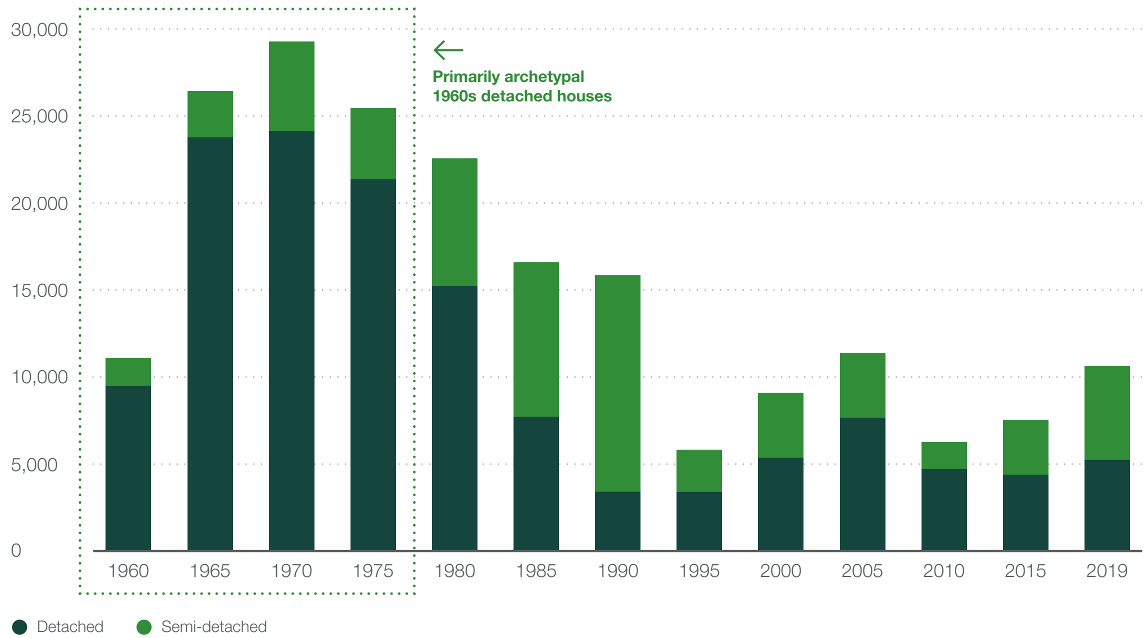
HusCompagniet controls all the stages of the building process, but almost all the construction work is sub-contracted. After the 17-21 weeks it normally takes to complete a house, HusCompagniet can hand over the house at the agreed date, and we are proud to say that we have a very high on-time delivery rate. Only upon delivery of the key, the agreed fixed price is due for payment. Finally, our follow-up services ensure that any flaws or oversights are addressed accordingly.

We believe our focus on customer satisfaction - from displaying houses through showrooms and digital tools to sale, design and selections, and further on through construction to hand-over of the house and follow-up services - is key to the solid growth, we have achieved over the last decade. We firmly believe that this customer-centric approach drives new leads through referrals from satisfied customers, who act as brand ambassadors.

Business model



Number of detached and semi-detached houses constructed in Denmark (1960-2019)



Markets and growth opportunities

HusCompagniet's core market focus is new-build, single-family detached houses - the most stable segment of the housebuilding market. The current number of new-build detached houses in Denmark is well below long-term historical levels, including the building boom in the 1960s and 1970s, during which more than 400,000 single-family detached houses were built. This huge stock of time-worn houses, significantly bigger than the current market for new-builds, represents a significant growth opportunity due to favourable economics in tearing down an old house and replacing it with a new-build low-energy house in stead of renovating the old house. Around 20% of HusCompagniet houses built in 2019 were rebuilds of old houses.

HusCompagniet is also active in the semi-detached house market. In total, the number of new-build detached and semi-detached houses has grown annually by around 6% on average in the period 2010-2019.

Geographically, Denmark is our core market accounting for around 90% of total revenue. Albeit being a market leader with an estimated share of around 13% of the combined detached and semi-detached market, we see room for growth through product differentiation, increased focus on semi-detached houses and B2B activities such as projects with semi-detached houses for rental purposes aimed at both private and institutional investors.

In Denmark, we have 15 offices with showrooms and 11 show parks with show houses at display.

In Sweden, we have complemented our traditional brick house portfolio with high-quality wood-houses, which is the typical house type in Sweden, through the acquisition of VårgårdaHus in 2017. We believe that introducing our customer-centric focus, including fixed prices, payment at delivery and a fixed delivery date offers growth opportunities in the fragmented Swedish market.

In total, the number of new-build detached and semi-detached houses in Sweden in the period 2010-2019 has been significantly higher than in Denmark. Following strong growth in the period 2014-2018, the market slowed down due to tightened credit restrictions introduced by the government taking effect in 2018. From 2010 to 2019 the market grew annually by around 2% on average.

The current number of new-build detached house in Denmark is well below long-term historical levels, including the building boom in the 1960s and 1970s, during which more than 400,000 single-family detached houses were built.

In Sweden, we have our production facility near Gothenburg, 4 show houses and 23 agent offices.

As a consequence of increased focus on growth opportunities in Denmark and Sweden, we have decided to close down our operations in Germany. However, in the longer term, we still view the German market as an interesting opportunity.

Asset-light business model

In addition to our relentless focus on customer satisfaction, HusCompagniet benefits from a so-called 'asset-light' business model. While we retain control over all critical decisions in the building process, the actual construction work is carried out by sub-contractors, meaning that we do not own building machinery and have a more flexible workforce. This allows us to reduce our fixed costs and to scale the business upwards and downwards with relative ease and we are thus less exposed to cyclicality and house prices. Our standardised house concept furthermore facilitates efficiency in the building process, and the high volume of houses we build each year secures us good terms with suppliers of building materials and sub-contractors.

In 2019, own-land projects accounted for around 20% of our total revenues.

Most of our houses are build on land owned by the customers, but we also do so-called own-land projects, when the opportunities for buying and developing the right land plots arise. In 2019, own-land projects accounted for around 20% of our total revenues.

We have decided to enter the BTB market leveraging our expertise from own land projects and building semi-detached house projects. Furthermore, our supply chain is in place to deliver to the BTB market, including both in-house architects, construction management and our network of suppliers and subcontractors across Denmark. We have had a good start with a couple of contracts signed in early 2020.

The building process

All of our houses are built by sub-contractors, and to ensure our high expectations of quality are met by our suppliers and sub-contractors, the construction phase is managed carefully by our very experienced construction managers. We are highly selective in our choice of suppliers in order to ensure the highest quality. As we carefully embrace responsibility for the health and safety of our employees, we are also very focused on the health and safety of our sub-contractors on our building sites. We have a Code of Conduct that describes our standards for safety and working conditions on the building site, which all sub-contractors are required to sign.

Increased use of digital solutions is optimising the building process and leads to improved efficiency. Our average single-family house building time is among the shortest in the market.

Consolidated key figures

(DKKm)	2019	2018	2017	2016	2015[1]	2015[2]
Income statement						
Revenue	3,759	3,349	3,064	2,747	892	2,228
Gross profit	710	712	594	529	168	448
Operating profit before depreciation and amortisation (EBITDA) before special items	270	277	255	251	87	229
Operating profit before depreciation and amortisation (EBITDA) after special items	134	193	244	211	70	199
Operating profit (EBIT) before special items	223	258	226	203	57	225
Operating profit (EBIT)	87	173	216	163	40	194
Financial income	-59	-47	-56	-46	-17	0
Profit for the year	0	90	111	85	15	149
Financial position at 31 December						
Total assets	4,528	4,124	3,899	3,134	2,837	1,121
Equity	1,777	1,777	1,688	1,533	1,451	663
Cash flow						
Cash flow from operating activities	134	175	21	20	193	70
Cash flow from investing activities	-43	-38	-265	-22	-2,348	-14
- Hereof from investment in property, plant and equipment	-43	-44	-39	-22	-11	-14
Cash flow from financing activities	-115	-93	178	-35	2,336	-4
Free cash flow	91	137	-244	-2	-2,155	56
Key figures						
Revenue growth	12%	9%	12%	23%	N/A	26%
Gross margin	19%	21%	19%	19%	19%	20%
EBITDA margin before special items	7%	8%	8%	9%	10%	10%
EBITDA margin after special items	4%	6%	8%	8%	8%	8%
Earnings Per Share (EPS Basic), DKK[3]	16	6,130	7,579	5,773	1,021	10,144
Diluted Earnings Per Share (EPS-D), DKK[3]	16	6,130	7,579	5,773	1,021	10,144
ROCE	3%	8%	8%	7%	N/A	19%
Average number of employees	482	504	468	317	260	260

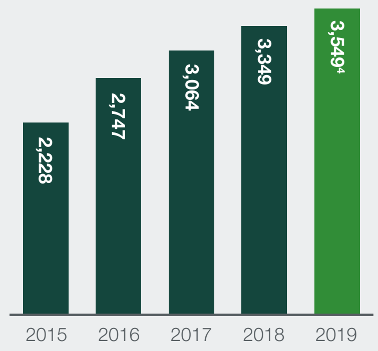
The key figures for the years 2015-2017 have not been adjusted following the implementations of IFRS 9 and IFRS 15 at 1 January 2018. Furthermore, the key figures for the years 2015-2018 have not been adjusted following the implementation of IFRS 16 at 1 January 2019.

[1] 4 months

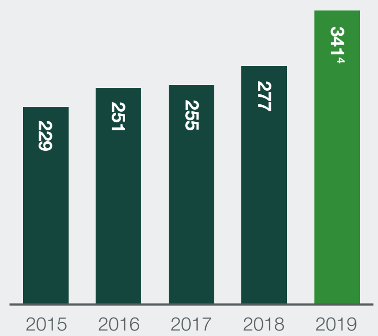
[2] In 2015, Diego HC TopCo A/S acquired HusCompagniet A/S. Accordingly, the comparative key figures only cover the period before HusCompagniet A/S was under the control of Diego HC TopCo A/S

[3] Earnings per share, basic and diluted is calculated in accordance with IAS 33. Other key figures are calculated in accordance with the key definitions in Section 6.9

Revenue (DKKm)



EBITDA before special items (DKKm)



[4] Excluding German and Swedish brick house activities

Functionalism
200 m²

Functionalism

Both classic and modern at the same time - 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.

Business review

Revenue

In 2019, HusCompagniet reported a total revenue of DKK 3,758.9 million, up 12.2 % from DKK 3,349.2 million in 2018. The increase is mainly due to an increase in the number of delivered houses to a total of 1,696 houses and an increase in revenue per house. This is in line with the expectations stated in the 2018 annual report.

In Denmark, revenue rose 16.3% to DKK 3,342.8 million from DKK 2,875.4 million in 2018. The number of houses delivered was 1,400, up 4.5% from 1,340 houses in 2018. In 2019, Denmark accounted for 89% of total revenue. The strong performance in Denmark was offset by a less favourable development in Sweden, where the market in 2019 was impacted by credit restrictions introduced by the Swedish authorities in 2018. In Sweden, the revenue was DKK 315.9 million in 2019, slightly down from DKK 338.8 million in 2018. The number of houses delivered in Sweden was 233 compared to 255 in 2018. Sweden accounted for around 8% of total revenue. In Germany, reported revenue was DKK 100.2 million against DKK 135.0 million in 2018. The number of houses delivered in Germany was 63 compared to 86 in 2018.

Revenue in the continuing business in Denmark and Sweden in 2019 grew 14.7% to DKK 3,549 million from DKK 3,094.9 million in 2018.

EBITDA before special items

In 2019, reported EBITDA before special items was DKK 270.4 million compared with DKK 277.4 million in 2018. This corresponds to an EBITDA margin before special items of 7.2%. The change in EBITDA before special items was mainly due to an increase in other external expenses caused by increased focus on digitalisation of the business, and the implementation of IFRS 16.

In the business excluding the German and Swedish brick house activities, EBITDA before special items grew by 8.5% to DKK 341 million from DKK 314.2 million in 2018. This corresponds to an EBITDA margin before special items of 9.8%, compared to 10.1% in 2018.

Special items

Special items amounted to DKK 136.6 million in 2019, up from DKK 84.6 million in 2018, mainly impacted by impairment of goodwill and costs related to the close down of activities in Germany and Sweden of DKK 118.8 million.

Profit for the year

Profit for the year was DKK 0.2 million in 2019 compared with DKK 90.0 million in 2018. The lower profit for the year is mainly due to special items as well as impairment loss and shut down costs related to the activities in Germany and the Swedish brick houses of DKK 118.8 million. However, implementation of IFRS 16 had a minor effect on profit for the year, with positive effect on EBITDA (DKK 21 million), and negative effect on depreciation and amortization (DKK 23 million) and financial expenses (DKK 5 million) compared to 2018.

Cash flow

Net cash generated from operating activities was DKK 134.4 million compared with DKK 174.7 million in 2018.

(DKK'000)	Revenue	EBITDA
Consolidated financial statement	3,759	270
Germany	-100	38
Swedish brick house activities	-110	33
Consolidated finansiel statement excl. Germany and Swedish brick house activities	**3,549**	**341**

Continuing business in Denmark and Sweden has realized a cash conversion above 60% before financing and tax.

↑

We have decided to focus efforts and resources on profitable growth opportunities in Denmark and Sweden. Excluding German and Swedish brick house activities, performance in 2019 was very strong

Events after the balance sheet date

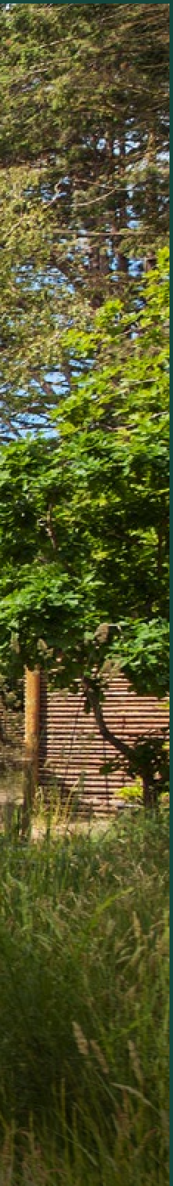
In March 2020, the Danish government and authorities introduced measures to reduce the spread of the Corona-virus, including lock-down of many parts of the society. In Sweden, measures to reduce the spread of the virus were also taken. By the time of the release of this annual report, widespread measures and restrictions were still in effect.

In March 2020 as a response to the uncertainty and reduced activity due to the restrictions introduced by the authorities, we reduced the workforce by 25 employees.

Outlook

Prior to the outbreak of the Corona-virus, growth in our businesses in Denmark and Sweden was expected to continue in 2020. The measures taken to reduce the spread of the virus are expected to have a negative impact on GDP in both Denmark and Sweden and may also have a negative impact on HusCompagniet's markets.

Sustainability



Modern Contemporary
170-200 m²

Our sustainability journey

In 2019, we embarked on a journey to put sustainability at the top of the agenda, and make it a systematic focus of our business. We intensified our efforts to integrate sustainability throughout the value chain, from the way we think about building materials, to our product offerings, and through the use phase of our house after we hand over the keys to our customers. To track progress, we also scaled up reporting on our sustainability ambitions and performance.

For HusCompagniet, sustainability is a leadership agenda, with ownership anchored with Business Development, the Executive Management team, and ultimately the Board of Directors. This is important for us because sustainability is an overarching and important guiding lens for business development and risk management. We work to systematically integrate it in the way that we govern our organisation going forward.

It is also clear that environmental threats, such as climate change, and social issues like safety and diversity, are moving to the top of the agenda for our customers, investors, and society at large. We see it as our responsibility, as well as our opportunity, to anticipate and respond to the changing demands of our customers and of society. As one of the largest house providers in the Nordics, we have a unique position to contribute to sustainability within our industry and our value chain. We can do so by engaging with our industry and suppliers, catalysing innovation that reduces CO_2 emissions throughout the lifecycle of our products, and presenting alternative offerings to our customers.

Executive engagement on the sustainability agenda is high. Our lean structure and culture also lends itself to efficient decisions, actions, and results. Nonetheless, we recognise that sustainability must be anchored throughout the organisation, with strong governance in place. In 2020, HusCompagniet will continue to communicate, reinforce awareness, and anchor ownership of sustainability initiatives with employees, business partners, and customers.

In 2019, HusCompagniet took steps to prioritise sustainability focus areas, set targets, and began to collect relevant and reliable data in order to track progress over time.

As we strengthen our sustainability focus, we believe it is important to take an outset in the lifecycle of our core product: single-family homes. From sourcing building materials, to construction, and our customers' use of energy in their house, and even at the end of a house's life, there are a number of ways HusCompagniet can impact sustainability throughout the lifecycle.

In 2019, HusCompagniet took steps to prioritise sustainability focus areas, set targets, and began to collect relevant and reliable data in order to track progress over time.

In 2020, we will become a signatory to the UN Global Compact, reinforcing our commitment to the ten principles of human rights, labour rights, anti-corruption, and the environment, that serve as the foundation of our work with sustainability.

→

(On next page): presents an overview of HusCompagniet's sustainability focus areas, baselines, ambitions, and targets

Our ambitions and targets

	Ambitions	Baseline	Target 2020	Target 2025	Target 2030	Related SDGs
Climate	**1 Climate: building materials**	• 5.8kg CO_2e per m^2 per year from building materials through the lifecycle of a house[1] • 4.0kg CO_2e per m^2 per year from the production of building materials[2]	• Launch climate-friendly house concept • Engage with suppliers to reduce CO_2 emissions from building materials	• 35% reduction in upstream CO_2 emissions from building materials, compared to 2019 (2.6kg CO_2e per m^2 per year)	• 70% reduction in CO_2 emissions from building materials through the lifecycle of a house compared to 2019 (1.7kg CO_2 per m^2 per year)	Target 9.4
Climate	**2 Climate: own emissions**	• 878 tonnes scope 1 CO_2 emissions (owned and leased company vehicles)[3] • 1,536 tonnes scope 2 CO_2 emissions (purchased electricity and heating)[4]	• Initiate testing of electric company cars and prepare electric vehicle infrastructure at offices • Commit to the Climate Group's EV100 initiative (full electrification of vehicle fleet)	• Zero scope 1 emissions through 100% electric owned and leased vehicle fleet (current entities including Eurodan)	• Carbon neutral scope 1 and 2 emissions from operations[5]	Target 13.3
Climate	**3 Climate: customer use phase**	• 48% of houses ordered with one or more on-site renewable energy technologies	• Review assortment of renewable energy solutions • Consider expansion of solutions • Educate sales force	• 60% of houses ordered with renewable energy sources	• Monitor the transition of the grid to more renewable sources • Assess and set new targets accordingly	Target 7.1
People	**4 Employee well-being**	• 2.3% sick leave	• Reduce sick leave to 2% • Establish baseline for employee satisfaction	• Reduce sick leave to 2%	• Reduce sick leave to 2%	Target 8.5
People	**5 Diversity and inclusion**	• One female out of seven total members on the Board of Directors • 20% women in management	• Two female out of seven total members on the Board of Directors • 20% women in management	• Two female out of seven total members on the Board of Directors • 25% women in management	• Two female out of seven total members on the Board of Directors • 30% women in management	Target 5.5, Target 10.3
People	**6 Health and safety**	• LTIf of 15.2 for own blue and white collar • LTIf of 10.7 for subcontractors	• Implement safety reporting system for subcontractors • Identity top safety issues and educate construction managers in performing onsite safety checks	• Reduce LTIf by 30% compared to 2019	• Reduce LTIf by 50% compared to 2019	Target 8.3, 8.5
Responsible business	**7 Responsible business**	• Employee Guidelines for Values and Ethics • Standards of Business Conduct	• Review and update guidelines and Codes of Conduct based on best practice standards, Increase awareness of guidelines, Codes of Conduct and whistle-blower system among employees, subcontractors and suppliers			Target 16.5
Responsible business	**8 Sustainable sourcing**	• Supplier Code of Conduct • Whistle-blower system	• Ensure all suppliers and subcontractors have signed the updated code of conduct • Consider control measures on social dumping			Target 12.6
Responsible business	**9 Labour rights and human rights**	• Employee Guidelines for Values and Ethics • Standards of Business Conduct	• Review and update guidelines and Codes of Conduct based on best practice standards, Increase awareness of guidelines, Codes of Conduct and whistle-blower system among employees, subcontractors and suppliers			Target 8.7, 8.8, Target 10.3

[1] Includes emissions from building materials throughout the lifecycle of a HusCompagniet archetype house, (example) from raw materials (A1), transport to production site (A2), manufacturing (A3), replacement (B4), transport to end of life (C3), and disposal (C4). Phases refer to DGNB Based on LCA Byg.
[2] Includes upstream emissions from building materials, from raw materials (A1), transport to production site (A2), and manufacturing (A3). Phases refer to DGNB Based on LCA of a HusCompagniet archetype house
[3] Equivalent to 0.07 kg CO_2e emissions per m^2 per year
[4] Equivalent to 0.13 kg CO_2e emissions per m^2 per year
[5] Of owned entities in 2025

Functionalism
170-200 m²

The Sustainable Development Goals & materiality

The UN Sustainable Development Goals (SDGs) are a representation of global stakeholder sustainability priorities. HusCompagniet has used the SDGs as the starting point to inform the prioritisation of our material sustainability topics. Using this framework, we focus on areas where we can have positive impact on the SDGs. At the same time, we acknowledge that the nature of our and other commercial activities is that there is the risk of negative impact, which we have a responsibility to mitigate and minimise. In our ambitions and targets on page 16, we have mapped our focus areas to the lifecycle of a house, highlighting the connection of each to the SDGs at the target level.

Nine sustainability focus areas were identified through a process of drawing on the expertise of internal stakeholders and external experts, against the backdrop of the SDGs.

As a house provider, one of the key impacts that HusCompagniet has is on the environment. Climate change is an urgent global threat, and how we respond now will determine the trajectory of warming for generations. For this reason, climate change is one of our most material topics, which we address across the lifecycle of a house. For HusCompagniet, climate change presents opportunities to bring new, climate-friendly house concepts and alternative energy technologies to our customers. It also presents risks that we must mitigate, starting with reducing our own CO_2 emissions. In addition to carbon emissions, water and waste are considered to be among material impacts that businesses have on the environment. HusCompagniet's current influence on waste at the end of the lifecycle of a house is in the selection of materials, that are, for example, more easily recycled. It has been assessed that water is not a natural resource that is used in large volumes during construction, and was thus deselected.

Material social topics for HusCompagniet include employee well-being, diversity and inclusion, and health and safety. These elements are core to the long-term success of our business and our values as a company.

Working against corruption, and in support of human rights and labour rights, is part of HusCompagniet and any company's license to operate. We have highlighted this in our sustainability ambitions. Particularly with our asset-light business model, it is our responsibility to uphold these standards with our subcontractors and suppliers. These are material issues that we will need to further explore, in order to understand our influence and responsibility in the value chain.

Last but not least, our customers are at the centre of everything that we do. Tapping into changing demands for more sustainable products, we will involve our customers in defining the solutions that will play a small part in solving global sustainability challenges.

→

(On next page):
We have mapped our focus areas to the lifecycle of a house, highlighting the connection of each to the SDGs at the target level

The SDGs and the lifecycle of a HusCompagniet house

Reuse, Recycle and Recovery

Landfill

Production of materials

The product stage of building materials includes the raw material supply, transport, and manufacturing of building materials to reduce the environmental impact of production. We can influence this phase of the house's lifecycle through our offerings to customers, and by working with our suppliers to reduce the environmental impact of production.

House construction

The house construction phase includes transport to the site, construction of the house, and HusCompagniet's operations. We have the most direct influence over our own operations and this phase.

Living in the house

After a house is delivered to our customers, the use phase consists of maintenance, repair, replacement, refurbishment, and operational energy and water use. HusCompagniet's influence on the use is driven by the on-site energy solution and the house design.

End of life / Demolition

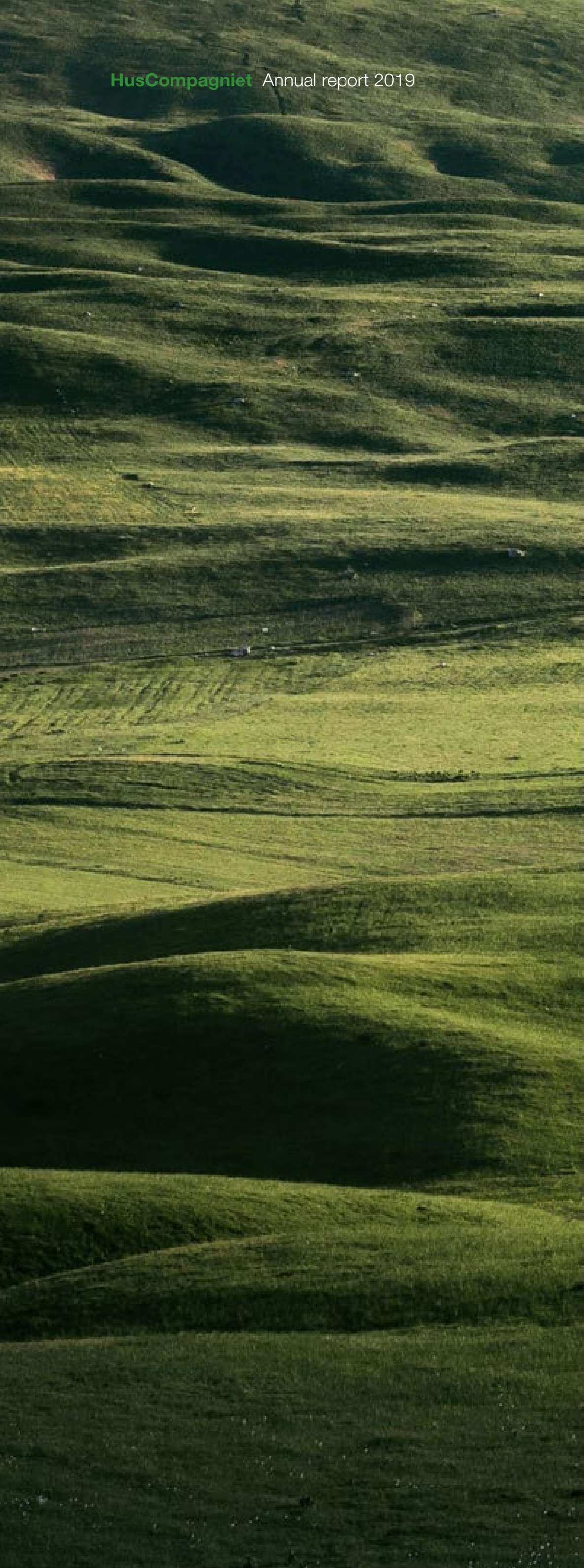
The end of life of a house involves demolition, including transport and processing of materials for recycling, reuse, recovery, or disposal. While the furthest from our influence, HusCompagniet's main contribution to this phase is through the selection of materials, that are, for example, more readily recycled or reused. We additionally partner with demolition companies that have higher rates of recycling and reuse of building materials.

	Production of materials	House construction	Living in the house	End of life / Demolition
Main SDG's targeted for direct positive impact	1: SDG 9 Industry, innovation and infrastructure – Target 9.4	2: SDG 13 Climate action – Target 13.3	3: SDG 7 Affordable and clean energy – Target 7.1	
SDG's monitored and influenced for positive development	7: SDG 16 Peace, justice and strong institutions – Target 16.5; 8: SDG 12 Responsible consumption and production – Target 12.6; 9: SDG 8 Decent work and economic growth – Target 8.7, 8.8; 9: SDG 10 Reduced inequalities – Target 10.3	4: SDG 8 Decent work and economic growth – Target 8.5; 5: SDG 5 Gender equality – Target 5.5; 5: SDG 10 Reduced inequalities – Target 10.3; 6: SDG 8 Decent work and economic growth – Target 8.3, 8.5		

Modern Contemporary
178 m²

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 exterior focuses on large surfaces with striking windows, and architectural effects alongside materials such as zinc and wood.



Climate change

Target 7.1

Target 9.4

Target 13.3

Climate change is one of the defining global challenges of our time. Its impacts are wide-ranging, from physical events such as flooding, extreme weather events, and water and heat stress, to movements of populations, resulting from climate-related displacement, all of which have implications for business in the future.

The construction sector is one of Europe's largest CO_2[1] contributors, accounting for approximately 36% of CO_2 emissions in the EU[2]. At the same time, infrastructure and housing contribute to achieving the Sustainable Development Goals[3]. In line with the Paris Agreement, the EU's long-term strategy to be climate-neutral by 2050 includes buildings as one of the main sectors that can play a substantial role in carbon reductions. Two building blocks that contribute to achieving the long-term climate strategy are energy efficiency and resource and material efficiency, in the form of sustainable buildings[4].

As shown in our ambitions and targets on page 16, HusCompagniet touches a number of phases in the lifecycle of a house, from materials selection upstream, to emissions from our own operations, and energy efficiency during the use phase downstream. For these reasons, we have chosen, as part of our sustainability journey, to have a special focus on climate change, taking the full lifecycle perspective.

The Task Force on Climate-related Financial Disclosures

The FSB Task Force on Climate-related Financial Disclosures (TCFD) is developing voluntary, consistent climate-related financial risk disclosures to provide information to investors, lenders, insurers, and other stakeholders. HusCompagniet supports the Task Force on Climate-related Financial Disclosures (TCFD), and has developed disclosures based on the Task Force's recommendations, which are presented on page 29.

[1] Danish Technological Institute
[2] The European Commission
[3] International Centre for Trade and Sustainable Development
[4] The European Commission

Highlights of our climate targets

Carbon neutral

from heat and electricity of own operations by 2030[1]

[1] from entities owned five years prior, in 2025

70%

reduction in building materials of a house CO_2 emissions by 2030, compared to 2019 baseline

60%

of houses ordered include renewable energy sources by 2025

Zero

emissions from company vehicles, owned and leased by HusCompagniet by 2025 & Commitment to the EV100 initiative

Carbon emissions: the lifecycle perspective

When assessing climate impact and CO_2 emissions, it is important to take a view of the entire value chain of a house, and the upstream and downstream scope 3 emissions. The lifecycle of a house starts with CO_2 from the extraction of the raw materials and production of building materials, followed by emissions from the house construction phase. It continues with energy consumption while the customer is living in the house, and finally reaches the end of life, during which the house is demolished, and materials are reused, recycled, or disposed.

To illustrate the lifetime carbon emissions of a house, we have calculated the full lifetime carbon emissions of an archetype house (scopes 1, 2 and 3), based on a standard single floor house, our most sold house, accounting for about 80% of our sales. The CO_2 emissions per phase of the lifecycle provides an indication of the impact in each phase. The percentage of CO_2 emissions changes, depending on the type of heating used. We use the standard definition for the lifecycle of a house of 50 years.

The emissions under HusCompagniet's direct control, are scope 1 and 2 emissions from our own operations, where we have the most control, and where we have set the most ambitious targets. However, a majority of the CO_2 emissions across the lifecycle of a house occurs in other phases, in the form of upstream and downstream scope 3 emissions, where HusCompagniet has an influence, but not direct control. Our role in these phases is more complex, and requires engagement with our suppliers upstream and our customers downstream. As a large player in our sector, we see potential in leveraging our centralised purchasing and product development efforts for emissions reductions across the value chain.

In the short- and medium-term, our focus will be upstream and in the use phase, where we can engage with our suppliers to reduce scope 3 emissions from the production of building materials, and with our customers, offering houses built with less carbon-intensive materials and on-site alternative energy technologies. In the longer term, we will further focus on end of life, starting with materials selection, shifting towards more readily recycled and reused materials, thereby reducing future downstream scope 3 emissions. Additionally, we plan to focus on waste reduction and management on construction sites.

→

(On next page):
The lifecycle emissions of the archetype house, and HusCompagniet's potential influence, targets, and actions within in each phase

HusCompagniet's archetype house - carbon emissions across the lifecycle of the house[1]

(lifecycle CO_2 equivalent emissions in $kgCO_2eq/m^2/year$)

Production of materials

We can influence carbon emissions in this phase by working with our suppliers to reduce emissions from building materials.

House contruction

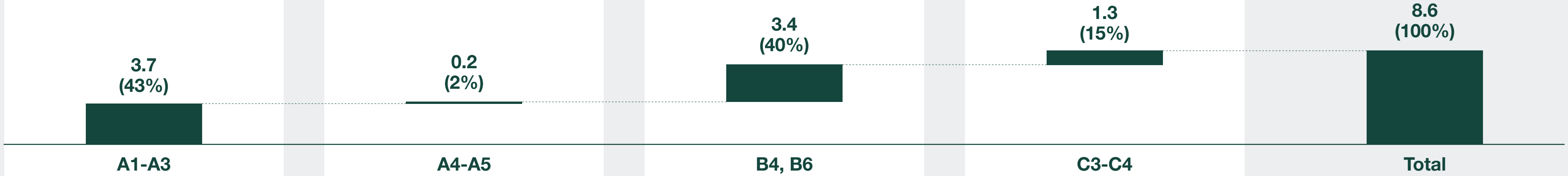
We have direct influence over the emissions of our own operations, and thus have the most ambitious reductions targets in this phase of the lifecycle.

Living in the house

Our influence on the emissions in this phase are related to the energy efficiency of the home and heating source. We provide a range of renewable solutions to our clients.

End of life / Demolition

Currently, HusCompagniet has the least influence on the end of life phase. Our main contribution is through the selection of more readily recycled or reused building material.



Upstream scope 3 emissions
Emissions from the production of building materials (A1-A3).

HusCompagniet's scope 1 & 2 emissions
Emissions from the construction of a house, as well as our operations (A4-A5).

Downstream scope 3 emissions
Emissions from energy used to heat the house after it is delivered to our customers and repairs and maintenance (B4, B6).

Downstream scope 3 emissions
When a house reaches the end of its lifetime and is torn down, how materials are disposed, recycled, recovered, and reused have a substantial impact on lifecycle CO_2 emissions (C3-C4).

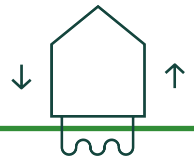
[1] The proportion of CO_2 emissions by lifecycle phase are based on HusCompagniet's archetype home and the use of district heating.

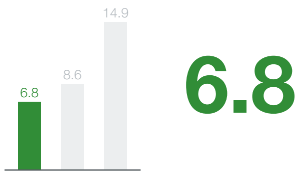
Selection of heating source is important to reduce lifetime CO_2 emissions

CO_2 emissions of the archetype house by heating source

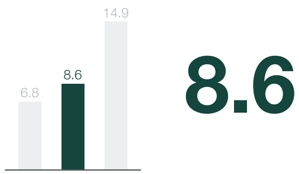
(lifecycle CO_2 equivalent emissions in $kgCO_2eq/m^2/year$)

With geo thermal heating

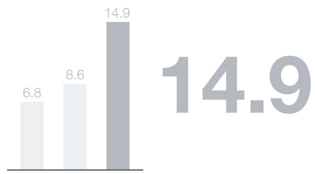




With district heating



With gas heating



HusCompagniet's climate ambitions across the lifecycle of a house

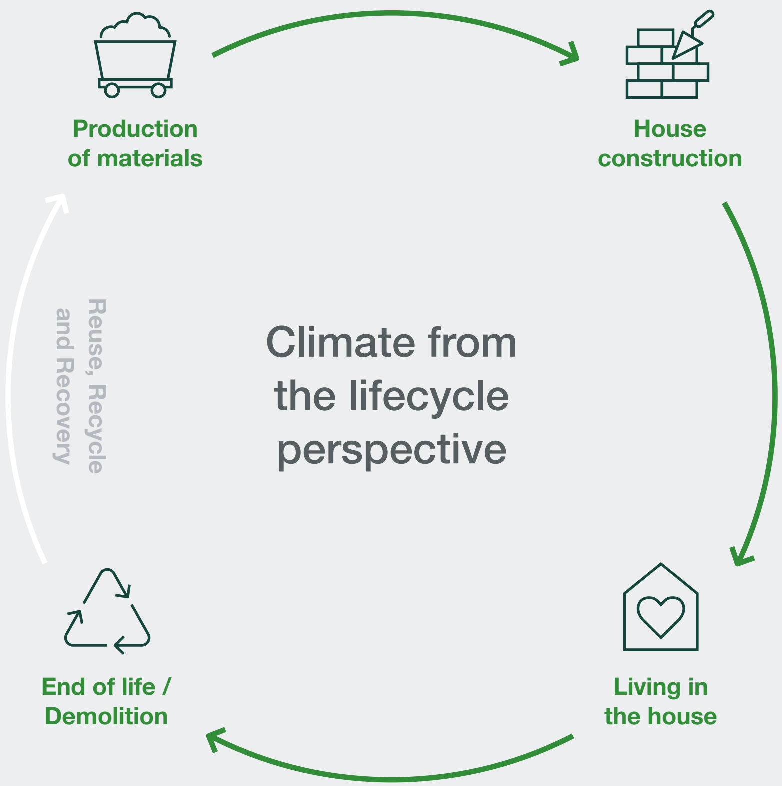
Production of materials

43% of lifecycle CO_2 emissions

Target 2025: 35% reduction of CO_2 emissions from building materials, base year 2019

Target 2030: 70% reduction of CO_2 emissions through the lifecycle of a home, base year 2019

HusCompagniet aims to launch a climate-friendly house concept, with lower emissions from building materials per m2 per year.



House construction

2% of lifecycle CO_2 emissions

Target 2025: Zero scope 1 emissions from the fleet of company vehicles

Target 2030: Carbon neutral scope 1 and 2 emissions from operations, of entities owned in 2025

End of life / Demolition

15% of lifecycle CO_2 emissions

Currently, HusCompagniet has the least influence on the end of life phase. Our main contribution is through the selection of more readily recycled or reused building material.

We continue to partner with demolition firms that focus on reuse of materials, and encourage circular and other innovations that further close the loop in the lifecycle of a house.

Living in the house

40% of lifecycle CO_2 emissions

Target 2025: 60% of homes ordered with renewable energy sources

HusCompagniet will further explore and provide alternative energy technologies to our customers.

The proportion of CO_2 emissions by lifecycle phase are based on HusCompagniet's archetype home and the use of district heating. When the archetype home utilizes gas heating, materials account for 25%, construction for 1%, use for 66%, and end of life for 9% of lifetime CO_2 emissions. When the archetype home utilizes geo thermal heating, materials account for 54%, construction 3%, use 24%, and end of life 19% of lifetime CO_2 emissions.

CO_2 performance of our operations

2019 was the first year that HusCompagniet measured and reported on CO_2 emissions, establishing the baseline for our climate targets.

CO_2 performance of our operations	2019
Scope 1 absolute CO_2 emissions (tonnes CO_2e)	878
Scope 2 absolute CO_2 emissions (market-based; tonnes CO_2e)	1,071
Scope 2 relative CO_2 emissions (location-based; tonnes CO_2e)	1,536
Total absolute CO_2 emissions (scope 1 & 2; market-based; tonnes CO_2e)	1,950
Total absolute CO_2 emissions (scope 1 & 2; location-based; tonnes CO_2e)	2,414
Total relative CO_2 emissions (scope 1 & 2; market-based; kg CO_2e / m^2 delivered)	8.2
Total relative CO_2 emissions (scope 1 & 2; location-based; kg CO_2e / m^2 delivered)	10.1

Location-based CO_2 emissions reflect the average emissions intensity of the grid where energy consumption occurs. Market-based CO_2 emissions reflect the emissions from electricity purchased through agreements with providers (GHG Protocol Scope 2 Guidance)

Emissions from HusCompagniet's operations are comprised of scope 1 emissions, which come from the fleet of owned and leased vehicles, used by our construction managers and sales teams, and scope 2 emissions, which come from purchased electricity and heat for offices, show houses and construction sites. 57% of our scope 1 and 2 emissions comes from electricity, 36% from vehicles, and the remaining 7% from heating.

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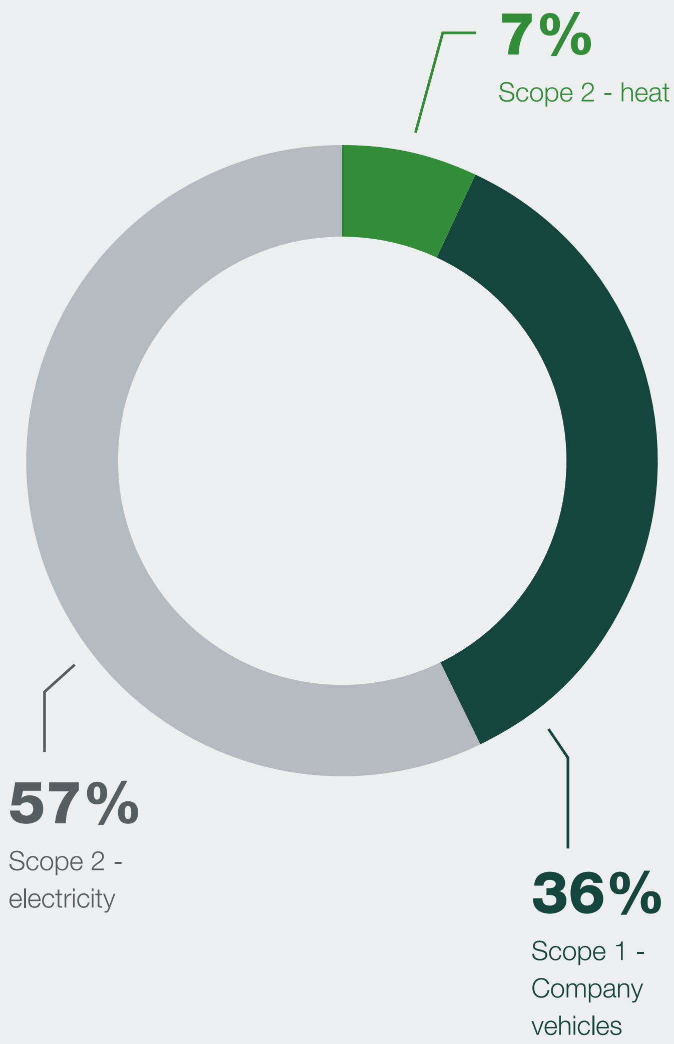
Scope 2 emissions are location-based

Scope 1 and 2 emissions by source



Reducing CO_2 emissions across our operations

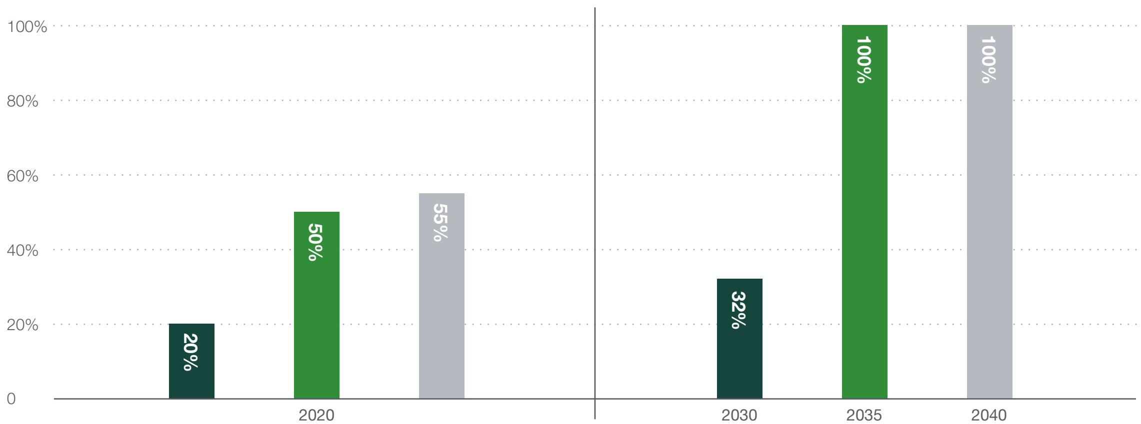
We are committed to reducing the CO_2 emissions from our operations and construction sites through a number of initiatives, starting with committing to the EV100 initiative, transitioning to an electric fleet of company vehicles by 2025. HusCompagniet's target for scope 1 emissions from vehicles is zero by 2025.

In 2020, we will assess the viability of currently available technologies and vehicles, and prepare for electric vehicle infrastructure at our offices. This includes our fleet of not only passenger cars and sedans, but also SUVs and cargo vans, which currently pose a challenge. The current range of electric cars is not yet on par with diesel and petrol vehicles. We are optimistic that between 2020 and 2025, increased demand will drive rapid technological innovation, and bring vehicles to market with ranges that meet the needs of our employees.

We have set ambitious short- and long-term targets to reduce the emissions from electricity and heating from our offices and on construction sites. Our target is to be carbon neutral in our scope 1 and 2 emissions by 2030. This will be achieved through the purchase of renewable energy, energy efficiency, and offsets where needed.

The reduction will be supported by the transition of the grid's energy mix, which is expected to be 32% renewable in Europe by 2030[1], 100% renewable in Denmark by 2035[2], and 100% in Sweden by 2040[3].

Share of renewables in the energy mix



● Europe ● Denmark ● Sweden

In Denmark, both electricity and district heating are expected to be carbon neutral by 2035, where the projections for Sweden and the EU are for electricity

[1] The European Commission
[2] The Danish Ministry of Climate, Energy and Building
[3] Official site of Sweden

Modern Contemporary
215 m²

Case:
Efficiency through new houses and renovation

HusCompagniet's business is building new houses at high standards for energy efficiency, corresponding to the Danish Energy Agency's energy class A.

While the construction of a new house incurs more CO_2 emissions than the renovation of an older house, older' houses tend to be less energy efficient, because the CO_2 consumption during the use phase is higher than in a new house. In the EU, almost 75% of buildings were built before energy performance standards existed. In Denmark[1], nearly 70% of all houses have an energy class of D or lower.

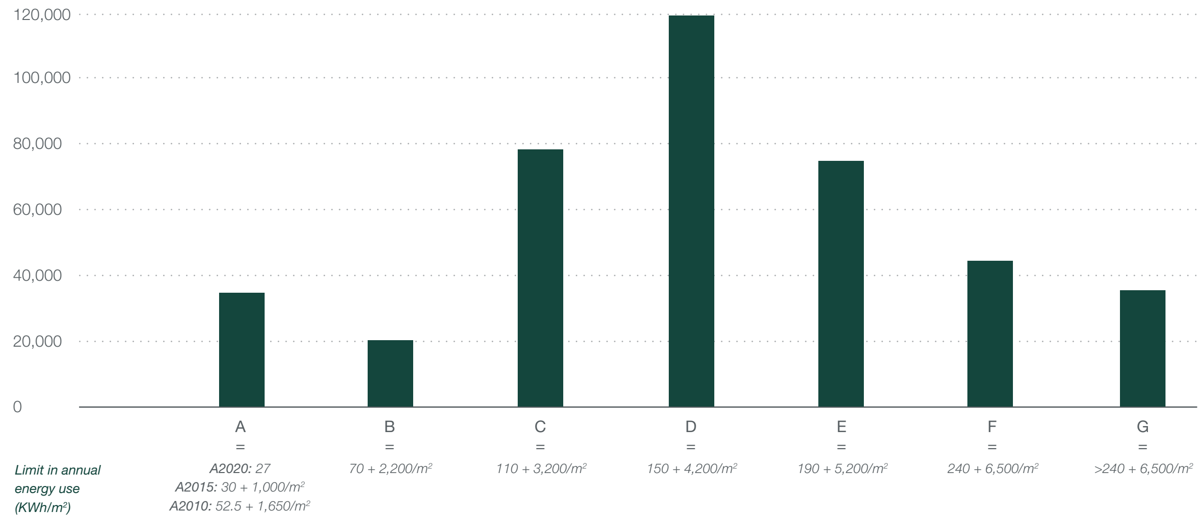
Newly-built houses, particularly in energy class A, have a much lower CO_2 footprint during the use phase of the house lifecycle than older houses[2].

Both the building of new, energy-efficient houses, and the renovation of existing houses will be two important ways for houseowners to achieve energy efficiency and mitigate climate change.

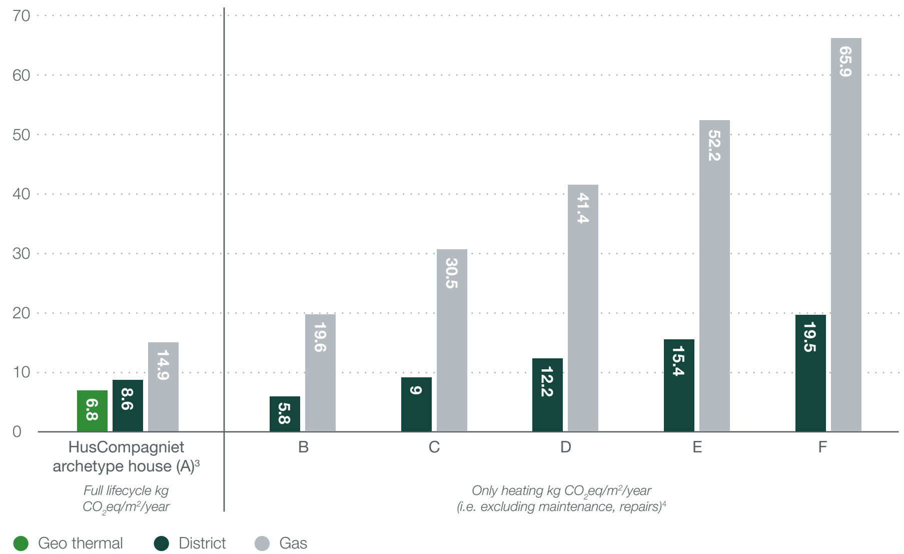
As we continue to work with suppliers to develop innovations in building materials, as well as our climate-friendly house offerings, the CO_2 emissions from materials of new houses will continue to decrease, creating an even more compelling carbon case for building new houses.

[1] The European Commission
[2] Danish Energy Agency

Number of houses by energy classes in Denmark (detached houses)[4]



CO_2 emissions across energy classes, compared to HusCompagniet's house (168 m²)



This chart compares lifetime emissions of houses across energy classes and heating types (assuming 168m² for all categories). HusCompagniet's archetype house, including upstream and downstream emissions, is more energy efficient and emits less carbon per m² per year over its lifetime than houses in nearly all other energy classes. HusCompagniet's lifetime emissions includes 2.1 kg CO_2eq /m²/year for maintenance, repairs and end of life/demolition not included in the houses across energy classes B-F.

[3] LCA Byg
[4] Danish Energy Agency and LCA Byg: CO_2 emission factors for district heating and gas heating 2020-2070

Percentage of houses sold with alternative energy sources (2019)

48%

of sold houses have one or more of the following alternative energy sources

9%

of sold houses have installed air source heat pumps

14%

of sold houses have installed solar panels

27%

of sold houses have installed geo thermal heating pumps

Includes houses that have installed more than one alternative energy solution

Offering alternative energy technologies to our customers

As the electricity grid transitions towards a more renewable energy mix in the coming years, HusCompagniet sees an opportunity to provide customers with renewable, decentralised, and financially-viable alternative on-site energy sources. Each alternative energy source has the potential to reduce the overall CO_2 emissions of our houses. For example, geo thermal heating pumps can potentially reduce emissions during the use phase of the lifecycle of a house by more than 90% (from 8.8kg to 0.8kg CO_2e per m^2 per year), compared to natural gas heating.

In 2020, we will review our assortment of alternative energy solutions, which includes solar panels for heating and electricity, and heat pumps. We will consider the expansion of technologies and solutions. From there, educating our sales force will be key to bring these solutions to the market. This will be done with the aim of sharing insights and promoting renewable technologies to our customers as cost- and carbon-effective additions to their houses that lessen reliance on the grid. Importantly, it provides customers the choice to play a role in replacing non-renewable sources of energy with decentralised alternative solutions.

In 2020, we will review our assortment of alternative energy solutions, which includes solar panels for heating and electricity, and heat pumps.

In the archetype HusCompagniet house for which the full lifecycle CO_2 emissions have been calculated, alternative heating solutions have a substantial impact on the use phase, as well as the total lifetime CO_2 emissions of the house. Switching from district heating to geothermal heating reduces lifetime emissions by around 20%, from 8.6kg to 6.8kg CO_2eq / m^2 / year. Relatedly, replacing gas heating with geothermal heating reduces lifetime emissions of the house by over 50%, from 14.9kg to 6.8kg CO_2eq / m^2 / year.

With a relatively high baseline of 48% of houses ordered in 2019 with one or more alternative energy sources, our target is to increase this to 60% by 2025. We hope to achieve this through innovative and competitive offerings, enabling our customers to make personal changes that contribute to reducing the impact on climate change.

Case:
The future decoupling of energy efficiency and carbon footprint

For many years, the energy efficiency of a house worked hand-in-hand with reduction of GHG emissions. Since the 1960s, energy consumption in Danish houses has been reduced by approximately 90%. This energy efficiency has been achieved through, among other things, heavy insulation of walls, roofs and windows. From a lifecycle perspective, the tradeoff is that insulating materials and windows tend to be CO_2-intensive in materials and production.

For a vast majority of the world and Europe, energy efficiency will still be a crucial tool in keeping us under 1.5 to 2 degrees C of warming, but we need more substantial changes to keep global warming at this level in 2050. The EU, Denmark, and Sweden, among others, have set ambitious climate targets. For example, in Denmark, the grid will go through a transformation between now and 2035, when both electricity and heat are expected to be 100% renewable.

To anticipate this paradigm shift of the long-term decoupling of a house's energy efficiency and its carbon emissions, we will, as part of our sustainability focus areas, explore and pursue future-proof solutions to offer our customers, many of whom are becoming increasingly conscious of climate change and the impact of their purchasing decisions.

Climate-friendly house concepts

With the transition of the electricity grid to renewable energy, the focus will shift upstream in the value chain, where the scope 3 CO_2 to produce building materials will become proportionally larger in the total lifecycle emissions of a house. We will continue to comply with applicable building regulations, and at the same time, further explore less CO_2-intensive materials. For example, one kilogram of conventional cement takes about one kilogram of CO_2 to produce[1], whereas wood is comparatively less carbon-intensive.

In 2019, we assessed the CO_2 emissions from the building materials of our most popular house model. We will continue with our other house models in 2020, and establish a baseline for our entire portfolio of houses, to better inform our target-setting and efforts.

Last, but not least, HusCompagniet will engage suppliers in developing solutions to reduce scope 3 CO_2 emissions from the building materials that go into our houses. In 2019, 5.8kg CO_2/m/year was emitted from building materials through the lifecycle of the HusCompagniet archetype house. Through innovation and collaboration with our suppliers, our target is to reduce scope 3 CO_2 emissions from building materials of houses delivered by 70%, to 1.7kg/m^2/year by 2030.

To meet these targets, we will launch our first climate-friendly house concept in 2020, utilising solutions that reduce the upstream CO_2 emissions in the materials used, without compromising on quality or aesthetics.

[1] World Economic Forum

Task Force on Climate-related Financial Disclosures (TCFD Disclosures)

The FSB Task Force on Climate-related Financial Disclosures (TCFD) is developing voluntary, consistent climate-related financial risk disclosures to provide information to investors, lenders, insurers, and other stakeholders. HusCompagniet supports the Task Force on Climate-related Financial Disclosures (TCFD), and has developed disclosures based on the Task Force's recommendations.

Governance

A Describe the board's oversight of climate-related risks and opportunities

The HusCompagniet Board of Directors has the ultimate oversight of climate-related risks and opportunities. ESG-related issues, including those related to climate, are overseen by the Board of Directors, and is an explicit item in the Board's annual wheel. Climate-related risks are an important part of overall ESG risk considerations. ESG and climate are incorporated into strategic discussions, and in annual business planning. The Board of Directors will oversee progress on climate-related issues, as part of the company's sustainability focus areas.

B Describe management's role in assessing and managing climate-related risks and opportunities

The Executive Management team is responsible for assessing and managing climate-related risks. The Group CEO and Group CFO are actively involved in the sustainability strategy process, and the operationalization of the sustainability focus areas is owned by the Head of Business Development.

In 2020, a Sustainability Committee will be established, with members of the commercial and executive teams. The Committee will be established to oversee the sustainability focus areas and ambitions.

Strategy

A Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term

In line with HusCompagniet's sustainability focus areas, ambitions, and targets, 2020 (0-1 years) is considered to be short-term, 2025 (5 years) to be medium-term, and 2030 (10 years) to be long-term.

HusCompagniet conducted an assessment of the risks and opportunities that we may be exposed to as a result of climate change, in accordance with the TCFD recommendations.

Continued →

Strategy (continued)

A The transition risks identified were: potential shifts in consumer and market preferences towards low-carbon products and small living (long-term); political risk from increased prices on emissions or standards (medium term); a political preference for incentivising renovations instead of new-builds (short term); political push to bring new low-carbon products to market before they are fully tested (short term); and political ambitions of allocating more landmass to nature, resulting in reduced availability of plots suitable for commercial development (long term).

The physical risks identified were all expected to only manifest in the longer term. Physical risks include: reduced ability to complete construction on time in the case of extreme weather events; construction times may similarly be marginally prolonged from chronic changes in weather patterns, such as heavier rainfall and increased humidity; and rising sea levels and heightened risk of flooding may impact the availability of development plots.

HusCompagniet has already begun to identify the potential opportunities from climate change, as houses with alternative energy sources already account for 48% of sales in 2019. It is expected that consumer demand for alternative energy solutions and carbon-reduced houses to increase further in the coming years. To meet this demand, a HusCompagniet climate-friendly house concept, which reduces carbon emissions from the building materials of a house is currently in development, and is expected to be launched in 2020.

Sustainable house offerings might also lead to increased market share in the house market as well as in new markets, as consumer preferences shift towards low-carbon solutions. This development might be further accelerated if increased climate-related damage on the existing property mass results in an increased demand for new houses.

Task Force on Climate-related Financial Disclosures (TCFD Disclosures) (continued)

Strategy (continued)

B Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Business, strategic and financial planning is guided by customer demand and regulatory requirements related to climate.

In 2019, climate risks and opportunities were primarily considered in the development of low-carbon product offerings and our processes of factoring in weather exposure when deciding where and how to face each house.

In 2020, climate-related risks will be incorporated into business, strategic and financial planning, as sustainability ambitions and targets are rolled out, and governing bodies are further adapted and established around sustainability and climate-related topics.

C Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The first qualitative scenario analysis was conducted in alignment with the TCFD recommendations. The analysis explored the implications to the business model and strategy in the context of three scenarios based on groupings of IEA, IPCC, WEC scenarios, and other publicly available scenarios.

The three scenarios explored were: a scenario based on "business as usual" and current policies, a scenario based on stated political commitments, and a decarbonisation scenario resulting in no more than a 2°C increase in average global temperatures. Each scenario included an overlay of the physical risks posed by the corresponding temperature increase based on data projecting the physical changes specific to Denmark prepared by DMI in accordance with the IPCC scenarios.

The analysis showed that our business model can be made resilient in all three scenarios.

Risk management

A Describe the organization's processes for identifying and assessing climate-related risks

The management conducted a detailed assessment of risks and opportunities in line with the TCFD classifications. In line with the roll-out of our ambitions and targets, risk management procedures will be put into place going forward.

HusCompagniet follows the developments of green building standards and certifications. We are in the process of increasing our understanding and integration of physical climate risks into decision-making and strategy.

B Describe the organization's processes for managing climate-related risks

No specific process is in place for managing climate-related risks. However, risks are evaluated on an annual basis, and action will be taken if and when needed.

C Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

Climate-related risks have been identified through the process of prioritising sustainability focus areas. Climate considerations have informed our product development. Processes for integrating climate-related risks and opportunities will be established in 2020.

Metrics and targets

A Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

Climate metrics can be found on p. 16.

B Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Scope 1 and 2 emissions can be found on p. 25.
Scope 3 emissions have been assessed for an archetype house. See p. 23.

C Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

HusCompagniet's climate targets can be found on p. 16.

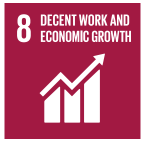
Patrician
251 m²

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 1800's. 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.

Our people

Target 5.5



Target 8.3, 8.5

Target 10.3

People are at the core of our business, both because we deliver family houses and because we rely on the capabilities of our employees to do so at high standards of quality. At HusCompagniet, we work as a dedicated team to realise each project, from conception to the handing over of keys to our customers.

The knowledge and insights of our people are among our strongest assets as a company. We support and engage our employees, through focusing on well-being and diversity.

We have a lean structure and a flat hierarchy, and work with local subcontractors for the majority of the construction. This operating model gives us a high degree of agility and efficiency. On the other hand, it means that we must invest additional efforts in our subcontractors, to improve compliance with quality and sustainability standards throughout the value chain.

Over the years, we have built long-term, recurring working relationships with our suppliers and subcontractors, which has led to an efficient, standardised operating model across projects. Not only does this increase quality and lower cost, it also forms the basis for us to improve performance on issues such as health and safety, together with our subcontractors.

Increasing focus on health and safety in the construction phase

In the construction industry, where physical risks are present, it is important to us that our employees and subcontractors are safe at work. We observe all requirements of national laws and regulations related to health and safety.

In 2019, we established a safety performance baseline for both our own employees and our subcontractors. As an important part of our new sustainability ambition, we scaled up our focus on the area of health and safety, but there is still a long way to go.

At HusCompagniet, we work with subcontractors to execute the construction phase of our houses. Our construction managers oversee construction sites and subcontractors, and we embrace our responsibility for the health and safety for both our own employees, as well as subcontractors on-site, where much of the health and safety risks exist. Our construction managers are key to safety on construction sites. They are the eyes of HusCompagniet in this respect, and their input and uniform education is an important element to safe operations.

We have a Code of Conduct that describes our current standards for safety on site, which all subcontractors are required to sign. However, we want to strengthen our approach and build stronger processes and culture around health and safety.

We have established a safety baseline in 2019 with Lost Time Injury frequency (LTIf), Lost time injuries (LTIs), and fatalities. Our target is to lower the incident frequency, aiming to reduce by 30% by 2025 and 50% by 2030.

Our safety baseline shows that we must follow-up, learn from the incidents, and continue to work to improve our safety performance. Over half of blue collar LTIs of our own employees involved nail-gun related injuries, both on building sites, and in our factory in Vårgårda, Sweden. We take these incidents very seriously, and will conduct a thorough investigation to inform safety measures that will prevent future safety incidents related to nail guns.

A number of actions to build out our safety program have been identified for 2020:

1. Engage with construction managers for input; Safety education for construction managers, enabling them to engage their teams and perform on-site safety checks

2. Set up systems to capture safety data centrally

Thereafter, we will update our policies, processes, and Codes of Conduct, as well as ensure communication and awareness. We believe that the safest approach is one that focuses on minimising risks and incidents, learning, and improving from the incidents that do occur.

During 2020, we will explore the potential of reporting of safety incidents and near-misses in real-time through digital channels.

Safety overview	LTIf	LTIs	Fatalities	Total lost days
2019				
Own employees (blue & white collar)	15.2	11	0	65
Subcontractors	10.7	20	0	365

	Lost-time injuries in 2019 for own blue- and white-collar employees	Days of absence
1	Strained back during production	7
2	Strained leg during production	7
3	Hand injury incurred during production	3
4	Nail gun-related injury to the hand during production	1
5	Nail gun-related injury to the hand during production	1
6	Nail gun-related injury to the hand during production	6
7	Nail gun-related injury on contruction site	2
8	Shoulder fracture	26
9	Fall from heights	2
10	Injury resulting from collision with an object in the office	5
11	Accident on company skiing trip	5

Employee well-being through engagement

The well-being of our people is important to us. Employee well-being also ultimately links to increased productivity and firm-level financial performance[1]. Meeting our customers' expectations every day requires us to bring together a broad range of different people and skillsets, ranging from salespeople, to architects, and construction managers. To improve employee engagement and wellbeing, we have begun development and engagement initiatives that improve team dynamics, internal, and external communication. In 2018, HusCompagniet introduced a psychometric tool, designed to improve employees' selfawareness and understanding of personality preferences. This is part of our efforts to enable better communication both among our employees and in our client management process, and we have had positive feedback and commitment from many employees.

The tool has also become a contributing factor for our recruitment process as well as a tool for managing and solving workplace conflicts. Going forward, we will conduct workshops on a quarterly basis, so all new employees go through the profiling process as they are on-boarded.

First applied in our Aalborg office, where our customer satisfaction rate is also the highest, we have recently taken initiative to implement the tool across the company to leverage the learnings and benefits from Aalborg. We have observed that it can enable a constructive work environment and improves our understanding of our clients' needs throughout the building process.

During 2020, we will draw on our experiences to work with leadership development, equipping our managers to better communicate with their teams. We will also incorporate the knowledge into one-on-one development meetings between managers and employees, improving individual as well as team motivation and performance. To engage with our employees in person, our management team will go on road shows across offices in Denmark on a quarterly basis. These will provide an opportunity to present and communicate the company strategy, and for direct input and feedback from our employees.

Measuring the success of these initiatives is essential. We have plans to roll out an employee satisfaction survey during 2020 to establish a baseline of our performance and to continue to measure and improve. The survey will be an annual assessment.

[1] Harvard Business Review

→

Over the past years, these owls have been the mascot of HusCompagniet

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.

Cottage Style
213 m²

Responsible business

8 DECENT WORK AND ECONOMIC GROWTH

Target 8.7, 8.8

10 REDUCED INEQUALITIES

Target 10.3

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Target 12.6

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Target 16.5

While the construction sector contributes to economic growth and solutions to urbanisation and modern living standards, it is often scrutinised for challenges related to working conditions and anti-corruption through the value chain. As with issues like health and safety, HusCompagniet has long-term, recurring working relationships with suppliers and subcontractors, and thus an efficient, standardised operating model across projects, potentially providing us a stronger starting point for addressing responsible business principles such as labour and human rights, and anti-corruption.

Labour Rights & Human Rights

We at HusCompagniet acknowledge our responsibility to uphold labour and human rights standards when working with subcontractors, as labour and human rights risks tend to be related to the construction process.

Our Standards of Business Conduct and internal Guidelines on Value and Ethics lay out our internal requirements for compliance with applicable laws and regulations, business ethics, working environment, equal opportunity, and labour rights. We firmly prohibit all child labour, forced labour and discrimination due to age, gender, race, colour, religion, political opinion, social origin, and we comply with all applicable labour laws and regulations in the markets where we operate. When joining HusCompagniet, all employees are required to sign our Standards of Business Conduct and internal Guidelines on Value and Ethics.

We recognise that more can and should be done. In 2020, we will revisit our Codes of Conduct and Policies, and increase awareness among employees, suppliers, and subcontractors.

The construction industry in general has been scrutinised for labour issues, particularly related to vulnerable groups, such as migrant workers. This is a particular dilemma across geographies because the legal minimum wage may not necessarily reflect a living wage. Nothing has come to our attention to give us reason to believe this is a systemic problem on our construction sites. However, we will continue to explore and improve our understanding and oversight of such issues.

Anti-corruption

HusCompagniet's work with business ethics is guided by our Standards of Business Conduct. We have a zero tolerance policy to corruption of any form, and specific provisions on conflicts of interest. We are aware, however, that in the construction sector, business ethics risks generally occur where there is close collaboration with third parties, such as in procurement.

At HusCompagniet, we have a whistleblower system, providing our employees and business partners with an anonymous channel to report incidents without fear of reprisal. We will increase awareness of the whistleblower system to our employees and partners.

We are working to strengthen awareness of business ethics and anti-corruption throughout our organisation and in our dealings with suppliers and subcontractors. No breaches to our anti-corruption policies have been identified in 2019.

Sustainable sourcing

When working with suppliers and subcontractors, we require compliance with all current legislation, and our Standards of Business Conduct and Supplier Code of Conduct, which include elements of human and labour rights, anti-corruption, and environmental sustainability.

HusCompagniet negotiates the purchase of key material categories directly with manufacturers, centralising a large portion of our procurement and enabling long-term relations with key material suppliers. With this centralised procurement, the risk of business ethics breaches is somewhat mitigated. Additionally, substantial purchasing decisions are made at the relevant authority level, and approval processes have been put in place. Supplier agreements above a specific threshold must be approved by our Executive Board or Group Purchasing department.

Smaller materials categories are sourced from builder merchants, and subcontractors used for the construction process are typically managed locally to enable flexibility. We are aware that flexible and decentralised decision-making have the downside of potentially increased risk in terms of business ethics.

Our Supplier Code of Conduct is aligned with our Standards of Business Conduct. All purchasing agreements with suppliers and subcontractors include a requirement to comply with the Code, and we ask our suppliers to promote it within their own organisations and supply chain. Non-compliance, where a supplier or subcontractor demonstrates inadequate commitment or lack of improvement, may result in termination of the business relationship. Going forward, we will work to further formalise our procurement processes and engage our suppliers and subcontractors to promote awareness and understanding of our Supplier Code of Conduct.

Case: HusCompagniet's whistleblower system

In 2018, we established a whistleblower system, providing our employees, suppliers and subcontractors with a voluntary alternative for the reporting of serious offences without fear of reprisal. Offenses that may be reported through the system include financial crime, corruption and bribery, fraud, forgery, theft, violation of industrial safety rules, environmental pollution, sexual harassment, and violation of applicable legislation and internal rules. The whistleblower system is outlined in our Standards of Business Conduct and Supplier Code of Conduct.

All reports filed are screened by an appointed third party who ensures that they fall within the scope of the system before forwarding to key internal stakeholders for further assessment. Reports can be filed online and it is possible to remain anonymous. No reports were filed through our whistleblower system in 2019.

From 2020, we are committed to raising awareness of the whistleblower system among our employees, suppliers and subcontractors to ensure that any experienced wrongdoings are reported and addressed properly.

Corporate Governance

HusCompagniet is committed to exercising good corporate governance. As HusCompagniet is controlled by a member of the Danish Venture Capital and Private Equity Association ("DVCA"), the company also strives to comply with the corporate governance guidelines issued by DVCA. These guidelines are available on www.dvca.dk. Mads Ditlevsen is EQT's responsible partner for HusCompagniet and a member of the Board of Directors.

Share capital structure

The name of the legal entity owning HusCompagniet is Diego HC TopCo A/S. 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.

Board of Directors

The Board of Directors supervises the work of the Executive Management and is responsible for the overall and strategic management and proper organisation of the company's activities, while the Executive Management is responsible for the day-to-day management.

The Board of Directors consist of seven members and has appointed a Chairman and a Vice Chairman. Two members of the Board of Directors are regarded as independent. The Board of Directors represents broad international business experience and skills considered to be relevant to HusCompagniet.

The Board of Directors evaluates its work on an annual basis, and determines once a year the qualifications, experience and skills needed for the Board of Directors to best perform its tasks. All Board Members are up for election on the Annual General Meeting.

The Board of Directors meets five times a year and holds extraordinary meetings when required. In 2019, five board meetings were held.

In May 2020, Claus V. Hemmingsen, Magnus Tornling and Peter Balslev were elected to the Board of Directors. With their significant experience and compentences they are seen strengthening the Board of Directors in the next phase of HusCompagniets history.

The Board of Directors has set up an Audit Committee. The purpose of the Audit Committee includes monitoring the financial reporting process, the company's internal control and risk management systems and the collaboration with the independent auditors. The Audit Committee consists currently of three members; Magnus Tornling, Ylva Ekborn and Peter Balslev.

The Board of Directors has set up a Remuneration Committee. The purpose of the Remuneration Committee is to ensure that the Group maintains a remuneration policy for the members of the Board of Directors and the Executive Management as well as general guidelines for incentive pay to the Executive Management. The Remuneration Committee consists currently of two members; Vice Chairman Claus V. Hemmingsen and Mads Ditlevsen.

Remuneration

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 note 2.2 of this Annual Report.

VårgårdaHus

In addition to our five standard brick houses, VårgårdaHus has a wide offering of high-quality wooden houses. Among the most popular of our houses is Villa Enhagen. All houses are pre-fabricated at our factory in Vårgårda near Gothenburg, with the final assembly and finishing handed by sub-contractors at the actual building site.

Diversity & inclusion in a challenging industry

At HusCompagniet, we strive towards a diverse and inclusive work environment. A diverse workforce can bring many advantages to an organisation, from increased creativity and innovation, to better problem solving, stronger governance, spotting of untapped market opportunities, and ultimately stronger financial performance.[1] The starting point is providing equal opportunity for people of all ages, genders, nationalities, religions, political opinions, and abilities.

The construction sector has traditionally been a male-dominated industry, which poses a challenge for the industry and for HusCompagniet. The starting point for improving the gender diversity of our workforce is to monitor the demographics of our employees, with the aim to track and increase gender balance over time.

As of 2019, the underrepresented gender is female and constituted 19% of our workforce.

Currently, women comprise 20% of our management team. Starting at the top, we have set a target to increase the representation of women in management to 25% by 2025 and 30% by 2030. We do not consider these targets to be end points, but rather as steps along the way towards increasing diversity.

HusCompagniet's Board of Directors consists of six men and one woman. The target is to have at least two female Board members.

[1] World Economic Forum

Management

Group Executive management

Martin Ravn-Nielsen
Group CEO

Nationality:
Danish

Education:
Finance

Previous experience:
MD NCC Enfamiliehuse
Head of sales Eurodan-huse,
Various leadership positions within HusCompagniet.

Mads Dehlsen Winther
Group CFO

Nationality:
Danish

Education:
M.Sc. in Auditing and Accounting,
M.Sc. in Economics and Business Administration, Copenhagen Business School

Other positions:
Maersk Supply Service A/S (Board Member)

Previous experience:
Maersk, Sadolin & Albæk, Deloitte, PwC

Board of Directors

Tore Thorstensen
Chairman

Member since: August 2015

Nationality:
Norwegian

Education:
Norwegian School of Economics, Bergen

Other positions:
Ø M Fjeld Holding AS (Chairman), Gunnar Holth Grusforretning AS (Chairman), AutoStore (Chairman)

Previous experience:
Plantasjen (CEO and Chairman), AF Gruppen ASA (Board Member and Chairman), XXL (Board Member and Chairman)

Claus V. Hemmingsen
Vice-Chairman (Independent)

Member since: May 2020

Nationality:
Danish

Education:
London Business School,
MBA from IMD

Other positions:
DFDS (Chairman), Maersk Drilling (Chairman), A.P. Møller Holding A/S (Board Member)

Previous experience:
Vice CEO A.P. Møller – Mærsk, CEO Mærsk Energy, CEO Maersk Drilling

Ylva Ekborn
(Independent)

Member since: July 2019

Nationality:
Swedish

Education:
M.Sc. in Economics and Business Administration, Stockholm School of Economics

Other positions:
CEO PostNord Strålfors Group

Previous experience:
CEO of PostNord Strålfors Sweden, Eniro, McKinsey

Management

Board of Directors (continued)

Steffen Martin Baungaard

Member since: April 2019

Nationality:
Danish

Education:
Bachelor of Architectural Technology and Construction Management HD (A)

Other positions:
Arkil Holding A/S (Vice Chairman), MBP A/S (Board Member), Frederikshøj Ejendomme A/S (Board Member), Carl Ras A/S (Board Member), Nordic Waterproofing AB (Board Member), Brøndum A/S (Board Member)

Previous experience:
Group CEO HusCompagniet A/S, CEO NCC Enfamiliehuse A/S

Mads Munkholt Ditlevsen

Member since: August 2015

Nationality:
Danish

Education:
MSc in Finance & Accounting, Copenhagen Business School

Other positions:
Partner at EQT Partners, Head of EQT Partners Denmark. DVCA (Board Member), Banking Circle (Vice Chairman), Zebra A/S (Board Member)

Previous experience:
Corporate Finance, KPMG Denmark

Magnus Tornling

Member since: May 2020

Nationality:
Norwegien

Education:
M.Sc. in Finance, Norwegian School of Management

Other positions:
Partner at EQT Partners, Head of EQT Partners Norway, AutoStore AS (Board Member), Recover Nordic AS (Board Member)

Previous experience:
ABG Sundal Collier

Peter Balslev

Member since: May 2020

Nationality:
Danish

Education:
M.Sc. in Finance and Accounting, Copenhagen Business School

Other positions:
Director at EQT Partners

Previous experience:
CVC Capital Partners, FIH Partners

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, including obtaining bank guarantees on agreed sales prices from all customers before starting construction.

Handover & after-sales

When the predetermined date for handover of the house arises, we carefully inspect the house together with the customer to identify potential flaws or oversights to be remedied by HusCompagniet. And it is only upon handover that the customer pays for the house.

As part of our follow-up services we continue to follow the customer after handover as not all issues are identified at the handover. It is of outmost importance that our customers can fully enjoy their house and that it meets their expectations as we firmly believe that happy customers are the best ambassadors, driving new customer leads through referrals.

ESG data table

Environment	2019	Unit	Description
Energy consumption			
Energy from electricity consumption	10,568	mWh	The reported energy consumption includes all company sites in Denmark and Sweden, excluding two offices and five sales offices where energy consumption is part of the rental agreement
Energy from heating	914	mWh	The reported heating consumption includes all offices in Denmark. For Sweden, the reported energy consumption for electricity covers both heating and electricity for all Vårgårdahus offices and factories
Diesel consumption	317,866	litres	Diesel consumption for all company cars in Denmark and Sweden for 2019
Petrol consumption	10,314	litres	Petrol consumption for all company cars in Denmark and Sweden for 2019
Total energy consumption	14,750	mWh	
GHG emissions			
Direct CO_2 emissions (Scope 1)	878	tonnes CO_2e	
Indirect CO_2 emissions (Scope 2 - market-based)	1,071	tonnes CO_2e	Market-based CO_2 emissions reflect the emissions from electricity purchased through agreements with providers (GHG Protocol). Market-based data available for electricity in Denmark only. Location-based used in Sweden
Indirect CO_2 emissions (Scope 2 - location-based)	1,536	tonnes CO_2e	Location-based CO_2 emissions reflect the average emissions intensity of the grid where energy consumption occurs using grid-average emission factor data (GHG Protocol)
Total CO_2 emissions (Scope 1+2 - market-based)	1,950	tonnes CO_2e	Market-based CO_2 emissions reflect the emissions from electricity purchased through agreements with providers (GHG Protocol). Market-based data available for electricity in Denmark only. Location-based used in Sweden
Total CO_2 emissions (Scope 1+2 - location-based)	2,414	tonnes CO_2e	Location-based CO_2 emissions reflect the average emissions intensity of the grid where energy consumption occurs using grid-average emission factor data (GHG Protocol)
Renewable energy			
Renewable energy procentage	80	%	Share of renewable energy from energy provider in Denmark. Excludes Sweden, which represents less than 5% of total CO_2 emissions
GHG intensity			
CO_2 emissions per m^2 delivered (Scope 1+2 - market-based)	8.2	kg CO_2e / m^2 delivered	Excludes Sweden, which represents less than 5% of total CO_2 emissions
CO_2 emissions per m^2 delivered (Scope 1+2 - location-based)	10.1	kg CO_2e / m^2 delivered	Excludes Sweden, which represents less than 5% of total CO_2 emissions
Downstream emissions			
Percentage of houses sold with renewable energy technologies	48	%	Excludes sales in Sweden
Percentage of houses sold that went beyond Danish regulation (BR18)	48	%	Excludes sales in Sweden

ESG data table (continued)

Social	2019	Unit	Description
FTE	441	number	Total number of full time employees as of 31 Dec 2019
Employee well-being			
Sick leave	2.3	%	Excludes FM Søkjær
Health and safety			
LTI (lost-time injuries) own employees, blue & white collar	11	number	All employees in Denmark and Sweden
LTI (lost-time injuries) subcontractors	20	number	Includes all subcontractors with a creditor amount above DKK 2m. The reported number is based on replies from 83%
LTIf (lost-time injury frequency) own employees, white & blue collar	15.2	frequency	All employees in Denmark and Sweden. See p. 32 for more on safety.
LTIf (lost-time injury frequency) - subcontractors*	10.7	frequency	Includes all subcontractors with a creditor amount above DKK 2m. The reported number is based on replies from 84% and extrapolated data for the remaining 16%
Diversity			
% women in the company	19	%	Based on FTEs as per 31 Dec 2019
% women in management	20	%	Based on headcount as per 31 Dec 2019

Governance	2019	Unit	Description
Gender diversity on the Board of Directors - underrepresented gender	17	%	One female board member out of six total members

Financial Statements

Income statement – consolidated

Notes	(DKK'000)	2019	2018*
2.1	Revenue	3,758,915	3,349,194
	Cost of Sales	-3,048,915	-2,637,222
	Gross profit	**710,000**	**711,972**
2.2	Staff cost	-316,135	-325,386
	Other external expenses	-124,225	-109,180
	Other operating income	740	0
2.3	**Operating profit before depreciation and amortisation (EBITDA) before special items**	**270,380**	**277,406**
2.4	Special items	-136,591	-84,606
	Operating profit before depreciation and amortisation (EBITDA) after special items	**133,789**	**192,800**
4.1, 4.2	Depreciation and amortisation	-47,011	-19,646
	Operating profit (EBIT)	**86,778**	**173,154**
5.4	Financial income	14,152	20,698
5.4	Financial expenses	-73,144	-67,570
	Profit before tax	**27,786**	**126,282**
6.1	Tax on profit	-27,553	-36,237
	Profit for the year	**233**	**90,045**

* 2018 have not been adjusted following the implementation of IFRS 16 at 1 January 2019

	2019	2018*
Profits attributable to:		
Equity owners of the Company	233	90,045

	2019	2018*
Earnings per share:		
Earnings per share (EPS Basic)	16	6,130
Diluted earnings per share (EPS-D)	16	6,130

Notes	**Statement of other comprehensive income** (DKK'000)	2019	2018
	Profit for the year	233	90,045
	Other comprehensive income		
	Items that may be reclassified to the income statement in subsequent periods		
	Foreign currency translation differences	78	-2,625
	Value adjustment, hedging of future cash flows	0	2,024
	Tax relating to other comprehensive income	0	-445
	Other comprehensive income, net of tax	**78**	**-1,046**
	Total comprehensive income for the year	**311**	**88,999**

	2019	2018
Total comprehensive income attributable to:		
Equity owners of the Company	311	88,999

Balance sheet – consolidated

Notes	(DKK'000)	2019	2018
	Assets		
	Non-current assets		
4.2	Goodwill	2,027,554	2,112,394
4.2	Intangible assets	53,303	33,290
4.3	Right-of-use assets	114,449	0
4.3	Property, plant and equipment	25,563	56,319
6.1	Deferred tax asset	43,374	32,308
	Other receivables	0	4,797
	Total non-current assets	**2,264,243**	**2,239,108**
	Current assets		
3.1	Inventories	402,927	434,047
3.2	Contract assets	687,676	593,895
3.3	Trade and other receivables	153,076	78,422
	Prepayments	9,242	5,582
	Cash and cash equivalents	1,010,822	773,272
	Total current assets	**2,263,743**	**1,885,217**
	Total assets	**4,527,986**	**4,124,325**

Notes	(DKK'000)	2019	2018
	Equity and liabilities		
	Equity		
5.1	Share capital	14,689	14,689
	Retained earnings and other reserves	1,762,658	1,762,347
	Total equity	**1,777,347**	**1,777,036**
	Liabilities		
	Non-current liabilities		
5.2	Borrowings	683,465	790,226
5.3	Lease liabilities	99,877	21,904
3.4	Provisions	8,020	5,472
6.1	Deferred tax liability	19,745	18,744
	Other liabilites	6,098	0
	Total non-current liabilities	**817,205**	**836,346**
	Current liabilities		
5.2	Borrowings	1,010,142	740,508
5.3	Lease liabilities	21,020	5,629
5.5	Trade and other payables	674,669	486,245
3.2	Contract liabilities	11,505	2,704
3.2	Prepayments from customers	2,399	406
3.4	Provisions	32,078	21,888
6.1	Income tax payable	36,180	46,105
	Other liabilities	145,441	207,458
	Total current liabilities	**1,933,434**	**1,510,943**
	Total liabilities	**2,750,639**	**2,347,289**
	Total equity and liabilities	**4,527,986**	**4,124,325**

Reference to off-balance sheet notes: Operating leases 6.2, Related parties 6.4, and Contingent liabilities 3.4

Statement of cash flows – consolidated

Notes	(DKK'000)	2019	2018
	Cash flow from operating activities		
	Profit before tax	27,786	126,282
3.4	Changes in working capital	7,121	73,758
6.3	Adjustments for non-cash items	199,442	68,468
	Interest received	14,152	20,698
	Interest paid incl. interest on lease payments	-67,075	-62,359
	Corporation tax paid	-46,993	-52,105
	Net cash generated from operating activities	**134,433**	**174,742**
	Cash flow from investing activities		
	Acquisition of assets recognised as property, plant and equipment	-43,463	-43,577
	Disposal of assets recognised as property, plant and equipment	0	5,704
	Net cash generated from investing activities	**-43,463**	**-37,873**
	Cash flow from financing activities		
	Repayment of long-term debt	-102,312	-103,394
	Proceeds from loans	7,612	10,173
	Repayment of lease liabilities	-20,647	0
	Net cash generated from financing activities	**-115,347**	**-93,221**
	Total cash flows	**-24,377**	**43,648**
	Cash and cash equivalents at 1 January	136,262	91,220
	Net foreign currency gains or losses	-2,275	1,394
	Cash and cash equivalents at 31 December	**109,610**	**136,262**

Notes	(DKK'000)	2019	2018
	Cash and cash equivalents		
	Cash at bank and on hand	1,010,822	773,272
	Cash and cash equivalents as at 31 December	**1,010,822**	**773,272**
	Bank overdrafts	-901,212	-637,012
	Net cash and cash equivalents as at 31 December	**109,610**	**136,260**

Statement of changes in equity – consolidated

(DKK'000)	Share capital	Share premium	Hedging reserve	Retained earnings	Total
2019					
Equity at 1 January	**14,689**	**1,463,830**	**-**	**298,517**	**1,777,036**
Profit for the period	**0**	**0**	**0**	**233**	**233**
Other comprehensive income:					
Foreign currency translation differences	0	0	0	78	78
Value adjustment, hedging of future cash flows	0	0	0	0	0
Tax relating to other comprehensive income	0	0	0	0	0
Total other comprehensive income	**0**	**0**	**0**	**78**	**78**
Transactions with owners of the Company and other equity transactions:					
Increase in capital	0	0	0	0	0
Dividends paid	0	0	0	0	0
Total transactions with owners of the Company and other equity transactions	**0**	**0**	**0**	**0**	**0**
Equity on 31 December	**14,689**	**1,463,830**	**0**	**298,828**	**1,777,347**
2018					
Equity at 1 January	**14,689**	**1,463,830**	**-1,617**	**211,136**	**1,688,038**
Profit for the period	**0**	**0**	**0**	**90,044**	**90,044**
Other comprehensive income:					
Foreign currency translation differences	0	0	38	-2,663	-2,625
Value adjustment, hedging of future cash flows	0	0	2,024	0	2,024
Tax relating to other comprehensive income	0	0	-445	0	-445
Total other comprehensive income	**0**	**0**	**1,617**	**-2,663**	**-1,046**
Transactions with owners of the Company and other equity transactions:					
Increase in capital	0	0	0	0	0
Dividends paid	0	0	0	0	0
Total transactions with owners of the Company and other equity transactions	**0**	**0**	**0**	**0**	**0**
Equity on 31 December	**14,689**	**1,463,830**	**0**	**298,517**	**1,777,036**

Notes

Section 1: Basis of preparation

Section 2: EBITDA

Section 3: Working capital

Section 4: Investments

Section 5: Funding and capital structure

Section 6: Other disclosures

Section 1

Basis of preparation

Diego HC TopCo A/S ('Diego HC TopCo') 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 Diego HC TopCo 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 described 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 2019.

The consolidated financial statements were presented on 3 June 2020 and approved by the shareholders at the general meeting on 3 June 2020, signed by chairman Tore Thorstensen.

The accounting policies described below have been applied consistently to the financial year and the comparative figures. For standards implemented prospectively, comparative figures are not restated.

In this section

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 Diego HC TopCo A/S's functional and presentation currency. All values are rounded to the nearest thousand DKK '000 where indicated.

A few reclassifications have been made in the profit and loss account and comparative figures have been corrected.

Basis of consolidation

The consolidated financial statements comprise Diego HC TopCo A/S and entities controlled by Diego HC TopCo 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 Diego HC TopCo using consistent accounting policies.

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

These consolidated financial statements include the accounts of Diego HC TopCo and its subsidiary companies, which are listed in note 6.7.

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.

Group companies

On consolidation, the assets and liabilities in foreign operations are translated into DKK at the spot rate of exchange prevailing at the reporting

Note 1.1 General accounting policies (continued)

date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations, and are translated at the closing rate of exchange.

Implementation of new or amended standards and interpretations

The Group has implemented all new IFRS standards, amendments and IFRIC interpretations as adopted by EU and effective as of 1 January 2019.

The standards relevant for the Group are:
- IFRS 16 Leases
- IFRIC 23 Uncertain tax positions

Of the above, only IFRS 16 has implications on the recognition, measurement, and presentation in the consolidated financial statements.

Several other amendments and interpretations apply for the first time in 2019, 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 16 Leases

Diego HC TopCo A/S applied IFRS 16 Leases for the first time in 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Diego HC TopCo A/S adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Therefore, comparative figures are not restated and the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Diego HC TopCo A/S elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets, i.e. printing and photocopying machines).

In assessing future leasing payments, the Group has reviewed its operational leases and identified the leasing payments related to a leasing component; which are fixed or variable, but which change with fluctuations in an index or interest rate.

When assessing the expected rental period, the Group has identified the non-revocable rental periods granted to the agreement, subject to an extension option, which management with reasonable visibility expects to take advantage of, and attributed periods subject to a termination option, which management reasonably likely do not expect to exploit.

For operating equipment leases, the Group has assessed that the expected rental period is the period of lease in the agreements, as the Group does not have a history of utilising the extension options in similar agreements.

In assessing the expected rental period for leases of properties the Group assesses for strategic reasons, the expected rental period is between between 1-11 years of age.

By discounting the lease payments to present value, the Group has used its alternative loan interest rate which represents the cost of taking out external financing for an equivalent loan with a financing period corresponding to the duration of the lease in the currency. The Group has documented the alternative loan interest rate for each portfolio of leases with similar characteristics.

In assessing the Group's alternative loan interest rate, the Group has, for its leases of property calculated its alternative loan interest rate on the basis of an interest rate from a mortgage with a maturity corresponding to the duration of the lease agreement and in the same currency as the lease. The interest on the financing of the part that a mortgage cannot be used for is estimated on the basis of a reference interest rate plus a credit margin, derived from the from the Group's existing credit facilities. The Group has corrected the credit margin for the right of the provider to take back the asset in the event of default on lease payments (secured debt).

Impact implementation of IFRS 16

In implementing IFRS 16, the Group has recognised lease assets of 117.666 T.DKK. and lease liabilities of 117.666 T.DKK. The equity effect is thus DKK 0.

Lease assets consist primarily of properties and operating equipment, and on the date of transfer total lease assets amount to 117.666 T.DKK. (previous operational leases) and the finance leases transferred from tangible assets amount to 27.331 T.DKK, representing a total of 144.997 T.DKK.

The lease assets are depreciated linearly over the expected rental period, which is 1-11 years for property and 3-6 years for cars.

In measuring the lease obligation, the Group has used an average alternative loan rate to discount future lease payments of 5.33% for operating equipment and 6% for properties.

Note 1.1 General accounting policies (continued)

Lease obligations recognized 1 January 2019 (DKK'000)

Operational lease obligations as at 31 December 2018 (IAS 17)	116,694
Discounted with incremental borrowing rate 1 January 2019	84,412
Finansiel lease obligations as at 31 December 2018	27,533
Lease payments for periods with extension options which are expected to be exercised, and lease payments for periods with termination options which are not expected to be exercised	21,319
Effect of contracts not previously included as operational lease commitments	2,637
Effect of indexation	9,298
Lease liability of 1 January 2019 (IFRS 16)	**145,199**

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 following new or amended IFRS standards and Interpretations of relevance to the Company have been issued but not yet adopted by the EU:

- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 3 "Business Combinations"
- Amendments to "References to the Conceptual Framework"

The Group expects to implement the new standards when they become effective. It has been assessed that the implementation of the new standards will not have any significant effect on the recognition and measurement of the balance sheet at 1 January 2020.

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
Leases - Estimating the incremental borrowing rate and lease period	4.5
Guarantee commitments	3.8
Impairment of non-financial assets	4.5
Assessment deferred tax assets	6.10

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

EBITDA

This section provides information regarding the Group's performance in 2019, 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.

In this section

Note 2.1 Revenue

(DKK'000)	Denmark	Sweden	Germany	Total revenue
2019				
Revenue per segment and category - Contracted sales				
Sales value houses sold on customers building sites	2,445,876	315,920	90,639	2,852,435
Sales value houses sold on own building sites	671,447	0	9,585	681,032
Sales of land plots	220,705	0	0	220,705
Other revenue	0	0	0	0
Total Contracted sales	**3,338,028**	**315,920**	**100,224**	**3,754,172**
Revenue per segment and category - Non-contracted sales				
Sales value houses sold on customers building sites	0	0	0	0
Sales value houses sold on own building sites	0	0	0	0
Sales of land plots	0	0	0	0
Other revenue	4,743	0	0	4,743
Total Non-contracted sales	**4,743**	**0**	**0**	**4,743**
Total Revenue	**3,342,771**	**315,920**	**100,224**	**3,758,915**

Note 2.1 Revenue (continued)

(DKK'000)	Denmark	Sweden	Germany	Total revenue
2018				
Revenue per segment and category - Contracted sales				
Sales value houses sold on customers building sites	2,132,738	302,356	133,683	2,568,777
Sales value houses sold on own building sites	596,620	34,599	-520	630,699
Sales of land plots	136,474	1,490	1,422	139,386
Other revenue	0	0	0	0
Total Contracted sales	**2,865,832**	**338,445**	**134,585**	**3,338,862**
Revenue per segment and category - Non-contracted sales				
Sales value houses sold on customers building sites	0	0	0	0
Sales value houses sold on own building sites	2,357	0	0	2,357
Sales of land plots	0	0	0	0
Other revenue	7,197	390	388	7,975
Total Non-contracted sales	**9,554**	**390**	**388**	**10,332**
Total Revenue	**2,875,386**	**338,835**	**134,973**	**3,349,194**

The Group is engaged in construction and civil works activities in Denmark, Sweden and Germany.

Non-contracted sales is recognised on delivery (point-in-time). Contracted sales is recognised over time. Payment is typically due at the time of final delivery of the construction, however a small deposit is paid upon contract negotiation. The Group receives a bank guarantee in connection with the start-up of each contract, and is entitled to payment for work performed, including profit during the project.

Reference is made to the accounting policies for further details on revenue recognition.

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)	2019	2018
Wages and salaries	278,187	276,087
Defined contribution plans	18,212	18,497
Other social security costs	13,897	15,916
Other staff costs	5,839	14,886
Total	**316,135**	**325,386**
Average number of full-time employees	482	504

(DKK'000)	2019	2018
Remuneration of Board of Directors		
Base salary and non-monetary benefits	1,142	800
Total remuneration	**1,142**	**800**
Remuneration of Executive Management		
Base salary and non-monetary benefits	13,172	15,739
Total remuneration	**13,172**	**15,739**

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.

Remuneration of Board of Directors and Executive Management comprises remuneration to the registered members of the Board of Directors and Executive Management during 2019.

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

(DKK'000)	2019	2018
Reconcilliation of EBITDA		
Operating profit before depreciation and amortisation	133,789	192,800
Special items		
- Impairment goodwill Germany and Sweden	80,700	0
- Cost incurred in connection with close down of brick house business in Sweden and Germany	38,119	43,941
- Strategic organisational changes	6,919	4,354
- Costs in connection with Acquisition and Vendor Due Dilligence	10,557	33,110
- Other special items	296	3,201
Total special items	**136,591**	**84,606**
Operating profit before depreciation and amortisation (EBITDA) before special items	**270,380**	**277,406**

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

Special items in 2019 is effected by the decision to discontinue the activiteis in Germany and part of the Swedish business. The businesses are expected to be closed in 2020. Significant items relates to impairment of goodwill and cost relating to the close down.

(DKK'000)	2019	2018
Cost related to restructuring of process and fundamental structural adjustment:		
- Impairment goodwill Germany and Sweden	80,700	0
- Cost incurred in connection with close down of brick house business in Sweden and Germany	38,119	43,941
- Strategic organisational changes	6,919	4,354
- Costs in connection with Acquisition and Vendor Due Dilligence	10,557	33,110
- Other special items	296	3,201
Total special items	**136,591**	**84,606**

Note 2.5 Financial risk management

Currency Risk

The Group is exposed 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 2019 amounted to DKK 430 million (2018: DKK 474 million). Management considers the Group's exposure to SEK and EUR as low.

Note 2.6 Accounting policy

Revenue

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

Contracted sales

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. The Group receives a bank guarantee in connection with the start-up of each contract, and is entitled to payment for work performed, including profit during the project.

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.

Note 2.6 Accounting policy (continued)

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

Non-contracted sales

For non-contracted sales revenue is recognized in the income statement when the performance obligation is fulfilled. This is defined as the point in time when control of the non-contracted construction (sales of houses constructed on own land for which no customer contract has been entered 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.

Cost of sales

Cost of sales include 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 Group's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases (up to 2018), 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 individual customisation and satisfy the criteria for recognition over time. The assessment is based on an analysis of, among other things, the contract provisions on:

- The degree of customisation, including the alternative use potential of buildings and civil works
- The time of transfer of legal title
- Payment terms, including early termination of contract
- Enforceable right to payment for performance completion to date.

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 779 million (2018: DKK 631 million); refer to note 3.2 Contract assets.

Section 3

Working capital

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

In this section

Note 3.1 Inventories

(DKK'000)	2019	2018
Raw materials	7,517	8,702
Show-houses and semi-detached houses (non-contracted)	228,719	235,265
Land	171,691	190,080
Write-down inventories	-5,000	0
Total inventories	**402,927**	**434,047**

Note 3.2 Contract assets and liabilities

(DKK'000)	2019	2018
Selling price of contract assets	778,934	630,928
Invoicing on account	-102,763	-39,738
	676,171	**591,190**
Calculated as follows:		
Contract assets	687,676	593,895
Contract liabilities	-11,505	-2,704
	676,171	**591,190**
Prepayments from customers regarding construction contracts not yet started	**2,399**	**406**

Note 3.2 Contract assets (continued)

Construction contracts (assets/liabilities)

Contract assets comprise the selling price of work performed where the Group does not yet have an unconditional right to payment, as the work performed has not yet been approved by the customer.

Contract liabilities comprise agreed, unconcitional payments received on account for work yet to be performed. During 2019, the entire contract liability recognized at the beginning of the period has been recognized as revenue.

Payment is typically due at the time of final delivery of the construction, however a small deposit is paid upon contract negotiation. The Group receives a bank guarantee in connection with the start-up of each contract, and is entitled to payment for work performed, including profit during the project.

The increase in contract assets in 2019 reflects the fact that the Group's production is increasing. Contract liabilities showed an increase due to another mix of progress versus payments received. Prepayments from customers are reduced compared to last year due to another mix of progress versus payments received.

Note 3.3 Trade receivables

(DKK'000)	2019	2018
Trade receivables	127,676	54,484
Provision for expected credit losses	-28,369	-21,163
Other receivables	53,769	45,101
As at 31 December	**153,076**	**78,422**
Provision for expected credit losses at 1 January	-21,163	-5,700
Exchange rate adjustment	63	0
Arising during the year	-9,747	-15,754
Reversed	0	291
Utilised	2,478	0
Provision for expected credit losses at 31 December	**-28,369**	**-21,163**

Note 3.3 Trade receivables (continued)

The Group receives security in the form of a bank guarantee or deposit in connection with the start-up of construction contracts covering the total agreed sales price and there is therefore limited risk of loss on trade receivables in connection with the Group's receivable from sales activities. The Group's trade receivables consist of invoices issued shortly before delivering the house, and no key is delivered until payment is received. The increase in trade receivables is due to an increase in houses delivered January 2020.

Provision for losses in 2018 relates to special situation in Germany, where local management had entered into trades without adequate securing receivables according to the group's policies. Amounts are included in special items.

Provision for losses on trade receivables in 2019 is recognised following the decision to close-down of brick houses in Sweden and Germany as well as re-assessment of provisions made at year-end 2018. Amounts are included in special items.

Note 3.4 Guarantee commitments and contingent liabilities

(DKK'000)	2019	2018
Guarantee provision at 1 January	27,360	25,409
Exchange rate adjustment	-23	-58
Arising during the year	34,649	22,336
Utilised	-21,888	-20,327
Guarantee provision at 31 December	**40,098**	**27,360**
Distributed in the balance as follows:		
Non-current liabilities	8,020	5,472
Current liabilities	32,078	21,888

Note 3.4 Guarantee commitments and contingent liabilities (continued)

At year-end, the guarantee provision amounted to DKK 40 million (2018: DKK 27 million). Provisions for future costs regarding 1 and 5 years review of the delivered houses due to guarantee commitments are recognized at the amount expected to be required to settle the commitment on the balance-sheet date.

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

Contingent liabilities

The company is continuously involved in minor disputes, but nothing significant per 31st December 2019.

The Company is jointly taxed with its Danish group entities and acts as Management Company. The Company is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income years 2016 and forward and withholding taxes falling due for payment on or after 1 January 2016 in the group of jointly taxed entities.

Collateral

DKK 28 million of cash and short term deposits is placed in restricted accounts, and is released when the completed houses are delivered to the customers (2018: DKK 22 million).

The Company has issued guarantees to trade creditors of DKK 358 million as at 31 December 2019 (2018: DKK 143 million).

Investment in subsidiaries have been provided as security for balances with Nordea, covering all bank borrowings.

Contractual obligations

The Group has entering into a Share Purchase Agreement to acquire 100% of the share capital in Eurodan-huse A/S.

The acquisition is pending the approval from the Danish competition authorities.

Note 3.5 Changes in working capital

(DKK'000)	2019	2018
Increase in construction contracts & Inventory	-53,860	-7,181
Increase/decrease in trade and other receivables	-73,517	52,220
Increase in trade and other payables	134,498	28,719
Total	**7,121**	**73,758**

Note 3.6 Financial risk management

Credit risk

Diego HC TopCo is exposed towards customers' inability to meet their financial obligations. To address this risk, the Group obtains a bank guarantee on agreed sales price from all customers before construction starts and the customers pay by deliverable. In contracts where the scope and price is subsequently changed, the bank guarantee is updated, if the change is considered significant by Management. This means that there are no debtorloss, as all payments rights are secured before delivery of the houses.

It is the Group's assessment that the exposure towards credit risk is not significant. The loss on debtors in 2018 and 2019 is caused by deviation from group policy in Germany and circumstances regarding the close-down of brick houses in Sweden and Germany, and is included in special items.

Impairment of other receivables amounted to nil in 2019 and 2018.

Note 3.7 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 sub-suppliers.

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 amortized cost. Write-down to counter losses is made according to the simplified expected credit loss model, after which the total loss is recognised immediately in the profit and loss account at the same time as the receivable is recognised in the balance sheet on the basis of expected loss in the total lifetime of the receivable.

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.

Other liabilities
Other liabilities which include debt to public authorities, employee related costs payable and accruals etc. are measured at amortisede cost.

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 3.8 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 40 million (2018: DKK 27 million), refer to note 3.3 Provisions and contingent liabilities.

Section 4

Investments

In this section the Group's investments are explained. This includes investments in intangible and tangible assets including right of use assets, and how these are tested for impairment.

In this section

Note 4.1 Goodwill and Intangible assets

Goodwill (DKK'000)	**Goodwill**	**Total**
2019		
Cost at 1 January	2,112,394	2,112,394
Exchange rate adjustments	-4,140	-4,140
Cost at 31 December	**2,108,254**	**2,108,254**
Amortisation and impairment losses at 1 January	0	0
Impairment losses	80,700	80,700
Amortisation and impairment losses at 31 December	**80,700**	**80,700**
Carrying amount at 31 December	**2,027,554**	**2,027,554**
2018		
Cost at 1 January	2,123,470	2,123,470
Exchange rate adjustments	-11,076	-11,076
Cost at 31 December	**2,112,394**	**2,112,394**
Amortisation and impairment losses at 1 January	0	0
Amortisation and impairment losses at 31 December	**0**	**0**
Carrying amount at 31 December	**2,112,394**	**2,112,394**

Note 4.1 Goodwill and Intangible assets (continued)

Intangible assets (DKK'000)	Trademarks	Software development	Total
2019			
Cost at 1 January	29,166	43,495	72,661
Additions	0	28,300	28,300
Exchange rate adjustments	0	-119	-119
Cost at 31 December	**29,166**	**71,676**	**100,842**
Amortisation and impairment losses at 1 January	29,166	10,205	39,371
Amortisation	0	8,269	8,269
Exchange rate adjustments	0	-101	-101
Amortisation and impairment losses at 31 December	**29,166**	**18,373**	**47,539**
Carrying amount at 31 December	**0**	**53,303**	**53,303**
2018			
Cost at 1 January	29,166	24,372	53,538
Additions	0	19,442	19,442
Exchange rate adjustments	0	-319	-319
Cost at 31 December	**29,166**	**43,495**	**72,661**
Amortisation and impairment losses at 1 January	29,166	6,036	35,202
Amortisation	0	4,382	4,382
Exchange rate adjustments	0	-213	-213
Amortisation and impairment losses at 31 December	**29,166**	**10,205**	**39,371**
Carrying amount at 31 December	**0**	**33,290**	**33,290**

Note 4.2 Property, plant and equipment and rights of use assets

Tangible assets (DKK'000)	Right of use assets, Motor vehicles	Right of use assets, property	Other Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
2019					
Cost at 1 January	0	0	74,822	16,566	91,388
Exchange rate adjustments	0	-915	-173	-21	-1,109
Transfer to rights of use assets	31,294	0	-31,294	0	0
Effect of implementation IFRS 16, 1 January	0	117,666	0	0	117,666
Additions	5,074	3,133	4,414	3,931	16,552
Remeasurement of lease liabilities	-6,116	-3,180	0	0	-9,296
Disposals	-595	0	-2,623	0	-3,218
Cost at 31 December	**29,657**	**116,704**	**45,146**	**20,476**	**211,983**
Depreciation and impairment 1 January	0	0	25,326	9,743	35,069
Exchange rate adjustments	0	0	-25	14	-11
Transfer to rigths of use assets	3,963	0	-3,963	0	0
Depreciation	5,020	19,157	7,753	3,041	34,971
Impairment losses	0	3,772	0	0	3,772
Depreciation of disposals	0	0	-1,830	0	-1,830
Depreciation and impairment 31 December	**8,983**	**22,929**	**27,261**	**12,798**	**71,971**
Carrying amount at 31 December	**20,674**	**93,775**	**17,885**	**7,678**	**140,012**

Note 4.2 Property, plant and equipment and rights of use assets (continued)

Tangible assets (DKK'000)	**Other Fixtures and fittings, tools and equipment**	**Leasehold improve-ments**	**Total**
2018			
Cost at 1 January	64,936	16,499	81,435
Exchange rate adjustments	-454	-109	-563
Additions	24,057	176	24,233
Disposals	-13,717	0	-13,717
Cost at 31 December	**74,822**	**16,566**	**91,388**
Depreciation and impairment 1 January	21,287	6,567	27,854
Exchange rate adjustments	-108	-26	-134
Depreciation	12,061	3,202	15,263
Depreciation of disposals	-7,914	0	-7,914
Depreciation and impairment 31 December	**25,326**	**9,743**	**35,069**
Carrying amount at 31 December	**49,496**	**6,823**	**56,319**

Reference is made to note 5.3 for statement of lease liabilities in connection with right of use assets.

Note 4.3 Impairment

Goodwill and intangible assets with indefinite lives

At 31 December 2019, Management tested the carrying amount of goodwill for impairment based on the allocation of the cost of goodwill on the geographic segments.

(DKK'million)	**2019**	**2018**
Cost at 1 January		
Denmark	1,761	1,761
Germany (After impairment 2019 DKK 56 million)	0	56
Sweden (After impairment 2019 DKK 25 million)	267	295
Carrying amount 31 December	**2,028**	**2,112**

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 2020-2022 approved by Management and with a pre-tax discount factor of 10.7% (2018: 10.8%).

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

The budgeted revenue is expected to increase by an average of 10-11% in the budget period (2018: 12-13%).

The budgeted revenue is driven from expectations for the future based on historical and future order-log. The Group has had succes with a historical very strong design combined with competitive prices and a large volume of showparks. The Group's market initiatives with many show houses, first in the market with continuous innovative new solution for the benefit of the house buyer and a business model where the buyer first pays house upon delivery is a significant factor in driving the future revenue.

The weighted average growth rate used in connection with extrapolation of future net cash flows for the years after 2022 is estimated to 2% (2018: 2%). The growth rate is not assessed to exceed the long-term average growth rate within the Company's markets.

Note 4.3 Impairment (continued)

In order to focus on the most relevant market for brick houses, the Group has decided to close down the brick houses in Germany and Sweden. This close-down has resulted in 100% impairment of goodwill related to the German segment of 56 DKK million and 100% impairment of goodwill related to the Swedish brick house segment of 25 DKK million.

Sensitivity analysis

Management assesses that a probable change in the basic assumptions would not cause the carrying amount of goodwill would exceed recoverable value.

Note 4.4 Accounting policy

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.

Intangible assets

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.

Software development projects

Software development projects that are clearly defined and identifiable where the technical equality, sufficient resources, and a potential future

Note 4.4 Accounting policy (continued)

market or potential for use in the group can be demonstrated and where it is intended to manufacture, market or use project. These assets are recognized as intangible assets if the cost price can be reliably determined and sufficient reasonable assurance that future earnings or net selling price may cover production, sales, administration and development costs. Other development costs are recognized in the income statement under research and development costs, as costs like to be held.

Recognized development costs are measured at cost less accumulated depreciation and impairment losses. Cost includes salaries, depreciation and other attributable costs to the Group's development activities and borrowing costs from specific and general borrowing that directly relates to the development of development projects.

Upon completion of the development work, development projects are amortized on a straight-line basis over the assessment period economic life from the time the asset is ready for use. The amortization period usually constitutes 3-5 years. The amortization basis is reduced by any write-downs.

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.

Note 4.4 Accounting policy (continued)

Lease agreements

Leases before 1 January 2019

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.

Lease agreements from 1 January 2019

The Company has lease contracts for leaseholds, vehicles and other equipment used in its operations. Lease of leaseholds generally has lease terms between 3 and 5 years, while vehicles generally have lease terms between 5 and 6 years. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The lease obligation is measured at amortized cost using the effective interest rate method. The lease obligation is remeasured when changes in the underlying contractual cash flows occur from e.g. changes in an index or a borrowing rate, changes in determining whether extension and termination options are reasonably certain to be exercised.

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease agreements. Subsequently the right-of-use asset is measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is adjusted for changes in the lease obligation as a consequence of changes in lease terms or changes in the cash flows of the lease agreement upon changes in an index or a borrowing rate.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:
Leaseholds: 3-5 years
Cars: 5-6 years

The Company presents lease assets and lease obligations separately in the balance sheet.

The Company also has certain leases of other equipment with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the short-term lease and lease of low-value assets' recognition exemptions for these leases.

Note 4.5 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 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.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). In determining its incremental borrowing rate, the Company groups its lease assets in two categories in which the Company assesses that the lease agreements and the underlying assets in each category have the same characteristica and risk profile. The categories are as follows:

- Leaseholds
- Cars

Note 4.5 Significant estimates and judgements (continued)

The Company determines its incremental borrowing rate for the above categories in relation to the first recognition in the balance sheet. Moreover, it is determined in connection with subsequent changes in the underlying contractual cash flows upon changes in the estimation of a changed assessment of the use of the extension or termination options or in case of altered agreements.

In the determination of the incremental borrowing rate for leaseholds the Company has performed its determination based on an interest rate from a mortgage loan with a loan maturity that resembles the maturity of the lease agreements. The rate on the financing of the part where a mortgage loan cannot be accomplished, has been estimated based on a reference rate with a supplement of a credit margin from the Company's existing credit facilities. The Company has adjusted the credit margin for lessor's right to take back the asset in case of violation of the lease payments (secured debt).

The Company has determined its incremental borrowing rate on lease agreements regarding cars with basis on a reference rate with a credit margin from the Company's existing credit facilities. The applied incremental borrowing rates are 5-6%.

Section 5

Funding and capital structure

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.

In this section

Note 5.1 Equity

The company's share capital is nominally DKK 14,688,999 divided into 14,688,999 shares of DKK 1 each or multiples hereof. The company's share capital consists of nominally DKK 12,333,648 class A shares, nominally DKK 1,500,000 class B shares, and nominally DKK 855,351 class C shares.

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.

(DKK'000)	Nominal value	Number of shares
2019		
Share capital		
Share capital at 1 January (issued and fully paid)	14,689	14,689
Additions	0	0
Share capital at 31 December	**14,689**	**14,689**
2018		
Share capital		
Share capital at 1 January (issued and fully paid)	14,689	14,689
Additions	0	0
Share capital at 31 December	**14,689**	**14,689**

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.

Note 5.2 Borrowings and non-current liabilities

(DKK'000)	2019	2018
Borrowings		
Non-current liabilities	783,342	812,130
Current liabilities	1,031,162	746,137
Total carrying amount	**1,814,504**	**1,558,267**
Nominal value	1,855,290	1,580,949
Interest-bearing borrowings		
Interest-bearing borrowings, 1 January	1,558,267	1,435,828
Additions	271,812	224,833
Implementing IFRS 16	117,666	0
Repayments	-122,959	-103,200
Other (amortised cost, reassesment leasing liabilities IFRS 16 etc.)	-7,274	5,210
Exchange rate adjustments	-3,008	-4,404
Interest-bearing borrowings, 31 December	**1,814,504**	**1,558,267**

(DKK'000)	Currency	Interest rate	Average interest rate	Carrying amount
2019				
Bank borrowings	DKK	Floating	3,70%	1,693,607
Commitments on leasing agreements	DKK	Fixed-rate	5,88%	120,897
				1,814,504
2018				
Bank borrowings	DKK	Floating	3,70%	1,530,734
Commitments on leasing agreements	DKK	Fixed-rate	4,38%	27,533
				1,558,267

Investments in subsidiaries have been provided as security for balances with Nordea, covering all bank borrowings.

Note 5.3 Lease liabilities

(DKK'000)	2019	2018
Lease liabilities		
Maturity of lease liabilities		
Due within 1 year	21,020	5,629
Due between 1 and 5 years	58,919	21,026
Due after 5 years	40,958	878
Total lease liabilities 31 December 2019	120,897	27,533
Lease liabilities recognized in balance sheet	0	0
- Hereof short-term lease liabilities	21,020	5,629
- Hereof long-term lease liabilities	99,877	21,904
Amounts recognized in income statement		
Interest expenses relted to lease obligations	7,715	953
Costs related to short-term leases (included in cost of sales)	17	0
Costs related to leasing contracts of low value (included in external expenses)	59	17,366
Total amount recognized in income statement	**7,774**	**18,319**

Reference is made to note 4.2 for statement of right of use assets in connection with lease liabilities.
2018 relates exclusively to financial leasing (IAS 17), while 2019 relates to leasing liabilities (IFRS 16).

Note 5.4 Financial income and expenses

Financial income and financial expenses (DKK'000)	**2019**	**2018**
Financial income		
Interests received from banks*	14,062	9,627
Adjustment earn out prior years aquisition	0	10,839
Exchange rate gains	60	223
Other financial income	30	9
Total financial income	**14,152**	**20,698**
Financial expenses		
Interest paid to banks*	60,942	63,021
Interest lease liabilities*	6,504	952
Exchange rate losses	2,165	1,971
Other financial cost	3,533	1,626
Total financial expenses	**73,144**	**67,570**
Net financials	**-58,992**	**-46,872**

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

Note 5.5 Financial risk management

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

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

Liquidity risk

Diego HC TopCo 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 2019, the Group has an undrawn credit facility of DKK 449 million to ensure that the Group is able to meet its obligations (2018: DKK 351 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.

Note 5.5 Financial risk management (continued)

Contractual maturity analysis of financial liabilities (DKK'000)	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total contractual cash flows	Carrying amount
2019					
Non-derivative financial liabilities					
Trade and other payables	674,669	0	0	674,669	674,669
Bank Borrowings	1,071,290	732,177	0	1,803,467	1,693,607
Lease liabilities	27,794	68,487	47,987	144,268	120,897
Other Liabilities	145,441	0	0	145,441	145,441
Total non-derivative financial liabilities	**1,919,194**	**800,664**	**47,987**	**2,767,845**	**2,634,614**
Total financial liabilities	**1,919,194**	**800,664**	**47,987**	**2,767,845**	**2,634,614**
2018					
Non-derivative financial liabilities					
Trade and other payables	486,245	0	0	486,245	486,245
Bank Borrowings	795,976	869,682	0	1,665,658	1,530,734
Lease liabilities	6,012	24,048	2,658	32,718	27,533
Other Liabilities	207,458	0	0	207,458	207,458
Total non-derivative financial liabilities	**1,495,691**	**893,730**	**2,658**	**2,392,079**	**2,251,970**
Total financial liabilities	**1,495,691**	**893,730**	**2,658**	**2,392,079**	**2,251,970**

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

Diego HC TopCo is exposed to fluctuations in market interest rates primarily related to the Group's long-term loan with floating rates.

The Group aims to keep a reasonable part of its borrowings at fixed interest rates.

At 31 December 2019 the Group's long-term debt is kept at floating rates.

If the interest rate increased (decreased) by 1% the effect on interest during 2019 would have been DKK 16.9 million (2018: DKK 15.8 million).

Categories of financial assets and financial liabilities (DKK'000)	2019	2018
Cash and receivables	1,010,822	773,272
Receivables	153,076	78,422
Bank Borrowings	1,693,607	1,530,734
Lease liabilities	120,897	27,533
Trade and other payables	674,669	486,245
Other liabilities	145,441	207,458

It is estimated that the fair value of financial assets and liabilities corresponds to carrying amount in balance sheet.

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

Financial assets

Financial assets are classified as 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 trade payables, borrowings and other payables (primarily staff-related costs not due for payment).

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

This section includes other disclosures required by IFRS or additional disclosures required by the Danish Companies Act.

In this section

Note 6.1 Tax

(DKK'000)	2019	2018
Current tax		
Income tax	36,938	52,952
Movement in deferred tax	-9,365	-18,873
Adjustment relating to previous years	-20	2,158
Income taxes in the income statement	**27,553**	**36,237**
Profit before tax	**27,786**	**126,282**
Tax rate, Denmark	22.00%	22.00%
Tax at the applicable rate	6,113	22,326
Expenses not deductible for tax purposes	19,978	9,375
Adjustments relating to prior years	-20	2,158
Other	1,482	2,378
Tax expense for the year	**27,553**	**36,237**
Effective tax rate, %	**99.16%**	**28.70%**

Expenses not deductible for tax purpose primarily relates to impairment goodwill and costs related to transactions.

	2019	2018
Deferred tax		
Deferred tax (net) at 1 January	**-13,564**	**4,163**
Recognised in profit or loss	-9,365	-18,873
Adjustments relating to prior years	0	154
Exchange differences	-700	992
Deferred tax (net) at 31 December	**-23,629**	**-13,564**

Note 6.1 Tax (continued)

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

(DKK'000)	Deferred tax asset 2019	Deferred tax liability 2019	Deferred tax asset 2018	Deferred tax liability 2018
Intangible assets	0	481	0	3,367
Right-of-use assets and Property, plant and equipment	0	-642	0	-377
Construction contracts	0	20,103	0	19,121
Other payables	0	-11	0	-11
Tax loss carried forward	43,374	-186	32,308	-3,356
Deferred tax	**43,374**	**19,745**	**32,308**	**18,744**

Corporation tax payable (DKK'000)	2019	2018
Corporation tax payable at 1 January	**46,105**	**47,186**
Foreign exchange adjustments	150	-61
Adjustment of corporation tax related to prior year	-20	-2,312
Current tax including jointly taxed subsidiaries	36,938	52,952
Corporation tax paid during the year	-46,993	-52,105
Tax related to Financial instruments	0	445
Corporation tax payable at 31 December	**36,180**	**46,105**

Note 6.2 Operating leases

The Company leases properties and equipment under operational leasing contracts. The term of the leases are usually between 1-13 years with possible extension. None of the leasing contracts include conditional lease payments. Beginning 1 January 2019 the Company has implemeted IFRS16 and therefore leasing contracts are includ-ed in right of use assets.

Leasing contracts not effective before after year-end is not included in rights of use assets and is included in below statement of total contractual obligations.

(DKK'000)	0-1 year	1-5 years	> 5 years	Total
2019				
Operating leases	913	7,643	11,558	20,114
Total contractual obligations	**913**	**7,643**	**11,558**	**20,114**
2018				
Operating leases	20,556	50,926	45,212	116,694
Total contractual obligations	**20,556**	**50,926**	**45,212**	**116,694**

Note 6.3 Other non-cash items

(DKK'000)	2019	2018
Amortisation and impairment losses of intangible assets	88,969	4,382
Depreciation and impairment of property, plant and equipment and right of use assets	38,743	15,263
Movements in provisions recognised in the income statement	12,738	1,951
Non-cash financial items	58,992	46,872
Other non-cash items	**199,442**	**68,468**

Note 6.4 Related parties

Transactions with Executive Management & Board of Directors

Transactions with Executive Management & Board of Directors include transactions with companies controlled by the Executive Management & Board of Directors. Reference is made to note 2.2 in the consolidated financial statements.

The ultimate Parent

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

Significant transactions between the Group and the ultimate parent company

There were no transactions between the Group and the ultimative parent company in 2019 (2018: no transactions).

Note 6.5 Auditor's fee

Fees to auditors (DKK'000)	2019	2018
Audit Service	1,059	675
Tax advice services	247	0
Other non-audit services	787	302
Total	**2,093**	**977**

Note 6.6 Events after the balance sheet date

By the time of publishing this annual report, the spread of the COVID-virus had closed down big parts of many countries, including Denmark and Sweden, for several weeks. This has led to significant uncertainty about both short and long-term impact on economies, including the development of the housing market. Despite this uncertainty and short-term lack of transparency, we are confident that HusCompagniet will benefit from our solid financial profile and resilient business model with growth rates above market growth, a strong cash conversion and industry-leading return on capital employed.

The Executive Management believes in the short term that COVID-19 will not have a material adverse effect on HusCompagniet. Constructions sites are proceeding according to plan at the time of the financial reporting and delayed deliveries are considered unlikely but cannot be excluded.

Note 6.7 List of Group companies

Investment in group companies comprise the following at 31 December 2019.

Name	Country of incorporation	% equity interest
Diego HC A/S	Denmark	100%
HusCompagniet A/S	Denmark	100%
HusCompagniet Danmark 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%
HusCompagniet Sverige AB	Sweden	100%
Svenska HusCompagniet Fastighetsutveckling Allerum 2 AB	Sweden	100%
Die Haus-Compagnie GmbH	Germany	100%

* Huscompagniet Danmark A/S is a merge of HusCompagniet Sjælland A/S, HusCompagniet Fyn A/S, HusCompagniet Sønderjylland A/S, FM-Søkjær Enterprise A/S and HusCompagniet Midt- og Nordjylland A/S, with HusCompagniet Midt-Nordjylland A/S as the continuing company (name changes to HusCompagniet Danmark A/S).

Note 6.8 Definitions

EBITDA before special items
Operating profit excluding amortisation, depreciation, impairment and special items.

EBITDA after special items
Operating profit excluding amortisation, depreciation and impairment.

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

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".

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

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

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 before 1 January 2019

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.

Note 6.10 Significant estimates and judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for all unused tax losses, in the to the extent that it is considered likely that tax surpluses in which deficits can be offset will be realised. Determining the amount recognised for deferred tax assets are based on estimates of the likely timing of the and the amount of future taxable profits.

From 2019 the Group has changed the transfer-pricing setup. A marketing contribution is provided from Denmark to Sweden and Germany to ensure that an appropriate EBIT result is achieved in the respective countries.

The Group has applied for reopening of tax return in Sweden, Germany and Denmark fro the years 2015-2018.

As of December 31, 2019, the Group estimated that tax losses with a tax value of 43.4 million DKK. will be realised in the context of reopening transfer-pricing adjustments for the years 2015-2018.

Parent Company

Income statement – Parent

Notes	(DKK'000)	2019	2018
	Revenue	0	0
	Production costs	0	0
	Gross profit	**0**	**0**
2	Staff cost	0	0
	Other external expenses	-172	-1
	Operating profit before depreciation and amortisation (EBITDA) before special items	**-172**	**-1**
	Special items	0	0
	Operating profit before depreciation and amortisation (EBITDA) after special items	**-172**	**-1**
	Depreciation and amortisation	0	0
	Operating profit (EBIT)	**-172**	**-1**
5	Share of result of subsidiary companies after tax	5,259	93,977
	Financial income	0	0
3	Financial expenses	227	1,728
	Profit before tax	**4,860**	**92,248**
4	Tax on profit	4,627	2,204
	Profit for the year	**233**	**90,044**
	Profits attributable to:		
	Equity owners of the Company	233	90,044

Notes	(DKK'000)	2019	2018
	Profit for the year	233	90,044
	Other comprehensive income		
	Items that may be reclassified to the income statement in subsequent periods		
	Foreign currency translation differences, subsidiary	78	-2,625
	Value adjustment, hedging of future cash flows	0	2,024
	Tax relating to other comprehensive income	0	-445
	Other comprehensive income, net of tax	**78**	**-1,046**
	Total comprehensive income for the year	**311**	**88,998**
	Total comprehensive income attributable to:		
	Equity owners of the Company	311	88,998

Balance sheet - Parent

Notes	(DKK'000)	2019	2018
	Assets		
	Non-current assets		
5	Investments in subsidiaries	1,784,938	1,779,595
	Total non-current assets	**1,784,938**	**1,779,595**
	Current assets		
4	Income tax receivable	0	70
9	Receivables from affiliated companies	50,655	0
	Total current assets	50,655	70
	Total assets	**1,835,593**	**1,779,665**
	Equity and liabilities		
	Equity		
	Share capital	14,689	14,689
	Retained earnings and other reserves	1,762,658	1,762,347
	Total equity	**1,777,347**	**1,777,036**
	Liabilities		
	Current liabilities		
8	Credit institutions	57,292	2,477
	Trade and other payables	170	0
4	Income tax payable	625	0
	Other liabilities	159	152
	Total current liabilities	**58,246**	**2,629**
	Total liabilities	**58,246**	**2,629**
	Total equity and liabilities	**1,835,593**	**1,779,665**

Reference to off-balance sheet notes: Other disclosures 9

Statement of cash flows – Parent

Notes	(DKK'000)	2019	2018
	Cash flow from operating activities		
	Profit before tax	4,860	92,248
6	Changes in working capital	170	-1,384
7	Adjustments for non-cash items	-5,032	-92,249
	Interest paid	-227	-1,728
	Corporation tax paid	-3,932	-2,242
	Net cash generated from operating activities	**-4,161**	**-5,355**
	Cash flow from investing activities		
	Acquisition of subsidiaries, net cash acquired	0	0
	Net cash generated from investing activities	**0**	**0**
	Cash flow from financing activities		
	Change in intercompany balances	-50,655	43,079
	Net cash generated from financing activities	**-50,655**	**43,079**
	Total cash flows	**-54,816**	**37,724**
	Cash and cash equivalents at 1 January	-2,477	-40,196
	Net foreign currency gains or losses	1	-5
	Cash and cash equivalents at 31 December	**-57,292**	**-2,477**
	Cash and cash equivalents		
	Cash at bank and on hand	0	0
	Cash and cash equivalents as at 31 December	**0**	**0**
	Bank overdrafts	-57,292	-2,477
	Net cash and cash equivalents as at 31 December	**-57,292**	**-2,477**

Statement of changes in equity – Parent

(DKK'000)	Share capital	Share premium	Revaluations reserve under the equity method	Hedging reserve	Retained earnings	Total
2019						
Equity at 1 January	14,689	1,463,830	303,962	0	-5,445	1,777,036
Profit for the period	0	0	0	0	233	233
Reserve for Net Revaluation according to Equity Method	0	0	5,265	0	5,265	0
Other comprehensive income:						
Foreign currency translation differences, subsidiary	0	0	78	0	0	78
Total other comprehensive income	0	0	0	0	78	78
Equity on 31 December	14,689	1,463,830	309,305	0	-10,477	1,777,347
2018						
Equity at 1 January	14,689	1,463,830	211,033	-1,617	103	1,688,038
Profit for the period	0	0	0	0	90,044	90,044
Reserve for Net Revaluation according to Equity Method	0	0	92,929	0	-92,929	0
Other comprehensive income:						
Foreign currency translation differences, subsidiary	0	0	0	38	-2,663	-2,625
Value adjustment, hedging of future cash flows	0	0	0	2,024	0	2,024
Tax relating to other comprehensive income	0	0	0	-445	0	-445
Total other comprehensive income	0	0	0	1,617	-2,663	-1,046
Equity on 31 December	14,689	1,463,830	303,962	0	-5,445	1,777,036

Parent Company financial statements

Notes

In this section

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 Diego HC TopCo'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 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

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

Note 3 Finance expenses

(DKK'000)	2019	2018
Interests paid to banks*	136	314
Other financial cost	91	1,414
Total financial expenses	**227**	**1,728**

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

Note 4 Income taxes

Current tax (DKK'000)	2019	2018
Income tax	625	-70
Adjustment relating to previous years	4,002	2,274
Income taxes in the income statement	**4,627**	**2,204**

Adjustment relating to previous years is due to limitid interest deduction.

Profit before tax	**4,860**	**92,248**
Tax rate, Denmark	22.00%	22.00%
Tax at the applicable rate	749	20,294
Non-taxable income	-837	-20,675
Expenses not deductible for tax purposes	0	311
Adjustments relating to prior years	4,002	2,274
Other	713	0
Tax expense for the year	**4,627**	**2,204**
Effective tax rate, %	**95%**	**2%**

Note 5 Investments in subsidiaries

Investments in subsidiaries (DKK'000)	2019	2018
Cost at 1 January	1,475,633	1,475,633
Cost at 31 December	1,475,633	1,475,633
Share of result at 1 January	303,962	211,033
Share of results	5,259	93,977
Other comprehensive income	84	-1,048
Share of results at 31 December	309,305	303,962
Net book value	**1,784,938**	**1,779,595**

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

Note 6 Changes in working capital

(DKK'000)	2019	2018
Increase in trade and other payables	170	-1,384
Total	**170**	**-1,384**

Note 7 Adjustments for non-cash items

(DKK'000)	2019	2018
Share of result in subsidiary companies	-5,259	-93,977
Non-cash financial items	227	1,728
Other non-cash items	**-5,032**	**-92,249**

Note 8 Interest-bearing borrowings

(DKK'000)	2019	2018
Interest-bearing borrowings, 1 January	2,477	40,196
Additions	54,815	0
Repayments	0	-37,719
Interest-bearing borrowings, 31 December	**57,292**	**2,477**

Investments in subsidiaries have been provided as security for the Groups balances with Nordea, covering all bank borrowings.

Note 9 Other disclosures

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

- Guarantee commitments and contingent liabilities (note 3.4)
- Equity (note 5.1)
- Related parties (note 6.4)
- Events after the balance sheet date (note 6.6)

Receivables from affiliated companies at 31 December 2019 stated in the balance sheet relates primarily to tax payments in joint taxation. Balances are uninterdeent and settled on an ongoing basis. No write-downs have been made on balances in 2019 or 2018.

There are no losses on group receivables, so an expected credit loss is considered to be very limited.

Fee to auditors (DKK'000)	2019	2018
Audit Service	174	80
Tax advice services	10	68
Other non-audit services	112	10
Total	**296**	**158**

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Diego HC TopCo A/S for the financial year 1 January – 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2019 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2019.

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, the results for the year and the Group's and the Company's financial position as well as a description of the main risks and uncertainties facing the Group and the Company.
We recommend that the annual report be approved at the annual general meeting.

Horsens, 3 June 2020

Executive Board:

Martin Ravn-Nielsen
Group CEO

Mads Dehlsen Winther
Group CFO

Board of Directors:

Tore Thorstensen
Chairman

Claus V. Hemmingsen
Vice-Chairman (Independent)

Ylva Ekborn
(Independent)

Steffen Martin Baungaard
Member

Mads Munkholt Ditlevsen
Member

Magnus Tornling
Member

Peter Balslev
Member

Independent auditor's report

To the shareholders of Diego HC TopCo A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Diego HC TopCo A/S for the financial year 1 January – 31 December 2019, 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 2019 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 2019 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.

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.

Independent auditor's report (continued)

- 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, 3 June 2020

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised Public Accountant
mne21332

Thomas Bruun Kofoed
State Authorised Public Accountant
mne28677

HusCompagniet

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c/o HusCompagniet A/S

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CVR: 36972963

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"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Mads Dehlsen Winther
Direktion
Serienummer: PID:9208-2002-2-798141299146
IP: 217.74.xxx.xxx
2020-06-03 13:23:19Z
NEM ID

Martin Ravn-Nielsen
Direktion
Serienummer: PID:9208-2002-2-733697879494
IP: 217.74.xxx.xxx
2020-06-03 14:39:22Z
NEM ID

Tore Thorstensen
Bestyrelse
Serienummer: 9578-5993-4-2762912
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2020-06-03 14:42:32Z
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IP: 217.63.xxx.xxx
2020-06-03 15:01:45Z
NEM ID

Peter Henrik Balslev
Bestyrelse
Serienummer: PID:9208-2002-2-806671214520
IP: 217.63.xxx.xxx
2020-06-03 15:03:33Z
NEM ID

Ylva Anna Viktoria Ekborn
Bestyrelse
Serienummer: 19750527xxxx
IP: 90.129.xxx.xxx
2020-06-03 15:03:58Z
BankID

Nils Magnus Tornling
Bestyrelse
Serienummer: 9578-5994-4-462547
IP: 51.175.xxx.xxx
2020-06-03 16:50:02Z
bank ID

Steffen Martin Baungaard
Bestyrelse
Serienummer: PID:9208-2002-2-805724032199
IP: 87.59.xxx.xxx
2020-06-03 19:09:19Z
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