



Gefion

GROUP

Gefion Group A/S

Østergade 1, 1.
1100 Copenhagen
CVR No. 37042560

Annual report 2021

The Annual General Meeting adopted the
annual report on 29.04.2022

Jacob Kruse Rasmussen
Chairman of the General Meeting

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Entity details

Entity

Gefion Group A/S

Østergade 1, 1.

1100 Copenhagen

Business Registration No.: 37042560

Registered office: Copenhagen

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Morten Bach Gaardboe, Chairman

Per Mikael Jensen

Jens-Erik Corvinus

Executive Board

Thomas Færch, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Gefion Group A/S for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 28.04.2022

Executive Board

Thomas Færch

CEO

Board of Directors

Morten Bach Gaardboe

Chairman

Per Mikael Jensen

Jens-Erik Corvinius

Independent auditor's report

To the shareholders of Gefion Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Gefion Group A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with 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 financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 the additional requirements applicable in

Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the 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 consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Copenhagen, 28.04.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Andersen

State Authorised Public Accountant
Identification No (MNE) mne27762

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	1,897,213	1,252,981	358,392	482,988	5,238
Gross profit/loss	295,889	33,097	15,586	206,757	(9,416)
Operating profit/loss	256,962	(6,124)	(45,460)	166,064	(12,670)
Net financials	(47,445)	(22,452)	(41,094)	(63,090)	3,926
Profit/loss for the year	131,904	(52,520)	(78,765)	79,898	(10,602)
Profit for the year excl. minority interests	135,390	(48,655)	(78,765)	79,898	(10,602)
Balance sheet total	931,120	2,009,595	2,287,085	1,875,880	1,473,946
Investments in property, plant and equipment	0	15,009	0	309,161	26,727
Equity	64,939	(63,455)	(22,925)	55,840	(24,058)
Equity excl. minority interests	62,455	(71,580)	(22,925)	55,840	(24,058)
Cash flows from operating activities	1,165,206	(150,038)	(510,623)	(183,492)	(1,079,976)
Cash flows from investing activities	26,777	5,154	315,438	(32,097)	(26,754)
Cash flows from financing activities	(1,046,152)	(19,102)	303,012	223,825	1,233,764
Ratios					
Gross margin (%)	15.60	2.64	4.35	42.81	(179.76)
Net margin (%)	6.95	(4.19)	(21.98)	16.54	(202.41)
Equity ratio (%)	6.71	(3.56)	(1.00)	2.98	(1.63)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Equity ratio (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

The primary activities of the group are project development within real estate and related activities.

Development in activities and finances

Financials

2021 has by far been the best year in the history of Gefion Group with a profit before tax amounting to DKK 210m, securing of several new attractive development projects and the establishment of a solid foundation for further growth.

The revenue was DKK 1,897m, the profit before tax DKK 210m and the equity DKK +65m. The results are in line with our expectations as set out in the 2020 annual report and the development is mainly driven by our projects being developed, completed, and sold in accordance with our plans and expectations.

The profits result from realized sales proceeds from completed development projects and not from write-ups of investment properties.

The main transactions in 2021 were the disposals of the Amager Strandvej project (partial), the Telegrafvej project, the Engvej project (partial) and the Store Kongensgade project.

In 2022, Gefion Group expects to report revenues from sales transactions in the range DKK 500m to DKK 600m from the completion of projects resulting in a two-digit profit before tax (DKKm) and a strong cash position.

In accordance with the Danish Financial Statements Act, revenue from a development project is recognized when the project is sold, and all risks and rewards are transferred to the buyer. Therefore, the Group's revenue will fluctuate from year to year depending on the delivery schedule for the projects.

Selected projects 2021

Amager Strandvej

The Amager Strandvej project is almost completed and only a parking basement remains under our ownership. We expect to dispose of the parking basement in 2022 or 2023.

Engvej

The Engvej project consists of student housing, commercial buildings and public housing. In 2021 the public housing part was sold to KAB and the first stage of the remaining project was sold to Studentbostader i Norden (SBN). The second stage (comprising the remaining part) has been sold to SBN for completion and delivery to SBN in the middle of 2022.

Store Kongensgade

The Store Kongensgade project consists of two separate parts, one of the parts comprising 13 flats and the other part comprising a 72 residential unit and supermarket investment property. 11 of 13 flats have been sold in 2021 and the investment property was sold in December 2021 resulting in a strong cash contribution enabling a partial redemption of our parent company corporate bond debt, cf. separate description. The remaining two flats have been sold in 2022.

Rødovre Port

The Rødovre Port project, which Gefion Group develops in a JV with Goldman Sachs, is going according to plan. The project consisting of app. 37,500 sqm (524 residential units and app. 4,000 sqm of commercial space) is expected to be fully constructed and rented out by the middle of 2023.

Kanalgaden

Our first senior housing project of app. 8,504 sqm consisting of 88 units is located at Kanalgaden in Albertslund. The project is being constructed by our subsidiary Gefion Byg. Construction is going according to plan and the project is expected to be completed end of 2022/early 2023. The project has in early 2022 been sold to an investor with an expected closing in 2023.

New projects

During 2021 we have invested in several new development projects. These projects are all at an early stage and for the most part still based on conditional purchase agreements awaiting local plans/zoning.

Holbæk

Holbæk is the biggest project in Gefion Group's history. The project consists of up to 2,500 units / 250,000 sqm residential housing plus commercial areas is expected to be completed in stages from 2024 to 2030.

Køge Nord

Køge Nord will consist of app. 300 apartments and commercial spaces in multi-story buildings (25,800 sqm) and is expected to be completed in 2024.

Hvalsø

Hvalsø is a senior citizen / family home project comprising 7,100 sqm expected to be completed in 2024.

Havdrup

Havdrup is a large project consisting of 413 units / 50,000 sqm of terraced houses and detached houses expected to be completed in stages starting in 2024.

Lejre

180 units of 1- and 2- story terraced houses (19,300 sqm) expected to be completed in 2028.

Osted

The Osted project is expected to be completed late 2023 and the project consists of 37 units / 3,500 sqm.

Hornbæk

Hornbæk is a 4,600 sqm project comprising 45 units with expected completion late 2024.

Financing and liquidity

The initial investments in many of our projects have been based on corporate bonds and partnerships with investors. Later in the development process the financing is normally replaced in whole or in part by financing from banks or pension funds.

During 2021 we have reduced our interest-bearing debt with more than 1 billion DKK. Furthermore, in January 2022 we made a partial early redemption of our corporate bond debt with an amount of app. DKK 100m. The remaining bond debt is expected to be redeemed in H2 2022.

Gefion Groups cash position is strong and fully sufficient to support the operations and construction of our ongoing projects. All ongoing projects are fully financed, and the completion and sale of projects in 2022 is expected to result in a significant positive cash contribution.

Profit/loss for the year in relation to expected developments

The profit for the year is in line with our expectations as set out in the 2020 annual report.

Uncertainty relating to recognition and measurement

Due to the nature of our business, there are uncertainties in various areas.

All development projects are subject to recurring budget reviews to assess the need for potential write downs for financial reporting purposes. When potential write downs are identified, the measurement is subject to uncertainty, as management estimates the expected costs and sales price of the development projects including the projected amount of completion costs.

Outlook

According to our long-term forecast, the existing project pipeline will contribute a gross profit of DKK 150-200m in 2022 and 2023 with no additional projects assumed. Changes to interest, macro-economic factors etc. can however result in variations to this.

The expectations for the coming years are based on our budgeted results for the existing projects in our pipeline. Changes may come to budgets, timing etc. New projects in the early phases based on conditional purchase agreements, purchase options etc. have not been included.

The profit from a development project is subject to recognition by the time of completion and therefore we will see natural fluctuations in the reported earnings from year to year.

In accordance with our view as expressed in the annual report 2020, we expect both 2021 and 2022 to be strong years in terms of financial results with 2022 resulting in a net revenue of more than DKK 500m and a profit before financial items DKK 20-50m. These expectations are based on the existing portfolio of projects with no additional projects assumed.

Use of financial instruments

Most of our funding is based on terms including fixed interest rate, but we do have financial debt with a possible interest increase, should the relevant benchmark (e.g. CIBOR) exceed a given level. The possible impact of an increase in the interest of 1% as per 31 December 2021 would result in an increased interest expense of less than 5m DKK p.a.

We do not use interest rate hedging etc. as we do not believe the benefits of such hedging exceeds the costs associated with the hedging.

We use currency hedging for partial hedging of the currency risk related to the financial debt denominated in SEK and NOK and as at 31 December 2021 we have no currency risk related to these currencies. The Company does not hedge exposures in EUR.

Particular risks

Gefion Group is exposed to commercial risks associated with property development. The most significant specific risks relate to

- Delays in the development process because of internal or external matters
- Availability of financing for completion of projects
- Currency risks related to debt denominated in NOK, SEK or EUR
- Interest rate risk related to a part of the interest-bearing debt

- Buyers not being able to fulfil their contractual commitments
- Risk of contractors going bankrupt causing delays in the development projects
- Risk of cost overruns in projects
- Cyclic trends on the real estate market such as increasing yields in property valuations resulting in lower sales prices

Knowledge resources

It is Gefion Groups policy to attract and retain skilled and experienced people resources to ensure a strong execution of the Group's projects. The Group's competences comprise matters such as real estate investments, legal matters, funding, capital structure, project development etc.

Statutory report on corporate social responsibility

Gefion Group specializes in developing residential properties in Denmark. Through our large network and our business associates we find unique properties and sites that we develop and sell, either on our own or in collaboration with investors.

Our focus is on developing properties with untapped potential that can prove good investments. We develop all types of residential properties – freehold units, cooperative units, rental units, student units, detached houses and terraced houses. In addition to developing residential units, we develop retail and office units, although on a smaller scale and often in combination with housing projects.

We primarily develop properties with the intention of selling them, either under pre-sale contracts direct to end-users or to investors on buy-to-let basis.

Based on the size and nature of our business, the Board of Directors has decided not to formalize policies about CSR issues besides what is covered by our Code of Conduct. This decision is re-assessed on a regular basis. Despite we do not have formal CSR policies the Board of Directors do have discussions about relevant CSR matters on an ongoing basis. The main areas and considerations are described below.

Gefion Group does not have a formal policy concerning environmental matters, including policies aimed at reducing the environmental impact of the company's activities as all significant matters are already governed by law or mandatory standards. Our main impact on the environment is related to the development and construction of real estate projects.

In connection with the acquisition of new projects, comprehensive environmental due diligence investigations are carried out and all construction contracts take pollution and environmental matters into consideration and mitigate potential risks.

Our Code of Conduct contains a section stating Gefion Groups policy about bribery, corruption and the reporting requirements for employees in the event of inappropriate behavior from suppliers etc. to address the potential risk of contributing to such behaviour. The Code of Conduct is communicated to all employees and implemented in our procedures and approvals. No breaches or conflicts have been reported in 2021.

Based on the size and nature of our business, we believe that we are not exposed to significant risks regarding human rights, labour rights or social matters. We have not encountered any specific breaches or conflicts in this area in 2021.

Statutory report on the underrepresented gender

Gefion Group believes in diversity and in appointing the best possible Board of Directors with no preferences for gender, age, sexual orientation, nationality or ethnic origin.

The Board of Directors has approved the policies and targets below in April 2022. The policies and targets are subject to annual review.

As of 31 December 2021, the Board of Directors consists of three males, all elected on the Annual General Meeting.

In election of members to the Board of Directors, we focus on the candidates' competencies and experience within real estate, investments, financing, leadership, corporate strategy and diversity. It is the policy of Gefion Group to always appoint the best qualified candidates to the Board of Directors.

Regarding the underrepresented gender, it is Gefion Groups objective to increase the share of the underrepresented gender in the Board of Directors to at least 25 percent, which is expected to be reached by mid-2023.

As we have less than 50 employees, we have chosen not to have policies on the gender composition at the company's other management levels.

Statutory report on data ethics policy

Gefion Group does not have a policy on data ethics. Our business model does not use data for purposes that may give rise to ethical dilemmas, including, for example, artificial intelligence (AI). Therefore, we have not at present found it necessary to make a special policy for the area.

Gefion Group has a policy about personal data (Persondatapolitik) covering topics about use, protection and deletion of data, physical safety, education of employees etc. and we consider this policy appropriate for Gefion.

Events after the balance sheet date

In 2022 we have sold the remaining flats in Store Kongensgade meaning that the whole project has been sold.

Following the receipt of the funds from Store Kongensgade we have made a partial redemption of app. DKK 100m of our corporate bond. The remaining part of the corporate bond is expected to be redeemed later in 2022.

The Kanalgaden project was sold to an institutional investor in March 2022 with an expected closing early 2023.

Apart from this, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	2	1,897,213	1,252,981
Fair value adjustments of investment property	3	(445)	(2,010)
Own work capitalised	4	0	7,815
Other operating income		998	0
Cost of sales		(1,584,520)	(1,204,962)
Other external expenses	5	(17,357)	(20,727)
Gross profit/loss		295,889	33,097
Staff costs	6	(38,364)	(36,899)
Depreciation, amortisation and impairment losses		(563)	(640)
Other operating expenses		0	(1,682)
Operating profit/loss		256,962	(6,124)
Income from other fixed asset investments		0	866
Other financial income	7	571	9,834
Other financial expenses	8	(48,016)	(33,152)
Profit/loss before tax		209,517	(28,576)
Tax on profit/loss for the year	9	(77,613)	(23,944)
Profit/loss for the year	10	131,904	(52,520)

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Land and buildings		0	20,469
Investment property		10,071	15,893
Other fixtures and fittings, tools and equipment		49	88
Leasehold improvements		525	1,049
Property, plant and equipment	11	10,645	37,499
Investments in participating interests		70,255	65,800
Other investments		20	4,356
Deposits		324	0
Deferred tax	13	0	4,088
Financial assets	12	70,599	74,244
Fixed assets		81,244	111,743
Work in progress		501,887	1,434,680
Manufactured goods and goods for resale		43,145	290,395
Inventories		545,032	1,725,075
Trade receivables		33,719	23,347
Receivables from associates		0	40
Other receivables		47,151	71,101
Joint taxation contribution receivable		0	23
Prepayments	15	574	697
Receivables		81,444	95,208
Cash	16	223,400	77,569
Current assets		849,876	1,897,852
Assets		931,120	2,009,595

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		1,000	1,000
Retained earnings		61,455	(72,580)
Equity belonging to Parent's shareholders		62,455	(71,580)
Equity belonging to minority interests		2,484	8,125
Equity		64,939	(63,455)
Deferred tax	13	8,245	0
Other provisions	17	15,875	2,670
Provisions		24,120	2,670
Mortgage debt		5,176	7,986
Loans raised by the issuance of bonds		0	473,200
Debt to other credit institutions		0	472,057
Other payables		0	20,863
Non-current liabilities other than provisions	18	5,176	974,106
Current portion of non-current liabilities other than provisions	18	318	451
Bank loans		229,251	316,055
Loans raised by the issuance of bonds		350,769	152,682
Payables to other credit institutions		118,024	480,371
Deposits		100	346
Prepayments received from customers		0	33,540
Trade payables		35,397	65,446
Tax payable		65,781	4,815
Joint taxation contribution payable		159	1,296
Other payables		37,086	32,850
Deferred income	19	0	8,422
Current liabilities other than provisions		836,885	1,096,274
Liabilities other than provisions		842,061	2,070,380
Equity and liabilities		931,120	2,009,595
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	21		
Contingent liabilities	22		

Assets charged and collateral	23
Transactions with related parties	24
Subsidiaries	25

Consolidated statement of changes in equity for 2021

	Contributed capital DKK'000	Retained earnings DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	1,000	(72,580)	(71,580)	8,125	(63,455)
Contributed upon formation	0	0	0	11	11
Purchase of treasury shares	0	(1,355)	(1,355)	(2,166)	(3,521)
Profit/loss for the year	0	135,390	135,390	(3,486)	131,904
Equity end of year	1,000	61,455	62,455	2,484	64,939

Consolidated cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		256,962	(6,124)
Amortisation, depreciation and impairment losses		563	640
Adjustments of investment property		445	2,272
Other provisions		13,205	0
Working capital changes	20	1,104,459	72,976
Other operating income		(931)	0
Other adjustments		0	837
Cash flow from ordinary operating activities		1,374,703	70,601
Financial income received		571	199
Financial expenses paid		(204,640)	(220,838)
Taxes refunded/(paid)		(5,428)	0
Cash flows from operating activities		1,165,206	(150,038)
Sale of property, plant and equipment		26,777	0
Purchase of securities and investments		0	(69)
Sale of securities and investments		0	20
Cash from the consolidation of Hometown A/S as of 1 January 2020		0	5,203
Cash flows from investing activities		26,777	5,154
Free cash flows generated from operations and investments before financing		1,191,983	(144,884)
Loans raised		800,419	1,211,699
Repayments of loans etc.		(1,841,338)	(1,249,528)
Other financing activities		(1,721)	18,727
Purchase of minority interest		(3,512)	0
Cash flows from financing activities		(1,046,152)	(19,102)
Increase/decrease in cash and cash equivalents		145,831	(163,986)
Cash and cash equivalents beginning of year		77,569	243,796

Currency translation adjustments of cash and cash equivalents	0	(2,241)
Cash and cash equivalents end of year	223,400	77,569

Cash and cash equivalents at year-end are composed of:

Cash	223,400	77,569
Cash and cash equivalents end of year	223,400	77,569

Notes to consolidated financial statements

1 Events after the balance sheet date

In 2022 we have sold the remaining flats in Store Kongensgade meaning that the whole project has been sold.

Following the receipt of the funds from Store Kongensgade we have made a partial redemption of app. DKK 100m of our corporate bond. The remaining part of the corporate bond is expected to be redeemed later in 2022.

The Kanalgaden project was sold to an institutional investor in March 2022 with an expected closing early 2023.

Apart from this, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2021 DKK'000	2020 DKK'000
Sales of projects	1,884,677	1,243,268
Rent income	9,498	6,732
Management fees	3,038	2,981
Total revenue by activity	1,897,213	1,252,981

3 Fair value adjustments of investment property

The fair value adjustment of investment property for 2021 total DKK 445k. (2020: DKK 2,010k).

4 Own work capitalised

The own work capitalised consists of salaries etc. capitalised as inventory.

5 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 DKK'000
Statutory audit services	805	640
Other assurance engagements	477	702
Tax services	484	534
Other services	658	545
	2,424	2,421

6 Staff costs

	2021	2020
	DKK'000	DKK'000
Wages and salaries	27,877	31,529
Pension costs	9,710	8,078
Other social security costs	55	61
Other staff costs	722	(2,769)
	38,364	36,899
Average number of full-time employees	24	27

	Remuneration of manage- ment 2021	Remuneration of manage- ment 2020
	DKK'000	DKK'000
Total amount for management categories	7,620	7,380
	7,620	7,380

Special incentive programmes

Management has a special incentive programme, which is conditioned upon realizing specific performance targets. The programme starts at 1 January 2020 and expires at the latest in November 2022. The bonus is accrued continuously and in 2021 the amount is DKK 900k (2020: DKK 900k). The amount is included in "Total amount for management categories". The combined bonus (nominal value) is expected to amount to DKK 1,800k to DKK 2,550k.

In accordance with the Danish Financial Statements Act §98b section 3, remuneration to Management is shown combined across Management categories.

7 Other financial income

	2021	2020
	DKK'000	DKK'000
Other interest income	443	435
Exchange rate adjustments	0	9,398
Other financial income	128	1
	571	9,834

8 Other financial expenses

	2021	2020
	DKK'000	DKK'000
Other interest expenses	33,306	27,385
Exchange rate adjustments	4,819	0
Other financial expenses	9,891	5,767
	48,016	33,152

9 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	65,777	5,622
Change in deferred tax	11,518	19,260
Adjustment concerning previous years	318	(938)
	77,613	23,944

10 Proposed distribution of profit/loss

	2021 DKK'000	2020 DKK'000
Retained earnings	135,390	(48,655)
Minority interests' share of profit/loss	(3,486)	(3,865)
	131,904	(52,520)

11 Property, plant and equipment

	Land and buildings DKK'000	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	20,718	19,410	147	2,621
Disposals	(20,718)	(9,080)	0	0
Cost end of year	0	10,330	147	2,621
Depreciation and impairment losses beginning of year	(249)	0	(59)	(1,572)
Depreciation for the year	0	0	(39)	(524)
Reversal regarding disposals	249	0	0	0
Depreciation and impairment losses end of year	0	0	(98)	(2,096)
Fair value adjustments beginning of year	0	(3,517)	0	0
Fair value adjustments for the year	0	(422)	0	0
Reversal regarding disposals	0	3,680	0	0
Fair value adjustments end of year	0	(259)	0	0
Carrying amount end of year	0	10,071	49	525

12 Financial assets

	Investments in participating interests DKK'000	Other investments DKK'000	Deposits DKK'000	Deferred tax DKK'000
Cost beginning of year	65,800	4,356	0	4,088
Additions	4,455	0	324	0
Disposals	0	(4,336)	0	(4,088)
Cost end of year	70,255	20	324	0
Carrying amount end of year	70,255	20	324	0

Other investments consist of a 40.90% ownership of Udbygningselskabet af 2017 Komplementar ApS and Udbygningselskabet af 2017 K/S.

Investments in participating interests	Registered in	Ownership %
Rødovre Port JVCO ApS	Copenhagen	20.00

Limited partnerships in which group entities are general partners	Registered in	Corporate form
K/S GG 10	Copenhagen	K/S

13 Deferred tax

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	4,088	(10,573)
Recognised in the income statement	(11,518)	(19,260)
Additions, new enterprises	0	28,029
Disposals, sold enterprises	(815)	5,892
End of year	(8,245)	4,088

Deferred tax relates to inventories and tax losses carried forward.

Deferred tax assets

Deferred tax assets are recognized based on budgets and forecasts for the coming 5 years and includes expected profits from real estate projects in progress as well as budgeted new activities. The budgets includes some reserves for uncertainties. The recognition considers expected utilization from joint taxation.

14 Inventories

Inventories includes additions to capitalized interest expenses and financing costs of DKK 27,553k (2020: 38,964k).

15 Prepayments

Prepayments consists of prepaid expenses.

16 Cash

Cash includes DKK 187,694k where the use is restricted to specific purposes, such as interest payments, project development or construction or pledged as security. (2020: DKK 68,683k).

17 Other provisions

Provisions consist of additional costs related to sold real estate development projects.

18 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000
Mortgage debt	318	451	5,176
	318	451	5,176

19 Deferred income

Deferred income in prior year consist of prepayments for real estate development projects not yet completed.

20 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	1,179,924	160,540
Increase/decrease in receivables	13,418	(63,313)
Increase/decrease in trade payables etc.	(88,883)	(24,251)
	1,104,459	72,976

21 Unrecognised rental and lease commitments

The Group has entered into rental commitments, the rent contracts have an expected term of up to 32 months, and the total outstanding commitment is DKK 2,701k (2020: 2,632k).

22 Contingent liabilities

As part of its business nature, the Group is naturally a party to various disputes, legal and arbitration proceedings against contractors, buyers and sellers of projects, properties and companies.

In all cases, it is assessed to what extent the cases may result in obligations for the group and the probability thereof. The cases are not expected to have a significant negative impact on the group beyond what has already been recognized in the financial statements. The outcome may be difficult to assess and the result may, by its very nature, differ from the group's assessment.

The Group has subsidiaries that are fully responsible participants in limited partnership companies. The subsidiary Komplementarselskabet GG 10 ApS is General Partner in K/S GG 10, Copenhagen and is therefore liable for all liabilities in that company. Liabilities in K/S GG 10 amounts to DKK 1,922k as of 31 December 2021 (2020: DKK 7,615k).

23 Assets charged and collateral

As security for debt of 293,058k owner mortgage in the amount of 626,367k has been granted on work in progress and manufactured goods representing a book value of 522,631k at 31 December 2021.

24 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

25 Subsidiaries

	Registered in	Corporate form	Ownership %
AMS II Holding A/S	Copenhagen	A/S	100.00
AMS II ApS	Copenhagen	ApS	100.00
Gefion Sejlhusene A/S	Copenhagen	A/S	100.00
GG Kregme A/S	Copenhagen	A/S	100.00
Komplementarselskabet GG Ørnesædevej A/S	Copenhagen	A/S	100.00
Gefion Group Holdco ApS	Copenhagen	ApS	100.00
GG Engvej 155 Holding ApS	Copenhagen	ApS	100.00
GG Engvej 155 Holding 1 ApS	Copenhagen	ApS	100.00
GG Engvej 155 Holdco ApS	Copenhagen	ApS	100.00
GG Development 8 ApS	Copenhagen	ApS	100.00
GG AMS Holding 1 ApS	Copenhagen	ApS	100.00
GG AMS Holding 2 ApS	Copenhagen	ApS	100.00
GG Amager Strandvej Holding ApS	Copenhagen	ApS	100.00
Amager Strandvej 60-64/Ved Amagerbanen 37 ApS	Copenhagen	ApS	100.00
HKP 1A Holding ApS	Copenhagen	ApS	100.00
Rødovre Port Holding ApS	Copenhagen	ApS	100.00
Rødovre Port Holdco ApS	Copenhagen	ApS	100.00
Niels Juels Gade 9-13 Holding 1 ApS	Copenhagen	ApS	100.00
Telegrafvej 5A Holding 1 ApS	Copenhagen	ApS	100.00
STK 100 & 106 Holding ApS	Copenhagen	ApS	100.00
GG Development 3 ApS	Copenhagen	ApS	100.00
GG St. Kongensgade 100 & 106 P/S	Copenhagen	P/S	100.00
Komplementarselskabet GG St. Kongensgade 100 & 106 ApS	Copenhagen	ApS	100.00
Kanalgaden 3 Holding 1 ApS	Copenhagen	ApS	100.00
Kanalgaden 3 Holding ApS	Copenhagen	ApS	100.00
Kanalgaden 3 ApS	Copenhagen	ApS	100.00
Oliebladsgade 8 Holding 1 ApS	Copenhagen	ApS	100.00

	Registered in	Corporate form	Ownership %
GG KBV Holding A/S	Copenhagen	A/S	100.00
GG KBV P/S	Copenhagen	P/S	100.00
GG Horneby Holding A/S	Copenhagen	A/S	100.00
MBVH Holding ApS	Copenhagen	ApS	100.00
GG MBVH A/S	Copenhagen	A/S	100.00
Gefion Group Holdco II ApS	Copenhagen	ApS	100.00
GG Development 4 ApS	Copenhagen	ApS	100.00
Vandværket 1 ApS	Copenhagen	ApS	100.00
GG Østergade 1 ApS	Copenhagen	ApS	100.00
GG 8 Petite Rue ApS	Copenhagen	ApS	100.00
Komplementarselskabet GG 10 ApS	Copenhagen	ApS	100.00
Komplementarselskabet GG KBV ApS	Copenhagen	ApS	100.00
Hometown A/S	Copenhagen	A/S	85.52
GG Horneby P/S	Copenhagen	P/S	100.00
Komplementarselskabet GG Horneby ApS	Copenhagen	ApS	100.00
Gefion Byg ApS	Copenhagen	ApS	100.00
GG Engvej E2 Komplementar ApS	Copenhagen	ApS	100.00
GG Engvej E2 HoldCo P/S	Copenhagen	P/S	100.00
GG Engvej E2 PropCo P/S	Copenhagen	P/S	100.00
K/S GG Osted	Copenhagen	K/S	66.67
K/S GG Ørnesædevej Havdrup	Copenhagen	K/S	66.67
Fjorden Ejendomme ApS	Copenhagen	ApS	66.67
Klostergårdsvej ApS	Copenhagen	ApS	66.67

The following subsidiaries has been sold and are only consolidated for a period of 2021.

GG Development 5 ApS

STUSAB Engvej E1 ApS

The following subsidiaries have ceased to exist due to mergers with other subsidiaries in the Group:

Oliebladsgade 8 Holding ApS

Oliebladsgade 8 ApS

Niels Juels Gade 9-13 Holding ApS

Niels Juels Gade 9-13 ApS

Telegrafvej 5A Holding ApS

Telegrafvej 5A ApS

Parent income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	5,718	10,795
Other external expenses		(10,770)	(11,434)
Gross profit/loss		(5,052)	(639)
Staff costs	2	(38,363)	(35,572)
Depreciation, amortisation and impairment losses		(563)	(557)
Other operating expenses		0	(1,682)
Operating profit/loss		(43,978)	(38,450)
Income from investments in group enterprises	3	8,187	14,127
Other financial income	4	27,700	37,433
Impairment losses on financial assets	5	(3,476)	(3,884)
Other financial expenses	6	(15,237)	(14,085)
Profit/loss before tax		(26,804)	(4,859)
Tax on profit/loss for the year	7	6,408	3,842
Profit/loss for the year	8	(20,396)	(1,017)

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Other fixtures and fittings, tools and equipment		50	87
Leasehold improvements		525	1,049
Property, plant and equipment	9	575	1,136
Investments in group enterprises		93,364	82,426
Deposits		324	350
Deferred tax	11	2,272	12,273
Financial assets	10	95,960	95,049
Fixed assets		96,535	96,185
Trade receivables		195	0
Receivables from group enterprises		16,198	12,185
Other receivables		950	1,797
Joint taxation contribution receivable		124,530	8,375
Prepayments	12	181	654
Receivables		142,054	23,011
Cash		813	5,209
Current assets		142,867	28,220
Assets		239,402	124,405

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		1,000	1,000
Retained earnings		(42,740)	(22,344)
Equity		(41,740)	(21,344)
Other payables		0	19,403
Non-current liabilities other than provisions		0	19,403
Bank loans		51	45
Trade payables		510	170
Payables to group enterprises		141,709	112,864
Tax payable		65,781	4,815
Joint taxation contribution payable		41,124	3,028
Other payables		31,967	5,424
Current liabilities other than provisions		281,142	126,346
Liabilities other than provisions		281,142	145,749
Equity and liabilities		239,402	124,405
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Assets charged and collateral	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

Parent statement of changes in equity for 2021

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,000	(22,344)	(21,344)
Profit/loss for the year	0	(20,396)	(20,396)
Equity end of year	1,000	(42,740)	(41,740)

Notes to parent financial statements

1 Revenue

	2021 DKK'000	2020 DKK'000
Management fees	5,718	10,795
Total revenue by activity	5,718	10,795

2 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	27,877	30,202
Pension costs	9,710	8,079
Other social security costs	55	61
Other staff costs	721	(2,770)
	38,363	35,572
Average number of full-time employees	24	27

	Remuneration of Manage- ment 2021 DKK'000	Remuneration of Manage- ment 2020 DKK'000
Total amount for management categories	7,620	7,380
	7,620	7,380

Special incentive programmes

Management has a special incentive programme, which is conditioned upon realizing specific performance targets. The programme starts at 1 January 2020 and expires at the latest in November 2022. The bonus is accrued continuously and in 2021 the amount is DKK 900k (2020: DKK 900k). The amount is included in "Total amount for management categories". The combined bonus (nominal value) is expected to amount to DKK 1,800k to DKK 2,550k.

In accordance with the Danish Financial Statements Act §98b section 3, remuneration to Management is shown combined across Management categories.

3 Income from investments in group enterprises

The item includes loss from the disposal of subsidiaries DKK 456k (2020: DKK 4,670k), dividend from subsidiaries DKK 0k (2020: DKK 34,500k) and reversal of impairment losses Hometown A/S DKK 8,643k (2020: DKK 15,703k).

4 Other financial income

	2021 DKK'000	2020 DKK'000
Financial income from group enterprises	27,594	37,432
Other interest income	106	0
Other financial income	0	1
	27,700	37,433

5 Impairment losses on financial assets

The item includes writedowns on receivables from group enterprises.

6 Other financial expenses

	2021 DKK'000	2020 DKK'000
Financial expenses from group enterprises	13,326	11,825
Other interest expenses	1,911	2,081
Exchange rate adjustments	0	67
Other financial expenses	0	112
	15,237	14,085

7 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Change in deferred tax	10,988	490
Adjustment concerning previous years	229	(943)
Refund in joint taxation arrangement	(17,625)	(3,389)
	(6,408)	(3,842)

8 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	(20,396)	(1,017)
	(20,396)	(1,017)

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost beginning of year	148	2,621
Cost end of year	148	2,621
Depreciation and impairment losses beginning of year	(59)	(1,572)
Depreciation for the year	(39)	(524)
Depreciation and impairment losses end of year	(98)	(2,096)
Carrying amount end of year	50	525

10 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000	Deferred tax DKK'000
Cost beginning of year	98,130	350	12,273
Transfers	0	0	987
Additions	6,021	324	1,510
Disposals	(10,787)	(350)	(12,498)
Cost end of year	93,364	324	2,272
Impairment losses beginning of year	(15,703)	0	0
Reversal of impairment losses	8,643	0	0
Reversal regarding disposals	7,060	0	0
Impairment losses end of year	0	0	0
Carrying amount end of year	93,364	324	2,272

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

11 Deferred tax

	2021 DKK'000	2020 DKK'000
Changes during the year		
Beginning of year	12,273	12,762
Recognised in the income statement	(10,988)	(489)
Transfers	987	0
End of year	2,272	12,273

Deferred tax relates to property, plant and equipment, inventories and other provisions.

Deferred tax assets

Deferred tax asset is expected to be utilized within the next years from the joint taxation with the subsidiaries. Management expects significant positive income in the subsidiaries from sale of projects.

12 Prepayments

Prepayments consists of prepaid expenses.

13 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	2,701	2,632

The Company has entered into rental contracts. The rental contracts have an expected term of 32 months.

14 Contingent liabilities

The Entity has issued guarantees or surety for subsidiaries' bond debt and debt to other credit institutions totaling DKK 410 million. (2020: DKK 665 million).

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

15 Assets charged and collateral

As security for debt of 350,769k a pledge of shares in group enterprises representing a book value of 32,834k at 31 December 2021.

16 Related parties with controlling interest

The company has no related parties with controlling interest.

17 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as investments in participating interests.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Profit or loss from divestment of enterprises

Profits or losses from divestment or winding-up of enterprises are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment and winding-up, respectively.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

The sale method is used to recognize income on projects sold. Thus, profit are recognized once the project has been sold, construction completed and all essential elements of the sales agreement fulfilled, including delivery and transfer of risk to the buyer.

Where the Group is in charge of development, letting and construction management, etc. on behalf of investors and receives fee income for such services, the fee income is recognized as income on a continuous basis in step with the provision of services.

Where a sold project consist of several instalment deliveries that can be segregated and the financial effect can be assessed separately and measured reliably for each delivery, the profit on the individual instalment delivery is recognized when all essential elements of the agreement have been fulfilled.

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Rental income on completed projects and investment properties is accrued and recognized in accordance with the lease agreements concluded.

Fair value adjustments of investment property

Fair value adjustments of investment property comprise adjustments for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in

cost for proprietary intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Project costs consist of all costs relating to projects incurred to generate the year's revenue and includes direct project costs, as well as interest during the construction period, and indirect costs, determined as a percentage of staff costs etc.

Moreover, this item includes any impairment losses on projects in progress or completed and the expensing of project development costs to the extent that the relevant projects are not expected to be realized.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividends etc. received from the individual group enterprises in the financial year and losses from disposals of subsidiaries.

Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc. on fixed asset investments which are not investments in group enterprises or associates.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Impairment losses on financial assets

Impairment losses on financial assets comprises impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investment property

On initial recognition, investment properties are measured at cost consisting of the acquisition price of the properties plus directly related acquisition costs.

Subsequent to initial recognition, investment properties are measured at fair value which is equivalent to the amount at which the individual property may be sold to an independent buyer at the balance sheet date.

Fair value is determined by applying the yield-based model as the calculated value in use of expected cash flows from each property. The calculation is based on budgeted net earnings for the next year that has been adjusted to normal earnings, and using a required yield rate that reflects current market yield rates for similar properties. The value is adjusted for factors not reflected in normal earnings, for example, actual vacancy rate, major

refurbishments etc.

The financial year's adjustments of the properties' fair value are recognised in the income statement.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Investments in participating interests

Investments in participating interests are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Work in progress consist of real property projects.

The project portfolio is recognized on the basis of the direct cost attributable to the projects, including interest during the project period. Where considered necessary, the projects have been written down to a lower value, and the capitalized amounts are subjected to impairment tests on a continuous basis to ensure that the assets are written down to the extent that the carrying amount exceeds the estimated net realizable value.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Minority interests

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is

recognised.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.