

## **Notice about the Annual Accounts of Sjælsø Gruppen A/S**

### **Record performance by Sjælsø Gruppen**

**Growth for the fifth year in succession. Profit of DKK 81 million before tax, increase of 36%. Increase in turnover of 67% to DKK 435 million.**

**Sjælsø Gruppen A/S had a successful year with many significant development projects.**

**Based on agreements already made and ongoing negotiations the Group expects a turnover of DKK 600-700 million and pre-tax profits of approx. DKK 100 million for the year 2000.**

**Proposal for dividend of DKK 8.39 per share - an increase of 37%.**

#### **Significant events in 1999**

Sjælsø Gruppen's profit on ordinary activities before tax was DKK 80.8 million in 1999.

Profit after tax came to DKK 54.5 million. Profit is approx. DKK 5 million higher than the upward adjusted expectations stated in the interim statement.

Profit thus exceeded expectations and more than lives up to the profit performance which the Company's management expected when Sjælsø Gruppen was admitted for listing on the Stock Exchange in 1998.

#### **Important events in the financial year 1999:**

- Building project with Tele Danmark A/S in Århus
- Headquarters for Electrolux A/S in Lyngby
- Completion of renovation, letting and sale of "Nordisk Kaffekompani" in the port of Copenhagen
- Headquarters for Formula Holding A/S in Måløv
- Building project for Ingram Micro A/S in Greve Main
- Headquarters for Thrane & Thrane

#### **Significant after balance sheet events**

- Headquarters for Motorola A/S in Glostrup
- Havnestad - investment in construction opportunities of 29,000 m<sup>2</sup>

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**The Board of Directors of Sjælsø Gruppen A/S considered and approved the company's notification of the annual accounts for 1999 at its annual general meeting today.**

**Allerød, 1 March 2000**

(Signed)  
**Jørn Meldgaard**  
Chairman of the Board

(Signed)  
**Torben Rønje**  
Managing director

(Signed)  
**Ib Henrik Rønje**  
Managing director

The general meeting will be held at Lundtoftevej 160, DK-2800 Lyngby, in Electrolux A/S's new premises built by the Sjælsø Group on Thursday 6 April 2000 at 3 pm. Printed accounts will be available for inspection at the company's office from 10 March.

Further information regarding the notification of the annual accounts can be obtained from Mr. Torben Rønje, managing director, on telephone 48 10 00 00.

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## **Vision**

Sjælsø Gruppen is undergoing a continuous process of ensuring with forward-oriented focus that the conditions for creating value are present. In a project-oriented organisation the understanding of intangible values is of great importance to the successful process of creating value. Sjælsø Gruppen is a project development company whose core competence is reflected in the quality and speed of decisions taken by the individual project group that may have been set up for the individual project.

## **Business concept**

Sjælsø Gruppen's main activity is the **project development of real property**. Together with lessees and investors Sjælsø Gruppen plans the construction and renovation of property on the basis of the requirements of users or lessees and requests from investors. Based on Sjælsø Gruppen's strong market position, the established concept of a total package for property development and a generally good market situation the company has experienced substantial earnings and growth in its activity over the past few years.

Sjælsø Gruppen's **core skills** are the development and coordination of project ideas, contact with the authorities, project and construction management, leasing and sales to investors, whilst the physical construction of property and the related technical consultancy services are handled by sub-contractors, but controlled and managed by Sjælsø Gruppen's own building managers. **In this way Sjælsø Gruppen is a project development company and not a property company or a building contractor.**

Due to the extensive use of sub-contractors, Sjælsø Gruppen employs relatively few people but those it does are highly qualified. Sjælsø Gruppen now has 35 employees, but this increases to 250-300 over the year if staff numbers at its business associates are counted in.

Last year the group's activity was mainly concentrated around large projects, consisting, as in previous years, of negotiations for and the development of new projects as well as the completion of projects in progress. **Overall, projects completed during the year exceeded expectations.**

Since its admission for listing on the stock exchange in 1998, Sjælsø Gruppen has achieved greater market visibility. The knowledge of and interest in Sjælsø Gruppen's total concept has resulted in growing activity in negotiations on new and large projects.

### Staff

At 31 December 1999 Sjælsø Gruppen employed 35 persons.. The company's focus has been on the individual employee, who covers several of the company's skills. Depending on the nature of the planned projects working groups are composed which ensure inter-departmental efficiency.

Sjælsø Gruppen's staff are very loyal to the company. Many of them have been employed by the group for many years. The average service is over 6 years. 9 managerial staff members and shareholders have an average service of over 14 years.

As planned the group has strengthened the staff in the areas of leasing, construction management and project development by engaging another 6 employees. In this connection, Sjælsø Gruppen's Århus department has been increased to 6 employees.

Sjælsø Gruppen considers it one of the most important **conditions for its successful future growth to be able to attract and retain skilled employees** with wide trade experience and sound business practice.

**KEY FIGURES AND RATIOS FOR THE GROUP**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
	<b>DKK</b>	<b>DKK</b>	<b>DKK</b>	<b>DKK</b>	<b>DKK</b>
	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>PROFIT AND LOSS ACCOUNT</b>					
Turnover	435,183	260,727	265,948	185,192	161,313
Gross profit	110,681	83,146	57,411	37,072	17,937
<b>Profit/loss on ordinary activities before tax</b>	<b>80,816</b>	<b>59,258</b>	<b>37,597</b>	<b>22,418</b>	<b>7,728</b>
<b>Profit for the year</b>	<b>54,492</b>	<b>41,365</b>	<b>26,102</b>	<b>20,702</b>	<b>7,353</b>
Dividend	18,164	13,791	2,000	2,000	0
<b>BALANCE SHEET</b>					
<b>Properties for resale, including land, and projects in progress, own account</b>					
Sold projects in progress	169,768	67,785	18,572	14,617	0
<b>Total project portfolio</b>	<b>471,046</b>	<b>208,643</b>	<b>109,615</b>	<b>76,358</b>	<b>24,967</b>
<b>Capital and reserves</b>					
Net interest-bearing debt 1)	183,735	151,588	42,835	25,273	31,721
Total assets	640,459	472,894	242,024	158,670	94,671
<b>GROUP RATIOS</b>					
<b>Capital and reserves as a percentage of non-sold projects in progress and real property for resale (target minimum 50%)</b>					
	<b>65.4%</b>	<b>122.4%</b>	<b>76.8%</b>	<b>68.1%</b>	<b>93.5%</b>
<b>Capital and reserves as a percentage of the land portfolio (target minimum 100%)</b>					
	<b>235.2%</b>	<b>281.4%</b>	<b>118.5%</b>	<b>146.0%</b>	<b>206.6%</b>
<b>Solvency ratio 2) (target minimum 40%)</b>					
	<b>40.5%</b>	<b>51.7%</b>	<b>39.9%</b>	<b>28.6%</b>	<b>29.8%</b>
<b>OTHER RATIOS:</b>					
Gross profit as a percentage of turnover	25.4%	31.9%	21.6%	20.0%	11.1%
Net profit ratio (operating profit/loss)	18.2%	22.6%	14.7%	12.0%	4.7%
<b>Return on equity (profit/loss on ordinary activities after tax) 3)</b>					
	<b>28.1%</b>	<b>31.0%</b>	<b>46.3%</b>	<b>67.2%</b>	<b>39.0%</b>
Net interest-bearing debt/capital and reserves	93.2%	87.9%	61.3%	60.1%	135.9%
Asset turnover	0.68	0.55	1.10	1.17	1.70
<b>SHARE RELATED RATIOS 4)</b>					
Market price at year-end	168.0	134.0	-	-	-
Dividend per DKK 10.00 share (DKK)	8.39	6.37	1.10	1.30	-
Earnings per share (EPS)	25.9	20.4	14.9	12.6	4.4
Net asset value per share	97.9	79.6	39.8	24.1	13.4
Cash flow from operating activities per share 5)	17.0	-37.2	0.1	14.2	-1.5

1) Net interest-bearing debt is calculated as interest-bearing debt less cash at bank and in hand and interest-bearing current assets.

2) Based on the balance sheet total reduced by debt relating to sold building projects.

3) Calculated on the basis of the average book capital and reserves adjusted for share issues and dividend.

4) Share-related ratios are calculated in accordance with "Recommendations and Ratios" published by Den Danske Finansanalytikerforening for 1997 (Danish Association of Financial Analysts). Earnings per share and cash flow from operating activities per share are calculated on the basis of the weighted average of issued shares.

5) The only reason why the figure for 1998 is negative is that the cash flow arising from, inter alia, the admission for listing on the stock exchange was used for self-financed projects in progress.

6) All ratios except net asset value per share, which has been calculated on the basis of book capital and reserves (NV), have been adjusted for the value of own shares.

## ANNUAL REPORT

### 1999 in summary

Performance in 1999 was well up to expectations with a profit before tax of DKK 80.8 million and a profit after tax of DKK 54.5 million. Compared with 1998 with profit before tax of DKK 59.3 million and profit after tax of DKK 41.4 million, this is an increase of 36.4% and 31.7% respectively. In this way the company has achieved the results which were forecast at the time of admission for listing on the stock exchange in the spring of 1998.

At 31 December 1999 capital and reserves amounted to DKK 211.9 million, an increase of DKK 39.5 million (22.9%). Return on equity was 28.1% p.a. Projects in progress at 31 December 1999 all proceed as planned, whilst completed projects were delivered on time and with the expected profit margin.

At present the group's largest single project in progress is the building of an office property for Tele Danmark. This is expected to be completed in June 2000. The project has been resold to an institutional investor.

In 1999 turnover amounted to DKK 435.2 million with the larger amount related to the last six months of the year as in previous years.

As mentioned earlier Sjælsø Gruppen is a project development company and not a property company or a building contractor. As most of the group's income base is generated from project development profits this means that turnover is not a precise reflection of the group's activity during that period. The group's operations can be best read from the amount of and growth rate in gross profit. Gross profit increased from DKK 83.1 million in 1998 to DKK 110.7 million in 1999, or 33.1%.

The definition of the group's methods of revenue recognition appears from the section "Accounting policies" on page 44.

As the company is growing, turnover (the bricks and mortar part) and contract management earnings typically arise in the year after the project development earnings are recorded. In this way turnover for 2000 will be much higher than for 1999, cf. the section "Outlook for the year 2000".

In 1999 gross profit amounted to 25.4% which is unrepresentative in the long term. The gross profit percentage is expected to be at the level of 20-22% when a high growth rate is replaced by a more con-

stant growth rate. Turnover in a period of growth typically does not materialise until the year after entering into new agreements. Therefore the gross profit will be exceptionally high in years of growth.

## **PRESENT ACTIVITIES, PROPERTY PORTFOLIO/ORDER BOOKS**

The property portfolio, which is being developed in association with users, and housing projects in progress on own account, where sales and leasing activities take place, comes to 6 projects at the beginning of 2000 at a total expected market value of approx. DKK 625 million. The corresponding figure at the beginning of 1999 was 5 projects amounting to a total of DKK 450 million.

In addition Sjælsø Gruppen has a long list of projects still at negotiating level. From these substantial additions to earnings and turnover from projects, whose identity is unknown at the moment, are expected.

### **Sold projects in progress:**

1. Århus, Tele Danmark – 17,000 m<sup>2</sup> building project – Primdahl & Weitling Arkitekter
2. Lyngby, Electrolux – 4,600 m<sup>2</sup> headquarters – PHL Arkitekter
3. Rødovre, Graphium A/S – 1,970 m<sup>2</sup> headquarters – BB Tegnestuen
4. Allerød, Several users – 2,730 m<sup>2</sup> office/warehouse – Arkitektfirmaet Mogens Werlin
5. Kalundborg - 57 housing units for DAB – Arkitektgruppen 3D Arkitekter

### **Projects in progress:**

1. Lyngby, Thrane & Thrane A/S – 12,900 m<sup>2</sup> headquarters – KHR Arkitekter A/S
2. Greve Main, Ingram Micro A/S – 11,900 m<sup>2</sup> new central warehouse and office – Arkitektgruppen Århus
3. Rødovre, Fjeldhammervej – 8,000 m<sup>2</sup> headquarters – Arkitektgruppen 3D Arkitekter
4. Glostrup, Motorola A/S – 9,000 m<sup>2</sup> headquarters – Kieler Architects A/S
5. Ebeltoft - 31 senior housing units – Architect Per Seier-Petersen
6. Odense - 63 senior housing units – Lars Kapland Arkitekter

**Coming year 2001 projects:**

1. Copenhagen, Sundkrogsgade, Kalkbrænderihavnen – 5,000 m<sup>2</sup>
2. Copenhagen, Amerikakaj – 68 housing units – 3 x Nielsen
3. Copenhagen, Havnestad – 17,000 m<sup>2</sup> – PHL Arkitekter and Arkitektgruppen Århus
4. Helsingør, Montebello – 48 co-operative housing units – Frederiksen & Knudsen Arkitekter

**OBJECTIVES**

Sjælsø Gruppen wants to be an exceptional attractive partner for investors and users who wish to buy or lease property. Sjælsø Gruppen must be able flexibly and quickly to adapt to its customers' requirements and to enter into binding agreements.

Sjælsø Gruppen's primary objective is to create sound earnings for the company's shareholders through controlled growth and consolidation within the company's core areas.

In addition Sjælsø Gruppen has as its objective to maintain great focus on the type and extent of the risks accepted by the company in connection with the setting up and carrying out of a project. For this purpose management has established a number of risk management targets which provide the framework for the company's activity. The risk management targets comprise requirements for solvency, cash funds, the amount of capital and reserves as a percentage of the land and project portfolios and limits on the number and value of projects carried out on own account.

**Strategy**

The strategy pursued by Sjælsø Gruppen to meet its fixed targets for growth in the level of activity and earnings are based mainly on the following premises:

1. An increase in capital base
2. An increase in the number of projects
3. An increase in the size of projects and project complexity
4. Successive increases in the numbers of dedicated staff

The increased capital base has been generated from the stock exchange listing in 1998 and consolidation through retained earnings in 1998 and 1999 as a result of which Sjælsø Gruppen has capital and reserves amounting to DKK 211.9 million.

The increase made as planned in the numbers of staff engaged on project development together with targeted marketing efforts has generated the anticipated growth in activity.

The increased capital base and greater experience among employees show through clearly in the quality as well as the size and complexity of projects. In this way the nature of the current order books and the projects which are at negotiating level at the moment live up to the planned strategy, targets and earnings potential.

The successive increase in the numbers of staff has happened faster than expected. Management has chosen this faster expansion for several reasons. Particularly admission for listing on the stock exchange more than lived up to expectations of increased attention on Sjælsø Gruppen, thus creating a need for faster recruitment of new and appropriately qualified personnel.

The Jutland department has with great competence handled the Tele Danmark construction project. The department's staff has been increased to six and is therefore well equipped for new projects in the year 2000.

Sjælsø Gruppen's strategy of maximum outsourcing of work and expert assignments to sub-contractors will be maintained.

### **Positive expectations for the commercial property market**

For the year 2000, too, prospects for the commercial property market look promising. The Copenhagen commercial property market in particular is undergoing very encouraging development, strongly supported by the infrastructure projects that are nearing completion (the Øresund Bridge and the Copenhagen metro). The significant growth in the establishment of new hotels in Copenhagen after many years of stagnation in hotel building reflects recognition of the market's confidence in Copenhagen as a conference city and a holiday destination. The dock areas particularly seem to attract considerable interest among both users and investors. There are no significant signs of bottleneck problems, and the completion of the very large national construction projects explains in large part the moderate increases in the prices of contractors' services despite substantial activity in the Copenhagen area.

The fall in the number of vacant m<sup>2</sup> continued in the third quarter of 1999. This fall is, however, very small but should be interpreted in relation to a vacancy rate of less than 2% for offices in the Copenhagen area. Strong demand is being recorded for large regular high-technology office space, a category in

which the supply of property is very limited. As there are large building reserves, heavy demand is expected to generate only moderate rent increases in Greater Copenhagen. Office rents in the Copenhagen area are low by international standards, which adds further to the attraction of the capital as a location for international companies.

### **Outlook for the year 2000**

Due to its strong position in the Danish market for project development and market development, Sjælsø Gruppen is undergoing continued strong growth. Profit on ordinary activities before tax is expected to be at the level of DKK 100 million for the year 2000. As mentioned in the section "1999 in summary", turnover as a key figure is not suitable for its kind of business. However, it can be mentioned that turnover is estimated to be around DKK 600-700 million in the year 2000.

### **New great projects in the year 2000**

#### **Thrane & Thrane**

Sjælsø Gruppen has entered into a ten-year lease agreement with Thrane & Thrane A/S on the construction of 12,900 square metres of high-technology office and manufacturing premises in Lyngby, designed by architect KHR Arkitekter A/S. The project will be built in a combination of brickwork, glass and aluminium parts and will appear as a fine architectural landmark in the landscape. The project is expected to be sold in 2000. It is also Sjælsø Gruppen's largest project so far. The project is expected to be completed in the spring of 2001.

#### **Motorola A/S**

Sjælsø Gruppen has just entered into an agreement with Motorola A/S on the construction of a 9,000 m<sup>2</sup> office building with basement parking at Glostrup Stationsforplads. This project, too, is constructed as a high-technology building with large facilities to provide a good indoor climate. The whole project is expected to be completed in the spring of 2001.

#### **Ingram Micro A/S**

Sjælsø Gruppen has also entered into a long-term agreement with Ingram Micro A/S on the construction of a 11,900 m<sup>2</sup> central warehouse for Ingram Micro A/S's activities. The project is being built at Greve Main where Sjælsø Gruppen last year erected a 12,000 m<sup>2</sup> building for L'Oréal. The project is expected to be completed in mid 2000.

### **DAB in Kalundborg**

Sjælsø Gruppen was to have commenced the construction of 57 housing units in Kalundborg for DAB's local department in the spring of 1999. Due to comprehensive dry rot in the old seaside hospital, it has been agreed with the client that the old buildings be demolished and new ones constructed in the same style as the old hospital. The project as a whole has been delayed by approx. one year.

### **Sjælsø Gruppen's senior concept**

In 1998 Sjælsø Gruppen commenced the renovation of the large Dæhnfeldt Frølager property in Odense. The property is situated right next to TV2 and will, after the rebuilding, consist of 63 residential units with a shopping area on the ground floor. The renovation was completed on 1 February 2000. These luxuriously equipped apartments are aimed at the large group of Danish seniors.

In Ebeltoft Sjælsø Gruppen finished the rebuilding and total renovation of Ebeltoft Town Hall into 31 luxury apartments in May. These apartments will also be targeted at Danish seniors.

Both projects are of high quality in terms of architecture as well as in terms of materials used whilst construction budgets have been observed. In both projects the remaining units are expected to be let or sold this year. Senior citizens generally exhibit very great interest in the senior concept but also great caution and the need for a long decision-making process. As a result Sjælsø Gruppen's expectations for the senior housing market have not yet been fulfilled.

### **Coming year 2001 projects**

#### **The Copenhagen dock areas**

Sjælsø Gruppen is of the opinion that the Copenhagen dock areas will offer substantial potential in the coming years. The exceptional qualities offered by locations overlooking the water are in great demand among lessees and investors. These grade AAA locations help ensure stable rental levels and consequently a stable investment.

#### **Havnestad - renovation building**

Sjælsø Gruppen has acquired a large part of the area of the former soyabean factory on Islands Brygge. It is expected that several of the architectural qualities of the old buildings can be preserved. The area has a very attractive location with the most beautiful view of the harbour opposite the new buildings on Kalvebod Brygge (housing LB Kiel, Ingeniørernes Hus, etc.). The Soyabean area has been renamed Havnestad by the Minister for Housing and the Lord Mayor of Copenhagen in order to profile this area

which because of its infrastructure has a most attractive location. Sjælsø Gruppen may build/renovate 17,000 m<sup>2</sup> for commercial purposes and 12,000 m<sup>2</sup> for residential purposes on the site it has bought. Most of the leased units will have a fine view of the harbour. At Havnestad Sjælsø Gruppen will be able to offer high-technology office premises within old and beautiful architectural facades with exciting room features from preserved parts of the buildings.

The project will be carried out to the same concept as the renovation of Nordisk Kaffekompagni's former headquarters in Nordhavnen in 1999. This project was successfully completed and was soon 100% let out. It has been resold to an institutional investor.

### **Sundkrogsgade, Kalkbrænderihavnen**

Sjælsø Gruppen has acquired a site directly onto the docks at Kalkbrænderihavnen. Architects Dissing & Weitling Arkitektfirma have prepared a sketch for a magnificent 5,000 m<sup>2</sup> headquarters on this exciting location. The project can be altered to accommodate one or two lessees. It is provided with basement parking and outdoor areas directly onto the marina.

### **Amerikakaj – 68 co-operative housing units**

With another fantastic location directly onto the waterfront Sjælsø Gruppen has in partnership with architects 3 x Nielsen Arkitekterne drawn up a project comprising 68 luxury apartments, all overlooking the water. The apartments are offered to wealthy clients on a co-operative or owner-occupier basis. The plan is to start the project when 75% of the co-operative apartments have been sold.

### **Montebello, Helsingør**

Situated directly onto the beautiful park of Montebello 48 co-operative housing units, designed by architects Frederiksen & Knudsen Arkitekter and located in four tower blocks, are offered for sale. The project is a realisation of a construction opportunity that formed part of Sjælsø Gruppen's acquisition and renovation of the former hospital buildings at Montebello. The plan is to start the project when 75% of the co-operative apartments have been sold.

## **RISKS**

Project development involves a large number of risks which are the focus of management's constant attention.

**The environmental conditions** of each property are always examined by experts in order to provide a detailed decision-making basis.

**Dependency on individuals** will always be a risk factor in a knowledge based organisation. To reduce vulnerability by the resignation of individual employees Sjælsø Gruppen has ensured a high degree of knowledge exchange in the specific project groups set up for each project. To maintain and dissipate core competencies among employees communication is ensured through fixed weekly meetings as well as ad hoc meetings during the performance of a specific project. To strengthen employee commitment and loyalty towards the company Sjælsø Gruppen extended its incentive programme in 1999, since when 25% of employees currently have shares or participate in a warrant programme, cf. the section on shareholders.

**Customer relations** are also essential in the assessment of risks. Over the years Sjælsø Gruppen has focused consistently on the relations with the users of the properties as well as with the investors in the properties. Sjælsø Gruppen is thus aware of the fact that the customer profile is changing constantly and prepares, on this basis, customer and sales strategies as well as the maintenance of existing customer relations.

### **Competitors**

In recent years Sjælsø Gruppen has built up a strong position in the Danish project development market.

Competitors in the project development market can be divided into the following categories:

- Swedish contracting groups.
- Traditional Danish contracting groups.
- Established project developers.
- New players in the market.

Swedish contracting groups act as project developers on their own sites or as traditional contractors. The established project development firms compete partly on the basis of their own land portfolio and partly on the basis of co-operation with users, after which the site is found. The new players in the market act mainly in cooperation with users and are to a limited extent owners of a land portfolio. To sum up, the competitive situation has been intensified marginally.

**Relationships with contractors** are expected to continue without any material risk as Sjælsø Gruppen's well-qualified project managers prepare and complete projects using outside contractors and exercising the necessary care.

**The price development in the real property market** has often been the reason behind large profits as well as large losses. However, Sjælsø Gruppen's strategy is to sell the projects immediately after the project start-up. Therefore it is found important that Sjælsø Gruppen's earnings are based on the development of a project and its completion. The risk of price fluctuations is minimised by Sjælsø Gruppen's strategy, which is not to hold onto completed projects but to effect an early sale.

In the year under review, **interest rate levels** moved approx. 1-1½% upwards. The interest rate level remains low compared with the initial yield on commercial properties of approx. 6-7½%. The return on commercial properties required by investors seems to have been unchanged during the last year or so, and investors consider property investments to be safer now than in preceding years. There seem to be an increasing number of foreign investors in particular in the property market, and the interest rate change during the past year is only one parameter among many in the investor's evaluation of a property project.

**Liquidity and solvency conditions** are described below.

## **FINANCIAL MANAGEMENT TARGETS**

Besides project-specific assessment criteria Sjælsø Gruppen uses a number of financial management targets in its overall risk and financial management. The management targets are established by management to ensure that the group is at all times able to take risks in a controlled and proper way just as the targets foster an optimum priority of the project possibilities.

### **Management targets**

1. The solvency ratio must not be less than 40%.
2. Capital and reserves as a percentage of non-sold projects in progress and property portfolio for resale. Target minimum 50%.
3. Capital and reserves as a percentage of the land portfolio. Target minimum 100%.
4. The company's cash funds must not be less than a year's operating costs.

Within this framework the Board of Directors decides a limit for the number (and the total amount) of projects in progress which may be completed on own account. At 31 December 1999 Sjælsø Gruppen complied with the 4 management targets, as

1. The solvency ratio was 40.5%.
2. Capital and reserves as a percentage of non-sold projects in progress and the property portfolio for resale were 65.6%.
3. Capital and reserves as a percentage of the land portfolio were 235.6%.
4. The company's cash funds amounted to DKK 39.6 million compared with actual annual operating costs of DKK 30.1 million.

### **Cash development**

During the year the group's available funds developed satisfactorily. At 31 December 1999 the funds available to the group amounted to DKK 39.6 million.

### **Business associates**

As many of the tasks to be carried out in a project are outsourced, Sjælsø Gruppen has gained a substantial amount of experience in working with a large number of sub-contractors.

For purchase, sale and leasing activities current contacts with established business agents exist. Furthermore, during the completion of a project Sjælsø Gruppen co-operates with chartered surveyors, environmental and geotechnicians, architects, engineers, insurance consultants, financing sources and legal and financial advisers. This co-operation helps to secure the required continuity and quality in the complex completion of a project.

During the construction of property Sjælsø Gruppen co-operates with contractors, who often act as general contractors or turnkey contractors for Sjælsø Gruppen. Sjælsø Gruppen works with 5-6 general contractors and turnkey contractors during a year. By working with a growing number of business associates Sjælsø Gruppen seeks not to be dependent on a few suppliers.

### **Staff**

Prior to admission for listing on the stock exchange in 1998 it was anticipated that staff would increase from 20 to 30 during 1998 and 1999. However that number was 35 at the end of 1999. This pleasant development is due partly to the level of activity made possible by the increase in capital and partly to

management's decision to take advantage of the possibility of investing in the recruitment of additional well-qualified employees who can help generate increased turnover and earnings. To continue improving co-operation, loyalty and communication among staff, courses and seminars were held also in 1999 with all staff members of Sjælsø Gruppen participating and with assistance from outside course organisers. These courses are also an important element in the faster and more effective integration of new members of staff. As human funds are the most important basic element in Sjælsø Gruppen's functions and success, it is essential to maintain good staff relations and encouragement of the staff to maintain the high levels of loyalty which are exercised towards the company. To maintain the common interests Sjælsø Gruppen extended its incentive programme in 1999 so that 25 employees now have shares or warrants in Sjælsø gruppen.

### **Information technology**

The company has based its IT systems on a PC network with a central server and computers for all employees. Most of the IT system was renewed in 1998 and additional parts in 1999. Employees performing activities outside the office have been provided with laptops. All workstations internally as well as externally have access to the Internet and Sjælsø Gruppen's central server so that it is possible to work from home or from a building site. Sjælsø Gruppen's IT platform works in Excel, Word, Lotus Notes and the document handling system, Domino Doc. Continuous investments are made in equipment as well as training and collection of knowledge of IT advances. It is thus considered very important that Sjælsø Gruppen takes advantage of proven IT systems in the best possible way.

The turn of the millennium was well prepared for and did not give rise to any problems. Computer security is very high.

At the end of 1998 the successful preparation of Sjælsø Gruppen's home page on the Internet was initiated. The result can be seen at [www.sjaelsoe.dk](http://www.sjaelsoe.dk) where all relevant information on Sjælsø Gruppen is hopefully collected in a presentable and clear manner. The home page already now comprises more than 200 single pages on Sjælsø Gruppen and its projects. The home page will be enlarged and supplemented with information speedily as it has been prepared for the taking up of the constant stream of new opportunities.

IT technology is now also being used in connection with the presentation of new projects as computer graphics on CD-ROM are introduced in several new projects. This technology together with digital photography and videoing are expected to become important marketing tools in future.

### **Market description**

The market for project development services is growing. The very fact that an increasing number of undertakings choose to lease instead of own generates steady growth in the project development market. This means that project development firms are involved right at an early stage if an undertaking has chosen leasing as its solution instead of ownership. In the case of ownership the undertaking's contact is typically directly with the traditional contracting companies, whereas the business looking to leasing as an answer needs a package precisely like that offered by Sjælsø Gruppen's concept. The general trend is for an increasingly small number of undertakings to choose to tie up their money in bricks and mortar (properties). In future years this trend will increasingly involve the project developer package rather than the traditional contracting solution. The total area of properties in Denmark used for commercial purposes amounts to approx. 108 million square metres exclusive of properties used in agriculture. During the last 10 years new building starts have accounted for an average of approx. 1.5 million square metres per year. Assuming that the average service life of properties is approx. 70 years, this would be equivalent to the square metres of new buildings constructed to replace the old demolished properties. New building starts in the years ahead must be expected to increase only to preserve status quo in the total of commercial floorspace. The reason why new building projects in recent years have been able to saturate the market is that they were accompanied by a large net intake of vacant space from the critical years in the early nineties. These vacant areas are now so few and consist mainly of less up-to-date buildings that they will only represent a minor contribution towards meeting future demand. On the commercial side Sjælsø Gruppen expects continued high levels of activity within properties for headquarters. Projects in progress for Thrane & Thrane A/S, Tele Danmark, Ingram Micro, Motorola A/S, Graphium and Electrolux are examples. In addition Sjælsø Gruppen anticipates exciting activities in renovating old commercial properties. The old Soyabean buildings on Islands Brygge and Fjeldhammervej are good examples that properties can emerge again in an entirely new shape meeting present requirements of functionality and design. Finally the senior housing concept is being worked on, either on a leasing basis or as co-operative housing units, and here the projects in Ebeltoft, Odense and Kalundborg are expected to be followed up by similar projects with an absolutely attractive location and high quality as introduction to the project.

### **Sale and marketing**

The sale of Sjælsø Gruppen's property projects continues both to private single investors and to institutional investors. The sales oriented staff maintain and develop constant contact with potential investors. It is considered important that action-oriented behaviour is maintained in the sale and marketing of Sjælsø Gruppen's projects. The actual marketing efforts are still made through advertisements in daily

papers, on billboards, constant contact with authorised estate agents dealing in commercial property together with the direct and personal contacts by Sjælsø Gruppen's staff with the group of investors. In addition Sjælsø Gruppen expects great results from the Internet as a marketing tool.

With the continuance of the present sales strategy it is management's conviction that Sjælsø Gruppen will also in future be able to complete the sale of projects early in the process and by so doing maintain a low risk profile in all projects.

### **Investor relations**

After admission for listing on the stock exchange investor relations have become a new but absolutely relevant part of Sjælsø Gruppen's everyday life. With this in mind management has prepared a financial calendar as well as an activity calendar. These calendars provide for the relevant period an outline of planned current information and activities, which relate to the company's shareholders and the rest of the financial community.

Sjælsø Gruppen will also in future issue notices to the stock exchange and make announcements in the press when events occur which are considered to be of importance to the assessment of the company. Sjælsø Gruppen has moreover participated in activities organised by Dansk Aktionærforening and Finansanalytikerforeningen, e.g. the business day at Hotel Scandinavia. Further, the plan is to hold a number of investor and analyst meetings, where management will be available with a presentation of the company's concepts and activities.

It is Sjælsø Gruppen's expectation that the established home page on the Internet will be an important work and information tool in the communication of Sjælsø Gruppen's activities to financial analysts and investors. Accordingly separate pages for investor relations have been created, see [www.sjaelsoe.dk](http://www.sjaelsoe.dk). Furthermore, co-operation with professional distributors of information on the Internet will be established in order to obtain active communication of information directly to the target group.

### **SHAREHOLDERS**

At 31 December 1999 shares in the company were held as follows:

Brdr. Rønje Holding A/S, Allerød – 30.7% (owned in equal shares by Torben Rønje and Ib Henrik Rønje)

Henderson Investors Ltd., London - 15.9%

Executive employees in Sjælsø Gruppen - 11.8%

Own shares – 4.1%

4,300 shareholders subscribed for shares in connection with the stock exchange listing. 646 of these shareholders (or 67.3% of the share capital) registered their shares, and the number of registered shareholders is now 513 (or 73.9% of the share capital).

#### **Purchase of own shares**

In the financial period under review Sjælsø Gruppen acquired own shares equivalent to approx. 4.1% of its share capital. The company acquired the shares from a shareholder value point of view because management was of the opinion that the price did not reflect the company's performance and potential. These shares are to be resold when prices reflect a P/E ratio corresponding to that of similar growth companies.

#### **Warrants:**

Warrants have been issued to employees, giving bearers the right to subscribe for a total of 47,316 shares in denominations of DKK 10.00 each at the prices set out below.

<b>Number of shares</b>	<b>Subscription prices</b>	<b>Exercise periode</b>
		<b>(proportional)</b>
3,700	135	2000-2003
28,560	140	2001-2003
2,055	146	2000-2003
5,335	150	2002-2006
7,666	161	2002-2006

#### **Resolutions for the General Meeting**

##### **Dividend/dividend policy**

The resolution for the distribution of dividend is made by the general meeting based on a recommendation from the Board of Directors. It is the intention of the Board of Directors that the dividend must reflect developments in the company's earnings and financial situation, including cash requirements and

future prospects. In consideration of the above it is management's intention to recommend distribution of a dividend equivalent to approx. one-third of the profit for the year after tax. This is in accordance with the announcements made at the time of admission for listing on the stock exchange. Consequently for 1999 the Board of Directors recommends distribution of DKK 18.2 million, or DKK 8.39 per share.

#### **Amendments to the articles of association**

The Board of Directors recommends that article 5.1 of the articles of association be amended to: "The company's shares may be entered in the name of the holder in the company's register of shareholders. The company's registrar is Amagerbanken A/S, Amagerbrogade 25, DK-2300 Copenhagen S". This amendment to the articles of association is a consequence of the amendment of 1 July 1999 to section 25(1) of the Danish Public Limited Companies Act. Further, the Board of Directors recommends an amendment to article 6 of the articles of association increasing the Board of Directors' authorisation to issue warrants from DKK 1,000,000 to DKK 2,000,000.

This amendment should be seen in conjunction with the incentive programme mentioned above in the section "Staff".

#### **Acquisition of own shares**

The Board of Directors proposes that the general meeting authorise acquisition of up to 10% of its own shares.

#### **PRESS ANNOUNCEMENTS AND NOTICES TO THE COPENHAGEN STOCK EXCHANGE SINCE THE LAST FINANCIAL YEAR**

Stock exchange notice	17.02.2000	Date of announcement of annual accounts
Stock exchange notice	10.02.2000	Contract with Motorola A/S
Stock exchange notice	22.12.1999	Purchase of building rights at Havnestad
Stock exchange notice	01.12.1999	Sale of the Electrolux project to Tryg-Baltica
Stock exchange notice	03.11.1999	Contract with Thrane & Thrane A/S
Stock exchange notice	12.10.1999	Sales of Kaffe Kompagniet to ATP Ejendomme A/S
Stock exchange notice	21.09.1999	Contract with Ingram Micro A/S
Stock exchange notice	30.08.1999	Interim report for the six-month period ended 30.06.1999
Stock exchange notice	25.08.1999	Sale of the Tele Danmark project to AP Ejendoms A/S
Stock exchange notice	20.08.1999	Date of announcement of interim report

Stock exchange notice	18.08.1999	Purchase of the Electrolux site at Lyngby
Stock exchange notice	28.04.1999	Purchase of 66,000 own shares
Stock exchange notice	28.04.1999	Purchase of own shares
Stock exchange notice	15.04.1999	Brdr. Rønje Holding A/S's holding of shares in Sjælsø Gruppen
Stock exchange notice	23.03.1999	Notice of annual general meeting

The contents of the individual notice can be seen on [www.sjaelsoe.dk](http://www.sjaelsoe.dk)

## **FINANCIAL CALENDAR**

Announcement of notice of annual accounts for 1999	1 March 2000
Investor information meeting in Copenhagen	2 March 2000
Annual general meeting	6 April 2000 at 3.00 pm
To be held at	
Lundtoftevej 160	
2800 Lyngby	
in the new headquarters constructed by Sjælsø Gruppen	
for Electrolux	
Announcement of notice of interim accounts 2000	End August 2000

## DISTRIBUTION OF PROFIT/LOSS

For 1999 the Board of Directors recommends distribution of profit for the year as follows:

	<b>1999</b>	<b>1998</b>
	<b>DKK</b>	<b>DKK</b>
	<b>1,000</b>	<b>1,000</b>
Retained profit at beginning of year	32.273	32.207
Transferred from revaluation reserve	0	8
Profit for the year	<u>54.492</u>	<u>41.365</u>
Available for distribution	<u>86.765</u>	<u>73.580</u>
Distributed dividend	18.164	13.791
Share of dividend relating to own shares	-738	0
Transferred to reserve for net revaluation of subsidiaries	42.502	27.516
Transferred to reserve for own shares	12.508	0
Carried forward to next year	<u>14.329</u>	<u>32.273</u>
	<u>86.765</u>	<u>73.580</u>

## POST BALANCE SHEET EVENTS

No matters have occurred which will affect the evaluation of the company's financial position except as stated in these accounts.

**PROFIT AND LOSS ACCOUNT FOR 1999**

	<b>Group 1999 DKK 1,000</b>	<b>Group 1998 DKK 1,000</b>	<b>Parent- company 1999 DKK 1,000</b>	<b>Parent- company 1998 DKK 1,000</b>
Turnover	435.183	260.727	1.889	3.969
Direct costs	<u>-324.502</u>	<u>-177.581</u>	<u>-125</u>	<u>-1.176</u>
<b>Gross profit</b>	<b>110.681</b>	<b>83.146</b>	<b>1.764</b>	<b>2.793</b>
Staff expenses	-19.052	-13.855	-19.000	-13.855
Depreciation and writedowns on fixed as- sets	-1.457	-1.190	-1.167	-1.164
Other operating expenses	-11.095	-9.056	-10.221	-8.967
Cost refund, subsidiaries	<u>0</u>	<u>0</u>	<u>28.830</u>	<u>21.780</u>
<b>Operating profit</b>	<b>79.077</b>	<b>59.045</b>	<b>206</b>	<b>587</b>
Profit of subsidiaries before tax	0	0	78.473	56.242
Financial income	3.839	3.406	2.764	4.204
Financial expenses	<u>-2.100</u>	<u>-3.193</u>	<u>-627</u>	<u>-1.775</u>
<b>Profit on ordinary activities before tax</b>	<b>80.816</b>	<b>59.258</b>	<b>80.816</b>	<b>59.258</b>
Tax on profit on ordinary activities	-26.324	-17.893	-30.362	-13.493
Tax on subsidiaries' profit on ordinary ac- tivities	<u>0</u>	<u>0</u>	<u>4.038</u>	<u>-4.400</u>
<b>PROFIT FOR THE YEAR</b>	<b><u>54.492</u></b>	<b><u>41.365</u></b>	<b><u>54.492</u></b>	<b><u>41.365</u></b>

The distribution of the profit is shown in the annual report.

**BALANCE SHEET AT 31 DECEMBER 1999**

**ASSETS**

	<b>Group 1999 DKK 1,000</b>	<b>Group 1998 DKK 1,000</b>	<b>Parent- company 1999 DKK 1,000</b>	<b>Parent- company 1998 DKK 1,000</b>
Group headquarters	16.681	17.089	16.681	17.089
Machinery and equipment, fixtures and fittings	5.790	4.430	3.537	3.953
<b>Total tangible fixed assets</b>	<b>22.471</b>	<b>21.519</b>	<b>20.218</b>	<b>21.042</b>
Shares in subsidiaries	0	0	159.376	111.910
Shares	4.444	4.014	4.444	4.014
Mortgage deeds and instruments of debt	2.204	2.218	2.204	2.218
<b>Total financial fixed assets</b>	<b>6.648</b>	<b>6.232</b>	<b>166.024</b>	<b>118.142</b>
<b>TOTAL FIXED ASSETS</b>	<b>29.119</b>	<b>27.751</b>	<b>186.242</b>	<b>139.184</b>
Properties for resale	193.353	73.430	7.904	6.808
Projects in progress, own account	107.925	67.428	0	0
Sold projects in progress	169.768	67.785	0	0
<b>Total project portfolio</b>	<b>471.046</b>	<b>208.643</b>	<b>7.904</b>	<b>6.808</b>
Trade debtors	56.057	184.463	0	668
Amounts owed by subsidiaries	0	0	60.756	63.107
Other debtors	23.206	13.246	1.492	2.698
<b>Total debtors</b>	<b>79.263</b>	<b>197.709</b>	<b>62.248</b>	<b>66.473</b>
Own shares	14.778	0	14.778	0
Other shares and bonds	455	1.387	0	0
<b>Total securities</b>	<b>15.233</b>	<b>1.387</b>	<b>14.778</b>	<b>0</b>
<b>Cash at bank and in hand</b>	<b>45.798</b>	<b>37.404</b>	<b>1.080</b>	<b>10.849</b>
<b>TOTAL CURRENT ASSETS</b>	<b>611.340</b>	<b>445.143</b>	<b>86.010</b>	<b>84.130</b>
<b>TOTAL ASSETS</b>	<b>640.459</b>	<b>472.894</b>	<b>272.252</b>	<b>223.314</b>

**BALANCE SHEET AT 31 DECEMBER 1999**

**LIABILITIES**

	<b>Group 1999 DKK 1,000</b>	<b>Group 1999 DKK 1,000</b>	<b>Parent- company 1999 DKK 1,000</b>	<b>Parent- company 1999 DKK 1,000</b>
Share capital	21.650	21.650	21.650	21.650
Share premium account	71.654	71.654	71.654	71.654
Revaluation reserve, securities	712	530	692	462
Reserve for net revaluation of subsidiaries	0	0	88.814	46.377
Reserve for own shares	14.778	0	14.778	0
Profits brought forward	103.123	78.582	14.329	32.273
<b>TOTAL CAPITAL AND RESERVES</b>	<b>211.917</b>	<b>172.416</b>	<b>211.917</b>	<b>172.416</b>
Provision for deferred tax	5.848	3.136	5.848	3.136
Provision for rental guarantees	3.843	2.593	0	0
Other provisions	301	1.758	300	1.300
<b>TOTAL PROVISIONS</b>	<b>9.992</b>	<b>7.487</b>	<b>6.148</b>	<b>4.436</b>
<b>Creditors (amounts falling due within one year and after more than one year)</b>				
Mortgage debt	17.749	35.384	16.667	17.377
Bank debt	212.239	154.995	668	1.757
Purchase price payable on properties	75.365	12.447	0	0
Trade creditors	71.274	57.589	0	0
Intercompany account, subsidiaries	0	0	2.043	1.988
Corporation tax	8.829	8.171	8.829	3.773
Other creditors	15.668	10.614	8.554	7.776
Dividend	17.426	13.791	17.426	13.791
<b>TOTAL CREDITORS</b>	<b>418.550</b>	<b>292.991</b>	<b>54.187</b>	<b>46.462</b>
<b>TOTAL LIABILITIES</b>	<b>640.459</b>	<b>472.894</b>	<b>272.252</b>	<b>223.314</b>

**MOVEMENTS IN THE GROUP'S CAPITAL AND RESERVES:**

Capital and reserves at 1.1.1999	172,416
Profit for the year after tax	54,492
Movement in revaluation reserve (securities)	182
Movements in revaluation reserve (own shares) – net	2,270
Proposed dividend distribution	-17,426
Other adjustments	<u>-17</u>
Capital and reserves at 31.12.1999	<u>211,917</u>

**CHANGE IN ACCOUNTING POLICIES:**

The consolidated accounts and the annual accounts have been prepared in accordance with the provisions of the Danish Company Accounts Act, Danish accounting standards and the rules laid down by the Copenhagen Stock Exchange.

As a result of the adoption of Accounting Standard No. 14, accounting practice has been changed so that all differences between values as stated in the accounts and as computed for taxation purposes are included in the calculation of deferred tax. Under the previous practice only timing differences between the profits or losses as stated in the accounts and as computed for taxation purposes were included. Deferred tax assets were only included to the extent they could be set off against deferred tax liabilities.

Due to the changed accounting policy, deferred tax is provided at 31 December 1999 at DKK 326,000 in respect of revaluation, which has resulted in an equivalent reduction of capital and reserves. The changed accounting policy has had no effect on the profits for 1998 and 1999.

The consolidated accounts and the annual accounts have been prepared in accordance with uniform accounting policies consistent with those of previous years except for the above change.