ANNUAL REPORT 2018

HEADQUARTERS OF VESTAS

COWI

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MANAGEMENT'S REVIEW

One Step Ahead: We are halfway there

2018 was a historic year for COWI. With the acquisition of Arkitema Architects, we took a significant step into a new and exciting phase in the history of our company. COWI is evolving into a company where we ourselves can supply everything needed within integrated design and solutions. This is something our customers and we will benefit strongly from in the coming years. We are now even better prepared to supply what the world requires to keep creating coherence in tomorrow's sustainable societies.

We keep growing, and we have strengthened our operational performance and cash management through targeted efforts. We are thus well-positioned for the remaining two years of our strategy period towards 2020.

UNPREDICTABLE POLITICAL AND FINANCIAL CLIMATE

Our operational stability and strength will be key to succeeding in the coming years. Compared with the situation two years ago, the global political scene and financial markets are more uncertain and unpredictable, with trade wars lurking on the horizon and the effects of Brexit as points of great concern.

Nevertheless, the near-term outlook for global growth is, according to OECD, relatively positive above three per cent for 2019. The general picture in Scandinavia is one of growth which we can tap into through intensified cross-border collaboration, albeit there are variations in the development within the different sectors. The Norwegian market shows promise within buildings as well as infrastructure. The Swedish market is strong within infrastructure, and the Danish market remains attractive in most segments. The Middle Eastern markets, however, continue to be challenging, whereas we see increasing opportunities in Asia.

COWI's growing market share in key markets continued in 2018 with important wins and a record-strong order book, especially in Scandinavia and the UK. Through our One COWI approach, combining competences across borders and business lines, we are able to meet even the most exacting of customer requirements and partner with companies of high professional standards.

SATISFACTORY OPERATIONAL RESULTS FOR 2018

In 2018, COWI's turnover grew compared to last year by 2.5 per cent to DKK 6,203 million. Organic growth was five per cent excluding currency effect. Our EBITDA margin also increased compared to last year from 7.4 per cent to 7.8 per cent, while operating profit for the year was DKK 295 million corresponding to an EBIT margin of 4.8 per cent up 0.4 percentage points. Operating cash flow was a satisfactory DKK 354 million exceeding our expectations for the year.

The results for the year are negatively affected by DKK 12 million related to an arbitration case in Oman. The figures above are exclusive of these costs.

The performance of our four business lines varied significantly from challenging to very satisfactory.

ROBUST PERFORMANCE IN DENMARK

Business Line Denmark continued its solid performance in all sectors throughout the year. It was affected by a stagnant domestic infrastructure market, but helped by a buoyant building market. The business line landed a number of major strategic wins, including the Bus Rapid Transit framework contract for the Danish municipality of Aalborg and the building of three airports in Greenland. The airport wins underline our strong position in this sector. Furthermore, we affirmed our strength in the windfarm market with the win of the US's first large-scale offshore windfarm off the coast of Massachusetts. This year also saw major wins in the data centre market, among others a comprehensive planning project in the western part of Denmark, two significant due diligence projects for large international data centres, and together with Business Line Sweden, the full design lead role for one of the cloud giants. As part of our strategy for 2018, we increased the share of private customers (vs. public sector) and will continue our efforts to stimulate growth and cement results.

NORWAY IS GETTING THERE

After last year's turnaround, Business Line Norway's performance improved significantly. Organisational restructuring, changes to management, including a new Executive Vice President, as well as strengthened leadership teams in all departments supported by enhanced operational excellence tools and initiatives boosted energy in the organisation, translating into improved billability and a number of high-profile wins. The museum in Tromsø and a project related to the toll system, Autopass, for the Norwegian Road Directorate are examples of this. Last year's major wins of the new Government Quarter and the Fornebu Metro are now also gaining momentum and starting to impact positively the outlook for the business. 2018 also saw Business Line Norway win the 'world championship' in Building Information Management (BIM) cementing our strong capabilities in applying digitalisation in construction design services.

TURNAROUND IN SWEDEN

The performance of Business Line Sweden remains challenged and results are not yet satisfactory. The business line embarked on a major turnaround involving reconstruction of the organisation and strengthening of leadership at all levels. On the management side, we recruited a new Executive Vice President who takes office 1 March 2019.

2018 also saw exciting wins, including two projects within the industry sector: a recovery process plant for phosphorus and the detailed design of a plant for a soft paper machine. We consolidated our position in the transportation market with continued work on both Ostlänken (OLP) and Västlänken (Gothenburg Central and Korsvägen). Projektbyrån, our Swedish project management business, continued its strong performance and ended its year with the opening of the renovated National Museum of Stockholm, a project managed by Projektbyrån and nominated for the Swedish Building of the Year award. Through the acquisition of PB Teknik AB, a Stockholm-based heating, ventilation and sanitation consultancy, we furthermore gained enhanced access to the installation and energy segments in Sweden.

With strengthened leadership and committed and skilled employees supporting our efforts, we look at the coming years with confidence, but recovery will take time.

BTM CHALLENGED, BUT REGAINING MOMENTUM

Although a large part of our Bridge, Tunnel and Marine Structures business improved in 2018, the overall results decreased compared to 2017 and remain affected by challenged projects in the Middle East and a weak order book in North America. Thus, results are not yet at a satisfactory level. The marine structures division was able to regain strength this year and won several exciting projects, among others, the sub-consultancy for a wind farm off the coast of Taiwan. The bridges division cemented its position as main consultant on the new Storestrøm Bridge in Denmark with a major contract covering supervision and land works and won a contract for the detailed design of 10 km of the Mumbai Trans Harbour Link bridge in India. The UK's tunnel division remains heavily involved in the prestigious landmark projects of the Lower Thames Crossing and the Thames Tideway won last year and currently being executed successfully. BTM's significant capabilities were highlighted at international level with the opening of the Hålogaland Bridge in Norway (by the Norwegian Prime Minister); a new footbridge across the Thames (by the British Prime Minister); and the Hong Kong-Zhuhai-Macao link (by the Chinese President). With solid ties to Asia, the business unit opened offices in Singapore and Taiwan in 2018 to be able to pursue new opportunities in these growing markets.

OMAN EFFECTS ON RESULTS

COWI's results for the year continue to be negatively affected by costs related to an arbitration case in Oman (DKK 12 million).

The arbitration case costs are unrelated to daily operations, and our comments on the development of our results and cash flow in the above sections are thus related to our performance, excluding these costs.

In July, the COWI-Larsen Joint Venture submitted its Statement of Claim to the arbitration tribunal, which has asked the Omani Ministry of Transport and Communication to submit its response to the Statement of Claim. The arbitration tribunal expects to pronounce final judgement in 2021.

ARKITEMA ARCHITECTS – LATEST MEMBER OF THE COWI FAMILY

At the end of 2018, our strategy manifested itself in a game-changing acquisition for COWI: After 88 years as an engineering company, COWI acquired the well-reputed 50-year-old architectural firm Arkitema, adding around 550 new colleagues to the Group. With customers increasingly requiring integrated design solutions, we stand much stronger together than apart. After the acquisition, the 'house' of COWI now has two main entrances: an architectural and an engineering. All customers entering either door will now be able benefit from state-of-the-art services from both worlds.

Arkitema is a perfect match for COWI. We both have Scandinavia as our home market. We have strong brands in Denmark, and in Sweden, Arkitema will be able to help develop the COWI brand, while in Norway, COWI will be able to support the Arkitema brand. Culturally, our two firms match. We have deep-seated professional pride, clear, matching values and strong legacies.

Arkitema will retain its own brand, but become part of the COWI family as a new fifth business line. Arkitema will also join relevant sector boards in COWI to coordinate our approach to customers and markets, and we will be each other's preferred partners in the market.

The closing of the acquisition took place on 4 January 2019 and therefore, the acquisition has no effect on the figures for 2018. However, the transaction costs were expensed in 2018.

WORKING AS ONE COWI

In 2018, the cooperation and sharing of competences and resources across business lines and borders in COWI accelerated further through the sector boards (Transportation, Building, Water & Environment and Energy). Strategic and practical coordination of joint market activities take place on these boards; the winning of the Keflavik Airport project in Iceland is one example of the results of such cooperation.

The competences of our colleagues in India, Lithuania and Poland are increasingly being integrated into the business model for all our business lines enabling COWI to provide competitive and high-quality solutions to our customers, especially within Building Information Management (BIM).

Our employees in India, Lithuania and Poland now number a total of 984, making up 14,5 per cent of the Group's employees.

AMONG PEERS

Also this year, COWI's services are acknowledged in the 'Engineering News-Record (ENR) Yearly Sourcebook', which assesses annually around 150 global design firms in our industry. COWI has moved forward this year to number 36 (42 in 2017). The move is to some extent explained by consolidation in the sector. This year we retain our number one rank in Solid Waste, but are one down 4 (3 in 2017) within Bridge Design and number 5 (4 in 2017) in Marine and Port Facilities. We are happy to see that our health care service buildings have retained their 8th place (8 in 2017). We have also seen our Mass Transport and Rails hold its own at a 10th rank (10 in 2017).

OPERATIONAL EXCELLENCE IN FOCUS

Operational excellence (OE) is one of the four enablers identified in One Step Ahead as vehicles for achieving our ambitions. This year, OE took priority with an emphasis on standardising principles and management tools across the business. Our attention at present is particularly focused on assisting leaders and project managers in improving efficiency and performance in day-to-day operations. The aim is to enable them to spend more of their time on leadership, risk management, and our customers.

EMPLOYEE ENGAGEMENT KEEPS RISING

COWI's key resource is our employees. Their competence, knowledge and commitment enable us to provide our customers with outstanding solutions. To gauge whether we continue to be attractive as a workplace, make sure that our leaders are providing the support and feedback necessary, and identify areas where we can improve, we conduct an engagement survey every year. More than 83 per cent (89 per cent 2017) of our entire staff took part in the survey this year, and our overall score increased to 76 (75 in 2017). Industry average score is 71. The result is uplifting, particularly since the survey was carried out while both Norway and Sweden were facing organisational challenges.

STRENGTHENING OUR EMPLOYER BRAND

With an expanding market in Scandinavia, companies in our industry are increasingly competing for consultants. We must fight harder to attract and retain the right talent and invest in our 'employer brand'. This year, we have carried out two full-blown international employer branding and recruitment campaigns involving media ads and, in particular, social media activities. Our target groups span young as well as experienced consultants. It is very satisfactory to see that efforts are paying off: This year, in Denmark, we moved up two positions in the ranking of employers among engineering students, from number 6 to number 4; and among professionals, we also advanced two positions, from number 5 to number 3, surpassing several strong global brands.

DEVELOPING LEADERS AND EMPLOYEES

For many years, we have invested significant resources into line management training, because we consider investment in leaders an investment in our employees and future business.

COWI Academy provides training in a wide range of subjects, among others business development & negotiation training and project management (PM). This year 572 (672 in 2017) employees completed the Academy's PM courses, including 59 (67 in 2017) on the PM Advanced course. 2018 also saw 9 (17 in 2017) of COWI's top project managers graduate from a specialised PM course dealing with highly complex and challenging international projects which are COWI's strategic focus.

Our courses are attended by participants from all parts of COWI. We firmly believe that meeting customer needs as One COWI requires relationships across our business. This is why we attach much importance to creating learning environments where employees from across the group can meet face-to-face. In total, 2,742 (1,849 in 2017) individual employees, or 40.5 per cent (28 per cent in 2017) of COWI's employees, completed one or more instructor-led courses (classroom/webinar-training requiring registration and conducted by instructor with an actual/online interaction with participants) arranged by COWI Academy. The significant increases in figures are partly due to the roll-out of the EU's General Data Protection Regulation in 2018 and a number of internal courses dealing with new work methods. However, most of the increase is explained by a range of new courses.

ACCELERATING TALENT

2018 also saw the graduation of the first group of COWI's Accelerators – a team of 24 talented young professionals. They represent the breadth of the business and have a wide range of academic degrees. The success of the first Accelerator programme led to the start-up of the second Accelerator programme at the end of August. The programme consists of a mix of assignments that challenges and develops the participants: on-the-job-training; mentoring; course input; mobility; and specific tasks for each participant. The interest in participating as mentor among senior staff is very high as is, of course, the interest in becoming an Accelerator.

DIVERSITY – A STRATEGIC NECESSITY

It is COWI's ambition that all staff should have equal opportunities regardless of gender, age, race, religion, nationality, ethnic and social origin, disability, political and sexual orientation. COWI views diversity as a competitive advantage. A breadth in employees gives us more perspectives to our business and organisation, and a better contribution to the development of our society. Today we are 78 different nationalities who work at all career levels.

It is COWI's ambition that the composition of management reflects the diversity of our business and markets.

Specifically, regarding gender diversity, we renewed our target of having a minimum of two female out of six COWI board members by 2020. At the end of 2018, the board had one female member. It has proven challenging to identify and attract female candidates who match our competence profile, but we continue our search to find suitable candidates.

We have set the overall target that the share of female managers should reflect the share of female employees. The target for 2020 is a share of female managers of at least 25 per cent. In 2017, the share of women in management was 24 per cent; in 2018, it was also 24 per cent. We are not quite progressing in this field as we would like to, and we will therefore continue to focus on generating a strong pipeline via our annual people review.

CORPORATE SOCIAL RESPONSIBILITY

CSR and particularly sustainability are part of our vision. In many ways they are integrated in the projects we carry out for customers.

On the following pages, we present our business model, our CSR risk assessment, i.e. the CSR issues linked to the business model, explanations as to how we apply the mitigating actions and finally the Key Performance Indicators (KPIs) we use to follow up on the various risks. In our Communication on Progress towards the UN Global Compact, we outline our policies, actions, results and KPIs within the above areas of corporate social responsibility. The report is available at www.cowi.com/sustainability

REMUNERATION OF THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The members of the Board of Directors receive a fixed annual remuneration determined by comparison of remuneration levels in similar major Danish companies. At the Annual General Meeting, it was decided to pay members of the Board of Directors an annual remuneration of DKK 220,000. The vice chairman receives DKK 440,000 and the chairman DKK 660,000.

In 2018, the Board of Directors received a total remuneration of DKK 3 million, and the Executive Board a total remuneration of DKK 20 million. Remunerations in 2018 were in line with COWI's remuneration policy for the Board of Directors and the Executive Board, adopted at the Annual General meeting in March 2018 and available on www.cowi.com.

In conclusion, thanks to the great and engaged efforts of our employees, we have managed to execute our strategic initiatives, hold the course and deliver improved results. We are well on track towards achieving our ambitions for 2020 as stated in our strategy. Our company is geared for taking on the challenges in the years ahead and reaching our goals.

On behalf of the Executive Board
Lars-Peter Søbye, Chief Executive Officer

COWI'S BUSINESS MODEL

AND CSR RISK ASSESSMENT

SOCIETY

GLOBAL/NATIONAL ECONOMIES and the POLITICAL ENVIRONMENT constitute the framework conditions for all aspects of COWI's market presence. The CSR risks presented by the framework are MITIGATED by living COWI's mission and vision and practising COWI's five values: Integrity, respect, independence, professional capacity and freedom. In addition, navigation in a constantly changing political environment demands a flexible and digitalised organisation which can adapt quickly to new project conditions.

HOW WE FOLLOW UP

- Management's and employees' knowledge of mission, vision and values is scored in COWI's annual Engagement Survey
- Flexibility in the organisation is measured by the number of projects involving employees from more than one business line

MARKETS

As a global player in diverse GEOGRAPHIES and with diverse CUSTOMERS, COWI's employees face a number of CSR risks ranging from their personal security to the business environment of customers and the customers' CSR approach. These risks are MITIGATED by the Executive Board's approval of project geographical presence and COWI's safety organisation. COWI is a signatory of the UN Global Compact and thus the business environment, including corruption, is a key focal point vis-à-vis customers.

HOW WE FOLLOW UP

- The Executive Board applies the Transparency International Corruption Perception Index to decision-making on geographic presence
- Training courses in anti-corruption are mandatory for all COWI staff

SERVICES

To supply our customers with state-of-the art sustainable solutions we need to be able to recruit and retain highly COMPETENT EMPLOYEES and attract strong and responsible PARTNERS. We MITIGATE the risk of losing such employees through leadership and by creating a great place to work. We MITIGATE the risk of attracting inappropriate partners through our screening process and by making sure that our code of conduct is upheld.

HOW WE FOLLOW UP

- Every year we carry out an engagement survey to measure the overall engagement of our employees
- The type and severity of incidents reported in the whistle-blower system are assessed by the Executive Board and reported to the Board of Directors
- All training activities in COWI Academy are monitored with regards to content and participants

VALUE CREATION

COWI's success in the market depends on meeting CUSTOMER REQUIREMENTS and supplying RESPONSIBLE PROJECT MANAGEMENT. The risk of not living up to customer requirements or being able to incorporate sustainable quality solutions through diligent management is MITIGATED by ensuring that COWI has a vibrant and strong professional environment which can provide the high-quality, innovative and sustainable solutions COWI's customers expect. Responsible project management entails that quality management is integrated in every phase of project execution and therefore a strong mitigating factor.

HOW WE FOLLOW UP

- Customer satisfaction is followed closely through the Net Promoter Score
- Quality management is ensured through ISO certification, recertification and regular audits

IMPACT

COWI's core business is to deliver projects based on the requirements of customers and society at large. Each project has an impact and can contribute to achievement of the SUSTAINABLE DEVELOPMENT GOALS if designed and realised in an innovative way. As a business, COWI also makes a FOOTPRINT in these societies. In 2006, COWI signed the Global Compact. Since then we have striven to MITIGATE our impact on society by reducing our footprint and contributing to the SDGs through actively working with and implementing the COP policies.

HOW WE FOLLOW UP

- COWI projects will be classified according to their relevance and contribution to achieving the SDGs
- We measure COWI's environmental impact

COWI'S SERVICES

COWI is a leading consulting group providing services within engineering, environemental science and economics. Our competitive edge is the combination of world-class services with a 360° approach offering customers complete solutions. Together with our customers, we create coherence in tomorrow's sustainable societies.

INFRASTRUCTURE

- Bridges
- Tunnels
- Ports and marine structures
- Railways
- Metros
- Light rails
- Roads and highways
- Airports
- Digitalisation and technology

BUILDINGS

- Hospitals
- Residential buildings
- Cultural and educational buildings
- Commercial buildings
- Transport hubs
- Industrial buildings
- Data centres
- Project management consultancy

ENVIRONMENT

- Strategic environmental consultancy
- Nature
- Waste and resources
- Contaminated sites
- Environmental Impact Assessments
- Environment, Health and Safety
- Sustainability
- Climate change
- Urbanisation
- Digitalisation and technology

WATER

- Water supply
- Wastewater treatment
- Water and natural resources management
- Dewatering and geophysics
- Flooding
- Drainage
- Stormwater tunneling
- Climate change
- Sustainability
- Urbanisation
- Digitalisation and technology

ENERGY

- Wind energy
- New bioenergy solutions
- Biomass and waste to energy
- District heating and cooling
- Oil and Gas

INDUSTRY

- Process industry
- Data centres
- Industrial buildings
- Forest industry
- Food industry
- Manufacturing industry

PLANNING

- Mapping and geo services
- Urban development
- Areal development and property rights
- Project management consultancy
- Traffic and transportation planning
- GIS and IT
- Economics and management

FINANCIAL RATIOS

The financial ratios stated in “Key figures and financial ratios” have been calculated as follows:

EBITDA margin

$$\frac{\text{Operating profit/loss excluding depreciation and amortisation x 100}}{\text{Net turnover}}$$

Operating margin (EBIT margin)

$$\frac{\text{Operating profit/loss x 100}}{\text{Net turnover}}$$

Return on invested capital (ROIC)

$$\frac{\text{Operating profit/loss x 100}}{\text{Average invested capital including goodwill}}$$

Equity ratio

$$\frac{\text{Equity, end of year x 100}}{\text{Total assets, end of year}}$$

Return on equity

$$\frac{\text{COWI's share of profit/loss for the year x 100}}{\text{Average equity}}$$

Book value per share

$$\frac{\text{Equity}}{\text{Nominal shareholding (excluding treasury shares)}}$$

KEY FIGURES AND FINANCIAL RATIOS

KEY FIGURES AND FINANCIAL RATIOS FOR THE COWI GROUP

	2014 DKKm	2015 DKKm	2016 DKKm	2017 DKKm	2018 DKKm	2018 EURm
KEY FIGURES						
DKK/EUR rate at 31 December 2018						746.73
NET TURNOVER	5,313	5,577	5,939	6,052	6,203	831
Operating profit before interest, tax, depreciation, amortisation (EBITDA)	360	323	396	427	475	64
Operating profit before amortisation (EBITA)	320	277	341	363	404	54
Operating profit on ordinary activities	222	183	222	238	272	36
OPERATING PROFIT (EBIT)	223	182	231	247	283	38
Net financial items including profit/loss after tax in associates	30	23	16	(30)	(4)	(1)
PROFIT BEFORE TAX FOR THE YEAR	253	205	247	217	279	37
PROFIT FOR THE YEAR	174	131	162	144	190	25
Goodwill	597	539	590	637	568	76
Other non-current assets	267	309	349	354	335	45
Current assets	2,282	2,160	2,392	2,465	2,666	357
TOTAL ASSETS	3,145	3,007	3,331	3,456	3,569	478
Share capital	283	282	282	282	282	38
EQUITY	898	1,013	1,137	1,222	1,338	179
Provisions	289	302	337	381	409	55
Long-term debt	3	2	1	0	2	0
Short-term debt	1,955	1,690	1,856	1,853	1,820	244
Cash flow from operating activities	223	108	228	433	343	46
Investment in property, plant and equipment	(54)	(70)	(79)	(106)	(73)	(10)
Other investments, net	(198)	(42)	(184)	(143)	(42)	(6)
Cash flow from investing activities, net	(251)	(113)	(262)	(249)	(115)	(15)
FREE CASH FLOW	(28)	(4)	(34)	183	228	31
Cash flow from financing activities	107	(113)	(44)	(89)	(242)	(32)
CASH FLOW FOR THE YEAR	79	(117)	(78)	94	(14)	(2)
FINANCIAL RATIOS						
EBITDA margin	6.8%	5.8%	6.7%	7.1%	7.7%	
Operating margin (EBIT margin)	4.2%	3.3%	3.9%	4.1%	4.6%	
Return on invested capital	31.8%	22.6%	21.9%	20.6%	24.4%	
Equity ratio	28.6%	33.7%	34.1%	35.4%	37.5%	
Return on equity	20.3%	13.7%	15.1%	12.2%	14.9%	
Book value per share in DKK	326.3	373.0	413.3	437.2	478.9	
AVERAGE NUMBER OF EMPLOYEES	6,180	6,311	6,475	6,599	6,691	

FINANCIAL REVIEW

SATISFACTORY RESULTS FOR 2018

COWI's results for 2018 were satisfactory with a net turnover of DKK 6,203 million compared to DKK 6,052 milion last year, an EBIT of DKK 283 million compared to DKK 247 million last year, and an operating cash flow of DKK 343 million compared to DKK 433 million last year. COWI's EBIT margin was 4.6 per cent as opposed to 4.1 per cent in 2017.

As mentioned in Management's Review on page 4, the result and operating cash flow for the year are negatively affected by costs related to an arbitration case in Oman. Net turnover is unaffected by this issue. The arbitration case costs are unrelated to daily operations, and therefore Management's comments on the development of COWI's operational results in the following sections exclude these costs. However, management's comments on the development of COWI's non-operational costs include the costs for the Omani arbitration proceedings.

Turnover and operating profit, excluding costs related to the Omani arbitration proceedings, grew as anticipated in 2018, while cash flow from operating activities was at a lower level than 2017, but nevertheless satisfactory at DKK 354 million. EBIT was DKK 295 million leading to a satisfactory EBIT margin of 4.8 per cent.

Business Line Denmark continued its strong performance in almost all sectors, exceeding expectations.

DEVELOPMENT IN NET TURNOVER FROM 2017 TO 2018 PER BUSINESS LINE

BUSINESS LINE	2017 DKKm	2018 DKKm	GROWTH %	GROWTH DKKm
Denmark	2,426	2,456	1%	30
Bridge, Tunnel and Marine Structures	1,519	1,504	(1%)	(15)
Norway	1,188	1,283	8%	95
Sweden	1,010	1,021	1%	11
Other	(89)	(59)	-	30
Total	6,052	6,203	2%	151

While the results of Business Line Norway showed a significant improvement compared to 2017, the results of Business Line Sweden were disappointing. The results of Business Line Bridge, Tunnel and Marine Structures (BTM) decreased compared to 2017.

GROWTH IN TOTAL NET TURNOVER

Net turnover in the COWI Group increased in 2018 by DKK 151 million or 2.5 per cent, to DKK 6,203 million compared to 2017. The net foreign exchange impact was a negative DKK 137 million, mainly due to the weak currencies in our main markets. Organic growth, excluding foreign exchange impact, reached five per cent.

Organic growth was mainly driven by Business Lines Norway and Sweden. Organic growth was negatively impacted by foreign currency effects, among others Business Line BTM (DKK 29 million), Business Line Norway (DKK 33 million) and Business Line Sweden (DKK 65 million).

DEVELOPMENT IN NET TURNOVER

	GROWTH	DKKm
Net turnover 2017		6,052
Organic growth excl. foreign exchange impact	5%	285
Foreign exchange impact	(2%)	(137)
Acquisition of enterprises	0%	3
Net turnover 2018	2%	6,203

OWN PRODUCTION

The Group's own production increased by two per cent from DKK 5,007 million in 2017 to DKK 5,103 million in 2018, and was negatively affected by net foreign currency effects of DKK 115 million. Excluding the net foreign exchange impact, own production grew by four per cent.

OPERATING EXPENSES

The COWI Group's main operating expense, employee expenses, increased by two per cent and totalled in 2018 DKK 3,969 million, while external expenses decreased by three per cent and totalled DKK 671 million. Employee expenses and external expenses were affected by decreased exchange rates in COWI's main markets.

Amortisation and depreciation amounting to DKK 192 million are primarily attributable to amortisation of goodwill, as well as depreciation on technical installations, operating and other equipment. Total operating expenses amounted to DKK 4,820 million, an increase of one per cent compared to 2017. Adjusted for foreign exchange impact, the increase in operating expenses was four per cent.

EBITDA MARGIN

In 2018, the COWI Group posted a robust operating profit before interest, tax, depreciation and amortisation (EBITDA)

DEVELOPMENT IN HEADCOUNT

BUSINESS LINE:	2017	2018	CHANGE
Denmark	2,963	3,153	190
Bridge, Tunnel and Marine Structures	1,361	1,379	18
Norway	1,124	1,113	(11)
Sweden	1,164	1,125	(39)
Total headcount	6,612	6,770	158

of DKK 487 million compared to DKK 448 million in 2017, corresponding to a nine per cent increase. EBITDA margin was 7.8 per cent, an increase of 0.4 percentage points.

EBIT MARGIN

In 2018, the COWI Group posted a satisfactory operating profit (EBIT) of DKK 295 million compared to DKK 268 million in 2017, corresponding to a 10 per cent increase. EBIT margin was 4.8 per cent, an increase of 0.4 percentage points.

CASH FLOW

Cash flow from operating activities amounted to a satisfactory DKK 354 million. Cash flow from investing activities amounted to a negative DKK 115 million net in 2018, and related primarily to the acquisition of subsidiaries and investments in fixed assets. Free cash flow was positive at DKK 240 million, up by DKK 36 million compared to 2017.
At 31 December 2018, the Group's total financial resources, which comprise cash and cash equivalents as well as undrawn committed credit facilities, amounted to DKK 1,080 million compared to DKK 911 million at the end of 2017.

DEVELOPMENT IN HEADCOUNT

At the end of 2018, COWI had 6,770 employees compared to 6,612 at the end of 2017, an increase of 158 headcounts, corresponding to 2.4%.
The main increase is related to employees in COWI India (registered above under Denmark).

The following comments on non-operational results include the costs incurred by the arbitration proceedings in Oman.

NET FINANCIAL INCOME AND TAX

The Group's net financial expenses decreased by DKK 26 million compared to 2017 to DKK 4 million. Net financial income was negatively affected by foreign exchange losses and amounted to DKK 1 million. Profit before tax amounted to DKK 279 million compared to DKK 217 million in 2017. The Group's tax on profit for the year amounted to an expense of DKK 89 million, corresponding to an effective tax rate in 2018 of 32 per cent, compared to 34 per cent in 2017. Since 2011, the Group has applied the international joint taxation regulations, and expects to continue to do so throughout the period of commitment, i.e. up to and including 2020.

PROFIT FOR THE YEAR

Profit for the year was DKK 190 million compared to DKK 144 million in 2017.

BALANCE SHEET

The Group's total assets at the end of 2018 amounted to DKK 3,569 million, an increase of DKK 113 million compared to 2017, corresponding to three per cent.

Net working capital as a percentage of net turnover increased to 11 per cent in 2018 compared to nine per cent in 2017. At the end of 2018, total net working capital was DKK 648 million, up from DKK 566 million in 2017. The Group's cash and cash equivalents decreased by DKK 8 million to DKK 270 million. The Group's total cash and cash equivalents, including the securities portfolio, amounted to DKK 575 million, equivalent to 16 per cent of the Group's total assets. Equity at 31 December 2018 amounted to DKK 1,338 million, corresponding to an equity ratio of 37.5 per cent, up from 35.4 per cent in 2017.

Equity was positively affected by the financial results for the year of DKK 190 million, by hedging instruments after tax of DKK 3 million and by the net sale of treasury shares of DKK 0.4 million. Equity was negatively affected by exchange rate adjustments of DKK 17 million and distributed dividends of DKK 53 million. In total, equity increased by DKK 116 million.

BOOK VALUE PER SHARE AND DIVIDEND

At the end of 2018, book value per share was DKK 478.9, up from DKK 437.2 at the end of 2017. With a 9.5 per cent increase, the book value of the share is at its highest level to date. The Board of Directors proposes that dividends amounting to DKK 21 per share (excluding treasury shares), up from DKK 19 in 2017, be distributed, corresponding to 4.4 per cent of the share price for 2018 and at same level as 2017.

CAPITAL AND SHARE STRUCTURE

COWI Holding's management finds that the current capital and share structure is appropriate for the shareholders and the company, and that it supports the company's strategy and long-term value creation.
The share capital amounts to DKK 282 million, of which DKK 200 million can be ascribed to class A shares and DKK 82 million to class B shares. Class A shares carry ten votes for each DKK 100 share, while class B shares carry one vote for each DKK 100 share. All class A shares are owned by COWIfonden (the COWI Foundation), which supports research and development within engineering. COWI Holding A/S owns DKK 3 million worth of class B shares, the employees own DKK 49 million worth of class B shares in total, while COWIfonden owns DKK 230 million worth of classes A and B in total.

UNCERTAINTY IN RESPECT OF RECOGNITION AND MEASUREMENT

CONTRACT WORK IN PROGRESS

Measurement of the company's work in progress includes estimates of stages of determination of completion. For large-scale projects in particular, the actual realisation may result in material positive or negative variances in relation to the recognised estimates.

GOODWILL

Goodwill impairment tests require estimates to be made in respect of future cash flows, discount rates and growth rates. A degree of uncertainty attached to such estimates and any changes made to them can have major implications.

DEBTORS

The management carries out write-downs for bad and doubtful debts on the basis of the risk of loss resulting from customers' inability and willingness to pay. If the customers' financial conditions deteriorate resulting in reduced ability to pay, additional write-downs may be required in the future. As the management continuously assesses customers' credit-worthiness, terms of payment and risk of loss, the uncertainty attached to write-downs for bad and doubtful debts is considered to be insignificant.

TAX ON PROFIT FOR THE YEAR AND DEFERRED TAX

Tax on profit for the year and deferred tax include some uncertainty, especially with regard to taxation of foreign branches and permanent establishments. The local taxation of branches and permanent establishments may vary materially in relation to the recognised tax on profit for the year and deferred tax liabilities due to the tax administration procedures of the local tax authorities.

RISK AND RISK MANAGEMENT

The COWI Group's risk exposure falls into market risks, operational risks, financial risks, liquidity risks and other risks.

MARKET RISKS

We endeavour to minimise risks resulting from changes in the political landscape and in economic trends by maintaining a balanced project portfolio. The balanced portfolio entails spreading risks across geographical markets, service areas and public/private sectors.

Changes in the political landscape, notably in politically unstable regions where COWI operates, constitute a clear risk factor.

OPERATIONAL RISKS

We minimise losses on projects by conducting not only a risk assessment of each individual project and contract, but also by applying such project management and supervisory skills as the assessment requires. Contracts with subcontractors and partners can constitute a risk in the event of failure to deliver on time, within budget and to expected standards. We endeavour to minimise risks by means of dedicated project management, screening/due diligence of subcontractors, dialogue with customers, careful selection of projects and contract monitoring. Overcapacity in relation to the scope of projects in progress is a risk, which we manage through backlog assessment and pipeline management. We use professional liability insurance to limit the risks associated with criteria specified by customers, partners and subcontractors. We have an IT security policy and an IT contingency plan in place to safeguard our central IT systems from damage and threats. We review the plans annually.

FINANCIAL RISKS

We endeavour to minimise foreign exchange risks related to our projects by matching to the extent possible the income and expenses in the same currency in the individual projects. In addition, significant net foreign exchange positions arising from business operations are hedged by currency hedging. The translation risk relating to investments in subsidiaries is not hedged. Interest rate risk is limited as a result of COWI's limited net interest-bearing debt. Our securities portfolio forms part of an external portfolio management programme which is managed within set parameters and where investments are to a large extent made in short duration bonds. Acquisitions are part of the COWI Group's growth strategy. We have developed a valuation method and integration strategy to minimise acquisition-related risks and follow up on completed acquisitions systematically.

LIQUIDITY RISKS

Liquidity risk is the risk that adequate liquidity is unavailable. COWI has a policy determining the short-term and long-term liquidity requirements to ensure that the Group has sufficient liquidity to fund the anticipated development in COWI's volume of business and activities. In the management's opinion, the COWI Group has sufficient liquidity to ensure the continued operation and development of COWI's activities.

OTHER RISKS

COWI provides services to public and private customers in many parts of the world. Our reliability and trustworthiness as a consulting company depends heavily on our commercial integrity. We therefore adhere to our Business Integrity Management System, which sets out a code of conduct defining best practices for all units, managers and employees.

RISK MANAGEMENT

In addition to the above risk management activities, we have guidelines for risk management in our best practice code for corporate governance. Overall strategic risk management is based on a risk profile which we update once a year for the Board of Directors to assess, discuss and classify.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Internal control and risk management systems in connection with the financial reporting procedures are described below.

CONTROL ENVIRONMENT

Responsibility and authorities are defined in the Board of Directors' instructions to the Executive Board and adopted policies. The Board of Directors approves COWI's communication and financial risk management policies as well as the company's risk management policy. The Executive Board approves all other policies and procedures, and the responsible functions issue guidelines and monitor the use of all policies and procedures. Systems are in place to ensure adequate segregation of duties in the Finance department.

The organisational structure and internal guidelines form the control environment.

RISK ASSESSMENT

There is a relatively higher risk of error for the items in the financial statements that are based on estimates or generated through complex processes compared to other items. A detailed risk assessment with the purpose of identifying these items and specifying the scope of the attached risks is coordinated by the Group's Internal Control function. The high-risk items include primarily work in progress, claims and tax liabilities concerning branches and permanent establishments abroad.

CONTROL ACTIVITIES

The aim of the control activities is to prevent, discover and correct any errors and irregularities. The activities are integrated in COWI's accounting and reporting procedures and include, e.g. procedures for certification, authorisation, approval, reconciliation, analysis of results, segregation of incompatible duties, controls concerning IT applications and general IT controls. COWI has standards for internal control, i.e. standards for control activities concerning the presentation of financial statements. All risk assessments and related controls are linked to the Group's strategy and goals.

INFORMATION AND COMMUNICATION

COWI maintains information and communication systems to ensure that the presentation of the financial statements is accurate and complete. The Group's accounting rules and procedures for the presentation of the financial statements are set out in specifications and instructions. Accounting and other reporting instructions, including procedures for budgets and monthly financial statements, are updated as needed. They are available – together with other policies which are relevant for internal control of financial reporting – to finance employees and other relevant employees on the Group's corporate portal.

MONITORING

COWI uses a management control system to monitor the company's results, and this makes it possible at an early stage to identify and correct any errors and irregularities in the presentation of the financial statements, including disclosed weaknesses in the internal controls, any non-compliance with procedures, policies, etc.

Compliance with the Group's accounting policies is monitored on an ongoing basis at group and company level.

OUTLOOK FOR 2019

In 2019, we expect the strong macroeconomic momentum of the global economy to continue, but we anticipate that growth will ease off in 2019, albeit from high levels.

The geopolitical tensions in key markets remain although at a slightly lower level. The North American countries succeeded in entering a trade agreement, and the trade dispute between the US and China appears to be less intense.

We expect the Danish economy to continue to grow in line with 2018 figures. The strong increase in employment, however, has pushed unemployment rates to very low levels, and we see a continued need to focus on retention and recruitment. The construction outlook is strong for most sectors, in particular within new residential and non-residential buildings. We expect infrastructure investments to remain flat, but most probably pick up momentum after elections in the spring of 2019. All in all, we see a stable Danish market for COWI's multidisciplinary services in 2019.

In Norway, economic growth is expected to be moderate. While construction of residential buildings is expected to contract, non-residential buildings are expected to increase. We see a very strong outlook for infrastructure, especially within roads and railways, which is driven by significant public investment. Overall, we foresee continued growth in our Norwegian business.

The Swedish economy is still strong, and the economic outlook continues to be optimistic. Growth is, however, hampered by a decline in construction in residential and non-residential buildings, and this trend is expected to continue in 2019, albeit from very high levels in recent years. The outlook for infrastructure remains solid with investments in both new projects and maintenance of existing infrastructure. Investments are expected particularly within railways, and overall, the outlook for the Swedish market is sound.

Our UK business continues to be affected by the uncertainties surrounding Brexit. Although the OECD forecast slight economic growth in 2019 assuming a smooth exit from the European Union, the unresolved Brexit situation makes it difficult to foresee how the UK market will develop. At present, construction output is expected to increase in 2019 driven by residential buildings and a modest growth in infrastructure projects, especially within roads and railways. COWI continues to have a positive view on the UK market and expects to benefit from the increase in infrastructure investments.

For COWI North America, the 2019 outlook remains positive driven by economic growth in the US and Canada. In both countries, the construction outlook is particularly positive for our Bridge, Tunnel & Marine services as infrastructure investments will continue to be a key driver for growth in the years ahead.

Summing up, the outlook for North America is bright, although there are uncertainties as to how and when the ambitious infrastructure investment plan announced by the US president will materialise.

Across COWI's markets in the Middle East and Asia, our strongholds within bridges, ports, airports and mass transit are expected to continue to benefit from the general urbanisation trend combined with fairly stable economic outlooks. However, the fluctuations in the oil price during late 2018 created some uncertainty as many of the Middle Eastern economies are linked to its development.

SUSTAINABLE DEVELOPMENT GOALS

COWI's services within Infrastructure, Energy, Water & the Environment and Building contribute to several of the UN's 17 Sustainable Development Goals (SDGs). We find that our consultancy services particularly contribute to reaching the following five SDGs:

- No 6 Clean Water and Sanitation
- No 7 Affordable and Clean Energy
- No 9 Industry Innovation and Infrastructure
- No 11 Sustainable Cities and Communities
- No 13 Climate Action

SDG No 11, Sustainable Cities and Communities, encompasses much of where we have our expertise, and it corresponds very much to our vision which is to create coherence in tomorrow's sustainable societies. In recent years, especially our Scandinavian business lines have started to build a thought leadership position within the sustainable growth of cities. We have held several seminars and events with customers and other stakeholders where we have discussed challenges facing societies and possible solutions. Therefore, SDG 11 will take priority in our work with the SDG's and our communication.

We are committed to working with the SDGs so that we create value for customers, society and our business. In 2019, we will start to categorise all new projects according to which SDGs they contribute to the most. In this way we gain a knowledge base which will enable us to plan our contribution to the SDGs in the best possible way.

COWI'S ENABLERS

In 2019, we will continue to work on all four strategic enablers; Leadership, Operational Excellence, Business Mindset, and Innovation with particular focus on Business Mindset; i.e. renewed efforts to improve further our cash management, strengthen customer and market insights and awareness, and develop outstanding customer relationships. We will also continue implementing and refining our operational excellence tools.

In addition, we will launch a strategy to unleash the potential of digital business transformation and thus underpin the many ongoing digitalisation initiatives in COWI.

EMPLOYEE COMMITMENT

We will be carrying out our fourth engagement survey in the spring of 2019, and we will continue to build our employer brand and thus fuel our continued growth in 2019.

A YEAR WITH GREAT POTENTIAL

2019 is going to be an exciting year. A year of uncertainty on the global political scene with possible negative effects on trade and economy; but also a year where the economy is predicted to keep growing; the first year with Arkitema as part of the COWI family, together with all of the major opportunities this offers; and a year that we enter with more power than ever before.

In 2019, we expect organic growth and the positive development in our operational profit to continue in line with 2018. However, the profit will continue to be negatively affected by the arbitration proceedings in Oman.

COWI HOLDING A/S CONSOLIDATED FINANCIAL STATEMENTS 2018

ACCOUNTING POLICIES

The 2018 annual report of COWI Holding A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for large enterprises in reporting class C.

Comparative figures for 2017 on turnover and costs are restated as a consequence of that the Group recognized non-Group turnover and related costs on a limited number of projects. The group results for 2017 and the equity at 31 December 2017 are unaffected by this, and are therefore unchanged.

The annual accounts have been prepared according to the same accounting policies as last year.

RECOGNITION AND MEASUREMENT

Income is recognised in the profit and loss account as earned. Value adjustments of financial assets and liabilities which are measured at fair value are also recognised in the profit and loss account. The same applies to all expenses, including amortisation, depreciation and impairment losses.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the company and the value of the liability can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each individual item below.

Certain financial assets and liabilities are measured at amortised cost to achieve a constant effective interest rate over the life of the asset or liability. Amortised cost is stated as original cost less any repayments plus or minus the cumulative amortisation of any difference between cost and nominal amount. In this way, capital losses and gains are amortised over the life of the asset or liability. Recognition and measurement take into consideration anticipated losses and risks 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.

The functional currency is Danish kroner (DKK). All other currencies are considered foreign currency.

GROUP FINANCIAL STATEMENTS

CONSOLIDATION POLICY

The consolidated financial statements include the parent company, COWI Holding A/S, as well as enterprises in which the parent company directly or indirectly holds the majority of the voting rights or in which the parent company through its shareholding or otherwise exercises a controlling interest.

Enterprises in which the Group holds between 20 and 50 per cent of the voting rights and exercises a significant, but not controlling interest are treated as associates.

On consolidation, items of a uniform nature will be combined. Intercompany income and expenses, shareholdings, dividends and balances as well as realised and unrealised gains and losses on transactions between consolidated enterprises have been eliminated.

The financial statements included in the Group's annual report have been prepared in accordance with group accounting policies. The Group's annual report has been prepared on the basis of the financial statements of COWI Holding A/S and its subsidiaries by combining items of a uniform nature. Investments in subsidiaries are eliminated at the relevant proportion of the net asset value of the subsidiaries at the time of acquisition. On acquisition of new enterprises, any differences between the acquisition cost and the net asset value of the enterprise acquired are stated at the time of acquisition after adjusting the individual assets and liabilities at fair value (the purchase method) and allowing for recognition of any reconstruction provisions in respect of the enterprise acquired. Any remaining positive differences are recognised in the balance sheet under intangible assets as group goodwill and amortised on a straight-line basis over the expected economic life. Any negative differences are recognised in the balance sheet in the equity.

Goodwill from acquired enterprises is adjusted as a result of changes in recognition and measurement of net assets for a period shorter than a full financial year following the time of acquisition. Intercompany purchases and reconstruction are stated and presented according to the uniting-of-interests method.

CORPORATE INCOME TAX AND DEFERRED TAX

The company is jointly taxed with the consolidated enterprises including foreign subsidiaries.

COWI Holding A/S is the management company. The total Danish tax on the subsidiaries' taxable income is paid by COWI Holding A/S. The tax effect of the joint taxation with the subsidiaries is distributed on the profit and loss-making enterprises in proportion to their taxable profits (full allocation with refund concerning tax losses).

Income tax for the year, consisting of current tax and deferred tax for the year, is recognised in the profit and loss account with the share attributable to profit for the year, and is recognised directly in equity with the share attributable to entries recognised directly in equity. Current tax liabilities and current tax receivables are recognised net in the balance sheet as tax computed on taxable income for the year adjusted for tax on taxable income for previous years. Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences between accounting and tax values of assets and liabilities. However, no provision is made for deferred tax on temporary differences arising from amortisation of goodwill disallowed for tax purposes as well as other items, apart from acquisition of enterprises, where temporary differences have arisen at the time of acquisition without any effect on financial results or the taxable income.

In cases where the tax base can be determined according to alternative tax rules, deferred tax is recognised on the basis of the planned use of the asset or settlement of the liability, respectively. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities. Deferred tax assets and liabilities are set off within the same legal tax entity. Adjustment of deferred tax is made concerning elimination of unrealised intercompany gains and losses. Deferred tax is measured on the basis of the tax rules and tax rates legally effective in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax as a consequence of amendments to tax rates are recognised in the profit and loss account.

As part of international joint taxation, the retaxation liability is recognised at the full retaxation amount or the limited retaxation amount, whichever is smaller, based on the profit expected to be achieved by the sale of assets and debt at market values on cessation of the joint taxation. Furthermore, provision is not made for retaxation of deficits from permanent establishments where the deficit is expected to be rearned through current operation.

TRANSLATION POLICIES

Transactions in foreign currencies are translated by applying standard rates approximating the foreign exchange rates ruling at the transaction dates. Exchange differences arising between the exchange rates ruling at the transaction date and the rates prevailing at the date of payment are recognised in the profit and loss account as financial income or financial expenses.

Accounts receivable and payable and other monetary items in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Unrealised exchange gains or losses arising from differences between the exchange rates ruling at the balance sheet date and the rates prevailing at the time when the receivable or payable arises are recognised in the profit and loss account under financial income or expenses. Non-current assets acquired in foreign currencies are translated at the rates ruling at the transaction date. On recognition of foreign subsidiaries and associates that are separate legal entities, profit and loss accounts are translated at monthly average exchange rates, and balance sheet items are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates ruling at the balance sheet date and on translation of profit and loss accounts from average exchange rates to the rates ruling at the balance sheet date are recognised directly in equity. On recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates ruling at the balance sheet date. Non-monetary items are translated at the rates prevailing at the time of acquisition or at the time of any subsequent revaluation or writedown for impairment of the asset.

Profit and loss account items are translated at the exchange rates ruling at the transaction date; however, items derived from non-monetary items are translated at historical rates for the non-monetary item.

Exchange adjustments of intercompany balances and transactions with foreign subsidiaries that are considered additions to or deductions from the equity of separate subsidiaries are recognised directly in equity. Similarly, exchange gains and losses on loans and derivative financial instruments contracted for hedging purposes by separate foreign subsidiaries are recognised directly in equity.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured at their fair value. Positive and negative fair values of derivative financial instruments are included in prepayments under assets and in other accounts payable under liabilities, respectively.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or liability are recognised in the profit and loss account together with any changes arising in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments that are designated as and qualify as future asset and liability hedges are recognised in prepayments/other accounts payable or equity, respectively. Where the forecast transaction results in the recognition of an asset or a liability, amounts that have been deferred in equity are transferred from equity and included in the cost of the asset or the liability, respectively. Where the forecast transaction results in income or expenses, amounts that have been deferred in equity are transferred to the profit and loss account in the period during which the hedged item affects the profit and loss account.

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised on a continuing basis in the profit and loss account.

SEGMENT INFORMATION

Information is provided on COWI's net turnover and own production, broken down on business areas and business lines. The information is basedon the Group's internal financial reporting system.

INCENTIVE SCHEMES

The fair value of short-term incentive schemes for the Executive Board and Group Management Board are recognised in "Remuneration, Executive Board" in the note "Employee expenses" and a liability is recognised.

The Long Term Incentive schemes where the company uses own shares as bonus payment are not recognized in the annual report.

PROFIT AND LOSS ACCOUNT

NET TURNOVER

Net turnover is determined on the basis of the selling price of work performed for the year. As the completion of the individual projects generally progresses over several accounting periods, the percentage-of-completion method is applied for turnover recognition. Accordingly, profits on work performed are recognised as income and in proportion to the stage of completion.

PROJECT EXPENSES

Project expenses include expenses directly attributable to projects, excluding salaries and including travel expenses, external expenses as well as other expenses.

EXTERNAL EXPENSES

External expenses include administrative expenses, office expenses, marketing expenses as well as other expenses.

OTHER OPERATING INCOME/ EXPENSES

Other operating income and other operating expenses include items of a secondary nature compared with the company's core activities, including removal expenses, compensations as well as profits and losses from the disposal of non-current assets etc.

NET FINANCIALS

Financial income and expenses include interest, financial expenses related to finance leases, realised and unrealised foreign exchange adjustments, value adjustments on securities as well as amortisation of long-term receivables.

BALANCE SHEETS

INTANGIBLE ASSETS

GOODWILL

Goodwill is amortised over the estimated economic life determined on the basis of the management's experience with the individual business lines and the individual case in connection with the acquired enterprises. The economic life of goodwill is estimated based on an assessment of the market position and strength of the brand or operation and thus the estimated expected earnings profile.

Acquired enterprises in both a new market and new service/segment with a strong market position and an expected long earnings profile have an estimated economic life of 20 years and are thus amortised over a period of 20 years.

Acquired enterprises in both an existing market and existing service/segment that have a strong market position are estimated to have an economic life of 15 years and are thus amortised over a period of 15 years.

Acquired enterprises in both an existing market and existing service/segment that do not have a strong market position are estimated to have an economic life of ten years and are thus amortised over a period of ten years.

Small acquired enterprises are estimated to have an economic life of three years and are thus amortised over a period of three years.

OWN-DEVELOPED PRODUCTS

Own-developed products that are clearly defined and identifiable, where the technical utilisation rate, sufficient resources and a potential future market or development opportunity in the enterprise can be verified and where the intention is to market or use the project, are recognised as intangible assets. This applies if there is sufficient evidence that the value in use of future earnings can cover the expenses involved. Own-developed products that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the profit and loss account as incurred. Own-developed products include salaries, amortisation and other expenses that are directly or indirectly attributable to the company's development activities. Capitalised own-developed products are measured at the lower of cost, less accumulated amortisation and impairment losses, and the recoverable amount.

On completion of the development work, own-developed products are amortised on a straight-line basis over the period in which the work is expected to generate economic benefits. The amortisation period is two to five years.

SOFTWARE AND LICENSES

Software is measured at the lower of cost, less accumulated amortisation on a straight-line basis and impairment losses, and the value in use. The standard depreciation period is three to 13 years. Assets acquired during the year that are meant to be interoperable with already acquired assets are amortised over the remaining service life of the main asset.

Licenses include software licenses which are amortised over the contract period.

SUMMARY OF AMORTISATION PERIODS FOR INTANGIBLE ASSETS

Goodwill	3-20 years
Own-developed products	2-5 years
Software and licenses	3-13 years

PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS

Land is measured at cost and is not depreciated. Buildings are measured at cost less accumulated depreciation and impairment losses and depreciated on a straight-line basis over 50 years.

Special installations in buildings are depreciated on a straight-line basis over 10-15 years.

TECHNICAL INSTALLATIONS, OPERATING AND OTHER EQUIPMENT

Technical installations, operating and other equipment, including leasehold improvements, are measured at cost less accumulated depreciation and impairment losses and depreciated on a straight-line basis over 3-12 years.

Aircraft are also included and measured at cost less accumulated depreciation and impairment losses and depreciated on a straight-line basis over 20 years.

ASSETS HELD UNDER FINANCE LEASES

Leases involving property, plant and equipment where the individual group enterprises assume substantially all the risks and rewards of ownership (finance leases) are initially recognised in the balance sheet at the fair value of the leased asset, if such value can be established. Alternatively, the net present value, if lower, of future lease payments at the inception of the lease is applied. When computing the net present value, the interest rate implicit in the lease is applied as the discount rate or an approximated value thereof. Assets held under finance leases are depreciated and written down according to the same principles as for the Group's other property, plant and equipment.

The capitalised residual lease obligation is recognised in the balance sheet as debt under liabilities, and the interest element on the lease payment is charged to the profit and loss account as incurred.

All other leases are considered to be operating leases. Lease payments under operating leases are recognised in the profit and loss account over the term of the lease.

SUMMARY OF DEPRECIATION PERIODS FOR PROPERTY, PLANT AND EQUIPMENT

Buildings	50 years
Special installations in buildings	10-15 years
Technical installations, operating and other equipment, including leasehold improvements	3-12 years
Aircrafts	20 years

The cost of a total asset is divided into separate components which are depreciated separately if the useful life of the individual components is different.

The basis of depreciation is determined by considering the asset's residual value after the end of the useful life of the asset, less any writedowns. The depreciation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the asset's book value, the depreciation discontinues.

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

WRITEDOWN FOR IMPAIRMENT OF NON-CURRENT ASSETS

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment exceeding the writedowns made in connection with general amortisation and depreciation. Where writedown for impairment is required, the asset is written down to the lower recoverable amount.

The recoverable amount of the asset is determined as the higher of the net selling price and the value in use. Where it is not possible to determine the recoverable amount of the individual asset, the impairment requirement is assessed in respect of the smallest group of assets for which it is possible to determine the recoverable amount.

FINANCIAL ASSETS

INVESTMENTS IN ASSOCIATES

Investments in associates are recognised using the equity method so that the carrying amount of the investments constitutes the Group's proportional share of the assets of the enterprises. Profit after tax of investments in associates has been recognised as a separate line in the profit and loss account. Associates with negative net asset value are included without any value. Where the Group has a legal or constructive obligation to cover the associate's negative balance, the obligation is recognised under liabilities.

OTHER INVESTMENTS AND SECURITIES

Other investments and securities include bonds and shares measured at fair value at the balance sheet date. Listed securities are measured at the official market price at the balance sheet date. Unlisted securities are measured at selling price based on a calculated value in use.

CURRENT ASSETS

RECEIVABLES

Accounts receivable are measured at the lower of amortised cost and net realisable value corresponding to the nominal value of writedowns for bad and doubtful debts.

Writedowns for bad and doubtful debts are calculated on the basis of an individual assessment of each receivable, and an additional general provision is made in respect of trade accounts receivable.

CONTRACT WORK IN PROGRESS

Contract work in progress is recognised in the balance sheet net of amounts invoiced on account.

Gross work in progress is measured at the selling price of the work performed. The selling price is stated in proportion to the stage of completion at the balance sheet date and the total expected profit on the individual projects (the percentage-of-completion method). Under this principle, the expected profit on the individual projects is recognised in the profit and loss account on a continuing basis by reference to the stage of completion.

The stage of completion is measured by reference to the proportion that project expenses (in hours) incurred for work performed to date bear to the estimated total project expenses (in hours). Where total project expenses are likely to exceed the total turnover from a project, the expected loss is recognised as an expense in the profit and loss account. The share of work in progress etc. performed in working partnerships is included in work in progress.

MARKETABLE SECURITIES

Marketable securities include listed bonds and shares measured at fair value at the balance sheet date. Listed securities are measured at market price.

Unlisted securities are measured at selling price based on a calculated value in use.

PREPAYMENTS
End-of-period adjustments required by accrual accounting and recognised as prepayments under assets include payments made in respect of subsequent financial years, typically prepaid rent, insurance premiums, subscriptions etc.

EQUITY
RESERVE FOR DEVELOPMENT COST

DIVIDENDS
Dividends expected to be distributed for the year are recorded in a separate item under equity.

TREASURY SHARES
Treasury shares are defined as COWI Holding A/S shares owned by COWI Group. Purchase and sales amounts for treasury shares are recognised directly in equity.

PROVISIONS

NET PENSION BENEFIT OBLIGATIONS
The Group's Swedish subsidiary, COWI AB, has entered into a defined benefit plan, but as the pension fund cannot determine the current net pension obligation, the plan has been recognised as an ordinary defined contribution plan. So, the costs are expensed when payment requests are received from the pension fund. This procedure is in compliance with generally accepted accounting principles, including IFRS.

The Group's Danish subsidiary, COWI A/S, has made commitments to provide a number of former executive employees with defined benefit plans. These pension commitments are recognised concurrently with the pension benefits being earned. The calculation of the pension commitment is based on an actuarial calculation.

OTHER PROVISIONS
Provisions are recognised when, as a consequence of an event before or on the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be sacrificed to settle the obligation. Other provisions include potential legal obligations etc. on completed projects. Provisions with an expected maturity exceeding one year from the balance sheet date are discounted at the average bond yield.

DEBT

FINANCIAL DEBTS
Fixed-rate loans and loans from credit institutions intended to be held to maturity are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, borrowings are stated at amortised cost corresponding to the capitalised value using the effective interest method: The difference between the proceeds and the nominal value (the capital loss) is recognised in the profit and loss account over the term of the loan. Other accounts payable are measured at amortised cost, materially corresponding to nominal value.

CASH FLOW STATEMENT
The cash flow statement shows the Group's cash flow for the year classified by operating, investing and financing activities, net changes for the year in cash and cash equivalents as well as group cash and cash equivalents at the beginning and end of the year.

CASH FLOW FROM OPERATING ACTIVITIES
Cash flows from operating activities are calculated as group operating profit adjusted for non-cash operating items such as amortisation, depreciation and impairment losses, provisions as well as net change in working capital with the addition of interest income and expenses and corporate income tax paid. Working capital includes current assets less short-term debt, excluding items included in cash and cash equivalents.

CASH FLOW FROM INVESTING ACTIVITIES
Cash flows from investing activities include cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as financial assets.

CASH FLOW FROM FINANCING ACTIVITIES
Cash flows from financing activities include cash flows from the raising and repayment of long-term debt as well as purchase of treasury shares and payments of dividend to shareholders.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash as well as marketable securities recognised as current assets. The cash flow statement cannot be immediately derived from the published financial records.

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT OF THE COWI GROUP FOR 1 JANUARY - 31 DECEMBER

DKK '000	NOTE	2018	2017
Net turnover	1	6,203,289	6,052,460
Project expenses		(1,100,003)	(1,045,484)
OWN PRODUCTION	1	5,103,286	5,006,976
External expenses		(670,719)	(693,240)
Employee expenses	2	(3,968,792)	(3,895,820)
Amortisation, depreciation and impairment losses	3	(192,192)	(180,344)
OPERATING PROFIT ON ORDINARY ACTIVITIES		271,583	237,572
Other operating income	4	14,939	10,465
Other operating expenses	5	(3,441)	(906)
OPERATING PROFIT		283,081	247,131
Loss after tax in associates		2	(529)
Financial income	6	110,163	71,551
Financial expenses	7	(114,382)	(100,910)
PROFIT BEFORE TAX		278,864	217,243
Tax on profit for the year	8	(88,502)	(73,511)
PROFIT FOR THE YEAR		190,362	143,732

BALANCE SHEET

BALANCE SHEET OF THE COWI GROUP AT 31 DECEMBER

DKK ‘000	NOTE	2018	2017
Goodwill		568,396	637,163
Software and licenses		64,389	86,463
Own-developed products		7,497	5,618
Intangible assets in progress		4,975	4,333
INTANGIBLE ASSETS	9	645,257	733,577
Land and buildings		1,032	1,121
Technical installations, operating and other equipment		205,494	206,767
Property, plant and equipment in progress		799	836
PROPERTY, PLANT AND EQUIPMENT	10	207,325	208,724
Investments in associates	11	5,742	5,711
Other investments and securities		541	544
Deposits		44,646	43,024
FINANCIAL ASSETS	12	50,929	49,279
TOTAL NON-CURRENT ASSETS		903,511	991,580
Accounts receivable, services		1,274,818	1,122,848
Contract work in progress	13	575,806	559,188
Receivables from associates		15	759
Other receivables		46,362	32,632
Tax receivables		40,128	33,087
Deferred tax assets	14	25,427	27,295
Prepayments	15	127,916	101,582
RECEIVABLES		2,090,472	1,877,391
MARKETABLE SECURITIES	16	304,634	308,810
CASH		270,442	278,569
TOTAL CURRENT ASSETS		2,665,548	2,464,770
TOTAL ASSETS		3,569,059	3,456,350

BALANCE SHEET

BALANCE SHEET OF THE COWI GROUP AT 31 DECEMBER

DKK '000	NOTE	2018	2017
Share capital	17	282,201	282,201
Treasury shares	18	(2,826)	(2,733)
Retained earnings		999,887	889,328
Proposed dividend		58,669	53,099
EQUITY		1,337,931	1,221,895
Deferred tax	14	382,529	349,395
Net pension benefit liabilities etc.	19	5,871	12,337
Other provisions	20	20,415	19,204
PROVISIONS		408,815	380,936
Credit institutions		2,274	454
LONG-TERM DEBT	21	2,274	454
Credit institutions		28,282	203,291
Contract work in progress	13	549,607	525,439
Accounts payable, suppliers		305,954	246,628
Amounts owed to associates		10,445	24,823
Corporate income tax payable		26,070	15,582
Other accounts payable	22	899,681	837,302
SHORT-TERM DEBT		1,820,039	1,853,065
TOTAL DEBT		1,822,313	1,853,519
TOTAL EQUITY AND LIABILITIES		3,569,059	3,456,350
Fees to auditors	23		
Financial instruments	24		
Contingencies and other financial commitments	25		
Related party transactions	26		
Board of Directors and Executive Board	27		
Cash and cash equivalents	28		
Entities in the COWI Group	29		
Events after the balance sheet date	30		

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY OF THE COWI GROUP

DKK ‘000	SHARE CAPITAL	TREASURY SHARES	RETAINED EARNINGS	DIVIDEND	TOTAL
EQUITY AT 1 JANUARY 2017	282,201	(6,974)	812,641	49,541	1,137,409
Distributed dividend				(49,541)	(49,541)
Profit for the year			143,732		143,732
Foreign exchange adjustment, foreign subsidiaries			(32,445)		(32,445)
Other adjustments			(1,746)		(1,746)
Value adjustment of hedging instruments			6,952		6,952
Sale of treasury shares		4,241	13,293		17,534
Proposed dividend			(53,099)	53,099	0
EQUITY AT 1 JANUARY 2018	282,201	(2,733)	889,328	53,099	1,221,895
Distributed dividend				(53,099)	(53,099)
Profit for the year			190,362		190,362
Foreign exchange adjustment, foreign subsidiaries			(16,738)		(16,738)
Other adjustments			(1,152)		(1,152)
Value adjustment of hedging instruments			(2,940)		(2,940)
Sale of treasury shares		(93)	(304)		(397)
Proposed dividend			(58,669)	58,669	0
EQUITY AT 31 DECEMBER 2018	282,201	(2,826)	999,887	58,669	1,337,931

CASH FLOW STATEMENT

CASH FLOW STATEMENT OF THE COWI GROUP

DKK '000	NOTE	2018	2017
Operating profit		283,080	247,131
Amortisation, depreciation and impairment loss for the year		192,192	180,344
Value adjustments (net) etc.		(13,194)	3,042
Other provisions and allowances for the year		12,693	(20,330)
OPERATING PROFIT ADJUSTED FOR NON-CASH MOVEMENT		474,771	410,187
Net financial income received for the year		(4,219)	(29,359)
Income taxes paid		(49,477)	(29,145)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL		421,075	351,683
Change in contract work in progress		9,663	53,516
Change in deposits		(1,621)	76
Change in accounts receivable, services		(148,323)	37,308
Change in accounts payable, suppliers		58,167	(19,524)
Change in other receivables and prepayments		(38,316)	16,535
Change in other payables and deferred income		41,925	(6,862)
CASH FLOW FROM OPERATING ACTIVITIES		342,570	432,732
Acquisition of intangible assets		(27,763)	(15,616)
Acquisition of property, plant and equipment		(72,744)	(106,013)
Disposal of property, plant and equipment		3,287	1,156
Acquisition of subsidiaries and associates		(17,505)	(129,834)
Disposal of subsidiaries and associates		0	760
Disposal of other fixed asset investments		0	50
Dividend recieved		147	0
CASH FLOW FROM INVESTING ACTIVITIES		(114,578)	(249,497)
FREE CASH FLOW		227,992	183,235
Raising of bank loan, net		(173,189)	(77,952)
Distributed dividend		(53,099)	(49,541)
Amounts owed to associates		(14,379)	21,334
Amounts owed to group enterprises		(937)	(194)
Purchase/sale of treasury shares		(397)	17,534
CASH FLOW FROM FINANCING ACTIVITIES		(242,001)	(88,819)
CASH FLOW FOR THE YEAR		(14,009)	94,416
Currency translation adjustments		1,706	(11,793)
Cash and cash equivalents, beginning of year		587,379	504,756
CASH AND CASH EQUIVALENTS, END OF YEAR	28	575,076	587,379

The cash flow statement cannot be directly derived from the balance sheet and the profit and loss account.

NOTES FOR THE COWI GROUP

NOTE 1 SEGMENT INFORMATION

Below, the Group's net turnover is distributed on the following business areas as well as business lines, based on the Group's internal financial reporting:

The Group's net turnover distributed on business areas:

DKK '000	2018	2017
Planning and economics	689,870	742,564
Water and environment	788,366	762,325
Transportation	2,640,788	2,527,407
Buildings	1,419,111	1,312,604
Industry and energy	604,030	606,720
Not distributed and eliminations	61,124	100,840
Total	6,203,289	6,052,460

The Group's net turnover distributed on business lines:

DKK '000	2018	2017
Denmark	2,455,667	2,426,074
Bridge, Tunnel and Marine	1,503,750	1,519,463
Norway	1,283,049	1,187,614
Sweden	1,020,732	1,009,544
Other and eliminations	(59,909)	(90,235)
Total	6,203,289	6,052,460

The Group's own production distributed on business lines:

DKK '000	2018	2017
Denmark	1,965,603	1,899,757
Bridge, Tunnel and Marine	1,194,265	1,228,281
Norway	1,098,806	1,023,816
Sweden	807,770	810,873
Other and eliminations	36,842	44,249
Total	5,103,286	5,006,976

NOTE 2 EMPLOYEE EXPENSES

DKK '000	2018	2017
Salaries and wages	(3,425,700)	(3,349,529)
Pensions	(119,431)	(117,520)
Social security	(321,708)	(320,322)
Other employee expenses	(101,953)	(108,449)
Employee expenses	(3,968,792)	(3,895,820)

Remuneration, Executive Board	(19,734)	(16,843)
Remuneration, former Executive Board and partners	(2,478)	(2,821)
Remuneration, Board of Directors, parent company	(2,699)	(2,431)

Remuneration to former Executive Board members and partners also includes pensions paid in connection with defined benefit plans.

The Executive Board and the Group Management Board are subject to the Group's Long Term Incentive Share Programme. The value of granted remuneration is calculated as a percentage of the members' base salary depending on their role and the Group's performance. The granted shares will vest after three years from the date of granting subject to certain criterias.
In 2018, the bonus achieved through Long Term Incentive Programme corresponded to approximately 20 per cent of the base salary.

Number of employees		
Average number of employees	6,691	6,599
Number of employees at 31 December	6,770	6,612

NOTE 3 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

DKK '000	2018	2017
Goodwill	(75,243)	(74,953)
Software and licenses	(34,991)	(33,801)
Own-developed products	(10,277)	(7,111)
Land and buildings	(45)	(48)
Technical installations, operating and other equipment	(71,636)	(64,431)
Amortisation, depreciation and impairment losses	(192,192)	(180,344)

NOTE 4 OTHER OPERATING INCOME

DKK '000	2018	2017
Profit from disposal of property, plant and equipment	460	274
Reimbursements and compensations	11,685	2,553
Other operating income	2,794	7,638
Other operating income	14,939	10,465

NOTE 5 OTHER OPERATING EXPENSES

DKK '000	2018	2017
Loss from disposal of property, plant and equipment	(228)	(247)
Removal expenses	(386)	(304)
Other operating expenses	(2,827)	(355)
Other operating expenses	(3,441)	(906)

NOTE 6 FINANCIAL INCOME

DKK '000	2018	2017
Interest, cash, securities etc.	12,303	6,162
Realised and unrealised capital gains, investments	20,536	20,081
Foreign exchange gains	77,324	45,308
Financial income	110,163	71,551

NOTE 7 FINANCIAL EXPENSES

DKK '000	2018	2017
Interest, cash, securities etc.	(12,712)	(8,661)
Realised and unrealised capital losses, investments	(23,382)	(7,659)
Foreign exchange losses	(78,288)	(84,590)
Financial expenses	(114,382)	(100,910)

NOTE 8 TAX ON PROFIT FOR THE YEAR

DKK '000	2018	2017
Current tax	(31,576)	(28,281)
Current tax, foreign project offices	(13,476)	(8,231)
Deferred tax	(48,519)	(40,570)
Change of deferred tax of corporate income tax	(4,890)	(197)
Tax adjustment in respect of deferred tax, prior periods	17,832	8,577
Tax adjustment in respect of prior periods	(7,226)	(8,598)
Tax on profit for the year	(87,855)	(77,300)
Broken down as follows:		
Tax on profit for the year	(88,502)	(73,511)
Tax on movements in equity	647	(3,789)
Total tax on profit for the year	(87,855)	(77,300)
Tax on profit for the year can be broken down as follows:		
Tax calculated at 22 per cent (2017: 22 per cent) on profit before tax	(61,350)	(47,793)
Adjustment in proportion to 22 per cent (2017: 22 per cent) of tax calculated in foreign subsidiaries	(2,066)	(2,386)
Current tax, foreign project offices	(13,476)	(8,231)
Tax effect from:		
Amortisation of goodwill disallowed for tax purposes	(12,371)	(12,262)
Other expenses/other income disallowed for tax purposes	(4,956)	(4,291)
Difference tax percentage, deferred tax/current tax	(4,890)	(197)
Tax adjustment in respect of prior periods, current tax	(7,226)	(6,928)
Tax adjustment in respect of prior periods, deferred tax	17,833	8,577
	(88,502)	(73,511)
Effective tax rate	31.7%	33.8%

NOTE 9 INTANGIBLE ASSETS

DKK '000	Goodwill	Software and licences	Own-developed products	Intangible assets in progress	Total
Cost at 1 January 2018	1,172,380	249,232	35,801	4,333	1,461,746
Value adjustment	(16,655)	(637)	(171)	0	(17,463)
Additions	17,176	11,634	12,155	642	41,607
Disposals	0	(15,445)	(12,258)	0	(27,703)
Cost at 31 December 2018	1,172,901	244,784	35,527	4,975	1,458,187
Amortisation and impairment losses at 1 January 2018	535,217	162,769	30,183	-	728,169
Value adjustment	(5,955)	(554)	(172)	-	(6,681)
Amortisation and impairment losses	75,243	33,625	10,277	-	119,145
Disposals	0	(15,445)	(12,258)	-	(27,703)
Amortisation and impairment losses at 31 December 2018	604,505	180,395	28,030	-	812,930
Carrying amount at 31 December 2018	568,396	64,389	7,497	4,975	645,257

Development projects relate to the development of mapping products (update of map data: images and height survey data including Streetview), as well as the development of the existing ERP system, Maconomy.

Since the mapping products are produced every two years to ensure that customers are offered updated products, their economic life is estimated at two years, after which the products are replaced by updated versions.

In 2018, the development of the ERP system concerned implementation and upgrade of the system.

NOTE 10 TANGIBLE ASSETS

DKK '000	Land and buildings	Technical installations, operating and other equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2018	1,676	501,146	836	503,658
Value adjustment	(66)	(114)	0	(180)
Additions	0	66,331	(37)	66,294
Disposals	0	(52,474)	0	(52,474)
Cost at 31 December 2018	1,610	514,889	799	517,298
Amortisation and impairment losses at 1 January 2018	555	294,379	-	294,934
Value adjustment	(22)	(697)	-	(719)
Amortisation and impairment losses	45	65,131	-	65,176
Disposals	0	(49,418)	-	(49,418)
Amortisation and impairment losses at 31 December 2018	578	309,395	-	309,973
Carrying amount at 31 December 2018	1,032	205,494	799	207,325
Of which assets held under finance leases amount to	-	3,622	-	-

NOTE 11 INVESTMENTS IN ASSOCIATES

Name of associate	Home	Ownership		Capital ('000)
COWI A/S's (Denmark) investments in associate:				
CAT Alliance Ltd.	UK	33%	GBP	100
COWI AS's (Norway) investments in associates:				
Team T AS	Norway	25%	NOK	1,000
Team T3 AS	Norway	30%	NOK	1,000
Team Urbis AS	Norway	23%	NOK	1,000
COWI North America Inc.'s (USA) investments in associate:				
Consorcio Consultor R&Q	Chile	30%	CLP	348,750

NOTE 12 FINANCIAL ASSETS

DKK '000	Investments in associates	Other investments and securities	Deposits	Total
Cost at 1 January 2018	5,023	266	43,024	48,313
Foreign exchange adjustments	195	(1)	163	357
Additions	0	0	2,236	2,236
Disposals	(3)	(2)	(777)	(782)
Costs at 31 December 2018	5,215	263	44,646	50,124
Value adjustments at 1 January 2018	688	278	-	966
Foreign exchange adjustments	(20)	-	-	(20)
Profit for the year	3	-	-	3
Dividends	(147)	-	-	(147)
Disposals	3	-	-	3
Value adjustments at 31 December 2018	527	278	-	805
Carrying amount at 31 December 2018	5,742	541	44,646	50,929

NOTE 13 CONTRACT WORK IN PROGRESS

DKK '000	2018	2017
Recognised in the balance sheet as:		
Contract work in progress (assets)	575,806	559,188
Amounts invoiced in advance (liabilities)	(549,607)	(525,439)
Contract work in progress, net	26,199	33,749

COWI is a party to a number of working partnerships and joint operations and has assumed joint and several liability for the liabilities of the working partnerships and joint operations. It is primarily the Group's Danish subsidiary, COWI A/S, and Norwegian subsidiary, COWI AS, which participate in joint operations as the lead partner.

NOTE 14 DEFERRED TAX

DKK '000	2018	2017
Deferred tax at 1 January	322,100	285,506
Value adjustments	(1,035)	1,435
Deferred tax change due to corporate income tax rate reduction	4,919	197
Deferred tax – Equity movements	(647)	0
Deferred tax due to disposal/acquisition of enterprises	461	1,008
Deferred tax for previous year	(10,674)	0
Deferred tax 2 years ago and before	(7,188)	0
Deferred tax for the year	49,166	33,954
	357,102	322,100
Recognised in the balance sheet as:		
Deferred tax assets	25,427	27,295
Deferred tax	382,529	349,395
	357,102	322,100
Deferred tax concerns:		
Intangible assets	8,866	23,467
Property, plant and equipment	(67,881)	(58,501)
Financial assets	0	(57)
Current assets	407,156	361,294
Provisions	(52,010)	(37,512)
Debt	61,688	39,125
Tax-loss carryforward, deductible for tax purposes	(717)	(5,716)
	357,102	322,100

As of 31 December 2018, the Group recognized tax assets worth a total of DKK 25.4 million. The tax assets are made up of deferrable tax losses of DKK 0.7 million and unused tax deductions by way of timing differences.

On the basis of future budgets, the management considers it likely that future taxable income will be available, and there is no doubt that unused tax losses and unused tax deductions can be used.

NOTE 15 PREPAYMENTS

DKK '000	2018	2017
Insurance premiums	23,549	12,323
Rent	38,866	33,232
Other	65,501	56,027
Prepayments	127,916	101,582

NOTE 16 MARKETABLE SECURITIES

DKK '000	2018	2017
Shares	127,356	120,784
Bonds	177,278	188,026
Portfolio at 31 December	304,634	308,810

NOTE 17 SHARE CAPITAL

DKK '000	2018
The share capital consists of:	
A shares:	
2,000,000 shares of each DKK 100	200,000
B shares:	
822,005 shares of each DKK 100	82,201
Share capital in total	282,201

Each class A share of DKK 100 carries ten votes, whereas each class B share of DKK 100 carries one vote. All class A shares are held by COWIfonden (the COWIfoundation), the class B shares may be held by COWIfonden and employees and will as a main rule be sold back to the company within three years when the employee leaves the company.

DKK '000	2018	2017	2016	2015	2014
Specification of movements in share capital:					
Share capital at 1 January	282,201	282,201	282,201	283,000	283,000
Capital increase	0	0	0	0	0
Capital decrease	0	0	0	(799)	0
Share capital at 31 December	282,201	282,201	282,201	282,201	283,000

NOTE 18 TREASURY SHARES

DKK '000	Nominal value	Share capital percentage
Portfolio at 1 January 2018	2,733	1.0%
Additions for the year	5,489	1.9%
Disposals for the year	(5,396)	(1.9%)
Portfolio at 31 December 2018	2,826	1.0%

Treasury shares consist of B shares with a nominel value of DKK 2,826 thousand. Additions for the year are due to the Group's obligation to repurchase shares under the Group's employee programme.

NOTE 19 NET PENSION BENEFIT LIABILITIES ETC.

DKK ‘000	2018	2017
Net pension benefit liabilities	5,871	7,931
Bonus, LTI-programme	0	4,406
Net pension benefit liabilities etc. at 31 December	5,871	12,337

Net pension benefit liabilities include benefit obligations to former members of the management in COWI A/S etc.

NOTE 20 OTHER PROVISIONS

DKK ‘000	2018	2017
Guarantees	16,308	12,727
Provision	4,107	6,477
Other provisions at 31 December	20,415	19,204

NOTE 21 LONG-TERM DEBT

DKK ‘000	2018	2017
Leasing loans falling due later than one year and not later than five years	2,274	454
Long-term debt at 31 December	2,274	454

NOTE 22 OTHER ACCOUNTS PAYABLE

DKK '000	2018	2017
Accrued holiday allowance	338,315	320,367
Taxes and VAT payable	234,900	225,872
Other accounts payable	326,466	291,063
Other accounts payable at 31 December	899,681	837,302

NOTE 23 FEES TO AUDITORS

DKK '000	2018	2017
Fee, statutory audit	(3,313)	(3,436)
Assurance engagements	(408)	(257)
Tax consultancy	(2,508)	(2,360)
Services other than audit	(1,004)	(1,338)
Total fees, PricewaterhouseCoopers	(7,233)	(7,391)

DKK '000	2018	2017
Fee, statutory audit	(526)	(918)
Assurance engagements	(653)	(586)
Tax consultancy	(978)	(1,071)
Services other than audit	(1,540)	(1,611)
Total fees, other accountancy firms	(3,697)	(4,186)

NOTE 24 FINANCIAL INSTRUMENTS

Agreements have been made on derivative financial instruments in the form of currency forward contracts. On the balance sheet day, the total fair market value of the derivative financial instruments are:

DKK '000	2018	2017
Assets	-	5,623
Liabilities	13,025	-

Currency forward contracts are entered into in order to hedge selected balance sheet items and part of the expected future cash flow. The total fair market value of the derivative financial instruments is DKK -13.0 million. The duration of the currency forward contracts are up to one year.

The Group hedges large projects with currency exposure. Besides the project-based balance sheet items stated above, a part of expected future caseh flow is hedged. In total DKK 57.5 million of future cash flow was hedged as of 31 December 2018. The fair market value herof was negative DKK 3.268 million. The loss is recognised in the equity.

NOTE 25 CONTINGENCIES AND OTHER FINANCIAL COMMITMENTS

DKK '000	2018	2017
Lease commitments		
Lease commitments (operating leases) due after less than one year	16,492	17,844
Lease commitments (operating leases) falling due later than one year and not later than five years	22,613	29,161
Lease commitments (operating leases) due after more than five years	265	1,622
Lease commitments (operating leases) in total	39,370	48,627
Rental commitments		
Rental commitments in the period of termination due after less than one year	183,858	168,519
Rental commitments in the period of termination falling due later than one year and not later than five years	553,506	533,757
Rental commitments in the period of termination due after more than five years	227,087	349,146
Rental commitments in total	964,451	1,051,422

Contingencies
The Group operates a share ownership programme for present and former employees, and the Group is under a duty to repurchase the employee shares at book value per share. As at 31 December 2018, the employees hold shares at a nominal value of DKK 49.3 million.

COWIfonden has signed a letter of indemnity in favour of the Group in order that the Group shall be able to honour their duty to repurchase employee shares at book value per share at any time.

By virtue of their business operations, the subsidiaries of COWI Holding A/S take part in joint operations. If requested by the client, these subsidiaries will provide a guarantee imposing joint and several liability. As the parent company this contingent obligation for a parent company guarantee may be imposed on COWI Holding A/S.
By virtue of its business operations, the COWI Group is party to legal disputes that can be expected in the course of its business operations. The management keeps all such involvement under constant review and makes provisions accordingly.

COWI's work in connection with the establishment of the Muscat and Salalah airports in Oman was finished at the end of 2012. COWI A/S has claims of outstanding payments and other claims against the client. As the Final Account was rejected by the Omani Ministry of Transport and Communication, COWI A/S initiated arbitration proceedings against the client. Notice of arbitration was filed in November 2017 and an arbitral tribunal was constituted in April 2018. Later in 2018 COWI submitted its statement of claim. Neither COWI's claims for outstanding payments and other claims, nor the client's potential counterclaims are recognized in the annual report, since the size of the amounts and the probability that the amounts will be paid are surrounded by considerable uncertainty. It is uncertain when these matters will be clarified, however COWI expects the arbitration to be completed in 2021.

DKK '000	2018	2017
Guarantees		
Guarantee facility at 31 December	1,344,739	1,267,402
Drawn for performance bonds relating to projects in progress	406,312	464,043
Drawn for other guarantees	104,384	83,726
Total drawn guarantees	510,696	547,769
For guarantees, the following assets have been provided as security to credit institutions:		
Cash at a carrying amount of	1,662	1,654
Securities at a carrying amount of	158,400	308,810
Total securities	160,062	310,464

COWI's guarantees in cash and securities can be terminated by the company from day to day.

NOTE 26 RELATED PARTY TRANSACTIONS

COWIfonden (the COWI Foundation) owns all A shares in COWI Holding A/S and exercises a controlling influence on the company. No other shareholders own more than five per cent of the shares.

COWIfonden does not carry out any independent business, and no material transactions are conducted between COWIfonden and the company.

Apart from usual intercompany transactions and usual management remuneration, no transactions were made during the year with the Board of Directors, the Executive Board, managerial employees, principal shareholders, subsidiaries or other related parties. Transactions with related parties at arm's length has not been disclosed in accordance with section 98 C(7) of the Danish Financial Statements Act.

NOTE 27 THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The company's directors and members of the Executive Board own the following nominal shareholdings in COWI Holding A/S and, at the end of the financial year, held the following directorships and executive positions in companies other than consolidated COWI enterprises:

Board of Directors	Directorships and executive positions in other companies	Shares in COWI Holding A/S, nominal holding
Steen Riisgaard, Chairman	ALK-Abelló A/S (CB) New Xellia Group A/S (CB) Aarhus University (VCB) Corbion (MB) Novo Holdings A/S (VCB) Novo Nordisk Foundation (MB) Villum Fonden (VCB)	300,000
Jukka Pertola, Vice Chairman	Akademiet for de Tekniske Videnskaber (CB) Siemens Gamesa Renewable Energy A/S (CB) GomSpace A/S (CB) GomSpace Group AB (CB) LEO Pharma A/S (CB) Industriens Pensionsforsikring A/S (MB) IoT Denmark A/S (CB) Tryg A/S (CB) Tryg Forsikring A/S (CB) Monsenso A/S (CB)	150,000
Thomas Stig Plenborg	Professor at Copenhagen Business School DSV A/S (VCB) Everyday Luxury Feeling A/S (CB)	1,400,000
Henriette Hallberg Thygesen	Svitzer A/S, CEO Damco (CB)	
Henrik Andersen		348,300
Torbjörn Spetz		22,000
Sophus Hjort*		20,500
Jens Brendstrup*		44,200
Marius Sekse*		1,000

Executive Board		
Lars Peter Søbye, President, CEO	DI Dansk Industri (CB) BLOXHUB (CB)	891,500
Tomas Bergendahl, Executive Vice President, CFO		275,000
Rasmus Ødum, Executive Vice President, COO	DI Rådgiverne (MB)	540,600

(CB) = Chairman of the Board of Directors
(VCB) = Vice Chairman of the Board of Directors
(MB) = Member of the Board of Directors
* = Elected by the employees

NOTE 28 CASH AND CASH EQUIVALENTS

DKK '000	2018	2017
Marketable securities	304,634	308,810
Cash	270,442	278,569
Cash and cash equivalents at 31 December	575,076	587,379
Undrawn committed credit facilities at 31 December not including guarantee facilities	504,544	323,310
Financial resources at 31 December	1,079,620	910,689

NOTE 29 ENTITIES IN THE COWI GROUP

Name of entity	Domicile	Ownership		Share capital ('000)
COWI Holding A/S (parent company)	Denmark		DKK	282,201
COWI A/S	Denmark	100%	DKK	26,505
COWI AS	Norway	100%	NOK	23,200
COWI Holding AB	Sweden	100%	SEK	100
COWI International A/S	Denmark	100%	DKK	1,000
COWI Invest A/S	Denmark	100%	DKK	500
COWI International A/S's subsidiaries:				
COWI Consult UK Limited	UK	100%	GBP	0
COWI GULF A/S	Denmark	100%	DKK	2,400
COWI Hong Kong Ltd.	Hong Kong	100%	HKD	3,010
COWI North America Holding Inc.	USA	100%	USD	1
COWI Singapore Pte. Ltd.	Singapore	100%	SGD	500
COWI UK Limited	UK	100%	GBP	0
Flint & Neill Limited	UK	100%	GBP	100
COWI A/S's subsidiaries:				
Apsilon A/S	Denmark	100%	DKK	2,000
COMAR Engineers A/S	Denmark	100%	DKK	849
COWI & Partners LLC	Oman	100%	OMR	150
COWI Belgium SPRL	Belgium	100%	EUR	7
COWI Consulting (Beijing) Ltd. Co.	China	100%	CNY	14,930
COWI India Private Ltd.	India	100%	INR	30,800
COWI Korea Co., Ltd.	South Korea	100%	KRW	500,000
COWI Lietuva UAB	Lithuania	100%	EUR	950
COWI Limited	Uganda	100%	UGX	220,000
COWI Limited	Zambia	100%	ZMK	1,569
COWI Mapping UK Ltd.	UK	100%	GBP	85
COWI Mozambique Lda.	Mozambique	100%	MZN	29,983
COWI Polska Sp. z o.o.	Poland	100%	PLN	1,000
COWI Tanzania Limited	Tanzania	100%	TZS	3,570,000
COWI-SNS Müşavrlik ve Mühendislik Ltd. Şti.	Turkey	100%	TRY	6,400
KX A/S	Denmark	100%	DKK	3,501
Studstrup og Østgaard A/S	Denmark	100%	DKK	1,125
Tripod Wind Energy ApS	Denmark	100%	DKK	200

This note applies to COWI Holding A/S and its subsidiaries as well as to COWI A/S and COWI International A/S and their subsidiaries.

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

No events have occured since the balance sheet date that have a material impact on the company's financial position at 31 December 2018.

COWI HOLDING A/S FINANCIAL STATEMENTS

(PARENT COMPANY)

ACCOUNTING POLICIES

The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

The accounting policies are the same as those applied to the group financial statements apart from the following policies:

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are measured according to the equity method. Investments are measured at the proportionate share of the equity value of the relevant subsidiary determined in accordance with the Group's accounting policies, subject to deduction or addition of unrealised intercompany profits and losses, and subject to addition or deduction of the remaining value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries with a negative net asset value are measured at DKK 0, and any receivable from these enterprises is written down to the extent that the receivable is uncollectible. To the extent that the parent company has a legal or constructive obligation to cover a negative balance exceeding the receivable, the remaining amount is recognised under provisions.

CASH FLOW STATEMENT

No separate cash flow statement has been prepared for the parent company – see the group cash flow statement on page 31.

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT OF THE PARENT COMPANY, COWI HOLDING A/S, FOR 1 JANUARY - 31 DECEMBER

DKK '000	NOTE	2018	2017
External expenses	1	(27,796)	(24,718)
Employee expenses	1	(21,540)	(20,299)
Other operating income		43,500	38,633
OPERATING PROFIT		(5,836)	(6,384)
Profit after tax in subsidiaries		194,611	147,369
Financial income	2	16,538	4,044
Financial expenses	3	(15,231)	(5,189)
PROFIT BEFORE TAX		190,082	139,840
Tax on profit for the year	4	280	3,892
PROFIT FOR THE YEAR		190,362	143,732
Proposed distribution of profit for the year:			
Proposed dividend (21 per cent of the share capital excluding treasury shares)		58,669	53,099
Retained earnings		131,693	90,633
		190,362	143,732

BALANCE SHEET

BALANCE SHEET OF THE PARENT COMPANY, COWI HOLDING A/S, AT 31 DECEMBER

DKK '000	NOTE	2018	2017
Investments in subsidiaries		921,885	1,135,706
FINANCIAL ASSETS	5	921,885	1,135,706
TOTAL NON-CURRENT ASSETS		921,885	1,135,706
Receivables from subsidiaries		162,917	11,391
Receivable company tax		166	262
Loans to subsidiaries		508,246	190,000
Other receivables		320	4,913
Prepayments		929	0
RECEIVABLES		672,578	206,566
MARKETABLE SECURITIES		304,634	0
CASH		70,640	118
TOTAL CURRENT ASSETS		1,047,852	206,684
TOTAL ASSETS		1,969,737	1,342,390
Share capital	6	282,201	282,201
Treasury shares		(2,826)	(2,733)
Retained earnings		999,887	889,328
Proposed dividend		58,669	53,099
EQUITY		1,337,931	1,221,895
Deferred tax	7	45,049	26,898
Net pension benefit liabilities etc.		0	1,264
PROVISIONS		45,049	28,162
Bank debt		17,859	0
Amounts owed to subsidiaries		197,221	12,093
Loans from COWI Group Companies		364,076	75,750
Accounts payable, suppliers		3,531	3
Other accounts payable		4,070	4,487
SHORT-TERM DEBT		586,757	92,333
TOTAL DEBT		586,757	92,333
TOTAL LIABILITIES AND EQUITY		1,969,737	1,342,390
Contingencies and other financial commitments	8		
Related party transactions	9		
The Board of Directors and the Executive Board	10		

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY, COWI HOLDING A/S

DKK ‘000	Share capital	Treasury shares	Reserve for net revaluation according to the equity method	Retained earnings	Dividend	Total
EQUITY AT 1 JANUARY 2017	282,201	(6,974)	0	812,641	49,541	1,137,409
Distributed dividend					(49,541)	(49,541)
Profit for the year			153,240	(9,508)		143,732
Foreign exchange adjustment, foreign subsidiaries			(32,445)			(32,445)
Other adjustments			5,206			5,206
Sale of treasury shares		4,241		13,293		17,534
Other transfers			(126,001)	126,001		0
Proposed dividend				(53,099)	53,099	0
EQUITY AT 1 JANUARY 2018	282,201	(2,733)	0	889,328	53,099	1,221,895
Distributed dividend					(53,099)	(53,099)
Profit for the year			200,482	(10,120)		190,362
Foreign exchange adjustment, foreign subsidiaries			(16,738)			(16,738)
Other adjustments			(4,092)			(4,092)
Sale of treasury shares		(93)		(304)		(397)
Other transfers			(179,652)	179,652		0
Proposed dividend				(58,669)	58,669	0
EQUITY AT 31 DECEMBER 2018	282,201	(2,826)	0	999,887	58,669	1,337,931

NOTES FOR THE PARENT COMPANY, COWI HOLDING A/S

NOTE 1 EXPENSES

Employee expenses

See note 2 to the group financial statements on page 33. The company had three employees during the financial year.

Fees to auditors

DKK '000	2018	2017
Fee, statutory audit	(63)	(70)
Fee, statutory audit	(34)	(0)
Services other than audit	(76)	(15)
Total fees, PricewaterhouseCoopers	(173)	(85)

Employee expenses

DKK '000	2018	2017
Salaries and wages	(18,342)	(17,461)
Pensions	(3,180)	(2,819)
Social security	(18)	(19)
Employee expenses	(21,540)	(20,299)

NOTE 2 FINANCIAL INCOME

DKK '000	2018	2017
Interest, subsidiaries	8,645	2,721
Interest, bank accounts	21	15
Foreign exchange gains	7,360	1,308
Capital gain on securities	512	0
Financial income	16,538	4,044

NOTE 3 FINANCIAL EXPENSES

DKK '000	2018	2017
Interest, subsidiaries	(3,421)	(3,062)
Interest, cash, securities etc.	(1,106)	(2)
Foreign exchange losses	(8,507)	(2,076)
Other financial expenses	(63)	(49)
Capital loss on securities	(2,134)	0
Financial expenses	(15,231)	(5,189)

NOTE 4 TAX ON PROFIT FOR THE YEAR

DKK '000	2018	2017
Withholding taxes abroad	(167)	0
Deferred tax	213	1,627
Tax adjustment in respect of prior periods	234	2,265
Tax on profit for the year	280	3,892
Broken down as follows:		
Tax on profit for the year	280	3,892
Total tax on profit for the year	280	3,892
Tax on profit for the year can be broken down as follows:		
Tax calculated at 22% on profit before tax excl. profit after tax in subsidiaries	2,288	2,948
Amortisation of goodwill disallowed for tax purposes	(167)	0
Other expenses/other income disallowed for tax purposes	(1,292)	(1,321)
Change of deferred tax due to reduction of corporate income tax	(783)	0
Tax adjustment in respect of prior periods	234	2,265
	280	3,892

NOTE 5 FINANCIAL ASSETS

DKK '000	Investments in subsidiaries 2018
Costs at 1 January	1,423,993
Additions	5,500
Costs at 31 December	1,429,493
Value adjustments at 1 January	(288,287)
Foreign exchange adjustments	(21,349)
Profit for the year	200,482
Dividends	(392,583)
Amortisation of goodwill	(5,871)
Value adjustments at 31 December	(507,608)
Carrying amount at 31 December	921,885

See note 29 to the group financial statements on page 44 for information on investments in subsidiaries.

NOTE 6 SHARE CAPITAL

See note 17 to the group financial statements on page 38 for information on share capital.

NOTE 7 DEFERRED TAX ASSETS

DKK '000	2018	2017
Deferred tax at 1 January	(26,898)	(25,570)
Deferred tax adjustment in respect of prior periods	(18,364)	0
Deferred tax for the year	213	(1,328)
	(45,049)	(26,898)
Specification of deferred tax assets and deferred tax:		
Debt	0	278
Tax-loss carryforward	(491)	5,271
Provision for retaxation	(45,540)	(32,447)
	(45,049)	(26,898)
Recognised in the balance sheet as:		
Deferred tax	(45,049)	(26,898)
	(45,049)	(26,898)

NOTE 8 CONTINGENCIES AND OTHER FINANCIAL COMMITMENTS

The Danish companies in the Group are jointly and severally liable for taxes on the Group's jointly-taxed income etc. COWI Holding A/S functions as the management company in terms of joint taxation, and the total amount is stated in the annual report.
COWI Holding A/S is liable for taxes on the Group's jointly-taxed profit.

COWI Holding A/S has signed letter of intent to a subsidiary not to demand repayment of a DKK 9.6 million loan, until the subsidiary is able to generate sufficient cash flow.

See note 25 to the group financial statements on page 42 for further information on contingencies and other financial commitments.

NOTE 9 RELATED PARTY TRANSACTIONS

See note 26 to the group financial statements on page 42 for information on related party transactions.

NOTE 10 THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

See note 27 to the group financial statements on page 43 for information on the Board of Directors and the Executive Board.

STATEMENTS ON THE ANNUAL REPORT

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

Today, the Board of Directors and the Executive Board considered and approved the annual report for the financial year 1 January - 31 December 2018 of COWI Holding A/S. The annual report has been prepared in accordance with the Danish Financial Statements Act. In our opinion, the accounting policies applied are appropriate and the accounting estimates made are adequate.

Furthermore, we find the overall presentation of the financial statements and the consolidated financial statements to be true and fair. In our opinion, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities, equity, financial position and the results of the Group's and the parent company's activities and the Group's cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

In our opinion, the management's review gives a fair presentation of the issues covered and describes the Group's most material risks and uncertainties.

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

Kongens Lyngby, 28 February 2019

EXECUTIVE BOARD:

LARS-PETER SØBYE
Chief Executive Officer

TOMAS BERGENDAHL
Chief Financial Officer

RASMUS ØDUM
Chief Operating Officer

BOARD OF DIRECTORS:

STEEN RIISGAARD
Chairman

JUKKA PERTOLA
Vice Chairman

HENRIETTE HALLBERG THYGESEN

TORBJÖRN SPETZ

THOMAS STIG PLENBORG

HENRIK ANDERSEN

JENS BRENDSTRUP*

SOPHUS HJORT*

MARIUS SEKSE*

* Elected by the employees.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
COWI Holding A/S

OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of COWI Holding A/S for the financial year 1 January - 31 December 2018, which comprise a summary of significant accounting policies, profit and loss account, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 financial statements.

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

> Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 28 February 2019
PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab
CVR No *33 77 12 31*

KIM FÜCHSEL
State Authorised
Public Accountant
mne9291

JESPER MØLLER LANGVAD
State Authorised
Public Accountant
mne21328

COWI HOLDING A/S COMPANY INFORMATION

COMPANY INFORMATION

COWI Holding A/S
Parallelvej 2
2800 Kongens Lyngby
Denmark
Tel. +45 56 40 00 00
Fax +45 46 40 99 99
www.cowi.com
www.cowiholding.com
cowi@cowi.com
Company registration number
32 89 29 73

BOARD OF DIRECTORS

Steen Riisgaard, Chairman
Jukka Pertola, Vice Chairman
Thomas Stig Plenborg
Torbjörn Spetz
Henriette Hallberg Thygesen
Henrik Andersen
Sophus Hjort
Jens Brendstrup
Marius Sekse

EXECUTIVE BOARD

Lars-Peter Søbye, Chief Executive Officer
Tomas Bergendahl, Chief Financial Officer
Rasmus Ødum, Chief Operating Officer

AUDITING

PricewaterhouseCoopers
Strandvejen 44
2900 Hellerup
Denmark
State Authorised Public Accountants
Kim Füchsel and Jesper Møller Langvad

ANNUAL GENERAL MEETING

The annual general meeting will be held on 28 March 2019 at the company address.

COWI'S ORGANISATION AT 28 FEBRUARY 2019

BOARD OF DIRECTORS

EXECUTIVE BOARD

LARS-PETER SØBYE
Chief Executive Officer

TOMAS BERGENDAHL
Chief Financial Officer

RASMUS ØDUM
Chief Operating Officer

BUSINESS SUPPORT

DENMARK

MICHAEL BINDSEIL
Executive Vice President

- Planning and economics
- Mapping
- Water and environment
- Railways, metros, roads and airports
- Buildings
- Industry and energy.

SUBSIDIARIES

- COWI Belgium SPRL (Belgium)
- COWI India Private Ltd. (India)
- COWI Limited (Uganda)
- COWI Limited (Zambia)
- COWI Mozambique Lda. (Mozambique)
- COWI Polska Sp. z o.o. (Poland)
- COWI Tanzania Limited (Tanzania).

NORWAY

MARIUS WEYDAHL BERG
Executive Vice President

- Buildings
- Water and environment
- Transportation and urban development.

SUBSIDIARIES

- Aquateam COWI AS.

SWEDEN

ANDERS WIKTORSON
Executive Vice President
As of 1 March 2019

- Buildings
- Industry
- Infrastructure
- Environment
- Project management.

SUBSIDIARIES

- AEC Advanced Engineering Computation Aktiebolag
- COWI Projektbyrån AB
- UAB COWI Lietuva (Lithuania).

BRIDGE, TUNNEL AND MARINE STRUCTURES

LARS HAUGE
Executive Vice President

- Bridges international
- Bridges Scandinavia
- Tunnels and underground structures
- Marine and foundation engineering.

SUBSIDIARIES

- COWI Gulf A/S (Bahrain and UAE)
- COWI Korea Co., Ltd. (South Korea)
- COWI North America, Inc. (USA)
- COWI North America Ltd. (Canada)
- COWI Hong Kong limited (Hong Kong)
- COWI Singapore Pte. Ltd. (Singapore)
- COWI UK Limited (UK).

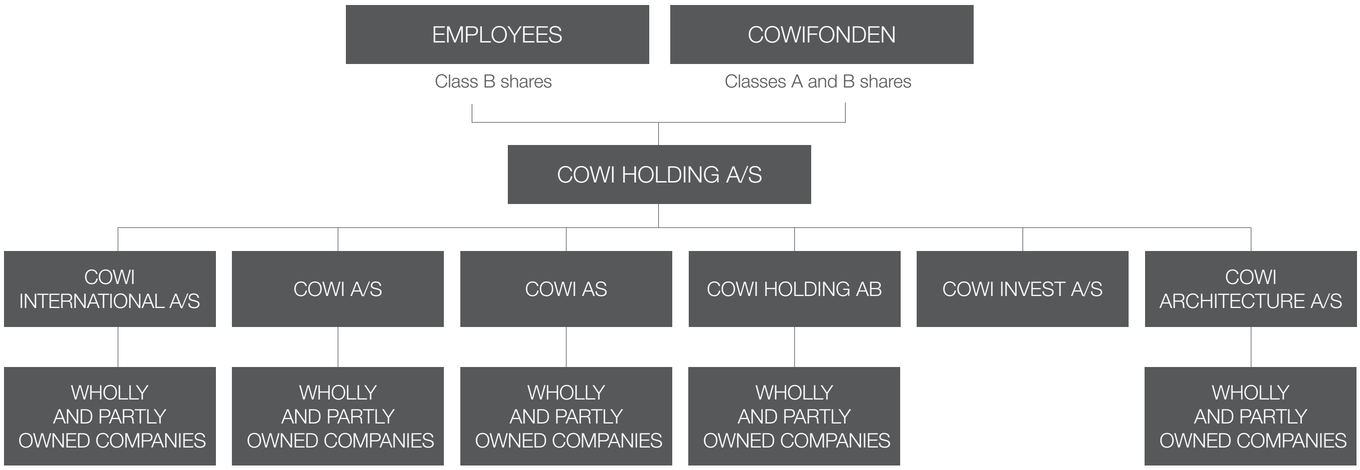
ARKITEMA ARCHITECTS

PETER HARTMANN BERG
Executive Vice President

- Living
- Working
- Health
- Urban
- Learning
- Culture
- Infrastructure
- Consulting.

SUBSIDIARIES

- Arkitema Architects AS, (Norway)
- Arkitema Architects AB, (Sweden)
- Arkitema K/S



COWI OFFICES AROUND THE WORLD AT 28 FEBRUARY 2019

BAHRAIN
COWI GULF A/S Bahrain Branch Office
› Manama

BELGIUM
COWI Belgium SPRL
› Brussels

CANADA
COWI North America Ltd.
› Edmonton, Alberta
› Halifax, Nova Scotia
› North Vancouver, British Columbia

CHINA
COWI Consulting (Beijing) Ltd. Co.
› Beijing

DENMARK
COWI A/S
› Esbjerg
› Holstebro
› Lyngby (head office)
› Odense
› Ringsted
› Vejle
› Aalborg
› Aarhus

Arkitema K/S
› Aarhus
› Copenhagen

GERMANY
COWI A/S Hamburg Branch Office
› Hamburg

HONG KONG
COWI Hong Kong Limited
› Hong Kong

INDIA
COWI India Private Ltd.
› Bangalore
› Chennai
› Delhi (Gurgaon)

LITHUANIA
UAB COWI Lietuva
› Vilnius

MOZAMBIQUE
COWI Mozambique Lda.
› Maputo

NORWAY
COWI AS
› Bergen
› Bodø
› Drammen
› Flekkefjord
› Frederikstad
› Førde
› Hamar
› Haugesund
› Hønefoss
› Kristiansand
› Kristiansund
› Larvik
› Levanger
› Lillehammer
› Norheimsund
› Oslo
› Stavanger
› Tromsø
› Trondheim
› Voss

Aquateam COWI AS
› Oslo

Arkitema Architects AS
› Oslo

OMAN
COWI & Partners LLC
› Muscat

POLAND
COWI Polska Sp. z o.o.
› Bielsko - Biala
› Gdansk
› Wroclaw

QATAR
COWI A/S Qatar Branch
› Doha

SINGAPORE
COWI Pte. Ltd.
› Singapore

SPAIN
Caribersa S.L.
› Madrid

SOUTH KOREA
COWI Korea Co., Ltd.
› Seoul (Bundang)

SWEDEN
COWI AB
› Gothenburg
› Helsingborg
› Jönköping
› Karlstad
› Linköping
› Luleå
› Malmö
› Skövde
› Stenungsund
› Stockholm
› Sundsvall
› Vänersborg
› Västerås

AEC AB
› Gothenburg
› Malmö
› Stockholm
› Uppsala
› Växjö

COWI Projektbyrån AB
› Stockholm
› Uppsala

Arkitema AB
› Stockholm

TANZANIA
COWI Tanzania Limited
› Dar es Salaam

TURKEY
COWI SNS
› Istanbul

UAE
COWI GULF A/S
Abu Dhabi Branch Office
› Abu Dhabi

COWI GULF A/S Dubai Branch Office
› Dubai

UGANDA
COWI Limited
› Kampala

UNITED KINGDOM
COWI UK Limited
› Derby
› Glasgow
› London
› Uttoxeter
› York
› Bristol

USA
COWI North America, Inc.
› Braintree, Massachussetts
› Bridgeport, Connecticut
› Florham Park, New Jersey
› Mount Pleasant, South Carolina
› New York, New York
› Oakland, California
› Seattle, Washington

ZAMBIA
COWI Limited
› Lusaka

BOARD OF DIRECTORS

STEEN RIISGAARD
Chairman

Born 1951. MSc (Microbiology). On the Board of COWI Holding A/S since 2013. Independent of COWI.

Competencies in compliance with the adopted competency profile: Corporate governance; senior management of global companies; customer relations management; people management in knowledge-based companies; M&A or alliance experience; and business development.

JUKKA PERTOLA
Vice Chairman

Born 1960. MSc (Electrical Engineering). Professional board member. On the Board of COWI Holding A/S since 2015. Independent of COWI.

Competencies in compliance with the adopted competency profile: Corporate governance; financial and risk management experience from global companies; customer relations management, including sales, marketing and branding; people management in knowledge-based companies; operational excellence in service companies; and M&A or alliance experience.

THOMAS STIG PLENBORG

Born 1967. MSc (Economics and Business Administration) and PhD. Professor at Copenhagen Business School. On the Board of COWI Holding A/S since its formation in 2010. Independent of COWI.

Competencies in compliance with the adopted competency profile: Global financial and risk management; operational excellence in service companies; M&A or alliance experience; and business development.

TORBJÖRN SPETZ

Born 1968. MSc (Civil Engineering) and Senior Market Director, COWI AB. With COWI since 1988. On the Board of COWI Holding A/S since 2016. Not independent of COWI.

Competencies in compliance with the adopted competency profile: Senior management of Nordic consultancy companies; customer relations management; people management in knowledge-based companies; operational excellence in service companies; M&A or alliance experience; and business development.

HENRIETTE HALLBERG THYGESEN

Born 1971. MSc (Mathematics & Economics) and PhD. CEO, Svitzer. On the Board of COWI Holding since 2017. Independent of COWI.

Competencies in compliance with the adopted competency profile: Corporate governance; senior management of global companies; customer relations management; people management in knowledge-based companies; operational excellence in service companies; business development; M&A or alliance experience; global financial and risk management;

HENRIK ANDERSEN

Born 1964. MSc (Civil and Structural Engineering) and Senior Vice President (Bridges International) at COWI A/S. On the board of COWI Holding since 2018. Not independent of COWI.

Competencies in compliance with the adopted competency profile: Senior management of Nordic consultancy companies; customer relations management including sales, marketing and branding; people management in knowledge-based companies; operational excellence in service companies; financial management; and business development.

SOPHUS HJORT

Elected by the employees. Born 1967. MSc (Civil Engineering) and Associate Technical Director (Transport Infrastructure) at COWI A/S. With COWI since 1992. On the Board of COWI Holding A/S since 2014.

Competencies in compliance with the adopted competency profile: Customer relations management; people management in knowledge-based companies; M&A or alliance experience; and business development.

Special competences for employee-elected members, in compliance with the adopted competency profile: Experience and broad knowledge of how the company works and what goes on among employees; ability to balance employee and business perspective; ability to advise on appropriate forms of communication; and diversity in business experience, geographical experience and gender.

MARIUS SEKSE

Elected by the employees. Born 1981. MSc (Landscape Architecture) and R&D Director at COWI AS. With COWI since 2009. On the Board of COWI Holding since 2017.

Competencies in compliance with the adopted competency profile: Corporate governance; customer relations management; people management in knowledge-based companies; operational excellence in service companies; and business development.

Special competences for employee-elected members, in compliance with the adopted competency profile: Experience and broad knowledge of how the company works and what goes on among employees; ability to balance employee and business perspective; ability to advise on appropriate forms of communication; and diversity in business experience, geographical experience and gender.

JENS BRENDSTRUP

Elected by the employees. Born 1951. BSc (Engineering) and Project Manager (Buildings) at COWI A/S. With COWI since 1986. On the board of COWI Holding since 2017.

Competencies in compliance with the adopted competency profile: Corporate governance; customer relations management; people management in knowledge-based companies; and operational excellence in service companies.

Special competences for employee-elected members, in compliance with the adopted competency profile: Experience and broad knowledge of how the company works and what goes on among employees; ability to balance employee and business perspective; ability to advise on appropriate forms of communication; and diversity in business experience, geographical experience and gender.

The cover shows the House of Vestas, a joint project by Arkitema, who designed the building, and COWI, who undertook project management. The building houses the headquarters of Denmark's leading wind turbine manufacturer, Vestas. The building reflects its Nordic heritage in the choice of design, building materials and colours. The Vestas headquarters are LEED certified, i.e. Leadership in Energy and Environmental Design.

COWI HOLDING A/S, COMPANY REGISTRATION NO: 32 89 29 73

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