Annual Report for 1 January - 31 December 2018

DHI A/S
Agern Allé 5
DK-2970 Hørsholm

CVR No 36 46 68 71

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15/5 2019

Mikkel Esbjerg
Chairman of the General Meeting

The expert in **WATER ENVIRONMENTS**

DHI

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of DHI A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hørsholm, 10 May 2019

Executive Board

Antoine Stephane Labrosse CEO	Jacob Høst-Madsen Executive Officer

Board of Directors

Jakob Bo Thomasen Chairman	Mette Vestergaard Jakobsen Deputy Chairman	Michael Rosenvold
Merete Søby	Helle Rootzén	Niels Henrik Eisum
Lone Rieskov	Anders Christian Erichsen	

Independent Auditor's Report

To the Shareholder of DHI A/S

Report on the Consolidated Financial Statements and the Parent Company Financial Statements

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements of DHI A/S 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 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 Financial Statements of DHI A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark as well as public auditing standards as the audit is performed on the basis of the Audit Instructions for Auditors of GTS Institutes. 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 rules and requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Financials 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 Statements 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the 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.

Reporting on other legal and regulatory requirements

Statement on compliance audit and performance audit
Management is responsible for the transactions comprised by the financial reporting being in accordance with the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. Management is also responsible for due financial consideration having been made in the administration of the funds and the operation of the Parent Company comprised by the Financial Statements. In this connection, Management is responsible for establishing systems and processes that support economy, productivity and efficiency.

In connection with our audit of the Financial Statements, it is our responsibility to perform a compliance audit and a performance audit of selected subject matters in accordance with public auditing standards. During our compliance audit, we verify with reasonable assurance for the subject matters selected whether the examined transactions comprised by the financial reporting are in accordance with the relevant provisions relating to the grants given, legislation and other regulations as well as with agreements concluded and generally accepted practice. During our performance audit, we assess with reasonable assurance whether the systems, processes or transactions examined support due financial consideration made in the administration of the funds and the operation of the Parent Company comprised by the Financial Statements.

If, on the basis of the work performed, we conclude that our audit gives rise to material critical comments, we are to report on these in this statement.

We do not have any material critical comments to report in this respect.

Independent Auditor’s Report

Hellerup, 10 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

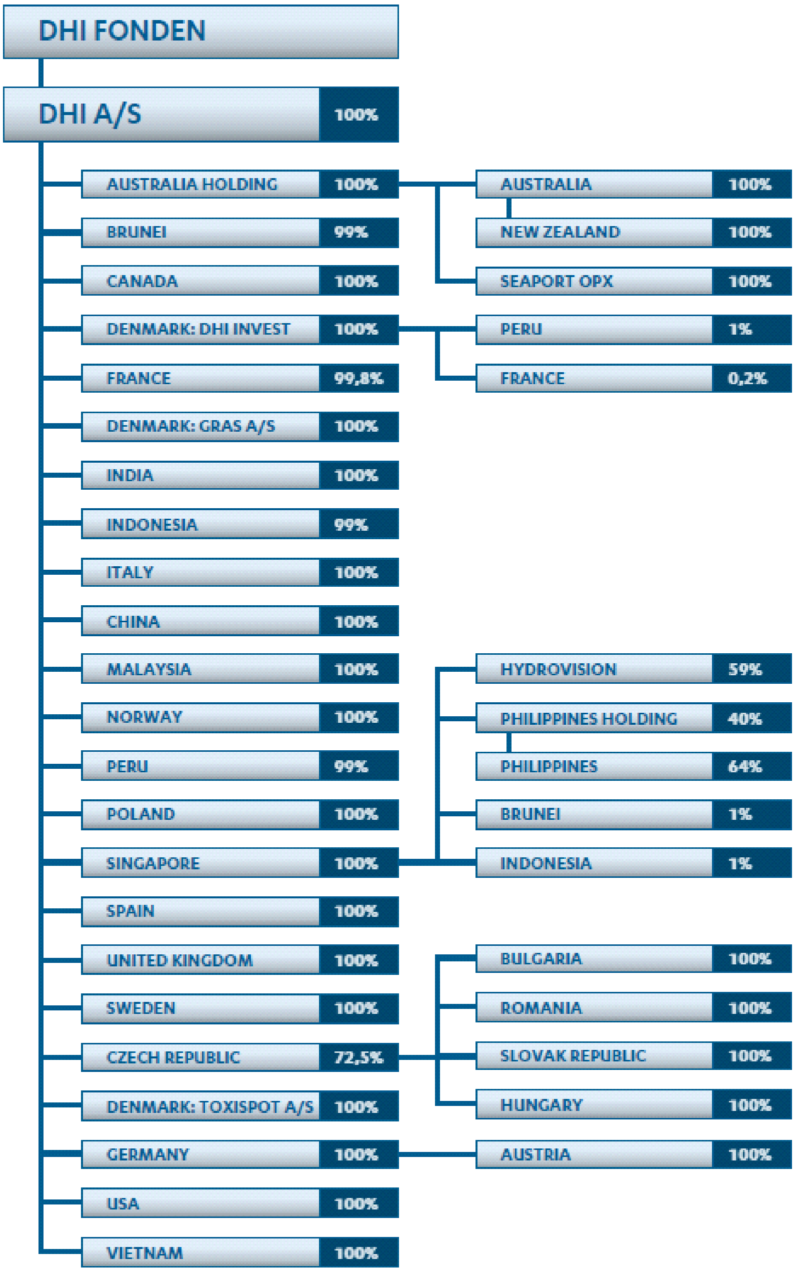
Jacob F Christiansen
statsautoriseret revisor
mne18628

Søren Alexander
statsautoriseret revisor
mne42824

Company Information

The Company	DHI A/S Agern Allé 5 DK-2970 Hørsholm Telephone: + 45 45169200 Facsimile: + 45 45169292 E-mail: dhi@dhigroup.com Website: www.dhi@dhigroup.com CVR No: 36 46 68 71 Financial period: 1 January - 31 December Incorporated: 16 December 2014 Financial year: 5th financial year Municipality of reg. office: Rudersdal
Board of Directors	Jakob Bo Thomasen, Chairman Mette Vestergaard Jakobsen Michael Rosenvold Merete Søby Helle Rootzén Niels Henrik Eisum Lone Rieskov Anders Christian Erichsen
Executive Board	Antoine Stephane Labrosse Jacob Høst-Madsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Bankers	Danske Bank Holmens Kanal 2 DK-1090 Copenhagen C Nordea Nicolai Eigtveds Gade 8 DK-0900 Copenhagen C

Group Chart


DHI FONDEN
DHI A/S
100%
AUSTRALIA HOLDING
100%
AUSTRALIA
100%
NEW ZEALAND
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SEAPORT OPX
100%
BRUNEI
99%
CANADA
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DENMARK: DHI INVEST
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PERU
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DENMARK: GRAS A/S
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INDIA
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INDONESIA
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ITALY
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CHINA
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MALAYSIA
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NORWAY
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PERU
99%
POLAND
100%
SINGAPORE
100%
HYDROVISION
59%
PHILIPPINES HOLDING
40%
PHILIPPINES
64%
BRUNEI
1%
INDONESIA
1%
SPAIN
100%
UNITED KINGDOM
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SWEDEN
100%
CZECH REPUBLIC
72,5%
BULGARIA
100%
ROMANIA
100%
SLOVAK REPUBLIC
100%
HUNGARY
100%
DENMARK: TOXISPOT A/S
100%
GERMANY
100%
AUSTRIA
100%
USA
100%
VIETNAM
100%

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2018	2017	2016	2015	2014
	TEUR	TEUR	TEUR	TEUR	TEUR
Key figures					
Profit/loss					
Revenue	115,500	112,390	110,624	119,457	111,493
Own production	91,170	91,210	92,630	96,018	91,833
Profit before amortisation and depreciation	6,632	5,776	6,175	6,668	6,688
Profit/loss before financial income and expenses	4,577	2,430	4,070	4,416	4,324
Net financials	(946)	(610)	290	549	884
Net profit/loss for the year	2,591	1,087	3,182	3,786	3,139
Balance sheet					
Balance sheet total	90,163	82,690	83,306	84,899	84,143
Equity	47,850	41,052	41,266	38,114	33,916
Cash flows					
Cash flows from:					
- operating activities	(282)	(939)	8,796	7,445	6,581
- investing activities	(2,345)	(2,173)	(1,472)	(2,162)	(2,307)
including investment in property, plant and equipment	(2,293)	(2,094)	(1,402)	(1,796)	(1,972)
- financing activities	(143)	(203)	(3,041)	(972)	(1,460)
Change in cash and cash equivalents for the year	(2,770)	(3,315)	4,283	4,311	2,814
Average number of employees	1,030	1,061	1,077	1,112	1,093
Ratios					
Profit margin	4.0 %	2.2 %	3.7 %	3.7 %	3.9 %
Return on assets	5.1 %	2.9 %	4.9 %	5.2 %	5.1 %
Solvency ratio	53.1 %	49.6 %	49.5 %	44.9 %	40.3 %
Return on equity	5.8 %	2.6 %	8.0 %	10.5 %	9.8 %
Liquidity ratio	2.1	1.9	1.9	1.8	1.7
Own production per employee	89	86	86	86	84

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

DHI is an independent international engineering and research organization within water and water environment. Our knowledge of water environments is second-to-none. It represents 50 years of dedicated research and real-life experience from more than 140 countries. We strive to make this knowledge globally accessible to clients and partners by channeling it through our local teams and unique software.

DHI is an approved Advanced Technology Group (GTS) by the Ministry of Higher Education and Science. Based on our comprehensive Danish and international research, we offer a variety of advisory services, modelling tools, laboratorial test, physical test and field measurements and monitoring programs. DHI has more than 1,000 highly skilled employees in 30 countries around the world.

Market overview

We are working closely with our customers to complete successful projects. We engage in their specific challenges within water and water environments. We are their trusted advisors, because professional integrity is fundamental for DHI. We work with a variety of customers, from professionals to decision makers within a number of market segments:

- Public and state organizations
- Private industry ex. Manufacturing, infrastructure and ports
- Water supply companies, waste water treatment plants and energy companies
- Advisory companies and entrepreneurs

Development in the year

Total revenue ended at EUR 115.5 million compared with EUR 112.4 million in 2017. Revenue from Denmark, Europe and Americas increased compared with last year whereas revenue from Asia Pacific and Africa decreased. Revenue from all main business segments (Marine, Inland Water, Urban and Industry) increased compared with last year.

Profit before financial income and expenses ended at EUR 4.6 million compared with EUR 2.4 million in 2017. Finance income decreased compared with last year due to lower return on invested funds. Finance expenses increased compared with last year due to exchange rate variances on DHI's trading currencies and loss on invested funds.

Net profit for the year ended at EUR 2.6 million compared with EUR 1.1 million in 2017.

The overall financial performance for the year is above the expectations for the year. The performance of our activities in Denmark and Europe is above expectations whereas the financial performance from our activities in Asia Pacific is below expectations for the year.

Management’s Review

Group-internal restructuring

The company has been restructured on 31 December 2018 in order to clarify the company structure and ownership. The activities of the prior parent company, DHI, was injected into the Company through a capital injection with contribution of assets and the ownership of the company was transferred to the newly established DHI Foundation by means of donation. In accordance with the accounting policies for group-internal business combinations, the injection has been accounted for through the uniting-of-interests method and consequently, the comparative figures and the financial highlights have been restated to reflect the financial statements as if the two companies (i.e. DHI and DHI A/S) had always been combined. The business combination has had a net effect on Equity of TEUR 25,019.

Capital resources

The financial position of the Group remains strong. Cash position including securities as of 31 December 2018 amounted to EUR 32.5 million compared with EUR 35.3 million as of 31 December 2017.

Cash flows from operations ended at EUR -0.3 million (EUR -0.9 million in 2017), cash flows from investing activities ended at EUR -2.3 million (EUR -2.2 million in 2017) and cash flow from financing activities ended at EUR -0.1 million (EUR -0.2 million in 2017).

Special risks - operating risks and financial risks

Operating risks

DHI completes many customer projects every year. Loss on projects is minimized by carefully evaluating risks during the bidding process and the execution process. A thorough risk evaluation process is in place, and executing risks are evaluated as part of the daily project management process and the monthly follow-up process.

Employees are very important to DHI. The group offers competitive salary and working conditions, and resources are allocated between the DHI entities to minimise under or over capacity.

Potential losses from claims from clients is covered by a thorough quality review of all projects delivered and by an international liability insurance program.

Potential risks from break-down of our central IT systems and from cyber security issues are mitigated by our internal IT policies and processes. The process are being updated currently in order to comply with relevant best practices.

Market risks

Our global presence and variety of products and services, offered to a wide span of both public and private customers, is mitigating the impact from cyclical international political and economic developments.

Management's Review

Financial risks

DHIs financial risks are managed centrally to ensure alignment of financial risk management with corporate objectives; optimize access to debt capital and to ensure that treasury operates within a controlled environment.

DHI's excess funds which are not required to meet operational financial obligations, are primarily placed in short term bonds and secondarily shares. The risk profile is evaluated and approved by the board annually.

Strategy

Leadership, quality and performance are strategic elements in our endeavor to develop DHI in accordance with our mission and vision. It's an on-going journey and we continue learning new and better ways for managing our opportunities and challenges.

We have adopted the business excellence model developed by the European Foundation for Quality Management (EFQM). We evaluate our performance with respect to the defined focus areas and we strive to create permanent improvements to improve our business excellence. For each of the nine criteria in the EFQM model, we've defined Key Performance Goals (KPGs). We constantly measure and display our performance with respect to the KPGs through online dashboards available for all business units.

The EFQM business excellence model helps us move towards best practice in everything we do and achieve. Moreover, it supports our activities in strengthening our corporate social responsibility (CSR). Our CSR policies and related achievements are integrated elements in the model and therefore subject to evaluation and continued improvements.

Targets and expectations for the year ahead

The global challenges within water and water environment is continuously increasing, but we still see challenges in project financing in our primary markets. We will continue to develop a more focus approach in our key market segments.

The focus on improving our overall operational performance to finance our strategic initiatives will continue in 2019. Performance is monitored closely through our central business intelligence systems and reviewed at quarterly performance reviews with all local subsidiaries.

The investment in our new digital product and services platform continues and the first commercial product will be launched in 2019.

We expect a small increase in net revenue in 2019 with operating profit of around EUR 4.0 million due to increased investments in our digital platform.

Management's Review

Research and development

DHI is one of 7 GTS institutes. GTS – Advanced Technology Group is a network consisting of independent Danish research and technology organizations. We support our customers' innovation and constitute the core of the technological infrastructure in Denmark.

DHI is a not-for-profit organization and invests annually around 13% of our professional resources in research and development in order to develop new knowledge, methods and technologies to the benefit of our customers and the society. We cooperate with universities in Denmark and abroad and are recognized worldwide for our innovation and expertise within water and water environments.

Intellectual capital resources

DHI is based in Denmark, and our head office is in Hørsholm. We have local subsidiaries in 30 countries. Average number of employees was 1,030 in 2018 compared with 1,061 in 2017. Total number of head count as per end of December 2018 was 1,058 of which 351 was employed in Denmark.

DHI wants to attract the best employees within our field, irrespective of gender, religion or ethnical background. DHI aims at creating a challenging international work environment, and we have a high share of international employees at our headquarters in Hørsholm.

Statement of corporate social responsibility

Our commitment to sustainability remains consistent across all DHI A/S businesses. In everything we do within sustainability, we work from these principles:

•DHI A/S is committed to ensuring that our business practices are safe, responsible and transparent, in accordance with our Core Values and the principles of the UN Global Compact on human rights, labour rights, environment and anti-corruption.

•We define corporate sustainability as working systematically to reduce negative and enhance positive impacts on people, society and the environment, and as seeking to leverage these efforts for risk mitigation, competitive advantage and business growth.

•We further aim to unlock growth for society and DHI A/S by leveraging the core strengths of our businesses to address global challenges through innovation.

United Nations Global Compact

At DHI, we support the United Nations Global Compact program – an initiative that encourages the adoption of sustainable and socially responsible policies. We subscribe to its ten principles in the areas of human rights, labour, the environment and anti-corruption.

The principles on Human Rights and Labour are supported by policies and specifications in our certified DHI Business Management System.

Management's Review

The principles on Environment are at the heart of our mission and vision, and are directly a part of our quest.

The principle on Anti-Corruption is integrated with our business integrity policy and is a key CSR focus for us.

We subscribed to the United Nations Global Compact program in 2013 and have provided a yearly Communication on Progress (COP) since then.

We outline our policies, actions and results within relevant areas of corporate social responsibility in our communication progress toward the UN Global compact. The report is available at

https://www.dhigroup.com/about-us/corporate-social-responsibility.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statement Act

DHI wants to attract the best employees within our field, irrespective of gender, religion or ethnical background.

DHI has obtained equal representative in its Board of Directors, and has therefore not set a target of the underrepresented on gender.

DHI's policy is that the number of females represented in the management equal the representation of females among employees. Females represents 33% of all employees compared with 23% in management. In order to achieve this target, female employees are encouraged to seek management positions, and female candidates must always be represented for management positions.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2018 of the Group and the results of the activities and cash flows of the Group for the financial year for 2018 have not been affected by any unusual events.

Subsequent events

No events have occurred, which will have significant impact to the judgement of the balance sheet for the DHI Group as per end of December 2018.

Income Statement 1 January - 31 December

	Note	Group 2018	Group 2017	DHI A/S 2018	DHI A/S 2017
		TEUR	TEUR	TEUR	TEUR
Revenue	1	**115,500**	**112,390**	**56,615**	**51,226**
Disbursement and other direct costs		-24,330	-21,180	-15,869	-11,511
Own production		**91,170**	**91,210**	**40,746**	**39,715**
Other operating income		827	553	5,420	5,309
Other external expenses		-16,970	-17,129	-11,181	-10,705
Staff expenses	2	-68,395	-68,858	-31,036	-30,865
Profit before amortisation and depreciation		**6,632**	**5,776**	**3,949**	**3,454**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2,055	-3,346	-1,033	-724
Profit before financial income and expenses		**4,577**	**2,430**	**2,916**	**2,730**
Income from investments in subsidiaries		0	0	694	-1,409
Income from investments in associates		0	-118	0	0
Financial income	3	1,079	1,337	973	1,222
Financial expenses	4	-2,025	-1,829	-1,729	-1,207
Profit before tax		**3,631**	**1,820**	**2,854**	**1,336**
Tax on profit for the year	5	-1,040	-733	-367	-475
Net profit for the year		**2,591**	**1,087**	**2,487**	**861**

Balance Sheet 31 December

Assets

	Note	Group 2018	Group 2017	DHI A/S 2018	DHI A/S 2017
		TEUR	TEUR	TEUR	TEUR
Acquired licenses		30	16	23	120
Goodwill		38	84	0	0
Intangible assets	6	**68**	**100**	**23**	**120**
Land and buildings		651	701	253	273
Other fixtures and fittings, tools and equipment		3,443	3,234	2,235	1,776
Leasehold improvements		453	413	77	199
Property, plant and equipment	7	**4,547**	**4,348**	**2,565**	**2,248**
Investments in subsidiaries	8	0	0	22,500	22,655
Other investments	9	21	21	0	0
Deposits	9	902	867	409	423
Fixed asset investments		**923**	**888**	**22,909**	**23,078**
Fixed assets		**5,538**	**5,336**	**25,497**	**25,446**
Inventories		**166**	**153**	**124**	**130**
Trade receivables		24,388	22,576	8,151	7,900
Contract work in progress	10	17,833	15,264	5,491	4,523
Receivables from group enterprises		0	0	10,439	12,030
Other receivables		1,450	1,437	480	811
Deferred tax asset	11	4,270	276	4,250	0
Corporation tax		745	522	29	0
Prepayments	12	3,307	1,876	2,768	1,327
Receivables		**51,993**	**41,951**	**31,608**	**26,591**
Securities	13	**9,598**	**11,636**	**9,523**	**11,561**
Cash at bank and in hand		**22,868**	**23,614**	**5,821**	**5,472**
Currents assets		**84,625**	**77,354**	**47,076**	**43,754**
Assets		**90,163**	**82,690**	**72,573**	**69,200**

Balance Sheet 31 December

Liabilities and equity

		Group		DHI A/S	
	Note	2018	2017	2018	2017
		TEUR	TEUR	TEUR	TEUR
Share capital		1,344	672	1,344	672
Reserve for net revaluation under the equity method		0	0	6,573	6,087
Retained earnings		45,397	39,347	38,824	33,260
Equity attributable to shareholders of the Parent Company		**46,741**	**40,019**	**46,741**	**40,019**
Minority interests		1,109	1,033	0	0
Equity	14	**47,850**	**41,052**	**46,741**	**40,019**
Provision for deferred tax	11	0	45	0	0
Provisions		**0**	**45**	**0**	**0**
Mortgage loans		1,289	1,416	1,279	1,374
Long-term debt	16	**1,289**	**1,416**	**1,279**	**1,374**
Mortgage loans	16	111	102	91	92
Trade payables		5,704	5,896	2,569	2,890
Contract work in progress, liabilities	10	15,190	15,357	9,157	10,170
Payables to group enterprises		0	0	805	2,834
Corporation tax		431	159	0	0
Other payables		15,520	14,662	8,639	8,418
Deferred income	17	4,068	4,001	3,292	3,403
Short-term debt		**41,024**	**40,177**	**24,553**	**27,807**
Debt		**42,313**	**41,593**	**25,832**	**29,181**
Liabilities and equity		**90,163**	**82,690**	**72,573**	**69,200**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revalua-tion under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Equity at 1 January	672	0	18,578	19,250	1,033	20,283
Net effect from merger and acquisition under the uniting of interests method	672	0	24,347	25,019	0	25,019
Adjusted equity at 1 January	1,344	0	42,925	44,269	1,033	45,302
Exchange adjustments	0	0	-15	-15	-3	-18
Ordinary dividend paid	0	0	0	0	-25	-25
Net profit/loss for the year	0	0	2,487	2,487	104	2,591
Equity at 31 December	**1,344**	**0**	**45,397**	**46,741**	**1,109**	**47,850**

DHI A/S

	Share capital	Reserve for net revalua-tion under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Equity at 1 January	672	6,087	12,491	19,250	0	19,250
Net effect from merger and acquisition under the uniting of interests method	672	0	24,347	25,019	0	25,019
Adjusted equity at 1 January	1,344	6,087	36,838	44,269	0	44,269
Exchange adjustments	0	0	-15	-15	0	-15
Other equity movements	0	486	-486	0	0	0
Net profit/loss for the year	0	0	2,487	2,487	0	2,487
Equity at 31 December	**1,344**	**6,573**	**38,824**	**46,741**	**0**	**46,741**

Cash Flow Statement 1 January - 31 December

	Note	Group 2018	Group 2017
		TEUR	TEUR
Net profit/loss for the year		2,591	1,087
Adjustments	18	4,112	3,777
Changes in working capital	19	(5,272)	(4,797)
Cash flows from operating activities before financial income and expenses		**1,431**	**67**
Financial income		1,093	1,620
Financial expenses		(2,025)	(1,829)
Cash flows from ordinary activities		**499**	**(142)**
Corporation tax paid		(781)	(797)
Cash flows from operating activities		**(282)**	**(939)**
Purchase of intangible assets		(27)	(31)
Purchase of property, plant and equipment		(2,293)	(2,094)
Fixed asset investments made etc.		(25)	(48)
Cash flows from investing activities		**(2,345)**	**(2,173)**
Repayment of mortgage loans		(118)	(122)
Dividends paid		(25)	(81)
Cash flows from financing activities		**(143)**	**(203)**
Change in cash and cash equivalents		**(2,770)**	**(3,315)**
Cash and cash equivalents at 1 January		35,250	38,848
Exchange adjustment of current asset investments		(14)	(283)
Cash and cash equivalents at 31 December		**32,466**	**35,250**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		22,868	23,614
Current asset investments		9,598	11,636
Cash and cash equivalents at 31 December		**32,466**	**35,250**

Notes to the Financial Statements

	Group		DHI A/S	
	2018	2017	2018	2017
	TEUR	TEUR	TEUR	TEUR
1 Revenue				
Geographical segments				
Denmark	23,770	21,521	23,126	20,059
Europe	40,897	38,637	17,545	14,797
Americas	10,090	9,489	2,505	3,479
Asia Pacific	37,301	38,687	10,333	9,766
Africa	3,442	4,056	3,106	3,125
	115,500	**112,390**	**56,615**	**51,226**
Business segments				
Marine	45,419	44,584	21,524	19,241
Inland Water	30,791	28,867	10,500	9,729
Urban	16,586	15,430	5,847	5,771
Industry	13,514	11,409	12,228	9,298
Other	9,190	12,100	6,516	7,187
	115,500	**112,390**	**56,615**	**51,226**

Notes to the Financial Statements

2 Staff expenses

	Group 2018 TEUR	Group 2017 TEUR	DHI A/S 2018 TEUR	DHI A/S 2017 TEUR
Wages and salaries	62,325	62,836	30,535	30,373
Pensions	986	927	215	252
Other social security expenses	5,084	5,095	286	240
	68,395	**68,858**	**31,036**	**30,865**
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	1,037	901	1,037	901
Supervisory Board	173	173	173	173
	1,210	**1,074**	**1,210**	**1,074**
Average number of employees	**1,030**	**1,061**	**318**	**322**

3 Financial income

	Group 2018 TEUR	Group 2017 TEUR	DHI A/S 2018 TEUR	DHI A/S 2017 TEUR
Interest received from group enterprises	0	0	168	241
Other financial income	1,079	1,337	805	981
	1,079	**1,337**	**973**	**1,222**

4 Financial expenses

	Group 2018 TEUR	Group 2017 TEUR	DHI A/S 2018 TEUR	DHI A/S 2017 TEUR
Interest paid to group enterprises	0	0	0	15
Other financial expenses	2,025	1,829	1,729	1,192
	2,025	**1,829**	**1,729**	**1,207**

Notes to the Financial Statements

5 Tax on profit for the year

	Group 2018	Group 2017	DHI A/S 2018	DHI A/S 2017
	TEUR	TEUR	TEUR	TEUR
Current tax for the year	784	373	367	475
Deferred tax for the year	256	360	0	0
	1,040	**733**	**367**	**475**

6 Intangible assets

Group

	Acquired licenses	Goodwill	Total
	TEUR	TEUR	TEUR
Cost at 1 January	310	719	1,029
Exchange adjustment	0	(2)	(2)
Additions for the year	27	0	27
Disposals for the year	0	(56)	(56)
Cost at 31 December	337	661	998
Impairment losses and amortisation at 1 January	293	636	929
Exchange adjustment	0	(1)	(1)
Amortisation for the year	14	44	58
Reversal of amortisation of disposals for the year	0	(56)	(56)
Impairment losses and amortisation at 31 December	307	623	930
Carrying amount at 31 December	**30**	**38**	**68**

Notes to the Financial Statements

6 Intangible assets (continued)

DHI A/S

	Acquired licenses	Total
	TEUR	TEUR
Cost at 1 January	300	300
Additions for the year	23	23
Cost at 31 December	323	323
Impairment losses and amortisation at 1 January	180	180
Amortisation for the year	120	120
Impairment losses and amortisation at 31 December	300	300
Carrying amount at 31 December	**23**	**23**

7 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TEUR	TEUR	TEUR	TEUR
Cost at 1 January	3,471	18,060	3,564	25,095
Exchange adjustment	(17)	72	29	84
Additions for the year	0	1,920	373	2,293
Disposals for the year	0	(2,092)	(10)	(2,102)
Cost at 31 December	3,454	17,960	3,956	25,370
Impairment losses and depreciation at 1 January	2,770	14,826	3,150	20,746
Exchange adjustment	(13)	71	31	89
Depreciation for the year	46	1,621	331	1,998
Reversal of impairment and depreciation of sold assets	0	(2,001)	(9)	(2,010)
Impairment losses and depreciation at 31 December	2,803	14,517	3,503	20,823
Carrying amount at 31 December	**651**	**3,443**	**453**	**4,547**

Notes to the Financial Statements

7 **Property, plant and equipment** (continued)

DHI A/S

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TEUR	TEUR	TEUR	TEUR
Cost at 1 January	2,459	7,210	828	10,497
Exchange adjustment	(8)	(22)	(2)	(32)
Additions for the year	0	1,309	0	1,309
Disposals for the year	0	(526)	0	(526)
Cost at 31 December	2,451	7,971	826	11,248
Impairment losses and depreciation at 1 January	2,186	5,435	629	8,250
Exchange adjustment	(8)	(27)	(1)	(36)
Depreciation for the year	20	771	121	912
Reversal of impairment and depreciation of sold assets	0	(443)	0	(443)
Impairment losses and depreciation at 31 December	2,198	5,736	749	8,683
Carrying amount at 31 December	**253**	**2,235**	**77**	**2,565**

Notes to the Financial Statements

	DHI A/S	
	2018	2017
	TEUR	TEUR
8 Investments in subsidiaries		
Cost at 1 January	15,115	15,093
Exchange adjustment	(45)	0
Additions for the year	0	200
Disposals for the year	(170)	(178)
Cost at 31 December	14,900	15,115
Value adjustments at 1 January	7,284	11,618
Disposals for the year	61	135
Exchange adjustment	96	(1,228)
Net profit/loss for the year	737	(1,191)
Dividends to the Parent Company	(1,560)	(2,010)
Amortisation of goodwill	(45)	(39)
Value adjustments at 31 December	6,573	7,285
Equity investments with negative net asset value transferred to provisions	1,027	255
Carrying amount at 31 December	**22,500**	**22,655**

Notes to the Financial Statements

8 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
DHI Sverige AB	Gothenburg, Sweden	SEK 1,000,000	100 %
DHI AS	Trondheim, Norway	NOK 200,000	100 %
DHI WASY GmbH	Berlin, Germany	EUR 2,740,000	100 %
DHI Brasil Ltda.	Pinhais, PR, Brazil	BRL 0	100 %
DHI Vietnam	Hanoi, Vietnam	USD 50,000	100 %
DHI GRAS A/S	Hørsholm, Denmark	DKK 500,000	100 %
DHI Toxispot A/S	Hørsholm, Denmark	DKK 501,000	100 %
DHI SARL	Nantes, France	EUR 150,000	100 %
DHI S.r.l. a socio unico	Genova, Italy	EUR 200,000	100 %
DHI WATER & ENVIRONMENT ESPAÑA, S.L.	San Sebastián, Spain	EUR 700,000	100 %
DHI WATER ENVIRONMENTS (UK) LTD	Southampton, United Kingdom	GBP 50,000	100 %
DHI Österreich GmbH	Vienna, Austria	EUR 35,000	100 %
DHI a.s.	Prague 10, Czech Republic	CZK 12,243,000	72 %
DHI Polska Sp. z. o. o.	Warsaw, Poland	PLN 1,110,000	100 %
DHI Water & Environment, Inc	Lakewood, CO, USA	USD 4,950,000	100 %
DHI Water & Environment, Inc	Cambridge, ON, Canada	CAD 100,000	100 %
DHI Water & Environment Pty Ltd	Brisbane, Australia	AUD 700,000	100 %
DHI Water & Environment Ltd	Takapuna, New Zealand	NZD 100,000	100 %
DHI Peru S.A.C.	Miraflores, Lima, Peru	PEN 500,000	100 %
Seaport OPX Pty Ltd	Southport, Australia	AUD 0	100 %
DHI Water & Environment (S) Pte Ltd	Singapore, Singapore	SGD 2,250,000	100 %
DHI WATER & ENVIRONMENT (M) SDN. BHD.	Selangor, Malaysia	MYR 500,000	100 %
DHI (India) Water & Environment Private Limited	New Delhi, India	INR 49,804,492	100 %
PT DHI Water & Environment	Jakarta Selatan, Indonesia	USD 297,000	100 %
DHI Water & Environment (B) Sdn Bhd	Kg. Delima Satu, BSB, Brunei	BND 10,000	100 %
DHI China	Shanghai, China	CNY 3,070,186	100 %
DHI Invest ApS	Hørsholm, Denmark	DKK 200,000	100 %

Notes to the Financial Statements

9 Other fixed asset investments

	Group		DHI A/S
	Other investments	Deposits	Deposits
	TEUR	TEUR	TEUR
Cost at 1 January	21	876	422
Exchange adjustment	0	1	(1)
Additions for the year	0	305	37
Disposals for the year	0	(280)	(49)
Cost at 31 December	21	902	409
Carrying amount at 31 December	**21**	**902**	**409**

10 Contract work in progress

	Group		DHI A/S	
	2018	2017	2018	2017
	TEUR	TEUR	TEUR	TEUR
Selling price of work in progress	160,239	146,694	62,446	58,167
Payments received on account	(157,596)	(146,787)	(66,112)	(63,814)
	2,643	**(93)**	**(3,666)**	**(5,647)**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	17,833	15,264	5,491	4,523
Prepayments received recognised in debt	(15,190)	(15,357)	(9,157)	(10,170)
	2,643	**(93)**	**(3,666)**	**(5,647)**

Notes to the Financial Statements

11 Deferred tax asset

	Group		DHI A/S	
	2018	2017	2018	2017
	TEUR	TEUR	TEUR	TEUR
Deferred tax asset at 1 January	231	591	0	0
Amounts recognised in the income statement for the year	(256)	(360)	0	0
Amounts recognised in equity for the year	4,295	0	4,250	0
Deferred tax asset at 31 December	**4,270**	**231**	**4,250**	**0**

The Company's deferred tax balances relates in all material matters to goodwill which arose as a result of the group-internal restructuring at 31 December 2018. The Group has chosen to recognise EUR 4,250k as a deferred tax asset based on the projected Danish taxable income for the next 3-5 years. The deferred tax asset has been recognised directly in equity as part of the net effect from merger and acquisition under the uniting of interests method. The valuation of the deferred tax asset is especially dependent on DHI A/S being able to realise the projected growth in projects and achieving the necessary market shares to profit from the investments in development projects.

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

13 Current asset investments

	Group		DHI A/S	
	2018	2017	2018	2017
	TEUR	TEUR	TEUR	TEUR
Shares	603	696	603	696
Bonds	8,995	10,940	8,920	10,865
	9,598	**11,636**	**9,523**	**11,561**

Notes to the Financial Statements

14 Equity

The share capital consists of 10,000,000 shares of a nominal value of TEUR 1,344. No shares carry any special rights.

The share capital has developed as follows:

	2018	2017	2016	2015	2014
	TEUR	TEUR	TEUR	TEUR	TEUR
Share capital at 1 January	672	672	672	672	672
Capital increase	672	0	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	**1,344**	**672**	**672**	**672**	**672**

15 Distribution of profit

	Group		DHI A/S	
	2018	2017	2018	2017
	TEUR	TEUR	TEUR	TEUR
Minority interests' share of net profit/loss of subsidiaries	104	226	0	0
Retained earnings	2,487	861	2,487	861
	2,591	**1,087**	**2,487**	**861**

16 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Mortgage loans

	Group 2018	Group 2017	DHI A/S 2018	DHI A/S 2017
After 5 years	914	1,006	914	1,006
Between 1 and 5 years	375	410	365	368
Long-term part	1,289	1,416	1,279	1,374
Within 1 year	111	102	91	92
	1,400	**1,518**	**1,370**	**1,466**

Notes to the Financial Statements

17 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

18 Cash flow statement - adjustments

	Group 2018	Group 2017
	TEUR	TEUR
Financial income	(1,079)	(1,337)
Financial expenses	2,025	1,829
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,055	3,346
Income from investments in associates	0	118
Tax on profit for the year	1,040	733
Other adjustments	71	(912)
	4,112	**3,777**

19 Cash flow statement - changes in working capital

	Group 2018	Group 2017
	TEUR	TEUR
Changes in inventories	(13)	16
Changes in receivables	(5,825)	(4,832)
Changes in trade payables, etc.	566	19
	(5,272)	**(4,797)**

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. The total amount of corporation tax payable by the Group amounts to TEUR 462. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Rental obligations
At 31 December, the Group has a rental obligation of EUR 12.9 million of which the Parent Company's obligation amounts to EUR 9.8 million. The present part of the Parent Company's leases may be terminated at 6 months, however the signing of the contract for the new domicile as of 15 April 2019 have terms of 10 years for the first 10 years hereafter 12 months.

Lease obligations
At 31 December, the remaining payments relating to leases entered into amount to EUR 0.5 million for the Group. The remaining terms run from 6 to 60 months. The lease obligation of the Parent Company amounts to EUR 0.1 million of the total obligations.

Guarantees
At 31 December, total guarantees of EUR 4.7 million have been provided for the Group in connection with project completion. This is an increase of EUR 1.8 million compared to 2017 (EUR 2.9 million).

Guarantees provided by the Parent Company amount to EUR 2.8 million, which is an increase of EUR 1.7 million compared to 2017 (EUR 1.1 million). The increase is a result of new projects with advance payment.

At 31 December, the Parent Company has issued a guarantee of SEK 3 million with respect to operating credits in DHI Sweden. DHI Sweden has moreover provided its outstanding invoices as security for the company's operating credit (SEK 2 million). The Parent Company has stated that it provides financial support to the Australian subsidiary DHI Water & Environment Pty Ltd.

Notes to the Financial Statements

21 Related parties

	Basis
Controlling interest	
DHI Fonden	Capital ownership

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

DHI Fonden, Hørsholm

	Group		DHI A/S	
	2018	2017	2018	2017
	TEUR	TEUR	TEUR	TEUR
22 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	91	64	0	0
Other assurance engagements	17	9	0	0
Other services	214	50	0	0
	322	**123**	**0**	**0**

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of DHI A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

In 2018, it was decided by management to present the financial report in EUR instead of DKK.

Effective from the 2018 Annual Report the reporting currency of the Annual Report has been changed to EUR. In this connection, the financial items of the Income Statement has been translated into EUR at the average exchange rate during the financial year and the financial items of the balance sheet have been translated into EUR at the rate prevailing at the balance sheet date. The difference between the average exchange rate during the financial year and the exchange rate prevailing at the balance sheet date has been recognised as an exchange rate adjustment in Equity. All comparative figures have been converted into EUR at an exchange rate of 7.45 DKK/EUR. In Management's view, the difference between the employed exchange rate of 7.45 DKK/EUR and the actual average exchange rate for the financial year and the prevailing rate at the balance sheet date is immaterial.

Moreover, the presentation of deferred and actual corporate tax balances for 2017 has been changed with the 2018 Annual Report due to a more precise true and fair view. Consequently, the comparative figures have been corrected for better comparability.

Effect of group-internal restructuring

On 31 December 2018, the activities of the prior parent company, DHI, was injected into the Company through a capital injection with contribution of assets. In accordance with the accounting policies for group-internal business combinations, the injection has been accounted for through the uniting-of-interests method and consequently, the comparative figures and the financial highlights have been restated to reflect the financial statements as if the two companies (i.e. DHI and DHI A/S) had always been combined. The business combination has had a net effect on Equity of TEUR 25,019.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as

Notes to the Financial Statements

23 Accounting Policies (continued)

described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, DHI A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in "Amortisation, depreciation and impairment losses".

Uniting of interests

Intragroup business combinations are accounted for under the uniting-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The uniting-of-interests method is applied as if the two enterprises had always been combined by restating comparative figures.

Notes to the Financial Statements

23 Accounting Policies (continued)

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

EUR is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

23 Accounting Policies (continued)

Segment information on revenue

Information is provided on net revenue and own production, broken down on geographical segments and business segments. The information is based on the Group's internal financial reporting system.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Software services and maintenance contracts are recognised on a current basis over the term of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Performance contract funds and project grants are recognised as they are used at approved rates adjusted for any self-financing.

Disbursement and other direct costs

Disbursement and other direct costs comprise subcontractors and the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as the Group's administration, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Notes to the Financial Statements

23 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses and other related expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Taxes include corporation taxes, withholding taxes, taxes attributable to branches and permanent establishments etc.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5-10 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable

Notes to the Financial Statements

23 Accounting Policies (continued)

amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	30-50	years
Other buildings	30-50	years
Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	5-10	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed 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 other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with

Notes to the Financial Statements

23 Accounting Policies (continued)

addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at EUR 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits and other capital investments and are measured at the lower of cost and net realisable value at the balance sheet date.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company’s experience from previous years.

Notes to the Financial Statements

23 Accounting Policies (continued)

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the de-

23 Accounting Policies (continued)

ferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Notes to the Financial Statements

23 Accounting Policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand” and ”Current asset investments”. ”Current asset investments” consist of short-term securities with an insignificant risk of value changes that can readily be turned into cash.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Liquidity ratio	$\frac{\text{Current assets x 100}}{\text{Short-term debt}}$
Own production per employee	$\frac{\text{Own production for the year}}{\text{Number of employees}}$