Annual Report
1 January - 31 December 2020

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 28/4 2021

Mikkel Esbjerg
Chairman of the General Meeting

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 2020.

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 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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, 28 April 2021

Executive Board

Mette Vestergaard Jakobsen CEO	Jacob Høst-Madsen Executive Officer

Board of Directors

Jakob Bo Thomasen Chairman	Helle Rootzén	Michael Rosenvold
Merete Søby	Anders Christian Erichsen	Henrik Bo Christensen
Gunvor Tychsen Philip		

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 2020 and of the results of the Group’s and the Parent Company’s operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of DHI A/S for the financial year 1 January - 31 December 2020, 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 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 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 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 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.

Independent Auditor's Report

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.

Hellerup, 28 April 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen
State Authorised Public Accountant
mne18628

Søren Alexander
State Authorised Public Accountant
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.dhigroup.com CVR No: 36 46 68 71 Financial period: 1 January - 31 December Incorporated: 16 December 2014 Financial year: 7th financial year Municipality of reg. office: Rudersdal
Board of Directors	Jakob Bo Thomasen, Chairman Helle Rootzén Michael Rosenvold Merete Søby Anders Christian Erichsen Henrik Bo Christensen Gunvor Tychsen Philip
Executive Board	Mette Vestergaard Jakobsen 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
100%
SEAPORT OPX
100%
BRUNEI
99%
CANADA
100%
DENMARK: DHI INVEST
100%
PERU
1%
FRANCE
0,2%
FRANCE
99,8%
DENMARK: GRAS A/S
100%
INDIA
100%
INDONESIA
99%
ITALY
100%
CHINA
100%
MALAYSIA
100%
NORWAY
100%
PERU
99%
POLAND
100%
SINGAPORE
100%
PHILIPPINES HOLDING
40%
PHILIPPINES
64%
BRUNEI
1%
INDONESIA
1%
SPAIN
100%
UNITED KINGDOM
100%
SWEDEN
100%
CZECH REPUBLIC
72,5%
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				
	2020	2019	2018	2017	2016
	TEUR	TEUR	TEUR	TEUR	TEUR
Key figures					
Profit/loss					
Revenue	110,031	115,365	115,500	112,390	110,624
Own production	84,940	90,972	91,170	91,210	92,630
Profit before amortisation and depreciation	3,347	2,158	6,632	5,776	6,175
Profit/loss before financial income and expenses	1,204	177	4,577	2,430	4,070
Net financials	-319	842	-946	-610	290
Net profit/loss for the year	501	844	2,591	1,087	3,182
Balance sheet					
Balance sheet total	94,862	93,950	90,163	82,690	83,306
Equity	48,635	48,940	47,850	41,052	41,266
Cash flows					
Cash flows from:					
- operating activities	8,545	8,749	-282	-939	8,796
- investing activities	-4,432	-7,429	-307	-4,308	-1,835
including investment in property, plant and equipment	-2,616	-5,501	-2,293	-2,094	-1,402
- financing activities	-150	-200	-143	-203	-3,041
Change in cash and cash equivalents for the year	3,963	1,120	-732	-5,450	3,920
Number of employees	1,002	1,055	1,030	1,061	1,077
Ratios					
Profit margin	1.1 %	0.2 %	4.0 %	2.2 %	3.7 %
Return on assets	1.3 %	0.2 %	5.1 %	2.9 %	4.9 %
Solvency ratio	51.3 %	52.1 %	53.1 %	49.6 %	49.5 %
Return on equity	1.0 %	1.7 %	5.8 %	2.6 %	8.0 %
Liquidity ratio	1.9	1.9	2.1	1.9	1.9
Own production per employee	85	86	89	86	86

Management's Review

Key activities

DHI is a leading, innovative, global advisory company, integrating deep domain knowledge and technology to enabling new ways to use, manage and live with water and to protect water-related ecosystems.

Our passion is water – a precious, essential, and complex resource. Our credibility is built on over 50 years of dedicated research and real-life experience in the global water industry.

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, modeling tools, laboratory test, physical test and field measurements and monitoring programs.

DHI has around 1,000 highly skilled employees in 27 countries around the world.

Market overview

We are working closely with our customers to solve their complex challenges within water and water environments. We are their trusted advisors, and professional integrity is fundamental for DHI. We work with a variety of customers, from professionals to decision makers within several 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

Management's Review

Development in the year

Total revenue ended at EUR 110.0 million compared with EUR 115.4 million in 2019. Revenue from Denmark accounts for 23% of total revenue compared with 21% in 2019. Revenue from Europe accounts for 34%, Americas 9%, Asia Pacific 31% and Africa for 3%.

Profit before financial income and expenses ended at EUR 1,204 thousand compared with EUR 177 thousand in 2019.

Finance income decreased compared with last year due to less return on invested funds. Finance expenses increased compared with last year due to higher exchange rate variances on DHI's trading currencies compared with 2019.

Net profit for the year ended at EUR 501 thousand compared with EUR 844 thousand in 2019. The result is impacted by EUR 1,597 thousand related to non-recurring restructuring costs.

COVID-19 have had negative impact to the net revenue from project activities, but less than expected. Our 1st priority has been to secure the well-being of our staff and secure stable remote working conditions. We have been able to meet our project deliverables to customers despite the international travel restrictions. Total order inflow has not been impacted by COVID-19 and the order book has improved to last year.

The overall financial performance for the year is satisfactory.

Capital resources

The financial position of the Group remains strong. Cash position including securities as of 31 December 2020 amounted to EUR 40.6 million compared with EUR 35.0 million as of 31 December 2019.

Cash flows from operations ended at EUR 8.5 million (EUR 8.7 million in 2019), cash flows from investing activities ended at EUR (4.4) million (EUR (7.4) million in 2019) and cash flow from financing activities ended at EUR (150) thousand (EUR (200) thousand in 2019).

Management's Review

Special risks - operating risks and financial risks

Operating risks

DHI delivers around 3,000 customer projects every year. Loss on projects is minimized by carefully evaluating risks during the bidding and execution process. A thorough risk evaluation process is in place during the bidding process, and executing risks are evaluated as part of the daily project management process and the monthly feed-back process.

Employees are very important to DHI. The group offers competitive salary and working conditions, and resources are allocated between the DHI entities to the extent possible to avoid under or over capacity. Risk of potential losses from claims from clients is mitigated 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 is audited annually.

Market risks

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

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 placed in short term Bonds & Shares with a low risk profile.

Management's Review

Strategy

Our strategy is to improve water sustainability in the world by offering digitally enabled advisory and digital solutions to the market. We will continue to invest in digital transformation of our products and services into real-time monitoring applications and services.

Leadership, quality, and collaboration 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.

DHI's integrated management system fulfills the requirements of ISO 9001, ISO 14001 and OHSAS 18001 and covers all our key business process as well as business integrity, environment plus health and safety.

At DHI, we are member of the United Nations Global Compact – an initiative that encourages the adoption of sustainable and socially responsible policies. We actively supports its ten principles in the areas of human rights, labor, the environment, and anti-corruption.

Targets and expectations for the year ahead

The investment in innovation and development continues and will be focused on new innovative products and services to customers in key market segments. For 2021, we expect a net revenue and operating result at the same level as 2020.

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 significantly in our professional resources in research and development 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 27 countries. Average number of employees was 1,002 in 2020 compared with 1,055 in 2019. Total number of headcounts as per end of December 2020 was 1,050, of which 335 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.

Management's Review

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, labor 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 are member the United Nations Global Compact – an initiative that encourages the adoption of sustainable and socially responsible policies. We support its ten principles in the areas of human rights, labor, the environment and anti-corruption.

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

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.

Management's Review

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 aims at creating a challenging international work environment, and the share of international employees is 24% in Denmark.

DHI's target is, that the gender equality in the Executive Board and external Board of Directors at least should reflect the gender equality among the staff. Women accounts for 36% of all staff in Denmark, and the total number of women in the Executive Board and external Board of Directors accounts for 44%, so the target for gender equality has been obtained.

Uncertainty relating to recognition and measurement

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

The financial position at 31 December 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group 2020	Group 2019	DHI A/S 2020	DHI A/S 2019
		TEUR	TEUR	TEUR	TEUR
Revenue	1	**110,031**	**115,365**	**55,134**	**58,453**
Disbursement and other direct costs		-25,091	-24,393	-18,396	-19,185
Own production		**84,940**	**90,972**	**36,738**	**39,268**
Other operating income		2,156	238	5,240	5,320
Other external expenses		-14,710	-17,433	-11,685	-12,263
Staff expenses	2	-69,039	-71,619	-30,671	-32,162
Profit before amortisation and depreciation		**3,347**	**2,158**	**-378**	**163**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2,143	-1,981	-1,474	-1,188
Profit before financial income and expenses		**1,204**	**177**	**-1,852**	**-1,025**
Income from investments in subsidiaries		0	0	1,897	-66
Financial income	3	1,833	2,116	1,350	1,798
Financial expenses	4	-2,152	-1,274	-1,706	-668
Profit before tax		**885**	**1,019**	**-311**	**39**
Tax on profit for the year	5	-384	-175	710	691
Net profit/loss for the year		**501**	**844**	**399**	**730**

Balance Sheet 31 December

Assets

		Group		DHI A/S	
	Note	2020	2019	2020	2019
		TEUR	TEUR	TEUR	TEUR
Acquired licenses		51	87	18	39
Goodwill		0	0	0	0
Intangible assets	6	**51**	**87**	**18**	**39**
Land and buildings		2,087	1,194	1,269	817
Other fixtures and fittings, tools and equipment		5,434	5,726	4,093	4,378
Leasehold improvements		907	1,052	762	868
Property, plant and equipment	7	**8,428**	**7,972**	**6,124**	**6,063**
Investments in subsidiaries	8	0	0	22,668	24,343
Other investments	9	20	20	0	0
Deposits	9	1,010	985	616	610
Fixed asset investments		**1,030**	**1,005**	**23,284**	**24,953**
Fixed assets		**9,509**	**9,064**	**29,426**	**31,055**
Raw materials and consumables		14	14	14	14
Finished goods and goods for resale		134	145	112	127
Inventories		**148**	**159**	**126**	**141**
Trade receivables		22,478	21,633	7,619	7,963
Contract work in progress	10	13,732	18,201	3,984	6,473
Receivables from group enterprises		0	0	11,390	10,012
Other receivables		1,144	1,556	1,299	259
Deferred tax asset	15	4,448	4,379	4,266	4,250
Corporation tax		1,102	1,233	793	758
Prepayments	11	1,661	2,728	1,252	2,025
Receivables		**44,565**	**49,730**	**30,603**	**31,740**
Securities	12	**13,066**	**11,357**	**11,986**	**11,282**
Cash at bank and in hand		**27,574**	**23,640**	**2,195**	**2,713**
Currents assets		**85,353**	**84,886**	**44,910**	**45,876**
Assets		**94,862**	**93,950**	**74,336**	**76,931**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020	Group 2019	DHI A/S 2020	DHI A/S 2019
		TEUR	TEUR	TEUR	TEUR
Share capital	13	1,344	1,344	1,344	1,344
Reserve for net revaluation under the equity method		0	0	3,401	6,221
Reserve for foreign currency translation adjustments		-709	0	0	0
Retained earnings		46,963	46,564	42,853	40,343
Equity attributable to shareholders of the Parent Company		**47,598**	**47,908**	**47,598**	**47,908**
Minority interests		1,037	1,032	0	0
Equity		**48,635**	**48,940**	**47,598**	**47,908**
Mortgage loans		1,100	1,187	1,100	1,187
Long-term debt	16	**1,100**	**1,187**	**1,100**	**1,187**
Mortgage loans	16	92	91	92	91
Trade payables		3,864	7,496	2,234	5,358
Contract work in progress, liabilities	10	16,600	14,345	7,160	8,597
Payables to group enterprises		0	0	2,251	1,171
Corporation tax		506	410	0	0
Other payables		19,022	16,981	10,542	9,155
Deferred income	17	5,043	4,500	3,359	3,464
Short-term debt		**45,127**	**43,823**	**25,638**	**27,836**
Debt		**46,227**	**45,010**	**26,738**	**29,023**
Liabilities and equity		**94,862**	**93,950**	**74,336**	**76,931**

Distribution of profit	14
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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for foreign currency translation adjustments	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Equity at 1 January	1,344	0	0	46,564	47,908	1,032	48,940
Exchange adjustments	0	0	-709	0	-709	-33	-742
Ordinary dividend paid	0	0	0	0	0	-64	-64
Net profit/loss for the year	0	0	0	399	399	102	501
Equity at 31 December	**1,344**	**0**	**-709**	**46,963**	**47,598**	**1,037**	**48,635**

DHI A/S

	Share capital	Reserve for net revaluation under the equity method	Reserve for foreign currency translation adjustments	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Equity at 1 January	1,344	6,221	0	40,343	47,908	0	47,908
Exchange adjustments	0	-875	0	166	-709	0	-709
Dividend from group enterprises	0	1,897	0	-1,897	0	0	0
Net profit/loss for the year	0	-3,842	0	4,241	399	0	399
Equity at 31 December	**1,344**	**3,401**	**0**	**42,853**	**47,598**	**0**	**47,598**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020	Group 2019
		TEUR	TEUR
Net profit/loss for the year		501	844
Adjustments	18	2,230	1,801
Change in working capital	19	6,331	5,707
Cash flows from operating activities before financial income and expenses		**9,062**	**8,352**
Financial income		1,862	2,464
Financial expenses		-2,153	-1,274
Cash flows from ordinary activities		**8,771**	**9,542**
Corporation tax paid		-226	-793
Cash flows from operating activities		**8,545**	**8,749**
Purchase of intangible assets		0	-87
Purchase of property, plant and equipment		-2,616	-5,501
Fixed asset investments made etc		-107	-82
Change in current asset investments		-1,709	-1,759
Cash flows from investing activities		**-4,432**	**-7,429**
Repayment of mortgage loans		-86	-122
Dividends paid		-64	-78
Cash flows from financing activities		**-150**	**-200**
Change in cash and cash equivalents		**3,963**	**1,120**
Cash and cash equivalents at 1 January		23,640	22,868
Exchange adjustment of cash at bank and in hand		-29	-348
Cash and cash equivalents at 31 December		**27,574**	**23,640**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		27,574	23,640
Cash and cash equivalents at 31 December		**27,574**	**23,640**

Notes to the Financial Statements

	Group		DHI A/S	
	2020	2019	2020	2019
	TEUR	TEUR	TEUR	TEUR

1 Revenue

Geographical segments

	2020 TEUR (Group)	2019 TEUR (Group)	2020 TEUR (DHI A/S)	2019 TEUR (DHI A/S)
Denmark	24,942	23,726	23,488	22,385
Europe	36,883	39,650	12,370	16,747
Americas	10,390	10,374	3,287	3,424
Asia Pacific	34,192	38,210	12,867	13,293
Africa	3,624	3,405	3,122	2,604
	110,031	**115,365**	**55,134**	**58,453**

Business segments

	2020 TEUR (Group)	2019 TEUR (Group)	2020 TEUR (DHI A/S)	2019 TEUR (DHI A/S)
Marine	49,682	46,715	27,605	23,833
Inland Water	28,837	31,023	11,990	11,592
Urban	18,973	17,381	4,948	4,986
Industry	8,415	12,972	7,150	11,603
Other	4,124	7,274	3,441	6,439
	110,031	**115,365**	**55,134**	**58,453**

2 Staff expenses

	2020 TEUR (Group)	2019 TEUR (Group)	2020 TEUR (DHI A/S)	2019 TEUR (DHI A/S)
Wages and salaries	63,121	65,086	30,174	31,608
Pensions	1,026	1,081	226	251
Other social security expenses	4,892	5,452	271	303
	69,039	**71,619**	**30,671**	**32,162**
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	1,680	1,153	1,680	1,153
Board of Directors	167	175	167	175
	1,847	**1,328**	**1,847**	**1,328**
Average number of employees	**1,002**	**1,055**	**305**	**322**

Notes to the Financial Statements

	Group		DHI A/S	
	2020	2019	2020	2019
	TEUR	TEUR	TEUR	TEUR
3 Financial income				
Interest received from group enterprises	0	0	84	168
Other financial income	1,833	2,116	1,266	1,630
	1,833	**2,116**	**1,350**	**1,798**
4 Financial expenses				
Interest paid to group enterprises	0	0	17	16
Other financial expenses	2,152	1,274	1,689	652
	2,152	**1,274**	**1,706**	**668**
5 Tax on profit for the year				
Current tax for the year	1,227	1,020	28	45
Deferred tax for the year	-105	-109	0	0
Tax income due to tax credit scheme	-738	-736	-738	-736
	384	**175**	**-710**	**-691**

Notes to the Financial Statements

6 Intangible assets

Group

	Acquired licenses	Goodwill	Total
	TEUR	TEUR	TEUR
Cost at 1 January	366	661	1,027
Exchange adjustment	(1)	3	2
Additions for the year	1	0	1
Cost at 31 December	366	664	1,030
Impairment losses and amortisation at 1 January	279	661	940
Exchange adjustment	2	3	5
Amortisation for the year	34	0	34
Impairment losses and amortisation at 31 December	315	664	979
Carrying amount at 31 December	**51**	**0**	**51**

DHI A/S

	Acquired licenses	Total
	TEUR	TEUR
Cost at 1 January	360	360
Exchange adjustment	1	1
Cost at 31 December	361	361
Impairment losses and amortisation at 1 January	321	321
Exchange adjustment	1	1
Amortisation for the year	21	21
Impairment losses and amortisation at 31 December	343	343
Carrying amount at 31 December	**18**	**18**

Notes to the Financial Statements

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	3,947	18,763	2,148	24,858
Exchange adjustment	-18	-325	-14	-357
Additions for the year	1,025	1,518	73	2,616
Disposals for the year	0	-469	-10	-479
Cost at 31 December	4,954	19,487	2,197	26,638
Impairment losses and depreciation at 1 January	2,753	13,037	1,096	16,886
Exchange adjustment	-11	-289	-7	-307
Depreciation for the year	125	1,779	205	2,109
Reversal of impairment and depreciation of sold assets	0	-474	-4	-478
Impairment losses and depreciation at 31 December	2,867	14,053	1,290	18,210
Carrying amount at 31 December	**2,087**	**5,434**	**907**	**8,428**

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	2,932	9,843	1,526	14,301
Exchange adjustment	13	40	4	57
Additions for the year	549	923	21	1,493
Disposals for the year	0	-353	0	-353
Cost at 31 December	3,494	10,453	1,551	15,498
Impairment losses and depreciation at 1 January	2,115	5,466	658	8,239
Exchange adjustment	9	22	2	33
Depreciation for the year	101	1,222	129	1,452
Reversal of impairment and depreciation of sold assets	0	-350	0	-350
Impairment losses and depreciation at 31 December	2,225	6,360	789	9,374
Carrying amount at 31 December	**1,269**	**4,093**	**762**	**6,124**

Notes to the Financial Statements

8 Investments in subsidiaries

	DHI A/S 2020 TEUR	DHI A/S 2019 TEUR
Cost at 1 January	15,284	14,900
Exchange adjustment	63	-6
Additions for the year	0	390
Cost at 31 December	15,347	15,284
Value adjustments at 1 January	6,221	6,573
Exchange adjustment	-875	449
Net profit/loss for the year	1,897	-27
Dividends to the Parent Company	-3,842	-735
Amortisation of goodwill	0	-39
Value adjustments at 31 December	3,401	6,221
Equity investments with negative net asset value amortised over receivables	3,920	2,838
Carrying amount at 31 December	**22,668**	**24,343**

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 210,000	100 %
DHI WASY GmbH	Berlin, Germany	EUR 2,740,000	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 %

Notes to the Financial Statements

8 **Investments in subsidiaries** (continued)

Name	Place of registered office	Share capital	Votes and ownership
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 %

9 Other fixed asset investments

	Group		DHI A/S
	Other investments	Deposits	Deposits
	TEUR	TEUR	TEUR
Cost at 1 January	20	985	610
Exchange adjustment	0	-82	3
Additions for the year	0	229	8
Disposals for the year	0	-122	-5
Cost at 31 December	20	1,010	616
Carrying amount at 31 December	**20**	**1,010**	**616**

Notes to the Financial Statements

	Group		DHI A/S	
	2020	2019	2020	2019
	TEUR	TEUR	TEUR	TEUR

10 Contract work in progress

	2020	2019	2020	2019
Selling price of work in progress	165,061	153,153	72,415	67,380
Payments received on account	(167,929)	(149,297)	(75,591)	(69,504)
	(2,868)	**3,856**	**(3,176)**	**(2,124)**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	13,732	18,201	3,984	6,473
Prepayments received recognised in debt	(16,600)	(14,345)	(7,160)	(8,597)
	(2,868)	**3,856**	**(3,176)**	**(2,124)**

11 Prepayments

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

12 Current asset investments

	2020	2019	2020	2019
Shares	3,741	3,491	3,742	3,491
Bonds	9,325	7,866	8,244	7,791
	13,066	**11,357**	**11,986**	**11,282**

Notes to the Financial Statements

13 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:

	2020	2019	2018	2017	2016
	TEUR	TEUR	TEUR	TEUR	TEUR
Share capital at 1 January	1,344	1,344	672	672	672
Capital increase	0	0	672	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	**1,344**	**1,344**	**1,344**	**672**	**672**

14 Distribution of profit

	Group		DHI A/S	
	2020	2019	2020	2019
	TEUR	TEUR	TEUR	TEUR
Reserve for net revaluation under the equity method	0	0	(3,842)	(27)
Minority interests' share of net profit/loss of subsidiaries	102	114	0	0
Retained earnings	399	730	4,241	757
	501	**844**	**399**	**730**

Notes to the Financial Statements

	Group		DHI A/S	
	2020	2019	2020	2019
	TEUR	TEUR	TEUR	TEUR

15 Deferred tax asset

	2020	2019	2020	2019
Deferred tax asset at 1 January	4,379	4,270	4,250	4,250
Amounts recognised in the income statement for the year	105	109	0	0
Amounts recognised in equity for the year	(36)	0	16	0
Deferred tax asset at 31 December	**4,448**	**4,379**	**4,266**	**4,250**

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 4,266k as a deferred tax asset based on the projected Danish taxable income for the next 3-5 years. 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.

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 2020	Group 2019	DHI A/S 2020	DHI A/S 2019
After 5 years	734	822	734	822
Between 1 and 5 years	366	365	366	365
Long-term part	1,100	1,187	1,100	1,187
Within 1 year	92	91	92	91
	1,192	**1,278**	**1,192**	**1,278**

17 Deferred income

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

Notes to the Financial Statements

18 Cash flow statement - adjustments

	Group 2020	Group 2019
	TEUR	TEUR
Financial income	-1,833	-2,116
Financial expenses	2,152	1,274
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,143	1,981
Tax on profit for the year	384	175
Other adjustments	-616	487
	2,230	**1,801**

19 Cash flow statement - changes in working capital

	2020	2019
Changes in inventories	11	7
Changes in receivables	5,103	2,860
Changes in trade payables, etc.	1,217	2,840
	6,331	**5,707**

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the jointly taxed incomes etc. The total amount of corporation tax payable by the Group's Danish entities amounts to TEUR 0.

Moreover, the Danish entities 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 million, of which the Parent Company's obligation amounts to EUR 8.3 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 in DK have terms of 10 years for the first 10 years and hereafter 12 months.

Lease obligations
At 31 December, the remaining payments relating to leases amount to EUR 0.3 million for the Group. The remaining terms run from 6 to 60 months. The lease obligation of the Parent Company amounts to EUR 0.0 million of the total obligations.

Guarantees
At 31 December, total guarantees of EUR 6.2 million have been provided by the Group in connection with project completion.

Guarantees provided by the Parent Company amount to EUR 5.2 million.

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

22 Fee to auditors appointed at the general meeting

	Group		DHI A/S	
	2020	2019	2020	2019
	TEUR	TEUR	TEUR	TEUR
PricewaterhouseCoopers				
Audit fee	115	123	91	100
Other assurance engagements	33	13	33	13
Other services	104	261	104	258
	252	**397**	**228**	**371**

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of DHI A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in TEUR.

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 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.

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.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

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

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

Segment information on revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service 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 service.

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 the raw materials and consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

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.

COVID-19 Government grants

Government grants are recognised when it is virtually certain that the Group complies with the requirements to receive the grant and it is virtually certain that the Group will receive the grant. The grant is systematically recognised over the period it relates to or immediately if the grant is not dependent on the incurrence of future costs or investments. Government grants are recognised as Other operating income or in the balance sheet if the grant is given for investment in an asset.

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.

Notes to the Financial Statements

23 Accounting Policies (continued)

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 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.

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,		

Notes to the Financial Statements

23 Accounting Policies (continued)

tools and equipment	3-5	years
Leasehold improvements	5-10	years

The fixed assets' residual values are determined at nil.

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 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.

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

23 Accounting Policies (continued)

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 deferred 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

Notes to the Financial Statements

23 Accounting Policies (continued)

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.

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”.

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	$\frac{\text{Own production for the year}}{\text{Number of employees}}$