

# Annual Report

## 1 January - 31 December 2019

**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 23/4 2020

Mikkel Esbjerg  
Chairman of the General Meeting

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# 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 2019.

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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

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, 23 April 2020

## 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 2019 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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

# Independent Auditor's Report

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

## **Independent Auditor's Report**

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, 23 April 2020

**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

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Website: www.dhigroup.com

CVR No: 36 46 68 71  
Financial period: 1 January - 31 December  
Incorporated: 16 December 2014  
Financial year: 6th financial year  
Municipality of reg. office: Rudersdal

### 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

### 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



# Financial Highlights

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

	<b>Group</b>				
	2019	2018	2017	2016	2015
	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Key figures</b>					
<b>Profit</b>					
Revenue	115,365	115,500	112,390	110,624	119,457
Own production	90,972	91,170	91,210	92,630	96,018
Profit before amortisation and depreciation	2,158	6,632	5,776	6,175	6,668
Profit before financial income and expenses	177	4,577	2,430	4,070	4,416
Net financials	842	(946)	(610)	290	549
Net profit/loss for the year	844	2,591	1,087	3,182	3,786
<b>Balance sheet</b>					
Balance sheet total	93,950	90,163	82,690	83,306	84,899
Equity	48,940	47,850	41,052	41,266	38,114
<b>Cash flows</b>					
Cash flows from:					
- operating activities	8,749	(282)	(939)	8,796	7,445
- investing activities	(5,670)	(2,345)	(2,173)	(1,472)	(2,162)
including investment in property, plant and equipment	(5,501)	(2,293)	(2,094)	(1,402)	(1,796)
- financing activities	(200)	(143)	(203)	(3,041)	(972)
Change in cash and cash equivalents for the year	2,879	(2,770)	(3,315)	4,283	4,311
Average number of employees	1,055	1,030	1,061	1,077	1,112
<b>Ratios</b>					
Profit margin	0.2 %	4.0 %	2.2 %	3.7 %	3.7 %
Return on assets	0.2 %	5.1 %	2.9 %	4.9 %	5.2 %
Solvency ratio	52.1 %	53.1 %	49.6 %	49.5 %	44.9 %
Return on equity	1.7 %	5.8 %	2.6 %	8.0 %	10.5 %
Liquidity ratio	1.9	2.1	1.9	1.9	1.8
Own production per employee	86	89	86	86	86

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 empowers clients with support and tools to make confident real-time decisions and reliable planning decisions within the water domain.

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 leads the way in digitalizing the world of water, combining our knowledge you're your data to put analytics at your fingertips – anywhere, on any device, at any time.

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 close to 1,100 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 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

## Development in the year

Total revenue ended at EUR 115.4 million compared with EUR 115.5 million in 2018. Revenue from Denmark accounts for 21% of total revenue which is the same level as in 2018. Revenue from Europe accounts for 34%, Americas 9%, Asia Pacific 33% and Africa for 3%. Revenue from Marine, Inland Water, and Urban business segment increased compared with 2018 whereas revenue from Industry and Other decreased compared with 2018.

Profit before financial income and expenses ended at EUR 177 thousand compared with EUR 4.6 million in 2018. Finance income increased compared with last year due to higher return on invested funds. Finance expenses decreased compared with last year due to lower exchange rate variances on DHI's trading currencies compared with 2018.

## **Management's Review**

Net profit for the year ended at EUR 844 thousand compared with EUR 2.6 million in 2018. The result is impacted by EUR 743 thousand related to non-recurring costs related to relocation to new headquarters in Denmark.

The overall financial performance for the year is not satisfactorily.

### **Capital resources**

The financial position of the Group remains strong. Cash position including securities as of 31 December 2019 amounted to EUR 35.0 million compared with EUR 32.5 million as of 31 December 2018.

Cash flows from operations ended at EUR 8.7 million (EUR (0.3) million in 2018), cash flows from investing activities ended at EUR (5.7) million (EUR (2.3) million in 2018) and cash flow from financing activities ended at EUR (200) thousand (EUR (143) thousand 2018).

### **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 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 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 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 cyclical international political and economic developments.

# Management's Review

## *Financial risks*

DHI's 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.

## **Strategy**

Our strategy is to transform the way our clients make water decisions by giving them real-time access to DHI's knowledge, data and analytics at their fingertips.

We are investing in digital transformation of our products and services into real-time monitoring applications for water related challenges. We are working closely with selected clients in key industries to develop digital solutions and services in order to help them making better water decisions.

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.

DHI's integrated management system fulfils 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 support the United Nations Global Compact – an initiative that encourages the adoption of sustainable and socially responsible policies. We subscribe to its ten principles in the areas of human rights, labor, the environment and anti-corruption.

# Management's Review

## Targets and expectations for the year ahead

The outbreak of COVID-19 and the restrictions imposed by governments all over the world is expected to have negative impact to the financial performance for DHI for 2020 and possibly 2021. Revenue from project activities will most likely be impacted by travel restrictions and client delays related to ongoing projects and funding of future projects. Revenue from software sales will most likely be less impacted but negative impact from new sales due to reduced funding is expected.

Our main priority during the COVID-19 outbreak is to continuously support our clients and meet our commitments to clients, suppliers and staff.

Measures to temporarily reduce costs level are being implemented to reduce the impact from COVID-19.

The financial position of DHI remains strong and is not threatened within the coming 12 months.

The global challenges within water and water environment is continuously increasing, but we expect delays in project financing due to COVID-19. We will continue to develop a more focused approach in our key market segments.

The ongoing focus on improving our overall operational performance to finance our strategic initiatives will continue and has been strengthened due to COVID-19. Performance is monitored closely through our central business intelligence systems and reviewed at monthly performance reviews with all local subsidiaries.

The investment in our digital product and services platform continues and more commercial product will be launched in 2020.

As explained above, we now expect a lower net revenue and profit for 2020 than original budgeted, but due to the high level of uncertainty a guidance for 2020 is abandoned.

## 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 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.

# Management's Review

## 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 1,055 in 2019 compared with 1,030 in 2018. Total number of headcounts as per end of December 2019 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 – an initiative that encourages the adoption of sustainable and socially responsible policies. We subscribe to its ten principles in the areas of human rights, labor, 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.

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.

## **Management's Review**

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 aims at creating a challenging international work environment, and the share of international employees is 23% 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 37% of all staff in Denmark, and the total number of women in the Executive Board and external Board of Directors accounts for 43%.

DHI has obtained equal representative in its Executive Board and external Board of Directors.

### **Uncertainty relating to recognition and measurement**

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

### **Unusual events**

The financial position at 31 December 2019 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019 have not been affected by any unusual events.



## Income Statement 1 January - 31 December

	Note	Group		DHI A/S	
		2019 TEUR	2018 TEUR	2019 TEUR	2018 TEUR
<b>Revenue</b>	1	<b>115,365</b>	<b>115,500</b>	<b>58,453</b>	<b>56,615</b>
Disbursement and other direct costs		<u>-24,393</u>	<u>-24,330</u>	<u>-19,185</u>	<u>-15,869</u>
<b>Own production</b>		<b>90,972</b>	<b>91,170</b>	<b>39,268</b>	<b>40,746</b>
Other operating income		238	827	5,320	5,420
Other external expenses		-17,433	-16,970	-12,263	-11,181
Staff expenses	2	<u>-71,619</u>	<u>-68,395</u>	<u>-32,162</u>	<u>-31,036</u>
<b>Profit before amortisation and depreciation</b>		<b>2,158</b>	<b>6,632</b>	<b>163</b>	<b>3,949</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-1,981</u>	<u>-2,055</u>	<u>-1,188</u>	<u>-1,033</u>
<b>Profit before financial income and expenses</b>		<b>177</b>	<b>4,577</b>	<b>-1,025</b>	<b>2,916</b>
Income from investments in subsidiaries		0	0	-66	694
Financial income	3	2,116	1,079	1,798	973
Financial expenses	4	<u>-1,274</u>	<u>-2,025</u>	<u>-668</u>	<u>-1,729</u>
<b>Profit before tax</b>		<b>1,019</b>	<b>3,631</b>	<b>39</b>	<b>2,854</b>
Tax on profit for the year	5	<u>-175</u>	<u>-1,040</u>	<u>691</u>	<u>-367</u>
<b>Net profit for the year</b>		<b>844</b>	<b>2,591</b>	<b>730</b>	<b>2,487</b>

## Balance Sheet 31 December

### Assets

	Note	Group		DHI A/S	
		2019 TEUR	2018 TEUR	2019 TEUR	2018 TEUR
Acquired licenses		87	30	39	23
Goodwill		0	38	0	0
<b>Intangible assets</b>	6	<b>87</b>	<b>68</b>	<b>39</b>	<b>23</b>
Land and buildings		1,194	651	817	253
Other fixtures and fittings, tools and equipment		5,726	3,443	4,378	2,235
Leasehold improvements		1,052	453	868	77
<b>Property, plant and equipment</b>	7	<b>7,972</b>	<b>4,547</b>	<b>6,063</b>	<b>2,565</b>
Investments in subsidiaries	8	0	0	24,343	22,500
Other investments	9	20	21	0	0
Deposits	9	985	902	610	409
<b>Fixed asset investments</b>		<b>1,005</b>	<b>923</b>	<b>24,953</b>	<b>22,909</b>
<b>Fixed assets</b>		<b>9,064</b>	<b>5,538</b>	<b>31,055</b>	<b>25,497</b>
<b>Inventories</b>		<b>159</b>	<b>166</b>	<b>141</b>	<b>124</b>
Trade receivables		21,633	24,388	7,963	8,151
Contract work in progress	10	18,201	17,833	6,473	5,491
Receivables from group enterprises		0	0	10,012	10,439
Other receivables		1,556	1,450	259	480
Deferred tax asset	15	4,379	4,270	4,250	4,250
Corporation tax		1,233	745	758	29
Prepayments	11	2,728	3,307	2,025	2,768
<b>Receivables</b>		<b>49,730</b>	<b>51,993</b>	<b>31,740</b>	<b>31,608</b>
<b>Securities</b>	12	<b>11,357</b>	<b>9,598</b>	<b>11,282</b>	<b>9,523</b>
<b>Cash at bank and in hand</b>		<b>23,640</b>	<b>22,868</b>	<b>2,713</b>	<b>5,821</b>
<b>Currents assets</b>		<b>84,886</b>	<b>84,625</b>	<b>45,876</b>	<b>47,076</b>
<b>Assets</b>		<b>93,950</b>	<b>90,163</b>	<b>76,931</b>	<b>72,573</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	Group		DHI A/S	
		2019 TEUR	2018 TEUR	2019 TEUR	2018 TEUR
Share capital		1,344	1,344	1,344	1,344
Reserve for net revaluation under the equity method		0	0	6,221	6,573
Retained earnings		46,564	45,397	40,343	38,824
<b>Equity attributable to shareholders of the Parent Company</b>		<b>47,908</b>	<b>46,741</b>	<b>47,908</b>	<b>46,741</b>
Minority interests		1,032	1,109	0	0
<b>Equity</b>	13	<b>48,940</b>	<b>47,850</b>	<b>47,908</b>	<b>46,741</b>
Mortgage loans		1,187	1,289	1,187	1,279
<b>Long-term debt</b>	16	<b>1,187</b>	<b>1,289</b>	<b>1,187</b>	<b>1,279</b>
Mortgage loans	16	91	111	91	91
Trade payables		7,496	5,704	5,358	2,569
Contract work in progress, liabilities	10	14,345	15,190	8,597	9,157
Payables to group enterprises		0	0	1,171	805
Corporation tax		410	431	0	0
Other payables		16,981	15,520	9,155	8,639
Deferred income	17	4,500	4,068	3,464	3,292
<b>Short-term debt</b>		<b>43,823</b>	<b>41,024</b>	<b>27,836</b>	<b>24,553</b>
<b>Debt</b>		<b>45,010</b>	<b>42,313</b>	<b>29,023</b>	<b>25,832</b>
<b>Liabilities and equity</b>		<b>93,950</b>	<b>90,163</b>	<b>76,931</b>	<b>72,573</b>
Distribution of profit	14				
Contingent assets, liabilities and other financial obligations	20				
Related parties	21				
Fee to auditors appointed at the general meeting	22				
Subsequent events	23				
Accounting Policies	24				

## 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	1,344	0	45,397	46,741	1,109	47,850
Exchange adjustments	0	0	437	437	0	437
Ordinary dividend paid	0	0	0	0	-78	-78
Other equity movements	0	0	0	0	-113	-113
Net profit/loss for the year	0	0	730	730	114	844
<b>Equity at 31 December</b>	<b>1,344</b>	<b>0</b>	<b>46,564</b>	<b>47,908</b>	<b>1,032</b>	<b>48,940</b>

### 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	1,344	6,573	38,824	46,741	0	46,741
Exchange adjustments	0	449	-12	437	0	437
Dividend from group enterprises	0	-735	735	0	0	0
Other equity movements	0	-39	39	0	0	0
Net profit/loss for the year	0	-27	757	730	0	730
<b>Equity at 31 December</b>	<b>1,344</b>	<b>6,221</b>	<b>40,343</b>	<b>47,908</b>	<b>0</b>	<b>47,908</b>

## Cash Flow Statement 1 January - 31 December

	Note	Group	
		2019 TEUR	2018 TEUR
Net profit for the year		844	2,591
Adjustments	18	1,801	4,112
Changes in working capital	19	5,707	(5,272)
<b>Cash flows from operating activities before financial income and expenses</b>		<b>8,352</b>	<b>1,431</b>
Financial income		2,464	1,093
Financial expenses		(1,274)	(2,025)
<b>Cash flows from ordinary activities</b>		<b>9,542</b>	<b>499</b>
Corporation tax paid		(793)	(781)
<b>Cash flows from operating activities</b>		<b>8,749</b>	<b>(282)</b>
Purchase of intangible assets		(87)	(27)
Purchase of property, plant and equipment		(5,501)	(2,293)
Fixed asset investments made etc.		(82)	(25)
<b>Cash flows from investing activities</b>		<b>(5,670)</b>	<b>(2,345)</b>
Repayment of mortgage loans		(122)	(118)
Dividends paid		(78)	(25)
<b>Cash flows from financing activities</b>		<b>(200)</b>	<b>(143)</b>
<b>Change in cash and cash equivalents</b>		<b>2,879</b>	<b>(2,770)</b>
Cash and cash equivalents at 1 January		32,466	35,250
Exchange adjustment of current asset investments		(348)	(14)
<b>Cash and cash equivalents at 31 December</b>		<b>34,997</b>	<b>32,466</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		23,640	22,868
Current asset investments		11,357	9,598
<b>Cash and cash equivalents at 31 December</b>		<b>34,997</b>	<b>32,466</b>

# Notes to the Financial Statements

	Group		DHI A/S	
	2019 TEUR	2018 TEUR	2019 TEUR	2018 TEUR
<b>1 Revenue</b>				
<b>Geographical segments</b>				
Denmark	23,726	23,770	22,385	23,126
Europe	39,650	40,897	16,747	17,545
Americas	10,374	10,090	3,424	2,505
Asia Pacific	38,210	37,301	13,293	10,333
Africa	3,405	3,442	2,604	3,106
	<b>115,365</b>	<b>115,500</b>	<b>58,453</b>	<b>56,615</b>
<b>Business segments</b>				
Marine	46,715	45,419	23,833	21,524
Inland Water	31,023	30,791	11,592	10,500
Urban	17,381	16,586	4,986	5,847
Industry	12,972	13,514	11,603	12,228
Other	7,274	9,190	6,439	6,516
	<b>115,365</b>	<b>115,500</b>	<b>58,453</b>	<b>56,615</b>
<b>2 Staff expenses</b>				
Wages and salaries	65,086	62,325	31,608	30,535
Pensions	1,081	986	251	215
Other social security expenses	5,452	5,084	303	286
	<b>71,619</b>	<b>68,395</b>	<b>32,162</b>	<b>31,036</b>
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	1,153	1,037	1,153	1,037
Supervisory Board	175	173	175	173
	<b>1,328</b>	<b>1,210</b>	<b>1,328</b>	<b>1,210</b>
<b>Average number of employees</b>	<b>1,055</b>	<b>1,030</b>	<b>322</b>	<b>318</b>

## Notes to the Financial Statements

	Group		DHI A/S	
	2019 TEUR	2018 TEUR	2019 TEUR	2018 TEUR
<b>3 Financial income</b>				
Interest received from group enterprises	0	0	168	168
Other financial income	2,116	1,079	1,630	805
	<b>2,116</b>	<b>1,079</b>	<b>1,798</b>	<b>973</b>
<b>4 Financial expenses</b>				
Interest paid to group enterprises	0	0	16	0
Other financial expenses	1,274	2,025	652	1,729
	<b>1,274</b>	<b>2,025</b>	<b>668</b>	<b>1,729</b>
<b>5 Tax on profit for the year</b>				
Current tax for the year	1,020	784	45	367
Deferred tax for the year	(109)	256	0	0
Tax income due to tax credit scheme	(736)	0	(736)	0
	<b>175</b>	<b>1,040</b>	<b>(691)</b>	<b>367</b>

# Notes to the Financial Statements

## 6 Intangible assets

### Group

	Acquired licenses TEUR	Goodwill TEUR	Total TEUR
Cost at 1 January	337	661	998
Exchange adjustment	1	0	1
Additions for the year	87	0	87
Disposals for the year	(59)	0	(59)
Cost at 31 December	<u>366</u>	<u>661</u>	<u>1,027</u>
Impairment losses and amortisation at 1 January	307	623	930
Exchange adjustment	1	(1)	0
Amortisation for the year	30	39	69
Reversal of amortisation of disposals for the year	(59)	0	(59)
Impairment losses and amortisation at 31 December	<u>279</u>	<u>661</u>	<u>940</u>
<b>Carrying amount at 31 December</b>	<b><u>87</u></b>	<b><u>0</u></b>	<b><u>87</u></b>

### DHI A/S

	Acquired licenses TEUR	Total TEUR
Cost at 1 January	323	323
Additions for the year	37	37
Cost at 31 December	<u>360</u>	<u>360</u>
Impairment losses and amortisation at 1 January	300	300
Amortisation for the year	21	21
Impairment losses and amortisation at 31 December	<u>321</u>	<u>321</u>
<b>Carrying amount at 31 December</b>	<b><u>39</u></b>	<b><u>39</u></b>



## 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	3,454	17,960	3,956	25,370
Exchange adjustment	12	215	103	330
Additions for the year	622	4,078	801	5,501
Disposals for the year	-141	-3,490	-2,712	-6,343
Cost at 31 December	<u>3,947</u>	<u>18,763</u>	<u>2,148</u>	<u>24,858</u>
Impairment losses and depreciation at 1 January	2,803	14,517	3,503	20,823
Exchange adjustment	7	196	93	296
Depreciation for the year	36	1,739	137	1,912
Reversal of impairment and depreciation of sold assets	-93	-3,415	-2,637	-6,145
Impairment losses and depreciation at 31 December	<u>2,753</u>	<u>13,037</u>	<u>1,096</u>	<u>16,886</u>
<b>Carrying amount at 31 December</b>	<b><u>1,194</u></b>	<b><u>5,726</u></b>	<b><u>1,052</u></b>	<b><u>7,972</u></b>

## 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	2,451	7,971	826	11,248
Exchange adjustment	-1	-4	0	-5
Additions for the year	623	3,209	923	4,755
Disposals for the year	-141	-1,333	-223	-1,697
Cost at 31 December	<u>2,932</u>	<u>9,843</u>	<u>1,526</u>	<u>14,301</u>
Impairment losses and depreciation at 1 January	2,198	5,736	749	8,683
Exchange adjustment	-1	6	0	5
Depreciation for the year	11	1,024	132	1,167
Reversal of impairment and depreciation of sold assets	-93	-1,301	-223	-1,617
Impairment losses and depreciation at 31 December	<u>2,115</u>	<u>5,465</u>	<u>658</u>	<u>8,238</u>
<b>Carrying amount at 31 December</b>	<b><u>817</u></b>	<b><u>4,378</u></b>	<b><u>868</u></b>	<b><u>6,063</u></b>

## Notes to the Financial Statements

	DHI A/S	
	2019	2018
	TEUR	TEUR
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	14,900	15,115
Exchange adjustment	(6)	(45)
Additions for the year	390	0
Disposals for the year	0	(170)
Cost at 31 December	<u>15,284</u>	<u>14,900</u>
Value adjustments at 1 January	6,573	7,284
Disposals for the year	0	61
Exchange adjustment	449	96
Net profit/loss for the year	(27)	737
Dividends to the Parent Company	(735)	(1,560)
Amortisation of goodwill	(39)	(45)
Value adjustments at 31 December	<u>6,221</u>	<u>6,573</u>
Equity investments with negative net asset value amortised over receivables	<u>2,838</u>	<u>1,027</u>
<b>Carrying amount at 31 December</b>	<b><u>24,343</u></b>	<b><u>22,500</u></b>

## 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 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 %
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

	<b>Group</b>		<b>DHI A/S</b>
	Other investments	Deposits	Deposits
	TEUR	TEUR	TEUR
Cost at 1 January	21	902	409
Additions for the year	0	640	558
Disposals for the year	(1)	(557)	(357)
Cost at 31 December	<u>20</u>	<u>985</u>	<u>610</u>
<b>Carrying amount at 31 December</b>	<b><u>20</u></b>	<b><u>985</u></b>	<b><u>610</u></b>

	<b>Group</b>		<b>DHI A/S</b>	
	2019	2018	2019	2018
	TEUR	TEUR	TEUR	TEUR
<b>10 Contract work in progress</b>				
Selling price of work in progress	153,153	160,239	67,380	62,446
Payments received on account	<u>(149,297)</u>	<u>(157,596)</u>	<u>(69,504)</u>	<u>(66,112)</u>
	<b><u>3,856</u></b>	<b><u>2,643</u></b>	<b><u>(2,124)</u></b>	<b><u>(3,666)</u></b>
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	18,201	17,833	6,473	5,491
Prepayments received recognised in debt	<u>(14,345)</u>	<u>(15,190)</u>	<u>(8,597)</u>	<u>(9,157)</u>
	<b><u>3,856</u></b>	<b><u>2,643</u></b>	<b><u>(2,124)</u></b>	<b><u>(3,666)</u></b>

### 11 Prepayments

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

## Notes to the Financial Statements

	Group		DHI A/S	
	2019	2018	2019	2018
	TEUR	TEUR	TEUR	TEUR
<b>12 Current asset investments</b>				
Shares	3,491	603	3,491	603
Bonds	7,866	8,995	7,791	8,920
	<b>11,357</b>	<b>9,598</b>	<b>11,282</b>	<b>9,523</b>

### 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:

	2019	2018	2017	2016	2015
	TEUR	TEUR	TEUR	TEUR	TEUR
Share capital at 1 January	1,344	672	672	672	672
Capital increase	0	672	0	0	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>1,344</b>	<b>1,344</b>	<b>672</b>	<b>672</b>	<b>672</b>

	Group		DHI A/S	
	2019	2018	2019	2018
	TEUR	TEUR	TEUR	TEUR
<b>14 Distribution of profit</b>				
Reserve for net revaluation under the equity method	0	0	(27)	0
Minority interests' share of net profit/loss of subsidiaries	114	104	0	0
Retained earnings	730	2,487	757	2,487
	<b>844</b>	<b>2,591</b>	<b>730</b>	<b>2,487</b>

## Notes to the Financial Statements

	Group		DHI A/S	
	2019 TEUR	2018 TEUR	2019 TEUR	2018 TEUR
<b>15 Deferred tax asset</b>				
Deferred tax asset at 1 January	4,270	231	4,250	0
Amounts recognised in the income statement for the year	109	(256)	0	0
Amounts recognised in equity for the year	0	4,295	0	4,250
<b>Deferred tax asset at 31 December</b>	<b>4,379</b>	<b>4,270</b>	<b>4,250</b>	<b>4,250</b>

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.

## 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

After 5 years	822	914	822	914
Between 1 and 5 years	365	375	365	365
Long-term part	1,187	1,289	1,187	1,279
Within 1 year	91	111	91	91
	<b>1,278</b>	<b>1,400</b>	<b>1,278</b>	<b>1,370</b>

## 17 Deferred income

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

## Notes to the Financial Statements

	<b>Group</b>	
	<u>2019</u>	<u>2018</u>
	TEUR	TEUR
<b>18 Cash flow statement - adjustments</b>		
Financial income	(2,116)	(1,079)
Financial expenses	1,274	2,025
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,981	2,055
Tax on profit for the year	175	1,040
Other adjustments	487	71
	<u><b>1,801</b></u>	<u><b>4,112</b></u>
<b>19 Cash flow statement - changes in working capital</b>		
Changes in inventories	7	(13)
Changes in receivables	2,860	(5,825)
Changes in trade payables, etc.	2,840	566
	<u><b>5,707</b></u>	<u><b>(5,272)</b></u>



# 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 410. 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 14.3 million of which the Parent Company's obligation amounts to EUR 10.0 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 0.4 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 4.1 million have been provided by the Group in connection with project completion.

Guarantees provided by the Parent Company amount to EUR 2.4 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

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#### 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	
2019	2018	2019	2018
TEUR	TEUR	TEUR	TEUR

## 22 Fee to auditors appointed at the general meeting

#### PricewaterhouseCoopers

Audit fee	123	111	100	91
Other assurance engagements	13	17	13	17
Other services	261	214	258	224
	<b>397</b>	<b>342</b>	<b>371</b>	<b>332</b>

# Notes to the Financial Statements

## 23 Subsequent events

The outbreak of COVID-19 and the restrictions imposed by governments all over the world is expected to have negative impact to the financial performance for DHI. Revenue from project activities will most likely be impacted by travel restrictions and client delays related to ongoing projects and funding of future projects. Revenue from software sales will most likely be less impacted but negative impact from new sales due to reduced funding is expected.

Measures to temporarily reduce costs to mitigate the reduced revenues from COVID-19 are being implemented. The financial position of DHI remains strong and is not threatened within the coming 12 months.

Consequences from COVID-19 does not have any impact on the financial position at 31 December 2019 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019.

# Notes to the Financial Statements

## 24 Accounting Policies

The Annual Report of DHI A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

### 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.

### 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.

# Notes to the Financial Statements

## 24 Accounting Policies (continued)

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.

### 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.

# Notes to the Financial Statements

## 24 Accounting Policies (continued)

### 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.

#### Staff expenses

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

# Notes to the Financial Statements

## 24 Accounting Policies (continued)

### **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 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

# Notes to the Financial Statements

## 24 Accounting Policies (continued)

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



# Notes to the Financial Statements

## 24 Accounting Policies (continued)

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

## 24 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-

# Notes to the Financial Statements

## 24 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

## 24 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.

## Financial Highlights

### Explanation of financial ratios

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