COWI A/S

Parallelvej 2
2800 Kgs. Lyngby

Annual report 2020

Company reg. no. 44 62 35 28

The annual report was presented and adopted at the annual general meeting of the company on the 25 Mach 2021

Chairman
Julie Ramhøj Meisner

Julie Meisner

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1 Statements on the annual report

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board considered and approved the annual report for the financial year 1 January – 31 December 2020 of COWI A/S. The annual report has been prepared in accordance with the Danish Financial Statements Act. In our opinion, the accounting policies applied are appropriate and the accounting estimates made are adequate.

Furthermore, we find the overall presentation of the financial statement to be true and fair. In our opinion, the annual report gives a true and fair view of the company's assets, liabilities, financial position and the activities and cash flow for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

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

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

Kongens Lyngby, 24 February 2021

Executive Board

Rasmus Ødum
Chief Executive Officer

Board of Directors

Lars-Peter Søbye Chairman	Tomas Bergendahl Vice Chairman	Rasmus Ødum
Carsten Fjorback*	Ulf Kjellerup Hansen*	

*elected by the employees

Independent auditor's report

To the shareholder in COWI A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operation and cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of COWI A/S for the financial year 1 January – 31 December 2020, which comprise a summary of significant accounting policies, profit and loss account, balance sheet, statements of changes in equity, cash flow statement and notes ("financial statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Boards for Accounts' 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 auditing 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 and 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 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 Statement
Management is responsible for the preparation of the 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 enable the preparation of the 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 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 company or cease operations, or has realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statement
Our objectives are to obtain reasonable assurance about whether the financial statements 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 no guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exits. 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 this financial statements.

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

* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than of 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 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 exits related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exits, we are required to draw attention in our auditor's report to 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 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.

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

Hellerup, 24 February 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company Reg. no. 33 77 12 31

Jesper Møller Langvad	Søren Alexander
State Authorised	State Authorised
Public Accountant	Public Accountant
mne21328	mne42824

2 Company Information

COWI A/S	Parallelvej 2 2800 Kongens Lyngby Telephone +45 56 40 00 00 www.cowi.com www.cowi.dk cowi@cowi.com Company reg. no. 44 62 35 28
Branches	Ethiopia Germany Greenland Kenya Kuwait Philippines Qatar Taiwan Tanzania Turkey Uganda
Board of Directors	Lars-Peter Søbye, Chairman Tomas Bergendahl, Vice Chairman Rasmus Ødum Carsten Fjorback Ulf Kjellerup Hansen
Executive Board	Rasmus Ødum Chief Executive Officer
Auditing	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Annual general meeting	The annual general meeting will be held online on 25 March 2021.
Ownership	The company is 100 % owned by COWI Holding A/S

3 Key figures and financial ratios

Key figures and financial ratios	2016 DKKm	2017 DKKm	2018 DKKm	2019 DKKm	2020 DKKm
Net turnover	**2,918**	**3,045**	**3,142**	**3,061**	**2,949**
Operating profit before interest, tax, depreciation, amortisation (EBITDA)	288	330	329	178	232
Operating profit on ordinary activities	90	86	59	-105	-65
Operating profit before amortisation (EBITA)	257	290	283	133	194
Operating profit (EBIT)	**206**	**230**	**219**	**73**	**148**
Net financials	17	-18	2	-10	-21
Profit before tax	**232**	**224**	**219**	**72**	**128**
Profit for the year	**169**	**169**	**165**	**40**	**85**
Goodwill	86	177	154	133	111
Other non-current assets	518	362	323	322	212
Cash and cash equivalents	369	424	60	61	65
Other current assets	1,376	1,385	1,450	1,154	1,429
Total assets	**2,349**	**2,348**	**1,987**	**1,670**	**1,817**
Share capital	27	27	27	27	27
Equity	**725**	**674**	**539**	**380**	**417**
Provisions	275	325	344	348	416
Long-term debt	1	0	2	67	173
Short-term debt	1,349	1,348	1,102	875	810
Cash flow from operating activities	180	379	206	153	482
Investment in property, plant and equipment	-43	-45	-45	-56	-28
Other investments, net	-174	-9	-22	-35	45
Cash flow from investing activities, net	-217	-54	-65	-91	17
Free cash flow	**-36**	**325**	**141**	**62**	**499**
Cash flow from financing activities	18	-207	-496	169	-496
Cash flow for the year	**-19**	**118**	**-355**	**231**	**4**
Financial ratios					
EBITDA margin	10%	11%	10%	6%	8%
Operating margin (EBIT margin)	7%	8%	7%	2%	5%
Return on invested capital	57%	54%	48%	15%	40%
Equity ratio	31%	29%	27%	23%	23%
Return on equity	24%	24%	27%	9%	21%
Interest-bearing debt, net (- = asset)	-314	-418	-277	-93	-353
Liquidity	1.3	1.3	1.4	1.4	1.8
Average number of employees	2,607	2,618	2,624	2,627	2,545

Financial ratios

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

EBITDA margin	Operating profit/loss excl. depreciation and amortisation x 100 / Net turnover
Operating margin (EBIT margin)	Operating profit/loss x 100 / Net turnover
Return on invested capital	Operating profit/loss x 100 / Average invested capital including goodwill
Equity ratio	Equity, end of year x 100 / Total assets, end of year
Return on equity	COWI's share of profit/loss for the year x 100 / Average equity
Liquidity ratio	Current assets / Short-term debt

Interest bearing debt

Interest bearing assets minus interest bearing debt

Interest bearing assets
Cash at bank and in hand and receivables from group companies

Interest bearing debt
External debt and payables to group companies

4 Management's review

As the global COVID-19 pandemic, and subsequent restrictions, caused declining economic development and severe market uncertainties, the COWI Group delivered a very satisfactory result in 2020, in fact the best ever. The progress was first and foremost a result of strengthened customer relationships, enabling continued business with both public and private customers, as well as improved project execution, which led to fewer write-downs and disputes.

Progress was also achieved due to the changes and priorities introduced at the beginning of 2020 to ensure that COWI would get back on track from the disappointing result in 2019.

At the beginning of 2020, in COWI A/S, we implemented one of the biggest organisational changes in COWI's history, ensuring that our organisational set-up best supports our focus on growth in our core markets (Scandinavia, the UK and North America) as well as growth within the green transition. This enabled us to better allocate focus and resources to the business segments and geographical areas with the most potential, while withdrawing from areas with subpar returns or too high risks of doing business. The divestment of our mapping business was such an example, as was our decision to minimise our business in the Middle East.

However, the reorganisation primarily revolved around strengthening customer and market focus and setting the stage for future growth with particular focus on energy and transportation in our core markets. Furthermore, we made dedicated efforts to build stronger and lasting customer relationships. This included proactively reaching out to customers, understanding their needs and situation to ensure that our services matched these requirements. Customers responded very positively to this approach, which resulted in all-time high customer satisfaction (measured as Net Promotor Score (NPS)). At the same time, we managed to achieve a 60+ per cent win-rate among our top priority project tenders. This resulted in a record-high order book at group level by the end of 2020 of DKK 4.3 billion.

Moreover, the satisfactory performance, reflected in significant EBIT margin improvement and strong operating cash flow, was linked to robust billability and improvements in our project execution, after an unsatisfactory high level of project write-downs in 2019. In 2020, we continued to launch new tools for project managers and leaders to help them improve the quality of our project execution and strengthen risk management to the benefit of our customers and COWI. In addition, leaders dedicated more time to support and coach project managers to deliver projects on time and with consistent high quality.

All in all, COWI, and not least our employees, showed a tremendous adaptability to new and often very challenging work and market conditions. Therefore, we are very pleased with both the results and our performance in 2020.

Carbon neutrality achieved in 2020

In 2019, COWI decided to become carbon neutral in 2020 and reduce actual direct and indirect CO_2 emissions by more than 70 per cent in 2030 compared to 2008. Carbon neutrality was achieved in 2020 thanks to reduction efforts already made, reduced corporate travelling due to COVID-19 and by acquiring CO_2 credits to off-set the small remainder of our emissions. On top of this, COWI's commitment to a sustainable future and to being a frontrunner in the green transition was confirmed as it was decided to significantly reduce corporate travelling. Going forward, once the pandemic-related lockdowns have been lifted, the ambition is to reduce air travel for internal meetings by 50 per cent and air travel on projects by 25 per cent, compared to 2019 levels. In addition, COWI's car fleet will be converted to electric or hybrid cars.

Green transition in focus

In general, 2020 saw a significant increase in both public and private entities announcing plans to invest in the green transition. For instance, in Denmark, COWI was involved in background studies leading to the political decision to invest in an energy island in the North Sea, and was chosen as knowledge partner in a significant and ground-breaking Power-to-X project in which some of Denmark's largest corporations partnered. These projects can spearhead the green transition while creating jobs and new value chains to reinforce Denmark's role as a green energy leader.

New digital services launched

The digitalisation of COWI, our services and processes accelerated in 2020. For instance, all business lines now have a digital director leading the digital transformation, and each business unit and department have digital leads supporting the development and implementation of digital solutions. On top of this, we created a network structure based on online communities where employees can share and discuss digital ideas – a type of incubator for developing new digital tools and services. As an example, the Artificial Intelligence Community succeeded in developing a pilot model for seabed classification based on machine learning used in the offshore wind turbine industry.

One outcome of the accelerated digital transformation was the development of BIM (building information modelling) KPIs for projects. COWI has worked with BIM for years, but the usage of BIM in projects varied a lot. With BIM KPIs for each design project above DKK 1 million in turnover, we accelerated the level of BIM usage in our projects to offer our customers a better experience during the design phase as we can now involve them much earlier in critical decision processes. For instance, we can visualise what the built environment will look like and demonstrate how decisions are linked to costs, CO_2 emissions etc. In turn, this will also further improve our project execution as we can understand the customer's requirements for deliverables faster.

Performance improvement 2020 and strong cash flow

Turnover amounted to DKK 2,949 million, which represented a slight decrease compared to DKK 3,061 million in 2019, due to the divestment of our mapping business. The EBITDA margin was 9.0 per cent, compared to 7.3 per cent in 2019, while the operating profit for the year was DKK 180 million, corresponding to an EBIT margin of 6.1 per cent, up 2.3 percentage points from 2019. Operating cash flow was extraordinarily high, amounting to DKK 514 million.

The result was negatively affected by DKK 32 million related to the ongoing arbitration case in Oman. The figures above are exclusive of these costs.

Solid performance in Denmark

Business Line Denmark delivered a robust performance on par with the 2019 results, primarily driven by high activity levels in all business units throughout the year. The activity level stayed high and cooperation across the Group was further strengthened. Significant organisational changes were carried out in order to strengthen market and customer focus, including reducing the Danish organisation from six business units to three, with a fourth nimble unit specialising in international donor projects. Also, COWI's mapping business was divested. During 2020, the

Danish business worked hard on strengthening COWI's positioning within the green transition and landed contracts for new green flagship projects such as energy islands and Power-to-X. At the end of 2020, COWI was part of the consortium that won the Copenhagen Future Rail Network project for DSB.

In 2020, we consolidated all our energy-related resources in one business unit focusing on renewables, thereby positioning us as an attractive partner in the green transition. On top of this, we signed and began work under the significant contract for the Fehmarnbelt Fixed Link, which is one of the largest infrastructure projects in Europe. However, significant write-downs in the Transportation and Energy units impacted the overall financial result negatively. To accelerate the turnaround, it was decided to further minimise our business in the Middle East where the risk of doing business is deemed too high.
Also, the strengthened collaboration with other COWI affiliates had a very positive impact on sales, and in particular the joint market strategies with Arkitema (COWI Group subsidiary) has proven beneficial.

Co-creating as One COWI
In 2020, the cooperation and sharing of competencies and resources across business lines and borders in COWI were further strengthened. Strategic and practical coordination of joint market activities take place in our sector boards (Transportation, Building, Water and Environment, and Energy) and winning the High Speed 2 project and DSB's Copenhagen Future Rail Network project was the result of such cooperation.

In line with above, the competencies of our colleagues in India, Lithuania and Poland are now well integrated into the business model for all our business lines, enabling COWI to provide competitive and high-quality solutions for our customers, especially within BIM. The flexibility of the set-up was tested during the COVID-19 pandemic when these countries were under lockdown for months. But with constant care, COWI had prepared business continuity plans in case of severe operational disturbances across all business entities in all the countries of operation, and with these plans in hand, COWI was (and is) able to maintain normal operations even though most employees worked remotely.

Process and quality
In 2020, we continued our journey to improve our project execution by implementing simple and effective processes and tools. In the first half of the year, 18 improved digital tools supporting project managers were introduced. In particular, a new risk management tool was launched, focusing on strengthening active risk management in project execution. The tool ensures a proactive approach to risk management through the entire life cycle of the project and establishes a strong platform for customer interaction.

In 2020, to strengthen COWI's brand as ‘a great place to work’, the company was certified according to ISO 45001, which measures the physical and psychosocial work environment. Being certified in occupational health and safety management has proven to be a powerful way to develop and ensure a good working environment, and thereby a foundation for a strong performance. Our businesses in Denmark was certified in 2020. An external accredited certification agency will regularly check to make sure that we meet the goals that we set out and that we continually improve occupational health and safety activities in COWI, based on pre-determined requirements.

Despite COVID-19, employee engagement remained high
COWI's key resource is our employees. With lengthy lockdowns, new ways of working and minimal socialising, a drop in engagement was expected. However, a global pulse engagement survey showed that we were able to maintain a high engagement level. In 2020, the overall engagement score in Business Line Denmark was 79 (78 in 2019), which was higher than the industry average. One reason for the continued high engagement was the various efforts from leaders to manage the pandemic-related challenges such as isolation and working from home. The survey also included four specific questions related to how COWI managed the pandemic, all scoring higher than 80.

As the pandemic continued to keep people at home, we experienced a growing corona fatigue. Employees came up with various creative ways to stay connected and socialise virtually to keep engagement high and fight the fatigue.

Employer branding
The fight for talent continued to intensify in 2020. However, with dedicated and targeted activities, COWI managed to increase its employer branding ranking in Denmark. We stepped up our investments in digital recruitment campaigns, and these targeted campaigns had a positive impact on the number of job applicants and the quality of the job applicants. These results were the outcome of strong collaboration between the talent acquisition team and the employer branding team.

Developing leaders and employees
Investing in our leaders and employees is key to the future success of our business. In 2020, most of our training sessions were severely challenged by the pandemic, which forced us to turn classroom courses into online training sessions. The transition showed that many courses can be conducted online, but also that some training must remain physical to achieve the needed outcome.

COWI Academy provides training in a wide range of subjects, among other things business development, negotiation and project management (PM). In 2020, 46 (151 in 2019) employees from across the Group completed the Academy’s PM courses. In 2019, 22 employees of COWI's top project managers graduated from a specialised PM course dealing with highly complex and challenging international projects. Due to the COVID-19 outbreak, instructor-led courses were cancelled, and specialised PM courses such as PM Advanced and Strategic were not conducted in 2020. Given the complexity of these PM courses, they were not converted to online mode.

Our courses are attended by participants from all parts of COWI. We firmly believe that meeting customer needs as One COWI requires relationships across our business. That is why we attach great importance to creating learning environments where employees from across the Group can meet, both face-to-face and, now, virtually.

Talent development in focus
In 2020, our top talent programme, ACCELERATOR, continued. Last year’s group of talents were all project managers as COWI must strengthen its project manager pipeline to support growth in the medium to long-term future. The 22 participants took part in various workshops, courses and mentoring sessions led by senior leaders with the purpose of building the necessary personal and professional learnings to take their careers to the next level. However, due to

COVID-19, all training was online in 2020. As networking and peer mentoring are key outcomes of the course, it was decided to extend the course into 2021, allowing all participants to meet physically and strengthen relationships further.

Diversity improved – efforts continue

It is COWI's ambition that all employees should have equal opportunities regardless of gender, age, race, religion, nationality, ethnic and social origin, disability, political or sexual orientation. COWI views diversity as a competitive advantage. A breadth in employees adds more perspectives to our business and organisation and leads to a better contribution to the development of services and solutions valued by customers and society. Today, we number 55 different nationalities across all career levels within COWI A/S.

It is COWI's ambition that the composition of management reflects the diversity of our business and markets. Specifically, regarding gender diversity, we continued our efforts to have more women in senior positions. For instance, as regard to the Board of Directors of COWI Holding A/S – excluding employee-elected board members – two out of six members were female. COWI has the overall target that the share of female managers should reflect the share of female employees. In 2020, we achieved the target. In Business Line Denmark, 31 per cent of all managers were female. There is still room for improvement, and we will continue investing in and prioritising the development of more female managers.

Danish legislation introduced in 2013 requires company boards to include female and male members alike. Companies are also obligated to set targets and prepare a policy to that end. COWI A/S has set the same target as COWI Holding A/S. Therefore, the target is that women should make up at least 33 per cent of the board members, and this should be achieved within 2024. At the end of 2020 3 out of 3 board members elected at the general meeting were men. Since it was not possible to implement changes to the board composition during 2020, the target was not achieved in COWI A/S in that period.

Updated corporate values

Well-defined company values that truly represent how an organisation does business can guide decision-making across the organisation, set your company apart from the competition, and strengthen financial performance. They also make it easier to recruit people that will be a good fit for the existing organisation.

In late 2020, COWI updated its corporate values through a process that involved both employees and customers. The updated values consist of the core DNA that characterises COWI today and new aspirational values that COWI wants to be associated with going forward. The updated values describe the behaviours we expect to see in all employees. To secure this, the values will be embedded in various people processes such as the people development process, recruitment, talent development and promotions. The roll-out of the updated values started in January 2021. The updated values can be found on www.cowi.com.

COWI turned 90

COWI was founded in 1930 by Christen Ostenfeld, who had been inspired by various trips to France and Switzerland to deliver new solutions within bridges and structural engineering. Throughout the years, these competencies have been COWI's core DNA and today our footprint is seen around the world.

In 2020, COWI celebrated its 90th birthday. Regrettably, the celebrations had to be virtual due to COVID-19. On social media, our posts offered a trip down memory lane, sharing the stories behind some of COWI's trademark projects such as the Ostenfeld silo, the New Little Belt Bridge and our international expansion.

Corporate social responsibility (CSR)

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

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

Remuneration of the Executive Board and the Board of Directors

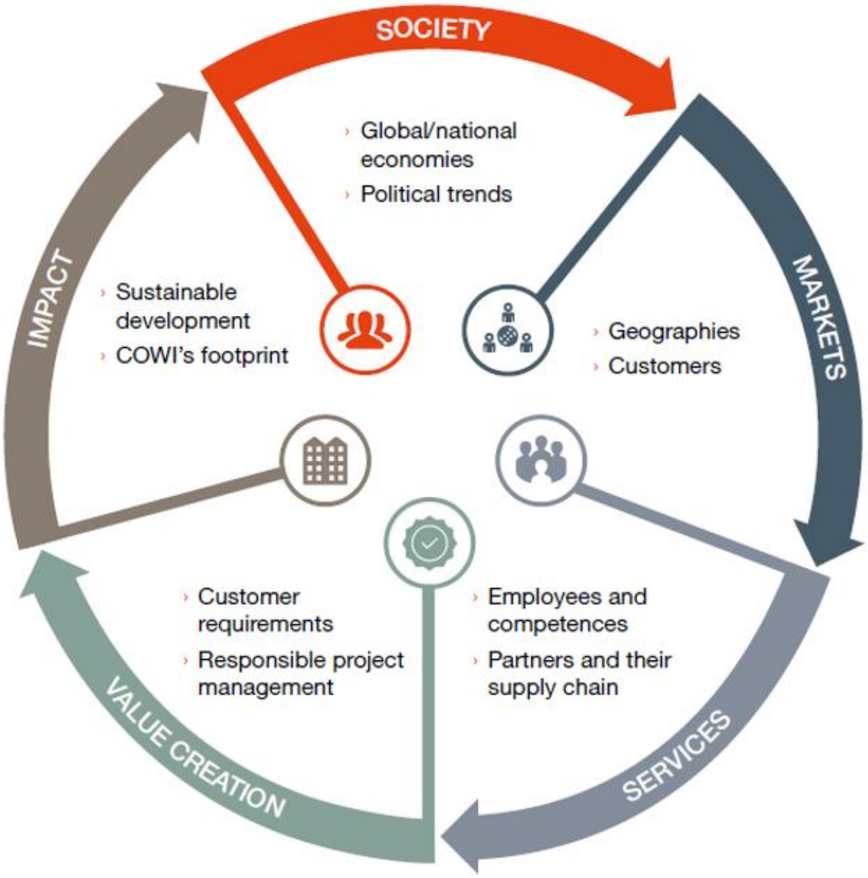
At the end of 2020, the board of directors of COWI A/S consisted of three members from the Executive Board of COWI Holding A/S as well as two employee-elected board members. In COWI A/S, employee-elected board members were each paid an annual fee of DKK 50,000. The fee was approved at the annual general meeting in COWI A/S in March 2020. The members of the Executive Board of COWI Holding A/S who are part of the board of COWI A/S are not paid for their directorships in COWI Group companies.

Final remarks

In conclusion, a warm and heartfelt thank you to all of our dedicated employees, who went the extra mile in 2020 to make ends meet in a very challenging and uncertain year. The passion, creativity and energy demonstrated to make things work and deliver on our promises to our customers were truly inspiring. Moreover, I want to thank our customers for their adaptability to new ways of working and support during the pandemic. The combination of this resulted, as mentioned, in a very satisfactory financial result, which, in turn, strengthened our financial foundation. This opens more opportunities for acquiring companies that will support our future growth ambitions.

Rasmus Ødum, CEO COWI A/S

COWI'S BUSINESS MODEL AND CSR RISK ASSESSMENT



SOCIETY

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

HOW WE FOLLOW UP

- Management's and employees' knowledge of mission, vision and values is scored in COWI's annual engagement survey

MARKETS

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

HOW WE FOLLOW UP

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

SERVICES

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

HOW WE FOLLOW UP

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

VALUE CREATION

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

HOW WE FOLLOW UP

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

IMPACT

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

HOW WE FOLLOW UP

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

Further information about COWI’s business model and CSR risk assessment is available in the COP report (Communication on Progress) for 2020.

COWI'S SERVICES

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

INDUSTRY
- Process industry
- Data centres
- Industrial buildings
- Forest industry
- Food industry
- Manufacturing industry
- Carbon capture and storage.

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

ENVIRONMENT
- Strategic environmental consultancy
- Nature
- Waste and resources
- Contaminated sites
- Environmental impact assessments
- Environment, health and safety
- Sustainability
- Climate change
- Urbanisation
- Digitalisation and technology.

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

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

ENERGY
- Wind energy
- Solar photovoltaic energy
- Biomass and waste-to-energy
- Green fuels, power-to-x
- Carbon capture, storage and utilisation
- District heating and cooling
- Oil and gas
- Energy storage and transmission
- Climate change.

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

ARCHITECTURE
- Hospitals
- Housing
- Educational projects
- Domiciles
- Urban design
- Cultural projects
- Laboratories
- Commercial buildings
- Industrial buildings
- Historic and protected buildings.

Outlook for 2021

During 2020, the global COVID-19 pandemic affected all our core markets, significantly increasing the economic uncertainty. The road to recovery will depend on the pace of vaccine deployment, restrictions and mitigating political actions. The pandemic will continue to impact our markets in 2021, and markets are exceptionally uncertain, holding both upside and downside risks. However, we expect investments in infrastructure and public funding for the green transition, such as the European Green Deal, to provide tailwind for customer demand. The Danish economy is expected to see growth anew in 2021, though only gradually recovering from the reduction in 2020. The buildings outlook is blurred: Growth is expected in the residential market, while the non-residential market is stagnant. We expect infrastructure investments to increase in transportation and energy infrastructure, still awaiting a national political plan in 2021 for transportation infrastructure.

In 2020, design work on the Fehmarn Belt Fixed Link was initiated. Significant project wins in 2020 included conversion to driverless commuter trains for DSB, a digitalisation project for Metroselskabet, framework agreements with Energinet, and conceptual design for an energy hub in the North Sea. Even with higher market uncertainty, we expect to see moderate growth in the Danish market.

The international business of COWI A/S is expected to be driven by robust outlook for infrastructure investments particularly in Norway, U.K and in North America. The demand side of services related to green transition outside Denmark will also be a driver for growth in 2021. Furthermore, COWI A/S has strengthened its focus on business with international financing institutes (IFI) like EU and World Bank by establishing a business unit focusing on development assistance working closely with our subsidiary in Brussels.

2021 looks auspicious

The total outlook for 2021 is promising. Our order backlog in Denmark is stable and backlog on the international scene is growing. The green transition is expected to accelerate as investments in this area is expected to grow in the coming years, positively affecting our business. Overall, we expect more political alignment, especially regarding responses to climate change.

In 2021, we expect to see modest organic growth and our operational profit (EBIT-margin) similar to the 2020 level. However, profit will continue to be negatively affected by the arbitration case in Oman.

Financial review

As mentioned in the management's review on page 10, the result and the operating cash flow for the year are negatively affected by costs related to the ongoing Oman arbitration case (DKK 32 million). The arbitration case costs are unrelated to daily operations, and therefore the management's comments on the development of COWI's operational results in the following sections exclude these costs. However, the management's comments on the development of COWI's result for the year, before and after tax, and balance sheet items include the costs of the Oman arbitration proceedings.

Profit and loss account

Net turnover decreased in 2020 by DKK 111 million, or 3.7 per cent, compared to 2019, to DKK 2,949 million. The majority of the decrease was due to the divestment of the mapping business in April.

Own production increased by one per cent to DKK 2,268 million in 2020 from DKK 2,252 2019.

Operating expenses excluding financial items decreased DKK 14 million. Deprecations and amortisations amounting to DKK 105 million were primarily attributed to depreciations of property plant and equipment and software and licenses.

Operating profit increased with DKK 31 million from DKK 117 million in 2019 to DKK 148 million in 2020.

EBIT margin, the operating profit as a percentage of net turnover, was five per cent in 2020, it was four per cent in 2019.

Financial items with a net cost of DKK 21 million, increased by DKK 11 million since 2019, primarily due to foreign exchange losses.

Profit before tax was DKK 128 million, an increase from 2019 where it was DKK 72 million.
Tax on profit for the year in 2020 was DKK 43 million, corresponding to an effective tax rate of 34 per cent.

Profit for the year was DKK 85 million.

Balance sheet

The company's total assets at the end of 2020 was DKK 1,817 million, an increase of nine per cent since 2019.

Equity as of 31 December 2020 was DKK 417 million, corresponding to an equity ratio of 23 per cent.

Long-term debt has increased by DKK 106 million, primarily due to the freezing of holiday pay in accordance with the new Holiday Act.

Cash flow

Cash flow from operating activities amounted to DKK 482 million, an increase of DKK 329 million since 2019.

Cash flow from investing activities amounted to DKK 17 million in 2020 and related primarily to divestments.

Free cash flow was positive at DKK 499 million, an increase of DKK 437 million compared to 2019.

At 31 December 2020, the company's financial resources, which comprise cash and cash equivalents, as well as undrawn credit facilities, amounted to DKK 95 million compared to DKK 89 million at the end of 2019.

Capital and share structure
Management finds that the current capital and share structure is appropriate for the shareholder and the company, and that it supports the company's strategy and long-term value creation.

The share capital amounts to DKK 26.5 million.

Uncertainty in respect of recognition and measurement

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

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

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

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

Risk and risk management
The company’s risk exposure falls into market risks, operational risks, financial risks, liquidity risks and other risks.

Marked risks
We endeavour to minimise risks resulting from changes in the political landscape and in economic trends by maintaining a balanced project portfolio. The balanced portfolio entails spreading risks across geographical markets, service areas, segments and public/private sectors. Changes in the political landscape is a diminishing risk due to COWI's geographical focus.

Operational risks
We minimise losses on projects by conducting not only a risk assessment of each individual project and contract, but also by applying such project management and supervisory skills as the assessment requires. Contracts with subcontractors and partners can constitute a risk in the event of failure to deliver on time, within budget and to expected standards. We endeavour to minimise risks by means of dedicated project management, screening/due diligence of subcontractors, dialogue with customers, careful selection of projects and contract monitoring.

Overcapacity in relation to the scope of projects in progress is a risk, which we manage through backlog assessment and pipeline management. We use professional liability insurance to limit the risks associated with criteria specified by customers, partners and subcontractors. We have an IT security policy and an IT contingency plan in place to safeguard our central IT systems from damage and threats. We review the plans annually.

Financial risks
We endeavour to minimise foreign exchange risks related to our projects by matching, to the extent possible, the income and expenses in the same currency in the individual projects. In addition, significant net foreign exchange positions arising from business operations are hedged by currency hedging. The translation risk relating to investments in subsidiaries is not hedged. Interest rate risk is limited as a result of COWI’s limited net interest-bearing debt.

Acquisitions are part of the COWI Group’s growth strategy. We have developed a structured acquisition and divestment process as well as a valuation method and integration strategy to minimise acquisition-related risks and follow up on completed acquisitions systematically.

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

Other risks
COWI provides services to public and private customers in many parts of the world. Our reliability and trustworthiness as a consulting company depend heavily on our commercial integrity. We therefore adhere to our Business Integrity Management System, which sets out a code of conduct (including bribery, corruption, fraud, conflicts of interest etc.) defining best practices for all units, managers and employees.

Risk management
In addition to the above risk management activities, we have guidelines for risk management in our best practice code for corporate governance. Overall strategic risk management is based on

a risk profile which we update once a year for the Board of Directors to assess, discuss and classify. We set 12-month goals for modifications to risk profiles within selected areas of risk. Furthermore, each project is subject to risk screening as part of the overall bid/no-bid process and the risk category defines downstream requirements to project management procedures.

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

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

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

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

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

Monitoring
COWI uses a management control system to monitor the company's results, and this makes it possible at an early stage to identify and correct any errors and irregularities in the presentation

of the financial statements, including disclosed weaknesses in the internal controls, any non-compliance with procedures, policies etc.
Compliance with the Group's accounting policies is monitored on an ongoing basis at entity level, and periodical compliance visits are performed, based on size and risk assessments.

5 Financial statements

Accounting policies

The 2020 annual report of COWI A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for large enterprises in reporting class C.

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

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

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

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

Certain financial assets and liabilities are measured at amortised cost to achieve a constant effective interest rate over the life of the asset or liability. Amortised cost is stated as original cost less any repayments plus or minus the cumulative amortisation of any difference between cost and nominal amount. In this way, capital losses and gains are amortised over the life of the asset or liability. Recognition and measurement take into consideration anticipated losses and risks that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date.

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

Consolidated financial statements
With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of COWI Holding A/S, the company has not prepared consolidated financial statements. The consolidated financial statements for COWI Holding A/S can be found on the company website www.cowi.com.

Tax on profit for the year and deferred tax
The company is jointly taxed with the consolidated enterprises including foreign subsidiaries.

The tax effect of the joint taxation with the subsidiaries is distributed on the profit and loss-making enterprises in proportion to their taxable profits (full allocation with refund concerning tax losses).

Income tax for the year, consisting of current tax and deferred tax for the year, is recognised in the profit and loss account with the share attributable to profit for the year, and is recognised directly in equity with the share attributable to entries recognised directly in equity.

Current tax liabilities and current tax receivables are recognised net in the balance sheet as tax computed on taxable income for the year adjusted for tax on taxable income for previous years.

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences between accounting and tax values of assets and liabilities.

However, no provision is made for deferred tax on temporary differences arising from amortisation of goodwill disallowed for tax purposes as well as other items, apart from acquisition of enterprises, where temporary differences have arisen at the time of acquisition without any effect on financial results or the taxable income. In cases where the tax base can be determined according to alternative tax rules, deferred tax is recognised on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised at the value at which they are expected to be utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities. Deferred tax assets and liabilities are set off within the same legal tax entity.

Adjustment of deferred tax is made concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates legally effective in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax as a consequence of amendments to tax rates are recognised in the profit and loss account.

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

Translation policies

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

Accounts receivable and payable and other monetary items in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Unrealised exchange gains or losses arising from differences between the exchange rates ruling at the balance sheet date and the rates prevailing at the time when the receivable or payable arises are recognised in the profit and loss account under financial income or expenses.

Non-current assets acquired in foreign currencies are translated at the rates ruling at the transaction date. On recognition of foreign subsidiaries and associates that are separate legal entities, profit and loss accounts are translated at monthly average exchange rates, and balance sheet items are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates ruling at the balance sheet date and on translation of profit and loss accounts from average exchange rates to the rates ruling at the balance sheet date are recognised directly in equity.

On recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates ruling at the balance sheet date. Non-monetary items are translated at the rates prevailing at the time of acquisition or at the time of any subsequent revaluation or write-down for impairment of the asset.

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

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

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

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

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

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

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

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

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

Profit and loss account

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

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

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

Other operating income and expenses
Other operating income and expenses include items of a secondary nature compared with the company’s core activities, including compensation as well as profits/loss from the disposal of non-current assets etc.

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

Balance sheet

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

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

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

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

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

Own-developed products
Own-developed products that are clearly defined and identifiable, where the technical utilisation rate, sufficient resources and a potential future market or development opportunity in the enterprise can be verified and where the intention is to market or use the project, are recognised as intangible assets. This applies if there is sufficient evidence that the value in use of future earnings can cover the expenses involved. Own-developed products that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the profit and loss account as incurred.

Own-developed products include salaries, amortisation and other expenses that are directly or indirectly attributable to the company's development activities. Capitalised own-developed products are measured at the lower of cost, less accumulated amortisation and impairment losses, and the recoverable amount.

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

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

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

Summary of amortisation periods for intangible assets

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

Property, plant and equipment

Technical installations, operating and other equipment

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

Property, plant and equipment in progress

Property, plant and equipment in progress, including development of mapping products, are measured at the lower of cost, less accumulated amortisation and impairment losses, and the recoverable amount.

Assets held under finance leases

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

Assets held under finance leases are depreciated and written down according to the same principles as for the Group’s other property, plant and equipment.

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

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

Summary of amortisation periods for property, plant and equipment

Technical installations, operating and other equipment, including leasehold improvements	3-12 years

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

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

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

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

The recoverable amount of the asset is determined as the higher of the net selling price and the value in use. Where it is not possible to determine the recoverable amount of the individual asset, the impairment requirement is assessed in respect of the smallest group of assets for which it is possible to determine the recoverable amount. Value in use is determined at the present value of the discounted future net cash flow from the group of assets to which it relates.

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

Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured according to the equity method so that the carrying amount of the investments constitutes the Group's proportional share of the assets of the enterprises.

Profit after tax of investments in subsidiaries and associates has been recognised in separate lines in the profit and loss account.

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

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

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

Current assets
Receivables
Receivables are measured at the lower of amortised cost and net realisable value corresponding to the nominal value of write-downs for bad and doubtful debts.

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

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

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

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

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

Equity
Reserve for development costs
Reserve for development costs include capitalised development costs. The reserve cannot be used for dividends or to cover losses. If the recognised development costs are sold or otherwise excluded from the company's operations, the reserve will be dissolved and transferred directly to retained earnings. The reserve is reduced by amortisation of capitalised development costs.

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

Provisions
Provisions are recognised when, as a consequence of an event before or on the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be sacrificed to settle the obligation. Other provisions include potential legal obligations etc. on completed projects.

Net pension benefit liabilities
The company has made commitments to provide a number of former executive employees with defined benefit plans. These pension commitments are recognised concurrently with the pension benefits being earned. The calculation of the pension commitment is based on an actuarial calculation.

Debt

Financial debts

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

Other accounts payable are measured at amortised cost, materially corresponding to nominal value.

Cash flow statement

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

Cash flow from operating activities

Cash flows from operating activities are calculated as group operating profit adjusted for non-cash operating items such as amortisation, depreciation and impairment losses, provisions as well as net change in working capital with the addition of interest income and expenses and corporate income tax paid.

Working capital includes current assets less short-term debt, excluding items included in cash and cash equivalents.

Cash flow from investing activities

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

Cash flow from financing activities

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

Cash and cash equivalents

Cash and cash equivalents include cash as well as marketable securities recognised as current assets.

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

Profit and loss account 1 January - 31 December

DKK'000	Note	2020	2019
Net turnover	1	2,949,381	3,060,803
Project expenses		-680,571	-808,904
Own production		**2,268,810**	**2,251,899**
External expenses		-405,627	-409,179
Employee expenses	2	-1,843,912	-1,842,910
Amortisation, depreciation and impairment losses	3	-84,088	-104,778
Operating profit/(loss) on ordinary activities		**-64,817**	**-104,968**
Other operating income	4	214,500	181,043
Other operating expenses	5	-1,973	-2,952
Operating profit/(loss)		**147,710**	**73,123**
Profit/(loss) after tax in subsidiaries		1,442	9,703
Profit/(loss) after tax in associates		0	0
Financial income	6	31,852	34,751
Financial expenses	7	-52,926	-45,094
Profit/(loss) before tax		**128,078**	**72,483**
Tax on profit/loss for the year	8	-43,152	-32,818
Profit/(loss) for the year		**84,926**	**39,665**

Balance sheet at 31 December

DKK'000	Note	2020	2019
Goodwill		110,843	132,597
Software and licenses		5,183	49,389
Own-developed products		13,416	4,904
Intangible assets in progress		7,137	15,922
Intangible assets	**9**	**136,579**	**202,812**
Technical installations, operating and other equipment		88,769	123,890
Property, plant and equipment in progress		0	661
Property, plant and equipment	**10**	**88,769**	**124,551**
Investments in subsidiaries	**11**	63,789	93,121
Investments in associates	**12**	296	296
Other investments and securities		393	393
Deposits		33,168	33,869
Financial assets	**13**	**97,646**	**127,679**
Total non-current assets		**322,994**	**455,042**
Account receivable, services		524,321	530,963
Contract work in progress	**14**	175,508	321,988
Receivables from group enterprises		646,423	187,420
Tax receivables		12,986	10,983
Other receivables		26,748	28,654
Prepayments	**15**	42,883	73,138
Receivables		**1,428,869**	**1,153,146**
Cash at bank and in hand		**65,068**	**61,432**
Total current assets		**1,493,937**	**1,214,578**
TOTAL ASSETS		**1,816,931**	**1,669,620**

Balance sheet at 31 December

DKK'000	Note	2020	2019
Share capital	16	26,505	26,505
Reserve for capitalized own developed products		17,887	24,642
Reserve for hedging transactions		3,743	652
Retained earnings		308,950	288,113
Proposed dividend		60,000	40,000
Equity	**17**	**417,085**	**379,912**
Deferred tax	18	350,301	330,125
Net pension benefit obligations	19	5,871	4,062
Other provisions	20	60,084	13,679
Provisions		**416,256**	**347,866**
Lease commitments		1,265	3,375
Other debt		172,031	63,484
Long-term debt	**21**	**173,296**	**66,859**
Credit institutions		0	2,312
Leasing		2,732	2,681
Contract work in progress	14	237,682	337,932
Accounts payable, suppliers		92,680	114,572
Amounts owed to group enterprises		31,893	54,156
Amounts owed to associates		18,152	32,565
Other accounts payable	22	427,155	330,765
Short-term debt		**810,294**	**874,983**
Total debt		**983,590**	**941,842**
TOTAL LIABILITIES AND EQUITY		**1,816,931**	**1,669,620**

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Statement of changes in equity

DKK'000	Share capital	Reserve for net revaluation according to the equity method	Reserve for capitalised developed products	Reserve for hedging transactions	Retained earnings	Dividend	Total
Equity at 1 January 2019	26,505	0	22,125	0	290,167	200,000	538,797
Distributed dividend						-200,000	-200,000
Profit/(loss) for the year		9,703			29,962		39,665
Capitalised development projects			2,517		-2,517		0
Value adjustment of hedging instruments				652			652
Exchange rate adjustment, foreign subsidiaries		604					604
Proposed dividend					-40,000	40,000	0
Other equity movement in subsidiaries		194					194
Other transfers		-10,501			10,501		0
Equity at 1 January 2020	**26,505**	**0**	**24,642**	**652**	**288,113**	**40,000**	**379,912**
Distributed dividend						-40,000	-40,000
Profit/(loss) for the year		1,442			83,484		84,926
Capitalised development projects			-6,755		6,755		0
Value adjustment of hedging instruments				3,091			3,091
Exchange rate adjustment, foreign subsidiaries		-8,594					-8,594
Proposed dividend					-60,000	60,000	0
Other equity movement in subsidiaries		-2,250					-2,250
Other transfers		9,402			-9,402		0
Equity at 31 December 2020	**26,505**	**0**	**17,887**	**3,743**	**308,950**	**60,000**	**417,085**

Cash flow statement

DKK'000

	Note	2020	2019
Operating profit		147,710	73,123
Amortisation and depreciation for the year		84,088	104,777
Value adjustments etc., net		4,250	1,473
Other provisions for the year		71,841	1,236
Operating profit adjusted for non-cash movement		**307,889**	**180,609**
Net financial income received for the year		-21,074	-10,343
Income taxes paid		-24,979	-25,460
Cash flow from operating activities before change in working capital		**261,836**	**144,806**
Change in work in progress		46,230	2,186
Change in deposits		701	345
Change in accounts receivable, services		6,641	66,956
Change in accounts receivable, subsidiaries		-44,868	-59,933
Change in accounts payable, suppliers		-21,891	-30,855
Change in accounts payable, subsidiaries		20,272	78,270
Change in other receivables and prepayments		32,161	-14,528
Change in other payables and deferred income		181,310	-34,174
Cash flow from operating activities		**482,392**	**153,073**
Acquisition of intangible fixed assets		-33,436	-37,241
Disposal of intangible fixed assets		53,409	0
Acquisition of property, plant and equipment		-27,926	-56,074
Disposal of property, plant and equipment		25,052	2,559
Cash flow from investing activities		**17,099**	**-90,756**
Free cash flow		**499,491**	**62,317**
Raising of bank loan, net		-4,371	-3,571
Cash pool		-456,669	-229,483
Distributed dividend		-40,000	-200,000
Loan from subsidiaries		0	329,653
Loan from associates		-14,413	25,396
Received dividend		19,598	17,178
Cash flow from financing activities		**-495,855**	**168,656**
Cash flow for the year		**3,636**	**230,973**
Cash and cash equivalents, beginning of year		61,432	59,942
Cash and cash equivalents, year-end	**28**	**65,068**	**61,432**

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

Notes

Note 1 Segment information

Below, COWI A/S' net turnover is broken down by the following business areas as well as by business lines, based on the company's internal reporting:

COWI A/S' net turnover by business area:

	2020	2019
DKK'000		
Planning & Economics	318,289	418,219
Water and environment	427,095	432,948
Transportation	1,209,022	1,247,230
Buildings	626,313	619,343
Industry and energy	339,769	293,582
Not distributed and eliminations	28,893	49,481
Total	**2,949,381**	**3,060,803**

COWI A/S' net turnover by business lines:

	2020	2019
DKK'000		
Denmark	2,147,617	2,227,892
International	675,811	649,097
Other and eliminations	125,953	183,814
Total	**2,949,381**	**3,060,803**

Note 2 Employee expenses

DKK'000	2020	2019
Salaries and wages	-1,793,379	-1,777,733
Pensions	-2,353	-2,464
Social security	-19,651	-20,464
Other employee expenses	-28,529	-42,249
Employee expenses	**-1,843,912**	**-1,842,910**
Remuneration, former Executive Board and partners	-1,683	-1,809
Remuneration, Board of Directors	-100	-100

The Executive Board and the board members appointed at the General Meeting receive salary in COWI Holding A/S, where they are a part of the Group Long Term Incentive Programme.

The two staff-elected members of the Board of Directors receive DKK 50,000 each for their performance.

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

The Group's Long Term Incentive Share Programme.
The value of the granted remuneration is calculated as a percentage of the members' base salary depending on their role and the Group's performance. The granted shares will vest after three years from the date of granting subject to certain criterias.

	2020	2019
Average number of employees	2,545	2,627
Number of employees at 31 December	**2,485**	**2,604**

Note 3 Amortisation, depreciation and impairment losses

DKK'000	2020	2019
Goodwill	-21,754	-21,822
Software and licenses	-19,924	-34,572
Own-developed products	-4,065	-3,785
Technical installations, operating and other equipment	-38,345	-44,599
Amortisation, depreciation and impairment losses	**-84,088**	**-104,778**

Note 4 Other operating income

DKK'000	2020	2019
Group support services	200,991	181,043
Other operating income	13,509	0
Other operating income	**214,500**	**181,043**

Note 5 Other operating expenses

DKK'000	2020	2019
Loss from sale of fixed assets	-798	-4
Removal expenses	-1,175	-1,906
Loss from disposal of subsidiaries and associates	0	-1,042
Other operating expenses	**-1,973**	**-2,952**

Note 6 Financial income

DKK'000	2020	2019
Interest, cash at bank and in hand, securities etc.	659	2,273
Interest, subsidiaries	408	823
Foreign exchange gains	30,785	31,655
Financial income	**31,852**	**34,751**

Note 7 Financial expenses

DKK'000	2020	2019
Interest, bank and mortgage debt etc.	-3,441	-4,690
Interest, group enterprises	-1,861	-883
Foreign exchange losses	-47,624	-39,521
Financial expenses	**-52,926**	**-45,094**

Note 8 Tax on profit for the year

DKK'000	2020	2019
Current tax	0	918
Current tax, foreign project offices	-6,943	-16,372
Deferred tax	-35,463	-21,186
Adjustment of current tax in respect of prior periods	-16,905	-11,681
Adjustment of deferred tax in respect of prior periods	15,287	15,319
Tax on profit for the year	**-44,024**	**-33,002**
Broken down as follows:		
Tax on profit for the year	-43,152	-32,818
Tax on equity movements	-872	-184
Total tax for the year	**-44,024**	**-33,002**

Tax on profit for the year can be broken down as follows:		
Tax calculated at 22% on profit before tax, excluding profit after tax in subsidiaries and amortisation of group goodwill	-28,903	-16,952
Current tax, foreign project offices	-6,943	-16,372
Tax effect from:		
Amortisation of goodwill disallowed for tax purposes	-1,739	-1,739
Other expenses/other income disallowed for tax purposes	-490	-515
Adjustment of current tax in respect of prior periods	-16,904	-11,681
Adjustment of deferred tax in respect of prior periods	15,287	15,319
Other regulations	-3,460	-878
	-43,152	**-32,818**
Effective tax rate	**33.7%**	**45.3%**

Note 9 Intangible assets

DKK'000	Goodwill	Software and licences	Own-developed products	Intangible assets in progress	Total
Cost at 1 January 2020	337,710	173,650	13,348	15,922	540,630
Foreign exchange adjustment	0	-25	0	0	-25
Additions	0	16,633	14,926	2,025	33,584
Disposals	-11,187	-166,353	-4,505	-10,810	-192,855
Cost at 31 December 2020	**326,523**	**23,905**	**23,769**	**7,137**	**381,334**
Amortisation and impairment losses at 1 January 2020	-205,113	-124,261	-8,444	-	-337,818
Foreign exchange adjustment	0	24	0	-	24
Amortisation and impairment losses	-21,754	-19,924	-4,065	-	-45,743
Disposals	11,187	125,439	2,156	-	138,782
Amortisation and impairment losses at 31 December 2020	**-215,680**	**-18,722**	**-10,353**	**-**	**-244,755**
Carrying amount at 31 December 2020	**110,843**	**5,183**	**13,416**	**7,137**	**136,579**

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

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

Note 10 Property, plant and equipment

DKK'000	Technical installations, operating and other equipment	Property, plant and quipment in progress	Total
Cost at 1 January 2020	264,742	661	265,403
Foreign exchange adjustment	-343	0	-343
Additions	28,587	-661	27,926
Disposals	-107,370	0	-107,370
Cost at 31 December 2020	**185,616**	**0**	**185,616**
Amortisation and impairment losses at 1 January 2020	-140,852	-	-140,852
Foreign exchange adjustment	314	-	314
Amortisation and impairment losses	-38,345	-	-38,345
Disposals	82,036	-	82,036
Amortisation and impairment losses at 31 December 2020	**-96,847**	**-**	**-96,847**
Carrying amount at 31 December 2020	**88,769**	**0**	**88,769**
Of which assets held under finance leases amount to	**3,867**		

Note 11 Investments in subsidiaries

Name	Home	Ownership
COMAR Engineers A/S	Danmark	100%
COWI & Partners LLC	Oman	100%
COWI Belgium SPRL	Belgium	100%
COWI Consulting (Beijing) Ltd. Co.	China	100%
COWI India Private Ltd.	India	100%
COWI Korea Co., Ltd.	South Korea	100%
COWI Lietuva UAB	Lithuania	100%
COWI Limited	Uganda	100%
COWI Mapping UK Ltd.	UK	100%
COWI Mozambique Lda.	Mozambique	100%
COWI Polska Sp. z o.o.	Poland	100%
COWI Tanzania Limited	Tanzania	100%
KX A/S	Denmark	100%
Studstrup og Østgaard A/S	Denmark	100%

All subsidiaries are separate entities.

Note 12 Investments in associates

Name	Home	Ownership
CAT Alliance Ltd.	UK	33%

Note 13 Financial assets

DKK'000	Investments in subsidiaries	Investments in associates	Other invest-ments and securities	Deposits	Total
Cost at 1 January 2020	162,774	401	116	33,869	197,160
Foreign exchange adjustment	0	0	0	-103	-103
Additions	0	0	0	101	101
Disposals	0	0	0	-699	-699
Cost at 31 December 2020	**162,774**	**401**	**116**	**33,168**	**196,459**
Value adjustments 1 January 2020	-69,653	-105	277	-	-69,481
Foreign exchange adjustments	-11,176	0	0	-	-11,176
Profit for the year	1,442	0	0	-	1,442
Received dividends	-19,598	0	0	-	-19,598
Value adjustments 31 December 2020	**-98,985**	**-105**	**277**	**-**	**-98,813**
Carrying amount at 31 December 2020	**63,789**	**296**	**393**	**33,168**	**97,646**

Note 14 Contract work in progress

DKK'000	2020	2019
Contract work in progress, net	**-62,174**	**-15,944**
Recognised in the balance sheet as:		
Contract work in progress (assets)	175,508	321,988
Amounts invoiced in advance (liabilities)	-237,682	-337,932
	-62,174	**-15,944**

COWI A/S is a party to a number of working partnerships and joint ventures and has assumed joint and several liability for the liabilities of the working partnerships and joint ventures.

Note 15 Prepayments

DKK'000	2020	2019
Insurance premiums	6,414	10,647
Rent	2,769	22,858
IT licenses / maintenance	32,072	11,131
Other	1,628	28,502
Prepayments at 31 December	**42,883**	**73,138**

Note 16 Share capital

The share capital consists of 20,000 shares of each DKK 1,000 and 65,052 shares of each 100.

There have been no changes to the share capital for the last five years.

Note 17 Proposed distribution of profit/(loss) or the year

DKK'000	2020	2019
Proposed dividend	60,000	40,000
Retained earnings/(loss)	24,926	-335
	84,926	**39,665**

Note 18 Deferred tax

DKK'000	2020	2019
Deferred tax at 1 January	330,125	324,259
Change in deferred tax from prior years	-15,287	-15,320
Deferred tax for the year	35,463	21,186
Deferred tax at 31 December	**350,301**	**330,125**
Deferred tax concerns:		
Intangible assets	-3,873	6,315
Property, plant and equipment	-44,783	-56,058
Current assets	413,227	384,669
Provisions	-14,270	-4,801
	350,301	**330,125**

Note 19 Net pension benefit obligations

DKK'000	2020	2019
Benefit obligations to former members of management	5,871	4,062
Total net pension benefit obligations at 31 December	**5,871**	**4,062**

Net pension benefit liabilities include benefit obligations to former members of management.

Note 20 Other provisions

	2020	2019
Guarantees	9,811	13,679
Project related provisions	50,273	0
Total other provisions at 31 December	**60,084**	**13,679**

Note 21 Long-term debt

DKK'000	2020	2019
Long-term debt falling due after one year and not later than five years	1,265	3,375
Accrued holiday allowance falling due after five years	153,947	55,724
Accrued holiday allowance falling due after one year and not later than five years	18,084	7,760
Long-term debt at 31 December	**173,296**	**66,859**

Note 22 Other accounts payable

DKK'000	2020	2019
Accrued holiday allowance	70,152	155,072
Taxes and VAT payable	213,492	48,186
Other accounts payable	143,511	127,507
Other accounts payable at 31 December	**427,155**	**330,765**

Note 23 Fees to auditors

See note 24 to the group financial statements of COWI Holding A/S for information on fees to auditors.

Note 24 Financial instruments

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

DKK '000	2020	2019
Assets	3,238	0
Liabilities	0	15,268

Currency forward contracts are entered into in order to hedge selected balance sheet items and part of the expected future cash flow. The total fair market value of the derivative financial instruments is DKK 3,238 thousand. The duration of the currency forward contracts are between zero and ten months.

The Company hedges larger projects with currency exposure. Besides the project related balance sheet items stated above, a part of expected future cash flow is hedged. In total DKK 22.1 millon of expected future cash flow was hedged as of 31 December 2020. The fair market value hereof was negative DKK 1.5 million. The gain is recognised in equity.

Note 25 Related party transactions and ownership

COWI Holding A/S owns all shares in COWI A/S.

Apart from usual intercompany transactions and usual management remuneration, no transactions were made during the year with the Board of Directors, the Executive Board, managerial employees, principal shareholders, subsidiaries or other related parties.

Transactions with related parties at arm's length has not been disclosed in accordance with section 98 C(7) of the Danish Financial Statements Act.

Note 26 Contingencies and other financial commitments

DKK'000	2020	2019
Lease commitments		
Lease commitments (operating leases) due after less than one year	4,478	6,601
Lease commitments (operating leases) falling due later than one year and not later than five years	6,333	10,262
Lease commitments (operating leases) due after more than five years	0	0
Lease commitments (operating leases) in total	**10,811**	**16,863**

DKK'000	2020	2019
Rental commitments		
Rental commitments in the period of termination due after less than one year	77,158	79,889
Rental commitments in the period of termination falling due later than one year and not later than five years	195,720	262,649
Rental commitments in the period of termination due after more than five years	1,871	17,085
Rental commitments (operating leases) in total	**274,749**	**359,623**

By virtue of its business operations, the COWI Group is a party to legal disputes that can be expected in the course of its business operations. The management keeps all such involvement under constant review and makes provisions accordingly.

Major claims

The COWI Group is regularly involved in both major and minor legal processes and disputes, and there is a risk that pronouncement of judgments and/or rulings, including imposition of liability to pay damages, fines etc., may have a negative impact on the COWI Group's business, results, cash flows and financial position.

Muscat and Salalah Airports (Oman)

COWI's work in connection with the establishment of the Muscat and Salalah airports in Oman was finished at the end of 2012. COWI A/S has material claims of outstanding payments and other claims against the Omani government. As the final account was rejected by the client, COWI A/S initiated arbitration proceedings against the client. Notice of arbitration was filed in November 2017 and an arbitral tribunal was constituted in April 2018. Later in 2018, COWI submitted its statement of claim, and during 2019, the client submitted its statement of defence and counterclaim. During 2020 COWI submitted its reply and defence to counterclaim and the client its rejoinder. The client has as expected challenged COWI's claim in its entirety and raised a substantial counterclaim. However, the external legal assessment finds that the client will face serious difficulties in succeeding with its arguments since it, among other things, will need to establish that COWI A/S has been grossly negligent to exceed the agreed cap on liability of approximately DKK 543 million (OMR 34.5 million) as well as several exclusions of liability in the contract. The client will also need to establish that COWI A/S is responsible for all delay and extra costs affecting the project — disregarding the cause of the cost, the time of the origin of the cost and whether or not the loss was suffered by the client or a third party. Since the size of the amounts and the probability that the amounts will be paid are surrounded by considerable uncertainty, neither COWI's claims for outstanding payments and other claims, nor the client's counterclaims have been recognized in the annual report. It is uncertain when these matters will be clarified; however, COWI expects the arbitration to be completed in 2022.

Note 26 Contingencies and other financial commitments, cont.

BRIDGES FOR THE LUSAIL CITY PROJECT (QATAR)
In 2006-2007, acting under a sub-consultancy agreement with Halcrow Consulting Eng. & Arch. Ltd. ("Halcrow"), COWI A/S designed nine marine bridges for the Lusail City project in Qatar. In February 2017, Halcrow was presented with a substantial claim from Lusail Real Estate Development Company, a legal entity controlled by the Qatar state, based on alleged defects, amongst others, in COWIs design, and in late 2018, Halcrow issued a request of arbitration against COWI A/S with a claim yet to be determined if and when Halcrow is found liable for damages under the court case with Lusail Real Estate Development Company. The arbitration case against COWI is stayed until further notice or final resolution under the court case between Lusail Real Estate Development Company and Halcrow. It is therefore expected that Halcrow will pursue a claim against COWI A/S to the extent that Halcrow is found liable for damages towards Lusail Real Estate Development Company, however, it should be noted that the agreed cap on liability is DKK 61 million (QAR 36.5 million) in the contract between COWI A/S and Halcrow.

Babcock & Wilcox Vølund A/S and BWL Energy (Teesside) Limited (Storbritannien)
In 2019, Babcock & Wilcox Vølund A/S and BWL Energy (Teesside) Limited filed a statement of claim against COWI A/S to the Danish Institute of Arbitration, raising a substantial claim. The claim is related to engineering services provided by Bascon A/S – now COWI A/S – in connection with the construction of three biomass power plants in the UK. However, the obtained external legal assessment finds that Babcock & Wilcox Vølund A/S and BWL Energy (Teesside) Limited will face serious difficulties in succeeding with their arguments since it is profoundly based on disregarding the agreed limitation of liability (liability cap) of DKK 20.8 million, just as Babcock & Wilcox Vølund A/S and BWL Energy (Teesside) Limited have until now not provided sufficient evidence to support their claim. COWI expects the arbitration to be completed in 2021.

The Group's companies are jointly and severally liable for tax on the Group's jointly taxed income. The total amount appears in the annual report for COWI Holding A/S, who is the management company in the joint taxation.

DKK'000	**2020**	**2019**
Guarantees		
Guarantee facility at 31 December	460,000	460,000
Drawn for performance bonds relating to projects in progress	103,324	118,283
Total drawn guarantees	**103,324**	**118,283**
Security to credit institutions	**1,280,000**	**934,006**

Note 27 The Board of Directors and the Executive Board

The company's directors and members of the Executive Board held the following directorships and executive positions in companies other than consolidated COWI companies, at the end of the financial year:

Board of Directors	Directorships and executive positions in other companies
Lars Peter Søbye, Chairman	DI Dansk Industri (CB) BLOXHUB (CB)
Tomas Bergendahl	
Rasmus Ødum	DI´s Udvalg for Offentlig-privat Samspil (OPS) (CB)
Carsten Fjorback*	
Ulf Kjellerup Hansen*	
Management	
Rasmus Ødum, President, CEO	DI´s Udvalg for Offentlig-privat Samspil (OPS) (CB)

(CB) = Chairman of the Board of Directors

(MB) = Member of the Board of Directors

* = Elected by the employees

Note 28 Cash and cash equivalents

DKK'000	2020	2019
Cash at bank and in hand	65,068	61,432
Undrawn committed credit facilities at 31 December, not including guarantee facilities	30,000	27,688
Financial resources at 31 December	**95,068**	**89,120**

Note 29 Events after the balance sheet date

No events have occured since the balance sheet date that have a material impact on the Company's financial position at 31 December 2020.