

# **Interim Financial Report**

**1 October 2016 to 31 March 2017**

Investor relations presentation H1

# Aarsleff Group 2016/2017 H1

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# Aarsleff Group 2016/2017 H1



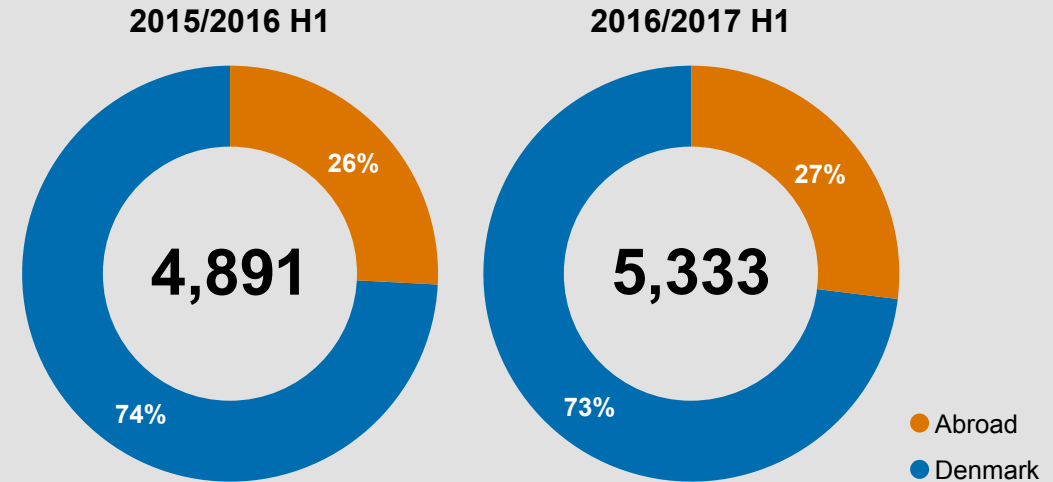
*Photo: Adam Mark*

# Aarsleff Group 2016/2017 H1

## Group



mDKK	2015/16 H1	2016/17 H1
Revenue	4.891	5.333
EBIT	182	110
EBIT, %	3.7%	2.1%
Number of employees	5,655	6,096



- Total growth of the Group came to 9%
- The Danish operations reported a revenue increase of 7%, while the foreign operations reported a revenue increase of 15%
- Consolidated profit after tax was DKK 76 million against a profit of DKK 129 million last financial year
- Operating profit (EBIT) came to DKK 110 million against DKK 182 million in the same period last financial year. Results fell short of expectations
- The period includes profit of DKK 22.5 million from the sale of the former main office in Aabyhøj and the sale of land, of which DKK 12.9 million have been recognised as income in the second quarter

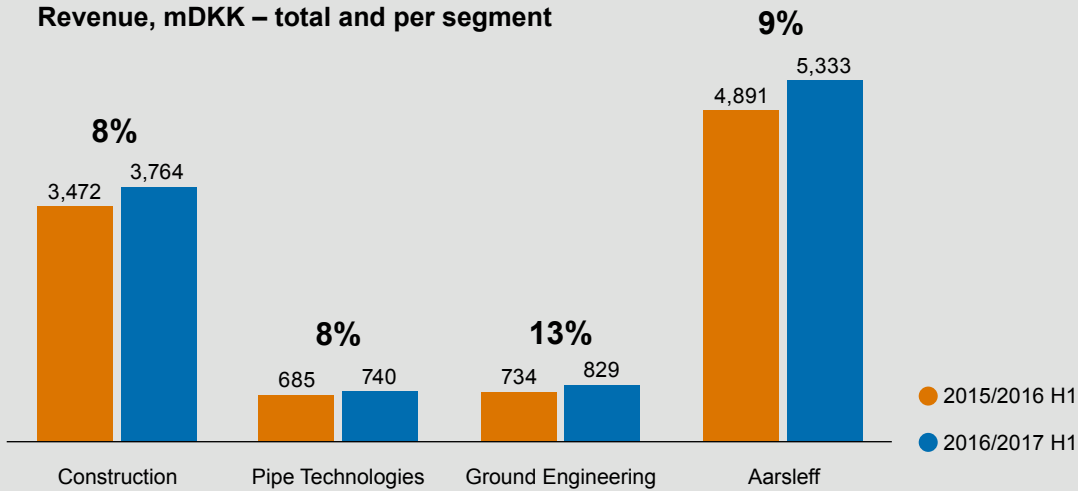


# Aarsleff Group 2016/2017 H1

## Revenue



Revenue, mDKK – total and per segment



- Hansson & Knudsen A/S was included in the segment results from January 2016, and revenue came to DKK 216 million in the first quarter of the financial year

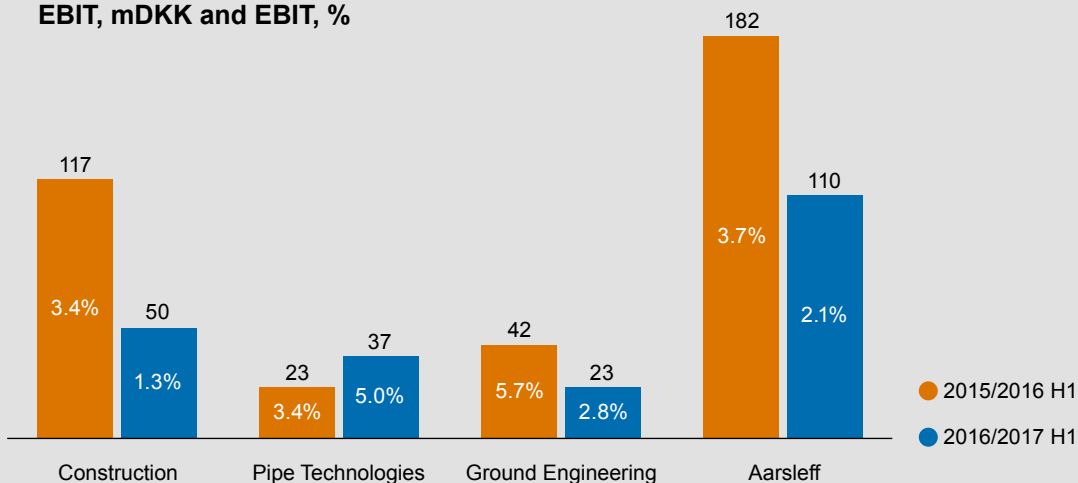


# Aarsleff Group 2016/2017 H1

## Revenue



EBIT, mDKK and EBIT, %

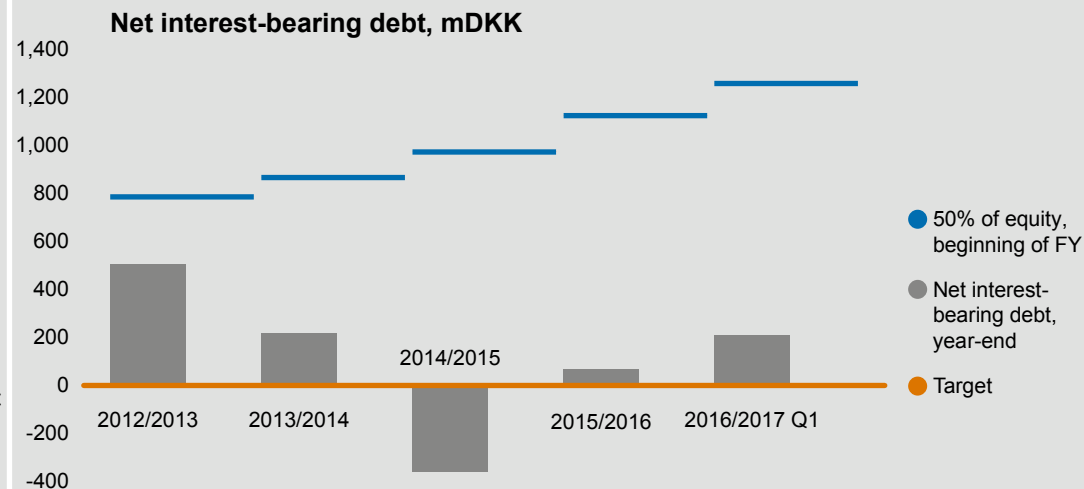
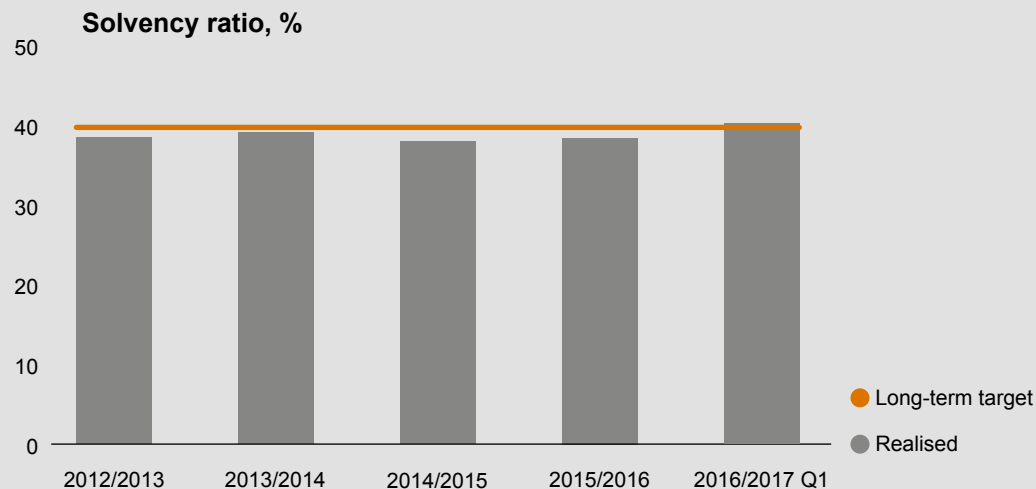


- Profit ratio (before tax) was 1.9% compared to 3.5% last financial year
- Administrative expenses and selling costs came to 8.3% of revenue, in line with the level of last financial year.



# Aarsleff Group 2016/2017 H1

Investments, solvency ratio, cash flows and financial resources



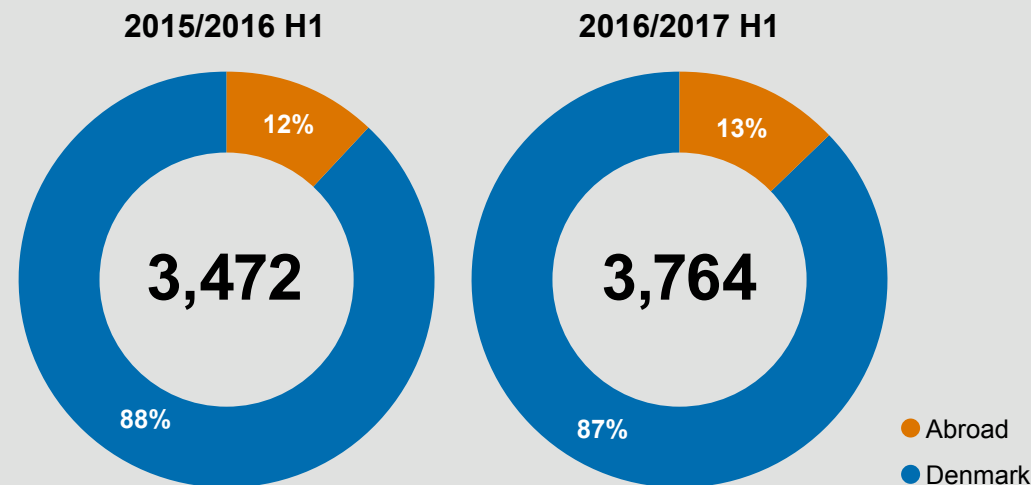
- Equity was 40.9% compared to 38.3% at the beginning of the financial year
- Consolidated interest-bearing liabilities less interest-bearing assets constituted a net debt of DKK 6 million against a net debt of DKK 61 million at 30 September 2016

# Aarsleff Group 2016/2017 H1

## The Construction segment



mDKK	2015/2016 H1	2016/2017 H1
Revenue	3,472	3,764
EBIT	117	50
EBIT, %	3.4%	1.3%
Number of employees	3,944	4,363



- Total growth of 8%: 8% increase in the Danish operations and a 12% revenue increase in the foreign operations
- Results are not in line with expectations
- Second quarter results are affected by losses on single projects in Thule and Nuuk in Greenland. These projects will be completed during this financial year, and measures have been initiated to strengthen the management and the project management of projects abroad
- Total write-downs in the first half of the financial year on the two projects in Greenland, the electrification project as well as a major, single project in

Wicotec Kirkebjerg A/S amount to DKK 60 million. Of this amount, the Ground Engineering segment is affected with DKK 5 million

- The results of Wicotec Kirkebjerg A/S comprise a share of the losses on the projects in Greenland, and the results are also affected by write-downs made in the first quarter. The project organisation in Wicotec Kirkebjerg A/S is being developed with a view to improving the management of large-scale and complex technical contracts
- Aarsleff Rail A/S is affected by a negative development in connection with the execution of the first phase of the project for electrification of the Danish railway network due to obstacles in connection with planning, including changed track closures. The next phase has commenced, and a more detailed financial

follow-up has been implemented with a view to improving the documentation of the consequences of the amended contractual terms. Also, together with Banedanmark the experience of the first phase can be used for making efficiency improvements on subsequent sections

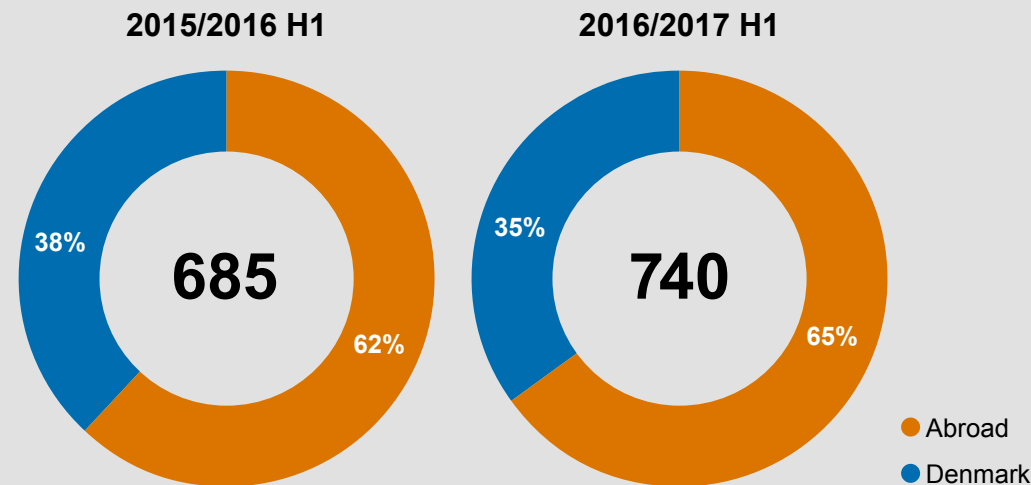
- The performance of Hansson & Knudsen A/S is significantly below expectations due to a low order intake. The generational change in the management is approaching as the new general manager, Dirk Voss, will join the company on 1 July 2017
- Ístak hf. is developing positively with a good order intake and improved project execution resulting in significant profit improvements compared to last financial year

# Aarsleff Group 2016/2017 H1

## The Pipe Technologies segment



mDKK	2015/2016 H1	2016/2017 H1
Revenue	685	740
EBIT	23	37
EBIT, %	3.4%	5.0%
Number of employees	813	794



- Total revenue growth of 8%: same revenue level in the Danish operations and a revenue increase of 13% in the foreign operations
- Results exceeded expectations, and the segment develops positively
- In Denmark, it has been possible to maintain the market share even though new competitors have entered the market

In Germany, results were slightly below expectations. The strategy to introduce new technologies is expected to yield improved results during the second half of the financial year

- There is a high level of activity on the Swedish market, and the company performs in line with expectations
- The market conditions in Russia are still difficult, and the company continues to be loss-making. An increased level of activity is expected in the second half of the financial year

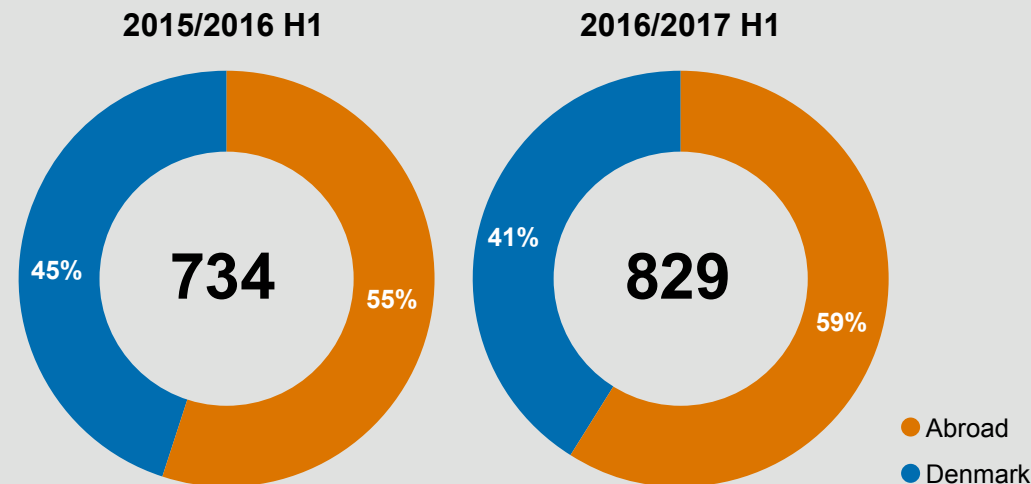
- In Poland, the first tenders have been financed by the next phase of the EU structural funds. However, Polish legislation on self-financing has not yet been adopted in the parliament. As a result of the delay of the EU projects, the Polish company will continue to be loss-making this financial year
- In Norway, there is an increasing level of activity, and there are good opportunities to introduce different technologies such as glass liners and LED

# Aarsleff Group 2016/2017 H1

## The Ground Engineering segment



mDKK	2015/2016 H1	2016/2017 H1
Revenue	734	829
EBIT	42	23
EBIT, %	5.7%	2.8%
Number of employees	898	939



- Total growth of 13%: 5% increase in the Danish operations and an 20% revenue increase in the foreign operations
- Segment results is below expectations
- The results of the Danish activities fell short of expectations at the beginning of the year due to a level of activi-

ty which was lower than expected in the second quarter of the financial year. Results are affected by shares of write-downs on single projects carried out in collaboration with Construction

- The Polish company is loss-making and far below expectations. The reason is a general slowdown in the market. The outlook is for a high level of activity during

the rest of the financial year which will result in positive full-year results

- The companies in Germany and Sweden develop positively with results above expectations
- The companies in the UK performed slightly below expectations due to delays on a large, single project

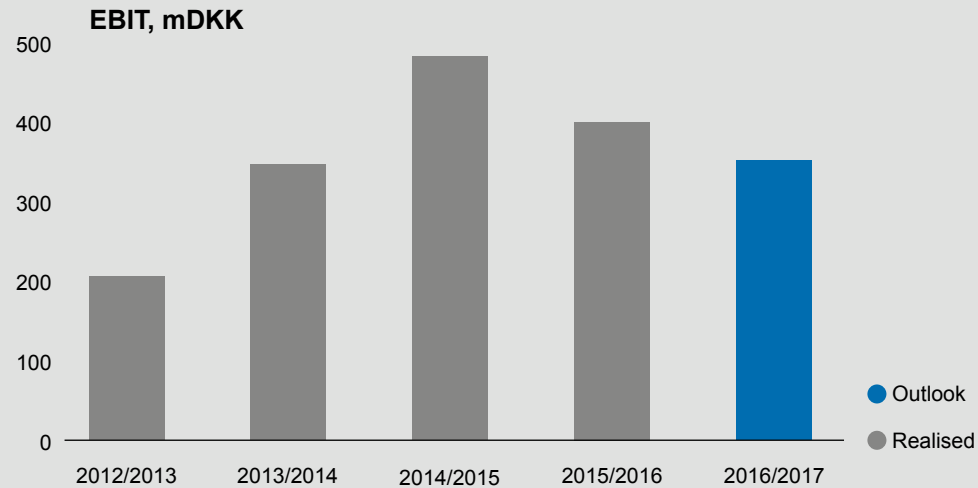


# The future financial year 2016/2017

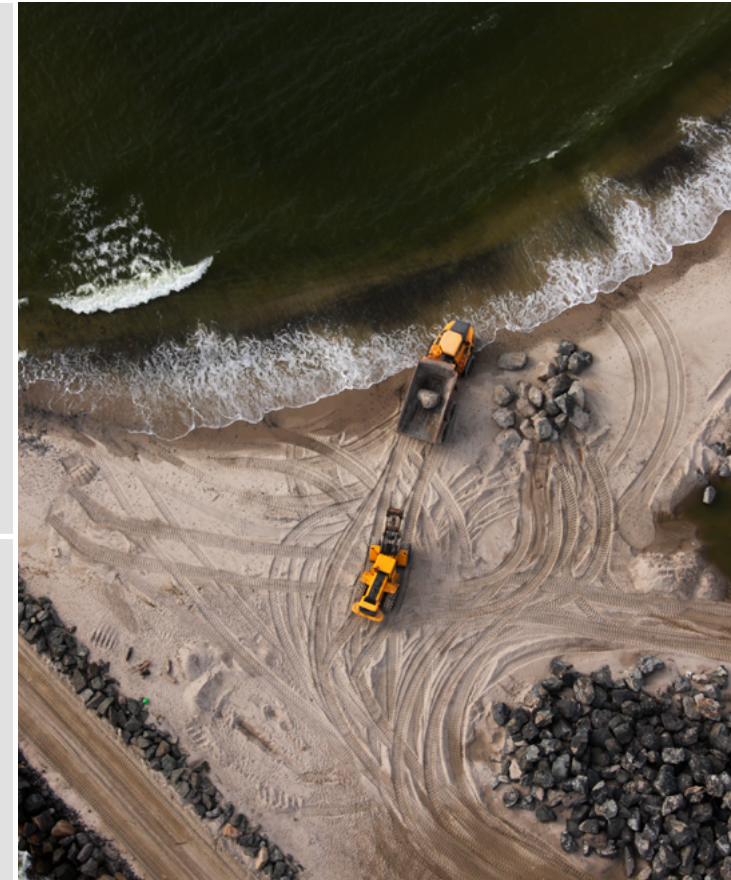


# The future financial year 2016/2017

## Group



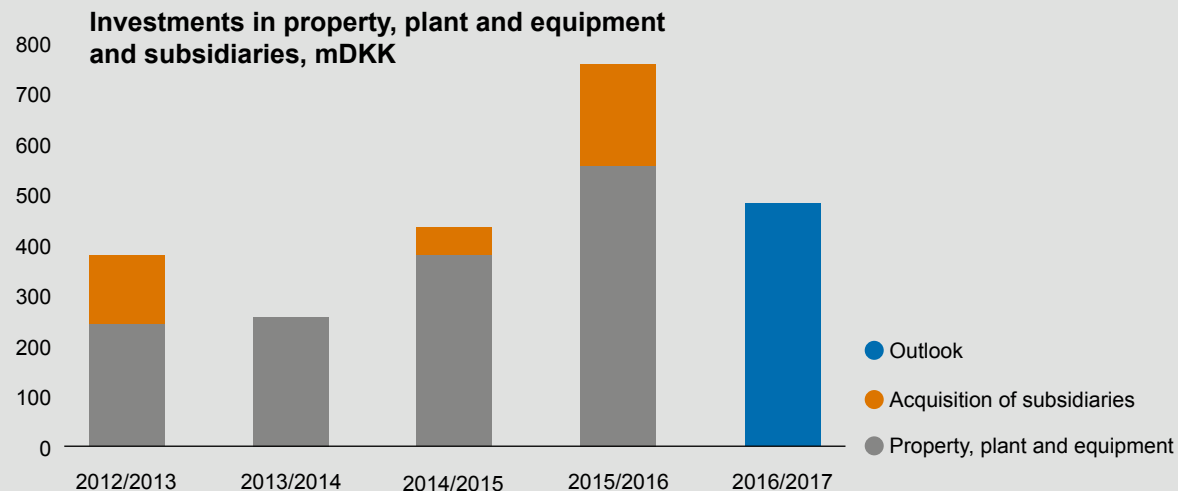
- In a company announcement of 9 May 2017, the outlook for the full financial year 2016/2017 was changed to an EBIT level of DKK 375 million compared to the previous announcement of DKK 430 million
- Revenue is expected to result in continued growth of approx. 5% compared with last financial year
- The outlook for increased earnings in the second half of the financial year compared to last financial year cannot compensate for the effect of write-downs on single projects in the first half of the financial year
- In general, the Aarsleff Group experiences positive market opportunities in all three segments. The tender activity is high, and there are continued expectations for a high capacity utilisation in the production





# The future financial year 2016/2017

## Group

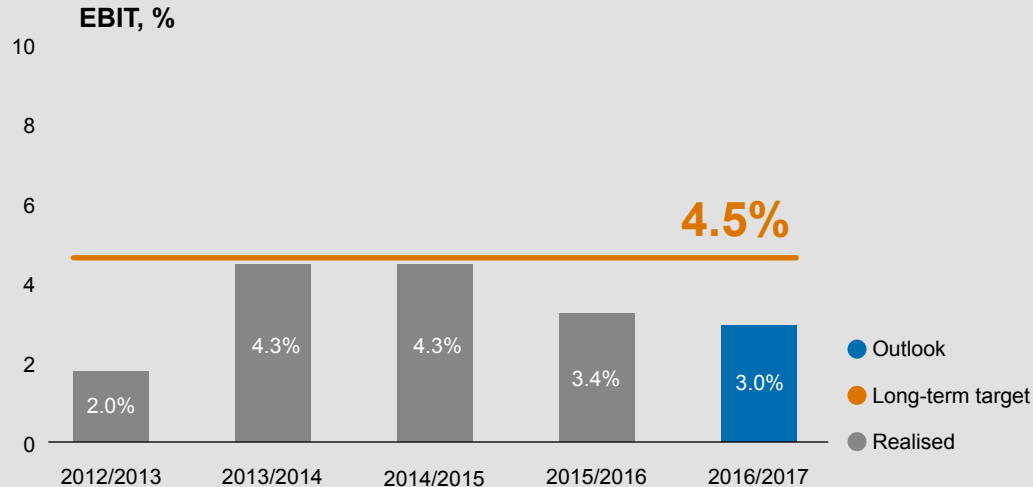


- Investments are expected to amount to approx. DKK 500 million and are inclusive of Aarsleff's new office building in the southern part of Aarhus and acquisition of equipment for the project concerning electrification of the Danish railway, a total of approx. DKK 120 million



# The full financial year 2016/2017

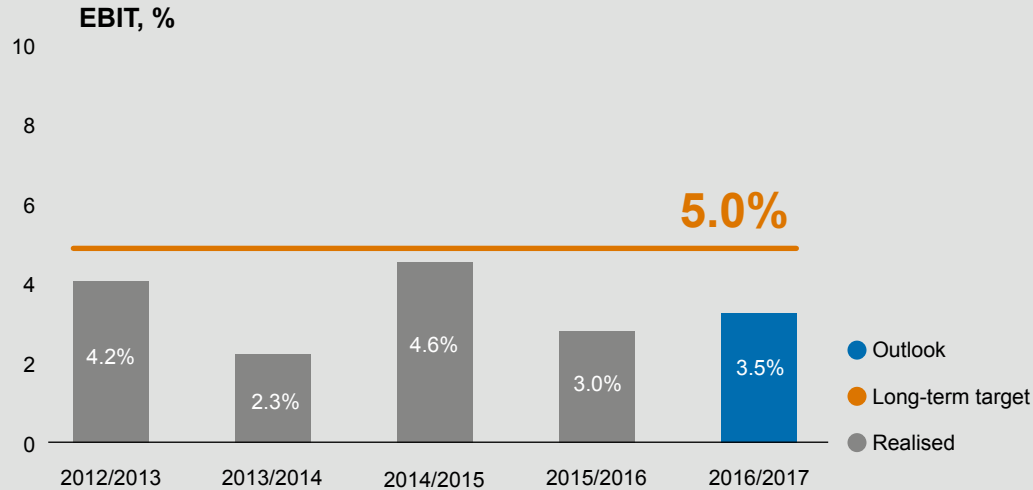
## Construction



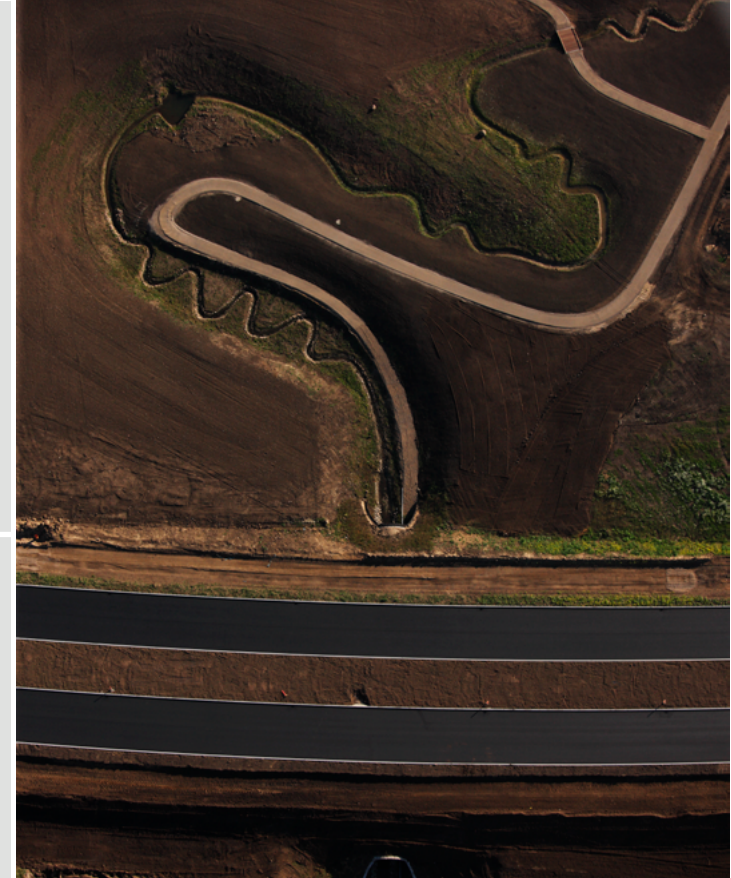
- For the full financial year 2016/2017, an EBIT margin of approx. 3% is now expected against previous expectations of approx. 3.5%
- The outlook for increased earnings in the second half of the financial year compared to last financial year cannot compensate for the effect of write-downs made on single projects in the first half of the financial year
- Expectations are maintained for a revenue increase of approx. 5% compared to last financial year
- The civil engineering market in Denmark is still stable, even though there is a small setback in some areas
- There is a high level of activity within new construction as well as building renovation in Denmark
- Even though activities will still be affected by the delay of major infrastructure projects, the level of activity is still expected to increase
- EBIT will continue to be affected by high tender costs for exceptionally large tenders with extended preparation periods

# The full financial year 2016/2017

## Pipe Technologies

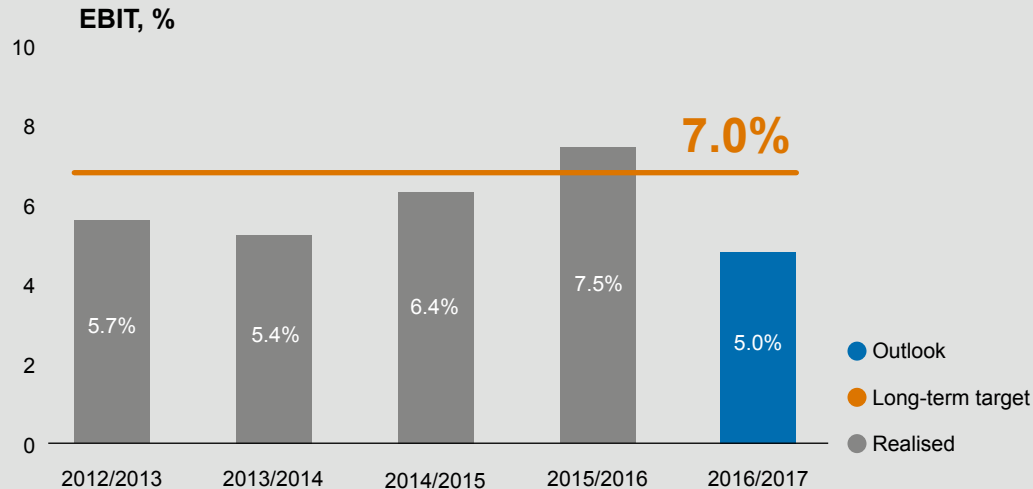


- The outlook for the full financial year 2016/2017 is changed to an EBIT margin of approx. 3.5% against previous expectations of approx. 3%. The segment develops positively
- Expectations are maintained for a revenue increase of approx. 5% compared with last financial year
- Pipe Technologies' market potential in Denmark is closely connected to the utility companies' investment level
- The difficult market conditions in Poland, the Baltic countries and Russia are expected to continue, and the companies are not expected to contribute significantly to results in spite of the initiated capacity adjustments
- The implementation of sewer pipe renewal with our internally developed glass liner is continued gradually and expected to contribute to increased earnings over time



# The full financial year 2016/2017

## Ground Engineering



- The outlook for the full financial year 2016/2017 is changed. We now expect an EBIT margin of approx. 5% against previously 6.5%
- Revenue is expected to result in continued growth of approx. 10% compared with last financial year
- The outlook for increased earnings in the second half of the financial year compared to last financial year cannot compensate for the effect of write-downs made on projects, the

results of Danish activities and the results in Poland in the first half of the financial year

- Ground Engineering has good market potential in a stable civil engineering market in Denmark, e.g. in One Company projects with Construction
- The potential on the segment's foreign markets in Sweden, the UK, Poland and Germany is expected to be positive

- In 2015/2016, the segment benefitted from an exceptionally high level of demand on the Danish market. However, in the future financial year, we expect the demand to normalise, but to remain at a high level
- The production launch in the new pile factory in Germany and the integration of the activities into the Ground Engineering segment's total activities will continue in the financial year with an expected earnings growth in the future years



# Presentation of Wicotec Kirkebjerg A/S



# Wicotec Kirkebjerg A/S

## Business foundation



- WK carries out total technical contracts combining several different technical disciplines in one total contract
- Trade contracts are carried out within a wide range of technical disciplines
- WK offers execution of operation and service contracts
- The company is organised with locations in Copenhagen, on Sealand and west of the Great Belt
- WK carries out work in connection with infrastructure systems and building structures
- The clients are public as well as private and include a number of references from hospitals, CHP plants, utility companies, the pharmaceutical industry, the food processing industry and housing associations
- Design and build contracts are carried out in One Company collaboration in the Aarsleff Group or with other collaboration partners

# Wicotec Kirkebjerg A/S

## Business foundation



WK offers total system responsibility and combines all necessary technical skills from design to execution.

- **Technical contracts:** Coordinates all technical installations and carries out work of all trade areas in own production
- **Energy optimisation:** Review of energy intensive factors for optimisation and future-proof solution
- **Electrical installations:** Solutions for building and process automation and fire prevention from analysis, design and construction to commissioning of new and existing systems
- **Ventilation:** Design in own drawing department and subsequent execution with own ventilation duct production
- **Plumbing and sprinkler:** From renovation work in houses to large complex installations with external requirements to execution and functionality
- **District heating:** Complete supply chain from heating plants, underground pipes, pumping stations and heat exchanger stations in private houses and companies
- **Construction work:** Work in connection with district heating, sewer, concrete, water and gas pipes, noise screens and environmental work
- **Service and facility management:** Operation and service contracts as well as facility management agreements

# Wicotec Kirkebjerg A/S

## Key figures



DKK million	2011/12	2012/13*	2013/14	2014/15	2015/16**
Revenue	647	1,358	1,216	1,442	1,635
EBIT	10	-9	38	43	4
Profit for the year	6	-5	30	45	8
EBIT,%	1.6	-0.7	3.1	3.0	0.3
Solvency ratio	26.4	27.7	29.1	31.7	30.8
Return on equity	8.4	-4.5	18.5	22.5	3.7
Number of employees	515	873	804	903	1,154

\* Provision of DKK 28 million in relation to Pihl & Søn

\*\* The performance deviates significantly from expectations due to write-downs on some of the company's projects

### 2016/2017 H1:

- The Aarsleff Group's second quarter results are affected by losses on single projects in Thule and Nuuk in Greenland. The results of Wicotec Kirkebjerg A/S comprise a share of the losses on the projects in Greenland, and the results are also affected by write-downs made in the first quarter
- Many projects are put out to tender. Now the market demands major technical contracts of "the DKK 100 million range" carried out as design and build contracts and this is a new challenge

# Wicotec Kirkebjerg A/S

## Initiated action plans



### Objective:

- Carry out efficiency improvement of project execution
- Profitable projects completed at minimum the calculated contribution margin
- Be an efficient partner in the Aarsleff Group and in relations with other design and build contractors

### Important points:

- Group of cross-disciplinary project managers to be organised with direct responsibility to the executive management in order to strengthen the cross-disciplinary management in the building process. This department will be essential for meeting WK's objective of being market leader within technical contracts. Knowledge and experience are shared and project management is made visible.
- Quality and safety in internal processes are strengthened, including commercial management and time scheduling
- Strengthen contract administration with the project managers with support from central function
- Strengthen skills with regard to early involvement in the projects, management and technical skills
- Selective project selection in connection with submission of tenders according to determined criteria matching WK's qualifications and sound contract terms

### Basis and aim:

- A positive market with many invitations to tender, not least complex technical contracts
- A good order intake
- One Company projects together with Aarsleff's building activities are a unique possibility for WK
- EBIT% of 3-4% within a short period of time

# Electrification of the Danish railway network

## Example 1



### Total project:

- Aarsleff-Siemens Joint Venture
- 1,300 km of railway tracks
- Approx. 2.8 billion in a design and build contract
- 2015-2016
- 10 sections with 5 optional sections

### Wicotec Kirkebjerg A/S:

- Approx. DKK 250 million
- High-tension system of 150/132 KV as well as 25 KV for tracks
- Installations for control and signal cables for high-tension system





# Psychiatric Hospital in Skejby, Aarhus

## Example 2



### Technical contract in a PPP project:

- Technical contract: approx. DKK 282 million
- 25-year facility management contract: approx. DKK 625 million
- 50,000 m<sup>2</sup> with special requirements

### Technical solutions:

- All technical installations
- Electrical installations, including light current installations
- Plumbing
- Ventilation
- Solar cell system of approx. 200 kWp
- Building automation
- Safety systems



# Novo Nordisk in Måløv – Building H1

## Example 3



### Diabetes Research House:

- Approx. DKK 150 million and 15,000 m<sup>2</sup>
- Two laboratory wings with three storeys
- Office building
- Lecture hall with room for 450 persons
- Partnering in which Per Aarsleff A/S carried out earthwork, construction pit and shell structure inclusive of fitting out work

### Technical solutions:

- All technical installations
- Early involvement in the project proposal phase
- Plumbing
- Ventilation & cooling
- Electrical installations
- Building automation





# Long-term financial targets



# Long-term financial targets

Attractive and stable return on equity, significant financial resources and a high solvency ratio



	Financial year 2015/2016	Outlook for 2016/2017	Long-term financial targets
<b>EBIT, %</b>			
Construction	3.4%	3.0%	4.5%
Pipe Technologies	3.0%	3.5%	5.0%
Ground Engineering	7.5%	5.0%	7.0%
The Aarsleff Group	4.0%	3.4%	Approx. 5%
<b>Profit share</b> (Payout ratio)	27%	-	20-30%
<b>Equity ratio of the balance sheet</b> (solvency ratio)	38.3%	-	Approx. 40%
<b>Net interest-bearing debt</b> (measured as average per quarter)	DKK 90 million net deposit	-	DKK 0 million net debt
<b>Return on equity</b> (ROE)	12.7%	-	Minimum 12% per year

# Long-term financial targets

## Growth and development



- Growth takes place through a combination of organic growth, acquisition of specialist contracting expertise and with a focus on profitability
- In Construction, we are making the most of the current market potential while considering our policy of selective order intake
- Within the industrial segments Pipe Technologies and Ground Engineering, our growth target is between 5% and 10% per year with the focus on international growth



# Financial calendar





# Financial calendar



## **28 August 2017**

Interim financial report for the period 1 October 2016-30 June 2017

## **21 December 2017**

Preliminary announcement of financial statements for the financial year 2016/2017