



AARSLEFF

ANNUAL REPORT 2019/20

INFRASTRUCTURE AND BUILDINGS FOR MODERN SOCIETIES

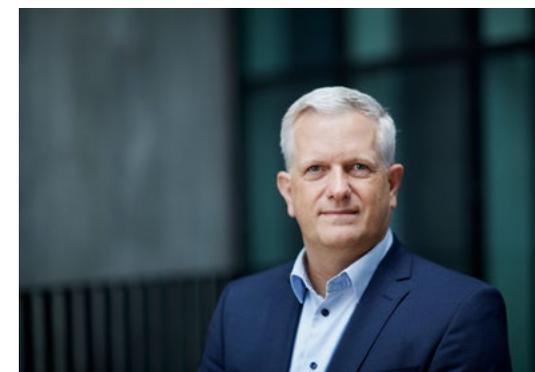
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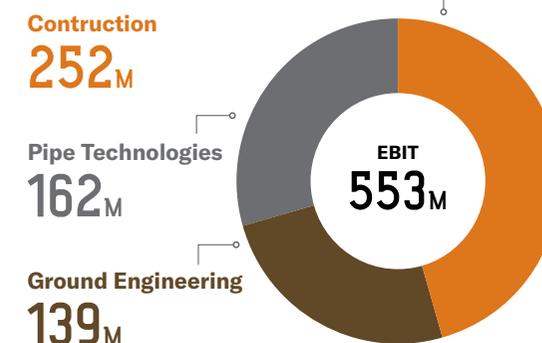
We want to contribute to the green transition

The Aarsleff Group is taking responsibility and leading the way when it comes to future-proofing the building and construction industry.



The year in figures

An unusual but strong financial year with a record-high bottom line, a strong order intake and a high order backlog.



The year at a glance

In the middle of Copenhagen, we are constructing the new Natural History Museum of Denmark in the existing buildings and in a new underground exhibition hall.



AARSLEFF AND HOW WE WORK

The Aarsleff Group constructs and maintains the infrastructure and building structures of society. We lay the foundations for a financial and sustainable development and create value for the society and our shareholders. We take responsibility, lead the way and contribute to the green transition which will future-proof the building and construction industry.

Market leader

The Aarsleff Group is a building construction and civil engineering group with an international scope and a market leading position in Denmark.

The Group comprises a portfolio of independent, competitive companies, each with their own specialist expertise, organised under Per Aarsleff Holding A/S. As the largest of these companies, Per Aarsleff A/S has a significant role in coordinating and managing the Group, since our top management and the Group staff functions are based in this company, together with the management of all three segments: Construction, Pipe Technologies and Ground Engineering.

Our ground engineering and trenchless pipe renewal activities are market-leading and strongly internationalised with a number of companies in Denmark and abroad. The activities have a high degree of industrialisation, and it is our goal to constantly reduce and

improve the efficiency of the direct production costs.

One Company

The Group's diverse range of business units are either independent companies or departments. Each business unit has different specialist skills, and therefore they mainly sell their services directly to our customers. Our specialist expertise includes harbour and marine construction, railway work, tunnel work, ground engineering work, district heating work, pipe rehabilitation and the execution of technical contracts with subsequent operation and service.

Where synergies can be achieved, we focus on integrating the specialist expertise of our business units across the Group into turnkey solutions with a high degree of in-house production. We optimise and improve the efficiency of our collaboration across the Group by working according to specific principles expressed in our One Company model.

Partnerships and sustainability

We build long-term partnerships with customers and business partners to improve the efficiency of our services, and we add value to our customers' projects by early contractor involvement.

The Aarsleff Group assumes corporate social responsibility, leads the way and contributes to the green transition which will future-proof the building and construction industry. In a close working relationship with our customers and collaboration partners, we are working actively to find innovative and sustainable solutions that ensure value-creating processes and products within building construction and infrastructure.

One Company
Clear profitability focus
Focused portfolio management
Development of collaboration.

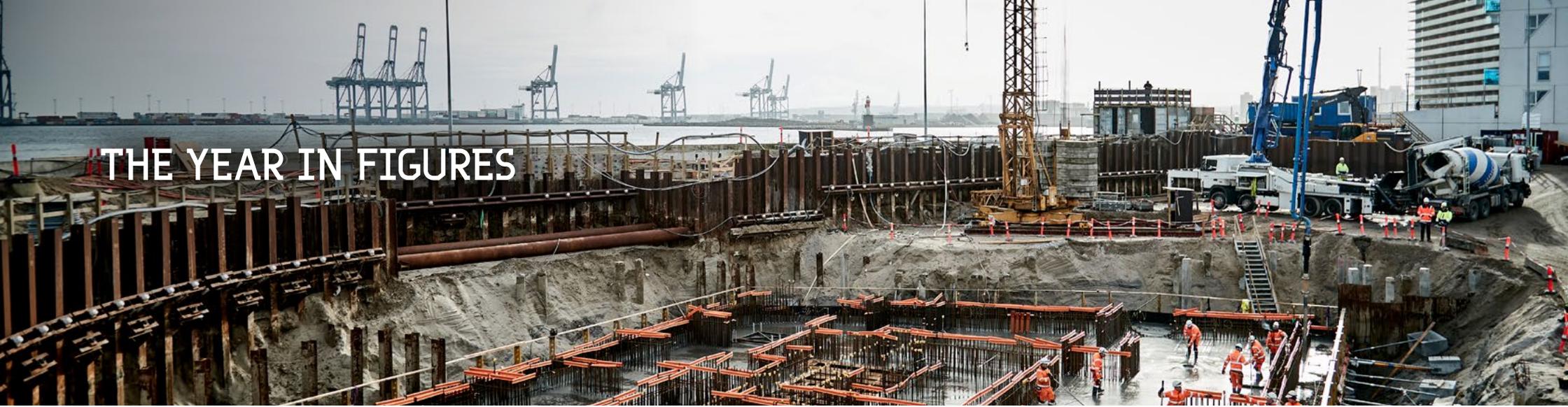




In spite of the insecurity caused by the coronavirus pandemic, we have had a strong financial year with a record-high bottom line, a strong order intake and a high order backlog.

MANAGEMENT'S REVIEW

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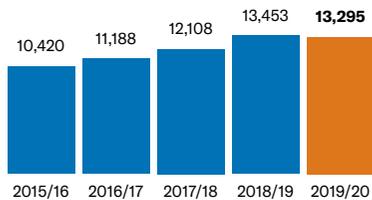


THE YEAR IN FIGURES

Revenue

13,295M

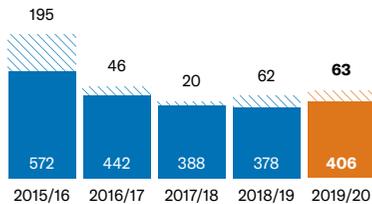
Revenue decreased by 1.2%. Organic revenue decreased by 2.2%. In Construction, revenue decreased primarily due to a slowdown in the Icelandic market. In Pipe Technologies, the level of activity was high with major projects in Germany and Sweden. In Ground Engineering, revenue increased due to a higher level of activity in Germany and Poland as well as the acquisition in Norway.



Investments

469M

During the financial year, the usual investments were made in the replacement of equipment. Investments of the year primarily took place in Ground Engineering with the acquisition of Sør-Norsk Boring AS in July.

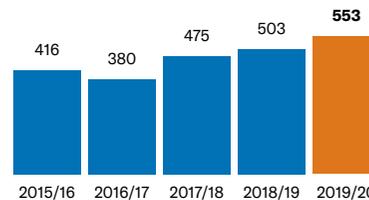


Acquisition of companies
Property, plant and equipment

EBIT

553M

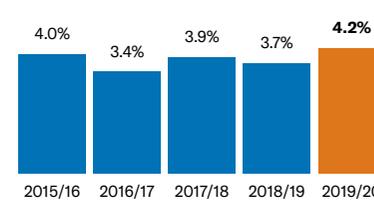
EBIT was DKK 625 million before goodwill impairment. Construction delivered results in line with expectations. Ground Engineering delivered results above expectations due to a high level of activity on most markets, resulting in high capacity utilisation. Pipe Technologies achieved results above expectations driven by a high level of activity.



EBIT margin

4.2%

EBIT margin before goodwill impairment was 4.7% and is above expectations. The EBIT margin of the three segments was 2.8% for Construction, 7.5% for Pipe Technologies and 6.3% for Ground Engineering.



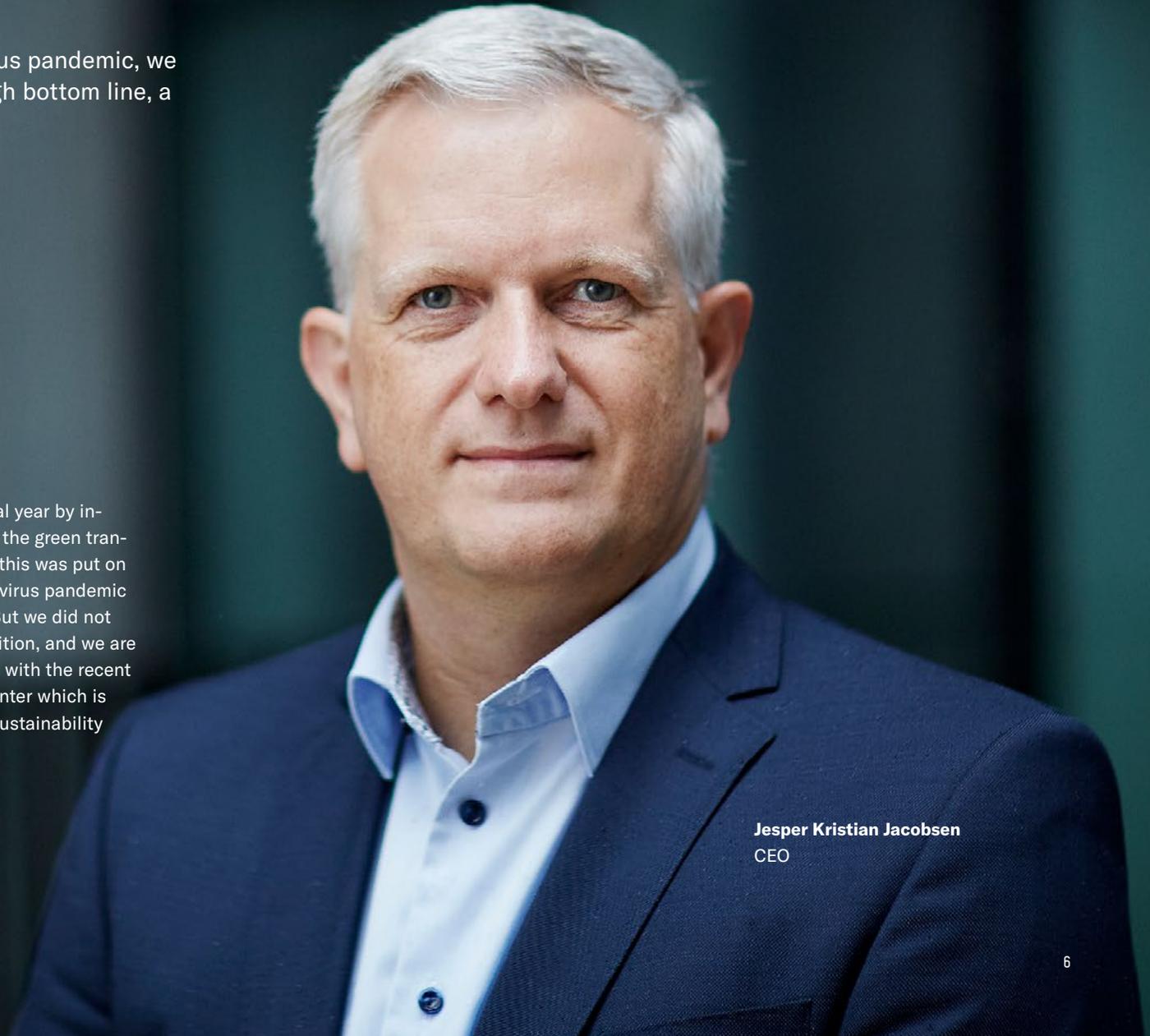
See The year in brief for more information about the financial performance of the year and the order backlog.

WE ARE IN A GOOD POSITION

In spite of the insecurity caused by the coronavirus pandemic, we have had a strong financial year with a record-high bottom line, a strong order intake and a high order backlog.

The Aarsleff Group's recent financial year was characterised by a very high level of activity in all three segments, resulting in a record-high bottom line. In recent years, harbour expansions have taken up a great share of the order book, but now we see a high level of activity on the large building projects in Aarhus and Copenhagen as well as on infrastructure projects in Sweden and Norway. Moreover, we are about to kick off the Fehmarnbelt Link project of which Aarsleff's share amounts to DKK 3.7 billion in 2015 prices.

We began the financial year by increasing our focus on the green transition. Unfortunately, this was put on hold when the coronavirus pandemic struck in the spring. But we did not forget the green transition, and we are continuing our efforts with the recent launch of our ECO Center which is the Aarsleff Group's sustainability initiative.



Jesper Kristian Jacobsen
CEO

An unusual year

It has truly been an unusual year. The lockdown of Europe in mid-March changed the entire world, and the world in which we are operating. The building and construction industry has been relatively spared until now, and at Aarsleff we have succeeded in maintaining a relatively normal production on the majority of our projects. Of course, this has resulted in some challenges along the way, but it has been important for us to retain all our skilled employees, because we need them also after the crisis.

Our employees have shown that being agile, solution-oriented and creative is part of the Aarsleff Group's DNA – in good times but certainly also in bad. On that note, I would like to thank all our employees. Without their efforts to adapt to the new workday, we would not have made it so unaffected through the corona crisis.

Focus on sustainability

We want to contribute to the green transition. As a line of business, as a company and as citizens, we are committed to making an effort within

sustainability. For this reason, the Aarsleff Group is taking responsibility and leading the way when it comes to future-proofing the building and construction industry. We must succeed with the green transition, and it requires that the entire value chain participates.

In line with our ambitions to strengthen our focus on sustainability, we have recently established Aarsleff ECO Center which is a centrally organised knowledge and competence centre. Aarsleff ECO Center will contribute to ensuring innovative, sustainable initiatives and working relationships across the Group to the benefit of society, customers and employees.

We see digitalisation as an area where we can contribute positively to sustainability. We are in the front line when it comes to implementing digital tools, e.g. with increased use of Virtual Design and Construction in our building and construction projects with the purpose of optimising productivity and reducing waste.

We are in a strong position

It is difficult to forecast the future, especially now, and even though we have not experienced it so far, the derived effects of the coronavirus pandemic may affect the Aarsleff Group financially. But one thing is certain: Thanks to our current and future large, multi-annual projects; our high and long-term order backlog as well as our current financial situation, we are in a strong position. And we are looking forward to entering a new year.



We want to contribute to the green transition. As a line of business, as a company and as citizens, we are committed to making an effort within sustainability.

For this reason, the Aarsleff Group is taking responsibility and leading the way when it comes to future-proofing the building and construction industry. We must succeed with the green transition, and it requires that the entire value chain participates.

Jesper Kristian Jacobsen
CEO

FINANCIAL HIGHLIGHTS FOR THE GROUP

(DKK'000)	2019/20	2018/19	2017/18	2016/17	2015/16
Income statement					
Revenue	13,295,309	13,453,011	12,108,257	11,188,255	10,419,564
Of this, work performed abroad	4,301,441	4,196,739	3,519,902	3,221,833	2,843,331
Operating profit (EBIT)	553,413	502,620	475,286	380,478	415,808
Net financials	-23,483	-29,887	-29,847	-16,557	-16,733
Profit before tax	529,930	472,733	445,439	363,921	399,075
Profit for the year	378,533	360,661	340,961	268,936	304,166
Balance sheet					
Non-current assets	2,987,437	2,708,999	2,683,396	2,654,972	2,405,051
Current assets	5,607,405	5,461,687	5,169,477	4,370,146	4,128,270
Total assets	8,594,842	8,170,686	7,852,873	7,025,118	6,533,321
Equity	3,310,819	3,114,466	2,899,042	2,695,173	2,503,431
Non-current liabilities	1,096,312	749,827	743,808	711,354	767,234
Current liabilities	4,187,711	4,306,393	4,210,023	3,618,591	3,262,656
Total equity and liabilities	8,594,842	8,170,686	7,852,873	7,025,118	6,533,321
Net interest-bearing deposits/debt (+/-)	579,548	399,260	31,055	-206,640	-60,560
Invested capital (IC)	2,730,180	2,706,432	2,857,238	2,880,712	2,554,769
Statement of cash flows					
Cash flow from operating activities	1,594,184	940,200	764,941	492,509	415,058
Cash flow from investing activities	-668,906	-665,475	-392,894	-489,646	-766,734
Of which investment in property, plant and equipment, net	-406,115	-378,102	-387,640	-442,176	-571,812
Cash flow from financing activities	-317,062	-234,293	-120,051	-96,279	-76,927
Change in cash and cash equivalents for the year	608,216	40,432	251,996	-93,416	-428,603

	2019/20	2018/19	2017/18	2016/17	2015/16
Financial ratios¹					
Gross margin, %	12.1	10.7	11.7	11.3	12.0
Operating margin (EBIT-margin), %	4.2	3.7	3.9	3.4	4.0
Profit margin (pre-tax margin), %	4.0	3.5	3.7	3.3	3.8
Return on invested capital (ROIC), %	20.4	18.1	16.6	14.0	18.8
Return on invested capital (ROIC) after tax, %	14.5	13.8	12.7	10.3	14.3
Return on equity (ROE), %	11.8	12.1	12.2	10.3	12.7
Equity ratio, %	38.5	38.1	36.9	38.4	38.3
Earnings per share (EPS), DKK	18.79	17.76	16.68	13.16	14.84
Share price at 30 September, DKK	267.50	222.00	243.00	185.00	159.00
Price/net asset value	1.51	1.45	1.70	1.40	1.29
Dividend per share, DKK	6.50	5.50	5.00	4.00	4.00
Number of employees	7,215	6,838	6,499	6,203	5,906

¹ For a definition of financial ratios, see page 106.

THE YEAR IN BRIEF

Consolidated revenue came to DKK 13,295 million in the financial year 2019/20. EBIT came to DKK 625 million before the DKK 72 million goodwill impairment, corresponding to an EBIT margin of 4.7%.

Profit for the year

In the financial year 2019/20, consolidated revenue amounted to DKK 13,295 million or 1.2% down on last financial year. Organic revenue decreased by 2.2%. Revenue of the Danish operations decreased by 2.8%, while revenue of the foreign operations increased by 2.5%. Revenue decline is primarily attributable to Construction, where revenue decreased by 4.8% primarily due to a slowdown in the market in Iceland as well as a lower level of activity in the Aarsleff Rail Group. Ground Engineering generated a 3.1% revenue increase, primarily owing to increased activity in Germany and Poland as well as the acquisition of Sør-Norsk Boring AS in Norway.

Ground Engineering's Danish operations, however, reported a revenue decline. In Pipe Technologies, revenue increased by 11.5% primarily driven by a higher level of activity in Germany and in Sweden where several large projects have been executed during the financial year.

The Group's EBIT amounted to DKK 625 million before goodwill impairment (EBIT margin: 4.7%) compared to DKK 575/503* million (EBIT margin: 4.3/3.7%) last financial year. EBIT after recognition of goodwill impairment came to DKK 553 million (EBIT margin: 4.2%). Construction delivered results in line with expectations. Ground Engineering

delivered results above expectations due to a high level of activity on most markets, resulting in good capacity utilisation. Pipe Technologies achieved results above expectations driven by a high level of activity.

Fourth quarter results

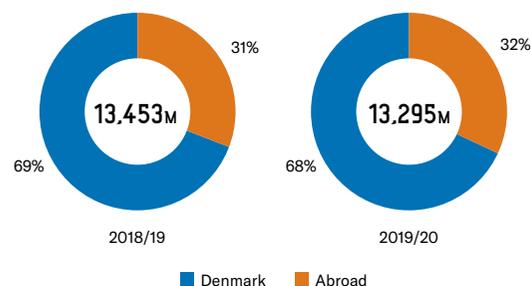
Operating profit (EBIT) of the fourth quarter amounted to DKK 138 million (EBIT margin: 4.0%) compared to DKK 126 million (EBIT margin: 3.6%) in the same period of last financial year.

Construction generated fourth quarter results in line with expectations. As previously announced,

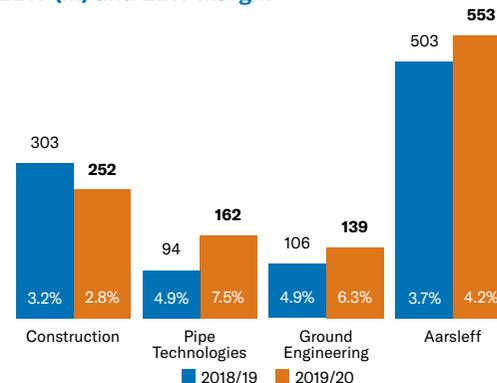
[Read more about our business areas](#) and how the three segments have contributed to a record-high bottom line.

* Results adjusted for arbitration loss according to company announcement of 16 January 2019.

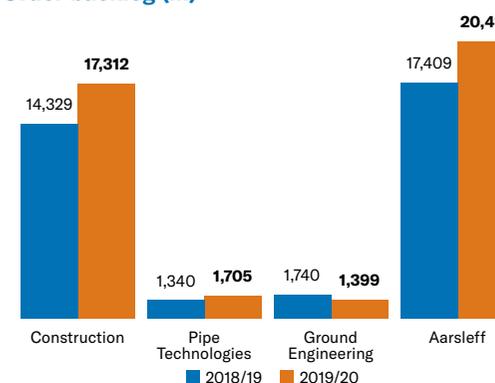
Revenue



EBIT (m) and EBIT margin



Order backlog (m)





EBIT margin was affected by revenue recognition of large complex projects taking unsettled risks into consideration, resulting in a lower EBIT margin for this part of revenue. In the fourth quarter, there was an extraordinary write-down of DKK 12.6 million of the value of the existing office buildings of Wico-tec Kirkebjerg A/S as these are to be demolished in connection with the construction of new office facilities to be commenced in 2021.

Ground Engineering performed above expectations in the fourth quarter due to a high level of activity in Germany.

Pipe Technologies performed above expectations in the fourth quarter due to increased earnings in all main markets.

Impact of the coronavirus pandemic

Overall, the Aarsleff Group has maintained almost normal operations during the financial year, and only a small number of units and activities have been challenged during the coronavirus pandemic.

Order backlog

The company's order backlog amounted to DKK 20,416 million compared to DKK 17,409 million at the beginning of the financial year. The order intake of the financial year amounted to DKK 16,302 million. As a joint venture member of the Femern Link Contractors, Aarsleff was informed in May that the construction of the Fehmarnbelt Link will commence on 1 January 2021. Back in 2016, Femern

Link Contractors secured conditional contracts for three out of the four large tunnel contracts for the Fehmarnbelt Link. The contracts comprise establishment of portal structures, ramps, toll stations and bridges on the Danish and the German side as well as casting and immersion of the tunnel elements of the 18-kilometre-long immersed tunnel. The total contract value is EUR 3.4 billion of which Aarsleff's share is EUR 0.5 billion, corresponding to DKK 3.7 billion, which has been recognised in the order intake of the financial year as the contracts are now unconditional. (Amounts are stated in 2015 prices). Also, during the financial year contracts were signed with Nuuk City Development A/S for the construction of a new school in Nuuk at a value of DKK 615 million and for the establishment of a major data centre in Odense.

Balance sheet

During the financial year, the usual investments were made in the replacement of equipment. Investments of the year primarily took place in Ground Engineering with the acquisition of Sør-Norsk Boring AS in July.

In connection with the H1 interim financial report, an impairment test relating to goodwill was performed. This resulted in a write-down of the value of Hansson & Knudsen A/S of DKK 72 million due to changed expectations for future earnings.

Cash flows from operating activities amounted to DKK 1,594 million compared to DKK 940 million in

the same period last financial year. The company's working capital came to a positive effect of DKK 596 million, mainly driven by a significant decrease in receivables due to an increasing tendency that outstanding balances are paid when due. During the fourth quarter of the financial year, a DKK 250 million tax prepayment was made. Moreover, there was a payment of most of the VAT and A tax which was deferred in the spring due to the corona aid packages.

Consolidated interest-bearing liabilities less interest-bearing assets amounted to a net deposit of DKK 580 million against a net deposit of DKK 399 million at 30 September 2019. The improvement is primarily due to the positive effect from the working capital and the operating profit. Net interest-bearing debt is negatively influenced by the effect of leases due to IFRS 16 by approx. DKK 363 million as well as by the provision for fund holiday pay due to the new Danish Holiday Act by approx. DKK 300 million.

Return on invested capital after tax (ROIC) came to 14.5% compared to 13.8% last financial year and complied with the financial target of minimum 12%.

Employee share programme

In February 2020, the employees of the Danish part of the Group were once again offered to participate in an employee share programme. This was the last year of the programme out of the planned three

years, and a total of 1,188 employees participated in the last year of the programme.

Change of Aarsleff's Executive Management

On 8 July 2020, Per Aarsleff Holding A/S announced the resignation of Lars M. Carlsen, deputy CEO. Subsequently, the Executive Management consists of CEO Jesper Kristian Jacobsen, deputy CEO Nicolai Schultz and Group CFO Mogens Vedel Hestbæk.

On 1 January, the construction of the Fehmarnbelt Link begins.

EUR 3.4
BILLION

is the total contract value of the three contracts which are to be carried out by Femern Link Contractors over a period of eight years. Aarsleff's share amounts to EUR 0.5 billion, corresponding to DKK 3.7 billion (in 2015 prices).

THE FUTURE FINANCIAL YEAR

In the new financial year, a revenue growth of 5% is expected. EBIT is expected to amount to DKK 600 million compared to DKK 553 million last financial year. Overall, the activities are not expected to be significantly affected by the coronavirus pandemic, but additional lockdowns and restrictions may have a negative effect on some markets.

Construction expects an increase in revenue of 8% compared to last financial year, and an EBIT margin of 3.6% corresponding to the level of last financial year before goodwill impairment. Per Aarsleff A/S still has a very high order backlog. However, the order backlog comprises several very large projects which are to be executed over a relatively long period, such as the Fehmarnbelt Link and the Greater Copenhagen Light Rail Ring 3. In the future financial year, there will be high activity on the four large building projects: Danske Bank's new headquarters at Bernstorffsgade in Copenhagen, Lighthouse at Aarhus Ø, the tallest residential tower in the Carlsberg City and the new Natural History Museum of Denmark in Copenhagen. It is Group policy that large, complex projects are recognised as income taking unsettled risks into consideration, resulting in a lower EBIT margin for this share of revenue in the future financial year.

The building and construction market is still characterised by significant single opportunities, and Aarsleff's focus is on selection, including especially capacity and risk management. In the future financial year, our activities abroad will be very limited mainly comprising the completion of the port expansion in Ystad as well as income from the activities related to PAA Project Finance A/S.

Wicotec Kirkebjerg A/S expects an increase in revenue driven by the participation in the large One Company building projects as well as the start-up of the new contract on maintenance and service of buildings and technical installations for the Danish State Railways together with Aarsleff Rail A/S. Efforts to improve earnings continue.

Hansson & Knudsen A/S expects a higher level of activity driven by several large ongoing projects. The focus

is still on operation and execution in order to improve earnings.

The Aarsleff Rail Group expects increasing revenue driven by a higher level of activity in Norway and Sweden. In Denmark, a stable level of activity is expected but with increasing activity within service and maintenance.

Ístak hf. expects increasing revenue driven by high activity in connection with the construction of a new school in Nuuk. There is still a few, large opportunities within building construction, also in Greenland, and it is expected that several major construction projects will be commenced in the future years.

Pipe Technologies expects revenue in line with last financial year and an EBIT margin of 5.5% compared with 7.5% last financial year. In the Nordic markets, a small decrease in revenue

is expected. This is primarily due to a lower level of activity in Sweden compared to last financial year when a very large pipe renewal project was carried out in Norrköping. In Denmark and Norway, the markets are stable with satisfactory earnings.

In Germany, a continued high level of activity is expected. As opposed to last financial year, no major single projects are expected. The newly established production of non-circular GRP pipes has a good pipeline of projects, primarily in Germany, and an increasing level of activity is expected. There are also several opportunities in the Netherlands and in the Nordic markets.

The expectations to the market in Russia are positive, however, the low exchange rate on rubles affects earnings. In Poland, the number of EU funded projects is declining, and the prices are under increasing pressure.

Ground Engineering expects revenue in line with 2019/20 and an EBIT margin of 6% compared with 6.3% last financial year.

In Denmark, a lower level of activity is expected within establishment of construction pits, and it is uncertain how the market for reinforced concrete piles will develop, especially in the last half of the financial year. In Sweden, a small revenue decline is expected due to fewer major infrastructure projects. In Norway, revenue will be increasing due to recognition of the newly acquired company Sør-Norsk Boring AS for the first full year. Generally, the market opportunities in Norway are good, and the focus is on strengthening Aarsleff's market position.

The German pile driving market is expected to continue the positive development with a strong order backlog and a satisfactory number of tender opportunities. The other activities in Germany are expected to continue at a stable level.

In the UK, a significantly higher level of activity is expected, and tender opportunities are good, especially within the construction of logistics centres. The effect of Brexit on market condi-

tions is still uncertain. However, it is an advantage that the raw materials for production of reinforced concrete piles mainly are sourced locally.

In Poland, a continued high level of activity is expected, however the number of EU funded projects is declining, especially within railway electrification.

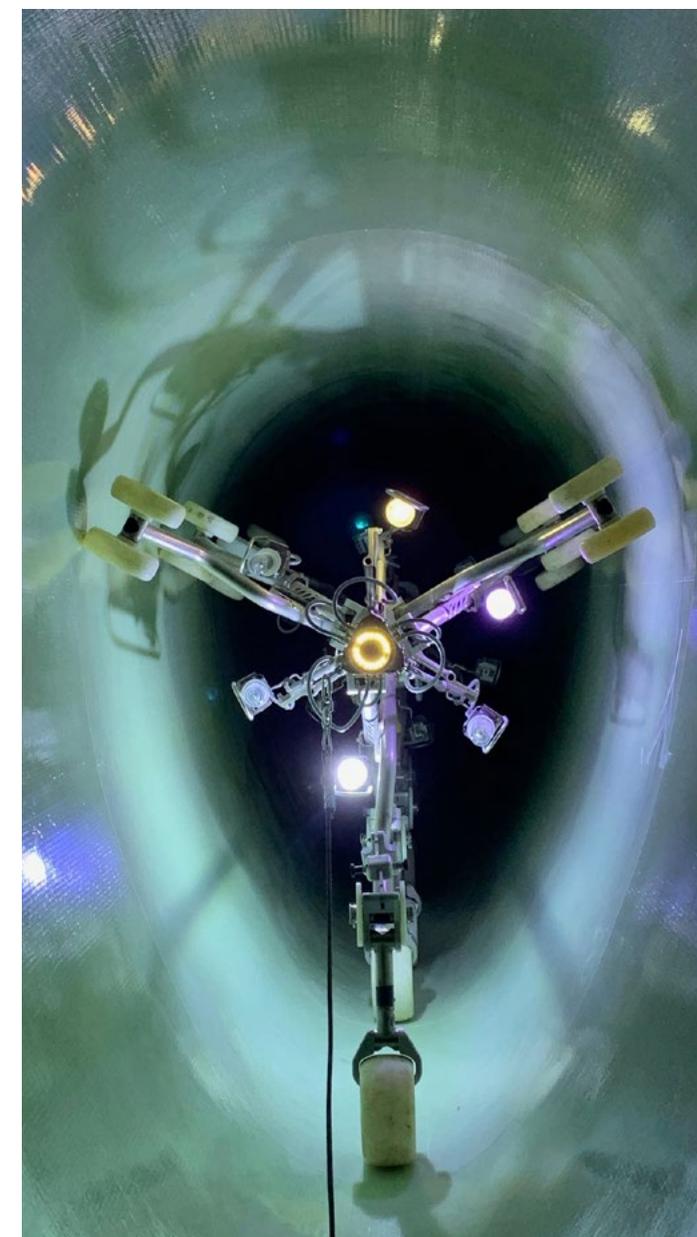
Investments

Investments in property, plant and equipment exclusive of leased assets are expected to amount to approx. DKK 700 million compared to DKK 406 million last financial year. The high investment level is partly driven by major investments in buildings of approx. DKK 200 million, comprising a new factory for ventilation ducts for E. Klink A/S and construction of new shared office facilities in Taastrup for Wicotec Kirkebjerg A/S and Petri & Haugsted AS. In addition, major investments to increase the installation capacity in Pipe Technologies will be made, and in Aarsleff Rail A/S a new track alignment vehicle will be purchased.

	2020/21	2019/20
Revenue growth		
Construction	8.0%	-4.8%
Pipe Technologies	0.0%	11.5%
Ground Engineering	0.0%	3.1%
The Aarsleff Group	5.0%	-1.2%
The Aarsleff Group	DKKm 14,010	DKKm 13,295

EBIT margin		
Construction	3.6%	2.8%
Pipe Technologies	5.5%	7.5%
Ground Engineering	6.0%	6.3%
The Aarsleff Group	4.3%	4.2%
The Aarsleff Group	DKKm 600	DKKm 553

Investments in property, plant and equipment		
The Aarsleff Group	DKKm 700	DKKm 406



The Aarsleff Group constructs and maintains the infrastructure and building structures of society. Based on the activities in our three segments, we lay the foundations for financial and sustainable development.

OUR BUSINESS

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STRATEGIC FOCUS AREAS

The Aarsleff Group wants to be a preferred and significant contracting group based in Denmark and with an international scope.

The Group has a clear profitability focus, aiming to increase earnings through continuous efficiency improvements and secure project execution.

We manage our portfolio of activities and projects by establishing working relationships that create synergy between the individual business units of the Group. We have a common approach to management, culture, specialisation and improved efficiency with a view to realising synergies.

From a general to an industrial level

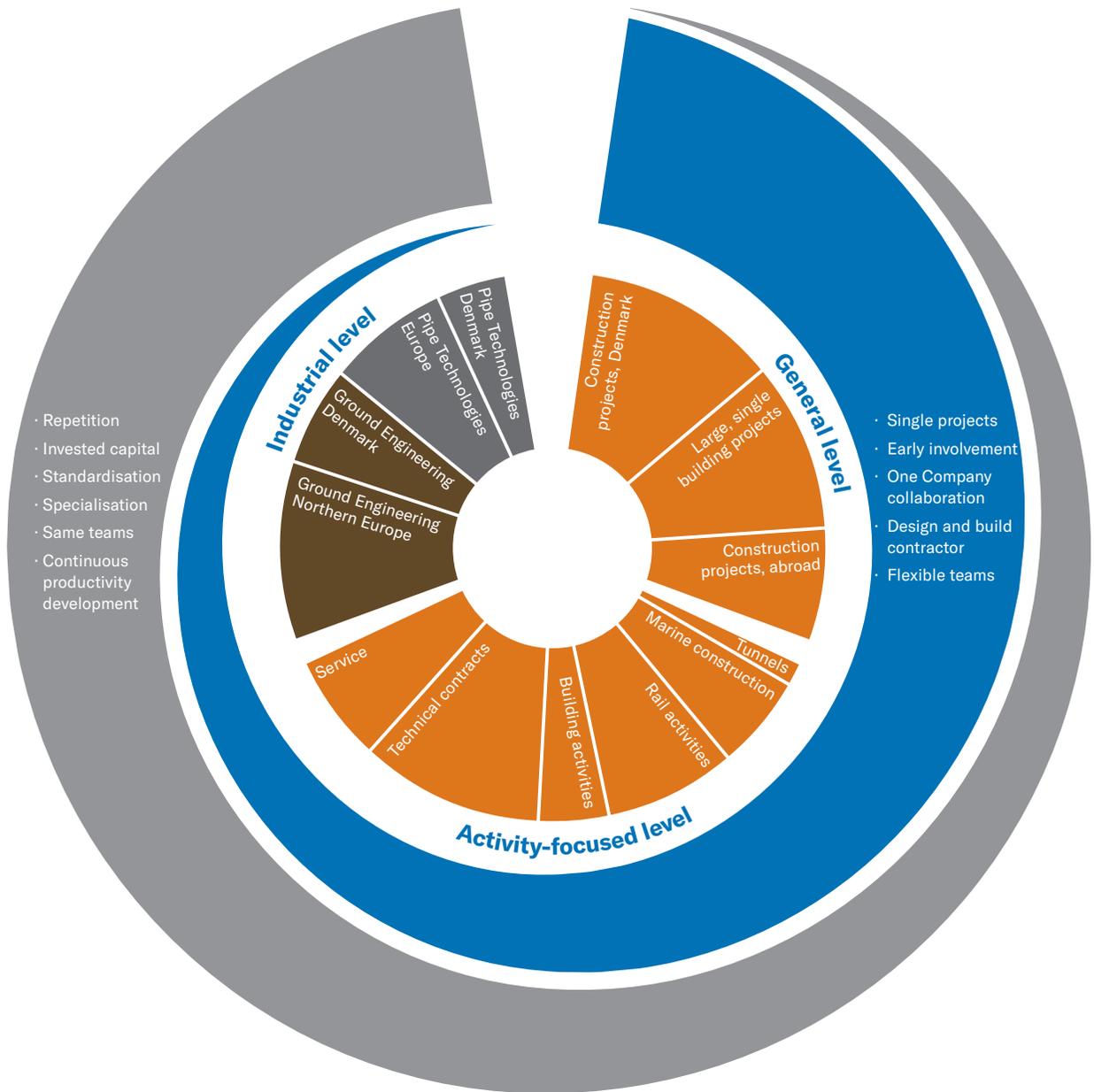
The Aarsleff Group's business model has three different activity levels: The general level with execution of large, single One Company projects with flexible teams from project to project; the activity-focused level with a high potential for repetition, and finally the industrial level in Pipe Technologies and Ground Engineering with fully industrialised activities characterised by a high degree of invested capital.

Focus areas

The activities in the Group's three segments are categorised according to the extent to which they are single projects or projects with fully industrialised activities.

Segments:

- Construction
- Pipe Technologies
- Ground Engineering



AARSLEFF'S GROUP THEMES



Sustainability

We want to contribute to the green transition of the construction business and to ensure that our Group has a common approach that brings benefits to our clients, employees and society.



Customer focus

We want to secure high customer satisfaction based on strong skills, focus on collaboration and high-quality supplies.



Profitability

We ensure profitability through a focus on strong project execution, efficiency and productivity with digitalisation as an important supporting element.



One Company

We work together actively to strengthen the Group's One Company collaboration in order to improve the competitiveness within solution of complex projects with a high degree of in-house production.



Job satisfaction

We want to be an attractive workplace where a healthy and safe working environment as well as trust and corporate spirit are top priorities.



Skills development

We want a strong, professional and operations-driven culture for our employees through lifelong learning and a high level of expertise within project management, methods, tools, product development and collaboration.

One Company

The Aarsleff Group is organised in independent, competitive divisions and companies each with their own specialist expertise. We refer to teamwork and collaboration across divisions as One Company, meaning that we look for and exploit synergies. The synergies develop when specialist contractors contribute expertise to reach the best solution.

All large-scale projects are undertaken in collaboration between several divisions and companies of the Aarsleff Group. This allows us to utilise and share experience gained through intercompany projects, and we focus on joint management because it creates value to the customer in the form of flexible and efficient processes – and not least, results of the highest quality.

Independent and sharp

The Aarsleff Group is currently expanding its operations by acquisitions or establishment of companies in Denmark and abroad. The companies that we acquire are well-run and have specialist contracting skills. They have a strong management and have shown good results.

All companies are organised as independent entities and are competitive when executing One Company projects as well as own projects. We believe that this contributes to keeping the individual entities sharp and strong, creating the best foundation for mutual development.

One point of entry

By drawing on the versatile contracting expertise of the companies, Aarsleff is able to undertake projects of any scale as well as design and build contracts with a high degree of in-house production. This provides security for the client – financially as well as professionally.

STRATEGIC FOCUS AREAS FOR THE THREE SEGMENTS

The Aarsleff Group constructs and maintains the infrastructure and building structures of society. We lay the foundations for a financial and sustainable development and create value for society and our shareholders. Our activities are divided among our three segments: Construction, Pipe Technologies and Ground Engineering.

Construction

With a leading position in Denmark, we want to be the customer's preferred choice on the market for building and construction – if possible, by means of early contractor involvement. We want to be known for efficient planning and secure management of different contracting projects, and we create value through synergies in all phases. Our One Company collaboration is positioned as an attractive brand. We are front-runners in terms of technology and expertise, and we are capable of developing and bringing new tools into play.

Pipe Technologies

We want to be market leaders on the markets where we operate as well as the customers' safe choice. In a close dialogue with our customers, we will regularly define their expectations for the best balance between price, quality, service and sustainability so that we always meet their expectations.

Ground Engineering

We want to be a market leader in Denmark and have a leading position in our other markets. We are a strong and coherent international specialised segment meeting our high requirements to quality, environment and health and safety. Our product and skills development takes place across units, allowing us to increase productivity, profitability and competitiveness.

Segment contributions

Construction

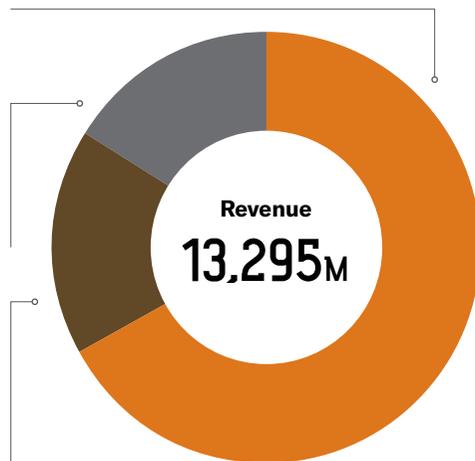
67%

Pipe Technologies

16%

Ground Engineering

17%



Construction

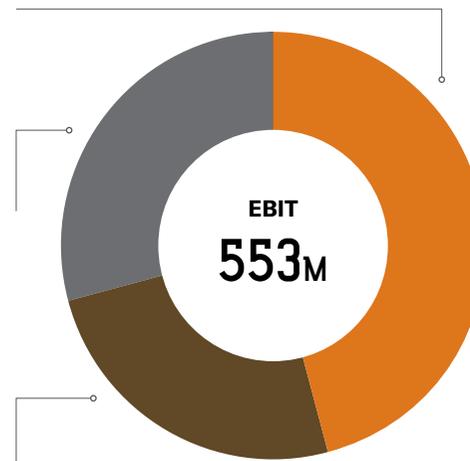
45%

Pipe Technologies

29%

Ground Engineering

25%



FOCUS AREAS FOR CONSTRUCTION



One Company

Strengthen our competitiveness continuously through One Company working relationships by developing improved solutions, improved collaboration and increased efficiency in the execution phase.



Project management skills

Focus on project management skills in large, complex design and build contracts to ensure successful implementation while focusing on commercial management and risk management.



Employees

Recruit, develop and retain employees in a market with an increasing demand for the right skills.



Project development

Continue building up skills within project development and early involvement.



Industrialisation

Achieve efficiency improvements by means of repetition effects and efforts to integrate industrialisation into the projects.



Digitalisation

Achieve improved efficiency by means of digitalisation, including continued development of the Group's VDC skills.



Sustainability

Contribute to the green transition of the building and construction industry.



Embedding of large-scale projects

Embed large-scale projects in the top management.

FOCUS AREAS FOR PIPE TECHNOLOGIES



Efficiency improvements

Continue to industrialise and improve the efficiency of the installation and production processes.



Cost reductions

Reduce costs in the value chain from manufacturing to installation of standard products.



Technological foundation

Focus on future-proofing the business area through current development of installation methods and products with the purpose of meeting customer expectations to price, quality and sustainability.



Sales growth

Increase growth on existing markets and increase growth internationally via third party sales.



LED system sale

Focus on selling Aarsleff's unique LED concept, consisting of equipment and materials to third parties through direct sale or in the form of license agreements.



Specialised segment

Be a strong and coherent international specialised segment focusing on earnings, industrialisation and optimisation.



Productivity

Increase productivity and competitiveness by incorporating shared standards concurrently with product and method development.



Market development

Provide ground engineering expertise and methods in line with the market development to create technological breadth and earnings potential.



Precast concrete piles

Keep the main priority on supply and installation of precast concrete piles on all markets.



Exchange of qualifications

Exchange experience, methods, resources and expertise across countries to further develop our machinery, piling methods and technologies to optimise earnings.



Business approach

Focus on a sustainable and more project-based business approach and organisation in line with the development of the individual units.



One Company

Expand One Company collaboration.

CORPORATE SOCIAL RESPONSIBILITY

It is the Aarsleff Group's goal that our CSR work clearly contributes to increasing the total value of our business activities. It is also important to provide a framework that inspires and motivates everyone in the organisation to achieve the goals.

In the Aarsleff Group, we wish to support and accelerate positive development opportunities and at the same time reduce – and if possible eliminate – the negative influence on our surroundings found in our value chain.

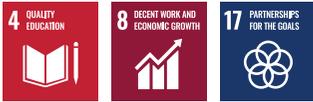
Taking corporate social responsibility and showing sustainable behaviour is not a choice – it is a matter of course, and it increases our awareness of responsibility in our company and in the rest of the value chain.

The transformation towards sustainability presents big challenges for companies, but it also presents big opportunities.

Our initiatives have resulted in project execution with less consumption of time, natural resources and energy, allowing us to continuously reduce the total CSR footprint of the projects, e.g. within material consumption, transportation, energy consumption and waste.



Our CSR work is divided into five main areas, and over the year we have worked with a number of initiatives within sustainability in each of the five areas:

<p>Environment and climate</p>  <p>Read more on page 18 of the CSR report</p>	<p>Employees</p>  <p>Read more on page 24 of the CSR report</p>	<p>Society around us</p>  <p>Read more on page 29 of the CSR report</p>	<p>External business partners</p>  <p>Read more on page 34 of the CSR report</p>	<p>Equality and diversity</p>  <p>Read more on page 39 of the CSR report</p>
<p>In 2019/20 we have...</p> <ul style="list-style-type: none"> • established Aarsleff ECO Center • participated actively in the chairmanship of one of the Danish government's 13 climate partnerships • commenced the construction of an administration building on our own energy piles • started a test period of using biodiesel instead of normal diesel. 	<p>In 2019/20 we have...</p> <ul style="list-style-type: none"> • updated our OHS strategy • completed our first occupational health and safety week • released the virtual computer game Play Safe about occupational health and safety conditions • worked on knowledge sharing between the plant drivers about risk minimisation. 	<p>In 2019/20 we have...</p> <ul style="list-style-type: none"> • launched Aarsleff Digital Challenge 2020 • dealt with the coronavirus pandemic through a Group task force • completed a CSR information campaign in the Aarsleff Group. 	<p>In 2019/20 we have...</p> <ul style="list-style-type: none"> • laid the foundations for undertaking environmental reporting of the entire Aarsleff Group in future • commenced the execution of Denmark's biggest housing renovation project certified under the DGNB standard • reduced material consumption and errors on major projects through systematic project coordination. 	<p>In 2019/20 we have...</p> <ul style="list-style-type: none"> • based recruitments, promotions and reorganisations on our policy and guidelines for equality and diversity • had several trainees and students of both genders attached to the staff • aimed at ensuring that both genders are represented in the field of qualified candidates when recruiting.



The 17 UN global goals

In the Aarsleff Group, we are committed to supporting the UN Global Goals, and we have chosen 7 goals on which to focus our efforts.

We have organised our CSR goals and activities in a way that allows us to contribute to this important global agenda.

When possible and appropriate, we incorporate the goals in our business activities.



Two statutory statements

The statement on Corporate social responsibility cf. section 99 a of the Danish Financial Statements Act and the statement of the gender composition of the management cf. section 99 b of the Danish Financial Statements Act can be found in our separate CSR report <https://www.aarsleff.com/csr20192020>

Selected targets and results

	2019/20	2018/19	2017/18	2016/17	2014/15 (baseline)
Acquisitions of the year, share of vehicles and equipment of the most energy-efficient classes:					
Passenger cars (target: 100%) ¹	100%	100%	100%	97%	47%
Vans (target: 100%)	90%	93%	98%	68%	29%
Construction machines (target: increase the share)	92%	88%	83%	81%	²
Accidents (target: max. 5)	13.7	16.9	15.9	18.8	²
Absence due to accidents	11.9	12.1	12.6	9.3	²
Sickness absence (target: max. 2.5 %)	3.5%	3.0%	3.2%	3.1 %	2.3%
Women in management roles	14.3%	10.7%	12.9%	12.7%	13.0%
Share of women among employees as a whole	11.0%	11.9%	10.3%	9.7%	12.0%

¹ Effective from 2018/19, the measuring method has been changed.

² There is no comparable data due to changes in the Group's corporate structure.

For an elaboration of the data: see the CSR report's section on Role and scope of the report on page 50 and Data definitions on page 52.

A safe working environment is always our first priority, and our goal is to be the best in the business within occupational health and safety.

Even though our total accident rate has decreased to 13.7, it is still considerably higher than our target of 5. This is unsatisfactory, and all managers and employees of the Aarsleff Group focus strongly on making improvements in this area. As mentioned in the CSR report for the financial year, we are currently launching specific initiatives to reduce the number of accidents, and we will continue to focus on developing improved safety.

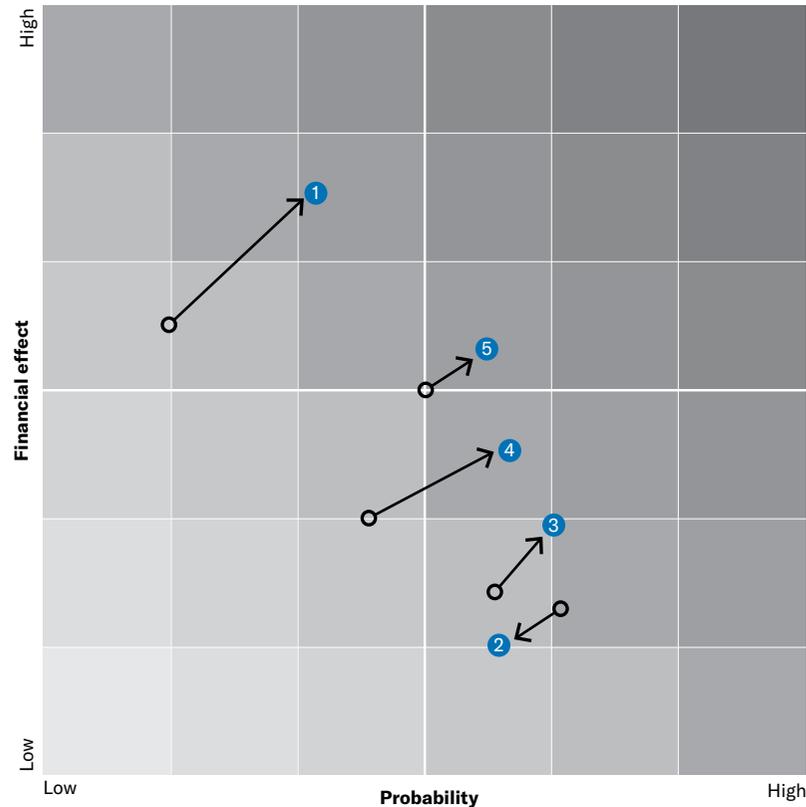
COMMERCIAL RISK ASSESSMENT

An integrated part of the Aarsleff group's activities is risk management. We have identified the most significant risks, which primarily are connected to the execution of our projects and categorised them in relation to probability and financial effect.

The Aarsleff Group's activities involve numerous risks that may affect the operation and financial position of the Group. We consider risks a natural and integrated part of our business activities. By means of risk management we reduce identified risks to an acceptable level.

Group management has the overall responsibility for each individual risk and currently performs risk assessments which are categorised in relation to probability and financial effect.

The diagram shows the most significant risks as defined for the Aarsleff Group and how probability and financial effect are assessed, compared to the previous financial year.



Commercial risk assessment

The diagram shows the probability that a risk is materialised and the assessed financial effect if this takes place.

- 1 It is assessed that the joint venture risk will increase due to commencement of the Fehmarnbelt Link project.
- 2 Risk of insufficient planning and execution of projects will be reduced due to increased integration of design and planning.
- 3 Risk that inaccurate revenue recognition of projects will increase, as the Group is involved in several large building projects where estimation errors may have a significant financial effect. The increased risk must be recognised at tender submission.
- 4 Risk that changes in raw material prices, exchange rates etc. will increase due to increased uncertainty in the market resulting from the coronavirus pandemic.
- 5 Risk of cyberattacks will increase as a consequence of increased digitalisation and automation of processes in the Group, and an increasing number of companies are hit by serious cyberattacks.

- 2019/20
- 2018/19



Joint venture risk



Risk of insufficient planning and project execution



Risk of inaccurate revenue recognition



Risk of changes in raw material prices, exchange rates etc.



Risk of cyberattacks

Risk

The Aarsleff Group often enters into large-scale contracts together with selected business partners with a view to sharing the risk and adding skills during the project execution. Throughout this process, business partners are carefully selected as the Aarsleff Group is exposed to significant risks if the business partners cannot handle the task.

A decisive parameter in the Aarsleff Group's ability to generate return is the ability to plan, manage and execute projects. This is a process that is continuously improved, as our base of experience is expanded. Within our specialist fields, we execute a number of routine jobs involving a high degree of repetition. One of the effects of repetition is the possibility to control and reduce errors and risks. We work systematically to identify and remove sources of error, and repetition allows us to monitor, control and inspect the work.

The monthly measuring of progress is based on an estimate of how many costs are expected to be incurred up until project completion. The estimate is based on more objective assessments of expected material consumption etc. as well as on more subjective assessments of e.g. time consumption in consideration of the project manager's experience with similar projects.

After signing a contract with a customer, there is a risk that exchange rates, raw material prices etc. will change, and this will change the Aarsleff Group's earnings on the contract in question.

The Aarsleff Group is often exposed to cyberattacks of different types and strengths. The risk is increasing as a consequence of increased digitalisation and automation.

Risk mitigating actions

The joint venture risk is reduced by thoroughly assessing the history, financial strength and professional expertise of our business partners before entering into a working relationship. On the Fehmarn-belt Link project, for example, the Aarsleff Group cooperates with large, consolidated international business partners.

A form of risk management is integration of design and planning. Traditionally, a contractor does not become part of a project until a firm of consulting engineers has completed the design, and the tender phase is over. However, there is a tendency to involve the contractor already when initiating the design. In some instances, this form of collaboration leads to partnership contracts and in other instances to design and construct contracts. An example of this is the construction of Lighthouse at Aarhus Ø; here the Aarsleff Group has been involved from an early stage and entered into a contract for construction pit, foundation and building construction.

Each month, a number of procedures and controls are carried out in connection with measuring of progress towards completion of ongoing projects. The initiated controls ensure that the estimates are well-founded and substantiated while taking the experience gained from the project and other similar projects into account. Therefore, Management assesses that the initiated controls reduce the risk to an acceptable level as it will not be possible to eliminate this risk completely.

To reduce the financial effect of exchange rate fluctuations, the individual projects are assessed with a view to a potential currency hedging. The development in raw material prices, e.g. steel prices, may have a significant financial effect. The effect hereof is mitigated by introducing price regulation mechanisms in the contract with the customer, compensating for fluctuations in the raw material price, or by making fixed price contracts with the suppliers at an early stage.

Initiatives have been taken to ensure that the damage caused by potential attacks is reduced as much as possible, just as we are taking current measures to minimise the Group's exposure to potential attacks.

Key risk

Risk that the joint venture cannot complete the project, imposing significant financial losses on the Aarsleff Group.

Risk that planning and execution are insufficient, so that the project does not generate the expected earnings.

The measuring of the project progress comprises a significant element of estimate which may result in uncertainty relating to the financial reporting of the project.

Changes in exchange rates, raw material prices etc. may reduce the Aarsleff Group's earnings.

Risk of lack of access to systems and data, and/or that data are damaged or leaked.

FINANCIAL TARGETS, CAPITAL STRUCTURE AND DISTRIBUTION POLICY

The overall financial targets of the Group are an EBIT margin of 5% with significant financial resources and a high solvency ratio to mitigate risks. This will help provide the shareholders with an attractive, long-term, direct return through allocation of surplus capital as dividend payments or in the form of share buyback programmes.

Growth and development

The growth and development of the Group will continue to take place through a combination of organic growth and acquisitions of specialist expertise and with the focus on profitability.

Each individual business area must develop and improve or alternatively rethink its activity. This will lead to organic growth.

Acquisitions will mainly consist of specialist companies. Acquisitions must provide synergy – either

by value-adding complementarity or by creating economies of scale by expanding the existing business areas.

In Construction, we are making the most of the current market potential while considering our policy of selective order intake.

In the industrial segments Pipe Technologies and Ground Engineering, our growth target is between 5% and 10% per year with the focus on international growth.

Overall, the markets for civil works and building construction still bring opportunities of profitable growth. It is a basic principle for the Aarsleff Group's development that earnings requirements take priority over growth. Continued efficiency improvements with consequent increased competitiveness must make growth a consequence more than a target.

Earnings

Efficiency and productivity in all phases must contribute to continuous improvements of competitiveness and earnings. Combinations of skills into turnkey solutions must increase margins and earnings with the focus on efficiency in all phases.

Sound financial resources

Aarsleff undertakes large-scale civil engineering projects for which only consolidated companies with sound financial resources are able to tender. Sound financial resources and thus a high credit ranking allow Aarsleff to strategically position ourselves for long-term and continuous development of the Group in connection with acquisition of companies as well as internal business development.

EBIT margin target

Construction

4.5%

Pipe Technologies

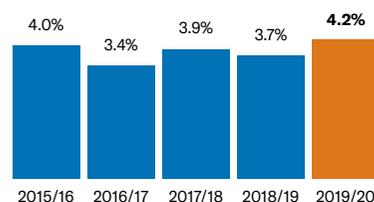
5.5%

Ground Engineering

7.0%

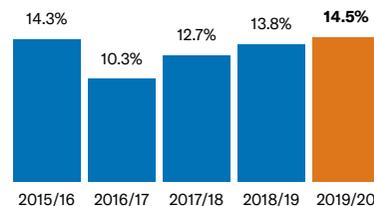
EBIT margin

APPROX. 5%



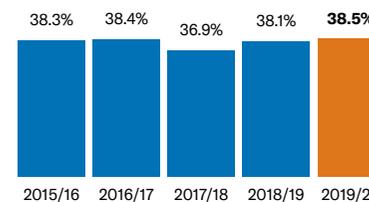
ROIC (after tax)

AT LEAST 12%



Equity ratio

AT LEAST 35%



Aarsleff's ambition to have sound financial resources entails an overall target to have an equity ratio of at least 35%.

Return on investment

It is a target to provide return on invested capital of at least 12% per year after tax. However, realisation of the stated EBIT targets will imply a somewhat higher return on invested capital.

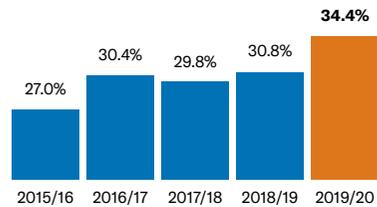
Dividend

Achievement of the targeted rate of return involves financing of the expected growth by future earnings and generating liquidity for distribution of dividend assessed at 20-40% of the annual profit dependent on growth.

The decision as to the annual distribution of dividend is made on the basis of the company's actual financial situation, comprising net interest-bearing debt, solvency ratio and outlook for the future financial year.

Dividend yield

20-40%



A year with a record-high bottom line thanks to all three segments. Also, we have a strong order intake and a high order backlog.

BUSINESS AREAS

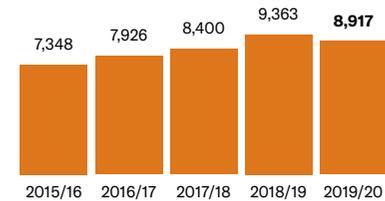
Construction	27
Pipe Technologies	30
Ground Engineering	32

CONSTRUCTION

Revenue

8,917M

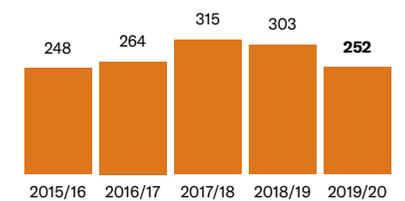
Revenue decreased by 4.8%. Organic revenue decreased by 5%. The revenue decline was attributable to a slowdown in the Icelandic market as well as reduced activity in the Aarsleff Rail Group. The level of activity remained high within harbour expansions, and the building activities continue to increase.



Segment results (EBIT)

252M

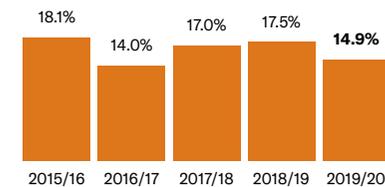
In Construction, profit for the year is in line with expectations. Results were positively affected by the harbour projects. The Group's policy that large, complex, ongoing construction projects are recognised as income taking unsettled risks into consideration results in a lower EBIT margin on a significant part of revenue.



ROIC (after tax)

14.9%

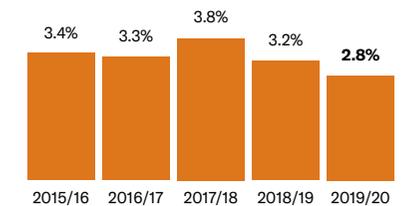
ROIC was above the 12% target. The invested capital is decreasing, primarily due to a positive development in the working capital.



EBIT margin

2.8%

The EBIT margin was 3.6% before the DKK 72 million goodwill impairment. The EBIT margin target for the segment is 4.5%.



THE PAST YEAR IN CONSTRUCTION

Segment results (EBIT) before goodwill impairment came to DKK 324 million, corresponding to 3.6% of revenue. Revenue decreased to DKK 8.917 million, corresponding to 4.8%. Organic revenue decreased by 5%. Revenue of the Danish operations decreased by 0.4% to DKK 7,652 million, and revenue of the foreign operations decreased by 24.6% to DKK 1,265 million.

In Construction, profit for the year before goodwill impairment was in line with expectations. The year was positively affected by the harbour projects, while the Group's policy that large, complex, ongoing construction projects are recognised as income taking unsettled risks into consideration results in a lower EBIT margin on a significant part of revenue.

In Denmark, the level of activity has only been affected by the coronavirus pandemic to a limited extent, and the different challenges have primarily been handled on project level.

Per Aarsleff A/S reported results above expectations. The level of activity remained high within harbour expansions, especially on the projects in Ystad and Skagen. The building activities continued to increase, and several large projects in Copenhagen and Aarhus are currently being executed.

Generally, the projects are progressing as planned, and particularly the harbour projects have contributed positively to results. Activities related to PAA Project Finance A/S achieved significant results. The mobilisation for the Fehmarnbelt Link project has begun, and the initial work will primarily consist of the construction of the tunnel factory in Rødby.

Wicotec Kirkebjerg A/S performed in line with expectations but not satisfactorily. The activity level remained high during the financial year, and the technical work on several of the large One Company building projects has begun. There is a special focus on improving profitability in the Jutland-based part of the business, including which activities to focus on. In the fourth quarter, there was an extraordinary write-down of DKK 12.6 million of the value of the existing office buildings as these are to be demolished in connection with the construction of new office facilities.

The building activities in connection with the new office will be commenced in 2021.

The Group's railway activities consolidated in the Aarsleff Rail Group performed below expectations, and the level of activity is lower than in last financial year. The Danish activities performed in line with expectations, while the company Anker AB in Sweden was affected by the postponement of a number of projects. The results of the company in Norway, Banedrift AS, remained unsatisfactory, and there are ongoing measures to strengthen project execution e.g. in terms of a higher degree of involvement of Aarsleff Rail in Denmark in the individual projects. In addition, the focus on exploiting the opportunities in Norway and Sweden has resulted in contracts in both countries, e.g. track work on the Nordland Line and renewal of the catenary line system on the Borås-Varberg stretch.

Hansson & Knudsen A/S generated a small positive profit. The continued intense price competition affected revenue and results. However, the order backlog is satisfactory, and in the course of the year contracts on two large housing renovation projects in Odense were signed.

Ístak hf. performed below expectations. The level of activity was considerably lower compared to last year due to the slowdown in building activities in Iceland, and there is a severe price competition. The activities were only affected by the coronavirus pandemic to a limited extent, and the focus has been on commencing the construction of the new school in Nuuk, Greenland without any major delays.

Dan Jord A/S performed in line with expectations, and there was a good level of activity in the course of the year, comprising e.g. the new festival site in Eskelunden in Aarhus and the

project SPARK which will convert the area around the hospital Marselisborg Centre into a public city park with climate-friendly solutions for handling of excess rainwater.

Petri & Haugsted AS generated very satisfactory results well above expectations. The level of activity was high due to the increasing demand for cable work and communication lines.

Entreprenørfirmaet Østergaard A/S performed below expectations at the beginning of the financial year due to a low level of activity during the coronavirus pandemic in the spring. In the last part of the financial year, there was a positive development with an increasing level of activity within the company's No-Dig solutions.

VG Entreprenør A/S reported results above expectations. There was a high level of activity, particularly on harbour expansion projects carried out in One Company collaboration with Per Aarsleff A/S.

Aarsleff is involved in the development of several large building projects using the principles of early contractor involvement – this involves a large hotel project which have been stopped, and it is still unknown whether this is temporarily or

permanently. Also, the project on the Terminal 3 expansion in Copenhagen Airport is carried out in early contractor involvement. The preparation of the project design and the construction pit work continue at present.

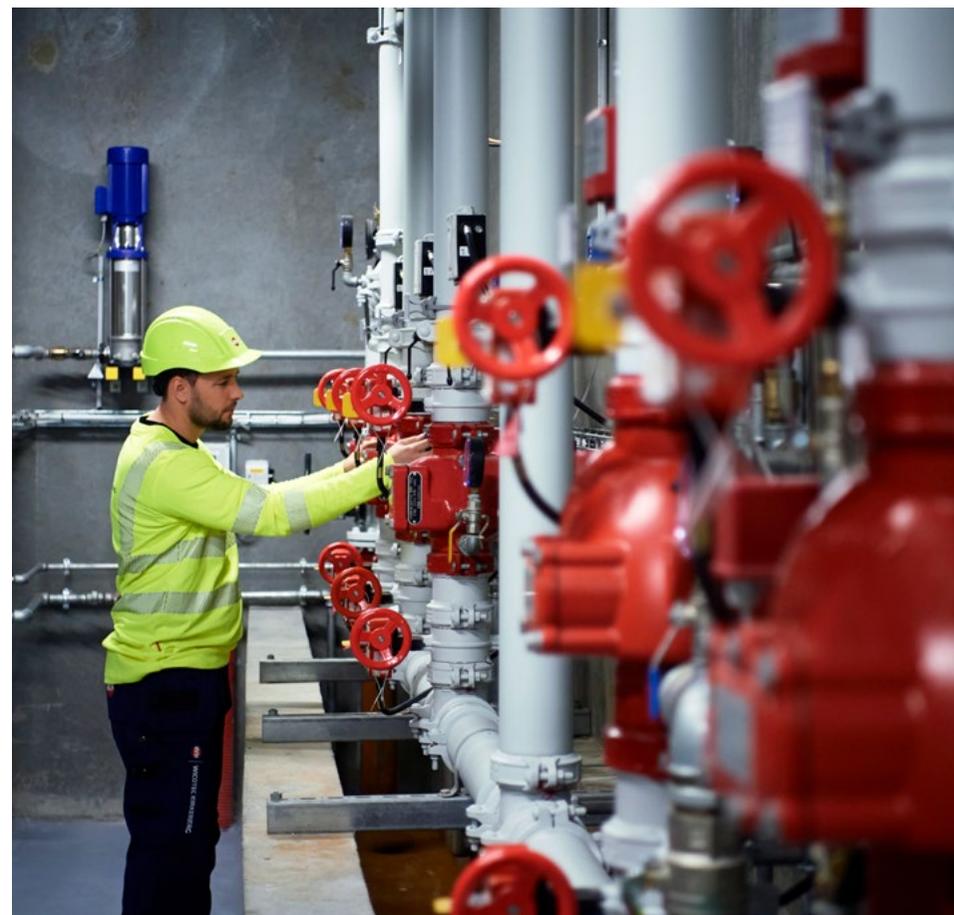
However, it is expected that a design and build contract will be signed in 2021 at the earliest and that there will be a lower level of activity during the contract's first couple of years.

In the financial year, Construction's order intake amounted to DKK 11,900 million, and the order backlog amounted to DKK 17,312 million at 30 September 2020 (30 September 2019: DKK 14,329 million) of which approx. DKK 6,750 million is expected to be carried out in the financial year 2020/21.

In the new financial year, an approximate 8% revenue growth is expected and an EBIT margin of 3.6%. The long-term expectations to revenue development will follow economic trends and market opportunities, and the EBIT margin target for the segment of 4.5% is unchanged.



See what we do at
www.aarsleff.com/references

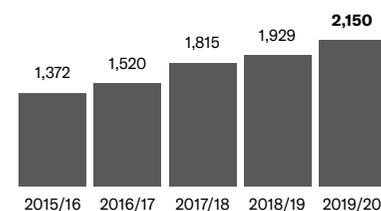


PIPE TECHNOLOGIES

Revenue

2,150M

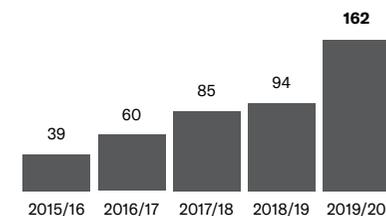
Revenue increased by 11.5% primarily driven by a higher level of activity in Germany and in Sweden where several large projects have been executed.



Segment results (EBIT)

162M

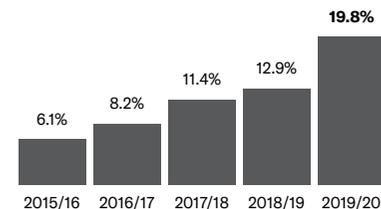
In Pipe Technologies, profit for the year is very satisfactory. The year is positively affected by several major projects in Germany and Sweden.



ROIC (after tax)

19.8%

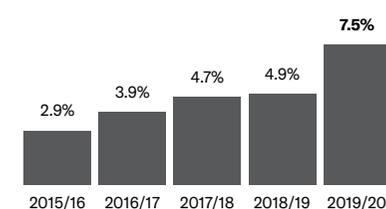
ROIC was significantly above the 12% Group target. Pipe Technologies is characterised by making large investments in production plant for manufacture of materials and mobile installation units. The invested capital has increased due to a higher level of activity.



EBIT margin

7.5%

The realised EBIT margin is above the long-term target for the segment which was adjusted upwards from 5% to 5.5%.



THE PAST YEAR IN PIPE TECHNOLOGIES

Segment results (EBIT) came to DKK 162 million or 7.5% of revenue. Revenue increased by 11.5% to DKK 2,150 million and is entirely organic growth. Revenue of the Danish operations increased by 14.8% to DKK 566 million, and revenue of the foreign operations increased by 10.3% to DKK 1,584 million.

In Pipe Technologies, profit for the year was very satisfactory, and the realised EBIT margin is above the long-term target for the segment. The year was positively affected by several major projects in Germany and Sweden which was also one of the main reasons for the high growth in the financial year.

The German company performed above expectations. The level of activity remained high, and a couple of large projects contributed positively to both revenue and earnings. The new initiative concerning the production of non-circular GRP pipes in Germany progressed in line with expectations.

In Denmark, the level of activity remained stable and was only affected by the coronavirus pandemic to a limited extent. Also, the capacity utilisation at Pipe Technologies' factory in Hasselager was high. In addition, a number of strategically important framework agreements were secured.

In Sweden, the level of activity has returned to normal after a decline in the market last year. A large-scale project in Norrköping contributed positively to both revenue and earnings.

In Norway, the activities were affected by coronavirus restrictions for a short period. But both revenue and earnings quickly returned to normal, and as a result of strong project execution, the profit for the year was above expectations. However, the competition in the market is increasing, resulting in a price pressure for some types of projects.

In Russia, there is a high level of activity again, and results are positive but affected by the country's lockdown during the coronavirus pandemic as well as the low exchange rate on rubles.

In Poland, the level of activity was satisfactory, but results were affected by challenges in connection with a single project. There is an increasing price

pressure as the number of EU funded projects has declined.

Due to the coronavirus pandemic, it has still not been possible to intensify sales efforts relating to LED curing of CIPP linings in the US together with HammerHead Trenchless.

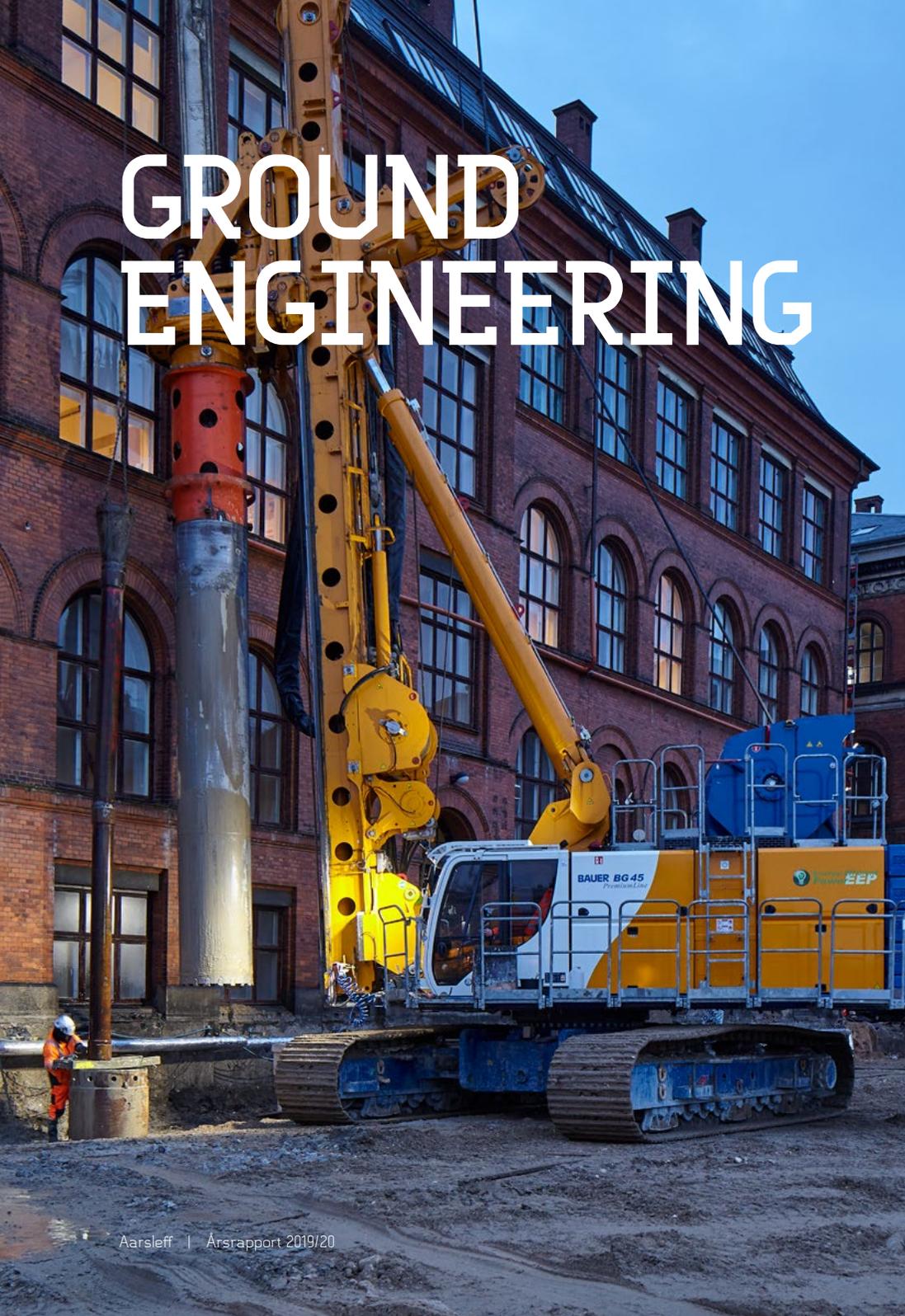
In the financial year, Pipe Technologies' order intake amounted to DKK 2,515 million, and the order backlog amounted to DKK 1,705 million at 30 September 2020 (30 September 2019: DKK 1,340 million) of which approx. DKK 1,075 million is expected to be carried out in the financial year 2020/21.

In the new financial year, revenue in line with 2019/20 is expected, and an EBIT margin of 5.5%. The long-term expectations to revenue development are a 5% to 10% growth per year, and the EBIT margin target for the segment is increased to 5.5% against previously 5%.



See how we renew sewers at www.vimeo.com/album/4677228



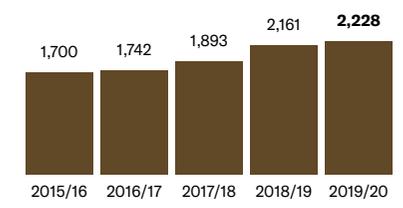


GROUND ENGINEERING

Revenue

2,228M

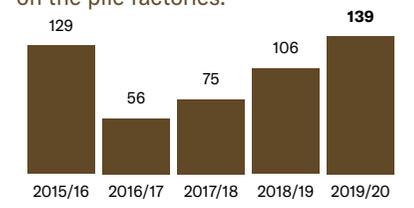
Revenue increased by 3.1%, primarily owing to increased activity in Germany and Poland as well as the acquisition of Sør-Norsk Boring AS. The revenue in Denmark decreased.



Segment results (EBIT)

139M

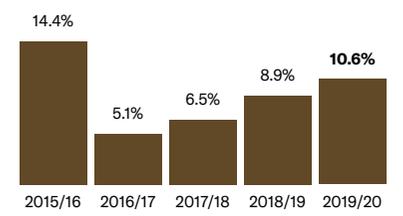
Profit for the year is significantly above expectations. Results are positively affected by a good level of activity in most markets, and in general there is a high capacity utilisation on the pile factories.



ROIC (after tax)

10.6%

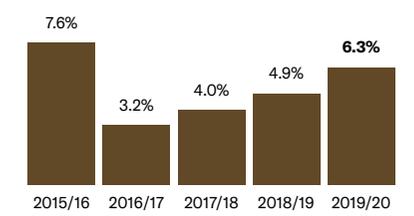
ROIC is close to the 12% target. Ground Engineering is characterised by making large investments in production plant for manufacture of precast reinforced concrete piles and piling rigs for installation of piles. The invested capital was at the same level as last financial year.



EBIT margin

6.3%

The EBIT margin continues its positive development and is approaching the 7% EBIT margin target for the segment.



THE PAST YEAR IN GROUND ENGINEERING

Segment results (EBIT) came to DKK 139 million or 6.3% of revenue. Revenue increased to DKK 2,228 million, corresponding to 3.1%. Organic growth was -2.6%. Revenue of the Danish operations decreased by 28.0% to DKK 776 million, and revenue of the foreign operations increased by 34.1% to DKK 1,452 million.

In Ground Engineering, profit for the year was significantly above expectations, and the realised EBIT margin continued the positive development approaching the segment target. The year was positively influenced by a high level of activity in most markets, and in general there was a good capacity utilisation on the individual pile factories.

The Danish activities performed above expectations. However, the level of activity in Denmark was considerably lower than in the same period of last financial year due to the completion of a number of large projects. This was partly compensated for by the satisfactory progress of One Company projects in Norway and Sweden carried out in cooperation between Ground Engineering in Denmark and local ground engineering companies.

In Sweden, results were above expectations. Several large infrastructure projects contributed to revenue growth and improved earnings, while

the industrial market for pile driving was under pressure due to the slowdown within residential buildings.

The German pile company has seen a positive development and delivered satisfactory results above expectations. The company was previously very dependent on onshore wind projects, but due to the changed and increased focus on other industrial segments, such as logistics centres, the level of activity has normalised. In Neidhardt Grundbau GmbH and Ponel Bau GmbH, the activities generated results in line with expectations. There is a high level of activity, and the projects are carried out according to plan. STB Wöltjen GmbH performed in line with expectations. The projects in Germany are affected by the coronavirus pandemic only to a limited extent.

In the UK, operating profit was positive, but earnings were strongly affected by the lockdown and the restrictions caused by the coronavirus pandemic. However, market oppor-

tunities are good, especially within construction of logistics centres.

In Poland, results were above expectations. The level of activity was high, and the order backlog is satisfactory comprising a number of projects with reinforced concrete piles. The work in Poland has only been affected by the coronavirus pandemic to a limited extent.

In July, Aarsleff signed a purchase agreement on the acquisition of all shares in the Norwegian company Sør-Norsk Boring AS. For more than 20 years, the company has worked with drilled foundation solutions. Based in Ulefoss, approx. 150 kilometres south-west of Oslo, Sør-Norsk Boring is today the leading specialist company within drilled foundation solutions in Southern Norway, undertaking work for large groups, small and medium-sized Norwegian companies and public customers. The company has 50 employees and generated revenue of NOK 154 million in 2019. The purchase of Sør-Norsk Bor-

ing will provide Aarsleff with specialist expertise within rock drilling and energy drilling and combined with the Aarsleff Group's expertise within reinforced concrete piles, sheet pile walls and drilled piles in large dimensions, this will strengthen the Group's market position in Norway and in the rest of Scandinavia.

In the financial year, Ground Engineering's order intake amounted to DKK 1,887 million, and the order backlog amounted to DKK 1,399 million at 30 September 2020 (30 September 2019: DKK 1,740 million) of which approx. DKK 1,000 million is expected to be carried out in the financial year 2020/21.

In the new financial year, revenue in line with 2019/20 is expected, and an EBIT margin of 6%. The long-term expectations to revenue development are a 5% to 10% growth per year, and the EBIT margin target for the segment is unchanged at 7%.



See what we do at www.aarsleff.com/references

No matter whether an Aarsleff project takes several years or just a few hours, it is important, and it is a workplace for our thousands of skilled employees who are committed to technical solutions and professional work.

THE YEAR AT A GLANCE

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THE HIGHEST TOWER IN THE CARLSBERG CITY

The Carlsberg City is Copenhagen's new district. The post-industrial site is being transformed, and residential buildings, offices, shops as well as educational institutions and day-care centres are shooting up. The tallest of them all is Pasteur's Tower which is part of Aarsleff's design and build contract.

Copenhagen's tallest residential building

At 120 metres, Pasteur's Tower will become Copenhagen's tallest residential building. Expected completion of the building is in the first half of 2022. The total building area is approx. 76,000 square metres taken up by the residential tower, residential blocks, basement as well as retailing and commercial activities.

Project optimisation with early involvement

The project is built according to early contractor involvement, meaning that the client has invited architects, consulting engineers as well as contractors to participate already in the design and planning phases. This collaboration model goes hand in hand with Aarsleff's focus to optimise projects and buildability as well as minimise risks.

Aarsleff skills in One Company collaboration

In the summer of 2018, Aarsleff's piling specialists started working on the construction pit by establishing the diaphragm walls. After that, we carried out excavation for a three-storey underground car park. Piling work, earthwork and concrete work as well as element installation, closing and fit-out are carried out by Aarsleff, while Wicotec Kirkebjerg A/S is responsible for the technical installations.



TRACK RENEWAL IN NORTHERN JUTLAND

Aarsleff Rail A/S has renewed the 50-kilometre double-track railway section between Hobro and Aalborg as the tracks were old, and the section had to be prepared for increasing the train speed from 120 to 200 kilometres per hour.

Rebuilding tracks in one continuous process

When long sections are to be renewed, part of the work is often carried out mechanically by means of an advanced track renewal train from one of our international collaboration partners. The train may be up to several hundred metres long, and in one continuous working process it is capable of rebuilding two kilometres of track in one workday.

Track work is one of the core skills

Both manual and mechanical track renewal is among Aarsleff Rail's specialist skills. The employees possess special expertise, and the fleet of machinery is well equipped, capable of handling the many different tasks such as earthwork and drainage work, structures, interlocking systems, high voltage and catenary systems.

Working on tracks, bridges and structures

On the section, we have replaced culverts under the railway, carried out bridge work, straightened curves and manually renewed the tracks at Skørping Station. In addition, the tracks under several bridges have been lowered by up to 1.5 metres to achieve clearance for the overhead lines which are to be installed during the electrification of the section – a contract which also involves Aarsleff Rail.



TUBULAR STEEL PILES FOR RAILWAY BRIDGE

Across the river Vormå at Minnesund northeast of Oslo in Norway, a new railway bridge is being built as a part of the development of the Norwegian railway infrastructure between Oslo and Hamar. The Minnevik railway bridge will be 836 metres long, and Aarsleff delivers pile foundation and temporary cofferdams.

Inclined piles up to 58 metres long

The bridge will be standing on 20 foundations using a total of 268 inclined piles with dimensions of DN1016 millimetres and lengths of up to 58 metres. We are also establishing temporary cofferdams for 17 of the 20 bridge foundations, providing a dry working environment for the concrete work for the foundations. The cofferdams measure 12 × 18 metres or 20 × 25 metres and are up to 25 metres deep.

Challenging logistics and road transport

Materials, machinery and equipment were transported by road, so the barges that we used for the offshore work were small barges put together as one big fleet that was big enough for our heavy equipment.

One of Europe's largest piling rigs

The long and heavy tubular steel piles are driven using one of the largest piling rigs in Europe. The piles are inclined and installed in two or three sections. Position, direction and inclination are ensured by means of Aarsleff's machine control system as well as our electronic pile driving log.



MUSEUM FOR THE ICELANDIC SAGAS

In Reykjavik, the Aarsleff Group's Icelandic company Ístak hf. is building the Saga Museum. Here, the Icelandic sagas will be safely stored and displayed together with other great cultural treasures of Iceland.

Significant and long-awaited

After a design competition in 2008, the Icelandic state initiated the execution of the construction pit. However, the construction work was put on hold during the financial crisis, and after a new invitation to tender in 2019, Ístak won the main contract for the execution of the Saga Museum.

Challenging main contract

The 8,750-square-metre building will comprise an underground car park and basement in one level as well as three storeys above ground. The casting work on the shell structure will be finished in December 2020, comprising in situ cast walls and composite in situ deck with load-bearing steel beams and steel columns. The museum will be handed over in the summer of 2022.

Oval building

The outer walls are elliptical-shaped with high architectural surface requirements. The elliptical shape is broken up on all storeys with small roof gardens and cantilevered structural elements. The outer walls will be clad with copper composite plates perforated with a custom-designed pattern resembling the saga texts.



FIRST, SECOND AND THIRD PHASE

With a new land area of 190,000 square metres and a new quay of 1,075 metres, Port of Skagen is working on its largest expansion so far. Aarsleff and the sister company VG Entreprenør A/S have almost finished the work and were also responsible for the first and the second project phase of the harbour expansion.

800,000 tons of rocks for new breakwaters

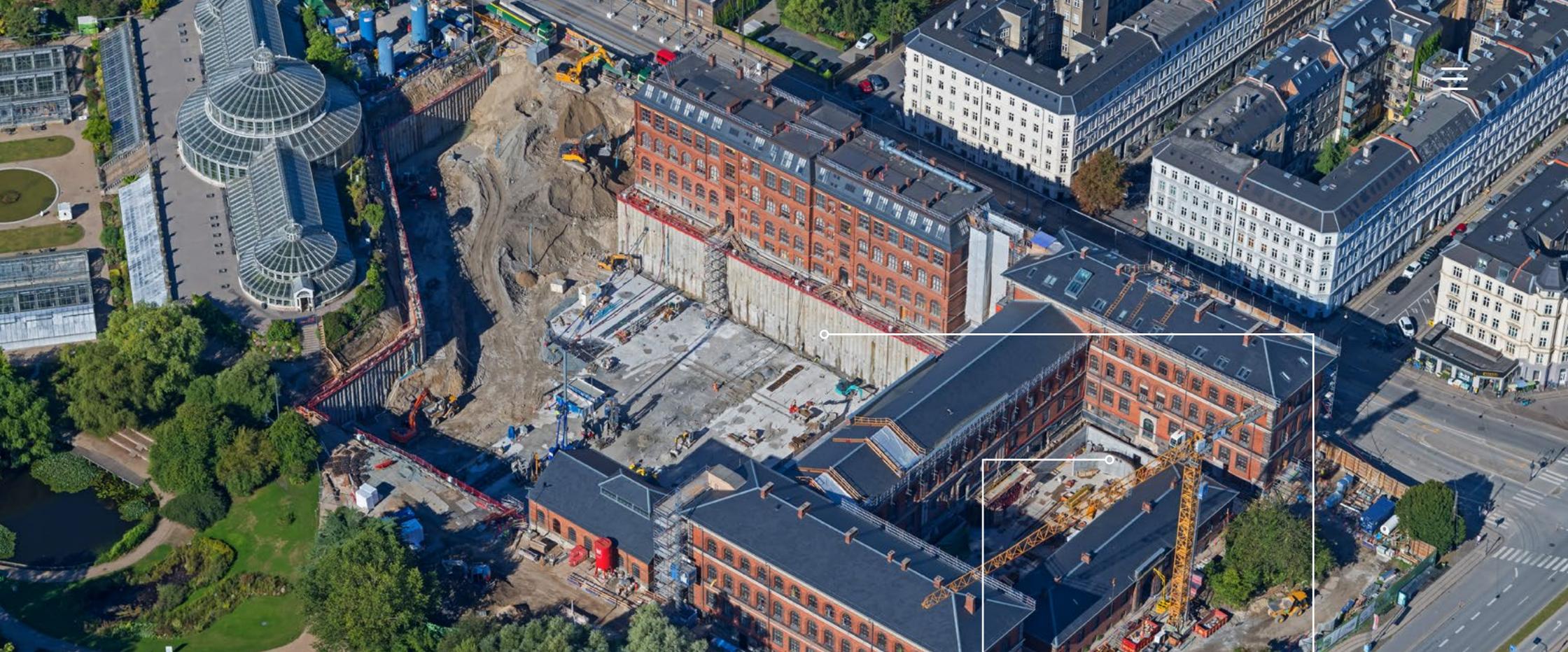
We have completed a total of 1,500 metres of new outer breakwater, extending the southern breakwater and encircling the new land area. The breakwaters consist of a total of 800,000 tons of rocks, the largest weighing up to 15 tons. Almost half of the rocks comes from the old breakwater which was excavated and reused in the new breakwater.

New large land area

By means of dredging, we have increased the water depths, both in the harbour entrance and in the turning basin. The sand from the dredging, a total of 2.7 million cubic metres, has been pumped into the new hinterland area extending it by another 190,000 square metres. This has improved the facilities for the fishing industry.

Quay structure partly with precast concrete elements

In the new area, we have established a new 23,500-square-metre quay road which will be ready for the fishing and container industry moving in shortly. The quays consist of 300 linear metres of combi-wall and 775 metres of sheet pile wall with concrete capping beam, partly cast in situ and partly carried out as a precast concrete element solution from Aarsleff's concrete factory in Poland.



NEW MUSEUM

After a long phase of project planning and price formation, Aarsleff is carrying out the main contract for renovation and extension of the new Natural History Museum in the centre of Copenhagen. The project is an extensive and versatile One Company collaboration involving several of Aarsleff's specialist skills, including the technical installations which are delivered by Wicotec Kirkebjerg A/S.

Demolition and reconstruction

The museum's preservation-worthy buildings will be rebuilt and used for teaching, research, exhibition and administration. The inside and outside demolition work is very comprehensive, and we must be careful with the old stairs, railings and ceilings, which in some cases date back to 1886. In addition, we are to excavate and remove 250,000 tons of soil to provide space for the new buildings.

New underground exhibition hall

Right next to the preservation-worthy buildings we are constructing a new 16,000-square-metre underground exhibition hall in two storeys as well as the so-called Ocean Hall which will be 24 metres high with a giant super-elliptical glass dome on the top. The new buildings are connected to the existing buildings via a concrete tunnel established below the existing buildings.

Comprehensive and gentle ground engineering work

As the concrete tunnel and the 7,000-square-metre-large construction pit for the Ocean Hall are situated right next to the old preservation-worthy buildings in the centre of Copenhagen, the construction pit is established with secant piles which is a vibration-free and low-noise installation method. Our work comprised 400 metres of secant pile wall at a depth of 15 metres.

Aarsleff is listed on Nasdaq Copenhagen A/S, and all A shares are owned by the foundation Per og Lise Aarsleffs Fond. The purpose of the foundation is to ensure the Aarsleff Group's continued existence and development.

CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

With few exceptions, Management complies with the recommendations of Nasdaq Copenhagen A/S on good corporate governance, found on www.corporategovernance.dk

The exceptions are:

- The Board of Directors has chosen not to obtain external assistance in the evaluation of the Board of Directors, cf. the section on evaluation of the work of the Board of Directors and the Executive Management.
- The variable remuneration which is paid to the Executive Management cannot be reclaimed, as recommended, if the remuneration was paid on the basis of information which subsequently was found to be incorrect.
- The Board of Directors has chosen only to comply partially with the recommendation that the majority of the members of a board committee be independent. The Nomination and Remuneration Committee has two members of which one member is not independent, meaning that the Committee does not comply with the recommendations.

The below statement concerns the recommendations updated most recently in November 2017.

An outline of the company's approach to the individual recommendations is available at <http://www.aarsleff.com/corporategovernance20192020>

Tasks and responsibilities of the Board of Directors

The Board of Directors determines the business concept as well as the overall goals and strategies of the Aarsleff Group and is responsible for the overall management of the company.

The Board of Directors has rules of procedure describing the work of the Board of Directors. The rules of procedure also describe the work of the Chairman of the Board of Directors and the Deputy Chairman. The rules of procedure of the Board of Directors are reviewed annually to ensure that the Board of Directors undertakes its most important assignments in relation to the overall strategic management and control of the company as well as

the current assessment of the work of the Executive Management.

During the year, the Board of Directors held a total of eight ordinary board meetings attended by the Executive Management. In addition to the ordinary board meetings, six extraordinary board meetings were held via teleconference, e.g. in connection with the coronavirus pandemic in the spring.

The Board of Directors has established an Audit Committee consisting of three board members. During the year, the committee has held three meetings. Also, a Nomination and Remuneration Committee was established consisting of two members. During the year, the committee has held three meetings.

Meeting attendance – Board of Directors

The below diagram shows the attendance/non-attendance at the respective meetings.

Board member	Board meetings		Audit Committee meetings	Nomination and Remuneration Committee meetings
	Ordinary	Extraordinary		
Andreas Lundby ¹	■ ■ ■ ■			■ ■
Ebbe Malte Iversen ²	■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■		■
Jens Bjerg Sørensen	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■	■ ■
Bjarne Moltke Hansen	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■		■
Charlotte Strand	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■	
Peter Arndrup Poulsen ¹	■ ■ ■ ■		■	
Henrik Højen Andersen ²	■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■	

¹ Resigned from the Board as of 1 February 2020.

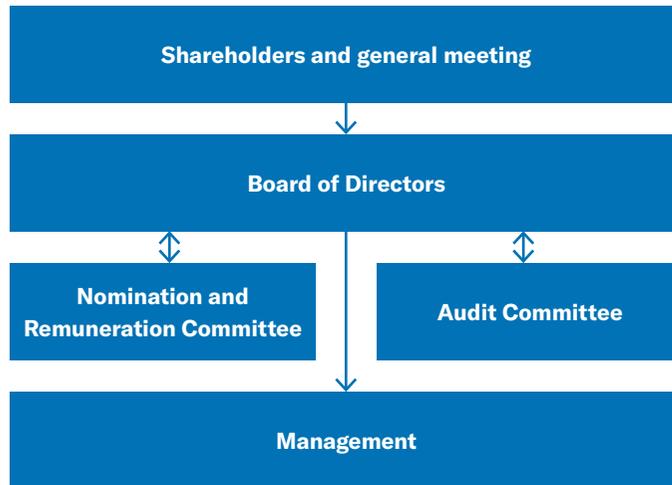
² Member of the Board since 1 February 2020.

Composition of the Board of Directors

During the financial year, the Board of Directors has consisted of five external members. The members are elected for one year at a time by the Annual General Meeting.

In the procedures for recommendation of new candidates to the Board of Directors, we seek to safeguard the principles of diversity and representation of all, important qualifications so that the Board can continue to carry out its work in the best possible way. We have set up specific targets for the proportion of women in the Board of Directors, cf. www.aarsleff.com/corporatesocialresponsibility

Governance structure



The terms of reference of the committee are available at www.aarsleff.com/investor

THE BOARD OF DIRECTORS' FOCUS AREAS IN 2019/20

Strategy

- Strengthening and expanding One Company collaboration in the Group
- Initiatives to improve the results of some units
- Secure project execution and continued efficiency improvements.

Organisation development

- Top management structure and succession planning
- Establishment of talent programme
- Development and retention of key employees.

Risk management

- Handling of the coronavirus based on a prudence principle with full maintenance of operations
- Reduction of the risk of cyberattacks as well as improvement and alignment of the Group's IT infrastructure.

Sustainability and green transition

- Establishment of Aarsleff ECO Center with the focus on green transition, initiatives and improvements in the Aarsleff Group and the building and construction industry.

Evaluation of the board of directors

The work, results and composition of the Board of Directors were evaluated during the year. The Chairman of the Board conducted the evaluation by interviewing the individual board members. The result was discussed in the entire Board of Directors. The evaluation did not result in significant changes to the Board of Directors' annual cycle of work or working methods.

INTERNAL CONTROL AND RISK MANAGEMENT IN FINANCIAL REPORTING

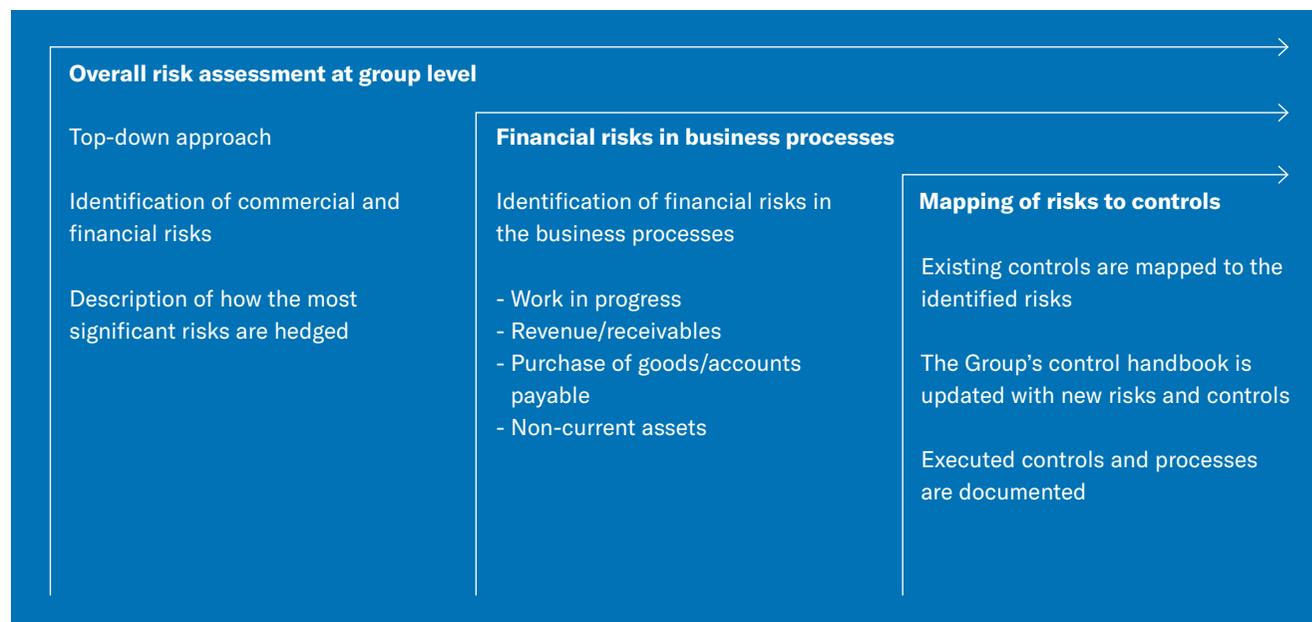
Internal controls and risk management relating to financial reporting in the Aarsleff Group are made with a view to presenting financial statements that comply with International Financial Reporting Standards (IFRS), as adopted by the EU, and additional Danish disclosure requirements for listed companies.

The internal controls and risk management systems have been made with a view to providing reasonable and fair security that errors and defects in the financial statements are discovered and rectified so that the annual report provides a true and fair view without material misstatements and with a view to ensuring that the choice and use of accounting policies are appropriate and that accounting estimates are performed responsibly.

The Group's internal control and risk management systems relating to financial reporting are based on the internationally recognised COSO framework.

The Group's process for identification and handling of risks at group level and in the individual business processes can be illustrated as follows:

Internal controls Process – Group level





Control environment

The Board of Directors has appointed an Audit Committee whose primary purpose is to assist the Board of Directors in monitoring financial reporting and the adequacy of the Group's internal control and risk management systems.

The Audit Committee has supervisory responsibilities and reports to the entire Board of Directors. The responsibility for the day-to-day maintenance of effective internal controls and a risk management system for financial reporting rests with the Executive Management. Managers at different levels are responsible within their respective areas.

Responsibility and powers are defined in the Board of Directors' instructions to the Executive Management, policies, procedures and code. The Board of Directors approves the most significant policies of the Group as well as the code of business conduct.

The Executive Management approves other policies and procedures, and the responsible functions issue guidelines and monitor the use of all policies and procedures. The organisational structure and internal guidelines together with laws and other rules form the control environment.



Risk assessment

A risk analysis is currently prepared with a view to assessing key risks in the financial reporting process, including a separate assessment of the risk of material misstatement of the consolidated financial statements due to fraud.

The risk assessment, which is allocated to items and individual processes in the financial reporting, forms the basis of the determined risk management policy which is to ensure that relevant risks are managed and reduced to an acceptable level.



Control activities

The aim of the control activities is to prevent, discover and correct any errors and irregularities. The activities are integrated in the Group's accounting and reporting procedures and include procedures for certification, authorisation, approval, reconciliation, analyses of results, separation of incompatible functions, controls concerning IT applications and general IT controls.

The risk assessment in the individual companies provides the basis for the local control activities concerning the financial reporting. This is supported by the Group's control handbook which defines a set of minimum controls that must be carried out. The purpose of the risk assessment and the associated control activities is to ensure that an acceptable level of internal control concerning financial reporting in the Group is maintained.



Information and communication

The Aarsleff Group maintains information and communication systems to ensure that the financial reporting is correct and complete. Accounting policies, accounting procedures and other reporting instructions are updated as needed and reviewed at least once a year.

The Aarsleff Group's accounting policies are specified in an accounting and reporting instruction submitted to the Group companies each year. In case of significant changes to the accounting policies, it is considered from one time to the next how these are communicated to the Group's companies most appropriately.



Monitoring

The Aarsleff Group uses a consolidation system for monitoring the Group's results, making it possible by means of analyses and follow-up at an early stage to detect and correct any errors and irregularities in the financial reporting.

Compliance with accounting policies is currently monitored at group level and other operating levels by financial controllers.

On a rotating basis, an annual review and assessment is carried out to find out whether the control design of relevant companies complies with the standards determined for the individual company in accordance with the company's risk assessment. The result hereof is reported to the Audit Committee.

Similarly, the Audit Committee receives observed control weaknesses and recommendations from the auditor elected at the Annual General Meeting. The Audit Committee monitors that the Executive Management reacts efficiently to any weaknesses or shortcomings and that measures relating to risk management and internal controls in connection with the financial reporting are implemented as planned.

EXECUTIVE MANAGEMENT AND BOARD OF DIRECTORS

From the left, Nicolai Schultz, Jesper Kristian Jacobsen, Mogens Vedel Hestbæk, Bjarne Moltke Hansen, Jens Bjerg Sørensen, Charlotte Strand, Henrik Højen Andersen and Ebbe Malte Iversen.



EXECUTIVE MANAGEMENT

	Jesper Kristian Jacobsen	Nicolai Schultz	Mogens Vedel Hestbæk
Position	CEO	Deputy CEO	Group CFO
Education	BSc (Engineering)	MSc (Engineering)	MSc (Economics)
Chairman of the board of directors	Network for Global Civil Engineers		
Member of the board of directors	K2 Management A/S (Deputy Chairman) Danish Building Association		Olimb Rørfornyng Holding AS

Executive Management

Name	Year of birth	Position	Employed since
Jesper Kristian Jacobsen	1970	CEO	2001
Nicolai Schultz	1968	Deputy CEO	2019
Mogens Vedel Hestbæk	1972	Group CFO	2015

Executive Management's total number of shares in the company held at 21 December 2020: 13,730 (at 18 December 2019: 10,385).

The Executive Management

From the left, CEO Jesper Kristian Jacobsen, deputy CEO Nicolai Schultz and Group CFO Mogens Vedel Hestbæk.



BOARD OF DIRECTORS

	Ebbe Malte Iversen Chairman of the Board Chairman of the Nomination and Remuneration Committee	Bjarne Moltke Hansen Deputy Chairman Member of the Nomination and Remuneration Committee	Jens Bjerg Sørensen Board member Chairman of the Audit Committee
Education	BSc (Engineering)	BSc (Engineering) (B) Insead, Young Managers Programme	Business graduate, Diploma in Business Administration (marketing economics) Insead IEP
Special competences	Management of large, international companies, including listed companies. Professional and industry-related knowledge	Management of large, international companies, including listed companies	Financial insight and general management of large, international companies, including listed companies
Independence	Not considered independent due to employment in the executive management within the past five years	Considered independent	Considered independent
Chairman of the board	STIBO Ejendomme A/S STIBO Fonden STIBO Holding A/S	Bladt Holding A/S Bladt Industries Holding A/S Bladt Industries A/S Pindstrup Mosebrug A/S Rich. Müller-Fonden RMIG A/S UNICON A/S Aalborg Portland Holding A/S Aalborg Portland A/S Aalborg Portland U.S. Inc Aalborg Cement Company Inc.	A. Kirk A/S Alba Ejendomme A/S BioMar Group A/S Borg Automotive A/S F. Salling Holding A/S F. Salling Invest A/S GPV International A/S HydraSpecma A/S Købmand Herman Sallings Fond
Board member	Ege Carpets A/S (Deputy Chairman) Carpet Holding A/S (Deputy Chairman) Per og Lise Aarsleffs Fond	Danish SDG Investment Fund, Investment Committee Højslev Teglværk A/S LKAB Randers Tegl A/S	Aida A/S Bitten & Mads Clausens Fond Danfoss A/S (Deputy Chairman) Ejendomsselskabet FMJ A/S F.M.J. A/S Fibertex Nonwovens A/S (Deputy Chairman) Fibertex Personal Care A/S (Deputy Chairman) Købmand Ferdinand Sallings Mindefond Salling Group A/S (Deputy Chairman)
Other managerial positions		General manager of BMH Advice ApS	General manager of Jens Bjerg Sørensen Datterholding 1 ApS General manager of Jens Bjerg Sørensen Holding ApS
Position			President of Aktieselskabet Schouw & Co.

BOARD OF DIRECTORS

	Charlotte Strand Board member Member of the Audit Committee	Henrik Højen Andersen Board member Member of the Audit Committee
Education	MSc (Economics)	MSc (Engineering) MSc (Engineering Management), Stanford University
Special competences	Financial insight and general management of large, international companies, including listed companies	Management of large, international companies
Independence	Considered independent	Considered independent
Chairman of the board		Biolac GmbH & Co. KG MV Ingredients Limited
Board member	Climeon AB (chairman of audit committee) Flügger A/S (chairman of audit committee) PostNord AB (chairman of audit committee)	ArNoCo GmbH & Co. KG K/S Solenergi Bayern Niels Andersens Legats Handelsaktieselskab
Other managerial positions		Director of Solenergi Bayern Komplementar ApS Director of AFI Partner ApS
Position		CEO of Arla Foods Ingredients Group P/S

Board of Directors

Name	Gender	Year of birth	Initially elected	Term of office	Board position	Board remuneration	Number of shares ¹	Change ²
Ebbe Malte Iversen	♂	1951	2020	1 year	Chairman	550,000	119,787	21,000
Bjarne Moltke Hansen	♂	1961	2019	1 year	Deputy chairman	481,250	0	0
Jens Bjerg Sørensen	♂	1957	2014	1 year	Board member	411,250 ³	0	0
Charlotte Strand	♀	1961	2017	1 year	Board member	365,000 ⁴	0	0
Henrik Højen Andersen	♂	1960	2020	1 year	Board member	243,333 ³	489	489

¹ Number of shares in the company held at 21 December 2020.

² Change from 18 December 2019.

³ Of this figure DKK 60,000 constitutes Audit Committee remuneration (eight months).

⁴ Of this figure DKK 90,000 constitutes Audit Committee remuneration.

SHAREHOLDER INFORMATION

Share capital

The share capital is DKK 40.77 million divided into DKK 2.7 million A shares and DKK 38.07 million B shares.

The B share capital is listed on Nasdaq Copenhagen A/S. At 30 September 2020, the B share capital constituted 19,035,000 shares each of DKK 2. The B shares are negotiable instruments issued to bearer but can be registered in the name of the holder in the company's register of shareholders.

The A share holding consists of 27,000 shares each of DKK 100 and carries 10 times the voting rights compared to the B shares. The A shares are non-negotiable instruments. In all calculations of financial ratios, the A shares are calculated into shares of

DKK 2 in line with the B shares, corresponding to 1,350,000 A shares.

Shareholders

All A shares are owned by the foundation Per og Lise Aarsleffs Fond. Per og Lise Aarsleffs Fond possesses 42.86% ¹ of the votes primarily through Per Aarsleff Holding A/S's A shares. The purpose of the foundation is to ensure the Aarsleff Group's continued existence and development through possession of Per Aarsleff Holding A/S's A share capital.

Shareholders may exercise their voting rights at the Annual General Meeting only after having had their shares entered in the company's register of shareholders or after due notification and documentation

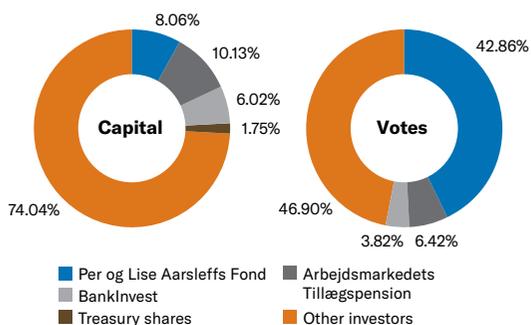
of their acquisition of shares prior to the convening of the Annual General Meeting.

At 30 September 2020, 7,796 shareholders were registered, corresponding to approx. 90% of the share capital. Shareholders who hold more than 5% of the share capital or control more than 5% of the voting rights at 10 December 2020 are stated below.

Treasury shares

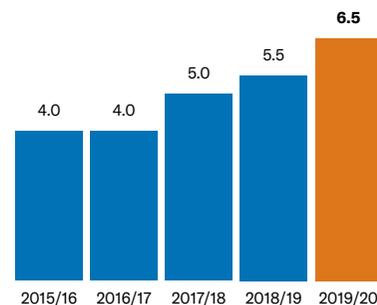
At the Annual General Meeting in January 2020, it was decided to cancel 2,265,000 B shares, corresponding to 10% of the company's share capital. At 30 September 2020, the holding of treasury shares was 1.75% and is exclusively for meeting the obligations related to the share programme for the Executive Management and the employees.

Share holding, capital and votes ¹

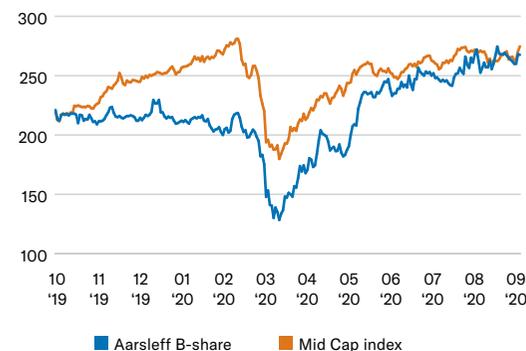


¹ Number of votes corrected for the company's holding of treasury shares

Dividend (DKK per share)



Share price development compared to Mid Cap index



At the end of the financial year, the holding of treasury shares was 356,174 B shares of a nominal value of DKK 0.7 million and an acquisition cost of DKK 86 million. At 30 September 2020, the market capitalisation of the treasury shares was DKK 95 million. In the financial year 2019/20, we purchased another 145,550 B shares which will be used for meeting the obligations relating to the share programme for the Executive Management and the employees.

At the Annual General Meeting in January 2020, the Board of Directors was authorised for the next five years to allow the company to acquire treasury shares within a total nominal value of 20% of the share capital of the company.

Market capitalisation

At 30 September 2020, the market capitalisation of the company's B shares exclusive of treasury shares was DKK 4,997 million compared to DKK 4,179 million at 30 September 2019.

In the financial year, the share price of Per Aarsleff Holding A/S has largely followed the development of the Mid Cap index, and at the end of the financial year it is approx. 20% higher than at the beginning of the year.

Dividend

For the financial year 2019/20, the proposed dividend per share of a nominal value of DKK 2 is DKK 6.50.



Company announcements
can be found at
www.aarsleff.com/investor

FINANCIAL CALENDAR

27 JANUARY 2021

Annual general meeting at 15:00

28 MAY 2021

Interim financial report for the period 1 October 2020-31 March 2021

1 FEBRUARY 2021

Dividend paid to shareholders for the financial year 2019/20

26 AUGUST 2021

Interim financial report for the period 1 October 2020-30 June 2021

25 FEBRUARY 2021

Interim financial report for the period 1 October-31 December 2020

21 DECEMBER 2021

Annual report for the financial year 2020/21



The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statement Act. The annual report is submitted for adoption by the Annual General Meeting.

MANAGEMENT'S STATEMENT AND AUDITOR'S REPORT

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MANAGEMENT'S STATEMENT

The Board of Directors and Executive Management have today considered and adopted the Annual Report of Per Aarsleff Holding A/S for the period 1 October 2019-30 September 2020.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statement Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 30 September 2020 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 October 2019-30 September 2020.

In our opinion, Management's review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

The annual report is submitted for adoption by the Annual General Meeting.

Aarhus, 21 December 2020

Executive Management

Jesper Kristian Jacobsen
CEO

Nicolai Schultz
Deputy CEO

Mogens Vedel Hestbæk
Group CFO

Board of directors

Ebbe Malte Iversen
Chairman of the Board

Bjarne Moltke Hansen
Deputy Chairman

Jens Bjerg Sørensen

Charlotte Strand

Henrik Højen Andersen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Per Aarsleff Holding A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 30 September 2020 and of the results of the Group's operations and cash flows for the financial year 1 October 2019 to 30 September 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 30 September 2020 and of the results of the Parent Company's operations for the financial year 1 October 2019 to 30 September 2020 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Per Aarsleff Holding A/S for the financial year 1 Oc-

tober 2019 to 30 September 2020 comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Per Aarsleff Holding A/S for the financial year 1 October 2019 to 30 September 2020 comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

Following the admission of the shares of Per Aarsleff Holding A/S for listing on Nasdaq OMX Copenhagen, we were first appointed auditors of Per Aarsleff Holding A/S in February 1985. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 35 years including the financial year 2019/20.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019/20. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and measurement of construction contracts and related recognition of contract revenue

In accordance with IFRS 15, revenue from and profit on construction contracts are recognised over time based on the progress towards complete satisfaction of the individual performance obligations of the construction contracts (percentage-of-completion method). The progress (stage of completion) is determined and assessed by the proportion of the contract costs incurred at the balance sheet date compared to the total costs estimated to complete the contract.

The preparation of reliable forecasts of the total expected contract costs and contract revenue involves material accounting estimates and judgements.

This includes judgement of the extent to which contract costs incurred are expected recovered, including statement of variations compared to contractual assumptions, extra costs incurred due to instructions from builders and other events justifying compensation entitlement as well as claims from builders due to non-performance of contractual terms.

We focused on the recognition and measurement of construction contracts and the related recognition of revenue as the application of the percentage-of-

completion method is complex and requires that Management make significant accounting estimates and assessments.

The Aarsleff Group has material construction contracts in the Construction, Pipe Technologies and Ground Engineering segments.

We refer to note 2 to the Annual Report on accounting estimates and judgements, note 18 on work in progress and note 22 on provisions.

How our audit addressed the Key Audit Matter

We assessed the Group's procedures and tested selected key controls on construction contracts and the related recognition of contract revenue.

We assessed the accounting policies applied and the Group's application and interpretation of relevant financial reporting standards.

We focused on material construction contracts in respect of which the final forecasts involved material estimates and judgements. We reviewed selected construction contracts with the relevant members of Management, financial managers or project management, and we tested, on a sample basis, central data against underlying documentation.

We reviewed key covenants in selected signed contracts to assess whether they have been treated correctly for accounting purposes and reflected with the correct amounts in the forecasts used.

Based on historical experience from comparable projects and knowledge of the building and construction industry, we challenged significant

accounting estimates used in Management's forecasts, including especially the assumptions which form the basis of the judgement of stated variations and extra costs as well as claims from builders included in the forecast for the construction contracts.

For the purpose of assessing contracts subject to disputes and/or lawsuits, we obtained Group Management statements and judgements, legal representation letters from the Group's lawyers and other relevant legal documents.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been

prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of account-

ing estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 21 December 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kragh
mne26783
State Authorised
Public Accountant

Thyge Belter
mne30222
State Authorised
Public Accountant

Consolidated revenue came to DKK 13,295 million in the financial year 2019/20, and EBIT came to DKK 625 million before the DKK 72 million goodwill impairment, corresponding to an EBIT margin of 4.7%.

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FINANCIAL REVIEW

Income statement

In 2019/20, consolidated revenue amounted to DKK 13,295 million which is a decrease of DKK 158 million or 1.2% compared to last year's revenue of 13,453 million.

Revenue decline was primarily attributable to Construction and the slowdown in the Icelandic market, whereas the level of activity in Pipe Technologies was high e.g. in Germany and Sweden. Revenue in Ground Engineering also increased due to a higher level of activity in Germany and Poland as well as the acquisition in Norway.

Production costs, which comprise direct production costs and other production costs as well as depreciation on plant and profit from the sale of non-current assets, decreased from DKK 12,019 million to DKK 11,683 million or by DKK 336 million, corresponding to 2.8%.

Gross profit increased by DKK 179 million compared to last financial year. Adjusted for the arbitration loss of DKK 72 million in connection with the construction of a biogas plant in the financial year 2018/19, gross profit increased by DKK 107 million, corresponding to an increase of 7.1% compared to the year before. The positive development of the gross profit was mainly attributable to a high capacity utilisation in both Ground Engineering and Pipe Technologies and a general, good order execution in Construction.

Administrative expenses and selling costs increased from DKK 965 million to DKK 1,028 million or by DKK 63 million. In the figures for the year, the extraordinary write-down of DKK 12.6 million of an office building in Wicotec Kirkebjerg A/S has been recognised. Adjusted for this item, administrative expenses and selling costs amounted to DKK 1,016 million and constituted a 5.3% increase compared to last financial year, now amounting to 7.6% of revenue which is 0.4 percentage points up on last year. This is widely attributable to amortisation of intangible assets as well as increased costs for the employee share programme. The share programme has a three-year term, and the costs of the financial year amounted to DKK 20 million against DKK 11 million last financial year. For further information about the employee share programme, reference is made to note 8.

Other operating income and expenses, primarily comprising gains on the disposal of non-current assets, amounted to income of DKK 31 million against an income of DKK 25 million in 2018/19.

Share of profit after tax in associates and joint ventures has improved from a positive amount of DKK 7.6 million last financial year to profit of DKK 10 million this year. This is mainly attributable to a positive development of the company's activities in Per Aarsleff West Africa A/S.

Operating profit (EBIT) came to DKK 553 million against DKK 503 million last financial year or an increase of DKK 50 million.

EBIT compared with last financial year was positively affected by the EBIT delivered by Pipe Technologies which increased by DKK 68 million, primarily driven by completion of major projects in Germany and Sweden and a good capacity utilisation across the segment units. EBIT delivered by Ground Engineering also deviates positively from last year with an increase of DKK 33 million. Generally, the segment experienced a good level of activity in most markets and a high capacity utilisation on the pile factories, just as the acquisition of Sør-Norsk Boring AS contributed positively. In Construction, EBIT was down by DKK 51 million on last financial year. Among other things, results were affected by the goodwill impairment in Hansson & Knudsen A/S, just as Ístak hf. and the activities under Aarsleff Rail A/S performed below last year's level. The activities of Per Aarsleff A/S generated EBIT higher than last year, among other things due to the large harbour projects, just as Petri & Haugsted AS generated very satisfactory results following a year with a high level of activity.

Financial income and financial expenses inclusive of leases amounted to a net cost of DKK 23 million against a net cost of DKK 30 million last financial year.

Profit before tax was positive at DKK 530 million against a positive DKK 473 million last financial year.

Tax on profit for the year amounted to DKK 151 million corresponding to a tax rate of 29%. The tax rate can be explained by a higher tax rate in subsidiaries that contribute positively to the profit for the year as well as to non-deductible expenses of which the most significant are the before-mentioned goodwill impairment of Hansson & Knudsen and the extraordinary write-down of the building in Wicotec Kirkebjerg as well as costs for the employee share programme. Tax for the year consisted of a current tax of DKK 283 million and an adjustment of deferred taxes as well as tax assets of a negative DKK 132 million. The Group's deferred tax assets have been conservatively assessed based on expectations for realisation by set-off on future earnings.

Consolidated profit for the year after tax was DKK 379 million against DKK 361 million last financial year.

Balance sheet

The consolidated balance sheet total was DKK 8,595 million at 30 September 2020. This corresponds to an increase of DKK 424 million compared to the balance sheet total of DKK 8,171 million at the end of last financial year.

Cash and cash equivalents increased by DKK 419 million which primarily is attributable to a positive development in working capital. The development was primarily driven by a decrease in receivables

and an increase in trade payables which to some degree was compensated for by a decrease in prepayments from customers.

Consolidated interest-bearing liabilities less interest-bearing assets amounted to a net deposit of DKK 580 million against a net deposit of DKK 399 million at 30 September 2019. The improvement is primarily due to the positive effect from working capital as well as the improved operating profit. Net interest-bearing debt is negatively influenced by the effect of leases as a consequence of IFRS 16 by approx. DKK 363 million as well as the provision for fund holiday pay due to the new Danish Holiday Act by approx. DKK 330 million.

Equity amounted to DKK 3,311 million at 30 September 2020 compared to DKK 3,114 million at the end of last financial year. The development in equity can be specified as follows:

Equity, DKK million	2019/20	2018/19
Equity at the beginning of the year	3,114	2,899
Adjustments according to IFRS 15, beginning of the year	0	-4
Dividend paid	-111	-102
Foreign exchange adjustment of foreign entities	-45	-22
Fair value adjustment of derivative financial instruments	-15	-4
Profit for the year	379	360
Tax on derivative financial instruments	4	1
Employee shares	20	11
Acquisition of treasury shares	-35	-25
Equity, year-end	3,311	3,114

Cash flow statement

Cash flow from operating activities amounted to DKK 1,594 million, an increase of DKK 654 million from DKK 904 million the previous year that was mainly attributable to the above-mentioned positive working capital effect, changes in other payables, among other things as a result of the new Danish Holiday Act and the effect of leases recognised in accordance with IFRS 16. During the fourth quarter of the financial year, a tax prepayment of DKK 250 million was made, resulting in a negative impact on the cash flows.

Cash flow from investing activities were negative at DKK 669 million against a negative DKK 665 million last financial year. Investments are in line with last financial year and are affected by investments in subsidiaries as well as investments in securities with a view to optimisation of liquidity in the current interest rate environment.

Cash flow from financing activities came to a negative amount of DKK 317 million compared to a negative DKK 234 million last financial year, primarily attributable to the minor effect from leasing of assets in accordance with IFRS 16 as well as payment of dividend. Consequently, liquidity has increased by DKK 608 million in the period.

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INCOME STATEMENT

1/10-30/9

Note	(DKK'000)	2019/20	2018/19
5	Revenue	13,295,309	13,453,011
6,7	Production costs	-11,682,540	-12,018,956
	Gross profit	1,612,769	1,434,055
6,7,8,9	Administrative expenses and selling costs	-1,028,402	-964,502
14	Goodwill impairment	-71,696	0
10	Other operating income and expenses	30,738	25,477
16	Share of profit in associates and joint ventures	10,004	7,590
	Operating profit (EBIT)	553,413	502,620
11	Financial income	11,093	10,147
11	Financial expenses	-34,576	-40,034
	Profit before tax	529,930	472,733
12	Tax on profit for the year	-151,397	-112,072
	Profit for the year	378,533	360,661
	Profit for the year is attributable to		
	Per Aarsleff Holding A/S shareholders	378,335	360,054
	Minority shareholders	198	607
	Total	378,533	360,661
13	Earnings per share (DKK)		
	Earnings per share	18.79	17.76
	Diluted earnings per share	18.63	17.69

STATEMENT OF COMPREHENSIVE INCOME

1/10-30/9

Note	(DKK'000)	2019/20	2018/19
	Profit for the year	378,533	360,661
	Items that may be recycled to the income statement		
	Foreign exchange adjustment on translation of foreign entities	-44,039	-21,935
	Fair value adjustments of derivative financial instruments, net	-14,214	-4,227
	Reversal of fair value adjustments of derivative financial instruments, transferred to income statement	-530	341
12	Tax on other comprehensive income	3,873	840
	Other comprehensive income	-54,910	-24,981
	Total comprehensive income	323,623	335,680
	Comprehensive income is attributable to:		
	Per Aarsleff Holding A/S shareholders	323,442	335,063
	Minority shareholders	181	617
	Total	323,623	335,680

BALANCE SHEET

Assets

Note	(DKK'000)	30/9 2020	30/9 2019
	Goodwill	202,314	267,623
	Patents and other intangible assets	87,075	93,475
14	Intangible assets	289,389	361,098
	Land and buildings	811,602	846,320
	Plant and machinery	1,246,126	1,287,337
	Other fixtures and fittings, tools and equipment	162,053	143,765
	Property, plant and equipment under construction	102,398	37,336
15	Lease assets	363,932	0
14	Property, plant and equipment	2,686,111	2,314,758
16	Investments in associates and joint ventures	1,095	8,774
12	Deferred tax	10,842	24,369
	Other non-current assets	11,937	33,143
	Non-current assets	2,987,437	2,708,999
17	Inventories	325,085	323,618
19	Construction contract debtors	2,415,404	2,840,351
18	Work in progress	981,287	1,034,488
	Receivables from associates and joint ventures	16,538	6,037
	Other receivables	76,203	118,347
	Income tax receivable	70,534	46,396
	Prepayments	32,957	21,452
	Receivables	3,592,923	4,067,071
20	Securities	612,281	412,856
28	Cash and cash equivalents	1,077,116	658,142
	Current assets	5,607,405	5,461,687
	Total assets	8,594,842	8,170,686

Equity and liabilities

Note	(DKK'000)	30/9 2020	30/9 2019
	Share capital	40,770	45,300
	Translation reserve	-151,427	-107,388
	Hedging reserve	-10,949	-78
	Retained earnings	3,293,541	3,044,577
	Proposed dividend	132,503	124,575
	Equity, shareholders of Per Aarsleff Holding A/S	3,304,438	3,106,986
	Minority interests' share of equity	6,381	7,480
21	Equity	3,310,819	3,114,466
	Mortgage debt	97,381	123,063
	Credit institutions	4,249	8,224
15	Lease liabilities	234,316	0
22	Provisions	94,936	81,985
12	Deferred tax	365,818	536,555
	Other payables	299,612	0
	Non-current liabilities	1,096,312	749,827
	Mortgage debt	9,571	14,067
28	Credit institutions	272,394	458,174
15	Lease liabilities	128,285	0
18	Work in progress	1,156,895	1,298,063
22	Provisions	71,087	66,038
	Trade payables	1,607,029	1,474,005
	Income tax payable	91,312	60,204
	Other payables	851,138	935,842
	Current liabilities	4,187,711	4,306,393
	Total liabilities	5,284,023	5,056,220
	Total equity and liabilities	8,594,842	8,170,686

Notes without reference

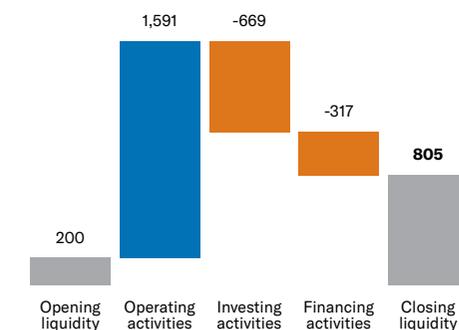
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STATEMENT OF CASH FLOWS

1/10-30/9

Note	(DKK'000)	2019/20	2018/19
	Cash flow generated from operations		
	Operating profit (EBIT)	553,413	502,620
	Depreciation, amortisation and impairment	684,494	436,558
26	Other adjustments	-22,743	-11,848
27	Change in working capital	719,029	122,694
	Cash flow from operating activities before net financials and tax	1,934,193	1,050,024
	Interest received	11,093	10,147
	Interest paid	-31,607	-36,088
	Cash flow from ordinary operating activities	1,913,679	1,024,083
	Income tax paid	-319,495	-83,883
	Cash flow from operating activities	1,594,184	940,200
	Cash flow generated from investments		
30	Acquisitions	-62,734	-62,294
	Investments in property, plant and equipment	-530,525	-471,285
	Investments in intangible assets	-2,088	-2,929
	Sale of property, plant and equipment	124,410	93,183
	Dividends from associates and joint ventures	2,764	0
	Purchase of securities	-372,951	-399,465
	Sale of securities	172,218	177,315
	Cash flow from investing activities	-668,906	-665,475
	Cash flow generated from financing		
29	Repayment and servicing of non-current liabilities	-31,610	-107,477
	Lease payments	-139,870	0
	Dividend paid	-110,959	-101,403
	Treasury shares	-34,623	-25,413
	Cash flow from financing activities	-317,062	-234,293
	Change in cash flows for the year	608,216	40,432
	Cash and cash equivalents at the beginning of the year	199,968	160,558
	Market value adjustment of opening cash and cash equivalents	-3,462	-1,022
	Change in cash and cash equivalents for the year	608,216	40,432
28	Closing cash and cash equivalents	804,722	199,968

Cash flows 2019/20 (DKKm)



Accounting policy

The consolidated statement of cash flows format is presented using the indirect method, starting with operating profit. The statement of cash flows shows cash flows for the year broken down by operating, investing and financing activities, and the effect of these cash flows on the Group's cash and cash equivalents.

Cash flow from operating activities

Cash flow from operating activities is calculated as profit before tax adjusted for non-cash operating items, changes in working capital, payments relating to financial items and tax paid.

Cash flow from investing activities

Cash flow from investing activities comprises acquisition and divestment of enterprises, purchase and sale of intangible assets, property, plant and equipment and other non-current assets, dividends from associates and purchase and sale of securities not included in cash and cash equivalents. Acquisition prices are measured including costs of purchase, and selling prices are measured less trading costs. Cash flows from acquired companies are recognised from the date of acquisition and cash flows from divested companies are recognised until the date of divestment.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or composition of the Group's share capital and related costs as well as the raising of loans and servicing of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash less amounts owed to credit institutions which are an integral part of Aarsleff's liquidity management.

STATEMENT OF CHANGES IN EQUITY

(DKK'000)	Share capital	Trans- lation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total, Per Aarsleff Holding A/S shareholders	Minority shareholders	Total
Equity at 30/9 2019	45,300	-107,388	-78	3,044,577	124,575	3,106,986	7,480	3,114,466
Comprehensive income								
Profit for the year				245,832	132,503	378,335	198	378,533
Other comprehensive income								
Foreign exchange adjustment of foreign entities	-44,039				-44,039	-17	-44,056	
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement			-530			-530		-530
Tax on derivative financial instruments			117			117		117
Fair value adjustments of derivative financial instruments			-14,214			-14,214		-14,214
Tax on derivative financial instruments			3,756			3,756		3,756
Total other comprehensive income	0	-44,039	-10,781	0	0	-54,910	-17	-54,927
Total comprehensive income	0	-44,039	-10,781	245,832	132,503	323,425	181	323,606
Transactions with owners								
Dividend, minority shareholders							-1,280	-1,280
Employee share programme				19,609		19,609		19,609
Purchase of treasury shares				-34,623		-34,623		-34,623
Dividend paid					-124,575	-124,575		-124,575
Dividend, treasury shares				13,616		13,616		13,616
Capital reduction	-4,530			4,530		0		0
Total transactions with owners	-4,530	0	0	3,132	-124,575	-125,973	-1,280	-127,253
Equity at 30/9 2020	40,770	-151,427	-10,949	3,293,541	132,503	3,304,438	6,381	3,310,819

STATEMENT OF CHANGES IN EQUITY

(DKK'000)	Share capital	Trans- lation reserve	Hedging reserve	Retained earnings	Proposed dividend	Total, Per Aarsleff Holding A/S shareholders	Minority shareholders	Total
Equity at 30/9 2018	45,300	-85,443	2,968	2,815,541	113,250	2,891,616	7,426	2,899,042
Adjustment for IFRS 15 at 1 October				-3,900		-3,900		-3,900
Adjusted equity at 1/10 2018	45,300	-85,443	2,968	2,811,641	113,250	2,887,716	7,426	2,895,142
Comprehensive income								
Profit for the year				235,479	124,575	360,054	607	360,661
Other comprehensive income								
Foreign exchange adjustment of foreign entities	-21,945				-21,945	10	-21,935	
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement			341			341		341
Tax on derivative financial instruments			-75			-75		-75
Fair value adjustments of derivative financial instruments			-4,227			-4,227		-4,227
Tax on derivative financial instruments			915			915		915
Total other comprehensive income	0	-21,945	-3,046	0	0	-24,991	10	-24,981
Total comprehensive income	0	-21,945	-3,046	235,479	124,575	335,063	617	335,680
Transactions with owners								
Dividend, minority shareholders							-563	-563
Employee share programme				11,023		11,023		11,023
Purchase of treasury shares				-25,413		-25,413		-25,413
Dividend paid					-113,250	-113,250		-113,250
Dividend, treasury shares				11,847		11,847		11,847
Total transactions with owners	0	0	0	-2,543	-113,250	-115,793	-563	-116,356
Equity at 30/9 2019	45,300	-107,388	-78	3,044,577	124,575	3,106,986	7,480	3,114,466

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

This section describes the general accounting policies applied by the Aarsleff Group. A more detailed description of the accounting policies regarding specific reported amounts is presented in the respective notes for purposes of ensuring full transparency of the disclosed amounts by describing the relevant accounting policies for each note.

The description of accounting policies in the notes forms part of the overall description of the accounting policies of the Aarsleff Group.

Basis of accounting

The annual report of Per Aarsleff Holding A/S for 2019/20 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies and the Danish Executive Order on IFRS Adoption issued in accordance with the Danish Financial Statements Act.

The annual report is presented in Danish Kroner (DKK), which is considered the primary currency of the Group's activities and the functional currency of the parent company.

The annual report is prepared according to the historical cost principle, except for certain financial instruments, which are measured at fair value. Significant accounting policies are described below.

The accounting policies are consistent with those of the previous year, except for the implementation of IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments.

IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation specifies the recognition and measurement of uncertain tax positions.

The implementation of the new interpretation has not materially affected the Group's financial reporting.

IFRS 16 Leases

Effective at 1 October 2019, Aarsleff has implemented the new standard on leases, IFRS 16, applying the modified retrospective transition method, meaning that comparative figures have not been restated but are still presented in accordance with the provisions of IAS 17 and IFRIC 4.

Under IFRS 16, Aarsleff now recognises all leases, including operating leases, in the balance sheet, with a few exceptions. This requires recognition of a lease liability, measured at the present value of future lease payments, and a corresponding right-of-use asset (lease asset), adjusted for payments to the lessor prior to commencement of the lease, onerous leases and incentive payments received from the lessor. Aarsleff has decided not to recognise costs directly related to the right-of-use asset.

On transition to IFRS 16, Aarsleff recognised right-of-use assets in the amount of DKK 428 million and a corresponding lease liability. The transition to IFRS 16 thus had no effect on equity at 1 October 2019. For a specification of the effects of the transition to IFRS 16, see note 15 to the financial statements.

In accordance with IFRS 16 transitional provisions, Aarsleff has decided not to recognise leases with a term of 12 months or less and leases where the underlying asset has a low value. Moreover, Aarsleff has

decided not to recognise payments related to service components in the lease liability.

Aarsleff has leases relating to properties, vehicles and other production equipment. Leases are usually concluded for a fixed term, but the lease term may include extension options. Terms and conditions of the lease are negotiated on an individual basis and comprise a variety of terms and conditions, including payment terms; rights of termination, maintenance, deposits, guarantees, etc. Some property leases comprise variable payments linked to an index, such as a consumer price index, which are also recognised in the lease liability.

For purposes of assessing the expected lease term, Aarsleff identifies the non-cancellable lease term plus periods comprised by an extension option which Management reasonably expects to exercise and plus periods comprised by a termination option which Management reasonably expects not to exercise. With respect to properties, the probable lease term is assessed on the basis of the strategic plans for the individual properties. With respect to other production equipment, the probable lease term is assessed on the basis of the expected execution of construction contracts.

For purposes of discounting lease payments to present value, Aarsleff applies the alternative borrowing rate representing the price of raising external financing for a similar asset with a loan period corresponding to the term of the lease and in the currency in which lease payments are settled. The weighted average alternative borrowing rate applied at 1 October 2019 was 2.3% for properties and 1.1% for vehicles and other production equipment.

Description of significant accounting policies

Consolidated financial statements

The consolidated financial statements comprise the parent company, Per Aarsleff Holding A/S, and the subsidiaries in which Per Aarsleff Holding A/S exercises control. The Group is considered to exercise control if it is exposed, or has a right, to variable returns from its involvement with the enterprise and has the ability to affect those returns through its power over the enterprise.

De facto control and any potential voting rights actually existing at the balance sheet date are taken into account when assessing whether the Group exercises control.

Enterprises in respect of which the Group exercises significant influence, but not control, over operational and financial policies are classified as associates. Significant influence exists where the Group directly or indirectly holds or controls between 20% and 50% of the voting rights.

The consolidated financial statements have been prepared on the basis of the financial statements of the parent company and the individual subsidiaries, prepared under the Group's accounting policies, by combining items of a uniform nature. On consolidation, intragroup income and expenses, unrealised intragroup gains and losses and accounts are eliminated and intragroup shareholdings are offset. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies – continued

Investments in subsidiaries are set off against the parent company's share of the fair value of the subsidiaries' identifiable net assets and recognised contingent liabilities at the date of acquisition.

The line items of subsidiaries' financial statements are fully consolidated. Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries that are not wholly owned is included in the consolidated profit and equity, respectively, but is presented separately.

Joint arrangements

The Group participates in a number of joint arrangements, including consortia and working partnerships, in which the Group has joint control through cooperative agreements with one or more parties. Joint control implies that decisions about the relevant operations require unanimous consent of the parties with joint control.

Joint arrangements are classified as joint operations or joint ventures. Joint operations are arrangements in which the participants have direct rights to assets and direct obligations for liabilities, whereas joint ventures are arrangements in which the participants only have rights to net assets.

Revenues and expenses as well as assets and liabilities relating to joint operations are recognised in accordance with the joint arrangement agreement.

Foreign currency translation

A functional currency is determined for each of the reporting entities. The functional currency is the currency used in the primary financial environment in which the individual entity is operating. Transactions in currencies other than the functional currency are transactions in foreign currencies, which are translated

into the functional currency at the exchange rates at the date of transaction.

Receivables and payables in foreign currencies are translated into the functional currency at the official exchange rates at the balance sheet date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the date of payment and the balance sheet date, respectively, are recognised in net financials in the income statement.

The balance sheets and goodwill of foreign consolidated enterprises are translated at the exchange rate at the balance sheet date while the income statements are translated at the exchange rate at the transaction date. Exchange differences arising on translation of the equity of foreign subsidiaries and associates at the beginning of the financial year at the exchange rates at the balance sheet date as well as on translation of income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised in other comprehensive income and classified as a separate translation reserve under equity.

Derivative financial instruments

Derivative financial instruments are recognised at fair value in the balance sheet as from the trading date. Positive and negative fair values of derivative financial instruments are included in other receivables and other debt, respectively. Fair values are determined on the basis of market data as well as recognised valuation methods.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement together with changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future cash flows are recognised in other comprehensive income. On realisation of the hedged transaction, gains or losses concerning such hedging transactions are transferred from other comprehensive income and recognised in the same item as the hedged item.

For derivative financial instruments not qualifying for hedge accounting, changes in the fair value are recognised in net financials in the income statement as they arise.

Income statement

Accounting policies relating to the items in the income statement are described in the respective notes to the income statement with the following exceptions.

Production costs

Production costs comprise direct and indirect costs incurred to achieve revenue for the year, including costs of materials, consumables, wages and salaries, rent and leases, amortisation, depreciation and impairment losses, subcontractor expenses, expenses for design and submission of tenders as well as provision for bad debts in respect of work in progress and warranty obligations on completed contracts.

Administrative expenses and selling costs

Administrative expenses and selling costs comprise expenses for management and administration, including expenses for administrative staff, management, office supplies, insurance, sales and marketing as well as depreciation.

Balance sheet

Accounting policies relating to the items in the balance sheet are described in the respective notes to the balance sheet with the following exceptions.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and other non-current assets is assessed at least once a year in order to determine whether there is any indication of impairment. If so, the recoverable amount of the asset is assessed. The recoverable amount of goodwill and intangible assets with indefinite useful lives is always assessed on an annual basis, however.

If the asset does not generate cash flows independently of other assets, the recoverable amount is determined for the smallest identifiable cash-generating unit of which the asset is part.

The recoverable amount is the higher of an asset's selling price less expected costs to sell and its value in use, which is the discounted value of expected future cash flows from the asset.

An impairment loss is recognised in the income statement when the carrying amount of an asset exceeds the recoverable amount of the asset.

Impairment losses on goodwill are not reversed. Impairment losses on other assets are reversed to the extent that the assumptions and estimates underlying the impairment calculation have changed. Impairment losses are reversed only to the extent that the new carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies – continued

Construction contract debtors

Construction contract debtors are measured at amortised cost. Impairment allowances are made using the simplified expected credit loss model, under which the total loss is recognised immediately in profit/loss at the time of recognition in the balance sheet based on the expected lifetime credit loss of the receivable.

Prepayments

Prepayments comprise incurred expenses relating to subsequent financial years.

Securities

Aarsleff's objective in holding listed bonds is to realise cash flows through sale. The Company's decisions to purchase and sell are based on the fair value of the bonds with monitoring, measurement and current fair value reporting according to the Group's investment policy. The bonds are recognised in current assets at fair value at the trading date and are subsequently measured at fair value. Fair value changes are recognised in net financials in the income statement as they arise.

Financial liabilities

Mortgage debt and payables to credit institutions are recognised at the borrowing date at the proceeds received less transaction costs incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to their capitalised value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Contingent consideration (earn-out) is measured at fair value through profit or loss, and adjustments are recognised in net financials.

Other financial liabilities, comprising debt to suppliers, group enterprises and associates as well as state grants and other debt are measured at amortised cost.

Deferred income

Deferred income comprises payments received relating to income in subsequent financial years.

2 Accounting estimates and judgments

Estimation uncertainty

The calculation of the carrying amount of certain assets and liabilities requires estimates of future events. The estimates made are based on assumptions that Management considers reasonable, but which are inherently uncertain and unpredictable as unexpected events or circumstances may occur which will change the basis of the assumptions applied.

The Group is exposed to risks and uncertainties that may cause actual results to differ from the estimates made. Special risks are described in the section Commercial risk assessment. The most significant accounting estimates and judgments in the annual report for 2019/20 concern the following areas and are described in the related notes:

Construction contract debtors	note 19
Intangible assets and property, plant and equipment	note 14
Leases	note 15
Income tax	note 12
Provisions	note 22
Contingent liabilities and other financial obligations	note 24

Judgments exercised in applying accounting policies

In applying the accounting policies, the Group makes judgments and accounting estimates which may have a material impact on the amounts recognised in the consolidated financial statements. These are described in the related notes:

Investments in associates and joint ventures

note 16

NOTES TO THE FINANCIAL STATEMENTS

3 New financial reporting standards and interpretations

Standards adopted by the EU that have not yet come into force

Amendment to IFRS 3 Business Combinations

A minor amendment to the definition of a business. Previously, the definition focused on returns in the form of dividends, reduced costs and other economic benefits to investors etc., whereas the new definition focuses on a business creating outputs by providing goods or services to customers. The amended standard is effective for financial years beginning on or after 1 January 2020.

Amendment to IFRS 9 Financial Instruments

Phase 1 of the IBOR reform. As a result of the IBOR reform, under which most EU interbank interest reference rates will likely be replaced by alternative benchmarks, IASB has issued an amendment to IFRS 9 on hedge accounting in the period until the IBOR reform takes effect. The general objective is that the changes should not affect hedge accounting for contracts which are currently effective. The amended standard is effective for financial years beginning on or after 1 January 2020.

Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The definition of materiality is changed in order to align it with that used in the rest of the standards. The

definition now includes obscuring along with omitting and misstating information. Moreover, the amended definition clarifies what constitutes influencing financial statements and who users of financial statements are. The amendment is effective for financial years beginning on or after 1 January 2020.

Furthermore, IASB has issued the following amendments to standards and new interpretations that have yet to be adopted by the EU and that are relevant to the Group. None of the amendments are expected to materially affect the annual report.

Amendment to IFRS 3 Business Combinations

IASB has made three minor amendments to IFRS 3, including an update to a reference to the Conceptual Framework, an exemption from the Conceptual Framework regarding provisions and a clarification regarding contingent assets. The amendment is effective for financial years beginning on or after 1 January 2022.

Amendment to IFRS 16 Leases

The amendment specifies that Covid-19-related modifications should not be treated as modifications for accounting purposes, even if they meet the definition of a lease modification. The amendment is effective for financial years beginning on or after 1 June 2020.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Phase 2 of the IBOR reform. A number of amendments to assist companies with financial reporting issues with respect to changes to contractual cash flows or hedges arising in connection with the implementation of the IBOR reform. The amendments relate to modifications, hedge accounting and disclosure requirements. The amendments are effective for financial years beginning on or after 1 January 2021.

Amendment to IAS 1, Presentation of Financial Statements

Clarifications of the definition of current liabilities, so that the definition is based on rights existing at the balance sheet date. The demand for an unconditional right to defer settlement of a liability for twelve months from the balance sheet date is changed to a right to defer settlement for twelve months from the balance sheet date. The amendment is effective for financial years beginning on or after 1 January 2022. In view of Covid-19, the effective date has subsequently been postponed to 1 January 2023.

Amendment to IAS 16, Property, Plant and Equipment

The amendment specifies that proceeds from selling an item of property, plant and equipment under construction before it is ready to be used may not be deducted from the cost of the asset, but must instead

be recognised in profit or loss. The amendment is effective for financial years beginning on or after 1 January 2022.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendment specifies that costs related directly to the contract should also be included when assessing whether a contract is onerous. Moreover, the amended standard gives examples of costs that are considered to be related directly to a contract and costs that are not considered to be related directly to a contract. The amendment is effective for financial years beginning on or after 1 January 2022.

Annual improvements 2018–2020

Clarifications to IFRS 1 on first-time adoption with regard to translation differences when a subsidiary's transition to IFRS is at a later date than the parent company's transition; to IFRS 9 on financial instruments regarding fees in the test to assess whether a financial liability is modified or settled; change to an example in IFRS 16; and amendment to IFRS 41 on biological assets. The amendments are effective for financial years beginning on or after 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS

4 Segment information

	Construction		Pipe Technologies		Ground Engineering		Total	
(DKK'000)	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Segment revenue	8,983,217	9,492,373	2,157,104	1,937,460	2,279,798	2,202,919	13,420,119	13,632,752
Internal revenue	-66,068	-128,991	-7,143	-8,472	-51,599	-42,278	-124,810	-179,741
Revenue	8,917,149	9,363,382	2,149,961	1,928,988	2,228,199	2,160,641	13,295,309	13,453,011
Of this, work performed abroad	1,265,190	1,677,860	1,583,967	1,436,101	1,452,284	1,082,778	4,301,441	4,196,739
Share of profit in associates and joint ventures	13,262	7,590	-3,258	0	0	0	10,004	7,590
Operating profit (EBIT)	252,389	302,657	161,522	94,022	139,502	105,941	553,413	502,620
EBIT margin, %	2.8	3.2	7.5	4.9	6.3	4.9	4.2	3.7
ROIC, %	21.0	22.9	27.8	16.9	14.9	11.7	20.4	18.1
ROIC after tax, %	14.9	17.5	19.8	12.9	10.6	8.9	14.5	13.8
Segment assets	4,011,786	4,347,641	1,243,602	1,186,925	1,568,681	1,494,357	6,824,069	7,028,923
Capital expenditure	189,558	176,558	84,916	79,391	131,641	122,153	406,115	378,102
Depreciation, amortisation and impairment	434,044	242,974	97,673	76,656	152,777	116,644	684,494	436,274
Investments in associates and joint ventures	0	0	1,095	8,774	0	0	1,095	8,774
Goodwill	98,738	166,446	94,329	94,329	9,247	6,848	202,314	267,623
Segment liabilities	3,137,147	2,814,223	664,311	517,389	641,840	524,321	4,443,298	3,855,933
Invested capital (IC)	1,161,615	1,240,107	613,250	546,818	955,315	919,507	2,730,180	2,706,432
Number of employees								
Biweekly paid employees	3,087	2,980	634	616	759	679	4,480	4,275
Engineers, technicians and admin. staff	1,764	1,659	409	410	562	494	2,735	2,563
Total	4,851	4,639	1,043	1,026	1,321	1,173	7,215	6,838

The EBIT margin expresses EBIT as a percentage of revenue. Calculated as the ratio of EBIT to segment revenue including internal revenue, the EBIT margin is as follows: Construction: 2.8%, Pipe Technologies: 7.5%, Ground Engineering: 6.1%.

EBIT before goodwill impairment in 2019/20 amounts to DKK 625 million. EBIT before recognition of arbitration loss in 2018/19 amounts to DKK 575 million.

No revenue relating to individual customers exceeds 10% of total revenue.

NOTES TO THE FINANCIAL STATEMENTS

4 Segment information – continued

Geographical information

	Denmark		International		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Revenue	8,993,868	9,256,272	4,301,441	4,196,739	13,295,309	13,453,011
Segment assets, non-current	2,058,331	1,969,035	918,264	715,595	2,976,595	2,684,630

Segment assets and liabilities

(DKK'000)	2019/20	2018/19
Assets		
Segment assets for reportable segments	6,824,069	7,028,923
Income tax receivable	70,534	46,396
Deferred tax	10,842	24,369
Securities	612,281	412,856
Cash and cash equivalents	1,077,116	658,142
Assets as per balance sheet	8,594,842	8,170,686
Liabilities		
Segment liabilities for reportable segments	4,443,298	3,855,933
Mortgage debt	106,952	137,130
Credit institutions	276,643	466,398
Income tax payable	91,312	60,204
Deferred tax	365,818	536,555
Liabilities as per balance sheet	5,284,023	5,056,220

Operating profit (EBIT) is our primary performance measure.

§ Accounting policy

The segment information has been prepared in accordance with the Group's accounting policies and is based on the Group's internal management reporting.

Segment income and expenses and segment assets and liabilities comprise the items directly attributable to the individual segment, as well as the items that can be allocated to the individual segment on a reasonable basis. Revenue and profit before interest for reportable segments can be reconciled directly to the consolidated income statement.

Segment assets comprise non-current assets used directly in the segment's operations, including intangible assets and property, plant and equipment and investments in associates, as well as current assets used directly in the segment's operations, including inventories, trade receivables, other receivables and prepayments.

Segment liabilities comprise liabilities resulting from the operating activities of the segment, including trade payables, provisions and other payables.

Transactions between segments are priced at estimated market value.

The geographic distribution of revenue is based on the geographic location of the customers. Information on geographic distribution of segment assets is based on the physical location of the assets and comprises subsidiaries and joint operations abroad.

NOTES TO THE FINANCIAL STATEMENTS

5 Revenue

(DKK'000)	2019/20	2018/19
Domestic		
Sale of goods	150,050	61,311
Income from construction contracts ¹	8,843,818	9,194,961
Total domestic	8,993,868	9,256,272
International		
Sale of goods	156,024	319,079
Income from construction contracts ¹	4,145,417	3,877,660
Total international	4,301,441	4,196,739
Total		
Sale of goods	306,074	380,390
Income from construction contracts ¹	12,989,235	13,072,621
Total	13,295,309	13,453,011

¹ Construction contracts are recognised over time

Revenue from the sale of goods derives predominantly from the Ground Engineering segment.

Order book – transaction price allocated to performance obligations not satisfied

(DKK'000)	2019/20	2018/19
Order book – construction contracts	20,323,510	17,226,779
Order book – sale of goods	93,165	182,571
Total	20,416,675	17,409,350

Of the total order book at 30 September 2020, DKK 8,825 million is expected to be executed in the coming financial year (DKK 8,075 million at 30 September 2019). For long-term service contracts, framework agreements and similar, the maximum amount of revenue included in the order book is the expected revenue for the next five years. The average contract duration is one to two years.

As the order book is in part based on expectations, it is subject to uncertainty and risks, and actual developments may differ from those expected.

§ Accounting policy

Revenue comprises satisfied and unsatisfied performance obligations on contract work and the sale of finished goods and goods for resale.

Revenue from the sale of finished goods and goods for resale is recognised in the income statement if control has been transferred to the customer before year end. Revenue is measured excluding value added tax and price reductions directly related to the sale.

Contracts in progress are recognised as revenue in proportion to the rate of completion, so that revenue matches the selling price of the work completed for the year (the percentage of completion method). Control is transferred to the customer over time, as assets are generally constructed on the customer's land. ■

NOTES TO THE FINANCIAL STATEMENTS

6 Depreciation, amortisation and impairment

(DKK'000)	2019/20	2018/19
Amortisation and impairment, intangible assets	122,262	36,996
Depreciation and impairment, property, plant and equipment	562,232	399,278
Total	684,494	436,274
Depreciation and impairment, property, plant and equipment is recognised in the income statement as follows:		
Production costs	461,997	351,085
Administrative expenses and selling costs	100,235	48,193
Total	562,232	399,278
Amortisation and impairment, intangible assets is recognised in the income statement as follows:		
Production costs	0	0
Administrative expenses and selling costs	122,262	36,996
Total	122,262	36,996

7 Staff costs

(DKK'000)	2019/20	2018/19
Wages, salaries and remuneration	3,519,152	3,286,195
Pensions	212,863	201,876
Share-based payment	19,608	11,023
Other costs, social security costs, etc.	224,511	205,447
Total	3,976,134	3,704,541
Of this amount:		
Board members' fees ¹	2,448	2,201
Remuneration, Executive Management ²	22,145	11,433
Share-based payment, Executive Management	1,198	450
Total	25,791	14,084
Average number of full-time employees	7,215	6,838

¹ The Board of Directors was expanded from four to five members effective at 31 January 2019.

² Remuneration of the Executive Management for 2019/20 comprises termination benefits, provision for salary during the notice period and retention bonus, a total of DKK 11.8 million of which DKK 3.6 million has been expensed in previous years.

8 Share-based payment

In February 2018, 2019 and 2020, the employees in the Danish part of the Group were given the opportunity to take part in an employee share programme. The programmes are matching shares programmes, under which the participants for their own account acquire class B shares in the company (investment shares), which are subject to a three-year vesting period, earning them the right to receive, free of charge, one class B share in the company (matching share) per acquired investment share (1:1). The programmes have terms of three years.

To receive matching shares, the employee must meet the conditions of having acquired investment shares and of remaining employed at the vesting date or of being a "good leaver".

Maximum no. of conditional shares ('000)	Executive Management	Other employees	Total
Conditional shares granted at 1 March 2018	6,285	98,074	104,359
Cancelled, financial year 2017/18	0	-946	-946
Conditional shares granted at 1 March 2019	4,950	101,447	106,397
Cancelled, financial year 2018/19	0	-4,611	-4,611
Conditional shares granted at 1 March 2020	5,674	139,876	145,550
Cancelled, financial year 2019/20	0	-4,948	-4,948
Conditional shares granted at 30 September 2020	16,909	328,892	345,801

Fair value per share at the grant date, 1 March 2018, was computed at DKK 205.78.

Fair value per share at the grant date, 26 February 2019, was computed at DKK 210.96.

Fair value per share at the grant date, 26 February 2020, was computed at DKK 192.12.

The fair value at the grant date was based on the following assumptions:

Share price at grant date, 1 March 2018	218.50
Share price at grant date, 26 February 2019	215.50
Share price at grant date, 26 February 2020	204.00
Expected term	3 years
Volatility	0.67
Risk-free interest rate	0.5%
Dividend of share value	2%

The volatility is based on a five-year observation period in respect of the return.

NOTES TO THE FINANCIAL STATEMENTS

9 Fees to auditors appointed by the annual general meeting

(DKK'000)	2019/20	2018/19
PricewaterhouseCoopers	7,774	7,586
Other auditors	1,256	1,344
Total	9,030	8,930
The fees to PricewaterhouseCoopers are specified as follows:		
Statutory audit	5,417	5,615
Other assurance engagements	145	97
Tax consulting	924	854
Other services	1,288	1,020
Total	7,774	7,586

Fees for non-audit services provided to the Group by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab amounted to DKK 2 million (2018/19: DKK 2 million), comprising review of tax statements, review of statements for prequalifications and various other reports and other general accounting and tax consulting.

10 Other operating income and expenses

(DKK'000)	2019/20	2018/19
Other operating income	44,783	29,734
Other operating expenses	-14,045	-4,257
Total	30,738	25,477

Other operating income during the financial years 2019/20 and 2018/19 mainly consisted of gains from the sale of non-current assets. The figures comprised no single material items for either 2019/20 or 2018/19.

§ Accounting policy

Other operating income and expenses comprise items secondary to the primary activities of the company.

11 Financial income and expenses

(DKK'000)	2019/20	2018/19
Fair value adjustment of securities	0	589
Other interest income	11,093	9,558
Financial income	11,093	10,147
Foreign exchange loss, net	11,014	2,459
Fair value adjustment of securities	1,284	0
Interest relating to associates	24	1,302
Value adjustment of option to acquire minority shareholding	-493	2,923
Borrowing costs recognised in the cost of assets	-127	-244
Mortgage interest	1,992	3,763
Interest, lease liabilities	4,872	0
Other interest expenses	16,010	29,831
Financial expenses	34,576	40,034
Net financials	-23,483	-29,887
Of which calculated using the effective interest method	-8,154	-5,083

Borrowing costs are recognised in the cost of constructed assets at an effective interest rate of 1% (2018/19: 1%), corresponding to the Group's average borrowing costs.

§ Accounting policy

Financial income and expenses include interest, capital gains and losses on securities and intra-group balances and transactions in foreign currencies, amortisation of financial assets and liabilities, and surcharges and allowances under the tax prepayment scheme, etc. Also included are realised and unrealised gains and losses relating to derivative financial instruments not qualifying for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

12 Income tax

(DKK'000)	2019/20	2018/19
Total tax for the year is specified as follows:		
Tax on profit for the year	151,397	112,072
Tax recognised in other comprehensive income	-3,873	-840
Total	147,524	111,232
Tax on profit for the year is specified as follows:		
Current tax	283,590	23,523
Adjustment for the year of deferred tax and deferred tax asset	-132,193	88,549
Total	151,397	112,072
Tax recognised in other comprehensive income is specified as follows:		
Current tax	204	-2,433
Adjustment for the year of deferred tax and deferred tax asset	-4,077	1,593
Total	-3,873	-840
Tax on profit for the year is specified as follows:		
Calculated 22% tax of profit before tax	116,585	104,002
Tax effect of:		
Income earned abroad	7,705	1,934
Discrepancies relating to associates	717	552
Impairment losses for the year	18,545	0
Employee share programme	4,314	2,425
Other items	3,531	3,159
Total	151,397	112,072
Deferred tax		
Deferred tax at 1 October	512,186	440,942
Adjustment for IFRS 15 at 1 October	0	-1,100
Transferred to current tax	-22,407	-20,382
Addition on investments in subsidiaries	1,263	2,584
Deferred tax for the year recognised in profit for the year	-132,193	88,549
Deferred tax for the year recognised in other comprehensive income	-3,873	1,593
Deferred tax at 30/9	354,976	512,186
Recognised as follows:		
Deferred tax (asset)	-10,842	-24,369
Deferred tax (liability)	365,818	536,555
Total	354,976	512,186

(DKK'000)	2019/20	2018/19
Deferred tax assets relate to tax loss carryforwards that are expected to be utilised against future taxable income and can generally be carried forward indefinitely.		
Deferred tax relates to:		
Intangible assets	8,283	16,785
Property, plant and equipment	76,658	72,129
Work in progress	295,568	537,585
Other current assets	-1,550	-7,125
Provisions	-5,294	-1,155
Other payables	-11,689	-9,697
Tax loss carryforwards	-7,000	-96,336
Deferred tax at 30/9	354,976	512,186
Deferred tax expected to be realised within 12 months	163,238	43,734
Tax base of unrecognised deferred tax assets	7,511	8,506

§ Accounting policy

Tax on profit for the year

Tax for the year, consisting of current tax and changes in deferred tax for the year, is recognised in profit for the year, in other comprehensive income or directly in equity.

Changes in deferred tax as a result of changed tax rates are recognised in the income statement.

Per Aarsleff Holding A/S is jointly taxed with all Danish subsidiaries. The current Danish income tax liability is allocated among the jointly taxed companies in proportion to their taxable incomes. The jointly taxed companies are taxed under the Danish tax prepayment scheme.

Income tax and deferred tax

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax on temporary differences relating to goodwill not amortisable for tax purposes and other items is not recognised where such temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

NOTES TO THE FINANCIAL STATEMENTS

12 Income tax – continued

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply when the deferred tax is expected to crystallise as current tax. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Provision is made for deferred tax in respect of the retaxation of losses in foreign entities that is expected to arise.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in other non-current assets at the amount at which they are expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal entity.

Significant accounting estimates and judgments

The Group recognises deferred tax assets, including the tax base of tax-loss carryforwards, if it is assessed that there is convincing evidence that these tax assets can be utilised within a reasonable period of time.

The assessment is based on budgets and business plans for the coming three years, including planned commercial initiatives which are made in due consideration of actual realised results.

13 Earnings per share

(DKK'000)	2019/20	2018/19
Profit for the year, excluding minority shareholders (DKK'000)	378,335	360,054
Average no. of shares (thousands)	21,705	22,650
Average no. of treasury shares (thousands)	-1,574	-2,375
Average no. of shares in circulation (thousands)	20,131	20,275
Average no. of shares, diluted (thousands)	180	65
Average no. of shares in circulation, diluted (thousands)	20,311	20,340
Earnings per share (current)	18.79	17.76
Earnings per share (diluted)	18.63	17.69

NOTES TO THE FINANCIAL STATEMENTS

14 Intangible assets and property, plant and equipment

(DKK'000)	Goodwill	Patents & other intangible assets	Land & buildings	Plant & machinery	Other fixtures, fittings, tools & equipment	Prop., plant & equipm. under construction	Lease assets
Cost at 1/10 2019	308,006	253,932	1,196,198	3,238,889	348,541	37,336	428,419
Foreign exchange adjustments	68	-250	-13,371	-40,999	-6,770	-868	0
Additions on acquisition of companies	6,388	42,061	1,573	15,976	574	0	32,336
Additions during the year	0	2,088	20,441	298,231	64,339	144,772	77,341
Disposals during the year	0	-995	-6,533	-261,623	-29,397	-13,917	-38,334
Transfers	0	90	4,566	45,534	14,735	-64,925	0
Cost at 1/10 2020	314,462	296,926	1,202,874	3,296,008	392,022	102,398	499,762
Depreciation, amortisation and impairment at 1/10 2019	40,383	160,457	349,878	1,951,552	204,776		0
Foreign exchange adjustments	69	-154	-2,841	-25,585	-4,059		-1,638
Depreciation and amortisation for the year	0	50,566	35,498	303,039	55,007		156,166
Impairment losses for the year	71,696	0	12,651	0	0		0
Assets sold during the year	0	-1,018	-3,914	-179,124	-25,755		-18,698
Depreciation, amortisation and impairment at 30/9 2020	112,148	209,851	391,272	2,049,882	229,969		135,830
Carrying amount at 30/9 2020	202,314	87,075	811,602	1,246,126	162,053	102,398	363,932
Cost at 1/10 2018	308,277	237,788	1,155,392	3,090,173	307,663	36,144	
Foreign exchange adjustments	-271	-349	-6,007	-16,855	-1,953	-172	
Additions on acquisition of companies	0	13,439	1,045	34,352	3,800	0	
Additions during the year	0	3,173	31,929	283,178	54,306	106,268	
Disposals during the year	0	-119	-2,973	-197,056	-26,185	-32,107	
Transfers	0	0	16,812	45,097	10,910	-72,797	
Cost at 30/9 2019	308,006	253,932	1,196,198	3,238,889	348,541	37,336	
Depreciation, amortisation and impairment at 1 October 2018	40,654	123,753	314,497	1,808,407	180,340		
Foreign exchange adjustments	-271	-282	-1,085	-9,548	-827		
Depreciation and amortisation for the year	0	36,996	38,592	312,201	48,485		
Assets sold during the year	0	-10	-2,126	-159,508	-23,222		
Depreciation, amortisation and impairment at 30/9 2019	40,383	160,457	349,878	1,951,552	204,776		
Carrying amount at 30/9 2019	267,623	93,475	846,320	1,287,337	143,765	37,336	

Goodwill

Goodwill is the only intangible asset with an indefinite useful life.

At 31 July 2020, goodwill was tested for impairment. The impairment test was performed on the basis of the business entity or the segment representing the lowest level of cash-generating unit to which goodwill on acquisition could be allocated on a reasonable basis. Where acquired operations and companies are not established as independent units, but are integrated in existing units, it is thus not possible to perform impairment tests on individual acquisitions. In the Group's internal reporting, the carrying amount of goodwill in the individual cash-generating units is allocated to the Group's business segments.

Recoverable amounts are in each individual case calculated as the value in use. Value in use is calculated as the net present value of expected cash flows from the cash-generating units. Value in use is compared to the carrying amounts of the net assets. Expected cash flows are based on budgets for the years 2020/21 - 2024/25, prepared and approved by the Managements of the respective cash-generating units. For financial years after the budget periods (terminal period), cash flows for the latest budget period are applied, adjusted for expected growth rates.

In the tests, an expected growth rate in the range of 0.6%-2.4% was applied for the terminal period (2018/19: 1.5%). The growth rate is expected not to exceed the long-term average growth rate in the company's markets. As the diversification of the cash-generating units on industries and geographic locations is limited, they are assessed to have identical growth rates.

Apart from growth and the weighted average cost of capital (discount factor) applied, the principal assumptions are assessed to be revenue performance, operating margin and future reinvestment. Budgets for 2020/21-2024/25 were based on past experience,

NOTES TO THE FINANCIAL STATEMENTS

14 Intangible assets and property, plant and equipment – continued

including budgeted returns on the order book, expected orders and planned capacity. The announced long-term expectations of annual revenue growth of 0–10%, an operating margin of 4.5–7% and strong liquidity were also taken into account. Uncertainty relating to past earnings and possible changes in the amount or placement of projected cash flows was reflected in the discount factors.

The impairment tests comprised the cash-generating units Per Aarsleff A/S, Wicotec Kirkebjerg A/S, Centrum Pæle A/S, Entreprenørfirmaet Østergaard A/S, Aarsleff Rail A/S, Aarsleff Rohrsanierung GmbH, Ístak hf., Hansson & Knudsen A/S, Olimb Rørforying Holding AS, Anker AB, Centrum Pile Limited, Per Aarsleff AO, Aarsleff Sp. z o.o., Banedrift AS, Dan Jord A/S and Vandfax A/S.

The table below specifies the key assumptions for the most significant cash-generating units:

	2019/20			2018/19		
	Discount factor (%)	Terminal period growth (%) (DKK'000)	Carrying amount of goodwill (DKK'000)	Discount factor (%)	Terminal period growth (%) (DKK'000)	Carrying amount of goodwill (DKK'000)
Cash-generating unit						
Hansson & Knudsen A/S			0	8.6	1.5	71,696
Aarsleff Rohrsanierung GmbH	10.3	0.9	56,200	9.4	1.5	56,200
Olimb Rørforying Holding AS	9.4	1.6	37,013	8.7	1.5	37,013
Entreprenørfirmaet Østergaard A/S	9.1	1.1	26,554	8.5	1.5	26,554
Others	7.6–9.8	0.6–2.4	82,547	7.8–8.7	1.5	76,160
Total			202,314			267,623

During the financial year, an impairment loss was recognised on goodwill in Hansson & Knudsen (Construction segment) in the amount of DKK 71,696 thousand. Hansson & Knudsen still faces difficult market conditions, primarily in Funen, resulting in intense price competition. Consequently, the company has not been able to realise

the expected results, and the budgets applied in the impairment test to calculate value in use are also affected by this. The discount rate applied was 8.5% in the financial year 2018/19, but at 31 March 2020 it was fixed at 9.1% due to a higher market risk premium. Except for Hansson & Knudsen, the impairment tests did not give rise to any write-down of goodwill to recoverable amount.

Sensitivity analyses were performed to identify the minimum growth rate or highest discount rate increase for each cash-generating unit that would not result in impairment losses. Probable changes in the underlying assumptions are not assessed to result in the carrying amount of goodwill exceeding the recoverable amount.

§ Accounting policy

Intangible assets

Goodwill is initially recognised in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. The determination of cash-generating units is based on the management structure and the internal financial management.

Patents and other intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the shorter of the contract period and useful life, currently 2–7 years. The basis of amortisation is reduced by any impairment losses.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost comprises the cost of acquisition and any costs directly associated with the acquisition until the date when the asset is ready for use. The cost of assets constructed by the Group comprises direct and indirect costs of labour, materials, components and subsuppliers as well as borrowing costs relating to specific and general borrowing directly related to the construction of the individual asset.

NOTES TO THE FINANCIAL STATEMENTS

14 Immaterielle og materielle aktiver – fortsat

Depreciation is provided on a straight-line basis over the useful life which is:

Productions buildings	20 years
Administrative buildings	10-50 years
Plant and machinery	8-10 years
Other fixtures and fittings, tools and equipment	5-10 years
Land is not depreciated.	

Depreciation is calculated taking into account the residual value of the asset less any impairment losses. The residual value is determined at the acquisition date and reassessed annually.

Property, plant and equipment is written down to the lower of the recoverable amount and the carrying amount.

Gains or losses on the disposal of property, plant and equipment are recognised in the income statement in production costs or administrative expenses or other operating income/expenses, respectively, and calculated as the difference between selling price less costs to sell and the carrying amount at the selling date. ■

! Significant accounting estimates and judgments

In connection with testing for evidence of impairment of goodwill and other non-current assets, a number of assumptions are applied in the calculations.

Estimates of expected future net cash flows are based on budgets and business plans for the next five years and projections for subsequent years. Key parameters are revenue development, operating margin, future reinvestments and growth and the average cost of capital applied. ■

15 Leases

Lease assets

(DKK'000)	Land & buildings	Plant & machinery	Other fixtures, fittings, tools & equipment	Total
Lease assets, effect on transition 1/10 2019	97,853	108,207	222,359	428,419
Additions during the year	16,177	21,918	39,246	77,341
Additions on acquisition of companies	0	31,308	1,028	32,336
Disposals during the year	-489	-22,977	-14,868	-38,334
Depreciation and amortisation for the year	-23,796	-43,720	-69,952	-137,468
Foreign exchange adjustments	597	760	281	1,638
Recognised in balance sheet at 30/9 2020	90,342	95,496	178,094	363,932

Lease liability

(DKK'000)	30/9 2020	30/9 2019
Lease liability recognised in the balance sheet		
Maturities, lease liabilities		
Due within 1 year	128,312	
Due in between 1 and 5 years	211,346	
Due in more than 5 years	31,948	
Total undiscounted lease liability	371,606	
Lease liability recognised in the balance sheet		
Current	128,285	
Non-current	234,316	
Amounts recognised in profit or loss		
Interest expenses related to lease liabilities	4,872	
Variable lease payments not recognised as part of the lease liability	0	
Expenses related to short-term leases (less than 12 months)	246,114	
Costs related to leases of low value	30,749	

NOTES TO THE FINANCIAL STATEMENTS

15 Leases – continued

Effects of implementation of IFRS 16 Leases

(DKK'000)	1/10 2019
Liabilities relating to operating leases as disclosed in the annual report at 30/9 2019	325,841
Discounted at the alternative borrowing rate at 1/10 2019	319,781
Lease liabilities for which the assets have not yet been delivered	-26,379
Extension and termination options that Aarsleff reasonably expects to exercise and variable lease payments based on an index	135,017
Lease liabilities recognised at 1/10 2019	428,419

Leases

For the financial year 2019/20, the Group paid DKK 139,870 thousand in respect of leases, of which interest payments related to recognised lease liabilities amounted to DKK 4,872 thousand and repayment of recognised lease debt amounted to DKK 134,998 thousand.

§ Accounting policy

Leases – effective from 1 October 2019

A right-of-use asset (lease asset) and a lease liability are recognised in the balance sheet when, under a lease, a specific identified asset is made available for the Group's use for the lease term and when the Group obtains substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Aarsleff has leases relating to properties, vehicles and other production equipment. Leases are usually concluded for a fixed term, but the lease term may include extension options. Terms and conditions of the lease are negotiated on an individual basis and comprise a variety of terms and conditions, including payment terms; rights of termination, maintenance, deposits, guarantees, etc. Some property leases comprise variable payments linked to an index, such as a consumer price index, which are also recognised in the lease liability.

On initial recognition, lease liabilities are measured at the present value of future lease payments, discounted using an alternative borrowing rate. For purposes of assessing the expected lease term, Aarsleff identifies the non-cancellable lease term plus periods comprised by an extension option which Management reasonably expects to exercise and plus periods comprised by a termination option which Management reasonably expects not to exercise. The lease liability is measured at amortised cost under the effective interest method. The lease liability is remeasured if there is a change in an index or an interest rate used or if the Group changes its assessment of whether it reasonably expects to exercise a purchase, extension or termination option.

On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability adjusted for lease payments made before the commencement date, plus direct costs incurred and estimated costs for dismantling or restoring the underlying asset or the like and less any discounts or other types of incentives received from the lessor.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation is recognised in the income statement on a straight-line basis.

The right-of-use asset is adjusted for changes in the lease liability resulting from changes in terms and conditions of the lease.

The underlying asset is depreciated on a straight-line basis over the expected lease term, which is as follows:

- Buildings for sale and administrative buildings 10–50 years
- Plant and machinery 8–10 years
- Other fixtures and fittings, tools and equipment 5–10 years

! Significant accounting estimates and judgments

For purposes of discounting lease payments to present value, Aarsleff applies the alternative borrowing rate representing the price of raising external financing for a similar asset with a loan period corresponding to the term of the lease and in the currency in which lease payments are settled. The weighted average alternative borrowing rate applied at 1 October 2019 was 2.3% for properties and 1.1% for vehicles and other production equipment.

Aarsleff has estimated which extension and termination options it reasonably expects to exercise. With respect to properties, the probable lease term is assessed on the basis of the strategic plans for the individual properties. With respect to other production equipment, the probable lease term is assessed on the basis of the expected execution of construction contracts.

Leases – effective before 30 September 2019

Leases in which the Group retains substantially all risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. Payments under operating leases are recognised in the income statement over the terms of the leases.

NOTES TO THE FINANCIAL STATEMENTS

16 Investments in associates and joint ventures

(DKK'000)	30/9 2020	30/9 2019
Associates		
The Group has investments in two associates in the Pipe Technologies segment and in one associate in the Construction segment. They are each individually insignificant, and they are measured according to the equity method.		
Total carrying amount	1,095	6,600
Total share of:		
Profit after tax	10,197	7,590
Total comprehensive income	10,197	7,590
Joint ventures		
In addition to the above investments in associates, the Group has investments in a joint venture which is individually immaterial and is also measured under the equity method.		
Total carrying amount	0	2,174
Total share of:		
Profit after tax	-193	0
Total comprehensive income	-193	0

The Aarsleff Group holds 50% of the voting rights in Nelis Infra–Aarsleff JV. The activities of the joint venture were discontinued, and the liquidation of the joint venture was completed at 1 November 2020.

§ Accounting policy

Share of profit in associates and joint ventures

The share of profits after tax in associates and joint ventures is recognised in the consolidated income statement after adjustment for unrealised intra–group gains/losses and less any goodwill impairment.

Investments in associates and joint ventures

Investments in associates and joint ventures are measured according to the equity method.

In the balance sheet, investments are measured at the proportionate share of the companies' equity values with the deduction or addition of unrealised intra–group gains and losses and with the addition of the carrying amount of goodwill. Associates and joint ventures with negative equity values are measured at DKK 0. Any legal

or constructive obligation by the Group to cover the associate's or joint venture's negative balance is recognised in liabilities.

Any receivables from associates and joint ventures are written down to the extent they are deemed to be irrecoverable.

Acquisitions of investments in associates and joint ventures are accounted for under the purchase method. See the description of business combinations.

! Significant accounting estimates and judgments

Aarsleff participates in a number of joint arrangements, including consortia and working partnerships, the accounting treatment of which is subject to the classification of the individual joint arrangement, and thus the assessment of the specific contractual relationship and circumstances in general.

The majority of these joint arrangements are established when Aarsleff enters into a construction contract jointly with another contractor. The joint arrangement is established simultaneously with the conclusion of the construction contract with the client, and accordingly does not affect the rights and obligations agreed with the client. Usually, the contractual relationship for the performance of such single contracts implies that the rights and obligations towards the client are directly attributed to the parties, which means that the parties have direct rights to arrangement assets and direct obligations for arrangement liabilities. Such joint arrangements are therefore classified as joint operations. Depending on the individual contractual relationship, the assessment as to whether a joint arrangement should be classified as a joint operation may be based on a management assessment.

In a few cases, Aarsleff enters into joint arrangements established with a view to a more permanent strategic alliance which is not based on the conclusion of single construction contracts. These are in the nature of a jointly controlled enterprise, in which the parties have rights to the net assets. The contractual relationship consequently implies that such joint arrangements are classified as joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

17 Inventories

(DKK'000)	30/9 2020	30/9 2019
Raw materials and consumables	224,430	222,387
Finished goods	100,655	101,231
Total	325,085	323,618

§ Accounting policy

Inventories are measured at the lower of cost under the FIFO principle and the net realisable value of the individual product group.

The cost of raw materials, goods for resale and consumables comprise the invoiced price plus direct costs incurred in connection with their purchase.

The cost of finished goods comprises the cost of materials and direct labour plus indirect production costs. Financing costs during the production period are not recognised.

18 Work in progress

(DKK'000)	30/9 2020	30/9 2019
Selling price of construction contracts	14,180,929	15,473,019
Progress billings	-14,356,537	-15,736,594
Total	-175,608	-263,575
Recognised as follows:		
Receivables	981,287	1,034,488
Current liabilities	-1,156,895	-1,298,063
Total	-175,608	-263,575
Advance payments from customers relating to construction contracts not commenced	91,152	22,567
Retained payments	66,710	72,852
Contract assets relating to costs for completion of construction contracts	12,050	12,575
Amortisation for the year, recognised in production costs	525	525

Contract assets and liabilities consist in work in progress.

The selling price of work in progress at 30 September 2020 decreased relative to 30 September 2019. The decrease was due to the completion of a number of large projects, including harbour projects. The level remains high because of a high level of activity on a number of major construction projects, including harbour projects in progress.

Progress billings were also lower at 30 September 2020 than at 30 September 2019 due to a number of large projects being completed and fewer large new projects being started up.

§ Accounting policy

Contracts in progress are measured by allocating to each performance obligation the selling price of the work performed less progress billings and impairment losses.

The selling price of performance obligations is determined by reference to their stage of completion at the balance sheet date and the total expected contract revenue. In determining total expected income, the constraints on the recognition of variable consideration, including recognition of claims, additional works and variations are

NOTES TO THE FINANCIAL STATEMENTS

18 Work in progress – continued

taken into consideration. The percentage of completion is determined on the basis of an assessment of the work performed, which is normally calculated as the ratio of contract costs incurred to total expected contract costs.

If it is probable that total contract costs will exceed total contract revenue, provision is made for the total expected loss on the contract. If the selling price cannot be measured reliably, the selling price is measured at the lower of contract costs incurred and net realisable value.

Construction contracts for which the selling price of the work performed exceeds progress billings and expected losses are recognised in receivables. Construction contracts for which progress billings and expected losses exceed the selling price are recognised in liabilities. Advance payments from customers are recognised in liabilities.

Costs incurred in selling and tendering in order to obtain a contract are expensed in the year in which they are incurred. Specific external costs directly related to a contract are capitalised and amortised over the contract period.

On conclusion of contracts, the payment terms used are generally in accordance with the General Conditions for the Provision of Works and Supplies in Building and Construction (AB92/AB18). These terms may, however, be departed from subject to individual negotiation.

Generally, invoicing is carried out according to an agreed instalment plan, based on specified milestones or in the form of progress billing.

! Significant accounting estimates and judgments

An essential prerequisite for applying the percentage of completion method is that the revenue and costs of the individual construction contract can be reliably measured. Variable consideration is not recognised in revenue until it is highly probable that no reversal of the amount of cumulative revenue recognised will occur in subsequent periods. This assessment is made on an ongoing basis for the individual construction contracts. Expected contract revenue and contract costs may change as the contract is performed and uncertainties are resolved. Also, during the performance of the contract, amendments may be made, and the preconditions for the performance of the contract may turn out not to be fulfilled. Discrepancies related to additional works, extensions of deadlines, claims for daily penalties, etc. are assessed on the basis of the nature of the issue, the stage of negotiation and past experience. The probability of the outcome is thus assessed on an individual basis.

The Group's internal business processes, financial management and calculation tools together with the project management's knowledge and experience support the reliable measurement of work in progress in accordance with the percentage of completion method.

19 Construction contract debtors

(DKK'000)	30/9 2020	30/9 2019
The fair value of receivables is considered to correspond to the carrying amount.		
Impairment allowance, construction contract debtors at 1/10	48,963	32,263
Additions during the year	6,281	20,315
Disposals during the year:		
– Used	-5,731	-589
– Reversed	-3,351	-3,026
Impairment allowance, construction contract debtors at 30/9	46,162	48,963
Impairment allowances included in receivables, recognised in the income statement	2,930	17,289
The Group regularly follows up on outstanding receivables. Where uncertainty arises about a customer's ability or willingness to pay a receivable and the Group assesses that the claim is subject to risk, an impairment allowance is made to cover this risk. Individually impaired construction contract debtors and allowances for these are registered in separate accounts, both of which are included in the carrying amount of contract debtors.		
The balance of construction contract debtors falls due as follows:		
Balances not due	1,969,029	2,145,944
Balances past due:		
By less than 30 days	234,593	468,579
By 30 to 90 days	56,532	71,375
By more than 90 days	155,250	154,453
Total	2,415,404	2,840,351
Receivables falling due more than one year after the balance sheet date	0	45

For a description of credit risk, see note 23.

For the measurement of expected credit losses, Aarsleff applies the simplified approach under IFRS 9, which is based on expected losses on all construction contract debtors. To measure the expected credit loss, construction contract debtors are grouped according to their characteristics and number of past due days. Expected loss rates

NOTES TO THE FINANCIAL STATEMENTS

19 Construction contract debtors – continued

are based on the payment profiles for sales over a 60-month period before 30 September 2020 and 30 September 2019, respectively, and the corresponding historical credit losses realised during that period. Historical losses are adjusted to reflect current and future expected matters that affect the customer's ability to settle the receivables. As Aarsleff operates in countries in which experience shows that there may be a risk of losses due to changing political and cyclical factors, the Company adjusts historical loss rates based on expected changes in these factors.

Expected losses on trade receivables and construction contracts based on a weighted loss rate:

(DKK'000)	Loss rate	Amount receivable	Expected loss	Total
30/9 2020				
Balances not due	0.5%	2,965,384	15,067	2,950,317
Less than 30 days past due	3.7%	243,709	9,117	234,592
30 to 90 days past due	7.6%	61,163	4,631	56,532
More than 90 days past due	10.1%	172,597	17,347	155,250
Total	1.3%	3,442,853	46,162	3,396,691
30/9 2019				
Balances not due	0.4%	3,194,726	14,294	3,180,432
Less than 30 days past due	2.4%	480,330	11,751	468,579
30 to 90 days past due	7.2%	76,879	5,504	71,375
More than 90 days past due	10.1%	171,867	17,414	154,453
Total	1.2%	3,923,802	48,963	3,874,839

20 Securities

(DKK'000)	30/9 2020	30/9 2019
Bonds	612,281	412,856
Portfolio at 30/9	612,281	412,856

21 Equity

Share capital

The share capital consists of 27,000 class A shares of DKK 100 each and 19,035,000 class B shares of DKK 2 each. Their nominal value is DKK 2,700 thousand and DKK 38,070 thousand, respectively.

The class A shares carry ten times as many voting rights as the class B shares. The class A shares are not negotiable instruments.

See the section Information to shareholders for additional information.

(DKK'000)	Number of shares		Nominal value (DKK'000)		% of share capital	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Treasury shares (B shares)						
Holding at 1/10	2,475,624	2,369,359	4,952	4,739	10.93	10.46
Capital reduction	-2,265,000	0	-4,530	0	-10.00	0
Share capital after capital reduction	210,624	2,369,359	422	4,739	1.04¹	10.46
Additions during the year	145,550	106,397	291	213	0.71	0.47
Disposals during the year	0	-132	0	0	0	0.00
Holding at 30/9	356,174	2,475,624	713	4,952	1.75	10.93

¹ After the share capital reduction, the holding of treasury shares of 0.93% can be recomputed to 1.04% of the total share capital.

Treasury shares were purchased during the financial year for the purpose of covering the matching shares obligation under the employee share programme.

During the financial year, the company's share capital was reduced by a nominal amount of DKK 4,530 thousand from DKK 45,300 thousand nominal value to DKK 40,770 nominal value. The capital reduction was effected by cancelling part of the company's treasury share holding of class B shares in the nominal amount of DKK 4,530 thousand, consisting of 2,265,000 class B shares with a nominal value of DKK 2 each.

Resolutions to amend the articles of association or to wind up the company require a majority vote of not less than two-thirds of the votes cast as well as of the voting share capital represented at the annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

21 Equity – continued

§ Accounting policy

Proposed dividend

Dividend is recognised in liabilities at the time of its adoption at the annual general meeting. Proposed dividend expected to be distributed for the year is shown as a separate item under equity.

Treasury shares

Purchase and selling amounts of and dividends on treasury shares are recognised directly in equity.

Translation reserve

The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on the translation of the financial statements of foreign entities from their functional currencies into the Group's presentation currency (Danish kroner).

On full or partial realisation of the net investment, foreign exchange adjustments are recognised in the income statement.

Hedging reserve

The hedging reserve contains the accumulated net change in the fair value of hedging transactions that qualify as hedges of future cash flows and for which the hedged transaction has yet to be realised. ■

22 Provisions

(DKK'000)	30/9 2020	30/9 2019
Provisions at 1 October	148,023	126,977
Used during the year	-20,657	-32,428
Additions on acquisition of companies	0	766
Reversal of unused provisions	-27,047	-30,402
Provided for the year	66,232	83,140
Foreign exchange adjustments	-528	-30
Provisions at 30/9	166,023	148,023
Recognised as follows:		
Non-current liabilities	94,936	81,985
Current liabilities	71,087	66,038
Total	166,023	148,023

Provisions include provisions regarding completed contracts, including warranty obligations, the warranty period on contracts being up to five years from the hand-over date. The majority of the costs are expected to be incurred within three years.

§ Accounting policy

Provisions are recognised when the Group has a legal or constructive obligation as a consequence of past events in the financial year or prior years, when it is probable that settlement of the obligation will require an outflow of the Group's financial resources and the amount of the obligation can be measured reliably.

In measuring provisions, the expenditure required to settle the obligation is discounted if this has a material effect on the measurement of the obligation.

Warranty obligations are recognised in proportion to the stage of completion of the contract and are measured based on past experience. ■

! Significant accounting estimates and judgments

The assessment of provisions for completed contract work is based on past experience with similar work. Aarsleff regularly implements new methods and technologies for the execution of construction contracts. Where this is the case, the extent to which warranty obligations can be expected is assessed on a case-by-case basis. ■

NOTES TO THE FINANCIAL STATEMENTS

23 Credit, interest rate and currency risk and use of financial instruments

Financial instrument categories

	Carrying amount		Fair value	
	30/9 2020	30/9 2019	30/9 2020	30/9 2019
(DKK'000)				
The Group's financial instrument categories:				
Construction contract debtors	2,415,404	2,840,351	2,415,404	2,840,351
Work in progress	981,287	1,034,488	981,287	1,034,488
Receivables from associates and joint ventures	16,538	6,037	16,538	6,037
Other receivables	76,203	118,347	76,203	118,347
Cash	1,077,116	658,142	1,077,116	658,142
Receivables at amortised cost	4,566,548	4,657,365	4,566,548	4,657,365
Securities	612,281	412,856	612,281	412,856
Financial assets at fair value through profit or loss	612,281	412,856	612,281	412,856
Derivative financial instruments used for hedging	-16,443	-781	-16,443	-781
Derivative financial instruments hedging future cash flows	-16,443	-781	-16,443	-781
Other payables (earn-out)	64,040	68,210	64,040	68,210
Financial liabilities at fair value through profit or loss	64,040	68,210	64,040	68,210
Mortgage debt	106,952	137,130	107,203	137,290
Credit institutions	276,643	466,398	276,643	466,398
Lease debt	362,601	0	362,601	0
Other payables, non-current (fund holiday pay)	299,612	0	299,612	0
Work in progress	1,156,895	1,298,063	1,156,895	1,298,063
Trade payables	1,607,029	1,474,005	1,607,029	1,474,005
Financial liabilities at amortised cost	3,809,732	3,375,596	3,809,983	3,375,756

Fair value measurement

The Group uses the fair value convention in connection with certain disclosure requirements and for the recognition and measurement of financial instruments. Fair value is defined as the price obtainable when selling an asset, or payable when transferring a liability, in an arm's length transaction between market participants (exit price). Assets and liabilities that are measured at fair value or whose fair value is disclosed, are categorised under a fair value hierarchy in three levels, based on inputs to the valuation methods applied in measuring fair value. To the extent possible, fair value measurement is based on quoted prices in active markets (level 1) or alternatively on prices derived from observable market inputs (level 2). To the extent that such observable inputs are not available or cannot be used without significant modification, fair values are based on recognised valuation methods and reasonable estimates (level 3).

Current receivables at amortised cost and current financial liabilities

The fair values of current receivables at amortised cost and current financial liabilities are not considered to deviate significantly from their carrying amounts.

Securities

Securities are valued at officially quoted prices or price quotes. This constitutes fair value measurement at level 1 of the fair value hierarchy.

Mortgage debt

The fair value of mortgage debt is determined on the basis of the fair value of the underlying bonds. This constitutes fair value measurement at level 2 of the fair value hierarchy.

Derivative financial instruments

Forward exchange contracts are valued on the basis of externally calculated fair values using generally accepted valuation techniques. This constitutes fair value measurement at level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

23 Credit, interest rate and currency risk and use of financial instruments – continued

Contingent consideration

The fair value of contingent consideration (earn out) related to the acquisition of Olimb Rørfornyng Holding AS at 31 August 2017 was estimated on the basis of the income approach. The estimate is based on weighted probabilities of the expected payments under the earn-out agreement, discounted at a discount rate of 2%. The total payment amounts to at least DKK 23 million and is contingent on the future earnings of the acquired companies. This constitutes fair value measurement at level 3 of the fair value hierarchy. Expected earnings is a key assumption in the calculation of the estimate. A +1% change in expected earnings would increase the earn-out amount by DKK 2 million. The change in the fair value of the earn-out agreement is recognised in financial income in the income statement at DKK 493 thousand (2018/19: financial expenses at DKK 2,923 thousand) and in investments at a negative DKK 3,677 thousand (2018/19: a negative DKK 5,710 thousand), corresponding to the minority shareholder's share of dividend paid.

(DKK'000)	2019/20	2018/19
Carrying amount at 1/10	68,210	131,997
Adjustment in income statement	-493	2,923
Dividend/partial repayment	-3,677	-66,710
Carrying amount at 30/9	64,040	68,210

Liquidity risk

It is Group policy to maintain significant cash reserves. With its stable and strong solvency, the Group has a high creditworthiness, which is reflected in its adequate credit facilities and loan commitments, both in the short and the long term.

For the majority of the Group's subsidiaries, a cash pooling arrangement has been set up.

The Group's liabilities fall due as follows:

(DKK'000)	Carrying amount	Contractual cash flows ¹	Within 1 year	1-2 years	2-5 years	After 5 years
30/9 2020						
Non-derivative financial instruments:						
Mortgage debt	106,952	109,333	9,902	14,770	27,303	57,358
Credit institutions	276,643	277,942	273,492	4,450	0	0
Trade payables	1,607,029	1,607,029	1,607,029	0	0	0
Other payables	363,652	363,652	299,612	64,040	0	0
Derivative financial instruments:						
Derivative financial instruments hedging future cash flows	16,443	16,443	-678	1,854	7,799	7,468
Total liabilities	2,370,719	2,374,399	2,189,357	85,114	35,102	64,826
30/9 2019						
Non-derivative financial instruments:						
Mortgage debt	137,130	141,157	14,578	14,005	29,001	83,573
Credit institutions	466,398	466,398	458,174	2,002	6,222	0
Trade payables	1,474,005	1,474,005	1,474,005	0	0	0
Other payables	68,210	68,210	0	0	68,210	0
Derivative financial instruments:						
Derivative financial instruments hedging future cash flows	781	781	-7,376	-1,847	1,384	8,620
Total liabilities	2,146,524	2,150,551	1,939,381	14,160	104,817	92,193

¹ All cash flows are undiscounted and comprise all obligations under agreements concluded, including future interest payments on loans.

The Group's cash outflows are fully covered by its profit from operations and the availability of credit facilities and refinancing options.

NOTES TO THE FINANCIAL STATEMENTS

23 Credit, interest rate and currency risk and use of financial instruments – continued

Currency risk

Currency risk is managed centrally in the Aarsleff Group. The Group's strategy is to hedge currency risk related to construction contracts and other currency transactions by optimising its commercial currency flow. Aarsleff's policy is to hedge at least 50% of the expected contribution margin in relation to construction contracts through commercial currency flow optimisation. To minimise currency risk, the aim is for foreign currency construction contracts to be entered into in EUR or, alternatively, in the same currency as that in which costs are incurred in order to ensure as much natural hedging as possible. During the tendering stage until the contract is entered into, currency risk is generally not hedged.

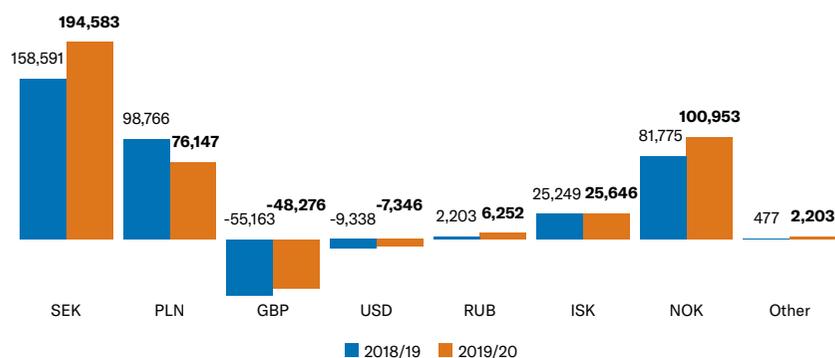
Normally, currency overdraft facilities are established on the basis of regular computation of foreign exchange exposures to the most important currencies. Moreover, forward contracts are entered into to hedge future cash flows in the form of contract revenue, but only where a contract has been concluded. Ineffectiveness is primarily due to timing differences between the expected timing of receipt of income and payment of expenses.

Foreign exchange adjustment of foreign subsidiaries and associates with functional currencies different from that of the parent company is recognised directly in other comprehensive income. Related currency risks are not hedged. Current and non-current receivables in group enterprises are not generally hedged.

Intra-group balances in foreign currency (excluding Eurozone currencies) and related hedging transactions are as follows:

Net position at 30/9

(DKK'000)



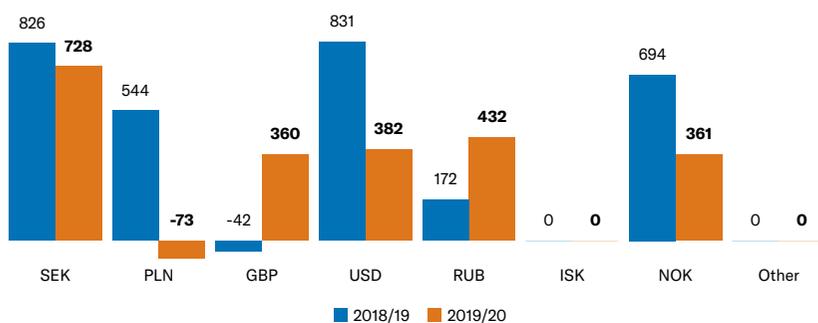
Currency	(DKK'000)		30/9 2020			30/9 2019	
	Financial assets	Financial liabilities	Thereof hedged	Net position	Thereof companies with other functional currency	Net position	Thereof companies with other functional currency
SEK	266,334	-71,751	0	194,583	157,977	158,591	155,948
PLN	196,447	-120,300	0	76,147	76,708	98,766	96,929
GBP	39,983	-88,259	0	-48,276	-45,427	-55,163	-47,005
USD	88,216	-95,562	0	-7,346	0	-9,338	-405
RUB	27,822	-26,038	4,468	6,252	6,228	2,203	2,204
ISK	111,944	-86,298	0	25,646	25,646	25,249	25,249
NOK	213,833	-133,302	20,422	100,953	120,303	81,775	112,662
Other	2,296	-93	0	2,203	0	477	0
Total	946,875	-621,603	24,890	350,162	341,435	302,560	345,582
Payment/maturity profile is specified as follows:							
Less than 1 year	946,875	-603,531	24,890	368,234	356,454	333,207	374,992
1-5 years	0	-11,079	0	-11,079	-8,026	-17,960	-16,723
More than five years	0	-6,993	0	-6,993	-6,993	-12,687	-12,687
Total	946,875	-621,603	24,890	350,162	341,435	302,560	345,582

NOTES TO THE FINANCIAL STATEMENTS

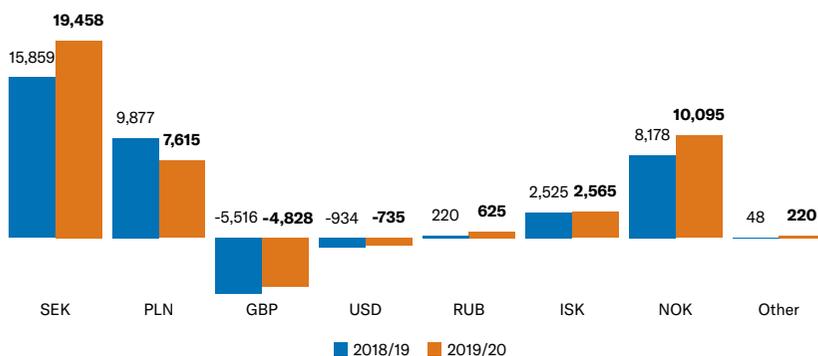
23 Credit, interest rate and currency risk and use of financial instruments – continued

The isolated effects of a 10% increase at 30/9 2020 in exchange rates against DKK are specified as follows (pre-tax amounts):

Change in profit for the year in case of a 10% increase in exchange rates at 30/9



Change in equity in case of a 10% increase in exchange rates at 30/9



The above analysis is based on the assumption of all other variables, interest rates in particular, remaining constant. The forecast is based on available market data.

A corresponding decline in exchange rates for the above currencies would have a similar, but negative, effect on profit for the year and equity. The differences between the effects for 2019/20 and 2018/19 are entirely attributable to differences in the nominal amounts of the individual currencies.

Derivative financial instruments

The Group has established forward exchange contracts and foreign currency overdraft facilities to hedge future cash flows on construction contracts in EUR, NOK, USD, PLN, SEK and ISK for a total amount of DKK 302,187 thousand, against DKK 611,873 thousand in 2018/19. At 30/9 2020, these financial instruments had a negative fair value of DKK 6,737 thousand, against a positive fair value of DKK 9,565 thousand at 30/9 2019, recognised in other comprehensive income. The hedged cash flows are expected to be realised by April 2023.

(DKK'000)	Contract value, net	Average exchange rate	Positive fair value, 30/9	Negative fair value, 30/9	Hedge maturing no later than
30/9 2020					
SEK	59,535	0.7165	441	-441	December 2020
NOK	105,281	0.7290	4,007	-4,696	June 2022
EUR	17,228	7.4440	3	-3	March 2021
USD	48,911	6.5797	2,074	-56	April 2023
PLN	23,569	1.6778	252	-330	August 2021
ISK	47,664	0.0527	0	-7,988	February 2023
Total	302,188		6,777	-13,514	
30/9 2019					
SEK	207,561	0.7138	5,859	-458	December 2020
NOK	184,196	0.7446	1,050	-303	June 2021
EUR	91,630	7.4518	22	-8	March 2021
USD	39,083	6.3737	1,803	0	March 2021
PLN	17,200	1.7200	387	0	September 2020
CHF	9,945	6.8491	0	-56	June 2020
Other	62,259		1,602	-334	June 2020
Total	611,873		10,724	-1,159	

The Group has furthermore established interest rate swaps in DKK with a view to interest rate hedging of mortgage loans for a total amount of DKK 84,606 thousand, against DKK 89,691 thousand in 2018/19. At 30 September 2020, these financial instruments had a negative fair value of DKK 7,468 thousand, against a negative fair value of DKK 8,620 thousand in 2018/19. The contracts expire in December 2036 at the latest and the average interest rate is 1.07%.

NOTES TO THE FINANCIAL STATEMENTS

23 Credit, interest rate and currency risk and use of financial instruments – continued

The Group has furthermore entered into forward exchange transactions in NOK with a view to paying an earn-out agreement and forward exchange transactions in RUB with a view to hedging future cash flows from loan repayments. Their total value was DKK 24,889 thousand, against DKK 27,449 thousand in 2018/19. At 30 September 2020, these financial instruments had a negative fair value of DKK 2,238 thousand, against a negative fair value of DKK 1,725 thousand in 2018/19. The contracts expire in January 2022 at the latest.

See the section on Commercial risk assessment in the Management's review for further information.

Capital management

The Company regularly assesses the need for adjusting the capital structure of the Group as well as of the individual subsidiaries so that it complies with the applicable rules and matches the business foundation and volume of activity.

The Group assesses capital on the basis of the equity ratio. The Group's equity ratio target is at least 35%.

Interest rate risk

Interest rate risk mainly relates to interest-bearing debt, securities and cash. To minimise both interest and related risks, the Group has entered into cash pooling and interest netting agreements in DKK, SEK, EUR and GBP with its Danish bankers.

The Group's interest rate risk is related to the items in the table. The earliest maturity data is stated.

	Fixed/ Floating	Effective interest rate		Carrying amount		Fair value	
		30/9 2020 %	30/9 2019 %	30/9 2020 (DKK'000)	30/9 2019 (DKK'000)	30/9 2020 (DKK'000)	30/9 2019 (DKK'000)
Interest-bearing assets	Fixed	-1 to 2	-1 to 1	250,946	133,035	250,946	133,035
Interest-bearing assets	Floating	-1 to 1	-1 to 1	1,438,451	937,963	1,438,451	937,963
Interest-bearing liabilities	Fixed	1 to 9	1 to 8	605,504	175,597	605,755	178,145
Interest-bearing liabilities	Floating	1 to 9	1 to 8	504,345	496,141	504,345	496,141
Net interest-bearing deposit				579,548	399,260		
Payment/maturity profile is specified as follows:							
Less than 1 year				912,441	530,547		
1-5 years				-276,643	-49,747		
More than 5 years				-56,250	-81,540		
				579,548	399,260		

A 1% increase in the level of interest rates relative to that at the balance sheet date and net interest-bearing assets would, all other things being equal, have a negative effect of DKK 1,193 thousand on the Group's profit before tax and equity (2018/19 a negative effect of DKK 2,187 thousand). A decrease in the interest rate level would have had a similar positive effect on profit and equity.

Credit risk

The Group is exposed to credit risk with respect to receivables and bank deposits. The Group is not deemed to be exposed to significant credit risk with respect to its cash and cash equivalents, securities portfolio or derivative financial instruments, as the Group's bankers, bond issuers and derivative financial instrument counterparties all have credit ratings corresponding to at least A- /A3 (S&P/Moody's). The maximum credit risk corresponds to the carrying amount.

A large proportion of the Group's customers are public or semi-public institutions, on which the exposure to financial losses is minimal. The Group's trade receivables from other customers are exposed to the usual credit risk. Customers are therefore credit rated before work on a contract commences. To the extent that it is expedient and possible, credit risk on trade receivables is covered by way of bank and insurance guarantees and letters of credit.

The Group does not have significant risk exposure to any individual customer or business partner.

As was the case at 30/9 2019, the Group's impairment allowances at 30/9 2020 related solely to financial assets classified as receivables. See note 19.

NOTES TO THE FINANCIAL STATEMENTS

24 Contingent liabilities and other financial obligations

(DKK'000)	30/9 2020	30/9 2019
Operating leases		
Future rent and lease payments under non-terminable contracts (minimum lease payments):		
Due within 1 year	-	104,165
Due in between 1 and 5 years	-	217,026
Due in more than 5 years	-	4,650
Total	-	325,841
Expensed lease payments for the year	-	111,826

Operating lease liabilities relate to cars, construction equipment and tools and equipment. The Group's leases have maximum terms of ten years at 30/9 2019.

(DKK'000)	30/9 2020	30/9 2019
Investment and purchase obligations		
Investments in property, plant and equipment	51,026	83,425
Contingent assets and liabilities		
The Aarsleff Group is a party to various legal and arbitration proceedings, which are not expected to negatively affect the Group's future earnings.		
Security		
The carrying amount of land and buildings posted as security for debt to mortgage credit institutions is	168,361	196,349
As security for the completion of construction contracts, the usual security has been posted in the form of bank guarantees and suretyship insurance	5,099,348	4,670,726

The item warranty obligations comprises the obligations to perform certain warranty work for normally up to five years. The obligation has been calculated on the basis of historical warranty costs.

The Group is a party to joint venture arrangements under joint and several liability. The total liability at 30/9 2020 was DKK 645 million, against DKK 463 million at 30/9 2019, of which amounts DKK 183 million and DKK 160 million, respectively, were recognised in the consolidated balance sheet. The Group does not foresee any losses over and above those included in the financial statements.

! Significant accounting estimates and judgments

In the course of its contracting business, Aarsleff may become party to disputes and lawsuits. In such cases, the Group assesses whether it may incur liabilities as a result of the case in question and the probability thereof. Such assessment is based on available information and legal opinions from advisers. The final outcome of a case is inherently difficult to estimate and may differ considerably from Aarsleff's assessments.

25 Related party transactions

(DKK'000)	Associates and joint ventures		Management ¹	
	2019/20	2018/19	2019/20	2018/19
Group				
Income ²	3,343	12,504	0	0
Expenses ²	3,343	12,115	0	0
Receivables ³	194	2,173	0	0
Payables ³	0	8	0	0

¹ Includes members of the Board of Directors and Executive Management of the parent company. Management remuneration is set out in note 7 to the financial statements.

² Includes purchase and sale of goods and services.

³ Includes receivables and payables related to purchase and sale of goods and services.

The foundation Per og Lise Aarsleffs Fond is considered to exercise control as a result of its own shareholding and the dissemination of other shareholdings. Apart from distribution of dividend, the Group had no transactions with the foundation in 2019/20 or 2018/19.

Transactions with subsidiaries have been eliminated in the consolidated financial statements in accordance with the accounting policies.

No unusual agreements or other such trades or transactions were concluded or conducted between the Group and its related parties.

NOTES TO THE FINANCIAL STATEMENTS

26 Other adjustments – Statement of cash flows

(DKK'000)	2019/20	2018/19
Profit/loss in associates	-10,004	-7,590
Provisions	17,999	20,277
Profit from sale of property, plant and equipment	-30,738	-24,535
Total	-22,743	-11,848

27 Change in working capital – Statement of cash flows

(DKK'000)	2019/20	2018/19
Inventories	4,827	-6,114
Work in progress, net	-83,803	105,403
Receivables	478,874	245,582
Trade payables, other payables, etc.	319,131	-222,177
Total	719,029	122,694

28 Liquidity

(DKK'000)	2019/20	2018/19
Cash	1,077,116	658,142
Overdraft facility	-272,394	-458,174
Total	804,722	199,968
Cash is specified as follows:		
Share of cash in joint operations	219,102	127,479
Other cash	858,014	530,663
Total	1,077,116	658,142

29 Liabilities from financing activity

(DKK'000)	Opening	Changes in accounting policies	Cash flows	Non-cash changes	Closing
2019/20					
Non-current debt	131,287	0	-31,610	1,953	101,630
Lease debt	0	428,419	-139,870	74,052	362,601
Total liabilities from financing activity	131,287	428,419	-171,480	76,005	464,231
2018/19					
Non-current debt	231,879	0	-107,477	6,885	131,287
Total liabilities from financing activity	231,879	0	-107,477	6,885	131,287

NOTES TO THE FINANCIAL STATEMENTS

30 Acquisitions

2019/20

During the financial year 2019/20, Per Aarsleff Holding A/S made the following acquisitions:

At 1 October 2019, Per Aarsleff Holding A/S acquired 100% of the shares in the companies Vandfax A/S and Vandfax Maskinservice ApS. Vandfax is a small enterprise based in Hejnsvig near Billund, Denmark, specialising in groundwater drawdown and water works well drilling and is a reputable subcontractor in this specialist field.

The total consideration for 100% of the shares in the company on a debt-free basis was calculated at DKK 12.4 million. The consideration was paid in cash.

Identifiable assets and liabilities, etc. are stated at fair value, and intangible assets comprise the value of the company's name, customers and order book. After recognition of identifiable assets and liabilities at fair value, goodwill was calculated at DKK 2.4 million. Goodwill represents the value of synergies in connection with the integration in the Group's One Company strategy as well as staff and know-how. The recognised goodwill is not amortisable for tax purposes.

Furthermore, at 1 October 2019 Per Aarsleff Holding A/S acquired 100% of the shares in the company HP Tennisanlæg A/S through the subsidiary Dan Jord A/S. HP Tennisanlæg is a small, well-run enterprise that builds tennis courts, paddle tennis courts, multi courts, artificial turf courts and playgrounds for local authorities, athletics associations and housing associations.

The total consideration for 100% of the shares in the company on a debt-free basis was calculated at DKK 17.8 million. The consideration was paid in cash.

Identifiable assets and liabilities, etc. are stated at fair value, and intangible assets comprise the value of the company's name, customers and order book. After recognition of identifiable assets and liabilities at fair value, goodwill was calculated at DKK 4.0 million. Goodwill represents the value of synergies in connection with the integration in the Group's One Company strategy as well as staff and know-how. The recognised goodwill is not amortisable for tax purposes.

At 1 July 2020, Per Aarsleff Holding A/S finalised the acquisition of 100% of the shares in the companies Sør-Norsk Boring AS and Sør Norsk Brønnboring AS. Sør-Norsk has more than 20 years' experience in drilled foundation solutions. Based in Ulefoss, some 150 kilometres south-west of Oslo, Sør-Norsk is today the leading specialist company within drilled foundation solutions in Southern Norway, undertaking work for large groups, small and medium-sized Norwegian companies and public customers.

The total consideration for 100% of the shares in the company on a debt-free basis was calculated at DKK 32.5 million. The consideration was paid in cash.

Identifiable assets and liabilities, etc. are stated at fair value, and intangible assets comprise the value of the company's name, customers and order book. After recognition of identifiable assets and liabilities at fair value, goodwill was calculated at DKK 0.

(DKK'000)	Vandfax A/S	HP Tennis- anlæg A/S	Sør-Norsk Boring AS
Fair value at acquisition date			
Intangible assets	7,471	10,700	23,890
Property, plant and equipment	6,597	2,467	29,849
Inventories	648	2,659	2,987
Receivables	2,170	4,497	22,405
Cash and cash equivalents	2,039	2,771	14,851
Non-current liabilities	-1,953	0	-20,738
Other current liabilities	-4,920	-6,504	-25,878
Net assets acquired	12,052	16,590	47,365
Goodwill	2,399	3,989	0
Acquisition price	14,451	20,579	47,365
Of this amount cash/bank debt	-2,039	-2,771	-14,851
Cash acquisition price	12,412	17,808	32,514
The nominal value of the above receivables is	2,170	4,497	22,405

The acquired companies' revenue and profits included in the consolidated financial statements from the acquisition date amounted to DKK 65.1 million and DKK 4.3 million, respectively. Pro forma consolidated revenue and profit for 2019/20, calculated as if the companies were acquired at 1 October 2019, were DKK 148.1 million and DKK 4.6 million, respectively. The pro forma figures were calculated on the basis of the actual consideration paid and the purchase price allocation at the acquisition date, but with depreciation and amortisation, etc. being calculated from 1 October 2019.

Business combinations after the balance sheet date

No business combinations have taken place after the balance sheet date.

2018/19

During the financial year 2018/19, Per Aarsleff Holding A/S made the following acquisitions:

Via the subsidiary Per Aarsleff GmbH, Per Aarsleff Holding A/S acquired 100% of the shares in the ground engineering companies Neidhardt Grundbau GmbH and Ponei Bau GmbH at 1 January 2019. Before the acquisition, the Neidhardt Group was a family-owned business. Based in Hamburg and Oldenburg, Germany, the companies specialise in anchoring works and are today among the most reputable companies in this specialist field. In addition to its activities in Germany, the Neidhardt Group is a well-known subcontractor in Denmark, Poland, Sweden and the UK.

The total consideration for 100% of the shares in the companies on a debt-free basis was calculated at DKK 49.1 million. The consideration was paid in cash.

NOTES TO THE FINANCIAL STATEMENTS

30 Acquisitions – continued

Also via the subsidiary Per Aarsleff GmbH, Per Aarsleff Holding A/S acquired 100% of the shares in the German companies STB Wöltjen GmbH, STB Grundbau GmbH, DMG-Holding Verwaltungs-GmbH and DMG-Holding GmbH & Co. KG at 1 August 2019. Prior to the acquisition, the STB Group was a family-owned business. Based in Wedemark, Germany, the companies specialise in drilled piles and secant piles for construction pits and are today reputable subcontractors in this specialist field. In addition to its activities in Germany, the STB Group is a well-known subcontractor in Scandinavia.

The total consideration for 100% of the shares in the companies on a debt-free basis was calculated at DKK 13.2 million. The consideration was paid in cash.

Identifiable assets and liabilities, etc. are stated at fair value, and intangible assets comprise the value of the company's name, customers and order book. After recognition of identifiable assets and liabilities at fair value, goodwill was calculated at DKK 0.

(DKK'000)	STB group	Neidhardt group
Fair value at acquisition date		
Intangible assets	10,454	2,986
Property, plant and equipment	10,208	28,987
Inventories	25,105	11,900
Receivables	8,095	10,010
Cash and cash equivalents	224	25,576
Non-current liabilities	-7,654	0
Other current liabilities	-32,990	-4,807
Net assets acquired	13,442	74,652
Goodwill	0	0
Acquisition price	13,442	74,652
Of this amount cash/bank debt	-224	-25,576
Cash acquisition price	13,218	49,076
The nominal value of the above receivables is	8,095	10,010

The acquired companies' revenue and profit, included in the consolidated financial statements from the acquisition date, amount to DKK 120 million and DKK 13 million, respectively. Pro forma consolidated revenue and profit for 2018/19, calculated as if the companies were acquired at 1 October 2018, were DKK 206 million and DKK 20 million, respectively. The pro forma figures were calculated on the basis of the actual consideration paid and the purchase price allocation at the acquisition date, but with depreciation and amortisation, etc. being calculated from 1 October 2018.

§ Accounting policy

Business combinations

The purchase method is applied to acquisitions of subsidiaries and associates. The identifiable assets, liabilities and contingent liabilities of acquired companies are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual or legal right. Deferred tax is recognised on the basis of the revaluations made.

The cost of an enterprise is generally the fair value of the consideration paid. If part of the consideration is contingent on future events occurring or on agreed conditions being met, that part of the consideration is recognised at fair value at the acquisition date. Costs attributable to business combinations are recognised directly in the income statement as incurred.

Any positive difference between cost and fair value (goodwill) on acquisition of subsidiaries is recognised in intangible assets and tested for impairment annually. On acquisition, goodwill is allocated to the cash-generating units subsequently providing a basis for impairment testing. Any positive difference (goodwill) on acquisition of associates is recognised in the balance sheet under investments in associates. Any negative difference (negative goodwill) is recognised as income in the income statement at the date of acquisition.

Acquired companies are recognised from the acquisition date, and companies sold are recognised until the selling date. The acquisition date is the date at which the parent company actually obtains control of the acquired company.

If the fair values of acquired assets and liabilities subsequently turn out to deviate from the preliminary values calculated at the date of acquisition, goodwill is adjusted for this until 12 months after the acquisition date.

In connection with an acquisition, goodwill and any non-controlling (minority) interest are recognised according to one of the following methods:

- (1) Goodwill related to the acquired company consists of any positive difference between the total fair value of the acquired company and the fair value of total net assets recognised. The non-controlling interest is recognised at its share of the total fair value of the acquired company (full goodwill).
- (2) Goodwill related to the acquired company consists of any positive difference between the acquisition cost and the fair value of the Group's share of the acquired company's net assets recognised at the acquisition date. The non-controlling interest is recognised at its proportion of the acquired net assets (proportionate goodwill).

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the disposal consideration and the carrying amount of net assets, including goodwill, at the date of disposal plus disposal costs.

NOTES TO THE FINANCIAL STATEMENTS

31 Financial highlights for the Group, EUR

(EUR'000)	2019/20	2018/19	2017/18	2016/17	2015/16
Income statement					
Revenue	1,785,516	1,801,855	1,623,874	1,503,333	1,398,355
Of this, work performed abroad	577,669	562,098	472,065	432,908	381,589
Operating profit (EBIT)	74,322	67,319	63,742	51,124	55,803
Net financials	-3,154	-4,003	-4,003	-2,225	-2,246
Profit before tax	71,168	63,316	59,739	48,899	53,558
Profit for the year	50,836	48,306	45,727	36,136	40,821
Balance sheet					
Non-current assets	401,203	362,835	359,878	356,741	322,769
Current assets	753,056	731,522	693,294	587,204	554,034
Total assets	1,154,259	1,094,357	1,053,172	943,945	876,803
Equity	444,632	417,142	388,799	362,142	335,973
Non-current liabilities	147,231	100,430	99,754	95,583	102,966
Current liabilities	562,396	576,785	564,619	486,220	437,864
Total equity and liabilities	1,154,259	1,094,357	1,053,172	943,945	876,803
Net interest-bearing deposits/debt(+/ -)	77,831	53,476	4,165	-27,766	-8,127
Invested capital (IC)	366,654	362,491	383,193	387,073	342,862
Statement of cash flows					
Cash flow from operating activities	214,094	125,927	102,589	66,177	55,703
Cash flow from investing activities	-89,832	-89,132	-52,692	-65,792	-102,900
Of which investment in property, plant and equipment, net	-54,540	-50,642	-51,988	-59,414	-76,740
Cash flow from financing activities	-42,580	31,380	-16,100	-12,937	-10,324
Change in cash and cash equivalents for the year	81,682	5,415	33,796	-12,552	-57,521

	2019/20	2018/19	2017/18	2016/17	2015/16
Financial ratios¹					
Gross margin, %	12.1	10.7	11.7	11.3	12.0
Operating margin (EBIT margin), %	4.2	3.7	3.9	3.4	4.0
Profit margin (pre-tax margin), %	4.0	3.5	3.7	3.3	3.8
Return on invested capital (ROIC), %	20.4	18.1	16.6	14.0	18.8
Return on invested capital (ROIC) after tax, %	14.5	13.8	12.7	10.3	14.4
Return on equity (ROE), %	11.8	12.1	12.2	10.3	12.7
Equity ratio, %	38.5	38.1	36.9	38.4	38.3
Earnings per share (EPS), EUR	2.52	2.38	2.24	1.77	1.99
Share price at 30 September, EUR	35.92	29.73	32.59	24.86	21.34
Price/net asset value	1.51	1.45	1.7	1.4	1.29
Dividend per share, EUR	0.87	0.74	0.67	0.54	0.54
Number of employees	7,215	6,838	6,499	6,203	5,906
Exchange rate applied	7.4462	7.4662	7.4564	7.4423	7.4513

¹ For a definition of financial ratios, see page 106.

PARENT COMPANY FINANCIAL STATEMENTS

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INCOME STATEMENT

1/10-30/9

Note	(DKK'000)	2019/20	2018/19
	Revenue	14,505	10,892
	Production costs	210	210
	Gross profit	14,715	11,102
2, 3	Administrative expenses and selling costs	-32,215	-20,405
	Operating profit	-17,500	-9,303
6	Share of profit in subsidiaries	402,214	337,878
	Share of profit in associates	783	0
	Profit before interest	385,497	328,575
4	Financial income	4,128	4,640
4	Financial expenses	-4,982	-2,465
	Profit before tax	384,643	330,750
5	Tax on profit for the year	4,618	648
	Profit for the year	389,261	331,398
	Proposed appropriation of profit		
	Reserve for net revaluation according to the equity method	-202,743	187,188
	Profit for the year carried forward	459,501	19,635
	Dividend to shareholders	132,503	124,575
	Total	389,261	331,398

BALANCE SHEET

Assets

Note	(DKK'000)	30/9 2020	30/9 2019
6	Investments in subsidiaries	3,409,867	3,295,752
	Investments	3,409,867	3,295,752
	Non-current assets	3,409,867	3,276,213
	Amounts owed by subsidiaries	554,066	444,331
	Income tax receivable	300,114	17,942
	Other receivables	744	129
	Receivables	854,924	462,402
	Cash and cash equivalents	697,264	362,113
	Current assets	1,552,188	824,515
	Assets	4,962,055	4,120,267

Equity and liabilities

Note	(DKK'000)	30/9 2020	30/9 2019
	Share capital	40,770	45,300
	Reserve for net revaluation according to the equity method	611,826	858,607
	Retained earnings	2,378,543	1,934,198
	Proposed dividend	132,503	124,575
7	Equity	3,163,642	2,962,680
	Credit institutions	167,505	320,793
	Trade payables	549	224
	Amounts owed to subsidiaries	1,548,435	758,585
	Other payables	81,924	77,985
8	Current liabilities	1,798,413	1,157,587
	Equity and liabilities	4,962,055	4,120,267

Notes without reference:

- 9 Contingent liabilities and other financial obligations
- 10 Related party transactions
- 11 Currency and interest rate risk and use of derivative financial instruments

STATEMENT OF CHANGES IN EQUITY

(DKK'000)	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend	Total
Equity at 30/9 2019	45,300	858,607	1,934,198	124,575	2,943,141
Changes in equity in 2019/20					
Foreign exchange adjustment of foreign entities		-44,038			-44,038
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement (net financials)			-530		-530
Market value adjustment re. derivative financial instruments			-14,214		-14,214
Other changes in equity			-7,417		-7,417
Tax on derivative financial instruments			3,873		3,873
Net gains/losses recognised directly in equity	0	-44,038	-18,288	0	-246,781
Dividend paid				-124,575	-124,575
Dividend, treasury shares			13,616		13,616
Employee shares			19,609		19,609
Purchase of treasury shares			-34,623		-34,623
Capital reduction	-4,530		4,530		
Profit for the year		-202,743	459,501	132,503	389,261
Total changes in equity in 2019/20	-4,530	-246,781	444,345	7,928	200,962
Equity at 30/9 2020	40,770	611,826	2,378,543	132,503	3,163,642

STATEMENT OF CHANGES IN EQUITY

(DKK'000)	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend	Total
Equity at 30/9 2018	45,300	675,956	1,946,995	113,250	2,781,501
Adjustment for recognition of investments at equity value at 1/10		16,091	-25,463		-9,372
Adjusted equity at 1/10 2018	45,300	692,047	1,921,532	113,250	2,772,129
Changes in equity in 2018/19					
Foreign exchange adjustment of foreign entities	-20,628			-20,628	
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement (net financials)			341		341
Market value adjustment re. derivative financial instruments			-4,227		-4,227
Other changes in equity			-1,380		-1,380
Tax on derivative financial instruments			840		840
Net gains/losses recognised directly in equity	0	-20,628	-4,426	0	-25,054
Dividend paid				-113,250	-113,250
Dividend, treasury shares			11,847		11,847
Employee shares			11,023		11,023
Purchase of treasury shares			-25,413		-25,413
Profit for the year		187,188	19,635	124,575	331,398
Total changes in equity in 2018/19	0	166,560	12,666	11,325	190,551
Equity at 30/9 2019	45,300	858,607	1,934,198	124,575	2,962,680

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of accounting

The financial statements of the parent company, Per Aarsleff Holding A/S, have been prepared in accordance with the provisions of the Danish Financial Statements Act (DK GAAP) applying to enterprises of reporting class D and additional Danish disclosure requirements for listed companies.

For accounting policies, see note 1 to the consolidated financial statements. The denomination of the items in the parent company's financial statements complies with the requirements of DK GAAP, but in content they conform to accounting policies under IFRS. See the section Terminology for a description of the main differences between the denomination of the items under DK GAAP and IFRS.

Changes in accounting policies for the parent company

Apart from the implementation of IFRS 16 Leases and the recognition of liabilities in connection with acquisitions, the accounting policies are consistent with those applied last year.

Implementation of IFRS 16 Leases

Per Aarsleff Holding A/S implemented IFRS 16 Leases at 1 October 2019 so as to align the parent company's accounting policies with those applied in the consolidated financial statements. For a description of the related accounting policies, see note 15 to the consolidated financial statements. The implementation of IFRS 16 did not materially affect the financial results of Per Aarsleff Holding A/S.

Change in relation to investments

Previously, Aarsleff treated obligations to purchase investments in subsidiaries from minority shareholders as executory contracts in the parent company financial statements. Such purchase obligations are now recognised as liabilities in the balance sheet, and the additional investments are considered to have been acquired at the date when the company assumed the obligation. Recognition of the obligation and the additional investment is considered to better reflect the parent company's financial position. The change has been implemented retroactively with restatement of comparatives. The effect of the accounting policy change on profit/loss and equity for the financial year 2019/20 is DKK 4,170 thousand, while the effect on investments is DKK 1,864 thousand. For 2018/19, the effect on profit/loss is DKK 2,520 thousand, the effect on investments is DKK 71,269 thousand, while the effect on equity is DKK 3,069 thousand.

Supplementary accounting policies for the parent company

Intangible assets

On initial recognition, goodwill is recognised at cost in the item Goodwill or in the item Investments in subsidiaries. Subsequently, goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised over the estimated useful life not exceeding 20 years.

Investments

Investments in subsidiaries and associates are recognised and measured according to the equity method, which is the consolidation method used.

In the income statement, the proportionate share of profit for the year after tax less goodwill amortisation is included in the items Share of profit in subsidiaries and Share of profit in associates.

In the balance sheet, the items Investments in subsidiaries and Investments in associates include the proportionate ownership share of the equity value of the enterprises calculated under the accounting policies of the parent company with deduction or addition of unrealised intercompany profits or losses and with addition of any goodwill.

Subsidiaries and associates with negative equity values are measured at DKK 0. Any legal or constructive obligation by the parent company to cover the negative balance of the enterprise is recognised in provisions.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to Reserve for net revaluation according to the equity method under equity. The reserve is reduced on distribution of dividends to the parent company and is adjusted for other changes in equity in subsidiaries and associates.

Contingent consideration (earn-out) is measured at fair value through profit or loss, and adjustments are recognised in net financials.

Tax

The parent company is subject to the Danish rules on compulsory joint taxation of the Group's Danish companies. Subsidiaries are included in the joint taxation from the date at which they are included in the consolidated financial statements and until the date when they cease to be consolidated.

The parent company is the designated management company for the tax pool and handles the settlement of all corporation tax payments with the tax authorities.

The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises with profits or losses in proportion to their taxable incomes (full absorption with refunds for tax losses). The jointly taxed companies are taxed under the Danish tax prepayment scheme.

In its capacity of management company, the parent company assumes liability for the subsidiaries' payment of income tax as the subsidiaries pay joint taxation contributions.

Statement of cash flows

No separate statement of cash flows has been prepared for the parent company in accordance with the exemption clause of section 86(4) of the Danish Financial Statements Act.

Terminology

- Revenue (DK GAAP): Revenue (IFRS)
- Non-current assets (Danish GAAP): Non-current assets (IFRS)
- Investments (DK GAAP): Other non-current assets (IFRS)
- Current assets (DK GAAP): Current assets (IFRS)
- Provisions (DK GAAP): Non-current and current liabilities (IFRS)
- Long-term liabilities other than provisions (DK GAAP): Non-current liabilities (IFRS)
- Short-term liabilities other than provisions (DK GAAP): Current liabilities (IFRS)

NOTES TO THE FINANCIAL STATEMENTS

2 Staff costs

(DKK'000)	2019/20	2018/19
Wages, salaries and remuneration	25,572	17,157
Pensions	0	37
Share-based payment	1,198	450
Other costs, social security costs, etc.	23	20
Total	26,793	17,664
Of this amount:		
Board members' fees ¹	2,448	2,201
Remuneration, Executive Management ²	22,145	11,433
Share-based payment, Executive Management	1,198	450
Total	25,791	14,084
Average number of full-time employees	4	3

¹ The Board of Directors was expanded from four to five members effective at 31 January 2019.

² Remuneration of the Executive Management for 2019/20 comprises termination benefits, provision for salary during the notice period and retention bonus, a total of DKK 11.8 million of which DKK 3.6 million has been expensed in previous years.

3 Fees to auditors appointed by the annual general meeting

(DKK'000)	2019/20	2018/19
The fees to PricewaterhouseCoopers can be specified as follows:		
Statutory audit	386	99
Other assurance engagements	3	4
Tax consulting	253	94
Other services	98	219
Total	740	416

4 Financial income and expenses

(DKK'000)	2019/20	2018/19
Other interest income	4,128	4,640
Financial income	4,128	4,640
Foreign exchange loss, net	2,221	2,059
Other interest expenses	2,761	406
Financial expenses	4,982	2,465
Net financials	-854	2,175

5 Income tax

(DKK'000)	2019/20	2018/19
Tax on profit for the year is specified as follows:		
Current tax	-4,618	-648
Total	-4,618	-648
Total tax for the year is specified as follows:		
Tax on profit for the year	-4,618	-648
Tax on changes in equity	-3,875	-840
Total	-8,493	-1,488

NOTES TO THE FINANCIAL STATEMENTS

6 Investments in subsidiaries

(DKK'000)	Investments in subsidiaries
Cost at 1/10 2019	2,607,488
Change in accounting policies	55,054
Additions during the year	135,508
Cost at 30/9 2020	2,798,041
Value adjustment at 1/10 2019	616,995
Change in accounting policies	16,224
Profit after tax	496,322
Goodwill amortisation	-15,961
Goodwill impairment	-44,808
Amortisation of other intangible assets	-42,742
Deferred tax	9,403
Dividend received	-383,327
Market value adjustment re. derivative financial instruments	-11,994
Other changes in equity	15,752
Foreign exchange adjustments	-44,038
Value adjustment at 30/9 2020	611,826
Carrying amount at 30/9 2020	3,409,867
Of this amount, goodwill amounts to	70,303

For a list of legal entities in the Aarsleff Group, see the Overview of group companies.

During the financial year, an impairment loss was recognised on goodwill in Hansson & Knudsen A/S. For details, see note 14 to the consolidated financial statements.

7 Equity

Share capital

See note 21 to the consolidated financial statements for details on the composition of equity and treasury shares.

8 Maturity structure, liabilities

(DKK'000)	Carrying amount	Within 1 year
The parent company's liabilities fall due as follows:		
30/9 2020		
Credit institutions	167,505	167,505
Trade payables	549	549
Amounts owed to subsidiaries	1,548,435	1,548,435
Other payables	81,177	17,137
Total liabilities	1,797,666	1,733,626

The parent company's cash outflows are fully covered by its profit from operations and the availability of credit facilities and refinancing options.

NOTES TO THE FINANCIAL STATEMENTS

9 Contingent liabilities and other financial obligations

(DKK'000)	30/9 2020	30/9 2019
Operating leases		
Future rent and lease payments under non-terminable contracts (minimum lease payments):		
Due within 1 year	-	236
Due in between 2 and 5 years	-	496
Total	-	732
Expensed lease payments for the year	-	267
Operating lease liabilities relate to cars. The maximum term of the parent company's leases is five years at 30/9 2019.		
Contingent assets and liabilities		
Guarantee provided for subsidiaries' liabilities	105,737	125,666
Per Aarsleff Holding A/S is a party to various legal and arbitration proceedings, which are not expected to negatively affect the Group's future earnings.		
As security for the completion of construction contracts, the usual security has been posted in the form of bank guarantees and suretyship insurance	5,099,348	4,670,726
Guarantee/security provided for subsidiaries	2,400,000	2,889,000

The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. Under the Danish joint taxation, a subsidiary has utilised losses in foreign subsidiaries. Provision has been made for the resulting retaxation liability based on a specific assessment, taking into account the relation between the utilisation of tax losses abroad and retaxation in Denmark.

10 Related party transactions

See note 25 to the consolidated financial statements for information on related party transactions.

11 Currency and interest rate risk and use of derivative financial instruments

See note 23 to the consolidated financial statements for information on the use of derivative financial instruments and risk and capital management.

FINANCIAL RATIOS

Earnings per share and diluted earnings per share are calculated in accordance with IAS 33.

Other financial ratios are prepared as stated below.

Definition of financial ratios

Gross margin	=	$\frac{\text{Gross margin}}{\text{Revenue}}$
Operating margin (EBIT margin)	=	$\frac{\text{Operating profit}}{\text{Revenue}}$
Profit margin (Pre-tax margin)	=	$\frac{\text{Profit before tax}}{\text{Revenue}}$
Invested capital (IC)	=	The sum of equity, including minority interests, and net interest-bearing debt less investments in associates and joint ventures
Return on invested capital (ROIC)	=	$\frac{\text{Operating profit}}{\text{Average invested capital}}$
Return on invested capital after tax	=	$\frac{\text{Operating profit after tax}}{\text{Average invested capital}}$
Return on equity (ROE)	=	$\frac{\text{Profit for the year excluding minority shareholders}}{\text{Average equity excluding minority share}}$
Equity ratio	=	$\frac{\text{Equity at year end}}{\text{Total equity and liabilities at year end}}$
Earnings per share (EPS)	=	$\frac{\text{Profit for the year excluding minority shareholders}}{\text{Average number of shares}}$
Price/net asset value	=	$\frac{\text{Quoted price per share at year end}}{\text{Net asset value per share at year end}}$

The Aarsleff Group is organised in independent, competitive divisions and companies each with their own specialist expertise. The activities are divided among our three segments.



COMPANIES IN THE AARSLEFF GROUP

COMPANIES IN THE AARSLEFF GROUP

CONSTRUCTION

Company name	Registered office			Ownership share %
Per Aarsleff A/S	Aarhus	Denmark	Contractor	100 ¹
Dan Jord A/S	Aarhus	Denmark	Contractor	100
HP Tennisanlæg A/S	Ugerløse	Denmark	Contractor	100
Petri & Haugsted AS	Rødovre	Denmark	Contractor	100
Wicotec Kirkebjerg A/S	Taastrup	Denmark	Contractor	100
E. Klink A/S	Skovlunde	Denmark	Contractor	100
Holmskov Rustfri Stainless Steel Company A/S	Slangerup	Denmark	Contractor	100
PAA Project Finance A/S	Hvidovre	Denmark	Contractor	100
Aarsleff Rail A/S	Aarhus	Denmark	Contractor	100
Anker AB	Varberg	Sweden	Contractor	100
Banedrift AS	Fredrikstad	Norway	Contractor	100
Aarsleff Rail GmbH	Wedemark	Germany	Contractor	100
Aarsleff Anlægning AB	Limhamn	Sweden	Contractor	100
VG Entreprenør A/S	Lemvig	Denmark	Contractor	100
Entreprenørfirmaet Østergaard A/S	Vejle	Denmark	Contractor	100
Per Aarsleff Grønland ApS	Nuuk	Greenland	Contractor	100
Per Aarsleff East Africa A/S	Aarhus	Denmark	Contractor	100
Per Aarsleff West Africa A/S	Aarhus	Denmark	Contractor	100
New Horizons In Infrastructure Of Denmark Nhid I/S	Aarhus	Denmark	Contractor	28
Per Aarsleff Mediterranean A/S	Aarhus	Denmark	Contractor	100
Ístak hf.	Mosfellsbær	Iceland	Contractor	100
Hansson & Knudsen A/S	Odense	Denmark	Contractor	100
Håndværkergården A/S	Odense	Denmark	Contractor	100
PH Byg Faaborg A/S	Faaborg	Denmark	Contractor	100
Aarsleff Biz Sp. z o.o.	Swinoujscie	Poland	Contractor	100
Rock Armour Trading AB	Kungshamn	Sweden	Production company	91

¹ Per Aarsleff A/S is represented in all three segments

COMPANIES IN THE AARSLEFF GROUP

PIPE TECHNOLOGIES

Company name	Registered office			Ownership share %
Per Aarsleff A/S	Aarhus	Denmark	Contractor	100 ¹
Danpipe A/S	Aarhus	Denmark	Contractor	100
Aarsleff Rörteknik AB	Stockholm	Sweden	Contractor	100
Aarsleff OY	Helsinki	Finland	Contractor	100
Per Aarsleff AO	St. Petersburg	Russia	Contractor	100
Bertos OOO	Moscow	Russia	Contractor	49 ²
Arpipe OOO	Moscow	Russia	Contractor	50 ²
Aarsleff Sp. z o.o.	Warsaw	Poland	Contractor	100 ³
Aarsleff Baltic SIA	Riga	Latvia	Contractor	100
UAB Aarsleff	Kaunas	Lithuania	Contractor	100
Aarsleff Rohrspanierung GmbH	Nuremberg	Germany	Contractor	100
Bluelight GmbH	Nuremberg	Germany	Contractor	100
Aarsleff Hulín s.r.o.	Hlohovec	Slovakia	Contractor	51
Aarsleff Leidingrenovatie bv	Amsterdam	The Netherlands	Contractor	100
FRP Prolining GmbH	Neubrandenburg	Germany	Contractor	100
Olimb Rørfornyng Holding AS	Råde	Norway	Contractor	51
Olimb Rørfornyng AS	Råde	Norway	Contractor	100
Olimb Offshore AS	Råde	Norway	Contractor	100

¹ Per Aarsleff A/S is represented in all three segments

² Associate

³ Aarsleff Sp. z o.o. is represented in the segments Pipe Technologies and Ground Engineering

COMPANIES IN THE AARSLEFF GROUP

GROUND ENGINEERING

Company name	Registered office			Ownership share %
Per Aarsleff A/S	Aarhus	Denmark	Contractor	100 ¹
Centrum Pæle Holding A/S	Vejle	Denmark	Holding company	100
Centrum Pæle A/S	Vejle	Denmark	Pile production	100
CP Test A/S	Vejle	Denmark	Engineering company	100
Per Aarsleff GmbH	Hamburg	Germany	Holding company	100
Ponel Bau GmbH Spezialtiefbau	Oldenburg	Germany	Contractor	100
Neidhardt Grundbau GmbH	Hamburg	Germany	Contractor	100
S T B – Wöltjen GmbH	Wedemark	Germany	Contractor	100
DMG-Holding Verwaltungs-GmbH	Wedemark	Germany	Contractor	100
DMG-Holding GmbH & Co. KG	Wedemark	Germany	Contractor	100
Aarsleff Grundbau GmbH	Hamburg	Germany	Contractor	100
Centrum Pfähle GmbH	Germaringen	Germany	Pile production	100
DMT Gründungstechnik GmbH	Büdelsdorf	Germany	Engineering company	100
Aarsleff Ground Engineering Limited	Newark	United Kingdom	Contractor	100
Centrum Pile Limited	Newark	United Kingdom	Pile production	100
Aarsleff Sp. z o.o.	Warsaw	Poland	Contractor	100 ³
Centrum Pali Sp. z o.o.	Kutno	Poland	Pile production	100
Metris Sp. z o.o. Instytut Badań dla Budownictwa	Kutno	Poland	Ingeniørselskab	100
Aarsleff Ground Engineering AB	Gunnilse	Sweden	Contractor	100
Centrum Pile AB	Älvängen	Sweden	Pile production	100
Aarsleff Norge AS	Råde	Norway	Contractor	100
Vandfax A/S	Hejnsvig	Denmark	Contractor	100
Sør-Norsk Boring AS	Ulefoss	Norway	Contractor	100

¹ Per Aarsleff A/S is represented in all three segments

³ Aarsleff Sp. z o.o. is represented in the segments Pipe Technologies and Ground Engineering

JOINT OPERATIONS AND JOINT VENTURES

JOINT OPERATIONS

Company name	Group, ownership share %			Lead partner
	Construction	Pipe Technologies	Ground Engineering	
Arbeitsgemeinschaft EUGAL Los 3+4	20			
BW Rock Group Swinoujscie – Spolka Cywilna (Poland)	40			Yes
Electrification Programme Aarsleff I/S	75		25	Yes
Fiber og Anlæg I/S	37			Yes
FLC Tunnel Group North I/S	11			
FLC Tunnel Group South I/S	11			
FLC Portals Group I/S	31			
Geo Aarsleff JV I/S	9		41	
JV Aarsleff–Streicher–Bunte I/S	30			Yes
JV Värtahamnen HB I/S (Sweden)	75		25	Yes
LNG – Breakwater, Civil Group JV – Spolka Cywilna (Poland)	50			
Malmö Citytunnel Group HB (Sweden)	25			
NCC–Aarsleff Norvikudden (Sweden)	50			
Siemens Aarsleff Konsortium I/S	37			
Strukton–Aarsleff JV I/S	50			Yes
Wicotec Kirkebjerg–Dan Jord I/S	100			Yes
Aarsleff–BAM International Joint Venture V.O.F. (Tanzania)	50			
Aarsleff Bane & Anlæg I/S	77		23	Yes
Aarsleff BAUER Foundation Contractors (ABFC) HB (Sweden)			50	Yes
Aarsleff Bilfinger Berger JV London Array	50			Yes
Aarsleff–Dan Jord JV I/S	94		6	Yes
Aarsleff–Interbeton J.V. I/S (Tanzania)	50			Yes
Aarsleff–Istak I/S	100			Yes
Aarsleff Nørreport I/S	100			Yes

JOINT OPERATIONS OG JOINT VENTURES

JOINT OPERATIONS

Company name	Group, ownership share %			Lead partner
	Construction	Pipe Technologies	Ground Engineering	
Aarsleff-Petri & Haugsted JV I/S	70		30	Yes
Aarsleff-Seth J.V. I/S (Mozambique)	50			Yes
Aarsleff-Spitzke 2019 I/S	50			Yes
Aarsleff-Spitzke Konsortium I/S	50			Yes
Aarsleff-VG J.V. I/S	100			Yes
Aarsleff-Wicotec Kirkebjerg J.V. I/S	100			Yes

JOINT VENTURES

Nelis Infra-Aarsleff JV (The Netherlands)	50			
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According to section 5 (1) of the Danish Financial Statements Act, partnerships in which Per Aarsleff A/S is lead partner have omitted to prepare financial statements, as these partnerships are included in the consolidated financial statements of Per Aarsleff Holding A/S.

PARTNERS AND FOREIGN BRANCH OFFICES

Partners

A. Hak Leidingbouw B.V.
BAM Infra B.V.
BAM International B.V.
Bilfinger Berger AG
Boskalis International bv
CFE SA
Damacon A/S
Dredging International N.V.
Dominion Instalaciones y Montajes, S.A.U.
Doraco Sp. z o.o.
Eltel Networks A/S
Energy Saving Engineering SL
Geo
Hochtief Construction AG
Interbeton bv
Johann Bunte Bauunternehmung GmbH & Co. KG
Max Bögl Stiftung & Co. KG
Munck Forsyningsledninger A/S
NCC Construction Sverige AB
Seth SA
Siemens Mobility A/S
Siemens Aktiengesellschaft
Solétanche-Bachy International S.A.S.
Spietzke SE Danmark
Strukton Rail A/S
Sverige BAUER GL AB
Vinci Construction Grands Projets GP
Wayss & Freytag Ingenieurbau AG

Foreign branch offices

Ankara, Turkey
Gothenburg, Sweden
Kaunas, Lithuania
Kiev, Ukraine
Oslo, Norway
Porto, Portugal
Riga, Latvia
Szczecin, Poland



Per Aarsleff Holding A/S

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Denmark

CVR no. 24 25 77 97

This Annual Report has been prepared in Danish and English.
In case of discrepancy, the Danish version shall prevail.