AARSLEFF

ANNUAL REPORT 2017/18

CONTENTS

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

AARSLEFF AND HOW WE WORK

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 with each their specialist expertise, organised under Per Aarsleff Holding A/S. Per Aarsleff A/S is the largest of these companies and has a significant coordinating and managing role, as our top management as well as the management of all three segments – Construction, Pipe Technologies and Ground Engineering – and the Group staff functions are organised under this company.

ONE COMPANY

The Group's diverse range of business units are either independent companies or departments. Having varying degrees of specialist expertise, these business units primarily 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.

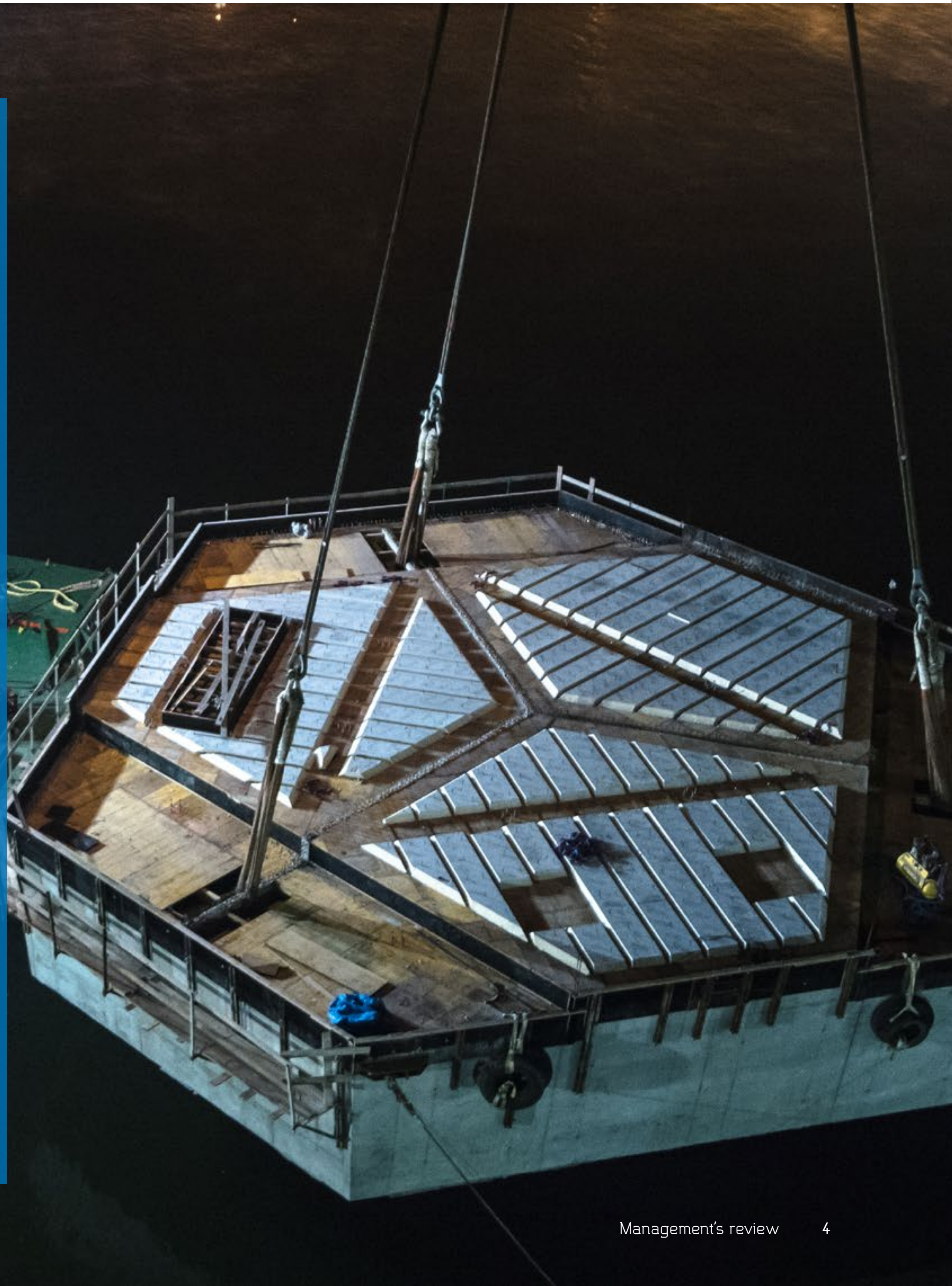
Where synergies can be achieved, we focus on integrating the specialist expertise of our business units across the Group into turnkey solutions with a high degree of in-house production. We optimise and improve the efficiency of our collaboration across the Group by working according to specific principles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

PARTNERSHIPS AND EFFICIENCY IMPROVEMENTS

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.

Our ground engineering and trenchless pipe renewal activities are 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.

MANAGEMENT'S REVIEW

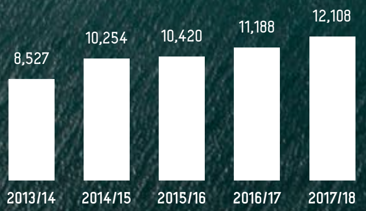


THE YEAR IN FIGURES

REVENUE

12,108M

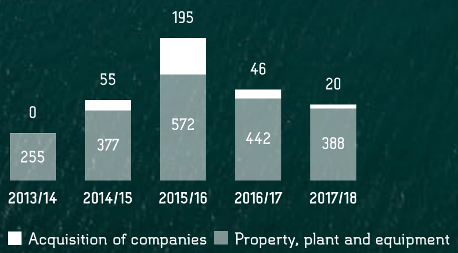
Revenue increased by 8.2%, of which 6.2% was organic growth. Revenue increased in all three segments. In Pipe Technologies, revenue growth is primarily attributable to the acquisition of the Norwegian company Olimb. In Ground Engineering, revenue growth is a result of a high level of activity in Poland and growth in the Danish activities, while revenue growth in Construction is related to the high level of activity within harbour expansions.



INVESTMENTS

408M

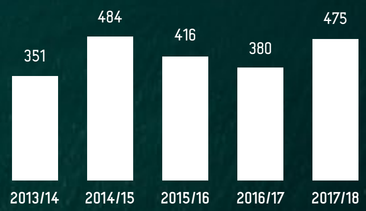
The most significant investments of the year comprise acquisition of equipment for the execution of the large harbour projects. The investment level is below expectations as several of the planned investments are deferred to the next financial year.



EBIT

475M

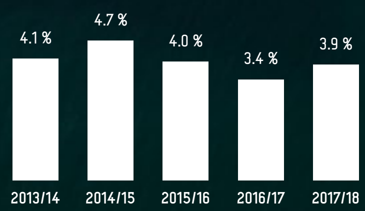
Due to a high level of activity Construction performed above expectations. Pipe Technologies performed in line with expectations, while Ground Engineering delivered results below expectations due to an unsatisfactory performance of the company in Germany.



EBIT MARGIN

3.9%

The EBIT margin develops positively in line with expectations. The EBIT margin target is 5%.



HIGHLIGHTS FOR THE GROUP

(tDKK)	2013/14	2014/15	2015/16	2016/17	2017/18
Income statement					
Revenue	8,527,042	10,253,877	10,419,564	11,188,255	12,108,257
Of this figure, work performed abroad	2,855,178	3,145,279	2,843,331	3,221,833	3,519,902
Operating profit (EBIT)	350,951	483,981	415,808	380,478	475,286
Net financials	-21,273	-29,218	-16,733	-16,557	-29,847
Profit before tax	329,678	454,763	399,075	363,921	445,439
Profit for the year	254,609	366,363	304,166	268,936	340,961
Balance sheet					
Non-current assets	1,739,128	1,939,348	2,405,051	2,654,972	2,683,396
Current assets	3,224,086	4,050,798	4,128,270	4,370,146	5,169,477
Total assets	4,963,214	5,990,146	6,533,321	7,025,118	7,852,873
Equity	1,952,308	2,265,103	2,503,431	2,695,173	2,899,042
Non-current liabilities	589,697	725,170	767,234	711,354	743,808
Current liabilities	2,421,209	2,999,873	3,262,656	3,618,591	4,210,023
Total equity and liabilities	4,963,214	5,990,146	6,533,321	7,025,118	7,852,873
Net interest-bearing debt	209,873	-372,867	60,560	206,640	-31,055
Invested capital (IC)	2,144,682	1,880,103	2,554,769	2,880,712	2,857,238
Cash flow statement					
Cash flows from operating activities	611,201	1,124,293	415,058	492,509	764,941
Cash flows from investing activities	-254,894	-625,865	-766,734	-489,646	-392,894
Of this figure, investment in property, plant and equipment, net	-255,487	-377,052	-571,812	-442,176	-387,640
Cash flows from financing activities	-29,900	-91,168	-76,927	-96,279	-120,051
Change in liquidity for the year	326,407	407,260	-428,603	-93,416	251,996

	2013/14	2014/15	2015/16	2016/17	2017/18
Financial ratios[1]					
Gross margin ratio, %	12.1	11.9	12.0	11.3	11.7
Profit margin (EBIT margin), %	4.1	4.7	4.0	3.4	3.9
Net profit ratio (pre-tax margin), %	3.9	4.4	3.8	3.3	3.7
Return on invested capital (ROIC), %	16.0	24.2	18.8	14.0	16.6
Return on invested capital (ROIC) after tax, %	12.4	19.4	14.3	10.3	12.7
Return on equity (ROE), %	13.9	17.4	12.7	10.3	12.2
Equity ratio, %	39.3	37.8	38.3	38.4	36.9
Earnings per share (EPS), DKK	12.47	17.98	14.84	13.16	16.68
Share price at 30 September, DKK	97.20	229.10	159.00	185.00	243.00
Price/equity value, DKK	1.00	2.06	1.29	1.40	1.70
Dividend per share, DKK	1.50	3.00	4.00	4.00	5.00
Number of employees	4,532	4,932	5,906	6,203	6,499

[1]See page 82 for a definition of financial ratios.

THE YEAR IN BRIEF

In the financial year 2017/18, consolidated revenue amounted to DKK 12,108 million or 8.2% up on last financial year, of which 6.2% was organic growth. The Danish operations reported a revenue increase of 7.8%, while the foreign operations reported a revenue increase of 9.2%. The revenue growth of the foreign operations is primarily attributable to Pipe Technologies where the acquisition of the Norwegian company Olimb contributed to a growth of 19.4%. In Ground Engineering, revenue increased by 8.7% due to a high level of activity in Poland and growth in the Danish activities. Revenue in Construction increased by 6.0% due to a high level of activity arising from harbour expansion projects.

The Group's EBIT results amounted to DKK 475 million (EBIT margin: 3.9%) compared to DKK 380 million (EBIT margin: 3.4%) last financial year. Last financial year, EBIT results comprised a profit of DKK 22.5 million from the sale of land. Earnings expectations were an EBIT of DKK 450 million at the beginning of the financial year and were adjusted upwards to DKK 470 million after the third quarter of the financial year.

Construction performed above expectations due to a high level of activity. Pipe Technologies performed in line with expectations. Ground Engineering performed below expectations. In Germany, the supply of reinforced concrete piles for onshore wind turbine foundations has been one of the main markets historically. However, due to changed subsidy schemes within this area, the project activity is low. This has had a significant negative influence on earnings, and the performance of the German company was unsatisfactory.

Total investments in property, plant and equipment as well as subsidiaries amounted to DKK 408 million. During the financial year, major investments were made in equipment for the large harbour expansion projects.

Cash flows from operating activities amounted to DKK 765 million compared to DKK 493 million in the same period last financial year. The company's working capital amounted to a positive DKK 105 million, primarily due to an increase in prepayments e.g. from the contracts for the construction work in connection with the Copenhagen Light Rail. In the financial year, there was a payment on account of tax in Denmark of DKK 140 million. A number of large projects was completed during the past financial year resulting in an increase in tax paid.

Consolidated interest-bearing liabilities less interest-bearing assets amounted to a net deposit of DKK 31 million compared to a net debt of DKK 207 million at 30 September 2017. The improvement is primarily due to the positive effect from working capital as well as the improved operating profit.

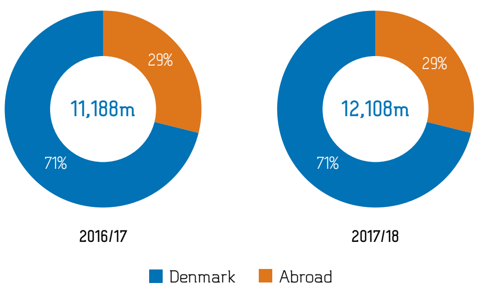
Return on invested capital after tax (ROIC) came to 12.7% compared to 10.3% last financial year and complies with the financial target of at least 12%.

The company's order backlog amounted to DKK 16,601 million (30 September 2017: DKK 9,466 million) of which DKK 7,775 million is expected to be carried out in the financial year 2018/19. The order intake of the financial year amounted to DKK 19,243 million. During the financial year, the Aarsleff Group signed several major building contracts, including a DKK 3 billion contract with Danica Pension for the construction of Danske Bank's new headquarters in Copenhagen. In August, the Aarsleff Group entered into a DKK 1.2 billion contract with Carlsberg Byen P/S for the construction of the Carlsberg City's tallest residential tower. At 120 metres it will become the tallest residential building in Copenhagen. Also, in the course of the year, three major harbour expansion contracts were entered into in Hanstholm, Rønne and Frederikshavn. In March, the Aarsleff Group signed three contracts for the construction work and the track system for the Copenhagen Light Rail. Aarsleff's share of the three contracts has a total value of approx. DKK 1.9 billion.

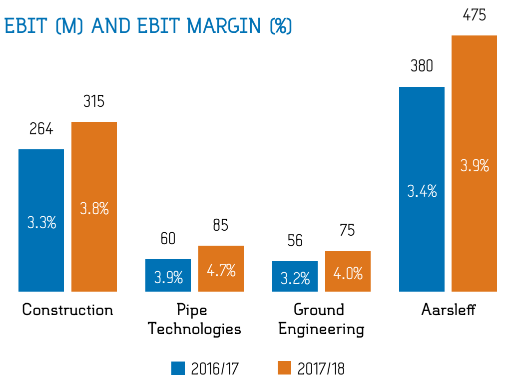
In 2018, the employees in the Danish part of the Group were given the opportunity to take part in an employee share programme. The programme has a three-year term. A total of 1,119 employees have signed up for the first year's programme.

At the end of the financial year, Ebbe Malte Iversen resigned after more than 19 years as general manager of the company. Effective 1 October, Jesper Kristian Jacobsen took over the position as new general manager.

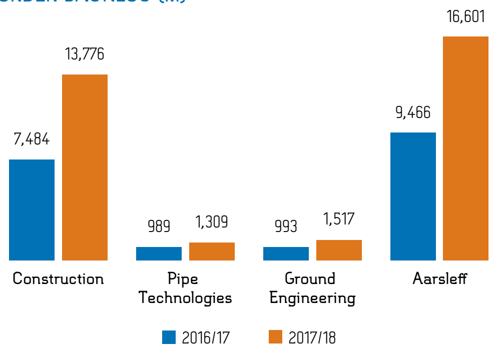
REVENUE



EBIT (M) AND EBIT MARGIN (%)



ORDER BACKLOG (M)



THE FUTURE FINANCIAL YEAR

In the future financial year, the Group expects a revenue level which is approx. 5% higher than in 2017/18. EBIT is expected to amount to DKK 530 million compared to DKK 475 million last financial year. Investments in property, plant and equipment are expected to amount to DKK 440 million compared to DKK 388 million last financial year. The increase is attributable to a deferral of a number of investments planned in 2017/18 to 2018/19.

CONSTRUCTION expects a 5% revenue increase compared to last financial year, and an EBIT margin of 4% compared to 3.8% last financial year. There are numerous tendering opportunities in Denmark, mainly within building activities in the big cities, and the Danish civil engineering market remains stable with good opportunities within harbour expansions and establishment of data centres. Wicotec Kirkebjerg A/S will commence the 25-year-long contract as operator of the facility management contract at the New Psychiatric Center in Aarhus. Wicotec Kirkebjerg continues to focus on secure project execution of large-scale building projects, primarily carried out in One Company collaboration. At Aarsleff Rail A/S, the level of activity will be influenced by lack of large track renewal projects from Banedanmark. Hansson & Knudsen A/S continues the strong focus on secure project execution with a view to improving earnings, but the market on Funen is still characterised by keen price competition. At Ístak hf. a continued high level of activity is expected, primarily driven by building activities in Iceland.

PIPE TECHNOLOGIES expects a 5% revenue increase compared to last financial year, and an EBIT margin of 4.5% in line with last financial year. On the main markets in Denmark, Germany, Sweden and Norway, an increase in the level of activity is expected. In Norway, investments in new equipment are carried out with a view to increasing efficiency and covering a larger geographical area. In Germany, the market conditions are good, and the level of activity deriving from the sale of LED equipment and materials is increasing. There will still be pressure on the earnings level in Denmark and Sweden as the indexation of the existing framework agreements will not adequately compensate for the increasing raw material prices. The market in Russia has stabilised at an acceptable level but is still characterised by political uncertainty. In Poland, the focus will be on integrating the activities in terms of joint management and administration for Pipe Technologies and Ground Engineering.

GROUND ENGINEERING expects a 5% revenue increase compared to last financial year, and an EBIT margin of 4.5% compared to 4% last financial year. In Denmark, an increasing level of activity within establishment of construction pits is expected as well as continued high demand for piles as the level of activity within building activities in general is high. In Sweden, a reduction in revenue is expected as a result of the completion of the ground engineering work for the Karla Tower and an expected slowdown in building activities. In Poland, the high level of activity is expected to continue in the future financial year. In Germany, a continued low level of activity is expected due to lack of onshore wind turbine projects, and even though the initiated capacity adjustments will have a positive effect, earnings will still be unsatisfactory. In the UK, an unchanged level of activity is expected, and the focus will remain on selective order acquisition as well as shutdown of non-profitable activities.

	2018/19	2017/18
REVENUE GROWTH		
Construction	5%	6.0%
Pipe Technologies	5%	19.4%
Ground Engineering	5%	8.7%
The Aarsleff Group	5%	8.2%
The Aarsleff Group	12,700m	12,108m
EBIT MARGIN		
Construction	4%	3.8%
Pipe Technologies	4.5%	4.7%
Ground Engineering	4.5%	4.0%
The Aarsleff Group	4.2%	3.9%
The Aarsleff Group	530m	475m
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT		
The Aarsleff Group	440m	388m

STRATEGIC FOCUS AREAS

THE AARSLEFF GROUP is a Northern European contracting group and has activities in three segments: Construction, Pipe Technologies and Ground Engineering.

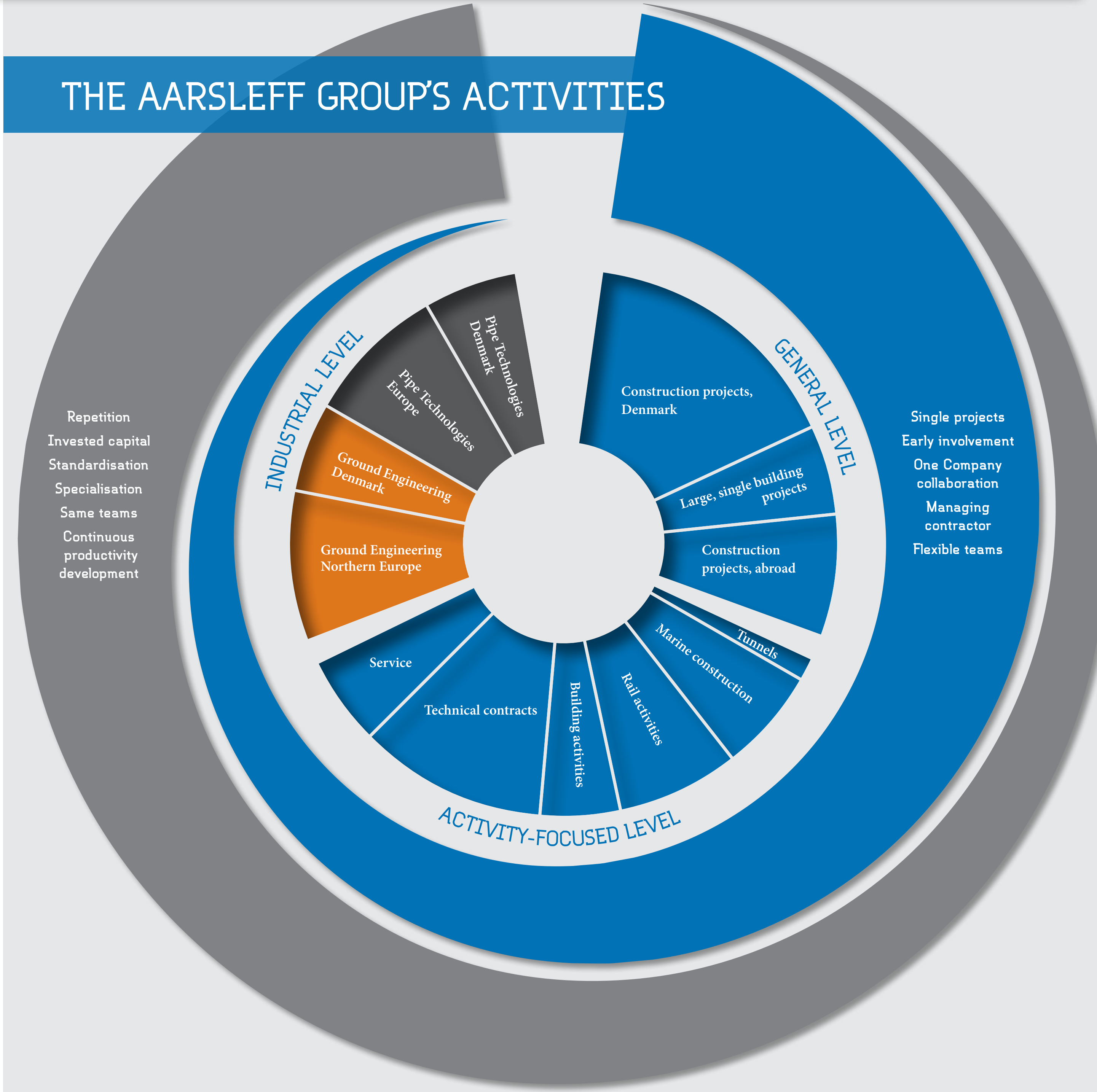
The Group has a clear profitability focus, aiming to increase earnings through continuous efficiency improvements and secure project execution.

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 and 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.

THE AARSLEFF GROUP'S ACTIVITIES



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 seek 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 inter-company 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.

ONE COMPANY

Competitiveness and efficiency in complex design and build contracts are created by utilising synergies between skills and specialist expertise across the companies of the Group with a high degree of in-house production.

We utilise repetition effects when we carry out projects using the same teams.

WHAT DOES THE AARSLEFF GROUP'S STRATEGY MEAN?

CLEAR PROFITABILITY FOCUS

- Increase profitability through continuous efficiency improvements as well as project execution and project finance management
- High degree of active involvement from the executive management in the organisation and risk management of projects with particular risks
- Realisation of potential in business units that do not meet expectations.

FOCUSED PORTFOLIO MANAGEMENT

- Clear principles for requirements to the units' independent financial and strategic value creation for the Group
- Focus on current increase of value creation by a more proactive and dynamic management of the portfolio in close collaboration with the individual units.

DEVELOPMENT OF COLLABORATION

- Increase focus on creating collaboration in the Group on common approaches to management, culture, specialisation and efficiency improvement with a view to creating synergy.

FOCUS AREAS FOR THE THREE SEGMENTS

CONSTRUCTION

ONE COMPANY
Strengthen our competitiveness continuously through One Company collaboration 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.

BUILDING CONSTRUCTION
Continue expanding the building activities, including an increase of the level of activity in the western part of Denmark.

EMBEDDING OF LARGE-SCALE PROJECTS
Embed large-scale projects in the top management.

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 by an ongoing development of a broad product portfolio and a strong technological foundation.

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

LED SYSTEM SELLING
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.

GROUND ENGINEERING

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

PRODUCTIVITY
Increase productivity and competitiveness by incorporating common 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 more project-based business approach and organisation in line with the development of the individual units.

ONE COMPANY
Expand One Company collaboration.

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 equity ratio to mitigate risks. This will help provide the shareholders with an attractive, long-term, direct return through allocation of surplus capital as dividend payment.

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.

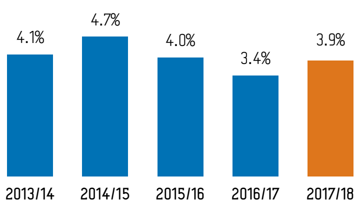
In the industrial segments Pipe Technologies and Ground Engineering, our growth target is between 5% and 10% per year with the focus on international growth.

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.

FINANCIAL TARGETS

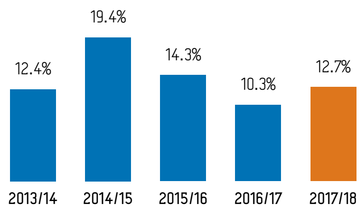
EBIT MARGIN

5%



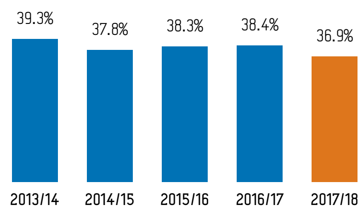
ROIC (AFTER TAX)

AT LEAST **12%**



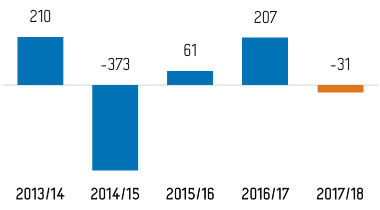
EQUITY RATIO

APPROX. **40%**



NET INTEREST-BEARING DEBT

0 M



PROFIT AND RETURN ON INVESTMENT

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

EBIT MARGIN TARGET

CONSTRUCTION	PIPE TECHNOLOGIES	GROUND ENGINEERING
4.5%	5%	7%

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.

Aarsleff's ambition to have sound financial resources entails an overall target to keep net interest-bearing debt at an average of 0 per quarter. This corresponds to an equity ratio of about 40%.

During growth periods, the company may require new borrowing up to a certain level. However, net interest-bearing debt must not exceed 50% of equity at the beginning of the financial year (debt/equity ratio maximum 0.5).

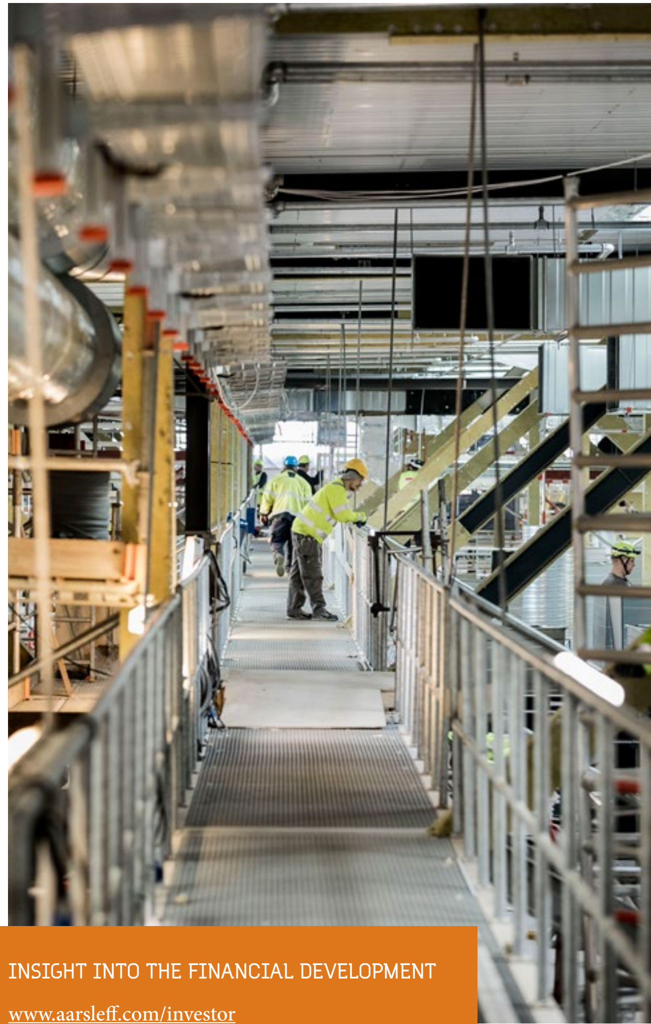
It is a target to provide return on invested capital of at least 12% per year after tax. However, realisation of the stated EBIT targets as well as targets for net debt and solvency will imply a somewhat higher return on invested capital.

Capital structure and financial resources will be reviewed by the Board of Directors and the Executive Management in the future financial year.

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 20-30% 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 and outlook for the future financial year.



INSIGHT INTO THE FINANCIAL DEVELOPMENT

www.aarsleff.com/investor

CONSTRUCTION

REVENUE

8,400M

Revenue increased by 6%, of which 5.1% was organic growth. There was a high level of activity in Denmark, especially within harbour expansion as well as building construction in Greater Copenhagen. The foreign operations reported a revenue increase of 0.6% to DKK 1,074 million.

ROIC (AFTER TAX)

17.0%

ROIC is above the 12% Group target. Construction is characterised by investments being below Pipe Technologies and Ground Engineering. The invested capital is in line with last financial year.

SEGMENT RESULTS (EBIT)

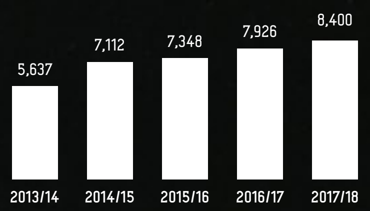
315M

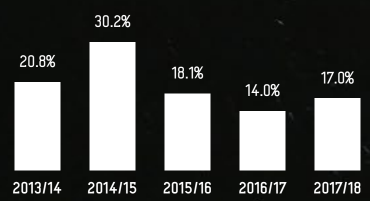
EBIT results exceeded expectations. Results are positively influenced by the high level of activity and the progress of the three large harbour expansion projects in Hanstholm, Rønne and Frederikshavn.

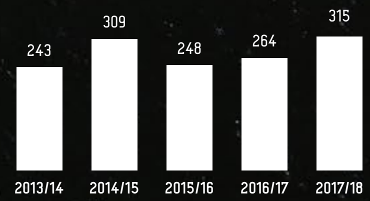
EBIT MARGIN

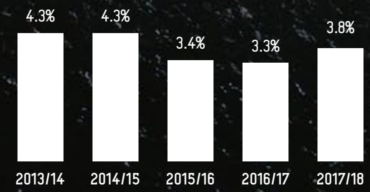
3.8%

The EBIT margin developed positively and was above expectations at the beginning of the financial year. The EBIT margin target for the segment is 4.5%.

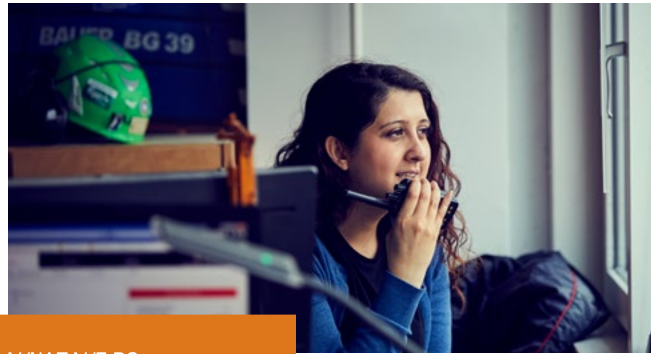








THE PAST YEAR IN CONSTRUCTION



Segment results (EBIT) came to DKK 315 million or 3.8% of revenue. Revenue increased to DKK 8,400 million, corresponding to 6.0%, of which 5.1% was organic growth. The Danish operations reported a revenue increase of 6.8% to DKK 7,326 million, and the foreign operations reported a revenue increase of 0.6% to DKK 1,074 million.

WHAT WE DO

www.aarsleff.com/references

At the beginning of the financial year, EBIT was expected to amount to 3.5% of revenue, but it was adjusted upwards to 4% after the third quarter. Results are positively influenced by the high level of activity, and the three large harbour expansion projects in Hanstholm, Rønne and Frederikshavn are making good progress.

During the financial year, the order intake of Construction amounted to DKK 14,692 million, and at 30 September 2018, the order backlog amounted to DKK 13,776 million (30 September 2017: DKK 7,484 million) of which DKK 5,900 million is expected to be carried out during the financial year 2018/19.

Per Aarsleff A/S performed above expectations at the beginning of the financial year. There was a high level of activity in Denmark, especially within harbour expansion as well as building construction in Greater Copenhagen. In June 2018, the Aarsleff Group reached a milestone as the first early contractor involvement contract was signed with Danica Pension for the construction of Danske Bank's new headquarters in Copenhagen. In August 2018, a similar process led to a contract with Carlsberg Byen P/S for the construction of the Carlsberg City's tallest residential tower. At 120 metres it will become the tallest residential building in Copenhagen. Aarsleff is currently involved in a number of similar projects with a view to winning the contracts for the building work, e.g. the new Natural History Museum of Denmark in Copenhagen and Lighthouse in Aarhus. It is common to all the projects that we are able to offer expertise and experience already in the planning phases, developing and optimising the project in close collaboration with the customer.

The performance of Wicotec Kirkebjerg A/S was influenced by the completion of projects with low project results, resulting in a small, positive profit. The work on the company's project organisation is continued with a view to improving the management of large-scale and complex technical contracts. Wicotec Kirkebjerg was increasingly involved in One Company building projects being responsible for the technical contracts.

Aarsleff Rail A/S reported satisfactory results. There was a high level of activity in Denmark comprising e.g. track renewal of the Coast Line, interlocking and catenary work at the Valby-Frederikssund Line as well as a reconstruction of Østerport Station in Copenhagen. The activities in Norway develop in line with expectations, and the newly acquired company Banedrift AS has entered into two contracts on the Nordland Line.

Hansson & Knudsen A/S contributed a small positive profit. Results were influenced by a delay in the start-up of a major renovation project, and efforts to strengthen project execution and competitiveness continued. During the financial year, Hansson & Knudsen won a major contract for renovation of residential blocks in Odense as well as a new, significant housing project in Kolding.

The Icelandic company Ístak hf. reported results significantly above expectations, and there was a high level of activity, particularly within building activities. The order intake remains strong, and a contract for the construction of a waste treatment plant at a value of approx. DKK 200 million was entered into.

Dan Jord A/S performed below expectations, primarily due to a low level of activity within municipal civil engineering projects in Eastern Jutland.

Petri & Haugsted A/S developed positively after the adjustments implemented during last financial year. The demand for cable work and communication lines is increasing, resulting in continued profit improvement.

Entreprenørfirmaet Østergaard A/S performed below expectations at the beginning of the financial year due to lack of large tunneling projects. The level of activity within directional drilling and civil engineering work in the Triangle Region was satisfactory.

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

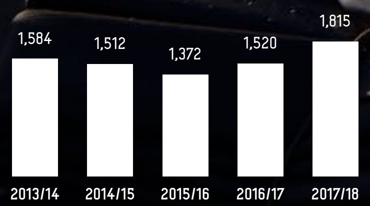
In the new financial year, an approximate 5% revenue growth is expected and an EBIT margin of 4%. The long-term expectation to revenue development will follow economic trends and market opportunities, and the EBIT margin target for the segment is 4.5%.

PIPE TECHNOLOGIES

REVENUE

1,815M

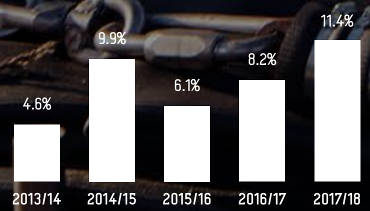
Revenue increased by 19.4%, of which 8.9% was organic growth. The Danish operations reported a revenue increase of 5.1% to DKK 499 million, and the foreign operations reported a revenue increase of 25.9% to DKK 1,316 million, primarily as a result of the acquisition of the Norwegian company Olimb.



ROIC (AFTER TAX)

11.4%

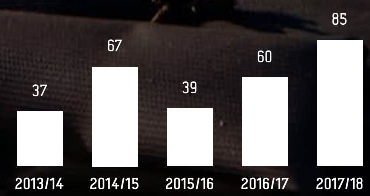
ROIC is close to the 12% Group target. Pipe Technologies is characterised by large investments in production plant for manufacture of materials and mobile installation units. The invested capital was at the same level as last financial year.



SEGMENT RESULTS (EBIT)

85M

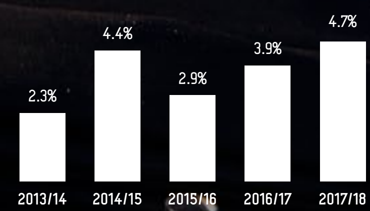
EBIT results were in line with expectations. Norway and Germany delivered results above expectations. Denmark and Sweden performed below expectations as the indexation of concluded long-term framework agreement did not compensate for increasing raw material prices to a sufficient degree.



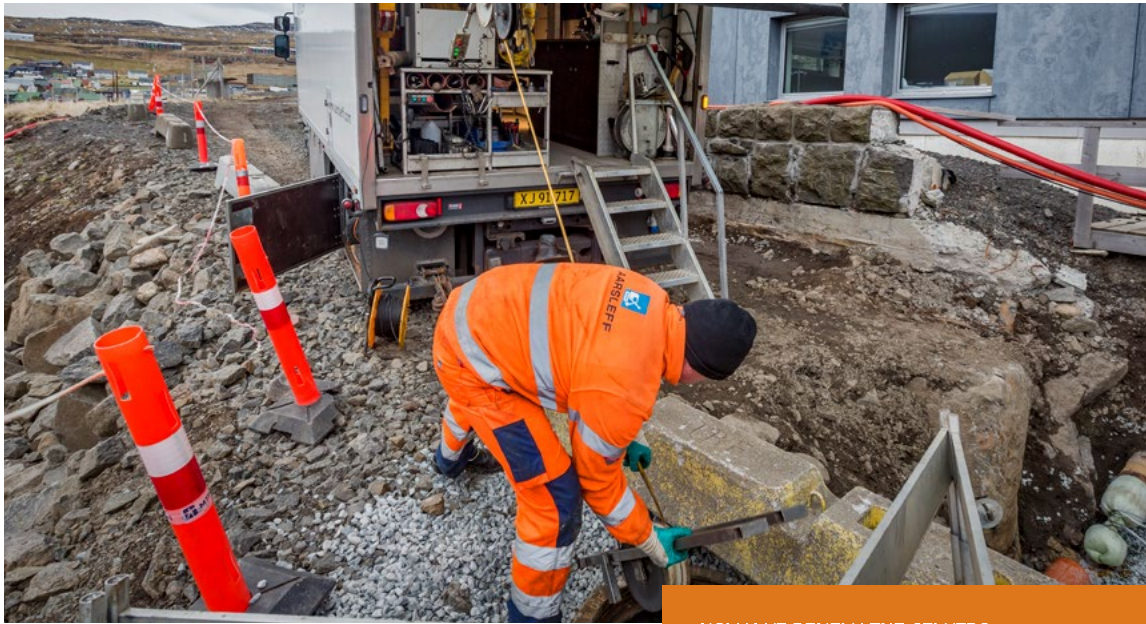
EBIT MARGIN

4.7%

The EBIT margin developed very positively and is approaching the 5% EBIT margin target for the segment.



THE PAST YEAR IN PIPE TECHNOLOGIES



HOW WE RENEW THE SEWERS

www.vimeo.com/album/3269124

Segment results (EBIT) came to DKK 85 million or 4.7% of revenue. Revenue increased by 19.4% to DKK 1,815 million, of which 8.9% was organic growth. The Danish operations reported a revenue increase of 5.1% to DKK 499 million, and the foreign operations reported a revenue increase of 25.9% to DKK 1,316 million.

Pipe Technologies' expected EBIT level of 4.5% at the beginning of the year was maintained during the year.

Pipe Technologies focuses on current improvements to ensure competitiveness in a market with keen competition. There is an increasing demand for the Group's in-house-developed LED curing system for renewal of small-dimensioned pipes. The system is used by the Aarsleff Group but also sold to third parties as system selling with subsequent product supplies. The development of the company's own glassliner has now been completed, and it is used in an increasing number of dimensions.

During the financial year, the order intake of Pipe Technologies amounted to DKK 2,135 million, and at 30 September 2018, the order backlog amounted to DKK 1,309 million (30 September 2017: DKK 989 million) of which approx. DKK 950 million is expected to be carried out during the financial year 2018/19.

The Danish operations performed slightly below expectations, mainly due to increasing raw material prices. A number of long-term framework agreements were entered into, primarily with utility companies, but the indexation of the contracts did not compensate for the increasing raw material prices to a sufficient degree.

The German company performed slightly above expectations in a market with an increasing demand. There was a strong focus on increasing productivity at the construction sites and on increasing the use of Aarsleff's internally developed glass liner.

In Sweden, results were below expectations primarily due to the development of the Swedish exchange rate. Also, on the Swedish market, numerous framework agreements were entered into, however the increasing raw material prices were not fully compensated for.

Olimb in Norway performed above expectations at the beginning of the financial year. The acquisition has resulted in the expected synergies, and there is focus on disseminating Aarsleff's technology platform on the entire Norwegian market.

The level of activity in Russia has become more stable, although it is still characterised by political uncertainty. Results were satisfactory.

The Polish company was loss-making, and a reorganisation has been initiated resulting in joint management and administration for Pipe Technologies and Ground Engineering. As a result, the general manager of Pipe Technologies in Poland is no longer employed by the company.

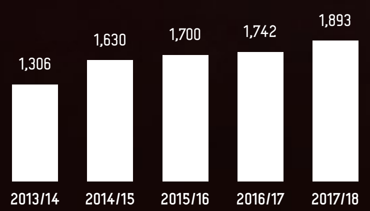
In the new financial year, an approximate 5% revenue growth is expected and an EBIT margin of 4.5%. The long-term expectation to revenue development is 5% to 10% per year, and the EBIT margin target for the segment is 5%.

GROUND ENGINEERING

REVENUE

1,893M

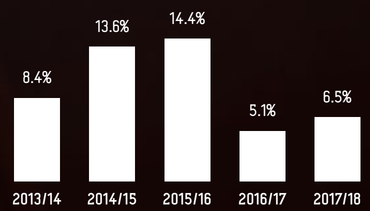
Revenue increased by 8.7%. Revenue in Denmark increased by 20.5% to DKK 763 million, and the level of activity was high during the last part of the financial year. The foreign operations reported a revenue increase of 1.9% to DKK 1,130 million.



ROIC (AFTER TAX)

6.5%

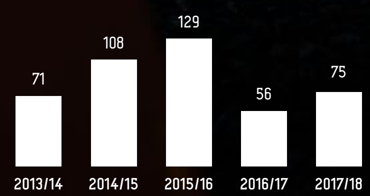
At present, ROIC is significantly below the Group target of 12% as the EBIT level was too low. Ground Engineering is characterised by large investments in production plant for manufacture of precast reinforced concrete piles and piling rigs for installation of piles. The invested capital was at the same level as last financial year.



SEGMENT RESULTS (EBIT)

75M

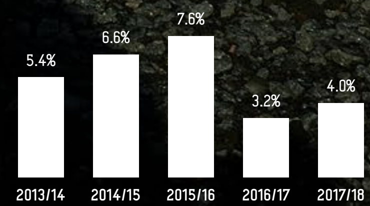
EBIT results were below expectations. The results of the Danish operations were lower than expected due to a bad capacity utilisation within the ground engineering business in the first half of the financial year. Sweden and Poland developed positively, while the performance of the German company was unsatisfactory, and the company was loss-making.



EBIT MARGIN

4.0%

The EBIT margin developed positively but is still significantly below the 7% EBIT margin target for the segment.



THE PAST YEAR IN GROUND ENGINEERING

Segment results (EBIT) came to DKK 75 million or 4.0% of revenue. Revenue increased by 8.7% to DKK 1,893 million. The Danish operations reported a revenue increase of 20.5% to DKK 763 million, and the foreign operations reported a revenue increase of 1.9% to DKK 1,130 million.

At the beginning of the financial year, segment results were expected to reach an EBIT level of 5% of revenue. After the third quarter, this was adjusted downwards to 4%.

The collaboration between the companies of Ground Engineering was intensified in order to standardise and improve the efficiency of the segment's central, market-leading precast pile system. In addition, other piling methods were introduced with a view to meeting requests for complete supplies adjusted to the needs of the individual markets.

During the financial year, the order intake of Ground Engineering amounted to DKK 2,417 million, and at 30 September 2018, the order backlog amounted to DKK 1,517 million (30 September 2017: DKK 993 million) of which DKK 925 million is expected to be carried out during the financial year 2018/19.

The results of the Danish operations were lower than expected due to a bad capacity utilisation within the ground engineering business in the first half of the financial year. The level of activity was high in the last part of the financial year, and the order backlog is satisfactory. The performance of the pile factory was satisfactory.

The company in Sweden continued the positive development and delivered results above expectations. Revenue increased driven by, among other things, a high level of activity within residential building, e.g. in Gothenburg where Aarsleff delivered ground engineering work for the establishment of the Karla Tower – which at 245 metres will be the tallest building in Scandinavia.

In Germany, results were unsatisfactory, and the company was loss-making. The severe decline in the market for foundation of onshore wind turbines resulted in an adjustment of the organisation to the current market conditions.

In the UK, results developed positively but there is still some way to go before results are satisfactory. There is continued focus on selective order acquisition.

In Poland, the level of activity was increasing. Results improved significantly compared to last financial year and exceeded expectations at the beginning of the year.

In the new financial year, an approximate 5% revenue growth is expected and an EBIT margin of 4.5%. The long-term expectation to revenue development is 5% to 10% per year, and the EBIT margin target for the segment is 7%.

READ MORE ABOUT GROUND ENGINEERING
www.aarsleff.com/groundengineering

SHAREHOLDER INFORMATION

SHARE CAPITAL

The share capital of DKK 45.3 million is divided into DKK 2.7 million A shares and DKK 42.6 million B shares.

The B share capital is listed on Nasdaq Copenhagen A/S. At 30 September 2018, the B share capital constituted 21,300,000 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 fund Per og Lise Aarsleffs Fond.

Per og Lise Aarsleffs Fond possesses 39.6% of the votes primarily through Per Aarsleff Holding A/S's A shares. The purpose of the fund 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.

As at 30 September 2018, 7,184 shareholders were registered, corresponding to approx. 87% of the share capital.

Shareholders who own more than 5% of the share capital or control more than 5% of the voting rights at 12 December 2018 are stated below.

	Number of shares	Percentage of capital %	Votes in percent %
Per og Lise Aarsleffs Fond, A shares of DKK 100	27,000	5.96	38.79[1]
Per og Lise Aarsleffs Fond, B shares of DKK 2	265,440	1.17	0.76
Arbejdsmarkedets Tillægspension, B shares of DKK 2	2,646,228	11.68	7.60
Treasury shares, B shares of DKK 2	2,369,359	10.46	

[1] With the correction of treasury shares, the figure would have been 41.63%.

TREASURY SHARES

At the end of the financial year, the holding of treasury shares was 2,369,359 B shares of a nominal value of DKK 4.74 million and an acquisition cost of DKK 89.6 million.

At 30 September 2018, the market capitalisation of the treasury shares was DKK 576 million.

In the financial year 2017/18, we purchased 104,359 B shares with a view to meeting the obligations concerning the share programme for the Executive Management and the employees.

The holding of treasury shares has been acquired to increase the financial flexibility for future acquisitions.

The holding of treasury shares amounted to 10.46%. At the Annual General Meeting in January 2017, 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.

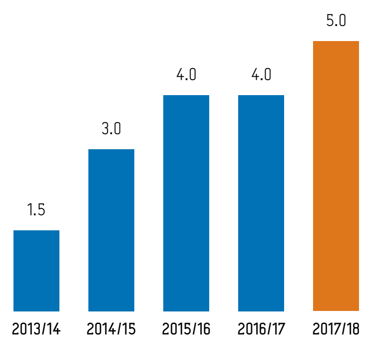
MARKET CAPITALISATION

At 30 September 2018, the market capitalisation of the company's B shares exclusive of treasury shares was DKK 4,600 million compared to DKK 3,522 million at 30 September 2017.

DIVIDEND

For the financial year 2017/18, the proposed dividend per share of a nominal value of DKK 2 is DKK 5.

DIVIDEND (DKK PER SHARE)



COMPANY ANNOUNCEMENTS

21 December 2017	Annual report for the financial year 2016/17
9 January 2018	Notice of the Annual General Meeting
11 January 2018	Aarsleff to carry out three light rail contracts in Copenhagen
31 January 2018	Annual general meeting of Per Aarsleff Holding A/S
5 February 2018	Aarsleff introduces share programme for executive management and employees
9 February 2018	Aarsleff is preferred contractor for the Kronløb Island project in Copenhagen's North Harbour
28 February 2018	Interim financial report for the period 1 October-31 December 2017
28 May 2018	Interim financial report for the period 1 October 2017-31 March 2018
5 June 2018	Aarsleff to construct new headquarters for Danske Bank
13 August 2018	Aarsleff makes upward adjustment of expectations for the annual results (EBIT) for the financial year 2017/18
28 August 2018	Change of general manager in Per Aarsleff Holding A/S
28 August 2018	Interim financial report for the period 1 October 2017-30 June 2018
31 August 2018	Aarsleff to build the Carlsberg City's tallest residential tower
31 August 2018	Per Aarsleff Holding A/S launches share buy-back programme
10 September 2018	Share buy-back week 36
17 September 2018	Share buy-back week 37
24 September 2018	Share buy-back week 38
25 September 2018	Share buy-back week 39
20 December 2018	Annual report for the financial year 2017/18

FINANCIAL CALENDAR

31 January 2019	Annual general meeting at the Group headquarters, Hasselager Allé 5, 8260 Viby J, at 15:00
5 February 2019	Dividend paid to shareholders for the financial year 2017/18
26 February 2019	Interim financial report for the period 1 October-31 December 2018
27 May 2019	Interim financial report for the period 1 October 2018-31 March 2019
27 August 2019	Interim financial report for the period 1 October 2018-30 June 2019
18 December 2019	Annual report for the financial year 2018/19

READ MORE COMPANY ANNOUNCEMENTS

www.aarsleff.com/investor

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 company has not, as recommended, specified the remuneration of the individual members of the Executive Management, cf. the section on remuneration of the Board of Directors and the Executive Management.
- We have set up specific targets for the proportion of women in the Board of Directors. A policy has been prepared to increase the proportion of women at other management levels, but no specific targets in respect of this have been set up.
- The variable remuneration which is paid to the Executive Management cannot be reclaimed, as recommended, if the basis for paying out the remuneration turns out to be wrong.

The below statement concerns the recommendations updated most recently in November 2014. An outline of the company's approach to the individual recommendations is available at www.aarsleff.com/corporategovernance20172018.

TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors determines the business concept and overall goals and strategies of the Aarsleff Group and deals with 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 course of the year, the Board of Directors has held a total of seven meetings attended by the Executive Management. The attendance was as follows:

ATTENDANCE – BOARD MEETINGS

Member of the Board of Directors	Board meeting attendance
Andreas Lundby	■■■■■■■
Jens Bjerg Sørensen	■■■■■■■
Carsten Fode*	■■■□□□□
Peter Arndrup Poulsen	■■■■■■■
Charlotte Strand	■■■■■■■

*Carsten Fode resigned from the Board of Directors at the Annual General Meeting in January 2018.

The Board of Directors has established an Audit Committee consisting of three board members. During the course of the year, the committee held three meetings. The terms of reference of the committee are available at www.aarsleff.com/investor. Also, a Nomination Committee and a Remuneration Committee composed by two board members were established.

COMPOSITION OF THE BOARD OF DIRECTORS

During most of the financial year, the Board of Directors has consisted of four 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. Corporate Social Responsibility at www.aarsleff.com.

THE BOARD OF DIRECTORS' FOCUS POINTS 2017/18

- STRATEGY
- RISK MANAGEMENT
- IT SECURITY
- SUCCESSION PLANNING
- SKILLS DEVELOPMENT

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.

COMMERCIAL RISK ASSESSMENT

The Aarsleff Group's activities involve a number of 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 risks to an acceptable level.

Group management has the overall responsibility for each individual risk and performs an annual risk assessment which is categorised in relation to probability and financial effect.

Below is a description of the most significant risks relating to the Aarsleff Group and how these can be reduced to an acceptable level:

JOINT VENTURE RISK

The Aarsleff Group often enters into large-scale contracts together with selected business partners with a view to sharing the risk connected with 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. The risks are reduced by thoroughly assessing the history and financial strength of our business partners before entering into a working relationship.

RISK OF INSUFFICIENT PLANNING AND EXECUTION OF PROJECTS

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.

A special 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 Danske Bank's headquarters in Copenhagen; here the Aarsleff Group has been involved from an early stage and entered into a contract for demolition, land development, construction pit and, most recently, the building construction. In addition, the Aarsleff Group is involved in the design phases of the building projects Lighthouse in Aarhus and the Natural History Museum of Denmark in Copenhagen.

RISK OF INSUFFICIENT ASSESSMENT OF PROJECTS

Each month, a number of procedures and controls are carried out in connection with measuring of progress towards completion of ongoing projects. Notwithstanding the execution of these controls, the monthly measuring of progress is based on an estimate of how many costs are expected to be incurred up until project completion. 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.

RISK OF CHANGES IN RAW MATERIAL PRICES, EXCHANGE RATES ETC.

To reduce the financial effect of exchange rate fluctuations, the individual projects are assessed with a view to a potential currency hedging. Normally, currency overdraft facilities are established on the basis of a current calculation of the foreign exchange exposure of the most important currencies. Moreover, forward exchange contracts and options are used.

The development in raw material prices, e.g. steel prices, may have a significant financial effect. This effect 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.

RISK OF CYBERATTACKS

The Aarsleff Group is exposed to cyberattacks of different types and strengths. As a consequence, steps are taken to ensure that potential attacks cause the least possible damage. As an example, a plan for the integration of all Danish companies into the IT platform of Per Aarsleff A/S has been made. For the foreign entities, minimum requirements applying to the IT security level are established. In addition, in 2018 we have prepared an IT maturity analysis for ensuring optimal allocation of IT resources.

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 and comprises the following:

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

An annual risk analysis is 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. 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

Aarsleff 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 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.

CORPORATE SOCIAL RESPONSIBILITY

In the Aarsleff Group we work with the CSR efforts that create most value for society and for our stakeholders, our owners and our Group.

The financial year 2017/18 has been an active and positive year for the Aarsleff Group – when we measure the financial results, as in our annual report, and also when we measure CSR, as in our CSR report.

The CSR report describes how the Aarsleff Group contributes to the 17 UN global goals, and this year, we have described the direct connections between the most important areas of our CSR materiality analysis and the individual sections of the report, structured according to our four main areas: Environment and climate, employees, the society around us, and business partners.

IN 2017/18 WE HAVE:

- participated in the testing of electrically powered vans
- used an IT system for management and registration of building waste
- tested geothermal energy piles
- introduced a new IT system which makes it easier for all managers to follow the development of accidents, near-miss incidents, sickness absence etc.
- extended the analyses identifying the reasons for accidents and near-miss incidents
- employed a large number of students working as trainees or writing their thesis in collaboration with us
- participated in a cross-disciplinary project about development and testing of new smoke purifying systems for small construction machines.

In the CSR report we state our most important goals, and we state how far we have come in relation to achieving our goals.

Corporate social responsibility statement cf. section 99a of the Danish Financial Statements Act and the statement of the gender composition of the management cf. section 99b of the Danish Financial Statements Act

READ MORE ABOUT THE STATUTORY STATEMENTS IN A SEPARATE REPORT

www.aarsleff.com/corporatesocialresponsibility20172018

SELECTED TARGETS FOR RESULTS AND DEVELOPMENT

	2017/18	2016/17	2015/16	2014/15
Acquisitions of the year, share of vehicles and equipment of the most energy-efficient classes:				
Cars (target:100%)	100%	97%	62%	47%
Vans (target: increase the share)	98%	68%	30%	29%
Construction machines – (target: increase the share)	83%	81%	75%	[1]
Accidents (rate)[2] – (target: max. 5)	15.9	18.8	21.0	[1]
Sickness absence (target: max. 2.5%)	3.2%	3.1%	2.7%	2.3%

[1] There is no comparable data.
[2] Accidents (rate): Number of accidents per 1 million working hours. Accident (numerator) is defined as follows: Accident suddenly occurred during working hours, which results in absence on the day of the accident and at least the day after. Number of working hours (denominator) is defined as follows: Number of working hours performed in the year with deduction of accident absence.

THE 17 UN GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT

The Aarsleff Group fully understands the importance of supporting the UN global goals, and we have arranged our CSR activities in order to contribute to the goals in the best possible way. Our ambition is to communicate in an active and open way about our contribution as well as the effect of our contribution. In 2017/18 we have continued the work of incorporating and supporting a number of the goals in our operation, and our CSR activities clearly and directly support 7 out of the 17 global goals.

Read more in the CSR report on page 9.

EXECUTIVE MANAGEMENT

JESPER KRISTIAN JACOBSEN

POSITION
CEO

QUALIFICATIONS
BSc (Engineering)

CHAIRMAN OF THE BOARD OF DIRECTORS
Wicotec Kirkebjerg A/S

MEMBER OF THE BOARD OF DIRECTORS
The Danish Construction Association, construction section

LARS M. CARLSEN

POSITION
Deputy CEO

QUALIFICATIONS
BSc (Engineering)

MEMBER OF THE BOARD OF DIRECTORS
The Danish Construction Association
European Construction Industry Federation, FIEC
European International Contractors, EIC
Wicotec Kirkebjerg A/S

MOGENS VEDEL HESTBÆK

POSITION
Group CFO

QUALIFICATIONS
MSc (Economics)

MEMBER OF THE BOARD OF DIRECTORS
Olimb Rørfornying Holding AS
Wicotec Kirkebjerg A/S

EXECUTIVE MANAGEMENT

Name	Year of birth	Position	Employed since
Jesper Kristian Jacobsen	1970	CEO	2001
Lars M. Carlsen	1961	Deputy CEO	1988
Mogens Vedel Hestbæk	1972	Group CFO	2015

Executive Management's total number of shares in the company held at 20 December 2018: 5,501 (at 21 December 2017: 100,976).

BOARD OF DIRECTORS

ANDREAS LUNDBY
Chairman of the Board

QUALIFICATIONS
BSc (Economics and Business Administration), Diploma in Business Administration

SPECIAL COMPETENCES
Management of large, international companies

INDEPENDENCE
Considered independent

MEMBER OF THE BOARD OF DIRECTORS
Arla Foods Ingredients Group P/S (chairman of strategy committee)
Biolac GmbH & Co. KG, Germany
Kavland ApS

OTHER MANAGERIAL POSITIONS
General Manager of 4-Tune Invest ApS

JENS BJERG SØRENSEN
Deputy Chairman
Chairman of Per Aarsleff Holding A/S's Audit Committee

POSITION
President of Aktieselskabet Schouw & Co

QUALIFICATIONS
Business graduate, Diploma in Business Administration (marketing economics), Insead IEP

SPECIAL COMPETENCES
Financial insight and general management of large, international companies, including listed companies

INDEPENDENCE
Considered independent

CHAIRMAN OF THE BOARD
A. Kirk A/S
Alba Ejendomme A/S
BioMar Group A/S
Borg Automotive A/S
Borg Automotive Holding A/S
Car Parts Industries ApS
Dovista A/S
F. Salling Holding A/S
F. Salling Invest A/S
GPV International A/S
Hydra-Grene A/S
Købmand Herman Sallings Fond

MEMBER OF THE BOARD OF DIRECTORS
Aida A/S
Ejendomsselskabet FMJ A/S
F.M.J. A/S
Fibertex Nonwovens A/S (deputy chairman)
Fibertex Personal Care A/S (deputy chairman)
Niels Bohrs Vej A/S
Salling Group A/S (deputy chairman)

OTHER MANAGERIAL POSITIONS
General manager of Jens Bjerg Sørensen Datterholding 1 ApS
General manager of Jens Bjerg Sørensen Holding ApS

PETER ARNDRUP POULSEN
Board member
Member of Per Aarsleff Holding A/S's Audit Committee

QUALIFICATIONS
MSc in Forest and Nature Management

SPECIAL COMPETENCES
General management of large, international companies, including listed companies

INDEPENDENCE
Considered independent

CHAIRMAN OF THE BOARD
Danish Crane Building A/S
Noble Nordmann A/S

MEMBER OF THE BOARD OF DIRECTORS
Grundfos A/S
(advisory board member)

CHARLOTTE STRAND
Board member
Member of Per Aarsleff Holding A/S's Audit Committee

QUALIFICATIONS
MSc (Economics)

SPECIAL COMPETENCES
Financial insight and general management of large, international companies, including listed companies

INDEPENDENCE
Considered independent

MEMBER OF THE BOARD OF DIRECTORS
Flügger A/S (chairman of audit committee)
PostNord AB (chairman of audit committee)

BOARD OF DIRECTORS

Name	Year of birth	Initially elected	Term of office	Positions	Board remuneration	Number of shares[1]	Change[2]
Andreas Lundby	1950	2009	1 year	Chairman	675,000	10,000	1,250
Jens Bjerg Sørensen	1957	2014	1 year	Deputy chairman	450,000	0	0
Peter Arndrup Poulsen	1962	2010	1 year	Board member	315,000[3]	5,705	0
Charlotte Strand	1961	2017	1 year	Board member	315,000[3]	0	0

[1] Number of shares in the company held at 20 December 2018.
[2] Change from 21 December 2017.
[3] Of this figure DKK 90,000 constitutes Audit Committee remuneration.

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 2017-30 September 2018.

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 2018 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 2017-30 September 2018.

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, 20 December 2018

EXECUTIVE MANAGEMENT

JESPER KRISTIAN JACOBSEN
CEO

LARS M. CARLSEN
Deputy CEO

MOGENS VEDEL HESTBÆK
Group CFO

BOARD OF DIRECTORS

ANDREAS LUNDBY
Chairman of the Board

JENS BJERG SØRENSEN
Deputy Chairman

PETER ARNDRUP POULSEN

CHARLOTTE STRAND

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 2017 and of the results of the Group's operations and cash flows for the financial year 1 October 2017 to 30 September 2018 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 2018 and of the results of the Parent Company's operations for the financial year 1 October 2017 to 30 September 2018 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 October 2017 to 30 September 2018 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 2017 to 30 September 2018 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 32 years including the financial year 2017/18.

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 2017/18. 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

The recognition of profit on construction contracts in accordance with IAS 11 (percentage-of-completion method) is based on the stage of completion of the individual construction contracts. The stage of completion is determined and assessed by the proportion that the contract costs incurred bear at the balance sheet date to the total costs estimated to complete the contract.

Recognition of profit on construction contracts is a key audit matter as the preparation of reliable forecasts of the total expected contract costs and contract revenue involves material accounting estimates and judgments.

This includes judgment 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 clients and other events justifyingcompensation entitlement as well as claims from clients 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 judgments, note 17 on construction contracts and note 20 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 judgments. 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 had been treated correctly in the Financial Statements and were 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 the material accounting estimates used in Management's forecasts, including especially the assumptions which formed the basis of the judgment of stated variations and extra costs as well as claims from client included in the forecast for the construction contract. For the purpose of assessing contracts subject to disputes and/or lawsuits, we obtained Group Management statements and judgments, 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 RESPONSIBILITY 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 accounting 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, 20 December 2018

PRICEWATERHOUSECOOPERS
StatsautoriseretRevisionspartnerselskab
CVR no. 33 77 12 31

CLAUS LINDHOLM JACOBSEN	HENRIK KRAGH
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE no. 23328	MNE no. 26783

NEW BRIDGE ACROSS MASNEDSUND

In a DKK 200 million design and build contract, Aarsleff is to construct the new railway bridge across Masnedsund between Vordingborg and Masnedø in a One Company collaboration. The bridge work is a part of the Ringsted-Fehmarn Railway Line which will be expanded with an extra track and electrified.

READ MORE
www.aarsleff.com/masnedsund

BRIDGE DECK AND BRIDGE ABUTMENTS PRODUCED IN POLAND
The 200-metre-long bridge consists of 6 concrete bridge decks and 5 concrete bridge abutments prefabricated at Aarsleff's production facilities in Poland and subsequently shipped to Masnedsund on two barges and installed with a barge crane.

EXPANSION OF EXISTING RAILWAY EMBANKMENT
In addition to constructing the new bridge, Aarsleff is to expand the existing railway embankment from single to double tracks on a 1,400-metre-long stretch before and after the bridge.

MIND THE TRACKS
Collaborating with the Group's railway specialists, Aarsleff Rail A/S, we currently monitored the railway embankment to avoid settlement damage and during the pile driving work, we monitored the tracks each time a train had passed.

VISUALISATION AND PLANNING
The long and narrow construction site with tracks in operation on one side and buildings on the other imposed high demands on planning. Aarsleff's VDC expertise helped us to visualise both working space and major work processes. This allowed us, among other things, to decide if and how the logistic challenges could be solved during execution.

NEW HEADQUARTERS FOR CARLSBERG AND COPENHAGEN'S TALLEST TOWER

Carlsberg's old brewery site in Copenhagen is being transformed from an industrial site to a new district with residential and commercial buildings. Aarsleff is constructing Carlsberg's new headquarters and Copenhagen's tallest residential tower.

READ MORE

www.aarsleff.com/newbuildings

NEW HEADQUARTERS FOR CARLSBERG

At the outskirts of the Carlsberg City, Aarsleff is constructing Carlsberg's new headquarters. The three-winged office building in four storeys has a total area of 15,500 square metres plus approx. 7,700 square metres of underground parking facilities. Wicotec Kirkebjerg A/S carries out the technical installations.

TALLEST RESIDENTIAL TOWER IN COPENHAGEN

At a central location in the Carlsberg City, Aarsleff is to build the 120-metre Pasteur's Tower which will become the tallest residential building in Copenhagen. The total building area is 76,000 square metres taken up by residential tower, residential blocks and basement. Prior to the conclusion of the DKK 1.2 billion design and build contract, Aarsleff was also involved in the design phase working with an international team of consultants and architects. Wicotec Kirkebjerg A/S carries out the technical installations.

ESBJERG STRAND – A NEW RECREATIONAL URBAN SPACE

In a One Company collaboration, Aarsleff and the Group's coastal protection specialist, VG Entreprenør A/S, have delivered the first part of phase 1 of a new urban space in Esbjerg where the new marina will also be located. The contract has a value of DKK 150 million.

READ MORE

www.aarsleff.com/esbjergbeach

COMPLEX FLOOD LOCK

With the base in level -8 and the top in level +6, the flood lock is a complex concrete structure with 11-metre-high walls, and because of the many openings and groutings of the structure we worked within small tolerances. The breakwater and the embankment will provide flood protection to the harbour island and the marina.

TWO CONNECTING BRIDGES

The harbour island is connected to the mainland with two bridges made as a combination of in situ concrete and precast elements cast on Aarsleff's production facility in Poland and supported by 26 large, tubular steel piles.

BREAKWATER, EMBANKMENT AND HARBOUR ISLAND

Aarsleff has constructed the new 250-metre breakwater, an 850-metre embankment as well as the 60,000-square-metre harbour island reusing the dredged sand. Also, we installed 2,600 running metres of sheet piles for the quay structure, comprising harbour island, outer harbour, flood lock and bridges.

DEVELOPMENT OF NEW DISTRICT IN COPENHAGEN

Through early contractor involvement, Aarsleff has been involved in the development of a 39,000-square-metre site at Bernstorffsgade in Copenhagen since 2015. Building plans and budgets have now been approved by the authorities, and the site will now be transformed into a new district with commercial and residential facilities as well as urban life.

READ MORE

www.aarsleff.com/projectdevelopment

CONSTRUCTION OF NEW HEADQUARTERS FOR DANSKE BANK

In the summer of 2018, Aarsleff entered into a DKK 3 billion design and build contract for the construction of Danske Bank's new headquarters. The construction work will be carried out in a One Company collaboration with the focus on in-house production. Of the 111,000 square metres, the headquarters will take up 71,000 square metres and the rest is plinth. The headquarters will be ready for occupancy in 2023, accommodating 4,000 employees and 1,000 guests.

DEMOLITION, CONSTRUCTION PIT AND LAND DEVELOPMENT

The former post facility site has been demolished, and the extraordinarily large construction pit of 28,000 square metres is now being established. Our work comprises excavation, removal and deposit of 190,000 cubic metres of soil as well as the complex task of keeping the construction pit dry.

HIGH ACTIVITY AT AARHUS Ø

The new urban space, Aarhus Ø, is shooting up, and Construction, Ground Engineering, Dan Jord A/S and Wicotec Kirkebjerg A/S are involved in several of the projects – in One Company collaboration but also separately.

READ MORE

www.aarsleff.com/newbuildings

THE HOUSE OF GENERATIONS

Aarsleff is carrying out concrete work and element installation for the 31,000-square-metre residential and institutional building, the House of Generations, in 9 storeys. Before constructing the shell structure, Aarsleff carried out the earthwork for the construction pit.

THE SHIP BUILDING

Aarsleff has installed sheet pile wall, driven piles, carried out earthwork and sewer work and cast foundations and basement for the SHIP building. Late this summer, Aarsleff commenced the 25,000-square-metre element installation for the shell structure.

THE PAKHUS BUILDINGS

Late this year, Aarsleff laid the last paving stones in the underground parking facility for the second phase of the residential and commercial buildings, Pakhusene. Prior to this, Aarsleff delivered the ground engineering work using concrete piles and steel profiles and carried out the concrete and sewer work in the construction pit, including complex reinforcement work and a large pumping well of 4 x 4 metres in a depth of 6 to 7 metres.

LIGHTHOUSE

At the outermost part of the harbour front area Aarhus Ø, Denmark's tallest residential building, Lighthouse, will be constructed. The project has entered into its final planning and design phase, and Aarsleff has signed a collaboration agreement with the client's joint venture contributing experience and expertise to obtain the best possible basis for decision – including geotechnical site investigations and two drilled test piles of a dimension of 2 metres to a depth of 70 metres.

FINANCIAL STATEMENTS

GROUP AND PARENT COMPANY

FINANCIAL REVIEW

INCOME STATEMENT

Consolidated revenue for 2017/18 increased by DKK 920 million or 8% from DKK 11,188 million to DKK 12,108 million.

The revenue growth is attributable to the acquisition of the Norwegian company Olimb in 2016/17, a high level of activity in Ground Engineering as well as on the harbour expansion projects.

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, increased from DKK 9,929 million to DKK 10,688 million or by DKK 759 million, corresponding to 8%. The gross profit increased by DKK 161 million, corresponding to an increase of 13% compared with last financial year. In the financial year 2016/17, Construction's gross profit was affected by losses on several single projects, involving total write-downs of approx. DKK 60 million.

Administrative expenses and selling costs increased from DKK 901 million to DKK 952 million or by DKK 51 million corresponding to an increase of 6%, now constituting 8% of revenue in line with last financial year. Most of the nominal increase is attributable to the acquisitions of the Norwegian companies Olimb and Banedrift AS. Costs for the employee share programme are included in administrative expenses and selling costs. The programme has a three-year term, and the programme costs of the financial year amounted to DKK 4 million. For further information about the employee share programme, reference is made to note 8.

Share of profit after tax in associates and joint ventures has improved from a positive amount of DKK 0.1 million last financial year to profit of DKK 5 million this year. This is mainly attributable to a positive development in the Group's associate in Taiwan.

Operating profit (EBIT) of DKK 475 million was realised against DKK 380 million last financial year or an increase of DKK 95 million. Last financial year, EBIT comprised a profit of DKK 22.5 million from the sale of land.

EBIT this financial year compared to last financial year is positively affected by Construction delivering EBIT which is DKK 51 million up on last financial year. Especially, the results of Aarsleff Rail A/S, VG Entreprenør A/S and Ístak hf. have had a positive influence on Construction's EBIT.

In Pipe Technologies, EBIT was up DKK 25 million on last financial year. This is mainly attributable to the positive development in the Norwegian company Olimb. In Ground Engineering, EBIT was up DKK 19 million on last financial year, primarily attributable to the activities in Denmark, the UK and Poland.

Financial income amounted to DKK 8 million this year against DKK 13 million last year. Financial expenses amounted to DKK 38 million against DKK 30 million last financial year. The increase is primarily attributable to the adjustment of the contingent acquisition consideration regarding Wicotec Kirkebjerg A/S and Olimb Rørfornying Holding AS with a total adjustment of DKK 16 million in 2017/18 compared to DKK 4 million in 2016/17.

Profit before tax was positive at DKK 445 million against a positive DKK 364 million last financial year.

Tax on profit for the year amounted to DKK 104 million corresponding to a tax rate of 23.5%. 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 in the form of adjustment of earn-outs. Tax for the year consists of a current tax of DKK 26 million and an adjustment of deferred taxes as well as tax assets of DKK 79 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 341 million against DKK 269 million last financial year.

BALANCE SHEET

The consolidated balance sheet total was DKK 7,853 million as at 30 September 2018. This corresponds to an increase of DKK 828 million compared to the balance sheet total of DKK 7,025 million at the end of last financial year. The increase is attributable, among other things, to the increase in work in progress, resulting from a high level of activity.

Cash increased by DKK 90 million.

Consolidated interest-bearing liabilities less interest-bearing assets amounted to a net deposit of DKK 31 million compared to a net debt of DKK 207 million at 30 September 2017. The improvement is primarily due to the positive effect from working capital as well as the improved operating profit.

Equity amounted to DKK 2,899 million at 30 September 2018 compared to DKK 2,695 million at the end of last financial year. The development in equity can be specified as follows:

Equity, DKKmillion	2017/18	2016/17
Equity at the beginning of the year	2,695	2,503
Dividend paid	-82	-82
Exchange rate adjustment of foreign companies	-15	-2
Fair value adjustment of derivative financial instruments	-22	11
Profit for the year	341	269
Tax on derivative financial instruments	5	-2
Dividend, minority shareholders	0	-2
Employee shares	4	0
Acquisition of treasury shares	-27	0
Equity at year-end	**2,899**	**2,695**

CASH FLOW STATEMENT

Cash flows from operating activities amounted to DKK 765 million against DKK 493 million last financial year or an increase of DKK 272 million primarily attributable to a positive effect from working capital.

Cash flows from investing activities were negative at DKK 393 million against a negative DKK 490 million last financial year, reflecting a continued high investment level. During the financial year, major investments were made in equipment for the large harbour expansions.

Cash flows from financing activities came to a negative amount of DKK 120 million compared to a negative DKK 96 million last financial year. This is primarily attributable to payment of dividend as well as acquisition of treasury shares with a view to meeting the Group's obligations concerning the employee share programme.

Consequently, liquidity has increased by DKK 252 million in the period.

CONSOLIDATED FINANCIAL STATEMENTS

GROUP

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INCOME STATEMENT

1/10-30/9

Note	(DKK'000)	2017/18	2016/17
5	**Revenue**	**12,108,257**	**11,188,255**
6, 7	Production costs	-10,687,942	-9,929,002
	Gross profit	**1,420,315**	**1,259,253**
6, 7, 8, 9	Administrative expenses and selling costs	-952,230	-900,558
10	Other operating income and expenses	2,415	21,645
15	Share of profit in associates and joint ventures	4,786	138
	Operating profit (EBIT)	**475,286**	**380,478**
11	Financial income	8,443	12,900
11	Financial expenses	-38,290	-29,457
	Profit before tax	**445,439**	**363,921**
12	Tax on profit for the year	-104,478	-94,985
	Profit for the year	**340,961**	**268,936**
	Profit for the year is attributable to		
	Per Aarsleff Holding A/S shareholders	339,829	268,187
	Minority shareholders	1,132	749
	Total	**340,961**	**268,936**
13	**Earnings per share (DKK)**		
	Earnings per share	16.68	13.16
	Diluted earnings per share	16.44	13.16

STATEMENT OF COMPREHENSIVE INCOME

GROUP

1/10-30/9

Note	(DKK'000)	2017/18	2016/17
	Profit for the year	**340,961**	**268,936**
	Items that may be reclassified to the income statement		
	Foreign exchange adjustment on translation of foreign entities	-14,932	-2,526
	Fair value adjustments of derivative financial instruments	-22,255	10,394
	Reversal of fair value adjustments of derivative financial instruments, transferred to income statement	-59	347
12	Tax on other comprehensive income	4,501	-2,280
	Other comprehensive income	-32,745	5,935
	Total comprehensive income	**308,216**	**274,871**
	Comprehensive income is attributable to		
	Per Aarsleff Holding A/S shareholders	307,084	274,131
	Minority shareholders	1,132	740
	Total	**308,216**	**274,871**

BALANCE SHEET

Assets

Note	(DKK'000)	30/9 2018	30/9 2017
	Goodwill	267,623	257,586
	Patents and other intangible assets	114,035	127,374
14	**Intangible assets**	**381,658**	**384,960**
	Land and buildings	840,895	846,496
	Plant and machinery	1,281,766	1,167,701
	Other fixtures and fittings, tools and equipment	127,323	120,854
	Property, plant and equipment under construction	36,144	107,059
14	**Property, plant and equipment**	**2,286,128**	**2,242,110**
15	Investments in associates and joint ventures	10,747	21,100
12	Deferred tax	4,863	6,802
	Other non-current assets	**15,610**	**27,902**
	Non-current assets	**2,683,396**	**2,654,972**
16	**Inventories**	**280,500**	**260,910**
18	Construction contract debtors	3,094,457	2,509,914
17	Work in progress	1,011,008	870,292
	Receivables from associates and joint ventures	16,434	6,521
	Other receivables	87,475	101,384
	Income tax receivable	23,605	42,418
	Prepayments	23,260	28,043
	Receivables	**4,256,239**	**3,558,572**
	Securities	**190,146**	**197,830**
26	**Cash and cash equivalents**	**442,592**	**352,834**
	Current assets	**5,169,477**	**4,370,146**
	Total assets	**7,852,873**	**7,025,118**

BALANCE SHEET

GROUP

Equity and liabilities

Note	(DKK'000)	30/9 2018	30/9 2017
	Share capital	45,300	45,300
	Translation reserve	-85,443	-70,511
	Hedging reserve	2,968	20,781
	Retained earnings	2,815,541	2,601,936
	Proposed dividend	113,250	90,600
	Equity, shareholders of Per Aarsleff Holding A/S	2,891,616	2,688,106
	Minority interests' share of equity	7,426	7,067
19	**Equity**	**2,899,042**	**2,695,173**
	Mortgage debt	159,243	165,780
	Credit institutions	8,087	8,368
20	Provisions	66,124	85,416
12	Deferred tax	445,805	384,641
	Other payables	64,549	67,148
	Non-current liabilities	**743,808**	**711,353**
	Mortgage debt	17,171	17,924
	Credit institutions	282,034	443,037
17	Work in progress	1,157,062	587,372
20	Provisions	60,853	40,576
	Trade payables	1,785,192	1,537,192
	Income tax payable	69,268	212,242
	Other payables	838,443	780,249
	Current liabilities	**4,210,023**	**3,618,592**
	Total liabilities	**4,953,831**	**4,329,945**
	Total equity and liabilities	**7,852,873**	**7,025,118**

Notes without reference:

1 Accounting policies
2 Accounting estimates and assessments
3 New financial reporting standards and interpretations
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22 Contingent liabilities and other financial obligations
23 Related party transactions
29 Financial highlights for the Group, EUR

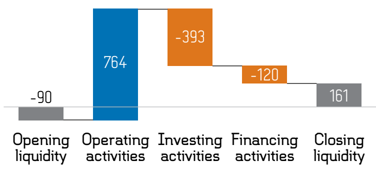
CASH FLOW STATEMENT

GROUP

1/10-30/9

Note	(DKK'000)	2017/18	2016/17
	Cash flow generated from operations		
	Operating profit (EBIT)	475,286	380,478
	Depreciation, amortisation and impairment	395,274	349,547
24	Other adjustments	-25,356	-26,396
25	Change in working capital	105,227	-152,067
	Cash flow from operating activities before net financials and tax	**950,431**	**551,562**
	Interest received	8,443	12,900
	Interest paid	-20,655	-27,311
	Cash flow from ordinary activities	**938,219**	**537,151**
	Income tax paid	-173,278	-44,642
	Cash flow from operating activities	**764,941**	**492,509**
	Cash flow generated from investments		
28	Acquisitions	-20,147	-34,779
	Investments in associates and joint ventures	0	-10,717
	Investments in property, plant and equipment	-471,199	-556,517
	Investments in intangible assets	-4,421	-1,974
	Sale of property, plant and equipment	83,559	114,341
	Dividends from associates and joint ventures	12,678	0
	Securities	6,636	0
	Cash flow from investing activities	**-392,894**	**-489,646**
	Cash flow generated from financing		
27	Raising of non-current liabilities	8,422	22,888
27	Repayment and servicing of non-current liabilities	-20,561	-37,627
	Dividend paid	-81,540	-81,540
	Treasury shares	-26,372	0
	Cash flow from financing activities	**-120,051**	**-96,279**
	Change in cash flows for the year	**251,996**	**-93,416**
	Cash and cash equivalents at the beginning of the year	-90,203	5,359
	Market value adjustment of opening cash and cash equivalents	-1,235	-2,146
	Change in cash and cash equivalents for the year	251,996	-93,416
26	**Closing cash and cash equivalents**	**160,558**	**-90,203**

CASH FLOW 2017/18 (DKKm)



§ ACCOUNTING POLICY

CASH FLOW STATEMENT

The consolidated cash flow statement format is presented using the indirect method, starting with operating profit. The cash flow statement 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 for the year 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 and with the addition of securities with a term to maturity of less than three months at the purchase date, which can readily be converted to cash and are only subject to an insignificant risk of value changes.

STATEMENT OF CHANGES IN EQUITY

GROUP

(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 September 2016	**45,300**	**-67,994**	**12,320**	**2,415,289**	**90,600**	**2,495,515**	**7,916**	**2,503,431**
Comprehensive income								
Profit for the year				177,587	90,600	268,187	749	268,936
Other comprehensive income								
Foreign exchange adjustment of foreign entities		-2,517				-2,517	-9	-2,526
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement			347			347		347
Tax on derivative financial instruments			-76			-76		-76
Fair value adjustments of derivative financial instruments			10,394			10,394		10,394
Tax on derivative financial instruments			-2,204			-2,204		-2,204
Total other comprehensive income	0	-2,517	8,461	0	0	5,944	-9	5,935
Total comprehensive income	**0**	**-2,517**	**8,461**	**177,587**	**90,600**	**274,131**	**740**	**274,871**
Transactions with owners								
Dividend, minority shareholders							-1,589	-1,589
Dividend paid					-90,600	-90,600		-90,600
Dividend, treasury shares				9,060		9,060		9,060
Total transactions with owners	**0**	**0**	**0**	**9,060**	**-90,600**	**-81,540**	**-1,589**	**-83,129**
Equity at 30 September 2017	**45,300**	**-70,511**	**20,781**	**2,601,936**	**90,600**	**2,688,106**	**7,067**	**2,695,173**
Comprehensive income								
Profit for the year				226,579	113,250	339,829	1,132	340,961
Other comprehensive income								
Foreign exchange adjustment of foreign entities		-14,932				-14,932		-14,932
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement			-59			-59		-59
Tax on derivative financial instruments			13			13		13
Fair value adjustments of derivative financial instruments			-22,255			-22,255		-22,255
Tax on derivative financial instruments			4,488			4,488		4,488
Total other comprehensive income	0	-14,932	-17,813	0	0	-32,745		-32,745
Total comprehensive income	**0**	**-14,932**	**-17,813**	**226,579**	**113,250**	**307,084**	**1,132**	**308,216**
Transactions with owners								
Dividend, minority shareholders							-773	-773
Employee share scheme				4,338		4,338		4,338
Purchase of treasury shares				-26,372		-26,372		-26,372
Dividend paid					-90,600	-90,600		-90,600
Dividend, treasury shares				9,060		9,060		9,060
Total transactions with owners	**0**	**0**	**0**	**-12,974**	**-90,600**	**-103,574**	**-773**	**-104,347**
Equity at 30 September 2018	**45,300**	**-85,443**	**2,968**	**2,815,541**	**113,250**	**2,891,616**	**7,426**	**2,899,042**

NOTES

GROUP

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. The purpose of this is to create 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 2017/18 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 IFRS notification issued according to 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 on the basis of historical cost prices, except for certain financial instruments which are measured at fair value. Significant accounting policies are described below.

The accounting policies applied are consistent with those of last year.

Small reclassifications have been made in the comparative figures.

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 has control. The Group is considered to have 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.

When assessing whether the Group has control, de facto control and any potential voting rights actually existing at the balance sheet date are taken into account.

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 accounting items of a uniform nature. At the consolidation, elimination is made of intercompany income and expenses, unrealised intercompany profits/losses, accounts and settlement of intercompany shareholdings. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of 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.

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 subsidiaries' items are fully consolidated in the consolidated financial statements. Minority interests' share of profit/loss for the year and of equity in subsidiaries that are not fully owned is included as part of 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. Joint ventures are recognised under the equity method.

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 transaction date rate and the rate at the date of payment and the balance sheet date, respectively, are recognised in financial items, net 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 prevailing at the date of transaction. Exchange differences arising upon translation of the equity of foreign subsidiaries and associates at the beginning of the year at the exchange rates at the balance sheet date as well as at the translation of income statements from the exchange rates prevailing at the date of transaction to the exchange rates at the balance sheet date are taken directly to equity as a special translation reserve.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised in the balance sheet at fair value as from the trading day. Positive and negative fair values of derivative financial instruments are included in other receivables and other

NOTES

GROUP

1 Accounting policies – continued

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 as are any 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. At realisation of the hedged transaction, gains or losses concerning such hedging transactions are transferred from other comprehensive income and recognised in the same accounting item as the hedged instrument.

For derivative financial instruments not qualifying as hedges, changes in the fair value are recognised currently in net financials in the income statement.

INCOME STATEMENT

The accounting policies for 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 expenses paid to achieve revenue for the year, including expenses for materials, consumables, wages and salaries, rent and leases, amortisation, depreciation and impairment losses, subcontractor expenses, expenses for design and submission of tender as well as provision for bad debts in respect of work in progress and warranty obligations for finished 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

The accounting policies for 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 as well as other non-current assets are 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, however, always assessed on an annual basis.

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

The recoverable amount is the higher of the selling price of an asset less the expected costs of disposal or value in use, which is the discounted value of expected future cash flows from the asset.

Impairment losses are 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 of changes in the assumptions and estimates underlying the impairment calculation. 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.

RECEIVABLES

Receivables are measured at amortised cost less provisions for bad and doubtful debts.

PREPAYMENTS

Prepayments recognised as current assets comprise expenses prepaid concerning subsequent financial years.

SECURITIES

Listed bonds, which are monitored on a current basis, measured and reported at fair value in accordance with the Group's investment policy, are recognised at fair value at the trade date under short-term assets and are subsequently measured at fair value. Changes in the fair value are recognised on a current basis in profit/loss under financial income and expenses.

FINANCIAL LIABILITIES

Mortgage debt and payables to credit institutions are recognised at the time of the raising of the loan at the proceeds received less transaction expenses paid. In subsequent periods, financial obligations are measured at amortised cost, corresponding to the capitalised value when using the effective interest rate, 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 the income statement, and adjustments are recognised in financials.

Other 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 recognised in liabilities, comprise payments received concerning income in subsequent financial years.

NOTES

GROUP

2 Accounting estimates and assessments

ESTIMATION UNCERTAINTY
Determining the carrying amount of some assets and liabilities requires estimates concerning future events. The estimates made are based on assumptions which Management assesses to be reliable but which by their very nature are associated with uncertainty and unpredictability as unexpected events or circumstances may arise which may change the basis of the assumptions made.

The Aarsleff Group is subject to risks and uncertainties which may lead to actual results differing from these estimates. Specific risks for the Aarsleff Group are discussed in the section Commercial Risk Assessment. The most significant accounting estimates in the annual report 2017/18 are presented below:

CONSTRUCTION CONTRACTS
An essential prerequisite for using the percentage of completion method is that a reliable assessment of the revenue and expenses of the individual contracts can be made. However, expected revenue and expenses on a construction contract may change as the contract is performed, and uncertainties are resolved. Also, during the execution of the contract, revisions may occur, and the preconditions for the execution of the contract may turn out not to be fulfilled.

The Aarsleff Group's internal business processes, management control 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.

IMPAIRMENT TEST
When testing for indicators of impairment of goodwill and other non-current assets, a number of assumptions are used in the calculations.

Estimates of future expected cash flows are based on budgets and business plans for the next three to five years and projections for subsequent years. Key parameters are revenue development, profit margin, future reinvestments and growth as well as the applied average cost of capital. The current economic situation increases the uncertainty about the assumptions made.

Impairment tests of goodwill are further described in note 14.

DEFERRED TAX ASSETS
The Aarsleff Group recognises deferred tax assets, including the tax value of tax-loss carryforwards, if it is assessed that there is sufficient documentation that these tax assets can be utilised in the foreseeable future.

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 actually realised results.

PROVISIONS
The assessment of provisions for completed contracts is based on historical experience with similar work. Aarsleff currently uses new methods and technologies for the execution of construction contracts. In such cases, the extent to which warranty commitments can be expected is specifically assessed.

CONTINGENT LIABILITIES AND LAWSUITS
As part of the contracting business, Aarsleff may become a part in disputes and lawsuits. In such cases, the extent and the probability to which the cases will result in liabilities for Aarsleff are assessed. The assessments are based on available information and legal opinions from consultants. It can be difficult to estimate the final outcome which in the nature of things may deviate from Aarsleff's assessments.

ASSESSMENTS AS PART OF THE APPLIED ACCOUNTING POLICIES
In applying the Group's accounting policies, assessments as well as accounting estimates are made, which may have a material impact on the amounts recognised in the annual report. This applies to joint arrangements.

JOINT ARRANGEMENTS
Aarsleff participates in a number of joint arrangements, including consortia and working partnerships where the treatment for accounting purposes 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 in question is established simultaneously with conclusion of the construction contract with the client and therefore 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 parties have direct rights and direct obligations towards the client, which implies 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 the joint arrangement in question should be classified as joint operations 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. Due to the contractual relationship, such joint arrangements are therefore classified as joint ventures.

NOTES

GROUP

3 New financial reporting standards and interpretations

STANDARDS NOT YET EFFECTIVE WHICH HAVE BEEN ADOPTED BY THE EU

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS
The standard, which is effective for financial years beginning on or after 1 January 2018 (2018/19 financial year), replaces the existing revenue standards (IAS 11 and IAS 18) and related interpretations. The standard introduces a new five-step approach to revenue recognition and measurement, under which revenue is recognised in step with the transfer of performance obligations to the counterparty. The performance obligation is recognised either over time or at a specific point in time.

Aarsleff has analysed the impact of the new standard on the Group's individual revenue streams. The analysis was based on the standard's five-step model and the relevant elements in each step, including identification of performance obligations, recognition of variable consideration and criteria for recognition of contracts over time, etc. Implementing the standard is not expected to materially affect the Group's financial reporting.

IFRS 9 FINANCIAL INSTRUMENTS, RECOGNITION AND MEASUREMENT
IFRS 9 is a new standard on financial instruments replacing IAS 39. It provides new guidance in respect of classification of financial instruments and hedge accounting. Finally, the standard introduces an expected loss model for impairment losses on receivables. Aarsleff has analysed existing financial instruments in the context of the new standard, and implementing the standard is not expected to materially affect the Group's financial reporting. IFRS 9 will be effective for financial years beginning on or after 1 January 2018.

IFRS 16 LEASES
IFRS 16 is a new standard on the accounting treatment of leases. Going forward, the lessee is required to recognize all leases as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets. The standard will affect the balance sheet, financial ratios, etc. to a limited extent. Reference is made to note 22 for a description of the extent of operating leases. The standard will be effective for financial years beginning on or after 1 January 2019.

IFRIC 22 RELATING TO FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION
The interpretation specifies that in respect of advance consideration, the transaction date is the date of receipt of the advance consideration. It is clarified that the exchange rate at the transaction date determines any subsequent exchange rate adjustment. The interpretation is not expected to have any material effect on the Annual Report. IFRIC 22 will be effective for financial years beginning on or after 1 January 2018.

IFRIC 23 RELATING TO UNCERTAIN TAX POSITIONS
The interpretation specifies the recognition and measurement of uncertain tax positions. IFRIC 23 will be effective for financial years beginning on or after 1 January 2019. The amendment is not expected to have any material effect on the Annual Report.

AMENDMENTS TO IFRS 2 RELATING TO SHARE-BASED PAYMENT
Comprise minor amendments to the standard.

MOREOVER, THE IASB HAS ISSUED THE FOLLOWING AMENDMENTS TO EXISTING STANDARDS AND NEW INTERPRETATIONS WHICH HAVE NOT YET BEEN ADOPTED BY THE EU, AND WHICH ARE RELEVANT TO THE GROUP. NONE OF THE AMENDMENTS ARE EXPECTED TO HAVE ANY MATERIAL EFFECT ON THE ANNUAL REPORT.

AMENDMENT TO IAS 28 ON INVESTMENTS IN ASSOCIATES AND JOINT VENTURES
It is clarified that loans to an associate or a joint venture that form part of the net investment are comprised by the provisions of IFRS 9 on provisions for expected credit losses. The amendment will be effective for financial years beginning on or after 1 January 2019.

ANNUAL IMPROVEMENTS (2015-2017)
Comprise minor amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. The amendments will be effective for financial years beginning on or after 1 January 2019.

AMENDMENTS TO IFRS 3 ON BUSINESS COMBINATIONS
Comprise an adjustment to the definition of a business combination. The amendment will be effective for financial years beginning on or after 1 January 2020.

NOTES

GROUP

4 Segment information

(DKKm)	Construction 2017/18	Construction 2016/17	Pipe Technologies 2017/18	Pipe Technologies 2016/17	Ground Engineering 2017/18	Ground Engineering 2016/17	Total 2017/18	Total 2016/17
Segment revenue	8,456	8,005	1,820	1,523	1,927	1,774	12,203	11,302
Internal revenue	-56	-79	-5	-3	-34	-32	-95	-114
Revenue	8,400	7,926	1,815	1,520	1,893	1,742	12,108	11,188
Of this, work performed abroad	1,074	1,068	1,316	1,045	1,130	1,109	3,520	3,222
Operating profit (EBIT)	315	264	85	60	75	56	475	380
EBIT margin, %	3.8	3.3	4.7	3.9	4.0	3.2	3.9	3.4
ROIC, %	22.3	19.1	14.9	11.2	8.5	7.0	16.6	14.0
ROIC after tax, %	17.0	14.0	11.4	8.2	6.5	5.1	12.7	10.3
Segment assets	4,708	4,063	1,110	1,046	1,373	1,316	7,191	6,425
Capital expenditure	210	258	73	57	105	127	388	442
Depreciation, amortisation and impairment	202	180	86	68	107	101	395	349
Investments in associates and joint ventures	0	0	11	21	0	0	11	21
Goodwill	167	156	94	102	7	7	268	265
Segment liabilities	3,045	2,329	505	402	423	367	3,973	3,098
Invested capital (IC)	1,399	1,428	567	573	891	880	2,857	2,881
Number of employees								
Biweekly paid employees	2,929	2,908	554	475	670	608	4,153	3,991
Engineers, technicians and administrative staff	1,520	1,419	404	373	422	420	2,346	2,212
Total	**4,449**	**4,327**	**958**	**848**	**1,092**	**1,028**	**6,499**	**6,203**

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: 3.7%, Pipe Technologies: 4.7%, Ground Engineering: 3.9%.

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

Geographic information

	Denmark 2017/18	Denmark 2016/17	International 2017/18	International 2016/17	Total 2017/18	Total 2016/17
Revenue	8,588	7,966	3,520	3,222	12,108	11,188
Segment assets, non-current	2,209	2,180	470	468	2,679	2,648

Segment assets and liabilities

(DKKm)	2017/18	2016/17
Assets		
Segment assets for reportable segments	7,191	6,425
Income tax receivable	24	42
Deferred tax	5	7
Securities	190	198
Cash	443	353
Assets as per balance sheet	**7,853**	**7,025**
Liabilities		
Segment liabilities for reportable segments	3,973	3,098
Mortgage debt	176	184
Credit institutions	290	451
Income tax payable	69	212
Deferred tax	446	385
Liabilities as per balance sheet	**4,954**	**4,330**

Operating profit (EBIT) is the performance target we are aiming to reach.

NOTES

GROUP

4 Segment information – continued

§ ACCOUNTING POLICIES

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.

5 Revenue

(DKK'000)	2017/18	2016/17
Sale of goods	365,118	198,541
Income from construction contracts	11,743,139	10,989,714
Total	**12,108,257**	**11,188,255**

§ ACCOUNTING POLICY

Revenue comprises completed contract work and contract work in progress 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 delivery has taken place before year end. Revenue is measured excluding value added tax and price reductions directly related to the sale.

Contracts in progress are recognised in revenue in proportion to the rate of completion, so that revenue matches the sales value of the work completed for the year (the percentage of completion method).

6 Depreciation, amortisation and impairment

(DKK'000)	2017/18	2016/17
Amortisation and impairment, intangible assets	30,793	18,065
Depreciation and impairment, property, plant and equipment	364,523	331,334
Total	**395,316**	**349,399**
Depreciation and impairment, property, plant and equipment is recognised in the income statement as follows:		
Production costs	321,813	293,150
Administrative expenses and selling costs	42,710	38,184
Total	**364,523**	**331,334**
Amortisation and impairment, intangible assets is recognised in the income statement as follows:		
Production costs	0	0
Administrative expenses and selling costs	30,793	18,065
Total	**30,793**	**18,065**

NOTES

GROUP

7 Staff costs

(DKK'000)	2017/18	2016/17
Wages, salaries and remuneration	3,137,620	2,912,259
Pensions	189,034	172,550
Share-based payment	4,338	0
Other costs, social security costs, etc.	170,400	146,062
Total	**3,501,392**	**3,230,871**
Of this amount:		
Board members' fees[1, 2]	1,808	1,753
Remuneration, Executive Management	16,201	14,827
Share-based payment, Executive Management	262	0
Total	**18,271**	**16,580**
Average number of full-time employees	6,499	6,203

[1]The Board of Directors was reduced from five to four members effective at 31 January 2018.
[2]The Board of Directors was expanded from four to five members effective at 31 January 2017.

In connection with his resignation, Ebbe Malte Iversen received severance pay equal to DKK 6 million. The severance pay was expensed in previous financial years.

8 Share-based payment

In February, the employees in the Danish part of the Group were given the opportunity to take part in a share option programme. The programme is a matching shares programme, 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 programme has a term of three years.

The conditions for receiving matching shares are acquisition of investment shares and employment at the time of vesting.

Maximum no. of conditional shares	Management	Other employees	Total
Outstanding conditional shares at 1 March 2018	6,285	98,074	104,359
Cancelled	0	-946	-946
Outstanding conditional shares at 30 September 2018	**6,285**	**97,128**	**103,413**

Fair value per share at the grant date was computed at DKK 213.17.

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

Share price at grant date	DKK 226.35
Expected term	3 years
Volatility	0.67
Risk-free interest rate	0.5%
Dividend	2% of share value

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

§ ACCOUNTING POLICY

The new employee share programme is internally classified as an equity-based scheme. The fair value of "matching shares" is measured at the grant date and recognised in the income statement in staff costs over the vesting period and in the balance sheet in equity over the vesting period.

The fair value computed at the grant date was based on the Black Scholes pricing model.

NOTES

GROUP

9 Fees to auditors appointed by the annual general meeting

(DKK'000)	2017/18	2016/17
PricewaterhouseCoopers	7,483	7,737
Other auditors	1,196	265
Total	**8,679**	**8,002**
The fees to PricewaterhouseCoopers are specified as follows:		
Statutory audit	4,829	4,736
Other assurance engagements	177	354
Tax consulting	692	1,085
Other services	1,785	1,562
Total	**7,483**	**7,737**

Fees for non-audit services provided to the Group by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab amounted to DKK 3 million (2016/17: DKK 3 million), comprising review of tax statements, review of statements for prequalifications and various other reports, tax consulting on transfer pricing and other general accounting and tax consulting.

10 Other operating income and expenses

(DKK'000)	2017/18	2016/17
Other operating income	3,464	23,954
Other operating expenses	-1,049	-2,309
Total	**2,415**	**21,645**

Other operating income for 2016/17 comprises profit from the sale of the old head office in Åbyhøj and the sale of land for a total amount of DKK 22.5 million. The figure for 2017/18 comprises no material single items.

§ ACCOUNTING POLICY

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

NOTES

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11 Financial income and expenses

(DKK'000)	2017/18	2016/17
Fair value adjustment of securities	0	2,963
Other interest income	8,443	9,937
Financial income	**8,443**	**12,900**
Foreign exchange loss, net	3,662	5,824
Fair value adjustment of securities	218	0
Interest relating to associates	1,366	1,657
Value adjustment of option to acquire minority shareholding	16,400	4,422
Borrowing costs recognised in the cost of assets	-254	-425
Mortgage interest	6,007	6,690
Other interest expenses	10,891	11,289
Financial expenses	**38,290**	**29,457**
Net financials	**-29,847**	**-16,557**
Of this amount, calculated according to the effective interest method	**-22,407**	**-7,537**

Borrowing costs are recognised in the cost of constructed assets at an effective interest rate of 1% (2016/17: 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.

12 Income tax

(DKK'000)	2017/18	2016/17
Total tax for the year is specified as follows:		
Tax on profit for the year	104,478	94,985
Tax recognised in other comprehensive income	-4,501	2,280
Total	**99,977**	**97,265**
Tax on profit for the year is specified as follows:		
Current tax	25,643	177,510
Adjustment for the year of deferred tax and deferred tax asset	78,835	-82,525
Total	**104,478**	**94,985**
Tax recognised in other comprehensive income is specified as follows:		
Current tax	-427	1,566
Adjustment for the year of deferred tax and deferred tax asset	-4,074	724
Total	**-4,501**	**2,280**
Tax on profit for the year is specified as follows:		
Calculated 22% tax of profit before tax	97,997	80,063
Tax effect of:		
Income earned abroad	4,423	14,473
Deviations relating to associates	-1,023	-30
Other items	3,081	479
Total	**104,478**	**94,985**
Deferred tax		
Deferred tax at 1 October	377,839	443,355
Transferred to current tax	-12,845	5,007
Addition on investments in subsidiaries	1,187	12,002
Deferred tax for the year recognised in profit for the year	78,835	-82,525
Deferred tax for the year recognised in other comprehensive income	-4,074	0
Deferred tax at 30 September	**440,942**	**377,839**
Recognised as follows		
Deferred tax (asset)	-4,863	-6,802
Deferred tax (liability)	445,805	384,641
Total	**440,942**	**377,839**

NOTES

GROUP

12 Income tax – continued

(DKK'000)	2017/18	2016/17
Deferred tax assets relate to tax loss carryforwards that are expected to be utilised against future taxable income.		
Deferred tax relates to		
Intangible assets	25,380	28,604
Property, plant and equipment	70,818	68,471
Work in progress	389,658	308,396
Other current assets	221	4,723
Provisions	-4,722	-4,614
Other payables	-7,705	-5,581
Tax loss carryforwards	-32,708	-22,160
Deferred tax at 30 September	**440,942**	**377,839**
Deferred tax expected to be recovered within 12 months	194,260	150,568
Tax base of unrecognised deferred tax assets	9,262	13,229

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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.

12 Income tax – continued

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ACCOUNTING POLICY – 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.

13 Earnings per share

	2017/18	2016/17
Profit for the year, excluding minority shareholders (DKK'000)	339,829	268,187
Average no. of shares (thousands)	22,650	22,650
Average no. of treasury shares (thousands)	-2,271	-2,265
Average no. of shares in circulation (thousands)	**20,379**	**20,385**
Average no. of shares, diluted (thousands)	286	0
Average no. of shares in circulation, diluted (thousands)	**20,665**	**20,385**
Earnings per share (current)	16.68	13.16
Earnings per share (diluted)	16.44	13.16

NOTES

GROUP

14 Intangible assets and property, plant and equipment

(DKK'000)	Goodwill	Patents & other intangible assets	Land and buildings	Plant & machinery	Other fixtures fittings, tools and equipment	Prop., plant & equipm. under construction
Cost at 1 October 2017	**298,754**	**220,674**	**1,128,648**	**2,842,820**	**286,676**	**107,959**
Foreign exchange adjustments	-514	-370	-3,928	-11,247	-635	-510
Additions on acquisition of companies	10,037	13,061	0	3,960	2,140	0
Additions during the year	0	4,423	33,792	253,801	45,383	121,203
Disposals during the year	0	0	-3,695	-175,907	-31,878	-8,310
Transfers	0	0	575	176,746	5,977	-183,298
Cost at 30 September 2018	**308,277**	**237,788**	**1,155,392**	**3,090,173**	**307,663**	**36,144**
Depreciation, amortisation and impairment at 1 October 2017	41,168	93,300	282,152	1,675,119	165,822	
Foreign exchange adjustments	-514	-342	-1,057	-7,987	-477	
Depreciation and amortisation for the year	0	30,793	34,502	287,363	42,658	
Impairment losses for the year	0	0	0	0	0	
Assets sold during the year	0	2	-1,100	-146,088	-27,663	
Depreciation, amortisation and impairment at 30 September 2018	**40,654**	**123,753**	**314,497**	**1,808,407**	**180,340**	
Carrying amount at 30 September 2018	**267,623**	**114,035**	**840,895**	**1,281,766**	**127,323**	**36,144**
Cost at 1 October 2016	**263,324**	**181,367**	**914,634**	**2,678,400**	**244,138**	**212,519**
Foreign exchange adjustments	-40	-50	468	-1,065	276	-8
Additions on acquisition of companies	37,013	50,348	0	13,060	0	0
Additions during the year	0	2,096	39,827	268,823	43,172	204,717
Disposals during the year	0	-14,630	-46,261	-175,799	-24,148	-7,550
Transfers	-1,543	1,543	219,980	59,401	23,238	-302,619
Cost at 30 September 2017	**298,754**	**220,674**	**1,128,648**	**2,842,820**	**286,676**	**107,059**
Depreciation, amortisation and impairment at 1 October 2016	41,202	85,741	268,866	1,559,003	152,841	
Foreign exchange adjustments	-34	-48	-860	-2,443	-180	
Depreciation and amortisation for the year	0	18,065	31,957	263,078	36,299	
Assets sold during the year	0	-10,458	-17,811	-144,519	-23,138	
Depreciation, amortisation and impairment at 30 September 2017	**41,168**	**93,300**	**282,152**	**1,675,119**	**165,822**	
Carrying amount at 30 September 2017	**257,586**	**127,374**	**846,496**	**1,167,701**	**120,854**	**107,059**

In 2017/18, damages concerning property, plant and equipment received totalled DKK 765 thousand, against DKK 1,691 thousand in 2016/17.

The Group has committed itself to investing in property, plant and equipment. See note 22, Contingent liabilities and other financial obligations.

NOTES

GROUP

14 Intangible assets and property, plant and equipment – continued

GOODWILL

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

At 30 September 2018, 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 2018/19 - 2022/23, 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 of 1.5% was applied for the terminal period (2016/17: 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.

In calculating net present value, a discount factor in the range of 7.7-9.5% before tax was applied (2016/17: 8.3-9.9%).

Apart from growth and the weighted average cost of capital (discount factor) applied, the principal assumptions are assessed to be revenue performance, profit margin and future reinvestment. Budgets for 2018/19-2022/23 were based on past experience, including budgeted returns on the order book, expected orders and planned capacity. The announced long-term expectations of annual revenue growth of 5-10%, a profit margin of 4.5-7% and strong liquidity were also taken into consideration. Uncertainty relating to past earnings and possible changes in the amount or placement 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, VG Entreprenør A/S, Ístak hf., Hansson & Knudsen A/S, Olimb Rørfornying Holding AS, Anker AB and Banedrift AS.

The impairment tests did not give rise to any write-down of goodwill to recoverable amount.

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

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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 attributable to the construction of the individual asset.

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

Productions buildings	20 years
Administrative buildings	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.

NOTES

GROUP

15 Investments in associates and joint ventures

(DKK'000)	30/9 2018	30/9 2017
ASSOCIATES		
The Group has investments in three associates in the Pipe Technologies segment, which are individually immaterial and are measured under the equity method:		
Total carrying amount	8,575	18,811
Total share of:		
Profit after tax	4,908	568
Total comprehensive income	**4,908**	**568**
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	2,172	2,289
Total share of:		
Profit after tax	-122	-430
Total comprehensive income	**-122**	**-430**

The Aarsleff Group holds 50% of the voting rights in Nelis Infra-Aarsleff JV. The activities of the joint venture have been discontinued, and the liquidation process is pending performance of the final contractual obligations.

§

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 zero value. If the Group has a legal or constructive obligation to cover the associate's or joint venture's negative balance, such obligation 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.

NOTES

GROUP

16 Inventories

(DKK'000)	30/9 2018	30/9 2017
Raw materials and consumables	176,405	162,173
Finished goods	104,095	98,737
Total	**280,500**	**260,910**

§ 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.

17 Work in progress

(DKK'000)	30/9 2018	30/9 2017
Sales value of construction contracts	11,723,274	9,064,206
Progress billings	-11,869,328	-8,781,286
Total	**-146,054**	**282,920**
Recognised as follows:		
Receivables	1,011,008	870,292
Current liabilities	-1,157,062	-587,372
Total	**-146,054**	**282,920**
Advance payments from customers relating to construction contracts not commenced	13,533	17,994
Retained payments	70,442	51,240

§ ACCOUNTING POLICY

Contracts in progress are measured at the sales value of the work performed less progress billings and allowance for doubtful debts.

The sales value is determined by reference to the stage of completion at the balance sheet date and the total expected contract revenue. 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.

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

Construction contracts for which the sales value 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 sales value 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. However, specific costs relating directly to a contract are attributed to the construction contract when they can be identified and measured reliably – and when, at the time when the costs are incurred, it is probable that the construction contract will be obtained.

NOTES

GROUP

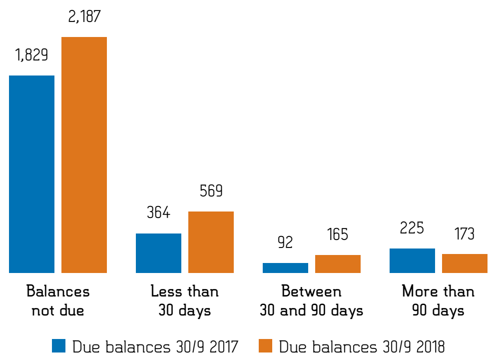
18 Construction contract debtors

(DKK'000)	30/9 2018	30/9 2017
The fair value of receivables is considered to correspond to the carrying amount.		
Impairment allowance, construction contract debtors at 1 Oct.	31,302	28,598
Additions during the year	9,533	4,680
Disposals during the year:		
– Used	-3,918	-816
– Reversed	-4,654	-1,160
Impairment allowance, construction contract debtors at 30 September	**32,263**	**31,302**
Impairment allowances included in receivables, recognised in the income statement	6,206	4,680
No impairment allowance has been made for other receivables.		
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	2,187,403	1,828,824
Balances due:		
By less than 30 days	568,985	364,066
By 30 to 90 days	164,682	91,945
By more than 90 days	173,387	225,079
Total	**3,094,457**	**2,509,914**
Receivables falling due more than one year after the balance sheet date	2,008	0

Balances due include receivables for which allowances have been made in connection with the assessment of construction contracts. See note 21, for a description of credit risk.

(DKKm)

BALANCES DUE AT 30 SEPTEMBER



NOTES

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19 Equity

SHARE CAPITAL

The share capital consists of 27,000 class A shares of DKK 100 each and 21,300,000 class B shares of DKK 2 each. Their nominal value is DKK 2,700 thousand and DKK 42,600 thousand, respectively. The share capital is unchanged relative to 2016/17.

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 Shareholder information.

	Number of shares		Nominal value (DKK'000)		% of share capital	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Treasury shares (B shares)						
Holding at 1 Oct.	2,265,000	2,265,000	4,530	4,530	10.00	10.00
Additions during the year	104,359	0	209	0	0.46	0.00
Disposals during the year	0	0	0	0	0.00	0.00
Holding at 30 Sep.	**2,369,359**	**2,265,000**	**4,739**	**4,530**	**10.46**	**10.00**

During the year, treasury shares were purchased for the purpose of covering the matching shares obligation under the employee share programme.

Generally, treasury share purchases are made to increase financial flexibility in connection with future acquisitions.

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.

§

ACCOUNTING POLICY

PROPOSED DIVIDEND

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

TREASURY SHARES

The purchase and sale sums 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.

NOTES

GROUP

20 Provisions

(DKK'000)	30/9 2018	30/9 2017
Provisions at 1 October	125,992	106,198
Used during the year	-25,462	-24,870
Reversal of unused provisions	-24,415	-20,718
Provided for the year	50,862	65,284
Adjustment of provisions to present value	0	98
Provisions at 30 September	**126,977**	**125,992**
Recognised as follows:		
Non-current liabilities	66,124	85,416
Current liabilities	60,853	40,576
Total	**126,977**	**125,992**

Provisions at 30 September 2018 comprise 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 expenses 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.

NOTES

GROUP

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

	Carrying amount		Fair value	
(DKK'000)	30/9 2018	30/9 2017	30/9 2018	30/9 2017
FINANCIAL INSTRUMENT CATEGORIES				
The Group's financial instrument categories:				
Construction contract debtors	3,094,457	2,509,914	3,094,457	2,509,914
Work in progress	1,011,008	870,292	1,011,008	870,292
Receivables from associates and joint ventures	16,434	6,521	16,434	6,521
Other receivables	87,475	101,384	87,475	101,384
Cash	442,592	352,834	442,592	352,834
Loans, advances and receivables	**4,651,966**	**3,840,945**	**4,651,966**	**3,840,945**
Securities	190,146	197,830	190,146	197,830
Financial assets at fair value through profit or loss	**190,146**	**197,830**	**190,146**	**197,830**
Derivative financial instruments used for hedging	1,556	8,006	1,556	8,006
Financial assets used as hedging instruments	**1,556**	**8,006**	**1,556**	**8,006**
Other payables (earn-out)	131,997	119,045	131,997	119,045
Financial liabilities at fair value through profit or loss	**131,997**	**119,045**	**131,997**	**119,045**
Mortgage debt	176,414	183,704	176,705	184,076
Credit institutions	290,121	451,406	290,121	451,406
Work in progress	1,157,062	587,372	1,157,062	587,372
Trade payables	1,785,192	1,537,192	1,785,192	1,537,192
Financial liabilities at amortised cost	**3,408,789**	**2,759,674**	**3,409,080**	**2,760,046**

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 LOANS, ADVANCES AND RECEIVABLES AND CURRENT FINANCIAL LIABILITIES

The fair values of current loans, advances and receivables and current financial liabilities are not considered to deviate significantly from their book values.

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.

NOTES

GROUP

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

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.

CONTINGENT CONSIDERATION

The fair value of contingent consideration (earn-out) related to the acquisitions of Wicotec Kirkebjerg A/S at 1 October 2012 and Olimb Rørfornying Holding AS at 31 August 2017 was estimated on the basis of the earnings 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 48 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. When calculating the estimate, expected results are a key assumption. A change in expected results of +1% will result in an increase of the earn-out of DKK 0.5 million. The change in the fair value of the earn-out agreement is recognised in financial expenses in the income statement at DKK 16,400 thousand (2016/17: DKK 4,421 thousand) and in investments at a negative DKK 3,448 thousand (2016/17: DKK 0 thousand), corresponding to the minority shareholder's share of dividend paid.

	2017/18	2016/17
Carrying amount at 1 October	119,045	59,578
Adjustment in income statement	16,400	4,422
Acquisition	0	55,045
Partial repayment	-3,448	0
Carrying amount at 30 September	**131,997**	**119,045**

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[2]	Within 1 year	1-2 years	2-5 years	After 5 years
30 September 2018						
Non-derivative financial instruments:						
Mortgage debt	176,414	184,052	18,028	17,129	39,481	109,414
Credit institutions	290,121	291,115	282,319	4,765	4,031	0
Trade payables	1,785,192	1,785,192	1,785,192	0	0	0
Other payables (earn-out)	131,997	133,810	70,597	0	63,213	0
Derivative financial instruments:						
Derivative financial instruments hedging future cash flows	-1,556	-1,556	-497	-160	447	-1,346
Total liabilities	**2,382,168**	**2,392,613**	**2,155,639**	**21,734**	**107,172**	**108,068**
30 September 2017						
Non-derivative financial instruments:						
Mortgage debt	183,704	191,764	18,779	16,160	40,510	116,315
Credit institutions	451,406	451,415	443,046	6,281	2,088	0
Trade payables	1,537,192	1,537,192	1,537,192	0	0	0
Other payables (earn-out)	119,045	124,063	55,045	0	69,018	0
Derivative financial instruments:						
Derivative financial instruments hedging future cash flows	-8,006	-8,006	-6,356	-738	1,069	-1,981
Total liabilities	**2,283,341**	**2,296,428**	**2,047,706**	**21,703**	**112,685**	**114,334**

[2] 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

GROUP

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

(DKK'000)

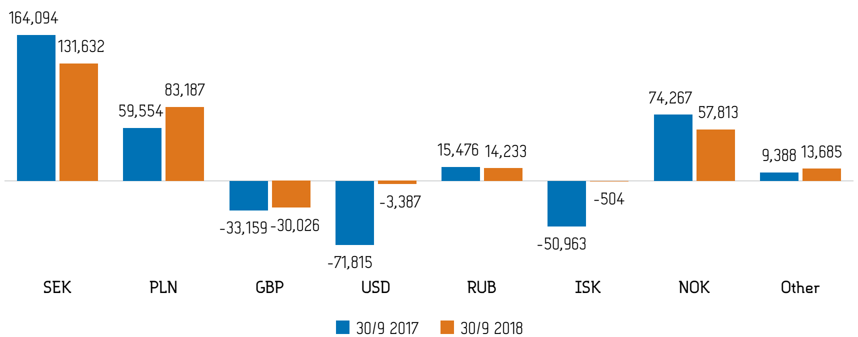
CURRENCY RISK

Currency risk is managed centrally in the Aarsleff Group. It is Group policy to reduce currency risks, and individual projects and markets are assessed with a view to hedging. Normally, currency overdraft facilities are established on the basis of regular computation of foreign exchange exposures to the most important currencies. Moreover, forward exchange and option contracts are entered into to hedge foreign currency cash flows in the form of contract revenue, but only where a contract has been concluded.

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 SEPTEMBER



(DKK'000)				30/9 2018	30/9 2017
Currency	Financial assets	Financial liabilities	Hedged amount	Net position	Net position
SEK	236,668	-105,036	0	131,632	164,094
PLN	229,523	-146,336	0	83,187	59,554
GBP	40,245	-70,271	0	-30,026	-33,159
USD	182,153	-156,120	-29,420	-3,387	-71,815
RUB	26,113	-11,880	0	14,233	15,476
ISK	184,161	-184,665	0	-504	-50,963
NOK	156,299	-127,355	28,869	57,813	74,267
Other	19,122	-5,437	0	13,685	9,388
Total	**1,074,284**	**-807,100**	**-551**	**266,633**	**166,842**
Payment/maturity profile is specified as follows:					
Less than 1 year	1,074,284	-740,796	-551	332,937	264,936
1-5 years	0	-36,921	0	-36,921	-65,519
More than five years	0	-29,383	0	-29,383	-32,575
Total	**1,074,284**	**-807,100**	**-551**	**266,633**	**166,842**

NOTES

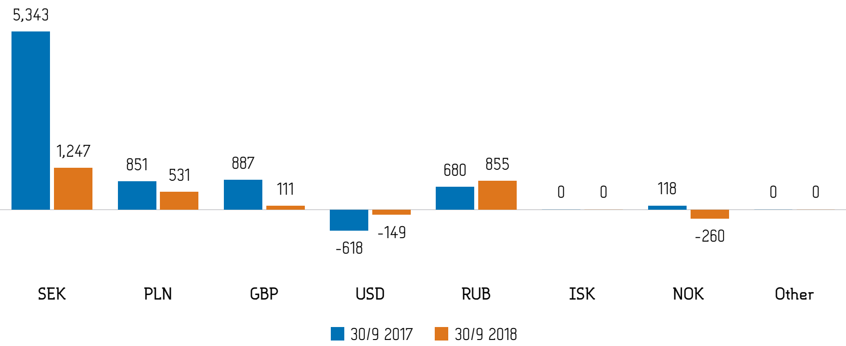
GROUP

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

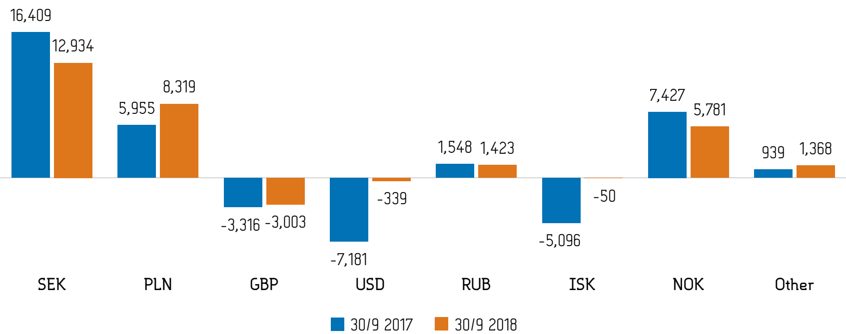
(DKK'000)

The isolated effects of a 10% increase at 30 September 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 SEPTEMBER



CHANGE IN EQUITY IN CASE OF A 10% INCREASE IN EXCHANGE RATES AT 30 SEPTEMBER



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 2017/18 and 2016/17 are entirely attributable to differences in the nominal amounts of the individual currencies.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group has established forward exchange contracts and currency swaps and currency overdraft facilities to hedge future cash flows on construction contracts in SEK, EUR, NOK, RUB, USD and CZK for a total amount of DKK 82.458 thousand, against DKK 168.125 thousand in 2016/17. At 30 September 2018, these financial instruments had a positive fair value of DKK 597 thousand, against a positive fair value of DKK 7,353 thousand at 30 September 2017, recognised in other comprehensive income. The hedged cash flows are expected to be realised in December 2019 at the latest.

The interest rate swaps in EUR established in 2016/17 with a view to interest rate hedging of future cash flows from investing activities were settled during the financial year, and their fair value was thus DKK 0 thousand, against DKK 521 thousand in 2016/17.

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 81,191 thousand, against DKK 85,525 thousand in 2016/17. At 30 September 2018, these financial instruments had a positive fair value of DKK 1,347 thousand, against a positive fair value of DKK 1,981 thousand in 2016/17. The contracts expire in September 2036 at the latest.

The Group has furthermore entered into forward exchange transactions in NOK with a view to payment of 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 31,437 thousand, against DKK 33,896 thousand in 2016/17. At 30 September 2018, these financial instruments had a negative fair value of DKK 387 thousand, against DKK 808 thousand in 2016/17. 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 around 40%.

NOTES

GROUP

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

INTEREST RATE RISK

Interest rate risk mainly relates to interest-bearing debt 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 below items. The earliest maturity data is stated:

		Effective interest rate		Carrying amount		Fair value	
	Fixed/ Floating	30/9 2018 %	30/9 2017 %	30/9 2018 (DKK'000)	30/9 2017 (DKK'000)	30/9 2018 (DKK'000)	30/9 2017 (DKK'000)
Interest-bearing assets	**Floating**	**0-2**	**0-2**	**632,738**	**550,664**	**632,738**	**550,664**
Interest-bearing liabilities	**Fixed**	**1-6**	**1-6**	**248,768**	**239,354**	**249,059**	**239,726**
Interest-bearing liabilities	**Floating**	**1-6**	**1-8**	**352,915**	**517,950**	**352,915**	**517,950**
Net interest-bearing debt				**-31,055**	**206,640**		
Payment/maturity profile is specified as follows:							
Less than 1 year				-262,933	-42,680		
1-5 years				127,377	137,656		
More than 5 years				104,501	111,664		
				-31,055	**206,640**		

A 1% increase in the level of interest rates relative to that at the balance sheet date and the net interest-bearing debt would, all other things being equal, have a positive effect of DKK 2,798 thousand on the Group's profit before tax and equity (2016/17 a positive effect of DKK 327 thousand). A decrease in the interest rate level would have had a similar negative 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 good credit ratings. 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 September 2017, the Group's impairment allowances at 30 September 2018 related solely to financial assets classified as receivables. See note 18.

NOTES

GROUP

22 Contingent liabilities and other financial obligations

(DKK'000)	30/9 2018	30/9 2017
Operating leases		
Future rent and lease payments under non-terminable contracts (minimum lease payments):		
Due within 1 year	92,237	81,009
Due in between 1 and 5 years	200,189	140,808
Due in more than 5 years	7,487	9,146
Total	**300,003**	**230,963**
Expensed lease payments for the year	132,197	141,290

Operating lease liabilities relate to cars, construction equipment and tools and equipment. The Group's leases have maximum terms of ten years at 30 September 2018.

§ ACCOUNTING POLICY

LEASES

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.

(DKK'000)	30/9 2018	30/9 2017
Investment and purchase obligations		
Investments in property, plant and equipment	15,693	12,599
Contingent assets and liabilities		
Guarantee provided for outstanding bank balance in joint ventures	0	0
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	212,167	202,865
The carrying amount of other property, plant and equipment posted as security for debt to credit institutions is	0	0
As security for the completion of construction contracts, the usual security has been posted in the form of bank guarantees and suretyship insurance	4,911,999	3,878,947

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 September 2018 was DKK 466 million, against DKK 566 million at 30 September 2017, of which amounts DKK 212 million and DKK 313 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.

NOTES

GROUP

23 Related party transactions

(DKK'000)	Associates and joint ventures 2017/18	Associates and joint ventures 2016/17	Management[1] 2017/18	Management[1] 2016/17
Group				
Income[2]	20,584	29,098	171	200
Expenses[2]	5,388	10,320	1,259	2,212
Receivables[3]	2,859	5,501	2	14
Payables[3]	2,464	1,004	1,105	1,065

[1]Includes members of the Board of Directors and Executive Management of the parent company. The amount concerns various legal fees to Kromann Reumert, to which board member Carsten Fode is connected. 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 2017/18 or 2016/17.

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.

24 Other adjustments – Cash flow statement

(DKK'000)	2017/18	2016/17
Profit/loss in associates	-4,786	-138
Provisions	985	19,794
Profit from sale of property, plant and equipment	-21,555	-46,052
Total	**-25,356**	**-26,396**

25 Change in working capital – Cash flow statement

(DKK'000)	2017/18	2016/17
Inventories	-19,280	-12,091
Work in progress, net	428,977	-380,825
Receivables	-572,833	73,131
Trade payables, other payables, etc.	268,363	167,718
Total	**105,227**	**-152,067**

26 Liquidity

(DKK'000)	2017/18	2016/17
Cash	442,592	352,834
Overdraft facility	-282,034	-443,037
Total	**160,558**	**-90,203**
Cash is specified as follows:		
Share of cash in joint operations	140,671	173,558
Other cash	301,921	179,276
Total	**442,592**	**352,834**

NOTES

GROUP

27 Liabilities from financing activity

(DKK'000)	Opening	Cash flows	Non-cash changes	Closing
2017/18				
Non-current debt	241,296	-12,139	2,722	231,879
Total liabilities from financing activity	**241,296**	**-12,139**	**2,722**	**231,879**
2016/17				
Non-current debt	242,991	-14,739	13,044	241,296
Total liabilities from financing activity	**242,991**	**-14,739**	**13,044**	**241,296**

28 Acquisitions

2017/18

During the financial year 2017/18, Per Aarsleff Holding A/S made the following acquisitions:

At 1 November 2017, Per Aarsleff Holding A/S acquired all shares in the Norwegian company Banedrift AS, which has competencies in track work, drainage, vegetation clearing, winter preparedness, fibre cabling and cable routing in the Norwegian market.

The total consideration for 100% of the shares in the company on a debt-free basis was calculated at DKK 20 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 at fair value of identifiable assets and liabilities, goodwill amounts to DKK 10 million, which has been allocated to Construction. 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.

(DKK'000)	2017/18
Fair value at acquisition date	Banedrift AS
Intangible assets	13,061
Property, plant and equipment	4,054
Receivables	7,301
Cash and cash equivalents	1,145
Non-current liabilities	-5,321
Current bank debt	-190
Other current liabilities	-10,177
Net assets acquired	9,873
Goodwill	10,037
Acquisition price	19,910
Of this amount cash/bank debt	-956
Cash acquisition price	**18,954**
The nominal value of the above receivables is	7,301

The acquired company's revenue and profit, included in the consolidated financial statements from the acquisition date, amount to DKK 69 million and DKK 0.5 million, respectively.

During the financial year 2017/18, the Group made a minor acquisition of all shares in Holmskov Rustfri Stainless Steel Company A/S.

ACQUISITIONS AFTER THE BALANCE SHEET DATE

Per Aarsleff Holding A/S signed an agreement on 28 November 2018 to acquire all shares in the German companies Neidhardt Grundbau GmbH and Ponel Bau GmbH. Revenue generated by the two companies in the most recent financial year amounted to DKK 150 million in aggregate. The acquisition is subject to the approval of the German regulatory authorities, which approval is expected in the second quarter of the financial year 2018/19.

NOTES

GROUP

28 Acquisitions – continued

2016/17

During the financial year 2016/17, Per Aarsleff Holding A/S made the following acquisition:

At 31 August 2017, Per Aarsleff Holding A/S acquired 51% of the Norwegian company Olimb Group's pipe renewal activities. The structure of the transaction was that Aarsleff acquired 51% of the shares in a newly established company to which the current pipe renewal activities of Olimb Group were transferred prior to the completion of the transaction. Also, it was agreed that Aarsleff will have an option to buy the remaining shares. The final consideration is contingent on the company's earnings until 2021, with a minimum payment of DKK 24 million for the remaining 49% of the share capital.

The total consideration for 100% of the shares in the company on a debt-free basis was calculated at DKK 134 million, and DKK 34.8 million 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 at fair value of identifiable assets and liabilities, goodwill amounts to DKK 37 million, which has been allocated to Pipe Technologies. 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.

Per Aarsleff Holding A/S received a cash refund of DKK 20 million during the financial year relating to last year's acquisition of Hansson & Knudsen A/S due to seller's guarantees under the purchase agreement. The refund corresponds to a change in the opening balance sheet values over the measurement period, and the effect has consequently been recognised in the comparative figures in the annual report.

(DKK'000)	2016/17
Fair value at acquisition date	Olimb Group
Intangible assets	46,298
Property, plant and equipment	13,060
Inventories	23,387
Receivables	36,985
Cash and cash equivalents	46,644
Non-current liabilities	-8,624
Current bank debt	-2,480
Other current liabilities	-58,295
Net assets acquired	96,975
Goodwill	37,013
Acquisition price	133,988
Of this amount cash/bank debt	-44,164
Deferred contingent consideration regarding minority shareholding	-55,045
Cash acquisition price	**34,779**
The nominal value of the above receivables is	36,985

External costs of investment in the subsidiary amount to DKK 781 thousand.

The acquired company's revenue and profit, included in the consolidated financial statements from the acquisition date, amount to DKK 17.1 million and DKK 1.3 million, respectively. Calculated on a pro forma basis as though Olimb Group had been acquired at 1 October 2016, consolidated revenue and profit for 2016/17 amount to DKK 11,391.1 million and DKK 282.8 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 2016.

NOTES

GROUP

28 Acquisitions – continued

§ 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 a company 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

GROUP

29 Financial highlights for the Group, EUR

(EUR'000)	2013/14	2014/15	2015/16	2016/17	2017/18
Income statement					
Revenue	1,145,002	1,374,551	1,398,355	1,503,333	1,623,874
Of this, work performed abroad	382,972	421,630	381,589	432,908	472,065
Operating profit (EBIT)	47,151	64,879	55,803	51,124	63,742
Net financial items	-2,858	-3,917	-2,246	-2,225	-4,003
Profit before tax	44,293	60,962	53,558	48,899	59,739
Profit for the year	34,207	49,112	40,821	36,136	45,727
Balance sheet					
Non-current assets	233,386	259,973	322,769	356,741	359,878
Current assets	434,474	543,017	554,034	587,204	693,294
Total assets	667,860	802,990	876,803	943,945	1,053,172
Equity	262,298	303,641	335,973	362,142	388,799
Non-current liabilities	79,227	97,210	102,966	95,583	99,754
Current liabilities	326,335	402,139	437,864	486,220	564,619
Total equity and liabilities	667,860	802,990	876,803	943,945	1,053,172
Net interest-bearing debt	28,197	-49,984	8,127	27,766	-4,165
Invested capital (IC)	288,527	252,031	342,862	387,073	383,193
Cash flow statement					
Cash flow from operating activities	82,240	150,714	55,703	66,177	102,589
Cash flow from investing activities	-34,359	-83,898	-102,900	-65,792	-52,692
Of which investment in property, plant and equipment, net	-34,438	-50,545	-76,740	-59,414	-51,988
Cash flow from financing activities	-4,017	-12,221	-10,324	-12,937	-16,100
Change in liquidity for the year	43,865	54,594	-57,521	-12,552	33,796

	2013/14	2014/15	2015/16	2016/17	2017/18
Financial ratios					
Gross margin ratio, %	12.1	11.9	12.0	11.3	11.7
Profit margin (EBIT margin), %	4.1	4.7	4.0	3.4	3.9
Net profit ratio (pre-tax margin), %	3.9	4.4	3.8	3.3	3.7
Return on invested capital (ROIC), %	16.1	24.2	18.8	14.0	16.6
Return on invested capital (ROIC) after tax, %	12.4	19.5	14.4	10.3	12.7
Return on equity (ROE), %	13.9	17.4	12.7	10.3	12.2
Equity ratio, %	39.3	37.8	38.3	38.4	36.9
Earnings per share (EPS), EUR	1.67	2.41	1.99	1.77	2.24
Share price at 30 September, EUR	13.06	30.71	21.34	24.86	32.59
Price/equity value, EUR	1.01	2.06	1.29	1.40	1.70
Dividend per share, EUR	0.20	0.40	0.54	0.54	0.67
Number of employees	4,532	4,932	5,906	6,203	6,499
Exchange rate applied	7.4431	7.4598	7.4513	7.4423	7.4564

PARENT COMPANY FINANCIAL STATEMENTS

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ACCOUNTING POLICIES

PARENT COMPANY

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 as well as the requirements laid down by Nasdaq Copenhagen A/S in respect of the financial reporting of companies listed on the stock exchange.

For accounting policies refer to note 1 to the consolidated financial statements. The denomination of the items in the parent company's financial statements complies with the requirements of the DK GAAP but conforms to the content of the accounting policies according to IFRS. Refer to the section Terminology for a description of the main differences between DK GAAP and IFRS in the denomination of the items.

The accounting policies applied are unchanged from those applied in the previous year.

Small reclassifications have been made in the comparative figures.

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

INTANGIBLE ASSETS

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

INVESTMENTS

Investments in subsidiaries and associates are recognised and measured under the equity method.

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

The items Investment in subsidiaries and Investments in associates in the balance sheet include the proportionate ownership share of the net asset 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 remaining value of goodwill.

Subsidiaries and associates with a negative net asset value are measured at DKK 0. Any legal or constructive obligation of the parent company to cover the negative balance of the company is recognised in provisions.

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

TAX

The parent company is comprised by the Danish rules on compulsory joint taxation of the Danish companies of the Group. Subsidiaries are included in the joint taxation from the time when they are included in the consolidation in the Consolidated Financial Statements and until the time when they are excluded from the consolidation.

The parent company is the administrative company for the joint taxation and as a result, the company settles tax obligations with the tax authorities.

The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with reimbursement of tax losses). The jointly taxed companies are included in a Danish tax prepayment scheme.

As the administrative company, the parent company takes over the liability in respect of the taxes of the subsidiaries towards the tax authorities, as the subsidiaries pay their joint taxation contribution.

CASH FLOW STATEMENT

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

TERMINOLOGY

- Net revenue (DK GAAP): Revenue (IFRS)
- Fixed assets (DK GAAP): Non-current assets (IFRS)
- Fixed asset 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 debt (DK GAAP): Non-current liabilities (IFRS)
- Short-term debt (DK GAAP): Current liabilities (IFRS)

INCOME STATEMENT

1/10-30/9

PARENT COMPANY

Note	(DKK'000)	2017/18	2016/17
	Net revenue	**9,739**	**6,372**
	Production costs	-59	-1,943
	Gross profit	**9,680**	**4,429**
1, 2	Administrative expenses and selling costs	-27,913	-20,451
	Operating profit	**-18,233**	**-16,022**
5	Profit from investments in subsidiaries	333,604	264,018
5	Profit from investments in associates	6,705	1,533
	Profit before interest	**322,076**	**249,529**
3	Financial income	3,060	2,419
3	Financial expenses	-1,016	-653
	Profit before tax	**324,120**	**251,295**
4	Tax on profit for the year	-1,308	2,311
	Profit for the year	**322,812**	**253,606**
	Proposed appropriation of profit		
	Reserve for net revaluation according to the equity method	114,882	-38,897
	Profit for the year carried forward	94,680	201,903
	Dividend to shareholders	113,250	90,600
	Total	**322,812**	**253,606**

BALANCE SHEET

Assets

Note	(DKK'000)	30/9 2018	30/9 2017
5	Investments in subsidiaries	2,865,444	2,796,052
5	Investments in associates	0	7,822
	Fixed asset investments	**2,865,444**	**2,803,874**
	Fixed assets	**2,865,444**	**2,803,874**
	Receivables from subsidiaries	452,589	552,033
	Receivables from associates	12,646	2
	Income tax receivable	833	17,728
	Other receivables	1,994	2,501
	Receivables	**468,062**	**572,264**
	Cash and cash equivalents	**174,563**	**69,821**
	Current assets	**642,625**	**642,085**
	Assets	**3,508,069**	**3,445,959**

BALANCE SHEET

PARENT COMPANY

Equity and liabilities

Note	(DKK'000)	30/9 2018	30/9 2017
	Share capital	45,300	45,300
	Reserve for net revaluation according to the equity method	675,956	561,074
	Retained earnings	1,946,995	1,898,034
	Proposed dividend	113,250	90,600
6	**Equity**	**2,781,501**	**2,595,008**
	Credit institutions	165,878	312,800
	Trade payables	1,236	1,183
	Payables to subsidiaries	523,941	528,034
	Income tax payable	23,566	0
	Other payables	11,947	8,934
7	**Total short-term debt**	**726,568**	**850,951**
	Equity and liabilities	**3,508,069**	**3,445,959**

Notes without reference:

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

STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY

(DKK'000)	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend	Total
Equity at 1 October 2016	**45,300**	**599,971**	**1,681,136**	**90,600**	**2,417,007**
Changes in equity in 2016/17					
Foreign exchange adjustment of foreign entities			-2,526		-2,526
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement (net financials)			347		347
Market value adjustment re. derivative financial instruments			10,394		10,394
Tax on derivative financial instruments			-2,280		-2,280
Net gains/losses recognised directly in equity	0	0	5,935	0	5,935
Dividend paid				-90,600	-90,600
Dividend, treasury shares			9,060		9,060
Profit for the year		-38,897	201,903	90,600	253,606
Total changes in equity in 2016/17	**0**	**-38,897**	**216,898**	**0**	**178,001**
Equity at 30 September 2017	**45,300**	**561,074**	**1,898,034**	**90,600**	**2,595,008**
Changes in equity in 2017/18					
Foreign exchange adjustment of foreign entities			-14,932		-14,932
Reversal of fair value adjustments of derivative financial instruments, transferred to the income statement (net financials)			-59		-59
Market value adjustment re. derivative financial instruments			-22,255		-22,255
Tax on derivative financial instruments			4,501		4,501
Net gains/losses recognised directly in equity	0	0	-32,745	0	-32,745
Dividend paid				-90,600	-90,600
Dividend, treasury shares			9,060		9,060
Employee shares			4,338		4,338
Purchase of treasury shares			-26,372		-26,372
Profit for the year		114,882	94,680	113,250	322,812
Total changes in equity in 2017/18	**0**	**114,882**	**48,961**	**22,650**	**186,493**
Equity at 30 September 2018	**45,300**	**675,956**	**1,946,995**	**113,250**	**2,781,501**

NOTES

PARENT COMPANY

1 Staff costs

(DKK'000)	2017/18	2016/17
Wages, salaries and remuneration	19,077	17,345
Pensions	110	110
Share-based payment	262	0
Other costs, social security costs, etc.	23	23
Total	**19,472**	**17,478**
Of this amount:		
Board members' fees[1, 2]	1,808	1,753
Remuneration, Executive Management	16,201	14,827
Share-based payment, Executive Management	262	0
Total	**18,271**	**16,580**
Average number of full-time employees	4	4

[1]The Board of Directors was reduced from five to four members effective at 31 January 2018.
[2]The Board of Directors was expanded from four to five members effective at 31 January 2017.

In connection with his resignation, Ebbe Malte Iversen received severance pay equal to DKK 6 million. The severance pay was expensed in previous financial years.

2 Fees to auditors appointed by the annual general meeting

(DKK'000)	2017/18	2016/17
The fees to PricewaterhouseCoopers can be specified as follows:		
Statutory audit	125	100
Other assurance engagements	6	0
Tax consulting	60	123
Other services	95	186
Total	**286**	**409**

3 Financial income and expenses

(DKK'000)	2017/18	2016/17
Other interest income	3,060	2,419
Financial income	**3,060**	**2,419**
Foreign exchange loss, net	547	18
Other interest expenses	469	635
Financial expenses	**1,016**	**653**
Net financials	**2,044**	**1,766**

4 Income tax

(DKK'000)	2017/18	2016/17
Tax on profit for the year is specified as follows:		
Current tax	1,308	-2,311
Total	**1,308**	**-2,311**
Total tax for the year is specified as follows:		
Tax on profit for the year	1,308	-2,311
Tax on changes in equity	-4,501	2,280
Total	**-3,193**	**-31**

NOTES

PARENT COMPANY

5 Investments in subsidiaries and associates

(DKK'000)	Investments in subsidiaries	Investments in associates
Cost at 1 October 2017	2,325,345	16,668
Additions during the year	26,534	0
Cost at 30 September 2018	**2,351,879**	**16,668**
Value adjustment at 1 October 2017	470,707	-8,846
Profit after tax	377,050	6,706
Goodwill amortisation	-20,518	0
Amortisation of other intangible assets	-20,055	0
Dividend received	-262,732	-12,678
Market value adjustment re. derivative financial instruments	-17,813	0
Foreign exchange adjustments	-13,074	-1,850
Value adjustment at 30 September 2018	**513,565**	**-16,668**
Carrying amount at 30 September 2018	**2,865,444**	**0**
Of this amount, goodwill amounts to	**129,612**	**0**

For a list of legal entities in the Aarsleff Group, see Companies in the Aarsleff Group.

6 Equity

SHARE CAPITAL

See note 19 to the consolidated financial statements for details on the composition of equity and treasury shares.

7 Maturity structure, liabilities

(DKK'000)	Carrying amount	Within 1 year
The parent company's liabilities fall due as follows:		
30 September 2018		
Credit institutions	165,878	165,878
Trade payables	1,236	1,236
Payables to subsidiaries	523,941	523,941
Income tax payable	23,566	23,566
Other payables	11,947	11,947
Total liabilities	**726,568**	**726,568**

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

NOTES

PARENT COMPANY

8 Contingent liabilities and other financial obligations

(DKK'000)	30/9 2018	30/9 2017
Operating leases		
Future rent and lease payments under non-terminable contracts (minimum lease payments):		
Due within 1 year	221	149
Due in between 2 and 5 years	382	133
Total	**603**	**282**
Expensed lease payments for the year	**305**	**372**

Operating lease liabilities relate to cars. The maximum term of the parent company's leases is five years at 30 September 2018.

	30/9 2018	30/9 2017
Investment and purchase obligations		
Investments in property, plant and equipment	0	0
Contingent assets and liabilities		
Guarantee provided for subsidiaries' liabilities	115,037	126,150

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.

With a view to complying with the going concern assumption, Per Aarsleff Holding A/S has issued limited letters of support in connection with the annual financial statements of Per Aarsleff Polska Sp. z o.o.

8 Contingent liabilities and other financial obligations – continued

(DKK'000) 30/9 2018 30/9 2017

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.

9 Related party transactions

See note 23 to the consolidated financial statements for information on related party transactions.

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

See note 21 to the consolidated financial statements for information on the use of derivative financial instruments and risk and capital management.

FINANCIAL RATIOS

GROUP

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

Other financial ratios have been prepared as stated below.

DEFINITION OF FINANCIAL RATIOS

GROSS MARGIN = $\frac{\text{Gross profit}}{\text{Revenue}}$

PROFIT MARGIN (EBIT MARGIN) = $\frac{\text{Operating profit}}{\text{Revenue}}$

NET PROFIT RATIO (PRE-TAX MARGIN) = $\frac{\text{Profit before tax}}{\text{Revenue}}$

INVESTED CAPITAL (IC) = Total equity, 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 INTEREST = $\frac{\text{Equity at year end}}{\text{Total liabilities and equity, at year end}}$

EARNINGS PER SHARE (EPS) = $\frac{\text{Profit for the year excluding minority shareholders}}{\text{Average number of shares in circulation}}$

SHARE PRICE/EQUITY VALUE = $\frac{\text{Share price, at year end}}{\text{Equity value, at year end}}$

OTHER INFORMATION

COMPANIES IN THE AARSLEFF GROUP

Company name	Registered office			Ownership share %
CONSTRUCTION, PIPE TECHNOLOGIES, GROUND ENGINEERING				
Per Aarsleff A/S	Aarhus	Denmark	Contractor	100
CONSTRUCTION				
Dan Jord A/S	Aarhus	Denmark	Contractor	100
Petri & Haugsted AS	Rødovre	Denmark	Contractor	100
Wicotec Kirkebjerg A/S	Taastrup	Denmark	Contractor	80
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[1]
Anker AB	Varberg	Sweden	Contractor	100
Banedrift AS	Fredrikstad	Norway	Contractor	100
Per Aarsleff GmbH	Hamborg	Germany	Contractor	100
Aarsleff Anläggning AB	Limhamn	Sweden	Contractor	100
VG Entreprenør A/S	Lemvig	Denmark	Contractor	100
Lemvig Transport A/S	Lemvig	Denmark	Contractor	67
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
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
Aarsleff Norge AS	Råde	Norway	Contractor	100

Company name	Registered office			Ownership share %
PIPE TECHNOLOGIES				
Danpipe A/S	Aarhus	Denmark	Contractor	100
Aarsleff Rörteknik AB	Stockholm	Sweden	Contractor	100
Aarsleff OY	Helsinki	Finland	Contractor	100
Per Aarsleff ZAO	St. Petersburg	Russia	Contractor	100
Bertos OOO	Moscow	Russia	Contractor	49[2]
Arpipe OOO	Moscow	Russia	Contractor	50[2]
Per Aarsleff Polska Sp. z o.o.	Warsaw	Poland	Contractor	100
UAB Aarsleff	Kaunas	Lithuania	Contractor	100
Aarsleff Rohrsanierung GmbH	Nürnberg	Germany	Contractor	100
Bluelight GmbH	Nürnberg	Germany	Contractor	100
Aarsleff Hulín s.r.o.	Hlohovec	Slovakia	Contractor	51
Aarsleff Leidingrenovatie bv	Amsterdam	The Netherlands	Contractor	100
Olimb Rørfornying Holding AS	Råde	Norway	Contractor	51
Olimb Rørfornying AS	Råde	Norway	Contractor	100
Olimb Offshore AS	Råde	Norway	Contractor	100
Olimb System International	Råde	Norway	Contractor	100
Aarsleff AS	Oslo	Norway	Contractor	100

[1]Owned by Per Aarsleff Holding A/S (67%) and Wicotec Kirkebjerg A/S (33%)
[2]Associate

GROUND ENGINEERING

Company name	Registered office			Ownership share %
Centrum Pæle Holding A/S	Vejle	Denmark	Holding company	100
Aarsleff Grundbau GmbH	Hamburg	Germany	Contractor	100
Centrum Pfähle GmbH	Germaringen	Germany	Pile production	100
Centrum Pæle A/S	Vejle	Denmark	Pile production	100
CP Test A/S	Vejle	Denmark	Vibration and noise measurements	100
DMT GmbH	Büdelsdorf	Germany	Vibration and noise measurements	100
Aarsleff Ground Engineering Limited	Newark	United Kingdom	Contractor	100
Centrum Pile Limited	Newark	United Kingdom	Pile production	100
A & J Geotechnical Services Ltd.	Doncaster	United Kingdom	Contractor	100
Aarsleff Sp. z o.o.	Warsaw	Poland	Contractor	100
Centrum Pali Sp. z o.o.	Kutno	Poland	Pile production	100
Metris Sp. z o.o. Instytut Badań dla Budownictwa	Kutno	Poland	Vibration and noise measurements	100
Aarsleff Grundläggning AB	Gunnilse	Sweden	Contractor	100
Centrum Påle AB	Älvängen	Sweden	Pile production	100
INsteel AB	Nykvarn	Sweden	Contractor	100

DORMANT COMPANIES

Company name	Registered office			Ownership share %
Aarsleff S.r.l.	Milan	Italy	Contractor	100
PAA International Engineering Corp.	Taichung	Taiwan	Contractor	50[2]

[2]Associate

JOINT OPERATIONS

	Group, ownership share %			
	Construction	Pipe Technologies	Ground Engineering	Lead partner
Arbeitsgemeinschaft EUGAL Los 3+4	20			
BW Rock Group Swinoujscie – Spolka Cywilna (Poland)	40			Yes
Electrification Programme Aarsleff I/S	75		25	Yes
FLC Tunnel Group North I/S	11			
FLC Tunnel Group South I/S	11			
FLC Portals Group I/S	31			
Fredericia St. Syd I/S	50			Yes
Geo Aarsleff JV I/S	9		41	
JV Aarsleff-Streicher-Bunte I/S	30			Yes
JV Värtahamnen HB I/S (Sweden)	75		25	Yes
Konsortiet Aarsleff-NCC Vejanlæg (Split Joint Venture)	54			Yes
LNG – Breakwater, Civil Group JV – Spolka Cywilna (Poland)	50			
Malmö Citytunnel Group HB (Sweden)	25			
NCC-Aarsleff Norvikudden (Sweden)	50			
New Horizons In Infrastructure Of Denmark Nhid I/S	28			Yes
Strukton-Aarsleff JV I/S	50			Yes
Wicotec Kirkebjerg-Dan Jord I/S	100			Yes
Østergaard-Aarsleff JV I/S	83		17	Yes
Aarsleff-BAM International Joint Venture V.O.F. (Tanzania)	50			
Aarsleff Bane & Anlæg I/S	77		23	Yes
Aarsleff Bilfinger Berger JV Dan-Tysk	50			
Aarsleff Bilfinger Berger JV London Array	50			Yes

	Group, ownership share %			
	Construction	Pipe Technologies	Ground Engineering	Lead partner
JOINT OPERATIONS				
Fiber og Anlæg I/S	37			Yes
Aarsleff-Dan Jord JV I/S	94		6	Yes
Aarsleff-Interbeton J.V. I/S (Tanzania)	50			Yes
Aarsleff-Ístak I/S	100			Yes
Aarsleff-Kamco J.V. I/S	100			Yes
Aarsleff Langelinie JV I/S	85		15	Yes
Aarsleff Nørreport I/S	100			Yes
Aarsleff-Petri & Haugsted JV I/S	70		30	Yes
Aarsleff Rail Nørreport I/S	100			Yes
Aarsleff-Seth J.V. I/S (Mozambique)	50			Yes
Aarsleff-Spietzke 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		

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
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
NCC Danmark A/S
Seth SA
Solétanche-Bachy International S.A.S.
Spietzke SE Danmark
Strukton Rail A/S
Vinci Construction Grands Projets GP
Wayss & Freytag Ingenieurbau AG

FOREIGN BRANCH OFFICES

Kaunas, Lithuania
Kiev, Ukraine
Oslo, Norway
Porto, Portugal
Riga, Latvia
Szczecin, Poland

PER AARSLEFF HOLDING A/S

Hasselager Allé 5
8260 Viby J
Denmark

CVR no. 24 25 77 97