ARKIL HOLDING A/S | ANNUAL REPORT 2013

ARKIL

Arkil Holding A/S
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Comp. Bus. Reg. No. 36 46 95 28

Founded 1955

Annual General Meeting
The Annual General Meeting will be held Wednesday 30 April 2014
at Hotel Harmonien, Haderslev, Denmark.

ENDORSEMENT BY THE BOARD

The Board of Directors and the Executive Board have this day examined and approved the Annual Report for 2013 for Arkil Holding A/S.

This Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and Danish reporting requirements for publicly listed companies.

In our view the Consolidated Accounts and the Annual Report provide a true and fair view of the assets and liabilities of the Group and Parent Company, the financial position as of 31 December 2013 and of the result of their activities and cash flow during the financial year from 1 January to 31 December 2013.

In our view the Management's Review gives a true statement of the development in the Group's and the company's activities and economic conditions, the result of the year and the financial position of the company and the financial position in general for the companies included in the consolidated accounts, as well as a description of the most significant risks and the factors of uncertainty which the group and the company are facing.

We recommend that the Annual General Meeting should adopt the Annual Accounts and Consolidated Accounts.

Haderslev, 26 March 2014

The Executive Board

Jesper Arkil *(Managing Director)*	Heine Heinsvig *(Finance Director)*	Jens Skjøt-Arkil *(Director (Business Development))*

The Board of Directors

Agnete Raaschou-Nielsen *(Chairperson)*	Hans Schmidt-Hansen *(Deputy Chairperson)*	
Birgitte Nielsen	Walther V. Paulsen	Per Kjærsgaard

Arkil head office, Haderslev

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

RECOMMENDATIONS OF THE INDEPENDENT AUDITOR

To the owners of capital in Arkil Holding A/S

Endorsement on the Consolidated Accounts and the Annual Accounts

We have audited the Consolidated Accounts and the Annual Accounts for the financial year of 1 January to 31 December 2013 which comprise the income statement, statement of comprehensive income, balance sheet, statement of equity, cash flow statement and notes, including the accounting policies applied for the Group as well as the Company. The Consolidated Accounts and the Annual Accounts have been prepared in accordance with International Financial Reporting Standards as approved by the EU and additional Danish reporting requirements for publicly listed companies.

Management's responsibility for the Consolidated Accounts and the Annual Accounts

The Management is responsible for drawing up and preparing Consolidated Accounts and Annual Accounts that give a true and fair view in accordance with the International Financial Reporting Standards as approved by the EU and Danish reporting requirements for publicly listed companies. The Management is also responsible for the internal control which the Management considers necessary in order to prepare consolidated accounts and annual accounts without material faults or omissions, regardless of whether these are the result of fraudulent acts or faults.

Auditor's responsibility

It is our responsibility to express our opinion on the Consolidated Accounts and the Annual Accounts on the basis of our audit. We have performed the audit in accordance with international auditing standards and additional requirements according to Danish auditing law. This requires that we comply with ethical requirements and plan and execute the audit with a view to achieving a high degree of certainty that the Consolidated Accounts and the Annual Accounts do not contain material faults or omissions.
An audit includes accountancy actions in order to obtain audit evidence for amounts and information stated in the Consolidated Accounts and in the Annual Accounts. The actions chosen are dependent on the auditor's assessment, including the assessment of the risk of material faults or omissions in these accounts, regardless of whether the material faults or omissions are the result of fraudulent acts or faults. When making the risk assessment, the auditor considers internal checking procedures relevant to the company's preparation of consolidated accounts and annual accounts that give a true and fair view. The purpose being to produce accountancy actions appropriate to the circumstances, but not expressing any conclusion on the efficiency of the internal checking procedures of the company. An audit also includes an assessment of whether the accounting policies chosen by the management are appropriate, if the accounting estimates of the management are reasonable as well as an assessment of the overall presentation of the Consolidated Accounts and the Annual Accounts.

It is our opinion that the audit evidence obtained is sufficient and is suitable for the basis of our conclusion.

The audit did not give rise to any qualifications.

Conclusion

In our opinion, the Consolidated Accounts and the Annual Accounts give a true and fair view of the Group's and the company's assets and liabilities and financial position as at 31 December 2013, as well as of the result of the Group's and the company's activities and cash flow for the financial year from 1 January to 31 December 2013, in accordance with the International Financial Reporting Standards, as approved by the EU and Danish reporting requirements for publicly listed companies.

Comments on the Management's review

In accordance with the Danish Company Accounts Act we have examined the Management's review. No further actions have been taken in addition to the audit of the Consolidated Accounts and the Annual Accounts. Based on this we find that the information in the Management's review is in accordance with the Consolidated Accounts and the Annual Accounts.

Haderslev, 26 March 2014

KPMG
Limited partnership company of state-authorised public accountant

Peter Gath	Thorbjørn Bruhn
State-authorized public accountant	*State-authorized public accountant*

Arkil Holding A/S
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Website: www.arkil.dk
E-mail: arkil@arkil.dk

CVR No.: 36 46 95 28
Founded 1955
Situated: Haderslev

The Board of Directors
Director Agnete Raaschou-Nielsen, Frederiksberg (Chairperson)
Director Hans Schmidt-Hansen, Haderslev, Denmark (Deputy Chairperson)
Director Walther V. Paulsen, Hellerup, Denmark
Director Birgitte Nielsen, Switzerland
Director Per Kjærsgaard, Kolding, Denmark

The Executive Board
Managing Director Jesper Arkil
Finance Director Heine Heinsvig
Director (Business Development) Jens Skjøt-Arkil

Auditors
KPMG, Limited partnership company of state-authorised public accountants

Annual General Meeting
The Annual General Meeting will be held on 30 April 2014 at Hotel Harmonien, Haderslev, Denmark

The Board of Directors

Agnete Raaschou-Nielsen *
Chairperson
Born 1957. Member of Arkil Holding Board of Directors since 2012
Education: Lic. polit (PhD)
Chairperson of the Board of:
Brdr. Hartmann A/S
Juristernes og Økonomernes Pensionskasse
Deputy chairperson of the Board of:
Investeringsforeningen Danske Invest and five other unit trusts etc.
Novozymes A/S
Member of the Board of:
Danske Invest Administration A/S
Dalhoff Larsen & Horneman A/S
Solar A/S
Aktieselskabet Schouw & Co.
DLH Fonden

Hans Schmidt-Hansen *
Deputy Chairman
Born 1943. Member of Arkil Holding Board of Directors since 2003
Education: Engineer
Chairperson of the Board of:
BJ-Gear A/S
HM Systems A/S
Flonidan A/S
Collamat AG, Switzerland
Member of the Board of:
Agena A/S
Graversgaard Invest A/S
SME Invest A/S
Enghaven Agro A/S
Holding of Arkil Holding shares:
nominally DKK 1,745,200

Birgitte Nielsen *
Born 1963, on Arkil Holding
Board of Directors since 2006
Education: HD (R), HD (U)
(Graduate diplomas in Bus. Ad.)
Member of the Board of:
Finansiel Stabilitet A/S
Kirk Kapital A/S
Topdanmark A/S
Matas A/S
De Forenede Ejendomselskaber A/S

Per Kjærsgaard
Born 1942. Member of
Arkil Holding Board of
Directors since 2007
Education: Engineer
Holding of Arkil Holding shares:
nominally DKK 16,200

Walther V. Paulsen *
Born 1949. Member of
Arkil Holding Board of
Directors since 2006
Education: Master of
Business Economics
Deputy chairperson of the Board of:
Brdr. Hartmann A/S
Member of the Board of:
Investeringsforeningen
Danske Invest and five
other unit trusts etc.
Det Obelske Familiefond
Gerda & Victor B. Strands
Fond (Toms Fonden)

** Independent member according to Recommendations for good management*

The Executive Board

Jesper Arkil
Managing Director
Born 1974
Education: MSc in
Business Administration
and Computer Science
Chairperson of the Board of:
The Road Building
Section, Dansk Byggeri
Arkil Fundering A/S
Member of the Board of:
Ellen & Ove Arkil's Fond
The Export Section,
Dansk Byggeri
Dansk Projekteksport Netværk
Inpipe Danmark A/S
Holding of Arkil Holding shares:
nominally DKK 3,146,800
(class A and B shares)

Jens Skjøt-Arkil
Director, Business Development
Born 1981
Education: Engineer
Chairperson of the Board of:
Inpipe Danmark A/S
Member of the Board of:
Traffics A/S
PV Greve A/S
Holding of Arkil Holding shares:
nominally DKK 29,100

Heine Heinsvig
Finance Director
Born 1950
Education: HD (R) (Graduate
diploma in Bus. Ad./Acc.)
Member of the Board of:
Ellen & Ove Arkil's Fond
Arkil Fundering A/S
Inpipe Danmark A/S
Holding of Arkil Holding shares:
nominally DKK 22,200

THE FOUNDATION FOR ARKIL

With the eagerness to create close at heart, Civil Engineer Ove Arkil founded Arkil in 1941. Despite turbulent and difficult times, he managed to create a viable foundation for the company after the War, not least due to the building of air bases for the Danish military and by expanding the road network – first in Denmark and later on in Germany.

Today, the company is among the largest contractors in Denmark with approximately 1,700 employees and revenue of DKK 2.8 billion in Denmark and abroad. The management of the company has been in the hands of the family for 3 generations. The company was listed on the Copenhagen Stock Exchange in 1978, and today, the power to bind the company is held by a professional Board of Directors applying corporate governance in accordance with the requirements for publicly listed companies.

With the head and the heart in the right place

For Arkil, it all revolves around the client and the project. We know that the foundation of our work is created by the client's wishes and needs. We want our clients to perceive our employees as people with both the head and heart in the right place – since long-term relations and good cooperation are key factors to succeeding in the long run. Projects that are carried out in the spirit of good cooperation will become good projects and increase the possibility of a thriving spirit. The wheels are turning, the production is running smoothly, and practical solutions to even complicated professional and technical issues are a welcome part of the order of the day.

In other words, it is essential for Arkil to demonstrate responsibility for the work we carry out, the cooperation we enter into and the community which we are a part of. This has been essential for the company's core values for generations, and this will also be the approach to the challenges which we face in the future.

Core competences and interpersonal skills

Arkil has trained and experienced staff of more than 1,700 persons in Denmark and abroad as well as extensive and up-to-date machinery with equipment such as belt excavators and lifting gear, ramming machines, drilling equipment, bulldozers, graders, and other large construction equipment. Furthermore, the company disposes of an extensive amount of smaller and middle-sized equipment for carrying out ordinary construction tasks as well as both small and large specialised tasks. Together with the company's fleet of laying-out machines, a total of 13 asphalt plants in Denmark, Germany and Ireland complete the foundation for the company's production and laying out of asphalt. Furthermore, at a factory in Sweden, Arkil produces the market's best so-called "sewer socks" for renovation of piping without digging, which are sold to partners and installation contractors in Europe.

The company's activities include:

Construction

Arkil carries out construction activities on the Danish and Northern German market and holds decades of experience with carrying out all types of construction and infrastructure tasks, including comprehensive state motorway tasks, bridge-building tasks, coffer-dams and underground structures, railway tasks, land development tasks, road and sewerage tasks, cable and supply tasks, etc. Arkil holds core competences within a wide range of disciplines in the construction area, including handling and processing of soil pollution within the field of environmental engineering activities, high voltage cables and electrical infrastructure and concrete constructions for many different purposes. Throughout the years, the project managers within this activity have gained a solid experience in managing complicated infrastructure projects, in which many professional disciplines need to work together, and we are among the most experienced in the industry regarding expanded forms of cooperation, such as partnership and early procurement. Furthermore, cooperating with local and regional clients and owners for many years have resulted in today's division structure, tailored to deliver construction and supply cables to the local and municipal demand as well. Occasionally, Arkil cooperates with larger and international players on standalone projects, when the size and complexity of the project justifies this.

Asphalt

The asphalt area, covering the Danish and Northern German markets as well as part of the Irish market, conducts asphalting tasks for all types of road projects and also offers a number of special products, e.g. road surfaces with special requirements in respect of strength and constancy as well as noise-reducing wearing course, which will limit the noise pollution from traffic. Asphalt production and asphalting have been ISO certified, just as production and laying-out have been certified according to international standards as regards the environment and the working environment. In recent years, comprehensive investments have been made in technology to use recyclable asphalt with a view to achieving environmental savings. Furthermore, Arkil participates in development work to contribute to improving asphalt surfaces and reduce the environmental impact from the production. On several occasions, Arkil Asphalt has participated in large projects in Denmark and abroad, and has gained experience with asphalt surfaces in difficult environments, including Thule Air Base in north-western Greenland.

Road Servicing

Within Road Servicing, Arkil is one of the leading operators on the market for state and municipal road tasks, including maintenance of a large part of the Danish motorway network as well as contracts with local governments. The activities cover many different services, including lawn mowing, maintenance of bridges, cleaning of road side areas and picnic areas, replacing of crash barriers and road signs, maintenance of green spaces and parks, etc. These tasks require a special cooperation between the public orderer and the private supplier and great knowledge of the client's road network and the condition of this network. Development has shown that outsourcing of the local tasks within the road sector means savings and streamlining for the municipalities, although

this issue is affected by different political views and ideologies blurring the picture. In Road Servicing, we have gained good experience with taking over public parks and road activities, ensuring a smooth transition to the private sector for the employees while taking the client's needs into consideration.

Foundations

Foundations activities cover a wide range of specialities throughout Denmark and to some extent in Northern Germany. Arkil Foundations is a well-established operator on the market, and the main activities are ramming of reinforced concrete piles, sheet piles and mini piles, driving of sheet pile walls, establishing of permadisplacement piles, drilled foundations, post-foundation tasks as well as hydraulic construction tasks. The tasks are mainly carried out for external clients, but more and more frequently this activity is included in the Group's other core competencies in large projects, and, thus, helps to ensure the Group an increasing own production and better control of the overall process in this type of projects.

Piping

The Inpipe Sweden AB factory in the northern part of Sweden produces one of the best, specialised products on the market for renovation without digging. Installation is carried out by partners throughout Europe, but Arkil has their own installation activity in Germany, Arkil Inpipe GmbH. The product in question is a so-called "sewer sock" manufactured in armoured glass fibre using UV light in the hardening process, which is an environmental-saving technology.
The product has an especially high E-module, which ensures a great structural strength even at thin material thickness. In addition to the use for renovation of sewers, the product is especially suited for securing and renovating subways of larger dimensions beneath e.g. roads and railways, where increased rainfall means increased risk of foundations being washed away.

PHILOSOPHY

Our future development depends on whether our society can rest on a solid foundation, where people live in a healthy environment with a well-functioning infrastructure.

At Arkil, we build bridges, do cable work and establish connections. We clean polluted soil, construct sewers and deliver a cleaner environment. We build up plants from the start, build up the foundations, produce the asphalt and pave the way. We take care of the road once it's built and maintain its high standard.

At Arkil, we are working on our future, and our motto is "Quality on time".

Geographic area

The company offers its services through permanently established units in Northern Europe. Furthermore and from time to time, the company carries out isolated special and infrastructure projects in the rest of the world, if these projects are found to be appropriate. However, the permanently established activities constitute the basis for the business and must be prioritized as such.

QUALITATIVE OBJECTIVES

Arkil wishes to:

- Be regarded as a company with professional competency and a good form in a cooperative environment of high credibility and integrity.
- Be decentralised with delegated responsibility, great flexibility and cross-disciplinary cooperation.
- Further train the employees in order to maintain and increase professional competency at all levels.
- Maintain a strong professional community between colleagues with open and well-functioning communication.
- Demonstrate a high level of dedication, consideration and risk awareness in our activities.
- Maintain a strong, central financial control.
- Remain an independent company.
- Be a safe workplace and constantly work on improving the safety of our employees.
- Engage in the surrounding society, which we are a part of, through social awareness, technological development and reduction of our environmental impact.

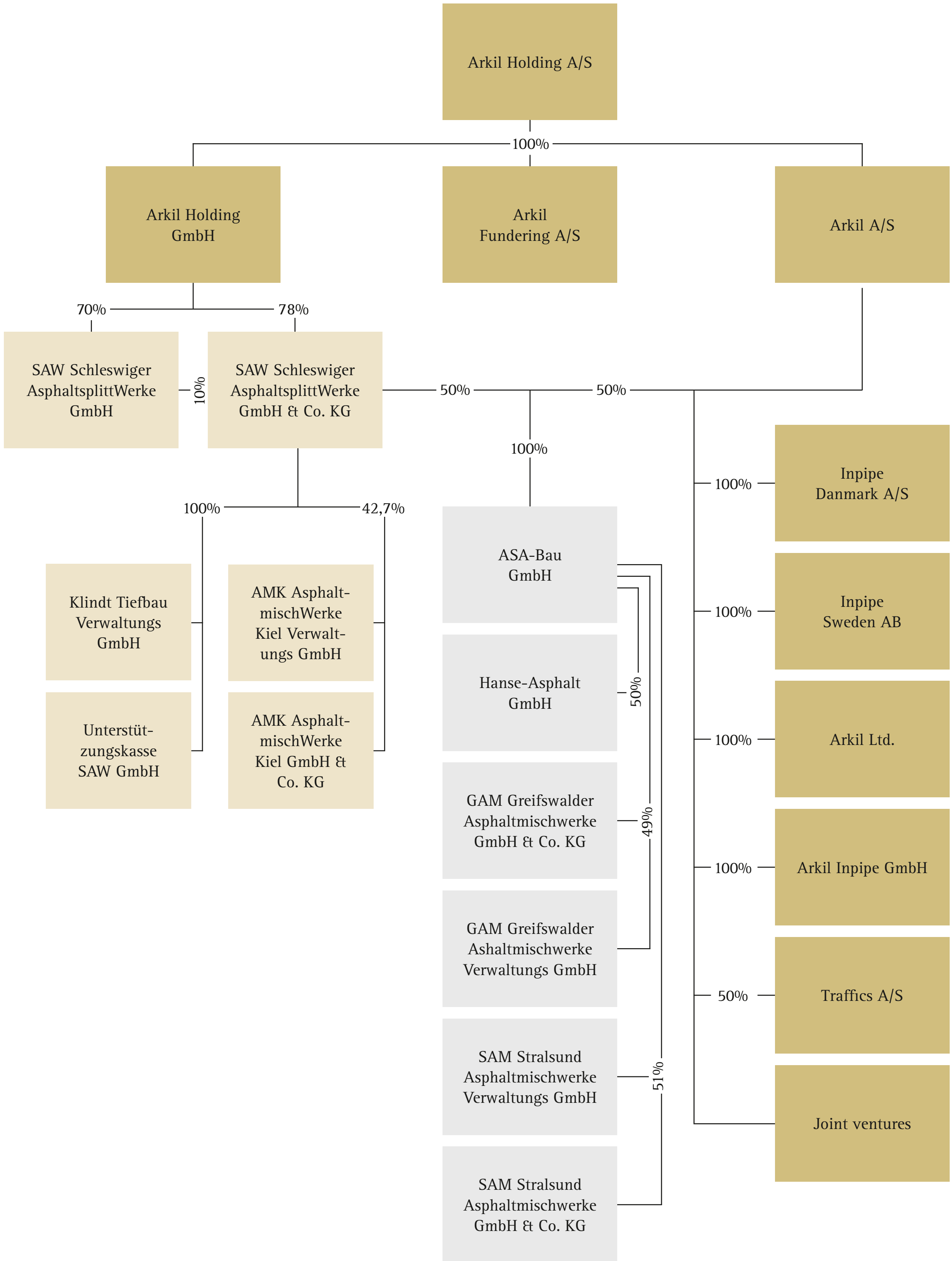
QUANTITATIVE OBJECTIVES

- A contribution ratio of at least 3.5% measured for primary activities.
- An equity ratio of at least 35.
- An average growth of at least 5% per year, taking into account at all times that earnings should be given a higher priority than revenue.
- A return on capital employed of at least 6% of invested capital (ROIC).
- Earnings per share of at least DKK 100 per share of DKK 100.

MAIN POINTS 2013

- Revenue was DKK 2,776.4 million compared to DKK 2,881.8 million in 2012.
- Primary operating profit was DKK 58.2 million compared to DKK 59.8 million in 2012.
- Pre-tax profit was DKK 54.0 million compared to DKK 54.8 million in 2012.
- The annual profit after tax was DKK 43.2 million compared to DKK 40.9 million in 2012.
- The Board recommends a distribution of dividend to shareholders of 10% of the share capital comprising DKK 49.1 million, a total of DKK 4.9 million compared to DKK 4.9 million in 2012.
- The Arkil Group expects revenue in 2014 of around DKK 3.0 billion and a pre-tax profit between DKK 50 and 80 million.

 Group structure as at 31 December 2013



Project joint ventures at the end of 2013:
Arkil-Stürup-CGJensen I/S (66.66%), Haderslev
Asfaltkonsortiet Pankas-Arkil I/S (50%), Haderslev
Asfaltkonsortiet Pankas-Arkil I/S (50%), Haderslev
JV Kassø-Tjele Betonfundamenter I/S (50%), Haderslev
Arkil-Volker JV I/S (99%), Haderslev
Konsortiet Arkil-Meyer&John I/S (99%), Randers
Konsortiet Arkil-Bilfinger I/S (86.8%), Randers

DKK million	2013	2012	2011	2010	2009
Income statement					
Revenue	2,776.4	2,881.8	2,568.5	2,061.9	2,121.5
Primary operating profit	58.2	59.8	17.4	(44.2)	46.0
Profit/loss from financial items	(4.3)	(5.0)	(5.6)	(3.0)	(3.1)
Profit/loss before tax and minority interests' share	54.0	54.8	11.8	(47.2)	42.9
Annual profit	**43.2**	**40.9**	**7.8**	**(27.5)**	**26.2**
Balance Sheet					
Long-term assets	631.6	610.7	632.6	677.9	623.2
Short-term assets	907.8	960.8	843.5	792.3	820.5
Total assets	**1,539.4**	**1,571.5**	**1,476.1**	**1,470.2**	**1,443.7**
Share capital	49.1	49.1	49.1	49.1	49.1
Total equity	**703.7**	**662.4**	**643.9**	**645.6**	**682.5**
Long-term liabilities	281.5	320.0	323.8	330.7	300.8
Current liabilities	554.3	589.1	508.4	493.8	460.4
Total obligations	**835.8**	**909.1**	**832.2**	**824.5**	**761.2**
Cash flow statement					
Cash flows from operating activities	156.7	115.3	(23.6)	88.6	149.6
Cash flows from investing activities	(66.3)	(31.3)	(38.7)	(113.7)	(59.7)
Cash flows from financing activities	(73.7)	(40.2)	(36.2)	(13.2)	(49.1)
Total cash flow	**16.7**	**43.9**	**(98.5)**	**(38.3)**	**40.7**
Investment in tangible fixed assets	(98.6)	(57.8)	(44.8)	(109.5)	(64.4)
Nøgletal					
Profit ratio	2.1	2.1	0.7	(2.1)	2.2
Return on invested capital (ROIC) incl. goodwill	6.7	6.8	2.0	(5.5)	6.0
Return on invested capital (ROIC) excl. goodwill	7.9	7.9	2.3	(6.6)	7.0
Liquidity ratio	163.8	163.1	165.9	160.4	178.2
Equity ratio (solidity)	45.7	42.2	43.6	43.9	47.3
Return on equity	6.3	6.3	1.2	(4.1)	3.9
Average number of employees	**1,741**	**1,766**	**1,717**	**1,623**	**1,750**

These key figures have been presented in accordance with the Danish Society of Investment Professionals' "Recommendations & Key Figures 2010".

Main and key figures for the Group

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33.

Other key figures have been presented in accordance with the Danish Society of Investment Professionals' "Recommendations & Key Figures 2010".

The key figures specified in the annual report have been calculated as follows:

Profit ratio $$\frac{\text{Profit before financial items x 100}}{\text{Revenue}}$$

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Return on equity $$\frac{\text{Profit for the year x 100}}{\text{The Group's average equity}}$$

Book value per share (BVPS) $$\frac{\text{The Group's equity}}{\text{No. of shares per DKK 100 end of year}}$$

Earnings per share at DKK 100 (EPS Basic) $$\frac{\text{Annual profit for continuing activities}}{\text{Average number of DKK 100 shares}}$$

Price/earnings Basic (P/E Basic) $$\frac{\text{Market price}}{\text{EPS Basic}}$$

Share price/book value (KI) $$\frac{\text{Market price}}{\text{BVPS}}$$

Liquidity ratio $$\frac{\text{Short-term assets x 100}}{\text{Current liabilities}}$$

Equity ratio (solidity) $$\frac{\text{The Group's equity x 100}}{\text{Total assets}}$$

Cash flow per DKK 100 share $$\frac{\text{Cash flows from operating activities x 100}}{\text{Number of shares}}$$

Return on invested capital (ROIC) $$\frac{\text{Profit before financial items x 100}}{\text{Invested capital average}}$$

FINANCIAL DEVELOPMENT OF THE GROUP

The Arkil Group's revenue for 2013 saw a decrease of 3.7% to DKK 2,776.4 million, compared to DKK 2,881.8 million in 2012. Foreign revenue was DKK 802.8 million, compared to DKK 774.1 million in 2012.

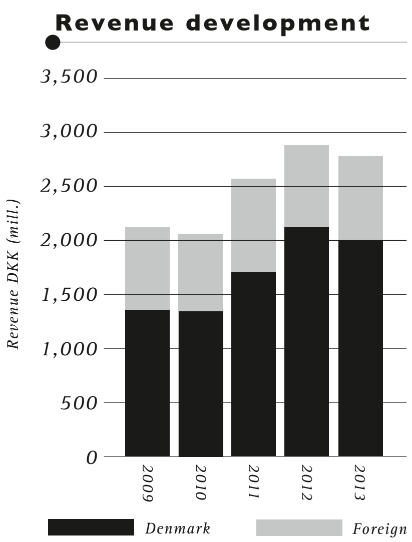
The consolidated profit before taxes for the financial year 2013 was DKK 54.0 million, compared to a profit of DKK 54.8 million in 2012. The profit announced in the 2012 annual report forecasted an expected pre-tax profit for 2013 somewhere between 35 and 60 million DKK.

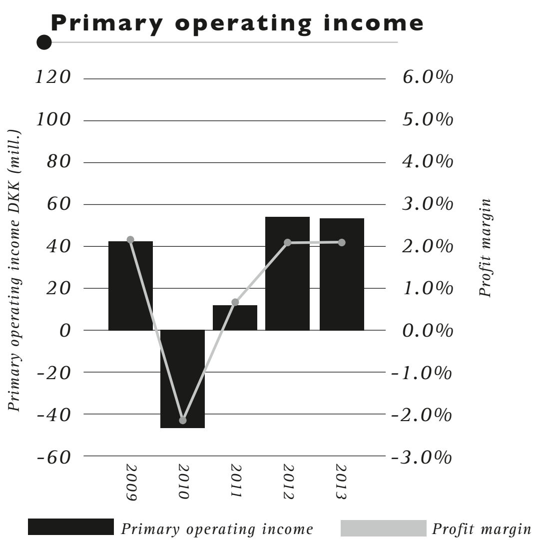
The consolidated profit for 2013 was thus realised at the same level as last year.

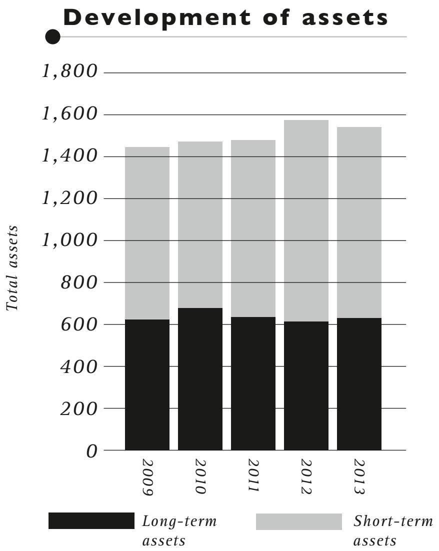
Primary operating profit was DKK 58.2 million, compared to DKK 59.8 million in 2012.

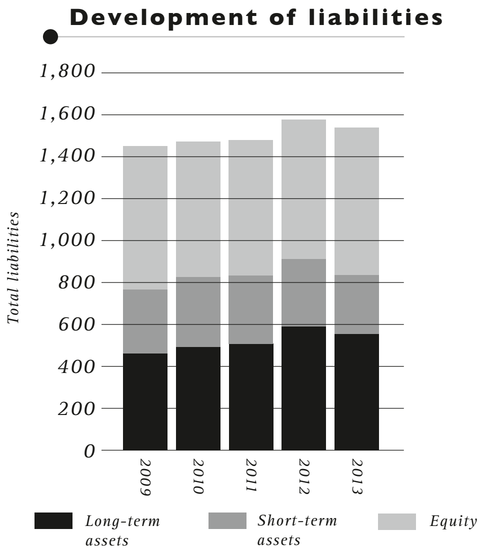
The annual profit after tax was DKK 43.2 million, compared to DKK 40.9 million in 2012.

In the fourth quarter of the year, a revenue of DKK 749.9 million was achieved, compared to DKK 764.1 million for the same period last year, a decrease of 1.9%. Primary operating profit (EBIT) for the fourth quarter was realised at DKK 29.3 million, compared to DKK 23.4 million for the same period last year.









The Board considers the performance satisfactory under the given market conditions.

Cash flows from operations less investments comprise a positive liquidity flow of DKK 90.4 million compared to a positive liquidity flow of DKK 84.1 million last year. Investments for the year comprise DKK 98.6 million. The changes in the liquidity flow primarily stem from increased cash flows from operating activities.

Equity comprises 45.7% of the total balance compared to 42.2% by the end of last year.

DIVIDEND TO SHAREHOLDERS

For the financial year 2013, the Board recommends to the Annual General Meeting a distribution of dividend of 10% of the share capital comprising DKK 49.1 million, a total of DKK 4.9 million, corresponding to DKK 10 per share with a nominal value of DKK 100, the same as in 2012.

EXPECTATIONS FOR 2014

Based on the current order book and the market situation in general, the Arkil Group expects revenue of around DKK 3.0 billion and a pre-tax profit between DKK 50 and 80 million for 2014.

DENMARK SEGMENT

2013 saw a decrease in revenue for the domestic market compared to 2012, which is the result of slightly lower road building activity, including asphalting activity, as well as the fact that contracts were not won with the same concentrated volume as in 2012. Altogether, profitability for the segment has increased, partly due to improved profitability in the projects won, partly due to a leaner cost structure, resulting in a slight improvement of the primary operating profit for the segment, despite the fall in revenue. The segment has been marked by fluctuations in both activity and earnings for the different activity types. The number of foundation, harbour and hydraulic engineering projects increased, comprising among others a large pile foundation project in the city of Ålborg related to the construction of plant facilities, hydraulic engineering on the ports of Århus and Hanstholm and several new post-foundation tasks, activities which otherwise have been few since 2009. Other large projects for construction in 2013 comprise a number of large motorway contracts and a cut-and-cover tunnel on the Silkeborg motorway, a tunnelling project for rainwater management in the city of Hvidovre for HOFOR, sewer work in partnership for Silkeborg Forsyning, track rebuilding for the railroad track "Lille Syd" between the cities of Køge and Næstved as well as a number of large bridge construction and maintenance tasks, on both sides of the Great Belt. Furthermore, the local departments in general managed to increase earnings through better project completion and a further reduction of loss-making contracts.

In 2013, new operating servicing contracts with the Danish Road Directorate were initiated, which entailed the need for adjustment and getting accustomed to changes in geography and contractual services. As expected, this readjustment caused a significant decrease in the profitability for these contracts. In the asphalt field, several functional contracts were brought to light in the market, but also less risky alternatives with partnership-like cooperation are gaining ground. The asphalt market is still marked by over-capacity and a constantly intensified struggle for contracts in 2013 put profitability under further pressure.

Financiel information for the Denmark segment

(DKK million)	2013	2012	2011
Revenue	**1,994.5**	2,118.9	1,703.2
Primary operating profit	**41.9**	35.8	(7.8)
Segment assets	**1,004.7**	1,052.2	904.7
Profit ratio	**2.1**	1.7	(0.5)
Return on invested capital (ROIC) incl. goodwill	**6.9**	6.0	(1.3)
Return on invested capial (ROIC) excl. goodwill	**7.8**	6.9	(1.4)
Number of employees	**1,166**	1,199	1,144

The balance between large and small projects has shifted in favour of the large projects, in line with the general tendency in the market for larger infrastructure projects. The projects keep getting larger and more complex and consequently more risky, both technically and contractually. As a consequence of this, 2013 saw an increase in the uncertainty of work in progress and in the number of disputes with the developers, which emphasize the need for efficient internal contract management. In an effort to reduce the risk of failed projects and losses, work is being done to involve the contractor at an earlier point in the planning phase than normally in ordinary tendering. An increase in the number of turn-key contracts tendered from the largest developer organisations in the country, including Banedanmark and the Danish Road Directorate, indicates that this effort is beginning to bear fruit.

Expectations for 2014

An increase in the level of activity compared to that of 2013 is expected for 2014, primarily due to an increase in construction activity, both for large projects within road, rail and bridge construction (including renovation and reconstruction) and within local departments, primarily with work on sewer conduits and supply lines for local and regional utilities. In the long turn the Danish Construction Association expects a decline in road construction activity, which should be partly offset by an increase in the rail construction activity, due to general railway investments in addition to the Copenhagen-Ringsted railway track and the investments from Danish train infrastructure fund Togfonden. As the activities mentioned above lie within the group's competences, some growth in activity should be expected for the years to come.

Profitability in 2014 is expected to be marginally better compared to 2013, but the goal of the group of having a contribution ratio of at least 3.5% is expected to be met after 2014. The low profitability is among other things attributable to the fact that most of the group's activities are carried out in a market where the price at the time of tender still outweighs the consideration of total costs in the eyes of the client. Also, foreign interest in the Danish market is increasing, caused by a low level of activity in the rest of Europe, and, in spite of year-for-year improvements since 2010, still a number of projects were carried out with somewhat lower earnings than had been expected.

OUTSIDE DENMARK SEGMENT

The level of activity in the Outside Denmark segment was slightly higher in 2013 than in 2012, but, as expected, turned out with lower earnings, especially in Germany, which is the group's largest foreign market, but also the reliner plant in Sweden delivered results lower than expected, partly due to intensified price pressure, and partly due to remedial costs related to isolated projects in Sweden. Results for Ireland, however, turned out slightly better than expected, in spite of a lower level of activity, which can be viewed as positive, as national budgets for infrastructure have been low since the onset of the economic crisis.

Projects carried out in Germany during the year include a large number of road construction and sewerage tasks in Schleswig, Kiel, Lübeck and Rostock, a complicated road resiting in Flensburg, as well as asphalt production and paving tasks across the group's positions in Schleswig-Holstein and Mecklenburg-Vorpommern. Asphalt production totalled 380,000 tonnes in 2013, compared to slightly more than 400,000 tonnes in 2012, and the state of roads in Germany is still marked by a great lag in investments. In Ireland, the number of assignments in the Dublin area has been declining, mainly being local government enterprises, whereas a number of large road upgrades in Cork were successfully carried out for the Irish State (NRA). In Kerry, activity was supported especially with the supply of large rocks for a road upgrade on the Dingle peninsula.
A development project covering the production of especially fine-friction-quality Kerry quarry granite is close to its end and there is a possibility that these rocks can be used for export purposes.

Profitability in Germany declined compared to last year, which is partly due to the fact that provisions for non-realised losses were dissolved, which were not the case in 2013. Furthermore, a large loss-making road resiting project was carried out in Hamburg, which resulted in provisions having to be made for this isolated project during the year.
Also Greifswald-based company ASA-Bau saw a change in management as a result of organisational streamlining.

Expectations for 2014

On the important German market, infrastructure investments will be kept at a stable level, and with the current prospects, there will probably not be any significant growth in the activity. There is, however, expectations of a slight increase in profitability, partly based on a relatively high number of orders on our books at the start of the year, and partly based on expectations of better project completion than has been the case in 2013.

In Ireland, public budgets are coming up, and infrastructure had a boost compared to previous years, and it is therefore expected that 2014 and the years to follow will see a moderate level of growth until a realistic normal level is reached, this naturally being lower than the last years leading up to the economic crisis, but still somewhat higher than the current level. This trend is expected to be reflected in profitability, however, with the current market over-capacity, there do not seem to be prospects of a boost in the general price level.

In view of the current market situation on the traditional no-dig market, the reliner plant in Sweden increased activity within production of specialised products, where the company has a better position to utilise its competences. The increased focus on specialised products is expected to contribute to better earnings in Sweden.

On a whole, only moderate improvements in profitability for the Outside Denmark segment as well as a slight increase in the level of activity are expected for 2014. As is also the case for the home market, one way to increased profitability outside of Denmark is to minimise the number of projects with earnings lower than expected through improved risk management and efficient project completion.

Financial information for the Outside Denmark segment

(DKK million)	2013	2012	2011
Revenue	**781.9**	**763.0**	865.3
Primary operating profit	**16.3**	**24.1**	25.1
Segmen assets	**534.7**	**519.3**	567.8
Profit ratio	**2.1**	**3.2**	2.9
Return on invested capital (ROIC) incl. goodwill	**6.3**	**8.3**	9.6
Return on invested capital (ROIC) excl. goodwill	**8.0**	**10.3**	12.2
Number of employees	**575**	**567**	573

INVESTMENTS AND NEW ACTIVITIES

Investments in tangible assets for the year totalled DKK 98.6 million.

In 2014, the company expects to make investments in tangible assets amounting to approx. DKK 107 million.

At the end of the year, Arkil closed a deal with the Municipality of Greve regarding the foundation of the company PV Greve A/S in which Arkil holds 50% shares. The company, which was founded in 2014, will carry out the operation of park and road activities in the municipality of Greve.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

No other events that could influence the annual report for 2013 have occurred since the end of the financial year.

GENERAL RISKS

The Board of Arkil Holding A/S assesses and approves the strategic plans for the Arkil Group and for the individual business segments on an annual basis.

The Arkil Holding Group's activities, which are in the building contracting sector, involve a number of commercial and financial risks.

The Group's strategy is to apply specific risk management to minimise and deal with commercial and financial risks.

Risk management is primarily targeted at uncovering risks in the group's primary business process, project management. Project management covers the stages from offering to completion. Project risks at all stages will be evaluated systematically, and different parts of the organisation will be involved during different points of the process. This helps ensuring that the Group only commits to projects with an acceptable risk profile within the core competencies of the Group.

It is assessed that the risks that the Group is facing in general are no different from the usual ones facing companies in the building contracting sector.

The most important operating risk for the Group is affected in particular by its ability to be flexible, with the possibility of rapid adaptation to current market trends within the main business areas of the Group being a key factor.

The Group's customers are mainly public and semi-public authorities, which means that the number of contracts on offer will vary according to political and economic trends.

It is also the Group's strategy to set up subsidiaries abroad, in order to achieve geographical dispersion of the Group's activities, thus reducing dependence on the Danish market.

The Group's main activities lie within routine jobs involving well-known risks that can be minimised through risk management.

Large specialist contracts are often carried out in consortia with experienced partners and specialists, which limits the risks.

Forms of collaboration based on partnerships and early procurement, in which the contractor is involved in the project before the projecting and planning phases have started, will improve the uncovering of risks for the projects.

The Group's insurance strategy involves uncovering significant risks over which the Group itself has no direct influence and which may constitute a threat to the Group's financial status and existence.

Factors that could lead to significant deviations from the expected results include, but are not limited to, economic trends and the development in the financial markets, technological developments, changes to legislation and regulations in the markets where Arkil operates, competitive conditions, job offerings within the Group's areas of business, weather and climate conditions in the markets where the Group operates, and the acquisition and sale of activities and companies.

The Group's financial risks are described in the notes to the Annual Report.

DEVELOPMENT OF PRODUCTS AND METHODS

The Group's activities related to the development of products and methods focus on productive activities meeting existing or projected needs on the market.

Production methods and techniques are evaluated on an ongoing basis in order to optimise the production processes and project completion and meet the market's need for new products and methods.

Arkil focuses on the development of products and methods that contribute to increased use of recyclable raw materials, reduced consumption of materials and production waste as well as energy consumption. The development activities carried through are contributable factors to increased competitiveness as well as an improved environment.

CORPORATE SOCIAL RESPONSIBILITY

The Arkil Group has always kept focus on delivering production and services of a high quality, having good and long lasting customer and supplier relations, having motivated employees and living in harmony with the near environment. Corporate and social responsibility have, thus, always been important factors for Arkil. Today, customers, contractors and other stakeholders to an increasing extent demand that Arkil's production and services are carried out on the basis of corporate and social responsibility – a trend which is expected to grow in the years to come.

The Arkil Group carries out construction work, including asphalt production, from departments in Denmark, Germany and Ireland as well as production of Inpipe reliners in Sweden.

The Group wishes to expand its business in a way, which is both socially and financially sustainable. Apart from complying with legislation on all plants and locations, it is also the Group's policy to live up to ethical codices in respect of both environmental and work related conditions.

The Group embraces the United Nations Global Compact.

Corporate social responsibility work is based on the Group's formulated CSR policy and is rooted in the Arkil Group Values. CSR policy should affect the way the organization behaves towards the outside world.

CSR Policy for the Arkil Group

In Arkil we recognise our corporate responsibility and contribute to the society we are part of – no matter where we operate. We do this by:

- **Ensuring decent working conditions and a safe workplace for our employees.**
  Arkil will not contribute to social dumping or exploitation. Arkil employees enjoy decent pay conditions and terms of employment that are all in compliance with the collective agreement and applicable law. We also require that our workplace safety is top-of-the-line, and Arkil not only complies with working environment laws – it is our declared goal to be a leader in terms of safety for our employees.

- **Educating our employees**
  Arkil employs a relatively large number of people without any particular educational qualifications. Arkil recognises that it is in the interest of both the company, the employees and society that the prospects for this job group are taken properly care of. Therefore it is the Group's policy to train building apprentices and asphalters concurrently with our activities and also to carry out supplementary training courses for all staff groups.

- **Investing in the best solutions**
  Arkil intends to prevent pollution in every way possible by investing in energy efficient solutions and promoting energy efficiency initiatives in the Group's activities. Arkil also takes active part in experiments with reusing/recycling materials such as construction materials, incineration slag and asphalt. As part of our daily business, we also research and develop advanced environmental solutions and methods to prevent and clean up pollution caused by others.

- **Guaranteeing**
  Our clients should be confident that we always live up to our responsibility towards society in every aspect, and in order to achieve this we will actively and to the widest extent possible follow up on and commit our working partners and subcontractors to our CSR policy.

The policy is applicable for the entire Arkil Group and all its subsidiaries, including subsidiaries abroad. The Arkil Group's codex of business principles can be found on Arkil's website – http://www.arkil.dk/samfundsansvar-1775.aspx

Focus on training and education

Arkil is dependent on having the right employees with the right skills and qualifications in order to be able to deliver "Quality on time", create decent results and live up to the company's strategies. With this in mind, the company keeps focusing on the importance of training and education, an area which still remains of high priority, so that the company can deliver on the demands from its clients and customers.

In the course of the last four years, Arkil has targeted its efforts on apprentices. The goal is to educate more and educate better. They have succeeded in both, as the company through the last four years has doubled the number of apprentices. By the end of 2013, Arkil employed 50 construction and paving apprentices as well as 13 apprentices within the fields of road building equipment driving, road paving, vehicle driving, construction plant mechanics and office work. This means that at this point approximately one in ten of the employees in the apprentice training departments is an apprentice.

The apprentice policy at Arkil is evaluated on a regular basis, in order to keep improving the policy. The improvements mean that Arkil can improve the environment for the company's apprentices and ensure that they will achieve the optimal benefit from their apprenticeship in the company. A large part of the people who completed their training continue to work in Arkil, and Arkil keeps a goal of increasing the number of skilled workers in the company.

In addition to a targeted effort on apprentices, Arkil also focuses on the importance of education/training of hourly workers and non-manual workers and managers, so that the company, at all times, has the right employees with the right skills and qualifications, who will be able to carry out the work and projects of the company.

This is achieved through the continued development of The Arkil Academy, which for a number of years has trained the company's non-manual employees and managers in fields such as strategy, finance, management and day-to-day operations. One of the new features at The Arkil Academy is an executive programme, which focuses on project management, allowing the executives of the company to enhance qualifications and improve their ability to resolve corporate tasks. Simultaneously with the internal training programme at The Arkil Academy, the company staff, both hourly workers and salaried employees, receive training via external courses to make sure they possess the required qualifications.

On top of that, Arkil continues to focus on completion and updating of compulsory courses, as the company will not compromise with applicable legislation and safety.

Another training project that the company has been involved in for a number of years is The Asphalt School. The Asphalt School is a project created in cooperation with the trade union 3f, the Danish Asphalt Pavement Association and the adult education centres of VUC. The Asphalt School focuses on the importance of general skills such as Maths and Danish in qualifying the company's employees to meet the requirements of the future. Project Asphalt School has been offered to all hourly paid employees in Arkil's asphalt division. Many have accepted the offer to improve the individual qualifications in these areas, so the company has decided to extend the collaboration to develop The Asphalt School and is currently looking at the possibility of offering eLearning at 9th and 10th Danish grade level.

And that is not the only area in which Arkil has chosen to offer eLearning to the employees. It is a form of education that helps create greater flexibility, since it enables the employee to acquire new knowledge and qualifications when it is convenient for the employee as well as for the compan.

Focus on environmental conditions

In the Arkil Group, environmental conditions are regarded in a broad perspective, and this covers both the external environment and the working environment.

Environmental conditions are thus viewed broadly and are always part of the projects carried out in the departments and companies included in the Group.

The Group's environmental and climate policies aim at a continued improvement of our environmental performance within the technically and financially possible limits. Arkil's asphalt activities are certified in accordance with the quality standard ISO 9001, the environmental standard ISO 14001 and the working environment standard OHSAS 18001. In addition, all our asphalt products have been CE marked in accordance with DS/EN 13108. The environmental management system is described in a manual covering the 3 ISO standards as well as the product standard DS/EN 13108.

Arkil's other divisions have developed their own environmental management systems based on the knowledge and experience of the Asphalt division.

Arkil has focus on increased reuse of raw materials and reduction of the energy consumption in the production process to the benefit of the environment. Thus, recycling plants have been established at all the Group's wholly owned asphalt plants in Denmark and Germany with an average production of minimum 40,000 tonnes a year. Increased use of recycled materials in the production helps reducing the consumption of scarce resources in the form of oil products, stone materials, etc.

The application rate for the use of recycled materials in the products is to some extent determined by the product programme for the tenders awarded as well as by the clients' product specifications.

Investment in better warehouse facilities at the asphalt plants is made on an on-going basis, these being in the form of covered storage spaces for storing recycled materials and raw materials for the asphalt production, so that the materials can be kept dry. The use of dry materials in production contributes to significant reductions in the energy consumption.

Arkil keeps focusing on initiatives and matters which can contribute to reducing the total environmental impact by minimising fuel consumption.

When replacing or purchasing machinery, energy consumption should be considered as a key parameter when selecting machinery brand.

A part of the production planning for construction projects is the focus on optimisation of the energy consumption. Furthermore, there is great focus on the driving patterns of the machine operators, since considerable savings can be achieved when applying an optimal driving pattern.

The effort for a better environment and larger sustainability takes place on an on-going basis in relation to customers, production and services in connection with product development as well as in relation to the Group's own direct external impact on the environment and the climate. The overall result of the activities carried out has not been accounted for, as reliable measurements cannot be made of this.

Focus on working environment

In accordance with Arkil's working environment policy, no employee in the company Arkil A/S shall be exposed to larger risks than can be justified when using our best insight and knowledge. The company's employees should be able to expect that – even after years of employment – they would not be more run-down or burdened by effects of the working environment than what is caused by natural ageing. This puts the company under an obligation to prevent work accidents and work-related ill-health by ensuring that the employees are properly trained and instructed in how to carry out their work and that the conditions are right for carrying out their tasks.

Work accidents must be avoided, one of the ways being to promote a culture which focuses on the safety and health of the employees. Our employees must stay alert and raise questions if conditions which are not satisfactory are discovered. The working environment is also the personal responsibility of each employee.

Our Asphalt activities have been certified according to DS/OHSAS 18001 as regards the work environment. The activity is audited internally and externally several times a year on this matter.

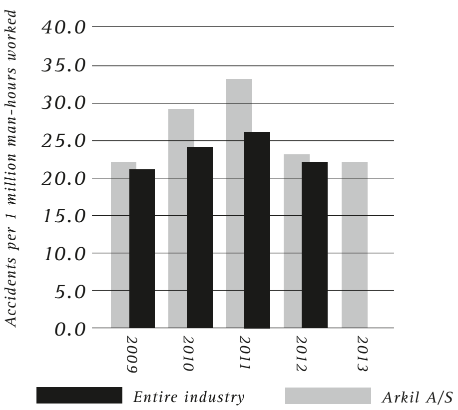
In 2013, Arkil set out a goal of an average accident frequency of max 19.9.

For 2013 the number of work accidents in Arkil A/S requiring notification reached 44 accidents, which equals a frequency of 21.8 – 10% above the set goal for Arkil A/S, yet below the 2012 frequency of 22.5.

The company has a target goal to reducing the accident frequency by 30% over the next two years compared to 2013.

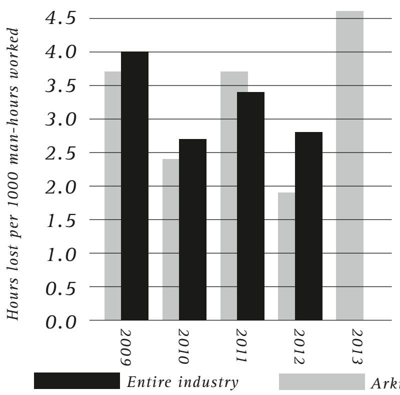
Accident frequency 2009 - 2013

Accident frequency is calculated as the number of accidents per 1 million man-hours worked.



Work absence 2009 - 2013

Absence is calculated as the number og hours lost per 1000 man-hours worked



(The industry numbers for 2013 have not yet been published)

Absence frequency rose by 142% in 2013. In average, there were 1.9 absence hours for every 1,000 work hours in 2012 compared to 4.6 absence hours for every 1,000 work hours in 2013. This rise can be attributed to a couple of employees being long-term absent due to illness.

The trends in accident frequency and absence due to accidents the last 5 years can be seen in the charts below.

In 2013, we have worked systematically to prevent work accidents with initiatives such as recording near misses and designing preventive measures. By the end of the year, 49 near misses had been recorded. This number is significantly lower than expected. The reports have resulted in action, which in the long term will help improve safety across the organization.

Reporting near misses is an important element of the effort to prevent work accidents as well as creating and maintaining a positive culture of safety. That is why this is one of our goals for 2014.

With regard to increasing safety through knowledge, the Health and Safety Department introduced 2 different newsletters in 2013, which will be sent to all employees 2-4 times annually:

1. Newsletter on quality, environment and working environment: Focus on new initiatives, new legislation, regulations etc. with consequences for employees on our sites.

2. Newsletter on near misses: Based on the most recent records of near misses, everyone is informed of selected observations, their possible consequences and preventive measures.

In 2013, 19 different courses on working environment and safety were completed, such as The Required Work Environment Training, Working Environment Supplementary Course, First Aid, Vejen som arbejdsplads (The Road as a Work Place), Pas på Banen (Take Care on the Tracks) – including renewal of existing qualifications as well as in-service training for freight drivers. A total of 582 employees attended these courses.

Sickness absence

Preventing sickness absence is of high priority in the Arkil Group, and the trend in sickness absence is monitored closely by the Management. The trend in sickness absence is analysed by the Group's Human Resource department in cooperation with the Management, and necessary measures will be taken should the analyses reveal a need for this.

In 2013, the percentage rate of sickness absence in the Danish companies was 3.76%, which is unchanged compared to last year.

KNOWLEDGE AND COMPETENCE

Arkil's knowledge and competence have been built up around the Group's organisation and employees.

Competency development and initiatives to recruit and maintain employees is of high priority in the Arkil Group.

The knowledge of its employees is an important element in making it possible for the Arkil Group to make a difference. This is why every year the company invests significant resources in the maintenance and development of the employees' skills.

The staff at Arkil is dedicated and stable and possesses a high level of expert knowledge on the Group's business areas.

Through the staff and educational policy that has been formulated, the Group attempts at all times to maintain and extend the knowledge and competence of the employees and to attract new, experienced employees. The knowledge and skill of our employees are nurtured and further developed through both external and internal courses and through involvement in the execution and management of different projects and special assignments. Direct collaboration between the Group's departments and business areas both in Denmark and abroad is being developed continuously and helps guaranteeing greater sharing of experience and knowledge.

The Arkil Academy handles the Arkil Group's internal training of managers and employees. The training is intended to strengthen knowledge and competence as regards operational and strategic management on the different management levels targeted at Arkil's business areas and models and to ensure the recruitment of new management potential within the organisation.

In 2013, the Group employed 1,741 members of staff, of which 393 are administrative staff. 244 members of the staff have an engineering or technical background.

GOALS AND POLICIES FOR THE UNDERREPRESENTED GENDER

It is company policy not to discriminate based on gender when hiring or appointing individuals to any type of position in the Group.

The company recognizes that it operates in an industry in which production at times involves hard physical labour, which contributes to an overrepresentation of men in production due to the limited number of female applicants. In administration, the situation is reversed and a similar overrepresentation of women among the applicants, and consequently in the actual positions, can be observed.

When appointing or hiring employees to management positions, including executives and other management positions that involve staff and professional responsibility, it is essential to the best interest of the company that the selection criterion be "best suited" for the position, meaning in possession of insight, experience and understanding of the job in question, and based on previous performance and results, whether the candidates for the position be internal or external, men or women.

The gender distribution in management positions within a particular business area will likely reflect the gender distribution among the employees of that business area, which in turn is a reflection of the gender distribution among the applicants for all the positions of that business area.

To achieve a better gender balance in the actual jobs, then, we first need a better gender balance among the applicants for those jobs.
Nevertheless, it is the company's objective to achieve, to the extent possible, a gender-balanced distribution on the board of directors and in the company's other management levels.

Based on the above as well as on section 139a of the Danish Companies Act, the company has drawn up a gender and diversity policy to seek a more balanced distribution in the company's management levels.

In accordance with the practise of The Danish Business Authority, the company has an equal distribution of women and men on its current board of directors.

The gender and diversity policy includes a description of hiring procedures and recruitment policies as well as career development with regard to advancing a more balanced gender distribution.

SHAREHOLDER INFORMATION

Share capital

Arkil Holding's share capital constitutes DKK 49.1 million, of which DKK 6.1 million is in class A shares and DKK 43.0 million is in class B shares.

Arkil Holding class B shares are listed on NASDAQ OMX København A/S, and the class B capital is distributed in shares with a nominal value of DKK 100.

Class B shares are negotiable instruments that are issued to the bearer, but can be registered in the name of the holder in the company's register of shareholders.

Class A shares are registered shares and are non-negotiable instruments. Class A shares are assigned ten times the voting right of Class B shares.

The division into two share classes was established to ensure independence of the company to the benefit of the shareholders, its employees and other stakeholder groups. Furthermore, it helps ensuring a strong company culture.

The Group has not entered into any essential agreements that will be effective, amended or expire, should the control of the Group be changed following an offer for takeover.

Shareholders

All class A shares are owned by Niels Arkil and Managing Director Jesper Arkil.

Own shares

The management of the company may, in accordance with the powers of the General Meeting, permit the company to purchase its own shares up to a total nominal value of 10% of the share capital. This power is valid until 24 October 2014.

The Group's holding of own shares at the end of the fiscal year comprised 17,300 Class B shares, corresponding to 3.5% of the share capital. The purpose of this is to ensure flexibility in connection with future acquisitions and strategic co-operative agreements.

Market price

The Stock Exchange quotation for the company's class B shares as of 31 December 2013 was 610 – an increase of 54.4% compared to the price at the end of 2012.

COMPANY MANAGEMENT

The role of the shareholders and their cooperation with the company's management

The company seeks to ensure information to and the possibility for dialogue with the Group's shareholders through regular publication of news, financial statements and annual reports as well as at the Annual General Meeting. All published information is made available to the investors on the company's website.

Furthermore, the shareholders have the possibility to communicate with the company's Managing Director and Chairman of the Board.

The Board regularly assesses the composition of the company's capital and share structure. It is the opinion of the Board that an equity share of minimum 35% is in the interest of the company and the shareholders. The overall goal is to ensure a structure which supports a long-term and profitable growth, where the group at all times is capitalised, so that financing can be achieved on the usual and reasonable terms.

The distribution of the share capital and the voting rights into share classes can be seen in a separate note to the annual report.
The General Meeting is the superior authority within the company. Ordinary Annual General Meetings are normally held in April.

The Board will summon to the General Meeting at least 3 weeks and at the earliest 5 weeks before the meeting. The notice convening the meeting will contain the agenda regarding the matters to be discussed. The Annual Report and proposals for matters to be discussed are sent to shareholders on the register who have requested this no later than 8 days prior to the Annual General Meeting. All shareholders have the right to participate and vote personally or by power of attorney as well as to propose matters to be discussed. Shareholders are able to give power of attorney to the Board for each item on the agenda.

At best, the entire Board of Directors should be present at the Annual General Meeting.

The role and significance of the stakeholders for the company as well as the company's corporate and social responsibility

The company wishes to enter into constructive dialogue with its shareholders and other stakeholders and to maintain a high degree of transparency in communicating with the shareholders. Thus, policies have been drawn up for a number of focus areas, such as communication, staff, environment and responsibility towards customers and society as a whole.

Please refer to the separate statement in the annual report for a description of the company's corporate and social responsibility.

Openness and transparency

It is the Company's view that adequate and punctual information to the shareholders and the financial markets is necessary in order to ensure a well-founded and fact-based valuation of the Company's assets.

The Company places great emphasis on giving all investors and other stakeholders access to information about the Company. Information to the market will be published through NASDAQ OMX in Danish and, to the extent it is deemed necessary, in English. Furthermore, all information will be available on the Company's website at the same time as the publication.

The tasks and responsibilities of the Corporate Management

The Board of Directors is responsible for the overall management of Arkil and for ensuring that the Executive Board works according to the objectives, strategies and business procedures that have been decided upon.

The Board convenes according to an established meeting schedule five to seven times a year, of which one of the meetings is dedicated to determining the objectives and strategies of the Group and the individual business areas. The Executive Board attends these meetings. A summons is made to extraordinary meetings should circumstances so dictate.

The Board's order of business forms the basis for the work of the Board. The order of business is updated at least once a year.

As a natural element of its work, the Board of Directors discusses the Group's management processes on an on-going basis, in order to ensure that they are essentially in accordance with international recommendations and practices and also satisfy the legal requirements of company management.


VOLVO
ARKIL

The Board of Directors has stipulated the guidelines for the Executive Board's reporting to the Board of Directors. In addition to this, the Board of Directors receives reports on the company's situation from the Executive Board and special notifications when required. The Executive Board thereby continually informs the Board of matters such as the development and profitability, financial position and other operational matters of the business areas. The Board is informed systematically at meetings and by means of verbal and written communication.

The Board of Directors selects a Chairman and a Deputy Chairman, who, together, constitute the Chairmanship. The Chairmanship's duties, obligations and responsibilities are set out in the rules of procedure and include scheduling Board meetings in collaboration with the Executive Board.
The Board may appoint committees to attend to particular duties. No such committees currently exist. According to section 31 in the Danish Act on Registered and State-Authorised Public Accountants, an audit committee must be set up. It is the decision of the Board that the functions assigned to the audit committee shall be handled by the entire Board.

The Board is made of a total of 5 members. The Board is elected by the General Meeting for one year at a time. The Articles of Association contain no limits as to the age of members or the length of membership in relation to the engagement of company board members. Over the years, however, there has been a natural replacement of board members.

The Board regularly reviews the composition of the Board and the number of directors.

The Board carries out a yearly evaluation which among other things covers the composition of the Board as well as how the Board works and acts, including an evaluation of the collaboration between the Board of Directors and the Executive Board. In 2013, the evaluation of the Board's work was managed by the Chairman of the Board. The evaluation included the use of questionnaires. The results and follow-ups have been discussed by the entire Board.

It is evaluated on a current basis whether the appointment of committees is necessary.

Remuneration to the Management

The Board continually discusses and considers the principles for the remuneration of the Executive Board with a view to ensuring that these principles are in accordance with general practises for comparable companies and reflect the performance required.
No agreements have been made with the Board of Directors, Executive Board or any leading employees on extraordinary severance payments.

In matters of dismissals in connection with "change of control" which means that the controlling interest in the company shift to another owner or that the company will be dissolved through merger, the company's notice period for members of the Executive board shall be extended to 36 months.

The Board receives a fixed remuneration which is approved by the Annual General Meeting on an annual basis.

The Group does not have any share option programmes or similar.

The remuneration to the Executive Board is described in greater detail in the notes to the annual report.

Risk management and description of internal controls

The Board and the Executive Management evaluate the Group's risk exposure on a current basis in relation to the Group's activities.

It is the Group's policy to reduce risks where possible and deemed appropriate. The risks for the company are discussed separately elsewhere in the present annual report.

The Board of Directors and Executive Board hold the overall responsibility for the Group's risk management and internal control, including compliance with the relevant legislation and other adjustments in connection with the presentation of accounts.

The Board of Directors finds that the Management's views are crucial for good risk management and internal control. The Board of Directors' and the Executive Board's views in respect of good risk management and internal control are thus emphasized on a continuous basis.

The Group's risk management and internal control in connection with the presentation of accounts, including amongst others IT and taxes, have been organised with a view to reducing the risk of major errors and omissions in the presentation of accounts.

The Board of Directors/the audit committee and the Executive Board continuously assess the significant risk and internal control in connection with the Group's assets and their influence on the presentation of accounts.

Control environment

At least once a year, the Board of Directors assesses the Group's organisational structure and staffing in significant areas, including areas in connection with the presentation of accounts – including e.g. IT and taxes.

The Board of Directors and the Executive Board will establish and approve overall politics and procedures and controls in connection with the presentation of accounts. The basis of this being a clear organisational structure, clear lines of reporting, authorisation and certification procedures.

Once a year, the Board of Directors/the audit committee will assess the need for establishing internal audit procedures. The Board of Directors has decided not to establish internal auditing.

The Board of Directors has approved politics and procedures within significant areas.

The adopted policies and procedures are available on the Group's intranet.

The Executive Board will monitor on an on-going basis that relevant legislation and other regulations and requirements in connection with the presentation of accounts are complied with and will report to the Board of Directors/the audit committee in this respect.

Risk analysis

At least once a year, the Board of Directors/the audit committee and the Executive Board will carry out an overall risk analysis of risks in connection with the presentation of accounts.

Based on this, the Board of Directors will adopt a Group Risk Management policy that, among others, includes a description of the most significant risks in connection with the presentation of accounts as well as measures to control and eliminate and/or reduce the risks.

Every year, as part of the risk analysis, the Board of Directors and the Executive Board will assess the risk of fraud and the necessary measures which should be taken in order to reduce and/or eliminate these risks. This includes the Board of Directors' assessment of the possibility of the day-to-day management to bypass checks and exercise improper influence on the presentation of accounts.

On significant acquisitions, an overall risk analysis is carried out in respect of the newly acquired company, just as the essential administrative procedures and internal controls in connection with the presentation of accounts in newly acquired companies are examined as part of due diligence and/or immediately after the takeover.

Decisions concerning actions in respect of reduction and/or elimination of risks are based on an evaluation of materiality and cost/benefit analyses.

The most essential risks in connection with the presentation of accounts appear from the Management's review and in the notes to the Annual Report.

Control activities

The control activities are based on the risk assessment. The objective of the Group's control activities is to ensure that the objectives, politics, manuals, procedures, etc. outlined by the Executive Board are followed as well as to prevent, discover and correct any errors, deviations or omissions, etc. in due time.

The Executive Board has established coherent and transparent business systems, which are easily accessible at all levels of the organisation. The Executive Board is of the opinion that the established business systems to a large extent will strengthen the internal control and, thus, reduce the risk of essential errors.

The Executive Board has established formal reporting procedures for the Group, comprising of budget reporting and monthly reporting, including deviation reports with quarterly updating on the estimates for the year. In addition to income statement, balance sheet and cash flow statement, the reports include notes and supplementary information. Information to be used in respect of complying with any requirements to the notes as well as other reporting requirements is collected on an on-going basis.

Information and communication

The Board of Directors has approved policies concerning information and communication, which among other things establish the requirements to the presentation of accounts and the external financial reporting in compliance with the legislation and the regulations in this respect.

One of the objectives of the policies concerning information and communication approved by the Board of Directors is to ensure that applicable duties to disclose are complied with as well as ensuring that the information provided is adequate, complete and precise.

The Board of Directors finds it important that – within the scope applying to public listed companies – there will be open communication in the company and that each individual knows his/her role in the internal control in the company.

The Group's essential risks and internal controls in connection with the presentation of accounts, the Board of Directors' view in this respect and actions taken in this respect are conveyed internally in the Group on an on-going basis.

The Board of Directors and the Executive Board find it important that each individual constantly and in due time should have all relevant information at hand to carry out the tasks.

The information systems are designed to enable the company to identify, gather and communicate relevant information, reports, etc. on an on-going basis at all levels – under due consideration of the requirements concerning confidentiality for public listed companies – that will enable the individual to effectively and reliably carry out tasks and controls. The aim is that the company will constantly be able to issue trustworthy reports and carry out controls with a view to effectively managing the company operationally, financially and in accordance with applicable legislation and regulations.

Together with the appurtenant manual and systemic controls, the information system is intended to enable controls being carried out and documented in an effective and appropriate manner. Furthermore, the information system is intended to ensure effective and reliable communication through all levels within the organisation and, where relevant, with clients, suppliers, authorities, shareholders, investors, financial markets and the press, etc.

Monitoring

Each risk management and internal control system must be monitored on an on-going basis to ensure that it is efficient.

The monitoring will be carried out by on-going evaluations and controls at all levels in the Group. The extent and frequency of these periodic controls primarily depend on the risk evaluation and the effectiveness of on-going controls.

Any weaknesses, lack of control, non-compliance with policies, framework or other significant deviations are reported upwards in the organisation in accordance with the Group's policies and instructions in this respect. Weaknesses, omissions and/or non-compliances are reported directly to the Executive Board. Significant issues are furthermore reported to the audit committee/the Board of Directors.

In the auditor's records, the auditors elected by the Annual General Meeting will report essential weaknesses in the Group's internal control system in connection with the presentation of accounts to the Board of Directors. Minor essential circumstances are reported in the Management Letters to the Executive Board.

The Board of Directors/the audit committee will monitor that the Executive Board react efficiently to any weaknesses and/or omissions and that agreed measures to strengthen the risk management and internal controls in respect of the presentation of accounts are implemented as planned. The Executive Board will follow up on the implementation of observed weaknesses as well as issued mentioned in the Management Letter, etc.

Auditors

The General Meeting selects a chartered accountancy firm for one year at a time according to the recommendations of the Board. Prior to presenting its recommendations to the General Meeting, the Board assesses the independence and competence of the auditor.

The auditors continually report on the progress of the audit in an audit protocol to the Board of Directors. As a minimum, the auditors attend two Board meetings, and always the Board meeting in which the Board discusses and approves the annual report and, in so far as the Board or the auditors so wish, also in other Board meetings.

The auditor agreement and remuneration to the auditors is approved by the Board of Directors. Due to the size of the Group and the Board of Directors' evaluation of the Group's risk, it is not deemed necessary to establish an internal audit to support and control the company's internal control and risk management systems.

Danish recommendations for good management

As a listed company, Arkil Holding A/S is obliged to follow the rules and regulations applying to the companies listed on NASDAQ OMX Copenhagen, which amongst others includes a national codex on good corporate management.

In accordance with item 4.3 in "Rules for issuers of shares – NASDAQ OMX Copenhagen", Danish companies must account for how they relate to the "Recommendations for good management" from a "follow or explain" principle. The recommendations point out that it is just as legitimate to explain yourself than to follow a specific recommendation, as the most important thing is to create transparency in the company's management.

With a few exceptions, Management complies with the stated recommendations for good company management from May 2013.

The exceptions are the following:

- The Articles of Association contain no limits as to the age of members or the length of membership in relation to the engagement of company board members. Over the years, however, there has been a natural replacement of board members. The composition of the Board is evaluated based on the competences, specialist competences, business experience, personal qualifications of the members and also whether they match the needs of the Group or not.

- No auditing committee has been established. The entire Board functions as auditing committee and possess the right competences.

- No nominating committee has been established. The Board considers the relevancy of such nominating committees on an on-going basis, and so far has not found it necessary to establish such a committee. The task is handled by the Chairman/the entire Board.

- A remuneration committee has not been established. At this point the Board does not find it necessary to establish such a committee based on the size of the company and the composition of the Board. The task is handled by the Chairman/the entire Board.

- Although recommended, remuneration for the Board of Directors and the Executive Board is not specified for each individual member. It is considered to be sufficient to provide information about the total remuneration to the entire Board of Directors and the entire Executive Board.

More information on Arkil Holding A/S's view on the individual recommendations can be found on Arkil's website - http://www.arkil.dk/CorporateGovernance-2316.aspx

Internal rules regarding insider knowledge and trading with company shares

In accordance with the Danish Securities Act, the company keeps an insider register of persons who by virtue of their position are considered to have access to insider knowledge of the company. The company has drawn up internal rules for such persons.

Those who are included in the insider register and who come under the internal rules, are the Board members and senior executives of Arkil Holding A/S, other managers and senior staff with direct reference to the Board or senior executives of Arkil Holding A/S, selected auditors and other employees of Arkil Holding A/S, if their employment may be expected to give them access to insider information.

The members of the Board and senior executives, other directors, senior staff, selected auditors and other members of the subsidiaries of Arkil Holding A/S, including the Group's overseas companies, are also included if their employment may be expected to lead to access to internal knowledge.

All Board members, Executive Board members and other insider-registered employees of the Arkil Holding A/S Group may buy and sell shares in Arkil Holding A/S only for a period of four weeks after publication of the company's annual and interim reports.

Information

Arkil's website – www.arkil.dk – contains all stock exchange announcements and financial statements, as well as information about the Group's activities.

Registered shareholders of Arkil Holding will automatically receive a summons to the Annual General Meeting. Shareholders wishing to register their shares in their own names are requested to contact their own banks.

Dividends

It is the aim that shareholders should achieve a return from their investment in the form of an increase in the share price and a dividend more profitable than risk-free investment in bonds.

Distribution of any dividend must take place with due consideration of the necessary consolidation of equity capital as the basis for the continued expansion of the Group.

Arkil Holding A/S has approx. 1,500 listed shareholders. Of these, as at 31 December 2013, the following shareholders are registered in the company's list of shareholders in accordance with section 55 of the Danish Companies Act:

Shareholders	No. of Class A and B shares	Proportion of listed capital as a %	Proportion of the company's A/S capital as a %	Votes %
Niels Arkil, Tjørnebakken 17, 6100 Haderslev, Denmark	37,313	8.59	13.90	33.55
Lind Invest Aps, Værkmestergade 25, Niveau 14 8000 Aarhus C, Denmark	82,507	19.20	16.79	7.90
Ellen og Ove Arkils Fond, Åstrupvej 19, 6100 Haderslev, Denmark	24,375	5.67	4.96	2.33
Managing Director Jesper Arkil, Vidarsvej 8, 6100 Haderslev, Denmark	1,349	0.30	6.39	28.96

The denomination of all class B shares is DKK 100. The denomination of the class A shares varies.

Key figures relating to shareholders		2013	2012	2011	2010	2009
Suggested dividend per DKK 100 share	DKK	10.00	10.00	0.00	0.00	15.00
Earnings per DKK 100 share	DKK	85.6	81.0	10.0	(63.4)	49.3
Growth in earnings per DKK 100 share	%	5.7	707.1	115.8	(228.6)	(66.6)
Book value per DKK 100 share	DKK	1,432	1,348	1,319	1,314	1,389
Share price pr. DKK 100 share	DKK	610	395	390	528	695
Share price/book value		0.43	0.29	0.30	0.40	0.50
Price/earning year-end	DKK	7.1	4.9	38.8	(8.3)	14.1
Market capitalisation calculatede on the basis of the market price	million	299.7	194.1	191.6	259.4	341.5

Notifications to the Stock Exchange since last annual accounts

20 Mar 2013	Financial statement for Arkil Holding A/S
26 Mar 2013	Summons to the Annual General Meeting
26 Mar 2013	Annual report 2012
04 April 2013	Arkil signs a contract for yet another part of the projected motorway through the city of Silkeborg
24 April 2013	Course of the Annual General Meeting
07 May 2013	New director in Arkil A/S and expansion of the corporate management in Arkil Holding A/S
21 May 2013	Change to financial calendar 2013
22 May 2013	Interim report for Arkil Holding A/S for the first quarter of 2013
04 July 2013	Reduction of the Danske Bank Group's share of ownership and voting rights in Arkil Holding A/S
29 Aug 2013	Interim report for Arkil Holding A/S for the first half of 2013
31 Oct 2013	Major shareholder's notification
01 Nov 2013	Statement of share holdings in accordance with section 29 in the Act on trade of securities, etc.
27 Nov 2013	Interim report for Arkil Holding A/S for the third quarter of 2013
13 Dec 2013	Financial calendar for 2014 for Arkil Holding A/S

Financial calendar 2014

26 Mar 2014	Publication of the announcement of the annual accounts for the financial year 2013
30 Apr 2014	Annual General Meeting
27 May 2014	Publication of interim statement for the first quarter of the financial year 2014
27 Aug 2014	Publication of interim statement for the first half of the financial year 2014
26 Nov 2014	Publication of interim report for the third quarter of the financial year 2014

FINANCIAL REVIEW OF THE CONSOLIDATED ACCOUNTS

This 2013 annual report for Arkil Holding A/S has been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and Danish financial reporting requirements for public listed companies.

Income statement

The Group's revenue decreased by DKK 105.4 million to DKK 2,776.4 million, corresponding to 3.7%. The decrease can be attributed to the general market conditions.

Production costs decreased by DKK 107.8 million to DKK 2,520.6 million, or 4.1%.

Gross margin thus rose from 8.8% to 9.2%.

Administration costs increased by DKK 7.2 million, or 3.7%. The administration costs hereinafter constitute 7.3% of the net revenue compared to 6.8% in 2012.

Net financial items were DKK 4.3 million compared to DKK 5.0 million in 2012.

Balance Sheet

Long-term assets increased by DKK 20.9 million.

Short-term assets decreased by DKK 52.9 million amounting to DKK 907.8 million as as 31 Dec 2013. The increase in liquid holdings amounts to DKK 16.3 million.

Long-term liabilities reduced by DKK 38.4 million, amounting to DKK 281.5 million as at 31 Dec 2013.

The short-term debt constitutes DKK 554.3 million against DKK 589.1 million as at 31 Dec 2013.

Cash Flow Statement

Cash flow from operations constitutes DKK 156.7 million, compared to DKK 115.3 million in 2012.

Cash flow applied to investment activities constitutes DKK 66.3 million, compared to DKK 31.3 million in 2012.

Cash flow applied to financial activities constitutes DKK 73.7 million, compared to DKK 40.2 million in 2012.

Liquid assets increased from DKK 141.6 million as at 31 Dec 2012 to DKK 158.3 million as at 31 Dec 2013.

The Group's liquidity at the year-end and the Group's unused credit facilities indicate that the Arkil Group has satisfactory financial reserves.

ACCOUNTING POLICIES APPLIED

Arkil Holding A/S is a public limited company that is based in Denmark. The Annual Report for the period 1 January to 31 December 2013 includes both the consolidated accounts for Arkil Holding A/S and its subsidiaries (the Group), as well as a separate annual report for the parent company.

The 2013 Annual Report for Arkil Holding A/S is presented in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and Danish reporting requirements for annual reports for public listed companies.

Basis for preparation of the accounts

The annual report is presented in DKK rounded to the nearest DKK 1,000.
The annual report has been prepared in accordance with the historical cost principle with the exception of the following assets and liabilities being measured at fair value, derivatives, financial instruments in the trade portfolio and financial instruments classified as available for sale.

Long-term assets and saleable asset groups are measured at the lowest book value before the amended classification or fair value with deduction of distribution costs.

As described below, the accounting policies are applied consistently in the financial year and for comparative figures. For standards implemented in future, the comparative figures will not be adjusted.

Changes in accounting policies

As of 01 January 2013, Arkil Holding A/S implemented:

- Amendments to IAS 1 Presentation of items of other comprehensive income
- Amendments to IAS 36 Recoverable Amount Disclosures for Non Financial Assets
- IFRS 13 Fair value measurement
- IAS 19 Employee benefits (amended 2011)
- Annual improvements to 2009-2011 cycle
- Amendments to IFRS 1 Governments loans
- Amendments to IFRS 7 Offsetting financial assets and financial liabilities
- IFRIC 20 Stripping costs in the production phase of a surface mine.

None of the new standards and interpretations affected the inclusion and measurement in 2013 and consequently neither result or diluted result per share.

Consolidated accounts

The consolidated accounts cover the parent company, Arkil Holding A/S, and subsidiaries for which Arkil Holding A/S has a controlling interest in the company's financial and operational policies, in order to realise a yield or other advantage from its activities.
A controlling interest is achieved either by directly or indirectly owning or controlling more than 50% of the voting rights, or by controlling the company in question by other means.

Companies in which the Group exercises a significant influence, but not a controlling interest, are seen as affiliated companies. A significant influence is typically achieved by either directly or indirectly owning or controlling more than 20% of the voting rights, but less than 50%. The assessment of whether Arkil Holding A/S has a controlling interest or significant influence takes into account potential voting rights.

The Group structure is shown on page 13.

The consolidated accounts have been prepared as a compilation of the accounts of the parent company and the individual subsidiaries, calculated in accordance with the Group's accounting policies, and with elimination of intra-group income and expenses, shareholdings, balances and dividends, and realised and unrealised gains on intra-group transactions. Unrealised losses are eliminated in the same way as unrealised gains, to the extent there has been no depreciation.

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

Joint ventures

The Group participates in both long-term and short-term joint ventures.

Joint ventures are included in the consolidated accounts on a pro-rata basis.

External annual accounts have not been prepared for joint ventures in the form of partnerships, in accordance with the special provision in section 5 of the Danish Company Accounts Act.

Company mergers

Recently acquired or founded companies are included in the consolidated accounts from the take-over date.

Companies that have been sold or wound up are included in the consolidated income statement up until the disposal date. Comparison figures are not adjusted for companies which have been recently acquired, sold or wound up. However, discontinued activities are presented separately, as described below.

On acquisition of new companies, where a controlling influence over the acquired company is gained, the takeover method is applied. The identifiable assets, liabilities and contingent liabilities of the acquired companies are measured at fair value on the takeover date. Identifiable intangible assets are included where these can be isolated or derived from a contractual right and fair value can be reliably calculated. Deferred taxation of the revaluations is factored into the accounts.

The time of take-over is the time at which Arkil Holding A/S achieves actual control of the company.

The positive difference (goodwill) between the cost price of the company and the present value of the acquired identifiable assets, liabilities and contingent liabilities is entered as goodwill under intangible assets. Goodwill is not amortized, but is tested at least once a year for a reduction in value. The first test of value reduction is carried out before the end of the year of acquisition. Upon acquisition, goodwill is allocated to the cash flow generating entities that subsequently provide the basis for the value reduction test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a different functional currency to the Arkil Group's presentation currency are handled as assets and liabilities belonging to the foreign entity and converted to the foreign entity's functional currency at the exchange rate applicable on the transaction date. Negative goodwill is included in the income statement on the takeover date.

Purchase payments for a company consist of the fair value of the agreed payment in the form of assets acquired, obligations taken on and equity instruments issued. If parts of the purchase payment are conditional on future events or fulfilment of conditions agreed upon, these are included in the purchase price at fair value at the time of acquisition. Costs which can be referred to mergers are included directly in the income statement on the date they are incurred.

If, at the time of acquisition, there are any uncertainties as to identification or measurement of assets acquired, obligations, contingencies or setting of the purchase prices, the first inclusion takes place based on interim calculation of present value. If it is found at a later stage that identification or measurement of the purchase price, assets acquired, obligations or contingencies was incorrect at the first inclusion, the statement will be amended retrospectively, including goodwill, up until 12 months after the acquisition, and the comparative figures are adapted. After this period, goodwill is not adjusted. Changes in contingent purchase payments are included directly in the income statement.

Gains or losses from the disposal or liquidation of subsidiaries and affiliated companies are valued as the difference between the sales price or liquidation value and the accounting value of net assets, including goodwill, at the time of sale together with the sale or liquidation costs.

Minority interests

At the first inclusion, minority interests are measured at either fair value or their proportional share of the fair value of identifiable assets, obligations and contingencies in the acquired company. In the first case, goodwill is thus included concerning minority interests' share of ownership of the acquired company, while in the latter case goodwill concerning minority interests are not included. Measurement of minority interests are measured transaction by transaction and entered in the notes in connection with description of acquired companies.

Conversion of foreign currencies

A functional currency is selected for each of the reporting companies in the Group. The functional currency is the currency used in the primary economic environment within which the reporting company operates. Transactions in currencies other than the functional currency are foreign currency transactions.

Transactions in foreign currencies are converted to the functional currency during the first inclusion at the exchange rate on the transaction date. Exchange rate differences that occur between the exchange rate on the transaction date and the exchange rate on the payment date are included in the income statement under financial income or expenses.

Trade debtors, debt and other monetary entries in foreign currency are converted at the rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate when the debtor or debt emerged, or the exchange rate in the most recent annual report, is included in the income statement under financial income and expenses.

When including companies in the consolidated accounts which have a functional currency other than DKK, the total income statements are converted at the transaction day exchange rate, and the balance sheet items are converted at the exchange rate on the balance sheet date. The average exchange rate for the given months is used as the transaction day exchange rate, except where this would significantly alter the outcome. Exchange rate differences that are the result of converting the equity capital in these subsidiaries at the beginning of the year at the exchange rate on the balance sheet date, and by converting the total income from transaction day rates to the exchange rate on the balance sheet date, have been included in other total comprehensive income under a separate reserve for exchange rate adjustments under equity capital. The exchange rate adjustments are divided between the parent company's and the minority interests' share of the equity capital.

Price adjustments of outstanding accounts that are considered to be part of the total net investment in companies with functional currencies other than DKK are included in the consolidated accounts under other comprehensive income in a separate reserve for exchange rate adjustments under equity capital. Likewise, exchange rate gains and losses for the part of loans and derivative financial instruments used for hedging net investments in these companies and effectively hedging the same exchange rate gains and losses for the net investments in the company, are included under other comprehensive income in a separate reserve for exchange rate adjustments under equity capital.

When including affiliated companies in the consolidated accounts which have a functional currency other than DKK, the Group's share of the annual profit is converted at the average exchange rate, and the share of equity, including goodwill, is converted at the exchange rate on the balance sheet date. Exchange rate differences that arise when converting the share of the equity of affiliated foreign companies at the beginning of the year at the balance sheet date exchange rate, and when converting the share of annual profit from an average exchange rate to the balance sheet date exchange rate, are included directly in other total comprehensive income in a special reserve for exchange rate adjustments under equity capital.

By relinquishment of 100% owned foreign entities, the exchange rates accumulated in the equity via other comprehensive income are reclassified - and can be attributed to the unit – from "Exchange-rate adjustment reserve" to the income statement together with any loss or gain upon relinquishment. By relinquishment of partly owned foreign subsidiaries, the part of the exchange-rate reserves that relates to minority interests is not assigned to the income statement.

By partial relinquishment of foreign subsidiaries without losing control, part of a proportional share of the exchange-rate reserves are transferred from the shareholders in the parent company to the minority interests' share of the equity.

Derivative financial instruments

Derivative financial instruments are initially included in the balance sheet at the day of trading and measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and positive and negative values are only set-off when the company is entitled to and intends to settle several financial instruments net. Fair values for derivative financial instruments are calculated on the basis of current market data and recognised valuation methods

Hedging of fair value
Changes in the fair value of derivatives, which qualify as fair value hedges of a recognised asset or a recognised liability, are included in the income statement along with any changes in the fair value of the hedged asset or liability, with respect to the hedged component. Hedging of future cash flows in relation to a firm commitment, apart from currency hedging, is handled in the same way as hedging of fair value.

The part of the derivative financial instrument which is not part of hedging is presented under financial items.

Hedging of cash flow
Changes in the components of the fair value of derivative financial instruments that qualify as future cash flow hedges, and which effectively hedge changes in future cash flows, are included under other total comprehensive income under a separate reserve for hedging transactions under equity, until the secured cash flows affect the income statement. At this time, the gain or loss relating to such is re-classified from other total comprehensive income and is included under the same item entry as the hedged entity.

If the hedging instrument no longer fulfils the criteria for financial hedging, the hedging will cease forward. The accumulated value adjustment included in equity is transferred to the income statement, when the hedged cash flows affect the income statement.

If the hedged cash flows are no longer expected to be realised, the accumulated value adjustment will be included in the income statement immediately.

The part of the derivative financial instrument which is not part of hedging is presented under financial items.

Other derivative financial instruments
For derivative financial instruments that do not meet the criteria for hedge accounting, changes in the fair value are included in the income statement on an on-going basis under financial items.

Some contracts contain provisions that correspond to derivative financial instruments. Where such built-in financial instruments differ significantly from the particular contract, they are included separately and continually measured at fair value, except where the total contract is included and continually measured at its fair value.

Income statement
Revenue
Revenue from sale of commercial goods and finished articles is included in the income statement, but only if delivery and invoicing have been effected before the year-end.

Contract works are included in revenue based on the percentage-of-completion method.

Contract prices and profit and loss figures are allocated proportionally according to progress in production, which means that revenue corresponds to the sales value of the work actually carried out for the year. Appropriation is carried out and expected losses have been charged as expenses.

Government grants
Government grants cover grants for investment, etc.

Grants for research and development costs that are included directly in the income statement are included under production costs as the costs that qualify for a grant are incurred.

Grants for the purchase of assets, etc., are presented in the balance sheet by deducting the grant from the asset's book value.

Production costs
Production costs comprise costs, including depreciation and salaries, paid to achieve the net revenue for the year. Development costs that do not fulfil the capitalization criteria are also included under production costs.

Provision for bad debt from enterprise contracts is included.

Administration costs
Administration costs comprise costs incurred during the year for management and administration, including the costs of administrative staff, office premises, office expenses and depreciation. Write-downs of accounts receivable from sales are also included.

Other operating income/expenditure
Other operating income and expenditure comprises entries of a secondary nature in relation to the company's activities, including losses and gains realised from the sale of tangible and intangible assets. Gains and losses from the sale of intangible and tangible assets have been calculated as the sales price, less sales costs and the accounting value at the time of sale.

Income from investments in affiliated companies in the consolidated accounts
In the consolidated income statement, the proportional share of the results of the affiliated companies is included after taxes and after the elimination of the proportional share of internal profit/loss.

Dividends on investments in subsidiaries and affiliated companies in the parent company's annual accounts
Dividends on investments in subsidiaries and affiliated companies are entered as income in the parent company's income statement in the financial year in which the dividend is declared.

Financial income and expenses
Financial income and expenses comprise interest earned and paid, exchange gains and losses and write-downs in connection with securities, debt and transactions in foreign currency, amortization of financial assets and liabilities, including financial leasing commitments and deductibles and remunerations under the on-account taxation scheme, etc. In addition to this, realised and unrealised gains and losses in connection with derivative financial instruments that cannot be classified as hedging agreements are included.

Borrowing costs
Borrowing costs from general borrowing or loans directly related to the acquisition, establishment or development of qualifying assets shall be assigned to the cost price of such assets.

Tax on profit/loss for the year
Arkil Holding A/S is jointly taxed with all of its Danish subsidiaries. The applicable Danish corporation tax is divided between the jointly taxed companies in proportion to their taxable incomes. Companies using taxes losses in other companies pay a joint tax contribution to the parent company corresponding to the tax value of the loss used, while companies where tax losses are used by other companies receive joint tax contributions corresponding to the tax value of the loss used (full distribution). The jointly taxed companies are part of the on-account taxation scheme.

This year's taxes, which comprise the current tax for the year and alterations in deferred tax, are included in the annual profit, in other comprehensive income or directly under equity capital.

Balance sheet
Intangible assets
Goodwill
When goodwill is first included in the balance sheet, it is entered at cost price, as described under "Company mergers". Goodwill is subsequently measured at cost price, less accumulated depreciation. Goodwill is not amortized.

The book value of goodwill is allocated to the Group's cash-flow generating entities on the takeover date.

Development projects, licences and rights
Development costs comprise salaries, depreciation and other costs which can be attributed to the company's development activities.

Clearly defined and identifiable development projects that demonstrate technical utilisation, adequate resources and a potential market or an application within the company, and where the intention is to produce, market or utilise the project, are included as intangible assets, assuming the cost price can be reliably calculated and there is sufficient certainty that future earnings or net sales price will cover production, sale and administration expenses and development costs. Other development expenses are included in the income statement as the expenses are incurred. Included development costs are measured at cost price, less accumulated depreciation and write-

downs. The cost price comprises salaries, depreciation and other costs which can be attributed to the company's development activities and loan costs from specific and general borrowing that directly concern the development of development projects.

Once the development work is completed, development projects are linearly depreciated over the estimated economic life time. The depreciation period may not exceed five years. The depreciation base is reduced in line with any write-downs. Depreciation is included in production costs.

Licences and rights are measured at cost price, less accumulated depreciation and write-downs. Licences and rights are depreciated linearly over the remaining agreement period or life time, whichever is shorter. The depreciation base is reduced in line with any write-downs.

Other intangible assets, including intangible assets acquired in connection with company mergers, are amortized over their expected life time. Other intangible assets are depreciated linearly over their expected life time.

Tangible assets

Land and buildings, as well as technical equipment, machinery and fixtures have been entered at cost price less accumulated write-downs and depreciation.

When measuring land and buildings classified as investment properties, the cost formula is applied.

The cost price comprises the purchase price and costs directly connected with the purchase until the moment when the asset is ready to use. For self-produced assets the cost price comprises materials, components, sub-suppliers and salaries as well as loan costs from specific and general borrowing directly attributable to the construction of the individual asset. The cost price is added to the present value of estimated obligations for the dismantling and removal of the asset and the restoration of the area in which the asset was used.

For financially leased assets, the cost price is included either as the fair value, or the present value of the future minimum leasing payments, whichever is lower. When calculating the present value, the leasing agreement's internal interest rate or the Group's alternative loan interest rate will be used as the discounting factor.

Subsequent expenses, such as replacing components of a tangible asset, are included in the book value of the asset where it is likely that paying such expenses will lead to future economic advantage for the Group. The book value of the replaced components ceases upon inclusion in the balance sheet and is transferred to the income statement. All other expenses for normal repair and maintenance are included in the income statement on the date they are incurred.

Tangible assets are depreciated linearly over their expected life time, which is:

Buildings, owner-occupied properties	30-50 years
Buildings, investment properties	30-50 years
Production facilities	10-15 years
Other technical facilities, machinery and fixtures	3-7 years

Land is not depreciated.

The depreciation base is calculated taking into account the scrap value of the asset, and is reduced in line with any write-downs. The scrap value is set at the time of acquisition and is reassessed each year. If the scrap value of the asset exceeds the book value, depreciation ceases.

If the depreciation period or scrap value is changed, the future effect on depreciation is included as a change in the estimated book value.

Depreciation is included in the income statement under production costs and administration costs, respectively.

Investments in affiliated companies in the consolidated accounts

Investments in affiliated companies are measured according to the equity method, whereby the investment is measured at the proportional share of the companies' net asset values calculated in accordance with the Group's accounting policies, adjusted for the proportional share of unrealised intra-group profits and losses, plus the book value of goodwill.

Affiliated companies with negative net asset values are measured at DKK 0. If the Group has a legal or actual liability to cover the shortfall in the affiliated company, this is included under liabilities.

Any accounts receivable in affiliated companies are written down to the extent these are considered irrecoverable.

When purchasing capital investments in affiliated companies the takeover method is applied, cf. the description of company mergers.

Investments in subsidiaries and affiliated companies in the parent company's annual accounts

Investments in subsidiaries are measured at cost price in the annual accounts of the parent company. The cost price includes the purchase price calculated at fair value with the addition of direct purchase costs.

Depreciation of long-term assets

Goodwill and intangible assets with indefinable life times are tested annually for reduction in value, initially before the end of the year of takeover. In-progress development projects are also tested annually for reduction in value.

The book value of goodwill is tested for reduction in value, together with the other long-term assets in the cash-flow generating entity to which goodwill is allocated, and is written down in the income statement to the recoverable value if the book value is higher. The recoverable value is generally calculated as the present value of the expected future net cash flows from the company or activity (cash flow generating entity) to which goodwill is linked.

Deferred tax assets are valued annually and only included where it is likely that they will be used.

The book value of other long-term assets is valued annually in order to determine whether there is indication of reduction in value. If any such indications are evident, the asset's recoverable value is calculated. The recoverable value is the asset's fair value, less expected costs of disposal, or its capital value, whichever is higher. The capital value is calculated as the present value of expected future cash flow from the asset or the cash-flow generating entity to which the assets belongs.

A value reduction loss is recognised when the book value of an asset or cash flow generating entity exceeds its recoverable value. Value reduction losses are recognised in the income statement under production, distribution and administration expenses. Goodwill write-downs, however, are included on a separate line in the income statement.

Goodwill write-downs are not reversed. Write-downs on other assets are reversed if there are changes to the

conditions and estimates that led to the write-down. Write-downs are only reversed where the asset's new book value does not exceed

Stock on hand

Inventories are recognised at the cost price, according to the FIFO principle. Where the net realisation value is lower than the cost price, the valuation is written down to the lower value. The cost price for commodities, raw materials and consumables comprises the purchase price plus any delivery costs.

The net realisation value for inventories is calculated as the sales price, less the costs of completion and costs associated with sale, taking into account marketability, obsoleteness and trends in the expected sales price.

Accounts receivable

Accounts receivable are measured at the amortized cost price. Write-down has been carried out to meet the loss where reductions in value seem to have occurred. Write-down is carried out on an individual basis.

Write-downs are calculated as the difference between the book value and the present value of expected cash flows, including the realisable value of any

collateral received. The effective interest rate for the particular receivable is used as discount rate.

The recognition of interests on written-down receivables is calculated for the written-down value with the effective interest rate for the particular receivable.

Contract works

Contract works are measured at the sales value of the work carried out, less any invoiced instalments and expected losses. The contracts are characterized by the fact that the goods produced comprise a high degree of individualization design-wise. Furthermore, it is required that a binding agreement entailing penalty or compensation in the case of later termination is entered into before the work is started.

The sales value is based on the stage of completion on the balance sheet date and the combined anticipated earnings for each item of work in progress. The degree of completion is determined in relation to the project phases.

If it is probable that the total contract cost will exceed the total contract revenue, the expected loss on the contract is recognised immediately as a cost. If the sales value of a contract cannot be reliably measured, the sales value is measured at the related costs at which they are probably recoverable.

Contracts where the sales value of the work carried out exceeds invoiced instalments and any expected loss are included under accounts receivable. Contract works, for which instalments and any expected losses exceed the sales value, are included under liabilities.

Advance payments from customers are included under liabilities.

Costs relating to sales work and the winning of orders are included in the income statement as they are incurred.

Accruals

Accruals included under assets, comprise paid expenses relating to the following financial year, measured at cost price.

Securities

Listed bonds which are monitored, measured and reported at fair value according to the Group's investment policy are included under short-term assets at fair value on the date of trade and are subsequently measured at fair value. Changes in the fair value are included in the income statement under financial items on an on-going basis. Received bond interests appear as a separate entry in the notes.

Other shares, classified as "available for sale", are included under long-term assets at fair value plus costs on the date of purchase and are measured at fair value equivalent to the listed share price for listed securities and at an estimated fair value calculated on the basis of current market data and recognised valuation methods for unlisted securities. Unrealised value adjustments are included directly under other total comprehensive income, except for write-downs resulting from value reduction and exchange rate adjustments on foreign currency bonds, which are included in the income statement under financial items. Upon realisation, the accumulated value adjustment included in other total comprehensive income is transferred to financial items in the income statement.

Equity

Dividends

Suggested dividends are included as liabilities at the time of approval at the Annual General Meeting (the time of declaration). Dividends expected to be distributed for the year appear as a separate entry under equity capital.

Exchange-rate adjustment reserve
The reserve for exchange-rate adjustments comprise exchange-rate differences that have arisen when converting accounts for entities with a functional currency other than DKK, exchange-rate adjustments concerning assets and liabilities that form part of the Group's net investment in such entities as well as exchange-rate adjustments concerning hedging transactions that will hedge the Group's net investment in such entities.

Reserve for hedging transactions
Reserves for hedging transactions include the accumulated net change in the fair value of hedging transactions that fulfil the criteria for the hedging of future cash flows and where the hedging transaction has not yet been realised.

Pension liabilities and similar long-term liabilities
The Group has entered into pension agreements and similar agreements with the majority of its employees.

Liabilities relating to contribution-based pension schemes are included in the income statement in the period they are accrued, and payments due are included in the balance sheet under other debt.

For defined-benefit schemes, an annual actuarial calculation (the Projected Unit Credit method) is undertaken of the capital value of future benefits that are to be paid according to the scheme. The capital value is calculated on the basis of prospects of future development for such factors as wage level, interest rates, inflation and mortality. The capital value is calculated solely for the benefits for which employees have earned the right through their employment in the Group so far. The actuarially calculated capital value, with deductions for the fair value of any assets relating to the scheme, is included in the balance sheet under pension commitments.

The pension expenses for the year are included in the income statement based on the actuarial estimates and financial expectations at the beginning of the year. Differences between the calculated changes in pension assets and liabilities and the realised values are called actuarial losses or gains and are included in other total comprehensive income.

In the event of a change in the benefits relating to employees' employment in the company so far, a change in the actuarially calculated capital value arises, which is viewed as a historic expense. Historical costs are entered as costs immediately if the employees have already been given entitlement to the changed benefit. Otherwise, they are included in the income statement over the period during which the employees attain the entitlement to the changed benefit.

If a pension scheme is a net asset, the asset is only recognised if there is corresponding unrecognised actuarial loss, future repayments from the scheme, or if it will lead to reduced future payments into the scheme.

Payable tax and deferred tax
The current tax liabilities and the current outstanding tax are included in the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on previous years' taxable income plus taxes on account already paid.

Deferred tax is measured according to the balance-oriented liability method of all temporary differences arising between accounting values and tax values of assets and liabilities. However, deferred tax is not included for temporary differences regarding non-tax depreciable goodwill and office buildings or for other items for which temporary differences – except for business acquisitions – arose at the point of acquisition without having an effect on the profit/loss or the taxable income. In cases where the assessment of the taxable value can be made according to alternative tax rules, deferred tax is measured on the basis of the management's planned employment of the asset or settlement of the liability, respectively.

Deferred tax assets, including the taxable value of tax losses which can be carried forward, are included under other long-term assets at the value at which they are expected to be used, either by tax equalisation of future earnings or by set-off against deferred tax liabilities within the same legal tax unit and jurisdiction.

Deferred tax assets and tax liabilities are set off, if the company has the legal right to set off current tax liabilities and assets or intent to either pay off or redeem current tax liabilities and assets on a net basis or realise the assets and liabilities at the same time.

Deferred tax will be adjusted in respect of eliminations made of unrealised internal gains and losses within the Group.

Deferred tax is measured on the basis of the tax rules and rates in each country that are in force under the legislation on the balance sheet day, when the deferred tax is expected to be redeemed as current tax. Changes in deferred tax as a result of changes of tax rates will be included in the income statement.

Provisions for liabilities and charges
Provisions for liabilities primarily cover liabilities in relation to contracts.

Provisions for liabilities are included when the Group, as a result of an event which occurred prior to or on the balance sheet date, has a legal or actual liability and it is likely that economic advantage will have to be surrendered to redeem the liability.
Provisions for liabilities are measured at the management's best estimate of the amount expected to be able to redeem the liability.

When measuring provisions for liabilities, the expenses necessary to settle the liabilities are discounted, if this has a significant effect on the measurement. A pre-tax discounting factor is used which reflects the general level of interest rates in society, with a premium for the specific risk that is estimated to be associated with the liability. Changes in present values for the financial year are included under financial expenses.

Guarantee liabilities are included in step with the completion of contracts.

A provision for loss-making contracts is included when the expected advantages for the Group from a contract are less than the unavoidable expenses under the contract (loss-making contracts).

Financial liabilities
Debt to credit institutions and the like is included at the time the loans are taken out, in the amount of the proceeds of the loan less transaction expenses incurred. In subsequent periods, financial liabilities are measured at their amortized cost price using the "effective interest rate method", such that the difference between the proceeds and the nominal value is included in the income statement under financial expenses over the period of the loan.

The capitalised residual leasing liability on financial leasing contracts, measured at amortized cost price, is also included under financial liabilities.

Non-financial liabilities
Non-financial liabilities are measured at their net realisation value.

Leasing
In accounting terms, leasing liabilities are divided into financial and operational leasing liabilities.

A leasing agreement is classified as financial when it transfers all significant risks and benefits of ownership of the leased asset. Other leasing agreements are classified as operational.

The sections on Tangible assets and Financial liabilities describe how financially leased assets and the associated liability are treated in terms of accounting.

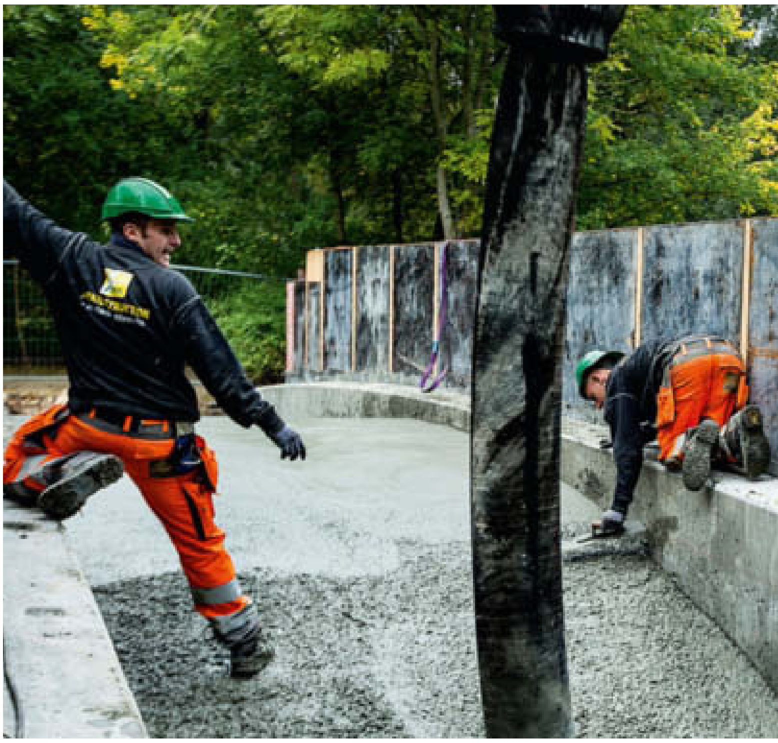
Leasing payments concerning operational leasing agreements are included linearly in the income statement over the leasing period.

Accruals
Accruals included under liabilities comprise prepayments received relating to income in the following years.

Assets earmarked for sale
Assets earmarked for sale comprise long-term assets and saleable asset groups that have been earmarked for sale. Saleable asset groups are groups of assets that are to be sold or disposed of together in a single transaction, along with any liabilities directly linked to these assets which will be transferred as part of the transaction. Assets are classified as "earmarked for sale" when their book value will primarily be recovered through sale within 12 months in accordance with a formal plan, rather than through continued use.

Assets or saleable asset groups earmarked for sale are valued at their book value, or fair value less expected sale expenses, whichever is lower. Depreciation and amortization of assets ceases from the time they qualify as "earmarked for sale".

Losses associated with value reduction arising when assets are first classified as "earmarked for sale", and gains or losses associated with subsequent



valuation at either the book value or fair value less sales expenses, are included in the income statement under the appropriate accounts. Losses and gains are reported in the notes.

Assets and associated liabilities are presented on separate lines in the balance sheet, and the primary entries are specified in the notes.

Presentation of discontinued activities
Discontinued activities are entities whose activities and cash flow can be clearly distinguished at the operational and accounting level from the rest of the company, and where such entities have been disposed of or have been separated, earmarked for sale, and the sale is expected to be effected within one year under a formal plan. Discontinued activities also include companies acquired for the purpose of resale.

The result and value adjustments after tax for discontinued activities are presented on a separate line in the income statement with comparison figures. Turnover, expenses and taxation for each discontinued activity are reported in the notes. Assets and associated liabilities are also presented on separate lines in the balance sheet (cf. "Assets earmarked for sale"), and the primary entries are specified in the notes.

Cash flows from operations, investment and financing activities for the discontinued activities are reported in a note.

Fair value measurement
The Group use the fair value concept in relation with certain reporting requirements and for the inclusion of financial instruments. The fair value is defined as the price which can be achieved when selling an asset or which must be paid in order to transfer a liability in a standard transaction between market participants ("exit price").

Fair value is a market based, not a company specific valuation. The company uses those conditions which market participants would use when pricing the asset or the liability based on the existing market conditions, including preconditions related to risks. The company's intent so far as owning the asset or settling the liability is not taken into consideration when assessing the fair value.

Valuation at fair value is based on the primary market. If a primary market does not exist, it will be based on the most profitable market, which is the market where the price on the asset or the liability with deduction of transaction and transportation costs is maximised.

Fair value measurement is to the widest extent possible based on market values on active markets (level 1) or alternatively on values concluded from observable market information (level 2).

Where such observable information is not present or cannot be used without significant modifications, generally approved valuation methods and reasonable appraisals are used for the basis of fair values (level 3).

Cash flow statement
The cash flow statement presents the cash flows for the year, divided into operations, investment and financing activities, changes in the year's liquid assets, and liquid assets held at the beginning and end of the year.

The impact on liquid assets from the acquisition and sale of companies is shown separately under cash flows from investment activities. In the cash flow statement, cash flows from acquired companies are

recognised from the acquisition date and cash flows from divested companies from the date of sale.

Cash flows from operating activities are calculated according to the indirect method as the pre-tax profit/ loss adjusted for non-cash operating items, changes in working capital, interest payments, dividends received and corporation tax paid.

Cash flows from investment activities comprise payments in connection with the acquisition and sale of companies and activities, the purchase and sale of intangible, tangible and other long-term assets, and the purchase and sale of securities which are not counted as liquid assets.

Financial leasing agreements entered into are considered to be non-liquid transactions.

Cash flows from financing activities comprise changes in the size or composition of share capital and associated expenses, contracting of loans, repayment of interest-bearing debt, the purchase and sale of own shares, and payment of dividends to partners.

Cash flows in relation to financially leased assets are included as payment of interest and repayment of debt.

Cash and cash equivalents comprise liquid holdings, together with securities which have a remaining term of less than three months on the time of purchase, which can be easily converted into liquid holdings, and for which the risk of a change in value is insignificant.
Cash flows in currencies other than the functional currency are converted using average exchange rates, unless these are significantly different to the rates on the day of the transaction.

Segment information

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

Segment income and expenses and segment assets and liabilities comprise the items that can be directly attributed to each segment, together with the items that can be allocated to each segment on a reliable basis. Non-distributed items primarily comprise assets and liabilities and income and expenses relating to the Group's administrative functions, investment activities, income taxes, etc.

Long-term assets in each segment comprise the long-term assets used directly in segment operations, including tangible and intangible assets and investment in affiliated companies. Short-term assets in each segment comprise short-term assets used directly in segment operations, including inventories, accounts receivable from sale, other accounts receivable, prepaid costs and liquid holdings.

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


ARKIL FUNDERING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Income statement for the accounting year from 1 January to 31 December

Parent company 2012	Parent company 2013	Note no.	(Amounts in DKK '000)	The Group 2013	The Group 2012
		3	Revenue	2,776,421	2,881,810
		4	Production costs	(2,520,576)	(2,628,326)
			Gross profit	**255,845**	**253,484**
(6,289)	(5,575)	4,5	Administration costs	(203,704)	(196,468)
2,875	4,100	4,6	Other operating income	0	0
		8	Share of profit after tax in affiliated companies	6,094	2,802
(3,414)	**(1,475)**		**Primary operating profit**	**58,235**	**59,818**
16,006	22,550	9	Financial income	3,148	2,633
(44)	(8)	10	Financial expenditure	(7,403)	(7,678)
12,548	**21,067**		**Profit before tax**	**53,980**	**54,773**
(83)	(474)	11	Tax on profit/loss for the year	(10,816)	(13,890)
12,465	**20,593**		**Annual profit**	**43,164**	**40,883**
			Distribution of Group profits:		
			Shareholders of Arkil Holding A/S	40,583	38,411
			Minority interests	2,581	2,472
				43,164	**40,883**
			Proposed appropriation of profits:		
4,913	4,913		Suggested dividend		
7,552	15,680		Retained earnings		
12,465	**20,593**				
		12	Earnings per DKK 100 share	86	81
		12	Diluted earnings per share at DKK 100	86	81

Statement of comprehensive income for the accounting year from 1 January to 31 December

Parent company 2012	Parent company 2013	Note	(Amounts in DKK '000)	The Group 2013	The Group 2012
12,465	**20,593**		**Annual profit**	**43,164**	**40,883**
			Other comprehensive income:		
			Items which cannot be reclassified for the income statement:		
		25	Actuarial gains/losses on defined benefit plan pension schemes "	7,326	(27,949)
		11	Tax on other comprehensive income	(2,198)	8,385
				5,128	(19,564)
			Items which may be reclassified for the income statement:		
			Exchange rate adjustments for conversion of foreign entities"	(382)	1,281
			Revaluation of hedging instruments:		
			Value adjustment for the year	528	765
			Value adjustment reclassified to cost of sales	(667)	(2,122)
		11	Tax on other comprehensive income	35	339
				(486)	**263**
0	**0**		**Other comprehensive income after tax**	**4,642**	**(19,301)**
12,465	**20,593**		**Total comprehensive income**	**47,806**	**21,582**
			Distribution:		
			Shareholders of Arkil Holding A/S	44,454	21,992
			Minority interests	3,352	(410)
				47,806	**21,582**

Balance sheet as at 31 December

Parent company 2012	Parent company 2013	Note no.	(Amounts in DKK '000)	The Group 2013	The Group 2012
			Assets		
			Long-term assets		
			Intangible assets		
		13	Goodwill	130,111	129,945
		14	Licences and rights	8,557	8,897
			Total intangible assets	**138,668**	**138,842**
			Tangible assets		
2,634	2,634	15	Land and buildings, owneroccupied properties	138,078	131,666
51,710	58,760	16	Investment properties	2,208	2,208
67	0	17	Technical equipment, machinery and fixtures	305,736	295,068
		18	Plants under construction	2,835	1,128
54,411	**61,394**		**Total tangible assets**	**448,857**	**430,070**
			Other long-term assets		
268,257	268,257	7	Investment in subsidiaries		
		8	Investment in affiliated companies	14,052	11,286
		19	Long-term debtors	12,950	10,993
		23	Securities	0	477
		26	Deferred tax assets	17,073	19,067
268,257	**268,257**		**Total other long-term assets**	**44,075**	**41,823**
322,668	**329,651**		**Total long-term assets**	**631,600**	**610,735**
			Short-term assets		
		20	Stock on hand	69,900	72,541
		21	Contract works	100,295	96,825
103,435	111,737	22	Accounts receivable	548,116	617,047
3,799	3,575	30	Company tax receivable	0	4,313
757	1,007	23	Securities	26,633	23,371
492	591		Liquid assets	158,591	142,252
108,483	**116,910**			**903,535**	**956,349**
4,421	4,308	15,16	Tangible assets earmarked for sale	4,308	4,421
112,904	**121,218**		**Total short-term assets**	**907,843**	**960,770**
435,572	**450,869**		**Total assets**	**1,539,443**	**1,571,505**

Parent company 2012	Parent company 2013	Note no.	(Amounts in DKK '000)	The Group 2013	The Group 2012
			Liabilities		
		24	**Equity**		
49,132	49,132		Share capital	49,132	49,132
			Exchange-rate adjustment reserve	766	1,150
			Reserve for hedging transactions	0	0
376,330	392,132		Retained earnings	640,943	600,897
4,913	4,913		Suggested dividend	4,913	4,913
430,375	**446,177**		**Shareholders of Arkil Holding A/S' share of equity**	**695,754**	**656,092**
			Minority interests	**7,937**	**6,346**
430,375	**446,177**		**Total equity**	**703,691**	**662,438**
			Liabilities		
			Long-term liabilities		
		25	Pensions and similar liabilities	126,896	135,117
2,564	2,653	26	Deferred tax	34,333	32,223
		27	Provisions for liabilities and charges	5,495	12,479
0	0	28	Credit institutions	114,753	136,317
106	0		Employee's bonds	0	3,848
2,670	**2,653**		**Total long-term liabilities**	**281,477**	**319,984**
			Current liabilities		
91	0	28	Credit institutions	69,704	79,321
0	106		Employee's bonds	3,848	0
		21	Contract works	53,416	50,998
2,436	1,933	29	Accounts payable and other debts	413,854	451,101
0	0	30	Corporation tax	680	0
		27	Provisions for liabilities and charges	12,773	7,663
2,527	**2,039**		**Total short-term liabilities**	**554,275**	**589,083**
5,197	**4,692**		**Total obligations**	**835,752**	**909,067**
435,572	**450,869**		**Total liabilities**	**1,539,443**	**1,571,505**

31	Contingent liabilities and guarantees
32-39	Notes without reference

Parent company 2012	Parent company 2013	Note no.	(Amounts in DKK '000)	The Group 2013	The Group 2012
12,548	21,067		Profit before tax	53,980	54,773
			Adjustments for non-cash operating items, etc.:		
2,680	1,104		Depreciation and write-downs	90,178	96,655
12	(80)		Other net operating items	(13,446)	1,322
			Provisions for liabilities and charges	(2,746)	(11,709)
(16,006)	(22,550)		Financial income	(4,390)	(2,633)
44	8		Financial expenditure	8,295	7,678
(722)	**(451)**		**Cash flow from ordinary operations before changes in working capital**	**131,871**	**146,086**
(12,358)	(8,806)	32	Changes in working capital	33,167	(18,007)
(13,080)	**(9,257)**		**Cash generated from ordinary operations**	**165,038**	**128,079**
3,945	4,488		Interest income received	3,148	1,550
(44)	(8)		Interest expenses paid	(7,542)	(9,035)
(9,179)	**(4,777)**		**Cash generated from ordinary operations**	**160,644**	**120,594**
396	(160)		Corporation tax paid	(3,895)	(5,280)
(8,783)	**(4,937)**		**Cash flows from operating activities**	**156,749**	**115,314**
(2,770)	(7,974)	33	Purchases of tangible assets	(79,149)	(50,881)
50	80		Sale of tangible assets	15,251	22,127
			Purchases of securities	(13,008)	(2,029)
			Sale of securities	10,573	2,760
			Purchase/sale of affiliated companies	0	(3,235)
11,920	17,812		Dividends from subsidiaries		
9,200	**9,918**		**Cash flows from investing activities**	**(66,333)**	**(31,258)**

Parent company 2012	Parent company 2013	Note no.	(Amounts in DKK '000)	The Group 2013	The Group 2012
			External financing:		
(262)	(91)		Repayment of leasing commitments	(34,025)	(30,733)
			Repayment of other long-term debt	(36,398)	(17,722)
			Proceeds for contracting of long-term debt, etc.	3,256	11,300
			Shareholders:		
0	122		Dividend, own shares	122	0
0	(4,913)		Dividend payments	(6,675)	(3,015)
(262)	**(4,882)**		**Cash flows from financing activities**	**(73,720)**	**(40,170)**
155	**99**		**Cash flows for the year**	**16,696**	**43,886**
337	492		Opening liquid holdings	141,557	97,234
			Rate adjustments to liquid holdings	6	437
492	**591**		**Closing liquid holdings**	**158,259**	**141,557**
492	591		Liquid assets	158,591	142,252
0	0		Bank loan (bank overdraft)	(332)	(695)
492	**591**		**Closing liquid holdings**	**158,259**	**141,557**

(Amounts in DKK '000)	Shareholders of Arkil Holding A/S							
The Group	Share capital	Reserve for exchange rate adjust-ments	Reserve for hedging transactions	Retained earnings	Suggested dividend	**Total**	Minority interests	**Total**
Equity as at 01 Jan 2012	**49,132**	**(80)**	**0**	**585,048**	**0**	**634,100**	**9,771**	**643,871**
Comprehensive income in 2012								
Annual profit				33,498	4,913	**38,411**	2,472	**40,883**
Other comprehensive income								
Exchange rate adjust-ments, foreign companies		1,230				**1,230**	51	**1,281**
Revaluation of pension liabilities				(23,758)		**(23,758)**	(4,191)	**(27,949)**
Revaluation of hedging instruments:								
Value adjustment for the year				765		**765**		**765**
Value adjustment reclassified to cost of sales				(2,122)		**(2,122)**		**(2,122)**
Tax on other comprehensive income				7,466		**7,466**	1,258	**8,724**
Other total comprehensive income	**0**	**1,230**	**0**	**(17,649)**	**0**	**(16,419)**	**(2,882)**	**(19,301)**
Total comprehensive income for the period	**0**	**1,230**	**0**	**15,849**	**4,913**	**21,992**	**(410)**	**21,582**
Transactions with owners								
Distributed dividend						**0**	(3,015)	**(3,015)**
Dividend, own shares						**0**		**0**
Total transaction with owners	**0**	**0**	**0**	**0**	**0**	**0**	**(3,015)**	**(3,015)**
Equity as at 31 December 2012	**49,132**	**1,150**	**0**	**600,897**	**4,913**	**656,092**	**6,346**	**662,438**

(Amounts in DKK '000)	Shareholders of Arkil Holding A/S							
The Group	Share capital	Reserve for exchange rate adjust-ments	Reserve for hedging transactions	Retained earnings	Suggested dividend	Total	Minority interests	Total
Equity as at 01 Jan 2013	**49,132**	**1,150**	**0**	**600,897**	**4,913**	**656,092**	**6,346**	**662,438**
Comprehensive income in 2013								
Annual profit				35,670	4,913	**40,583**	2,581	**43,164**
Other comprehensive income								
Exchange rate adjust-ments, foreign companies		(384)				**(384)**	2	**(382)**
Revaluation of pension liabilities				6,227		**6,227**	1,099	**7,326**
Revaluation of hedging instruments:								
Value adjustment for the year				528		**528**		**528**
Value adjustment reclassified to cost of sales				(667)		**(667)**		**(667)**
Tax on other comprehensive income				(1,833)		**(1,833)**	(330)	**(2,163)**
Other total comprehensive income	**0**	**(384)**	**0**	**4,255**	**0**	**3,871**	**771**	**4,642**
Total comprehensive income for the period	**0**	**(384)**	**0**	**39,925**	**4,913**	**44,454**	**3,352**	**47,806**
Transactions with owners								
Distributed dividend					(4,913)	**(4,913)**	(1,761)	**(6,674)**
Dividend, own shares				121		121		121
Total transaction with owners	**0**	**0**	**0**	**121**	**(4,913)**	**(4,792)**	**(1,761)**	**(6,553)**
Equity as at 31 December 2013	**49,132**	**766**	**0**	**640,943**	**4,913**	**695,754**	**7,937**	**703,691**

(Amounts in DKK ’000)				
Parent company	Share capital	Retained earnings	Suggested dividend	Total
Equity as at 01 Jan 2012	**49,132**	**368,778**	**0**	**417,910**
Annual comprehensive income		7,552	4,913	12,465
Total comprehensive income	**0**	**7,552**	**4,913**	**12,465**
Distributed dividend				0
Dividend, own shares				0
Total movements in equity for 2012	**0**	**7,552**	**4,913**	**12,465**
Equity as at 31 Dec 2012	**49,132**	**376,330**	**4,913**	**430,375**
Changes in equity during 2013				
Annual comprehensive income		15,680	4,913	20,593
Total comprehensive income	**0**	**15,680**	**4,913**	**20,593**
Distributed dividend			(4,913)	(4,913)
Dividend, own shares		122		122
Total movements in equity for 2013	**0**	**15,802**	**0**	**15,802**
Equity as at 31 December 2013	**49,132**	**392,132**	**4,913**	**446,177**

Note 1 Accounting estimates and judgements
Estimation uncertainties
Calculation of the book value of certain assets and liabilities requires assessments, estimates and assumptions about future events.

The main estimates cover stages of completion on contract works that are calculated on the basis of project phases and the lifetimes of technical equipment, material and inventory.

The assumptions and estimates made are based on historic experiences and other factors which the management believe to be reasonable under the circumstances, but which are uncertain and unpredictable by nature. These assumptions may be imperfect or imprecise, and unexpected events or circumstances may arise. The company is also exposed to risks and uncertainties that may lead to actual outcomes deviating from these estimates. Risks for the Arkil Holding Group are discussed in the management's review and note 35.

It may be necessary to change previous estimates as a result of changes in the conditions that formed the basis for the earlier estimates or due to new knowledge or subsequent events.

Calculations that are significant to the presentation of the accounts are made by taking account of depreciation and write-downs, sales value of contracts, pensions and similar liabilities, provisions for liabilities and contingent liabilities and assets.

In previous years, the Group has entered into leasing agreements concerning properties. The leasing agreements have been entered into on normal rental terms, and the management specifically intends for these to be treated as operating leases.

As regards the entering of new leasing agreements, management will evaluate each specific agreement with a view to classification of the agreement as operational or financial leasing.

Impairment test for goodwill
For the annual impairment test for goodwill, an estimate is made of how the parts of the company (cash-flow generating entities) with which the goodwill is associated will be able to generate sufficient positive future net cash-flows to sustain the value of goodwill and other net assets in the relevant part of the company.

The estimate of the future free net cash-flow is based on budgets and business plans for the coming five years and projections for subsequent years. Important parameters are development of turnover, profit ratio, future construction investments and anticipated growth for the years after the next five years. Budgets and business plans for the coming five years are based on concrete future business measures, where risks in the important parameters are valued and calculated into the future anticipated free cash-flows. Projections after the coming five years are based on general expectations and risks.

The discount rates used for calculation of the recovery value are pre-tax and reflect the risk-free interest plus specific risks in the individual segments. The cash-flows used take into account the effect of the future risks associated with this, and such risks are therefore not included in the discount rates applied.

As a result of the nature of the business, an estimate must be made of anticipated cash-flows many years ahead, which naturally gives some uncertainty. The uncertainty is reflected in the discount rate selected.

The impairment test and the particularly sensitive circumstances in connection with this is described in note 13 in the consolidated accounts.

Recovery of deferred tax assets
Deferred tax assets are included for all non-utilised tax losses to the extent that it is considered probable that taxable profit will be realised within the next few years in which period the losses can be offset.

As at 31 Dec 2013, deferred tax assets of DKK 3.3 million can be assigned to tax losses. The remaining tax assets can generally be assigned to pension commitments.

Note 2 Segment information

(Amounts in DKK '000) 2013	Denmark	Abroad	Segments subject to reporting Total
Revenue	2,013,324	797,020	**2,810,344**
Internal turnover	(18,833)	(15,090)	**(33,923)**
Revenue	**1,994,491**	**781,930**	**2,776,421**
Primary operating profit	41,924	16,311	**58,235**
Share of profit/loss in affiliated companies	1,789	4,305	**6,094**
Segment assets	1,004,717	534,726	**1,539,443**
Of which, investment in affiliated companies	5,511	8,541	**14,052**
Capital expenditure including acquisition of companies	77,625	20,973	**98,598**
Depreciation	62,103	28,075	**90,178**
Write-downs	0	0	**0**
Cash flows from operating activities	90,550	66,199	**156,749**
Cash flows from investing activities	(46,251)	(20,082)	**(66,333)**
Cash flows from financing activities	(51,473)	(22,247)	**(73,720)**
Segment liabilities	542,033	293,719	**835,752**

Trade between segments takes place under normal market conditions.

Note 2 Segment information (continued)

2012 (Amounts in DKK ’000)	Denmark	Abroad	Segments subject to reporting Total
Revenue	2,127,167	778,385	2,905,552
Internal turnover	(8,307)	(15,435)	(23,742)
Revenue	**2,118,860**	**762,950**	2,881,810
Primary operating profit	35,760	24,058	59,818
Share of profit/loss in affiliated companies	433	2,369	2,802
Segment assets	1,052,199	519,306	1,571,505
Of which, investment in affiliated companies	3,722	7,564	11,286
Capital expenditure including acquisition of companies	30,927	26,913	57,840
Depreciation	66,238	28,797	95,035
Write-downs	1,620	0	1,620
Cash flows from operating activities	95,982	19,332	115,314
Cash flows from investing activities	(9,939)	(21,319)	(31,258)
Cash flows from financing activities	(19,366)	(20,804)	(40,170)
Segment liabilities	557,839	351,228	909,067

Trade between segments takes place under normal market conditions.

Note 2 Segment information (continued)

(Amounts in DKK '000)	The Group 2013	2012
Reconciliation of revenue, result, assets and liabilities of segments subject to reporting		
Revenue		
Segment revenue of segments subject to reporting	2,810,344	2,905,552
Elimination of intercompany revenue	(33,923)	(23,742)
Segment revenue of segments not subject to reporting	0	0
Total revenue cf. the income statement	**2,776,421**	**2,881,810**
Profit before tax		
Segment result of segments subject to reporting	53,980	54,773
Segment result of segments not subject to reporting	0	0
Profit/loss before tax cf. the income statement	**53,980**	**54,773**
Assets		
Segment assets of segments subject to reporting	1,539,443	1,571,505
Segment assets of segments not subject to reporting	0	0
Assets cf. balance sheet	**1,539,443**	**1,571,505**
Liabilities		
Segment liabilities of segments subject to reporting	835,752	909,067
Segment liabilities of segments not subject to reporting	0	0
Liabilities cf. balance sheet	**835,752**	**909,067**

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012
		Note 3 Revenue		
		Sale of goods	148,361	167,766
		Sales value of production and contract works for the year	2,628,060	2,714,044
			2,776,421	**2,881,810**
		Note 4 Costs		
		Production costs		
		Cost of sales	205,030	253,793
		Write-down of inventories for the year	197	106
		Write-downs on inventories carried back	0	0
		Personnel expenses		
1,428	1,376	Remuneration to the board of the parent company	1,376	1,428
2,979	2,298	Wages and salaries	637,550	632,270
233	340	Contribution-based pension schemes	57,772	63,226
		Defined-benefit pension schemes	5,909	5,750
14	14	Other personnel expenses	49,457	49,971
4,654	**4,028**		**752,064**	**752,645**
1,428	1,376	Remuneration to board	1,376	1,428
2,993	2,312	Seniour executives salaries	4,610	4,754
233	340	Senior executives pensions	534	233
		Salaries for other leading employees	2,409	3,708
		Pensions for other leading employees	261	328
0	0	Other employees	742,874	742,194
4,654	**4,028**		**752,064**	**752,645**
		Senior executives receive a fixed remuneration as well as bonus in foreign subsidiaries.		
		Remuneration to the Board		
504	528	Chairman of the Board (3 x ordinary member's remuneration)	528	504
252	264	Deputy Chairman of the Board (1.5 x ordinary member's remuneration)	264	252
672	584	Ordinary members (DKK 176,000 per member)	584	672
1,428	**1,376**		**1,376**	**1,428**
		Remuneration to the Board is a fixed monetary payment, which should be approved at the company's ordinary general meeting.		
		Staff costs are included in the annual accounts as:		
		Production costs	593,682	602,181
4,654	4,028	Administration costs	158,382	150,464
4,654	**4,028**		**752,064**	**752,645**
1	2	Average number of employees	1,741	1,766

Parent company			The Group	
2012	2013	(Amounts in DKK ’000)	2013	2012
		Note 4 Costs (continued)		
		Depreciation and write-downs		
		Depreciation, intangible assets	370	339
1,620	0	Write-downs, tangible assets	0	1,620
1,060	1,104	Depreciation, tangible assets	89,808	94,696
2,680	**1,104**		**90,178**	**96,655**
		Depreciation is included as follows:		
		Production costs	85,847	92,644
125	67	Administration costs	4,331	4,011
2,555	1,037	Other operating income/expenditure	0	0
2,680	**1,104**		**90,178**	**96,655**
		Note 5 Remuneration for auditor elected by the Annual General Meeting		
		Total remuneration for KPMG can be specified in the following way:		
207	211	Compulsory audit	1,912	1,807
		Other tasks to do with declaration of security	150	0
82	0	Tax and VAT advice	525	526
231	252	Other services	416	470
520	**463**		**3,003**	**2,803**

Note 6 Other operating income

Other operating income comprises entries of a secondary nature in relation to the Company’s main objective, including the result of lease out of properties.

Parent company			The Group	
2012	2013	(Amounts in DKK '000)	2013	2012
		Note 7 Investments in subsidiaries		
268,257	268,257	Cost price, 1 January		
0	0	Additions during the year		
268,257	**268,257**	**Cost price, 31 December**		
		Write-downs, 1 January		
		Write-downs		
		Write-downs, 31 December		
268,257	**268,257**	**Book value as at 31 December**		
Holding				
100%	100%	Arkil A/S, Haderslev, Denmark		
100%	100%	Arkil Fundering A/S, Middelfart, Denmark		
100%	100%	Arkil Holding GmbH, Germany		
		Information on ownership interest, name and registered office for the Group's subsidiaries can be seen in the Group structure overview on page 13.		

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012
		Note 8 Investments in affiliated companies		
		Cost price, 1 January	11,793	8,528
		Exchange rate adjustment	0	30
		Additions during the year	0	3,235
		Disposals for the year	0	0
		Cost price, 31 December	**11,793**	**11,793**
		Adjustments, 1 January	(507)	1,064
		Exchange rate adjustment	0	4
		Distribution	(3,328)	(4,377)
		Share of the profit/loss for the year	6,094	2,802
		Adjustments, 31 December	**2,259**	**(507)**
		Book value as at 31 December	**14,052**	**11,286**
		Main figures for affiliated companies		
		Revenue	159,079	128,305
		Annual profit	12,652	5,443
		Total assets	60,205	47,286
		Total obligations	31,823	24,391
		Equity	28,382	22,895
		Contingent liabilities	0	0
		The Group's share of affiliated companies has been included in the annual accounts as follows:		
		Equity	14,052	11,286
		Annual profit	6,094	2,802
			Ownership interest in %	
		The affiliated companies are:		
		Traffics A/S	50.00	50.00
		SAM Stralsund Asphaltmischwerke GmbH & Co. KG, Langendorf / Stralsund, Germany	47.18	47.18
		SAM Stralsund Asphaltmischwerke Verwaltungs GmbH, Langendorf / Stralsund, Germany	47.18	47.18
		Hanse Asphalt GmbH, Rostock, Germany	46.25	46.25
		GAM Greifswalder Asphaltmischwerke GmbH & Co. KG, Rostock, Germany	45.33	45.33
		GAM Greifswalder Asphaltmischwerke Verwaltungs GmbH, Rostock, Germany	45.33	45.33
		AMK Asphaltmischwerke Kiel GmbH & Co. KG, Kiel, Germany	36.30	36.30
		AMK Asphaltmischwerke Kiel Verwaltungs GmbH, Schleswig, Germany	36.34	36.34

Parent company 2012	Parent company 2013	(Amounts in DKK ’000)	The Group 2013	The Group 2012
		Note 9 Financial income		
3,922	4,430	Interest income, subsidiaries		
		Interest and dividend on securities (fair value)	666	590
		Interest and dividend on securities (available for sale)	317	9
141	250	Exchange gains from securities (fair value)	1,242	1,083
11,920	17,812	Dividends from subsidiaries		
		Exchange rate adjustments	0	66
23	58	Interest, credit institutions, etc.	923	885
16,006	**22,550**	**Total financial income**	**3,148**	**2,633**
		Note 10 Financial costs		
44	8	Interests on financial liabilities measured at the amortised cost price	6,332	7,085
		Exchange losses on securities (fair value)	892	0
		Interest element, discounted liabilities	54	52
		Foreign-exchange loss	125	541
44	**8**	**Total financial expenditure**	**7,403**	**7,678**
		Note 11 Tax		
		Taxation for the year comprises:		
83	474	Tax on profit/loss for the year	10,816	13,890
		Tax on other comprehensive income	2,163	(8,724)
83	**474**		**12,979**	**5,166**
		Tax on profit for the year is calculated as follows:		
389	393	Current tax	6,599	5,856
(243)	431	Deferred tax	3,509	8,488
0	(342)	Effect of the lowering of corporate tax rate for deferred tax	(833)	0
		Deferred tax concerning previous years	(738)	277
(63)	(8)	Current tax concerning previous years	2,279	(731)
83	**474**		**10,816**	**13,890**

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012
		Note 11 Tax (continued)		
		Tax on profit/loss for the year can be accounted for as follows:		
3,137	5,267	25% tax calculated on pre-tax profit/loss	13,495	13,693
0	(342)	Lowering of Danish corporate tax rate from 25% to 22% until 2016	(833)	0
		Adjustment of tax calculated in foreign affiliated companies in terms of 25%	1,707	586
		Loss to be carried over with a tax value of 0	88	0
		Tax effect of:		
(2,980)	(4,443)	Tax-free dividends		
(11)	0	Other adjustments	(353)	779
		Share of profit after tax in affiliated companies	(1,747)	(714)
(63)	(8)	Adjustment of tax regarding previous years	(1,541)	(454)
83	**474**		**10,816**	**13,890**
0.7%	2.2%	Effective tax rate	20.0%	25.4%

Tax on other comprehensive income

	2013			2012		
	Pre-tax	Tax revenue/ cost	Post-tax	Pre-tax	Tax revenue/ cost	Post-tax
Items which cannot be reclassified for the income statement:						
Actuarial gains/losses on defined-benefit pension schemes	7,326	(2,198)	5,128	(27,950)	8,385	(19,565)
	7,326	**(2,198)**	**5,128**	**(27,950)**	**8,385**	**(19,565)**
Items which may be reclassified for the income statement:						
Exchange-rate adjustments for conversion of foreign entities	(382)	0	(382)	1,282	0	1,282
Revaluation of hedging instruments:						
Value adjustment for the year	528	(132)	396	765	(192)	573
Value adjustment reclassified to cost of sales	(667)	167	(500)	(2,122)	531	(1,591)
	(521)	**35**	**(486)**	**(75)**	**339**	**264**
	6,805	**(2,163)**	**4,642**	**(28,025)**	**8,724**	**(19,301)**

Parent company		(Amounts in DKK ’000)	The Group	
2012	2013		2013	2012
		Note 12 Earnings per share		
		Annual profit	43,164	40,883
		Minority interests’ share of consolidated profit/loss	(2,581)	(2,472)
		Shareholders of Arkil Holding A/S	**40,583**	**38,411**
		Average number of shares at DKK 100	49,132	49,132
		Average number of own shares	(1,730)	(1,730)
		Average number of shares in circulation	**47,402**	**47,402**
		Average dilution effect of outstanding share options	0	0
		Diluted average number of shares in circulation	**47,402**	**47,402**
		Earnings per DKK 100 share (EPS)	86	81
		Diluted earnings per share at DKK 100 (EPS-D)	86	81

Parent company 2012	Parent company 2013	(Amounts in DKK ’000)	The Group 2013	The Group 2012
		Note 13 Goodwill		
		Cost price, 1 January	129,945	129,945
		Exchange rate adjustment	166	0
		Cost price, 31 December	**130,111**	**129,945**
		Write-downs, 1 January	0	0
		Write-downs	0	0
		Disposals	0	0
		Write-downs, 31 December	**0**	**0**
		Book value as at 31 December	**130,111**	**129,945**

Goodwill

Goodwill is distributed on the following cash-generating entities:

Denmark Segment:		
Arkil A/S	61,263	61,263
Arkil Fundering A/S	12,963	12,963
Denmark Segment in total	**74,226**	**74,226**
Outside Denmark Segment:		
Arkil Holding GmbH	55,885	55,719
Outside Denmark Segment in total	**55,885**	**55,719**
Book value as at 31 December	**130,111**	**129,945**

Management performed a value test of the book value of goodwill.

The recoverable amount is based on the capital value, which is determined using the expected net cash flows on the basis of the budgets for 2014-18 approved by the management, and a discounting factor before tax of 12%, which is unchanged as compared with last year.

The budgets have been prepared on the basis of the management’s evaluation and expectations in respect of the market development and earning prospects for each entity.

The weighted average growth rate used for extrapolation is estimated to be the following after 2018:

Arkil A/S	2% point
Arkil Fundering A/S	2% point
Arkil Holding GmbH	2% point

The growth rates are not expected to exceed the long-term average growth rate within the company’s markets. The growth rates are unchanged as compared with last year.

The present value of expected future net cash-flows is sufficient to be equivalent to the book value of goodwill as at 31 December 2013.

Sensitivity analysis

Sensitivity analyses were performed showing that in the event of reasonably probable changes in the primary assumptions forming the basis of the calculation of the recoverable values, these will still exceed the book value.

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012
		Note 14 Licences and rights		
		Cost price, 1 January	11,203	11,156
		Exchange rate adjustment	0	47
		Additions	0	0
		Disposals	0	0
		Cost price, 31 December	**11,203**	**11,203**
		Depreciation and write-downs, 1 January	(2,306)	(1,951)
		Exchange rate adjustment	0	(15)
		Depreciation for the year	(340)	(340)
		Disposals	0	0
		Depreciation and write-downs, 31 December	**(2,646)**	**(2,306)**
		Book value as at 31 December	**8,557**	**8,897**
		Note 15 Land and buildings, owner-occupied properties		
3,726	3,726	Cost price, 1 January	178,066	179,512
		Exchange rate adjustment	(254)	505
		Additions	10,272	4,901
		Transferred to assets earmarked for sale	0	(6,749)
		Disposals	0	(103)
3,726	**3,726**	**Cost price, 31 December**	**188,084**	**178,066**
(1,092)	(1,092)	Depreciation and write-downs, 1 January	(46,400)	(41,575)
		Exchange rate adjustment	134	(240)
		Depreciation	(3,853)	(5,327)
		Write-downs	0	(1,620)
		Transferred to assets earmarked for sale	113	2,328
		Disposals	0	34
(1,092)	**(1,092)**	**Depreciation and write-downs, 31 December**	**(50,006)**	**(46,400)**
2,634	**2,634**	**Book value as at 31 December**	**138,078**	**131,666**
0	**0**	**Financially leased asset component**	**0**	**0**
0	**0**	**Capital commitments**	**0**	**0**

Parent company			The Group	
2012	2013	(Amounts in DKK ’000)	2013	2012
		Note 16 Investment properties		
71,829	67,788	Cost price, 1 January	5,492	5,492
(6,749)	0	Transferred to assets earmarked for sale	0	0
2,770	7,974	Additions	0	0
(62)	0	Disposals	0	0
67,788	**75,762**	**Cost price, 31 December**	**5,492**	**5,492**
(15,851)	(16,078)	Depreciation and write-downs, 1 January	(3,284)	(3,284)
2,328	113	Transferred to assets earmarked for sale	0	0
(935)	(1,037)	Depreciation	0	0
(1,620)	0	Write-downs	0	0
0	0	Disposals	0	0
(16,078)	**(17,002)**	**Depreciation and write-downs, 31 December**	**(3,284)**	**(3,284)**
51,710	**58,760**	**Book value as at 31 December**	**2,208**	**2,208**
70,247	**68,344**	**Fair value of investment properties**	**3,129**	**3,443**
		Fair value of investment properties (level 3 in the fair value hierarchy) is calculated on the basis of a Discounted Cash Flow model with a demand for yield of 5-7%. Investment properties for the parent company primary include properties used in the operations of the Group. Fair value calculations are based on current lease agreements.		
5,701	5,261	Rental income from investment properties	264	305
(260)	(123)	Operating costs concerning investment properties	(115)	(158)
5,441	**5,138**	**Operation of investment properties**	**149**	**147**
		Note 17 Technical plant, machinery and fixtures		
1,904	1,904	Cost price, 1 January	936,583	917,803
		Exchange rate adjustment	(1,384)	2,546
		Additions	101,870	77,699
0	(1,281)	Disposals	(52,398)	(61,465)
1,904	**623**	**Cost price, 31 December**	**984,671**	**936,583**
(1,712)	(1,837)	Depreciation and write-downs, 1 January	(641,515)	(590,211)
		Exchange rate adjustment	1,265	(2,194)
(125)	(67)	Depreciation	(85,949)	(89,468)
0	1,281	Disposals	47,264	40,358
(1,837)	**(623)**	**Depreciation and write-downs, 31 December**	**(678,935)**	**(641,515)**
67	**0**	**Book value as at 31 December**	**305,736**	**295,068**
67	**0**	**Financially leased asset component**	**77,636**	**69,403**
0	**0**	**Capital commitments**	**0**	**0**

Parent company			The Group	
2012	2013	(Amounts in DKK '000)	2013	2012
		Note 18 Plants under construction		
		Cost price, 1 January	1,128	3,752
		Exchange rate adjustment	0	9
		Additions	1,942	1,128
		Retained	(235)	(3,761)
		Cost price, 31 December	**2,835**	**1,128**
		Book value as at 31 December	**2,835**	**1,128**
		Note 19 Long-term receivables		
		Cost price, 1 January	10,993	0
		Exchange rate adjustment	0	0
		Additions	3,516	11,110
		Repayment	(1,559)	(117)
		Cost price, 31 December	**12,950**	**10,993**
		Book value as at 31 December	**12,950**	**10,993**
		Note 20 Inventories		
		Raw materials and consumables	57,858	61,212
		Work in progress	687	173
		Finished goods	11,355	11,156
			69,900	**72,541**
		Book value of stock on hand written down at fair value	0	0
		Note 21 Construction contracts		
		Sale value of work contracts	1,751,921	1,709,331
		Invoiced instalments	(1,705,042)	(1,663,504)
			46,879	**45,827**
		Inclusions:		
		Contract works (assets)	100,295	96,825
		Contract works (liabilities)	(53,416)	(50,998)
			46,879	**45,827**
		Prepayments from customers	0	0
		Withheld payments	0	0

Parent company			The Group	
2012	2013	(Amounts in DKK '000)	2013	2012
		Note 22 Receivables		
		Accounts receivable from sales and services	522,728	578,433
103,008	109,921	Accounts receivable at affiliated companies		
427	1,816	Other accounts receivable	25,388	38,614
103,435	**111,737**		**548,116**	**617,047**
		Write-downs included in the receivables above have progressed s follows:		
		1 January	10,830	12,185
		Rate adjustments	10	23
		Write-downs in the year	416	1,761
		Realised in the year	(865)	(537)
		Carried back	(817)	(2,602)
		31 December	**9,574**	**10,830**
		Individual write-downs comprised	7,860	8,829

Credit risks in connection with the individual receivables depend primarily on the debtors' registered office. Based on the Group's internal credit rating procedures and external ratings, the credit quality of receivables not written down is estimated to be of a high quality with a low risk of loss, see note 35 for information regarding credit rating procedures, etc.

Receivables from sales not written down are distributed geographically as follows:

		Scandinavia	437,036	479,554
		Rest of Europe	85,681	98,879
		Rest of the World	11	0
			522,728	**578,433**

The Group's receivables from sales as at 31 December 2013 include a write-down of DKK 9,574,000 (2012: 10,830,000). The write-downs are mainly due to clients' bankruptcy or anticipated bankruptcy. Furthermore, receivables overdue as at 31 December, but not written down, are included as follows:

		Due date:		
		Up to 30 days	159,646	168,266
		Between 30 and 90 days	18,246	31,886
		Over 90 days	54,766	30,387
			232,658	**230,539**

Parent company			The Group	
2012	2013	(Amounts in DKK ’000)	2013	2012
		Note 23 Securities		
		Unlisted securities	0	477
757	1,007	Listed securities	26,633	23,371
757	**1,007**		**26,633**	**23,848**
		Thus, the balance sheet comprises:		
		Long-term assets	0	477
757	1,007	Short-term assets	26,633	23,371
757	**1,007**		**26,633**	**23,848**
		Fair value hierarchy:		
757	1,007	Level 1, listed	26,633	23,371
		Level 2, observable	0	477
757	**1,007**		**26,633**	**23,848**

Parent company		(Amounts in DKK '000)		The Group	
2012	2013			2013	2012
		Note 24 Equity			
		Share capital			
49,132	49,132	1 January		49,132	49,132
49,132	**49,132**	**31 December**		**49,132**	**49,132**
		Share capital can be divided as follows:			
6,150	6,150	Class A shares		6,150	6,150
42,982	42,982	Class B shares		42,982	42,982
49,132	**49,132**			**49,132**	**49,132**
		Class A share capital is distributed as follows:			
1,367	1,367	1 share valued at	DKK 1,367,400	1,367	1,367
83	83	1 share valued at	DKK 82,600	83	83
3,450	3,450	69 shares valued at	DKK 50,000	3,450	3,450
1,105	1,105	221 shares valued at	DKK 5,000	1,105	1,105
130	130	130 shares valued at	DKK 1,000	130	130
15	15	30 shares valued at	DKK 500	15	15
6,150	**6,150**			**6,150**	**6,150**
		Class B share capital constitutes 429,823 shares at DKK 100			
		Vote distribution:			
10	10	DKK 100 class A shares			
1	1	DKK 100 class B shares			
		Own shares			
12,100	12,100	Opening		17,300	17,300
0	0	Additions		0	0
12,100	**12,100**	**Closing number of shares**		**17,300**	**17,300**
1,210	1,210	Nominal value		1,730	1,730
2.5%	2.5%	% of share capital		3.5%	3.5%
10	10	Dividend per share at DKK 100			

In recent years, the Group has purchased own shares at a nominal value of DKK 1,730,000 at an average price of DKK 836, equivalent to a cost price of DKK 14,462,000.

Of which holdings in subsidiaries constitutes nominally DKK 520,000 at a cost price of DKK 3,641,000.

Until the next ordinary general meeting, however, no later than 24 October 2014, the Board is authorised to let the company acquire own shares at a nominal value of maximum 10% of the share capital at any given time. The acquisition must take place at a price not exceeding the end-buyer price of class B shares listed at NASDAQ OMX at the transfer date plus 10%.

The aim is to achieve flexibility in connection with the acquisition of companies and the conclusion of strategic cooperation agreements.

(Amounts in DKK '000)	The Group 2013	2012

Note 25 Pensions and similar obligations

Under **defined** contribution plans, the employer is obliged to pay a fixed contribution (e.g. a fixed amount or a fixed percentage of the salary). The Group bears no risk in respect of development in interest, inflation, mortality and invalidity under a defined contribution plan.

Under **defined** benefit plans, the employer is obliged to pay a fixed contribution (e.g. retirement pension as a fixed amount or a fixed percentage of the final salary). The Group bears the risk in respect of development in interest, inflation, mortality and invalidity under a defined benefit plan.

The pension obligations of Danish companies are covered by insurance. Some foreign companies are also covered by insurance. Foreign companies which have no or only partial insurance cover (defined benefit plans) calculate their liability actuarially at present value on the balance sheet date. The defined benefit plans exist in some of the Group's German companies. In the consolidated accounts DKK 126,896,000 has been included under obligations (2012: DKK 135,117,000) concerning the Group's obligations towards present and previous employees. The unfunded pension plans comprise plans for all groups of employees. The parent company exclusively uses defined contributions plans.

Future retirement benefits will be based on how long the employee has participated in the plan, as the size of pension shares does not dependent on the wage level for the individual employee.

In general, the risks in the defined benefit plans can be categorised as risks related to life expectancy and interest rates.

The last actuarial evaluation of pension obligations have been carried out by Uhlmann, Ludewig & Menzel. The current value of the obligations in the plan and the related pension costs concerning the present and previous financial year has been calculated using the Projected Unit Credit Method.

The essential assumptions for the actuarial calculations as per the day of balance in average can be reported as follows:

	2013	2012
Discounting rate	3,2%	3,1%
Mortality table based on the life expectancy for the working population in Germany (trends extrapolated until 2060)	G2005	G2005
Present value of defined-benefit schemes	126,896	135,117
Fair value of scheme assets	0	0
Total	**126,896**	**135,117**
Development in present value of pension obligation included:		
Net liability 1 January	135,117	108,388
Exchange rate adjustment	(1)	361
Pensions paid out	(6,802)	(7,331)
Pension expenses relating to the current financial year	5,908	5,750
Actuarial losses (gains), changed demographic conditions	(5,717)	2,037
Actuarial losses (gains), changed financial conditions	(1,609)	25,912
Net liability, 31 December	**126,896**	**135,117**
Pension expenses recognised in the income statement:		
Pension expenses relating to the current financial year	1,860	1,344
Calculated interest relating to liability	4,048	4,406
Recognised total for defined-benefit plans	**5,908**	**5,750**
Recognised in defined-contribution plans	57,772	63,245
Total recognised in the income statement	**63,680**	**68,995**
The costs are included in the following items in the income statement:		
Production costs	52,063	56,470
Administration costs	11,617	12,525
Total recognised in the income statement	**63,680**	**68,995**

(Amounts in DKK '000)	The Group 2013	2012
Note 25 Pensions and similar obligations (continued)		
Sensitivity analyses		
The tabel below shows the sensitivity of the pension obligation in relation to changes in the key assumptions for the calculation of the obligation on the balance day. The essential actuarial assumptions for the statement of pension liabilities relate to interest rates and mortality.		
The analysis is based on reasonably probable changes in the key assumptions applied, given that the other parameters used for the calculations are unchanged and not amended by way of consequence.		
There are no changes in methods compared to 2012.		
Expected pension liability as at 31 December 2014	125,176	132,313
Reported pension liability	126,896	135,117
Sensitivity related to the discount rate:		
2.7% (assumption -0.5%)	134,461	143,090
3.7 % (assumption +0.5 %)	118,496	126,460
Sensitivity related to mortality:		
Expectancy + 1 year life expectancy	130,593	139,241
Expectancy - 1 year life expectancy	121,502	129,401
Expected weighted duration of the liability at the end of 2013 is 18.2 years (2012: 18,3):		
Active employees	30,6	30,7
Retired employees	13,2	13,1
Dependents	16,6	16,5
The pension liability is expected to be payable in the following manner:		
0-1 years	6,752	7,841
1-5 years	27,864	28,344
> 5 years	92,280	98,932
	126,896	**135,117**
The liability can be broken down into:		
Active employees	30,496	32,472
Retired employees	85,693	91,245
Dependents	10,707	11,400
	126,896	**135,117**
The statement of included gains and losses includes the following accumulated actuarial gains/losses since 1st January 2005:		
Accumulated actuarial losses	27,820	35,146

The Group expects to pay DKK 6,624,000 into the defined-benefit scheme in 2014.

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012
		Note 26 Deferred tax		
2,807	2,564	Deferred tax, 1 January	13,156	13,136
		Exchange rate adjustment	3	(21)
0	(342)	Lowering of Danish corporate tax rate from 25% to 22% until 2016	(833)	0
(243)	431	Annual deferred tax included in the annual profit/loss	2,771	8,765
		Annual deferred tax included in other comprehensive income	2,163	(8,724)
2,564	**2,653**	**Deferred tax, 31 December**	**17,260**	**13,156**
		Deferred tax is included in the balance sheet as follows:		
		Deferred tax (asset)	(17,073)	(19,067)
2,564	2,653	Deferred tax (liabilities)	34,333	32,223
2,564	**2,653**	**Net deferred tax, 31 December**	**17,260**	**13,156**
		Deferred tax relates to:		
		Intangible assets	6,606	7,262
2,586	2,653	Tangible assets	25,302	21,056
		Financial assets	0	0
		Short-term assets	24,001	23,085
		Provisions for liabilities and charges	(19,566)	(18,707)
(22)	0	Other liabilities	(15,819)	(15,107)
		Tax losses	(3,264)	(4,433)
2,564	**2,653**		**17,260**	**13,156**

The tax value of the retaxation balance relating to Inpipe Sweden AB, which withdrew from joint taxation as of 1 January 2005, is not included under deferred tax. The tax value amounts to DKK 5,886,000.

Parent company		(Amounts in DKK ’000)	The Group	
2012	2013		2013	2012
		Note 27 Provisions		
		Guarantee obligations, 1 January	6,210	15,463
		Exchange rate adjustment	(22)	75
		Used this year	(1,682)	(4,903)
		Carried back	(127)	(7,178)
		Provided this year	2,287	2,753
		Guarantee obligations, 31 December	**6,666**	**6,210**
		Other liabilities, 1 January	13,932	14,680
		Exchange rate adjustment	0	51
		Used this year	(2,516)	(718)
		Carried back	(466)	(2,824)
		Provided this year	652	2,743
		Other liabilities, 31 December	**11,602**	**13,932**
		Provisions for liabilities, 31 December	**18,268**	**20,142**
		Provisions for liabilities are expected to fall due after:		
		Current liabilities	12,773	7,663
		Long-term liabilities	5,495	12,479
		Provisions for liabilities, 31 December	**18,268**	**20,142**

Guarantee obligations relate to completed contracts, which are normally guaranteed for up to 5 years.

Other liabilities relate to site remediation of quarries and known obligations in respect of work completed. The liability has been calculated on the basis of specific expectations of future costs.

Parent company			The Group	
2012	2013	(Amounts in DKK ’000)	2013	2012
		Note 28 Debt to credit institutions		
		Loans	99,823	143,645
91	0	Lease commitments	84,302	71,298
		Bank loan (bank overdraft)	332	695
91	**0**	**Book value**	**184,457**	**215,638**
0	0	Of which at a fixed interest	0	0
0	0	Long-term liabilities	114,753	136,317
91	0	Current liabilities	69,704	79,321
91	**0**		**184,457**	**215,638**
91	0	Nominal value	184,457	215,638

The fair value is calculated as the present value of expected future principal and interest repayments. The Group’s current borrowing rate for equivalent maturities has been used as discount rate.

It is the Group’s policy in connection with borrowing to ensure the greatest possible flexibility through spreading the borrowing over due dates and counterparts.

Financial leasing
Liabilities relating to financially leased assets are included under debt to credit institutions:

	The Group					
	2013			2012		
	Minimum leasing payment	Interest element	Present value	Minimum leasing payment	Interest element	Present value
0-1 years	21,019	1,134	19,885	25,144	1,123	24,021
1-5 years	56,140	1,944	54,196	43,703	1,850	41,853
> 5 years	10,320	99	10,221	5,558	133	5,424
	87,479	**3,177**	**84,302**	**74,405**	**3,106**	**71,298**

There are no contingent rentals under the leasing contracts.
The fair value of the liabilities concerning assets held under a finance lease corresponds to the book value.

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012
		Note 29 Trade payables and other debts		
385	148	Trade creditors	201,792	217,183
21	755	Debts to associated companies		
2,030	1,030	Other debt	212,062	233,918
2,436	**1,933**		**413,854**	**451,101**
		Note 30 Corporate tax		
(4,519)	(3,799)	Corporate tax payable, 1 January	(4,313)	(4,159)
		Exchange rate adjustment	10	1
389	392	Current annual tax incl. jointly taxed subsidiaries	8,878	5,125
(65)	(8)	Other adjustments	0	0
396	(160)	Corporate tax paid during the year	(3,895)	(5,280)
(3,799)	**(3,575)**	**Corporate tax receivable, 31 December**	**680**	**(4,313)**
		Note 31 Contingent liabilities and collateral		
		Guarantees issued by a third party to clients	789,558	620,561

The Group is participating in joint ventures with joint and several liability with total debts amounting to DKK 86.2 million. No loss is expected in this context, beyond what has been included in the accounts.

Pending disputes and legal proceedings
The Group is party to a number of disputes as well as legal and arbitration proceedings. It is the management's opinion that the outcome of these proceedings should not be expected to have any significant negative effect on the financial position of the Group.

The company is jointly taxed with other Danish group companies. As administration company the company is liable unlimited, jointly and severally together with the other group companies as regards Danish corporate taxes and taxes at source on dividends, interest and royalties within the jointly taxed group. The jointly taxed companies' known total net receivables on receivable corporate taxes as at 31 December 2013 comprise DKK 3,575,000. Any later corrections of jointly taxed income, tax at source etc. could mean that the liability of the company is somewhat larger.

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012
		Note 32 Changes in working capital		
		Changes in stock on hand	2,641	(7,473)
(13,935)	(8,302)	Changes in accounts receivable and contract works	65,461	(56,910)
1,577	(504)	Changes in creditor and other debt	(34,935)	46,376
(12,358)	**(8,806)**		**33,167**	**(18,007)**
		Note 33 Net purchases of tangible assets		
(2,770)	(7,974)	Purchases of tangible assets	(113,849)	(79,967)
0	0	Leasing debt contracted	34,700	29,086
(2,770)	**(7,974)**		**(79,149)**	**(50,881)**

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012

Note 34 Related parties
Shareholders with a significant influence:
Niels Arkil, Haderslev, class A shareholder.
Jesper Arkil, Haderslev, class A shareholder.

The actuarial value of pension obligations towards related parties with a significant influence amounts to DKK 32,164,000 (2012: DKK 32,536,000). The pension obligation, which was attained on acquisition of the company in 2004, was established in SAW Schleswiger Asphaltsplitt-Werke GmbH & Co. KG in 1974.

Arkil Holding A/S's other closely related parties with a significant influence include the company's board, management and leading employees, and the related family members of these people. Related parties also include companies in which the above people have significant interests. Remuneration to the Board of Directors and the Executive Board is shown in note 4.

Work carried out for closely related parties amounts to DKK 80,000 (2012: DKK 0) and has been carried out on standard market terms. Receivables with closely related parties amount to DKK 0 as at 31 December 2013 (2012: DKK 0).

Closely related parties also include the subsidiaries and affiliated companies (cf. notes 7 and 8) in which Arkil Holding A/S has a controlling or significant influence.

Parent company 2012	Parent company 2013	(Amounts in DKK '000)	The Group 2013	The Group 2012
		Subsidiaries, affiliated companies and joint ventures		
		Trade between subsidiaries, affiliated companies and joint ventures has comprised:		
3,922	4,430	Interest income from subsidiaries		
		Interest expenses to subsidiaries		
		Purchase of finished goods, etc., from subsidiaries		
		Purchase of finished goods, etc., from affiliated companies	29,792	15,629
		Sale of finished goods, etc., to joint ventures	121,239	55,808
		Sale of finished goods, etc., to affiliated companies	7,329	11,440
5,396	5,960	Sale of services to subsidiaries		
9,318	**10,390**		**158,360**	**82,877**

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

The parent company's outstanding balances with subsidiaries as of 31 December are shown in notes 22 and 29. Outstanding balances with subsidiaries comprise loans and normal outstanding business balances relating to purchases and sales.

Interest charged on outstanding balances with subsidiaries is shown in notes 9 and 10.

The parent company has received DKK 17,812,000 (2012: DKK 11,920,000) as dividends from subsidiaries.

Note 35 Commercial and financial risks

General risks

The Arkil Holding Group's activities, which are in the building contracting sector, involve a number of commercial and financial risks.

The Group's strategy is to apply specific risk management to minimise and deal with commercial and financial risks. It is assessed that the risks that the Group is facing in general are no different from the usual ones facing companies in the building contracting sector.

The most important operating risk for the Group is affected in particular by its ability to be flexible, with the possibility of rapid adaptation to current market trends within the main business areas of the Group being a key factor.

The Group's customers are mainly public and semi-public authorities, which means that the number of contracts on offer will vary according to political trends.

It is also the Group's strategy to set up subsidiaries abroad, in order to achieve geographical dispersion of the Group's activities, thus minimising dependence on economic trends in the Danish market.
The Group's main activities lie within routine jobs involving well-known risks that can be minimised through risk management.

Large specialist contracts are usually carried out in consortia with well-known partners and in collaboration with specialists, which limits the risks.

New forms of collaboration based on partnerships, in which the contractor is involved in the project before the projecting and planning phases have started, will improve the uncovering of risks for the projects.

The Group's insurance strategy involves identifying significant risks over which the Group itself has no direct influence and which may constitute a threat to the Group's financial status and existence.

"The policy of the Group is to cover the financial risks of future fluctuations in the price of commodities and raw materials used in the Group's products. This is done based on a risk assessment.

The risk is generally covered by making fixed price contracts with the suppliers for deliveries for projects. Where fixed price contracts are not concluded, the risk is covered selectively based on a risk assessment according to the policy of the Group with financial instruments in the form of commodity swaps."

Financial risks

As a consequence of its operations, investments and financing, the Group is exposed to changes in exchange rates and interest rates. The policy of the Group is to not actively speculate in financial risks. The Group's financial management is therefore aimed solely at financial risks already incurred. The Group's financial risks are primarily covered by distributing income and expenditure in the same currency and using derivative financial instruments in accordance with a policy approved by the board of directors.

Concerning the description of the accounting policy and methods used, including the criteria for inclusion and basis for measurement used, refer to the comments for account policies.

Note 35 Commercial and financial risks (continued)

Foreign exchange risks

It is the Group's policy to limit the effect of currency fluctuations on the Group's financial results and financial position.

Turnover in foreign currencies, which accounts for about 28% of the Group's turnover, is not an indication of the Group's foreign exchange risks, as most of the costs involved in foreign turnover are paid for in the same currency.

Cross-border sales in foreign currencies represent less than 5.0% of Group turnover. To this should be added that most of the operational financing of foreign activities takes place in local currencies.

The Group's foreign currency position is controlled centrally, and selective hedging is carried out. Only positions based on business opportunities are taken up.

Net investments in foreign subsidiaries are usually not hedged. Exchange rate adjustments of these are entered under other comprehensive income according to the accounting policies applied.

Concerning investments in foreign entities, the Group's equity as at 31 December 2013 will be reduced by DKK 1.4 million (2012: DKK 1.5 million) provided that the exchange-rate of the Swedish krona was 10% lower than the actual rate. Other currency risks concerning investments in foreign entities are insignificant.

The Group had no significant exchange rate risks as regards receivables and debt in foreign currencies as at 31 December 2013, and the Group's result would therefore not have been significantly affected by changes in the exchange rates as at 31 December 2013.

"The Group has considerable EUR transactions/exposures, but management do not consider this a currency risk. Apart from this, the Group has no significant currency exposure."

Financial management

The Group regularly assesses the need to adapt the capital structure to balance the increased demand for yield on equity with the increased uncertainty that is associated with foreign capital. The equity's share of total liabilities at the end of 2013 constituted 45.7% (2012: 42.2%). The target for the equity share is minimum 35%. The capital is managed for the Group as a whole.

The target for return on equity is a return of 25% more than the interest on the Danish long-bond market, however, minimum 8%. The realised return on equity for 2013 constituted 6.3% (2012: 6.3%) The long-bond interest rate + 25% was 4.58% in 2013.

It is the dividend policy of the Arkil Holding A/S that the shareholders should achieve a return from the investment in the form of rise in prices and a dividend which is more profitable than a risk-free investment in bonds. Distribution of any dividend must take place with due consideration of the necessary consolidation of equity capital as the basis for the continued expansion of the Group.

Note 35 Commercial and financial risks (continued)

Interest rate risks

The Group's liquid assets are placed on demand or term deposit with a term of up to 3 months and in listed bonds and shares.

The Group's holding of securities represent DKK 26,633,000 and are distributed as follows:

	2013	**2012**
Listed securities	26,633	23,371
Unlisted securities	0	477
	26,633	**23,848**
Inclusions:		
Securities, long-term assets	0	477
Securities, short-term assets	26,633	23,371
	26,633	**23,848**

With the exception of employee's bonds, all interest-bearing debts are floating-rate loans.

An increase or a fall in the interest level of 1% in relation to the balance sheet day would be insignificant for the Group's result and equity.

The Group's interest-bearing net liabilities, defined as the sum of debt owed to mortgage credit institutions and employee's bonds minus holdings in negotiable securities and liquid assets, amount to a debt of DKK 3.1 million, compared to a debt of DKK 53.3 million as at 31 December 2012.

In the course of the year, interest-bearing debts, which are included in net liabilities, decreased from DKK 219.4 million to DKK 188.3 million.

The Group monitors the development of interest rates on an ongoing basis with the intention of hedging the interest rate risk for a larger part of the debt portfolio.

Note 35 Commercial and financial risks (continued)

Liquidity risks

As for borrowing, it is the policy of the Group to ensure the best possible flexibility through spreading of the borrowing over due dates/renegotiation dates and counterparts in consideration of the pricing. The Group's liquid reserves consist of liquid assets, securities and unused credit facilities. It is the objective of the Group to have sufficient liquidity resources to continue to be able to act appropriately in the event of unforeseen fluctuations in liquidity.

The Group's debts fall due as follows:

2013

DKK '000	Book value	Contractual cash flows	Within 1 year	1 to 5 years	After 5 years
Non-derivative financial instruments					
Credit institutions	100,155	103,414	54,240	47,373	1,801
Financial lease commitments	84,302	87,479	21,019	56,140	10,320
Employee's bonds	3,848	3,848	3,848	0	0
Trade creditors	201,792	201,792	201,792	0	0
Derivative financial instruments					
Forward contracts have been applied as hedging instrument (settled net)	0	0	0	0	0
Total liability commitments	**390,097**	**396,533**	**280,899**	**103,513**	**12,121**
Liabilities relating to assets earmarked for sale	0	0	0	0	0
Total liability commitments	**390,097**	**396,533**	**280,899**	**103,513**	**12,121**

2012

DKK '000	Book value	Contractual cash flows	Within 1 year	1 to 5 years	After 5 years
Non-derivative financial instruments					
Credit institutions	144,340	148,587	61,435	86,169	983
Financial lease commitments	71,298	74,405	25,144	43,703	5,558
Employee's bonds	3,848	3,848	0	3,848	0
Trade creditors	217,183	217,183	217,183	0	0
Derivative financial instruments					
Forward contracts have been applied as hedging instrument (settled net)	0	0	0	0	0
Total liability commitments	**436,669**	**444,023**	**303,762**	**133,720**	**6,541**
Liabilities relating to as-sets earmarked for sale	0	0	0	0	0
Total liability commitments	**436,669**	**444,023**	**303,762**	**133,720**	**6,541**

Note 35 Commercial and financial risks (continued)

Credit risks

By far the majority of the Group's customers are public and semi-public clients, therefore the risk of financial losses are considered to be minimal. The Group's accounts receivable from sales to other customers are exposed to the usual credit risk.

A critical risk assessment of the customers is carried out prior to a construction contract being entered into. Accounts receivable from sales to other customers are also covered to the extent considered appropriate and possible, by security in the form of letters of credit or bank guarantees.

The maximum credit risk is reflected in the book value of the individual financial assets that are included in the balance sheet.

The Group has no significant risks concerning one single customer or working partner.

As for 31 December 2012, the Group's depreciations as per 31 December 2013 are solely related to financial assets classified as receivables. Reference is made to note 22.

Categories of financial instruments

Categories of financial instruments are described below:

	Book value	
	2013	2012
Financial assets, measured at fair value via the income statement	26,633	23,371
Derivative financial instruments entered into for hedging of future cash flows	0	139
Financial assets classified as available for sale	0	477
Loans and receivables	719,657	770,292
Financial liabilities, used as hedging instruments	0	0
Financial liabilities, measured at amortized cost price	(390,097)	(436,669)

The book value and the fair value are the same. Please see the section ”Methods and assumptions for the fair value statement” below.

Receivables, cash and cash equivalents and financial liabilities are estimated to have a fair value similar to the book value.

Note 35 Commercial and financial risks (continued)

	2013			
	Listed prices (level 1)	Observable input (level 2)	Non-observable input (level 3)	Total
Financial assets				
Securities	26,633	0	0	26,633
Unlisted shares	0	0	0	0
Derivative financial instruments entered into for hedging of future cash flows	0	0	0	0
Total financial assets	**26,633**	**0**	**0**	**26,633**
Financial liabilities				
Derivative financial instruments entered into for hedging of future cash flows	0	0	0	0
Total financial liabilities	**0**	**0**	**0**	**0**

	2012			
	Listed prices (level 1)	Observable input (level 2)	Non-observable input (level 3)	Total
Financial assets				
Securities	23,371	0	0	23,371
Unlisted shares	0	477	0	477
Derivative financial instruments entered into for hedging of future cash flows	0	139	0	139
Total financial assets	23,371	616	0	23,987
Financial liabilities				
Derivative financial instruments entered into for hedging of future cash flows	0	0	0	0
Total financial liabilities	**0**	**0**	**0**	**0**

Methods and assumptions for the fair value statement
The methods and assumptions used when calculating the fair value of financial instruments are described class by class of financial instruments. The methods applied are unchanged compared to 2012.

Listed bonds
The holding of publicly listed bonds consists of liquid government bonds and mortgage bonds valued at listed prices or price quota systems.

Parent company			The Group	
2012	2013	(Amounts in DKK '000)	2013	2012

Note 35 Commercial and financial risks (continued)

Derivative financial instruments

Commodity swaps are valued used generally accepted valuation methods based on relevant observable swap curves. Externally calculated fair values based on discounting future cash flows are applied.

Mortgage debt (measured at amortised cost price in the balance sheet)

The fair value of mortgage debt has been valuated on the basis on the fair value of the underlying bonds. Short-term floating-rate debt to banks has been valuated at the price of 100.

Non-observable market data primarily includes the credit risk, which is revaluated on changes to the rating of the Arkil Holding Group or indications of changes to the Group's credit differential. In 2013, the credit risk was only an insignificant part of the fair value of the mortgage debt.

Bank loans and financial leasing agreements (measured at amortised cost price in the balance sheet)

The fair value of bank loans and financial leasing contracts is calculated on the basis of discount models, where all estimated and fixed cash flows are discounted using zero coupon interest rate curves. The expected cash flows for each contract are based on contractual cash flows and observable market data such as interest rate curves. When calculating the fair value for floating rate loans and financial leasing contracts, cash flows are estimated according to the forward interest rate curve.

Non-observable market data primarily includes the credit risk, which is revaluated on changes to the rating of the Arkil Holding Group or indications of changes to the Group's credit differential. In 2013, the credit risk was only an insignificant part of the fair value of bank loans and financial leasing contracts.

Receivables from sales, liquid holdings and trade payables (measured at amortised cost price in the balance sheet)

Accounts receivable from sales and trade payables with short-term repayment are assessed to have a fair value equal to the book value.

Note 36 Operating leases

The Group leases properties and operating equipment under operating leases. Typically, the lease term is a period between 2 and 20 years with the possibility of extension after expiry of the period. None of the leases contain contingent lease payments.

Non-cancellable operational rentals, rental liabilities, etc., are as follows:

Parent 2012	Parent 2013		Group 2013	Group 2012
0	107	0-1 years	8,151	7,223
0	151	1-5 years	21,131	22,280
0	0	> 5 years	48,199	49,685
0	258		**77,481**	**79,188**
0	133	Included in the income statement concerning operating leases and rental liabilities.	8,298	8,380

Note 37 Subsequent events

No other events that could influence the consolidated accounts or the annual accounts for 2013 have occurred since the end of the financial year.

Note 38 New accounting regulations

The IASB has issued the following new accounting standards (IAS and IFRS) and interpretations, which are not compulsory for Arkil Holding A/S in the preparation of the annual report for 2013: IFRS 9 and the subsequent amendments to IFRS 9, IFRS 7 and IAS 39, IFRS 10-12, amendments to IFRS 10, 11 and 12, IAS 27 (2011), IAS 28 (2011), amendments to IAS 27 (2011), amendments to IAS 19, amendments to IAS 32, amendments to IAS 36, amendments to IAS 39, annual improvements to IFRSs 2010-2012 cycle, annual improvements to IFRS 2011-2013 cycle as well as IFRIC 21. IFRS 9 and subsequent amendments to IFRS 9, IFRS 7 and IAS 39, amendments to IAS 19, annual improvements to IFRSs 2010-2012 cycle, annual improvements to IFRS 2011-2013 cycle as well as IFRIC 21 still have not been approved by the EU.

Except for the early implementation of amendments to IAS 36, the approved standards and interpretations not yet entered into force will be implemented as they become mandatory for Arkil Holding A/S. Apart from the below, none of the new standards or interpretations are expected to have any significant effect on the financial reporting for Arkil Holding A/S:

- IFRS 9 changes the classification and measuring of financial assets and liabilities (the current IAS 39). Henceforward, the main categories for the measuring of financial assets will comprise amortized cost price and present value through either the income statement or other comprehensive income. The current categories are fair value through the income statement, available for sale, hold-to-maturity, and loans and receivables. For financial liabilities, the provisions are changed, so that changes in own credit risk no longer affect the result, but solely will be entered under other comprehensive income. Arkil Holding A/S expects that the standard will have a minor effect for the Group. The standard will apply to financial years commencing 1 January 2018 or later.

- IFRS 10 implies a change in the time when a company should be consolidated. IFRS 10 states that an investor must consolidate another company when it obtains de facto-control of it, even though it does not hold the majority of shares or votes. Furthermore, potential voting rights and conversion rights must be considered, as these, in connection with other rights, could lead to a demand for consolidation before they can be used. Arkil Holding A/S expects that the standard will have a minor effect for the Group. The standard is mandatory for financial years commencing 1 January 2014 or later.

- IFRS 11 concerning joint ventures and similar arrangements replaces IAS 31 Joint Ventures. Henceforward, it is no longer possible to choose freely between consolidation on a pro-rata basis and the equity method for jointly controlled companies. IFRS 11 divides joint arrangements into joint ventures (the equity method) and joint operations (pro rata-inclusion) based on both formal and substantial conditions. Arkil Holding A/S expects that the standard will have a minor effect for the Group. The standard is mandatory for financial years commencing 1 January 2014 or later.

- IFRS 12 includes reporting requirements for both consolidated and non-consolidated companies, joint ventures and affiliated companies. The purpose of this being to provide information that makes it possible for the users of the accounts to assess the basis for control, risks associated with participating in companies which are not consolidated, any limitations regarding the consolidated assets and liabilities as well as the involvement of minorities in the Group's activities. The standard will only have effect on the reporting requirements for Arkil Holding A/S. The standard is mandatory for financial years commencing 1 January 2014 or later.

Parent company		(Amounts in DKK ’000)	The Group	
2012	2013		2013	2012
		Note 39 The Group’s share of joint ventures		
		Revenue	153,194	114,555
		Expenditure	(152,150)	(113,140)
		Net financial items	(1)	(45)
		Profit (loss)	**1,043**	**1,370**
		Long-term assets	0	0
		Short-term assets	69,605	39,840
		Total assets	**69,605**	**39,840**
		Equity	**(1,371)**	**3,026**
		Long-term liabilities	0	0
		Current liabilities	70,976	36,814
		Total obligations	**70,976**	**36,814**
		Total liabilities	**69,605**	**39,840**

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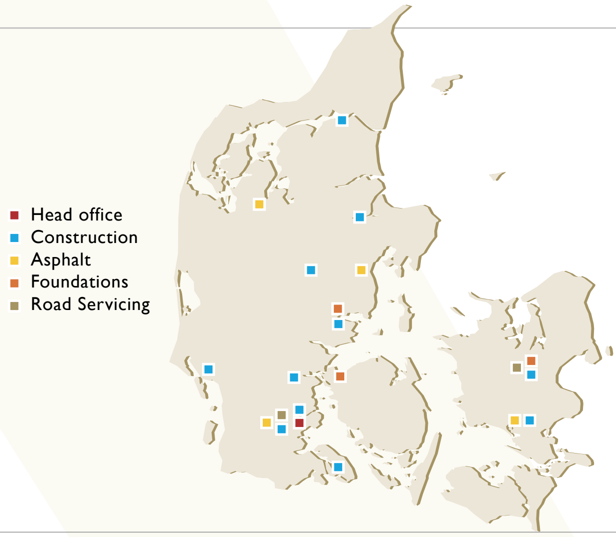

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