

ARKIL HOLDING A/S | ANNUAL REPORT 2011



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### Arkil Holding A/S

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Comp. Bus. Reg. No. 36 46 95 28

Founded 1955

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### Annual General Meeting:

The Annual General Meeting will be held on

Wednesday 25 April 2012 at Hotel Harmonien, Haderslev, Denmark.

## ENDORSEMENT BY THE BOARD

The Board of Directors and Executive Board have this day examined and approved the Annual Report for 2011 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 additional Danish reporting requirements for the submission of annual reports for public listed companies.

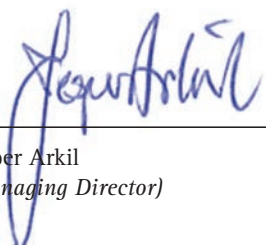
In our view the Consolidated Accounts and the Annual Report provide a true and fair view of the assets and liabilities of the Group and parent company and their assets and liabilities, financial position as of 31 December 2011 and of the result of their activities and cash flow during the financial year from 1 January to 31 December 2011.

In our view the Director's report 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 company's financial position 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, 21 March 2012

### The Executive Board

  
\_\_\_\_\_  
Jesper Arkil  
(Managing Director)

### The Board of Directors

  
\_\_\_\_\_  
Niels Arkil  
(Chairman)  
\_\_\_\_\_  
Hans Schmidt-Hansen  
(Deputy Chairman)  
\_\_\_\_\_  
Agnete Raaschou-Nielsen  
\_\_\_\_\_  
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 shall be the governing document for all purposes, and in case of any discrepancy the Danish wording shall 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 2011 which comprise the income

statement, statement of comprehensive income, balance sheet, statement of equity, cash flow statement and notes 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 public 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 public 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 2011, 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 2011, in accordance with the International Financial Reporting Standards, as approved by the EU and Danish reporting requirements for public 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, 21 March 2012

KPMG

*Limited partnership company of state-authorized public accountants*



Per Günslev  
*State-authorized public accountant*



Thorbjørn Bruhn  
*State-authorized public accountant*

#### Arkil Holding A/S

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Comp. Bus. Reg. no.: 36 46 95 28  
Founded 1955  
Situatied: Haderslev

#### The Executive Board

Managing Director Jesper Arkil

#### Auditors

KPMG  
Limited partnership company of state-authorised  
public accountants

#### Annual General Meeting

The Annual General Meeting will be held on  
25 April 2012 at Hotel Harmonien, Haderslev,  
Denmark

#### The Board of Directors

Manager Niels Arkil, Haderslev, Denmark  
(Chairman)  
Manager Hans Schmidt-Hansen, Haderslev, Denmark  
(Deputy Chairman)  
Director Walther V. Paulsen, Hellerup  
Director Birgitte Nielsen, Switzerland  
Director Per Kjærsgaard, Kolding, Denmark  
Director Agnete Raaschou-Nielsen, Frederiksberg

#### Board of Directors' and Executive Board's other representations in other companies:



*Niels Arkil*  
Chairman  
Born 1939. Member of Arkil Holding  
Board of Directors since 1963  
Education: Graduate Engineer  
**Chairman of the Board of:**  
Ellen and Ove Arkil's Fond



*Hans Schmidt-Hansen \**  
Deputy Chairman  
Born 1943. Member of Arkil Holding  
Board of Directors since 2003  
Education: Engineer  
**Chairman of the Board of:**  
Union Engineering A/S  
BJ-Gear A/S  
HM Systems A/S  
Flonidan DC A/S  
Door Holding A/S  
Collamat AG, Switzerland  
**Member of the Board of:**  
Agena A/S  
HusCompagniet as  
Graversgaard Invest A/S  
SME Invest A/S





**Walther V. Paulsen \***  
Born 1949. Member of  
Arkil Holding Board of  
Directors since 2006  
Education: Master of Business  
Economics  
**Chairman of the Board of:**  
Hotel Koldingfjord A/S  
**Deputy Chairman of the Board of:**  
Brdr. Hartmann A/S  
**Member of the Board of:**  
Investeringsforeningen Danske Invest  
Det Obelske Familiefond  
Sanistål A/S  
Gerda & Victor B. Strands Fond  
(Toms Fonden)



**Agnete Raaschou-Nielsen \***  
Born 1957. Member of  
Arkil Holding Board of  
Directors since 2011  
Education: Lic. polit (PhD)  
**Chairman of the Board of:**  
Brdr. Hartmann A/S  
Juristernes og Økonomernes  
Pensionskasse  
**Deputy Chairman of the Board of:**  
Investeringsforeningen Danske Invest  
**Member of the Board of:**  
Danske Invest Administration A/S  
Dalhoff Larsen & Horneman A/S  
Novozymes A/S



**Birgitte Nielsen \***  
Born 1963. Member of  
Arkil Holding Board of  
Directors since 2006  
Education: HD (R), HD (U)  
(Graduate diplomas in Bus. Ad.)  
**Member of the Board of:**  
Novenco A/S  
Novenco Marine & Offshore A/S  
Buy Aid A/S  
Finansiel Stabilitet A/S  
Storebrand ASA  
Kirk AG



**Per Kjærsgaard**  
Born 1942. Member of  
Arkil Holding Board of  
Directors since 2007  
Education: Engineer



**Jesper Arkil**  
Managing Director  
Born 1974  
Education: MSc in Business  
Administration and Computer  
Science  
**Chairman 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

*\* Independent member in accordance with Corporate Governance*

### 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 a revenue of DKK 2.6 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 public listed companies.

### The head and the heart at 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 at 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 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 14 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 sock" for renovation of piping without digging, which is sold to partners and installation contractors in Europe.

The company's activities are as follows:

### Construction

Arkil, which carries out construction activities on the Danish and Northern German market, holds many decades of experience with carrying out all types of construction and infrastructure tasks, including comprehensive state motorway tasks, bridge-building tasks, cofferdams 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 market as well as part of the Irish market, conducts asphaltting tasks for all types of road projects and offers a number of special products, e.g. covers with special requirements in respect of strength and constancy as well as noise-reducing wearing course (SRS), which will limit the noise pollution from traffic. Asphalt production and asphaltting has been ISO certified, just as production and laying-out has 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 areas and picnic areas, exchanging 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 encumbered with 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 one the well-established operators 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 as well as post-foundation 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 Piping Segment produces one of the best, specialised products on the market for renovation without digging at a factory in the northern part of Sweden. 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 gives 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

The development in the future depends on whether our society can build up a solid foundation, that you can live in a healthy environment and on 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 the high standard.

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

### Geographic area

The company offers 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. The permanently established activities, however, 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 an open and well-functioning communication.
- Demonstrate a high level of dedication, consideration and risk consciousness 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.
- To engage in the surrounding society, which we are a part of, through social awareness, technological development and limiting our environmental impact.

### QUANTITATIVE OBJECTIVES

- A contribution ratio of at least 3.5% measured for primary activities.
- An equity ratio of at least 35.
- A return on the company's equity of 25% higher than the interest rate on the long-term debenture market, and at least 8%.
- 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.



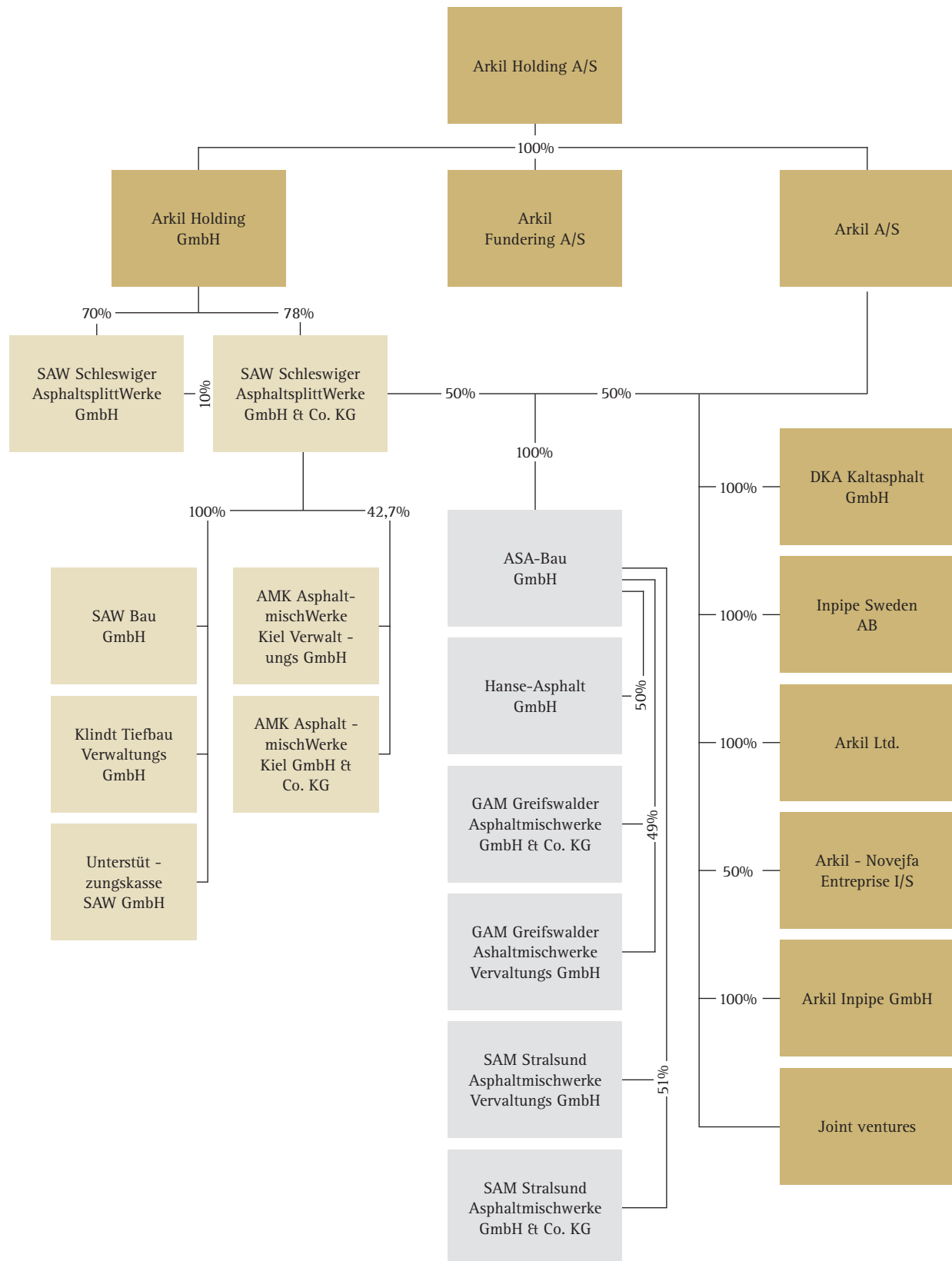


#### MAIN POINTS 2011

- Revenue was DKK 2,568.5 million compared to DKK 2,061.9 million in 2010.
- Primary operating profit was DKK 17.4 million compared to DKK -44.2 million in 2010
- Pre-tax profit was DKK 11.8 million compared to DKK -47.2 million in 2010
- Net profit for the year after tax was DKK 7.8 million compared to DKK -27.5 million in 2010
- It is suggested that no dividend be paid to the shareholders for 2011.
- In 2012 we expect revenue of around DKK 2.6 billion and a pre-tax profit between DKK 10 and 30 million.



## ARKIL HOLDING Group Structure



### Project joint ventures at the end of 2011:

Danorail I/S (25%), Randers, Denmark  
 Hoffmann/Arkil-Novejfa I/S (25%), Glostrup, Denmark  
 J.V. Arkil-Aarsleff I/S (50%), Haderslev, Denmark  
 Motorvejskonsortiet Arkil-Aarsleff I/S (50%), Åbyhøj, Denmark  
 Arkil-Stürup-CGJensen I/S (66.66%), Haderslev  
 Asfaltkonsortiet Pankas-Arkil I/S (50%), Haderslev  
 Asfaltkonsortiet Pankas-Arkil I/S (50%), Haderslev



## ARKIL HOLDING Main and key figures for the Group

Operating figures (DKK million)	2011	2010	2009	2008	2007
<b>Income statement</b>					
Revenue	2,568.5	2,061.9	2,121.5	2,358.3	2,077.5
Primary operating profit	17.4	(44.2)	46.0	115.2	126.5
Profit/loss from financial items	(5.6)	(3.0)	(3.1)	(13.4)	(6.4)
Profit/loss before tax and minority interests' share	11.8	(47.2)	42.9	101.8	120.1
<b>Annual profit</b>	<b>7.8</b>	<b>(27.5)</b>	<b>26.2</b>	<b>72.5</b>	<b>98.5</b>
<b>Balance Sheet</b>					
Long-term assets	630.8	677.9	623.2	649.6	587.3
Short-term assets	843.5	792.3	820.5	819.3	803.5
<b>Total assets</b>	<b>1,474.3</b>	<b>1,470.2</b>	<b>1,443.7</b>	<b>1,468.9</b>	<b>1,390.8</b>
Share capital	49.1	49.1	49.1	49.1	49.1
<b>Total equity</b>	<b>648.1</b>	<b>645.6</b>	<b>682.5</b>	<b>662.5</b>	<b>599.3</b>
Long-term liabilities	317.8	330.7	300.8	327.4	324.2
Current liabilities	508.4	493.8	460.4	479.1	467.3
<b>Total obligations</b>	<b>826.2</b>	<b>824.5</b>	<b>761.2</b>	<b>806.5</b>	<b>791.5</b>
<b>Cash flow statement</b>					
Cash flows from operating activities	(23.6)	88.6	149.6	103.6	178.5
Cash flows from investing activities	(38.7)	(113.7)	(59.7)	(102.0)	(78.9)
Cash flows from financing activities	(36.2)	(13.2)	(49.1)	(14.6)	(64.3)
<b>Total cash flow</b>	<b>(98.5)</b>	<b>(38.3)</b>	<b>40.7</b>	<b>(12.9)</b>	<b>35.3</b>
Investment in tangible fixed assets	(44.8)	(109.5)	(64.4)	(131.6)	(100.3)
<b>Key figures</b>					
Profit ratio	0.7	(2.1)	2.2	4.9	6.1
Return on net assets (ROIC)	1.3	(3.5)	3.9	9.2	10.9
Liquidity ratio	165.9	160.4	178.2	171.0	171.9
Equity ratio (solidity)	44.0	43.9	47.3	45.1	43.1
Return on equity	1.2	(4.1)	3.9	11.5	17.7
<b>Average number of employees</b>	<b>1,717</b>	<b>1,623</b>	<b>1,750</b>	<b>1,722</b>	<b>1,431</b>

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

### Key figures

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	$\frac{\text{Profit before financial items} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit for year} \times 100}{\text{The Group's average equity}}$
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)	$\frac{\text{Share price}}{\text{EPS Basic}}$
Share price/book value (KI)	$\frac{\text{Share price}}{\text{BVPS}}$
Liquidity ratio	$\frac{\text{Short-term assets} \times 100}{\text{Short-term liabilities}}$
Equity ratio (solidity)	$\frac{\text{The Group's equity} \times 100}{\text{Total assets}}$
Cash flow per DKK 100 share	$\frac{\text{Cash flows from operating activities} \times 100}{\text{Number of shares}}$
Return on net assets (ROIC)	$\frac{\text{Profit before financial items} \times 100}{\text{Average number of shares in operation}}$
Average number of shares in operation	Total assets – liquids – other interest-bearing assets



## FINANCIAL DEVELOPMENT OF THE GROUP

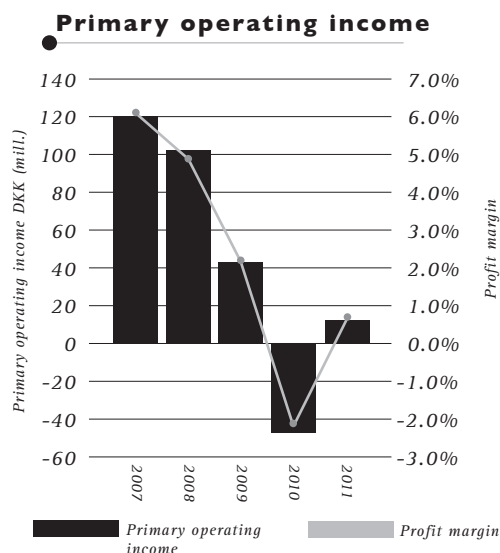
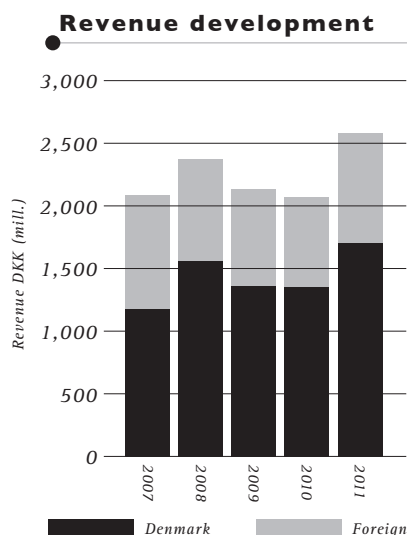
The Arkil Group's revenue for 2011 saw an increase of 24.6% to DKK 2,568.5 million, compared to DKK 2,061.9 million in 2010. Foreign revenue was DKK 877.0 million, compared to DKK 717.9 million in 2010.

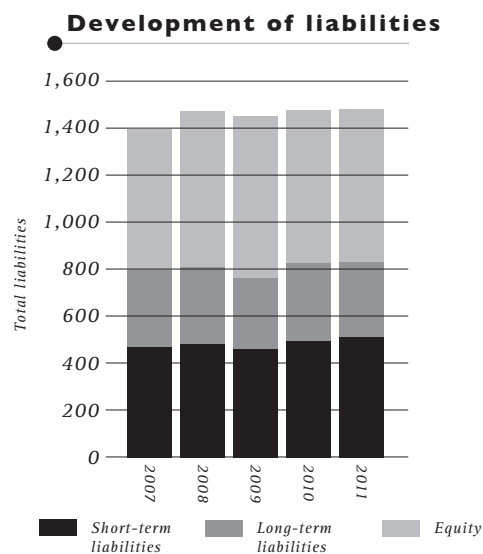
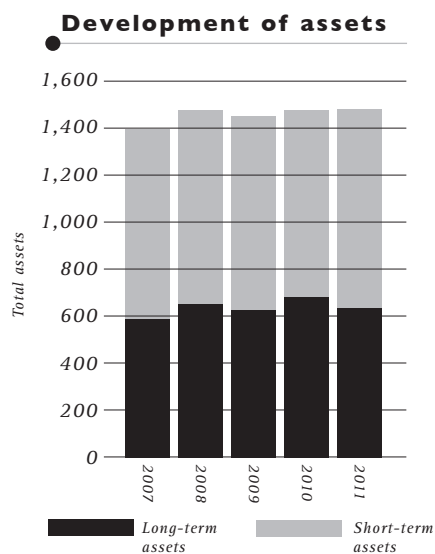
The consolidated profit before taxes for the financial year 2011 was DKK 11.8 million, compared to a loss of DKK 47.2 million in 2010, which is slightly better than the expectations in the most recent Stock Exchange announcement of 22 November 2011 of around DKK 5 million. The profit announced in the 2010 Annual Report forecasted an expected pre-tax profit for 2011 somewhere between DKK 10 and 30 million.

The consolidated profit for 2011 is based on a higher revenue and therefore realised significantly better than last year.

Primary operating profit was DKK 17.4 million, compared to DKK -44.2 million in 2010.

The annual profit after tax was DKK 7.8 million, compared to DKK -27.5 million in 2010.





Cash flows from operations less investments comprise a negative liquidity flow of DKK 62.3 million compared to a negative liquidity flow of DKK 25.1 million last year. Investments for the year comprise DKK 44.8 million. The changes in the liquidity flow primarily stem from money tied up in working capital and reductions in long-term liabilities.

Equity comprises 44.0% of the total balance compared to 43.9% by the end of last year.

#### DIVIDEND TO SHAREHOLDERS

The Board recommends to the Annual General Meeting that, similar to 2010, no dividend for 2011 be paid to shareholders.

#### EXPECTATIONS FOR 2012

Based on the current order book and the market situation in general, the Arkil Group expects revenue of around DKK 2.6 billion and a pre-tax profit between DKK 10 and 30 million for 2012.





## DENMARK SEGMENT

Compared to 2010, the year was marked by a high level of activity following an increase in tenders and a longer season due to relatively fair weather. In the course of the year, a number of exciting projects have been carried out, among these motorway expansions in Copenhagen and near Roskilde, a by-pass road at Næstved, repair and new construction of motorway and railway bridges in different parts of Denmark, earth and pavement works at the Silkeborg motorway, track work at Fredericia station, rerouting and expansion of Åhavevej as part of the future Marselis tunnel in Århus, onshore cable laying activities for the power connection to the Kattegat wind energy park, foundation and cofferdam for Musikkens Hus in Ålborg, motorway inclusion in Esbjerg and much more. To this should of course be added the ongoing activities for municipalities, such as asphalt laying, sewer projects, storm water management, district heating as well as the technical specialties related to the cleanup of pollution and handling of groundwater, e.g. in connection with the establishment of the Metro City Ring. The activities including the operation and maintenance of roads for state and municipalities have continued a positive trend and also foundation activities have developed positively, in spite of building activities which continue to be at a historically low level.

In the course of the year, depreciation and provisions for a number of projects were made, which all together led to the fact that construction activities in Denmark achieved a result significant lower than expected at the start of the year. The other business areas in Denmark show satisfactory development of the result, which is at the same level or slightly better than expected.

## Activity in 2012

We expect increased activity in Denmark in 2012, especially within the field of new construction and expansion of state infrastructure (roads, railroads, bridges and harbour areas), which is expected to have a positive effect on several of the Group's business areas, construction activities in particular. As regards projects for the municipalities, we expect a generally unchanged, low level of activity, whereas water and waste water activities are expected to continue the upward trend seen in 2011, based on the needs in the Danish society, combined with the expectations of heavy rainfall in the future. Since both private and

## Financial information for Denmark segment

(DKK million)	2011	2010	2009
Revenue	1,703.2	1,352.0	1,355.8
Primary operating profit	(7.8)	(48.5)	30.8
Segment assets	904.7	946.2	899.7
Profit ratio	(0.5)	(3.6)	2.3
Return on net assets	(0.9)	(5.8)	4.0
Number of employees	1,144	1,039	1,137



commercial building are at a very low level at the time, we can expect only few foundation, post-foundation and land development jobs. The financial crisis and the limited lending readiness of the banks will probably lead to limitations with the small and medium-sized actors in the industry, as we saw it in 2011, but at the same time, the continued foreign interest in the Danish market means that there will continue to be large capacity, and we must expect the hard struggle for jobs to continue. As regards construction activities viewed separately, an improvement in the level of earnings is expected, partly based on a high capacity utilisation, and partly based on the fact that a number of loss-making projects having now been concluded.

Since 2010, the production and laying of asphalt have benefitted from extraordinary state investment in the maintenance of state road surfacing. However, fierce competition for the jobs combined with a significant increase in the prices of raw materials and commodities, including bitumin in particular, have watered down profitability. 2012 will also be marked by a relatively large demand for asphalt for state roads, but in the long run we will see stagnation, as the backlog of state road maintenance will become smaller. Local government investment in asphalt for road maintenance has remained at a low level, and the application of new, longer-lasting contracts, so-called functional contracts, has so far seemed to reduce the amount of asphalt laid out. We do not expect the municipalities to take real steps to reducing the backlog of road maintenance this year either.

#### OUTSIDE DENMARK SEGMENT

Activities in Sweden, Germany and Ireland turned out better than expected at the beginning of the year, based on a satisfactory order intake in the course of the year and a consequent higher level of activity. Activity in Germany also benefitted from the fact that the beginning of 2011 saw a particularly high level of activity on jobs not having been concluded in 2010 because of the early start of winter in November 2010. Also within the field of piping (production and installation of sewer socks), and in Germany in particular, we see an increasing demand from both government and industry, which has increased the volume of both the installation and the production processes. A sharp focus on product development in the factory in Sweden means that the product's



#### Financial information for outside Denmark segment

(DKK million)	2011	2010	2009
Revenue	865.3	709.8	765.7
Primary operating profit	25.1	4.3	15.2
Segment assets	569.6	523.9	544.0
Profit ratio	2.9	0.6	2.0
Return on net assets	5.6	1.0	3.4
Number of employees	573	584	613

qualities are constantly improved in order to be able to deliver a uniform sewer sock in high quality at a competitive price as well as a number of special socks for particular purposes.

Ireland experienced considerably greater activity than the previous year, caused by both a small increase in the demand for stones for building and construction and an improved order intake, especially in Cork in the South of Ireland, where also large road construction was carried out, in addition to the normal construction activity. Ireland, however, still experiences a large over-capacity which means that a tough price pressure has been maintained in the market, in spite of a general increase in the costs of raw materials. On the basis of this higher volume, it proved possible to improve earnings considerably compared to 2010, but even though the result was significantly better than expected at the start of the year, it must still be considered unsatisfactory, even though the prospects for the future now seem much better.

#### **Activity in 2012**

In Germany, as in Denmark, activities are dependent of public investment in infrastructure, sewerage systems, road maintenance, etc. In the last couple of years, the level of investment has been inflated because of politically decided recovery packages intended to stimulate job creation. The packages ended finally in 2011, which is why some natural decrease in the volume of public tenders must be expected in 2012. On municipality level, we still do not see very large changes in the budgets for public work, and it is not unlikely that the lack of public stimulation is offset by an increased willingness to invest in the trade and industry. In general, Germany has managed to maintain stability throughout the crisis, and seen against a satisfactory order book at the beginning of 2012, we expect that the level of activity and earnings can be maintained in the near future.

For Ireland we can see some light in the horizon, as it has showed that the country has succeeded in carrying out the necessary economic tightening and reforms. It has improved the international trust and helped the country further away from economic verge of disaster. This is reflected in greater budget certainty, also in the field of construction, and on this background, the beginning improvement in activities

are expected to be maintained. There has also been some reduction in capacity in the quarrying and asphalt production markets. Having positions near Dublin and Cork provides great opportunities for getting a part in a future activity increase.

Piping activities are also expected to maintain the positive development with growing activity and profitability, partly due to an increase in the demand for sewer socks hardened using UV light, and partly due to continued product development and optimization of the sock manufacturing process.

#### **INVESTMENTS AND NEW ACTIVITIES**

The year's investment in tangible and intangible assets represented DKK 44.8 million, of which investment in acquisition of companies amounted to DKK 0.0 million.

In 2012, the company expects to make investments in tangible assets amounting to approx. DKK 70 million.

#### **EVENTS AFTER THE END OF THE FINANCIAL YEAR**

No other events that could influence the annual report for 2011 have occurred since the end of the financial year.

#### **GENERAL RISKS**

The Board of Directors of Arkil Holding will assess and approve 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 identify commercial and financial risks. It is believed that the risks that the Group faces in general are no different from the usual ones facing companies in the building contractor 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 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 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 hedging of the projects.

The Group's insurance strategy involves covering 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 financial markets, technological developments, changes to legislation and regulation in Arkil's markets, competition conditions, job tenders within the Group's areas of business, weather and climate conditions on the Group's markets, 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 production methods and techniques are constantly being developed, and we strive continuously to add new ones. Development takes place through the execution of the companies' various projects, in the form of collaboration with external consultants or by searching electronic media.



Arkil focuses on the development of products and methods that contributes to increasing use of recyclable raw materials, reducing 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 had 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 has, thus, always been an important factor for Arkil. Today, customers, contractors and other stakeholders demand to an increasing extent that Arkil's production and services take place on the basis of corporate and social responsibility – a trend which is expected to be strengthened in the years to come.





The Arkil Group carries out construction work, including asphalt production based on departments in Denmark, Germany and Ireland as well as production of Inpipe liners 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, it is also the Group's policy to live up to ethical codices in respect of both environmental and work related conditions.

Corporate social responsibility work is based on the Group's drawn up 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 promote 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-1765.aspx>

**Focus on training and education**

It is important to Arkil to take on apprentices and train them to be skilled and highly qualified employees, contributing to ensuring that future requirements are met and the quality maintained for the tasks we carry out. We have apprentices within the fields of driving, mechanical engineers, building services engineers and constructors within building and construction as well as office work. Our focus has been especially with our constructor apprentices, one of our very successful areas of action.

On 1 January 2011, Arkil hired 14 new apprentices, making the total number of employed constructor apprentices in the Group 40, an increase of approx. 12% compared to the beginning of 2010.

Through our apprentice committee we have established an apprentice policy to create the framework for the apprenticeship term. We have trained people who will be responsible for the training of apprentices and mentors, who hold the daily responsibility for our apprentices in order to ensure that apprentices with Arkil achieve the optimal benefit from their traineeship in the company and also that we create proper interaction between Arkil, the schools and the specialist committee.

We have also had great success in focusing on the development of the general qualifications with the hourly workers. We launched a pilot project in Arkil Asphalt, creating project "Asphalt school" in cooperation with the trade unions 3F and Asfaltindustrien. In Arkil Asphalt we offered competence advice to all hourly workers regarding their skills in Danish and Maths. Approximately 70 hourly workers accepted the offer for individual competence advice, of these have 40 workers now begun full time studies with individual plans of action. Our intention with Project Asphalt School is to strengthen the workers' future possibilities of improving their individual qualifications and strengthen their competencies.

Based on our strategies, Arkil focuses strongly on the goal that employees, hourly workers as well as salaried employees, have the right qualifications for the tasks and projects they are to carry out, both in the short and the long run. In particular, we have increased the focus on completion and updating of compulsory courses and training.

In our "Arkil Academy", we are constantly developing our training programmes considering our salaried employees' need for knowledge sharing and development within the fields of strategy, finance, management and day-to-day operations.

**Focus on environmental conditions**

In Arkil Holding, 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.

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 several of the Group's asphalt plants. 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 using recycled material 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 ongoing 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.



The effort for a better environment and larger sustainability takes places on an ongoing 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 impacts on the environment and the climate. The result of the activities carried out has not been accounted for, as reliable measurements cannot be made of this.

#### Focus on working environment

Arkil's working environment policy is our pledge to bring down the number of work accidents through an active and targeted effort to the Group's goal of: Zero work accidents and zero absences due to work accidents. Arkil considers even one accident one too many. In order to make our focus and dedication to this area clear, we revised our working environment policy in 2011, making our guidelines even clearer.

##### Aim:

- 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 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.

##### Guidelines:

- We comply with the applicable rules and requirements for health and safety at work, relevant to the company's activities.
- We minimize working-environment related risks for each employee by means of the right competencies, instructions and remedies.
- We communicate with our employees and stakeholders in an efficient and mutual way regarding the working environment, so that the policy and goals for health and safety in our workplace will be clear to all.
- We will aim at ensuring that Arkil's subcontractors and suppliers all comply with Arkil's working environment policy.
- Our assessment of the risks related to safety and health at the workplace must take place throughout

the entire chain of business, from the tender to the planning, working and completion of the project. This also applied for the purchase of machines and services.

- We strive towards continued improvements of the working environment of the company to the benefit of a healthier culture of working environment culture.

In order to ensure continued improvement of the working environment, we have laid down a quantitative objective of reducing our accident frequency of 15% compared to what we saw in 2010.

2011 also saw new regulations for the safety and health in the workplace, which affect the company.

The Executive Order on building and construction work has been amended significantly. The following is emphasized:

- That the work clothes correspond to the temperature in the working area.
- That our building sites should be clearly marked with signs or fencing around or in close proximity to the site.
- That the fall risk for our employees should be based on a specific assessment, even though the falling height is less than 2 metres.

Based on the Executive Order of 2010 on health and safety organization, Arkil re-evaluated the company's health and safety organisation, and today the company has 18 local health and safety committees as well as a main health and safety committee. During 2011, these local committees held health and safety talks, where all employees got the chance to state their opinion on the working environment and any shortcomings. Annual plans for the health and safety work are the result of the health and safety discussions, prepared by each health and safety committee.

Also in 2011 the health and safety organisation focused on visiting construction sites throughout the country. Thus, the company's safety and health department had more than 100 visits to construction sites. All departments and all types of construction sites have been visited.

In spite of the preventive efforts from the local health and safety committees and the many visits to construction sites, there has been an increase in the accident frequency. The accident frequency rose from 29 work accidents per million work hours in 2010 to 33 work accidents per million work hours in 2011.

The absence frequency also increased considerably. In average, there were 2.4 absence hours for every 1,000 work hour in 2010 compared to 3.7 absence hours for every 1,000 work hour in 2011.

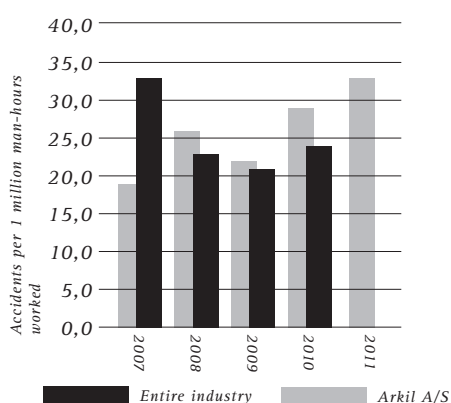
Our subobjective for 2012 is, as previously mentioned, to reduce our accident frequency by 15% compared to the number for 2010. The subobjective has been made acknowledging the fact that our accident frequency is too high compared with the total number for the industry, and we want to change this. Our subobjective means that we wish our accident frequency to be below 24. Our final goal continues to be zero.

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

Again in 2011, courses within the field of safety and health in the work place were held, these being the Working Environment course, "Vejen som arbejdsplads" ("The Road as a Workplace") and "Pas på, på banen" ("Take Care on the Tracks"). All intended to raise awareness and increase focus on a safe work environment. A total of 430 people took these courses, including refreshment courses.

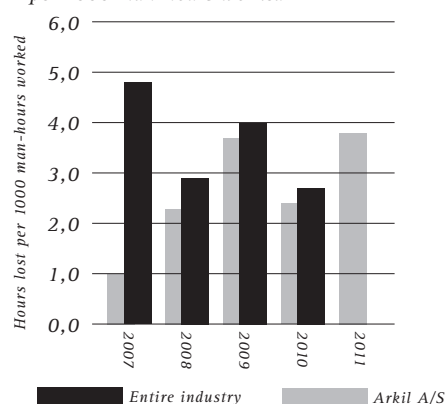
#### Accident frequency 2007 – 2011

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



#### Absence due to accidents 2007 – 2011

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



The official 2011 numbers for the industry have not yet been published.

#### Sickness absence

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

In 2011 the percentage of sickness absence in the Danish companies amounted to 4.28%, compared to 3.92% in 2010.

#### 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 and capabilities of its employees are important elements 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 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 is helping to guarantee greater sharing of experience and knowledge.

The Arkil Academy, which was established in 2010, handles the Arkil Group's internal training of managers and employees. The training is intended to strengthen the knowledge and competence regarding 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.

Arkil has a rota system for newly qualified engineers. The rota system is a goal-oriented procedure that will enable the newly qualified engineers to become familiar with the Group's many different work and business areas.

The purpose of the rota system is to draw in the best engineers, who are attracted by dynamic and continuous education, so that we in the Group help training engineers with the right competences for the building contractor sector.

In 2011 the Group employed 1,717 members of staff, of which 378 are administrative staff. 224 members of the staff have an engineering or technical background.

## **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 not negotiable instruments. Class A shares are assigned ten times the voting right of Class B shares.

The division into two share classes is 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 Chairman of the Board 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 27 October 2012.

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

### **Market price**

The stock market quotation for the company's Class B shares was 390 as per 31 December 2011, which is a decrease of 26.1% compared to the price at the end of 2010.

## **COMPANY MANAGEMENT**

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

The company seeks to ensure information to and a possibility for a 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 distribution of the share capital and the voting rights into share classes appears from 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 contains 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.

It is to be desired that the entire Board of Directors are 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 work 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 rules of procedure form the basis for the work of the Board. The rules of procedure are 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 ongoing 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.

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.

### **Composition and organisation of the Corporate Management**

The Board are made up of a total of 6 members. Five external members and the Chairman of the Board, Niels Arkil, who owns 16.85% of the company's nominal share capital with a voting right of 47.40%. 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 continually assesses the composition and number of Board members. The Board finds the number of Board members appropriate to the needs of the company.

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 practices for comparable companies and reflect the performance required. The payment policy remains unchanged in relation to last accounting year.

No agreements have been made with the Board of Directors, Executive Board or any leading employees on extraordinary severance payments.

The Board receive 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 Management's remuneration is described in greater detail in the notes to the annual report.

The Management receives a fixed remuneration as well as bonus from foreign subsidiaries.

### **Presentation of accounts**

The Board is responsible for the Annual Report and other financial reports being prepared in accordance with the law and other applicable standards, etc. Prior to publication, the Board will ensure that the financial reports are comprehensible and balanced, and that they give a true and fair picture of assets, liabilities, the financial position as well as result and cash flow. Moreover, it is ensured that the management's review includes a true and fair statement on the items mentioned in the review, including prospects for the future.



### **Risk management and description of internal controls**

The Board and the Executive Management evaluate the Group's risk exposure on a current basis, including risks in connection with the presentation of the accounts, 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 in connection with the presentation of accounts, including compliance with the relevant legislation and other adjustments in connection with the presentation of accounts.

The Board of Directors find that the Management's views are crucial for good risk management and internal control in connection with the presentation of accounts. The Board of Directors' and the Executive Board's views in respect of good risk management and internal control in connection with presentation of accounts 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, is designed with a view to effectively controlling rather than eliminating the risk of errors and omissions in connection with the presentation of accounts.

The Group's risk management and internal control system in connection with the presentation of accounts can only form a reasonable, but not absolute, certainty that wrongful use of assets, loss and/or significant mistakes and omissions are avoided in connection with the presentation of accounts.

The Board of Directors/the audit committee 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 assess 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 have decided not to establish internal auditing.

The Board of Directors have 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 ongoing 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 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, contains 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.

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 analysis.

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 have established coherent and transparent business systems that 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 have 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 ongoing basis.

#### **Information and communication**

The Board of Directors have 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 emphasis that – within the scope applying to public listed companies – there is 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 ongoing basis.

The Board of Directors and the Executive Board emphasize 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 ongoing 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 ongoing basis to ensure that it is efficient.

The monitoring will be carried out by ongoing 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 ongoing 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 Execu-

tive 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 Director. 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 companies listed on NASDAQ OMX Copenhagen, which amongst others includes a national codex on good corporate management.

In accordance with item 4.3 i "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 August 2011.

The exceptions are the following:

- Notifications to the stock exchange and other information will be provided in English to the extent necessary.
- No nominating committee has been established. The Board considers the relevancy of such nominating committees on an ongoing 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.
- The Board have not specified concrete goals for ensuring diversity in the different management levels in the company. The Board does not see an unambiguous connection between fixed goals for diversity and optimal management of the Group. The management in the Group is evaluated on the basis of specialist competences. Therefore, the Board has not yet found it necessary to specify concrete goals for diversity in the different Group management levels.
- The procedure for the self-evaluation of the Group's supreme management body and the result of this evaluation is not described in the Annual Report. The evaluation of the Board's work is done by the Chairman, and the result is discussed in the entire Board at the Board meeting held each year. At this meeting, also the work and results of the Executive Board.



More information on Arkil Holding's view on the individual recommendations can be found on Arkil's website –  
[1http://www.arkil.dk/CorporateGovernance-1916.aspx](http://www.arkil.dk/CorporateGovernance-1916.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 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 only buy and sell shares in Arkil Holding A/S for a period of four weeks after publication of the company's annual and interim reports.

#### **Information**

Arkil's website – [www.arkil.dk](http://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, the following shareholders were registered in the company's list of shareholders as of 31 December 2011 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 %
Chairman of the Board Niels Arkil, Tjørnebakken 17, 6100 Haderslev, Denmark	37,388	8.59	16.85	47.40
Investeringsforeningen Danske Invest-gruppen, Parallelvej 17, 2800 Kgs. Lyngby, Denmark	*			
Danske Bank, Holmens Kanal 2 – 12, 1092 Copenhagen K, Denmark	28,611	6.66	5.82	2.74
Ellen and Ove Arkil's Fond, Åstrupvej 19, 6100 Haderslev, Denmark	24,375	5.67	4.96	2.33
Managing Director Jesper Arkil, Vidarsvej 8, 6100 Haderslev, Denmark	1,274	0.30	3.45	15.12

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

\* Investeringsforeningen Danske Invest-gruppen has informed the Board that they own more than 10% of the company's share capital.

Key figures relating to shareholders		2011	2010	2009	2008	2007
Suggested dividend per DKK 100 share	DKK	0.00	0.00	15.00	15.00	15.00
Earnings per DKK 100 share	DKK	10.0	(63.4)	49.3	147.6	200.7
Growth in earnings per DKK 100 share	%	115.8	(228.6)	(66.6)	(26.5)	(11.6)
Book value per DKK 100 share	DKK	1,319	1,314	1,389	1,348	1,220
Share price per DKK 100 share	DKK	390	528	695	540	1,122
Share price/book value		0.30	0.40	0.50	0.40	0.92
Price/earning. year-end	DKK	38.8	(8.3)	14.1	3.7	5.6
Market capitalisation calculated on the basis of the market price	million	191.6	259.4	341.5	265.2	551.1

#### Notifications to the Stock Exchange since last annual accounts

04.01.2011	Reduction of the Danske Bank Group's share of ownership and voting rights in Arkil Holding A/S	14.11.2011	Change of financial calendar for 2011 for Arkil Holding A/S
04.02.2011	Duty of notification in accordance with section 29 in the Act on trade of securities, etc.	22.11.2011	Interim report for Arkil Holding A/S for the third quarter of 2011
23.03.2011	Financial statement for Arkil Holding A/S	19.12.2011	Financial calendar for 2012 for Arkil Holding A/S
30.03.2011	Summons to the Annual General Meeting	<b>Financial calendar 2012</b>	
30.03.2011	Annual report 2010	21.03.2012	Publication of the announcement of the annual accounts for the financial year 2011
20.04.2011	Report pursuant to section 28a in the Act on trade on securities.	25.04.2012	Annual General Meeting at the Hotel Harmonien, Haderslev, Denmark at 5.30 pm
28.04.2011	Summary of Annual General Meeting	29.05.2012	Publication of interim statement for the first quarter of the financial year 2012
18.05.2011	Interim report for Arkil Holding A/S for the first quarter of 2011	29.08.2012	Publication of interim statement for the second quarter of the financial year 2012
15.06.2011	Report pursuant to section 28a in the Act on trade on securities.	28.11.2012	Publication of interim report for the third quarter of the financial year 2012
08.07.2011	Change in the Executive Board		
31.08.2011	Interim report for Arkil Holding A/S for the first half of 2011		



## FINANCIAL REVIEW OF THE CONSOLIDATED ACCOUNTS

This 2011 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 rose by DKK 506.6 million to DKK 2,568.5 million, corresponding to 24.6%. The increase can be attributed to the general market conditions.

Production costs rose by DKK 434.4 million to DKK 2,363.4 million, or 22.5%.

Gross margin thus rose from 6.4% to 8.0%.

Administration costs rose by DKK 8.7 million, an increase of 3.7%, primarily due to acquisitions as at 1 July 2010. Administration costs hereafter constitutes 7.5% of net turnover, against 8.9% in 2010.

Net financial items were DKK 5.6 million compared to DKK 3.0 million in 2010.

### Balance Sheet

Long-term assets decreased by DKK 47.1 million.

Short-term assets rose by DKK 51.2 million amounting to DKK 843.5 million as per 31 Dec 2011, of which a decrease in liquid holdings amounts to DKK 93.5 million.

Long-term liabilities reduced by DKK 12.9 million, amounting to DKK 317.8 million as at 31 Dec 2011.

Short-term debt constitutes DKK 508.4 million against DKK 493.8 million as at 31 Dec 2010.

### Cash Flow Statement

Cash flow from operations constitutes DKK -23.6 million, compared to DKK 88.6 million in 2010.

Cash flow used to investment activities constitutes DKK 38.7 million against DKK 113.7 million in 2010. Investments excluding acquisition of companies constitute DKK 38.7 million against DKK 23.4 million in 2010.

Cash flow applied to financial activities constitutes DKK 36.2 million, compared to DKK 13.2 million in 2010.

Liquid assets reduced from DKK 196.0 million as at 31 Dec 2010 to DKK 97.2 million as at 31 Dec 2011.

The Group's liquidity at the year-end and the Group's unused credit facilities mean 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 2011 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.

This 2011 Annual Report for Arkil Holding A/S has been presented in accordance with the International Financial Reporting Standards as approved by the EU and Danish reporting requirements for annual reports from public listed companies, cf. the OMX Nordic Exchange Copenhagen A/S reporting requirements for annual reports from public listed companies and the IFRS statutory order issued under the Danish Company Accounts Act.

The annual report also fulfils the International Financial Reporting Standards (IFRS) issued by the IASB.

### **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 applied are consistent in the financial year and for comparative figures.

### **Changes in accounting policies**

As of 01 January 2011, Arkil Holding A/S implemented:

- Revised IAS 24: Related Parties Disclosures.
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirements.
- Amendment to IAS 32 Classification of Rights Issues.

- Amendments to IFRS 1 Initial application of IFRS: Limited exception to the IFRS 7 requirement on first time users' presentation of comparative figures.
- Improvements to IFRSs May 2010.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

None of the new standards and interpretations have affected the inclusion and measurement in 2011 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 companies' 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 are 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' market 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 their present value on the takeover date. Identifiable intangible assets are included where these can be isolated or derived from a contractual right and the present 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 present 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 current 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 current 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 current value or their proportional share of the current 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 foreign subsidiaries in the consolidated accounts which have a different functional currency to Arkil Holding A/S's presentation currency, the income statement is converted at the transaction day exchange rate, while balance sheet items are converted at the exchange rate on the balance sheet date. The average exchange rate for the given month 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 foreign subsidiaries at the beginning of the year at the exchange rate on the balance sheet date, or of converting the income statement from transaction day rates to the exchange rate on the balance sheet date, have been included directly in 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 directly under equity under a separate reserve for exchange rate adjustments. Changes in the current value of derivatives used to hedge net investments in foreign subsidiaries or affiliated companies, which effectively



hedge against exchange rate changes in these companies, are included directly in equity capital under a separate reserve for exchange rate adjustments.

When including affiliated companies in the consolidated accounts which have a different functional currency to Arkil Holding A/S's presentation currency, 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.

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 the current 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 (in the case of margin settlement). 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 current 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 current 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 current 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 transferred from equity and included in the same account 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 current value are included in the income statement on an ongoing 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 their current value, except where the total contract is included and continually measured at its current 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 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 dividends are declared. Where reserves other than accumulated earnings from subsidiaries are distributed, the distribution will reduce the cost price of the investments, if the distribution has been done in the form of repayment of the investment of the parent company.

**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 security 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 tax 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 and the alteration in deferred tax, are included in the income statement in terms of the share that can be related to this year's result, and directly in equity capital in terms of the share that can be attributed to entries directly in 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 entity 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 can demonstrate technical utilisation, adequate resources, and a potential market or application within the company, 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 can cover the 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.

The book value of development projects that are underway is tested at least once a year for reduction in value, and is written down in the income statement to the recoverable amount if the book value exceeds the present value of the expected future net cash flows from the development project.



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 attributed to the construction of the individual asset. The cost price is added to the current 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 current 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 is used as the discounting factor or the Group's alternative loan interest rate.

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 a 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.

#### 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 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 current value with the addition of direct purchase costs.

If a need for write-down is indicated, impairment test is made as described in the accounting policy for the consolidated accounts. Should the book value exceed the recoverable value, write-down will be made to the lowest value.

**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 at least once a year, together with the other long-term assets in the cash-flow generating entity to which the 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 the 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 current value, less expected costs of disposal, or its capital value, whichever is higher. The capital value is calculated as the current 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. Losses connected to write-offs are recognised in the income statement under production, distribution and administration

expenses. Goodwill write-downs 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 the book value the asset would have had after depreciation if it had not been written down.

**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 attributable 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, obsolescence 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 loss. The contracts are characterized by the fact that the work produced comprises 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 loss exceed the sales value, are included under liabilities.

Advance payments from customers are included under liabilities.

Costs relating to sales work and the obtaining 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 and are measured at cost price.

#### **Securities**

Securities, which include shares and bonds, are included under short-term assets at the cost price on the date of purchase and measured at current value for listed securities and at an estimated current value calculated on the basis of market data and recognised valuation methods for unlisted securities. Changes in the current value are included in the income statement on an ongoing basis under financial items.

Other shares, classified as “available for sale”, are included under long-term assets at the cost price on the date of purchase and subsequently measured at current value equivalent to the listed share price for listed securities and at an estimated current value calculated on the basis of current market data and recognised valuation methods for unlisted securities. Unrealised value adjustments are included directly under equity, 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 equity 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 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 concerning accounts for entities with another functional currency than Danish kroner, 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 contain the accumulated net change in the current 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 is undertaken of the capital value of future benefits that are to be paid in respect of the scheme. The capital value is calculated on the basis of prospects of future development in 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 so far in the Group. The actuarially calculated capital value, with deductions for the current 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 expected 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' former employment in the company, 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 employees attain the entitlement to the changed benefit.

If a pension scheme is a net asset, the asset is only recognised if corresponding unrecognised actuarial loss or future repayments from the scheme exist, 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 and charges 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 loss-making contract provision 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 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 current value less expected sale expenses, whichever is lower. Depreciation and amortization of assets cease from the time they are classified 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 current 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 profit or loss 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.

**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.

The entering into financial leasing agreements is deemed 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 deduction 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, can be easily converted into liquid holdings, and for which the risk of a change in value is insignificant.





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.

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 reporting for the segments has been changed in order to better reflecting the Group's activities based on management reporting. Comparative figures have been adjusted.

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.









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

Parent company		Note no.	(Amounts in DKK '000)	The Group	
2010	2011			2011	2010
		3	Revenue	2,568,523	2,061,881
		4	Production costs	(2,363,397)	(1,929,010)
			<b>Gross profit</b>	<b>205,126</b>	<b>132,871</b>
(4,525)	(4,663)	4,5	Administration costs	(191,488)	(182,812)
4,872	4,226	4,6	Other operating income	(1,115)	(830)
		8	Share of profit after tax in affiliated companies	4,845	6,587
<b>347</b>	<b>(437)</b>		<b>Primary operating profit</b>	<b>17,368</b>	<b>(44,184)</b>
31,712	11,122	9	Financial income	2,666	4,242
(19)	(286)	10	Financial expenditure	(8,263)	(7,259)
<b>32,040</b>	<b>10,399</b>		<b>Profit before tax</b>	<b>11,771</b>	<b>(47,201)</b>
(1,528)	(1,382)	11	Tax on profit/loss for the year	(3,954)	19,707
<b>30,512</b>	<b>9,017</b>		<b>Annual profit</b>	<b>7,817</b>	<b>(27,494)</b>
			Distribution of Group profits:		
			Shareholders of Arkil Holding A/S	4,759	(30,067)
			Minority interests	3,058	2,573
				<b>7,817</b>	<b>(27,494)</b>
			Proposed appropriation of profits:		
0	0		Suggested dividend		
30,512	9,017		Retained earnings		
<b>30,512</b>	<b>9,017</b>				
		12	Earnings per DKK 100 share	10	(63)
		12	Diluted earnings per share at DKK 100	10	(63)





**ARKIL HOLDING** Statement of comprehensive income for the accounting year  
from 1 Jan to 31 Dec

Parent company		Note no.	(Amounts in DKK '000)	The Group	
2010	2011			2011	2010
30,512	9,017		Annual profit	7,817	(27,494)
			Other comprehensive income:		
			Exchange rate adjustments for conversion of foreign entities	(284)	1,458
			Adjustment of value of derivatives	1,128	634
		24	Actuarial gains/losses on defined benefit plan pension schemes	(5,089)	(2,792)
		11	Tax on other comprehensive income	1,244	747
0	0		Other comprehensive income after tax	(3,001)	47
30,512	9,017		Total comprehensive income	4,816	(27,447)
			Distribution:		
			Shareholders of Arkil Holding A/S	2,280	(29,670)
			Minority interests	2,536	2,223
				4,816	(27,447)

## ARKIL HOLDING Balance sheet as at 31 December

Parent company		Note no.	(Amounts in DKK '000)	The Group	
2010	2011			2011	2010
			Assets		
			Long-term assets		
			Intangible assets		
		13	Goodwill	129,945	129,945
		14	Licences and rights	9,205	9,470
			<b>Total intangible assets</b>	<b>139,150</b>	<b>139,415</b>
			Tangible assets		
2,634	2,634	15	Land and buildings, owner-occupied properties	137,937	142,166
62,302	55,978	16	Investment properties	2,208	7,939
317	192	17	Technical equipment, machinery and fixtures	327,592	363,776
		18	Plant under construction	3,752	3,927
<b>65,253</b>	<b>58,804</b>		<b>Total tangible assets</b>	<b>471,489</b>	<b>517,808</b>
			Other long-term assets		
193,257	268,257	7	Investment in subsidiaries		
		8	Investment in affiliated companies	9,592	9,989
		22	Securities	475	476
		25	Deferred tax assets	10,063	10,179
<b>193,257</b>	<b>268,257</b>		<b>Total other long-term assets</b>	<b>20,130</b>	<b>20,644</b>
<b>258,510</b>	<b>327,061</b>		<b>Total long-term assets</b>	<b>630,769</b>	<b>677,867</b>
			Short-term assets		
		19	Stock on hand	65,068	56,119
		20	Contract works	105,880	63,722
149,313	89,500	21	Accounts receivable	540,929	445,475
5,800	4,519	29	Company tax receivable	4,159	6,016
852	616	22	Securities	22,936	22,886
1,444	337		Liquid assets	104,536	198,082
<b>157,409</b>	<b>94,972</b>		<b>Total short-term assets</b>	<b>843,508</b>	<b>792,300</b>
<b>415,919</b>	<b>422,033</b>		<b>Total assets</b>	<b>1,474,277</b>	<b>1,470,167</b>

## ARKIL HOLDING Balance sheet as at 31 December

Parent company		Note no.	(Amounts in DKK '000)	The Group	
2010	2011			2011	2010
			<b>Passiver</b>		
		23	<b>Equity</b>		
49,132	49,132		Share capital	49,132	49,132
			Exchange-rate adjustment reserve	(80)	216
			Reserve for hedging transactions	0	0
359,761	368,778		Retained earnings	588,636	586,060
0	0		Suggested dividend	0	0
<b>408,893</b>	<b>417,910</b>		<b>Shareholders of Arkil Holding A/S' share of equity</b>	<b>637,688</b>	<b>635,408</b>
			<b>Minority interests</b>	<b>10,404</b>	<b>10,238</b>
<b>408,893</b>	<b>417,910</b>		<b>Total equity</b>	<b>648,092</b>	<b>645,646</b>
			<b>Liabilities</b>		
			<b>Long-term liabilities</b>		
		24	Pensions and similar liabilities	102,358	98,377
2,699	2,807	25	Deferred tax	25,008	28,360
		26	Provisions for liabilities and charges	18,014	21,139
221	262	27	Credit institutions	168,942	179,918
			Employee's bonds	3,478	2,894
<b>2,920</b>	<b>3,069</b>		<b>Total long-term liabilities</b>	<b>317,800</b>	<b>330,688</b>
			<b>Current liabilities</b>		
59	91	27	Credit institutions	50,579	62,832
		20	Contract works	40,510	51,092
4,047	963	28	Accounts payable and other debts	405,167	374,376
0	0	29	Corporation tax	0	0
		26	Provisions for liabilities and charges	12,129	5,533
<b>4,106</b>	<b>1,054</b>		<b>Total short-term liabilities</b>	<b>508,385</b>	<b>493,833</b>
<b>7,026</b>	<b>4,123</b>		<b>Total obligations</b>	<b>826,185</b>	<b>824,521</b>
<b>415,919</b>	<b>422,033</b>		<b>Total liabilities</b>	<b>1,474,277</b>	<b>1,470,167</b>
		30	Contingent liabilities and guarantees		
		31-39	Notes without reference		

## ARKIL HOLDING Cash flow statement

Parent company		Note no.	(Amounts in DKK '000)	The Group	
2010	2011			2011	2010
32,040	10,399		Profit before tax	11,771	(47,201)
			Adjustments for non-cash operating items, etc.:		
1,209	1,143		Depreciation and write-downs	98,172	98,967
43	178		Other net operating items	(6,752)	(30,910)
			Provisions for liabilities and charges	2,709	371
			Dividends received, affiliated companies	0	4,758
(31,712)	(11,122)		Financial income	(2,666)	(4,242)
19	286		Financial expenditure	8,263	7,259
			Cash flow from ordinary operations before changes in working capital	111,497	29,002
(19,446)	55,884	31	Changes in working capital	(126,352)	73,814
(17,847)	56,768		Cash generated from ordinary operations	(14,855)	102,816
5,598	6,014		Interest income received	2,154	2,206
(19)	(50)		Interest expenses paid	(6,817)	(6,594)
(12,268)	62,732		Cash generated from ordinary operations	(19,518)	98,428
(5,735)	852		Corporation tax paid	(4,118)	(9,841)
(18,003)	63,584		Cash flows from operating activities	(23,636)	88,587
			Sale of intangible assets	0	872
118	(212)	32	Purchases of tangible assets	(58,013)	(44,372)
100	5,500		Sale of tangible assets	19,184	19,832
			Purchases of securities	(3,900)	0
			Sale of securities	4,045	0
		39	Acquisition/sale of companies and activities	0	(90,246)
0	(75,000)		Increase of subsidiary capital		
			Purchase/sale of affiliated companies	0	225
26,008	5,108		Dividends from subsidiaries		
26,226	(64,604)		Cash flows from investing activities	(38,684)	(113,689)



## ARKIL HOLDING Cash flow statement

Parent company		Note no.	(Amounts in DKK '000)	The Group	
2010	2011			2011	2010
			External financing:		
0	(87)		Repayment of leasing commitments	(28,782)	(31,576)
			Repayment of long term debt	(101,350)	(17,680)
			Proceeds of long-term debt, etc.	96,292	45,440
			Shareholders:		
(7,189)	0		Dividend payments	(2,370)	(9,386)
(7,189)	(87)		Cash flows from financing activities	(36,210)	(13,202)
1,034	(1,107)		Cash flows for the year	(98,530)	(38,304)
410	1,444		Opening liquid holdings	196,002	234,068
			Rate adjustments to liquid holdings	(238)	238
1,444	337		Closing liquid holdings	97,234	196,002
1,444	337		Liquid assets	104,536	198,082
0	0		Bank loan (bank overdraft)	(7,302)	(2,080)
1,444	337		Closing liquid holdings	97,234	196,002

## ARKIL HOLDING Statement of changes in equity

(Amounts in DKK '000)		Shareholders of Arkil Holding A/S						
The Group	Share capital	Reserve for exchange rate adjustments	Reserve for hedging transactions	Retained earnings	Suggested dividend	Total	Minority interests	Total
Equity as at 01.01.10	49,132	(1,232)	0	630,702	7,370	685,972	11,407	697,379
Correction of the profit/loss for the year 2009		(4)		(13,779)		(13,783)	(1,117)	(14,900)
Adjusted equity as at 1 January 2010	49,132	(1,236)	0	616,923	7,370	672,189	10,290	682,479
Comprehensive income in 2010								
Annual profit				(30,067)		(30,067)	2,573	(27,494)
Other comprehensive income								
Exchange rate adjustments, foreign companies		1,452				1,452	6	1,458
Revaluation of pension liabilities				(2,373)		(2,373)	(419)	(2,792)
Adjustment of value of derivatives				634		634		634
Tax on other comprehensive income				684		684	63	747
Other total comprehensive income	0	1,452	0	(1,055)	0	397	(350)	47
Total comprehensive income for the period	0	1,452	0	(31,122)	0	(29,670)	2,223	(27,447)
Transactions with owners								
Distributed dividend					(7,370)	(7,370)	(2,275)	(9,645)
Dividend, own shares				259		259		259
Total transaction with owners	0	0	0	259	(7,370)	(7,111)	(2,275)	(9,386)
Equity as at 31.12.10	49,132	216	0	586,060	0	635,408	10,238	645,646

## ARKIL HOLDING Statement of changes in equity

(Amounts in DKK '000)		Shareholders of Arkil Holding A/S						
The Group	Share capital	Reserve for exchange rate adjustments	Reserve for hedging transactions	Retained earnings	Suggested dividend	Total	Minority interests	Total
Equity as at 01.01.11	49,132	216	0	586,060	0	635,408	10,238	645,646
Comprehensive income in 2011								
Annual profit				4,759		4,759	3,058	7,817
Other comprehensive income								
Exchange rate adjustments, foreign companies		(296)				(296)	12	(284)
Revaluation of pension liabilities				(4,326)		(4,326)	(763)	(5,089)
Adjustment of value of derivatives				1,128		1,128		1,128
Tax on other comprehensive income				1,015		1,015	229	1,244
Other total comprehensive income	0	(296)	0	(2,183)	0	(2,479)	(522)	(3,001)
Total comprehensive income for the period	0	(296)	0	2,576	0	2,280	2,536	4,816
Transactions with owners								
Distributed dividend						0	(2,370)	(2,370)
Dividend, own shares						0		0
Total transaction with owners	0	0	0	0	0	0	(2,370)	(2,370)
Equity as at 31.12.11	49,132	(80)	0	588,636	0	637,688	10,404	648,092

## ARKIL HOLDING Statement of changes in equity

(Amounts in DKK '000)				
Parent company	Share capital	Retained earnings	Suggested dividend	Total
Equity as at 01.01.10	49,132	329,068	7,370	385,570
Annual comprehensive income		30,512		30,512
Total comprehensive income	0	30,512	0	30,512
Distributed dividend			(7,370)	(7,370)
Dividend, own shares		181		181
Total movements in equity for 2010	0	30,693	(7,370)	23,323
Equity as at 31.12.10	49,132	359,761	0	408,893
Movements in equity during 2011				
Annual comprehensive income		9,017	0	9,017
Total comprehensive income	0	9,017	0	9,017
Distributed dividend				0
Dividend, own shares				0
Total movements in equity for 2011	0	9,017	0	9,017
Equity as at 31.12.11	49,132	368,778	0	417,910









Note

1	Financial estimates and assessments	21	Accounts receivable
2	Segment information	22	Securities
3	Revenue	23	Equity
4	Expenditure	24	Pensions and similar liabilities
5	Remuneration for auditor elected by the Annual General Meeting	25	Deferred tax
6	Other operating income	26	Provisions for liabilities and charges
7	Investment in subsidiaries	27	Debt to credit institutions
8	Investment in affiliated companies	28	Accounts payable and other debts
9	Financial income	29	Corporation tax
10	Financial expenditure	30	Contingent liabilities and guarantees
11	Tax	31	Changes in working capital
12	Earnings per share	32	Net purchase of tangible fixed assets
13	Goodwill	33	Closely related parties
14	Licences and rights	34	Commercial and financial risks
15	Land and buildings, owner-occupied properties	35	Operational leasing
16	Investment properties	36	Subsequent events
17	Technical equipment, machinery and fixtures	37	New accounting regulations
18	Plant under construction	38	Group's share of joint ventures
19	Stock on hand	39	Acquisition of companies and activities
20	Contract works		

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**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 responsible in the circumstance, 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 34.

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 depreciations and write-downs, sales value of contracts, pensions and similar liabilities, provisions for liabilities and contingent liabilities and assets.

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

**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 coming 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 values 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, as described in note 13 in the consolidated accounts.

**Recovery of deferred tax assets**

Deferred tax assets are included for all non-utilised tax loss 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 December 2011, deferred tax assets of DKK 0.9 million can be assigned to tax losses. The remaining tax assets can be generally assigned to pension commitments.

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## Note 2 Segment information

	2011		Segments subject to reporting Total
(Amounts in DKK '000)	Denmark	Abroad	
Revenue	1,733,054	883,106	2,616,160
Internal turnover	(29,805)	(17,832)	(47,637)
<b>Revenue</b>	<b>1,703,249</b>	<b>865,274</b>	<b>2,568,523</b>
Primary operating profit	(7,770)	25,138	17,368
Share of profit/loss in affiliated companies		4,845	4,845
Segment assets	904,680	569,597	1,474,277
Of which, investment in affiliated companies	0	9,592	9,592
Capital expenditure including acquisition of companies	23,932	20,917	44,849
Depreciation	66,792	31,380	98,172
Write-downs	0	0	0
Cash flows from operating activities	(56,834)	33,198	(23,636)
Cash flows from investing activities	(16,238)	(22,446)	(38,684)
Cash flows from financing activities	(34,065)	(2,145)	(36,210)
Segment liabilities	512,221	313,964	826,185

Trade between segments takes place under normal market conditions.

## Note 2 Segment information (continued)

	2010		Segments subject to reporting Total
(Amounts in DKK '000)	Denmark	Abroad	
Revenue	1,376,576	727,798	2,104,374
Internal turnover	(24,527)	(17,966)	(42,493)
Revenue	1,352,049	709,832	2,061,881
Primary operating profit	(48,457)	4,273	(44,184)
Share of profit/loss in affiliated companies	0	6,587	6,587
Segment assets	946,247	523,920	1,470,167
Of which, investment in affiliated companies	0	9,989	9,989
Capital expenditure including acquisition of companies	107,194	19,275	126,469
Depreciation	64,220	34,628	98,848
Write-downs	0	0	0
Cash flows from operating activities	44,081	44,506	88,587
Cash flows from investing activities	(95,286)	(18,403)	(113,689)
Cash flows from financing activities	27,821	(41,023)	(13,202)
Segment liabilities	546,293	278,228	824,521

Trade between segments takes place under normal market conditions.

## Note 2 Segment information (continued)

(Amounts in DKK '000)	The Group	
	2011	2010
Reconciliation of the revenue, result, assets and liabilities of segments subject to reporting		
<b>Revenue</b>		
Segment revenue of segments subject to reporting	2,616,160	2,104,374
Elimination of intercompany revenue	(47,637)	(42,493)
Segment revenue of segments not subject to reporting	0	0
<b>Total revenue cf. the income statement</b>	<b>2,568,523</b>	<b>2,061,881</b>
<b>Profit before tax</b>		
Segment result of segments subject to reporting	11,771	(47,201)
Segment result of segments not subject to reporting	0	0
<b>Profit/loss before tax cf. the income statement</b>	<b>11,771</b>	<b>(47,201)</b>
<b>Aktiver</b>		
Segment assets of segments subject to reporting	1,474,277	1,470,167
Segment assets of segments not subject to reporting	0	0
<b>Assets cf. balance sheet</b>	<b>1,474,277</b>	<b>1,470,167</b>
<b>Liabilities</b>		
Segment liabilities of segments subject to reporting	826,185	824,521
Segment liabilities of segments not subject to reporting	0	0
<b>Liabilities cf. balance sheet</b>	<b>826,185</b>	<b>824,521</b>

Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
		Note 3 Revenue		
		Sale of goods	142,857	139,526
		Sales value of production and contract works for the year	2,425,666	1,922,355
			2,568,523	2,061,881
		Note 4 Costs		
		Production costs		
		Goods consumed for the year	226,802	186,037
		Write-down of inventories for the year	153	158
		Write-downs on inventories carried back	0	0
		Personnel expenses		
1,260	1,372	Remuneration to the board of the parent company	1,372	1,260
1,502	1,470	Wages and salaries	592,133	533,913
233	233	Contribution-based pension schemes	56,476	49,810
		Defined-benefit pension schemes	5,733	5,698
6	6	Other personnel expenses	50,280	46,884
3,001	3,081		705,994	637,565
1,260	1,372	Remuneration to board	1,372	1,260
1,508	1,476	Management salaries	3,012	3,061
233	233	Management pensions	233	233
		Salaries for other leading employees	5,985	6,572
		Pensions for other leading employees	479	848
0	0	Other employees	694,913	625,591
3,001	3,081		705,994	637,565
		Management receive a fixed remuneration as well as bonus in foreign subsidiaries.		
		Remuneration to the Board		
504	504	Chairman of the Board (3 x ordinary member's remuneration)	504	504
		Deputy Chairman of the Board		
252	252	(1.5 x ordinary member's remuneration)	252	252
504	616	Ordinary members (DKK 168,000 per member)	616	504
1,260	1,372		1,372	1,260
		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	569,310	507,858
3,001	3,081	Administration costs	136,684	129,707
3,001	3,081		705,994	637,565
1	1	Average number of employees	1,717	1,623



Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 4 Costs (continued)				
Depreciation and write-downs				
		Depreciation, intangible assets	239	424
1,209	1,143	Depreciation, tangible assets	97,933	98,424
1,209	1,143		98,172	98,848
Depreciation is included as follows:				
		Production costs	93,181	93,214
124	125	Administration costs	3,973	4,549
1,085	1,018	Other operating income/expenditure	1,018	1,085
1,209	1,143		98,172	98,848
Note 5 Remuneration for auditors elected by the Annual General Meeting				
Total remuneration for KPMG can be specified in the following way:				
202	228	Compulsory audit	1,903	1,817
		Other tasks to do with declaration of security	22	0
21	21	Tax and VAT advice	372	337
335	540	Other services	933	1,074
558	789		3,230	3,228
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	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 7 Investments in subsidiaries				
193,257	193,257	Cost price, 1 January		
0	75,000	Additions during the year		
193,257	268,257	Cost price, 31 December		
Write-downs, 1 January				
Write-downs				
Write-downs, 31 December				
193,257	268,257	Book value as at 31 December		
Additions during the year include increase of capital in Arkil A/S.				
Holding				
2010	2011			
100%	100%	Arkil A/S, Haderslev, Denmark		
100%	100%	Arkil Fundering A/S, Middelfart, Denmark		
100%	100%	Arkil Holding GmbH, Germany		

Parent company		The Group	
2010	2011	(Amounts in DKK '000)	
		2011	2010
Note 8 Investments in affiliated companies			
	Cost price, 1 January	8,551	8,761
	Exchange rate adjustment	(23)	15
	Additions during the year	0	0
	Disposals for the year	0	(225)
	Cost price, 31 December	8,528	8,551
	Adjustments, 1 January	1,438	(396)
	Exchange rate adjustment	(4)	(1)
	Distribution	(5,204)	(4,758)
	Share of the profit/loss for the year	4,834	6,593
	Adjustments, 31 December	1,064	1,438
	Book value as at 31 December	9,592	9,989
Main figures for affiliated companies			
	Revenue	142,373	126,036
	Annual profit	10,201	14,044
	Total assets	41,244	42,639
	Total obligations	21,722	22,324
	Equity	19,522	20,315
	Contingent liabilities	0	0
The Group's share of affiliated companies has been included in the annual accounts as follows:			
	Equity	9,592	9,989
	Annual profit	4,845	6,587
		Ownership interest in %	
The affiliated companies are:			
	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			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 9 Financial income				
5,429	5,882	Interest income, subsidiaries		
		Interest and dividend on securities (present value)	97	163
		Interest and dividend on securities (available for sale)	299	188
106	0	Exchange gains from securities (present value)	512	2,036
		Exchange gains from securities (available for sale)		
26,008	5,108	Dividends from subsidiaries		
		Exchange rate adjustments	157	267
169	132	Interest, credit institutions, etc.	1,601	1,588
31,712	11,122	Total financial income	2,666	4,242
Note 10 Financial costs				
13	50	Interests on financial liabilities measured at the amortised cost price	7,754	6,967
0	236	Exchange losses on securities (present value)	318	31
6	0	Interest expenses to subsidiaries		
		Interest element, discounted liabilities	191	248
		Foreign-exchange loss	0	13
19	286	Total financial expenditure	8,263	7,259
Note 11 Tax				
Taxation for the year comprises:				
1,528	1,382	Tax on profit/loss for the year	3,954	(19,707)
		Tax on other comprehensive income	(1,244)	(747)
1,528	1,382		2,710	(20,454)
Tax on profit for the year is calculated as follows:				
1,455	1,240	Current tax	6,490	3,334
66	252	Deferred tax	(3,400)	(15,075)
(114)	(144)	Deferred tax concerning previous years	1,390	(7,395)
121	34	Current tax concerning previous years	(526)	(571)
1,528	1,382		3,954	(19,707)



Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 11 Tax (continued)				
Tax on profit/loss for the year can accounted for as follows:				
8,010	2,600	25% tax calculated on pre-tax profit/loss	2,942	(11,800)
		Adjustment of tax calculated in foreign affiliated companies in relation to 25%	1,947	2,070
		Loss to be carried over with a tax value of 0	166	0
Tax effect of:				
(6,502)	(1,277)	Tax-free dividends		
13	169	Other adjustments	(512)	(35)
		Share of profit after tax in affiliated companies	(1,453)	(1,976)
7	(110)	Adjustment of tax regarding previous years	864	(7,966)
1,528	1,382		3,954	(19,707)
4.8%	13.3%	Effective tax rate	33.6%	41.8%

Tax on other comprehensive income						
	2011			2010		
	Pre-tax	Tax revenue/ cost	Post-tax	Pre-tax	Tax revenue/ cost	Post-tax
Exchange-rate adjustments for conversion of foreign entities	(284)	0	(284)	1,458	0	1,458
Value adjustment of derivate financial instrumentsw	1,128	(282)	846	634	(91)	543
Actuarial gains/losses on defined-benefit pension schemes	(5,089)	1,526	(3,563)	(2,792)	838	(1,954)
	(4,245)	1,244	(3,001)	(700)	747	47

Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
		Note 12 Earnings per share		
		Annual profit	7,817	(27,494)
		Minority interests' share of consolidated profit/loss	(3,058)	(2,573)
		Shareholders of Arkil Holding A/S	4,759	(30,067)
		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)	10	(63)
		Diluted earnings per share at DKK 100 (EPS-D)	10	(63)

Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
<b>Note 13 Goodwill</b>				
		Cost price, 1 January	129,945	99,872
		Exchange rate adjustment	0	0
		Additions through acquisition	0	30,073
		<b>Cost price, 31 December</b>	<b>129,945</b>	<b>129,945</b>
		Write-downs, 1 January	0	0
		Write-downs	0	0
		Disposals	0	0
		<b>Write-downs, 31 December</b>	<b>0</b>	<b>0</b>
		<b>Book value as at 31 December</b>	<b>129,945</b>	<b>129,945</b>
<b>Goodwill</b>				
Goodwill is therefore distributed on the following cash-generating entities:				
		<b>Denmark Segment:</b>		
		Arkil A/S	61,263	31,190
		Stürup Ingeniør- og Entreprenørfirma A/S	0	21,488
		Sturup Trekantsområdet A/S	0	8,585
		Arkil Fundering A/S	12,963	12,963
		<b>Denmark Segment in total</b>	<b>74,226</b>	<b>74,226</b>
		<b>Outside Denmark Segment:</b>		
		Arkil Holding GmbH	55,719	55,719
		<b>Outside Denmark Segment in total</b>	<b>55,719</b>	<b>55,719</b>
		<b>Book value as at 31 December</b>	<b>129,945</b>	<b>129,945</b>

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

Stürup Ingeniør- og Entreprenørfirma A/S and Sturup Trekantsområdet A/S have, as of 1 January 2011, merged with Arkil A/S and can no longer be isolated in independent cash-flow generating entities.

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 2012-16 approved by the management, and a discounting factor before tax of 12%, which is unchanged as compared with last year.

The budgets are 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:

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 2011.

#### Sensitivity analysis

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

Parent company		(Amounts in DKK '000)	The Group	
2010	2011		2011	2010
		<b>Note 14 Licences and rights</b>		
		Cost price, 1 January	11,193	12,040
		Exchange rate adjustment	(37)	25
		Additions	0	0
		Disposals	0	(872)
		<b>Cost price, 31 December</b>	<b>11,156</b>	<b>11,193</b>
		Depreciation and write-downs, 1 January	(1,723)	(1,295)
		Exchange rate adjustment	11	(6)
		Depreciation for the year	(239)	(422)
		Disposals	0	0
		<b>Depreciation and write-downs, 31 December</b>	<b>(1,951)</b>	<b>(1,723)</b>
		<b>Book value as at 31 December</b>	<b>9,205</b>	<b>9,470</b>
		<b>Note 15 Land and buildings, owner-occupied properties</b>		
3,726	3,726	Cost price, 1 January	184,518	170,877
		Exchange rate adjustment	(143)	857
		Additions	2,723	1,095
		Additions through acquisition	0	12,053
		Disposals	(7,586)	(364)
3,726	3,726	<b>Cost price, 31 December</b>	<b>179,512</b>	<b>184,518</b>
(1,092)	(1,092)	Depreciation and write-downs, 1 January	(42,352)	(38,349)
		Exchange rate adjustment	63	(355)
		Depreciation	(4,077)	(3,870)
		Disposals	4,791	222
(1,092)	(1,092)	<b>Depreciation and write-downs, 31 December</b>	<b>(41,575)</b>	<b>(42,352)</b>
2,634	2,634	<b>Book value as at 31 December</b>	<b>137,937</b>	<b>142,166</b>
0	0	<b>Financially leased asset component</b>	<b>0</b>	<b>0</b>
0	0	<b>Capital commitments</b>	<b>0</b>	<b>0</b>



Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
<b>Note 16 Investment properties</b>				
80,946	80,783	Cost price, 1 January	14,818	14,818
162	372	Additions	0	0
(325)	(9,326)	Disposals	(9,326)	0
<b>80,783</b>	<b>71,829</b>	<b>Cost price, 31 December</b>	<b>5,492</b>	<b>14,818</b>
(17,578)	(18,481)	Depreciation and write-downs, 1 January	(6,879)	(6,752)
(1,085)	(1,018)	Depreciation	(52)	(127)
182	3,648	Disposals	3,647	0
<b>(18,481)</b>	<b>(15,851)</b>	<b>Depreciation and write-downs, 31 December</b>	<b>(3,284)</b>	<b>(6,879)</b>
<b>62,302</b>	<b>55,978</b>	<b>Book value as at 31 December</b>	<b>2,208</b>	<b>7,939</b>
<b>94,050</b>	<b>85,516</b>	<b>Fair value of investment properties</b>	<b>2,556</b>	<b>13,100</b>
Fair value of investment properties is calculated on the basis of a Discounted Cash Flow model with a demand for yield of 5-7%				
6,415	5,773	Rental income from investment properties	221	713
(286)	(231)	Operating costs concerning investment properties	(183)	(291)
<b>6,129</b>	<b>5,542</b>	<b>Operation of investment properties</b>	<b>38</b>	<b>422</b>
<b>Note 17 Technical plant, machinery and fixtures</b>				
1,904	1,904	Cost price, 1 January	908,606	846,020
		Exchange rate adjustment	(661)	4,189
		Additions	61,485	54,419
		Additions through acquisition	0	61,674
		Disposals	(51,627)	(57,696)
<b>1,904</b>	<b>1,904</b>	<b>Cost price, 31 December</b>	<b>917,803</b>	<b>908,606</b>
(1,463)	(1,587)	Depreciation and write-downs, 1 January	(544,830)	(491,163)
		Exchange rate adjustment	455	(3,583)
(124)	(125)	Depreciation	(93,757)	(94,548)
		Disposals	47,921	44,464
<b>(1,587)</b>	<b>(1,712)</b>	<b>Depreciation and write-downs, 31 December</b>	<b>(590,211)</b>	<b>(544,830)</b>
<b>317</b>	<b>192</b>	<b>Book value as at 31 December</b>	<b>327,592</b>	<b>363,776</b>
<b>317</b>	<b>192</b>	<b>Financially leased asset component</b>	<b>74,173</b>	<b>87,645</b>
<b>0</b>	<b>0</b>	<b>Capital commitments</b>	<b>2,974</b>	<b>0</b>

Parent company		The Group	
2010	2011	2011	2010
(Amounts in DKK '000)			
Note 18 Plants under construction			
Cost price, 1 January		3,927	3,386
Exchange rate adjustment		0	0
Additions		3,752	3,928
Retained		(3,927)	(3,387)
Cost price, 31 December		3,752	3,927
Book value as at 31 December		3,752	3,927
Note 19 Inventories			
Raw materials and consumables		54,722	44,835
Work in progress		389	431
Finished goods		9,957	10,853
		65,068	56,119
Book value of stock on hand written down at present value		0	267
Note 20 Construction contracts			
Sale value of work contracts		1,263,858	744,734
Invoiced instalments		(1,198,488)	(732,104)
		65,370	12,630
Inclusions:			
Contract works (assets)		105,880	63,722
Contract works (liabilities)		(40,510)	(51,092)
		65,370	12,630
Prepayments from customers		0	273
Withheld payments		0	0

Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 21 Receivables				
		Accounts receivable from sales and services	511,128	417,323
149,141	89,490	Accounts receivable at affiliated companies		
172	10	Other accounts receivable	29,801	28,152
149,313	89,500		540,929	445,475
Write-downs included in the receivables above have progressed as follows:				
		1 January	12,112	11,386
		Rate adjustments	(33)	15
		Additions through acquisition	0	1,832
		Write-downs in the year	2,436	3,437
		Realised in the year	(1,716)	(3,693)
		Carried back	(614)	(865)
		31 December	12,185	12,112
Individual write-downs comprised				
			10,999	11,390

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 34 for information regarding credit rating procedures, etc.

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

Scandinavia	395,245	325,159
Rest of Europe	115,883	92,164
Rest of the World	0	0
	<b>511,128</b>	<b>417,323</b>

The Group's receivables from sales as at 31 December 2011 include a write-down of DKK 12,185,000 (2010: DKK 12,112,000). 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	139,734	63,787
Between 30 and 90 days	17,830	12,895
Over 90 days	46,282	42,152
	<b>203,846</b>	<b>118,834</b>

Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 22 Securities				
		Unlisted shares	475	476
852	616	Listed shares	22,936	22,886
852	616		23,411	23,362
Thus, the balance sheet comprises:				
		Long-term assets	475	476
852	616	Short-term assets	22,936	22,886
852	616		23,411	23,362
Fair value hierarchy:				
852	616	Level 1, listed	22,936	22,886
		Level 2, observable	475	476
852	616		23,411	23,362



Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 23 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%
0	0	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 27 October 2012, 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 the Copenhagen Stock Exchange 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	
	2011	2010
<b>Note 24 Pensions and similar obligations</b>		
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. In the consolidated accounts DKK 102,358,000 has been included under obligations (2010: DKK 98,377,000) 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.		
Present value of defined-benefit schemes	102,358	98,377
Current value of scheme assets	0	0
<b>Total</b>	<b>102,358</b>	<b>98,377</b>
<b>Changes in recognised liability:</b>		
Net liability/asset, 1 January	98,377	95,630
Exchange rate adjustment	(280)	166
Pensions paid out	(6,561)	(5,909)
Pension expenses relating to the current financial year	5,733	5,698
Actuarial loss (gain)	5,089	2,792
<b>Net liability, 31 December</b>	<b>102,358</b>	<b>98,377</b>
<b>Pension expenses recognised in the income statement:</b>		
Pension expenses relating to the current financial year	1,122	965
Calculated interest relating to liability	4,611	4,733
<b>Recognised total for defined-benefit plans</b>	<b>5,733</b>	<b>5,698</b>
Recognised in defined-contribution plans	56,476	49,810
<b>Total recognised in the profit and loss account</b>	<b>62,209</b>	<b>55,508</b>
<b>The costs are included in the following items in the income statement:</b>		
Production costs	50,765	42,954
Administration costs	11,444	12,554
<b>Total recognised in the profit and loss account</b>	<b>62,209</b>	<b>55,508</b>

(Amounts in DKK '000)	The Group	
	2011	2010

**Note 24 Pensions and similar obligations (continued)**

The statement of included gains and losses includes the following accumulated actuarial gains/losses since January 1st 2005:

<b>Accumulated actuarial gains / losses</b>	<b>7,197</b>	<b>12,286</b>
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The Group expects to pay DKK 5,653,000 into the defined-benefit scheme in 2012.

Assumptions on which the actuarial calculations are based on the balance date, on average:

Discounting rate	4.45%	4.85%
Future wage rise rate	1.00%	1.00%

Amounts for the present year and the previous 4 years for the Group's pension obligations are as follows:

	2011	2010	2009	2008	2007
Actuarially calculated pension commitments	(102,358)	(98,377)	(95,630)	(100,142)	(101,529)
Pension assets	0	0	0	0	0
<b>Surplus / shortfall</b>	<b>(102,358)</b>	<b>(98,377)</b>	<b>(95,630)</b>	<b>(100,142)</b>	<b>(101,529)</b>
Empirical changes to liabilities	0	0	0	0	0
Empirical changes to the pension assets	0	0	0	0	0

Parent company		(Amounts in DKK '000)	The Group	
2010	2011		2011	2010
		Note 25 Deferred tax		
2,747	2,699	Deferred tax, 1 January	18,181	37,723
		Exchange rate adjustment	18	5
		Additions through acquisition	0	3,669
(48)	108	Annual deferred tax included in the annual profit/loss	(2,010)	(22,470)
		Annual deferred tax included in other comprehensive income	(1,244)	(746)
2,699	2,807	Deferred tax, 31 December	14,945	18,181
		Deferred tax is included in the balance sheet as follows:		
		Deferred tax (asset)	(10,063)	(10,179)
2,699	2,807	Deferred tax (liabilities)	25,008	28,360
2,699	2,807	Net deferred tax, 31 December	14,945	18,181
		Deferred tax relates to:		
		Intangible assets	10,298	10,464
2,557	2,895	Tangible assets	30,395	40,858
		Financial assets	77	115
142	0	Short-term assets	6,395	2,133
		Provisions for liabilities and charges	(13,603)	(12,358)
0	(88)	Other liabilities	(17,762)	(21,459)
		Tax losses	(855)	(1,572)
2,699	2,807		14,945	18,181
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 5,948,000.				



Parent company		The Group	
2010	2011	2011	2010
(Amounts in DKK '000)			
Note 26 Provisions			
Guarantee obligations, 1 January		14,197	14,855
Exchange rate adjustment		(33)	88
Used this year		(1,184)	(1,131)
Carried back		(2,246)	(2,932)
Provided this year		4,729	3,317
<b>Guarantee obligations, 31 December</b>		<b>15,463</b>	<b>14,197</b>
Other liabilities, 1 January		12,475	11,128
Exchange rate adjustment		(33)	19
Used this year		0	(75)
Effect of discounting		0	248
Carried back		(4,423)	0
Provided this year		6,661	1,155
<b>Other liabilities, 31 December</b>		<b>14,680</b>	<b>12,475</b>
<b>Provisions for liabilities, 31 December</b>		<b>30,143</b>	<b>26,672</b>
Provisions for liabilities are expected to fall due after:			
Current liabilities		12,129	5,533
Long-term liabilities		18,014	21,139
<b>Provisions for liabilities, 31 December</b>		<b>30,143</b>	<b>26,672</b>
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	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 27 Debt to credit institutions				
		Loans	149,739	161,362
280	353	Lease commitments	62,480	79,308
		Bank loan (bank overdraft)	7,302	2,080
280	353	Book value	219,521	242,750
0	0	Of which at a fixed interest	0	0
221	262	Long-term liabilities	168,942	179,918
59	91	Current liabilities	50,579	62,832
280	353		219,521	242,750
280	353	Nominal value	219,521	242,750

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						
2011				2010		
	Minimums- leasing payment	Interest element	Present value	Minimums- leasing payment	Interest element	Present value
0-1 years	20,770	1,073	19,697	23,902	1,674	22,228
1-5 years	42,502	1,577	40,925	52,480	2,484	49,996
> 5 years	1,880	22	1,858	7,214	130	7,084
	65,152	2,672	62,480	83,596	4,288	79,308

There are no contingent rentals under the leasing contracts.

The present value of the obligations concerning assets held under a finance lease corresponds to the book value. The fair value is estimated as the present value of future cash-flows at a market interest for corresponding leases.

Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010
Note 28 Trade payables and other debts				
109	139	Trade creditors	181,897	143,920
2,879	0	Debts to associated companies		
1,059	824	Other debt	223,270	230,456
4,047	963		405,167	374,376
Note 29 Company tax				
(161)	(5,800)	Corporation tax payable, 1 January	(6,016)	1,061
		Exchange rate adjustment	11	1
(25)	499	Current annual tax incl. jointly taxed subsidiaries	5,959	2,763
121	(70)	Other adjustments	0	0
(5,735)	852	Corporation tax paid during the year	(4,113)	(9,841)
(5,800)	(4,519)	Company tax receivable, 31 December	(4,159)	(6,016)
Note 30 Contingent liabilities and collateral				
		Guarantees issued by a third party to clients	596,964	550,675
The company is participating in joint ventures with joint and several liability with total debts amounting to DKK 34.4 million. No loss is expected in this context, beyond what has been included in the accounts.				
Note 31 Changes in working capital				
		Changes in stock on hand	(8,949)	(6,889)
(22,003)	58,969	Changes in accounts receivable and contract works	(137,612)	118,203
2,557	(3,085)	Changes in creditor and other debt	20,209	(37,500)
(19,446)	55,884		(126,352)	73,814
Note 32 Net purchases of tangible assets				
(162)	(372)	Purchases of tangible assets	(64,033)	(56,055)
280	160	Leasing debt contracted	6,020	11,683
118	(212)		(58,013)	(44,372)

Parent company			The Group	
2010	2011	(Amounts in DKK '000)	2011	2010

**Note 33 Related parties**

Closely related parties with a controlling influence:

Chairman of the Board Niels Arkil, Haderslev, class A shareholder.

The actuarial value of pension obligations towards related parties with a controlling influence amounts to DKK 16,475,000 (2010 DKK 16,499,000).

The pension obligation, which was attained on acquisition of the company in 2004, was established in SAW Schleswiger Asphaltspplitt-Werke GmbH & Co. KG in 1974.

Arkil Holding A/S's 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 67,000 (2010: DKK 10,062,000) and has been carried out on standard market terms. Receivables with closely related parties amount to DKK 0 as at 31 December 2011 (2010: 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.

**Subsidiaries, affiliated companies and joint ventures**

Trade between subsidiaries, affiliated companies and joint ventures has comprised:

5,429	5,882	Interest income from subsidiaries		
(6)	0	Interest expenses to subsidiaries		
		Purchase of finished goods, etc., from subsidiaries		
		Purchase of finished goods, etc., from affiliated companies	31,931	33,458
		Sale of finished goods, etc., to joint ventures	43,933	12,296
		Sale of finished goods, etc., to affiliated companies	1,900	3,934
5,702	5,341	Sale of services to subsidiaries		
11,125	11,223		77,764	49,688

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 21 and 28.

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 5,108,000 (2010: DKK 26,008,000) as dividends from subsidiaries.

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**Note 34 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 felt that the risks that the Group faces in general are no different from the usual ones facing other companies in the building contractor 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, so 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 specialists, which reduces the risks.

New forms of collaboration based on partnerships, in which the contractor is involved in the project before the projecting and planning phase has started, will improve the risk management of 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 hedge 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 hedged by making fixed price contracts with the suppliers for deliveries for projects. Where fixed price contracts are not concluded, the risk is hedged 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 not to actively speculate with financial risks. The Group's financial management is therefore aimed solely at risks already incurred. The Group's financial risks are primarily hedged 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 in account policies.



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**Note 34 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 35% 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 done through other comprehensive income according to the accounting policies applied.

Concerning investments in foreign entities, the Group's equity as at 31 December 2011 will be reduced by DKK 1.2 million (2010: DKK 1.1 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 concerning receivables and debt in foreign currencies as at 31 December 2011, and the Group's result would therefore not have been significantly affected by changes in the exchange rates as at 31 December 2011.

The Group has considerable transactions/exposures in EUR, 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 to balance the increased demand for yield on equity with the increased uncertainty that is associated with foreign capital. The equity's share of the total liabilities at the end of 2011 constituted 44.0% (2010: 43.9%). The target for the equity share is minimum 35%. The capital is managed for the Group as a whole.

The target for the 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 2011 constituted 1.2% (2010: -4.1%) The long-bond interest rate + 25% was 5.3% in 2011.

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.

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**Note 34 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 23,411,000 and are distributed as follows:

	2011	2010
Listed shares	22,936	22,886
Unlisted securities	475	476
	<b>23,411</b>	<b>23,362</b>
Inclusions:		
Securities, long-term assets	475	476
Securities, short-term assets	22,936	22,886
	<b>23,411</b>	<b>23,362</b>

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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 minus holdings in negotiable securities and liquid assets, amounted to a debt of DKK 95.1 million, compared to a debt of DKK 24.2 million as at 31 December 2010.

Interest-bearing debts, which are included in net liabilities, decreased from DKK 245.6 million to DKK 223.0 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 34 Commercial and financial risks (continued)

## Liquidity risks

In connection with 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 with regard to pricing. 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:

DKK '000	2011					
	Book value	Contractual cash flows	Within 1 year	1 to 3 years	3 to 5 years	After 5 years
<b>Non-derivative financial instruments</b>						
Credit institutions	157,041	164,289	36,330	79,110	44,351	4,498
Financial lease commitments	62,480	65,152	20,770	19,898	15,861	8,623
Trade creditors	181,897	181,897	181,897	0	0	0
<b>Derivative financial instruments</b>						
Forward contracts have been applied as hedging instrument (settled net)	0	0	0	0	0	0
<b>Total liability commitments</b>	<b>401,418</b>	<b>411,338</b>	<b>238,997</b>	<b>99,008</b>	<b>60,212</b>	<b>13,121</b>
Liabilities relating to assets earmarked for sale	0	0	0	0	0	0
<b>Total liability commitments</b>	<b>401,418</b>	<b>411,338</b>	<b>238,997</b>	<b>99,008</b>	<b>60,212</b>	<b>13,121</b>

DKK '000	2010					
	Book value	Contractual cash flows	Within 1 year	1 to 3 years	3 to 5 years	After 5 years
<b>Non-derivative financial instruments</b>						
Credit institutions	163,442	182,781	44,732	39,083	37,804	61,162
Financial lease commitments	79,308	83,596	23,902	38,870	13,610	7,214
Trade creditors	143,920	143,920	143,920	0	0	0
<b>Derivative financial instruments</b>						
Forward contracts have been applied as hedging instrument (settled net)	0	0	0	0	0	0
<b>Total liability commitments</b>	<b>386,670</b>	<b>410,297</b>	<b>212,554</b>	<b>77,953</b>	<b>51,414</b>	<b>68,376</b>
Liabilities relating to assets earmarked for sale	0	0	0	0	0	0
<b>Total liability commitments</b>	<b>386,670</b>	<b>410,297</b>	<b>212,554</b>	<b>77,953</b>	<b>51,414</b>	<b>68,376</b>

**Note 34 Commercial and financial risks (continued)****Credit risks**

By far the majority of the Group's customers are public and semi-public clients, which is why the risk of financial losses are considered to be extremely 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 secured 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 per 31 December 2010, the Group's depreciations as per 31 December 2011 are solely related to financial assets classified as receivables. Reference is made to note 21.

	2011		2010	
	Book value	Fair value	Book value	Fair value
Categories of financial instruments				
Securities	22,936	22,936	22,886	22,886
Financial assets, measured at fair value via the income statement	22,936	22,936	22,886	22,886
Derivative financial instruments entered into for hedging of the fair value of recognised assets and liabilities	0	0	0	0
Derivative financial instruments entered into for hedging of future cash flows	1,496	1,496	368	368
Derivative financial instruments entered into for hedging of investments in foreign companies	0	0	0	0
Financial assets, used as hedging instruments	1,496	1,496	368	368
Trade debtors	511,128	511,128	417,323	417,323
Other accounts receivable	29,801	29,801	27,784	27,784
Liquid assets	104,536	104,536	198,082	198,082
Loans and receivables	645,465	645,465	643,189	643,189
Securities	475	475	476	476
Financial assets available for sale	475	475	476	476

## Note 34 Commercial and financial risks (continued)

	2011		2010	
	Book value	Fair value	Book value	Fair value
Derivative financial instruments included in the trading portfolio	0	0	0	0
Financial liabilities, measured at fair value via the income statement	0	0	0	0
Derivative financial instruments entered into for hedging of future cash flows	0	0	0	0
Financial liabilities, used as hedging instruments	0	0	0	0
Financial lease commitments	62,480	62,480	79,308	79,308
Loans	149,739	149,739	161,362	161,362
Accounts payable and other debts	405,167	405,167	374,376	374,376
Financial liabilities concerning assets earmarked for sale	0	0	0	0
Financial liabilities, measured at amortised cost	617,386	617,386	615,046	615,046

## Methods and conditions for the present value statement

## Exchange-traded bonds

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

## Additional financial instruments (measured at amortised cost price in the balance sheet)

Financial instruments relating to sale and purchase of goods etc with short-term repayment is assessed to have a present value equal to the book value.

The applied methods are unchanged as compared with 2010.



(Amounts in DKK '000)	The Group	
	2011	2010
<b>Note 35 Operating leases</b>		
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.		
Noncancellable operational rentals, rental liabilities, etc., are as follows:		
0-1 years	7,859	8,427
1-5 years	24,283	22,790
> 5 years	53,966	58,426
	<b>86,108</b>	<b>89,643</b>
The income statement for the Group for 2011 recognises DKK 6,341,000 (2010: DKK 5,897,000) concerning operating leases and rental liabilities.		
<b>Note 36 Subsequent events</b>		
No other events that could influence the consolidated accounts or the annual accounts for 2011 have occurred since the end of the financial year.		

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**Note 37 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 2011: IFRIC 20, IFRS 9-13, IAS 27 (2011) and 28 (2011), amendments to IFRS 1 and several amendments to 7, amendments to IAS 1, 12, 19 and 32. Only amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets has been approved by the EU.

Those standards and interpretations that are approved with another commencement date in the EU than the corresponding commencement dates from the IASB will be adopted earlier, so that the implementation will follow the IASB commencement dates for financial years starting on 1 January, 2012, or later. 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 present value through the profit and loss account, 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 income statement. Arkil Holding A/S expects that the standard will have a minor effect for the Group, but have not yet calculated the effect. The standard will apply to financial years commencing 1 January 2013 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, but have not yet calculated the effect. The standard will apply to financial years commencing 1 January 2013 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, but have not yet calculated the effect. The standard will apply to financial years commencing 1 January 2013 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 will apply to financial years commencing 1 January 2013 or later.
  - The IFRS 13 replaces the instructions for measuring the present value found in each particular IFRS with one single definition of the present value and comprehensive instructions for the application. Furthermore it adds reporting requirements for the calculation of present values. The standard will only have effect on the reporting requirements for Arkil Holding A/S. The standard will apply to financial years commencing 1 January 2013 or later.
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Parent company		The Group	
2010	2011	2011	2010
(Amounts in DKK '000)			
	Note 38 The Group's share of joint ventures		
	Revenue	77,971	34,385
	Expenditure	(92,359)	(31,073)
	Net financial items	(59)	9
	<b>Profit (loss)</b>	<b>(14,447)</b>	<b>3,321</b>
	Long-term assets	0	92
	Short-term assets	31,317	37,870
	<b>Total assets</b>	<b>31,317</b>	<b>37,962</b>
	<b>Equity</b>	<b>(3,602)</b>	<b>18,437</b>
	Long-term liabilities	0	0
	Current liabilities	34,919	19,525
	<b>Total obligations</b>	<b>34,919</b>	<b>19,525</b>
	<b>Total liabilities</b>	<b>31,317</b>	<b>37,962</b>
	Note 39 Acquisition of companies and activities		
	Goodwill	0	30,073
	Tangible assets	0	73,263
	Short-term assets	0	96,540
	<b>Total assets</b>	<b>0</b>	<b>199,876</b>
	Cash and cash equivalents component	0	(831)
	<b>Assets excluding liquid holdings</b>	<b>0</b>	<b>199,045</b>
	Provisions for liabilities and charges	0	(3,669)
	Long-term liabilities	0	(42,156)
	Current liabilities	0	(101,552)
	<b>Total obligations</b>	<b>0</b>	<b>(147,377)</b>
	Bank loans comprised	0	38,578
	<b>Liabilities excluding bank loans</b>	<b>0</b>	<b>(108,799)</b>
	<b>Cash used for the acquisition of companies and activities</b>	<b>0</b>	<b>90,246</b>
	Gross value of receivable contractual amounts	0	65,418
	Write-downs in the event of loss	0	(1,832)
	<b>Present value of receivables</b>	<b>0</b>	<b>63,586</b>
	<b>Profit/loss after tax after the takeover date</b>	<b>0</b>	<b>(11,607)</b>

As at 1 July 2010, the Arkil Group holds 100% of the shares in the companies Stürup Ingeniør- og Entreprenørfirma A/S (Stürup A/S) in Esbjerg and Sturup Trekantsområdet A/S (Arne Hansen A/S) in Fredericia.

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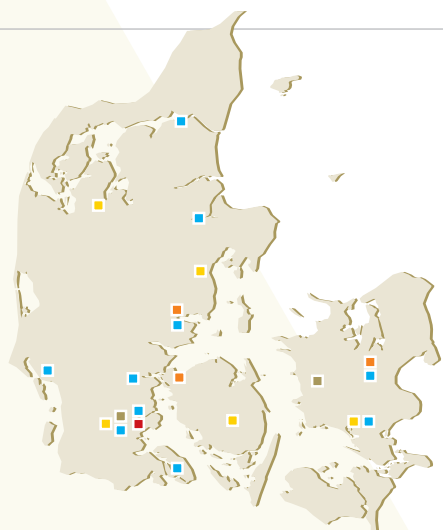
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