COWIannualreport

2002/2003

They are highly qualified, well-travelled and experienced in project management. Read more about COWI's staff on pages 20-25 of the Intellectual Capital Report.

Contents

Two major acquisitions are opening up new markets

COWI has consolidated its position as a leading North European consultancy group

With the acquisition during the year of the two major consultancy firms, Danish Kampsax and Norwegian Interconsult, COWI has acquired an additional 1230 new employees—equivalent to staff growth of about 50 per cent. Every single employee brings new competencies, expertise and references. The integration of staff, administrative systems and the work of adapting competencies to new business opportunities characterised the 2002/2003 financial year.

"As expected, the year was marked by acquisition, integration and the reorganisation of COWI's business units to new markets," says Mr Klaus H. Ostenfeld, CEO and Managing Director. Against this background, he describes the DKK 42 million annual profit as satisfactory, "We have earned money whilst at the same time undertaking the largest investments in COWI's 70-year history."

Although the 2002/2003 financial year was, financially speaking, a year during which COWI consolidated its position as a leading North European consultancy group, Mr Ostenfeld is maintaining the group's long-term financial targets. In 2005, COWI's operating margin will reach 5-6 per cent, corresponding to international levels for the sector.

Record turnover

The COWI group's turnover rose by 33 per cent to approximately DKK 2.3 billion. Turnover in Denmark rose by 23 per cent, whilst the overseas turnover rose by 42 per cent. During the financial year, 56 per cent of COWI's turnover came from abroad. Most of the rise stemmed from the two acquisitions. Operating profits correspond to an operating margin of 1.9 per cent compared to the 3.0 per cent of the previous year. However, COWI's basic underlying earnings capacity remains unaltered at the same level as last year.

Despite a stagnating consultancy market, the reductions in aid to developing countries and assistance to Central and Eastern Europe and environmental projects, COWI's core business has managed to increase turnover by four per cent. COWI has captured market shares in construction and civil engineering, industry and geographic information.

A pause in acquisitions

COWI is now taking a break as far as major acquisitions are concerned. In the longer term, the Group will supplement its services with those of certain foreign specialist companies. They must complement COWI's business strategy, which is built on a combination of strong domestic market business

"COWI's profitability will improve during the current year," predicts Mr Klaus H. Ostenfeld, MD & CEO.


COWI's staff figures have increased by about 50 per cent in one year. This is opening up a number of new business opportunities.

in Denmark including the Øresund region, Norway, selected regions in Germany, selected Central and Eastern European countries, and a number of international specialist services with the entire world as their market. "COWI's international commitment to bridge and tunnel construction, marine engineering works, development planning and environmental due diligence is meeting success on all fronts", emphasises Mr Ostenfeld.

Key figures for the Group in DKK million

	1998/99	1999/00	2000/01	2001/02	2002/03
Net turnover	1,330.7	1,379.7	1,533.2	1,720.4	2,292.9
Operating profit before amortisation, depreciation and writedowns	8.1	47.3	84.8	91.8	113.1
Profit before tax	-18.1	20.7	45.3	56.7	42.0
Balance	963.0	1,059.5	1,070.2	1,082.4	1,499.6
Shareholders' funds	232.2	331.7	360.5	393.1	401.8
Equity ratio (%)	33.6	31.3	33.7	36.3	26.8
Operating margin (%)	-2.5	0.6	2.9	3.0	1.9

Increased profitability

From the turn of the year 2003/04, COWI's financial year will follow the calendar year, and therefore the current financial year will only last eight months. "It will be a period of focus on earnings, continued integration of the new companies, reinforced marketing and sales efforts towards clients and markets", stresses Mr Ostenfeld.

COWI's managing director and CEO expects profitability to increase during the period. Turnover will also rise, but primarily as a result of Interconsult being fully recognised in accounts.

Classic engineering art and modern social analysis

COWI is striving to be its clients' preferred consultancy company

From the classic art of engineering through environmental to modern social and economic analysis. COWI's consultancy services range far and wide. But the common thread running through all our consultancy services is that they must be of the highest possible quality, including when measured against international standards. This day-to-day pursuit of quality is so important that it is written into our mission statement.

The consultancy business was created in the thirties based on the classic engineering virtues. Well into the seventies the company was synonymous with all that could be built, bent or moulded in concrete and steel: bridges, tunnels, roads, sports facilities and buildings. In the seventies, COWI was among the first to accumulate environmental expertise under private auspices. And then in the eighties market demand turned towards competencies within social and economic analysis. Subsequently, within its home markets COWI has been able to offer a comprehensive program of consultancy services based on the needs of the market. For the time being, the most recent branch on our tree is the geographic information systems acquired through the purchase of Kampsax.

Consultancy services comprise services within 29 main areas, to which clients have access regardless of which office or which employee has been used as point of entrance. We at COWI wish to be our clients' preferred consultancy firm—and in this matter it is the client's assessment that counts in the end.

COWI's good name and business depends on the comprehensive professional skills of its employees, their ability to provide cross-disciplinary services and to identify with projects and develop close customer relationships. COWI is a leader within its field because its employees are leaders within theirs.

Read more about how COWI adds value through consultancy on the following pages:

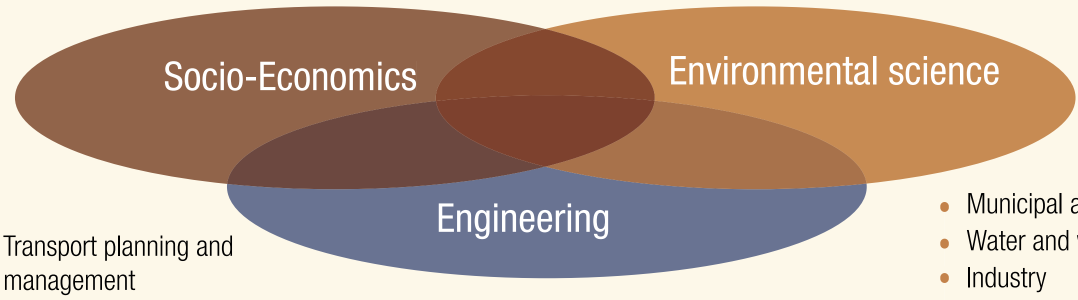
COWI's services

- Environmental policy and regulation
- Natural ressources management

- Welfare economics and services
- Public administration
- Social development and HRD

- Development assistance
- Urban and regional development
- Technical and social due diligence

- Health, safety and environment



- Transport planning and management
- Energy planning and management

- Residential buildings
- Educational and health buildings
- Cultural and sports buildings
- Industrial and commercial buildings
- Roads
- Airports

- Railways and metro
- Tunnels
- Bridges
- Marine and geotechnical engineering
- Geografical information and IT
- Mapping and cadastre
- Telecommunications

- Municipal and hazardous waste
- Water and wastewater
- Industry
- Energy systems
- Oil and Gas

Playhouse on piles

The playhouse at Kvæsthusbroen will cause a stir in Copenhagen harbour. The building will lend the harbour a distinctly Venetian look

The ferries to Bornholm and Oslo tend to dominate Copenhagen's Nyhavn harbour area. But the harbour is set to take on a radically new appearance. In September 2004 work will begin on the Royal Theatre's new playhouse—and four years later the curtain will go up on the first performance.

With its foyer and pedestrian plateau designed like a pavement and built over the water on angular pillars—a detail that will give Copenhagen harbour a Venetian look—the playhouse will certainly attract attention.

One major challenge will be the excavation work, as the building will be partially located in the present dock. The groundwater will have to be lowered under controlled conditions to ensure that it does not spread under the inner city, where a number of old buildings are built on piles. Consideration must also be given to preventing ships from colliding with the construction, while ensuring that stage conditions are optimal. This is best done by means of risk analyses and the use of 3D models to dimension the constructions and carry out acoustic, indoor climate and fire safety engineering calculations.

Special challenges

"The playhouse construction involves special challenges," explains Ministry of Culture departmental manager Steen Kyed. "It is a well-defined project with a fixed budget. The building is being sited on ground that is difficult to build on and where a number of existing buildings are built on piles. And there are stringent requirements in regard to sound, light and acoustics. The total experience has to culminate in an impressive synergy within the time span of a single performance. Therefore it is vital that the right solution is chosen from the outset."

At present, the Ministry of Culture as the owner and the Royal Theatre as the user are carrying out exhaustive preparatory work in collaboration with architects Boje Lundgaard and Lene Tranberg, consultants Moe & Brødsgaard and COWI. COWI is the consultant for the traditional engineering disciplines including construction and structural engineering, performance-based fire safety engineering design, risk analysis, electrical installations, plumbing and heating installations, ventilation and refrigeration.

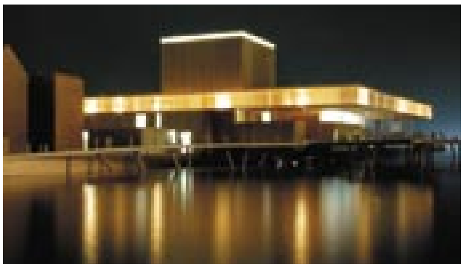
Non-traditional solution

However, the project covers many more areas than these. Given COWI's wide experience in partnering—in particular with Radio Denmark—COWI has provided consultancy services for numerous owners and consultants on choosing the right type of tenders and contracts. In addition, COWI has established a trans-European collaborative network with consultants for the new opera house in Oslo and a major new library in Amsterdam, which utilise similar energy-wise technologies as the Copenhagen playhouse. It is hoped to obtain an EU grant towards new energy concepts and hence to incorporate a higher level of quality and reduce operating costs.

At present, the focus is on preparing the project proposals, for which a non-traditional approach has been adopted.

"Given that price is an important parameter, we have decided to focus on the so-called component estimates before the actual project proposals," explains COWI project manager René M. Kræmer. "Together with the architect, we can establish a price for each component part of the building early on the process—thereby avoiding unforeseen expenses at a later stage. We have to be certain that the design is going in the right direction."

Project manager René M. Kræmer, rkr@cowi.dk



One major challenge of the playhouse project will be the excavation work, as the building will be partially located in the present dock. Model photo by kind permission of architects Boje Lundgaard and Lene Tranberg.

Copenhagen harbour will take on a radically new appearance on completion of the Royal Theatre's new playhouse in 2008. Ministry of Culture departmental manager Steen Kyed (left) is working closely with COWI project manager René M. Kræmer on the project.

Specialists with core competencies

To optimise the project, at an early stage COWI involved 20-25 senior members of staff with core competencies. They have assessed the concepts and applied their expertise in civil and harbour engineering, construction, indoor climate, ventilation, electrical installations and stagecraft.

"The majority of errors in construction occur as a result of wrong decisions being taken at the onset of the project concerned," says project manager Rene M. Kræmer. "We wished to avoid such a scenario, especially given the tight fiscal constraints of this particular project."

Work is proceeding—in close collaboration with architects Boje Lundgaard and Lene Tranberg—utilising a flat structure with design meetings split into smaller working groups. This work method renders communication open and efficient while enhancing the level of responsibility and creativity of the individual employee—an approach that has been proven to bring out the best in people.

Cool advice

COWI follows Chr. Hansen from Avedøre, Denmark to France and the USA to ensure that the company's refrigeration plants are operating optimally

"COWI has a key competence on which we are very dependent," says Global Engineering director Jesper Mørk (right) from Chr. Hansen, pictured here together with COWI project manager Claus Skyth Larsen.

The extreme cold can freeze your clothes in a matter of seconds. When your skin starts to tingle a few minutes later, you have to get out and into the warm as quickly as possible. For the products stored here, however—lactic acid bacteria culture, enzymes and aromatic and colouring additives for use in yoghurt production, cheese and other dairy products—the opposite is the case.

If the temperature should rise to minus 50°C the bacteria cultures become unstable in their storage boxes in this, the largest freezing room in Europe. Therefore the temperature must be maintained at a constant minus 55°C.

Chr. Hansen in Avedøre Holme, just outside Copenhagen, is one of very few companies in the world to freeze cultures under such extreme temperatures to prolong their keeping qualities. Specialist technical know-how is needed to build, maintain and renovate freezing rooms designed to operate at temperatures below those of northern Siberia. A thorough knowledge is needed of the design of components such as piping systems and compressors, which must be capable of functioning in extreme degrees of cold, combined with insight into how best to preserve energy under such conditions. COWI has the necessary know-how and expertise, being one of only a few companies in Denmark to have established a team of staff with specialist knowledge of the detailed planning needed and the types of refrigeration plants and systems available for use in the process, pharmaceutical and foodstuff sectors.

Key competence

"Choose the best." This sound advice comes from Global Engineering director Jesper Mørck of Chr. Hansen, who continues: "COWI has a key competence on which our company is very dependent. Consequently we benefit from COWI's good, cost-efficient solutions, advice on the various compressors and plants on the market and the cheapest current options.

"To come up with the best solution, COWI works closely with our own project engineers. This has enabled us to establish a strategic collaboration and together develop good, competitively priced solutions."

COWI has been implementing energy-conscious projects for Chr. Hansen's factory at Avedøre Holme since 1994. Tasks completed during this period include providing client advisory services and project assistance in connection with expansion of the factory. Today, COWI is providing refrigeration plant assistance to Chr. Hansen's factories in the Danish towns of Roskilde, Avedøre and Gråsten, France and the USA.

This assistance covers new construction, renovation, replacement of refrigeration plants, electrical control systems and automation. In addition, COWI provides assistance in drawing up contracts, detailed technical specifications and guarantee commitments.

Future requirements

The refrigeration projects are generally characterised by COWI preparing a detailed tender in which very little is left to the supplier. Coupled with the right refrigeration expertise, detailed tenders help ensure Chr. Hansen cheaper refrigeration plants that are adapted to future requirements and which offer lower operating costs for energy, water, maintenance etc. This enables Chr. Hansen to save anything up to 25-30 per cent of the original projected operating costs.

"The biggest energy savings at Avedøre Holme were realised by using groundwater as coolant in the air-conditioning system and the large freeze-drying plant condenser. By using groundwater as coolant in the condenser, the condensation temperature can be lowered from 30°C to 15°C—almost a world record," says COWI project manager Claus Skyth Larsen.

On standby

Claus Skyth Larsen is on standby for Chr. Hansen virtually round the clock—and if a problem arises at the plants in the USA or France, he is quickly on a plane to deal with it. The close and open dialogue that COWI enjoys with Chr. Hansen ensures that communication is smooth and straight to the point. Tasks are completed on time and within preset financial limits.

Adds Jesper Mørk: "This makes it easy for us to use the same consultant in several countries. We have a good understanding without everything having to be written down – something that is only possible if the collaboration is functioning exceptionally well."

Project manager Claus Skyth Larsen, csl@cowi.dk

Freeze-drying is one process that places great demands on the refrigeration plants at Chr. Hansen's factories.

Non-traditional bus travel

Sydbus and COWI have come up with a solution that combines an electronic card reader with a satellite receiver and radio transmitter for use in buses

Sydbus project coordinator Jan Jessen (left) is collaborating with COWI project manager Jørgen Birk to improve bus services through innovative initiatives in southern Jutland.

Southern Jutland bus company Sydbus is the first transport company in the world to install a combined electronic card reader and GPS receiver in its buses. Using electronic travel cards, boarding passengers enter the number of zones they are travelling on the bus card reader. This electronic ticketing system also allows Sydbus a more detailed insight into when passengers travel and the routes they take.

The radio transmitter and satellite receiver, which connect directly to the company's centre of operations, relay data showing precisely where the bus is, how fast it is travelling and whether there have been any delays. By combining the two systems, Sydbus has access to many hitherto unseen possibilities for comparing timetable data with passenger and bus movements.

Says project coordinator Jan Jessen, Sydbus: "Today, technology enables us to continuously register where, when and to what extent passengers are utilising bus services—right across the route network. This gives us a comprehensive basis for optimising on quality and finances."

In the same room

COWI took over the project in 1998 when collaboration between the previous parties reached an impasse. The project was officially initiated in 2001 and today it provides a sound basis for route data, operational follow-up and digitalised bus-stops. And all the while the project team continues to work on further expanding the bus service.

The aim is for passengers to use their electronic cards for all journeys and be billed monthly for actual consumption. Also, passengers will not find themselves waiting in vain for buses that are delayed. In the future, passengers will be able to obtain information about precisely when the bus is due via SMS, text TV etc.

Communication also proved important during the project planning phase, when the consultants turned to atypical solution models.

"When we took over the project management, our biggest challenge was to restore team spirit and establish good communication. To achieve this, we placed all the involved parties in the same room. From that point on the communication channels could hardly have been any shorter," smiles COWI project manager Jørgen Birk.

Project manager Jørgen Birk, jbi@cowi.dk

With an electronic card, passengers no longer need to fumble with coins or crumpled discount cards.

Urban renewal in Norway

Creative interplay between Interconsult and Statens Vegvesen improves housing and infrastructure in urban area near Oslo

The Norwegian town of Strømmen, close enough to Oslo to be almost a suburb, shares the fate of many other towns—a nondescript town centre with a scattering of unappealing shops, cafes and restaurants along a busy main street. The area was screaming out for environmental improvements, urban renewal and revitalisation.

Business and project developers could see the potential of the area—providing major infrastructure and construction improvements could be implemented. Statens Vegvesen took the initiative and this summer initiated an urban renewal project to improve ease of use, traffic safety and environmental aspects. The project was financed by Statens Vegvesen and from toll charges collected on motorways around Oslo.

Creative interplay

"Interconsult won the project because they offered the best competence, not the lowest price," says project manager Sverre Sundfær, Statens Vegvesen Akershus. He continues: "The project was a complex one—this is an urban area where we had to take into consideration the existing infrastructure and buildings. The challenges it presented included noise abatement, airborne dust and polluted ground, as well as a range of environmental and aesthetical considerations.

"With so many disciplines, it was a tremendous relief to have only one person to liaise with. The project developed in a creative interplay between the consultant and the awarding authority."

Like good waiters

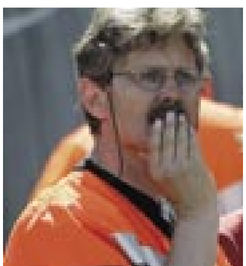
Explains project manager Hallgeir Nordahl, Interconsult: "The contract with Statens Vegvesen involved us in providing consultancy services covering a range of areas from construction to landscape architecture, environmental pollution, roads, water and drainage, noise calculations, noise screens—and a tunnel.

"Part of the success of the project is attributable to our ongoing close involvement. Consultants must be like good waiters—they have to provide fast, first-class service. Changes can be expected to occur in projects of this size and scope, therefore we had to be ready with the best solutions."

The new road access provides a good starting point for developing the town centre and creating value in the immediate environment. Adds project developer Erik Nicolaisen: "We now have a good basis for creating an optimal society offering attractive housing, recreation, shopping and entertainment."

Project manager Hallgeir Nordahl, han@interconsult.com

The Norwegian town of Strømmen now boasts a better infrastructure that allows for all types of traffic.



"Interconsult won the project because they offered the best competence," says project manager Sverre Sundfær, Statens Vegvesen Akershus.

Project manager Henrik Bonnesen, COWI, is responsible for ensuring that DSB fully meets its obligations under working environment legislation—leaving project manager Allan Thomsen, (left) DSB, free to concentrate on the work of construction.

A good working environment calms the stomach

The working environment at building sites is taken seriously. Also at DSB, which is in the process of converting an old locomotive workshop in Aarhus

Following several reprimands to the window installers working nine metres above ground without the requisite safety gear, DSB's project manager decided to get tough: "Give me your wife's telephone number. I'm going to call her and tell her you are behaving irresponsibly." Problem solved!

Safety is taken seriously on construction sites throughout Denmark. Not least at Danish State Railways (DSB) in Aarhus, where about 70 workmen are currently busy renovating an old locomotive workshop to accommodate DSB's new IC 4 trains.

The work, involving major construction and demolition activities, is taking place under cramped conditions, as the adjoining IC 3 train workshop has to concurrently continue operations.

To avoid the risk of accidents while ensuring high productivity, COWI project manager Henrik Bonnesen says it is vital to have good access, keep work areas tidy and enjoy good, ongoing coordination between the contractors and DSB. To achieve this, COWI is responsible for ensuring adherence to the provisions of Danish working environment legislation in accordance with a statutory decree setting out owners' obligations that came into effect in 2001.

"Having so many people working together on such a small site presents sizeable challenges," says DSB project manager Allan Thomsen. "Whereas in the past we would have subcontracted the assignment, today COWI has total responsibility for coordinating all aspects of the working environment. We simply check that everything is being done satisfactorily. It makes everything so much easier and leaves us free to concentrate on the work of construction."

Tracks of the past

In addition to being responsible for safety coordination, COWI is also consultant to DSB for a large area of land carrying no fewer than 12 railway lines. Before construction planning commenced, pollution and subsurface surveys were carried out, an earth management plan drawn up and local authority permits obtained.

The past was found to have left its tracks. An extensive pollution survey carried out by COWI showed the ground to be badly polluted. However, a follow-up risk assessment established that this posed no threat to man or the environment, and that it would not be necessary to remove the earth. Consequently, DSB could avoid taking clearance action that would have been detrimental to the general environment—and saved a lot of money in the process.

"COWI gave us what we asked for. And the surveys and assessments carried out by COWI, coupled with the company's clean-up strategy, have helped limit damage to the environment," comments Allan Thomsen.

Project manager Henrik Bonnesen, hbo@cowi.dk

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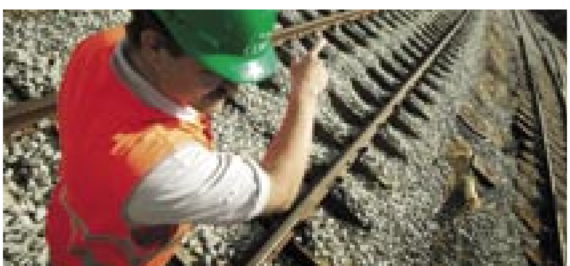


"Having so many people working together on such a small site presents sizeable challenges," says DSB project manager Allan Thomsen.

The airport on time

VALUE THROUGH CONSULTANCY

"It is imperative to have good chemistry between those tasked to work together on such a project," says Anders Nielsen (left), property manager, Billund Airport, pictured together with Jan Bro Nielsen, project manager, COWI.

Overnight, Billund Airport closed its old terminal and opened the new one—a complex task that was completed on time and within budget

A plane view from the window. The new terminal includes an apron with ten passenger boarding bridges, allowing passengers to enter the plane directly from the terminal.

In May 2002 Billund Airport opened its new terminal, which is twice as big as the old one. An ultramodern luggage sorting system serves the large number of travellers who pass through Billund Airport.

London, Crete, Paris, Isla Margarita...

A completely new terminal at the International Airport of West Denmark in Billund passed its first day in operation with flying colours, handling 50 take-offs and landings without a hitch. Now businessmen from Jutland and Funen will no longer have to spend an extra night abroad because of too few flights. They can fly out in the morning and be home again the same evening. At the same time, Billund's status as a charter airport means that charter guests will no longer have to fly via Copenhagen Airport.

The new terminal, with the capacity to handle 3.5 million passengers a year, opened in May 2002 in an overnight operation that saw the closure of the old terminal to passenger traffic. Ensuring a smooth transition was a major challenge for COWI, which was involved in managing the project without exceeding budgetary and time constraints.

Explains property manager Anders Nielsen, Billund Airport: "It is not always the case that time and budgetary limits on major projects are met. But we delivered within budget, on time and to the desired quality. And this is due in large part to the excellent collaboration we enjoyed."

The size and complexity of the project made it one of the most interesting that COWI project manager Jan Bro Nielsen has ever been involved in. He started work on the initial phase of the project three years ago, working in a site-hut alongside the airport runways. At the height of the project COWI had six staff working full-time and 100-200 skilled craftsmen working on almost 50 different works contracts.

For the last five years COWI has been responsible for inspections of construction, building works and electrical and low-current installations. In addition, COWI was responsible for coordinating inspections and providing construction and project management assistance in close cooperation with Billund Airport's construction managers Michael Thomsen and Søren Pedersen. COWI also acted as client consultant on electrical installations and provided full consultancy services for elevator, luggage sorting and emergency power supply facilities. COWI is currently carrying out a pre-agreed inspection following a year of operations to identify and rectify any defects and shortcomings, and where necessary to carry out minor modifications.

Comments Anders Nielsen: "We chose COWI to take on much of the work involved, not only because the company tendered the most attractive offer but also because COWI is so good at covering non-traditional disciplines such as video and information management and monitoring. But most important was the people who would be in charge of the project—and this very much reflects levels of experience, good CVs and excellent chemistry."

Ultramodern luggage sorting

Thanks to a new, ultramodern luggage sorting system, passengers in Billund can look forward to top-class service. Billund Airport is the first airport in the world to have introduced a fully automated luggage transportation and sorting system. The system guarantees 99.98% precision sorting of luggage with near perfect operational reliability.

Property manager Anders Nielsen, Billund Airport, points out: "The task was not predefined. We started with a blank sheet of paper and ended with operations fully under way. Initially, given the rapidity with which the IT sector is developing, we went after a standard solution. But we ended up with a much more advanced solution—not least due to COWI's expertise. A solution that we are very satisfied with. Now we have broken the ice with facilities you don't find at other airports."

Project manager Jan Bro Nielsen, jab@cowi.dk

Dutch-style canal houses in Copenhagen

Close, tall buildings with narrow facades facing the sea planned for Copenhagen's Sydhavn, transforming a formerly deprived area into a desirable residential suburb

A Dutch treat for Copenhagen's Sydhavn quarter! Canal houses in a variety of colours and sizes are set to radically alter the appearance of this formerly deprived area. As part of an ambitious plan to build 5,000 new housing units, a start is being made on the first 1,000 on Sydhavn's southern waterfront.

The overall plan is to erect quality housing in some of Copenhagen's old harbourside areas, and true to its Dutch theme the Sydhavn project has been planned by Dutch architect Soeters Van Eldonk Ponec.

The idea is to cut through the Sluseholm peninsula to create eight new islands connected by road bridges. Each housing unit will have its own bay window and balcony with an invigorating sea view. The project will offer a mix of housing, from owner-occupied units to cooperative ownership, private leasing, supported housing and properties to rent from pension companies. Units will range from terraced houses to blocks of flats containing up to seven storeys. Common to them all is that they will be available at price levels not seen in other harbour area developments.

Starting from scratch

The project involves an unusual public-private collaboration between Sjælsø Group, JM Danmark and Nordicom—all stock-exchange listed construction companies—and Copenhagen municipality and Port of Copenhagen. Arkitema is the firm of architects behind the project, with COWI in the role of engineering company for the entire project. COWI has also carried out the initial geotechnical and environmental-technical field studies, which will form the basis for an overall assessment of the sustainability of the ground and its pollution status. COWI has also estimated the costs of a range of environmental considerations in connection with various development scenarios.

Comments Jens Eger, project development manager with Sjælsø Group: "The real challenge is to establish a property market where none exists at present. It is important that we sell the first properties quickly and build up a feeling that this is a desirable residential area. Sydhavn has nothing for us to build on—we are starting from scratch."

Biggest hurdle

The biggest hurdle from a consultancy point of view is to build attractive housing that meets both architectural objectives and low-cost construction criteria. The building procedure must therefore be organised to make it as cheap as possible in terms of both actual construction and fees. While the unit exteriors will differ, the interiors will reuse as many elements as possible in order to keep costs down. The construction principles are thus of a standardised nature.

To this end, COWI has set up an internal housing group with extensive experience in constructing blocks of flats. The group, consisting of 11 experts in engineering, plumbing and heating, and electrical installations is working closely with the main contractor.

Arkitema, the firm of architects behind the project, has drawn up detailed plans for the initial phase involving construction of 1,000 new housing units. All eight islands will be different and each will offer a mix of housing types.
Model photo: Eyecadcher, Copenhagen

1,000 canal houses will soon radically alter the appearance of Sydhavn's southern waterfront. Jens Eger, project development manager, Sjælsø Group, is working closely with Phyllis Hjelmdal Larsen, regional director, COWI to complete the project.

Given that the budget does not allow for traditional planning as such, a 'team collaboration' has been set up to allow decisions to be taken in consultation with the contractor from day one. In principle, the same elements can be utilised that are typical in partnering. However, it is essential to have every single thing clearly costed—one erroneous price can end up an expensive business when multiplied by 1,000.

Think creatively

"The reason we can meet the demand for such cheap housing is that we can optimise jointly," explains COWI regional director Phyllis Hjelmdal Larsen. "These are precisely the same success criteria that exist between architect and contractor. Therefore, it is important that we utilise each other in the right way and think creatively."

According to Sjælsø Group project development manager Jens Eger, another advantage is that the entire project is in the hands of a single leading engineering firm:

"The advantage of having COWI handle the entire project is that we can apply their experience to every building and every flat, so that we do not have to come up with new solutions for each building."

Regional director Phyllis Hjelmdal Larsen, phl@cowi.dk

The project team has been in the Netherlands to study canal houses in all their glory.

Intellectual Capital Report 2002-2003

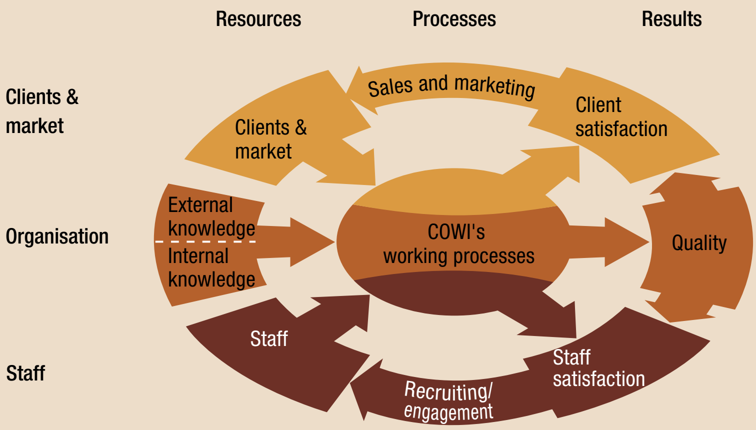
The challenge of integration
The intellectual capital report solely applies to the parent company COWI A/S, in which the activities of Kampsax carried out in COWI A/S are included. As a consequence, COWI's profile has altered considerably during the course of the year, and parts of the intellectual capital report—in particular the turnover figures—show some fluctuation.

The acquisition of Kampsax has resulted in significant growth in COWI's intellectual resources. We now have more staff, we have expanded our competencies, and we are embracing new markets. The challenge will be to exploit these opportunities. Among the initiatives we are taking to meet this challenge is the integration of staff, clients and projects into COWI's business system.

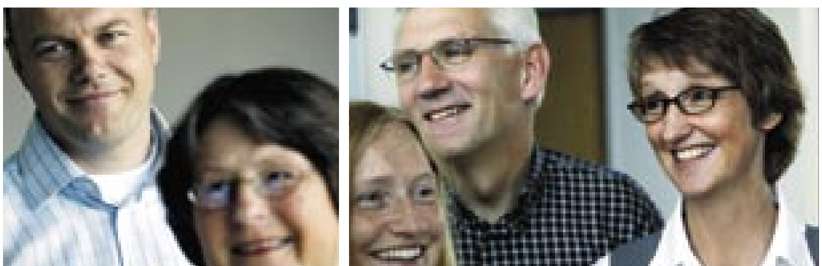
We create value
It is our mission to create value for our clients by providing high quality consultancy services to such decision makers as property developers, building contractors, politicians, and to leaders and managers in the corporate and public sectors.

In the final analysis, we are all users of the objectives of the consultant, i.e. to ensure viable building structures, an efficient infrastructure, environmental and financial well-being, enhanced utilisation of resources and sustainable development.

ICR trends
We use the ICR to verify that we are on the right path and that we are conserving and developing COWI's intellectual capital resources in an optimum manner. Among the methods used in developing the ICR has been participation in a five-year intellectual capital reports development project under the auspices of the Ministry of Science, Technology and Development. We also participated in a project under the auspices of the Nordic Industrial Fund aimed at developing and monitoring the company's intellectual capital.



INTELLECTUAL CAPITAL REPORT



Trade within the COWI group has risen from 3.5 to 6.2 per cent of turnover.

Clients & market

The composition of our client portfolio

We have taken on many more individual clients. As an indication of the greater breadth of COWI's market share, the number of individual clients has grown from 1438 to 1622. Moreover, the share of private clients has grown from 27 to 31 per cent. Overall, there has been considerable growth in the number of private clients.

Client turnover has been extraordinarily high, with client outflow at 19 per cent and client inflow at 32 per cent. Client outflow is normal, whilst client inflow is unusually high. Holding on to the new clients represents a significant challenge.

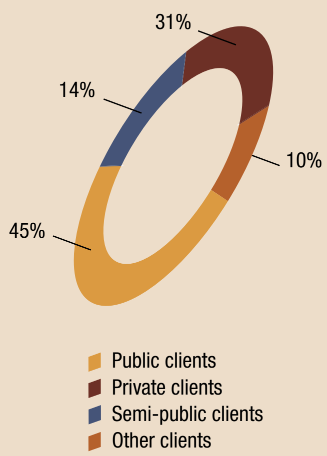
We have managed to maintain the level of international activities even though the market for development planning has been declining, and we have focused our business.

Visibility

As a result of an open and offensive communications policy, media exposure per employee has risen from 67,000 to 75,000.

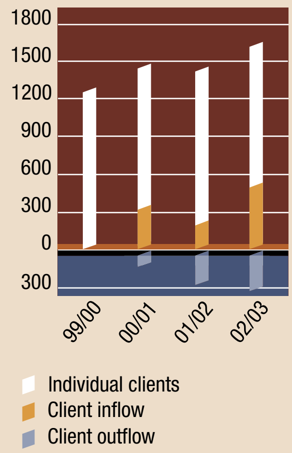
It is important that our professional expertise is visible. Lecture activities constitute one of the ways of measuring this professional visibility, and these have risen from 10 lectures per 100 employees to 13 per 100 employees.

Client portfolio



Most of the clientele is from the public sector. Just under a third are private clients; we would like to further increase this share.

Customer turnover



Number of individual clients together with client outflow and inflow over the last four years.

Clients—values and challenges

Our mission is to create value for clients by providing them with holistic solutions that are integrated into the client's value chain in the best possible manner.

We will support this by developing insight, understanding and effective teamwork in our relations with clients.

Internationally, we aim to be a well-known specialist leader and to supply cutting-edge solutions founded on the highest international qualifications and state-of-the-art technology.

Organisation

Internal knowledge

During the course of the year, we have developed a professional classification system, which in future will contribute to creating opportunities for sharing knowledge in a more structured manner.

In order to underpin the exploitation of the knowledge we posses, we have increased the number of best practices available on the intranet. The number of best practices recorded has increased from 894 last year to 964 today, in line with our policy of a more active exploitation of the intranet in support of our business processes.

Cooperation

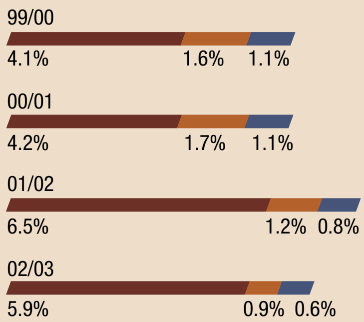
There has been a significant rise in trade within the Group from 3.5 to 6.4 per cent, as a result of the ongoing projects within Kampsax being transferred to COWI A/S for completion. Disregarding this circumstance, there was a decline in figures from 3.5 to 2.3 percent of turnover. As assignments administered through the Kampsax companies are completed, we expect to see trade within the COWI Group stabilise at a natural level of approximately two per cent.

Quality

We have been working on a revision of the quality assurance system in accordance with ISO9001:2000 with an increased process orientation. This, together with the induction of new quality management officers into a number of the business units, lies behind the decline in the number of QA audits from 98 to 46.

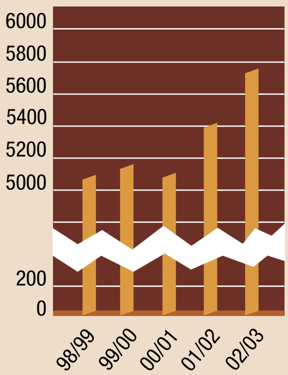
The ICR shows that costs stemming from external faults rose from 0.1 to 0.4 per cent of turnover. Although this is a relatively significant rise, we do not believe the level to be alarming. Most of the rise stemmed from external faults on individual projects.

Development



The share of total working hours dedicated to internally and externally financed development and training. Overall activity has fallen from 8.5 per cent to 7.4 per cent. The target for 2002/2003 was 10 per cent. Therefore, we are looking to reverse this trend.

Projects



Number of ongoing projects. The average project size has risen by about 15 per cent over the last five years.

Organisation—values and challenges

Our organisation and business system support COWI staff and clients to foster maximum value creation.

COWI has a tradition for development. We will further develop our core services and extend synergy across the organisation by strengthening our knowledge management, and improving production processes, delivering processes and internal support processes.

The COWI brand must be synonymous with quality and value. One of the ways in which we can enhance our brand is by attracting and retaining the best employees.

The average turnover per project has increased from DKK 1,030,000 to DKK 1,157,000.

Staff

Staff increases

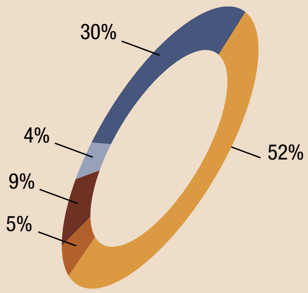
By the end of the year, staff numbers had risen by 31 per cent, and integrating our many new colleagues has been a major challenge. In order to meet this challenge we engaged widely in the staff introduction process, running courses in the use of our IT tools, project management etc.

Staff competencies

The ratio of staff with project management experience declined a little in line with our desire to concentrate a greater share of project management responsibilities on the most experienced shoulders. We have launched a newly developed internal training program aimed at enhancing the quality of project management at COWI.

The average age of staff has increased, the number of years in education has declined, as too has travel experience. The altered profile stems from the fact that the new business areas are being run by experienced project managers from Danish offices, whilst part of the professional work is being carried out by temporary project staff employed overseas, who consequently are not included in the ICR.

Staff education



- Higher tecnical education
- Higher education, natural sciences
- Higher education, social sciences
- Other higher education
- Short/medium education

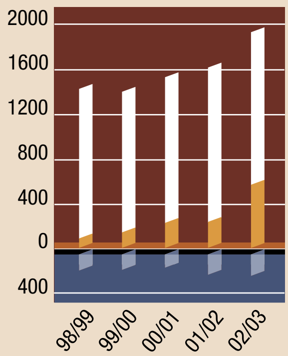
Just over half of the workforce has a higher engineering degree(BSc. or MSc.), whilst a fifth of the workforce possesses some other higher degree qualification. A quarter have undergone a short or medium long course of education.

Image and satisfaction

We carried out a staff satisfaction survey which showed that staff continue to be happy working for COWI. The staff satisfaction index now stands at 67.7 as against 68.0 per cent when we carried out the last survey in 2000/2001. Given the turbulence of the times with many employees to be integrated, we are happy with this result.

Due to the greatly increased staff numbers, the proportion of employees owning COWI shares has declined. For the time being, we have decided to maintain the employee-owned share volume at its current level.

Staff turnover



- Number of staff
- Staff inflow
- Staff outflow

Changes in staff numbers and staff inflow and outflow during the last five years. Average seniority at COWI is just over nine years.

Staff—values and challenges

COWI will create values for its staff by providing specialist and personal development opportunities through challenging assignments in a good working environment.

We place high demands on staff qualifications and wish to support the learning process, evaluate performance and reward results. Our goal is to be among the five best workplaces in the consultancy sector.

RESOURCES

		Budget	Accounts		
		2003	02/03	01/02	00/01
CLIENTS & MARKETS					
1	Public clients		45%	46%	45%
2	Semi-public clients		14%	15%	16%
3	Private clients	↑	31%	27%	24%
4	Other clients		10%	11%	15%
5	Number of clients		1,622	1,438	1,484
6	Projects abroad		29%	29%	30%
7	Clients abroad		15%	16%	17%
ORGANISATION					
13	Professional networks, number (*)		49	45	32
14	Staff participating in professional networks (*)	↑	20%	15%	13%
15	Best practices on the Intranet, number (*)	↑	964	894	773
16	Projects/employee, number		17	18	18
17	Ongoing projects, number		5,774	5,410	5,102
18	Average turnover/project (DKK '000)		1,157	1,030	1,010
STAFF					
29	Number of employees	↓	1,972	1,643	1,581
30	Average age	↓	43.6	42.5	42.1
31	Length of education, year		6.4	6.6	6.7
32	Length of education, written down, year		4.3	4.5	4.6
33	Employees with highest education (PhD, etc)		4.1%	4.7%	4.7%
34	Higher education; technical		52%	55%	56%
35	Higher education; natural sciences		5%	5%	4%
36	Higher education; social sciences		9%	9%	10%
37	Other higher education		4%	4%	5%
38	Work experience, year		15.4	16.1	16.2
39	Seniority in COWI, year		9.7	9.7	9.8
40	Project management capacity, all projects		58%	61%	57%
41	Project management capacity, major projects		35%	37%	37%
42	Project management capacity, international projects		24%	26%	27%

PROCESSES

		Budget	Accounts		
		2003	02/03	01/02	00/01
CLIENTS & MARKETS					
8	Lectures/100 employees, number (*)		13	10	13
9	Professional publications/100 employees, number (*)		10	11	6
10	Client inflow		32%	16%	24%
11	Client outflow	↓	19%	19%	8%
ORGANISATION					
19	Inter-disc. cooperation; technical		18%	16%	16%
20	Inter-disc. cooperation; natural sciences		55%	51%	50%
21	Inter-disc. cooperation; social sciences		46%	45%	44%
22	Trade within COWI Group (*)		6.4%	3.5%	2.7%
23	Staff exchange with COWI Group	↑	0.6%	0.7%	1.1%
24	Long-term postings		6.4%	2.8%	2.8%
25	Development activity, externally financed	↑	5.9%	6.5%	4.2%
26	Development activity, internally financed		0.9%	1.2%	1.7%
STAFF					
43	International travelling experience in COWI		21%	28%	26%
44	Supplementary education (*)	↑	0.6%	0.8%	1.1%
45	Staff inflow		31%	17%	17%
46	Staff outflow		11%	13%	11%
47	Travel abroad		6.0%	6.3%	6.4%

Clients and market

1-4 Share of year's project manhour costs by client category. 'Other clients' includes international organisations, joint ventures, etc.

5 Number of clients in the year with independent organisational status—own CVR number (DK) or VAT number (abroad).

6 Share of year's project manhour costs used on projects with location/recipient outside Denmark.

7 Share of year's manhour costs used on projects for clients abroad.

8 Number of external lectures per 100 employees held during the year.

9 Number of publications available to the public per 100 employees recorded during the year.

10 Share of new clients for the year—either brand new or former clients for whom COWI did not work in 2001/2002. The number is related to the number of clients as per end of 2000/2001.

11 Share of clients from 2001/2002 for whom COWI has not worked this year. (Note 10).

12 Number of media exposures (in millions) in the year. The indicator is the sum of the number of readers/listeners/viewers of COWI references in printed and electronic media, including TV and radio programmes but excluding advertising material. Based on summaries from Gallup and Infopaq.

Organisation

13 Number of registered internal professional networks at corporate or divisional level.

14 Share of employees participating in one or more registered internal professional networks.

15 Number of 'best practices' accessible on COWI's intranet.

16 Average number of active external projects an employee has worked on in the year.

17 Number of active ongoing external projects.

18 Average budgeted fee (in DKK 1,000) per project—excl. VAT and reimbursements. Based on active projects in the year.

19 Average share of project activity by economists, biologists, etc. on projects with participation of staff with technical education.

20 Average share of project activity by economists, engineers, etc. on projects with participation of staff with natural sciences education.

21 Average share of project activity by engineers, biologists, etc. on projects with participation of staff with social sciences education.

22 Share of COWI Group's total turnover invoiced from or to foreign subsidiaries in the Group.

23 Share of employees posted to foreign subsidiaries in the COWI Group or vice versa.

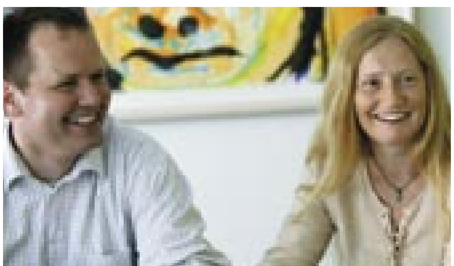
24 Share of employees with long-term postings to foreign subsidiaries in the COWI Group, permanent COWI offices abroad or project offices abroad.

25-26 Overall development activity on external and internal projects compared to total project activity.

27 Number of internal and external quality audits per 100 employees.

28 Share of turnover used for correcting external errors and omissions in the year—that is errors and omissions discovered after project approval.

We are constantly finding new best practices in the implementation of assignments. The number of best practices has risen from 894 to 964.



	Budget 2003	02/03	Accounts 01/02	00/01
12 Media exposure, millions number (*)		149	110	131
27 QA audits completed/100 employees, no. (*)	↑	2.3	5.7	5.0
28 Costs attributable to external faults (*)		0.4%	0.1%	0.3%
48 Staff satisfaction index (*)		67.7%	n/a	68.0%
49 Sick leave		2.5%	2.7%	2.6%
50 Staff owning COWI shares (*)	↑	48%	62%	70%
51 Engineering students' preferred place of work, no. (*)	2/1	3/2	5/1	2/2
52 Business students' preferred place of work, no. (*)	20/7	30/9	36/11	50/13

Staff

29-30 Number of employees and their average age.
31 Average official length of education since secondary school.
32 Average official length of education written down to 50 % of initial value after 35 years.
33 Share of employees with highest level of education—PhD, doctorate or MBA/MPA in addition to masters degrees.
34-37 Share of employees with higher education in technical disciplines, natural sciences or social sciences as well as other higher educations (BSc or MSc).
38 Average employee work experience since end of main education.
39 Average staff seniority in COWI.
40 Share of employees with project management experience in COWI.
41 Share of employees with project management experience in COWI projects with a value greater than DKK 1 million.
42 Share of employees with project management experience on international COWI projects.
43 Average foreign travel experience since being employed by COWI. 100% is reached at 200 travel days.
44 Share of supplementary education activity (courses, conferences, etc.) of total fixed working hours.
45-46 Inflow and outflow of employees in the year compared to number of employees by end previous reporting year, incl. part-time staff.
47 Share of fixed working hours used on travel days abroad. Basis: 220 fixed working days per full-time employee per year.
48 Staff satisfaction index based on weighted average of answers in staff survey. The index was reached by weighting satisfaction against importance of a particular issue. In 1999/2000 and this year, the satisfaction index was not measured. In 1998/1999, the satisfaction index was 65%.
49 Share of sick leave of the total fixed working hours. Maternity leave and child's first day of illness not included.
50 Share of current staff owning COWI shares.
51 COWI's ranking by engineering students as preferred workplace according to Universum survey. No. overall/consultants.
52 COWI's ranking by students at business colleges and social sciences as preferred workplace according to Universum survey. No. overall/consultants.

General

A. Unless otherwise specified, figures are as per end of accounts period.
B. Units are given in tables, with name of indicator or in the specific indicator note.
C. Arrow annotations in the budget column for 2003 indicate desired trend for future developments.

Accounting policy

D. The Intellectual Capital Report is for the parent company COWI A/S.
E. The accounts period follows the financial year—1 May to 30 April.
F. The ICR has the same structure as in 2001/2002—i.e. by legal units: staff, client and company. Included thereafter are what we have (resources), what we do (processes) and the effect of what has been done (results).
G. All clients, projects and staff with a contractual relationship with COWI are included, irrespective of geographical location or form of contract.
H. Apart from those marked (*), indicators are based on transaction information on clients, projects and staff in COWI's central administrative systems .
I. Several indicators have been adjusted and/or redefined compared to 2001/2002. To enable comparison, these indicators have been re-calculated for both 2000/2001 and 2001/2002. Exceptions to this are stated in the relevant notes.
J. Data is collected and consolidated for a period after the end of the account year, whereafter the ICR is closed. The last indicators are from 16 June 2003.
K. The ICR includes items posted after closing in account year 2001/2002. Transactions for 2002/2003 that were not received before end of consolidation period will be posted in 2002/2003.
L. The data basis is consistent with the financial accounts.
M. The ICR published externally is consistent with the internal ICR at department, division and company level.
N. The ICR has not been audited externally. All definitions, calculations and results are documented for administrative use.

Statements on the Annual Report

Statement by the Board of Directors and Executive Management

Today, the Board of Directors and the Executive Management have considered and adopted the Annual Report of COWI A/S.

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act for a large class C enterprise. In our opinion, the accounting policies applied are appropriate and the Annual Report gives a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and results.

The Annual Report is recommended for adoption by the Annual General Meeting

Kongens Lyngby, 26 June 2003

Executive Management:

Klaus H. Ostenfeld *Managing Director*	Keld Sørensen *Financial Director, CFO*
Knud Østergaard Hansen *Executive Director,* *Danish Operations*	Henning H. Therkelsen *Executive Director,* *International Operations*

Board of Directors:

Ole Steen Andersen *Chairman*	Vagn Jensen *Deputy Chairman*	Berit Bankel *
Henriette R. Bundgaard *	Henrik Gürtler	Henrik Brade Johansen
Niels Christian Nielsen	Eigil Steen Pedersen	Lars Rosholm *

* Staff representatives

Auditors' report

We have audited the Annual Report of COWI A/S for the financial year 1 May 2002 - 30 April 2003.

The Annual Report is the responsibility of Company Management. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies applied and significant estimates made by Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the financial position at 30 April 2003 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 May 2002 - 30 April 2003 in accordance with the Danish Financial Statements Act.

Lyngby, 26 June 2003

PricewaterhouseCoopers

Hans Primdal *State Authorised* *Public Accountant*	Jacob F Christiansen *State Authorised* *Public Accountant*

Report for the financial year

Company information

COWI A/S
Parallelvej 2
DK-2800 Kongens Lyngby
Tel. +45 45 97 22 11
Fax +45 45 97 22 12
Website: www.cowi.dk
E-mail: cowi@cowi.dk
Company Registration No.
(CVR-nr.) 44 62 35 28
Domicile: Kongens Lyngby

Board of Directors
Ole Steen Andersen, Chairman
Vagn Jensen, Deputy Chairman
Berit Bankel
Henriette R. Bundgaard
Henrik Gürtler
Henrik Brade Johansen
Niels Christian Nielsen
Eigil Steen Pedersen
Lars Rosholm

Executive Management
Klaus H. Ostenfeld
Managing Director, CEO

Keld Sørensen
Financial Director, CFO

Knud Østergaard Hansen
Executive Director, Danish Operations

Henning H. Therkelsen
Executive Director, International Operations

Auditors
PricewaterhouseCoopers
Strandvejen 44
DK-2900 Hellerup
Hans Primdal and Jacob F Christiansen

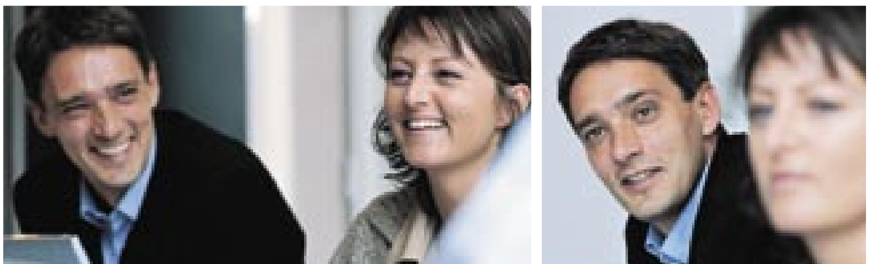
Annual General Meeting
The Annual General Meeting will be held on 22 September 2003 at the Company address.

Strategic focus
COWI focuses on supplying consultancy services within engineering, environment and socio-economics and activities that are naturally associated with these areas. The Company's objective is to supply consultancy services of the highest quality according to an international benchmark.

Long-term objective
The overall objective of the COWI Group is to be recognised as a leading consultancy group in Northern Europe, at the same time as being the international market leader within selected services.

Ownership
The share capital amounts to DKK 34.75 million, consisting of DKK 20 million A shares and DKK 14.75 million B shares. The A shares carry 10 votes for each DKK 100 share, whereas the B shares carry 1 vote for each DKK 100 share. All A shares are owned by the COWI Foundation that supports research and development within Danish engineering.

The insurance companies Codan and Danica each hold DKK 4 million B shares, the employees hold DKK 5.5 million, while the COWI Foundation and COWI A/S together hold the remaining DKK 1.25 million B shares.



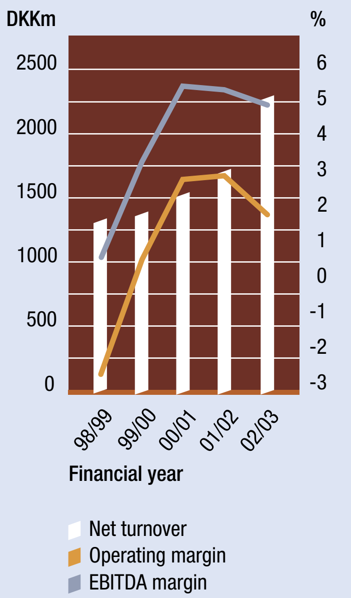
Cross-discipline collaboration is growing steadily.

Group key figures and financial ratios

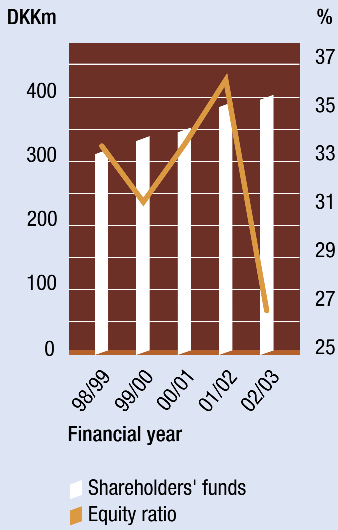
	1998/99 DKKm	1999/00 DKKm	2000/01 DKKm	2001/02 DKKm	2002/03 DKKm	2002/03 EURm
Key figures						
Amounts in DKK million						
EUR/DKK rate, 30 April 2003						742.43
Net turnover	**1,330.7**	**1,379.7**	**1,533.2**	**1,720.4**	**2,292.9**	**308.8**
Operating profit before amortisation, depreciation and writedowns	8.1	47.3	84.8	91.8	113.1	15.2
Operating profit on ordinary activities	-25.4	14.8	46.2	52.0	48.3	6.5
Operating profit	-33.7	8.1	44.4	50.8	43.1	5.8
Net financials	15.5	15.8	0.9	6.0	-1.1	-0.1
Profit on ordinary activities after tax	-5.2	9.1	35.3	38.3	24.3	3.3
Profit on extraordinary activities after tax	0.0	0.0	0.0	0.0	0.0	0.0
COWI's share of profit for the year	**-4.4**	**9.1**	**33.2**	**35.7**	**22.5**	**3.0**
Group goodwill	19.1	11.7	10.9	15.7	251.4	33.9
Fixed assets	143.0	137.2	103.5	110.3	177.3	23.9
Current assets	800.9	910.6	955.8	956.4	1,070.9	144.2
Total assets	**963.0**	**1,059.5**	**1,070.2**	**1,082.4**	**1,499.5**	**202.0**
Share capital	34.8	34.8	34.8	34.8	34.8	4.7
Shareholders' funds	**323.2**	**331.7**	**360.5**	**393.1**	**401.8**	**54.1**
Provisions	143.0	149.0	146.8	162.2	156.5	21.1
Long-term debt	18.4	16.2	9.7	8.5	38.6	5.2
Short-term debt	478.9	565.7	544.3	507.0	887.2	119.5
Cash flows from operating activities	-10.1	-21.8	43.0	124.7	137.3	18.5
Investment in tangible fixed assets, net	-23.8	-14.2	30.0	-36.2	-36.3	-4.9
Other investments, net	-23.5	-12.8	-15.0	-31.1	-161.6	-21.8
Cash flows from investing activities, net	-47.3	-27.0	15.0	-67.3	-197.9	-26.7
Free cash flow	**-57.4**	**-48.8**	**58.0**	**57.4**	**-60.6**	**-8.2**
Cash flows from financing activities	2.2	65.1	-50.2	-42.9	-32.1	-4.3
Total cash flows	**-55.2**	**16.3**	**7.8**	**14.5**	**-92.7**	**-12.5**
Financial ratios						
EBITDA margin	0.6%	3.4%	5.5%	5.4%	4.9%	
Operating margin	-2.5%	0.6%	2.9%	3.0%	1.9%	
Return on invested capital	-6.6%	1.3%	7.8%	9.2%	4.6%	
Equity ratio	33.6%	31.3%	33.7%	36.3%	26.8%	
Return on equity	-1.3%	2.8%	9.7%	9.5%	5.7%	
Average number of employees	**2,169**	**2,085**	**2,203**	**2,318**	**2,923**	

Many employees work and live abroad. The number of expatriate employees has grown from 48 to 133.

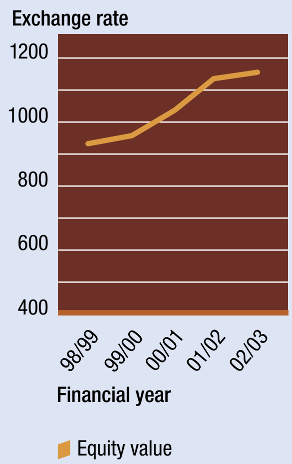
Development in net turnover, operating margin and EBITDA margin



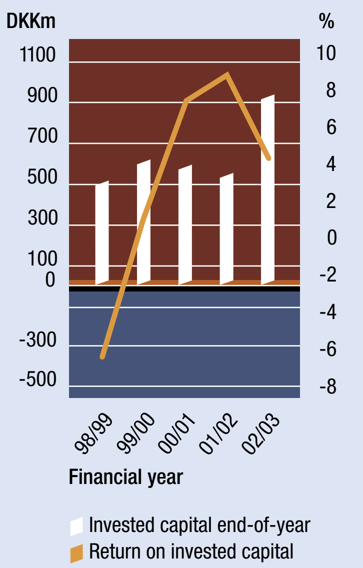
Development in shareholders' funds and equity ratio



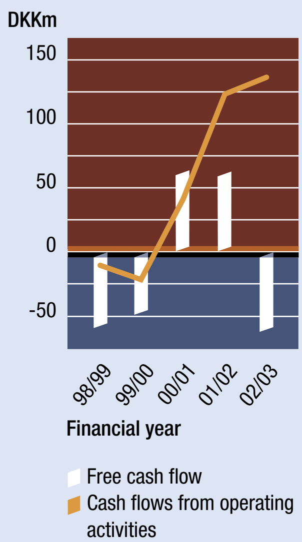
Development in equity value



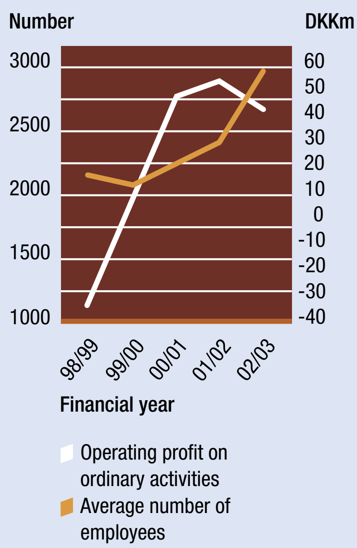
Development in invested capital end-of-year and return on invested capital



Development in cash flow



Development in operating profit on ordinary activities and number of employees



An internal communications survey shows that a dialog-based meeting culture and a visible management are the crucial pivots of internal communications at COWI.

Report for the financial year 2002/2003

Results for the year

In 2002/03, COWI increased its net turnover by 33 per cent to DKK 2292.9 million. Operating profits declined by DKK 7.7 million to DKK 43.1 million, and pre-tax profits fell by DKK 14.8 million to DKK 42.0 million.

This rise in turnover and decline in profits were caused by weakness in certain parts of the market and two major strategic acquisitions and the subsequent integration of the acquired companies. Profits were also affected by costs associated with the restructuring of parts of the business in poor commercial health. The Danish-based core business has made good progress despite the pressure on the markets.

In June 2002, COWI acquired the Danish consultancy company Kampsax, and followed it on 1 January with the acquisition of the leading Norwegian consultancy group, Interconsult ASA. These acquisitions are a link in the planned strategic expansion into a market-leading Northern European consultancy company and have considerably increased turnover. One-off costs associated with the integration and reorganisation of the companies have had an impact on profits.

Given the poor growth in the market, it has been necessary to wind up parts of the Group where earnings have been inadequate or negative. Thus the German subsidiary BaUm COWI applied for suspension of payments in the spring of 2003, which had a negative impact on pre-tax profits of DKK 15 million. In addition, we have restructured and closed down low-earnings parts of the Danish business and several foreign subsidiaries. Costs associated with these measures have had a negative impact on annual profits.

The poor market conditions have been reinforced by the Danish government's reductions in aid to developing countries, its assistance to Central and Eastern Europe and contributions to environmental projects, which started during the 2001/2002 financial year, and which continued in 2002/2003. As a result, we were forced to adapt to new clients and markets. Finally, the marked decline in the American dollar and declining share prices have had a negative effect on net financials and thus on profits.

On the positive side, the Group has managed to obtain major locally financed international civil engineering projects with bridge, tunnel and hydraulic engineering works. In the development planning market the company's competitiveness has generated good turnover from EU and World Bank financed projects.

Overall, profits were less than expected at the start of the year, but in the light of the poor market conditions and the strategic acquisitions, we assess profits as satisfactory. The implemented investments and market adaptation have put COWI in a good position to make further progress in domestic and international markets.

The Board recommends an unaltered dividend of 10 per cent, with the remainder of the profit being carried forward to next year.

At the end of the financial year, the COWI Group employed a staff of 3501, as against 2335 the previous year.

The management of COWI photographed on the staircase of the head office in Lyngby. Top left Mr Keld Sørensen, Financial Director, CFO, to the right Mr Henning H. Therkelsen, Executive Director, International Operations; bottom left Mr Klaus H. Ostenfeld, Managing Director and CEO, and to the right Mr Knud Østergaard Hansen, Executive Director, Danish Operations.

Road construction in Tanzania.
COWI has carried out a series of analyses and made recommendations in such areas as poverty relief.

Key events

COWI made two major strategic acquisitions during the financial year.

Kampsax

COWI acquired the Danish consultancy company Kampsax A/S in June 2002. Kampsax had a workforce of over 400 employees, 270 project staff and turnover of approximately DKK 400 million, principally in other countries.

Through the Kampsax acquisition the Group has acquired expertise within the areas of development planning, environmental planning, building and construction, major civil engineering projects overseas, and geographic information systems including map production. The acquisition resulted in the creation of one of the largest professional environments within the area of development consultancy in Europe, and COWI has now taken a market-leading position in the areas of environmental planning and geographic information systems in Denmark.

Kampsax has been integrated into COWI's organisation in conjunction with a minor organisational restructuring, which has resulted in the formation of nine business divisions with clearly delineated professional profiles, which work together across projects and with locally based units in the local markets.

Mapping and geographic information systems activities with the related aerial photography for the production of digital maps and land registration assignments in developing countries have afforded the Group opportunities for new combined services in line with the needs of its clients.

Interconsult

COWI took over the leading Norwegian consultancy company, Interconsult ASA, at the beginning of 2003. This is COWI's hitherto largest company acquisition. Interconsult with its subsidiaries employs a staff of about 630 and has turnover of more than DKK 500 million. In their perceptions of values and company culture the two companies have very much in common.

With COWI's established Norwegian base - Hjellnes COWI - and Interconsult, the foundation has been laid for the creation of a market-leading consultancy company with a strong local base and access to the expertise of the whole Group.

COWI's business ethics

COWI has long been working at the international level in support of anti-corruption initiatives. COWI's values are based on integrity and trustworthiness. And although, in certain cases, our attitude and opinions bar us from assignments and markets, we believe that companies working in an honest and trustworthy manner will triumph in the long term. Based on the International Federation of Consulting Engineers' (FIDIC) publication "Guidelines for Business Integrity Management in the Consulting Industry," we have drawn up a set of business ethics which underpin the work of the whole Group.

Good corporate governance

Based on the likes of the Nørby Committee's recommendations for good corporate governance, the COWI Board of Directors has been working on the updating of company practices. The most important points for elucidation are as follows:

With regard to the Board of Directors, the hitherto practice of appointing six AGM-elected members and setting an age limit of 65 for members of the Board will be entered in the Articles of Association. In addition, standing orders will include stipulations concerning the annual appraisal of the work of the Board and the Executive Management and of cooperation between them.

Members of the Board are appointed for one year at a time and no limit will be set on how many times a member can be re-elected. With regard to voting right restrictions, it has been resolved to keep the existing A and B share system.

With regard to information, communications and target group relations, the forthcoming updating of the COWI website (2004) will include a special section containing information about policies, financial information, annual reports, intellectual capital reports and other value-creating information and events of interest to the company's target groups.

The energy concepts in DR Byen have been developed with one thought in mind—viewing the building as an integral whole. Model picture: Dissing+Weitling/DR.

Market evolution

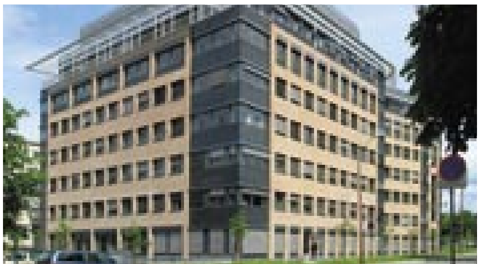
Denmark

The consultancy market was stagnant during 2002/03. Nevertheless, generally speaking COWI managed to maintain or increase its market shares. Markets shares have been gained in the areas of construction and civil engineering, industry and geographic information, part of which success stemmed from the Kampsax acquisition.

Significant projects

Once again we have been working on a number of major Danish projects this year. Among the year's assignments the following are worthy of note

- The playhouse of the Royal Danish Theatre at Kvæsthusbroen. COWI is responsible for engineering consultancy. One the professional challenges is the excavation work, part of which is located in the present harbour basin.
- The nationwide ortho-photo product DDOLand was completed in the spring of 2003. A large number of municipalities, county councils and private companies have already bought the atlas. Digital orthophotos are fixed-scale aerial photographs.
- With support from the EU, Danmarks Radio and COWI are to develop and demonstrate energy-efficient concepts for the exploitation of solar power and the groundwater in Danmarks Radio's new building in Ørestad.
- Forum Horsens, a new culture and sports centre of major importance. COWI is acting as consultant in all areas of engineering. One of the major challenges has been to combine the acoustics requirements such that sport and music can be enjoyed to the maximum in the large hall.
- The Copenhagen Metro is now running. COWI has assisted the Ørestad company with project and building management and approval of the projects for the whole of the comprehensive construction and civil engineering works. The first stretch of the driverless metro system was inaugurated on 21 October 2002, and the next stage was opened on 29 May 2003.



Norwegian Interconsult is COWI's largest acquisition ever.

A part of the Odense river will get its curves back when the old loops are recreated. A consultancy assignment for Fyn County Council.

- Risk assessment of maritime safety in Danish waters for the Danish Maritime Authority. As part of the project COWI identified the most dangerous waters in Denmark
- RGS 90 (Råstof og Genanvendelses Selskabet af 1990) is to have a processing plant that breaks down PVC waste into such substances as de-icing salt and oil. COWI is responsible for this project.
- Major waste incineration plant in Esbjerg for Affaldsleverandørforeningen L90. COWI is providing total consultancy services.
- Using advanced seismological methods, COWI is discovering new water resources for the County of Ribe.
- Environmentally correct shipbreaking in Europe and the OECD countries. COWI has been investigating opportunities for the Danish EPA.

Overseas

Last year, COWI suffered from trends towards a declining and highly competitive market. This situation continues. The decline is a result of a combination of declining international economic trends and Danish reluctance in the granting of aid to developing countries. The relatively strong Danish crown has led to a decline in the competitiveness of exports. The politico-economic uncertainty concerning the situation in the Middle East and the fear of a SARS epidemic restrained demand across the board in the latter part of the year. Despite the decline in international markets, COWI has managed to increase its international turnover, thanks to the Group's experience and frontline expertise in the international arena and a network of foreign business units. The acquisition of Kampsax has strengthened COWI's international impact.

Specialist services

COWI's business strategy is based on a combination of a strong position as a multidiscipline domestic market consultant in selected North European markets and a focused international business providing five selected services. All five international areas of commitment have enjoyed a great deal of success during the year.

Bridges

Within bridge building our targeted strategy has led to some noteworthy results. In the international arena we have signed extremely large bridge construction contracts on several continents. We have enjoyed a great deal of success during the last couple of years, both as regards turnover and earnings. This business area today consists of two units in the Group: COWI Danmark and the subsidiary company Buckland & Taylor Ltd. in Canada. In future, these business units will be supplemented by a new subsidiary in Korea, which was established after the end of the financial year. The order book is developing nicely. We believe that the market will continue to make positive progress. COWI is now one the three leading bridge consultants in the world, a circumstance that opens the way for a variety of new international bridge projects.

Marine engineering

Business is also going remarkably successfully in the area of marine engineering, both as regards turnover and earnings. The main areas of commitment are Europe, the Middle East and North America. The business consists of COWI's Danish marine and foundation engineering business area and the American subsidiary Ben C. Gerwick. The reputable American magazine "Engineering News Record" ranks COWI in eighth position among the world's leading marine engineering consultants.

Tunnels

At present, COWI's tunnel business focuses on bored tunnels in Northern Europe, Scandinavia, and immersed tunnels and other submarine tunnels in the global market. Given the key professional input from already completed and ongoing assignments in the area of tunnel drilling, we are in a strong position with few Scandinavian rivals. The market for immersed tunnels and other submarine tunnels is considerable, one with a growing number of private international developers in the BOT (Building-Operate-Transfer) area. Recently, we have taken a leading position among that small group of international companies that specialise or offer services in this field.

Environmental due diligence

The global market for environmental due diligence services (advice on environmental conditions and possible financial risks associated with the acquisition and sale of companies and land) is growing. Among international companies the trend is towards the use of large specialised units with a qualified global network. Through its participation in CAT-Alliance Ltd., a limited company that also consists of Enviros (UK) and Tauw (Holland), COWI is very well situated. Collaboration has been expanded to also comprise other work, including social and technical due diligence. During its second year in existence, the alliance has already established itself as a leading international consultant carrying out work for multinational companies.

Development planning

Through the purchase of Kampsax, COWI acquired one of the largest consultancy environments in Europe in the area of development planning with 225 specialists. The business has acquired added vigour in such areas as cadastre (property registration), training and roads, and will become yet stronger through working together with specialists from Interconsult International. We have offices and a relatively large portfolio of assignments in the main countries which are the main recipients of Nordic aid. This provides us with a good platform for handling the decentralisation of development aid management—a trend which marks both bilateral donors and multilateral institutions.

The untying of foreign aid (i.e. bilateral assignments put out to international tender) will be one of the major themes of the future. We are in a good position to take up this challenge.

Major projects abroad

Among the year's major foreign projects we could mention:

- Large new cable-stay bridge over the Panama Canal, where COWI is acting as representative to the developer responsible for building management, professional supervision and inspection of the detailed project.
- Busan-Geoje Fixed Link, currently Korea's largest infrastructure project, where COWI is providing lead consultancy for the 8.7-kilometre link, which includes two major cable-stay bridges and 3.7 kilometres of immersed tunnel.
- In Hong Kong we have just completed the planning of the second largest cable-stay bridge in the world—Stonecutters Bridge—in association with Arup Hong Kong. The bridge will have a main span of 1018 meters
- The most detailed maps of England, Scotland and Wales are being updated from the air. COWI's subsidiary Kampsax is one of the big suppliers to Ordnance Survey GB.
- With a main span of 1088 meters, the SuTong bridge over the Yangtze river in China will be one of the world's largest cable-stay bridges. COWI is assisting the Chinese authorities with project supervision and specialist technical consultancy services.
- In Egypt we were responsible for the planning of one of the world's largest Liquid Natural Gas-terminals on behalf of the Greek contracting company Archirodon and Bechtel, USA.
- COWI has obtained several new assignments for Danida in Mozambique. These assignments focus on the development of

Model photo of waste incineration plant in Esbjerg, for which COWI is consultant. Computer models supplied by Friis & Moltke A/S, architects.

urban environments, public sector reforms, energy and water supplies.

- COWI has carried out a series of analyses and made recommendations in such areas as poverty relief.
- COWI has won an EU project aimed at evaluating the hitherto use of sustainable and viable principles in the administration of the EU Commission. The project will result in the making of recommendations aimed at underpinning the continued implementation of the Union's strategy for sustainable development. This is a pioneering project, as it takes in several of the EU's areas of responsibility, institutions and member countries.
- Economists, traffic planners, road, harbour and railway engineers from COWI are at present putting the last touches to an EU financed transport study which examines the need for upgrading the infrastructure in five Balkan countries. Our cross-discipline team of experts have screened about 200 upgrading projects, and the study will result in a 3.7 billion investment plan.
- Russia is going to destroy a former production facility for chemical weapons. COWI is leading a consortium providing assistance in the field of environmental and health monitoring and information activities under the European Union's Co-operation Programme Tacis.
- The restoration of the wetlands of the Kasari River. COWI is assisting the authorities in Estonia for Dancee.
- After a break of several years, COWI is back in Ethiopia, now working with the infrastructure in underdeveloped areas.
- The Ukraine is drawing up a national strategy and action plan for water supplies and drainage. COWI is consultant to Dancee and the State Committee for housing and municipal facilities.

COWI's subsidiaries

Below is a review of the activities of COWI's largest subsidiaries.

Ben C. Gerwick Inc. - USA

The company, whose head office is located in San Francisco, USA, is an international company specialising in hydraulic engineering. Ben C. Gerwick is an integral unit in COWI's commitment to hydraulic engineering as one of the five international service areas. Following two years of growth in turnover and earnings, the company's turnover has stagnated as a consequence of the general economic stagnation and reluctance on the part of the largest public clients. Stagnating turnover and considerable one-off costs in association with changes in the company's management, restructuring and adaptation to the market situation had a negative impact on 2002/03 profits. The company has a workforce of 36.

Buckland & Taylor Ltd. - Canada

The company, with head offices in Vancouver, Canada, is an international company specialising in large bridges and an integral part of COWI's worldwide commitment to bridge-

COWI will act as main consultant for a new tunnel and bridge link in Korea. The link consists of a 4-km immersed tunnel and two 2-km cable-stay bridges. Model photograph: Daewoo Engineering & Construction Co. Ltd.

The people of Copenhagen took to the metro immediately. 400 subway builders from 25 countries visited Denmark to hear more about the world's most advanced subway system – COWI acted as host.

building. Although the local Canadian market has been characterised by declines, the company has maintained its turnover and earnings at the level of the previous year. The company's profits are particularly satisfying. The company has a workforce of 57.

European Transport Consultants, GmbH (ETC) - Germany

The company, whose head offices are in Berlin, specialises in transport consultancy, with principal emphasis on rail transport. The company has provided COWI with expertise in railway systems, and it collaborates with COWI's Danish transport planning and railways business units. The company's turnover and earnings have risen. Earnings are particularly satisfactory. The company has a workforce of 106.

Hjellnes COWI AS - Norway

This is a cross-discipline consultancy company with head offices in Oslo. Clientele primarily comprises public and semi-public companies in the areas of building and construction, transport, water and drainage, waste disposal and the environment. The company has particularly extensive experience in the construction of institutions, especially hospitals. The company has a good portfolio and earnings. The company has a workforce of 127.

Interconsult ASA - Norway

The group, with head offices in Oslo, 20 local offices and a number of foreign companies, is a leading Norwegian consultancy firm. The company's core competencies are to be found in the areas of construction and civil engineering, planning and communications, energy and environment, municipal engineering, hospitals and health, and software development. COWI bought 100 per cent of company shares as per 1 January 2003. Thus, the company's turnover and earnings between 1 January and 30 April have been recognised in COWI's 2002/03 group accounts. During the period, the company's operating profits showed a minor loss as a consequence of difficult market conditions and costs stemming from the adaptation and restructuring of the company. The company has a workforce of 634.

Strategic knowledge

Strategy and intellectual capital report for COWI in Denmark

COWI has an ambitious strategy. We are seeking growth while earning money at the same time. This we intend to do through a robust commitment to creating value for our most important target groups: clients, staff and the company itself. Knowledge is the foundation of such value creation, and the intellectual capital report, which we are now publishing for the fifth year in a row, is structured to meet the needs of this target group.

Value creation is founded on COWI's core competencies: the development of professional standards, the provision of multi-discipline services and project management in close collaboration with clients. COWI's intellectual capital report is a supplementary report which with the help of indicators specifies how challenges are answered with initiatives, and the impact this has on the company's intellectual capital resources.

Clients and market

Total clientele rose significantly from 1438 to 1622 individual clients during the financial year—an increase that mainly stemmed from the Kampsax deal.

Client composition has altered considerably. Private customers now account for more business, a development with which we are well satisfied. Nevertheless, COWI still has a somewhat smaller proportion of private clients than the sector as a whole.

As an integrated part of the quality assurance system, we have established a follow-up process aimed at tracking client satisfaction with COWI's services and cooperation. The system is based on experience from the bridge and hydraulic engineering business units, where tracking of customer satisfaction is a part of ISO9001:2000 certification.

The company's image in the business world is important for the business. In this year's image ranking in Berlingske Tidende's News Magazine, COWI has managed to climb from a fifty-second place last year to number 36, this year's top ranking in the consultancy sector. The respected international magazine Engineering News Record ranks COWI as number 66 in the world (before the acquisition of Kampsax A/S and Interconsult ASA).

The following major development projects carried out for clients are worthy of note:

- Assessment of damp prevention methods in basement outer walls for By & Byg.
- Green purification of refinery waste waters for Shell.
- Integrated monitoring of pesticides in the Storstrømmen straits for Storstrøm's County Council.
- Risk assessment with regard to the removal of submarine concrete structures for TotalFinaElf.
- Method for the assessment of advantages and drawbacks associated with public-private-interaction-projects in the building area for the National Agency for Enterprise and Housing.
- Development of a planning method for durable and reliable tunnels, Project DARTS—Durable and Reliable Tunnel Structures - for the EU.
- Concept for the virtual assessment of town plans for the Municipal Architect of the Municipality of Århus.

PVC waste can be broken down into de-icing salt and oil. COWI is designing a processing plant for RGS 90.

- Development of a concept for collaboration between aid donors and NGOs in developing countries for African Publishers Network.
- Computer-based decision support for the assessment of financing needs within the environmental sector for the Danish EPA.
- Materials technology and breakdown model for road surfacing stabilised with local Pozzolan/volcanic materials for Danida, the Technical University of Denmark, and the Danish Road Directorate.

Organisation

By giving priority to projects with development aspects we stress the importance of developing professional standards. Development activities for clients have declined a little from 6.5 per cent of our total man-years in 2001/02 to 5.9 per cent. Most of this decline was within building and construction.

We have developed professional standards and business systems through about 25 own-financed man-years. Professional development includes the development of soft indicators for the assessment of development aid, project management tools and methods for trimmed building (application of lean principles in building).

We have developed our business systems through such initiatives as:

- Follow-up of company strategy using selected indicators in a balanced scorecard.
- Full integration of Kampsax A/S´s business systems into COWI's business systems.
- Development of a new module-structured project management training process.
- Revision of the quality assurance system in accordance with ISO9001:2000 with a greater degree of process orientation.
- Restructuring and decentralisation of responsibilities and collaborative relations with subsidiaries.

One of our three core competencies is project management in close interplay with clients. We have developed a new internal module-structured project management training system, which is intended to reinforce the individual employee's competencies. The training environment has been designed with a view to safeguarding COWI's business potential through more profitable project management and enhanced customer dialog.

Staff

The workforce rose from a total of 1731 last year to a total of 2067 permanent staff at the end of the year, of which 1972 are employed in Denmark. In addition, there are about 500 project staff at local offices outside Denmark. The main reason for this rapid growth was the acquisition of Kampsax A/S. Overall, the workforce has increased by about 35 per cent in Denmark over the last five years, and has grown about 60 per cent for the Group as a whole.

Number permanent staff	Denmark/Group
98/99	1472/2099
99/00	1455/2087
00/01	1581/2205
01/02	1643/2335
02/03	1972/3501

Good working environment

The latest working environment survey showed that staff satisfaction is still high. The survey had two main messages to convey: staff, bosses and managers still express a general high degree of satisfaction in working for COWI, and the level of satisfaction has basically remained the same in the individual subject areas.

An internal communications survey showed that the intranet is the company's central nervous system in the sharing of knowledge and news, and that a dialog-based meeting culture and a visible management are the crucial pivots of internal communication.

Image jump among the young

The COWI of the future will depend on attracting sufficient well-qualified and dynamic employees. Therefore, our image among students and recent graduates is an important indicator of our future competencies. COWI has moved up to fifth position in the Ingeniørens magazine's annual image ranking of engineering workplaces. This makes COWI the best ranked company in the sector.

In Universum's image survey among technical engineering and science students, COWI is ranked at overall third position, an improvement over the fifth position of last year. This puts COWI in second place for the sector. In the last four years, COWI has been ranked among the survey's top five—a continuing high rating of which we are proud.

Events subsequent to the end of the financial year

There have been no significant events which might impact on the 2002/03 group accounts since the end of the financial year.

Future expectations

COWI has decided to change the company's financial year to correspond with the calendar year with effect from 1 January 2004. This means that the forthcoming financial period will comprise the eight months between 1 May 2003 and 31 December 2003.

During the forthcoming eight months, COWI's market efforts will be much influenced by Danish and international economic

Europe sends its ships for breaking on beaches in the East. On behalf of the Danish EPA, COWI has been investigating whether there are more appropriate methods.

Overcrowded traffic conditions are extremely costly for society. COWI is contributing to the development of traffic planning methods to reduce overcrowding.

trends. We expect economic growth to be limited, and we are uncertain as to when the economic climate will change.

Limited economic growth is expected in Denmark, and as a result both private and public sector demand for COWI's services will generally remain stagnant or decline. Private sector demand will be influenced by the reluctance consequent on the general uncertainty concerning the economic situation. Public sector consumption and investment will also remain unchanged or decline. We expect that certain individual major infrastructure projects will be initiated, that both public and private housing investment will decline, and that the environment and development planning market areas will continued to be marked by restructuring and limited growth.

We also expect international markets to be effected by the poor growth and uncertainty. In Norway, limited economic growth is expected. Public sector consumption in Norway will grow to a limited extent and both private and public investment outside the oil and gas industry is expected to decline. As for COWI's other foreign markets, we forecast modest growth, but such circumstances as the political uncertainty in the Middle East will have a negative impact on market opportunities. In addition, the rapidly declining American dollar will lead to a deterioration in COWI's competitiveness in a number of countries where we are in direct competition with American companies.

Market prospects face us with great challenges in the period. We will concentrate on marketing and sales to key clients and markets, and internally on cost management and efficiency enhancements. We will strengthen our position in Denmark while, at the same time, exploiting the strong international position enjoyed by the Group in such areas as bridges, hydraulic engineering, development consultancy, railways and environmental due diligence.

In this light, we only expect limited growth in turnover during the period between 1 May and 31 December 2003. Growth will primarily stem from Interconsult being recognised in accounts for the full eight-month period.

Profitability will feel the negative impact of costs associated with the continued integration and adaptation of Kampsax and Interconsult. Despite limited growth and strong competition, we expect that profitability measured in terms of operating margin will improve during the financial period up until 31 December 2003.

Kampsax has acted as a vitamin supplement for COWI, bringing with it new staff with new competencies. Here, Kampsax Geographic Information staff are in the process of mapping parts of the United Kingdom.

Financial review

General

In 2002/2003 COWI significantly increased its turnover. As a consequence of two major acquisitions, unfavourable market conditions and costs associated with the restructuring and adaptation of a number of business units group earnings and profitability declined.

With regard to the acquisition of the shares in Interconsult ASA, Interconsult ASA's defined benefit plan pension scheme is not recognised in group goodwill, but appears in the notes in line with the accounting policies applied by Interconsult ASA. For more information relative to this point refer to "Applied Accounting Policies" and note 15.

Group goodwill was identified in connection with the acquisition of the shares of Kampsax A/S (later altered to KX A/S), and in order to ensure efficient exploitation of the value contained in KX A/S on 1 November 2002 activities in KX A/S were transferred to COWI A/S. When transferring activities goodwill was identified, which has been eliminated in the group accounts.

Profit and loss account

Group net turnover in 2002/03 came to DKK 2,292.9 million, corresponding to an increase of 33 per cent compared to the year before. A significant part of this increase stemmed from the acquisition of Kampsax A/S on 26 June 2002 and of Interconsult ASA on 1 January 2003. Kampsax turnover for 10 months and Interconsult turnover for 4 months amounted to DKK 510 million. Thus, turnover growth in COWI's existing business is in the order of DKK 63 million, corresponding to an increase of 4 per cent compared to the previous year.

COWI's domestic net turnover rose by 23 per cent, while foreign net turnover rose by 42 per cent. The rise in Danish turnover stems especially from the areas of construction, civil engineering and industry, and the new geographic information business area which was acquired with the acquisition of Kampsax. The rise in foreign turnover stems from increased turnover in those areas where Kampsax has brought new business opportunities: development planning, land surveying and registration, and increased turnover in COWI's existing business areas, bridges and civil engineering. Furthermore, foreign turnover has also risen as a consequence of the acquisition of Interconsult ASA and the acquisition of Kampsax subsidiaries in India and Spain, and of the subsidiary Darudec A/S, whose turnover exclusively stems from outside Denmark. Among COWI's existing subsidiaries, turnover rose in the Norwegian company Hjellnes COWI in particular.

Overall operating costs excluding financials rose by 28 per cent to DKK 1,581.7 million. The most significant operating cost —personnel costs—rose by 25 per cent, which should be compared to a rise of 26 per cent in Group own production. Amortisation, depreciation and write-downs rose by 70 per cent to DKK 70 million. This rise stemmed from increased depreciation of group goodwill, software, technical installations and development products, which are primarily associated with Interconsult and Kampsax. Other operating costs showed a net expenditure of DKK 5.2 million, compared to an expenditure of DKK 1.3 million last year. This net expenditure is mainly a result of expenditure of DKK 13.5 million relating to the liquidation of the German subsidiary BaUm COWI and income of DKK 9 million stemming from the sale of property in Denmark.

Operating profit on ordinary activities declined from DKK 50.8 million to DKK 43.1 million. This decline stemmed especially from the liquidation of BaUm COWI. Moreover, the marked strategic growth process undergone by COWI during the financial year with the acquisition of two major companies and costs related to the development of other strategic areas of commitment such as railways, Environmental Due Diligence and the Eastern European market all had a negative impact on operating profits. Finally, during the financial year, a number of subsidiaries reported negative operating profits. This primarily refers to Interconsult in Norway, acquired Kampsax subsidiaries in Spain, Sweden and Poland and the existing COWI subsidiary in Poland. Initiatives have been set in motion to ensure that these companies show positive earnings in the future.

Group operating margin calculated as operating profits as a percentage of turnover amounted to 1.9 per cent compared to 3.0 per cent the previous year.

In order to gain a true impression of progress in the Group's basic earnings capacity, it is relevant to focus on operating profits before depreciation and good will amortisation, the so-called EBITDA (Earnings before Interest, Tax, Depreciations and Amortisation). COWI's EBITDA increased from DKK 91.8 million in 2001/02 to DKK 113.1 million. The EBITDA ratio calculated as the ratio between EBITDA and turnover fell from 5.3 per cent in the previous financial year to 4.9 per cent in 2002/03. If EBITDA is adjusted for the "other operating costs" item, which as mentioned above was affected by two major and contradictory one-off transactions, EBITDA margin is almost the same in both financial years: 5.4 per cent in 2001/02 and 5.2 per cent in 2002/03. COWI's basic earnings capacity thus remained unaltered at the level of the previous year in 2002/03.

Net financials show net costs of DKK 1.7 million, compared to net income of DKK 6.1 million the previous year. The reason for this deterioration is partly a currency exchange loss associated with the adjustment of accounts with subsidiaries and partly increased interest costs as a consequence of an increase in bank debt.

Profit before tax and minority interests amounted to DKK 42.0 million, which represents a decline of DKK 14.8 million compared to last year.

Tax amounted to DKK 17.7 million compared to DKK 18.5 million last year. The effective tax rate for the year was 42.2 per cent, against 32.6 per cent last year. The reason for this rise is that during the financial year there were a number of non-tax-deductible expenses.

Group profit for the year after tax and minority interests amounted to DKK 22.5 million compared to DKK 35.7 million the previous year.

Balance sheet

The Group balance sheet total amounted to DKK 1,499.5 million compared to DKK 1,082.4 million last year.

The most important cause of the increase in the balance sheet total is the acquisition of Interconsult ASA and Kampsax A/S. Thus, in association with these transactions Group goodwill increased by DKK 246.7 million. With the acquisition of the Interconsult and Kampsax groups COWI has acquired about 1300 new employees along with their expertise and references, access to new business areas, and it has acquired a number of systems and databases. The strategic implications of these acquisitions for COWI mean that Group goodwill will be depreciated over 20 years in accordance with the Group's applied accounting policies.

COWI's expansion during the financial year has also resulted in a 34 per cent rise in the "accounts receivable" balance sheet item, which corresponds to a proportionate rise in turnover. It should be noted that the net amount tied up in work in progress and debtors with deduction of advanced invoicing amounted to DKK 392.7 million, which is only a rise of 12 per cent compared to last year. This amount is a good indication of the company's working capital, upon which much focus is concentrated in the operational management of the company's cash and cash equivalents.

COWI's securities holdings declined by DKK 92.1 million to DKK 143.6 million as a consequence of the financing of company acquisitions.

As at 30 April 2003, shareholders' funds amounted to DKK 401.8 million. Retained earnings of DKK 22.5 million were added to shareholder's funds, and distributed dividends of DKK 3.5 million in respect of the 2001/02 financial year, foreign exchange adjustments of investments in foreign subsidiaries and other value adjustments relative to subsidiary companies were deducted. The equity ratio, which is calculated as the ratio of shareholders' funds to the balance sheet total declined from 36.3 per cent as at 30 April 2002 to 26.8 per cent as at 30 April 2003.

Cash flow analysis

Cash flow from operating activities amounted to DKK 137.3 million, which is an improvement of DKK 12.5 million compared to the previous year, and is due, among other things, to the above-mentioned small rise in the company's working capital.

Cash flow from investing activities amounted to DKK 197.9 million compared to DKK 67.3 million last year. The year's acquisitions are the primary cause of this increase.

Free cash flow was a negative DKK 60.6 million. Last year there was positive free cash flow of DKK 57.4 million.

At the end of the financial year the Group's cash and cash equivalents and securities holdings amounted to DKK 219.0 million, a decline of DKK 92.7 million compared to the year before. If one adds committed but undrawn credit facilities to cash and cash equivalents and securities holdings, COWI's financial resources amounted to DKK 450 million at the end of the financial year.

The proportion of men has risen from 67 to 68 per cent.

Accounting policies

The 2002/2003 Annual Report of COWI A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act for a large class C enterprise.

The accounting policies applied remain unchanged from the previous year.

In connection with the acquisition of the shares in Interconsult ASA on 1 January 2003 an account of Group goodwill was drawn up. This account did not include the adjustment of pension liabilities to the current value. This has been done with reference to section 11 subsection 3 of the Danish Financial Statements Act, in that the management is of the opinion that a continuation of the accounting policy hitherto applied by Interconsult in the handling of pension liabilities gives a true and fair view in the annual report, as this policy implies that non amortised plan changes/estimate divergences and pension adjustments of DKK 83.7 million that can be recovered in the course of time should not be reclassified to be and depreciated as Group goodwill.

The applied method has had no impact on annual profit. If net pension liabilities had been recognised at current value in the take-over balance, Group goodwill as at 30 April 2003 would have been DKK 83.7 million higher, and the net balance sheet total as at 30 April 2003 would have increased by DKK 51.9 million. Group shareholders' funds as at 30 April 2003 would have been DKK 3.6 million greater as a consequence of exchange gains when translating to DKK.

General on recognition and measurement

In the profit and loss account income is recognised as earned, including recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Similarly, all expenses including amortisation, depreciation and impairment losses are recognised in the profit and loss account.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and reliable measurement of the value of the asset is possible.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the company and reliable measurement of the value of the liability is possible.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are remeasured as described below in respect of each individual item.

Certain financial assets and liabilities are measured at amortised cost where a constant effective interest is recognised over the maturity. Amortised cost is stated as original cost less any principal payments plus or minus the cumulative amortisation of any difference between cost and nominal amount. In this way capital losses and gains are amortised over the maturity.

Recognition and measurement take into consideration anticipated losses and risks that arise before the time of presentation of the Annual Report and that confirm or invalidate affairs and conditions existing at the balance sheet date.

Health has improved. Absenteeism due to sickness has declined from 2.7 to 2.5 per cent of working hours.

Group accounts

Consolidation policy

The Annual Report includes the Parent Company COWI A/S as well as undertakings in which the Parent Company directly or indirectly holds the majority of the voting rights or in which the Parent Company through its shareholding or otherwise exercises a controlling interest. Undertakings in which the Group holds between 20% and 50% of the voting rights and exercises a significant but not controlling interest are treated as associated undertakings.

On consolidation, intercompany profits and expenses, shareholdings, dividends and balances as well as realised and unrealised gains and losses on transactions between group companies have been eliminated.

The accounts applied for the Group's Annual Report have been presented in accordance with Group accounting policies. The Group's Annual Report has been prepared on the basis of the accounts of the Parent Company and the subsidiaries by combining items of a uniform nature.

Participating interests in subsidiaries are eliminated at the relevant proportion of the net asset value of the subsidiaries at the time of acquisition.

On acquisition of subsidiaries, any differences between the acquisition cost and the net asset value of the undertaking acquired is stated at the time of acquisition after adjusting the individual assets and liabilities at fair value (the purchase method) and allowing for recognition of any reconstruction provisions in respect of the undertaking acquired. Any remaining positive differences are recognised in the balance sheet under intangible fixed assets as Group goodwill and amortised on a straight-line basis over the expected useful life, however for a maximum of 20 years. Any negative differences are recognised in the balance sheet.

Goodwill from acquired undertakings is adjusted as a result of changes in recognition and measurement of net assets for a period of up to a total financial year following the time of acquisition.

Minority interests

On statement of Group results and Group shareholders' funds, the share of results and equity in subsidiaries that is attributable to minority interests is recognised as separate items in the profit and loss account and the balance sheet. Minority interests are recognised at fair value on the basis of a remeasurement of acquired assets and liabilities at the time of acquisition of subsidiaries.

Corporation tax and deferred tax

The Company is jointly taxed with certain 100% owned Danish and foreign subsidiaries. The tax effect of the joint taxation with the subsidiaries is charged to the profit and loss account in the Parent Company.

Tax for the year consisting of current tax and deferred tax for the year is recognised in the profit and loss account with the share attributable to profit for the year, and is recognised directly in shareholders' funds with the share attributable to entries recognised directly to equity. Any share of the tax carried in the profit and loss account arising from profit/loss on extraordinary activities for the year is attributed to the profit and loss account, while the remaining share is attributed to profit/loss on ordinary activities for the year.

Current tax liabilities and current tax receivable are recognised net in the balance sheet as tax computed on taxable income for the year adjusted for tax on taxable income for previous years.

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences between accounting and tax values of assets and liabilities. No deferred tax is, however, recognised in respect of temporary differences concerning goodwill not deductible for tax purposes as well as other items - apart from acquisition of enterprises - where temporary differences have arisen at the time of acquisition without any effect on accounting and taxable profits. In cases where the computation of the tax value may be made according to alternative tax rules, deferred tax is recognised on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets including the tax value of tax loss carryforwards are recognised at the value at which they are expected utilised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment of deferred tax is made concerning elimination made of unrealised intercompany gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates in the respective countries that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax as a consequence of amendments to tax rates are recognised in the profit and loss account.

Translation policies

Transactions in foreign currencies are translated applying standard rates approximating the foreign exchange rates ruling at the dates of transaction. Any exchange differences arising between the transaction date rates and the rates at the date of payment are recognised in the profit and loss account as part of net turnover.

Accounts receivable and payable and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated into the exchange rates ruling at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or payable arise are recognised in the profit and loss account under financial income and expenses.

Fixed assets acquired in foreign currencies are translated into the rates ruling on the dates of transaction.

On recognition of foreign subsidiaries and associated undertakings that are separate legal entities, profit and loss accounts are translated at monthly average exchange rates, and balance sheet items are translated at exchange rates at the balance sheet date. Exchange differences arising on translation of the opening equity of foreign subsidiaries into exchange rates at the balance sheet date as well as on translation of profit and loss accounts from average exchange rates into the exchange rates at the balance sheet date are recognised directly to shareholders' funds.

On recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates ruling at the balance sheet date. Non-monetary items are translated at the rates at the time of acquisition or at the time of any subsequent revaluation or impairment of the asset. Profit and loss account items are translated at transaction-date exchange rates; however, items derived from non-monetary items are translated at the historical rates in respect of the non-monetary item.

Exchange adjustments of intercompany balances and transactions with foreign subsidiaries that are considered additions to or deductions from the equity of independent subsidiaries are recognised directly to shareholders' funds. Similarly, exchange gains and losses on loans and derivative financial instruments contracted for hedging purposes by independent foreign subsidiaries are recognised directly to shareholders' funds.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured at their fair value. Positive and negative fair values of derivative financial instruments are included in prepayments under assets and in deferred income under liabilities, respectively.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or liability are recognised in the profit and loss account together with any changes arising in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments that are designated and qualify as future asset and liability hedges are recognised in prepayments/deferred income or shareholders' funds, respectively. Where the forecasted transaction results in the recognition of an asset or a liability, amounts that have been deferred in equity are transferred from equity and included in the cost of the asset and the liability, respectively. Where the forecasted transaction results in income or expenses, amounts that have been deferred in equity are transferred to the profit and loss account in the period during which the hedged item affects the profit and loss account.

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account.

Segment reporting

Segment information is presented in respect of geographical markets based on the Group's internal financial reporting system.

Incentive schemes

The material provisions of the employee share schemes are disclosed in the notes to the Group Accounts and have no effect on the profit and loss account. At present, there are no incentive schemes.

Profit and loss account

Net turnover

Net turnover corresponds to an approximate and prudently assessed sales value of work performed for the year. The completion of the individual projects will generally progress over several accounting periods and therefore the percentage-of-completion method is applied for revenue recognition. Profits on work performed are recognised as income accordingly and by reference to the stage of completion.

Project expenses

Project expenses include expenses directly attributable to projects excluding salaries including travel expenses, external expenses as well as other expenses.

External expenses

External expenses include administrative expenses, office expenses, marketing expenses as well as other expenses.

Other operating expenses, net

Other operating expenses, net, include items of a secondary nature compared with the Company's core activities, including removal

expenses as well as profits and losses from the sale of intangible and tangible fixed assets.

Net financials
Financial income and expenses include interest, financial expenses related to finance leases, realised and unrealised exchange adjustments, price adjustments on securities as well as amortisation of long-term receivables.

Extraordinary income and expenses
Extraordinary income and expenses include income and expenses attributable to events or transactions that are clearly distinct from the ordinary activities and are anticipated to be non-recurring.

Balance sheet

Intangible fixed assets

Goodwill
Goodwill is amortised over the estimated useful life determined on the basis of Management's experience with the individual business areas. The amortisation period is 5-20 years, the longest period applying to acquired undertakings with a strong market position and an expected long earnings profile.

Rights
Rights are amortised on a straight-line basis over 5 years.

Development products
Development products that are clearly defined and identifiable where the technical utilisation rate, sufficient resources and a potential future market or development opportunity in the enterprise can be verified and where the intention is to market or use the project, are recognised with effect from 1 May 2002 as intangible fixed assets. This applies if sufficient certainty exists that the net present value of the future earnings can cover the expenses involved.

Development products that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the profit and loss account as incurred.

Development products include salaries, amortisation and other expenses that are directly or indirectly attributable to the Company's development activities. Capitalised development costs are measured at the lower of cost, less accumulated amortisation and impairment losses, and recoverable amount.

On completion of the development work, development costs are amortised on a straight-line basis over the period in which the work is expected to generate economic benefits. The amortisation period is 2-5 years.

Software
Software is measured at the lower of cost, less accumulated amortisation and impairment losses, and net asset value. The amortisation period is 3-5 years.

Summary of the amortisation periods for intangible fixed assets

Goodwill	5-20 years
Rights	5 years
Development products	2-5 years
Software	3-5 years

Tangible fixed assets

Land and buildings
Land and buildings are measured at cost less accumulated depreciation and impairment losses and depreciated on a straight-line basis over 50 years.

Special installations in buildings are depreciated on a straight-line basis over 10-15 years.

Technical installations, equipment and automobiles
Technical installations, equipment and automobiles, including leasehold improvements are measured at cost less accumulated depreciation and impairment losses and depreciated on a straight-line basis over 3-10 years.

Assets under finance leases
At the inception of the lease, leases in respect of tangible fixed assets in terms of which the individual Group companies assume substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the fair value of the leased asset where such an asset exists. Alternatively, the net present value, if lower, of future lease payments at the inception of the lease is applied. When computing the net asset value, the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets under finance leases are depreciated and impaired like the Group's other tangible fixed assets.

The residual lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payment is charged to the profit and loss account, as incurred, over the lease term.

All other leases are considered as operating leases. Lease payments under operating leases are recognised in the profit and loss account over the lease term.

Summary of depreciation periods for tangible fixed assets

Buildings	50 years
Special installations in buildings	10-15 years
Technical installations, equipment and automobiles including leasehold improvements	3-10 years

The number of our colleagues has increased. The number of permanent staff in COWI A/S has grown from 1634 to 1972.

Impairment of fixed assets

The net book value of intangible as well as tangible fixed assets are reviewed on an annual basis to determine whether there is any indication of impairment exceeding the write-downs in connection with general amortisation and depreciation. Where impairment is required, writedown is made to recoverable amount, if lower. The recoverable amount of the asset is determined as the higher of net selling price and net present value (value in use). Where it is not possible to determine the recoverable amount of the individual asset, the impairment requirement is assessed in respect of the smallest group of assets for which it is possible to determine the recoverable amount.

Fixed assets investments

Participating interests in subsidiaries and associated undertakings

Participating interests in subsidiaries and associated undertakings are recognised and measured under the equity method in the Parent Company's Annual Report.

The Parent Company profit and loss account recognises the proportionate share of the subsidiaries' results before tax for the year under the item 'Profit on ordinary activities before tax in subsidiaries', while the share of tax in subsidiaries is included in the item 'Tax on profit on ordinary activities'. Group goodwill amortisation is presented separately in the profit and loss account under the item 'Goodwill and Group goodwill amortisation'.

The Group's and the Parent Company's profit and loss account includes the proportionate share of results before tax for the year of associated undertakings under the item 'Profit on ordinary activities before tax in associated undertakings', while the share of tax in associated undertakings is included in the item 'Tax on profit on ordinary activities'. Group goodwill amortisation is presented separately in the profit and loss account under the item 'Goodwill and Group goodwill amortisation'.

Under the item 'Participating interests in associated undertakings', the Group's balance sheet includes the relevant equity interest proportion of the net asset value of the associated undertakings measured under the Parent Company's accounting policies less deduction or with addition of the share of unrealised intercompany profits or losses.

Under the items 'Participating interests in subsidiaries' and 'Participating interests in associated undertakings', the Parent Company's balance sheet includes the relevant equity interest proportion of the net asset value of the undertakings measured under the Parent Company's accounting policies less deduction and with addition of the share of unrealised intercompany profits or losses.

Subsidiaries and associated undertakings with a negative net asset value are measured at DKK zero and any receivable from these undertakings are written down, to the extent estimated to be uncollectible, by the Parent Company share of the negative net asset value. Where the negative net asset value exceeds the amount receivable, the residual amount is recognised under provisions to the extent where the Parent Company has a legal or constructive obligation to cover the undertaking's negative balance.

The total net revaluation of participating interests in subsidiaries and associated undertakings is transferred in the Parent Company over the distribution of profit to 'Reserve for net revaluation according to the equity method' under shareholders' funds.

Positive and negative differences are separately included under the item 'Group goodwill' both in the Parent Company's balance sheet and in the Group Accounts.

Undertakings acquired during the financial year are included in the Parent Company and Group Accounts from the time of acquisition, and undertakings disposed of are included until the time of disposal. Comparative figures are generally not adjusted for new acquisitions and disposals.

Any gains or losses on disposal or liquidation of subsidiaries are computed as the difference between the sales sum or the liquidation amount and the net asset value of net assets at the time of disposal or liquidation, including non-amortised goodwill as well as expected sales or liquidation expenses. Any gains or losses are recognised in the profit and loss account.

Other investments and participating interests

Other investments and participating interests include bonds and shares measured at fair value at the balance sheet date. Listed securities are measured at the official market price at the balance sheet date. Unlisted securities are measured at sales value based on a computed net present value.

Current assets

Accounts receivable

Accounts receivable are measured at the lower of amortised cost and net realisable value corresponding to a nominal value less impairment losses for uncollectibles. Impairment losses are calculated on the basis of an individual assessment of each account receivable, and in respect of trade accounts receivable, an additional general provision is made.

Employees cannot let go of their jobs at COWI. On average, they stay here ten years.

Work in progress for the account of others
Work in progress for the account of others is recognised in the balance sheet net of amounts invoiced in advance. Work in progress gross is measured at an approximate and prudently estimated sales value of the work performed. The sales value is measured in proportion to the stage of completion at the balance sheet date and the total expected profit on the individual projects (the percentage-of-completion method). This principle implies that the expected profit on the individual projects is recognised in the profit and loss account on a current basis by reference to the stage of completion.

The stage of completion is measured by the proportion that project expenses incurred for work performed to date bear to the estimated total project expenses. Where it is probable that total project expenses will exceed the total revenues from a project, the expected loss is recognised as an expense in the profit and loss account.

The share of work in progress etc. performed in joint ventures is included in work in progress.

Own shares
Own shares are participating interests acquired by COWI A/S for use in future allotments to employees. Own shares are measured at cost and tied up in a special reserve under shareholders' funds. Any gains/losses on disposal are recognised in the profit and loss account.

Current asset investments
Current asset investments include listed bonds and shares measured at fair value at the balance sheet date. Listed securities are measured at market price. Non-listed securities are measured at sales value based on a calculated net present value.

Net pension funds and pension obligations
A number of defined benefit plan pension schemes have been concluded in the group's Norwegian subsidiaries. The assets stemming from these are placed in pension funds in accordance with the relevant regulations. These pension schemes are financed through payments deposited by the company, due consideration being paid to the evaluations of independent, qualified actuaries in gauging the necessary amounts to be paid into the schemes.

When gauging pensions, linear earnings profiles and expected terminal salary constitute the basis of earnings. Overall liabilities are assessed against overall funds in the pension scheme. When valuing pension funds and pension liabilities, estimated current value at the time of closing the accounts is used. The estimated values are adjusted each year in accordance with actuarial calculations. Pension costs are treated in accounts in accordance with International Accounting Standard no. 19 (IAS 19, employee benefits). Payroll tax is charged to the profit and loss account on the basis of paid-in pension premiums. Plan changes are amortised over the estimated remaining paying-in time. The same applies to estimated divergences to the extent that these exceed 10 per cent of the largest of accrued pension benefit obligations and pension funds (the corridor method).

COWI A/S discloses information about the net present value of defined pension benefit schemes to former and present members of management in the notes. Pension costs are charged to the profit and loss account when due.

Prepayments
End-of-period adjustments required by accrual accounting recognised as prepayments under assets include payments made in respect of subsequent financial years, typically prepaid rent, insurance premiums, subscriptions etc. as well as adjustments to fair value of derivative financial instruments with a positive fair value.

Shareholders' funds

Dividend
Dividend is recognised as a liability at the time of adoption by the Annual General Meeting. Dividend expected distributed for the year is recorded in a separate item under shareholders' funds.

Provisions
Provisions are recognised when—as a consequence of an event occurred before or on the balance sheet date—the Group has a legal or constructive obligation and it is probable that economic benefits must be sacrificed to settle the obligation.

Other provisions include legal obligations etc. on completed projects. Provisions with an expected maturity exceeding one year from the balance sheet date are discounted at the average bond yield. Deferred tax is not discounted to present value.

Financial debts
Fixed-rate loans such as mortgages and loans from credit institutions intended held to maturity are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, borrowings are stated at amortised cost corresponding to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value (the capital loss) is recognised in the profit and loss account over the loan period.

Other debts are measured at amortised cost, materially corresponding to nominal value.

Deferred income and other liabilities

End-of-period adjustments required by accrual accounting recognised as deferred income under liabilities include payments received concerning income in respect of subsequent periods as well as adjustments to fair value of derivative financial instruments with a negative fair value.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year distributed on operating, investing and financing activities, net changes for the year in cash and cash equivalents as well as Group cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities

Cash flows from operating activities are calculated as Group results adjusted for non-cash operating items such as amortisation, depreciation and impairment losses, provisions as well as net changes in working capital, interest income and expenses, amounts paid in respect of extraordinary items and corporation tax paid.

Working capital includes current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flow from investing activities

Cash flows from investing activities include cash flows from acquisitions and disposals of intangible and tangible fixed assets as well as fixed asset investments.

Cash flow from financing activities

Cash flows from financing activities include cash flows from the raising and repayment of long-term debt as well as purchase of own shares and dividend payments to shareholders.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as securities recognised as current asset investments.

The cash flow statement cannot be immediately derived from the published financial records.

Financial ratios

The financial ratios stated in Key Figures and Financial Ratios have been calculated as follows:

$$\text{EBITDA margin} = \frac{\text{(Operating profit before amortisation, depreciation and writedowns)} \times 100}{\text{Net turnover}}$$

$$\text{Operating margin} = \frac{\text{Operating profit} \times 100}{\text{Net turnover}}$$

$$\text{Return on invested capital} = \frac{\text{Operating profit} \times 100}{\text{Non-financial assets less advance invoicing, end-of-year}}$$

$$\text{Equity ratio} = \frac{\text{Equity excl. minority interests, end-of-year} \times 100}{\text{Total liabilities and equity, end-of-year}}$$

$$\text{Return on equity} = \frac{\text{COWI's share of profit for the year} \times 100}{\text{Average equity excl. minority interests}}$$

Staff are satisfied at COWI. Despite the pressure of the times with integration and mergers to be dealt with, the staff satisfaction index remains stable.

Profit and loss account

PARENT COMPANY				GROUP	
2001/02	2002/03	DKK ´000	Note	2002/03	2001/02
1,363,506	1,596,904	**Net turnover**	1	2,292,929	1,720,377
-376,042	-477,712	Project expenses		-668,068	-431,892
987,464	1,119,192	**Own production**		1,624,861	1,288,485
-161,736	-169,108	External expenses	2	-294,039	-228,350
-750,563	-858,496	Staff expenses	3	-1,212,459	-967,072
-27,700	-40,429	Amortisation, depreciation and writedowns	4	-70,037	-41,025
47,465	51,159	**Operating profit on ordinary activities**		48,326	52,038
-1,081	9,702	Other operating expenses, net	5	-5,243	-1,256
46,384	60,861	**Operating profit**		43,083	50,782
7,420	-11,734	Profit on ordinary activities before tax in subsidiaries	6	-	-
102	259	Profit on ordinary activities in associated undertakings	7	630	-67
-6,860	-13,949	Goodwill and Group goodwill amortisation	4	-	-
21,920	27,850	Financial income	8	33,840	24,130
-15,962	-24,001	Financial expenses	9	-35,534	-18,075
53,004	39,286	**Profit on ordinary activities before tax**		42,019	56,770
-17,282	-16,739	Tax on profit on ordinary activities	10	-17,747	-18,486
35,722	22,547	**Profit on ordinary activities after tax**		24,272	38,284
-	-	Profit on extraordinary activities after tax		-	-
35,722	22,547	**Profit for the year**		24,272	38,284
-	-	Profit from subsidiaries attributable to minority shareholders		-1,725	-2,562
35,722	22,547	**COWI's share of profit for the year**		22,547	35,722

Proposed distribution of net profit

		DKK ´000
3,475	3,475	Proposed dividend at 10%
32,247	19,072	Retained earnings
35,722	22,547	

Balance sheet

PARENT COMPANY				GROUP	
2001/02	2002/03	DKK ´000	Note	2002/03	2001/02
47	131,679	Goodwill and rights		1,003	169
15,659	119,717	Group goodwill		251,396	15,659
7,062	12,615	Software		17,380	7,730
-	1,301	Development products		1,301	-
22,768	265,312	**Intangible fixed assets**	**11**	271,080	23,558
5,738	4,150	Land and buildings		10,503	5,738
79,371	89,956	Technical installations, equipment and automobiles		125,108	91,401
-	-	Fixed assets in course of construction		364	158
85,109	94,106	**Tangible fixed assets**	**12**	135,975	97,297
79,585	99,518	Participating interests in subsidiaries	**6**	-	-
1,910	2,375	Participating interests in associated undertakings	**7**	8,400	3,609
13,093	9,147	Loans to subsidiaries		-	-
290	293	Other investments and participating interests		13,222	1,545
94,878	111,333	**Financial fixed assets**	**13**	21,622	5,154
202,755	470,751	**Total fixed assets**		428,677	126,009
-	512	**Inventories**		512	-
303,234	281,913	Accounts receivable, services		475,037	379,060
118,981	182,225	Work in progress, net	**14**	240,880	175,592
5,877	80,274	Amounts owed by subsidiaries		-	-
2,317	-	Amounts owed by associated undertakings		582	2,317
30,925	30,864	Other receivables		62,395	39,622
-	-	Net pension assets	**15**	25,129	-
35,712	34,682	Prepayments	**16**	45,440	38,053
497,046	609,958	**Accounts receivable**		849,463	634,644
6,602	1,900	**Own shares**	**17**	1,900	10,131
235,745	143,635	**Current asset investment**	**18**	143,635	235,745
35,259	27,758	**Cash at bank and in hand**		75,356	75,900
774,652	783,763	**Total current assets**		1,070,866	956,420
977,407	1,254,514	**TOTAL ASSETS**		1,499,543	1,082,429

The length of education of COWI staff has declined from 6.6 to 6.4 years.

PARENT COMPANY				GROUP	
2001/02	2002/03	DKK ´000	Note	2002/03	2001/02
34,750	34,750	Share capital		34,750	34,750
5,881	5,881	Share premium account		5,881	5,881
6,602	1,900	Reserve for own shares		1,900	10,131
342,385	355,749	Retained earnings		355,749	338,856
3,475	3,475	Proposed dividend		3,475	3,475
393,093	401,755	**Shareholders' funds**	**19**	401,755	393,093
-	-	**Minority interests**	**20**	15,507	11,655
153,950	162,180	Deferred tax	**21**	141,419	156,482
-	-	Net pension benefit liabilities	**15**	3,170	3,958
-	4,363	Other provisions	**22**	11,945	1,729
153,950	166,543	**Provisions**		156,534	162,169
8,243	11,889	Credit institutions		25,789	8,243
-	-	Other accounts payable		12,769	269
8,243	11,889	**Long-term debt**	**23**	38,558	8,512
3,083	3,721	Current portion of long-term debt		8,813	3,083
9,272	50,665	Credit institutions		111,564	9,272
8,099	14,167	Amounts owed to subsidiaries		-	-
-	-	Amounts owed to associated undertakings		-	-
45,086	46,604	Accounts payable, suppliers		75,454	61,111
34,866	36,215	Taxes and V.A.T. payable		88,946	54,679
186,792	332,752	Amounts invoiced in advance	**24**	323,172	205,308
104,383	136,606	Accrued holiday allowance		192,245	122,392
17,738	41,639	Other accounts payable		65,001	31,449
12,802	11,958	Deferred income		21,994	19,706
422,121	674,327	**Short-term debt**		887,189	507,000
430,364	686,216	**Total debt**		925,747	515,512
977,407	1,254,514	**TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS**		1,499,543	1,082,429
		Contingent liabilities, commitments and guarantees	**25**		
		Notes without reference	**26-28**		

Statement of changes in shareholders' funds

Statement of changes in shareholders' funds of the COWI Group

	GROUP					
DKK ´000	Share capital	Share premium account	Reserve for own shares	Retained earnings	Proposed dividend	Total
Shareholders' funds at 1 May 2001	34,750	5,881	6,602	309,768	3,475	360,476
Distributed dividend					-3,475	-3,475
Profit for the year				35,722		35,722
Exchange adjustment, foreign subsidiaries				-153		-153
Value adjustment, participating interests in associated undertakings				481		481
Value adjustment of hedging instruments, beginning-of-year				239		239
Value adjustment of hedging instruments, end-of-year				-197		-197
Purchase of own shares			3,529	-3,529		-
Proposed dividend				-3,475	3,475	-
Shareholders' funds at 1 May 2002	**34,750**	**5,881**	**10,131**	**338,856**	**3,475**	**393,093**
Distributed dividend					-3,475	-3,475
Profit for the year				22,547		22,547
Exchange adjustment, foreign subsidiaries				-7,077		-7,077
Value adjustments, participating interests in subsidiaries				-3,530		-3,530
Value adjustment of hedging instruments, beginning-of-year				197		197
Value adjustment of hedging instruments, end-of-year				-		-
Sale of own shares			-8,231	8,231		-
Proposed dividend				-3,475	3,475	-
Shareholders' funds 30 April 2003	**34,750**	**5,881**	**1,900**	**355,749**	**3,475**	**401,755**

We now have more projects. The number of ongoing projects has risen from 5410 to 5774.

Statement of changes in shareholders' funds of COWI A/S

	PARENT COMPANY					
DKK ´000	Share capital	Share premium account	Reserve for own shares	Retained earnings	Proposed dividend	Total
Shareholders' funds at 1 May 2001	34,750	5,881	6,602	309,768	3,475	360,476
Distributed dividend					-3,475	-3,475
Profit for the year				35,722		35,722
Exchange adjustment, foreign subsidiaries				-153		-153
Value adjustment, participating interests in associated undertakings				481		481
Value adjustment of hedging instruments, beginning-of-year				239		239
Value adjustment of hedging instruments, end-of-year				-197		-197
Proposed dividend				-3,475	3,475	-
Shareholders' funds at 1 May 2002	**34,750**	**5,881**	**6,602**	**342,385**	**3,475**	**393,093**
Distributed dividend					-3,475	-3,475
Profit for the year				22,547		22,547
Exchange adjustment, foreign subsidiaries				-7,077		-7,077
Value adjustments, participating interests in subsidiaries				-3,530		-3,530
Value adjustment of hedging instruments, beginning-of-year				197		197
Value adjustment of hedging instruments, end-of-year				-		-
Proposed dividend				-3,475	3,475	-
Sale of own shares			-4,702	4,702		-
Shareholders' funds 30 April 2003	**34,750**	**5,881**	**1,900**	**355,749**	**3,475**	**401,755**

Cash flow statement

DKK ´000	Note	GROUP 2002/03	2001/02
Operating profit		43,083	50,782
Amortisation and depreciation for the year as well as profit/(loss) from disposal of fixed assets		60,523	41,704
Unrealised value adjustments for the year, net		-21,035	-8,204
Other provisions for the year		11,170	6,444
Operating profit adjusted for non-cash movements		93,741	90,726
Net financial income paid for the year		11,300	14,679
Corporation tax paid		-6,624	-3,829
Cash flow from operating activities before change in working capital		98,417	101,576
Change in inventories		-512	-
Change in work in progress		101,837	-3,305
Change in accounts receivable		66,257	12,406
Change in accounts payable		-12,052	-12,172
Change in other receivables and prepayments		15,827	40,640
Change in other payables and accrued income		-132,520	-14,416
Cash flow from operating activities		137,254	124,729
Acquisition of intangible fixed assets		-24,624	-2,620
Disposal of intangible fixed assets		0	7
Acquisition of tangible fixed assets		-49,744	-37,574
Disposal of tangible fixed assets		13,493	1,355
Acquisition of subsidiaries and activities		-124,632	-26,818
Disposal of other fixed asset investments		-12,350	-1,751
Disposal of fixed asset investments		0	57
Cash flow from investment activities		-197,857	-67,344
Free cash flow		-60,603	57,385
Repayment of financial accounts payable		-33,787	-35,923
Shareholders:			
Distributed dividend		-3,475	-3,475
Sale/purchase of own shares (+/-)		5,211	-3,529
Cash flow from financing activities		-32,051	-42,927
Cash flow for the year		-92,654	14,458
Cash and cash equivalents, beginning-of-year		311,645	297,187
Cash and cash equivalents, end-of-year	**28**	218,991	311,645

The cash flow statement cannot be immediately derived from the profit and loss account.

Notes

Note 1 Segment information

Below, the Group's turnover, operating profit, fixed assets and liabilities are divided by geographical market into the Danish market and the foreign market. A corresponding division of activities has been omitted with reference to the transition stipulations of the new Danish Financial Statements Act.

	GROUP	
DKK ´000	Danish market	Foreign market
Net turnover	1,008,297	1,284,632
Operating profit	42,121	962
Fixed assets	122,131	306,546
Liabilities	488,814	593,467

Note 2 Fees for auditor elected by the Annual General Meeting

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
-975	-1,574	Audit fee	-3,294	-2,387
-915	-2,063	Fees, services other than audit	-2,503	-1,943
-1,890	-3,637	**Total fees for auditor elected by the Annual General Meeting**	-5,797	-4,330

Note 3 Staff expenses

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
-621	-646	Remuneration for Board of Directors, Parent Company	-646	-621
-724,834	-825,647	Salaries and wages	-1,121,180	-900,709
-8,137	-8,894	Pensions and social security	-54,244	-34,017
-16,971	-23,309	Other staff expenses	-36,389	-31,725
-750,563	-858,496	**Staff expenses**	-1,212,459	-967,072
-6,356	-6,568	Remuneration, Executive Management	-6,568	-6,356
1,695	1,847	**Average number of employees**	2,923	2,318
1,731	1,972	**Number of employees as at 30 April**	3,501	2,335

The average age has risen from 42.5 to 43.6.

Note 4 Amortisation, depreciation and writedowns

PARENT COMPANY			GROUP	
2001/02	**2002/03**	**DKK ´000**	**2002/03**	**2001/02**
-5,490	-6,839	Software	-8,674	-5,965
-	-7,363	Development products	-7,363	-
-593	-157	Land and buildings	-257	-593
-21,617	-26,070	Technical installations, equipment and automobiles	-39,558	-27,541
-27,700	-40,429		-55,852	-34,099
-861	-5,783	Goodwill and rights	-283	-927
-5,999	-8,166	Group goodwill	-13,902	-5,999
-34,560	-54,378	**Amortisation, depreciation and writedowns**	-70,037	-41,025

Note 5 Other operating expenses, net

PARENT COMPANY			GROUP	
2001/02	**2002/03**	**DKK ´000**	**2002/03**	**2001/02**
-	10,514	Profit from sale of fixed assets	10,514	-
-679	-86	Loss from sale of fixed assets	-999	-679
-	-	Loss from closing down of company	-13,477	-
-	551	Royalty income	-	-
-402	-1,277	Removal expenses	-1,281	-577
-1,081	9,702	**Other operating expenses, net**	-5,243	-1,256

Note 6 Participating interests in subsidiaries

					COWI Group's share		
Name	**Domicile**	**Ownership share**	**Share capital**	**Shareholders' funds**	**Profit for the year**	**Profit on ordinary activities before tax**	**Shareholders' funds**
			(1,000)	DKK ´000	DKK ´000	DKK ´000	DKK ´000
BaUm COWI Bau- und Umweltplanung GmbH	Germany	100%	EUR 256	-	-15,412	-15,412	-
Ben C. Gerwick Inc.	USA	93%	USD 766	11,005	-161	65	10,304
Bruun & Sørensen Energiteknik A/S	Denmark	100%	DKK 1,000	5,619	-666	-666	5,619
CCL GmbH	Germany	100%	EUR 25	-57	171	357	-57
COMAR Engineers A/S	Denmark	100%	DKK 849	1,870	-12	-12	1,870
COWI Belgium SPRL	Belgium	100%	EUR 7	38	-22	-5	38
COWI Canada Ltd.	Canada	100%	CAD 1,079	-729	2,906	4,806	-729
COWI Hungary Ltd.	Hungary	100%	HUF 50,000	2,555	395	395	2,555
COWI Philippines Inc.	Philippines	100%	PHP 5,846	369	67	39	369
COWI Polska Sp. z.o.o.	Poland	100%	PLN 223	-1,718	-1,649	-1,851	-1,718
COWI Tanzania Consulting Engineers and Planners Ltd.	Tanzania	100%	TZS 20,000	2,366	1,567	-447	2,366

contd.

Note 6 Participating interests in subsidiaries (contd.)

Name	Domicile	Ownership share	Share capital	Shareholders' funds	Profit for the year	COWI Group's share: Profit on ordinary activities before tax	COWI Group's share: Shareholders' funds
			(1,000)	DKK ´000	DKK ´000	DKK ´000	DKK ´000
COWI-Almoayed Gulf W.L.L.	Bahrain	49%	BHD 20	-410	-425	-425	-201
COWIconsult International Ltd.	Great Britain	100%	GBP 10	-461	-26	142	-461
Danport A/S	Denmark	100%	DKK 500	543	8	12	543
Enviroplan International A/S	Denmark	100%	DKK 500	514	-6	-6	514
ETC GmbH	Germany	80%	EUR 1,790	22,676	2,694	4,271	18,141
Hjellnes COWI A/S	Norway	70%	NOK 4,678	22,264	2,791	4,002	15,585
Interconsult ASA	Norway	100%	NOK 21,695	37,959	-4,405	-4,297	36,461
KX A/S	Denmark	100%	DKK 10,000	277	-3,299	-3,476	277
Matcon Rådgivende Ingeniørfirma A/S	Denmark	100%	DKK 500	1,695	61	61	1,695
MMS Norge A/S	Norway	100%	NOK 100	67	-62	-51	67
Studstrup og Østgaard A/S	Denmark	100%	DKK 1,125	2,113	202	295	2,113
UAB COWI Baltic Consulting Engineers and Planners	Lithuania	100%	LTL 200	1,001	469	469	1,001
						-11,734	96,352
For companies with negative shareholders' funds, a set-off has been effected in accounts receivable						-	3,166
						-11,734	99,518

All subsidiaries are independent entities.

Note 7 Participating interests in associated undertakings

Name	Domicile	Ownership share	Share capital	Shareholders' funds	Profit for the year	COWI Group's share: Profit on ordinary activities before tax	COWI Group's share: Shareholders' funds
			(1,000)	DKK ´000	DKK ´000	DKK ´000	DKK ´000
Casa Nova I/S	Denmark	41%	-	1,275	202	83	525
CAT Alliance Ltd.	Great Britain	33%	GBP 100	946	119	40	315
Covitecma S.A.	Spain	45%	ESP 60,000	2,536	1,064	479	1,141
Danrail Consult A/S	Denmark	33%	DKK 525	-	-	-314	-
Yan-Dan Ltd.	China	30%	CNY 1,244	1,313	-100	-29	394
						259	2,375
Aviaplan AS	Norway	33%	NOK 804	1,939	47	47	635
Nordplan AS	Norway	33%	NOK 1,500	3,149	0	0	1,049
Teledrifting AS	Norway	50%	NOK 150	2,893	0	0	1,446
Lista Flypark AS	Norway	50%	NOK 100	104	0	0	52
Synkarion AS	Norway	34%	NOK 100	95	784	194	32

contd.

21 per cent of staff are well accustomed to packing their bags and travelling outside the country. That is seven per cent less than last year.

Note 7 Participating interests in associated undertakings (contd.)

Name	Domicile	Ownership share	Share capital	Shareholders' funds	Profit for the year	COWI Group's share: Profit on ordinary activities before tax	COWI Group's share: Shareholders' funds
			(1,000)	DKK ´000	DKK ´000	DKK ´000	DKK ´000
Wellfield Consulting Services (Proprietary) Limited	Botswana	50%	BWP 209	2,826	260	130	1,414
Interconsult Bulgaria Limited	Bulgaria	50%	USD 267	706	0	0	353
Hunan Qunshan Water Treatment Equipment Co. Ltd.	China	28%	USD 600	722	0	0	199
Zeolite Investments (Private) Limited	Zimbabwe	35%	ZWD 0.1	894	0	0	313
Interconsult Zimbabwe (Private) Limited	Zimbabwe	35%	ZWD 200	1,521	0	0	532
						630	8,400

Note 8 Financial income

PARENT COMPANY 2001/02	PARENT COMPANY 2002/03	DKK ´000	GROUP 2002/03	GROUP 2001/02
14,697	11,560	Interest, cash at bank and in hand and securities etc,	15,626	17,447
1,624	3,844	Interest, Group companies	-	-
3,820	10,864	Realised and unrealised capital gains, investments	10,864	3,820
1,779	1,582	Foreign exchange gains	7,350	2,863
21,920	27,850	**Financial income**	33,840	24,130

Note 9 Financial expenses

PARENT COMPANY 2001/02	PARENT COMPANY 2002/03	DKK ´000	GROUP 2002/03	GROUP 2001/02
-1,433	-3,659	Interest, bank and mortgage debt etc.	-10,982	-3,571
-251	-	Interest, Group companies	-	-
-12,617	-12,290	Realised and unrealised capital loss, investments	-12,290	-12,617
-1,661	-8,052	Foreign exchange loss	-12,262	-1,887
-15,962	-24,001	**Financial expenses**	-35,534	-18,075

A considerably larger share of our work is now done at project offices or subsidiaries by expatriate staff.

Note 10 Tax on profit for the year

PARENT COMPANY			GROUP	
2001/02	**2002/03**	**DKK ´000**	**2002/03**	**2001/02**
-	-	Current tax	-7,128	-3,278
-550	-686	Current tax, foreign project offices	-686	-550
-18,410	-8,230	Deferred tax	-9,918	-17,077
-7	-	Tax in associated undertakings	-15	-7
-741	-7,823	Tax in Group companies	-	-
2,426	-	Deferred tax for previous years carried back	-	2,426
-17,282	-16,739	**Tax on profit for the year**	-17,747	-18,486
		broken down as follows:		
-17,282	-16,739	Tax on profit on ordinary activities	-17,747	-18,486
-	-	Tax on profit on extraordinary activities	-	-
-17,282	-16,739	Tax on profit for the year	-17,747	-18,486
-	-	Tax on movements in shareholders' funds	-	-
-17,282	-16,739	**Total tax on profit for the year**	-17,747	-18,486
		Tax on profit on ordinary activities can be broken down as follows:		
-15,901	-11,786	Tax on profit on ordinary activities before tax calculated at 30%	-12,606	-17,031
567	-6,561	Adjustment of tax calculated in foreign Group undertakings in proportion to 30%	-6,561	567
		Tax effect from:		
-1,800	-2,450	Book amortisation of goodwill disallowed for tax purposes	-2,450	-1,800
-2,574	-1,140	Other costs disallowed for tax purposes	-1,328	-2,648
2,426	5,198	Adjustment of taxes for previous years	5,198	2,426
-17,282	-16,739		-17,747	-18,486
32.6%	42.6%	**Effective tax rate**	42.2%	32.6%

Note 11 Intangible fixed assets

	GROUP				
DKK ´000	Goodwill and rights	Group goodwill	Software	Development products	Total
Cost at 1 May 2002	19,925	33,697	33,664	-	87,286
Additions	1,101	249,639	19,143	8,664	278,547
Disposals	-	-	4,457	-	4,457
Cost at 30 April 2003	21,026	283,336	48,350	8,664	361,376
Amortisation and writedowns at 1 May 2002	19,756	18,038	25,934	-	63,728
Amortisation	283	13,902	8,674	7,363	30,222
Disposals	16	-	3,638	-	3,654
Amortisation and writedowns at 30 April 2003	20,023	31,940	30,970	7,363	90,296
Net book value at 30 April 2003	**1,003**	**251,396**	**17,380**	**1,301**	**271,080**

	PARENT COMPANY				
DKK ´000	Goodwill and rights	Group goodwill	Software	Development products	Total
Cost at 1 May 2002	19,593	33,697	27,543	-	80,833
Additions	137,415	112,224	12,392	8,664	270,695
Disposals	-	-	-	-	-
Cost at 30 April 2003	157,008	145,921	39,935	8,664	351,528
Amortisation and writedowns at 1 May 2002	19,546	18,038	20,481	-	58,065
Amortisation	5,783	8,166	6,839	7,363	28,151
Disposals	-	-	-	-	-
Amortisation and writedowns at 30 April 2003	25,329	26,204	27,320	7,363	86,216
Net book value at 30 April 2003	**131,679**	**119,717**	**12,615**	**1,301**	**265,312**

We have become good at creating professional networks. The number has risen from 45 to 49.

Note 12 Tangible fixed assets

DKK ´000	Land and buildings	Technical installations, equipment and auto-mobiles	Assets in course of construction	Total
		GROUP		
Cost at 1 May 2002	9,665	243,963	158	253,786
Additions	7,797	75,414	364	83,575
Disposals	4,862	13,126	158	18,146
Cost at 30 April 2003	12,600	306,251	364	319,215
Depreciation and writedowns at 1 May 2002	3,927	152,562	-	156,489
Depreciation and writedowns	257	39,558	-	39,815
Disposals	2,087	10,977	-	13,064
Depreciation and writedowns at 30 April 2003	2,097	181,143	-	183,240
Net book value at 30 April 2003	**10,503**	**125,108**	**364**	**135,975**

At 1 January 2002, the official valuation of Danish properties with a net book value of DKK 6,384 thousand amounted to DKK 8,220 thousand.

DKK ´000	Land and buildings	Technical installations, equipment and auto-mobiles	Assets in course of construction	Total
		PARENT COMPANY		
Cost at 1 May 2002	9,665	180,404	-	190,069
Additions	139	37,783	-	37,922
Disposals	4,793	4,583	-	9,376
Cost at 30 April 2003	5,011	213,604	-	218,615
Depreciation and writedowns at 1 May 2002	3,927	101,033	-	104,960
Depreciation and writedowns	157	26,070	-	26,227
Disposals	3,223	3,455	-	6,678
Depreciation and writedowns at 30 April 2003	861	123,648	-	124,509
Net book value at 30 April 2003	**4,150**	**89,956**	**-**	**94,106**

At 1 January 2002, the official valuation of Danish properties with a net book value of DKK 4,150 thousand amounted to DKK 4,580 thousand.

Note 13 Fixed asset investments

DKK ´000	Participating interests in associated undertakings	GROUP Other investments and partici-pating interests	Total
Cost at 1 May 2002	4,130	2,064	6,194
Additions	4,326	17,823	22,149
Disposals	409	-	409
Cost at 30 April 2003	8,047	19,887	27,934
Revaluations at 1 May 2002	98	19	117
Additions	1,052	5	1,057
Disposals	20	-	20
Revaluations at 30 April 2003	1,130	24	1,154
Writedowns at 1 May 2002	619	538	1,157
Additions	158	6,151	6,309
Disposals	-	-	-
Writedowns at 30 April 2003	777	6,689	7,466
Net book value at 30 April 2003	**8,400**	**13,222**	**21,622**

			PARENT COMPANY		
DKK ´000	Partici-pating interests in subsid-iaries	Partici-pating interests in associated undertakings	Loans to sub-sidiaries	Other investments and parti-cipating interests	Total
Cost at 1 May 2002	87,850	2,431	13,093	809	104,183
Additions	48,936	-	1,068	-	50,004
Disposals	34,991	409	5,014	-	40,414
Cost at 30 April 2003	101,795	2,022	9,147	809	113,773
Revaluations at 1 May 2002	20,088	98	-	19	20,205
Additions	7,266	1,052	-	5	8,323
Disposals	7,801	20	-	-	7,821
Revaluations at 30 April 2003	19,553	1,130	-	24	20,707
Writedowns at 1 may 2002	28,353	619	-	538	29,510
Additions	9,120	158	-	2	9,280
Disposals	15,643	-	-	-	15,643
Writedowns at 30 April 2003	21,830	777	-	540	23,147
Net book value at 30 April 2003	**99,518**	**2,375**	**9,147**	**293**	**111,333**

A full 32 per cent of our clients are new.

Note 14 Work in progress, net

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
1,546,441	1,884,755	Work in progress, direct expenses	2,418,728	1,702,768
664,577	821,711	Addition for indirect expenses and interim profit from on-account payments	981,324	792,481
2,211,018	2,706,466	Work in progress, gross	3,400,052	2,495,249
-2,092,037	-2,524,241	Amounts invoiced on account	-3,159,172	-2,319,657
118,981	182,225	**Work in progress, net**	240,880	175,592
		Broken down as follows on domestic and foreign projects:		
56.270	94,906	Domestic projects	94,906	56,270
62,711	87,319	Foreign projects	145,974	119,322
118,981	182,225		240,880	175,592

Note 15 Net pension assets and net pension liabilities

The COWI Group's Norwegian subsidiaries have arranged defined benefit plan pension schemes for their employees. In 2002/03, this included the Interconsult ASA group and Hjellnes COWI AS. Only Hjellnes COWI AS was included in 2001/02.

	2002/03	2001/02
Number of people covered by the pension benefit scheme		
Active staff	691	131
Retired staff	69	13
Total number of people covered by the pension benefit scheme	760	144
Net pension assets and pension liabilities		
Estimated pension liabilities as at 30 April	202,329	26,588
Pension funds as at 30 April	133,050	18,805
Estimated current value, net liabilities as at 30 April	69,279	7,783
Estimate/plan changes not entered to the profit and loss account at the time of take-over	-85,069	0
Of which allocated to operating profits during ownership time	1,401	0
Value adjustments of estimate/plan changes not entered to the profit and loss account at the time of take-over	5,827	0
Estimate/plan changes not entered to the profit and loss account during the ownership time	-13,397	-3,825
Net pension funds and liabilities as at 30 April	-21,959	3,958
which is entered in the balance sheet as follows:		
Net pension assets	**25,129**	**-**
Net pension benefit liabilities	**-3,170**	**-3,958**
	21,959	-3,958

Note 15 Net pension assets and net pension liabilities (contd.)

	2002/03	2001/02
Specification of net pension scheme costs charged to the profit and loss account:		
Pension earnings during the year	6,227	2,155
Interest expenses on accrued pension liabilities	4,580	1,651
Expected return on pension funds	-3,893	-1,384
Estimate and plan changes entered to the profit and loss account	1,548	198
Other changes in pension liabilities	-74	-109
Total pension costs entered to the profit and loss account as at 30 April	8,388	2,511

Pension calculations are based on the following financial assumptions:		
Discount rate	6.0%	6.0%
Expected return	7.0%	7.0%
Salary adjustments	4.0%	3.0%
Long-term health regulation	3.3%	3.3%
Pension adjustments	2.5%	2.5%
Expected voluntary redundancy before 40 years of age	4.0%	4.0%
Expected voluntary redundancy after 40 years of age	2.0%	2.0%
Discount rate applied on 30 April	6.0%	7.0%

Estimate changes and divergences are amortised over the expected remaining pension savings period to the extent that they exceed ten per cent of the largest of pension liabilities and pension funds (corridor). Both in the parent company and the group, plan changes are amortised over the expected remaining pension saving time (non-corridor method).

Both in the parent company and the group, over-financing is made probable by the cash value of the total pension liability (accrued and future) exceeding the value of the pension funds.

In previous years, COWI A/S has approved defined benefit plan pension schemes for a number of former and present members of management.

Net present value of non-balance sheet pension undertakings in COWI A/S	16,000	13,600

Note 16 Prepayments

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
10,827	6,819	Insurance premiums	10,421	12,067
12,554	2,831	Rent	8,885	12,554
12,331	25,032	Other	26,134	13,432
35,712	34,682	**Prepayments**	45,440	38,053

Almost half of staff (48 per cent) have shares in COWI.

Note 17 Own shares

DKK ´000	PARENT COMPANY Share of shareholders' funds	Nominal share holding	Acquisition price
Cost at 1 May	2.2%	772	6,602
Additions for the year	-	-	-
Disposals for the year	0.7%	550	4,702
Shareholding at 30 April	1.5%	222	1,900

Note 18 Current asset investments

	PARENT COMPANY	
DKK ´000	2002/03	2001/02
Shares	29,653	40,626
Bonds	113,982	195,119
Portfolio at 30 April	143,635	235,745

Note 19 Shareholders' funds

The share capital consists of:

		2002/03
		DKK ´000
A shares:		
2 shares of each DKK	1,000	2
1 share of DKK	2,998,000	2,998
1 share of DKK	7,000,000	7,000
1 share of DKK	10,000,000	10,000
		20,000
B shares:		
147,500 shares of each DKK 100	100	14,750
		14,750

Each A share of DKK 100 carries 10 votes whereas each B share of DKK 100 carries 1 vote.

Note 20 Minority interests

	GROUP	
DKK ´000	2002/03	2001/02
Minority interests at 1 May	11,655	8,895
Acquisition of subsidiary	3,493	-
Share of profit for the year	1,725	2,562
Exchange adjustment	-1,366	198
Minority interests at 30 April	15,507	11,655

Note 21 Deferred tax

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
137,966	153,950	Deferred tax at 1 May	156,482	141,629
-2,426	-5,198	Reversal concerning previous years	-5,198	-2,426
18,410	13,428	Deferred tax for the year	15,116	17,077
-	-	Addition on acquisition of group company	-24,981	202
153,950	162,180	**Deferred tax at 30 April**	141,419	156,482
		Deferred tax concerns:		
-1,262	-2,606	Intangible fixed assets	-2,606	-1,262
-4,683	-5,350	Tangible fixed assets	-156	-3,318
-309	691	Fixed asset investment	690	-308
163,445	187,206	Current assets	189,768	162,547
-	-	Provisions	16,510	810
-2,100	-2,400	Debts	-6,583	-846
-1,141	-15,361	Tax-loss carryforwards	-56,204	-1,141
153,950	162,180		141,419	156,482

Note 22 Other provisions

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
-	-	Guarantees at 1 May	1,729	1,265
-	-	Adjustment for the year	5,853	464
-	-	**Guarantees at 30 April**	7,582	1,729
-	4,363	Other provisions	4,363	-
-	4,363	**Other provisions at 30 April**	11,945	1,729

Note 23 Long-term debt

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
1,486	2,407	Long-term debt falling due after more than 5 years	4,278	1,486
6,757	9,482	Long-term debt falling due between 1 and 5 years	34,280	7,026
8,243	11,889	**Long-term debt**	38,558	8,512

Note 24 Amounts invoiced in advance

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
		Broken down as follows between domestic and foreign projects		
74,748	103,042	Domestic projects	103,042	74,748
112,044	229,710	Foreign projects	220,130	130,560
186,792	332,752	**Amounts invoiced in advance**	323,172	205,308

Note 25 Contingent liabilities, commitments and guarantees

PARENT COMPANY			GROUP	
2001/02	2002/03	DKK ´000	2002/03	2001/02
		Contingent liabilities		
3,053	2,094	Lease commitments (operating leases) expiring within 5 years with a total of	25,371	26,610
247,467	356,286	Rental commitments in the period of termination	657,310	247,467
263,555	306,377	Recourse guarantees and performance bonds	457,689	263,555
21,348	23,035	Other guarantees and charges	28,508	23,028

The Group's Danish companies are jointly and severally liable for tax on Group income subject to joint taxation.

By virtue of its business operations, the COWI Group is a party to legal disputes that can be expected in the course of its business operations. In the opinion of Management, no material liabilities are incumbent on the Company as a consequence of this.

Current restructuring expenses are charged to the profit and loss account as incurred.

Together with other consultants, COWI A/S has entered into joint ventures and in this connection COWI A/S is liable for any joint liabilities.

Guarantees

The following assets have been provided as guarantees to credit institutions:

11,026	14,821	Technical installations, equipment and automobiles at a net book value of	111,555	11,026

Furthermore, COWI A/S has a total guarantee facility of DKK 668 million, of which DKK 453 million has been spent at 30 April 2003 for performance bonds in connection with projects in progress.

COWI now has many more private clients than last year. The proportion has grown from 27 to 31 per cent.

Note 26 Related party transactions

The COWI FOUNDATION owns all A shares in the Company and exercises a controlling influence on the Company. The COWI FOUNDATION does not carry on any independent business, and no material transactions are conducted between the Foundation and the Company.

No transactions with other related parties are conducted.

Note 27 Board of Directors and Executive Management

The members of the board and Executive Management of the company possess the following nominal share holdings in COWI A/S and hold the following directorships and executive responsibilities in companies other than COWI companies:

Board of Directors	Directorships and executive functions in other companies	Shares in COWI A/S, nom. holdings
Ole Steen Andersen, Chairman	Danfoss A/S (M), Sauer-Danfoss Inc. (MB), Danfoss Murmann Holding A/S (MB)	-
Vagn Jensen, Deputy Chairman		17,300
Henrik Gürtler	Novo A/S (M), Novozymes A/S (CB), Center for ledelse (CB), Københavns Lufthavne A/S (MB)	-
Niels Christian Nielsen	Danske Bank A/S (MB), Grundfos A/S (MB), Otto Mønsted A/S (MB), Oticon-Fonden (MB)	-
Henrik Brade Johansen		2,300
Eigil Steen Pedersen		16,300
Berit Bankel *		2,900
Henriette R. Bundgaard *		1,500
Lars Rosholm *		9,700
Executive Management		
Klaus H. Ostenfeld, Managing Director, CEO		17,300
Keld Sørensen, Financial Director, CFO		700
Knud Østergaard Hansen, Executive Director, Danish Operations		17,300
Henning H. Therkelsen, Executive Director, International Operations		17,300

(CB) = Chairman of the Board of Directors

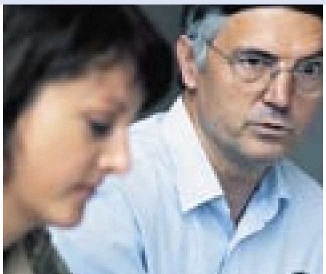
(MB) = Member of the Board of Directors

(M) = Manager

*) Staff representatives

Note 28 Cash and cash equivalents

	GROUP	
DKK ´000	**2002/03**	**2001/02**
Cash and cash equivalents at 30 April include:		
Securities	143,635	235,745
Cash at bank and in hand	75,356	75,900
Cash and cash equivalents at 30 April	218,991	311,645
Committed credit facilities at 30 April (not including guarantee facilities)	231,000	86,304
Financial resources at 30 April	**449,991**	**397,949**



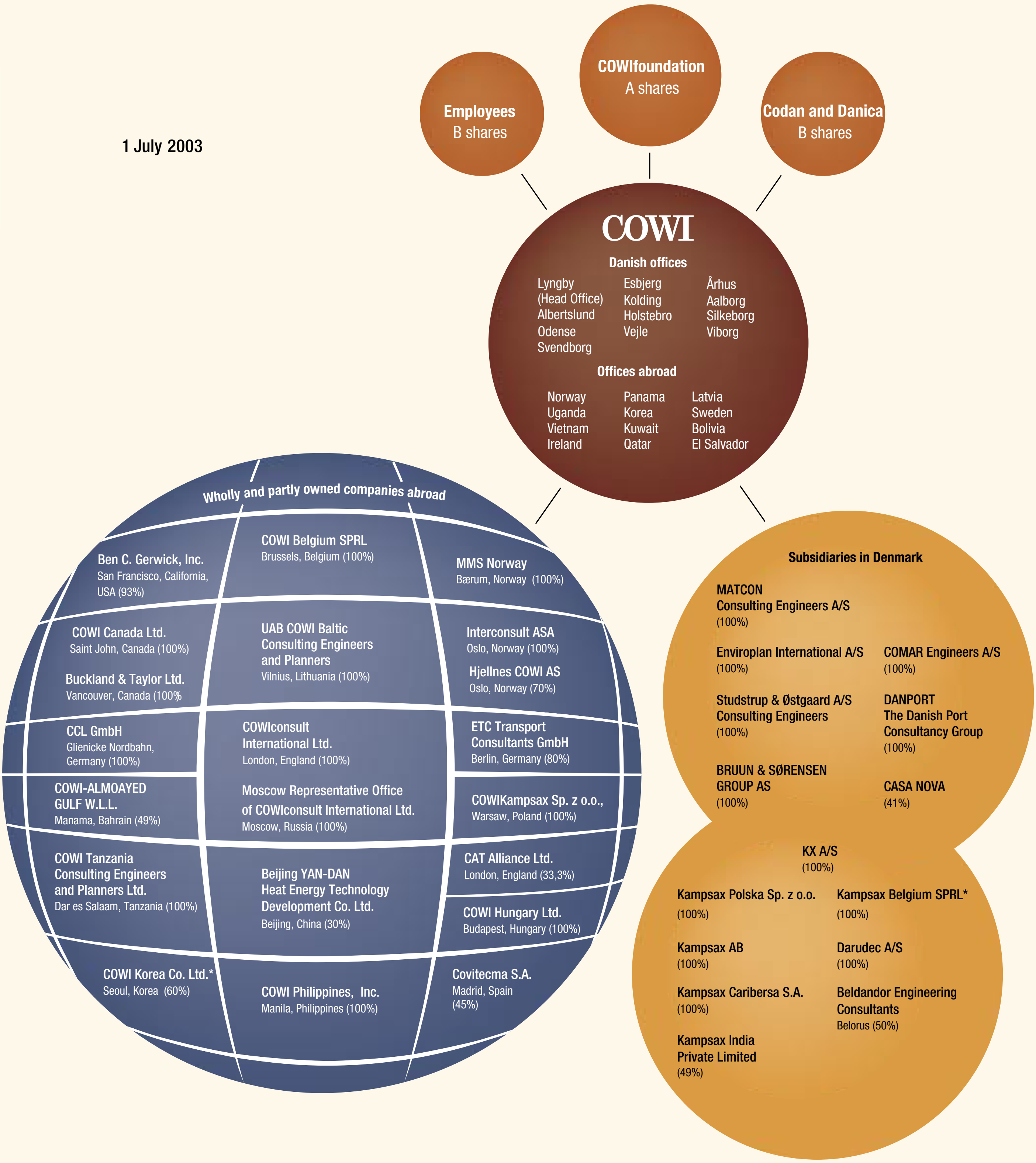
COWI staff have increased their media presence by 12 per cent.

COWI's offices abroad

● Offices abroad
● International experience

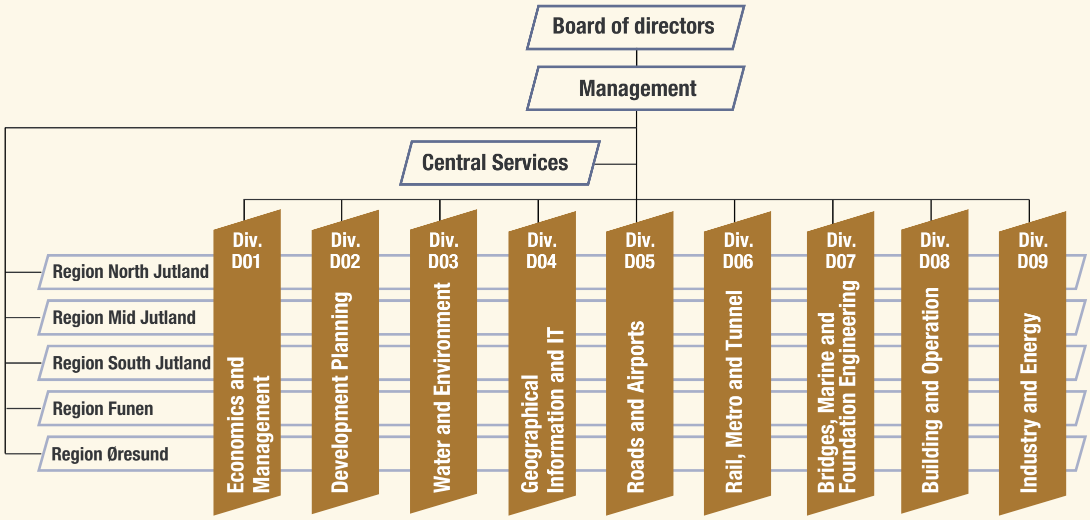
COWI's offices in Denmark

1 July 2003



*Established 1 May 2003

COWI A/S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Region North Jutland
Region Mid Jutland
Region South Jutland
Region Funen
Region Øresund
Div. D01
Economics and Management
Div. D02
Development Planning
Div. D03
Water and Environment
Div. D04
Geographical Information and IT
Div. D05
Roads and Airports
Div. D06
Rail, Metro and Tunnel
Div. D07
Bridges, Marine and Foundation Engineering
Div. D08
Building and Operation
Div. D09
Industry and Energy

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Louis Herrera, Managing Director, Bolivia

Raphael Zayat, Managing Director, Belgium

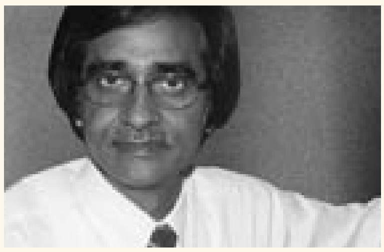
Witold Pawlowski, Managing Director, Poland

Jorge Torrejon, President, Canada

Robert Bittner, President, USA

Man-Seop Lee, President, Korea

Juan-Antonio Martinez Ripoll, Managing Director, Spain

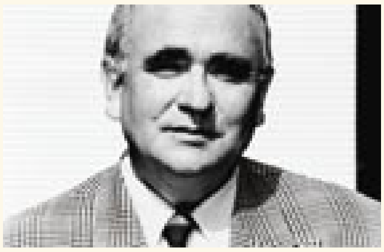


Alok Upadhyaga, Managing Director, India


Tony Carpenter, General Manager, Bahrain


Andrius Koncius, Managing Director, Lithuania


Preben West Jensen, Branch Manager, Uganda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Henrik Theilgaard, Managing Director, Tanzania


Zsuzsanna Lehoczki, Managing Director, Hungary


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Christian Nørgaard Madsen,
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Ivar O. Schjetlein, Managing Director,
Hjellnes COWI, Norway


Michael Lorentzen, Managing Director, Belgium

Klaus H. Ostenfeld, Managing Director and CEO

Mogens Heering, Divisional Director, Water and Environment

Henning H. Therkelsen, Executive Director, International Operations

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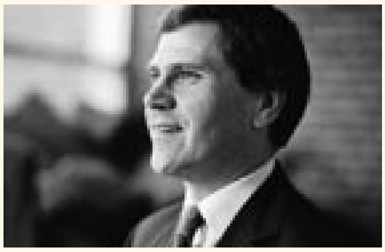

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Anton Petersen, Divisional Director, Bridges, Marine and Foundation Engineering

Niels Aude, Divisional Director, Building and Operation

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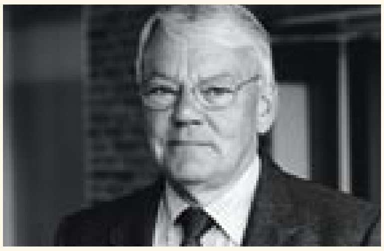

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COWI is an independent consulting company which delivers state-of-the-art services within the fields of engineering, environmental science and economics. COWI has a total of 3400 employees, of which 2000 are based in Denmark and 1400 in subsidiaries and project offices around the world. COWI's future turnover is expected to grow to DKK 2.6 billion (EUR 356m) annually, including the projected turnover of recently acquired companies Kampsax and Interconsult.

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