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Operating review

The repercussions of the economic crisis that the world was thrown into in late 2008 continue to leave their mark. Throughout this period the completion of our ongoing projects has continued in a satisfactory way. Furthermore, during the year, we have secured a significant intake of new orders, not least at home. We also expect to see the recovery in foreign markets resulting in increased orders in several markets.

Turnover in 2010 fell by 11.2% when compared with the previous year, a disappointing result. A contributory cause of this decline has been the resources we have employed in preparing unsuccessful bids, both at home and abroad.

Our activities over the last year were undertaken in more than 16 countries:

Home market

In Denmark we are working on Copenhagen's Rådhuspladsen extending and renovating "Industriens Hus". In addition, we have won the development of a headquarters building with adjoining warehousing for the UN City in Nordhavnen. In Aarhus we have started work on a large building complex, Navitas, for the Engineering College of Aarhus and the School of Marine and Technical Engineering, whilst the development of a new headquarters for Vestas is moving forward according to plan. Beyond this, we are working on the construction of a naval museum in Helsingør (Elsinore), a new centre for Novo in Hillerød together with a number of bridge works for the Danish Road Directorate.

The international markets

In Greenland we have started the construction of a 22 MW hydroelectric power station north of Jakobshavn.

In Iceland the consequences of the banking scandals continue to hold back a return to normality in the construction and infrastructure sectors. However, in the meantime, Ístak has been fortunate to have secured the construction of a 80 MW large hydroelectric power station costing almost EUR 54 million.

In Norway we have successfully secured a handful of contracts for harbour and tunnelling work which are being handled by our Icelandic subsidiary, Ístak.

In Sweden we are carrying out a number of large tunnel and bridge works which enabled us at the year end to win a contract for the construction of an approx. 2 km long bridge in Sundsvall in partnership with two German companies.

In Poland we are building a harbour quay in Swinoujscie in conjunction with Möbius and Bunte.

In the UK, on the Isle of Wight, we have secured an order for the construction of a school. Despite this, the current UK market is not particularly interesting.

In Togo we are constructing a harbour quay.

In Lebanon, work on the construction of a 600 m long container quay in Beirut is proceeding according to plan.

In the USA, amongst other work, we have secured a USD 80 million contract on Rhode Island for the reconstruction of a large bridge in partnership with a local firm.

On Jamaica's north coast, in Falmouth, work is progressing according to programme on the construction of a cruise liner dock which opened in mid-March 2011. The quay includes the construction of a large number of buildings to service the almost one million tourists that are expected to visit Falmouth each year. The entire contract amounts to EUR 128 million and the work is to be carried out in 20 months.

In Panama an intensive input into the construction of a 200 MW hydroelectric power station has meant that the plant is expected to be operational by mid-summer. The 100 m high dam is an impressive piece of engineering work.

In Colombo, Sri Lanka, the development of a water treatment plant has been completed, whilst work on a large waste water treatment plant with associated supply net in the town is continuing.

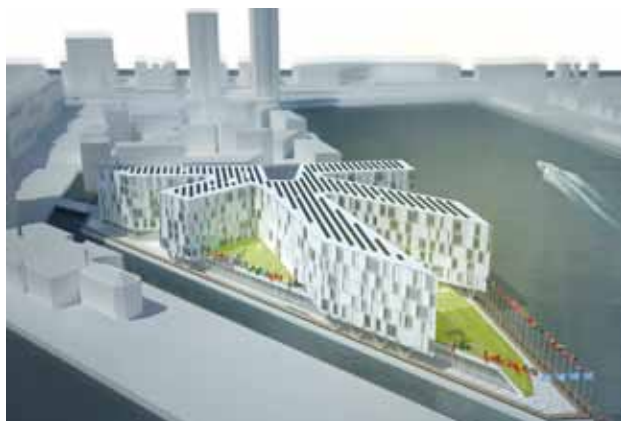
On Trinidad we have completed the building work for an 800 MW gas and steam driven power station.

In Mozambique we have successfully completed the repair of the runways of two airports.

It is self-evident that behind these varied and widespread tasks lies a leadership input that is second to none. We offer a huge thank you to all our colleagues, both near and far, who have made our achievements possible.

We look forward to the coming year with optimism, a year where we sense that there will be considerable demand for the talents found within our ranks.

UN City, Copenhagen



Income statement

In 2010, the Pihl Group realised revenue totalling EUR 650.5 million. 55% of the total revenue is generated by activities abroad, while the remaining 45% represent activities in Denmark, which corresponds to the allocation in 2009.

Increased tender and proposal activities in 2010 entailed an increase in sales costs. In spite of this, operating profit has been realised in the amount of EUR 12.7 million, equalling an improvement of 16.6% compared to 2009.

The operating profit improvement is primarily attributable to improved results from Danish activities.

Financial items consist of net expenses of EUR 8.2 million compared to net expenses in 2009 of EUR 1.1 million. The increased net expenses are primarily explained by foreign exchange adjustments to USD, SEK and NOK.

The profit for the year before tax amounts to EUR 4.4 million against EUR 9.8 million in 2009.

Tax on profit for the year amounts to net income of EUR 1.3 million against net expenses in 2009 in the amount of EUR 3.1 million. This entails a negative actual tax rate of 31% against positive tax rate of 31% in 2009. The negative tax rate is explained by the fact that losses on contracts abroad may now be deducted in Denmark, as the Group has decided on international joint taxation.

Consequently, profit for the year amounts to EUR 5.8 million compared to EUR 6.7 million in 2009.

Balance sheet

At 31 December 2010, the balance sheet total of the Group amounts to EUR 450.6 million against EUR 455.2 million at the expiry of 2009.

Funds tied up in work in progress (net) and trade payables have risen in total compared to 2009,

while contract debtors and other receivables are at a lower level compared to that of last year.

At 31 March 2011, the Group disposed of its shares in OPP Pihl Arkivet A/S and the balance sheet total is thus expected to be further reduced in the coming year.

At the expiry of 2009, the Group's equity amounted to EUR 84.7 million. At the expiry of 2010, equity amounts to EUR 94.0 million and the solvency ratio constitutes 20.8% against 18.6% last year.

The Group's net interest-bearing debt amounts to EUR 95.3 million at the end of 2010 against EUR 71.8 million at the end of 2009, corresponding to an increase of EUR 23.5 million. Of the increase, an amount of EUR 14.4 million relates to a decrease in cash in bank and in hand, primarily in consortiums, and EUR 8.7 million relates to an increased draw on credit facilities.

Cash flows and cash resources

This year's consolidated cash flows from operating activities are negative in the amount of EUR 10.5 million, which is mainly attributable to the increase in funds tied up in contract work in progress in the amount of EUR 66.0 million.

Cash flows for investing activities are negative in the amount of EUR 6.7 million compared to negative in the amount of EUR 27.8 million last year.

Cash flows for financing activities are negative in the amount of EUR 0.5 million compared to positive in the amount of EUR 4.0 million last year.

The total consolidated cash flow impact is negative in the amount of EUR 17.8 million compared to negative in the amount of EUR 32.2 million last year. Then, net cash resources, calculated as cash in bank and in hand less current debt to mortgage credit institutions, etc., are negative in the amount of EUR 67.9 million against negative in the amount of EUR 44.8 million last year.

Net cash resources comprise cash and cash equivalents in consortiums, etc. at EUR 7.8 million which is not directly available to the Group.

During the year, a range of claims and disputes were ended - partly by settlements and partly as court decisions. These rulings have contributed positively to the consolidated cash resources.

The net cash resources are affected in an opposite way by an increasing volume of orders and thereby a rising level of activity which is for a period of time tying up the cash resources in the Group.

The consolidated cash resources are expected to improve in the coming year.

Credit facilities

The Group's cash resources mainly comprise the parent company's bank credit facility, which is included in the bank agreement with the main bank connection. The bank agreement has been renewed up to 30 April 2012.

Skovbrynet Highway Bridge Project, Greater Copenhagen



A range of financial conditions relating to a fulfilment of the consolidated operating and cash flow budget in the agreed term are tied to parts of the bank agreement.

It is the assessment of the Executive Board and the Board of Directors that the conditions agreed upon leave sufficient latitude and that on this basis, the cash resources are sufficient.

Uncertainty associated with recognition and measurement

The Group's activities in Iceland

At the expiry of 2010, as also at the expiry of 2009, trade in the Icelandic currency was suspended by the Danish central bank (Danmarks Nationalbank). At the expiry of 2010, translation was made at the exchange rate of 0.617 and at the expiry of 2009 at 0.556, equalling the exchange rate quoted at the Icelandic central bank, Sedlabanki.

In 2008, building sites for sale and a tenanted property in Iceland were revaluated at fair value. The fair value is reassessed annually based on an external property assessor's valuation based on cautious assumptions. At the end of 2010, the fair value is assessed at a level similar to that of 2009. The valuation of the sites is based on disposal within a period of 5 years.

The marketability of building sites in Iceland depends on economic trends. The general economic situation in Iceland continues to cause some concern and the time for disposal of the building sites is therefore difficult to predict.

At the end of 2009, equity in Ístak amounted to EUR 35.0 million and at the end of 2010 to EUR 40.4 million.

The recognised values are assessed to be recoverable when the economic situation in Iceland improves, including that the Icelandic Króna is readmitted for quotation.

Construction contracts

Recognition and measurement of work in progress is based on a professional assessment of the stage of completion of the individual projects as well as the expected remaining completion of each contract, including the possible outcome of disputes concerning additional services, deadline extensions, daily penalty claims, etc. A loss is recognised for the entire project, when expected. The assessment of project progress and economy, including disputes, is made on each project individually under the responsibility of the Executive Board.

Assessments associated with the future completion of the remaining work depend on a range of different factors, like the preconditions for a project may change as the work is performed. The actual result may thereby deviate from the expected result.

The assessment of disputes regarding additional services, deadline extensions, daily penalty claims, etc. is made based on the nature of the matters, knowledge of the Employer, stage of negotiations, prior experiences and thereby an assessment of the outcome of each case. Dependent on the stage and materiality of the claims, recognition and measurement hereof is supported by legal or other expert external assessment.

At 31 December 2010, the Group recognised not immaterial claims related mainly to completed projects abroad. One single project is included at EUR 40.3 million. The Employer is notified of claims on an ongoing basis as they arise. The recognition of the claims is based on negotiations with the Employer, legal assessment or the assessment of an expert external claims consultant. It is Management's assessment that the recognised claims are recoverable - either by an out-of-court settlement or via litigation or arbitration.

Claims against Employer are recognised at the estimated share of the value of contract work in progress and for completed work as other receivables.

The assessments applied are based on responsible preconditions, but the measurement of certain claims, including settlement of hours spent, will naturally be subject to uncertainty associated with the final outcome of the cases. For this reason, both positive and negative deviations may occur with respect to the measurement at 31 December 2010.

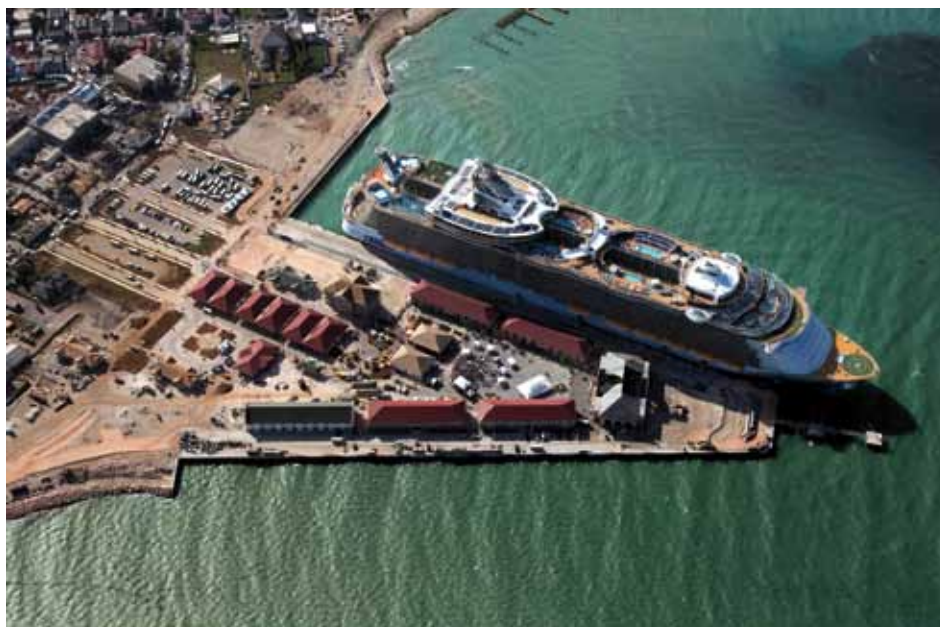
Risks

The Pihl Group's activities entail a range of commercial and financial risks that may affect the Group's development, financial position and results. The most significant risks are described below.

Industry risks

Like most industries, the construction industry is affected by economic trends and thereby the level of demand. For this reason, activities are distributed between many different countries and for a variety of technical areas.

Falmouth Cruise Line Terminal, Jamaica



The Group's work in progress and volume of orders give reason to expect that the Group will benefit from the generally positive economic expectations for 2011.

Currency risks

The Group's foreign activities comprise income and expenses in foreign currencies. Currency risks related to significant contracts in currencies outside the Euro co-operation are hedged by means of foreign exchange contracts after an individual assessment.

The consolidated results and equity are affected by changes in currency exchange rates at the translation of foreign projects and financial statements of foreign subsidiaries. There is no hedging of such currency risks.

Credit risks

Through entering construction contracts, the Company does to a wide extent secure payments in advance for work performed, like credit risks are reduced by means of guarantees. Revenue from single customers constitutes a maximum of 10% of the annual revenue. The Group has outstanding accounts with single customers that constitute as much as 20% of the total outstanding accounts with customers (contract debtors, work in progress and other receivables).

Political credit risks related to work performed abroad are covered through export credit insurance following an individual assessment.

Interest rate risks

Interest rate risks are mainly related to interest bearing debt and cash in bank and in hand. The Group's net interest bearing debt, which has been taken out in Danish Kroner, Euro, USD and Icelandic Króna, amounts to EUR 95.3 million. The major part is variable-rate loans.

Social responsibility

The Pihl Group is aware of its social responsibilities. Pihl has prepared a brief CSR report for 2010.

The report is available from Pihl's website: www.pihl-as.dk/om-pihl/samfundsansvar/.

Outlook

The Group's volume of orders at the end of 2010 gives reason to expect higher revenues in 2011 compared to 2010 as well as proportionally higher results for 2011.

Expectations for the future economic development are as always associated with uncertainty, but also with opportunities that may cause development to deviate from expectations.

It shall be stated that no events have occurred after the expiry of the financial year that may significantly affect the assessment of the Group's financial position at 31 December 2010.

Accounting policies

The Financial Statements for 2010 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act. The applied accounting policies appear from the official Danish annual report to which we refer. The accounting policies used are consistent with those of last year.

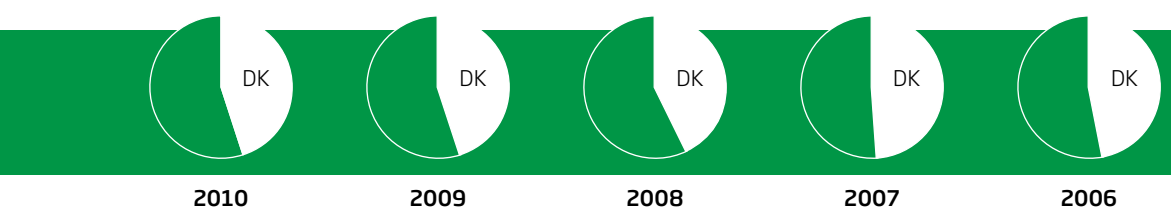
The Danish annual report is presented in DKK. Profit and loss account items in the financial summary are translated from DKK to EURO using an average exchange rate for the year while the Balance sheet items are translated using the exchange rate for the balance sheet date in the respective financial year.

A full UK version of the Danish annual report can be found on www.pihl-as.com

Turnover source

Year	Denmark	Abroad	Total
2010	294	356	650
2009	332	400	732
2008	376	493	869
2007	400	414	814
2006	364	411	775

mill. €



Key figures

Financial highlights for the group (mill. €)	2010	2009	2008	2007	2006
Net turnover	650	732	869	814	776
Gross profit	40	37	42	26	39
Operating profit	13	11	20	5	20
Financial items, net	-9	-1	-11	-2	-2
Profit before tax	4	10	8	13	20
Consolidated profit of the year	6	7	3	12	15

Balance sheet

Total assets	451	455	458	481	346
Equity	94	85	79	82	69

Key figures

Profit margins	2.0	1.5	2.3	0.6	2.6
Return on net assets	2.8	2.4	4.4	1.1	6.9
Cash flow ratio	1.1	1.1	1.2	1.1	1.0
Equity ratio	20.8	18.6	17.2	17.2	20.0
Return on equity	6.5	8.3	3.5	16.2	21.9

Profit and loss account

Consolidated profit and loss account (mill. €)	2010	2009
Revenue	650,408	732,284
Production costs	-609,972	-695,665
Gross profit	40,436	36,619
Distribution costs	-10,910	-8,835
Administrative expenses	-16,826	-16,860
Operating profit	12,700	10,924
Share of profit/loss in associates	942	1,929
Profit from other investments	199	-52
Financial income	3,059	2,635
Financial expenses	-12,450	-5,621
Profit from ordinary activities before tax	4,450	9,815
Tax on profit from ordinary activities	1,374	-3,046
Profit for the year	5,824	6,769

Operating margin

$$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

Return on invested capital

$$\frac{\text{Operating profit} \times 100}{\text{Average invested capital}}$$

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Return on equity

$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Balance sheet, assets

Consolidated balance sheet (mill. €)	2010	2009
Assets		
Non-current assets		
Property, plant and equipment		
Land and buildings	25,651	24,637
Investment property	2,438	2,082
Construction property	46,547	52,823
Fixtures and fittings, cars, etc.	2,530	2,317
	77,166	81,859
Investments		
Investments in associated undertakings	7,122	8,476
Other securities and equity investments	2,846	2,170
Financial leases receivable PPP	33,339	33,491
	43,307	44,137
Total non-current assets	120,473	125,996
Inventories		
Investment properties	24,599	21,072
Consumables	1,555	4,710
	26,154	25,782
Receivables		
Contract debtors	124,494	126,374
Work in progress - Progress billings	57,874	22,420
Corporation tax	267	495
Other receivables	95,054	106,154
Prepayments	8,664	16,068
	286,353	271,511
Cash at bank and in hand	17,597	31,901
Total current assets	330,104	329,194
Total assets	450,577	455,190

Balance sheet, liabilities

Consolidated balance sheet (mill.€)	2010	2009
Equity		
Share capital	7,517	7,517
Reserve for revaluation	13,067	13,429
Retained earnings	73,342	63,762
Total equity	93,926	84,708
Provisions		
Deferred tax	7,496	8,575
Other provisions	2,819	6,252
Total provisions	10,315	14,827
Liabilities other than provisions		
Non-current liabilities other than provisions		
Mortgage credit institutions	25,970	25,922
Long-term loan - PPP	30,668	31,120
Other debt	189	208
Total long-term debt	56,827	57,250
Current liabilities other than provisions		
Current portion of non-current liabilities other than provisions	4,073	3,479
Credit institutions	85,545	76,758
Contract work in progress - progress billings	48,015	75,109
Advance payments	26,125	28,415
Suppliers of goods and services	81,983	67,766
Debt to shareholders	2,076	2,002
Corporate tax	313	805
Other debt	41,379	44,071
Total short-term debt	289,509	298,405
Total liabilities other than provisions	346,336	355,655
Total equity and liabilities	450,577	455,190

The Soderstroms Tunnel, Stockholm, Sweden



The Executive Board and the Board of Directors have today discussed and approved the annual report of E. Pihl & Søn A.S. for the financial year 1 January - 31 December 2010.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2010 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2010.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

The preceding Management's review and summarised financial statements have been prepared on the basis of the official Danish annual report for E. Pihl & Søn A.S. for 2010.

Lyngby, 26 May 2011

Executive Board

Søren Langvad

Søren Langvad

CEO

Svend Erik Clemmensen

Svend Erik Clemmensen

Kurt Carlsen

Kurt Carlsen

Halldór P. Ragnarsson

Halldór P. Ragnarsson

Board of Directors

Søren Langvad

Søren Langvad

Chairman

Kjartan Langvad

Kjartan Langvad

Peter Fogh

Peter Fogh

Jørgen Sillesen

Jørgen Sillesen

Beirut Harbour, Lebanon



To the shareholders of E. Pihl & Søn A.S.

In accordance with the Danish Standards on Auditing we have audited the consolidated financial statements and the financial statements of E. Pihl & Søn A.S. (referred to as Annual report) for the financial year ended 31 December 2010 from which the preceding summarised financial statements are extracted. In addition to our audit of the Annual report, we have read the related Management's review and issued a statement in this regard.

In our auditors' report of 26 May 2011, we expressed an opinion which did not result in any qualification on the Annual report from which the summarised financial statements are extracted.

In the same auditors' report, we included the following emphasis of matter paragraph in regard to the Annual report:

"Without affecting our audit opinion, we refer to note 1 to the consolidated financial statements and the parent company financial statement regarding "Accounting estimates and assumptions".

Note 1 includes Management's account of the uncertainty associated with the measurement of legal disputes and associated credit risks in connection with contracts as well as the uncertainty associated with the measurement of the Icelandic subsidiary, Ístak, including valuation and marketability of land.

We agree with Management's description of the matters concerned."

The emphasis of matter paragraph refers to note 1 to the Annual report regarding "Accounting estimates and assumptions". The note describes in detail the circumstances discussed which include "construction contracts", "credit risks", "the Group's activities in Iceland" and "credit facilities". The mentioned sections from note 1 to the Annual report

are reproduced in the preceding Management's review.

To better understand the Group's financial position and results as well as the proportion of the performed audit, the summarised financial statements should be read in context to the Annual report from which the summarised financial statements and the Management's review were extracted, including the related auditors' report.

Basis of opinion

We have planned and conducted our work in accordance with the Danish Standard on Auditing on independent auditors' report on auditing tasks with special purpose in order to obtain reasonable assurance that the summarised financial statements and the Management's review in all materiality are in accordance with the Annual report from which they are extracted.

Opinion

In our opinion the preceding summarised financial statements, including the Management's review's reproduction of note 1 to the Annual report are in all materiality consistent with the Annual report from which they are extracted and on which we issued our unqualified auditors' report with the above-mentioned emphasis of matter paragraph. Furthermore, in our opinion the preceding Management's review is in all materiality consistent with the Annual report from which it is extracted and in regard to which we issued a statement with no comments.

Copenhagen, 26 May 2011

KPMG

Statsautoriseret Revisionspartnerselskab

Niels Erik Borgbo

State Authorised
Public Accountant

Mona Blønd

State Authorised
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Changuinola Hydropower Plant, Panama

