

11 November 2013

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### **Interim financial report - Third quarter 2013**

The Board of Directors of MT Højgaard A/S has today discussed and approved the Group's interim financial report for the third quarter of 2013.

- The company's third-quarter financial performance matched expectations. The operating result (EBIT) was a profit of DKK 24 million, in line with the second-quarter result. The result reflects the fact that orders with low profitability are still being completed
- Profitability is gradually improving as the rigorous tender and risk management is reflected in production that meets our profitability requirements. The order portfolio's overall quality and risk profile have thus improved significantly
- In the first three quarters of the year the Group undertook a number of targeted initiatives involving restructuring of its activities, both customer-related and internal, in order to ensure a sound financial development

### **Results for the first three quarters**

- Revenue for the first three quarters was DKK 5.1 billion, as expected, compared with DKK 7.7 billion in the same period last year
- The operating result (EBIT) for the three quarters was a loss of DKK 21 million, in line with expectations
- Financial resources totalled DKK 668 million at 30 September 2013 compared with DKK 620 million at 31 December 2012. The increase in financial resources primarily reflects the DKK 300 million capital injection in February 2013, which is offset by an increase in funds tied up in working capital
- The equity ratio was 24.7% compared with 17.4% at the end of 2012. The increase reflects the capital injection in February and a lower balance sheet total
- The order book stood at DKK 5.5 billion at 30 September 2013, with DKK 1.6 billion for execution in 2013

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Interim financial report – Third quarter 2013

**Outlook for 2013**

- The outlook of revenue in the region of DKK 7 billion and a small positive operating result (EBIT) is reaffirmed
- The result may be impacted positively or adversely by the outcome of major disputes. The profit outlook is affected by the weak profitability of the order portfolio at the start of the year

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## Consolidated financial highlights

DKK million	2013 Q3	2012 Q3	2013 YTD	2012 YTD	2012 Year
<b>Income statement</b>					
Revenue	1,836	2,224	5,119	7,727	9,735
Operating profit (loss) (EBIT)	24	6	-21	-140	-507
Net finance costs and profit (loss) of associates	-7	-3	-14	1	-5
Profit (loss) before tax	17	3	-35	-139	-512
Profit (loss) after tax	11	-1	-57	-117	-512
<b>Balance sheet</b>					
Share capital			520	220	220
Equity			1,025	1,161	771
Balance sheet total			4,154	4,758	4,433
Interest-bearing deposit/debt (+/-)			-195	-255	-190
Invested capital			1,219	1,416	961
<b>Cash flows</b>					
Cash flows from operating activities	-43	-374	-272	-233	-142
Cash flows for investing activities:					
<i>Net investments excl. securities</i>	-12	13	-30	-11	-9
<i>Net investments in securities</i>	0	-1	-6	-4	-4
Cash flows from financing activities	-4	-3	340	-10	-44
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-59</b>	<b>-365</b>	<b>32</b>	<b>-258</b>	<b>-199</b>
<b>Financial ratios (%)</b>					
Gross margin	6.8	4.4	5.5	2.2	-0.6
Operating margin (EBIT margin)	1.3	0.3	-0.4	-1.8	-5.2
Pre-tax margin	0.9	0.1	-0.7	-1.8	-5.3
Return on invested capital (ROIC) *			-1.7	-10.3	-44.9
Return on invested capital after tax (ROIC) *			-3.4	-8.8	-44.9
Return on equity (ROE) *			-4.9	-9.6	-49.7
Equity ratio			24.7	24.4	17.4
<b>Other information</b>					
Order book, year end			5,507	6,734	6,042
Average number of employees			4,245	4,827	4,688

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for interim financial reports. The accounting policies are unchanged from the 2012 annual report (note 1) apart from the fact that, with effect from 1 January 2013, we have implemented the standards and interpretations that became effective for 2013. These have not had any impact on recognition and measurement for the MT Højgaard Group. Accounting estimates and judgements have been accounted for in the same way as in the 2012 annual report (note 2), to which reference is made.

The financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios 2010' published by the Danish Society of Financial Analysts. Financial ratios are defined in the 2012 annual report.

The interim financial report has not been audited or reviewed by the Company's auditor.

\*) Not converted to full-year figures.

## Management's review

The company's third-quarter financial performance matched expectations. Operating profit was DKK 24 million.

In order to ensure healthy finances, a number of initiatives - both customer-related and internal - were continued in the third quarter. Risk management and efficiency improvement remain in focus. Efforts in the first nine months of the year have centred on the following:

- Improved management of individual projects has been established, including a clearer division of responsibilities and closer monitoring than previously.
- The profitability requirements in connection with the contracting of new projects have been made more stringent, partly by changing the way in which tendering processes are organised.
- The Group has adopted a clearer policy for and close monitoring of the risk composition of the overall project portfolio.
- Costs have generally been cut.
- A clear management structure has been established, with a clearer division of responsibilities.
- A programme for serving key customers has been built up.
- The use of digital solutions has been strengthened, in the dialogue with customers, potential customers and business partners as well as internally, with a view to transparency and common understanding of projects and efficient performance.
- The internal coordination of incoming orders in the Group's entities has been improved.

The effect of the extensive restructuring is increasingly filtering through in the form of improved profitability in both the day-to-day operations and the contracting of new orders. The effect will become increasingly evident as previously contracted orders are completed.

In addition, more initiatives and restructuring are being prepared to strengthen the Group's market position and profitability still further.

The full-year outlook is still a small positive operating result (EBIT) based on revenue in the region of DKK 7 billion. The outlook has previously been linked to the result before tax, but management considers it appropriate and in accordance with common practice to focus on the profitability of the primary operations in future, i.e. excluding the effect of net finance costs on the financial statements (EBIT).

## Group strategy

The work of reviewing, developing and clarifying the Group's strategy has proceeded as planned and the strategy framework has now been established by the Board of Directors. The strategy work has focused partly on the Group's requirement to achieve an operating margin (EBIT margin) of 5%, and partly on the wish to prepare the Group for separate listing. In the period ahead, efforts will centre on working out the detail and anchoring the strategy in the Group as a whole.

The principal elements of the strategy are:

- Targeted action to increase production
- Direct contact with customers, partly through key account programme
- Value chain and process optimisation using VDC/BIM
- Exploiting Group synergies
- Project-specific tasks in Offshore & Steel Bridges
- Retaining and developing existing business areas and subsidiaries
- Strengthening existing geographical presence

### Income statement

Third-quarter revenue was DKK 1.8 billion. Overall revenue for the first three quarters was DKK 5.1 billion compared with DKK 7.7 billion in the same period last year. The lower revenue was expected and reflected the fact that the business area Offshore has no orders for execution in 2013, coupled with the initiatives referred to above, which affect the whole Group and result in a lower level of activity, but higher profitability.

A breakdown of revenue is given below:

Revenue – DKK million	2013 YTD	2012 YTD	2012 Year
Civil Works	501	652	843
Construction	2,097	2,612	3,471
International	337	652	843
Offshore & Steel Bridges	244	1,712	1,762
Project Development	62	156	268
Subsidiaries and jointly controlled entities, total	2,371	2,507	3,331
Eliminations, Group	-493	-564	-783
<b>Group</b>	<b>5,119</b>	<b>7,727</b>	<b>9,735</b>

As in the second quarter, a positive operating result (EBIT) was achieved for the third quarter, as expected, with revenue in line with last year when excluding the expected decline in revenue in Offshore & Steel Bridges. The operating result was a profit of DKK 24 million for the third quarter and a loss of DKK 21 million for the first three quarters, in line with expectations. As expected, the result was affected by the lower level of activity in the first quarter and the weak profitability of previously contracted projects. The EBIT margin for the first three quarters was -0.4% compared with -1.8% in the same period in 2012.

The overall operating result (EBIT) of the five business areas was in line with expectations.

- In Civil Works, both the level of activity and the result matched expectations.
- In Construction, the result exceeded expectations and the level of activity was slightly lower than expected.
- Revenue for the business area International was slightly ahead of expectations, whereas the operating result (EBIT) was poorer than expected due to a few minor downward adjustments.
- The level of activity in Offshore & Steel Bridges was lower than expected. The result was affected by the lower level of activity and a few downward adjustments and was therefore lower than expected.
- Project Development again fell short of the expected level both in terms of revenue and result, but generally depending on the timing of individual project sales.

Overall, subsidiaries and jointly controlled entities again delivered slightly lower revenue than expected and profit in line with expectations, making a positive contribution to the consolidated result.

Income tax expense was affected by the ("growth package") reduction of the income tax rate, which has reduced the value of the Group's deferred tax asset by DKK 20 million. Income tax expense for the first three quarters was DKK 22 million. The result after tax was a loss of DKK 57 million.

### **Balance sheet**

The balance sheet total stood at DKK 4.2 billion at 30 September. This was a DKK 0.2 billion reduction compared with 31 December 2012 and a DKK 0.6 billion reduction compared with 30 September 2012. The lower balance sheet total was partly due to a lower level of activity and a focused effort to reduce the balance sheet total.

Equity stood at DKK 1.0 billion at 30 September 2013. Besides the result for the period, equity was affected by the DKK 300 million capital increase in February 2013. The equity ratio was 24.7% compared with 17.4% at the end of 2012.

Interest-bearing net debt totalled DKK 195 million at 30 September 2013 compared with DKK 190 million at 31 December 2012. The amount was affected by the DKK 300 million capital injection, which was offset by increased funds tied up in working capital.

Invested capital stood at DKK 1,219 million at 30 September 2013, an increase of DKK 258 million on 31 December 2012, reflecting the above factors.

No significant news has transpired during the period in relation to the major disputes, including the projects in the Offshore area completed in previous years. It is still our opinion that we are generally in a strong position in these cases, but that there is always a risk attached to the process in such cases.

### **Cash flows and financial resources**

Operating activities generated a cash outflow of DKK 43 million in the third quarter and an outflow of DKK 272 million in the past three quarters. The cash outflow during the period reflected the lower level of activity and the resulting decrease in financing from construction contracts in progress and production from previously contracted orders with low or zero earnings, as well as cash resources for settlement of disputes.

Investing activities absorbed cash of DKK 36 million, of which DKK 6 million related to the net purchase of short-term securities. In the same period last year, investing activities absorbed DKK 15 million.

There was a DKK 146 million net decrease in cash and cash equivalents at 30 September 2013 compared with a decrease of DKK 178 million at 31 December 2012.

The Group's financial resources totalled DKK 668 million at 30 September 2013 compared with DKK 620 million at 31 December 2012. The increase was mainly due to the net effect of the DKK 300 million capital increase less increased funds tied up in working capital. Financial resources are calculated as cash, including cash and cash equivalents in joint ventures and jointly controlled entities, securities and undrawn credit facilities. Of the total financial resources, DKK 399 million is available for use by MT Højgaard A/S. The financial resources are satisfactory in view of the expected level of activity.

### **Order book**

The order book stood at DKK 5,507 million at 30 September. The profitability of the order book showed a marked improvement on the end of 2012, as expected, partly reflecting the introduction of more stringent profitability requirements in connection with the contracting of new pro

jects and the realisation of old orders with lower profitability. The order book was DKK 535 million lower than at 31 December 2012.

After 30 September, the Group has signed a contract for the construction of Nordea Bank's new headquarters, as stated in press release dated 29 October. The contract value is DKK 873 million.

<b>Order book - DKK million</b>	<b>2013 YTD</b>	<b>2012 YTD</b>	<b>2012 Year</b>
Order book, beginning of period	6,042	8,751	8,751
Order intake during period	4,584	5,710	7,026
Production during period	-5,119	-7,727	-9,735
<b>Order book, end of period</b>	<b>5,507</b>	<b>6,734</b>	<b>6,042</b>

The order book includes a number of large orders extending over several years.

#### **Related parties**

MT Højgaard A/S is owned by Højgaard Holding A/S (54%) and Monberg & Thorsen A/S (46%), both of which are listed on NASDAQ OMX Copenhagen. MT Højgaard A/S is a jointly controlled entity according to an agreement between the shareholders.

In February 2013, the owners increased MT Højgaard A/S's share capital by DKK 300 million in the form of a cash injection. In addition, normal management remuneration has been paid and intragroup transactions have been eliminated in the consolidated financial statements. Transactions between MT Højgaard A/S and consolidated enterprises are on an arm's length basis.

#### **Management information**

On 6 November 2013, Executive Vice President and COO Søren Ulslev terminated his employment. MT Højgaard's Executive Board consequently consists of Torben Biilmann (President and CEO) and Egil Mølsted Madsen (CFO).

#### **Outlook for 2013**

The order book stood at DKK 5.5 billion at 30 September 2013, with DKK 1.6 billion for execution in 2013. There have been no developments in the period under review that change our expectations concerning the full-year level of activity.

The outlook of revenue in the region of DKK 7 billion with a small positive operating result (EBIT) is therefore reaffirmed. The profit outlook is affected by previously contracted orders with low or zero earnings, some of which carry over into 2014. The result may continue to be impacted positively or adversely by the outcome of major disputes.

We expect that the Group's effective tax rate will exceed the Danish tax rate and, as already mentioned, that the tax effect of the lower value of the deferred tax asset resulting from the reduction of the income tax rate will be DKK 20 million. We also expect to maintain financial resources in the form of cash and cash equivalents, securities and credit facilities at a satisfactory level.

The projections concerning future financial performance are subject to uncertainties and risks that may cause the performance to differ from the projections. For a description of risks and uncertainty factors, reference is made to note 2 to the 2012 annual report. The significant risks and uncertainties are consistent with those described in the annual report.

**Statement by the Executive Board and the Board of Directors**

The Board of Directors and the Executive Board have today discussed and approved the interim financial report of MT Højgaard A/S for the period 1 January – 30 September 2013.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for interim financial reports.

In our opinion, the interim financial statements give a true and fair view of the Group's financial position at 30 September 2013 and of the results of the Group's operations and cash flows for the period 1 January – 30 September 2013.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's operations and financial matters, the results for the period and the Group's financial position and a description of the significant risks and uncertainty factors pertaining to the Group.

Søborg, 11 November 2013

**Executive Board**

Torben Biilmann  
President and CEO

Egil Mølsted Madsen  
CFO

**Board of Directors**

Søren Bjerre-Nielsen  
Chairman

Niels Lykke Graugaard  
Deputy Chairman

Irene Chabior

Curt Germundsson

Vinnie Sunke Heimann

Jens Jørgen Madsen

Jørgen Nicolajsen

Lars Rasmussen

John Sommer



### Consolidated income statement and statement of comprehensive income

DKK million	2013 Q3	2012 Q3	2013 YTD	2012 YTD	2012 Year
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#### Consolidated income statement

Revenue	<b>1,836.3</b>	2,223.8	<b>5,118.5</b>	7,726.5	9,734.7
Production costs	<b>-1,711.7</b>	-2,127.0	<b>-4,836.8</b>	-7,554.6	-9,797.8
<b>Gross profit (loss)</b>	<b>124.6</b>	96.8	<b>281.7</b>	171.9	-63.1
Distribution costs	<b>-28.8</b>	-26.5	<b>-84.8</b>	-91.8	-126.3
Administrative expenses	<b>-71.9</b>	-63.9	<b>-217.5</b>	-220.5	-317.8
<b>Operating profit (loss) (EBIT)</b>	<b>23.9</b>	6.4	<b>-20.6</b>	-140.4	-507.2
Share of profit (loss) after tax of associates	<b>0.3</b>	1.6	<b>1.5</b>	1.9	1.3
Net finance costs	<b>-6.8</b>	-5.0	<b>-16.2</b>	-0.2	-5.8
<b>Profit (loss) before tax</b>	<b>17.4</b>	3.0	<b>-35.3</b>	-138.7	-511.7
Income tax expense	<b>-6.8</b>	-3.9	<b>-21.6</b>	21.3	0.0
<b>Profit (loss) after tax</b>	<b>10.6</b>	-0.9	<b>-56.9</b>	-117.4	-511.7

#### Consolidated statement of comprehensive income

Profit (loss) after tax	<b>10.6</b>	-0.9	<b>-56.9</b>	-117.4	-511.7
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to the income statement:</i>					
Foreign exchange adjustments, foreign enterprises	<b>0.1</b>	-2.6	<b>1.6</b>	-4.4	-3.4
Value adjustments of hedging instruments in associates	<b>2.6</b>	-4.0	<b>9.0</b>	-6.3	-3.2
Tax on other comprehensive income	<b>0.0</b>	0.0	<b>0.0</b>	0.0	0.0
Other comprehensive income after tax	<b>2.7</b>	-6.6	<b>10.6</b>	-10.7	-6.6
<b>Total comprehensive income</b>	<b>13.3</b>	-7.5	<b>-46.3</b>	-128.1	-518.3

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## Consolidated balance sheet

DKK million	2013 30.09	2012 30.09	2012 31.12
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	149.0	124.4	148.1
Property, plant and equipment	610.7	672.4	642.8
Deferred tax assets	342.5	297.0	338.0
Other investments	14.8	12.5	13.8
<b>Total non-current assets</b>	<b>1,117.0</b>	1,106.3	1,142.7
<b>Current assets</b>			
Inventories	661.3	755.1	685.1
Trade receivables	1,732.7	1,800.0	1,860.8
Construction contracts in progress	165.0	515.4	166.7
Other receivables	141.9	237.1	227.1
Securities	167.6	162.6	164.8
Cash and cash equivalents	168.9	181.3	185.7
<b>Total current assets</b>	<b>3,037.4</b>	3,651.5	3,290.2
<b>Total assets</b>	<b>4,154.4</b>	4,757.8	4,432.9
<b>Equity and liabilities</b>			
Share capital	520.0	220.0	220.0
Other equity items	504.5	941.0	550.8
<b>Total equity</b>	<b>1,024.5</b>	1,161.0	770.8
<b>Non-current liabilities</b>			
Bank loans, etc.	181.0	154.6	138.3
Deferred tax liabilities	12.2	4.8	12.2
Provisions	259.1	269.0	258.7
<b>Total non-current liabilities</b>	<b>452.3</b>	428.4	409.2
<b>Current liabilities</b>			
Bank loans, etc.	350.4	443.9	402.4
Construction contracts in progress	727.9	933.8	874.0
Trade payables	916.4	1,109.8	1,043.0
Other current liabilities	682.9	680.9	933.5
<b>Total current liabilities</b>	<b>2,677.6</b>	3,168.4	3,252.9
<b>Total liabilities</b>	<b>3,129.9</b>	3,596.8	3,662.1
<b>Total equity and liabilities</b>	<b>4,154.4</b>	4,757.8	4,432.9

### Consolidated statement of changes in equity

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Total equity
<b>Equity at 01-01-2012</b>	<b>220.0</b>	<b>-27.8</b>	<b>3.9</b>	<b>1,093.0</b>	<b>0.0</b>	<b>1,289.1</b>
Profit (loss) after tax				-117.4		-117.4
Other comprehensive income		-6.3	-4.4			-10.7
Dividends paid						0.0
<b>Total changes in equity</b>	<b>0.0</b>	<b>-6.3</b>	<b>-4.4</b>	<b>-117.4</b>	<b>0.0</b>	<b>-128.1</b>
<b>Equity at 30-09-2012</b>	<b>220.0</b>	<b>-34.1</b>	<b>-0.5</b>	<b>975.6</b>	<b>0.0</b>	<b>1,161.0</b>
<b>Equity at 01-01-2013</b>	<b>220.0</b>	<b>-31.0</b>	<b>0.5</b>	<b>581.3</b>	<b>0.0</b>	<b>770.8</b>
Capital increase in February 2013	300.0					300.0
Profit (loss) after tax				-56.9		-56.9
Other comprehensive income		9.0	1.6			10.6
<b>Total changes in equity</b>	<b>300.0</b>	<b>9.0</b>	<b>1.6</b>	<b>-56.9</b>	<b>0.0</b>	<b>253.7</b>
<b>Equity at 30-09-2013</b>	<b>520.0</b>	<b>-22.0</b>	<b>2.1</b>	<b>524.4</b>	<b>0.0</b>	<b>1,024.5</b>

### Consolidated statement of cash flows

DKK million	2013 YTD	2012 YTD	2012 Year
Operating profit (loss) (EBIT)	-20.6	-140.4	-507.2
Adjustments in respect of non-cash operating items, etc.	71.8	108.8	320.9
<b>Cash flows from operating activities before working capital changes</b>	<b>51.2</b>	<b>-31.6</b>	<b>-186.3</b>
Working capital changes	-322.7	-201.2	44.5
<b>Cash flows from operating activities</b>	<b>-271.5</b>	<b>-232.8</b>	<b>-141.8</b>
Net investments excl. securities	-29.7	-11.0	-8.7
Net investments in securities	-6.3	-4.4	-3.9
<b>Cash flows for investing activities</b>	<b>-36.0</b>	<b>-15.4</b>	<b>-12.6</b>
<b>Cash flows from financing activities</b>	<b>339.8</b>	<b>-9.6</b>	<b>-44.5</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>32.3</b>	<b>-257.8</b>	<b>-198.9</b>
Cash and cash equivalents at start of period	-177.8	21.1	21.1
<b>Cash and cash equivalents at end of period</b>	<b>-145.5</b>	<b>-236.7</b>	<b>-177.8</b>

**Fair value measurement of financial instruments**

The disclosure requirements relevant to the MT Højgaard Group in relation to financial instruments recognised at fair value are set out below.

The methods used to determine the fair value of financial instruments are unchanged compared with the 2012 annual report.

Securities are valued based on quoted prices (Level 1). Fair value and carrying amount stood at DKK 168.9 million at the end of the period.

Derivative instruments comprise forward exchange contracts, which are valued at observable prices (Level 2). Fair value and carrying amount stood at DKK 0.3 million at the end of the period.

It is the Group's policy to recognise transfers between the various categories from the date on which an event or a change in circumstances results in a change of classification. No transfers were made between levels in 2013.