

15. november 2012

Page 1/10

Interim financial report – Q3 2012

The Board of Directors of MT Højgaard A/S has today discussed and approved the Company's interim financial report for the third quarter of 2012.

Results for the first three quarters

- Revenue for the first three quarters was DKK 7.7 billion, up 16% on the same period last year
- The third-quarter result before tax was a profit of DKK 3 million, which, however, did not match expectations. The result was impacted by weaker profitability than expected on previously contracted projects and, to a lesser extent, additional restructuring and termination costs
- The result before tax for the first three quarters overall was a loss of DKK 139 million, reflecting the considerable downward adjustments on projects, especially in the first quarter, and restructuring costs
- There was an operating cash outflow of DKK 233 million for the first three quarters of the year compared with a cash outflow of DKK 504 million in the same period last year
- The order book stood at DKK 6.7 billion at the end of the third quarter compared with DKK 8.8 billion at the start of the year

Outlook for 2012

- In recent months, the market strategy has been aligned with the Group's capabilities and desired risk profile, resulting in fewer, but more profitable projects. At the same time, the Group has enhanced its competitiveness by reducing its general costs, including through efficiencies and by reducing internal processes. One of the consequences has been a reduction in the number of salaried employees in both the operating and support functions. In that connection 150 jobs have been cut. Predominantly in the fourth quarter
- Full-year revenue for 2012 is expected to be slightly ahead of 2011
- The third-quarter result did not match expectations and will not be able to offset the expected loss in the fourth quarter. The outlook concerning the pre-tax margin is consequently changed to a margin of around -2% compared with previously around -1%. The change is a result of weaker profitability on some of the previously contracted projects as well as additional costs in connection with the efficiency measures

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This announcement is available in Danish and English.

Interim financial report – Q3 2012

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Consolidated financial highlights

DKK million	2012 Q3	2011 Q3	2012 YTD	2011 YTD	2011 Year
Income statement					
Revenue	2,224	2,303	7,727	6,633	9,307
Operating profit (loss) (EBIT)	6	-78	-140	-88	-332
Net finance costs and profit (loss) of associates	-3	6	1	-5	-3
Profit (loss) before tax	3	-72	-139	-93	-335
Profit (loss) after tax	-1	-58	-117	-78	-261
Balance sheet					
Share capital			220	220	220
Equity			1,161	1,480	1,289
Balance sheet total			4,758	5,376	5,654
Interest-bearing deposit/debt (+/-)			-255	-268	-10
Invested capital			1,416	1,748	1,299
Cash flows					
Cash flows from operating activities			-233	-504	-268
Cash flows for investing activities:					
<i>Net investments excl. securities</i>			-11	-53	34
<i>Net investments in securities</i>			-4	69	69
Cash flows from financing activities			-10	-1	-72
Net increase (decrease) in cash and cash equivalents			-258	-489	-237
Financial ratios (%)					
Gross margin	4.4	0.7	2.2	3.1	0.9
Operating margin (EBIT margin)	0.3	-3.4	-1.8	-1.3	-3.6
Pre-tax margin	0.1	-3.1	-1.8	-1.4	-3.6
Return on invested capital (ROIC) *			-10.3	-5.8	-25.7
Return on invested capital after tax (ROIC) *			-8.8	-4.9	-20.0
Return on equity (ROE) *			-9.6	-5.1	-18.0
Equity ratio			24.4	27.5	22.8
Other information					
Order book, end of period			6,734	9,436	8,751
Average number of employees			4,827	4,842	4,738

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 those set out in the 2011 annual report, with the following exceptions: standards and interpretations with an effective date of 1 January 2012, including amendments to IFRSs 1 and 7 and to IAS 12, have been implemented. The new standards and interpretations have not had any effect on recognition and measurement.

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 2011 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

In the past three quarters, the Group's activities have been restructured to provide a stronger focus and boost earnings. New projects are selected more carefully, and the portfolio is made up in such a way that it matches the Group's capabilities and desired risk profile.

Furthermore, since March, an extraordinary amount of work has been put into risk management and the processes related to tendering and purchasing. In addition, efficiencies have been delivered and savings achieved with a view to enhancing competitiveness in a number of areas. Consequently, capacity in MT Højgaard's operations was cut by 150 salaried jobs in September/October.

The range of measures is being implemented to plan and, as previously stated, will entail significant costs in 2012. The full effect on the Group's financial performance is therefore not expected to be felt until 2013 and beyond.

Income statement

Third-quarter consolidated revenue was DKK 2.2 billion, in line with last year. Revenue for the first three quarters overall was DKK 7.7 billion, 16% ahead of last year. A considerable part of the increase was due to the handing-over in the second quarter of two construction projects that had been capitalised as inventories, and a higher level of activity in Offshore and subsidiaries and jointly controlled entities.

Revenue can be broken down as shown in the table below.

Revenue - DKK million	2012 YTD	2011 YTD	2011 Year
Denmark	3,010	2,665	3,877
International	990	950	1,249
Offshore	1,405	1,198	1,541
Subsidiaries and jointly controlled entities	2,507	2,281	3,249
Eliminations/others	-185	-461	-609
Group	7,727	6,633	9,307

The third-quarter result before tax was a profit of DKK 3 million, which was less than expected. The result was impacted by weaker profitability than expected on previously contracted projects and, to a lesser extent, additional restructuring and termination costs. The result before tax for the first three quarters was a loss of DKK 139 million, a deterioration of DKK 46 million on the same period last year. The pre-tax margin for the first three quarters was -1.8% compared with -1.4% in the same period in 2011. The result was affected by the considerable downward adjustments on projects, especially in the first quarter, and restructuring costs.

Adjustment of deferred tax contributed DKK 21 million to the result for the period. The result after tax was consequently a loss of DKK 117 million compared with a loss of DKK 78 million for the same period in 2011.

Balance sheet

The balance sheet total was DKK 896 million lower than at the end of 2011, standing at DKK 4,758 million at 30 September 2012. The considerable reduction should be viewed in the context of the changed market strategy and the consequent reduction in the order book and activities in progress.

Inventories at 30 September 2012 were DKK 755 million versus DKK 1,022 million at the end of 2011. The DKK 267 million reduction primarily reflected the handing over in the second quarter of two construction projects that had previously been capitalised. Trade receivables were DKK 1,800 million, DKK 493 million less than at the end of 2011.

On the liability side, the development reflected the effect on equity of the negative result for the period, a DKK 508 million decrease in the value of contracts in progress and a DKK 278 million decrease in trade payables, partly offset by further drawings of DKK 204 million on short-term credit facilities.

Equity stood at DKK 1,161 million at 30 September 2012, equivalent to an equity ratio of 24.4% compared with 22.8% at the end of 2011.

Interest-bearing net assets amounted to debt of DKK 255 million at 30 September 2012 compared with debt of DKK 10 million at 31 December 2011. The increase reflected higher drawings on credit facilities.

Invested capital was DKK 1,416 million at 30 September 2012, an increase of DKK 117 million on 31 December 2011 due to higher drawings on credit facilities and the operating loss for the period.

There are no significant news to report in relation to the special provisions for completed projects in the offshore area – the so-called grout issue. Management is still of the opinion that the Group is in a strong legal position in these cases, but that there is always risk attached to the process in such cases.

Cash flows and financial resources

Operating activities resulted in a cash outflow of DKK 233 million at 30 September 2012 compared with a cash outflow of DKK 504 million in the same period in 2011. The change during the period reflected the negative operating result for the period and the net increase in working capital.

Investing activities absorbed cash of DKK 15 million, of which DKK 4 million related to the net purchase of short-term securities. In the same period last year, investing activities generated a cash inflow of DKK 16 million.

Financing activities absorbed cash of DKK 10 million compared with DKK 1 million in the same period last year.

Due to the higher drawing on credit facilities referred to above, cash and cash equivalents stood at a negative DKK 237 million at 30 September 2012 compared with a positive DKK 21 million at 31 December 2011.

The Group's financial resources, calculated as cash and cash equivalents, including cash and cash equivalents in joint ventures and jointly controlled entities, and securities and undrawn

credit facilities, amounted to DKK 678 million at 30 September 2012. Financial resources included DKK 404 million that is available for use by the parent company. The financial resources are satisfactory viewed in the context of the expected level of activity.

Order book

The order intake in the first three quarters of 2012 was DKK 5,710 million and the order book stood at DKK 6,734 million, down DKK 2,017 million on the end of 2011. The decline was partly a result of production not being offset by new projects, partly due to the changed market strategy with activities being focused on our capabilities as well as more critical selectivity of projects with the focus on risk.

Order book – DKK million	2012 YTD	2011 YTD	2011 Year
Order book, beginning of period	8,751	9,222	9,222
Order intake during period	5,710	6,847	8,836
Production during period	-7,727	-6,633	-9,307
Order book, end of period	6,734	9,436	8,751

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.

Apart from intragroup transactions that have been eliminated in the consolidated financial statements, and management remuneration, no transactions have been effected during the period with major shareholders, members of the Board of Directors, members of the Executive Board or other related parties.

Transactions between MT Højgaard A/S and other group enterprises are on an arm's length basis.

Management information

Torben Biilmann took up the position of new President and CEO of MT Højgaard A/S on 1 November 2012. In that connection, Jørgen Nicolajsen stepped down as Acting President and CEO.

Jens Nyhus, Chief Operating Officer, resigned on 30 October 2012.

MT Højgaard's Executive Board consequently consists of Torben Biilmann, President and CEO, and Flemming Steen, Chief Financial Officer.

Outlook for 2012

There have been no developments in or after the third quarter that change the outlook concerning the level of activity for 2012 as a whole.

At the end of the third quarter, the order book stood at DKK 6.7 billion, DKK 1.9 billion of which is expected to be performed in 2012.

15. november 2012

Page 6/10

Revenue in 2012 is expected to be slightly higher than last year.

Due to the weaker profitability than expected on previously contracted projects as well as termination and restructuring costs, the third-quarter result was less positive than expected. As the result will not be able to offset the expected loss in the fourth quarter, the outlook concerning the full-year pre-tax margin is changed to a margin of around -2% against previously a margin of around -1%.

We expect that the full-year operating cash flow will be at the same level as at 30 September 2012 and that financial resources in the form of cash and cash equivalents, securities and credit facilities will be adequate considering the lower level of activity resulting from the alignment of the market strategy.

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 uncertainties, reference is made to the 'Risk factors' section in the 2011 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 2012.

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 2012 and of the results of the Group's operations and cash flows for the period 1 January - 30 September 2012.

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, 15 November 2012

Executive Board

Torben Biilmann
President and CEO

Flemming Steen
CFO

Board of Directors

Helge Israelsen
Chairman

Niels Lykke Graugaard
Deputy Chairman

Irene Chabior*

Curt Germundsson

Hans-Henrik Hansen*

Jens Jørgen Madsen

Jørgen Nicolajsen

Torsten Ask Overgaard *

Knud Rasmussen*

Lars Rasmussen

*) Employee representative

Consolidated income statement and statement of comprehensive income

DKK million	2012 Q3	2011 Q3	2012 YTD	2011 YTD	2011 Year
Consolidated income statement					
Revenue	2,223.8	2,302.6	7,726.5	6,632.8	9,307.4
Production costs	-2,127.0	-2,285.5	-7,554.6	-6,428.4	-9,227.0
Gross profit	96.8	17.1	171.9	204.4	80.4
Distribution costs	-26.5	-32.0	-91.8	-101.7	-134.5
Administrative expenses	-63.9	-62.9	-220.5	-190.2	-277.4
Operating profit (loss)	6.4	-77.8	-140.4	-87.5	-331.5
Share of profit after tax of associates	1.6	0.4	1.9	1.3	1.1
Net finance costs	-5.0	5.3	-0.2	-7.1	-4.5
Profit (loss) before tax	3.0	-72.1	-138.7	-93.3	-334.9
Income tax expense	-3.9	13.9	21.3	15.0	73.9
Profit (loss) after tax	-0.9	-58.2	-117.4	-78.3	-261.0
Consolidated statement of comprehensive income					
Profit (loss) after tax	-0.9	-58.2	-117.4	-78.3	-261.0
Other comprehensive income					
Foreign exchange adjustments, foreign enterprises	-2.6	1.5	-4.4	0.8	-0.1
Value adjustments of hedging instruments in associates	-4.0	-12.3	-6.3	-11.2	-18.2
Tax on other comprehensive income	0.0	0.0	0.0	0.0	0.0
Other comprehensive income (losses) after tax	-6.6	-10.8	-10.7	-10.4	-18.3
Total comprehensive income (losses)	-7.5	-69.0	-128.1	-88.7	-279.3

Consolidated balance sheet

DKK million	2012 30.09	2011 30.09	2011 31.12
Assets			
Non-current assets			
Intangible assets	124.4	121.3	121.7
Property, plant and equipment	672.4	778.0	742.8
Deferred tax assets	297.0	171.7	246.1
Other investments	12.5	17.9	13.6
Total non-current assets	1,106.3	1,088.9	1,124.2
Current assets			
Inventories	755.1	924.2	1,021.6
Trade receivables	1,800.0	2,222.3	2,293.4
Construction contracts in progress	515.4	585.4	434.7
Other receivables	237.1	261.6	382.4
Securities	162.6	158.4	159.0
Cash and cash equivalents	181.3	134.9	238.5
Total current assets	3,651.5	4,286.8	4,529.6
Total assets	4,757.8	5,375.7	5,653.8
Equity and liabilities			
Share capital	220.0	220.0	220.0
Other equity items	941.0	1,259.7	1,069.1
Total equity	1,161.0	1,479.7	1,289.1
Non-current liabilities			
Bank loans etc.	154.6	168.4	168.1
Deferred tax liabilities	4.8	0.0	4.8
Provisions	269.0	215.4	232.2
Total non-current liabilities	428.4	383.8	405.1
Current liabilities			
Bank loans etc.	443.9	393.0	239.4
Construction contracts in progress	933.8	755.3	1,441.7
Trade payables	1,109.8	1,304.0	1,388.0
Other current liabilities	680.9	1,059.9	890.5
Total current liabilities	3,168.4	3,512.2	3,959.6
Total liabilities	3,596.8	3,896.0	4,364.7
Total equity and liabilities	4,757.8	5,375.7	5,653.8

Consolidated statement of changes in equity

DKK million	Share capital	Hedging reserve	Translation reserve	Retained earnings	Proposed dividends	Total equity
Equity at 01-01-2011	220.0	-9.6	4.0	1,354.0	50.0	1,618.4
Profit (loss) after tax				-78.3		-78.3
Other comprehensive income		-11.2	0.8			-10.4
Dividends paid					-50.0	-50.0
Total changes in equity	0.0	-11.2	0.8	-78.3	-50.0	-138.7
Equity at 30-09-2011	220.0	-20.8	4.8	1,275.7	0.0	1,479.7
Equity at 01-01-2012	220.0	-27.8	3.9	1,093.0	0.0	1,289.1
Profit (loss) after tax				-117.4		-117.4
Other comprehensive income		-6.3	-4.4			-10.7
Total changes in equity	0.0	-6.3	-4.4	-117.4	0.0	-128.1
Equity at 30-09-2012	220.0	-34.1	-0.5	975.6	0.0	1,161.0

Consolidated statement of cash flows

Amounts in DKK million	2012 YTD	2011 YTD	2011 Year
Operating profit (loss)	-140.4	-87.5	-331.5
Adjustments in respect of non-cash operating items, etc.	108.8	87.5	293.6
Cash flows from operating activities before working capital changes	-31.6	0.0	-37.9
Working capital changes	-201.2	-504.4	-230.3
Cash flows from operating activities	-232.8	-504.4	-268.2
Net investments excl. securities	-11.0	-52.7	33.9
Net investments in securities	-4.4	68.9	69.5
Cash flows for investing activities	-15.4	16.2	103.4
Cash flows from financing activities	-9.6	-1.0	-72.5
Net increase (decrease) in cash and cash equivalents	-257.8	-489.2	-237.3
Cash and cash equivalents at start of period	21.1	258.4	258.4
Cash and cash equivalents at end of period	-236.7	-230.8	21.1