



Copenhagen Stock Exchange A/S  
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BLO/HVI  
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## **MT Højgaard a/s**

Enclosed please find MT Højgaard a/s' preliminary statement for 2006, which is hereby published.

Højgaard Holding a/s holds an ownership interest of 54 % in MT Højgaard a/s.

Yours faithfully,  
Højgaard Holding a/s

Berit Lovring  
CEO

This statement has been translated from the Danish language, and in the event of any discrepancies between the Danish and English language versions, the Danish language version is the governing text.

21 March 2007

### **Preliminary announcement 2006**

The Supervisory Board of MT Højgaard a/s has considered and approved the Company's annual report for 2006.

Søborg, 21 March 2007  
Supervisory Board and Executive Board

Per Møller  
Chairman of the Supervisory Board

Kristian May  
President and CEO

This announcement can also be viewed on MT Højgaard's website:  
[www.mthojgaard.com](http://www.mthojgaard.com).

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This announcement is available in Danish and English. In case of doubt, the Danish version shall prevail.

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## **Result as projected in the interim report for the third quarter of 2006**

- Profit before tax was an unsatisfactory profit of DKK 51 million compared with DKK 125 million in 2005.
- Revenue for 2006 was DKK 11,083 million, up from DKK 8,463 million in 2005. The level of activity increased in both the Contracting business and the subsidiaries.
- The result primarily reflected a negative development on a few large residential and refurbishment projects in Greater Copenhagen. The main reasons were the historically high level of activity in the industry, which is adversely affecting planning potential and the access to resources, and more onerous and more costly contracting with trade contractors than foreseen.
- The subsidiaries are still developing favourably, delivering operating profit of DKK 243 million in 2006.
- Income tax expense was a net charge of DKK 14 million, giving an effective tax rate of 28% compared with 20% in 2005.
- Equity including minority interests stood at DKK 1,048 million at the end of 2006, equivalent to an equity ratio of 22% compared with 26% in 2005.
- Return on invested capital increased was 5.6% in 2006 compared with 12.8% in 2005.
- Cash inflow from operating activities was DKK 317 million compared with DKK 341 million in 2005.

## **Outlook for 2007**

- The order book stood at DKK 10,752 million at the end of 2006, equivalent to approx. 12 months' production.
- Market conditions are expected to be stable in 2007, when revenue is expected to amount to approx. DKK 11 billion. International revenue for 2007 is expected to increase to just over 20% of total revenue, compared with 17% in 2006.
- Pre-tax profit in the region of DKK 225 million is anticipated for 2007.

The preliminary announcement 2006 contains forward-looking statements regarding management's expectations concerning revenue and financial performance. By their nature, these expectations concerning the future financial performance are subject to uncertainties and risks that may cause the performance to differ from the expectations expressed in this report. For a description of risks, reference is made to the section 'Risk factors' in the 2005 annual report.

## Consolidated financial highlights

Amounts in DKKm	Pro forma *		2004	2005	2006
	2002	2003			
<b>Income statement</b>					
Revenue	9,668	7,982	7,363	8,463	11,083
Operating profit (loss) (EBIT)	(419)	42	97	138	59
Net financing costs and profit (loss) of associates	(15)	(1)	(16)	(13)	(8)
Profit (loss) before tax	(434)	40	81	125	51
Profit for the year	(364)	26	81	100	37
<b>Balance sheet</b>					
Share capital	200	220	220	220	220
Equity attributable to equity holders of the parent	502	828	902	996	1,024
Equity incl. minority interests	509	847	917	1,016	1,048
Balance sheet total	4,148	3,560	3,216	3,926	4,833
Interest-bearing assets	332	436	267	265	354
Interest-bearing liabilities	838	592	411	303	301
Invested capital	1,028	1,025	1,080	1,074	1,015
<b>Cash flows</b>					
Cash flows from operating activities	(9)	107	3	341	317
Cash flows for investing activities**	(132)	(112)	(21)	(169)	(240)
Cash flows from financing activities	107	328	4	(47)	(7)
Net increase (decrease) in cash and cash equivalents	(34)	323	(14)	125	70
** Portion relating to property, plant and equipment (gross)	(319)	(118)	(220)	(230)	(288)
<b>Financial ratios (%)</b>					
Gross margin	0.0	5.5	5.9	5.7	4.0
Operating margin (EBIT margin)	(4.3)	0.5	1.3	1.6	0.5
Pre-tax margin	(4.5)	0.5	1.1	1.5	0.5
Return on invested capital (ROIC)	(37.3)	4.1	9.2	12.8	5.6
Return on equity (ROE)	(52.8)	3.6	9.2	10.3	3.6
Equity ratio	12.3	23.8	28.5	25.9	21.7
Earnings per share (EPS), DKK ***	(33.3)	1.7	7.2	8.5	2.6
<b>Other information</b>					
Order book, end of year	5,327	4,797	5,398	8,352	10,752
Average number of employees	6,225	5,535	4,950	5,260	5,889

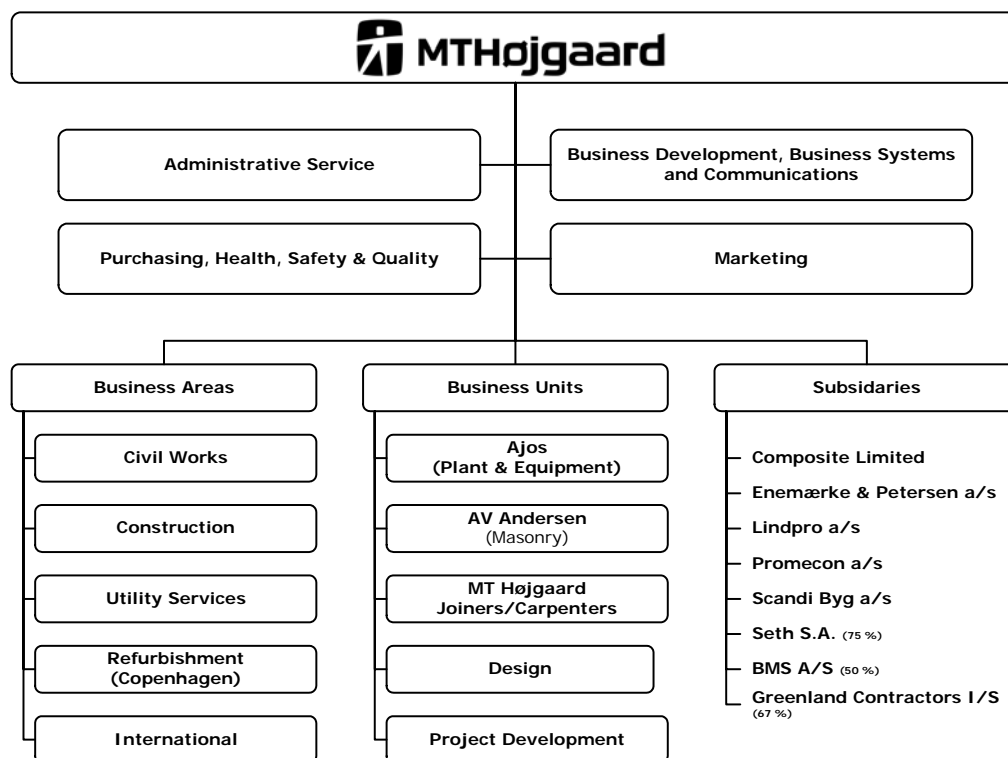
The financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2005'.

The financial highlights for 2004-2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

\* The financial highlights for 2002-2003 are pro forma figures, with the existing financial highlights based on the Danish Financial Statements Act and Danish Accounting Standards having been restated, in all material respects, to comply with IFRS practice. Adjustment has been made in the income statement for the effect of the discontinuation of goodwill amortisation, foreign currency translation relating to foreign subsidiaries and derivative financial instruments, while the balance sheet has only been adjusted for the effect of the reclassifications relating to contract work in progress.

\*\*\*) The calculation of EPS is based on share denominations of nominally DKK 20. In MT Højgaard the result of the measurement of earnings per share (EPS) is identical to diluted earnings per share (EPS-D).

## Group diagram



## Management's review

### The Group's development

The MT Højgaard Group delivered pre-tax profit of DKK 51 million for 2006 compared with DKK 125 million in 2005.

Fourth-quarter revenue was DKK 3,135 million and fourth-quarter profit before tax DKK 30 million. Reference is also made to the segment information by primary and secondary reporting format and to the income statement by quarter on pages 20-21.

The result was in line with the projections in the interim report for the third quarter of 2006 of pre-tax profit in the region of DKK 50 million. At the start of the year, pre-tax profit was projected to be in the region of DKK 175 million.

The unsatisfactory result primarily reflected losses on a few large residential and refurbishment projects in Greater Copenhagen. The main reasons for the negative development were:

- the historically high level of activity in the industry, which is straining resources, both with respect to materials and labour, and which is adversely affecting planning potential and the access to resources;

- more onerous and more costly contracting with trade contractors than foreseen, leading to cost increases and delays.

The organisation, including the management structure within the problem areas, was modified in 2006 with a view to strengthening the management focus, and the requirements concerning risk profile and earnings on new projects were tightened still further. HR efforts focusing on organisational development will be intensified in the coming year.

The high level of activity in the construction industry, which is straining resources and putting prices under pressure, means that it is necessary to be highly selective when choosing new projects, with a reduction in the level of activity in the longer term as a possible and accepted consequence.

### **Income statement**

Revenue for 2006 totalled DKK 11,083 million, up 31% on 2005, predominantly reflecting organic growth.

The revenue growth, to which all the Group's business segments contributed, was driven primarily by the very high level of activity in the Danish building and civil works market in 2006. International activities accounted for 16.6% of revenue compared with 15.7% in 2005.

The MT Højgaard Group reported operating profit (EBIT) of DKK 59 million in 2006 compared with DKK 138 million in 2005. The decline in profit was due to the development in the Contracting business, particularly as a result of the losses on some large residential and refurbishment projects referred to above. The subsidiaries reported profit ahead of expectations. The operating margin (EBIT margin) dropped to 0.5%, from 1.6% in 2005, as a result of the revenue growth and the decline in profit.

The share of the results of associates contributed DKK 0 million compared with DKK (3) million in 2005.

Net financing costs amounted to a net charge of DKK 8 million compared with DKK 10 million in 2005. The favourable development was due predominantly to a reduction in the Group's average net interest-bearing debt and a stable, low interest rate level.

The result before tax for 2006 was a profit of DKK 51 million compared with DKK 125 million in 2005, giving a pre-tax margin of 0.5% compared with 1.5% in 2005.

Income tax expense was a net charge of DKK 14 million, giving an effective tax rate of 28% versus 20% in 2005. Income tax expense was made up of a current tax charge of DKK 98 million and tax income of DKK 84 million due to a change in the Group's deferred taxes. The Group's deferred net tax asset amounted to DKK 215 million at the end of 2006 compared with DKK 130 million in 2005.

Consequently, the result after tax was a profit of DKK 37 million compared with DKK 100 million in 2005.

On the Buxton project, there are no changes to report in relation to what was stated in the 2005 annual report. The claims for extra payments advanced by MT Højgaard are the subject of arbitration. In accordance with the company's policy, no income has been recognised in the financial statements in this respect.

### **Balance sheet**

The Group's balance sheet total increased by 23% in 2006, standing at DKK 4,833 million at 31 December 2006 compared with DKK 3,926 million at the end of 2005. The development reflected the increase in the level of activity in 2006.

Equity including minority interests increased by DKK 32 million, standing at DKK 1,048 million at the end of 2006, corresponding to an equity ratio of 22% versus 26% in 2005. Besides profit for the year, equity was affected by a dividend of DKK 5 million to minority shareholders.

Net interest-bearing debt decreased by DKK 91 million, amounting to a net deposit of DKK 53 million at the end of 2006. The development essentially reflected a reduction in funds tied up in working capital as a result of improved cash flow on work in progress, more than offsetting the reduction in the cash operating result, and a higher level of investment and capital expenditure than in 2005.

Invested capital amounted to DKK 1,015 million at the end of 2006 compared with DKK 1,074 million in 2005, and the return on invested capital was 5.6% versus 12.8% in 2005.

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

Operating cash inflow was DKK 317 million compared with DKK 341 million in 2005.

Cash flows for investing activities amounted to DKK 240 million net versus DKK 169 million in 2005. Of this figure, DKK 219 million related to net capital expenditure property, plant and equipment; DKK 32 million to purchase of securities; DKK (6) million to net investments in enterprises; and DKK (5) million to dividends from associates. Capital expenditure on property, plant and equipment, which increased by DKK 52 million in 2006, related primarily to replacement of and new investment in contractors' plant and equipment and operating buildings.

Cash flows from financing activities amounted to DKK (7) million, compared with DKK (47) million in 2005, relating to decreases in non-current bank loans, etc.

There was a net cash inflow of DKK 70 million compared with an inflow of DKK 125 million last year. The net cash balance, calculated as cash less the current portion of bank loans, etc., amounted to DKK 217 million compared with DKK 148 million at the end of 2005.

The Group's financial resources at 31 December 2006 amounted to DKK 942 million compared with DKK 714 million in 2005, which is satisfactory. Financial resources are calculated as cash, including cash and cash equivalents in joint ventures, and securities and undrawn credit facilities.

The financial resources include cash and cash equivalents in joint ventures of DKK 185 million that are available exclusively to the joint ventures, compared with DKK 89 million in 2005.

### **Order book**

The order book increased by 29% in 2006, standing at DKK 10,752 million at the end of 2006.

<b>DKKm</b>	<b>2006</b>	<b>2005</b>
Order book at start of year	8,352	5,398
Order intake during year	13,483	11,417
Production during year	(11,083)	(8,463)
Order book at year end	10,752	8,352

The order book corresponds to on average about 12 months' production based on the outlook concerning the level of activity in 2007. The order book includes a number of large orders extending over several years.

### **Employees**

The average number of people employed by the MT Højgaard Group in 2006 was 5,889 compared with 5,260 in 2005. The number of employees increased steadily during the year, closing 2006 at 6,245, up 653 on the same time last year. The development reflects the increase in the level of activity.

### **The segments**

The MT Højgaard Group's primary format for reporting segment information, as can be seen from the financial statements, follows the overall internal business organisation of the activities on 1 July 2006, cf. the group diagram on page 4, and comprises the Contracting business, Other activities (subsidiaries) and Corporate functions, etc.

### **The Contracting business**

The Contracting business is organised into five business areas and five business units. The business areas Civil Works, Construction and Utility Services are countrywide, while Refurbishment operates in Greater Copenhagen. The international activities, primarily comprising civil works projects, are taken care of by the business area International.

The business units Ajos, A.V. Andersen, MT Højgaard Joiners/Carpenters, Design and Project Development undertake projects for external clients and for the five business areas.

The Contracting business delivered total revenue of DKK 7,770 million in 2006, up 36% on 2005.

<b>Contracting business - DKKm</b>	<b>2006</b>	<b>2005</b>
Revenue	7,770	5,705
Operating profit (loss)	(132)	78
Average number of employees	3,223	2,764
Order book at year end	8,195	6,078

Revenue can be broken down by activity as illustrated in the table below.

<b>Revenue – DKKm</b>	<b>2006</b>	<b>2005</b>
Civil works (Civil Works, Utility Services and International)	2,875	2,182
Construction (Construction and Refurbishment)	4,489	3,387
Business units	1,393	1,050
Eliminations/others	(987)	(914)
<b>Contracting business</b>	<b>7,770</b>	<b>5,705</b>

The operating result was a loss of DKK 132 million in 2006, compared with a profit of DKK 78 million in 2005. As already mentioned, the decline compared with last year primarily reflected a loss on a few large residential and refurbishment projects in Greater Copenhagen.

At the end of 2006, the order book stood at DKK 8,195 million, up DKK 2,117 million on last year. Slightly lower revenue and significantly improved earnings are anticipated for 2007.

### **Civil works activities**

The civil works activities (Civil Works, Utility Services and International) reported revenue surpassing expectations, overall, but profit below expectations.

#### **Civil Works**

Civil Works undertakes traditional civil works projects, with the main emphasis on earthworks, sewers, concrete and marine works. Project types include construction of roads, bridges, harbours, shell structures, steel structures, prefabricated construction and concrete renovation. Customers come from the public sector as well as the private sector

Although the year was characterised by a high level of activity, earnings were lower than anticipated due to a few highly complex, loss-making projects. A number of challenging projects led to an extra burden on Civil Works' resources in 2006. Despite reasonable market conditions, the projects were won against fierce price competition, which also put pressure on earnings.

Foreign business partners are increasingly important to the execution of projects, both in terms of staffing and supplies of building materials, which are increasingly procured from abroad. This trend looks set to continue in 2007.

A sustained high level of activity is projected for 2007, with focus on optimisation of profitability on current projects and selective contracting of new projects.

### **Utility Services**

Utility Services was set up as a separate business area on 1 July 2006. The activities include burying and installation of electrical cables, optical fibre network and broadband cables for data transmission, water supply, sewers and gas pipes. Part of the installation work and electrical work is being carried out in collaboration with the electrical installations company Lindpro a/s.

A long period of frost at the start of 2006 resulted in a shorter production year than normal. The excavation work did not get seriously underway until April, and the rest of the year was characterised by a very high level of activity on Zealand.

The level of activity was higher, throughout the year, than anticipated, predominantly as a result of client wishes to accelerate the pace, especially as far as concerns the underground installation of overhead lines and optical fibre cables in residential districts.

In order to maintain the high level of activity Utility Services contracted with foreign trade contractors from Poland and Germany. Utility Services also participated in retraining of 50 former abattoir employees that had been made redundant following the closure of the facility, but are now part of the workforce in Utility Services.

In 2006, Utility Services worked mainly on Zealand, although, at the end of the year, it commenced collaboration with electrical companies on Funen and in Jutland.

A growing level of activity is projected for 2007 as a result of the enlargement of the geographical area to include other parts of Denmark. The increased production is expected to be covered by foreign contractors, as it is still proving difficult to procure sufficient Danish labour for this area.

### **International**

This business area focuses primarily on four geographical areas: the Faroe Islands, Greenland, South-West Asia and the Middle East. International also boasts core competencies within the construction of foundations for offshore wind farms and lighthouses.

Of these geographical areas, the main focus is on the Faroe Islands and Greenland, where both residential construction and civil works are being undertaken, and South-West Asia, where the main emphasis is on civil works.

Overall, 2006 was a good year for business area International. Revenue was slightly ahead of expectations, at almost twice the 2005 level, and the results exceeded expectations, overall.

The very high level of activity in business area International was reflected in an extremely satisfactory order book for execution in 2007. There is still a large untapped potential within the market areas and the market segments within which International operates, and the focus is on selective identification of project opportunities in relation to own competencies and resources. In view of the healthy order book at the end of the year, a growing level of activity is anticipated for 2007.

### **Construction activities**

The construction activities (Construction and Refurbishment) realised revenue ahead of expectations, but a very unsatisfactory financial result overall.

With a view to improving earnings, the business areas Residential Construction, Commercial Construction and Jutland/Funen were brought together in a single countrywide business area, Construction, on 1 July 2006, following a major restructuring.

### **Construction**

Business area Construction undertakes all forms of construction across Denmark. This area has strong competencies within both large multi-storey housing blocks and family dwellings, commercial buildings, institutions and sports facilities. This business area's project managers focus on new forms of construction in close collaboration with clients, consultants and other partners. Projects completed in 2006 included dwellings, manufacturing facilities, head offices, hotels, warehouse facilities and a large multi-storey car park.

Geographically, the business area is divided into five divisions: Greater Copenhagen, Funen & Zealand, South Jutland, Central Jutland and North Jutland. The local presence plays a crucial role to the divisions' competitiveness. Consequently, a further four local offices were opened, in Holstebro, Slagelse, Svendborg and Thisted. The business area's revenue still comes predominantly from small, locally anchored building and refurbishment projects, where local knowledge and specialist competencies are combined with the Group's countrywide competencies. In-house production is being undertaken within all types of joinery/carpentry, masonry and concrete works. The business area often collaborates with subsidiaries specialising in, for example, steel structures, electrical installations and lightweight wooden modular buildings.

2006 was a busy year for the new business area due to increased demand for new building, in particular, and revenue exceeded expectations, although earnings for the year were unsatisfactory due to substantial losses on a few large residential projects in Greater Copenhagen.

In 2006, Construction embarked on the first construction project based on the Housing Concept: at Blegkilde Allé in Aalborg, Construction is building 69 rental dwellings based on the Basisbo model. The Housing Concept consists of three models that have been tailored to the Danes' preferred way of living: Basisbo, Nærbo and Idealbo. They are all tailored quality dwellings at highly competitive prices. In 2007, another two concept projects will be built: another Basisbo project in Aalborg and a Nærbo project in Odense.

In December, Construction handed over Denmark's first OPP project, Vildbjerg School in the Municipality of Trehøje. As this form of project factors operation and maintenance into the building from the outset, Construction was able to hand over a school of a very high quality. At the same time, Vildbjerg School is a good example of successful application of TrimBuild®. Despite the hard winter, the school was handed over after only 12 months. Using TrimBuild ensures both a smooth workflow, a better working environment, fewer defects, optimised production and economy, and handing-over on time. This project proves that TrimBuild is an efficient tool for improving efficiency in the building process.

A sustained high level of activity is projected for 2007, albeit lower than in 2006, with focus on optimisation of profitability on current projects and selective contracting of new projects.

### **Refurbishment (Greater Copenhagen)**

This business area undertakes large and small building projects in existing buildings, ranging from replacement or repair of individual building parts such as windows and balconies, to complete refurbishment, where the existing building is extensively renewed and refurbished.

Refurbishment specialises in project management and has accumulated extensive building expertise within most types of property. Often, the work has to be carried out while parts of the building are still in use as office, shop or dwelling. This means that the refurbishment must be carried out in close collaboration between residents, client and own employees. Projects are normally undertaken on a main contract basis and often as partnering, which has proved particularly appropriate to refurbishment and conversion projects. Besides expertise and manpower from the rest of the Group, Refurbishment uses the same business partners on most refurbishment projects.

Although revenue showed an upward trend in 2006, earnings were unsatisfactory due to a combination of complex projects won against fierce price competition, increased costs and lack of resources among the trade contractors.

The outlook for 2007 is a fall in revenue due to heightened focus on the solution of existing projects and selective contracting of new projects.

## **Business units**

The business units comprise Project Development, Ajos, Design, MT Højgaard Joiners/Carpenters and A.V. Andersen.

Overall, the business units generated revenue and profit significantly ahead of expectations. Profit benefited from the increased level of activity within plant and equipment hire (Ajos) and project development.

**Project Development** develops projects for clients and investors and generates building projects for the Contracting business. Projects are undertaken on the sites to which MT Højgaard holds the title as well as on clients' own development sites.

In 2006, activities centred particularly on a number of residential projects. Tegllholmshave, a residential project in Copenhagen South Port comprising 135 apartments, was completed and handed over to the buyer. Also on Tegllholmen in Copenhagen South Port, a multi-storey car park with just over 650 spaces was completed and handed over to the buyer, Zeta Invest A/S. In the same area, the owner-occupier project Frederikskaj was developed. This project, comprising 152 units, commenced in autumn 2006. In Høje Tåstrup, the Hallands Enge project, comprising 55 two-storey terraced houses and apartments, was sold, and construction has commenced. The Dageløkke Ege project, comprising 70 owner-occupier dwellings/terraced houses and situated near Humlebæk in North Zealand was developed and has been put up for sale. In Nivå, the Teglsøhuse project comprising several phases of terraced houses and apartments was developed. Phase I comprising 25 units has been put up for sale.

Residential construction on the outer fringes of Greater Copenhagen is still attracting interest, and several projects are in the pipeline in the commercial area, which is growing. Access to new project opportunities is being continuously explored through acquisition, options and development collaboration. MT Højgaard expects to market new self-generated housing projects again in 2007.

**Ajos** takes care of MT Højgaard's plant and equipment hire activities for internal use and for external customers. Ajos has Denmark's largest fleet of contracting machinery, cranes, construction lighting, workmen's cabins, site generators and other building site equipment. The concept of being an all-in supplier in relation to the individual building project is developing favourably, and the activities, which are carried on from a countrywide network of plant hire centres, showed significant progress in 2006.

**Design** is MT Højgaard's integrated skills centre within consulting engineering and design services relating to civil works, buildings, concrete, installations, steel structures for heavy industrial plants, and environmental consultancy. In 2006, the focus was on outsourcing parts of the activities to low-wage countries. In future, Design will be involved more actively in the business areas' projects with a view to optimal handling of the design risk.

**MT Højgaard Carpentry/Joinery** was spun off as a separately profiled business unit on 1 July 2006. The activities comprise all forms of carpentry and joinery work and are primarily undertaken in Greater Copenhagen on both self-generated projects and projects for external clients. The principal market area in 2006 was new building of housing.

The masonry company **A.V. Andersen** was also spun off as a separately profiled business unit on 1 July 2006. These activities, which are undertaken for both internal and external clients, comprise brick-facing of new residential and commercial buildings, restoration and refurbishment projects and insulation work. A.V. Andersen operated with a high level of activity in 2006.

#### **Other activities - subsidiaries, etc.**

This segment comprises the MT Højgaard Group's subsidiaries and jointly controlled enterprises with separately profiled competencies.

<b>DKKm</b>	<b>2006</b>	<b>2005</b>
Revenue	3,312	2,758
Operating profit	243	128
Average number of employees	2,535	2,371
Order book at year end	2,557	2,274

The subsidiaries and the jointly controlled enterprises realised revenue in line with expectations. Operating profit increased by DKK 115 million to DKK 243 million in 2006, exceeding expectations. The improvement was due, to some extent, to non-recurring factors.

Greenland Contractors, the electrical installations company Lindpro, the contracting companies Seth and Enemærke & Petersen, and the crane business BMS outperformed expectations. The other subsidiaries performed in line with expectations.

At the end of 2006, the order book totalled DKK 2,557 million compared with DKK 2,274 million in 2005, and revenue at a slightly higher level than in 2006 is projected for 2007.

#### **Strategic platform**

The strategic work for the period 2005-2010 is headed "Profitable growth".

The MT Højgaard Group's strategy for profitable growth features a Group revenue target in the order of DKK 12 billion by 2010 and a target of achieving a pre-tax margin of 2-2.5% within a few years. In pursuing the first target, the MT Højgaard Group's risk management guidelines must be observed.

The main elements of the strategy are as follows:

- Organic growth, which is not expected to exceed 10% a year in the business areas
- Strengthening of the project development activities
- Broadening of the geographical coverage in Denmark
- Further development of the international activities within MT Højgaard's core competencies
- Development of concepts and conceptualisation of existing activities
- Development of the subsidiaries with focus on further consolidation
- Strategic acquisitions that will broaden MT Højgaard's market coverage in Denmark.

Market conditions have been instrumental in MT Højgaard's revenue growing faster than expected, but earnings on a few large residential and refurbishment projects in Greater Copenhagen were highly unsatisfactory. The high level of activity has strained resources, both with respect to suppliers and employees, making it necessary to be highly selective when choosing new projects, with a reduction in the level of activity in the longer term as a possible and accepted consequence. Profitability is a priority in relation to growth, and each segment focuses critically on initiatives that can bring earnings up to the targeted pre-tax margin within a few years.

The work on implementation of the strategy continued in 2006, with the following results in the other areas:

- The organisation has been developed so that its structure is unambiguous, with countrywide construction, civil works and utility services activities. This platform forms the basis for the development of MT Højgaard, including the delivery of a satisfactory financial performance in the years ahead
- Project development activities were at a high level in 2006. A total of 425 dwellings and a multi-storey car park were either handed over, in progress or at tender stage
- The geographical coverage was strengthened in 2006, with the opening of new offices in Svendborg, Slagelse, Thisted and Holstebro, so that MT Højgaard now has offices in 17 locations in Denmark
- The international activities reported profitable growth, almost doubling the level of activity
- The Housing Concept, which reflects innovative thinking, was introduced to the market at the start of the year. MT Højgaard is also developing concepts within other types of building
- In the subsidiaries and business units, the development of the strategic platform continued to plan. The market position was generally strengthened, and the earnings trend was positive.

## **The future**

The Danish building and civil works market is expected to stabilise in 2007 at the existing very high level, but with the possibility of a slight decline in the level of activity towards the end of the year as a result of a slowdown in market conditions. It is estimated that about DKK 115 billion of the total market volume of about DKK 190 billion in 2007 will lie within MT Højgaard's spheres of interest.

The activities within construction are expected to stagnate, as the progress in the commercial area, particularly within administrative buildings, is not expected to be able to make up for the decline in residential construction, within which a small downturn is expected in both private and subsidised construction.

The refurbishment market will benefit from a high level of activity within conversion and upgrading projects again in 2007.

With a continued high level of investment within the transport sector, the civil works market in Denmark is expected to remain stable. The utility services market is on the increase again in the current year due to the continued high willingness to invest in telecommunications.

As far as concerns the international activities, an increasing level of activity is expected in 2007, with the focus on selective identification of project opportunities in relation to own competencies and resources.

The order book stood at DKK 10.8 billion at the start of 2007, with DKK 8 billion expected to be executed in 2007. With the strengthened order book compared with last year and an expectation of a high level of activity, with continued pressure on resources and prices, MT Højgaard will be highly selective when choosing new projects. Revenue for 2007 is expected to reach approx. DKK 11 billion. The proportion accounted for by international revenue is expected to increase to just over 20% of total revenue in 2007, compared with 17% in 2006.

Selectivity and focusing are expected to lead to a significant improvement in earnings in the Contracting business. The progress will be realised successively during 2007 as the written-down projects with a low contribution margin are completed. The subsidiaries are expected to realise satisfactory results again in 2007, albeit at a lower level than in 2006. Consolidated pre-tax profit is expected to be in the region of DKK 225 million.

The Group's effective tax rate is expected to be on a par with the Danish tax rate.

The Government is considering tabling a bill in 2007 on amendment of the income tax legislation. A reduction of the income tax rate in 2007 would affect the tax base of the MT Højgaard Group's deferred net tax asset.

## **Ownership**

MT Højgaard a/s is owned by Højgaard Holding a/s (54%) and Monberg & Thorsen A/S (46%), which are both listed on the Copenhagen Stock Exchange.

## Consolidated income statement

Amounts in DKKm	2006	2005
Revenue	11,082.5	8,462.9
Production costs	(10,640.8)	(7,977.0)
<b>Gross profit</b>	<b>441.7</b>	<b>485.9</b>
Distribution costs	(129.0)	(116.8)
Administrative expenses	(254.1)	(231.2)
<b>Operating profit</b>	<b>58.6</b>	<b>137.9</b>
Share of profit (loss) after tax of associates	0.0	(2.9)
Financial income	23.3	19.4
Financial expenses	(30.9)	(29.5)
<b>Profit before tax</b>	<b>51.0</b>	<b>124.9</b>
Income tax expense	(14.3)	(25.0)
<b>Profit for the year</b>	<b>36.7</b>	<b>99.9</b>
<b>Attributable to</b>		
Equity holders of MT Højgaard a/s	28.2	93.7
Minority interests	8.5	6.2
<b>Total</b>	<b>36.7</b>	<b>99.9</b>
<b>Changes in equity</b>		
Equity at 01-01	1,016.3	916.9
Foreign exchange adjustments, etc.	(0.4)	1.0
Adjustment of minority interests	(4.6)	(1.5)
Profit for the year	36.7	99.9
<b>Equity at 31-12</b>	<b>1,048.0</b>	<b>1,016.3</b>

## Consolidated balance sheet

Amounts in DKKm	2006	2005
<b>Assets</b>		
<b>Fixed assets</b>		
<b>Intangible assets</b>		
Goodwill	73.6	69.2
<b>Total intangible assets</b>	<b>73.6</b>	<b>69.2</b>
<b>Property, plant and equipment</b>		
Land and buildings	357.4	322.8
Plant and machinery	445.1	419.0
Fixtures and fittings, tools and equipment	78.3	71.2
Property, plant and equipment in the course of construction	27.7	15.1
<b>Total property, plant and equipment</b>	<b>908.5</b>	<b>828.1</b>
<b>Investments</b>		
Investments in associates	0.7	5.7
Receivables from associates	5.6	5.5
Other investments	0.9	0.8
Deferred tax assets	238.9	153.3
<b>Total investments</b>	<b>246.1</b>	<b>165.3</b>
<b>Total fixed assets</b>	<b>1,228.2</b>	<b>1,062.6</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials and consumables	54.4	52.9
Properties for resale	222.9	302.3
<b>Total inventories</b>	<b>277.3</b>	<b>355.2</b>
<b>Receivables</b>		
Trade receivables	2,192.1	1,647.5
Contract work in progress	603.7	471.4
Receivables from associates	6.3	5.9
Income tax	0.0	1.0
Other receivables	95.7	57.4
Prepayments	77.6	60.8
<b>Total receivables</b>	<b>2,975.4</b>	<b>2,244.0</b>
<b>Securities</b>	<b>87.9</b>	<b>58.3</b>
<b>Cash and cash equivalents</b>	<b>263.8</b>	<b>206.3</b>
<b>Total current assets</b>	<b>3,604.4</b>	<b>2,863.8</b>
<b>Total assets</b>	<b>4,832.6</b>	<b>3,926.4</b>

## Consolidated balance sheet

Amounts in DKKm	2006	2005
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	220.0	220.0
Translation reserve	(2.8)	(2.5)
Retained earnings	807.2	778.9
<b>Total equity attributable to equity holders of the parent</b>	<b>1,024.4</b>	<b>996.4</b>
Minority interests	23.6	18.9
<b>Total equity</b>	<b>1,048.0</b>	<b>1,016.3</b>
<b>Non-current liabilities</b>		
Bank loans, etc.	174.3	210.3
Deferred tax liabilities	24.1	23.8
Provisions	62.3	57.3
<b>Total non-current liabilities</b>	<b>260.7</b>	<b>291.4</b>
<b>Current liabilities</b>		
Current portion of non-current financial liabilities	80.8	34.0
Bank loans, etc.	46.3	58.6
Contract work in progress	1,216.8	688.2
Prepayments received from customers	138.1	102.3
Trade payables	1,282.6	1,053.1
Payables to associates	0.4	4.1
Income tax	37.0	8.7
Other payables	659.8	602.5
Deferred income	59.4	64.9
Provisions	2.7	2.3
<b>Total current liabilities</b>	<b>3,523.9</b>	<b>2,618.7</b>
<b>Total liabilities</b>	<b>3,784.6</b>	<b>2,910.1</b>
<b>Total equity and liabilities</b>	<b>4,832.6</b>	<b>3,926.4</b>

## Consolidated cash flow statement

Amounts in DKKm	2006	2005
<b>Operating activities</b>		
Operating profit	58.6	137.9
Non-cash operating items	179.7	169.8
<b>Cash generated from operating activities before changes in working capital</b>	<b>238.3</b>	<b>307.7</b>
Working capital changes:		
Inventories	76.7	86.5
Receivables excluding contract work in progress	(595.6)	(405.1)
Contract work in progress	(371.9)	(149.2)
Trade and other current payables	280.4	532.5
<b>Cash generated from operations (operating activities)</b>	<b>371.7</b>	<b>372.4</b>
Financial income	20.8	17.5
Financial expenses	(30.9)	(29.5)
<b>Cash generated from operations (ordinary activities)</b>	<b>361.6</b>	<b>360.4</b>
Income taxes paid, net	(44.5)	(19.7)
<b>Cash flows from operating activities</b>	<b>317.1</b>	<b>340.7</b>
<b>Investing activities</b>		
Acquisition of enterprises and activities	(6.8)	(54.4)
Disposal of enterprises and activities	12.7	0.0
Purchase of property, plant and equipment	(287.5)	(211.9)
Sale of property, plant and equipment	68.5	45.3
Dividends from associates	5.0	-
Purchase/sale of securities	(31.7)	52.5
<b>Cash flows for investing activities</b>	<b>(239.8)</b>	<b>(168.5)</b>
<b>Financing activities</b>		
Loan financing:		
Minority interests	(4.6)	(1.5)
Increase in non-current bank loans, etc.	-	-
Decrease in non-current bank loans, etc.	(2.9)	(45.4)
<b>Cash flows from financing activities</b>	<b>(7.5)</b>	<b>(46.9)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>69.8</b>	<b>125.3</b>
Cash and cash equivalents at 01-01	147.7	22.4
<b>Cash and cash equivalents at 31-12</b>	<b>217.5</b>	<b>147.7</b>

The figures in the cash flow statement cannot be directly derived from the published accounting records alone.

## Segment information

Amounts in DKKm	2006 Q4	2005 Q4	2006 YTD	2005 Year
<b>Business segments</b>				
<b>Revenue</b>				
Contracting business	2,199.1	1,799.3	7,770.1	5,704.7
Other activities – subsidiaries	935.9	852.6	3,312.4	2,758.2
<b>MT Højgaard Group</b>	<b>3,135.0</b>	2,631.9	<b>11,082.5</b>	8,462.9
<b>Operating profit (loss) (EBIT)</b>				
Contracting business	(70.5)	21.7	(132.4)	77.6
Other activities – subsidiaries	103.8	44.1	243.1	128.1
Corporate functions, etc.	(3.6)	(12.2)	(52.1)	(67.8)
<b>MT Højgaard Group</b>	<b>29.7</b>	53.6	<b>58.6</b>	137.9
<b>Order book, end of period</b>				
Contracting business			8,194.5	6,078.4
Other activities – subsidiaries			2,557.3	2,273.6
<b>MT Højgaard Group</b>			<b>10,751.8</b>	8,352.0
<b>Geographical segments</b>				
<b>Revenue</b>				
Denmark	2,544.5	2,104.7	9,239.8	7,133.8
Rest of world	590.5	527.2	1,842.7	1,329.1
<b>MT Højgaard Group</b>	<b>3,135.0</b>	2,631.9	<b>11,082.5</b>	8,462.9

**Consolidated income statement by quarter (unaudited)**

Amounts in DKKm	2006				Total
	Q1	Q2	Q3	Q4	
Revenue	2,342.8	2,658.7	2,946.0	3,135.0	11,082.5
Production costs	(2,239.5)	(2,545.2)	(2,867.1)	(2,989.0)	(10,640.8)
<b>Gross profit</b>	103.3	113.5	78.9	146.0	441.7
Distribution costs	(26.8)	(31.6)	(30.1)	(40.5)	(129.0)
Administrative expenses	(59.6)	(61.2)	(57.5)	(75.8)	(254.1)
<b>Operating profit (loss)</b>	16.9	20.7	(8.7)	29.7	58.6
Share of profit (loss) after tax of associates	0.0	0.0	0.0	0.0	0.0
Net financing costs	(1.1)	(4.1)	(2.3)	(0.1)	(7.6)
<b>Profit (loss) before tax</b>	15.8	16.6	(11.0)	29.6	51.0
Income tax expense	(4.4)	(4.7)	3.1	(8.3)	(14.3)
<b>Profit (loss) after tax</b>	11.4	11.9	(7.9)	21.3	36.7
<b>Attributable to</b>					
Equity holders of MT Højgaard a/s	10.9	10.3	(11.0)	18.0	28.2
Minority shareholders	0.5	1.6	3.1	3.3	8.5
<b>Total</b>	11.4	11.9	(7.9)	21.3	36.7

Amounts in DKKm	2005				Total
	Q1	Q2	Q3	Q4	
Revenue	1,500.8	2,121.6	2,208.6	2,631.9	8,462.9
Production costs	(1,438.8)	(1,976.7)	(2,078.8)	(2,482.7)	(7,977.0)
<b>Gross profit</b>	62.0	144.9	129.8	149.2	485.9
Distribution costs	(26.8)	(33.5)	(21.4)	(35.1)	(116.8)
Administrative expenses	(54.3)	(55.5)	(60.9)	(60.5)	(231.2)
<b>Operating profit (loss)</b>	(19.1)	55.9	47.5	53.6	137.9
Share of profit (loss) of associates	(0.2)	(0.2)	(0.1)	(2.4)	(2.9)
Net financing costs	(2.4)	(3.3)	(2.8)	(1.6)	(10.1)
<b>Profit (loss) before tax</b>	(21.7)	52.4	44.6	49.6	124.9
Income tax expense	6.5	(15.1)	(6.4)	(10.0)	(25.0)
<b>Profit (loss) after tax</b>	(15.2)	37.3	38.2	39.6	99.9
<b>Attributable to</b>					
Equity holders of MT Højgaard a/s	(15.4)	36.3	37.2	35.6	93.7
Minority shareholders	0.2	1.0	1.0	4.0	6.2
<b>Total</b>	(15.2)	37.3	38.2	39.6	99.9