

**MTH GROUP**

Interim financial report  
second quarter 2018



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## MANAGEMENT'S REVIEW

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The **MTH GROUP** logo on the front page of this report refers to the whole of the MT Højgaard Group, which this interim financial report covers.

This interim financial report has been published in both Danish and English. In case of discrepancies between the two versions, or in case of doubt, the Danish version shall prevail.

# Summary – Second quarter 2018

## 1.7

DKK billion

Revenue declined by 11% compared with the same period last year, as expected, driven by low order intake in 2017.

## -34

DKK million

Unsatisfactory EBIT because of continued write-down on a single civil works project as well as a few other projects, lower revenue and low capacity utilisation.

## -152

DKK million

Negative operating cash flows due to lower earnings and increasing working capital.

## 4.0

DKK billion

Second-quarter order intake increased by DKK 2.2 billion compared with last year, driven by higher win rate on good-quality orders in strategic focus segments.

## 9.2

DKK billion

The order book increased by DKK 2.2 billion compared with the end of last year, driven by high order intake in the second quarter of 2018.

## Outlook 2018

Unchanged outlook for revenue of around DKK

# 6.8 billion

Revenue is expected to increase during the coming quarters, driven by the existing order book and intake of new orders with focus on quality.

EBIT now expected to be in the range of DKK

# 0-50 million

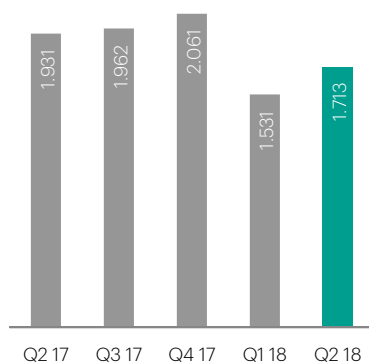
In the light of continued write-downs on a major civil works project and some other projects, as well as low capacity utilisation and severance costs, MTH GROUP has lowered its earnings outlook for 2018. Earnings are expected to improve in the second half year as a result of increasing revenue, the effect of the capacity adjustment in MT Højgaard that has already been implemented and intensified effort relating to the Focus 2018 programme.

## Focus 2018

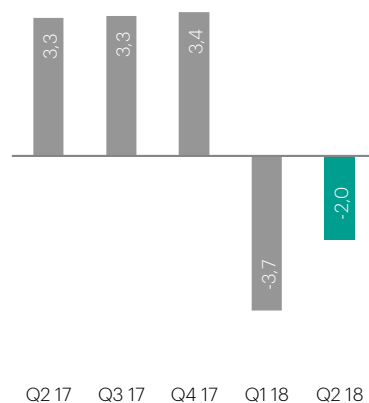
With the Focus 2018 programme, management has launched a number of concrete initiatives aimed at improving competitiveness and thus increasing order intake and earnings in the Danish part of MT Højgaard. These initiatives are grouped as follows:

- **Improved competitiveness.** Through cost adaptations and increased efficiency. Revenue per employee must increase.
- **Increased order intake.** Through better project selection, so that MT Højgaard will win more contracts and improve the composition of the company's project portfolio.
- **Stable operation:** The effort to improve the balance between positive and negative variations on projects will be strengthened by increased management proximity.

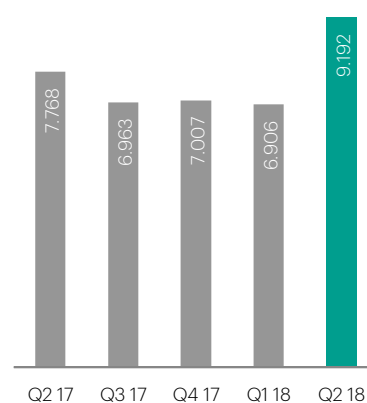
Revenue  
DKK million



Operating margin before special items (EBIT)  
%



Order book  
DKK million



# Financial highlights

Amounts in DKK million	2018 Q2	2017 Q2	2018 YTD	2017 YTD	2017
<b>Income statement</b>					
Revenue	1,713	1,931	3,244	3,625	7,648
Gross profit	57	183	109	275	631
Operating profit/(loss) before special items	-34	63	-90	41	176
Special items*	-	-25	-	-25	-125
EBIT	-34	38	-90	16	51
Profit/(loss) before tax	-33	36	-93	10	40
Net profit/(loss) for the period	-50	16	-96	-3	-58
<b>Cash flows</b>					
Cash flows from operating activities	-152	143	-474	144	168
Purchase of property, plant and equipment	-35	-45	-72	-70	-86
Other investments, incl. investments in securities	5	1	4	5	-12
Cash flows from investing activities	-30	-44	-68	-66	-98
Cash flows from operating and investing activities	-182	99	-542	78	70
<b>Balance sheet</b>					
Non-current assets	-	-	1,249	1,153	1,153
Current assets	-	-	2,551	2,738	2,522
Equity	-	-	776	962	884
Non-current liabilities	-	-	455	282	256
Current liabilities	-	-	2,569	2,647	2,535
Balance sheet total	-	-	3,800	3,890	3,675

Amounts in DKK million	2018 Q2	2017 Q2	2018 YTD	2017 YTD	2017
<b>Other information</b>					
Order intake	3,999	1,758	5,429	2,802	6,064
Order book, end of period	-	-	9,192	7,768	7,007
Working capital **	-	-	34	-220	-264
Net interest-bearing deposit/debt (+/-)	-	-	-683	11	-73
Average invested capital incl. goodwill	-	-	1,095	865	934
Average number of employees	-	-	4,032	4,302	4,338
<b>Financial ratios</b>					
Gross margin (%)	3.4	9.5	3.4	7.6	8.2
Operating margin before special items (%)	-2.0	3.3	-2.8	1.1	2.3
EBIT margin (%)	-2.0	2.0	-2.8	0.4	0.7
Pre-tax margin (%)	-1.9	1.9	-2.9	0.3	0.5
Return on invested capital incl. goodwill (ROIC) (%)	-	-	5.7	17.5	21.0
Return on invested capital incl. goodwill after tax (%)	-	-	4.5	13.6	16.4
Return on equity (ROE) (%)	-	-	-12.7	-1.4	-9.3
Equity ratio (%)	-	-	20.0	23.9	23.3
Equity ratio (%) incl. subordinated loan	-	-	23.9	23.9	23.3

\*Special items represent the impact on profit of legacy offshore disputes.

\*\* Working capital excludes properties held for resale.

Financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios' published by the Danish Finance Society. Financial ratios are defined in the 2017 annual report under accounting policies.

# Operating and financial review

Revenue declined as expected and EBIT was unsatisfactory. The period showed increasing order intake in strategic focus segments and more intensive effort in connection with the Focus 2018 programme, which aims to improve the competitiveness of MT Højgaard's Danish business.

As expected, lower order intake in 2017 led to an 11% decline in revenue across the Group's business areas in the first half of 2018.

EBIT was unsatisfactory and seriously impacted by write-downs on some projects, totalling DKK 80 million year to date, primarily on a major civil works project, while a potential compensation claim against partners on the civil works project cannot yet be recognised. EBIT was also affected by low revenue, which led to low capacity utilisation.

## REDUCED RISK ON LEGACY OFFSHORE GUARANTEE OBLIGATIONS

The risk of guarantee obligations on legacy offshore projects that have long since been completed is considered to be significantly reduced after a settlement reached by the Group in the first quarter concerning a legacy offshore guarantee obligation for which provi-

sion had been made in full. Payment of the agreed settlement had, as expected, a negative effect on cash flows in the first quarter.

## ORDER INTAKE ROSE DURING THE QUARTER

At DKK 4.0 billion, second-quarter order intake was DKK 2.2 billion higher than in the same quarter last year, and the order book at 30 June 2018 was DKK 2.2 billion higher than the order book at the end of 2017. The increase was driven by orders of satisfactory quality in the Group's strategic focus segments. Due in part to the initiatives in the Focus 2018 programme, MT Højgaard's win rate increased during the period, and a number of contracted and not contracted projects are planned to start in 2018 and 2019.

## FOCUS 2018 PROGRAMME

During the first half of the year, Group management launched a number of initiatives aimed at improving MT Højgaard's competitiveness and thus increasing order intake and earnings. These initiatives are brought together in the Focus 2018 programme, with three action areas:

- Improved competitiveness
- Increased order intake
- Stable operation

## Construction



**MT Højgaard**  
**Enemærke & Petersen**  
**Lindpro**  
**Scandi Byg**

Develops, builds and refurbishes private and public sector buildings, primarily in Denmark, but also in the North Atlantic countries and the Maldives. Accounts for the majority of the overall activities, measured in terms of both revenue and number of employees.

## Civil Works



**MT Højgaard**

Civil works projects are undertaken by MT Højgaard. Handles large and small projects from offices in Denmark, the North Atlantic countries and the Maldives.

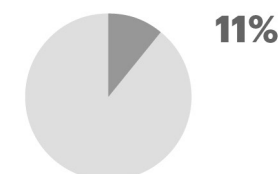
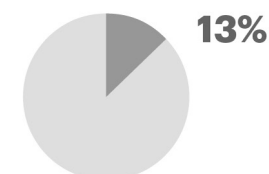
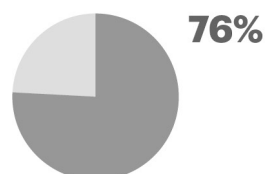
## Services



**Lindpro**  
**Ajos**  
**Enemærke & Petersen**  
**MT Højgaard**

A range of services in the construction and civil engineering industry, especially through Lindpro, Ajos, Enemærke & Petersen and in connection with project development and design in MT Højgaard.

## Revenue H1 2018



The first results of the Focus 2018 programme were seen in the first half year in the form of lower tendering costs and an improved win rate. The programme is expected to continue to contribute to improving MT Højgaard's earnings in the second half of 2018, with full effect from 2019. The programme is expected to cut total costs by around DKK 100 million.

In order to become more competitive and reduce costs, in the beginning of first quarter MT Højgaard carried out a round of redundancies and introduced a general limit on appointments, which will continue, meaning that new staff will only be recruited for positions of crucial importance to the company. In May (Company Announcement of 14 May 2018), Group Management was adapted by the resignation of Executive Vice Presidents Jesper Nordby and Arne Becker. This was due to unsatisfactory results and also to the need to simplify decision-making processes and put MT Højgaard in the best possible position to deliver the required results with the requisite speed.

In connection with this decision, a Focus 2018 management team was set up in MT Højgaard. This consists of representatives from Group Management and the driving forces in the MT Højgaard business, in order to increase transparency and speed up reactions to decisions concerning changes.

In the second quarter, MT Højgaard reorganised its customer organisation in order to in-

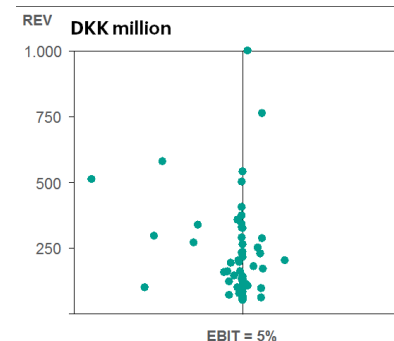
crease order intake by creating greater local anchoring and ensuring close management and geographical proximity to customers. In addition, it was decided to intensify investment in the company's key customer programme in order to create a more systematic service for major national customers and keep a close eye on market developments. These initiatives will be supplemented by better project selection and are intended to enable MT Højgaard to win more contracts and improve the composition of the company's project portfolio with respect to risk, timing, size, skills and organisation, among other things. Progress made in this area during the first half year must be maintained and extended.

In the second quarter, MT Højgaard made a determined effort to improve the balance between positive and negative variations on projects by ensuring that there is clear management focus on customers and project execution on all projects. At the same time, focus has centred on the implementation of a stage-gate meeting structure, ensuring that the assessment of projects is complete before the start of the design, planning and production phase. MT Højgaard's management has applied the recently implemented structure to all projects started up in 2018.

The diagram shows MTH GROUP's major projects in progress. The position of the projects indicates the degree to which they meet management's requirements concerning

contribution margin and should in principle be close to the centre axis and preferably to the right of it. Nevertheless, minor fluctuations in a negative direction may occur at any time and be acceptable, but the small number of major, loss-making contracts must be eliminated.

### THE GROUP'S PROJECTS IN PROGRESS > DKK 50 MILLION



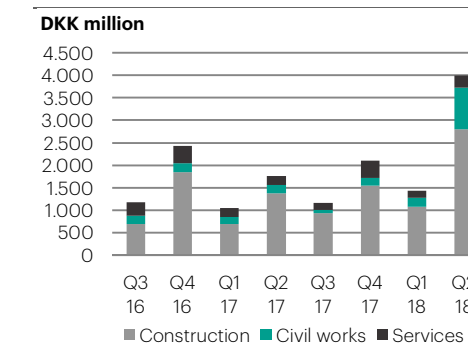
As can be seen from the diagram, some projects do not meet these requirements. This means that these projects currently have a negative impact on gross and operating margins. These projects are primarily in MT Højgaard.

The diagram also shows that the Group is working on a number of sound major projects, whose quality meets and exceeds management's expectations.

### ORDER INTAKE AND ORDER BOOK

MTH GROUP contracted new orders totalling DKK 4.0 billion in the second quarter of 2018, compared with DKK 1.8 billion in the same period last year. This growth was driven by a number of large, medium and relatively small orders in the strategic focus segments of MT Højgaard and the other companies in the Group, all of which will contribute to results for the coming years.

### ORDER INTAKE



The order book amounted to DKK 9.2 billion at the end of the second quarter of 2018, compared with DKK 7.8 billion at the same time in 2017.

The order book includes a number of major projects and many smaller projects with quick start-ups that will generate revenue already in 2018.

Awarded but not contracted work totalled around DKK 0.8 billion at the end of the second quarter, compared with DKK 1.4 billion in the second quarter of 2017.

The Group is also working on the clarification phase of a number of collaboration agreements and projects, which may result in the conclusion of final, unconditional agreements.

### ORDER BOOK

DKK million



### Amounts in DKK million

	Q2 2018	Q2 2017	2017
Order book, start of period	6,906	7,941	8,591
Order intake	3,999	1,758	6,064
Production	1,713	1,931	7,648
Order book, end of period	9,192	7,768	7,007

### Construction

Total order intake in this business area increased by DKK 1.4 billion in the second quarter and DKK 1.8 billion in the first half of 2018 compared with 2017.

The order book increased by DKK 1.1 billion, primarily due to major orders in MT Højgaard's strategic focus segments.

The Group anticipates continued growth in the market for refurbishment and residential construction projects in and around the major cities, as well as a high level of activity in construction of data centres in Denmark.

### Civil Works

Order intake increased by DKK 0.7 billion in the quarter and DKK 0.8 billion in the first half compared with the same period in 2017. The growth reflected major orders in MT Højgaard.

There is still basis for good activity in the coming years, with a positive trend in demand in the fields of infrastructure, data centres and super-hospitals, though the market is also characterised by strong price competition, foreign players and fewer large public civil works projects.

### Services

Second-quarter order intake increased by DKK 0.1 billion and was at the same level as 2017.

The service business was affected by fierce competition and the end of the Greenland Contractors contract with the U.S. Air Force.

### REVENUE

Second-quarter Group revenue was DKK 1,713 million, compared with DKK 1,931 million in the same period last year. The expected decline reflected lower order intake in 2017.

First-half revenue decreased by 11%, to DKK 3,244 million, compared with DKK 3,625 million in the comparison period.

### REVENUE

DKK million



### Construction

Revenue in the construction business increased by 1%, to DKK 1,337 million, compared with DKK 1,324 million in the same quarter of 2017.

The main construction activities during the quarter were:

- MT Højgaard's work on a data centre in Odense, the New Aalborg University Hospital, handover of Kalvebod Fælled School, the AARhus residential project in Aarhus, a new ward building at Southwest Jutland Hospital in Esbjerg, and the refurbishment of 40 residential blocks in Møllevang in Vejle.
- Enemærke & Petersen's refurbishment of Hjortegården in Herlev and the residential construction project Den Grønne Fatning in Herlev; Denmark's biggest residential refurbishment project, Stadionkvarteret in Glostrup; plus new building at A.C. Meyers Vænge in Copenhagen.
- Scandi Byg's work on 61 family units in Nørrevang in Herlev, 96 housing units in Skjeborg Allé in Høje Taastrup C, and housing units at Engdraget in Slagelse.
- Lindpro's work on a number of major and minor technical projects, including Kirk Kapital in Vejle and Kalvebod Fælled School.

Revenue in the construction business decreased by 2% to DKK 2,474 million, during the first half of 2018 compared with last year.

### Civil Works

Revenue in this business area decreased by 44%, to DKK 187 million, compared with DKK 336 million in the same quarter of 2017.

The main civil works activities during the quarter were:

- MT Højgaard's shell construction at the New Aalborg University Hospital, renewal and improvement of 56 bridges on the railway line between Ringsted and Rødby for Banedanmark, conversion of Amager Power Station for HOFOR, and the construction of Hisingsbron bridge in Gothenburg in a joint venture with Skanska.

First-half revenue in this business area decreased by 28%, to DKK 405 million, compared with the same period in 2017.

### Services

Revenue in this business area decreased by 30%, to DKK 189 million, compared with DKK 270 million in the same quarter of 2017. Adjusted for the end of Greenland Contractors' contract with the U.S. Air Force, revenue increased by 9%.

At DKK 365 million, first-half revenue for the service business fell by 33% compared with the same period last year, although revenue for the period increased by 3% after adjustment for Greenland Contractors.

### EARNINGS

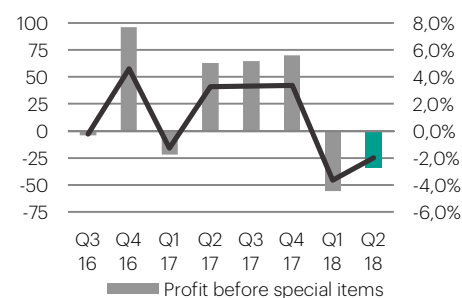
Second-quarter EBIT before special items was a DKK 34 million loss, compared with a DKK 38 million profit in the same period in 2017.

The operating result before special items for the first half of 2018 decreased to a loss of DKK 90 million, corresponding to an operating margin before special items of -2.8%, compared with a DKK 41 million profit and an operating margin of 1.1% in the same period last year.

EBIT was unsatisfactory, partly due to a write-down on a single civil works project as well as some other projects, lower revenue and low capacity utilisation.

### OPERATING PROFIT/(LOSS) BEFORE SPECIAL ITEMS

DKK million



As part of the Focus 2018 programme a number of initiatives focusing on increasing competitiveness have yielded the first savings on capacity and bidding costs.

For example, distribution costs were cut by 19% in the first half due to a more focused tendering strategy and extraordinarily high tendering activity in the first half of 2017.

Administrative expenses were stable, reflecting savings and efficiency improvements offset by continued investment in a new IT platform (partly capitalised).

The net result for the second quarter was a DKK 50 million loss, compared with a DKK 16 million profit in the same period in 2017.

The net result for the first half of 2018 was a loss of DKK 96 million compared with a loss of DKK 3 million in the comparison period.

### BALANCE SHEET

Inventories amounted to DKK 522 million at the end of the second quarter, compared with DKK 569 million at the beginning of the year, primarily reflecting properties and construction projects developed in-house for resale totalling DKK 485 million. The decline since the end of 2017 primarily consists of Solrækkerne in Hedehusene, on which phase one was handed over in the first quarter of 2018.

Trade receivables were DKK 1,508 million at the end of the quarter, compared with DKK 1,403 million at the end of 2017. Construction contracts in progress amounted to a net liability item of DKK 215 million at the end of June 2018 compared with a liability item of DKK 245 million at the end of 2017, reflecting project mix and activity level.

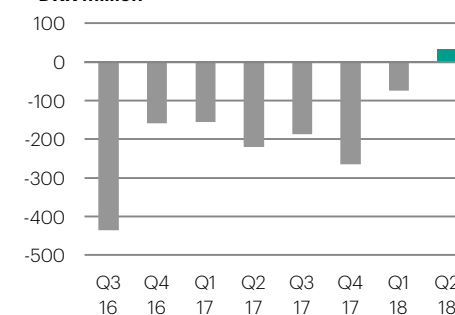
Trade payables amounted to DKK 966 million at 30 June, compared with DKK 1,005 million at the end of 2017, reflecting the change in the activity level.

Other current liabilities amounted to DKK 678 million at the end of June, compared with DKK 905 million at the end of 2017, mainly reflecting payment of the offshore guarantee obligation and lower VAT payable.

Overall, the Group had working capital of DKK 34 million, excluding properties for resale, compared with negative working capital of DKK 264 million at the end of 2017. Working capital was mainly driven by an increase in trade receivables driven by a high level of activity in Enemærke & Petersen, a reduction in negative work in progress driven by production, and a reduction in trade payables.

### WORKING CAPITAL (EXCL. PROPERTIES)

DKK million



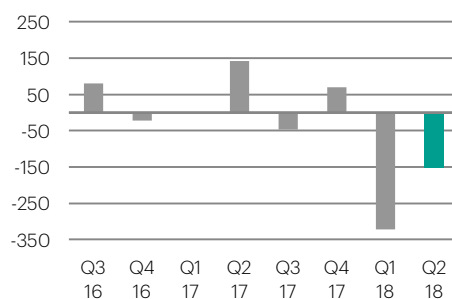


## CASH FLOWS AND FINANCIAL RESOURCES

Operating cash flow amounted to DKK -152 million in the second quarter, compared with DKK 143 million in the same period last year. Operating activities generated a cash outflow of DKK -474 million in the first half, compared with a DKK 144 million inflow in the same period in 2017.

The change was mainly driven by lower activity, declining earnings, increasing working capital and payment of settled legacy offshore guarantee obligations.

### OPERATING CASH FLOW DKK million



First-half cash flows from investing activities amounted to DKK -69 million, compared with DKK -66 million in the same period in 2017. Investments in 2018 primarily relate to rental equipment in Ajos and the Group's new IT platform. However, in accordance with IFRS, DKK 58 million of lease-financed investments in the subsidiary Ajos have been reclassified. In

the property, plant and investment register, investments will therefore total DKK 127 million.

The Group's financial resources totalled DKK 208 million at the end of June 2018, compared with DKK 584 million at the start of the year. The financial resources are considered adequate in view of the expected level of activity.

In May 2018, MTH GROUP's owners strengthened the liquidity and capital base through a subordinated loan of DKK 150 million to ensure that MTH GROUP's development opportunities will not be limited by the effect on liquidity of the legacy offshore projects. The loan is also intended to support the strategic development, including the Focus 2018 programme, the aim of which is to improve MT Højgaard's competitiveness, order intake and operations

The equity ratio was 20.0% at the end of June 2018, compared with 23.9%. The decline was driven by the net result for the year. After adjustment for the subordinated loan, the equity ratio at the end of June 2018 was 23.9%.

## SUBSEQUENT EVENTS

The Board of Directors of MT Højgaard A/S announced on 15 August 2018 that Torben Biilmann resigned as President and CEO on 16 August 2018 as a consequence of the unsatisfactory result.

Knud Højgaards Fond will inject up to DKK 250 million in cash into MT Højgaard A/S. Such a

cash injection will probably require approval by the Danish Department of Civil Affairs.

## NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND IFRIC INTERPRETATIONS

IFRSs implemented by MTH GROUP with effect from 2018 include IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. The net effect of the implementation of these is insignificant and consequently does not impact the outlook for 2018. Reference is made to note 1 to this interim financial report or note 27 to the 2017 Annual Report.

## REVENUE OUTLOOK UNCHANGED BUT EARNINGS OUTLOOK LOWERED

As announced on 15 August 2018, MTH GROUP now expects EBIT in the range of DKK 0-50 million compared with the previously announced figure of DKK 140-180 million in the light of continued write-downs on a major civil works project and some other projects, as well as low capacity utilisation and severance costs.

Revenue is expected to remain unchanged at around DKK 6.8 billion.

Earnings are expected to improve in the second half year as a result of increasing revenue, the effect of the capacity adjustment in MT Højgaard that has already been implemented and intensified effort relating to the Focus 2018 programme, which aims to improve

competitiveness in MT Højgaard's Danish business.

The Focus 2018 programme is still expected to reduce MT Højgaard's total costs by around DKK 100 million, with increasing effect in the second half of 2018 and full effect from 2019.

The outlook of increased revenue is supported by the fact that in the second quarter MTH GROUP more than doubled order intake to DKK 4.0 billion, compared with DKK 1.8 billion in the same period last year.

The investment in the Group's new IT platform is continuing.

The EBIT outlook may be adversely affected by the Group's warrant programme.

## OUTLOOK 2018

Revenue	~ DKK 6.8 billion
EBIT	DKK 0-50 million

## LONG-TERM FINANCIAL TARGETS

Operating margin	≥5%
Cash flows from operations (CFFO)	Positive
Equity ratio	30-35%

*The interim financial report contains forward-looking statements, including the above projections of financial performance in 2018, which, by their nature, involve risks and uncertainties that may cause actual performance to differ materially from that contained in the forward-looking statements.*

# 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 June 2018.

The interim financial statements, which have not been audited or reviewed by the company's auditor, have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the interim financial statements give a true and fair view of the Group's financial position at 30 June 2018 and of the results of the Group's operations and cash flows for the period 1 January – 30 June 2018.

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 as well as a description of the significant risks and uncertainties pertaining to the Group.

Søborg, 16 August 2018

## EXECUTIVE BOARD

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**Torben Biilmann**  
President and CEO

**Egil Mølsted Madsen**  
CFO

## BOARD OF DIRECTORS

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**Søren Bjerre-Nielsen**  
Chairman

**Anders Heine Jensen**  
Deputy Chairman

**Carsten Dilling**

**Ole Røsdahl**

**Pernille Fabricius**

**Christine Thorsen**

**Irene Chabior**  
Staff representative

**Vinnie Sunke Heimann**  
Staff representative

**Hans-Henrik Hannibal Hansen**  
Staff representative

# Income statement and statement of comprehensive income

Amounts in DKK million	2018 Q2	2017 Q2	2018 YTD	2017 YTD	2017 Year	Amounts in DKK million	2018 Q2	2017 Q2	2018 YTD	2017 YTD	2017 Year
<b>INCOME STATEMENT</b>						<b>Attributable to:</b>					
Revenue	1,713.0	1,930.5	3,243.7	3,624.7	7,648.1	Shareholders of MT Højgaard A/S	-50.1	11.8	-96.4	-12.6	-84.1
Production costs	-1,655.5	-1,747.6	-3,134.8	-3,350.2	-7,017.3	Non-controlling interests	-	4.3	-	9.3	25.7
<b>Gross profit</b>	<b>57.5</b>	<b>182.9</b>	<b>108.9</b>	<b>274.5</b>	<b>630.8</b>	<b>Total</b>	<b>-50.1</b>	<b>16.1</b>	<b>-96.4</b>	<b>-3.3</b>	<b>-58.4</b>
Distribution costs	-37.8	-55.8	-91.4	-112.8	-219.1	<b>Statement of comprehensive income</b>					
Administrative expenses	-66.4	-65.0	-129.8	-129.5	-261.8	Net profit/(loss) for the period	-50.1	16.1	-96.4	-3.3	-58.4
<b>Profit/(loss) before share of profit/(loss) of joint ventures</b>	<b>-46.7</b>	<b>62.1</b>	<b>-112.3</b>	<b>32.2</b>	<b>149.9</b>	<b>Other comprehensive income</b>					
Share of profit/(loss) after tax of joint ventures	13.1	1.2	22.8	8.7	26.4	<b>Items that may be reclassified to the income statement:</b>					
<b>Operating profit/(loss) before special items</b>	<b>-33.6</b>	<b>63.3</b>	<b>-89.5</b>	<b>40.9</b>	<b>176.3</b>	Foreign exchange adjustments, foreign enterprises	-1.1	-2.6	-0.8	-2.7	-3.7
Special items	-	-25.0	-	-25.0	-125.0	Value adjustment of hedging instruments, joint ventures	0.1	2.4	0.2	4.2	3.7
<b>EBIT</b>	<b>-33.6</b>	<b>38.3</b>	<b>-89.5</b>	<b>15.9</b>	<b>51.3</b>	<b>Total comprehensive income</b>	<b>-51.1</b>	<b>15.9</b>	<b>-97.0</b>	<b>-1.8</b>	<b>-58.4</b>
Net financials	0.6	-2.3	-3.5	-5.6	-11.5	<b>Attributable to:</b>					
<b>Profit/(loss) before tax</b>	<b>-33.0</b>	<b>36.0</b>	<b>-93.0</b>	<b>10.3</b>	<b>39.8</b>	Shareholders of MT Højgaard A/S	-51.1	11.6	-97.0	-11.1	-84.1
Income tax expense	-17.1	-19.9	-3.4	-13.6	-98.2	Non-controlling interests	-	4.3	-	9.3	25.7
<b>Net profit/(loss) for the period</b>	<b>-50.1</b>	<b>16.1</b>	<b>-96.4</b>	<b>-3.3</b>	<b>-58.4</b>	<b>Total</b>	<b>-51.1</b>	<b>15.9</b>	<b>-97.0</b>	<b>-1.8</b>	<b>-58.4</b>

# Balance sheet

<b>ASSETS</b>	2018	2017	2017
Amounts in DKK million	30-06	30-06	31-12
<b>NON-CURRENT ASSETS</b>			
Intangible assets	250.7	186.2	216.1
Property, plant and equipment	670.0	619.5	629.5
Deferred tax assets	210.4	263.4	210.4
Other investments	117.9	83.8	97.0
<b>Total non-current assets</b>	<b>1,249.0</b>	<b>1,152.9</b>	<b>1,153.0</b>
<b>CURRENT ASSETS</b>			
Inventories	522.4	679.3	568.9
Trade receivables	1,508.1	1,380.5	1,402.7
Construction contracts in progress	306.6	322.3	334.5
Other receivables	132.4	93.6	80.5
Cash and cash equivalents	81.1	261.8	135.4
<b>Total current assets</b>	<b>2,550.6</b>	<b>2,737.5</b>	<b>2,522.0</b>
<b>Total assets</b>	<b>3,799.6</b>	<b>3,890.4</b>	<b>3,675.0</b>

<b>EQUITY AND LIABILITIES</b>	2018	2017	2017
Amounts in DKK million	30-06	30-06	31-12
<b>EQUITY</b>			
Equity attributable to shareholders	758.2	930.5	855.8
Non-controlling interests	17.8	31.4	27.8
<b>Total equity</b>	<b>776.0</b>	<b>961.9</b>	<b>883.6</b>
<b>NON-CURRENT LIABILITIES</b>			
Subordinated loan	150.0	-	-
Bank loans, etc.	210.1	157.2	162.6
Deferred tax liabilities	21.8	12.9	13.0
Provisions	72.6	111.6	80.5
<b>Total non-current liabilities</b>	<b>454.5</b>	<b>281.7</b>	<b>256.1</b>
<b>CURRENT LIABILITIES</b>			
Bank loans, etc.	404.1	93.7	46.0
Construction contracts in progress	521.1	647.5	579.9
Trade payables	965.9	890.2	1,004.7
Other current liabilities	678.0	1,015.4	904.7
<b>Total current liabilities</b>	<b>2,569.1</b>	<b>2,646.8</b>	<b>2,535.3</b>
<b>Total liabilities</b>	<b>3,023.6</b>	<b>2,928.5</b>	<b>2,791.4</b>
<b>Total equity and liabilities</b>	<b>3,799.6</b>	<b>3,890.4</b>	<b>3,675.0</b>

# Statement of cash flows

Amounts in DKK million	2018 Q2	2017 Q2	2018 YTD	2017 YTD	2017 Year
<b>OPERATING ACTIVITIES</b>					
EBIT	-33.6	38.3	-89.5	15.9	51.3
Adjustments for items not included in cash flow	7.0	40.2	20.3	67.4	192.1
<b>Cash flows from operating activities before working capital changes</b>	<b>-26.6</b>	<b>78.5</b>	<b>-69.2</b>	<b>83.3</b>	<b>243.4</b>
<b>Working capital changes</b>					
Inventories	7.9	-38.4	46.4	-37.1	73.5
Receivables excl. construction contracts in progress	-94.1	-27.8	-156.7	1.9	-7.8
Construction contracts in progress	12.0	-61.3	-31.0	-126.9	-206.6
Trade and other current payables	-50.9	193.3	-258.7	230.2	105.5
<b>Cash flows from operations (operating activities)</b>	<b>-151.7</b>	<b>144.3</b>	<b>-469.2</b>	<b>151.4</b>	<b>208.0</b>
Net financials	0.6	-2.3	-3.5	-5.6	-11.5
<b>Cash flows from operations (ordinary activities)</b>	<b>-151.1</b>	<b>142.0</b>	<b>-472.7</b>	<b>145.8</b>	<b>196.5</b>
Income taxes paid, net	-0.9	0.8	-0.9	-2.3	-28.7
<b>Operating cash flow</b>	<b>-152.0</b>	<b>142.8</b>	<b>-473.6</b>	<b>143.5</b>	<b>167.8</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	-34.6	-45.0	-71.9	-70.4	-86.0
Other investments, net	5.1	0.8	3.2	4.9	-12.4
<b>Cash flows from investing activities</b>	<b>-29.5</b>	<b>-44.2</b>	<b>-68.7</b>	<b>-65.5</b>	<b>-98.4</b>
<b>Cash flows from financing activities</b>	<b>126.5</b>	<b>51.3</b>	<b>140.3</b>	<b>38.1</b>	<b>-35.4</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-55.0</b>	<b>149.9</b>	<b>-402.0</b>	<b>116.1</b>	<b>34.0</b>
Cash and cash equivalents at beginning of period	-211.6	67.6	135.4	101.4	101.4
<b>Cash and cash equivalents at end of period</b>	<b>-266.6</b>	<b>217.5</b>	<b>-266.6</b>	<b>217.5</b>	<b>135.4</b>

# Statement of changes in equity

## Amounts in DKK million

	Share capital	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to shareholders	Attributable to non-controlling interests	Total equity
Statement of changes in equity							
<b>2018</b>							
<b>Equity at 1 January</b>	<b>520.0</b>	<b>-34.3</b>	<b>1.5</b>	<b>368.6</b>	<b>855.8</b>	<b>27.8</b>	<b>883.6</b>
Effect of accounting policies, IFRS 15				-0.7	-0.7		-0.7
Tax effect, IFRS 15				0.2	0.2		0.2
<b>Adjusted equity at 1 January</b>	<b>520.0</b>	<b>-34.3</b>	<b>1.5</b>	<b>368.1</b>	<b>855.3</b>	<b>27.8</b>	<b>883.1</b>
<b>Net profit/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-96.4</b>	<b>-96.4</b>	<b>-</b>	<b>-96.4</b>
Other comprehensive income:							
Foreign exchange adjustments, foreign enterprises	-	-	-1.1	-	-1.1	-	-1.1
Value adjustment of hedging instruments, joint ventures	-	0.1	-	-	0.1	-	0.1
<b>Total other comprehensive income</b>	<b>-</b>	<b>0.1</b>	<b>-1.1</b>	<b>-</b>	<b>-1.0</b>	<b>-</b>	<b>-1.0</b>
Transactions with owners:							
Issued warrants, employee contribution	-	-	-	0.3	0.3	-	0.3
Dividends paid	-	-	-	-	-	-10.0	-10.0
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>0.3</b>	<b>-10.0</b>	<b>-9.7</b>
<b>Total changes in equity</b>	<b>-</b>	<b>0.1</b>	<b>-1.1</b>	<b>-96.1</b>	<b>-97.1</b>	<b>-10.0</b>	<b>-107.1</b>
<b>Equity at end of period</b>	<b>520.0</b>	<b>-34.2</b>	<b>0.4</b>	<b>272.0</b>	<b>758.2</b>	<b>17.8</b>	<b>776.0</b>
<b>2017</b>							
<b>Equity at 1 January</b>	<b>520.0</b>	<b>-38.0</b>	<b>5.2</b>	<b>454.4</b>	<b>941.6</b>	<b>22.1</b>	<b>963.7</b>
<b>Net profit/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-12.6</b>	<b>-12.6</b>	<b>9.3</b>	<b>-3.3</b>
Other comprehensive income:							
Foreign exchange adjustments, foreign enterprises	-	-	-2.7	-	-2.7	-	-2.7
Value adjustment of hedging instruments, joint ventures	-	4.2	-	-	4.2	-	4.2
Tax on other comprehensive income	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>4.2</b>	<b>-2.7</b>	<b>-</b>	<b>1.5</b>	<b>-</b>	<b>1.5</b>
Transactions with owners:							
Dividends paid	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total changes in equity</b>	<b>-</b>	<b>4.2</b>	<b>-2.7</b>	<b>-12.6</b>	<b>-11.1</b>	<b>9.3</b>	<b>-1.8</b>
<b>Equity at end of period</b>	<b>520.0</b>	<b>-33.8</b>	<b>2.5</b>	<b>441.8</b>	<b>930.5</b>	<b>31.4</b>	<b>961.9</b>

# Notes

## 1 ACCOUNTING POLICIES

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

A full description of accounting policies is provided in the 2017 annual report. The accounting policies are unchanged from the 2017 annual report, except as stated below.

### Changes to accounting policies

The Group has implemented IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 January 2018.

IFRS 9 'Financial Instruments', which replaces IAS 39, requires, among other things, initial recognition of expected credit losses instead of the previous practice of on indication of impairment. This has not had any material effect on the Group or the implementation at 1 January 2018 and consequently has not had any effect on opening equity.

Only IFRS 15 has had an effect on recognition and measurement in the interim financial report. The effect on profit and diluted earnings per share, balance sheet and financial ratios is insignificant. IFRS 15 has not impacted cash flows.

IFRS 15 'Revenue from Contracts with Customers' replaces the previous revenue standards (IAS 11 and IAS 18) and interpretations, and the new standard introduces a new five-step model for recognition and measurement of revenue.

The Group has decided to use the 'modified' retrospective transition option whereby the net effect on profit/(loss), DKK 0.5 million in total, is recognised in equity at 1 January 2018, with no restatement of comparative figures. For information on the gross effect, reference is made to note 27 to the 2017 annual report.

Because the 'modified' retrospective transition option has been used, management has assessed the differences between IFRS 15 and previous accounting practice for the period 1 January – 30 June 2018. Management has not identified any material differences that have affected the period under review or the individual items. The Group has not capitalised any material costs of obtaining contracts.

### Revenue

Revenue comprises completed construction contracts and construction contracts in progress, sale of development projects, sale of residential projects, rental income, services, etc.

Revenue from construction contracts under which assets or plants with a high degree of individual customisation are supplied is recognised in the income statement by reference to the stage of completion so that revenue corresponds to the selling price of the work performed during the year (percentage of completion method). Management regularly assesses estimates and judgments of, for example, contracts, variable consideration, identification of the sub-components, etc., of sales contracts.

Income from construction contracts comprises the agreed contract sum plus or minus agreed variations to contract work, claims for extra work, and any related interest payments, etc.

Revenue from projects developed in-house and residential projects is recognised as control is transferred, to the extent that the sale to the customer is final, the sale is legally enforceable and collection is reasonably assured (based on percentage of completion).

Revenue relating to rental income, services, etc., is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and the income can be measured reliably and its payment is probable.

Revenue is measured net of value added and similar sales-based taxes, but including trade discounts and rebates.

A breakdown of revenue is provided below, in accordance with the disclosure requirements in IFRS 15:

Amounts in DKK million	Q2 2018	Q2 2017	2017
Work in progress	1,507	1,634	6,243
Services	180	261	1,009
Other revenue, including project sales	26	36	397
<b>Revenue</b>	<b>1,713</b>	<b>1,931</b>	<b>7,648</b>

## 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

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The preparation of interim financial statements requires management to make accounting estimates and judgements that affect the application of accounting policies and recognised assets, liabilities, income and expenses. Actual results may differ from these estimates.

Accounting estimates and the associated estimation uncertainty, which are considered customary and essentially unchanged, are described in note 2 to the 2017 annual report.

## 3 SHARE-BASED PAYMENT TRANSACTIONS

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In April 2014, the Group set up a warrant programme for the Group's management team that runs for the period until 2019. The warrant programme was classified as a cash-settled arrangement at the end of 2016.

The combined fair value of the programme for 2014-2015 determined at the grant dates using an option valuation model was DKK 3.1 million. The fair value was DKK 0.2 million at 30 June 2018 and will be expensed on a straight-line basis until the end of the programme.

In April 2018, the Group set up an additional warrant programme for the Group's management team that runs for the period until 2020. This programme is also accounted for as a cash-settled arrangement.

The fair value of the programme for 2018 determined at the grant date using an option valuation model was DKK 0.3 million. The fair value was DKK 0.2 million at 30 June 2018. Future adjustments to fair value will be expensed on a straight-line basis until April 2019, when the programme will come to an end.

At the end of June 2018, outstanding warrants totalled 25,154 nos. with a nominal value of DKK 1,000 each, corresponding to 4.8% of the share capital. The programme must be valued at the end of each quarter, finishing in April 2019 for the 2014 programme and April 2020 for the 2018 programme. The service period also expires in April 2019 and April 2020 respectively.

## 4 SUBORDINATED LOAN

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In May 2018, MTH GROUP's owners strengthened the liquidity and capital base through a DKK 150 million subordinated loan. The loan is subordinated to the claims of all other creditors and lenders.

No principal repayments are due on the facility up to and including 30 April 2021, after which the loan will be repaid with DKK 50 million on 1 May 2021, DKK 50 million on 1 May 2022 and the balance on 1 May 2023.





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