Børsmeddelelse 2008-04-09

Annual Report 2007 - MT Højgaard a/s

Enclosed please find MT Højgaard a/s' Annual Report 2007, 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

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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.

ANNUAL REPORT 07

MTHøjgaard

WE KNOW HOW

Ownership

MT Højgaard is owned by the two listed companies
Højgaard Holding a/s (54%) and Monberg & Thorsen A/S (46%).

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This document is a translation of the Danish Annual Report. In the event of discrepancies between the English translation and the Danish text, the latter shall prevail.

Design and production
Rumfang

Summary

Profit increase in 2007

- Revenue for 2007 was DKK 11,714 million, up 6% on last year. The increase in revenue was due, in particular, to growing international activities.
- The result before tax was a profit of DKK 311 million, including profits and gains on disposals, which was an improvement of DKK 259 million on 2006. The result matched the profit outlook in the announcement dated 29 November 2007.
- The 50% ownership interest in the crane company BMS was sold at the end of November 2007, yielding a gain of DKK 112 million.
- The pre-tax margin was 2.7% compared with 0.5% in 2006. Excluding non-recurring income of DKK 117 million from the sale of shares in subsidiaries, the pre-tax margin was 1.7%.
- Due to the development in both international and national interpretations relating to recognition of project development cases, MT Højgaard has changed its accounting policy on this point. The policy change results in a postponement of the recognition of revenue and profit from project development cases to subsequent accounting periods, reducing profit before tax for the year by DKK 45 million, compared with a positive effect of DKK 1 million in 2006.
- Equity stood at DKK 1,231 million at the end of 2007 (2006: DKK 1,021 million), giving an equity ratio of 24.5% compared with 21.2% in 2006.
- Return on invested capital was 19.0% in 2007 compared with 5.9% in 2006.
- Cash flows from operating activities were affected by more funds tied up in receivables and inventories, and amounted to an outflow of DKK 73 million compared with an inflow of DKK 317 million in 2006.
- A dividend of DKK 50 million will be proposed.

Outlook for 2008

- The order book stood at DKK 10.7 billion at the end of 2007, with DKK 7.9 billion expected to be executed in 2008.
- Revenue for 2008 is expected to reach about DKK 11 billion. International revenue is expected to increase to a level of 25% of consolidated revenue in 2008 compared with 21% in 2007.
- It is expected that profit before tax in the region of DKK 300 million can be realised compared with profit before tax of DKK 194 million in 2007, excluding non-recurring income from the sale of shares in subsidiaries. The pre-tax margin is expected to be about 2.7% compared to 1.7% in 2007, excluding this non-recurring income.

Contents

Consolidated financial highlights

Amounts in DKK million	Pro forma * 2003	2004	2005	2006	2007
Income statement					
Revenue	7,982	7,320	8,273	11,063	11,714
Operating profit (EBIT)	42	89	107	60	194
Net financing costs and profit (loss) of associates	(1)	(16)	(13)	(8)	117
Profit before tax	40	73	94	52	311
Profit for the year	26	75	78	38	235
Balance sheet					
Share capital	220	220	220	220	220
Equity attributable to equity holders of the parent	828	896	968	997	1,231
Equity incl. minority interests	847	911	988	1,021	1,231
Balance sheet total	3,560	3,210	3,898	4,824	5,033
Interest-bearing assets	436	267	265	354	491
Interest-bearing liabilities	592	411	303	301	299
Invested capital	1,025	1,074	1,045	988	1,051
Cash flows					
Cash flows from operating activities	107	3	341	317	(73)
Cash flows for investing activities**	(112)	(21)	(169)	(240)	68
Cash flows from financing activities	328	4	(47)	(8)	(35)
Net increase (decrease) in cash and cash equivalents	323	(14)	125	69	(40)
**) Portion relating to property, plant and equipment (gross)	(118)	(220)	(230)	(288)	(199)
Financial ratios (%)					
Gross margin	5.5	5.9	5.5	4.0	4.7
Operating margin (EBIT margin)	0.5	1.2	1.3	0.5	1.7
Pre-tax margin	0.5	1.0	1.1	0.5	2.7
Return on invested capital (ROIC)	4.1	8.4	10.1	5.9	19.0
Return on equity (ROE)	3.6	8.5	8.2	3.7	20.9
Equity ratio	23.8	28.4	25.3	21.2	24.5
Earnings per share and diluted earnings per share (EPS), DKK	1.7	6.6	6.5	2.6	21.3
Other information					
Order book, year end	4,797	5,398	8,352	10,752	10,687
Average number of employees	5,535	4,950	5,260	5,889	6,044

The ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2005'. Financial ratios are defined on the back cover of the annual report.

The financial highlights for 2004-2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

* The financial highlights for 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 construction contracts in progress.

The financial highlights have been restated to reflect the change in accounting policy in 2007 relating to the recognition of project development cases.

Preface

MT Højgaard enjoyed a very high level of activity again in 2007. We delivered the best result in the Group's history, and we are well equipped for the future.

The building and civil works market was at a historically high level in 2007, and we expect a fall-off to a more normal level in 2008 due to a slowdown in market conditions. We can see the beginnings of a declining trend, particularly in residential construction. However, this is offset by growth in our international business. MT Højgaard entered 2008 with an overall order book on a par with last year.

Our financial performance in 2007 was in line with the original outlook for the year, after adjusting for the change in accounting policy relating to recognition of project development cases and the raised profit outlook as a result of the sale of our ownership interest in the crane company BMS.

We aim to be the leading building and construction company in Denmark. That is why we are continuously setting ourselves new targets. We expect to meet the pre-tax margin target in our 2010 strategy plan already in 2008, and in 2008 we will develop the strategy that will form the basis for fulfilment of our ambitions to increase our pre-tax margin still further. In order of priority, we will focus on increased profitability and profitable growth.

We have launched a number of pro-active initiatives aimed at underpinning earnings at a satisfactory level. These include our risk management model, which has been incorporated as an integral part of our business management during the tendering process as well as the performance process – an important element. A number of policies and guidelines form the framework for our risk management, in parallel with comprehensive risk management training of our employees.

We have set a number of corporate targets that we have broken down into sub-targets for each entity. These include both financial targets and targets in other areas. One of the areas to which we give very high priority is occupational health and safety. In 2007, we achieved our target and had our occupational health and safety certificate renewed once more. We have tightened our occupational health and safety targets still further for 2008.

The organisation has been developed so that the structure is unambiguous, with countrywide construction, civil works and utility services activities, entirely in keeping with our strategy to be countrywide and local.

Business area International is developing successfully within MT Højgaard's core capabilities, 2007 revenue amounting to more than twice the 2006 figure. We foresee sustained growth in this area in 2008.

Our subsidiaries are developing in accordance with the strategy plans. The market position was strengthened generally, and the earnings trend was positive.

In November 2007, we sold our 50% ownership interest in the crane company BMS, which is working towards further Scandinavian consolidation in its business area. The sale was consequently entirely in line with our strategy to dispose of activities that fall outside MT Højgaard's strategic focus and of which we are consequently no longer the best owner. This also applied to the UK subsidiary Composite Limited, which we sold to its local management in the first quarter of 2007.

MT Højgaard is a knowledge-intensive enterprise, and our employees are our most important asset. Their knowledge, skills, commitment and enthusiasm form the basis for MT Højgaard's performance and values. I am very grateful to our employees for their tremendous efforts and achievements. In 2008, we will focus on further strengthening the all important company-wide collaboration that is necessary in a company such as ours, in which knowledge and knowledge sharing are vital.

Kristian May
President and CEO

Group diagram

- MT Højgaard a/s
  - Administrative Service
  - Business Development, Business Systems, HR and Communications
  - Purchasing, Health, Safety & Quality
  - Marketing
  - Business areas
    - Civil Works
    - Construction
    - Utility Services
    - International
  - Business units
    - Ajos (Plant & Equipment)
    - MT Højgaard Joiners/Carpenters
    - Design
    - Project Development
  - Subsidiaries
    - Enemærke & Petersen a/s
    - Lindpro a/s
    - Promecon a/s
    - Scandi Byg a/s
    - Seth S.A. (60%)
    - Greenland Contractors I/S (67%)

The above organisational structure is the structure effective until 31 December 2007. Ajos was unbundled into a newly established subsidiary with effect from 1 January 2008. Details of the organisational changes are given on page 8.

The MT Højgaard Group undertakes all types of building and civil works and operates in a number of specialist areas nationally and internationally.

The core activities of the building and construction company in Denmark are organised into three business areas (Civil Works, Construction and Utility Services) and four business units (Ajos, MT Højgaard Joiners/Carpenters, Design and Project Development). International activities, primarily comprising civil works projects, are taken care of by the business area International.

The capabilities and activities that are not directly related to the countrywide building and civil works activities are placed in subsidiaries with separately profiled capabilities in relation to the customers and market areas they serve.

Group annual review

Performance compared with expectations

MT Højgaard reported profit before tax of DKK 311 million in 2007, including profits and gains on disposals, which was an improvement of DKK 259 million on 2006.

The result matched the profit outlook in the announcement dated 29 November 2007.

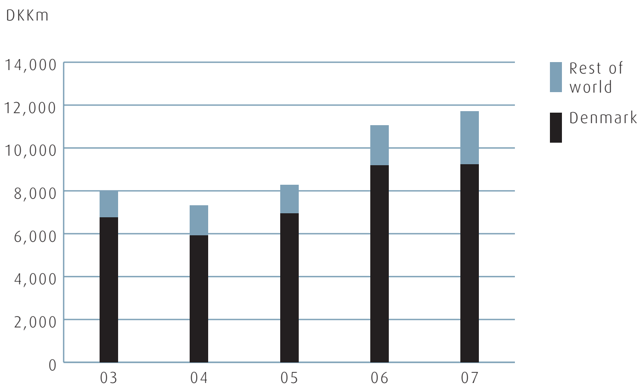
In the preliminary announcement for 2006, profit before tax in the region of DKK 225 million was anticipated, and this was adjusted to profit before tax in the region of DKK 185 million in the interim financial report for the third quarter of 2007 as a result of a change in accounting policy relating to recognition of project development cases. The profit outlook was subsequently raised in the announcement dated 29 November 2007, to profit before tax in the region of DKK 300 million. The reason for the increased profit outlook was the sale of the ownership interest in the crane company BMS.

Income statement

Revenue for 2007 totalled DKK 11,714 million, up 6% on last year.

The increase in revenue, which was driven predominantly by organic growth, was attributable, in particular, to growing international activities. International activities, which comprise the activities in business area International and the foreign subsidiaries as well as jointly controlled entities, made up 21% of revenue in 2007 as opposed to 17% in 2006.

REVENUE



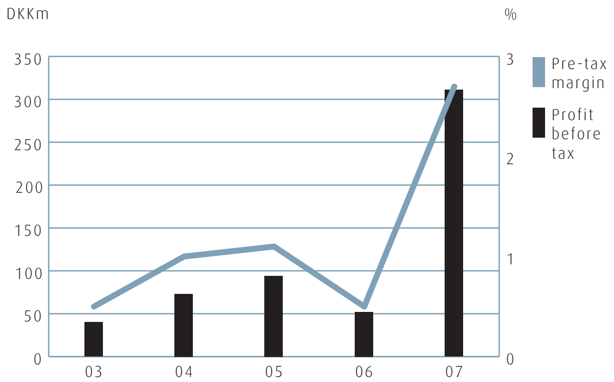
The MT Højgaard Group delivered operating profit (EBIT) of DKK 194 million in 2007, up DKK 134 million on 2006. The policy change relating to project development cases depressed profit by DKK 45 million. Profit was also eroded by further write-downs in connection with the completion of previously written-down projects. These factors predominantly relate to the parent company, which, in 2007, recorded an operating loss of DKK 46 million compared with a loss of DKK 172 million in 2006. Costs for corporate functions accounted for DKK 56 million of this figure compared with DKK 52 million in 2006.

The operating margin (EBIT margin) increased to 1.7% in 2007, up from 0.5% in 2006, due to the increase in operating profit.

Net financing costs amounted to net income of DKK 117 million compared with a net charge of DKK 8 million in 2006. The favourable development was due primarily to non-recurring income of DKK 117 million net in connection with the sale of shares in BMS, Seth and Composite Limited.

The result before tax was a profit of DKK 311 million, up DKK 259 million on 2006. The pre-tax margin was consequently 2.7% compared with 0.5% in 2006. Excluding non-recurring income of DKK 117 million from the sale of shares, the pre-tax margin was 1.7%.

PROFIT BEFORE TAX AND PRE-TAX MARGIN



Income tax expense was a net charge of DKK 76 million, giving an effective tax rate of 24% versus 28% in 2006. Income tax expense was made up of a current tax charge of DKK 43 million and a tax charge of DKK 33 million due to a change in the Group's deferred taxes, DKK 24 million of which related to a reduction in the Group's deferred net tax asset in connection with the reduction of the Danish income tax rate from 28% to 25%. The effective tax rate was also affected by gains on sale of BMS and others, which are not taxable. The Group's deferred net tax asset amounted to DKK 210 million at the end of 2007 compared with DKK 225 million in 2006.

The consolidated result after tax was a profit of DKK 235 million compared with DKK 38 million in 2006.

On the Buxton project, there are no changes to report in relation to what was stated in the 2006 annual report. The claims for extra payments advanced by MT Højgaard are the subject of international arbitration. In

"The consolidated result before tax was a profit of DKK 311 million"

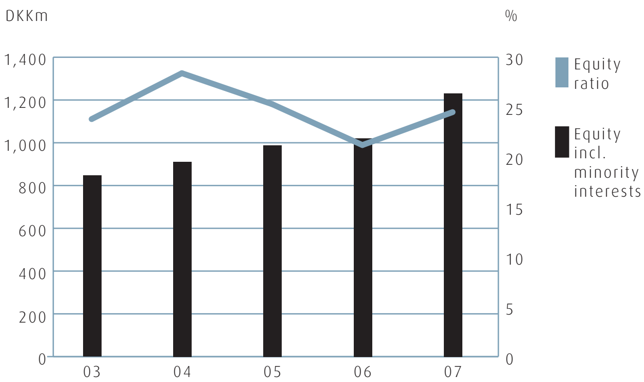
accordance with the company's policy, no income has been recognised in the financial statements in this respect.

Balance sheet

The consolidated balance sheet total stood at DKK 5,033 million at 31 December 2007, up 4% on the end of 2006. The development reflected the increase in the level of activity in 2007.

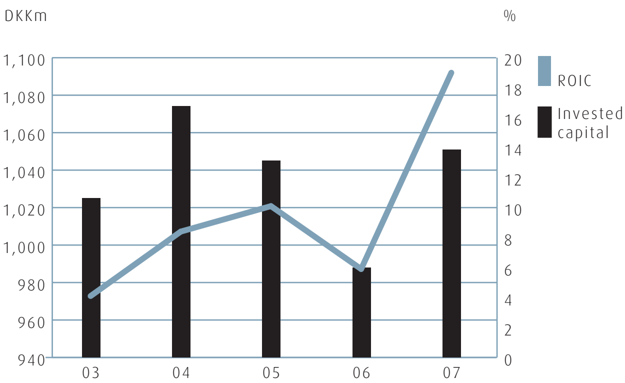
Equity was DKK 1,231 million, corresponding to an equity ratio of 24.5% versus 21.2% at the end of 2006. Besides profit, equity was affected by the opening effect of the change in accounting policy, which led to a reduction of DKK 27 million, and a DKK 25 million disposal of minority interests, which was due to changed recognition of the Portuguese contracting business Seth, further details of which are given on page 16.

EQUITY AND EQUITY RATIO



The interest-bearing net deposit increased by DKK 139 million in 2007, standing at DKK 192 million at the end of 2007. The increase primarily reflected the sale of BMS and a lower level of investment and capital expenditure than in 2006.

INVESTED CAPITAL AND ROIC



Invested capital amounted to DKK 1,051 million at the end of 2007 compared with DKK 988 million in 2006, and the return on invested capital was 19.0% versus 5.9% in 2006.

Cash flows and financial resources

Cash flows from operating activities were affected by more funds tied up in receivables and inventories, and amounted to an outflow of DKK 73 million compared with an inflow of DKK 317 million in 2006.

Cash flows for investing activities amounted to a net inflow of DKK 68 million compared to an outflow of DKK 240 million last year. The year's cash flows for investing activities benefited from a DKK 270 million cash inflow relating to acquisition and disposal of businesses and was eroded by DKK 61 million relating to purchase of securities. Net capital expenditure on property, plant and equipment amounted to DKK 141 million versus DKK 219 million in 2006 and related primarily to replacement of and new investment in contractors' plant and equipment.

Financing activities absorbed DKK 35 million compared with DKK 8 million last year, and related to reduction of non-current bank loans, etc.

Cash and cash equivalents decreased by DKK 40 million in 2007, compared with an increase of DKK 69 million last year. The net cash balance, calculated as cash less the current portion of bank loans, etc., amounted to DKK 177 million compared with DKK 217 million at the end of 2006.

The Group's financial resources, calculated as cash, including cash and cash equivalents in joint ventures, and securities and undrawn credit facilities, stood at DKK 936 million at 31 December 2007, which is satisfactory.

Order book

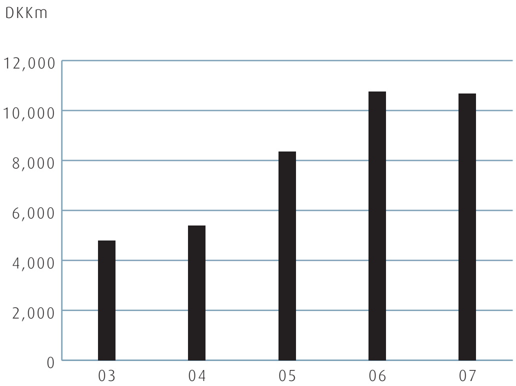
The order book at the end of 2007 was on a par with the same time in 2006.

DKKm	2007	2006
Order book, beginning of year	10,752	8,352
Order intake for the year	11,649	13,463
Production during year	(11,714)	(11,063)
Order book, end of year	10,687	10,752

The order book corresponds to on average about 11 months' production based on the outlook concerning the level of activity in 2008. The order book includes a number of large orders extending over several years.

"MT Højgaard Academy will ensure that project employees are offered an up-to-date training programme"

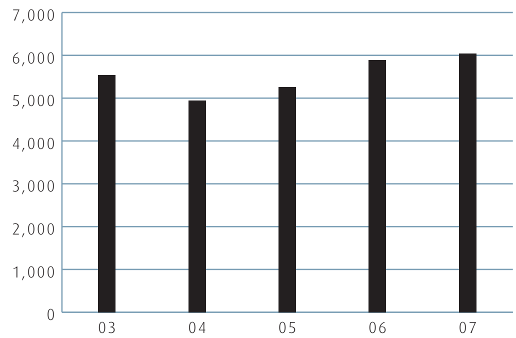
ORDER BOOK



Employees

The average number of people employed by the MT Højgaard Group in 2007 was 6,044 compared with 5,889 in 2006. The number of employees remained stable during the year, showing a downward trend towards the end of the year, closing 2007 at 5,872, down 373 on the same time last year.

AVERAGE NUMBER OF EMPLOYEES



Acquisition and disposal of businesses

The UK subsidiary Composite Limited, which specialises in precast concrete frames, was sold to the local management of the company in the first quarter of 2007.

Furthermore, on 29 November, MT Højgaard sold its entire 50% ownership interest in the crane company BMS to the Enggaard family, which has owned BMS on a fifty-basis with MT Højgaard since 2004. MT Højgaard's collaboration with BMS will continue as before.

The disposal of these activities is in keeping with MT Højgaard's strategy to dispose of activities that fall outside MT Højgaard's strategic focus and of which we are consequently no longer the best owner.

Knowledge resources

Skills development, knowledge sharing and development of products and methods are systematised in MT Højgaard.

Skills development

The MT Højgaard Group gives top priority to skills development and initiatives aimed at recruitment and retention of employees.

In 2007, the spotlight was on management and employee development and training. One of the topics was leadership, and this has been incorporated in the compulsory "Basic course for new managers", which is held on a regular basis in MT Højgaard a/s.

Leadership, leadership tools and management development is also one of the topics of a modular management development programme in which MT Højgaard participates together with seven other large Danish companies in collaboration with a professional course provider. The programme provides managers with insight into their own personal leadership style, and centres on specific projects from each company's everyday life. The managers develop a strong cross-disciplinary network across industries and skills.

MT Højgaard Academy will become a reality in the first half of 2008. MT Højgaard has been working intensively on establishing a new and up-to-date in-house training programme for project employees. MT Højgaard Academy will replace the previous project manager programme and will be modular in structure.

The new employee appraisal system with mutual evaluation of employees and managers was further developed in 2007. Roles and responsibilities will be incorporated in the employee appraisal system for the management group in 2008.

The high level of activity in the construction industry has led to a growing influx of new Danish and foreign employees. To ensure that everyone is given the same welcome, all new salaried employees and hourly paid staff undergo a compulsory induction programme. Some of the training for the group of salaried employees is implemented via the MT Højgaard e-learning portal, which was implemented in 2007. In 2007, a new, compulsory induction course for hourly paid staff was developed that is held on a regular basis in the individual departments.

In parallel with the boom in the construction industry, recruitment and retention of employees is a major challenge. At MT Højgaard, we offer our young engineers and construction designers a targeted or an exploratory rotation scheme, giving them the opportunity to gain an insight into the various disciplines before they decide whether, and in what, to specialise.

"At MT Højgaard, the work on knowledge sharing is an ongoing process, and all information is gathered in a knowledge system"

In step with the increase in the number of international activities and complex construction projects, we are expanding our capacity within technical specialist skills.

MT Højgaard has developed a knowledge centre for foreign labour. We have done this partly to attract sufficient manpower and employees with specialist skills, and partly to give foreign employees a smooth, problem-free welcome to the Danish labour market. MT Højgaard expects to increase – or at any rate retain - its recruitment of labour from, in particular, Poland, Germany and Sweden in the years ahead and to maintain its collaboration with foreign trade contractors.

As part of our efforts to attract employees, the job portal at mth.dk has been further developed. Here, potential applicants can click on a geographical area for an immediate overview of vacancies. It is also possible to subscribe to an e-mail-service and be contacted when relevant vacancies arise. A new recruitment strategy has been prepared, one of the consequences of which has been an intensification of the company's outdoor marketing with a view to making us more visible at building sites and in public spaces.

MT Højgaard offers a number of flexible employee benefits, enabling employees to tailor their own remuneration packages. In 2007, these benefits included employee bonds. Employee bonds enable employees to save and earn interest on particularly attractive terms.

Knowledge sharing

The MT Højgaard Group is a knowledge-intensive company, and the key to our continued success is therefore our talented and highly motivated employees.

The work on knowledge sharing is an ongoing process, and all information is gathered in MT Højgaard's knowledge system. Here, employees can access information about different aspects of the building process – from the latest news about health and safety regulations and quality assurance to information about collaboration with clients, authorities and colleagues.

New IT-based systems are a strategic focus area for the HR function. In 2007, a skills barometer and resource allocation system was further developed, and a new course system is expected to be in full operation in 2008. The new systems will be valuable management tools in MT Højgaard's future recruitment, skills development and retention process.

Development of products and methods

MT Højgaard is constantly focusing on developing new processes and types of collaboration. We consequently continuously develop and evaluate our building processes and different types of collaboration with clients, consultants and end users with a view to continued improvement.

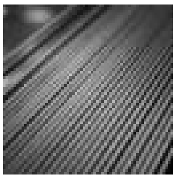
In 2006, we marketed our housing concept, introducing it to our business partners. The three concept models BasisBo, NærBo and IdealBo were developed on the basis of three large target groups' wishes for modern housing and are also based on experience from previous building projects. The concept models have thus been tailored to the end users, and production has been optimised. This ensures that there is a market for these homes and that they can be built profitably and efficiently. The housing concept has been met with a positive reception as a pioneering and valuable tool in the planning of optimised housing for various target groups.

A partnering project is a building or civil works project that relies on shared goals and objectives, is expressed in terms of shared activities and is based on mutual financial benefits. The partnering concept is being continuously developed, and in 2007 MT Højgaard set up a Partnering Office, which gathers knowledge and information about partnering and acts as support function for current construction projects. The Partnering Forum, which consists of the organisation's cutting-edge skills within partnering, is made up of representatives from across professional groups and functions as professional sparring partner for the Partnering Office. A presentation of MT Højgaard's partnering concept can be found at Partnerskab.dk.

Learning supply teams are a variation on the partnering concept. Here, the partnership is between MT Højgaard and our suppliers. Regular collaboration over a significant period of time provides scope for developing and improving the procedures associated with supplies. Experience shows that the best solutions are achieved if all relevant parties are involved in the project from a very early stage. The aim for the learning supply teams is to create shared experience, leading to a more flexible process and greater efficiency for all parties.

Public Private Partnership (PPP) is a collaboration model for handling public sector projects that require long-term investments. The gist of the concept is to offer design, financing, building, operation, maintenance and services over a lengthy period as one project, based on an overall financial assessment. Another PPP contract was started up in 2007 in collaboration with Dan-Ejendomme and Norwegian/German Bank DnB NORD – the joint venture that was also behind Denmark's first PPP project: Vildbjerg School in Trehøje/Herning. The joint venture will be responsible for the construction, operation and financing of the new Danish Land Registration Court in Hobro for the next 20 years in collaboration with the Danish Palaces and Properties Agency.

The TrimBuild® production concept is a process management tool that creates a more efficient and seamless building process. The purpose is



"In 2007, MT Højgaard achieved a significant improvement in its accident frequency rate"

a collaboration between the various parties to the construction project that ensures that planning, management, organisation and coordination of all processes and activities through the entire building process are based on a holistic view and optimum production criteria. A number of examples demonstrate clearly that TrimBuild® is instrumental in reducing the number of errors, helps improve safety at the building site and creates a more efficient and flexible building process.

Environmental issues

Responsibility towards the external environment and the environmental impacts of our activities is a constant focus area for MT Højgaard. Compliance with current legislation and other environmental requirements forms a natural basis for our environmental actions. The aim is minimise the environmental impact of all activities as much as is technically and financially feasible.

MT Højgaard endeavours to anticipate the potential environmental impacts of its activities. Based on a well-proven and recognised environmental management system and in collaboration with clients and business partners, MT Højgaard identifies the environmental factors and risks associated with each project to ensure that appropriate environmental action can be taken.

Employees are trained to routinely carry out assignments in an environmentally safe manner and in accordance with the guidelines and procedures set out in the environmental management system, which is based on the ISO standards.

Occupational health and safety and quality

MT Højgaard has occupational health and safety certification and this implies an obligation to work in a concerted manner to improve safety and reduce the number of occupational accidents. MT Højgaard meets this obligation through information, instruction, risk assessment and inspection visits to the individual workplaces, coupled with investigation of occupational accidents and assessment of near-misses. MT Højgaard wishes to be at the cutting edge in the field of occupational health and safety.

In 2007, we achieved our safety target, which was fewer than 35 occupational accidents per one million hours worked. In 2007, the actual frequency was 30.8. That is a very significant improvement, reflecting previous years' targeted efforts and attitude-shaping in relation to occupational health and safety and safety culture. MT Højgaard aims to minimise the accident frequency rate. The target for 2008 is fewer than 30 occupational accidents per one million hours worked.

We had our occupational health and safety certificate renewed for another three years in 2007.

MT Højgaard has built up an extensive quality management organisation. This minimises the number of nonconformities and ensures consistent delivery of high quality. MT Højgaard operates quality management on all public and private sector building projects.

We follow up closely on all projects with respect to both occupational health and safety and quality.

At MT Højgaard, we strive towards a healthy, productive and safe working environment. In our opinion, consumption of alcohol or drugs in the workplace is incompatible with the nature of work in our industry, where you risk harming yourself, your colleagues, the company and our reputation if you are under the influence. With effect from 2008, MT Højgaard has therefore introduced an alcohol and drug policy with a view to improving safety for our employees at our building sites.

Management information

At MT Højgaard's Annual General Meeting in April 2007, Lars Rasmussen, Executive Vice President, CCO, Coloplast A/S, was newly elected to the Supervisory Board. Morten Iversen, State Authorised Public Accountant, retired from the board for health reasons in September 2007.

Allan H. Christensen stepped down as Executive Vice President, Finance, at the end of April 2007 by mutual agreement. Johnny Rasmussen took over as Executive Vice President, Finance, on 1 June 2007.

The Executive Board consequently consists of Kristian May, Johnny Rasmussen, Peter Kofoed and Jens Bak-Nyhus.

Jette Grabow, employee representative, left MT Højgaard a/s on 7 March 2008 to take up the post of Group Administration Manager in the subsidiary Lindpro a/s. Her alternate, Poul M. Rørup, Finance Manager, joined the board on the same day.

Organisation

MT Højgaard's construction and civil works business is organised in such a way that, overall, the business areas are based on skills and are country-wide. However, Refurbishment in Greater Copenhagen, which was previously a separate business area, became an integral part of business area Construction in September 2007 with a view to joint profiling of our Construction and Refurbishment activities.

In November 2007, the activities of the business unit A.V. Andersen were split up, so that masonry service, restoration and refurbishment now belong under the subsidiary Enemærke & Petersen a/s, while the activities of Svend E. Larsen facade insulation are part of business area Civil Works.

"In order of priority, MT Højgaard focuses on increased profitability and profitable growth"

With this structure, we plan to further develop A.V. Andersen's capabilities, drawing on the extensive experience and highly specialised skills held by the employees of A.V. Andersen.

The business unit Ajos was unbundled into a newly established subsidiary with effect from 1 January 2008.

Strategic platform

The strategy work for the period 2005-2010 is headed "Profitable growth". We have adjusted the content of our strategy work, so that we focus, in order of priority, on "increased profitability and profitable growth".

The MT Højgaard Group's strategy features a Group revenue target in the order of DKK 12 billion by 2010 and 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. It is MT Højgaard's ambition to meet the pre-tax margin target in 2008 and to develop our strategy still further in 2008 with a view to meeting our ambitions of a further increase in the pre-tax margin.

The main elements of the strategy are as follows:

- continuous focus on profitability and further development of risk management
- organic selective growth
- further development of the project development activities
- broad geographical presence in Denmark
- further development of the international activities within MT Højgaard's core capabilities
- development of concepts and conceptualisation of existing activities
- development of collaboration models, including with selected key accounts
- development of the subsidiaries with focus on further market consolidation
- strategic acquisitions that will broaden MT Højgaard's market coverage in Denmark.

MT Højgaard's revenue grew faster than expected in 2006, and in 2007 it grew by a further 6%. 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 over growth, and each area focuses critically on initiatives that can bring earnings up to the targeted pre-tax margin.

The work on implementation of the strategy continued in 2007, with the following results in the other areas:

- the organisation was developed so that its structure is unambiguous, with countrywide construction, civil works and utility services activities. This platform provides the basis for developing MT Højgaard, including delivering a satisfactory financial performance in the years ahead
- the project development activities were at a lower level than in 2006, but MT Højgaard is pro-actively exploring a number of interesting opportunities
- business area International delivered profitable growth in 2007 and more than doubled its level of activity compared with 2006. We anticipate continued growth in 2008
- MT Højgaard worked on the development of concepts within more types of building
- in subsidiaries and business units the development is still in line with the strategy plans. The market position was strengthened generally, and the earnings trend was positive
- risk management has been incorporated as an integral part of our management model, for example in the tendering process, and we expect these measures to contribute to improving our future profitability.

Corporate governance

MT Højgaard is not a listed company, but is owned by Højgaard Holding a/s (54%) and Monberg & Thorsen A/S (46%), both of which are listed on the Copenhagen Stock Exchange. MT Højgaard's annual report consequently does not include a separate section on corporate governance. Reference is made to the respective owner companies' annual reports for details of their corporate governance principles.

Accounting policies

The annual report for 2007 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

The accounting policies are unchanged from those set out in the 2006 annual report, apart from the policy change for recognition of revenue from project development cases.

The accounting policy for recognition of project development cases, which consist of self-generated housing construction projects that are not started up until the sale of 75% to 80% of the project has been secured, has been changed from the percentage of completion method to the sales method. The policy change means that revenue and profit from projects sold will not be recognised until delivery has been made and risk has been transferred to the buyer and provided the income can be measured reliably and is expected to be received.

"Selectivity, focusing and targeted risk management are expected to boost earnings"

The change was introduced in response to the development in both international and national interpretations of the regulations relating to recognition of project development cases. This change in accounting policy is in accordance with the criteria for recognition of project development cases in the new draft Interpretation concerning Real Estate Sales (IFRIC D21), issued by the international interpretations body IFRIC in July 2007.

The comparative figures in the annual report have been restated to reflect the change in accounting policy.

The policy change has reduced profit before tax for the year by DKK 45 million compared with a positive effect of DKK 1 million in 2006. The accumulated effect at 31 December 2007 was a reduction of equity by DKK 62 million compared with DKK 27 million in 2006. Details of the effect of the policy change for 2006-2007 for the Group and the parent company are disclosed in note 32 to the financial statements.

With the exception of IFRS 8 "Operating Segments", the implementation of new International Financial Reporting Standards (IFRS/IAS) and Interpretations (IFRIC) that come into effect for financial years beginning on or after 1 January 2007 has only led to changes in the scope of the note information provided in the financial statements.

IFRS 8, which comes into effect on 1 January 2009, has been implemented as announced in the annual report for 2006. In this connection the MT Højgaard Group reviewed the segmentation of its activities. The review process showed that the existing segment structure did not reflect operational segments and identified only one reportable segment. The Group works exclusively within Contracting business (building and civil works). The Group's division into activities should be viewed in the light of the need for separate market profiling of the various skills and activities. From a management and project execution point of view, the Group is managed and operated as a single business, and there is therefore no basis for segmentation. The segment information in the financial statements has been restated accordingly.

The future

The Danish building and civil works market is expected to fall off in 2008 from the current very high level to a more normalised level due to a slowdown in market conditions. It is estimated that about DKK 125 billion of the total market volume of about DKK 175 billion in the professional building and civil works market in 2008 will lie within MT Højgaard's spheres of interest.

The activities within construction are expected to slow down in 2008, as the progress within commercial construction is not expected to be able to make up for the decline in residential construction, particularly in the private sector.

The refurbishment market will benefit from a high level of activity within conversion and upgrading projects again in 2008.

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 also expected to be at the same high level in 2008 as in 2007, based on a sustained willingness to invest within, for example, telecommunications.

As far as concerns the international activities, an increasing level of activity is expected in 2008, with the focus on selective identification of project opportunities in relation to in-house skills and resources. MT Højgaard is experiencing particular growth within foundations for offshore wind farms, an area in which MT Højgaard is one of the most experienced in the world.

The order book stood at DKK 10.7 billion at the start of 2008, with DKK 7.9 billion expected to be executed in 2008. With an order book on a par with last year, MT Højgaard will continue being highly selective when choosing new projects. Revenue for 2008 is expected to reach about DKK 11 billion. The proportion of consolidated revenue accounted for by international activities is expected to be at the 25% level compared with 21% in 2007.

Selectivity, focusing and targeted risk management are expected to boost earnings. One of the reasons for the anticipated progress in 2008 is that the number of written-down projects with a low contribution margin that have yet to be completed is considerably lower than at the start of 2007. The quality of the order book was thus substantially improved in the course of 2007. The subsidiaries are expected to deliver satisfactory results again in 2008, in line with 2007, taking into account activities disposed of. Consolidated profit before tax is expected to amount to around DKK 300 million compared with profit before tax of DKK 194 million in 2007, excluding non-recurring income from the sale of shares in subsidiaries. The pre-tax margin is expected to be about 2.7% compared with 1.7% in 2007, excluding this non-recurring income.

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

The projections concerning future financial performance are subject to uncertainties and risks that may cause the performance to differ from the projections expressed in this report. For a description of risks, reference is made to the section 'Risk factors' on page 17.

Operating review for 2007

The MT Højgaard Group works exclusively within building and civil works, and is therefore not divided into segments.

On 31 December 2007, the Group was organised into four business areas, four business units and the separately profiled subsidiaries as well as the Group's corporate functions.

The business areas Civil Works, Construction and Utility Services, which carries out cable works, are countrywide. International activities, primarily comprising civil works projects, are taken care of by the business area International.

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

Subsidiaries comprise the Group's subsidiaries and jointly controlled entities with separately profiled capabilities within the contracting business.

The MT Højgaard Group delivered revenue of DKK 11,714 million in 2007, up 6% on 2006. Revenue can be broken down by the following activities:

Revenue – DKK million	2007	2006
Civil Works	1,546	1,679
Construction	4,523	4,489
Utility Services	598	333
International	1,698	895
Business units	990	1,340
Subsidiaries	3,373	3,312
Eliminations/others	(1,014)	(985)
MT Højgaard Group	**11,714**	**11,063**

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.

The year was characterised by a high level of activity, and earnings were ahead of 2006. However, one highly complex project was loss-making.

Foreign business partners are increasingly important to the execution of projects, both in terms of staffing and building materials, which are increasingly sourced abroad. This trend looks set to continue in 2008.

A lower level of activity is projected for 2008 – but with continued focus on optimisation of profitability on current projects and selective contracting of new projects.

Projects in Civil Works

Copenhagen Zoo – Phase three of the new savannah at Copenhagen Zoo at Søndermarken – Construction of new 600 m² hippopotamus building with adjoining 550 m² basin, combination of giraffe and zebra facilities, removal of 5,000 m³ of soil, construction of 200 m of retaining wall based on the "Copenhagen" method round part of the savannah, and ground levelling.

Car park, Copenhagen – Underground car park for TV2 at Copenhagen South Port – 1,100 m² car park close to the quay edge. The contract called for a variety of skills, including groundwater lowering, pile driving, ground anchors, excavation, handling of contaminated soil, casting of concrete structures, and membrane works.

Motorway bridge, Brande – Motorway bridge across River Brande – 180-m long, with two lanes in either direction on the new motorway between Herning and Vejle. The bridge is supported by approx. 400 reinforced concrete piles and approx. 700 temporary piles for bridge deck shuttering during the casting phase.

Concrete silo, Sweden – Construction of 55-m high concrete silo, constructed at YARA's factory at Köping, Sweden, using the slip-form method. The silo has two mezzanine decks and a top deck. The contract also included steel works such as stairs, ladders, walkways and railings.

Concrete balconies, Copenhagen – Dismantling of 280 concrete balconies and erection of 295 new steel and concrete balconies with railings and bases in steel fibre-reinforced concrete and refurbishment of brick facades for E/F Hollænderbo and Utterslevgård, AAB.

"Business area Construction undertakes all types of construction across Denmark"

Construction

Business area Construction undertakes all types of construction work across Denmark, both residential and commercial construction projects such as institutions and schools. Construction has strong capabilities within both large multi-storey housing blocks and family dwellings and within commercial buildings and institutions this business area covers everything from retail outlets and head offices, through production and warehousing facilities, to schools, sports facilities and hospitals. Construction also undertakes all types of refurbishment, urban renewal and conversions.

The business area is divided into five geographical divisions with a local focus: Greater Copenhagen, Funen & Zealand, South Jutland, Central Jutland and North Jutland. The local presence plays a crucial role to the divisions' competitiveness. The business area's revenue comes predominantly from small, locally anchored building and refurbishment projects, where local knowledge and specialist skills are combined with the Group's countrywide skills. In-house production is being undertaken within all types of joinery/carpentry, masonry and concrete works.

The business area also has a countrywide unit that develops and markets housing concepts.

2007 was a busy year with revenue in line with 2006. Projects included housing, head offices, a hotel, warehousing and transport facilities, etc. Earnings were lower than expected, primarily due to further write-downs in connection with the completion of previously written-down projects in Greater Copenhagen.

Another PPP project was started up in 2007. The joint venture, consisting of MT Højgaard, Dan-Ejendomme and Bank DnB NORD will be responsible for the construction, operation and financing of the new Land Registration Court in Hobro in collaboration with the Danish Palaces and Properties Agency. We are convinced that PPP has a future in the Danish building sector.

Our service business provides a good platform for diversity in our activities. From here, we service small contracts and our regular customers such as housing associations.

Many of our activities relate to repeat customers. For example, we have built a number of head offices and warehousing facilities for the transport industry, and our cutting-edge capabilities in this area enable us to optimise their projects at the right price.

On 1 January 2008, a new organisational unit, Special Projects, will be added to Construction. This will bring together various specialist skills with a view to strengthening and focusing Construction within sale and implementation of projects for selected, professional key accounts, including the project management of these projects and the countrywide sales coordination, further development and sale of housing projects.

A sustained high level of activity is projected for 2008, albeit at a lower level than in 2007 due to the fall-off in activity within residential construction, in particular.

Projects in Construction

Valby Torvene, Valby – Retail, office and apartment complex combining old and new. The shopping section is brought together by a 2,700 m² glazed roof at fourth-floor level. 550 parking spaces, including 40 short-term spaces at ground level and the rest in a new 7,400 m² underground car park and a new 3,200 m² car park behind the cotton mill.

Hotel Britannia, Esbjerg – Hotel extension comprising 28 rooms, function rooms, various storage rooms, service rooms and various rooms in the basement, 1,600 m² in total. All rooms are bright and tastefully decorated, and have ensuite bath and toilet. Moreover, four of the hotel's new rooms feature a spa bath. The existing car park has been resurfaced.

Biogen Idec, Hillerød – One of the world's largest biotech companies, headquartered in the USA, wanted a packing facility for its new production facility, which will be producing sclerosis medicine. The building has a gross floor area of 6,000 m² high-rise warehouse, including parking facilities.

F&H of Scandinavia, Viborg – 4,500 m², 11-m tall high-rise warehouse with storage for 12,000 pallets. Constructed from fire-protected load-bearing steel columns and beams along the facade and gables with a steel lattice girder in the centre. The project was developed and executed in close dialogue with the client as a main contract/partnering project.

Arena Funen, Odense – 7,000 m² sports arena, built as a large black box on top of a 5-m high glass facade. Inside Arena Funen, there is 14 metres to the room ceiling, which measures 70 x 85 metres. The arena can seat 4,000 distributed over a fixed curved grand stand with a mobile grand stand opposite. The area under the stationary grand stand forms the foyer. The sports floor in the hall can be removed when the hall is used for fairs, for example.

"Within foundations for offshore wind farms, MT Højgaard is among the most experienced in the world"

Utility Services

Utility Services' activities include underground installation of power cables, fibre optic network and broadband cables for data transmission, water supply, sewers and gas pipes. Part of the electrical work is carried out in collaboration with MT Højgaard's electrical installations company Lindpro a/s.

The level of activity for the year exceeded expectations, and earnings were therefore also higher than expected.

Frost did not materialise at the start of the year, and production could therefore carry on without any serious weather interruptions.

Projects in Utility Services

EnergiMidt, Central Jutland – For EnergiMidt, Utility Services is laying fibre network in the area around Silkeborg and heavy-current cables in the area between Horsens and Nørre Snede as well as FTTH in the EnergiMidt area.

Copenhagen Energy – For Copenhagen Energy, power supply works for the following new districts were completed during the year: Ørestaden, Havneholmen, Strandholmen and the former B&W site on Refshaleøen. Maintenance of 132 kV cables and upgrading of the 0.4 kV and 10 kV networks.

Frederiksberg Forsyning – In Frederiksberg, refurbishment works were carried out for Frederiksberg Forsyning on the gas and water mains and replacement of existing district heat system. Electrical works comprised network fault correction, laying of power cables and replacement of pavement cable boxes.

SEAS-NVE, South Zealand – For SEAS-NVE, just over 430 km of power cables and fibre network were installed underground in Solrød, Marielyst and on Stevns during the year. We also carried out the underground installation of about 400 km of high-voltage cables on Lolland, Falster and Zealand.

DONG Energy – On the NESA project for DONG Energy, we carried out underground installation of 280 km of combined 0.4 kV supply and lighting network and FTTH network infrastructure. The project included the following: 850 km of power cables/service lines/lighting cables, 1,500 km of cable conduit for fibre cable and dismantling of 1,400 km of copper/aluminium cables and 8,500 timber poles.

Another reason for the increase in production was a wish on the part of clients in Zealand to accelerate the underground installation of power cables and fibre optic cables.

The level of activity on Funen and in Jutland was low, primarily reflecting the stagnation already at the start of the year of the pace of the fibre network roll-out.

The production in business area Utility Services consists, in equal shares, of in-house production and Danish and foreign trade contractors. Of the foreign trade contractors, four companies are from Poland and one from Germany.

A stable level of activity is expected in 2008, not only in Zealand, but also on Funen and in Jutland. In-house production of electrical works will be added to the activities in connection with the dismantling of overhead power lines and connection of underground power cables.

International

Business area International primarily focuses on three geographical areas and on two market segments.

The three geographical areas are: the North Atlantic (the Faroe Islands and Greenland), South-West Asia and the Middle East (Qatar). On the Faroe Islands and in Greenland, both building and civil works are undertaken, while, in South-West Asia and Qatar, mainly civil works are undertaken.

The two market segments are: offshore foundations, mainly comprising foundations for offshore wind turbines, and establishment and operation of mines, which is a relatively new activity.

Business area International had another good year. Revenue was twice the 2006 figure. Profit doubled, both in relation to expectations and to profit for 2006.

The fact that the level of activity is still very high in business area International is reflected in an extremely satisfactory order book for execution in 2008. There is still a large untapped potential in the market areas and market segments in which International operates, and the level of activity is expected to continue rising in 2008.

"Project development boasts a broad range of development and building skills and is fully abreast of the development both from a market and a technical point of view"

Projects in International

Railway bridge, Sweden – In Södertälje outside Stockholm, a bridge project consisting of a railway bridge across a canal was started up. The project is unique in that the bridge needs to be raised when ships wish to sail through the canal underneath.

Water supply, Sri Lanka – South of the town of Kandy in Sri Lanka, a large project involving treatment of drinking water and an associated pipeline system for its distribution to 20,000 households in the area. Danida has provided loan finance for the project.

Hydropower plant, Panama – In Panama, a large hydropower plant is being built in collaboration with E. Pihl & Søn and Alstom Brazil. The largest structures on the project are an almost 100-m high concrete dam, a 4-km long high-pressure tunnel and a concrete structure housing the two large turbines with a combined capacity of 207 MW.

Offshore wind turbines, UK – In the UK, three projects are in progress involving foundations for offshore wind turbines. On the Lynn & Inner Dowsing wind farm, the 54 foundations were installed in 2007, while the 62 foundations on the Robin Rigg wind farm and the 25 foundations on the Rhyl Flats wind farm will not be installed until 2008.

Business units

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

Overall, the business units delivered revenue below expectations, while profit matched expectations. However, profit was adversely affected by the accounting policy change concerning the recognition of project development cases in Project Development.

Ajos takes care of MT Højgaard's plant and equipment hire activities for in-house use and external customers. Ajos has Denmark's largest fleet of contracting machinery, cranes, construction lighting, workmen's cabins, site generators and other building site equipment. On 1 January 2008, Ajos was unbundled from the parent company into a newly established subsidiary.

MT Højgaard Joiners/Carpenters undertakes all types of carpentry and joinery work, primarily in Greater Copenhagen, both on self-generated projects and projects for external clients.

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. Design is actively involved in the business areas' projects to optimise the management of design risks.

Project Development boasts a broad range of development and building skills and is fully abreast of the development both from a market and a technical point of view. Project Development works closely with a number of professional players, ensuring value creation for both business partners and MT Højgaard. These collaborative projects generate a number of projects for MT Højgaard's contracting units, which enter into close dialogue with Project Development on these projects. Project Development has access to a number of attractive building opportunities through direct ownership or options.

In the course of 2007, the focus changed from the highly profiled large residential construction projects in the metropolitan area to a number of small residential construction projects in North Zealand and the Roskilde area, for example. MT Højgaard is also exploring a number of specific commercial opportunities, and expects to start up one or more major commercial building projects in 2008.

Subsidiaries

The subsidiaries of the Contracting business comprise Enemærke & Petersen a/s, Lindpro a/s, Promecon a/s, Scandi Byg a/s and the jointly controlled entities Seth S.A. and Greenland Contractors I/S.

The UK subsidiary Composite Limited, which specialises in precast concrete frames, was sold to the local management of the company in the first quarter of 2007. At the end of November 2007, MT Højgaard sold its entire 50% interest in the crane company BMS.

The subsidiaries delivered operating profit of DKK 240 million in 2007, up from DKK 232 million in 2006. The subsidiaries are expected to achieve revenue in 2008 on par with 2007.

Enemærke & Petersen a/s

Enemærke & Petersen works within two areas: Construction and Building Maintenance.

Construction, Enemærke & Petersen's core activity, undertakes refurbishment and new building projects on Zealand and in Greater Copenhagen, specialising in roofs, facades and penthouses. Its activities range from partnering projects and design-build and main contracts to small projects, covering mainly housing, schools, institutions and commercial buildings.

"Lindpro is one of the largest and leading countrywide players in the electrical installations market"

The relatively new business area – Building Maintenance – undertakes planned maintenance, service and restoration, and possesses a number of cutting-edge skills within a broad spectrum of specialised disciplines. Building Maintenance operates under the motto: "All skills under one roof".

The refurbishment area was characterised by several large projects in 2007 that involved a more protracted approval and planning period than normal. As a consequence, both the level of activity and earnings in 2007 fell short of expectations and were down on 2006.

Enemærke & Petersen had a very large order book at the start of 2008, and the level of activity and earnings for 2008 are consequently expected to be somewhat higher than in 2007.

Lindpro a/s

As one of the largest and leading countrywide players in the electrical installations market, Lindpro is known for precisely this core service. Solutions within the telecommunications sector, security, transport and intelligent building installations are gaining ground.

Lindpro focuses on the introduction of value-based management to create an innovative and results-oriented work culture. This is to ensure partly that Lindpro meets its ambitious growth and earnings targets, and partly that Lindpro becomes a technically oriented and value-based company with its employees as its key resource. Lindpro focuses on three areas: development of the business through 'thinking outside the box' and innovation, motivation of its employees and development of technical skills and leadership through further education and training.

The activities in Denmark are organised into a head office in Glostrup and a network of local departments across Denmark that combine the organisation's technical capabilities with sound local knowledge and a fast service response. In Greenland, the subsidiary Arssarnerit is the largest electrical installations company, with a head office in Nuuk and departments in South and West Greenland.

Lindpro recorded organic growth of 8% in 2007, which was satisfactory and a reflection of the fact that both the existing core business and new growth areas are developing in keeping with the strategy set out. However, profit did not match expectations due to a small number of large projects that were not managed satisfactorily.

In 2007, Lindpro continued to strengthen its organisation, focusing on business development, taking on approx. 75 new employees to enable it to handle the many new customers and projects.

Another increase in revenue is projected for 2008, and higher earnings will be ensured through focus on management of projects coupled with significant business development activities.

Promecon a/s

Promecon delivers solutions for construction and industry, with departments in Fredericia, Esbjerg, Kalundborg, Aalborg and Valby. Its activities comprise structures and installations for buildings and bridges, tanks, piping and process plant, as well as solutions within industrial service and offshore.

Promecon made progress within all areas in 2007, reporting higher revenue and earnings than last year, which is satisfactory.

Growth is expected to continue in 2008 in the areas that Promecon has elected to prioritise.

Based on a satisfactory order book at the end of 2007, higher revenue and earnings are projected for 2008.

Scandi Byg a/s

Scandi Byg is a market leader within the manufacture of prefabricated modular buildings. Applications for the modules include housing, child care institutions, schools and offices across Denmark.

Under the name SB-modul, Scandi Byg also manufactures and markets standardised workmen's cabins and pavilions for the construction industry and the equipment hire industry.

Scandi Byg enjoyed a buoyant level of activity in 2007, resulting in higher revenue and profit than anticipated.

Based on a satisfactory order book at the end of 2007, the high level of activity in all areas is expected to continue in 2008, although primarily with an increase within construction of permanent offices and institutions. An increase is also foreseen within revenue from production and sale of workmen's cabins and pavilions.

"Development and use of IT will contribute to strengthening MT Højgaard's competitive platform in the years ahead"

Jointly controlled entities

BMS (50%)

With more than 1,000 rolling units, BMS A/S is Scandinavia's largest company within hire of mobile, belt and lorry cranes and lifts.

On 29 November, MT Højgaard sold its entire 50% ownership interest in BMS to the Enggaard family, which has owned BMS on a fifty-fifty basis with MT Højgaard since 2004.

Revenue and earnings during the ownership period in 2007 were somewhat higher than in the same period in 2006.

Greenland Contractors I/S (67%)

Greenland Contractors carries out building projects and operating and service tasks at Thule Air Base for the US Air Force. The US Air Force has been the company's principal client for many years; however, the company also performs assignments for the Greenland authorities, private companies and organisations.

Revenue and earnings in 2007 were up on 2006.

Revenue for 2008 is expected to be in line with 2007, whereas profit is expected to be down on 2007.

Seth S.A. (60%)

Seth operates in the Portuguese market and in Africa, specialising in three core areas: marine works, industrial construction and building projects for the US Air Force and the US Navy, including dwellings on the Azores.

In the second quarter of 2007, the local management of the Portuguese contracting business Seth acquired a further 15% of the company's share capital, reducing MT Højgaard's ownership interest to 60%. In accordance with the changed shareholders' agreement, Seth is consequently recognised in the consolidated financial statements as a jointly controlled entity whereas it was previously recognised as a subsidiary.

Seth reported revenue for 2007 on a par with 2006, along with satisfactory earnings.

In 2008, the weak growth in the level of activity in the Portuguese building and civil works market is expected to continue, which is still characterised by a low level of public expenditure. The weak domestic market is being made up for by an increased level of activity in Africa, where Seth has signed several long-term contracts.

A satisfactory order book at the end of 2007 will secure Seth a stable level of activity in 2008, but a lower profit than in 2007.

Corporate functions

The corporate staff functions in MT Højgaard comprise: Administrative Service; Purchasing, Health, Safety & Quality; Business Development, Business Systems; HR; Communications; and Marketing.

At MT Højgaard, we continuously strive to increase our staff functions' involvement in support to business units and areas. One example of this is the continued strengthening of the legal department, which is an important element of, for example, the management of business risks in all phases, from tendering through to hand-over of building and civil works projects.

On the IT front, the digitalisation of core processes was an action area. As a knowledge-intensive company, the development and application of IT is important and will contribute to strengthening MT Højgaard's competitive platform in the years ahead. Development in the IT area also helps to improve the efficiency of our administrative processes. One example of this in 2007 was the introduction of electronic invoicing by our largest suppliers.

As far as purchasing is concerned, MT Højgaard established a purchasing office in the town of Ningbo in China in 2007. It is our purchasing strategy to differentiate ourselves from our competitors in the way in which we procure building materials, thereby improving our earnings and competitiveness. It is our strategy to think globally and have a local presence. The China office makes purchases for the entire Group.

In 2007, we focused on both external and internal branding. Our external branding campaign is built up around "How we make a difference". We use stories about our projects to demonstrate that "We know how". The Marketing Department is responsible for strategy and planning in relation to branding, while the entire organisation is responsible for implementation. In 2007-2008, workshops will be held for all employees in connection with the internal branding.

Risk factors

MT Højgaard's activities entail various commercial and financial risks that may affect the Group's development, financial position and operations.

It is considered a critical part of the strategy to continuously minimise the current risks, which are not generally deemed to differ from the normal risks facing contractors.

The overall framework for managing the risks judged to be critical for the company is laid down in the business concept and the associated policies.

The Group endeavours to cover, as far as possible, significant risks outside MT Højgaard's control by taking out relevant insurance policies.

Market conditions

Market conditions have a major impact on the contracting industry, and the building sector is periodically used as a regulating factor in fiscal policy. Fiscal policy initiatives may include both tightening and expansionist measures in the form of subsidy schemes and grants.

MT Højgaard's position in the Danish market, coupled with its spread on markets, customers and areas of expertise, helps to balance risks under fluctuating market conditions.

The market trend within the various business areas often differs under varying economic framework conditions.

Projects

Project management is crucial to ensure satisfactory value creation in the company.

MT Højgaard's knowledge management system features all the procedures and paradigms required to handle the individual project from sale and tendering to hand-over to the client.

Prior to bidding for major projects, MT Højgaard carries out a systematic, structured review of the project to ensure that risk areas are identified and unforeseen events minimised.

Process management during the construction phase is paramount to ensure that building site activities are efficiently coordinated and optimised. The project management tool TrimBuild is used on many projects to enhance quality and productivity on the individual project, reducing the risk of delays and budget overruns on individual projects.

Partnering is a form of collaboration under which a larger part of the responsibility lies with the contractor through his participation in design and planning. This concept, which is becoming increasingly popular, improves the possibilities for optimising risk identification on the individual project.

On major projects, joint venture cooperation is often used as a further means of minimising risks.

The Group provides standard performance and payment bonds in the form of bank guarantees, guarantee insurances and bond deposits as security for contracts and supplies. Performance and payment bonds, etc., totalled DKK 3,233 million at the end of 2007 compared with DKK 2,969 million in 2006.

Project development

Project development activities in 2007 again centred on residential construction. The risk attaching to this activity relates primarily to the development in the market for residential construction and the extent to which dwellings sell prior to start-up of each project.

The start-up of self-generated housing projects is subject to the sale of at least 75% to 80% of the project having been secured.

The development in the housing market is being monitored closely. Where several projects are started up at the same time, the focus is on balancing the overall risk.

Currency risks

Currency risks are managed centrally in MT Højgaard, and the Group endeavours to minimise currency risks by seeking to match income to expenditure on each project so that they balance with respect to currency.

Where major currency positions arise in currencies outside the euro zone, these are normally hedged using forward exchange contracts. The currency exposure therefore mainly relates to the value of foreign investments, which is not normally hedged.

Consolidated revenue denominated in foreign currencies amounted to DKK 0.3 billion in 2007 (2006: DKK 0.5 billion), predominantly in EUR.

The Group's main currency exposure is in EUR and USD, with the latter predominantly relating to the execution of a hydropower project in Panama. Partly in view of Denmark's participation in the EU monetary cooperation, and partly due to the size of MT Højgaard's revenue in EUR, a sensitivity analysis based on a realistic and potential change in the EUR versus the DKK would show that the effect would be insignificant. Viewed in isolation, an isolated 10% fall in the USD exchange rate com-

”Prior to bidding for major tenders, MT Højgaard carries out a systematic, structured review of the project”

pared with the exchange rates at the balance sheet and the balance sheet values would have depressed profit after tax for 2007 and consolidated equity at 31 December 2007 by DKK 0.5 million (2006: DKK 0.0 million). A similar increase in the exchange rate would have had a corresponding positive effect on profit after tax and consolidated equity.

Interest rate risks

Interest rate risks relate mainly to interest-bearing debt items and cash. The Group's interest-bearing liabilities, which are mainly denominated in DKK, amounted to DKK 299 million at the end of 2007, with short-term borrowings accounting for 61% of this figure. The average weighted remaining maturity of the Group's interest-bearing debt was 1.8 years, and the weighted average effective interest rate was 5.1%. Fixed-rate debt accounted for 23% of the Group's interest-bearing debt.

Cash is mainly placed on short-term, fixed-term deposit and in bonds with a maturity of 1.0 year at the end of 2007.

All other conditions being equal, a one percentage point increase in the interest rate level compared with the rate at the balance sheet date and the interest-bearing items in the balance sheet would have increased profit after tax for 2007 and consolidated equity at 31 December 2007 by DKK 0.1 million (2006: DKK 1.1 million). A one percentage point fall in the interest rate level would have had a corresponding adverse effect on profit after tax and consolidated equity.

Credit risks

Credit risks are generally managed by regular credit rating of major clients and business partners. No client accounted for more than 5% of revenue or 10% of trade receivables and construction contracts in progress at the end of 2007. Excluding security received, the maximum credit risk on receivables corresponds to the amounts recognised in the balance sheet. However, risks relating to dealings with counterparties other than banks are minimised, to a great extent, by means of guarantees based on individual assessment of each counterparty.

Political credit risks on international projects are hedged through export credit insurance based on individual assessment.

Liquidity risks

Liquidity risks are managed through established, appropriate credit lines and committed facilities that match the need for financing planned operating activities and expected investments.

The Group's financial resources consist of cash, securities and undrawn credit facilities. At the end of 2007, the financial resources stood at DKK 936 million compared with DKK 942 million in 2006.

At the end of the 2007, the Group's guarantee facilities totalled DKK 4,176 million (2006: DKK 3,700 million), including DKK 656 million that had not been drawn (2006: DKK 555 million).

A cash pool agreement has been established for the parent company and most of the Group's subsidiaries.

Capital management

The need for alignment of the Group's and the individual subsidiaries' capital structure is reviewed on an ongoing basis to ensure that the capital position is in accordance with current regulations and matches the business concept and the level of activity. According to the Group's internal policy, equity must, as a rule, cover total non-current assets and provide an adequate equity ratio. The objective for the Group's equity ratio is 25-30%. The equity ratio was 24% in 2007 compared with 21% at the end of 2006.

Management statement and Independent auditors' report

Management statement and Independent auditors' report

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today discussed and approved the annual report of MT Højgaard a/s for the financial year 2007.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2007 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2007.

We recommend that the annual report be approved at the Annual General Meeting.

Søborg, 27 March 2008

Executive Board

Kristian May President and CEO	**Jens Bak-Nyhus**	**Peter Kofoed**	**Johnny Rasmussen**

Supervisory Board

Per Møller Chairman	**Jørgen Nicolajsen** Deputy Chairman	**Irene Chabior** Employee representative	**Stefan Hansen** Employee representative
Erik D. Jensen	**Poul Lind**	**Bent Pedersen**	**Lars Rasmussen**
Poul M. Rørup Employee representative			

Independent auditors' report

To the shareholders of MT Højgaard a/s

We have audited the annual report of MT Højgaard a/s for the financial year 1 January - 31 December 2007, which comprises management's review, the statement by the Executive and Supervisory Boards, accounting policies, cash flow statement, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of the annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2007 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

Copenhagen, 27 March 2008

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Finn L. Meyer	**Niels Erik Borgbo**
State Authorised	State Authorised
Public Accountant	Public Accountant

Executive Board

Kristian May
President and CEO

Peter Kofoed

Johnny Rasmussen

Jens Bak-Nyhus

Supervisory Board

Per Møller
(Chairman)

Member of the Supervisory Board of
Atrium Partners A/S (CB)
RTX Telecom A/S (DCB)
Højgaard Holding a/s (CB)
Det Danske Klasselotteri A/S (CB)
BioMar Holding a/s (DCB)

Jørgen Nicolajsen
(Deputy Chairman)
President and CEO, Monberg & Thorsen A/S

Member of the Supervisory Board of
Dyrup A/S

Irene Chabior *
Education and Training Consultant

Stefan Hansen *
Specialist Worker

Erik D. Jensen

Member of the Supervisory Board of
Royal Scandinavia A/S (CB) and various subsidiaries (CB/DCB)
Artium Skandinavisk Design Center ApS
Ejnar og Meta Thorsens Fond
PBI-Holding, Ringsted A/S (CB) and various subsidiaries (CB/DCB)
PBInge A/S (CB)
CENS A/S (CB)

Poul Lind
CEO, PowerSense A/S

Member of the Supervisory Board of
RTX Telecom A/S (CB)
Monberg & Thorsen A/S

Bent Pedersen

Member of the Supervisory Board of
Eksport Kredit Fonden (CB)
Eksport Kredit Finansiering A/S (CB)
Axcel Management A/S (CB)
Vækst-Invest Nordjylland A/S (CB)
Axcel IndustriInvestor a.s. (DCB)
Højgaard Holding a/s (DCB)
BankInvest's venture funds
DnB Nor Bank ASA, Norway (DCB)
DnB Nor ASA, Norway
Proark Energy A/S

Lars Rasmussen
Executive Vice President, CCO, Coloplast A/S

Member of the Supervisory Board of
Højgaard Holding a/s

Poul M. Rørup *
Finance Manager

*) Employee representative

(CB) Chairman of the Supervisory Board
(DCB) Deputy Chairman of the Supervisory Board

Financial statements

Accounting policies

Accounting policies

The Group's and the parent company's annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports, cf. the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

In addition, the annual report has been prepared in compliance with IFRS issued by IASB.

The annual report is presented in Danish kroner.

Changes in accounting policies

The accounting policies are unchanged from those set out in the 2006 annual report, apart from the policy change for recognition of revenue from project development cases. The method of revenue recognition for project development cases, which consist of self-generated housing projects, has been changed from the percentage of completion method to the sales method.

The policy change means that revenue and profit from projects sold will not be recognised until delivery has been made and risk has been transferred to the buyer and provided the income can be measured reliably and is expected to be received.

The change is introduced in response to the development in both international and national interpretations of the rules relating to recognition of project development cases. This change in accounting policy is in accordance with the criteria for recognition of project development cases in the new draft Interpretation concerning Real Estate Sales (IFRIC D21), issued by the international interpretations body IFRIC in July 2007.

The comparative figures for 2006 and the financial highlights for 2003-2006 have been restated to reflect the change in accounting policy.

The policy change has reduced full-year profit before tax by DKK 45 million compared with a positive effect of DKK 1 million in 2006. The accumulated effect at 31 December 2007 was a DKK 62 million reduction of equity compared with DKK 27 million in 2006. The balance sheet total at 31 December 2007 was reduced by DKK 62 million compared with DKK 8 million in 2006. The policy change affected earnings per share (EPS) and diluted earnings per share (EPS-D) by DKK 3 per share (2006: DKK 0 per share).

The effect of the policy change for 2006-2007 for the Group and the parent company is specified in note 34 to the financial statements.

Furthermore, IFRS 7 "Financial Instruments: Disclosures" and IAS 1 "Presentation of Financial Statements", which became operative on 1 January 2007, have been implemented. IFRS 7 and IAS 1 set out changes and additions to disclosure requirements for financial instruments and capital management compared with existing standards. The implementation has only led to changes in the scope of the information provided.

IFRS 8 "Operating Segments", which becomes operative on 1 January 2009, has also been implemented. In this connection the MT Højgaard Group reviewed the segmentation of its activities. The review process showed that the existing segment structure did not reflect operational segments and identified only one reportable segment. The Group works exclusively within Contracting business (building and civil works). The Group's division into activities should be viewed in the light of the need for separate market profiling of the various skills and activities. From a management and project execution point of view, the Group is managed and operated as a single business, and there is therefore no basis for segmentation.

The segment information in the financial statements has been restated accordingly.

Moreover, IFRIC 7-10 have been implemented. The new interpretations have no effect on the financial reporting for the Group for 2007.

BASIS OF PREPARATION

Basis of consolidation

The consolidated financial statements include the parent company MT Højgaard a/s and subsidiaries in which the Group holds, directly or indirectly, more than 50% of the voting rights or which it controls in some other way.

Other enterprises in which the Group holds between 20% and 50% of the voting rights and over which it has significant influence, but not control, are accounted for as associates. These enterprises are not consolidated; however, enterprises controlled jointly by MT Højgaard a/s and one or more other enterprises are recognised in the consolidated financial statements using proportionate consolidation.

The consolidated financial statements are prepared on the basis of the parent company's and the individual enterprises' audited financial statements determined in accordance with the accounting policies of the MT Højgaard Group.

On consolidation, identical items are aggregated and intragroup income and expenses, shareholdings, balances and dividends are eliminated.

Unrealised gains and losses arising from intragroup transactions are also eliminated.

Newly acquired or newly formed enterprises are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated financial statements up to the date of disposal. Comparative figures are not restated for newly acquired enterprises or enterprises disposed of.

Gains and losses on disposal of subsidiaries and associates are reported by deducting from the proceeds on disposal the carrying amount of net assets including goodwill at the date of disposal and related selling expenses.

Presentation of discontinued operations

A discontinued operation is a component of an entity the operations and cash flows of which can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity and that has either been disposed of or is classified as held for sale and expected to be disposed of within one year according to a formal plan.

Post-tax profit and value adjustments of discontinued operations and operations classified as held for sale are presented as a separate line item in the income statement with comparative figures. Revenue, expenses and tax of discontinued operations are disclosed in the notes. Assets and related liabilities are reported as separate line items in the balance sheet.

The cash flows attributable to the operating, investing and financing activities of discontinued operations are disclosed in a note.

Business combinations

Acquisitions of enterprises over which the parent company obtains control are accounted for applying the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right and the fair value can be measured reliably. The tax effect of the restatements performed is taken into account.

Any excess of the cost of the acquisition over the fair value of the assets acquired and liabilities and contingent liabilities assumed (goodwill) is recognised as goodwill under intangible assets. Any excess of the fair value over the cost of the acquisition (negative goodwill) is credited to the income statement at the acquisition date.

If there is any uncertainty at the acquisition date concerning the measurement of identifiable assets acquired or liabilities or contingent liabilities assumed, initial recognition is based on provisional fair values. If it is subsequently found that identifiable assets, liabilities and contingent liabilities had a different fair value at the acquisition date than initially assumed, goodwill is adjusted within twelve months of the acquisition date.

Minority interests

Minority interests are recognised initially on the basis of the fair values of the acquiree's assets, liabilities and contingent liabilities at the acquisition date.

Subsidiaries' items are fully consolidated in the consolidated financial statements. The minority interests' proportionate share of profit for the year appears from the income statement. In the balance sheet, minority interests are recognised as a separate component of equity, separate from equity attributable to equity holders of the parent.

Joint ventures

A joint venture is a jointly controlled operation or a jointly controlled entity over which none of the joint venturers has control.

Investments in jointly controlled operations are recognised in the parent company and consolidated financial statements on a proportionate basis in accordance with the contractual arrangement, whereby the proportionate share of assets, liabilities, income and expenses from the jointly controlled operations is recognised in the corresponding items in the financial statements.

Investments in jointly controlled entities are recognised in the consolidated financial statements by proportionate consolidation. The parent company measures investments in jointly controlled entities at cost. Investments are written down to the recoverable amount, if this is lower than the carrying amount.

Foreign currency translation

The individual business unit's functional currency is determined as the primary currency in the market in which the business unit operates. The predominant functional currency for the Group is Danish kroner.

Transactions denominated in all currencies other than the individual business unit's functional currency are accounted for as transactions in foreign currencies that are translated into the functional currency using the exchange rates at the transaction date. Receivables and payables in foreign currencies are translated using the exchange rates at the

balance sheet date. Foreign exchange differences arising between the exchange rate at the transaction date or the balance sheet date and the date of settlement are recognised in the income statement as financial income and expenses.

On recognition of foreign subsidiaries and associates the income statement items determined in the individual enterprises' functional currencies are translated into Danish kroner at average exchange rates that do not deviate significantly from the exchange rates at the transaction date, while the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statement items from average exchange rates to the exchange rates at the balance sheet date are taken directly to a separate translation reserve under equity.

In the consolidated financial statements, foreign exchange adjustments of balances with foreign entities that are accounted for as part of the overall net investment in the entity in question are taken directly to a separate translation reserve under equity.

On acquisition or disposal of foreign entities, their assets and liabilities are translated at the exchange rates ruling at the acquisition date or the date of disposal.

Derivative financial instruments

The Group uses derivative financial instruments such as forward exchange contracts and similar instruments to hedge financial risks arising from operating activities. The present use of derivative financial instruments does not qualify for hedge accounting.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as financial income or financial expenses as they occur.

Derivative financial instruments are recognised initially in the balance sheet at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Gains and losses on remeasurement to fair value are recognised as other receivables and other payables, respectively.

Leases

Leases relating to property, plant and equipment in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet as assets. The assets are recognised initially at cost, equivalent to the lower of their fair value and the present value of the future lease payments. The present value is measured using the interest rate implicit in the lease or an approximation thereof as the discount rate.

The capitalised residual lease commitment on finance leases is recognised as a liability.

All other leases are accounted for as operating leases. Lease payments under operating leases are recognised in the income statement over the lease term. Information on the remaining lease commitment is disclosed in the notes under lease commitments.

Government grants

Government grants include grants for projects, investments, etc.

Grants that compensate the Group for expenses incurred or for the purchase of assets are set up in the balance sheet as deferred income or deducted in arriving at the carrying amount of the assets and recognised in the income statement in the same periods in which the expenses are incurred or over the periods and in the proportions in which depreciation on the assets is charged.

INCOME STATEMENT

Revenue

Revenue comprises completed construction contracts and construction contracts in progress as well as services rendered.

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 (the percentage of completion method).

Revenue from self-generated project development cases is recognised applying the sales method. Revenue and profit from projects sold are recognised when delivery has been made and risk has been transferred to the buyer and provided the income can be measured reliably and is expected to be received.

Revenue relating to services 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 and trade discounts and rebates.

Production costs

Production costs comprise both direct and indirect costs incurred in generating the revenue for the year, and expected losses on construction contracts in progress.

Production costs include the cost of raw materials and consumables, wages and salaries, depreciation and impairment losses, etc.

Distribution costs

Distribution costs comprise tendering, advertising and marketing costs as well as salaries, etc., relating to the sales and marketing departments.

Administrative expenses

Administrative expenses comprise expenses for administrative staff and management, including salaries, office expenses, depreciation, etc.

The Group's share of profit after tax of associates

The proportionate share of profit of associates is recognised in the consolidated income statement net of tax and after elimination of the proportionate share of profits/losses resulting from intragroup transactions and after deduction of goodwill impairment losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, dividends from other equity investments and realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, as well as finance lease costs and income tax surcharges and refunds.

Dividends from investments in subsidiaries and associates are credited to the parent company's income statement in the financial year in which they are declared; however, dividends are offset against the cost of the investment to the extent that distributed dividends exceed the accumulated earnings after the acquisition date.

Financial income and expenses also include realised and unrealised gains and losses on derivative financial instruments that do not qualify for hedge accounting.

Income tax

Income tax expense, which consists of current tax and changes in deferred tax, is recognised in the income statement except to the extent that it relates to income and expenses recognised directly in equity, in which case it is recognised directly in equity.

Current tax comprises both Danish and foreign income taxes as well as adjustments relating to prior year taxes.

MT Højgaard a/s is taxed jointly with its Danish and foreign subsidiaries (international joint taxation). Subsidiaries are included in the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements, and up to the date on which they are no longer included in the consolidation.

The parent company MT Højgaard a/s is the management company for the Danish joint taxation and consequently settles all income tax payments to the Danish tax authorities.

BALANCE SHEET

Intangible assets

Goodwill is measured initially at cost as described in the section on business combinations.

Goodwill is not amortised. The carrying amount of goodwill is reviewed, at least annually, and written down via the income statement to the recoverable amount if this is lower than the carrying amount.

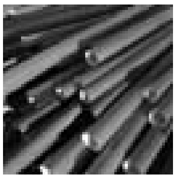
Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life. Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect cost of materials, components, subsuppliers and labour. Interest expense and other borrowing costs on loans to finance the production of assets and which relate to the production period are recognised directly in the income statement.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful life to the expected residual value. The useful lives of major assets are determined on an individual basis, while the



useful lives of other assets are determined for groups of uniform assets.

Expected useful lives:	
Buildings	10-50 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	3-10 years

Land is not depreciated. Nor is depreciation charged if the residual value of an asset exceeds its carrying amount. The residual value is determined at the date of acquisition and reviewed annually.

Gains and losses on disposal of property, plant and equipment are recognised in the income statement as production costs or administrative expenses and are measured as the difference between the selling price less costs to sell and the carrying amount at the date of disposal.

Investments in associates in the consolidated financial statements

The Group measures investments in associates using the equity method. Accordingly, investments in associates are measured at the proportionate share of the associates' net assets, applying the Group's accounting policies, plus or minus unrealised intragroup profits/losses, and plus goodwill.

Associates with a negative carrying amount are recognised at nil. If the Group has a legal or constructive obligation to cover an associate's negative balance, the negative balance is offset against the Group's receivables from the associate. Any balance is recognised under provisions.

Investments in the parent company's financial statements

The parent company measures investments in subsidiaries and associates at cost. Investments are written down to the recoverable amount, if this is lower than the carrying amount.

Cost is reduced to the extent that distributed dividends exceed accumulated earnings.

Subsidiaries and associates with a negative carrying amount are recognised at nil. If the parent company has a legal or constructive obligation to cover a subsidiary's or associate's negative balance, the negative balance is offset against the parent company's receivables from the subsidiary or associate. Any balance is recognised under provisions.

Other investments

Other non-current receivables are measured at amortised cost less impairment losses.

Other equity investments are measured at fair value at the balance sheet date.

Impairment of non-current assets

The carrying amounts of intangible assets, property, plant and equipment and investments are reviewed, at least annually, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. However, the recoverable amount of goodwill is always reviewed annually.

The recoverable amount is the greater of an asset's fair value less expected costs to sell and its value in use, which is the discounted value of the expected future cash flows from the cash-generating unit.

An impairment loss is recognised in the income statement if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss in respect of goodwill is not reversed. Impairment losses on other assets are reversed to the extent that the assumptions and estimates that led to the recognition of the impairment loss have changed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value.

The cost of raw materials and consumables comprises purchase price plus expenses incurred in bringing them to their existing location and condition.

Properties, project development cases in progress and undeveloped sites that are not classified as held for continued future ownership or use are carried as properties held for resale and measured at the lower of cost and net realisable value.

Receivables

Receivables are measured at amortised cost less impairment losses.

Construction contracts in progress

Construction contracts in progress are measured at the selling price of the work performed. A construction contract is a contract under which the assets or plants in question are constructed to customer specifications and requirements in terms of design, function, etc. Moreover, a binding contract under which any termination will lead to penalties or claims is entered into before work commences.

The selling price is measured in proportion to the stage of completion at the balance sheet date and total expected income from each construction contract. The stage of completion is determined on the basis of the costs incurred and the total expected costs.

When it is probable that the total costs on a construction contract in progress will exceed total contract revenue, the total expected loss on the contract is recognised as an expense immediately.

Where the selling price cannot be measured reliably, it is recognised at the lower of costs incurred and net realisable value.

The individual construction contract in progress is recognised in the balance sheet under receivables or current liabilities, depending on the net value of the selling price less progress billings and recognised losses.

Costs in connection with sales work and tendering to secure contracts are recognised as a cost in the income statement under distribution costs in the financial year in which they are incurred.

Prepayments and deferred income

Prepayments are recognised under receivables, and deferred income is recognised under current liabilities. Prepayments and deferred income include costs incurred or income received during the year in respect of subsequent financial years, apart from items relating to construction contracts in progress.

Securities

Listed securities recognised as current assets are measured at fair value at the balance sheet date. Changes in fair value are recognised in the income statement as financial income or expenses in the period in which they occur.

Equity

Dividends

Proposed dividends are recognised as a liability at the date of adoption at the Annual General Meeting. The expected dividend payment for the year is disclosed as a separate item under equity.

Translation reserve

The translation reserve in the consolidated financial statements comprises foreign exchange differences after 1 January 2004 that have arisen from the translation of the financial statements of foreign enterprises from their functional currencies to Danish kroner and foreign exchange adjustments of balances with foreign entities that are accounted for as part of the Group's overall net investment in the entity in question.

On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

Current tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account, etc.

Deferred tax liabilities and deferred tax assets are measured using the balance sheet liability method, providing for all temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The following temporary differences are not provided for: goodwill not deductible for tax purposes and office premises. The measurement is based on the planned use of the asset or settlement of the liability, and on the relevant tax rules.

Deferred tax is provided for retaxation of previously deducted losses of jointly taxed foreign subsidiaries to the extent that it is deemed that disposal of the investments or withdrawal from the international joint taxation scheme may be relevant.

Deferred tax assets, including tax loss carryforwards, are recognised at the value at which it is expected that they can be utilised by set-off against deferred tax liabilities or by elimination against tax on the future earnings of the subsidiary or the parent company and the other jointly taxed subsidiaries in the same country. Deferred tax assets are entered as a separate line item under investments.

Deferred tax is measured on the basis of the tax rules and the tax rates effective in the respective countries at the time the deferred tax is expected to crystallise as current tax. The effect of changes in deferred tax due to changed tax rates is recognised in the income statement, unless the items in question were previously taken to equity.

Pension obligations

The Group's pension plans are insured (defined contribution). Contributions to defined contribution plans are recognised in the income statement in the period to which they relate, and any costs payable are recognised in the balance sheet as other payables.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when the amount can be measured reliably.

Financial liabilities

Bank loans, etc., are recognised at inception at the proceeds received net of transaction costs incurred. Subsequent to initial recognition, financial liabilities are measured at amortised cost, equivalent to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, comprising trade payables, payables to subsidiaries and associates, and other payables, are measured at amortised cost.

CASH FLOW STATEMENT

The cash flow statement shows the Group's cash flows for the year, broken down by operating, investing and financing activities, and the effects of these cash flows on the Group's cash and cash equivalents.

The cash flow effect of acquisitions and disposals of enterprises is shown separately under cash flows for investing activities. Cash flows from acquisitions are recognised in the cash flow statement from the date of acquisition and cash flows from disposals are recognised up to the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are determined using the indirect method, whereby operating profit is adjusted for the effects of non-cash operating items, changes in working capital, and net financing costs and income taxes paid.

Cash flows for investing activities

Cash flows for investing activities comprise payments in connection with acquisition and disposal of enterprises and activities and purchase and sale of intangible assets, property, plant and equipment and investments as well as purchase and sale of securities that are not recognised as cash and cash equivalents.

Cash flows from financing activities

Cash flows from financing activities comprise payments to and from shareholders, including payment of dividends and increases and decreases in non-current borrowings.

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents less current portion of bank loans, etc.

Segment information

The segmentation conforms to the Group's organisational and internal reporting structure. The segment information has been prepared in conformity with the Group's accounting policies.

The Group operates exclusively within one segment, and information is consequently only provided about the geographical breakdown of the Group's revenue and non-current assets.

Financial ratios

Financial ratios have been prepared in conformity with the Danish Society of Financial Analysts' 'Recommendations & Financial Ratios 2005'. Financial ratios are defined on the back cover of the annual report.

Cash flow statement

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
			Operating activities		
(172.3)	(46.3)		Operating profit (loss)	193.8	59.9
11.6	106.5	2	Non-cash operating items	119.8	179.7
(160.7)	**60.2**		**Cash flows from operating activities before working capital changes**	**313.6**	**239.6**
			Working capital changes:		
29.5	(78.4)		Inventories	(113.7)	55.5
(414.6)	(113.8)		Receivables excluding construction contracts in progress	(294.0)	(595.6)
357.8	(14.3)		Construction contracts in progress	24.4	391.8
247.1	(235.7)		Trade and other current payables	50.0	280.4
59.1	**(382.0)**		**Cash generated from operations (operating activities)**	**(19.7)**	**371.7**
9.8	21.7		Financial income	32.9	20.8
(15.3)	(10.7)		Financial expenses	(38.4)	(30.9)
53.6	**(371.0)**		**Cash generated from operations (ordinary activities)**	**(25.2)**	**361.6**
(43.8)	(42.7)		Income taxes paid, net	(47.4)	(44.5)
9.8	**(413.7)**		**Cash flows from operating activities**	**(72.6)**	**317.1**
			Investing activities		
(6.8)	-	3	Acquisition of enterprises and activities	(0.3)	(6.8)
-	270.4	3	Disposal of enterprises and activities	270.4	12.7
(106.9)	(88.7)	2	Purchase of property, plant and equipment	(196.8)	(287.5)
16.4	47.7		Sale of property, plant and equipment	55.4	68.5
139.5	193.4		Dividends from subsidiaries and associates	0.0	5.0
(87.9)	(199.0)		Purchase of securities	(199.0)	(90.0)
58.3	137.9		Sale of securities	137.9	58.3
12.6	**361.7**		**Cash flows for investing activities**	**67.6**	**(239.8)**
			Financing activities		
			Loan financing:		
-	-		Minority interests	(7.5)	(4.6)
45.7	0.0	2	Increase in non-current bank loans, etc.	5.8	45.7
(23.7)	(62.9)		Decrease in non-current bank loans, etc.	(33.7)	(48.6)
22.0	**(62.9)**		**Cash flows from financing activities**	**(35.4)**	**(7.5)**
44.4	**(114.9)**		**Net increase (decrease) in cash and cash equivalents**	**(40.4)**	**69.8**
108.9	153.3		Cash and cash equivalents at 01-01	217.5	147.7
153.3	**38.4**	4	**Cash and cash equivalents at 31-12**	**177.1**	**217.5**

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

Income statement

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
7,739.6	8,375.6	5	Revenue	11,713.8	11,062.5
(7,730.1)	(8,243,5)	6-7	Production costs	(11,159.7)	(10,619.5)
9.5	**132.1**		**Gross profit**	**554.1**	**443.0**
(96.9)	(89.9)		Distribution costs	(127.5)	(129.0)
(84.9)	(88.5)	6-8	Administrative expenses	(232.8)	(254.1)
(172.3)	**(46.3)**		**Operating profit (loss)**	**193.8**	**59.9**
-	-	15	Share of profit (loss) after tax of associates	0.0	0.0
135.0	379.9	9	Financial income	155.6	23.3
(63.6)	(55.3)	10	Financial expenses	(38.3)	(30.9)
(100.9)	**278.3**		**Profit (loss) before tax**	**311.1**	**52.3**
31.1	(38.3)	11	Income tax expense	(75.9)	(14.7)
(69.4)	**240.0**		**Profit (loss) for the year**	**235.2**	**37.6**
			Attributable to		
(69.4)	240.0		Equity holders of MT Højgaard a/s	234.3	29.1
-	-		Minority interests	0.9	8.5
(69.4)	**240.0**		**Total**	**235.2**	**37.6**
			Proposal for distribution of profit		
0.0	50.0		Dividend for the financial year		
(69.4)	190.0		Retained earnings		
(69.4)	**240.0**		**Total**		
			Earnings per share		
		12	Earnings per share and diluted earnings per share (EPS), DKK	21.3	2.6

Balance sheet

PARENT COMPANY			ASSETS	GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
			Non-current assets		
			Intangible assets		
28.0	28.0		Goodwill	64.0	73.6
28.0	**28.0**	**13**	**Total intangible assets**	**64.0**	**73.6**
			Property, plant and equipment		
185.0	189.1		Land and buildings	336.4	357.4
189.3	193.4		Plant and machinery	274.7	445.1
14.7	12.1		Fixtures and fittings, tools and equipment	76.1	78.3
6.2	4.2		Property, plant and equipment under construction	12.7	27.7
395.2	**398.8**	**14**	**Total property, plant and equipment**	**699.9**	**908.5**
			Investments		
332.0	241.5	15	Investments in subsidiaries	-	-
72.2	47.0	15	Investments in associates	1.0	0.7
16.2	11.6	15	Receivables from associates	11.7	5.6
0.3	0.3	15	Other equity investments	1.0	0.9
290.1	245.6	20	Deferred tax assets	210.3	249.5
710.8	**546.0**		**Total investments**	**224.0**	**256.7**
1,134.0	**972.8**		**Total non-current assets**	**987.9**	**1,238.8**
			Current assets		
			Inventories		
11.9	22.7		Raw materials and consumables	64.5	54.4
415.8	483.5		Properties held for resale	540.0	438.4
427.7	**506.2**	**16**	**Total inventories**	**604.5**	**492.8**
			Receivables		
1,455.3	1,557.4		Trade receivables	2,225.4	2,192.1
217.2	312.8	22	Construction contracts in progress	426.0	369.4
128.7	18.7		Receivables from subsidiaries	-	-
1.0	0.6		Receivables from associates	0.0	6.3
0.0	7.1		Income tax	1.3	0.0
60.8	106.5		Other receivables	162.2	95.7
44.6	126.8		Prepayments	134.0	77.6
1,907.6	**2,129.9**	**17**	**Total receivables**	**2,948.9**	**2,741.1**
87.9	**149.0**	**18**	**Securities**	**149.0**	**87.9**
153.3	**203.7**	**4**	**Cash and cash equivalents**	**342.4**	**263.8**
2,576.5	**2,988.8**		**Total current assets**	**4,044.8**	**3,585.6**
3,710.5	**3,961.6**		**Total assets**	**5,032.7**	**4,824.4**

Balance sheet

PARENT COMPANY			EQUITY AND LIABILITIES	GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
			Equity		
220.0	220.0		Share capital	220.0	220.0
-	-		Translation reserve	0.4	(2.8)
532.6	722.6		Retained earnings	960.9	780.0
0.0	50.0		Proposed dividends	50.0	0.0
752.6	**992.6**		**Total equity attributable to equity holders of the parent**	**1,231.3**	**997.2**
-	-		Minority interests	0.0	23.6
752.6	**992.6**		**Total equity**	**1,231.3**	**1,020.8**
			Non-current liabilities		
78.4	70.1	19	Bank loans, etc.	115.9	174.3
0.0	0.0	20	Deferred tax liabilities	0.7	24.1
38.6	45.2	21	Provisions	69.1	62.3
117.0	**115.3**		**Total non-current liabilities**	**185.7**	**260.7**
			Current liabilities		
64.1	9.6	19	Current portion of non-current financial liabilities	17.5	80.8
0.0	165.3	19	Bank loans, etc.	165.3	46.3
970.0	1,148.3	22	Construction contracts in progress	1,335.2	1,216.8
133.0	143.6		Prepayments received from customers	170.1	157.1
954.5	827.2		Trade payables	1,078.7	1,282.6
203.3	0.0		Payables to subsidiaries	-	-
8.0	0.0		Payables to associates	0.0	0.4
31.6	0.0		Income tax	0.0	37.0
420.1	462.7		Other payables	694.0	659.8
56.0	96.7		Deferred income	151.9	59.4
0.3	0.3	21	Provisions	3.0	2.7
2,840.9	**2,853.7**		**Total current liabilities**	**3,615.7**	**3,542.9**
2,957.9	**2,969.0**		**Total liabilities**	**3,801.4**	**3,803.6**
3,710.5	**3,961.6**		**Total equity and liabilities**	**5,032.7**	**4,824.4**
			Notes without reference		
		1	Accounting estimates and judgements		
		23	Security		
		24	Lease commitments		
		25	Contingent liabilities		
		26	Related parties		
		27	Joint ventures		
		28	Financial instruments		
		29	New International Financial Reporting Standards and IFRIC Interpretations		
		30	Events after the balance sheet date		
		31	Segment information		
		32	Effect of change in accounting policy		
		33	Subsidiaries and associates		

Statement of changes in equity

PARENT COMPANY

Amounts in DKK million	Share capital	Retained earnings	Proposed dividends	**Total**
2006				
Equity at 01-01	**220.0**	**628.1**	**0.0**	**848.1**
Change in accounting policy		(26.1)		**(26.1)**
Restated equity at 01-01	**220.0**	**602.0**	**0.0**	**822.0**
Profit (loss) for the year		(69.4)		**(69.4)**
Total income and expense for the year	**0.0**	**(69.4)**	**0.0**	**(69.4)**
Total changes in equity	**0.0**	**(69.4)**	**0.0**	**(69.4)**
Equity at 31-12	**220.0**	**532.6**	**0.0**	**752.6**
2007				
Equity at 01-01	**220.0**	**532.6**	**0.0**	**752.6**
Profit for the year		240.0		**240.0**
Total income and expense for the year	**0.0**	**240.0**	**0.0**	**240.0**
Proposed dividends		(50.0)	50.0	**0.0**
Total changes in equity	**0.0**	**190.0**	**50.0**	**240.0**
Equity at 31-12	**220.0**	**722.6**	**50.0**	**992.6**

At 31 December 2007, MT Højgaard a/s's share capital amounted to DKK 220 million divided into shares of DKK 1,000 each. No shares carry special rights.

Statement of changes in equity

GROUP

Amounts in DKK million	Share capital	Translation reserve	Retained earnings	Proposed dividends	**Total equity attributable to MT Højgaard**	Attributable to minority interests	**Total**
2006							
Equity at 01-01	**220.0**	**(2.5)**	**778.9**	**0.0**	**996.4**	**19.9**	**1,016.3**
Change in accounting policy			(28.1)		**(28.1)**		**(28.1)**
Restated equity at 01-01	**220.0**	**(2.5)**	**750.8**	**0.0**	**968.3**	**19.9**	**988.2**
Profit for the year			29.1		**29.1**	8.5	**37.6**
Foreign exchange adjustments, foreign enterprises		(0.3)			**(0.3)**	(0.2)	**(0.5)**
Other adjustments			0.1		**0.1**		**0.1**
Total income and expense for the year	**0.0**	**(0.3)**	**29.2**	**0.0**	**28.9**	**8.3**	**37.2**
Dividends paid					**0.0**	(4.6)	**(4.6)**
Total changes in equity	**0.0**	**(0.3)**	**29.2**	**0.0**	**28.9**	**3.7**	**32.6**
Equity at 31-12	**220.0**	**(2.8)**	**780.0**	**0.0**	**997.2**	**23.6**	**1,020.8**
2007							
Equity at 01-01	**220.0**	**(2.8)**	**780.0**	**0.0**	**997.2**	**23.6**	**1,020.8**
Profit for the year			234.3		**234.3**	**0.9**	**235.2**
Foreign exchange adjustments, foreign enterprises		(0.2)			**(0.2)**	0.0	**(0.2)**
Total income and expense for the year	**0.0**	**(0.2)**	**234.3**	**0.0**	**234.1**	**0.9**	**235.0**
Addition and disposal of minority interests						(17.0)	**(17.0)**
Proposed dividends			(50.0)	50.0	**0.0**	0.0	**0.0**
Dividends paid					**0.0**	(7.5)	**(7.5)**
Transfer between reserves		3.4	(3.4)		**0.0**	0.0	**0.0**
Total changes in equity	**0.0**	**3.2**	**180.9**	**50.0**	**234.1**	**(23.6)**	**210.5**
Equity at 31-12	**220.0**	**0.4**	**960.9**	**50.0**	**1,231.3**	**0.0**	**1,231.3**

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Notes

Note	Amounts in DKK million
1	**Accounting estimates and judgements**

Estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of future events on the carrying amounts of those assets and liabilities at the balance sheet date.

The estimates applied are based on assumptions which are sound, in management's opinion, but which by the nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the company is subject to risks and uncertainties, that may cause the actual results to differ from these estimates. Special risks for the MT Højgaard Group are described in the management's review under the section on 'Risk factors' on pages 17-18.

Estimates that are material for the financial reporting relate primarily to measurement of the selling price of construction contracts in progress and the outcome of disputes.

In connection with impairment testing of investments and goodwill, estimates are also made of how the enterprises in question or parts of the enterprise to which the goodwill relates will be able to generate sufficient positive future net cash flows to support the value of the investment or goodwill, and other net assets in the part of the enterprise in question. Such estimates are naturally subject to some uncertainty, which is reflected in the chosen discount rate. The assumptions for impairment testing of investments and goodwill are described in notes 13 and 15, respectively.

Basis for management's judgements

As part of the application of the Group's accounting policies, management makes judgements, in addition to estimates, that may have a material effect on the amounts recognised in the financial statements.

The judgements that have the greatest impact on the amounts recognised in the financial statements relate primarily to construction contracts in progress, and when income and expenses under contracts with third parties are to be accounted for in accordance with the percentage of completion method or the sales method.

In management's opinion, no judgements have been made in connection with the accounting policies in the financial reporting for 2007 with comparative figures for 2006, apart from the accounting estimates referred to above, that have had a material effect on the financial reporting.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		2	**Non-cash operating items**		
			Non-cash operating items		
68.4	64.3		Depreciation and impairment losses, property, plant and equipment	155.8	157.2
(56.8)	42.2		Other adjustments	(36.0)	22.5
11.6	**106.5**		**Total non-cash operating items**	**119.8**	**179.7**
			Non-cash transactions		
(108.8)	(88.7)		Purchase of property, plant and equipment, incl. assets held under finance leases	(209.6)	(298.5)
1.9	0.0		Portion relating to assets held under finance leases	12.8	11.0
(106.9)	**(88.7)**		**Purchase of property, plant and equipment**	**(196.8)**	**(287.5)**
47.6	0.0		Increase in bank loans, etc., incl. lease commitments	18.6	56.7
(1.9)	0.0		Portion relating to lease commitments	(12.8)	(11.0)
45.7	**0.0**		**Increase in non-current bank loans, etc.**	**5.8**	**45.7**
		3	**Acquisition and disposal of enterprises and activities**		
			Acquisition of enterprises and activities		
2.7	-		Property, plant and equipment	0.0	2.7
0.1	-		Inventories	0.1	0.1
2.8	**-**		**Identifiable net assets acquired**	**0.1**	**2.8**
4.0	-		Goodwill	0.2	4.0
6.8	**-**		**Cash purchase price, net**	**0.3**	**6.8**
			Carrying amount of assets acquired and liabilities and contingent liabilities assumed before the acquisition date:		
2.7	-		Property, plant and equipment	0.0	2.7
0.1	-		Inventories	0.1	0.1
2.8	**-**		**Total carrying amount before acquisition**	**0.1**	**2.8**

After recognition of identifiable assets and liabilities at fair value, goodwill in connection with the acquisition has been calculated as DKK 0.2 million, which represents the future economic benefits from assets such as knowhow and synergies.

The acquired activities feature with DKK 0.2 million in consolidated profit for 2007.

Consolidated revenue and profit for the year (unaudited), measured as if the acquired activities were taken over at 1 January 2007, amounted to DKK 11,716.1 million and DKK 235.4 million, respectively.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		3	**Acquisition and disposal of enterprises and activities (continued)**		
			Disposal of enterprises and activities		
-	-		Intangible assets	10.9	0.0
-	-		Property, plant and equipment	280.8	14.2
-	69.1		Investments	2.0	0.0
-	-		Inventories	2.1	1.2
-	-		Receivables	148.9	0.0
-	-		Cash and cash equivalents	47.6	0.0
-	-		Non-current liabilities	(118.2)	(2.7)
-	-		Current liabilities	(220.5)	0.0
-	**69.1**		**Net assets**	**153.6**	**12.7**
-	201.3		Accounting profit/loss	116.8	0.0
-	**270.4**		**Cash selling price, net**	**270.4**	**12.7**
			For further details of the enterprises acquired and disposed of, reference is made to the separate section on this in the management's review on page 6.		
		4	**Cash and cash equivalents**		
			Cash and cash equivalents at 31-12 can be broken down as follows:		
58.6	14.0		Free cash flow	36.3	78.7
94.7	189.7		Share of cash and cash equivalents in joint ventures	306.1	185.1
153.3	**203.7**		**Cash and cash equivalents**	**342.4**	**263.8**
0.0	(165.3)		Current portion of bank loans, etc.	(165.3)	(46.3)
153.3	**38.4**		**Total**	**177.1**	**217.5**
0.0	0.0		Effect of changes in foreign exchange rates	0.0	0.0
153.3	**38.4**		**Total cash and cash equivalents**	**177.1**	**217.5**
			Share of cash and cash equivalents in joint ventures is available exclusively to the joint ventures.		
		5	**Revenue**		
			Revenue can be broken down as follows:		
7,407.0	8,030.5		Selling price of the production for the year on completed construction contracts and construction contracts in progress	10,780.0	10,170.0
332.6	345.1		Rental activities and similar services	933.8	892.5
7,739.6	**8,375.6**		**Total**	**11,713.8**	**11,062.5**
		6	**Depreciation**		
68.4	64.3		Property, plant and equipment	155.8	157.2
68.4	**64.3**		**Total depreciation**	**155.8**	**157.2**
			Depreciation is included in the income statement as follows:		
63.2	59.7		Production costs	140.1	143.4
5.2	4.6		Administrative expenses	15.7	13.8
68.4	**64.3**		**Total depreciation**	**155.8**	**157.2**

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		7	**Staff costs**		
			The total amount paid in wages and salaries, etc., can be broken down as follows:		
1,323.6	1,335.8		Wages and salaries, etc.	2,452.9	2,367.6
95.0	98.2		Pension contributions (defined contribution)	183.5	169.7
53.5	53.6		Other social security costs	93.9	88.9
1,472.1	**1,487.6**		**Total**	**2,730.3**	**2,626.2**
3,257	**3,348**		**Average number of employees**	**6,044**	**5,889**
3,542	**2,962**		**Number of employees, year end**	**5,872**	**6,245**
			Total remuneration to the Supervisory Board and the Executive Board:		
1.8	1.9		Supervisory Board	1.9	1.8
10.7	9.5		Executive Board	9.5	10.7
12.5	**11.4**		**Total**	**11.4**	**12.5**
			Total remuneration to the Supervisory and Executive Boards:		
12.5	11.4		Salaries and remuneration, etc.	11.4	12.5
12.5	**11.4**		**Total**	**11.4**	**12.5**
		8	**Fees paid to auditor appointed at the Annual General Meeting (KPMG)**		
1.5	**1.5**		**Audit fees**	**3.7**	**4.0**
2.1	**2.5**		**Non-audit fees**	**3.2**	**2.8**
		9	**Financial income**		
13.8	26.1		Interest income	24.4	19.8
1.7	202.9		Capital gains on securities and investments *	122.0	1.8
0.0	7.5		Foreign exchange gains	8.7	1.6
0.0	0.0		Gains on derivative financial instruments	0.3	0.0
38.4	43.5		Dividends from subsidiaries	-	-
81.1	99.9		Dividends from associates	-	-
0.0	0.0		Value adjustments of other equity investments	0.2	0.1
135.0	**379.9**		**Total financial income**	**155.6**	**23.3**
1.1	1.0		Of which interest received from subsidiaries	-	-

*) including non-recurring income of DKK 117 million net in connection with the sale of BMS, Seth and Composite.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		10	**Financial expenses**		
14.4	10.6		Interest expense	20.5	23.1
0.9	0.0		Capital losses on securities and investments	3.7	0.9
3.7	0.0		Foreign exchange losses	14.0	6.9
44.6	44.6		Impairment loss relating to investments in subsidiaries and associates etc.	-	-
0.0	0.1		Value adjustments of other equity investments	0.1	0.0
63.6	**55.3**		**Total financial expenses**	**38.3**	**30.9**
-	-		Of which interest paid to subsidiaries	-	-
		11	**Income tax expense**		
(72.2)	6.2		Current tax	(43.2)	(97.8)
103.7	(44.5)		Changes in deferred tax	(32.7)	83.5
31.5	**(38.3)**		**Total income tax expense**	**(75.9)**	**(14.7)**
			Income tax expense can be broken down as follows:		
28.3	(69.6)		Income tax expense before tax measured at Danish tax rate (25%)	(77.8)	(14.7)
-	(31.1)		Reduction of Danish corporate income tax rate from 28% to 25%	(24.1)	-
(2.4)	5.2		Deviations in foreign enterprises' tax rates	0.5	(1.0)
33.4	69.2		Non-taxable income	31.4	0.5
(13.4)	(11.2)		Non-deductible expenses	(1.9)	(1.5)
(14.4)	(0.8)		Other, including prior year adjustments	(4.0)	2.0
31.5	**(38.3)**		**Income tax expense**	**(75.9)**	**(14.7)**
31	14		Effective tax rate (%)	24	28
		12	**Earnings per share and diluted earnings per share**		
			Earnings per share and diluted earnings per share (EPS and EPS-D), DKK	**21.3**	**2.6**

Earnings per share and diluted earnings per share (EPS and EPS-D) in 2007 can be calculated as MT Højgaard's share of consolidated profit of DKK 234.3 million (2006: DKK 29.1 million), divided by 11 million shares (2006: 11 million shares).

The share capital of MT Højgaard a/s is divided into shares of DKK 1,000 each; however, the calculation of earnings per share is based on a share denomination of nominally DKK 20 as in the two listed owner companies Højgaard Holding a/s and Monberg & Thorsen A/S.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		13	**Intangible assets**		
			Goodwill		
24.0	28.0		Cost at 01-01	73.6	69.2
-	-		Disposal on sale of enterprises	(9.8)	-
4.0	0.0		Additions	0.2	4.4
28.0	**28.0**		**Cost at 31-12**	**64.0**	**73.6**
0.0	0.0		Impairment losses at 01-01/31-12	0.0	0.0
28.0	**28.0**		**Carrying amount at 31-12**	**64.0**	**73.6**

Goodwill

The carrying amounts of goodwill attributable to business area Civil Works (DKK 4.0 million) and Construction (DKK 24.0 million) in MT Højgaard a/s, Enemærke & Petersen a/s (DKK 31.8 million) and Lindpro a/s (DKK 4.2 million) were tested for impairment at 31 December 2007.

The recoverable amount was determined using the value in use, which was calculated as the present value of the expected future net cash flows from the cash-generating units. In connection with the test at 31 December 2007, the net cash flows were determined on the basis of the approved budget for 2008 and estimates for the years 2009-2012. The growth in the terminal period was fixed at 2.5% (2006: 2%). A discount factor of 10-12% (2006: 11-12%) before tax was used for calculating the present value.

The impairment test did not give rise to any write-downs of goodwill to recoverable amount.

Management estimates that probable changes in the underlying assumptions will not result In the carrying amount of goodwill exceeding its recoverable amount.

Notes

PARENT COMPANY

Amounts in DKK million

14 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
2007					
Cost at 01-01	232.7	579.2	47.5	6.2	865.6
Additions	21.2	65.5	2.0	0.0	88.7
Disposals	(16.9)	(66.2)	0.0	(2.0)	(85.1)
Cost at 31-12	237.0	578.5	49.5	4.2	869.2
Depreciation and impairment losses at 01-01	47.7	389.9	32.8	0.0	470.4
Depreciation, disposals	(5.5)	(58.8)	0.0	0.0	(64.3)
Depreciation	5.7	54.0	4.6	0.0	64.3
Depreciation and impairment losses at 31-12	47.9	385.1	37.4	0.0	470.4
Carrying amount at 31-12	**189.1**	**193.4**	**12.1**	**4.2**	**398.8**
Mortgaged properties:					
Carrying amount	108.9				108.9
Year-end balance, loans	47.7				47.7
Non-current assets held under finance leases:					
Carrying amount		27.6	0.0		27.6

Notes

PARENT COMPANY

Amounts in DKK million

14 Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
2006					
Cost at 01-01	213.2	537.3	58.1	5.9	814.5
Addition on acquisition of activities	0.0	0.0	2.7	0.0	2.7
Additions	19.5	78.0	3.3	6.2	107.0
Disposals	0.0	(36.1)	(16.6)	(5.9)	(58.6)
Cost at 31-12	232.7	579.2	47.5	6.2	865.6
Depreciation and impairment losses at 01-01	42.6	365.8	34.8	0.0	443.2
Depreciation, disposals	0.0	(34.0)	(7.2)	0.0	(41.2)
Depreciation	5.1	58.1	5.2	0.0	68.4
Depreciation and impairment losses at 31-12	47.7	389.9	32.8	0.0	470.4
Carrying amount at 31-12	**185.0**	**189.3**	**14.7**	**6.2**	**395.2**
Mortgaged properties:					
Carrying amount	116.1				116.1
Year-end balance, loans	49.5				49.5
Non-current assets held under finance leases:					
Carrying amount		55.7	6.1		61.8

Notes

GROUP

Amounts in DKK million

14 Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
2007					
Cost at 01-01	454.8	1,192.5	176.7	27.7	1,851.7
Disposal on sale of enterprises	(47.0)	(388.5)	(12.0)	0.0	(447.5)
Additions	39.6	115.2	35.3	9.1	199.2
Disposals	(17.1)	(126.1)	(9.0)	(24.1)	(176.3)
Cost at 31-12	430.3	793.1	191.0	12.7	1,472.1
Depreciation and impairment losses at 01-01	97.4	747.4	98.4	0.0	943.2
Disposal on sale of enterprises	(10.0)	(241.0)	(10.0)	0.0	(261.0)
Depreciation, disposals	(3.5)	(103.8)	(3.5)	0.0	(110.8)
Depreciation	10.0	115.8	30.0	0.0	155.8
Depreciation and impairment losses at 31-12	93.9	518.4	114.9	0.0	727.2
Carrying amount at 31-12	**336.4**	**274.7**	**76.1**	**12.7**	**699.9**
Mortgaged properties:					
Carrying amount	182.7				182.7
Year-end balance, loans	84.5				84.5
Non-current assets held under finance leases:					
Carrying amount		33.5	9.5		43.0

Notes

GROUP

Amounts in DKK million

14 Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
2006					
Cost at 01-01	441.5	1,105.3	157.7	15.1	1,719.6
Addition on acquisition of activities	0.0	0.0	2.7	0.0	2.7
Foreign exchange adjustments	0.0	0.4	0.1	0.0	0.5
Additions	57.5	155.3	43.7	31.1	287.6
Disposals	(44.2)	(68.5)	(27.5)	(18.5)	(158.7)
Cost at 31-12	454.8	1,192.5	176.7	27.7	1,851.7
Depreciation and impairment losses at 01-01	118.7	686.3	86.5	0.0	891.5
Foreign exchange adjustments	0.0	0.1	0.1	0.0	0.2
Depreciation, disposals	(31.6)	(58.5)	(15.6)	0.0	(105.7)
Depreciation	10.3	119.5	27.4	0.0	157.2
Depreciation and impairment losses at 31-12	97.4	747.4	98.4	0.0	943.2
Carrying amount at 31-12	**357.4**	**445.1**	**78.3**	**27.7**	**908.5**
Mortgaged properties:					
Carrying amount	194.8				194.8
Year-end balance, loans	95.2				95.2
Non-current assets held under finance leases:					
Carrying amount		105.2	15.5		120.7

Notes

PARENT COMPANY

Amounts in DKK million

15 Investments

	Investments in subsidiaries	Investments in associates	Other equity investments	Receivables from associates	Deferred tax assets	Total
2007						
Cost at 01-01	460.0	72.2	0.2			
Additions	0.5	39.8	0.0			
Disposals	(94.2)	(65.0)	0.0			
Cost at 31-12	366.3	47.0	0.2			
Adjustments at 01-01	(128.0)	0.0	0.1			
Impairment losses	(4.7)	0.0	(0.1)			
Reversal of impairment losses	7.9	0.0	0.0			
Other adjustments	0.0	0.0	0.1			
Adjustments at 31-12	(124.8)	0.0	0.1			
Carrying amount at 31-12	**241.5**	**47.0**	**0.3**	**11.6**	**245.6**	**546.0**
2006						
Cost at 01-01	508.1	80.8	0.2			
Additions	6.0	0.4	0.0			
Disposals	(54.1)	(9.0)	0.0			
Cost at 31-12	460.0	72.2	0.2			
Adjustments at 01-01	(187.0)	(4.4)	0.1			
Impairment losses	(10.9)	0.0	0.0			
Reversal of impairment losses	35.0	0.0	0.0			
Other adjustments	34.9	4.4	0.0			
Adjustments at 31-12	(128.0)	0.0	0.1			
Carrying amount at 31-12	**332.0**	**72.2**	**0.3**	**16.2**	**290.1**	**710.8**

A list of the consolidated enterprises is given on page 64.

In 2007, a DKK 4.7 million impairment loss was recognised for investments in subsidiaries. In addition, impairment losses of DKK 7.9 million were reversed in respect of prior years.

The recoverable amount was determined using the value in use, which was calculated as the present value of the expected future net cash flows from the cash-generating units. A discount factor of 10-12% before tax was used for calculating the present value (2006: 11-12%).

The impairment charge for the year and impairment losses reversed are recognised as financial expenses, cf. note 10.

The impairment charge relates to the company LN Entreprise a/s, the activities of which are limited to the performance of guarantee obligations related to previous projects. The carrying amount has been written down to the estimated recoverable amount.

The impairment losses reversed during the year relate to the company MT Højgaard Grønland ApS. The company reported a profit in 2007, and expects to continue reporting profits in the years ahead. This has given rise to partial reversal of impairment losses charged in prior years, based on the estimated recoverable amount.

Notes

GROUP

Amounts in DKK million

15 Investments (continued)

	Investments in associates	Other equity investments	Receivables from associates	Deferred tax assets	Total
2007					
Cost at 01-01	1.7	2.5			
Disposals	0.3	0.0			
Cost at 31-12	2.0	2.5			
Adjustments at 01-01	(1.0)	(1.6)			
Other adjustments	0.0	0.1			
Adjustments at 31-12	(1.0)	(1.5)			
Carrying amount at 31-12	**0.7**	**1.0**	**11.7**	**210.3**	**224.0**
2006					
Cost at 01-01	10.7	2.5			
Disposals	(9.0)	0.0			
Cost at 31-12	1.7	2.5			
Adjustments at 01-01	(5.0)	(1.7)			
Dividends paid	(5.0)	0.0			
Other adjustments	9.0	0.1			
Adjustments at 31-12	(1.0)	(1.6)			
Carrying amount at 31-12	**0.7**	**0.9**	**5.6**	**249.5**	**256.7**

Associates (the figures represent 100% ownership interest)

	Revenue	Profit (loss) for the year	Total assets	Total liabilities
2007				
ApS KBIL 38 NR. 2286 (50%)	0.0	0.0	0.6	0.2
OPP Hobro Tinglysningsret a/s	0.5	0.0	8.6	7.8
OPP Vildbjerg Skole A/S (50%)	10.6	0.0	126.2	125.3
Others	0.5	0.0	0.0	0.0
Group total	**11.6**	**0.0**	**135.4**	**133.3**
2006				
EA/S Matr. Nr. 33 eø Brøndbyvester (50%)	0.0	(0.1)	0.0	0.0
ApS KBIL 38 NR. 2286 (50%)	0.0	0.1	0.5	0.2
OPP Vildbjerg Skole A/S (50%)	0.0	0.0	125.6	124.7
Group total	**0.0**	**0.0**	**126.1**	**124.9**

The associates do not have any contingent liabilities.
There are no intragroup profits or losses from trading with associates.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		16	**Inventories**		
			Raw materials and consumables		
10.5	11.9		Cost at 01-01	54.4	52.9
-	-		Disposal on sale of enterprises	(0.5)	-
1.4	10.8		Additions	60.4	5.5
0.0	0.0		Disposals	(49.8)	(49.8)
11.9	22.7		Cost at 31-12	64.5	54.4
0.0	0.0		Adjustments at 01-01/31-12	0.0	0.0
11.9	**22.7**		**Carrying amount at 31-12**	**64.5**	**54.4**
0.0	0.0		Value of inventories recognised at net realisable value	0.1	0.3
			Properties held for resale		
453.6	421.5		Cost at 01-01	429.5	488.7
282.2	222.9		Additions	281.6	347.5
(314.3)	(155.2)		Disposals	(180.0)	(406.7)
421.5	489.2		Cost at 31-12	531.1	429.5
(6.8)	(5.7)		Adjustments at 01-01	8.9	7.8
1.1	0.0		Reversal of impairment losses	0.0	1.1
(5.7)	(5.7)		Adjustments at 31-12	8.9	8.9
415.8	**483.5**		**Carrying amount at 31-12**	**540.0**	**438.4**
3.2	3.2		Value of properties recognised at net realisable value	8.9	8.9
			Mortgaged properties:		
0.0	0.0		Carrying amount	5.7	5.7
0.0	0.0		Year-end balance, loans	1.7	2.0

Properties held for resale consist of undeveloped sites that are held with a view to project development activities, and project development cases in progress.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		17	**Receivables**		
4.4	5.8		Receivables falling due more than one year after the balance sheet date	5.8	6.7
			Receivables falling due more than one year after the balance sheet date relate to rent deposits.		
			The fair value of receivables is deemed to correspond to the carrying amount.		
			Credit risks		
			Write-downs included in receivables developed as follows:		
3.2	4.1		Carrying amount at 01-01	6.2	3.2
0.0	1.4		Provided for the year	4.3	2.1
0.0	(2,8)		Utilised in year	2.8	0.0
0.9	0.0		Other adjustments	0.0	0.9
4.1	**2.7**		**Carrying amount at 31-12**	**7.7**	**6.2**
4.1	2.7		Nominal value of written-down receivables	8.6	6.2
65.8	80.1		Receivables that were overdue by more than 90 days on 31 December, but have not been written down:	82.2	65.8
		18	**Securities**		
87.9	149.0		Bonds	149.0	87.9
87.9	**149.0**		**Total carrying amount**	**149.0**	**87.9**
88.0	150.0		Nominal holding	150.0	88.0
38.0	0.0		Bonds maturing more than one year after the balance sheet date	0.0	38.0
2.0	1.0		Maturity of bond portfolio (years)	1.0	2.0
4.1	4.2		Effective interest rate on bond portfolio (%)	4.2	4.1
1.7	1.4		Price sensitivity of bond portfolio in case of a one percentage point interest rate change	1.4	1.7
21.0	0.0		Bonds lodged as security (market value)	0.0	21.0

The parent company and the Group measure the bond portfolio at fair value via the income statement in accordance with IAS 39, as the portfolio functions as a cash reserve, in accordance with the Group's financial policy. The bond portfolio consists of listed Danish bonds that are monitored on a regular basis and reported at fair value.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		19	**Interest-bearing liabilities**		
			Total interest-bearing liabilities can be broken down by commitment type as follows:		
84.4	213.0		Bank loans, etc.	251.3	184.0
58.1	32.0		Lease commitments (assets held under finance leases)	47.4	117.4
142.5	**245.0**		**Total**	**298.7**	**301.4**
			Total interest-bearing liabilities can be broken down by currency as follows:		
142.5	245.0		DKK	292.5	286.1
0.0	0.0		EUR	6.2	2.7
0.0	0.0		Others	0.0	12.6
142.5	**245.0**		**Total**	**298.7**	**301.4**
			Total interest-bearing liabilities can be broken down by fixed-rate and floating-rate debt as follows:		
140.0	63.0		Fixed-rate debt	68.6	198.7
2.5	182.0		Floating-rate debt	230.1	102.7
142.5	**245.0**		**Total**	**298.7**	**301.4**
			Total interest-bearing liabilities can be broken down by effective interest rate as follows:		
75.6	31.9		Less than 5%	71.7	226.9
66.9	213.1		Between 5% and 7%	227.0	74.5
142.5	**245.0**		**Total**	**298.7**	**301.4**
5.5	5.2		Weighted average effective interest rate (%)	5.1	4.6
9.2	1.6		Weighted average remaining term (years)	1.8	7.8
			Interest-bearing liabilities are recognised in the balance sheet as follows:		
78.4	70.1		Non-current liabilities	115.9	174.3
64.1	174.9		Current liabilities	182.8	127.1
142.5	**245.0**		**Total**	**298.7**	**301.4**
			The maturity profile can be broken down as follows:		
64.1	174.9		Less than one year	182.8	127.1
11.3	25.4		Between one and two years	33.8	16.0
33.9	19.3		Between two and five years	32.1	80.4
33.2	25.4		More than five years	50.0	77.9
142.5	**245.0**		**Total**	**298.7**	**301.4**
143.0	**245.1**		**Fair value**	**298.2**	**301.9**
			The fair value of financial liabilities has been determined as the present value of expected future instalments and interest payments. The Group's current borrowing rate for similar maturities has been used as the discount rate.		

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		20	**Deferred tax assets and liabilities**		
(186.4)	(290.1)		Deferred tax (net) at 01-01	(225.4)	(140.4)
-	-		Disposal on sale of enterprises	(16.9)	(0.9)
(103.3)	44.5		Changes via income statement	32.7	(83.1)
0.0	0.0		Other adjustments	0.0	(1.0)
(290.1)	**(245.6)**		**Deferred tax (net) at 31-12**	**(209.6)**	**(225.4)**
			Deferred tax can be broken down as follows:		
			Deferred tax assets		
0.0	0.0		Intangible assets	0.1	0.0
125.0	43.4		Property, plant and equipment	51.7	128.2
77.1	25.9		Current assets	27.1	79.2
10.4	9.3		Non-current liabilities	11.2	12.7
8.0	7.9		Current liabilities	9.7	10.9
73.0	162.1		Tax loss carryforwards	162.6	79.9
293.5	248.6		Deferred tax assets at 31-12 before set-off	262.4	310.9
(3.4)	(3.0)		Set-off within legal entities and jurisdictions (countries)	(52.1)	(61.4)
290.1	**245.6**		**Deferred tax assets at 31-12**	**210.3**	**249.5**
			Deferred tax liabilities		
3.4	3.0		Intangible assets	3.0	4.5
0.0	0.0		Property, plant and equipment	1.6	23.3
0.0	0.0		Current assets	48.2	42.9
0.0	0.0		Current liabilities	0.0	14.8
3.4	3.0		Deferred tax liabilities at 31-12 before set-off	52.8	85.5
(3.4)	(3.0)		Set-off within legal entities and jurisdictions (countries)	(52.1)	(61.4)
0.0	**0.0**		**Deferred tax liabilities at 31-12**	**0.7**	**24.1**
(290.1)	**(245.6)**		**Deferred tax (net) at 31-12**	**(209.6)**	**(225.4)**

Deferred tax has been calculated using the current Danish tax rate of 25%.

The tax loss carryforwards are not subject to any time limits and are expected to be utilised by set-off against future earnings.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		21	**Provisions**		
31.6	38.6		Carrying amount at 01-01	65.0	59.6
7.6	6.6		Provided in the year	9.3	9.6
(0.3)	0.0		Utilised in the year	(0.7)	(1.6)
0.0	0.0		Reversal of unutilised prior year provisions	(1.5)	(0.7)
0.0	0.0		Other adjustments	0.0	(1.9)
38.9	**45.5**		**Total at 31-12**	**72.1**	**65.0**
			Provisions are recognised in the balance sheet as follows:		
38.6	45.2		Non-current liabilities, provisions	69.1	62.3
0.3	0.3		Current liabilities, provisions	3.0	2.7
38.9	**45.5**		**Total at 31-12**	**72.1**	**65.0**
			Expected maturity dates:		
0.3	0.3		Less than one year	3.0	2.7
7.7	9.1		Between one and two years	10.1	7.7
23.2	27.0		Between two and five years	31.2	28.1
7.7	9.1		More than five years	27.8	26.5
38.9	**45.5**		**Total at 31-12**	**72.1**	**65.0**
			Provisions relate primarily to provisions for 1-year and 5-year guarantee works in respect of completed contracts.		
		22	**Construction contracts in progress**		
5,700.8	8,275.6		Progress billings	9,108.7	7,057.0
(4,948.0)	(7,440.1)		Construction contracts in progress at selling price	(8,199.5)	(6,209.6)
752.8	**835.5**		**Construction contracts in progress (net)**	**909.2**	**847.4**
			Construction contracts in progress are recognised in the balance sheet as follows:		
970.0	1,148.3		Current liabilities	1,335.2	1,216.8
(217.2)	(312.8)		Receivables	(426.0)	(369.4)
752.8	**835.5**		**Construction contracts in progress (net)**	**909.2**	**847.4**
			Prepayments received from customers are recognised separately in the balance sheet under current liabilities.		

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		23	**Security**		
			Normal security in the form of bank guarantees, guarantee insurances and bond deposits has been provided for contracts and supplies.		
			The guarantees provided relate to:		
16.9	20.5		Bid bonds	38.7	21.8
1,272.3	1,424.5		Contracts and supplies in progress	1,847.9	1,717.2
1,057.3	1,084.8		Completed contracts and supplies	1,346.7	1,230.1
2,346.5	**2,529.8**		**Total**	**3,233.3**	**2,969.1**
			Guarantees in respect of completed contracts and supplies relate to normal one-year and five-year guarantee works.		
			Similar security has been provided for prepayments received, etc., recognised in the balance sheet as liabilities.		
			In addition, land, buildings and properties have been lodged as security for bank loans, etc., see notes 14 and 16.		
		24	**Lease commitments**		
			Finance leases		
			Total future minimum lease payments:		
28.3	9.4		Due within one year	15.4	42.8
33.7	24.3		Due between two and five years	34.9	77.5
0.0	0.0		Due after more than five years	0.0	15.7
62.0	**33.7**		**Total**	**50.3**	**136.0**
			Carrying amount (present value):		
0.0	8.1		Due within one year	14.1	12.8
26.2	23.8		Due between two and five years	33.3	62.5
31.9	0.0		Due after more than five years	0.0	42.1
58.1	**31.9**		**Total**	**47.4**	**117.4**
3.9	1.8		Financial expenses	2.9	18.6
			Financial expenses, calculated as the difference between the total future lease payments and the carrying amount (present value) of finance leases, are recognised in the income statement over the lease term.		
			Operating leases		
			Total future minimum lease payments:		
35.6	39.6		Due within one year	51.5	55.6
103.1	110.1		Due between two and five years	140.4	150.2
70.2	55.4		Due after more than five years	58.8	75.1
208.9	**205.1**		**Total**	**250.7**	**280.9**

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		24	**Lease commitments (continued)**		
18.5	34.0		Lease payments relating to operating leases recognised in the income statement	43,2	42,4
			The Group's finance and operating leases primarily relate to vehicles, operating equipment and leased premises. The lease term is typically between two and six years with an option for extension on expiry of the lease term. None of the leases features contingent rent.		
		25	**Contingent liabilities**		
			Indemnities		
			In accordance with normal practice, the parent company has issued indemnities in respect of a few subsidiaries and contracts won by subsidiaries.		
			Litigation		
			The MT Højgaard Group is involved in various legal and arbitration proceedings. In management's opinion, the outcome of these proceedings is not expected to have any adverse impact on the Group's financial position.		
		26	**Related parties**		
			Control		
			The Group has a controlling related party relationship with the principal shareholders in the parent company MT Højgaard a/s. The parent company is owned by Højgaard Holding a/s (54%) and Monberg & Thorsen A/S (46%), both of which are listed on the Copenhagen Stock Exchange.		
			Significant influence		
			Related parties with significant influence comprise the members of the company Supervisory Board and Executive Board.		
			The parent company's related parties also include subsidiaries and associates in which MT Højgaard a/s has control or significant influence. A list of the consolidated enterprises is given on page 64.		
			Intragroup transactions		
			Apart from intragroup transactions that have been eliminated in the consolidated financial statements, and normal management remuneration, no transactions have been effected during the year with major shareholders, members of the Supervisory Board or Executive Board or other related parties. Management remuneration is disclosed in note 7. Transactions between MT Højgaard a/s and the other consolidated enterprises are based on arm's length terms.		
			Intragroup transactions between the parent company and the other consolidated enterprises can be broken down as follows:		
299.0	221.9		Purchases of goods and services from subsidiaries	-	-
53.6	16.5		Sales of goods and services to subsidiaries	-	-
62.0	35.8		Purchases of goods and services from associates	-	-
112.2	0.0		Sales of goods and services to associates	-	-
			Transactions between consolidated enterprises have been eliminated in the consolidated financial statements.		

Notes

		GROUP	
Note	Amounts in DKK million	2007	2006
26	**Related parties (continued)**		
	The parent company's balances with subsidiaries, associates and jointly controlled entities at 31 December are disclosed in the balance sheet and relate primarily to ordinary business-related balances concerning purchases and sales of goods and services. The balances are non-interest bearing and are entered into on the same terms as apply to the parent company's other customers and suppliers. Balances with subsidiaries, associates and jointly controlled entities have not been written down in 2007 and 2006.		
	The parent company's interest income and interest expense relating to balances with subsidiaries are disclosed in notes 9 and 10.		
	The parent company's dividends from subsidiaries and associates are disclosed in note 9.		
27	**Joint ventures**		
	The MT Højgaard Group participates in two types of joint ventures: jointly controlled operations and jointly controlled entities.		
	Investments in jointly controlled operations are recognised in the parent company and consolidated financial statements on a proportionate basis in accordance with the contractual arrangement, whereby the proportionate share of assets, liabilities, income and expenses from the jointly controlled operations is recognised in the corresponding items in the financial statements.		
	Investments in jointly controlled entities are accounted for in the consolidated financial statements applying proportionate consolidation. The parent company measures investments in jointly controlled entities at cost and recognises them as associates.		
	Jointly controlled entities The Group's share of profit for the year and balance sheet items for jointly controlled entities is recognised in the financial statements with the following amounts:		
	Income statement		
	Revenue	884.0	617.7
	Profit for the year	156.6	108.7
	Balance sheet		
	Non-current assets	81.6	265.1
	Current assets	306.4	156.1
	Total assets	**388.0**	**421.6**
	Non-current liabilities	25.4	97.6
	Current liabilities	202.9	156.3
	Total liabilities	**228.3**	**253.9**
	Net assets	**159.7**	**167.7**

Notes

Note Amounts in DKK million

27 Joint ventures (continued)

The Group participates in the following joint ventures:

Joint ventures		Ownership interest	Other joint venturers
Jointly controlled operations			
Amerikakaj	*	50.00%	TK Bygge-Holding A/S
Aircon JV	*	50.00%	Hoffmann A/S
EL - FTTH Nord **	*	50.00%	Lindpro a/s
JV ElSyd **	*	50.00%	Lindpro a/s
Kalvebod Konsortiet	*	50.00%	NCC Construction Danmark A/S
KFT-JV	*	50.00%	Hochtief Construction AG
LOKO JV	*	66.00%	M.J. Eriksson Aktieselskab
M3-Konsortiet	*	60.00%	M.J. Eriksson Aktieselskab
M10-Syd-Konsortiet	*	60.00%	M.J. Eriksson Aktieselskab
MP-Konsortiet	*	50.00%	E. Pihl & Søn A/S
MT Højgaard - Bravida JV/CTR	*	50.00%	Bravida Danmark A/S
MT Højgaard - Pihl	*	50.00%	E. Pihl & Søn A/S
MT Pihl Intel konsortiet	*	50.00%	E. Pihl & Søn A/S
Nuna Konsortiet	*	40.00%	Atcon Grønland A/S
			Arssarnerit A/S
Vejcon Fyn	*	30.00%	Per Aarsleff A/S
			Ove Arkil A/S
			Jorton A/S
Vivaldis JV **	*	66.00%	Promecon a/s
Jointly controlled entities			
Greenland Contractors I/S	*	66.66%	Greenland Resources A/S
MTHojgaard Al Obaidly W.L.L.		49.00%	OITC W.L.L.
Seth S.A.		60.00%	OPERATIO Lda.

*) With reference to Section 5(1) of the Danish Financial Statements Act, these Danish joint ventures have omitted preparing annual reports as they are recognised in the consolidated financial statements.

**) Intragroup joint ventures.

Notes

PARENT COMPANY				GROUP	
2006	2007	Note	Amounts in DKK million	2007	2006
		28	**Financial instruments**		
			For a general description of financial risks, including currency, interest rate and credit risks as well as the Group's policy in these areas, reference is made to 'Risk factors' in the management's review on pages 17-18.		
			For a description of accounting policies and methods, including recognition criteria applied and measurement basis used, reference is made to the description of accounting policies on pages 26-32.		
			Currency risks The Group primarily uses forward exchange contracts to hedge contractual and budgeted cash flows. Changes in the value of derivative financial instruments are recognised in the income statement under financial income and expenses as they arise, as they do not qualify for hedge accounting.		
			The open foreign exchange contracts at 31 December 2007 had a remaining term of up to 7.1 years (2015).		
			Open forward exchange contracts at 31 December: Fair value (DKK)		
0.0	0.0		GBP	0.0	32.8
0.0	0.0		USD	173.9	0.0
0.0	1.7		Other	1.7	0.0
0.0	**1.7**		**Total**	**175.6**	**32.8**

29 New International Financial Reporting Standards and IFRIC Interpretations

The IASB and the EU have adopted the following International Financial Reporting Standards and IFRIC Interpretations that are not mandatory for MT Højgaard in connection with the preparation of the annual report for 2007:

No effect on the financial statements

* IFRS 2 ″Share-based Payment - Vesting Conditions and Cancellations″ (yet to be adopted by the EU).
* IFRS 3 ″Business Combinations″ (yet to be adopted by the EU).
* IAS 27 ″Consolidated and Separate Financial Statements″ (yet to be adopted by the EU).
* IFRIC 11 IFRS 2 ″Group and Treasury Share Transactions″.
* IFRIC 12 ″Service Concession Arrangements″ (yet to be adopted by the EU).
* IFRIC 13 ″Customer Loyalty Programmes″ (yet to be adopted by the EU).
* IFRIC 14 IAS 19 ″The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction″ (yet to be adopted by the EU).

None of the International Financial Reporting Standards or IFRIC Interpretations listed above is expected to have any effect on the MT Højgaard Group's financial reporting in or after 2008.

Notes

Note		GROUP	
29	**New International Financial Reporting Standards and IFRIC Interpretations (continued)**		
	Effect on the financial statements		
*	New IAS 1 ”Presentation of Financial Statements” concerning presentation of financial statements comes into effect for financial years commencing on or after 1 January 2009. The standard has no effect on recognition and measurement in the MT Højgaard Group’s financial statements (yet to be adopted by the EU).		
*	IAS 23 ”Borrowing Costs” comes into effect for financial years commencing on or after 1 January 2009. Under this standard, borrowing costs must be recognised in the cost of a qualifying asset (intangible assets; property, plant and equipment; and inventories). In connection with major qualifying assets that take a substantial period of time to produce, the standard is expected to have an effect on the MT Højgaard Group’s financial statements (yet to be adopted by the EU).		
	The new International Financial Reporting Standards and IFRIC Interpretations are expected to be implemented from the mandatory effective dates.		
30	**Events after the balance sheet date**		
	So far as management is aware, no events have occurred between 31 December 2007 and the date of signing of the annual report that will have a material effect on the MT Højgaard Group’s financial position at 31 December 2007, other than the effects recognised in and referred to in the annual report.		
31	**Segment information**		
	The Group only has one reportable segment.		
	Geographical breakdown of revenue and non-current assets		
	Revenue can be broken down as follows:		
	Denmark	9,243.0	9,187.4
	Rest of world	2,470.8	1,875.1
	Total	**11,713.8**	**11.062,5**
	Non-current assets, excl. deferred tax assets, can be broken down as follows:		
	Denmark	672.8	858.4
	Rest of world	104.8	130.9
	Total	**777.6**	**989.3**

Notes

Amounts in DKK million	2007			2006		
32 Effect of change in accounting policy						
Group	Existing policy	Effect	Changed policy	Existing policy	Effect	Changed policy
Income statement						
Revenue	11,888.4	(174.6)	11,713.8	11,082.5	(20.0)	11,062.5
Production costs	(11,289.3)	129.6	(11,159.7)	(10,640.8)	21.3	(10,619.5)
Gross profit (loss)	599.1	(45.0)	554.1	441.7	1.3	443.0
Profit (loss) before tax	356.1	(45.0)	311.1	51.0	1.3	52.3
Income tax expense	(86.0)	10.1	(75.9)	(14.3)	(0.4)	(14.7)
Profit (loss) after tax	270.1	(34.9)	235.2	36.7	0.9	37.6
Balance sheet						
Deferred tax assets	189.6	20.7	210.3	238.9	10.6	249.5
Properties held for resale	194.9	345.1	540.0	222.9	215.5	438.4
Construction contracts in progress	853.8	(427.8)	426.0	603.7	(234.3)	369.4
Total assets	5,094.7	(62.0)	5,032.7	4,832.6	(8.2)	4,824.4
Equity	1,293.3	(62.0)	1,231.3	1,048.0	(27.2)	1,020.8
Prepayments received from customers	170.1	0.0	170.1	138.1	19.0	157.1
Total equity and liabilities	5,094.7	(62.0)	5,032.7	4,832.6	(8.2)	4,824.4
Parent company	Existing policy	Effect	Changed policy	Existing policy	Effect	Changed policy
Income statement						
Revenue	8,509.2	(133.6)	8,375.6	7,792.0	(52.4)	7,739.6
Production costs	(8,339.2)	95.7	(8,243.5)	(7,781.2)	51.1	(7,730.1)
Gross profit (loss)	170.0	(37.9)	132.1	10.8	(1.3)	9.5
Profit (loss) before tax	316.2	(37.9)	278.3	(99.6)	(1.3)	(100.9)
Income tax expense	(46.7)	8.4	(38.3)	31.1	0.4	31.5
Profit (loss) after tax	269.5	(29.5)	240.0	(68.5)	(0.9)	(69.4)
Balance sheet						
Deferred tax assets	226.7	18.9	245.6	279.6	10.5	290.1
Properties held for resale	181.3	302.2	483.5	209.3	206.5	415.8
Construction contracts in progress	690.4	(377.6)	312.8	447.9	(230.7)	217.2
Total assets	4,018.1	(56.5)	3,961.6	3,724.2	(13.7)	3,710.5
Equity	1,049.1	(56.5)	992.6	779.6	(27.0)	752.6
Prepayments received from customers	143.6	0.0	143.6	119.7	13.3	133.0
Total equity and liabilities	4,018.1	(56.5)	3,961.6	3,724.2	(13.7)	3,710.5

Notes

SUBSIDIARIES AND ASSOCIATES 31 DECEMBER 2007

33 Subsidiaries and associates

Companies		Registered office		Ownership interest %		Share capital ('000)
MT Højgaard a/s						
ApS KBIL 38 NR. 2286	(A)	Søborg	DK	50.00	DKK	125
Danbond-Danish Structural Bonding Company A/S		Søborg	DK	100.00	DKK	500
Enemærke & Petersen a/s		Ringsted	DK	100.00	DKK	5,000
Ringsted Entreprenørforretning ApS		Ringsted	DK	100.00	DKK	200
Greenland Contractors I/S	(J)	Copenhagen	DK	66.66	DKK	-
Langeliniehuset Aarhus ApS		Søborg	DK	100.00	DKK	201
Lindpro a/s		Glostrup	DK	100.00	DKK	25,000
Arssarnerit A/S		Greenland	DK	100.00	DKK	2,000
LN Entreprise A/S		Søborg	DK	100.00	DKK	15,216
MHF 20061002 A/S		Søborg	DK	100.00	DKK	1,101
MT (UK) Ltd.		UK	GB	100.00	GBP	25
MT-Treschakt AB		Sweden	SE	100.00	SEK	850
MT Atlantic Inc.		USA	US	100.00	USD	10
MT Højgaard Føroyar P/F		Faroe Islands	DK	100.00	DKK	2,700
MT Hojgaard (GIB) Ltd.		Gibraltar	GB	100.00	GBP	2
MTHojgaard Al Obaidly W.L.L.	(J)	Qatar	QA	49.00	QAR	200
MT Højgaard Grønland ApS		Greenland	DK	100.00	DKK	200
OPP Vildbjerg Skole A/S	(A)	Hellerup	DK	50.00	DKK	500
OPP Hobro Tinglysningsret a/s	(A)	Hellerup	DK	33.33	DKK	700
Promecon a/s		Fredericia	DK	100.00	DKK	5,000
Scandi Byg a/s		Løgstør	DK	100.00	DKK	3,000
Sociedade de Empreitadas e Trabalhos Hidráulicos, S.A., (Seth)	(J)	Portugal	PT	60.00	EUR	4,000
SOJA 2008 A/S		Hvidovre	DK	100.0	DKK	500

(A) associates.

(J) jointly controlled entities. These are consolidated on a proportionate basis in the consolidated financial statements.

Denmark's leading building and construction company

We create space for people's activities. We set our stamp all over Denmark, building bridges and harbours, roads and railways, commercial and industrial buildings, housing and institutions.

We were founded at the beginning of the previous century by four enterprising entrepreneurs. Even back then, we were ahead of the field, both in what we built and where we built it. And where no one else could.

Today, we are still developing some of the industry's most efficient construction techniques and methods. We are developing new working processes, forms of collaboration and better ways of creating value – for our customers and the many people that move in, above and below the structures that we build. Because we have a wealth of experience and boast almost every single skill in the industry, we can undertake any building and civil works project. That is why we are able to say: We know how.

It is our ambition to do such a good job that we are recognised as Denmark's leading building and construction company. To be known for listening, adding value and creating individual solutions, so that we are consulted from the very start of a project in complete confidence that the final result will come up to everyone's expectations.

You can read more about our organisation and competencies on mthojgaard.com.

Vision
We aim to be Denmark's leading building and construction company

Mission
We create space for people's activities and achieve building and construction visions by systematising and combining knowledge and craftsmanship

Values
- Customer-minded
- Value-adding
- Innovative
- Trustworthy
- Good employer
- Sound financial base

Definitions of financial ratios

Gross margin	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
Operating margin (EBIT margin)	=	$\frac{\text{Earnings before interest and tax}}{\text{Revenue}}$
Pre-tax margin	=	$\frac{\text{Earnings before tax}}{\text{Revenue}}$
Return on invested capital incl. goodwill (ROIC)	=	$\frac{\text{EBIT}}{\text{Average invested capital incl. goodwill}}$
Return on equity (ROE)	=	$\frac{\text{Profit after tax}}{\text{Average equity incl. minorities}}$
Equity ratio	=	$\frac{\text{Equity incl. minorities, year end}}{\text{Liabilities, year end}}$
Earnings per share (EPS)*	=	$\frac{\text{Profit for the year attributable to parent}}{\text{Average number of shares outstanding}}$
Invested capital	=	Invested capital represents the capital invested in operating activities, i.e. the assets that generate income. Invested capital is measured as the sum of equity, minority interests and net interest-bearing debt.

*In MT Højgaard the result of the measurement of earnings per share (EPS) is identical to diluted earnings per share (EPS-D).

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