Stock exchange announcement

16 February 2017

MT Højgaard A/S

Enclosed please find MT Højgaard A/S annual report 2016, which is hereby published.

Højgaard Holding A/S holds an ownership interest of 54 % in MT Højgaard.

Yours faithfully,
Højgaard Holding A/S

Ditlev Fløistrup
CEO

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

MT Højgaard Group

ANNUAL REPORT 2016

MTH GROUP

MTH Group logo on the front cover of this report refers to the MT Højgaard Group, which this annual report covers.

This annual report was released in both Danish and English. In case of discrepancies between the two versions, or in case of doubt, the Danish version prevails

Summary

Satisfactory order intake

DKK 7.9 billion

Positive trend with good quality.
Higher order intake than in 2015.

Solid order book

DKK 8.6 billion

Increase of DKK 1.1 billion compared with 2015.

Stable revenue

DKK 6.8 billion

Increasing revenue despite deferred project start-ups and reduced revenue from Greenland Contractors in 2016.

EBIT

DKK 73 million (1.1%)

EBIT was unsatisfactory but in line with the latest announcement, although a substantial decline compared with 2015.

Operating cash flow

DKK 200 million

Positive progress based on new orders, sale of Frederikskaj and improved working capital.

Outlook 2017

Revenue around

DKK 7.2 billion

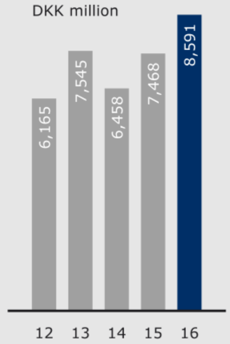
Revenue driven by satisfactory order book and new projects in pipeline.

EBIT in the range of

DKK 150-200 million

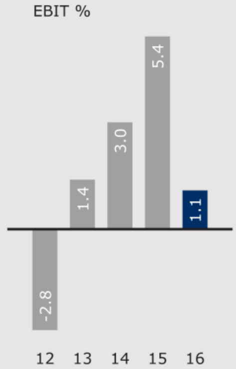
Increase compared with 2016, primarily based on a quality order book, overall, and execution of production in accordance with planned orders.

The Group sees good opportunities for progress in the coming years, so that the strategic framework target of an operating margin before special items of around 5% can be achieved again.



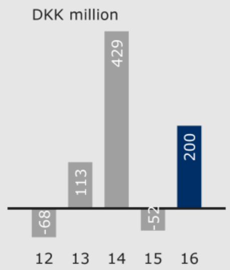
Solid order book

Order book at the highest level since 2011. Order intake considered satisfactory.



Operating margin before special items

Operating margin before special items affected by write-downs on individual projects, deferred project start-ups and lack of capacity utilisation, but is expected to increase in future as a result of use of VDC, project start-ups and improved project mix.



Operating cash flow

Improved operating cash flow for the year, driven by project start-ups and improved working capital.

VDC

The Group's VDC programme was accelerated in 2015 and by the end of 2016 it was a year ahead of the original time schedule, with 40 pioneer projects carried out per year.

Consolidated financial highlights

Amounts in DKK million	2012	2013	2014	2015	2016
Income statement					
Revenue	9,700	7,464	6,979	6,531	6,797
Gross profit	180	494	619	772	505
Operating profit/(loss) before special items	-271	105	207	352	73
Special items	-171	130	-408	-	-
EBIT	-442	235	-201	352	73
Profit/(loss) before tax	-445	209	-186	370	72
Net profit/(loss) for the year	-443	107	-252	290	10
Cash flows					
Cash flows from operating activities	-68	113	429	-52	200
Purchase of property, plant and equipment	-70	-131	-106	-137	-148
Other investments, incl. investments in securities	55	107	67	-3	-3
Cash flows from investing activities	-15	-24	-39	-140	-151
Cash flows from operating and investing activities	-83	89	390	-192	49
Balance sheet					
Non-current assets	1,241	1,065	1,028	1,099	1,147
Current assets	3,186	2,949	2,618	2,497	2,521
Equity	828	1,181	822	999	964
Non-current liabilities	411	511	429	323	232
Current liabilities	3,188	2,322	2,396	2,274	2,472
Balance sheet total	4,427	4,014	3,646	3,596	3,668
Other information					
Order intake	6,991	8,844	5,892	7,541	7,920
Order book, year end	6,165	7,545	6,458	7,468	8,591
Working capital	-169	35	-462	-112	-158
Net interest-bearing deposit/debt (+/-)	-165	149	387	-50	-67
Average invested capital incl. goodwill	880	551	489	662	940
Average number of employees	4,753	4,057	3,846	3,965	4,207
Financial ratios					
Gross margin (%)	1.9	6.6	8.9	11.8	7.4
Operating margin before special items (%)	-2.8	1.4	3.0	5.4	1.1
EBIT margin (%)	-4.6	3.1	-2.9	5.4	1.1
Pre-tax margin (%)	-4.6	2.8	-2.7	5.7	1.1
Return on invested capital incl. goodwill (ROIC) (%)	-30.3	20.4	44.7	55.0	9.4
Return on invested capital incl. goodwill after tax (%)	-22.1	15.3	34.9	43.0	7.3
Return on equity (ROE) (%)	-53.5	9.0	-35.7	21.3	-1.3
Equity ratio (%)	18.7	29.4	20.9	26.7	25.7

Financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios 2015' published by the Danish Finance Society. Financial ratios are defined in the 2016 annual report. Working capital excludes properties held for resale.

Early dialogue creates value

At the end of 2016, the Group had the highest order book since 2011. However, the year was also characterised by deferred projects and write-downs on projects, which contributed to the fact that we did not achieve the same profit as in 2015. On the positive side, the projects are included in the order book and their quality is good.

The year 2015 marked a turning point for the Group. After a number of years with focus on the Group turnaround, we achieved our target result of an EBIT margin of 5.4%. We had anticipated that this positive trend would continue in 2016 but had underestimated how difficult this would be. Consequently, we did not deliver the profit we were expecting at the start of the year, which is in no way satisfactory.

We still believe that our strategic focus is both right and necessary if we are to continue to deliver better results in future. Our customers and our partners are at the heart of this development. We know that early dialogue with those around us enables us to continue to improve and develop both the industry and ourselves. We are also delighted to see how focus on the use of digital tools provides our customers with a better basis for decision-making, minimises risks, optimises time schedules and creates a sound starting point for our collaboration.

In 2016, we made an essential leap forward in the process of change that we and our industry are going through with new forms of collaboration and digital development. In 2016, we experienced a real demand for our VDC services from a number of customers with whom we have valuable collaborations concerning the visual, technical, financial and time-related analysis of particular projects before actual work is initiated.

Digital development continues and new and better methods and tools are constantly emerging, which can help to optimise all phases of the construction process. This requires willingness to change and unremitting effort. In 2017 we will continue to develop our own skills in the crucial areas of digitisation. We will seek to create the greatest possible value for our customers while also working on the cultural change that is essential if we are to continue to play a part in mapping out the development of the industry.

We are entering 2017 with an order book that is both extensive and of good quality. It consists of projects that we have deliberately chosen to prioritise and that we are looking forward to implementing in close collaboration with our customers.

Torben Biilmann
CEO

The Group's strategic development

With the vision of being the most productivity-enhancing group in the construction and civil engineering industry, the MT Højgaard Group has for a number of years been a key player in the fight against low productivity in the industry.

The Group works proactively towards greater achievability and freedom of choice in construction and civil works projects and better quality for the money. This requires a change in current working practices and focused action, with tighter and speedier process management.

The basis for this is the Group's strategic framework, which is used as a reference point for internal management and development processes.

The Group's management is particularly focused on three areas:

– Projects from society to operations

– Best in Class VDC, and

– Exploiting group synergies.

These three areas are mutually dependent, with VDC (Virtual Design & Construction) as the central point. The focus areas are supported by a number of specific actions relating to the Group's operation, management, market and customers.

Projects from society to operations
Projects from society to operations is to be understood as close collaboration between the parties in the project at a very early stage in the process, where matters such as finance are discussed openly and trust and good relations are built up from the start. The industry has gradually adjusted to clients' increased focus on productivity-enhancing processes and optimisation of lifecycle costs and is now characterised by a greater willingness to change to new technology and digitisation, as well as a desire for closer collaboration in the early phases of a construction project.

In consequence, in 2016 the Group experienced increased demand from a number of private and public customers for early involvement and transparent, forward-looking collaboration leading up to the signing of contracts. This form of collaboration gives customers the opportunity to benefit from the Group's entire skills platform and digital tools, moving away from the more traditional method of tendering for projects.

It is the Group's opinion that sound projects from society to operations are created by making knowledge and experience available to the other parties in the industry, for instance through strategic collaborations with educational institutions, participation in relevant forums and the issue of specialist publications. There was also political interest in 2016, when the then Danish Foreign Minister Kristian Jensen and Transport and Construction Minister Hans Christian Schmidt and the Swedish Finance Minister Magdalena Andersen were among those who visited the Group's VDC Labs.

Best in Class VDC
In 2014, Group management decided to invest considerable resources in a three-year programme for the development and implementation of new technology with a view to creating Best in Class VDC. With VDC, the Group can simulate both the development and planning

The Group's strategic framework

Vision
The most productivity-enhancing group within the construction and civil engineering industry

Requirements
A minimum of 5 percent EBIT in all business areas and subsidiaries
A positive cash flow

Target
A customer satisfaction index of 76
60 percent revenue generated from key clients
An employee satisfaction index of 76
Zero defects and deficiencies
A maximum of 14 accidents at work per 1 million work hours
Continuous increase in productivity

Projects from society to operations	Best in Class VDC	Exploiting group synergies

Operations under control	Staff, management, culture and values	Project and price optimisation	Markets and customers	Group strategy

phases and the execution of a given project before the construction or civil engineering work commences. The Group's VDC Labs are used as a shared environment or project space, where the Group can get together with the client, architect, supplier and engineer to incorporate data that can simulate such things as daylight, acoustics, views and traffic patterns around the actual construction.

In addition to a representation of the physical construction, VDC can integrate operation, finance and time into the model. Within a process one can press forward or reverse and see possible alternatives and opportunities for optimisation which can be illustrated in respect of materials, sequences and design, etc. The idea is to find the best solutions and remedy any mistakes before they reach the construction site.

The Group's digital initiatives in VDC

- The Group's digital VDC base has been built on the basis of more than 20 different development initiatives with IT software, drones, robot technology, laser scanning, use of VR glasses, iPads on construction sites, etc. The technology enables the Group to use Best in Class VDC

The Group's VDC expertise

- At the end of 2016, the Group had around 50 employees in the VDC division
- They work mainly in three areas: advice and support for projects, creating VDC models and analyses, and developing tools and methods
- The Group has trained around 100 BIM coordinators who work in production and on construction sites. Around 150 BIM projects are developed annually, each of which has a tailored VDC strategy
- In addition, during 2016, 250 of the Group's other employees were trained in the use of VDC

The Group's VDC programme was accelerated in 2015 and at the end of 2016 it was a year ahead of the original time schedule.

Parallel to the continuous development of the digital base, the Group has carried out 40 pioneer projects per year since 2014, and the extent to which VDC has been used in individual projects has successively risen. The pioneer projects have contributed to the necessary experience and understanding of VDC processes and in certain projects the Group has documented increased win rate, fewer mistakes and shorter construction times.

Among the most significant projects where the Group used VDC in the early phases of the collaboration are Carlsberg City in Copenhagen, the Hisingsbron bridge in Gothenburg, Kalvebod Fælled School in Ørestad Syd and the Group's new head office on Knud Højgaards Vej in Søborg.

Generally speaking, in 2016 the Group focused intensively on building and developing collaborative relationships in the construction and civil engineering industry, and more than 200 VDC workshops for customers and partners have been held in the Group's 10 VDC Labs since 2015.

The Group will also focus strongly on Best in Class VDC in 2017 by identifying and winning the best projects with VDC. In addition, the pioneering experience of the last two years will be the starting point for integrating VDC further in projects and creating greater breadth in the use of the Group's VDC capabilities in the actual construction process.

Exploiting group synergies

Many of the Group's construction and civil works projects involve more than one company or business area, as they supplement each other's skills in relation to the customer's needs. This results in greater internal efficiency and means that the customer is assured of well-established collaboration between the partners in the projects.

Synergy also comes into play in joint corporate initiatives in such areas as purchasing, working environment, IT and training. In 2016, the Group began a major investment in the replacement of its IT infrastructure, the aim being to bring in new shared systems to equip the Group for the future by assuring data quality, knowledge sharing and an efficient, customer-oriented organisation.

Financial targets

	TARGET	2015	2016
Operating margin before special items	≥5%	5.4%	1.1%
Cash flows from operations (CFFO)	Positive	DKK -52 million	DKK 200 million
Equity ratio	30-35%	26.7%	25.7%

The Group's overall financial target for an operating margin before special items of 5% was not met in 2016, but efforts to achieve positive cash flows from operations (CFFO) succeeded, mainly due to a stronger working capital position and the handover of construction projects developed in-house.

In 2016, the Group recognised write-downs on individual projects with revenue extending into 2017. Consequently, these projects do not meet the Group's internal earnings requirements and this will affect the overall operating result in 2017.

The Group sees good opportunities for progress in the coming years, so that the strategic framework target of an operating margin before special items of around 5% can be achieved again.

Supplementary targets

	TARGET	2015	2016
Customer satisfaction	>76	74*	70*
Revenue from key customers	>60%	46%	48%
Employee satisfaction	>76	73**	Not measured
Injury rate***	<15	17.6	14.4

* The companies MT Højgaard, Scandi Byg, Enemærke & Petersen, Ajos and Lindpro
**Only the MT Højgaard company, which represents approximately 50% of the Group
*** Per one million hours worked

Customer satisfaction
MT Højgaard and Enemærke & Petersen have in recent years jointly measured customer satisfaction and achieved in 2016 an index of 74 compared with 73 in 2015. This was lower than the target but still an improvement.

Ajos began measuring at the start of 2016, while Scandi Byg and Lindpro began measuring in the second half of 2016. The companies, including MT Højgaard and Enemærke & Petersen, jointly achieved a customer satisfaction index of 70. The aim is still to achieve an overall customer satisfaction index of at least 76.

Key customers
The Group's target is still that at least 60% of revenue should come from key customers. In 2016, 48% of revenue came from key customers (2015: 46%). The 2% increase reflected increased customer focus, centred on early involvement of customers and partners.

Employees
The Group measures employee satisfaction every other year and the next time will be in 2017. In 2016, the Group focused on management development through intensive training courses. Since the programme started in 2015, around 200 managers and specialists have been trained in personal leadership and management in relation to the Group's strategic framework.

In addition, a graduate programme for newly-qualified engineers and constructing architects was launched in 2016. This programme is a strategic investment to ensure that the organisation will continue to have managers, project managers and specialists with strong skills and development potential.

Stress prevention and a good colleague culture are also areas the Group worked on in 2016 in order to maintain a good workplace.

Occupational injuries
In 2016, the Group had an overall injury rate of 14.4, measured by number of injuries per one million hours worked. By comparison, the Group had an overall injury rate of 17.6 in 2015.

The Group target for 2017 and beyond is to reduce the number of injuries to an overall rate of below 14 injuries per one million hours worked. Efforts are concentrated on achieving an injury rate below 14 for all the companies in the Group, with no fatal or serious accidents. The Group is working systematically to reduce the number of injuries. With the analysis of data on injuries, near misses and observations at construction sites as a starting point, the Group is increasing its investment in the employees and their safety. This is reflected in management focus, campaigns and training weeks centred specifically on safety matters.

CSR
The Group's policy and performance in relation to its corporate responsibility to society and other stakeholders are reported in a separate annual CSR report at mth.com/csr2016.

The Group's intention with this report is to describe the economic, social and environmental effects of the companies' business practices based on a conviction that promoting sustainable practice in the execution of activities provides the basis for a sound and profitable business going forward.

Corporate governance
The Group's corporate governance report is available at mth.com/corporategovernance2016.

The Group's activities

The MT Højgaard Group is one of the leading players in the construction and civil engineering industry in the Nordic countries. The Group's customers are Danish and international companies, organisations and public authorities. Most projects are undertaken on a main contract or design-build basis, but some are in the form of Public Private Partnerships (PPP) or Public Private Collaborations (PPC).

In 2016, the Danish economy was characterised by stable private consumption, stimulated by a sound labour market, real wage increases and low interest rates. The trend indicator for construction continued the rise of 2015 to a generally higher level compared with previous years.

The Group estimates that the Danish professional construction and civil works market totalled around DKK 175 billion in 2016. A little over half of this market was relevant for the Group.

Expected market development for construction and refurbishment in Denmark in 2017:

RELEVANT MARKET	DKK BILLION	DEVELOPMENT COMPARED WITH 2016
Refurb – residential	~36	↗
New residential	~11	↗
Hospitals	~6	↗
Headquarters and offices	7-8	→
PPP/PPC	2-3	→
Electrical installations	~13	→

Source: MT Højgaard on the basis of the Danish Construction Association's trend analysis and other sources

Construction businesses

The Group develops, constructs and refurbishes private and public sector buildings, mainly in Denmark, but also in the North Atlantic countries. The construction businesses are responsible for the majority of the Group's total activities, measured by both revenue and number of employees.

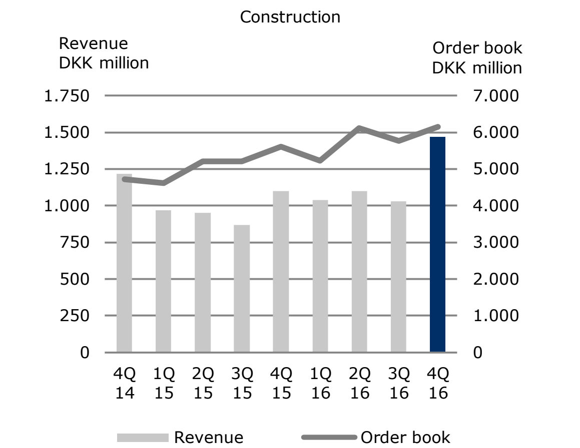
Large, complex construction projects are often carried out in a broad collaboration with the client and other relevant stakeholders early on in the process and using VDC, with the opportunities offered by the latter for building projects virtually before they are constructed actually.

In 2016, overall order intake in the construction businesses rose by 10% compared with 2015. The order book also grew and had reached a satisfactory level at the year end. In addition, a number of construction projects that had not yet been recorded as orders, although they have been awarded to the Group. Examples of these are MT Højgaard's construction of a research building at the Technical University of Denmark (DTU) in Lyngby and Enemærke & Petersen's refurbishment of further phases of Stadionkvarteret in Glostrup and participation in the strategic partnership for the City of Copenhagen for the construction of the municipality's institutions and schools over the next four years, which will only be recognised as the work is contracted.

Towards the end of the year, uncertainty arose concerning the final amount and timing of the financing relating to the conditional Silicor contract in Iceland (value DKK 1.5 billion). Clarification is expected in spring 2017.

Activity in the construction businesses increased in 2016 with an overall increase in revenue of 19% compared with 2015.

Construction	Civil Works	Services
MTHøjgaard	MTHøjgaard	Lindpro
Enemærke & Petersen a/s	Seth	ajos
Lindpro		Enemærke & Petersen a/s
scandibyg		MTHøjgaard
		GREENLAND CONTRACTORS



MT Højgaard's construction business
MT Højgaard's construction business supplies services and projects, focusing on residential, head offices, hospitals, stations and large refurbishment and PPP projects.

In 2016, MT Højgaard's construction business won a number of good, sound projects as a result of a focused effort based on the Group strategy, particularly early involvement and the use of VDC.

Among other things, in 2016 MT Højgaard won the contract to build the prestigious AARhus residential project on 'Aarhus Island' designed by the Bjarke Ingels Group for Kilden & Mortensen (over DKK 500 million).

Other major projects won by MT Højgaard in 2016 were the development on Hummeltoftevej in Sorgenfri for PensionDanmark (DKK 368 million), the construction of the round Kalvebod Fælled School for the City of Copenhagen (DKK 286 million), the refurbishment of 40 residential blocks in Møllevangen in Vejle (DKK 269 million), interior works at the super-hospital DNV-Gødstrup near Herning (DKK 236 million) and apartments in Amalieparken in Vallensbæk in collaboration with DADES (DKK 205 million).

Interest in new, modern, sustainable headquarters and offices increased in 2016. MT Højgaard met the demand with the multi-user MultiFlex Office concept, developed in-house, where companies share common facilities under the same roof. In 2016, MT Højgaard completed the construction of its own MultiFlex Office headquarters on Knud Højgaards Vej in Søborg for PensionDanmark and also won the construction of a large multi-user building on Oluf Palmes Allé in Aarhus, to be built for PFA Ejendomme.

In 2016, MT Højgaard's construction business also worked on the construction of a new head office for Nordea, the shell for New Aalborg University Hospital, as well as building 152 quality apartments on Frederikskaj in the centre of Copenhagen, the first phase of which was handed over in December 2016. MT Højgaard also worked as a subcontractor for Copenhagen Metro Team (CMT), where the Group's contract has an original contract value of DKK 570 million.

Project development, PPP and PPC
MT Højgaard develops property projects in residential, commercial and retailing, independently and in collaboration with landowners, clients and investors.

Public Private Partnerships (PPP) are a strategic focus area for the Group. Over the years, the Group has gained extensive experience of PPP, and MT Højgaard is now the Danish company that has built the most buildings on this basis. The Group currently has five PPP projects in operation, while the New Psychiatric Ward in Vejle, Slagelse Hospital and Skovbakke School in Odder are under construction.

The market for PPP and PPC projects grew towards the end of the year with political plans for a number of concrete civil works projects.

The project development market grew in 2016 as a result of increased interest among investors, especially in urban development around the old harbour areas of Copenhagen and Aarhus.

Project development in MT Højgaard ranges from fairly small one-off projects to full urban development, with integrated residential, commercial and retail buildings. Activity was intensified in 2016 with the start of a number of important in-house development projects, including Frederikskaj in Copenhagen mentioned above.

The North Atlantic
MT Højgaard's activities in the North Atlantic area cover the Faroe Islands, Greenland and Iceland. Focus on the North Atlantic has increased in line with the growth in these markets, which were characterised by good activity in 2016. The Faroese market in particular showed increased interest in various types of private and public construction and civil works, and projects won by the Group included the hospital in Torshavn (DKK 155 million).

In 2016, MT Højgaard worked on the construction of three residential blocks in Nuuk in Greenland with a value of DKK 230 million.

Enemærke & Petersen's construction business
Enemærke & Petersen is active in new building, refurbishment, restoration and services in in-house production. The company uses an industrialised approach, in which prefabricated modules are factory manufactured and efficiently assembled on the construction site. This company is particularly in demand in the public sector and non-profit segments.

On the basis of its skilled trade activities, in 2016 Enemærke & Petersen also won good new projects and achieved satisfaction in existing and completed projects.

In 2016, Enemærke & Petersen – together with a team of prominent consultancy companies – was selected to handle the City of Copenhagen's construction activities within the area of institutions for children and young people over the next four years. The framework agreement is expected to have a total budget of DKK 2.3 billion but will be recognised in the order book as work is contracted.

In addition, Enemærke & Petersen won the construction of the new residential area Den Grønne Fatning in Herlev (DKK 313 million) and the St Joseph Sisters' monastery and church in Østerbro (DKK 180 million). Other work included the refurbishment of Stadionkvarteret in Glostrup.

In 2016, the company completed the refurbishment of Langkærparken and Rosenhøj near Aarhus.

Lindpro
Lindpro is one of Denmark's largest companies in the field of electrical installations. The company is particularly in demand for specialised and technical contracts but has a wide range of activities, from very large contracts to small service assignments.

The electrical installations market grew in 2016 by around 2-3%, driven mainly by projects in the hospital sector, infrastructure, university and educational facilities and by growing optimism in the private business sector.

In 2016, Lindpro's work included projects for A.P. Møller - Mærsk, Nordea and Axel Towers in Copenhagen.

Scandi Byg
Scandi Byg builds residential, offices, schools and research and laboratory facilities using prefabricated modules. The modules are manufactured and assembled at the company's factory in Løgstør in Jutland.

The market for prefabricated buildings grew in 2016. There was particular interest from the non-profit sector, but the private residential market also found building with prefabricated modules increasingly advantageous, because of the short construction periods and the opportunity to have a greater influence on the residential design at an earlier stage than previously.

In 2016, Scandi Byg won the contract to build 158 private and non-profit homes to be built above a new shopping centre at Vanløse Station (DKK 131 million). Projects handed over by Scandi Byg in 2016 included the first phase of Kilehusene near Roskilde.

Civil works businesses
The Group's civil works activities are undertaken by MT Højgaard and the partly-owned company Seth. The activities are run from permanent offices in Denmark, the North Atlantic countries, the Maldives and Portugal.

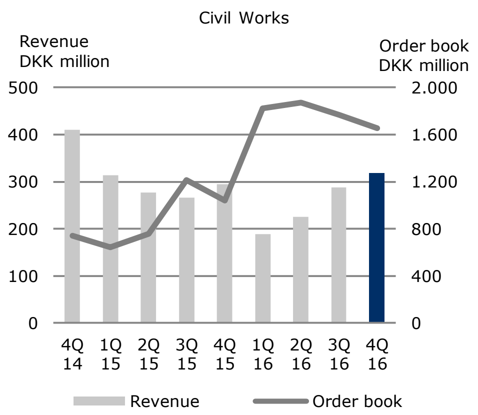
Expected market development for Civil Works in 2017:

RELEVANT MARKET	DKK BILLION	DEVELOPMENT COMPARED WITH 2016
Denmark	~25	→

Source: MT Højgaard on the basis of the Danish Construction Association's trend analysis and other sources

Order intake and order book improved in 2016 throughout the civil works area. Order intake rose by 13% and the order book grew by 59%, also partly due to falling revenue during the year.

Revenue was down 11%, a change that was mainly due to fewer major civil works projects, including resort construction, compared with the same period last year, and delays to several public infrastructure projects. By contrast, the market for building shell structures continued to expand.



MT Højgaard builds shell structures for some of Denmark's largest construction projects. In addition, the company has expertise in all types of work in the fields of infrastructure, bridges and tunnels. MT Højgaard is also one of the most experienced companies in Denmark in the area of harbours and marine works. Intelligent tools like digital project design and GPS-guided excavation are an integral part of the company's methods, where focus on productivity and risk management is of key importance.

In 2016, the Danish civil works market experienced a satisfactory level of activity but also fierce price competition. In 2016, the market was characterised by the building of shell structures for the new hospitals, the extension of the rail network on Zealand and a number of harbour and bridge projects.

There was also satisfactory growth in demand in the shell structure market, but a number of public infrastructure projects experienced delays.

In 2016, MT Højgaard was selected by Banedanmark to construct and refurbish 56 bridges on the line between Copenhagen and Rødby (DKK 452 million) and work began in the second half of the year.

Also in 2016, MT Højgaard entered into a joint venture with Skanska for the construction of Hisingsbron bridge in Gothenburg in Sweden. The agreement is worth around DKK 500 million to MT Højgaard.

In Greenland in 2016, MT Højgaard continued the close dialogue with clients and consultants on major civil works projects on the way to tender.

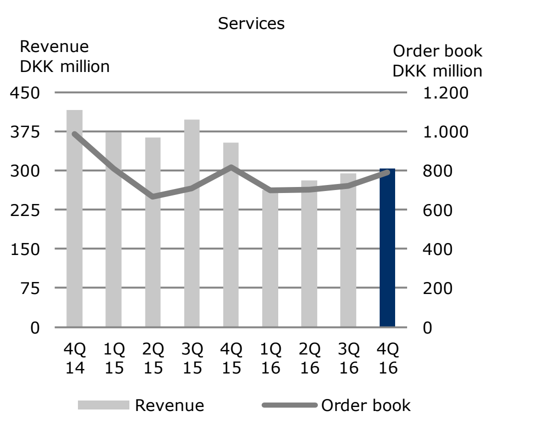
In the Maldives, the activities in the area of resort construction continued at a slightly lower level in 2016 than in previous years.

Seth specialises in harbour construction and marine works as well as electrification with capabilities such as high-voltage power pylons and cables, transformer stations and distribution networks. Seth is a joint venture with an ownership interest of 60%, while the remaining 40% is owned by senior executives in the company. The company's contribution to the financial statements is recognised in the income statement under 'Share of profit/(loss) after tax of joint ventures'.

Service businesses

The Group provides services in the construction and civil works markets. Parts of MT Højgaard's activities in project development and the whole area of design & engineering in MT Højgaard are regarded as services and consequently included in this segment.

Due to the increasing activity level in the construction and civil works markets, more service contracts are being put out to tender and competition is intensifying.



The activity level in the service businesses in Ajos and Lindpro during the period was largely unchanged from the previous year. The situation is characterised by increasingly intense price competition for a number of services, which is being countered by differentiation with the use of digitisation and training.

As a result of the new contract with the U.S. Air Force, revenue in Greenland Contractors was down by a total of 23% in the service business. In the whole of the services area, both order intake and order book decreased as expected by 15% and 3% respectively.

Ajos hires out cranes, hoists, pavilions, sheds, on-site power and construction and civil works equipment and also offers construction site organisation, servicing and logistics. The company advises and hires out equipment to customers from many different sectors.

Enemærke & Petersen provides operating and maintenance solutions, including building maintenance with 24-hour service. These services include everything from planned maintenance to emergency servicing and making good insurance damage.

Lindpro is a service provider of technical systems for industry and commerce and public bodies, and also provides advice on safety and security, for example against fire and theft. Many of Lindpro's customers choose to secure their building operations with a service contract.

Greenland Contractors is a Danish service provider in Greenland. MT Højgaard owns 67% of the company, which carries out maintenance tasks and daily operation at Thule Air Base. During the past year, Greenland Contractors continued work under the temporary contract with the U.S. Air Force for the operation of Thule Air Base. This agreement has been extended to the end of the third quarter of 2017.

Major projects in 2016

The photos on this page illustrate a selection of the biggest projects the Group worked on in 2016.

Residential refurbishment
Ryhaven
Aarhus

Construction of bridge in joint venture
Marieholm Broen
Gothenburg

Construction of school
Kalvebod Fælled Skole
Copenhagen

Residential refurbishment
Korngården
Ballerup

Construction and refurbishment of 56 bridges
Banedanmark
Copenhagen-Rødby

Technical installation research centre
Maersk Tower
Copenhagen

Residential Refurbishment
Åbyhøjgård
Aarhus

Construction of shell structure
Nyt Aalborg Universitetshospital
Aalborg

Interior works
Cph Metro
Copenhagen

Residential Construction
AARhus
Aarhus

Residential Refurbishment
Rosenhøj
Viby

Project development and residential construction
Frederikskaj
Copenhagen

Construction of maternity ward and bed unit on PPP basis
Slagelse Hospital
Slagelse

Residential Refurbishment
Stadionkvarteret
Glostrup

Construction of head office
Orbicon
Høje Tåstrup

Construction of psychiatric ward on PPP basis
Vejle Sygehus
Vejle

Residential Refurbishment
Byengen/ Nordengen
Kokkedal

Construction of head office
Nordea
Ørestaden

Residential Refurbishment
Langkærparken
Aarhus

Residential Construction
Tuujuk
Nuuk

Financial review

Fourth quarter 2016

DKK million	Q4 2016	Q4 2015
Revenue	2,092	1,748
Gross profit	225	200
Operating profit/(loss) before special items	96	85
Special items	0	-195
EBIT	96	-110
Cash flows from operating activities	-22	4
Cash flows from investing activities	-36	-57
Gross margin (%)	10.8	11.4
Operating margin before special items (%)	4.6	4.8
EBIT margin (%)	4.6	-6.3

Fourth-quarter 2016 revenue was DKK 2,092 million, compared with DKK 1,748 million in the fourth quarter of 2015. This was in line with the Group's expectations for the quarter, and was due mainly to the handover of construction projects developed in-house.

Fourth-quarter operating profit (EBIT) before special items was DKK 96 million, compared with DKK 85 million in the fourth quarter of 2015. The increase compared with the same period in 2015 and the first three quarters of 2016 can, as expected, be attributed to planned handovers of construction projects developed in-house, which occurred in the fourth quarter. Fourth-quarter operating margin before special items was 4.6%, compared with 4.8% in the fourth quarter of 2015. The quarter's profit benefited from earnings from construction projects developed in-house, which were however offset by write-downs on individual projects, challenges with lack of progress in revenue from interior works at the Cityringen metro stations, low-margin revenue in Scandi Byg and lack of capacity utilisation.

Order intake in the fourth quarter was DKK 2,425 million, compared with DKK 2,087 million in the same quarter of 2015. Orders included the Hummeltoftevej development in Sorgenfri, refurbishment of St Joseph Sisters' monastery and church in Copenhagen and construction of the residential area Den Grønne Fatning in Herlev.

Operating cash flow was an outflow of DKK 22 million in the fourth quarter of 2016, compared with an inflow of DKK 4 million in the same quarter in 2015. In 2016, the Group handed over a number of apartments developed in-house, which improved the cash flow, but working capital rose further during the period, driven mainly by challenges with Cityringen.

Highlights – financial statements 2016

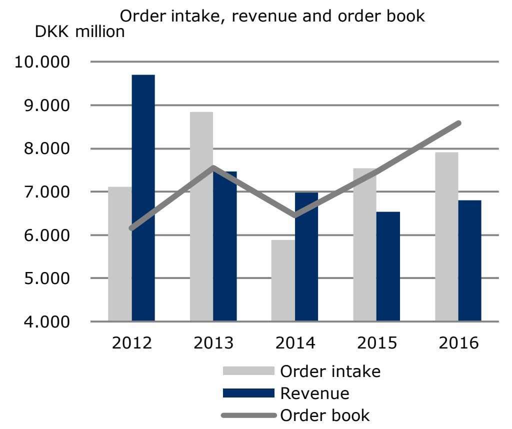
Order intake and order book

Total order intake for 2016 was satisfactory, amounting to DKK 7,920 million, compared with DKK 7,541 million in 2015. The order book included a number of major orders extending over several years.

DKK million	Q4 2016	Q4 2015	2016	2015
Order book, start of yr	8,258	7,129	7,468	6,458
Order intake	2,425	2,087	7,920	7,541
Production	2,092	1,748	6,797	6,531
Order book, year end	8,591	7,468	8,591	7,468

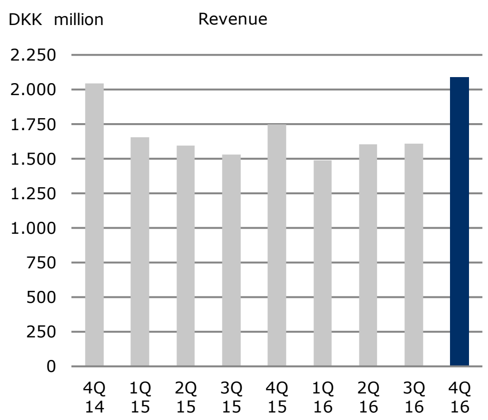
In addition to the order intake, the Group won a joint venture collaboration with Skanska for the Swedish Hisingsbron bridge project in Gothenburg. MT Højgaard's share amounts to around DKK 500 million.

Order intake reflects the Group's targeted tendering and order strategy, which is substantiated by both bigger and more new orders. Projects awarded but not contracted totalled around DKK 2.6 billion at the end of 2016, compared with DKK 2.1 billion in 2015. The Silicor contract in Iceland, further phases on Stadionkvarteret in Glostrup and a research building at DTU in Lyngby account for most of these projects.



Revenue and earnings

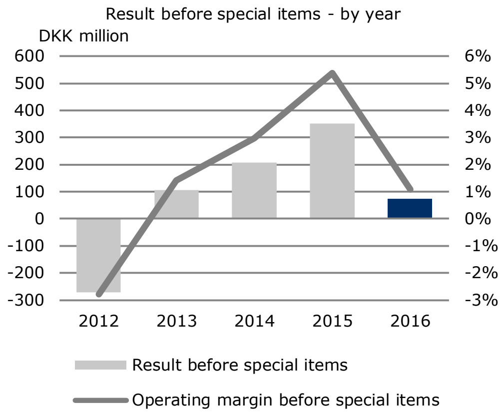
Revenue in 2016 was DKK 6,797 million, which was DKK 266 million higher than prior year, despite a decline in revenue from Greenland Contractors of around DKK 300 million. Revenue for the year was in line with the latest announcement, but below expectations at the start of the year.



For 2016, EBIT was DKK 73 million, compared with DKK 352 million in 2015. This marked fall can be ascribed in part to lower income from Greenland Contractors, deferred project start-ups and lack of capacity utilisation. In addition, EBIT was adversely impacted by the previously announced write-down on an infrastructure project and reorganisation in Scandi Byg, including write-downs on individual projects at the end of the year. Altogether, this led to changes to the project mix, as the contribution from high-margin revenue was partly replaced by other revenue with a lower margin than expected at the start of the year.

In connection with the financial reporting, management has assessed that the assumption in the financial statements concerning a listing of MT Højgaard A/S is no longer the most likely outcome by 2019. The warrant programme, which comes to an end in spring 2019, was therefore reclassified at the end of 2016 and is now accounted for as a cash-settled arrangement. Future adjustments to fair value will be expensed on a straight-line basis up to April 2019, when the programme comes to an end, and may therefore affect the future operating profit. Further details are provided in note 6.

The full-year 2016 operating margin before special items was 1.1%, compared with 5.4% in 2015.



Net financials for 2016 amounted to an expense of DKK 1 million, compared with income of DKK 19 million in 2015, which benefited from foreign exchange gains.

Income tax expense for 2016 was DKK 62 million, compared with DKK 81 million in 2015. In 2016, a DKK 48 million impairment loss was recognised on the deferred tax asset as a consequence of the reduced earnings in 2016.

Net profit for the year was DKK 10 million, compared with DKK 290 million in 2015.

Balance sheet

Property, plant and equipment amounted to DKK 610 million at the end of 2016, compared with DKK 545 million at the end of 2015.

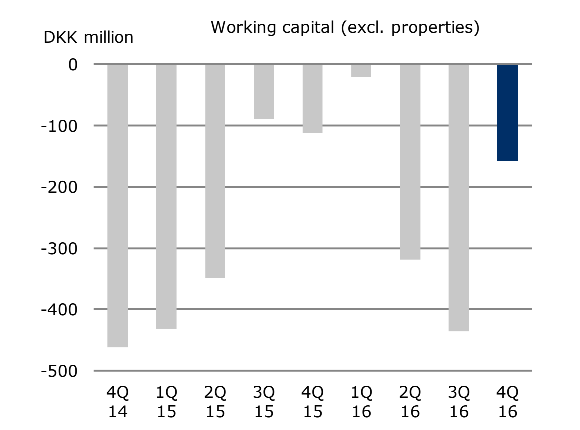
Inventories totalled DKK 642 million at the end of 2016, down from DKK 718 million at the end of 2015, primarily reflecting properties held for resale, which amounted to DKK 578 million at the end of 2016, compared with DKK 641 million last year. As planned, the Group handed over the majority of the quality apartments on Frederikskaj in the fourth quarter of 2016. The remaining apartments are expected to be sold and handed over in 2017, as planned.

Trade receivables were DKK 1,393 million at the end of 2016, compared with DKK 1,386 million at the end of 2015. Trade receivables were higher than expected, driven partly by unwarranted withholding by CMT in connection with Cityringen and a few projects where MgO boards have been used.

Construction contracts in progress amounted to a liability of DKK 452 million net at the end of 2016, compared with DKK 444 million a year ago. The increase was mainly due to new projects but also to the delayed start-up of new projects.

Trade payables were DKK 838 million at the end of 2016, compared with DKK 810 million at the end of 2015, reflecting the activity level.

At the end of 2016, the Group had negative working capital of DKK 158 million, excluding properties for resale, compared with negative working capital of DKK 112 million at the end of 2015. The changes during the year reflected changes in activity.

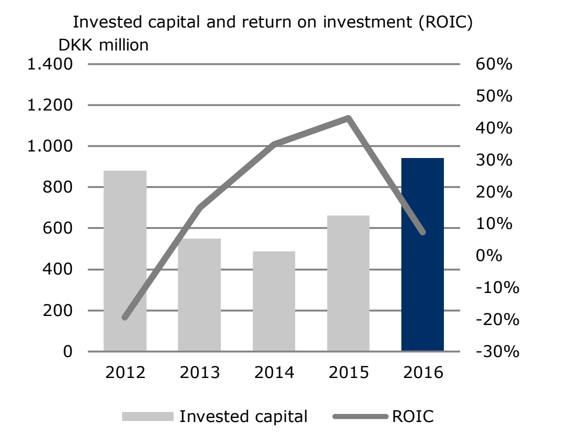


Current and non-current provisions were DKK 514 million at the end of 2016, down from DKK 528 million at the end of 2015, driven by the activity level. As anticipated, the Robin Rigg appeal case was not concluded in 2016, but is expected to come to court in June 2017, while a final decision must be expected at the end of 2017 or the beginning of 2018. As a result of a provision made previously, a possible negative outcome of the case can only adversely affect the Group's liquidity, not the results.

Due to the nature of its business, the Group's financial statements are naturally affected by a number of accounting estimates and judgements. For further information, reference is also made to notes 2 and 21.

In 2016, average invested capital amounted to DKK 940 million, compared with DKK 662 million in 2015, mainly driven by the development in working capital.

Return on invested capital including goodwill after tax (ROIC), before special items, was 7.3% in 2016, down from 43.0% in 2015, due mainly to delayed project start-ups, reduced earnings and the development in working capital.



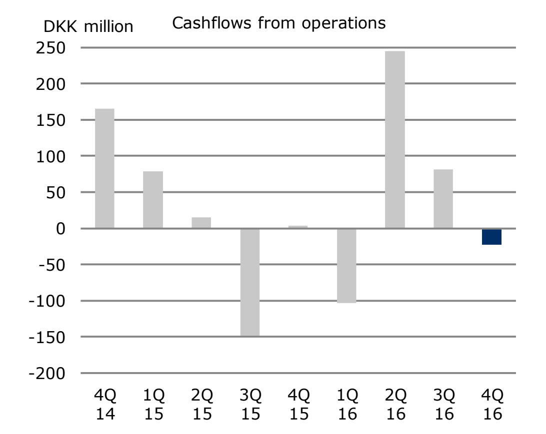
Equity amounted to DKK 964 million at the end of 2016, in line with 2015. The equity ratio was 25.7% at the end of 2016, compared with 26.7% at the end of 2015.

The Group has a target that the equity ratio should be between 30-35% under its current accounting policies.

The Group aims to pay dividends as its equity improves and satisfactory financial results are reported. The Board of Directors does not propose a dividend for 2016.

Cash flows and financial resources

Operating activities generated a cash inflow of DKK 200 million, compared with an outflow of DKK 52 million last year. The increase mainly reflected a major impact on working capital in 2015.



Investing activities amounted to an outflow of DKK 151 million in 2016, primarily investments in property, plant and equipment, compared with an outflow of DKK 140 million in 2015. The increase was driven by major investment in VDC, expansion of the automation plant at Scandi Byg, equipment in Ajos and interior works at MT Højgaard's new multiflex head office in Søborg.

Cash and cash equivalents decreased by DKK 1 million net in 2016, compared with a decrease of DKK 357 million last year, mainly reflecting the increase in working capital in 2015 and a higher dividend to non-controlling interests in 2015.

The Group's financial resources amounted to DKK 544 million at the end of 2016, compared with DKK 494 million at the start of the year. The Group's financial resources are considered satisfactory in view of the expected level of activity.

Outlook 2017

Of the DKK 8.6 billion order book at the end of 2016, approximately DKK 5.6 billion is expected to be executed in 2017. This figure may be increased by work on the projects awarded but not yet contracted referred to earlier in the review.

In the light of the improvement in the order book, the Group expects revenue to increase to around DKK 7.2 billion in 2017.

The Group expects revenue with low profit margins on a few projects in 2017 as a result of the adjustments made in 2016. The Group awaits clarification of the possible expected progress on the interior works at the metro stations for CMT. In addition, in 2017 and 2018 the Group will be investing in a new IT platform which, together with the investment in VDC, will strengthen the Group in respect of future digitisation plans and optimise the Group's processes. Lastly, the Group expects increased tendering costs for a few major projects. These activities will impact the profit and operating margin in 2017. Operating profit before special items in the range of DKK 150-200 million is therefore expected, which is an increase compared to 2016, based mainly on general quality in the order book and planned execution of production.

The anticipated operating profit before special items (EBIT) may also be negatively affected by the Group's warrant programme. Special items may be affected positively if the Robin Rigg appeal case is decided in favour of the Group.

Operating cash flows are expected to improve as the level of activity increases and fewer funds are tied up in working capital. To this should be added the continued focus on positive cash flows on all projects.

The Group still sees opportunities for growth in the coming years based on both the Group's strategic focus and competitiveness and an improvement in the market as a whole, so that the strategic target of an operating margin before special items of around 5% can once again be achieved.

The annual report contains forward-looking statements, including the above projections of financial performance in 2017, which, by their nature, involve risks and uncertainties that may cause actual performance to differ materially from that contained in the forward-looking statements.

Risk management

The Group management is actively engaged in risk management in order to ensure the Group's continued development and ongoing value creation.

A company management model has been established at Board of Directors level. The purpose of this model and risk management in the Group is to ensure:

- clear allocation of responsibilities concerning risk management
- effective, focused prevention of the right and most important risks
- continuous reporting, which will provide an accurate picture of the Group's exposure
- the necessary preparedness to deal with known and unknown risks, and
- a clear description of the acceptable risk level for the Group.

The model is regularly updated by the Executive Board ahead of the ordinary Board of Directors meetings. The Group management also draws up a risk memo that is scrutinised at the annual strategy meeting of the Board of Directors, when the Board of Directors undertakes an overall evaluation of the Group's risk profile.

The Group continuously focuses on systematically assessing and managing risks in connection with bidding and entering into contracts. This is to lead to improved profitability on individual projects in recent years, and a strengthened overall risk profile on the project portfolio.

The Group has drawn up clear guidelines on the risk profile for the projects it tenders for. The guidelines cover such factors as geography, markets, customers, project types, legal obligations and safety. At both the general and individual project level, projects will not be pursued if they involve risks that are deemed to be a cause for concern or cannot be covered.

Project execution will always involve risks, no matter how careful the planning and assessment, and management recognises that risk is an integral part of the business model. However, the Group does not accept risks that may seriously jeopardise its financial position or trustworthiness.

Although the trend in the construction and civil engineering industry is towards a higher level of standardisation, industrialisation and prefabrication, the industry in general is still characterised by a low level of automation and dependence on the skills and engagement of the individual employees.

Active risk management is therefore crucial to enable the Group to carry its strategic framework into effect and achieve satisfactory value creation.

Strategic risk factors
There are risks associated with changes in the Group's presence and activities in various strategic areas, and management endeavours to assess these as part of decisions and adjustments. To enable the Group to work efficiently and submit competitive tenders, local market knowledge is an important factor. The Group therefore focuses on markets with known customers and market conditions.

Market conditions have a major impact on the construction and civil engineering industry in general, and the sector is periodically used as a regulating factor in fiscal policy. Fiscal policy initiatives may include both tightening and expansionary measures in the form of subsidy schemes and grants. The Group is exposed to the Danish economic situation, as 90% of its business is in Denmark. If the economy and activity in Denmark are affected, the Group can expect to be affected in the same way.

Nevertheless, management considers that the Group has a good balance between private and public customers, which supplement one another satisfactorily during changes in economic conditions. In addition, the Group's market share is of such a size that there will always be interesting projects to compete for.

Project risks
Projects are the principal risk area in the construction and civil engineering industry, and managing project risks is consequently viewed as the most important focus area both in the individual business units and the Group as a whole.

The ability to select the projects that match the Group's capabilities, values, capacity, experience, etc., is of crucial importance for the Group's financial performance.

The individual business units are responsible for risk assessment and they set provisions and prices for the projects in the individual tenders. Clear guidelines have been established for when and how the Group's Tender and Contract Board should assess the individual projects, including all tenders with a contract value of DKK 50 million or above. This Board scrutinises and analyses the project and can approve or reject whether work on a tender should continue and, if so, under what conditions.

The purpose is to:

- ensure sound and profitable tenders and contracts
- identify risks in projects
- evaluate selected working methods and solutions
- comply with procedures and policies for the conclusion of contracts, and
- ensure clear agreements with customers and subcontractors.

If further work on a tender is proposed, the next phase focuses on the contract conditions. The project is then resubmitted to the Tender and Contract Boards, which decides whether the tender should be submitted to the client.

The final decision on whether a tender is to be submitted is taken by the Executive Board and in special cases – depending on project type and size – the Board of Directors.

The Group manages its risks in every phase of the individual projects and in the portfolio as a whole by focusing particularly on the following points:

- selection by markets, geography, segments, customers and project types
- making sure that the Group has the necessary expertise for specific projects
- including all risks when bidding, and securing price transparency, etc.
- thorough, structured and formalised assessment of all new projects
- optimising projects by using VDC or other information technology
- using planning, monitoring groups and preventive actions in project execution
- firm management of challenging projects, dealing with problems in a specific, action-oriented and timely manner
- actively minimising potential losses, and
- efficient and professional completion of all projects in the Group.

Specific risk accruals are allocated to identified risks as well as a general execution risk that varies according to the nature and type of the individual project.

A review of the risks of each project is carried out on a continuous basis, and specific action plans are drawn up.

Efforts are made to reduce the execution risk by means of the aforementioned focus areas and activities.

In addition, the Group is investing resources in providing further training for project and design managers in order to ensure a high level of expertise for the execution of the Group's projects.

This will ensure that the Group's guidelines are followed, and that any problems are dealt with early in the process with solutions that meet management's expectations.

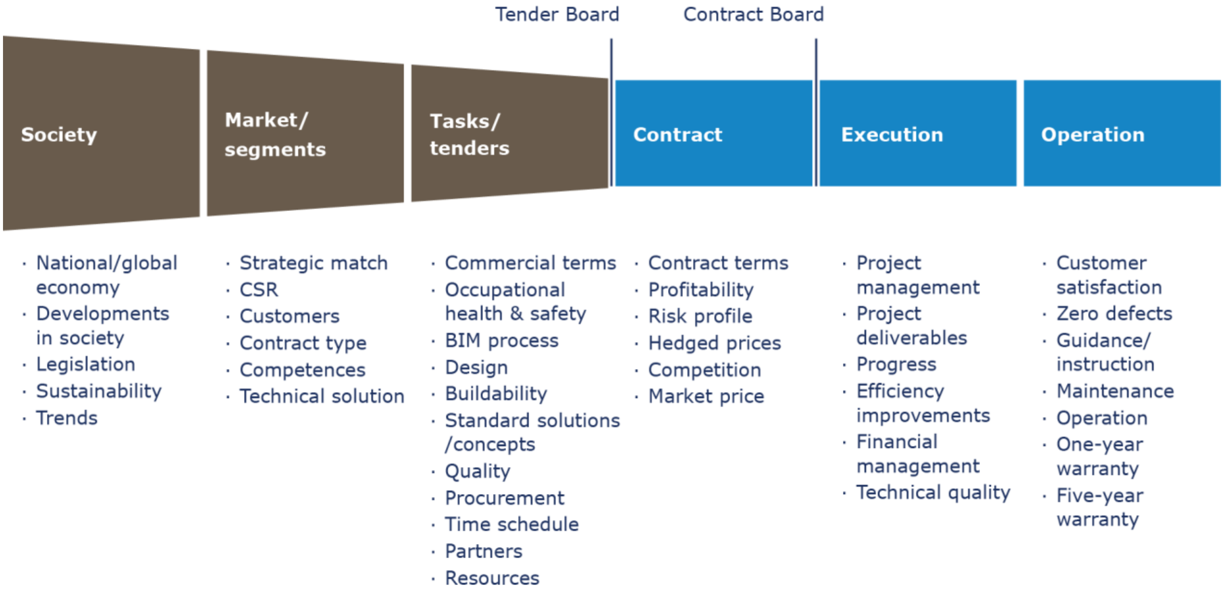
The use of VDC and BIM on projects provides a far better basis for assessing the risk profile on projects already in the tender phase, but also in connection with changes to the project and during execution. This reduces the risk of loss of quality, time and money.

The Group is a driving force in the development and use of VDC and expects that this will result in:

- better tenders and higher win rate
- risk mitigation and better risk management
- better documentation and sound decisions
- secure and increased value-creation in projects, and
- better production basis and thus more productive value creation in projects.

The majority of the Group's costs are made up of purchases of materials and subcontracts. A relatively high level of activity in the construction and civil engineering industry can involve a risk of particularly sharp increases in wages and the price of materials and subcontracts. To mitigate execution risks on such supplies, the Group works in close collaboration with subcontractors and usually enters into long-term agreements with them.

Project selection and risk management



Risks are also mitigated by using standardised components, industrialisation and large procurement volumes.

There is assumed to be a risk within the industry associated with the use of new materials that subsequently prove to be unfit for purpose and may be characterized as a development failure, such as MgO boards.

The Group endeavours to constantly improve the contract basis to mitigate the general risk of disagreement between the parties on a project. The Group always endeavours to settle disagreements through dialogue and negotiation before they escalate.

The Group requires, as a rule, that a considerable proportion of the projects developed in-house is sold to customers or tenants found before start-up. When several projects are started up in parallel, it is important that the overall risk is balanced and proportionate to the expected earnings and tie-up of capital.

Organisational risk factors
The demand for labour for construction and civil works projects may result in a lack of skilled workers and make it difficult to attract and retain the most important skills.

Management attention is constantly focused on whether the necessary expertise and other crucial resources are available in the individual business units or other parts of the Group.

IT security
The IT platform for activities in the commercial units and in the Group as a whole is important for productivity and data security, and any crashes or other weaknesses in the system can be extremely damaging to the Group.

The IT security policy is regularly discussed and updated by management. The purpose of this policy is to protect the Group's data, systems and intellectual property rights. It combines automatic defences with human resources and includes the threat of cybercrime. Specific measures have been put in place, such as continuous management reporting and awareness campaigns, and the Group's data is constantly secured via e-mail filters, antivirus software, firewalls and automated monitoring.

In addition, work is in progress on replacing a number of key platforms and systems in order to set up Group services with even greater security for both the parent company and subsidiaries. A key part of this work focuses on compliance with the EU personal data directive, which will come into force in May 2018.

Cybercrime is a growing concern for many companies today, as external access to or theft of data can affect core business, operations and reputation. The Group recognises that cybercrime is a growing threat to all large organisations and therefore constantly assesses whether its security system is satisfactory.

Regulatory risk factors
It is essential for the Group's financial performance, further development and trustworthiness as a business partner and employer that its business units and staff should in all circumstances respect applicable laws, rules, agreements and policies. This particularly applies to quality, the environment, competition, health and safety and employee relations.

The Group's vulnerability is continually being reduced by active collaboration with customers and other stakeholders with regard to joint value creation and uniform, high CSR requirements. This area has been consistently improved in recent years, particularly in relation to ensuring fair competition conditions and preventing fraud, theft and other irregularities. This has been achieved by internal controls, campaigns and the Group's whistleblower scheme. The CSR policy and initiatives are described in a separate CSR report at mth.com/csr2016.

Lastly, the Group may be affected by regulations from authorities, which may extend or restrict the Group's activity and ongoing development. New laws and regulations and delays in approval can result in increased costs and delays, affecting the Group's earnings. The Group therefore actively monitors legislation and regulations in the areas which management consider relevant to the Group.

Financial risk factors
The Group's financial risk factors, which comprise risks related to liquidity, granting of credit, financing, interest rates and exchange rates, are described in note 24 to the financial statements.

Allocation of responsibilities
The Group's business units submit a large number of tenders each year and are responsible for the risks associated with the completion of projects. Structured processes are used that are uniform in principle but must also be able to take into account how the outside world is developing and the nature and size of the tenders.

Other operational risk factors are monitored and handled in initially by the management of the individual business units. Organisational, regulatory and financial risk factors are monitored and handled by the Group's staff functions with authority in the respective areas.

Group management constantly assesses the risk factors relating to the Group's activities, particularly in connection with major projects, and the overall risk profile is assessed at regular intervals.

As mentioned in the foregoing, the Board of Directors undertakes an overall evaluation of the Group's risk profile at its annual strategy meeting.

Furthermore, the Executive Board and the Board of Directors have a special responsibility for the strategic risk factors.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the annual report of MT Højgaard A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and air view of the Group’s and the Parent Company’s financial position at 31 December 2015 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 2016.

In our opinion, the Management’s review gives a fair review of the development in the Group’s and the Company’s operations and financial matters, the results for the year, cash flows and financial position as well as a description of the significant risks and uncertainty factors pertaining to the Group and the Company.

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

Søborg, 16 February 2017

Executive Board

Torben Biilmann CEO	Egil Mølsted Madsen CFO

Board of Directors

Søren Bjerre-Nielsen Chairman	Niels Lykke Graugaard Deputy Chairman	Carsten Bjerg
Pernille Fabricius	Ole Røsdahl	Christine Thorsen
John Sommer	Vinnie Sunke Heimann	Irene Chabior

Independent auditor's report

To the shareholders of MT Højgaard A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of MT Højgaard A/S for the financial year 1 January – 31 December 2016, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 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 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 16 February 2017

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Torben Bender State Authorised Public Accountant	Mona Blønd State Authorised Public Accountant

Executive Board

Torben Biilmann (M)
President and CEO
Born 1956, MSc in Civil Engineering

Other management positions:
- Executive Committee of the Confederation of Danish Industry (DI) (MB)

Egil Mølsted Madsen (M)
CFO
Born 1965, MSc in Business Economics and Auditing and State Authorised Public Accountant

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Board of Directors

Søren Bjerre-Nielsen (M)
Chairman

Born 1952, MSc in Economics and Business Administration and State Authorised Public Accountant. On the Board since 2013.

Other management positions:
- Højgaard Holding A/S (CB), Denmark
- Chairman of the Board of Directors and the Committee of Directors, Danmarks Nationalbank (CB), Denmark
- VKR-Holding A/S (CB), Denmark
- Velux A/S (CB), Denmark
- Scandinavian Tobacco Group (MB), Denmark

Søren Bjerre-Nielsen held 1,500 shares in Højgaard Holding A/S at year end (2015: 1,500 shares)

Niels Lykke Graugaard (M)
Deputy Chairman

Born 1947, MSc in Engineering) and MSc in Advanced Economics and Finance. On the Board since 2012. Member of the Audit Committee.

Other management positions:
- Gram Equipment A/S (MB), Denmark
- Monberg & Thorsen A/S (CB), Denmark

Niels Lykke Graugaard held 6,724 shares in Monberg & Thorsen A/S at year end (2015: 9,873 shares)

Carsten Bjerg (M)
Born 1959, BSc in Engineering.
On the Board since 2014.

Other management positions:
- Højgaard Holding A/S (DCB), Denmark
- PCH Engineering A/S (CB), Denmark
- Guldager A/S (CB)
- Ellepot A/S (CB)
- Rockwool International A/S (DCB), Denmark
- Vestas Wind Systems A/S (MB), Denmark
- Nissens A/S (MB), Denmark
- Agrometer A/S (MB)

Ole Røsdahl (M)
Born 1964, BSc in Engineering.
On the Board since 2015.

Other management positions:
- CEO, Aalborg Engineering A/S, Denmark
- Ferskvandscentret, Denmark
- Guldager A/S, Denmark
- Chairman of DI's Environment Committee, Denmark

Board of Directors

Pernille Fabricius (F)
Born 1966, MSc in Business Economics and Auditing, MSc in Finance, LLM (EU law) and MBA. On the Board since 2014.
Group CFOO, JG International Ltd., UK. Chairman of the Audit Committee

Other management positions:
- Højgaard Holding A/S (MB), Denmark
- Gabriel (MB), Denmark
- Royal Greenland A/S (MB), Greenland
- Industrial Adviser Silverfleet Capital, UK

Christine Thorsen (F)
Born 1958, MMT and CCC. On the Board since 2016.
Management Consultant, MBA Dynamic Approach ApS

Other management positions:
- Monberg & Thorsen A/S (MB), Denmark
- Ejnar og Meta Thorsens Fond (CB), Denmark
- ANT-Fonden (CB), Denmark

Christine Thorsen held 3,265 shares in Monberg & Thorsen A/S at year end (2015: 3,265 shares). Of these shares, 1,625 were held by Dynamic Approach

Irene Chabior (F) *
HR Development Consultant, HR
Born 1959. Primary and lower secondary school teacher and HRD. On the Board since 2001. Re-elected in 2005, 2009 and 2013. Election period expires in 2017.

John Sommer (M) *
Sales Director, Strategy and Business Development
Born 1968, BSc in Engineering, Carpenter, HD (BCom) and E*MBA.
On the Board since 2013.
Election period expires in 2017.
Member of the Audit Committee

John Sommer held 5 shares in Monberg & Thorsen A/S at year end (2015: 5 shares)

Vinnie Sunke Heimann (F) *
QHSE Director, QHSE
Born 1967, BSc in Engineering.
On the Board since 2013.
Election period expires in 2017.

*) Employee representative
(MB) Member of the board of directors
(CB) Chairman of the board of directors
(DCB) Deputy chairman of the board of directors
(M) Male
(F) Female

Income statement and statement of comprehensive income

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
			Income statement		
2,430.0	3,075.0	3-4	Revenue	6,796.6	6,531.4
-2,245.6	-2,894.3	5-6	Production costs	-6,291.6	-5,759.9
184.4	**180.7**		**Gross profit**	**505.0**	**771.5**
-155.5	-146.2	5	Distribution costs	-202.1	-204.2
-130.8	-121.2	5-7	Administrative expenses	-251.4	-247.1
-101.9	**-86.7**		**Profit/(loss) before share of profit/(loss) of joint ventures**	**51.5**	**320.2**
-	-	13	Share of profit/(loss) after tax of joint ventures	21.3	31.3
-101.9	**-86.7**		**EBIT**	**72.8**	**351.5**
269.7	258.2	8	Finance income	2.9	28.6
-124.8	-37.7	9	Finance costs	-3.8	-9.9
43.0	**133.8**		**Profit/(loss) before tax**	**71.9**	**370.2**
-39.6	-26.9	10	Income tax expense	-61.7	-80.6
3.4	**106.9**		**Net profit/(loss) for the year**	**10.2**	**289.6**
			Attributable to:		
			Shareholders of MT Højgaard A/S	-12.8	183.4
			Non-controlling interests	23.0	106.2
			Total	**10.2**	**289.6**
			Proposal for distribution of profit/(loss)		
-	20.5		Transfer to reserve for development costs		
3.4	86.4		Transfer to retained earnings		
3.4	**106.9**		**Total**		
			Statement of comprehensive income		
3.4	**106.9**		**Net profit/(loss) for the year**	**10.2**	**289.6**
			Other comprehensive income		
			Items that may be reclassified to the income statement:		
-	-		Foreign exchange adjustments, foreign enterprises	-1.0	4.5
-	-		Value adjustment of hedging instruments, joint ventures	-4.6	5.6
-	-		Tax on other comprehensive income	-	-
-	**-**		**Other comprehensive income after tax**	**-5.6**	**10.1**
3.4	**106.9**		**Total comprehensive income**	**4.6**	**299.7**
			Attributable to:		
			Shareholders of MT Højgaard A/S	-18.4	193.5
			Non-controlling interests	23.0	106.2
			Total	**4.6**	**299.7**

Balance sheet

PARENT COMPANY			ASSETS	GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
			Non-current assets		
			Intangible assets		
50.3	50.3		Goodwill	121.4	121.4
37.0	56.3		Other intangible assets	65.3	54.8
87.3	**106.6**	11	**Total intangible assets**	**186.7**	**176.2**
			Property, plant and equipment		
35.3	36.2		Land and buildings	194.0	194.0
8.0	7.3		Plant and machinery	305.8	278.9
15.8	47.3		Fixtures and fittings, tools and equipment	84.5	57.6
-	-		Property, plant and equipment under construction	26.1	14.7
59.1	**90.8**	12	**Total property, plant and equipment**	**610.4**	**545.2**
			Other non-current assets		
428.8	434.3	13	Investments in subsidiaries	-	-
36.0	36.0	13	Investments in joint ventures	77.7	62.7
10.8	10.8		Receivables from joint ventures	3.4	3.4
308.9	224.4	10	Deferred tax assets	268.5	311.6
784.5	**705.5**		**Total other non-current assets**	**349.6**	**377.7**
930.9	**902.9**		**Total non-current assets**	**1,146.7**	**1,099.1**
			Current assets		
			Inventories		
1.8	1.5	14	Raw materials and consumables	63.9	76.8
173.2	148.5	14	Properties held for resale	578.4	641.2
175.0	**150.0**		**Total inventories**	**642.3**	**718.0**
			Receivables		
461.0	588.3	24	Trade receivables	1,393.4	1,385.7
71.9	141.2	18	Construction contracts in progress	235.6	131.0
548.2	477.8		Receivables from subsidiaries	-	-
11.0	49.4		Income tax	4.5	-
45.9	21.3		Other receivables	47.4	58.7
-	-		Payments on account to suppliers	2.3	1.4
22.9	22.2		Prepayments	28.8	26.8
1,160.9	**1,300.2**	15	**Total receivables**	**1,712.0**	**1,603.6**
50.0	**2.2**	31	**Cash and cash equivalents**	**167.3**	**175.0**
1,385.9	**1,452.4**		**Total current assets**	**2,521.6**	**2,496.6**
2,316.8	**2,355.3**		**Total assets**	**3,668.3**	**3,595.7**

Balance sheet

PARENT COMPANY			EQUITY AND LIABILITIES	GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
			Equity		
520.0	520.0		Share capital	520.0	520.0
-	20.5		Other reserves	-32.8	-27.2
-59.8	26.8		Retained earnings	454.4	467.0
460.2	**567.3**		**Equity attributable to shareholders**	**941.6**	**959.8**
-	-		Non-controlling interests	22.1	39.1
460.2	**567.3**		**Total equity**	**963.7**	**998.9**
			Non-current liabilities		
6.5	6.3	16	Bank loans, etc.	122.5	100.4
-	-	10	Deferred tax liabilities	15.4	10.1
203.9	83.2	17	Provisions	94.8	212.3
210.4	**89.5**		**Total non-current liabilities**	**232.7**	**322.8**
			Current liabilities		
0.3	0.6	16	Current portion of non-current liabilities	45.9	52.0
109.4	65.9	16	Bank loans, etc.	65.9	73.0
379.3	404.1	18	Construction contracts in progress	687.6	575.4
32.4	-		Prepayments received from customers	1.3	41.7
382.6	528.0		Trade payables	837.6	809.6
374.6	275.0		Payables to subsidiaries	-	-
33.5	11.1	10	Income tax	11.1	41.1
144.0	180.6		Other payables	339.2	313.0
30.3	20.7		Deferred income	64.0	52.3
159.8	212.5	17	Provisions	419.3	315.9
1,646.2	**1,698.5**		**Total current liabilities**	**2,471.9**	**2,274.0**
1,856.6	**1,788.0**		**Total liabilities**	**2,704.6**	**2,596.8**
2,316.8	**2,355.3**		**Total equity and liabilities**	**3,668.3**	**3,595.7**

Statement of cash flows

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
			Operating activities		
-101.9	-86.7		EBIT	72.8	351.5
8.1	18.6	28	Adjustments for items not included in cash flow.	162.7	111.7
-93.8	**-68.1**		**Cash flows from operating activities before working capital changes**	**235.5**	**463.2**
			Working capital changes:		
-40.7	25.0		Inventories	75.8	-80.6
51.6	-31.6		Receivables excl. construction contracts in progress	0.6	-160.9
-193.9	-44.5		Construction contracts in progress	7.6	-97.5
3.2	-41.6		Trade and other current payables	-71.1	-116.6
-273.6	**-160.8**		**Cash flows from operations (operating activities)**	**248.4**	**7.6**
11.9	12.4		Finance income	2.9	28.6
-1.3	-2.1		Finance costs	-3.8	-9.9
-263.0	**-150.5**		**Cash flows from operations (ordinary activities)**	**247.5**	**26.3**
-55.3	-3.7		Income taxes paid, net	-47.4	-77.9
-318.3	**-154.2**		**Cash flows from operating activities**	**200.1**	**-51.6**
			Investing activities		
-	-	32	Acquisition of enterprises and activities	-	-7.8
-26.5	-26.3	11	Purchase of intangible assets	-26.3	-26.6
-107.5	-25.8	13	Investments in joint ventures and subsidiaries	0.3	1.6
-5.0	-45.2	29	Purchase of property, plant and equipment	-147.7	-137.2
0.6	0.2		Sale of property, plant and equipment	22.6	14.9
250.3	245.3		Dividends, etc., from joint ventures and subsidiaries	-	-
11.5	-		Investments in securities, net	-	14.7
123.4	**148.2**		**Cash flows from investing activities**	**-151.1**	**-140.4**
			Financing activities		
			Loan financing:		
-7.1	-		Decrease in non-current bank loans, etc.	-11.3	-41.4
			Shareholders:		
-	-		Dividends, non-controlling interests	-40.0	-125.0
1.4	1.7		Issued warrants, employee contribution	1.7	1.4
-5.7	**1.7**		**Cash flows from financing activities**	**-49.6**	**-165.0**
-200.6	**-4.3**		**Net increase (decrease) in cash and cash equivalents**	**-0.6**	**-357.0**
141.2	-59.4		Cash and cash equivalents at 01-01	102.0	459.0
-	-		Effect of exchange rate fluctuations on cash held	-	-
-59.4	**-63.7**	31	**Cash and cash equivalents at 31-12**	**101.4**	**102.0**

Statement of changes in equity, Group

Amounts in DKK million

Equity, Group	Share capital	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to shareholders	Attributable to non-controlling interests	Total equity
2016							
Equity at 01-01	**520.0**	**-33.4**	**6.2**	**467.0**	**959.8**	**39.1**	**998.9**
Net profit/(loss) for the year	-	-	-	-12.8	**-12.8**	23.0	**10.2**
Other comprehensive income:							
Foreign exchange adjustments, foreign enterprises	-	-	-1.0	-	**-1.0**	-	**-1.0**
Value adjustment of hedging instruments, joint ventures	-	-4.6	-	-	**-4.6**	-	**-4.6**
Total other comprehensive income	-	-4.6	-1.0	-	**-5.6**	-	**-5.6**
Transactions with owners:							
Issued warrants, employee contribution	-	-	-	1.7	**1.7**	-	**1.7**
Reversal of granted programme (warrants), net	-	-	-	-1.5	**-1.5**	-	**-1.5**
Dividends paid	-	-	-	-	**-**	-40.0	**-40.0**
Total transactions with owners	-	-	-	0.2	**0.2**	-40.0	**-39.8**
Total changes in equity	**-**	**-4.6**	**-1.0**	**-12.6**	**-18.2**	**-17.0**	**-35.2**
Equity at 31-12	**520.0**	**-38.0**	**5.2**	**454.4**	**941.6**	**22.1**	**963.7**
2015							
Equity at 01-01	**520.0**	**-39.0**	**1.7**	**281.1**	**763.8**	**57.9**	**821.7**
Net profit/(loss) for the year	-	-	-	183.4	**183.4**	106.2	**289.6**
Other comprehensive income:							
Foreign exchange adjustments, foreign enterprises	-	-	4.5	-	**4.5**	-	**4.5**
Value adjustment of hedging instruments, joint ventures	-	5.6	-	-	**5.6**	-	**5.6**
Total other comprehensive income	-	5.6	4.5	-	**10.1**	-	**10.1**
Transactions with owners:							
Issued warrants, employee contribution	-	-	-	1.4	**1.4**	-	**1.4**
Issued warrants	-	-	-	1.1	**1.1**	-	**1.1**
Dividends paid	-	-	-	-	**-**	-125.0	**-125.0**
Total transactions with owners	-	-	-	2.5	**2.5**	-125.0	**-122.5**
Total changes in equity	**-**	**5.6**	**4.5**	**185.9**	**196.0**	**-18.8**	**177.2**
Equity at 31-12	**520.0**	**-33.4**	**6.2**	**467.0**	**959.8**	**39.1**	**998.9**

Statement of changes in equity, parent company

Amounts in DKK million

Equity, parent company	Share capital	Reserve for development costs	Retained earnings	Total
2016				
Equity at 01-01	**520.0**	**-**	**-59.8**	**460.2**
Net profit/(loss) for the year	-	20.5	86.4	**106.9**
Transactions with owners:				
Issued warrants, employee contribution	-	-	1.7	**1.7**
Reversal of granted programme (warrants), net	-	-	-1.5	**-1.5**
Total changes in equity	**-**	**20.5**	**86.6**	**107.1**
Equity at 31-12	**520.0**	**20.5**	**26.8**	**567.3**
2015				
Equity at 01-01	**520.0**	**-**	**-65.7**	**454.3**
Net profit/(loss) for the year	-	-	3.4	**3.4**
Transactions with owners:				
Issued warrants, employee contribution	-	-	1.4	**1.4**
Issued warrants	-	-	1.1	**1.1**
Total changes in equity	**-**	**-**	**5.9**	**5.9**
Equity at 31-12	**520.0**	**-**	**-59.8**	**460.2**

Notes

Notes

Note

1 **Accounting policies**

The Group and the parent company annual report for 2016 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

On 16 February 2017, the Board of Directors and the Executive Board discussed and approved the annual report of MT Højgaard A/S for the financial year 1 January – 31 December 2016. The annual report will be presented to the shareholders of MT Højgaard A/S for approval at the Annual General Meeting on 16 March 2017.

The annual report is presented in Danish kroner (DKK million).

The Group has implemented the standards and interpretations that become effective for 2016.

The introduction of these standards and interpretations has not affected recognition and measurement in 2016 and are not expected to affect the Group in future.

The accounting policies described below have been applied consistently to the financial year and the comparative figures. The accounting policies are unchanged from the 2015 annual report.

The functions in the income statement were reclassified in 2016. The net effect on operating profit/(loss) before special items was nil. The reason for the reclassification was to align allocations to conform to peer companies.

Comparative figures were restated.

Amounts in DKK million	Parent company 2015			Group 2015		
	After reclass.	Adjustment	Before reclass.	After reclass.	Adjustment	Before reclass.
Income statement						
Revenue	2,430.0	-	2,430.0	6,531.4	-	6,531.4
Production costs	-2,245.6	-36.7	-2,208.9	-5,759.9	-91.3	-5,668.6
Gross profit	**184.4**	**-36.7**	**221.1**	**771.5**	**-91.3**	**862.8**
Distribution costs	-155.5	1.6	-157.1	-204.2	-26.2	-178.0
Administrative expenses	-130.8	35.1	-165.9	-247.1	117.5	-364.6
Profit/(loss) before share of profit/(loss) of joint ventures	**-101.9**	**-**	**-101.9**	**320.2**	**-**	**320.2**
Share of profit/(loss) after tax of joint ventures	-	-	-	31.3	-	31.3
Operating profit/(loss) before special items	**-101.9**	**-**	**-101.9**	**351.5**	**-**	**351.5**
Special items	-	-	-	-	-	-
EBIT	**-101.9**	**-**	**-101.9**	**351.5**	**-**	**351.5**
Net financials	144.9	-	144.9	18.7	-	18.7
Profit/(loss) before tax	**43.0**	**-**	**43.0**	**370.2**	**-**	**370.2**
Income tax expense	-39.6	-	-39.6	-80.6	-	-80.6
Net profit/(loss) for the year	**3.4**	**-**	**3.4**	**289.6**	**-**	**289.6**

Consolidated financial statements

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 MT Højgaard Group's accounting policies.

Notes

Note

1 **Accounting policies (continued)**

The consolidated financial statements comprise the parent company MT Højgaard A/S and subsidiaries controlled by the Group. The Group controls an enterprise when it is exposed to, or has rights to, variable returns from its involvement with the enterprise and has the ability to affect those returns through its power over the enterprise.

When assessing control, the Group takes into account de facto control and potential voting rights that are substantive at the reporting date.

Subsidiaries' items are fully consolidated in the consolidated financial statements. Non-controlling interests' share of net profit/(loss) for the year and of equity in subsidiaries that are not wholly-owned is recognised as part of the Group's profit/(loss) or equity but is presented separately.

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.

On preparation of the consolidated financial statements, identical items are aggregated and intragroup income and expenses, shareholdings, balances and dividends are eliminated. Unrealised gains and losses arising from transactions between the consolidated enterprises are also eliminated.

Joint arrangements are operations or entities over which the Group has joint control through contractual agreements with one or more parties. Joint control means that decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements are classified as joint ventures or joint operations. Joint operations are arrangements whereby the parties have direct rights to the assets, and obligations for the liabilities, while joint ventures are arrangements whereby the parties have rights to the net assets only.

In the Group's balance sheet, investments in joint ventures are measured using the equity method. Accordingly, as a rule investments are measured at the proportionate shares of the joint ventures net assets, applying the Group's accounting policies, plus or minus unrealised intragroup profits/losses, and plus goodwill.

Joint ventures with a negative carrying amount are recognised at nil. If the Group has a legal or constructive obligation to cover a joint ventures negative balance, the negative balance is offset against the Group's receivables from the enterprise. Any balance is recognised in other provisions.

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

Business combinations

Acquisitions of enterprises over which the parent company obtains control are accounted for by 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 determined reliably. The tax effect of the restatements performed is taken into account. Transaction costs are expensed as incurred.

Any excess of the cost over the fair value of the assets acquired and liabilities and contingent liabilities assumed is recognised in intangible assets as goodwill. Goodwill is not amortised. The carrying amount of goodwill is reviewed, at least annually, and written down through the income statement to the recoverable amount if this is lower than the carrying amount. Impairment losses relating to goodwill are not reversed.

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 the fair value of such identifiable assets, liabilities and contingent liabilities subsequently proves to differ from the fair value assumed at the acquisition date, goodwill may be adjusted within twelve months following their acquisition. The acquisition date is the date on which the parent company acquires de facto control over the acquiree.

Notes

Note

1 **Accounting policies (continued)**

Non-controlling interests

On initial recognition, non-controlling interests are measured either at the fair value of the non-controlling interests' equity interest or at their proportionate share of the fair value of the acquiree's identifiable assets acquired and liabilities and contingent liabilities assumed.

Foreign currency translation

For each of the reporting enterprises in the Group, the functional currency is determined as the primary currency in the market in which the enterprise operates. The functional currency for the parent company is Danish kroner.

Transactions denominated in all currencies other than the functional currencies 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 reporting date. Foreign exchange differences arising between the exchange rate at the transaction date or the reporting date and the date of settlement are recognised in the income statement as finance income and costs.

On recognition of foreign subsidiaries and joint arrangements, the income statement items determined in the individual enterprises' functional currencies are translated into Danish kroner at average exchange rates, which 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 reporting date. Foreign exchange differences arising on translation of the opening equity of foreign enterprises at the exchange rates at the reporting date and on translation of the income statement items from average exchange rates to the exchange rates at the reporting date are recognised in other comprehensive income and in a separate translation reserve in equity.

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 recognised in the consolidated financial statements in other comprehensive income and in a separate translation reserve in 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. For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as finance costs or finance income as they occur.

For derivative financial instruments that qualify for cash flow hedge accounting, changes in fair value are recognised in other comprehensive income and in a separate hedging reserve in equity.

Income and expenses relating to such hedging transactions are transferred from the reserve in equity to the income statement at the date on which the hedged cash flows affect profit/(loss) and are recognised in the same item as the hedged item.

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Gains and losses on remeasurement to fair value are recognised as other receivables and other payables respectively. Fair value is measured on the basis of current market data and recognised valuation methods based on observable exchange rates.

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 determined using the interest rate implicit in the lease as the discount rate or an approximated value. The capitalised residual lease commitment on finance leases is recognised as a liability.

Notes

Note

1 **Accounting policies (continued)**

All other leases are accounted for as operating leases, and the lease payments are recognised in the income statement over the term of the lease.

Finance costs are determined as the difference between total future lease payments and the carrying amount (present value) of finance leases. These finance costs are recognised in the income statement over the lease term.

Government grants

Government grants include grants for projects, investments, etc. Grants that compensate for expenses incurred or for the purchase of assets are set up in the balance sheet as deferred income and recognised in the income statement in the same periods in which the expenses are incurred or over the periods in which depreciation on the assets is charged.

Income statement

Revenue

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

Revenue from construction contracts under which assets or plants with a high degree of individual customisation are supplied is recognised in the income statement by reference to the stage of completion so that revenue corresponds to the selling price of the work performed during the year (percentage of completion method).

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

Revenue from projects developed in-house and residential projects is recognised by 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 rental income, services, etc., is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and the income can be measured reliably and its payment is probable.

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

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, subcontractor supplies, leasing of capital equipment, design and technical assistance, remedial and guarantee works as well as subsupplier claims, for example relating to extra works, including any related interest payments, etc.

Distribution costs

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

Administrative expenses

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

Special items

Special items comprise material income and expenses that constitute the effect on profit/(loss) of legacy offshore litigation and the Buxton dispute. The item is presented separately to give a true and fair view of the Group's operating profit/(loss).

Notes

Note

1 **Accounting policies (continued)**

The Group's share of profit/(loss) after tax of joint ventures

The proportionate share of profit/(loss) of joint arrangements is recognised in the consolidated income statement net of tax and after elimination of intragroup gains and losses.

Finance income and costs

Finance income and costs comprise interest income and expense, dividends from other equity investments and realised and unrealised gains and losses on financial assets, payables and transactions denominated in foreign currencies, as well as finance lease costs and income tax surcharges and refunds. Borrowing costs attributable to the acquisition, construction or development of self-constructed assets are recognised as part of the cost of those assets.

Income tax

Income tax expense, consisting of current tax and changes in deferred tax, is recognised in net profit/(loss) for the year, other comprehensive income or equity.

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.

The parent company 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 consolidated financial statements and up to the date on which they are no longer included. Current Danish tax is allocated among the jointly taxed Danish enterprises in proportion to their taxable income.

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.

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 investment or withdrawal from the international joint taxation scheme may be relevant.

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 have previously been recognised in equity.

Deferred tax assets, including the value represented by the tax base of tax loss carryforwards, are recognised at the value at which it is expected that they can be utilised Either by set-off against deferred tax liabilities or tax on future profits/(losses) of the parent company and the other jointly taxed enterprises in the same country. Deferred tax assets are entered as a separate line item within other non-current assets.

An impairment loss is charged on recognised deferred tax assets if a review based on business plans, etc., indicates that the deferred tax assets cannot be recovered within the foreseeable future.

Balance sheet

Intangible assets

Recognition and measurement of goodwill are described in the section on business combinations. 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, normally 5-10 years. The basis of amortisation is reduced by any impairment losses. Other intangible assets primarily comprise ERP and other IT systems.

Notes

Note

1 **Accounting policies (continued)**

Property, plant and equipment

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

Cost comprises purchase price and any 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 as well as borrowing costs attributable to the construction of the assets.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful life to the expected residual value. Useful lives are determined on an individual basis for major assets, 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 acquisition date and reviewed annually.

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

Investments in joint ventures in the consolidated financial statements

In the Group's balance sheet, investments in joint ventures are measured using the equity method. Accordingly, as a rule investments are measured at the proportionate shares of the joint ventures' net assets, applying the Group's accounting policies, plus or minus unrealised intragroup profits/losses, and plus goodwill.

Joint ventures with a negative carrying amount are recognised at nil. If the Group has a legal or constructive obligation to cover a joint venture's negative balance, the negative balance is offset against the Group's receivables from the enterprise. Any balance is recognised in other provisions.

MT Højgaard A/S is a party to several PPP companies, which are all recognised as joint ventures in accordance with IFRS 11. According to the contractual arrangements between the parties, decisions require the unanimous consent of all parties. For further details on ownership, reference is made to notes 23 and 33.

Investments in subsidiaries and joint ventures in the parent company financial statements

In the parent company balance sheet, investments in subsidiaries and joint ventures are measured at cost, including costs of purchase. Investments are written down to the recoverable amount, if this is lower than the carrying amount.

Subsidiaries and joint ventures with a negative carrying amount are recognised at nil. If the parent company has a legal or constructive obligation to cover an enterprise's negative balance, the negative balance is offset against the parent company's receivables from the enterprise. Any balance is recognised in other provisions.

Impairment of non-current assets

The carrying amounts of intangible assets, property, plant and equipment and other non-current assets are reviewed, at least annually, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or cash-generating unit is determined. However, the recoverable amount of goodwill is always determined annually.

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. Impairment losses are reversed to the extent that the assumptions and estimates that led to the recognition of the impairment loss have changed. Impairment losses relating to goodwill are not reversed.

Notes

Note

1 **Accounting policies (continued)**

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than the cost, the carrying amount is 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 in progress and undeveloped sites that are not classified as held for continued future ownership or use are measured at the lower of cost and net realisable value and are carried as properties held for resale. Properties held for resale include undeveloped properties held with a view to project development activities, and completed residential projects for resale.

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 characterised by the fact that the assets or plants in question are constructed to customer specifications and requirements in terms of design, function, etc., and that a binding contract under which any termination will lead to penalties or claims is entered into before work commences.

The selling price is measured by reference to the total expected income from each construction contract and the stage of completion at the reporting date. The stage of completion is determined on the basis of the costs incurred and the total expected costs. When it is probable that total costs on a construction contract in progress will exceed total contract income, 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 in receivables or current liabilities, depending on the selling price less progress billings and recognised losses.

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

Prepayments and deferred income
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.

Equity
Hedging reserve
The hedging reserve in the consolidated financial statements comprises changes in the fair value of hedging transactions that qualify for designation as cash flow hedges, and where the hedged transaction has yet to be realised.

Translation reserve
The translation reserve in the consolidated financial statements comprises foreign exchange differences that have arisen from the translation of the financial statements of foreign entities 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.

Reserve for development costs
The reserve for development costs in the parent company comprises recognised development costs. The reserve may not be used for dividends or to cover losses. The reserve must be reduced or dissolved as the development projects are amortised or if the recognised development costs are no longer a part of the company's operation. This must be done by direct transfer to retained earnings.

Notes

Note

1 **Accounting policies (continued)**

Share-based payment transactions

The value of services received as consideration for share-based payment is measured at fair value.

Share-based payment is classified as either an equity-settled or a cash-settled arrangement. The classification is based on whether the transaction is settled by the issuance of shares or by cash settlement. If the form of settlement is based on future criteria, the programme is classified on the basis of management's expectations concerning the probability of these future criteria occurring.

If it is considered more probable that the arrangement will have to be settled in shares, the programme will be classified as an equity-settled arrangement. For equity-settled arrangements, the fair value is measured at the date of grant and recognised in the income statement as staff costs over the service period. The recognised expense is taken to equity. If the length of the service period is uncertain at the date of grant, it is estimated based on management's best estimate of the date on which the share-based payment will vest. Subsequent to initial recognition, the total programme costs are adjusted for changes to the estimate of the number of grants that will vest. If the estimate of the length of the service period changes, the proportion of the programme costs that has not yet been expensed will be recognised proportionately over the revised service period.

If it is deemed to be more probable that the outcome of the future criteria will mean that the programme will have to be cash-settled, it must be classified as a cash-settled arrangement. On initial recognition, the liability is measured at fair value at the date of grant and recognised through the income statement as a staff cost on a continuous basis as the employees render service. The fair value of the liability is subsequently remeasured at each reporting date until settled. Changes in the fair value of the liability are recognised in the income statement as staff costs based on the proportion of the service period that has been rendered. The offsetting entry is recognised in liabilities.

The Group's warrant programme has been recognised as an equity-settled arrangement up to and including 2015 and as a cash-settled arrangement from and including 2016 and has been recognised in accordance with the relevant rules.

Provisions

Provisions comprise expected costs for guarantee obligations, losses on work in progress, provisions for disputes/litigation and other liabilities. Provisions for guarantee obligations are made on the basis of guarantee claims received where it has not been possible to make a final determination of the amount, and on the basis of known defects in connection with one-year and five-year reviews and, for some contracts, assessed costs in connection with longer guarantee periods.

Financial liabilities

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

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

Segment information

Because the Group only has activities in a single business segment, information is only provided on the geographical distribution of the Group's revenue and non-current assets.

This segmentation follows the Group's management control and internal control. Segment information has been prepared in accordance with the Group's accounting policies.

Notes

Note

1 **Accounting policies (continued)**

Statement of cash flows

The statement of cash flows 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.

Cash flows from operating activities (CFFO)

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

Cash flows from investing activities

Cash flows from 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.

Financial ratios

Financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios 2015' published by the Danish Finance Society.

Definitions of financial ratios used:

Gross margin	=	Gross profit/Revenue
EBIT margin	=	EBIT/Revenue
Pre-tax margin	=	Profit before tax/Revenue
Working capital	=	Net working capital excluding sites held for resale
Return on invested capital incl. goodwill (ROIC)	=	EBITA/Average invested capital incl. goodwill
Return on invested capital after tax incl. goodwill (ROIC after tax)	=	NOPLAT/Average invested capital incl. goodwill
Return on equity (ROE)	=	Profit after tax excl. non-controlling interests/Average equity excl. non-controlling interests
Equity ratio	=	Equity excl. non-controlling interests, year end/Total liabilities
Invested capital	=	Invested capital represents the capital invested in operating activities, i.e. the assets that generate income that contributes to EBIT. Invested capital is calculated as the sum of intangible assets and property, plant and equipment used in operations plus net working capital.

Notes

Note

2 **Accounting estimates and judgements**

Estimation uncertainty

Determining the carrying amount of some assets and liabilities requires estimation of the effects of future events on those assets and liabilities at the reporting date.

The estimates applied are based on assumptions which are sound, in management's opinion, but which, by their 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.

Estimates deemed critical to the financial reporting primarily relate to the recognition of construction contracts and the risks associated with their execution, i.e. measurement of the selling price of construction contracts in progress, determination of guarantee commitments, assessment of the outcome of disputes, and recovery of deferred tax assets. Key accounting estimates are also made when assessing the need for impairment charges in connection with the recognition of equity investments and goodwill.

Construction contracts, including estimated recognition and measurement of revenue and contribution margin

The measurement of construction contracts in progress are based on an assessment of the stage of each project and expectations concerning the remaining progress towards completion of each contract, including the outcome of disagreements. The assessment of stage, income and expenses, including disagreements, is made jointly by the Executive Board and the project management on a project-by-project basis.

The assessment of disagreements relating to extra work, extensions of time, demands concerning liquidated damages, etc., is based on the nature of the circumstances, knowledge of the client, the stage of negotiations, previous experience and consequently an assessment of the likely outcome of each case. For major disagreements, external legal opinions are a fundamental part of the assessment.

Estimates concerning the remaining progress towards completion depend on a number of factors, and project assumptions may change as the work is being performed. Likewise, the assessment of disagreements may change as the cases proceed.

Actual results may therefore differ materially from expectations.

Disputes, legal and arbitration proceedings and contingent assets and contingent liabilities

Due to the nature of its business, the Group is naturally involved in various disagreements, disputes and legal and arbitration proceedings. An assessment is made in all instances of the extent to which such cases may result in obligations for the Group, and the probability of this. In some instances, a case may also result in a contingent asset or claims against other parties than the client. Management’s estimates are based on available information and legal opinions from advisers. The outcome may be difficult to assess and, depending on the nature of the case, may differ from management’s estimate.

Provisions for guarantee obligations

Provisions for guarantee obligations are assessed individually for each construction contract and relate to normal one-year and five-year guarantee works and, for a few contracts, longer guarantee periods. The level of provisions is based on experience and the characteristics of each project. By their nature such estimates involve uncertainty, and actual guarantee obligations may consequently differ from those estimated. Further details are provided in note 17.

Notes

Note

2 **Accounting estimates and judgements (continued)**

Recovery of deferred tax assets
Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available, in the foreseeable future (3-5 years), against which tax loss carryforwards, etc., can be utilised. The amount to be recognised as deferred tax assets is determined on the basis of an estimate of the probable timing and amount of future taxable profits and taking into account current tax legislation.

The projections of future profits in the enterprises in which the losses can be utilised are updated annually. At the end of the financial year, management assesses the extent to which, under current tax legislation, taxable profits can be realised in the foreseeable future, and the tax rates that will apply at the date of utilisation. The recognition of deferred tax assets is reviewed against this background.

Non-capitalised tax assets in the Group and the parent company relate to tax losses that can be carried forward indefinitely. They may be recognised as income when the Group reports the necessary positive results.

Deferred tax is calculated using the tax rates effective in the respective countries to which the deferred tax relates.

Further details are provided in note 10.

Impairment testing of equity investments and goodwill
In connection with impairment testing of equity investments recognised at cost (parent company) and goodwill, estimates are made of how the relevant enterprises 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 equity investment or goodwill and other net assets in the relevant part of the enterprise. Such estimates are naturally subject to some uncertainty, which is reflected in the discount rate applied.

The carrying amounts of goodwill are tested annually for impairment. Goodwill is attributable to Civil Works and Construction in MT Højgaard A/S; Enemærke & Petersen A/S; and Lindpro A/S.

The recoverable amount is determined as the value in use, calculated as the present value of the expected future net cash flows from the cash-generating units. In connection with the annual test, net cash flows are determined on the basis of the latest approved budget for the following year and estimates for the following four years. The growth in the terminal period is kept constant. The present value is determined using a discount rate before tax. The primary key assumptions are estimated to be the growth rates and the EBIT margins applied, which depend on the general economic development and the Group's risk management on individual projects. Budgets and estimates are determined on the basis of previous experience, including budgeted returns on the order portfolio and on anticipated orders and planned capacity, and taking into account management's expectations for the future, including announced expectations concerning future growth, EBIT margin and cash flow. In addition, sensitivity analyses are prepared in order to support carrying amounts.

Impairment losses in joint ventures primarily relate to losses on individual contracts where the joint venture has been established purely with a view to completing the contract and will be terminated on completion of the contract.

Further details are provided in note 13.

Management judgements applying the accounting policies
In the process of applying the Group's accounting policies, management regularly makes judgements, in addition to estimates, that may have a significant effect on the amounts recognised in the financial statements.

Notes

Note

2 **Accounting estimates and judgements (continued)**

Joint ventures and joint arrangements

The international financial reporting standard IFRS 11 operates with the special concept "joint arrangements", where the share of such arrangements is recognised in proportion to the financial interest in the project in both the parent company and the consolidated financial statements.

Jointly controlled entities are operations or entities over which the Group has joint control through contractual agreements with one or more parties. Such entities are classified as joint ventures if the rights of the parties sharing control are limited to net assets in separate legal entities, or as joint operations if the parties sharing control have direct and unlimited rights to the assets and obligations for the liabilities respectively.

Joint ventures are recognised using the equity method. Joint operations are recognised at the proportionate share of income, expenses, assets and liabilities.

The Group's joint ventures are mainly the PPP companies and Seth. For further details on ownership, reference is made to notes 23 and 33.

The Group assesses on an entity-by-entity basis whether an arrangement is a joint venture or a joint arrangement, based on an assessment of control and joint control.

The MT Højgaard Group owns 60% of the voting rights in Soc. de Empreitadas e Trabalhos Hidráulicos, S.A. (Seth). Under the contract between the parties, decisions about the relevant activities in the enterprise require the unanimous consent of the parties. The MT Højgaard Group and Operatio SGPS, S.A. consequently have joint control over the arrangement. Because of the contractual arrangement, the parties have rights to net assets only, and Seth is consequently accounted for as a joint venture.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		3	**Information on activities**		
			The Group is engaged in construction and civil works activities in Denmark and internationally.		
			In 2016, the Group was engaged in international activities in Europe (Portugal, Sweden and Norway), the North Atlantic (Faroe Islands, Greenland and Iceland), Asia (the Maldives and Vietnam), the Middle East (Qatar) and Africa.		
			Geographical breakdown of revenue and non-current assets		
			Revenue can be broken down as follows:		
			Denmark	6,155.0	5,349.3
			Rest of world	641.6	1,182.1
			Total	**6,796.6**	**6,531.4**
			Non-current assets excluding deferred tax assets can be broken down as follows:		
			Denmark	811.7	717.8
			Rest of world	66.5	69.8
			Total	**878.2**	**787.6**
		4	**Revenue**		
			Revenue can be broken down as follows:		
2,374.8	2,978.5		Selling price of the production for the year on contracts in progress and completed contracts, etc.	5,815.2	5,546.6
27.7	85.4		Revenue from project development cases sold, etc.	367.2	60.6
27.5	11.1		Rental income, facility management, etc.	614.2	924.2
2,430.0	**3,075.0**		**Total**	**6,796.6**	**6,531.4**
		5	**Depreciation and amortisation**		
3.3	7.0		Intangible assets	15.8	12.3
12.4	13.5		Property, plant and equipment	92.1	100.9
15.7	**20.5**		**Total depreciation and amortisation**	**107.9**	**113.2**
			Depreciation and amortisation are recognised in the income statement as follows:		
13.4	18.9		Production costs	103.2	107.8
-	-		Distribution costs	0.6	1.0
2.3	1.6		Administrative expenses	4.1	4.4
15.7	**20.5**		**Total depreciation and amortisation**	**107.9**	**113.2**

Notes

PARENT COMPANY 2015	PARENT COMPANY 2016	Note	Amounts in DKK million	GROUP 2016	GROUP 2015
		6	**Staff costs**		
			The total amount paid in wages and salaries, etc., can be broken down as follows:		
698.1	780.5		Wages and salaries, etc.	1,895.7	1,795.5
48.9	56.1		Pension contributions (defined contribution)	142.9	134.3
23.9	32.3		Other social security costs	74.7	59.9
1.1	1.7		Share-based payment (warrants)	1.7	1.1
-	-3.2		Reversal of granted programme (warrants)	-3.2	-
772.0	**867.4**		**Total**	**2,111.8**	**1,990.8**
1,312	**1,480**		**Average number of employees**	**4,207**	**3,965**
1,324	**1,650**		**Number of employees, year end**	**4,211**	**4,125**
			Total remuneration (salaries and remuneration, etc.) to the Board of Directors and the Executive Board:		
2.4	2.8		Board of Directors	2.8	2.4
15.1	12.7		Executive Board – salary and bonus	12.7	15.1
0.7	1.0		Executive Board - share-based payment (warrants)	1.0	0.7
-	-2.0		Reversal of granted programme (warrants)	-2.0	-
18.2	**14.5**		**Total**	**14.5**	**18.2**

For 2016, the Executive Board has a bonus scheme that will provide up to six months' salary based on the achievement of financial targets. Other senior executives are also comprised by bonus schemes that depend, among other things, on net profit/(loss) for the year.

In April 2014, the Group set up a warrant programme for the five members of the Group's management team that runs for the period until 2019. For each warrant purchased, the holder will be granted one warrant free of charge. Under the warrant programme, participants are entitled to buy/receive warrants every year up to an accumulated amount corresponding to 5% of the company's share capital.

Exercise of purchased and granted warrants is subject to listing of the parent company MT Højgaard A/S before spring 2019. Until now, this has been considered the most likely outcome and the programme has therefore been accounted for as an equity-settled arrangement. If the parent company is not expected to be listed by this time, the programme must be reclassified as a cash-settled arrangement. In connection with the financial reporting, management has assessed that the assumption in the financial statements concerning a listing of MT Højgaard A/S before spring 2019 is no longer the most likely outcome. The warrant programme, which ends in spring 2019, was therefore reclassified at the end of 2016 in order to be accounted for as a cash-settled arrangement

In 2016, a total of 6,274 warrants with a nominal value of DKK 1,000 each and a fair value of DKK 1.7 million were issued. The combined fair value of the programme for 2014-2016 determined at the grant dates using an option valuation model was DKK 4.8 million.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		6	**Staff costs (continued)**		
			The fair value at year end was DKK 3.4 million, and the change to the warrant programme contributed net income of DKK 1.5 million to the income statement. Future adjustments to fair value will be expensed on a straight-line basis until April 2019, when the programme will come to an end.		
			At the end of December 2016, outstanding warrants totalled 25,690 nos. with a nominal value of DKK 1,000 each, corresponding to 4.9% of the share capital. The service period has been revised from three to five years and will expire in April 2019. The programme must be valued at the end of each quarter, finishing in April 2019.		
		7	**Fees paid to auditor appointed by the Annual General Meeting (EY)**		
1.3	1.3		Audit fees	3.7	3.6
-	-		Other assurance engagements	0.1	0.1
0.4	0.6		Tax and VAT advice	0.6	0.5
1.2	1.1		Non-audit services	1.4	1.3
2.9	**3.0**		**Total fees**	**5.8**	**5.5**
		8	**Finance income**		
12.1	12.9		Interest income, other (balance sheet items recognised at amortised cost)	2.9	2.3
-	-		Interest income, securities (balance sheet items recognised at fair value)	-	0.3
-	1.6		Gain on sale of equity investments	-	-
0.6	-		Foreign exchange gains	-	26.0
250.0	238.9		Dividends from subsidiaries	-	-
0.3	4.8		Dividends from joint ventures	-	-
6.7	-		Reversal of impairment and adjustment of liabilities related to subsidiaries and joint ventures, etc.	-	-
269.7	**258.2**		**Total finance income**	**2.9**	**28.6**
11.2	12.5		Portion relating to interest received from subsidiaries	-	-
		9	**Finance costs**		
2.2	2.3		Interest expense (balance sheet items recognised at amortised cost)	3.6	6.0
-	-		Capital losses on securities	-	0.1
-	0.3		Foreign exchange losses	0.2	3.8
122.6	35.1		Impairment and adjustment of liabilities related to subsidiaries and joint ventures, etc.	-	-
124.8	**37.7**		**Total finance costs**	**3.8**	**9.9**
1.0	0.5		Portion relating to interest paid to subsidiaries	-	-

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		10	**Income tax**		
			Tax on other comprehensive income in the parent company and the Group was nil.		
			Current tax in the Group relates primarily to tax in some foreign entities in which tax payment is determined based on local rules.		
50.7	-57.6		Current tax	13.3	70.9
-11.1	84.5		Changes in deferred tax	48.4	9.7
39.6	**26.9**		**Income tax expense**	**61.7**	**80.6**
			Income tax expense can be broken down as follows:		
10.5	32.8		Income tax expense before tax calculated at 22% (2015: 23.5%)	15.8	87.0
21.3	-		Reduction of Danish income tax rate from 23.5% to 22% in the period up to 2016	-	17.3
14.9	3.0		Deviations in foreign enterprises' tax rates	5.5	15.4
-61.3	-53.6		Non-taxable income (Group: primarily tax not provided for on non-controlling interests' share of income from partnerships)	-8.5	-29.2
28.8	7.9		Non-deductible expenses	0.4	0.6
-21.3	42.1		Impairment/adjustment of previously recognised deferred tax asset	47.9	-17.3
46.7	-5.3		Other, including prior year adjustments and joint taxation	0.6	6.8
39.6	**26.9**		**Income tax expense**	**61.7**	**80.6**
92.1	20.1		Effective tax rate (%)	85.8	21.8

Recovery of deferred tax assets

The projections of future profits in the enterprises in which the losses can be utilised have been updated. At 31 December 2016, the management of MT Højgaard A/S assessed the extent to which, under current tax legislation, taxable profits can be realised in the foreseeable future, and the tax rates that will apply at the date of utilisation. Against this background, an impairment loss has been recognised on the deferred tax assets.

Like last year, tax loss carryforwards have not been fully capitalised in the assessment of deferred tax assets. They have been capitalised based on expected positive earnings in the next three to five years. Non-capitalised tax assets amount to approximately DKK 250 million both in the Group and the parent company and relate to tax losses that can be carried forward indefinitely. The amount has been increased by DKK 48 million in the Group and DKK 42 million in the parent company as the financial result for 2016 was lower than expected. The non-capitalised tax asset may be recognised as income when the Group reports the necessary positive results.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		10	**Income tax (continued)**		
			Tax relating to distributable reserves in foreign subsidiaries that are subject to higher taxation if distributed amounted to DKK 5.8 million (2015: DKK 5.2 million). These liabilities have not been recognised, as the Group checks whether they will crystallise. It is probable that the liabilities will not crystallise in the foreseeable future.		
			Deferred tax assets and deferred tax liabilities		
297.8	308.9		Deferred tax (net) at 01-01	301.5	311.2
-21.3	-		Reduction of Danish income tax rate from 23.5% to 22% in the period up to 2016	-	-17.3
32.4	-84.5		Other changes through the income statement	-48.4	7.6
308.9	**224.4**		**Deferred tax (net) at 31-12**	**253.1**	**301.5**
			Deferred tax can be broken down as follows:		
			Deferred tax assets		
53.5	62.1		Property, plant and equipment	39.5	44.4
-	-		Current assets	2.3	1.6
44.9	39.7		Non-current liabilities	74.0	65.5
27.0	10.3		Current liabilities	15.3	30.2
200.4	129.9		Tax loss carryforwards	155.5	196.4
325.8	242.0		Deferred tax assets at 31-12 before set-off	286.6	338.1
-16.9	-17.6		Set-off within legal entities and jurisdictions (countries)	-18.1	-26.5
308.9	**224.4**		**Deferred tax assets at 31-12**	**268.5**	**311.6**
			Deferred tax liabilities		
-5.5	-5.5		Intangible assets	-14.4	-13.2
-	-		Property, plant and equipment	-5.3	-5.3
-11.4	-12.1		Current assets	-9.2	-16.5
-	-		Current liabilities	-4.6	-1.6
-16.9	-17.6		Deferred tax liabilities at 31-12 before set-off	-33.5	-36.6
16.9	17.6		Set-off within legal entities and jurisdictions (countries)	18.1	26.5
-	**-**		**Deferred tax liabilities at 31-12**	**-15.4**	**-10.1**

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		11	**Intangible assets**		
			Goodwill		
50.3	50.3		Cost at 01-01	122.1	117.3
-	-		Additions relating to acquisitions	-	4.8
50.3	50.3		Cost at 31-12	122.1	122.1
-	-		Impairment losses at 01-01 and 31-12	0.7	0.7
50.3	**50.3**		**Carrying amount at 31-12**	**121.4**	**121.4**
			Other intangible assets		
24.9	51.4		Cost at 01-01	98.5	71.9
26.5	26.3		Additions	26.3	26.6
51.4	77.7		Cost at 31-12	124.8	98.5
11.1	14.4		Amortisation and impairment losses at 01-01	43.7	31.4
3.3	7.0		Amortisation charge	15.8	12.3
14.4	21.4		Amortisation and impairment losses at 31-12	59.5	43.7
37.0	**56.3**		**Carrying amount at 31-12**	**65.3**	**54.8**

Goodwill

The carrying amounts of goodwill attributable to Civil Works (DKK 5.7 million) and Construction (DKK 44.6 million) in MT Højgaard A/S; Enemærke & Petersen A/S (DKK 43.2 million); and Lindpro A/S (DKK 28.0 million), were tested for impairment at 31 December 2016, applying the DCF model. In connection with the test at 31 December, revenue was determined for each business unit on the basis of the budget for 2017, the order book as well as estimates for the years 2018-2021. The growth rate in the terminal period has been set at 2%. The anticipated pre-tax margin is based on the target of 5%, and is supported by an order book with good contribution margins and by the use of synergies and VDC. The business units are reviewed individually and adjusted up or down based on management's expectations, knowledge and estimates. Net cash flows are determined on this basis. The present value is determined using a discount rate set for each unit. The rate has been estimated to be the same for the business units due to uniform markets/geography and amounts to 9-10% before tax (2015: 9-10%).

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.

Other intangible assets

Other intangible assets primarily comprise ERP and other IT systems. Additions primarily relate to the investment in VDC referred to in the Management's review. The carrying amount of VDC at the end of the year, DKK 55.8 million, is expected to be written off over the next five years.

Notes

PARENT COMPANY 2016

Note	Amounts in DKK million				
12	**Property, plant and equipment**	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
	Cost at 01-01	46.6	38.0	49.6	**134.2**
	Reclassifications, etc.	-	-1.7	1.7	**-**
	Additions	1.0	3.3	40.9	**45.2**
	Disposals	-	-8.1	-	**-8.1**
	Cost at 31-12	47.6	31.5	92.2	**171.3**
	Depreciation and impairment losses at 01-01	11.3	30.0	33.8	**75.1**
	Reclassifications, etc.	-	-1.3	1.3	**-**
	Depreciation, disposals	-	-8.1	-	**-8.1**
	Depreciation charge	0.1	3.6	9.8	**13.5**
	Depreciation and impairment losses at 31-12	11.4	24.2	44.9	**80.5**
	Carrying amount at 31-12	**36.2**	**7.3**	**47.3**	**90.8**
	Mortgaged properties:				
	Carrying amount	19.3	-	-	**19.3**
	Year-end balance, loans	6.5	-	-	**6.5**

Notes

PARENT COMPANY					2015
Note	Amounts in DKK million				
12	**Property, plant and equipment (continued)**	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
	Cost at 01-01	46.6	44.7	47.9	**139.2**
	Additions	-	2.2	2.7	**4.9**
	Disposals	-	-8.9	-1.0	**-9.9**
	Cost at 31-12	46.6	38.0	49.6	**134.2**
	Depreciation and impairment losses at 01-01	11.2	33.8	27.4	**72.4**
	Depreciation, disposals	-	-8.7	-1.0	**-9.7**
	Depreciation charge	0.1	4.9	7.4	**12.4**
	Depreciation and impairment losses at 31-12	11.3	30.0	33.8	**75.1**
	Carrying amount at 31-12	**35.3**	**8.0**	**15.8**	**59.1**
	Mortgaged properties:				
	Carrying amount	19.3	-	-	**19.3**
	Year-end balance, loans	6.8	-	-	**6.8**

Notes

GROUP						2016
Note	Amounts in DKK million					
12	**Property, plant and equipment (continued)**	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
	Cost at 01-01	274.3	697.7	364.4	14.7	**1,351.1**
	Foreign exchange adjustments	-	1.7	0.1	-	**1.8**
	Reclassifications, etc.	-1.1	-1.0	-0.8	2.9	**-**
	Additions	9.4	99.2	57.7	8.5	**174.8**
	Disposals	-3.0	-36.5	-16.7	-	**-56.2**
	Cost at 31-12	279.6	761.1	404.7	26.1	**1,471.5**
	Depreciation and impairment losses at 01-01	80.3	418.8	306.8	-	**805.9**
	Foreign exchange adjustments	-	1.1	-	-	**1.1**
	Reclassifications, etc.	-	-1.3	1.3	-	**0.0**
	Depreciation, disposals	-2.3	-22.4	-13.3	-	**-38.0**
	Depreciation charge	7.6	59.1	25.4	-	**92.1**
	Depreciation and impairment losses at 31-12	85.6	455.3	320.2	-	**861.1**
	Carrying amount at 31-12	**194.0**	**305.8**	**84.5**	**26.1**	**610.4**
	Mortgaged properties:					
	Carrying amount	122.5	-	-	-	**122.5**
	Year-end balance, loans	41.3	-	-	-	**41.3**
	Assets held under finance leases:					
	Carrying amount	-	138.7	9.6	-	**148.3**

Notes

GROUP							2015
Note	Amounts in DKK million						
12	**Property, plant and equipment (continued)**	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
	Cost at 01-01	274.1	626.6	364.7	4.4	**1,269.8**
	Foreign exchange adjustments	-	4.2	-	-	**4.2**
	Reclassifications, etc.	2.0	-	-	-2.0	**-**
	Additions	4.2	93.3	24.1	12.4	**134.0**
	Disposals	-6.0	-26.4	-24.4	-0.1	**-56.9**
	Cost at 31-12	274.3	697.7	364.4	14.7	**1,351.1**
	Depreciation and impairment losses at 01-01	76.7	384.1	291.0	-	**751.8**
	Foreign exchange adjustments	-	1.8	-	-	**1.8**
	Depreciation, disposals	-4.2	-23.4	-21.0	-	**-48.6**
	Depreciation charge	7.8	56.3	36.8	-	**100.9**
	Depreciation and impairment losses at 31-12	80.3	418.8	306.8	-	**805.9**
	Carrying amount at 31-12	**194.0**	**278.9**	**57.6**	**14.7**	**545.2**
	Mortgaged properties:					
	Carrying amount	117.6	-	-	-	**117.6**
	Year-end balance, loans	45.3	-	-	-	**45.3**
	Assets held under finance leases:					
	Carrying amount	-	84.7	13.4	-	**98.1**

Notes

PARENT COMPANY

Note	Amounts in DKK million	Investments in subsidiaries	Investments in joint ventures
13	**Investments in subsidiaries and joint ventures**		
	2016		
	Cost at 01-01	671.1	68.9
	Additions	50.0	-
	Disposals	-24.2	-
	Cost at 31-12	696.9	68.9
	Adjustments at 01-01	-242.3	-32.9
	Impairment charge	-20.3	-
	Adjustments at 31-12	-262.6	-32.9
	Carrying amount at 31-12	**434.3**	**36.0**
	2015		
	Cost at 01-01	562.2	70.4
	Additions	108.9	0.5
	Disposals	-	-2.0
	Cost at 31-12	671.1	68.9
	Adjustments at 01-01	-144.0	-32.9
	Disposal on merger with subsidiaries	-102.7	-
	Reversal of impairment charge	4.4	-
	Adjustments at 31-12	-242.3	-32.9
	Carrying amount at 31-12	**428.8**	**36.0**

A list of consolidated enterprises is provided in note 33.

Investments in subsidiaries and joint ventures were determined at the recoverable amount at 31 December, applying the DCF model. The present value was determined using a discount rate before tax of 9-10% (2015: 9-10%).
In connection with the test at 31 December, revenue was determined for each subsidiary and joint venture on the basis of the budget for 2017 and estimates for the years 2018-2020. The growth rate in the terminal period has been set at 2%.
The DKK 20.3 million impairment charge on investments in subsidiaries relates primarily to the company in Norway and the decision to close down its activities.

Notes

GROUP

Note	Amounts in DKK million	Investments in joint ventures
13	**Investments in subsidiaries and joint ventures (continued)**	
	2016	
	Cost at 01-01	42.5
	Cost at 31-12	42.5
	Adjustments at 01-01	20.2
	Share of net profit/(loss) for the year after tax	21.3
	Dividends paid	-4.9
	Other adjustments	-1.4
	Adjustments at 31-12	35.2
	Carrying amount at 31-12	**77.7**
	2015	
	Cost at 01-01	44.2
	Reclassifications	0.3
	Disposals, etc.	-2.0
	Cost at 31-12	42.5
	Adjustments at 01-01	-14.5
	Share of net profit/(loss) for the year after tax	31.3
	Dividends paid	-0.3
	Other adjustments, etc.	3.7
	Adjustments at 31-12	20.2
	Carrying amount at 31-12	**62.7**

Material joint ventures (the figures represent 100%), see note 33	2016	2015
Soc. de Empreitadas e Trabalhos Hidráulicos, S.A. (Seth) - Ownership interest 60%		
Revenue	222.9	396.6
Net profit/(loss) for the year	22.9	28.1
Dividends paid	-	-
Total assets	204.1	291.8
Total liabilities	132.0	230.8
Total contingent liabilities	-	-
Joint ventures - not individually material (the figures represent 100%), see note 33		
Net profit/(loss) for the year	24.1	44.9
Reconciliation of carrying amount at 31 December		
Carrying amount of material joint ventures	49.1	39.5
Carrying amount of investments in joint ventures that are not individually material	28.6	23.2
Carrying amount at 31-12	**77.7**	**62.7**

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		14	**Inventories**		
			Raw materials and consumables		
1.9	1.8		Cost at 01-01	81.6	90.0
0.2	0.3		Additions	99.8	114.5
-0.3	-0.6		Disposals	-108.9	-122.9
1.8	1.5		Cost at 31-12	72.5	81.6
-	-		Adjustments at 01-01	-4.8	-10.8
-	-		Write-downs for the year	-5.7	-
-	-		Reversal of write-downs for the year	1.9	6.0
-	-		Adjustments at 31-12	-8.6	-4.8
1.8	**1.5**		**Carrying amount at 31-12**	**63.9**	**76.8**
-	-		Value of inventories recognised at net realisable value	-	-
			Properties held for resale		
132.4	173.2		Cost at 01-01	641.2	555.5
70.2	0.2		Additions	177.8	164.2
-29.4	-24.9		Disposals	-240.6	-78.5
173.2	148.5		Cost at 31-12	578.4	641.2
-	-		Adjustments at 01-01 and 31-12	-	-
173.2	**148.5**		**Carrying amount at 31-12**	**578.4**	**641.2**
			Mortgaged properties:		
-	-		Carrying amount	72.7	72.7
-	-		Year-end balance, loans	-	0.5
		15	**Receivables**		
15.4	20.5		Receivables falling due more than one year after the reporting date	20.5	17.6
			Receivables falling due more than one year after the reporting date relate primarily to rent deposits.		
12.3	16.4		The fair value of receivables is deemed to correspond to the carrying amount, apart from the above non-current receivables, the fair value of which represents approx. 80%.	16.4	14.1
			In the balance sheet at 31 December 2016, consolidated receivables were DKK 1,712.0 million (2015: DKK 1,603.6 million) (parent company DKK 1,300.2 million) (2015: DKK 1,160.9 million)). These include amounts that are subject to normal contract disputes. For further details, see note 24.		

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		16	**Interest-bearing liabilities**		
			Interest-bearing liabilities can be broken down by commitment type as follows:		
116.2	72.8		Bank loans, etc.	123.4	134.5
-	-		Lease commitments (assets held under finance leases)	110.9	90.9
116.2	**72.8**		**Carrying amount at 31-12**	**234.3**	**225.4**
			Interest-bearing liabilities are only denominated in DKK		
			Interest-bearing liabilities can be broken down by fixed and floating-rate debt as follows:		
6.8	6.8		Fixed-rate debt	121.2	95.5
109.4	66.0		Floating-rate debt	113.1	129.9
116.2	**72.8**		**Carrying amount at 31-12**	**234.3**	**225.4**
			Interest-bearing liabilities can be broken down by effective interest rate as follows:		
116.2	72.8		Less than 3%	167.1	225.4
-	-		Between 3% and 5%	67.2	-
-	-		More than 5%	-	-
116.2	**72.8**		**Carrying amount at 31-12**	**234.3**	**225.4**
2.0	2.0		Weighted average effective interest rate (%)	1.9	3.3
2.0	2.4		Weighted average remaining term (years)	4.2	4.3
			Interest-bearing liabilities are recognised in the balance sheet as follows:		
6.5	6.3		Non-current liabilities	122.5	100.4
109.7	66.5		Current liabilities	111.8	125.0
116.2	**72.8**		**Carrying amount at 31-12**	**234.3**	**225.4**
115.0	71.9		Fair value	228.4	225.1

Notes

PARENT COMPANY 2015	PARENT COMPANY 2016	Note	Amounts in DKK million	GROUP 2016	GROUP 2015
		17	**Provisions**		
			Breakdown of provisions by type:		
389.8	363.7		Provisions at 01-01	528.2	522.2
124.5	61.3		Provided in the year	97.2	195.1
-136.5	-81.8		Utilised during the year	-96.6	-153.0
-14.1	-47.5		Reversal of unutilised prior year provisions	-14.7	-36.1
363.7	295.7		Provisions at 31-12	514.1	528.2
-	-		Employee liabilities at 01-01	-	107.5
-	-		Settled on transfer to Tryg	-	-107.5
-	-		Employee liabilities at 31-12	-	-
363.7	**295.7**		**Carrying amount at 31-12**	**514.1**	**528.2**
			Provisions are recognised in the balance sheet as follows:		
203.9	83.2		Non-current provisions	94.8	212.3
159.8	212.5		Current provisions	419.3	315.9
363.7	**295.7**		**Carrying amount at 31-12**	**514.1**	**528.2**
			Expected maturity dates:		
159.8	212.5		Less than one year	419.3	315.9
40.8	16.6		Between one and two years	17.1	42.0
122.3	49.9		Between two and five years	61.0	129.5
40.8	16.7		More than five years	16.7	40.8
363.7	**295.7**		**Carrying amount at 31-12**	**514.1**	**528.2**

Provisions relate to claims in connection with concluded construction contracts and service contracts and covers guarantee obligations, disputes as well as provisions for the termination of Greenland Contractors' service contract.

Provisions maturing in less than one year include a provision for the termination of Greenland Contractors' service contract and for the Robin Rigg ruling from April 2014 related to grout.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		18	**Construction contracts in progress**		
3,186.1	4,258.6		Progress billings	8,987.7	7,913.4
-2,878.7	-3,995.7		Selling price of construction contracts	-8,535.7	-7,469.0
307.4	**262.9**		**Construction contracts in progress (net)**	**452.0**	**444.4**
			Construction contracts in progress are recognised in the balance sheet as follows:		
379.3	404.1		Current liabilities	687.6	575.4
-71.9	-141.2		Receivables	-235.6	-131.0
307.4	**262.9**		**Construction contracts in progress (net)**	**452.0**	**444.4**
73.1	147.7		Prepayments from customers included in progress billings	227.7	114.3
87.4	75.1		Payments withheld	79.3	98.9
		19	**Security arrangements**		
			Normal security in the form of bank guarantees and guarantee insurances has been provided for contracts and supplies.		
1,795.0	**2,089.0**		**Total**	**3,302.7**	**2,882.5**
			In addition, land and buildings have been lodged as security for bank loans, etc., see note 12.		

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		20	**Lease commitments**		
			Finance leases		
			Total future minimum lease payments:		
-	-		Due within one year	41.3	50.7
-	-		Due between one and five years	72.2	45.8
-	-		Due after more than five years	-	-
-	-		**Total**	**113.5**	**96.5**
			Carrying amount:		
-	-		Due within one year	39.4	47.7
-	-		Due between one and five years	71.5	43.2
-	-		Due after more than five years	-	-
-	-		**Total**	**110.9**	**90.9**
-	-		Finance costs	2.6	5.6
			Operating leases		
			Total future minimum lease payments:		
46.7	51.4		Due within one year	84.4	76.9
88.2	150.1		Due between one and five years	200.9	135.9
29.3	170.3		Due after more than five years	170.3	29.3
164.2	**371.8**		**Total**	**455.6**	**242.1**
49.5	53.7		Lease payments relating to operating leases recognised in the income statement	92.7	85.8

The Group’s finance and operating leases primarily relate to vehicles, operating equipment, IT and leased premises. The lease term for vehicles, operating equipment and IT is typically between two and five years with an option to extend the lease. The lease term for leased premises is up to 13 years. None of the leases features contingent rent.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015

21 **Contingent assets and contingent liabilities**

Indemnities

In accordance with normal practice, the parent company has issued indemnities in respect of a few subsidiaries, joint ventures and contracts entered into by subsidiaries. In management's opinion, these indemnities will not have a material negative impact on the Group's financial position.

Pending disputes and litigation

Due to the nature of its business, the Group is naturally involved in various disputes and legal and arbitration proceedings, including MgO board litigation, where legal practice is still awaiting clarification. In management's opinion, the overall outcome of the Group's disputes and legal and arbitration proceedings will not have a material negative impact on the Group's financial position.

With regard to the legacy offshore cases, final settlement of the warranty claims received is still pending, as is the expiry of the guarantee periods on the individual construction contracts, which run until 2021. The outcome of these can be difficult to assess and may deviate, both positively and negatively, from the Group's accounting estimates.

The final ruling in the appeal before the UK Supreme Court related to Robin Rigg grout is also pending, but the outcome will not have any further adverse impact on the Group's profit/(loss).

Joint taxation

MT Højgaard A/S has opted for joint international taxation with other companies in the MT Højgaard Group. As management company, MT Højgaard A/S has unlimited and joint and several liability with the other companies with respect to income taxes and withholding taxes on dividends, interest and royalties in the joint taxation group. At 31 December 2016, the total known net liability on payable income taxes and withholding taxes in the joint taxation group was nil. Any subsequent adjustments of joint taxation income and withholding taxes, etc., may result in the company's liability being higher.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		22	**Related parties**		

Joint control

Related parties with which the Group shares joint control comprise the 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 NASDAQ OMX Copenhagen.

MT Højgaard A/S is a jointly controlled entity under an agreement entered into between the shareholders.

Significant influence

Related parties with significant influence comprise the members of the company's Board of Directors and Executive Board.

Subsidiaries and joint ventures

The parent company's related parties also include subsidiaries and jointly controlled entities in which MT Højgaard A/S has control or significant influence. A list of consolidated enterprises is provided in note 35.

Related party transactions

All related party transactions during the year were entered into in the ordinary course of business and based on arm's length terms.

Related party transactions comprised:

2015	2016		2016	2015
114.3	255.4	Purchases of goods and services from subsidiaries	-	-
114.4	118.8	Sales of goods and services to subsidiaries	-	-
-	-	Purchases of goods and services from joint ventures	-	-
24.8	73.8	Sales of goods and services to joint ventures	73.8	24.8
-	-	Purchases of goods and services from shareholders	-	-
1.0	1.2	Sales of goods and services to shareholders	1.2	2.7
0.1	-	Balance with shareholders (- = debt)	-	2.2
-	-	Purchases of goods and services from the Board of Directors and the Executive Board	-	-
-	-	Sales of goods and services to the Board of Directors and the Executive Board	-	-
-	-	Balance with Board of Directors and Executive Board (- = debt)	-	-

Remuneration to the Board of Directors and the Executive Board as well as share option programmes are disclosed in note 6.

The parent company's interest income and interest expense relating to balances with subsidiaries are disclosed in notes 8 and 9.

The parent company's dividends from subsidiaries are disclosed in note 8.

The Group’s companies have opted for joint international taxation. In 2016, transfers of joint taxation contributions between the Danish companies were DKK 32.3 million (2015: DKK 13.6 million.)

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015

22 **Related parties (continued)**

Balances with subsidiaries and joint ventures at 31 December 2016 are disclosed in the balance sheet and relate primarily to the Group's cash pool agreement, business-related balances concerning purchases and sales of goods and services, and intragroup loans. The business-related balances are non-interest-bearing and are entered into on the same terms as apply to the parent company's other customers and suppliers. Interest on intragroup loans is charged at the Group's internal interest rate. Balances with subsidiaries and joint ventures were not written down in 2016 or 2015.

23 **Joint ventures**

Activities in progress:

Seth S.A.	60%	OPERATIO Lda.
OPP Vejle sygehus A/S	50%	DEAS
OPP Hobro Tinglysningsret A/S	33%	DnB, DEAS
OPP Randers P-hus A/S	33%	DnB, DEAS
OPP Vildbjerg Skole A/S	33%	DnB, DEAS
OPP Ørstedskolen A/S	33%	DnB, DEAS
OPS Frederikshavn Byskole A/S	50%	DEAS
OPS Skovbakkeskolen A/S	50%	DEAS
Driftselskabet OPP Slagelse sygehus A/S	50%	DEAS
Skanska-MTH Marieholms-bron HB	30%	Skanska
Skanska-MTH Hisingsbron HB	30%	Skanska
Bravida - MT Højgaard ApS	50%	Bravida

Completed activities. Will be terminated on expiry of the guarantee period:

Changuinola Civil Works JV	*	50%	(Estate of Pihl & Søn A/S)
Züblin - MTH JV, Navitas	*	50%	Züblin A/S
MT Hojgaard-Züblin JV	*	50%	Züblin A/S
Eidi 2 Sudur Konsortiet		50%	PF. J&K Contractors
Fe Camp Met Mast	*	56%	Eiffrage, Seatower

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

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015

24 **Financial risks**

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

The Group's most significant financial risks relate to loans, receivables and cash and cash equivalents as well as interest-bearing liabilities and trade payables.

The Group maintains an overview of the Group's currency positions and interest rate sensitivity with a view to mitigating currency risk and maintaining interest rate sensitivity at a low level.

Based on the Group's expectations concerning the future operations and the Group's current financial resources, no material liquidity risks have been identified. A cash pool agreement has been established for the parent company and most of the Group's subsidiaries.

Currency risks

Currency risks are managed centrally in the Group with a view to mitigating the effects of currency fluctuations. On projects, MT Højgaard strives to minimise risks by seeking to match income to expenditure so that they balance with respect to currency and by using forward exchange contracts. Changes in the value of derivative financial instruments are recognised in the income statement under production costs as they arise, as they do not qualify for hedge accounting.

Currency fluctuations do not have any material effect on the Group's foreign enterprises, as the individual consolidated enterprises settle both income and expenses in their functional currencies.

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.

The Group primarily uses forward exchange contracts to hedge contractual and budgeted cash flows. The amount recognised in the Group's income statement was an expense of DKK 0.8 million (2015: income of DKK 14.1 million). The amount recognised in the parent company income statement was income of DKK 0.8 million (2015: expense of DKK 0.5 million).

Open forward exchange contracts at 31 December 2016 had a remaining term of up to two months.

Consolidated revenue denominated in foreign currencies was DKK 0.1 billion in 2016 (2015: DKK 0.4 billion), predominantly in MVR.

Notes

PARENT COMPANY				GROUP	
		Note	Amounts in DKK million		
		24	**Financial risks (continued)**		
			The hypothetical effect on net profit/(loss) for the year and equity of reasonable, probable increases in exchange rates is shown below:		
Hypothetical effect on net profit/(loss) for the year and equity	Nominal position of cash and cash equivalents, receivables and financial liabilities			Nominal position of cash and cash equivalents, receivables and financial liabilities	Hypothetical effect on net profit/(loss) for the year and equity
0.4	52.0		EUR/DKK, probable increase in exchange rate 1%	52.0	0.4
0.2	2.2		USD/DKK, probable increase in exchange rate 10%	2.5	0.2
-0.1	-0.9		GBP/DKK, probable increase in exchange rate 10%	-0.8	-0.1
-1.8	-23.6		SEK/DKK, probable increase in exchange rate 10%	-23.6	-1.8
-	0.2		NOK/DKK, probable increase in exchange rate 10%	-	-
	29.9			**30.1**	

A decrease in the exchange rates would have a corresponding opposite effect on net profit/(loss) for the year and equity.

The sensitivity analysis was based on the financial instruments recognised at 31 December 2016 and an assumption of unchanged production/sales and price level.

Interest rate risks

The Group measures and manages interest rate risks on debt and deposits, which are determined and reviewed on a continuous basis. The Group has no material interest rate risks.

Interest rate risks relate mainly to cash/securities and interest-bearing liabilities.

At the end of 2016, cash amounted to DKK 167.3 million and was mainly placed on short-term, fixed-term deposit and escrow accounts.

The Group's interest-bearing liabilities were DKK 234.3 million at the end of 2016, with short-term borrowings accounting for 48%. The average weighted remaining maturity of the Group’s interest-bearing debt was 4.2 years, and the weighted average effective interest rate was 1.9%. Fixed-rate debt accounted for 52% of the Group’s interest-bearing debt.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		24	**Financial risks (continued)**		
			Changes in fair value: All other conditions being equal, the hypothetical effect on consolidated net profit (/loss) for the year and equity at 31 December 2016 of a one percentage point increase in relation to the interest rate level at the reporting date would have been nil (2015: nil). A one percentage point decrease in the interest rate level would have had a corresponding opposite effect.		
			Changes in cash flows: All other conditions being equal, the hypothetical effect of a one percentage point increase in relation to the interest rate level realised for the year on the Group's floating-rate cash/securities and debt would have been a DKK 0.2 million increase in consolidated net profit/(loss) for the year and equity at 31 December 2016 (2015: DKK 1.6 million). A one percentage point decrease in the interest rate level would have had a corresponding opposite effect.		
			Credit risks		
			Credit risks are generally managed by regular credit rating of customers and business partners. The Group has no material risks relating to a single customer or business partner. For further details, see the Financial review.		
			The credit risk exposure relating to dealings with counterparties other than banks is estimated to be limited, as the Group requests security in the form of bank guarantees and guarantee insurance or similar to a considerable extent when entering into contracts with private sector clients. Political credit risks on international projects are hedged through export credit insurance based on individual assessment.		
			Write-downs for bad and doubtful debts are consequently negligible and are due to compulsory winding-up or expected compulsory winding-up of customers.		
			Write-downs recognised in receivables developed as follows:		
5.5	4.4		Carrying amount at 01-01	29.3	33.0
0.3	-		Provided in the year	3.3	8.4
-1.4	-3.1		Utilised during the year	-4.0	-12.0
-	-		Reversal of unutilised prior year provisions	-0.2	-0.1
4.4	**1.3**		**Carrying amount at 31-12**	**28.4**	**29.3**
4.4	-		Nominal value of written-down receivables	10.4	104.6
132.2	107.7		Receivables that were past due by more than 90 days at 31 December but not impaired	331.2	281.1
170.0	63.4		Collateral received as security for receivables (fair value)	63.5	170.2

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		24	**Financial risks (continued)**		
			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.		
			At the end of 2016, the Group's financial resources were DKK 544 million, consisting of cash and cash equivalents of DKK 101 million and undrawn credit facilities of DKK 443 million. Of the total financial resources, DKK 451 million is available to MT Højgaard A/S.		
			Of the Group's facilities, DKK 80 million is subject to financial covenants related to equity ratio and earnings. All covenants were complied with in 2016.		
			Financial liabilities can be broken down as follows:		
116.2	72.8		Interest-bearing liabilities	234.3	225.4
382.6	528.0		Trade payables	837.6	809.6
0.8	1.6		Derivative financial liabilities	1.6	0.8
499.6	**602.4**		**Total carrying amount**	**1,073.5**	**1,035.8**
			Maturity profile for financial liabilities:		
492.3	594.5		Less than one year	949.4	934.6
0.4	0.6		Between one and two years	30.0	33.8
1.1	1.1		Between two and five years	68.4	35.8
5.0	4.6		More than five years	24.1	30.8
498.8	**600.8**		**Total contractual cash flows**	**1,071.9**	**1,035.0**
			Maturity profile for derivative financial liabilities:		
0.8	1.6		Less than one year	1.6	0.8
-	-		Between one and two years	-	-
-	-		Between two and five years	-	-
-	-		More than five years	-	-
0.8	**1.6**		**Total contractual cash flows**	**1.6**	**0.8**

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		24	**Financial risks (continued)**		
			Categories of financial instruments		
			Carrying amount by category:		
-	-		Financial assets measured at fair value through profit or loss	-	-
1,175.6	1,159.9		Loans, receivables and cash and cash equivalents	1,615.3	1,659.3
0.8	1.6		Financial liabilities measured at fair value through profit or loss (Level 2)	1.6	0.8
1,120.3	1,075.5		Financial liabilities measured at amortised cost	1,490.2	1,497.3

Fair value hierarchy for financial instruments measured at fair value in the balance sheet

The Group’s derivative financial instruments are valued on the basis of recognised valuation methods in the form of discount models and observable market data such as interest rate curves and exchange rates.

It is the Group’s policy to recognise transfers between the various categories from the date on which an event or a change in circumstances results in a change of classification. No transfers were made between levels in 2016.

25 Capital management and share capital

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 complies with current regulations and is aligned to the business concept and the activity level. According to the Group’s internal policy, as a rule equity must cover total non-current assets and provide an equity ratio of 30-35%. The equity ratio was 25.7% at 31 December 2016, compared with 26.7% at the end of 2015.

At 31 December 2016, MT Højgaard A/S's share capital amounted to DKK 520 million, which is fully paid up. The share capital is divided into shares of DKK 1,000. No shares carry special rights. Dividends paid in 2016 amounted to nil per share.

Notes

Note

26 **New International Financial Reporting Standards and IFRIC Interpretations**

The IASB has issued a number of standards and interpretations that are not mandatory for MT Højgaard A/S at the time of the publication of the Group's annual report for 2016.

The new standards and interpretations are expected to be implemented as they become mandatory for MT Højgaard A/S. The analysis of the expected effect of the implementation of IFRS 9, IFRS 15 and IFRS 16 has yet to be completed, see below.

IFRS 9 'Financial Instruments', which replaces IAS 39, changes the classification and resulting measurement of financial assets and liabilities. Changes in the fair value of financial liabilities that relate to the fair value and are attributable to a change in own credit risk must be recognised in other comprehensive income. At the same time, simpler provisions on hedge accounting are introduced, and a new model for writing down loans and receivables. This may have an effect on the financial statements, as IFRS 9 requires expected credit losses to be recognised on initial recognition instead of, as now, on indication of impairment. This is not expected to have any material impact on the Group. IFRS 9 is effective for financial years beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers' replaces the existing revenue standards (IAS 11 and IAS 18) and interpretations and is effective for financial years beginning on or after 1 January 2018. The standard introduces a new five-step model for recognition and measurement of revenue. In future, revenue must be recognised on the transfer of control to the counterparty as opposed to on the transfer of risks and rewards. Revenue must be recognised as the company satisfies its performance obligations to the counterparty. Performance obligations must be recognised over time or at a point in time. The Group has decided to use the 'modified' retrospective transition option whereby the change is recognised at 1 January 2018, and any effect will be recognised in equity with no restatement of comparative figures. Management has commenced an in-depth analysis of the effect of the new standard on the Group. Depending on the circumstances, the timing of revenue recognition could change in the case of residential projects that are sold before they are built and extra work or claims. In addition, the new requirements concerning estimates and judgements of variable consideration and identification of components, etc., could affect the timing of recognition and/or the amount recognised as some types of variable consideration and any bonus income will be recognised later in future. However, based on work in progress and historical projects, it is deemed that the effect will be minimal. The general assessment, based on the analysis performed, is that the effect on recognition and measurement will be insignificant in view of the current project mix and contract types.

IFRS 16 'Leases' was issued in mid-January 2016. This standard, which is effective for financial years beginning on or after 1 January 2019, considerably changes the accounting treatment of operating leases. The standard stipulates that all leases — with a few exceptions — regardless of type, must be recognised in the lessee's balance sheet as an asset with an associated lease liability. This will also affect the lessee's income statement, as the lease expense will be made up of two components in future — depreciation and interest expense — unlike the current practice, where the lease expense is recognised as a one-line item under operating expenses. In addition, the Group's statement of cash flows will be affected as the operating lease payments that are currently recognised in cash flows from operating activities will be presented as financing activities in future. The Group has yet to carry out a final analysis of the significance of the new standard to the Group. However, it is deemed that it will have some effect, as the Group is expected to have operating leases with minimum lease obligations of around DKK 500 million in future, corresponding to approximately 14% of the balance sheet total, which are potentially to be recognised in the balance sheet.

27 **Events after the reporting date**

So far as management is aware, no events have occurred between 31 December 2016 and the date of signing of the annual report that will have a material effect on the assessment of the Group's financial position at 31 December 2015, other than the effects recognised and referred to in the annual report.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		28	**Adjustments in respect of non-cash operating items, etc.**		
15.7	20.6		Depreciation and amortisation of intangible assets and property, plant and equipment	108.3	114.7
-7.6	-2.0		Other adjustments	54.4	-3.0
8.1	**18.6**		**Total**	**162.7**	**111.7**
		29	**Purchase of property, plant and equipment**		
-5.0	-45.2		Purchase of property, plant and equipment, including assets held under finance leases	-174.8	-137.2
-	-		Portion relating to assets held under finance leases	27.1	-
-5.0	**-45.2**		**Total**	**-147.7**	**-137.2**
		30	**Increase in non-current bank loans, etc.**		
-	-		Increase in bank loans, etc., including lease commitments	27.1	-
-	-		Portion relating to lease commitments	-27.1	-
-	**-**		**Total**	**-**	**-**
		31	**Cash and cash equivalents**		
			Cash and cash equivalents at 31-12 can be broken down as follows:		
50.0	2.2		Distributable cash	73.7	105.5
-	-		Cash and cash equivalents that are not available to the whole Group	93.6	69.5
50.0	**2.2**		**Cash and cash equivalents**	**167.3**	**175.0**
-109.4	-65.9		Current portion of bank loans, etc.	-65.9	-73.0
-59.4	**-63.7**		**Total cash and cash equivalents**	**101.4**	**102.0**

Cash and cash equivalents that are not available to the whole Group comprise cash in jointly controlled entities and joint ventures, which, as a rule, is only available to these entities and joint ventures.

Notes

PARENT COMPANY				GROUP	
2015	2016	Note	Amounts in DKK million	2016	2015
		32	**Acquisition and disposal of enterprises and activities**		
			Acquisition of enterprises and activities		
-	-		Property, plant and equipment	-	0.6
-	-		Inventories	-	2.6
-	-		Receivables	-	0.3
-	-		Current liabilities	-	-0.5
-	-		**Acquired identifiable net assets**	**-**	**3.0**
-	-		Goodwill	-	4.8
-	-		**Cash purchase consideration**	**-**	**7.8**
-	-		Cash and cash equivalents in acquirees	-	-
-	-		**Cash purchase consideration, net**	**-**	**7.8**

Notes

33 **Company overview**

Companies		Registered office	Owner-ship interest		Capital '000
MT Højgaard A/S					
Ajos A/S		Hvidovre DK	100.00	DKK	1,000
Enemærke & Petersen A/S		Ringsted DK	100.00	DKK	5,000
Ringsted Entreprenørforretning ApS		Ringsted DK	100.00	DKK	200
Greenland Contractors I/S		Cph DK	66.67	DKK	-
Lindpro A/S		Glostrup DK	100.00	DKK	25,000
Arssarnerit A/S		Greenland DK	100.00	DKK	2,000
MT (UK) Ltd.		England GB	100.00	GBP	25
MT Atlantic Inc.		USA US	100.00	USD	10
MT Højgaard Føroyar P/F		Faroe Islands DK	100.00	DKK	2,800
MT Hojgaard (GIB) Ltd.		Gibraltar GB	100.00	GBP	2
MTH Qatar LCC	(1)	Qatar QA	49.00	QAR	200
MT Højgaard Grønland ApS		Greenland DK	100.00	DKK	200
MT Højgaard Norge A/S		Norway NO	100.00	NOK	500
MTHI A/S		Søborg DK	100.00	DKK	5,000
MT Höjgaard Iceland ehf		Iceland IS	100.00	ISK	500
MTH Maldiverne Ltd		Maldiv. MV	100.00	MVR	2
MT Hojgaard Vietnam Company Limited		Vietnam VN	100.00	USD	50
AC Meyers Vænge, København ApS		Cph DK	100.00	DKK	60
Birkekær/Teglvænget, Roskilde ApS		Roskilde DK	100.00	DKK	55
Horsensvej, Vejle APS		Vejle DK	100.00	DKK	51
Høje Taastrup Boulevard, Høje Taastrup ApS		Taastrup DK	100.00	DKK	55
Nivåvej, Nivå ApS		Nivå DK	100.00	DKK	60
Nordre Mellemvej, Roskilde Aps		Roskilde DK	100.00	DKK	55
Sjællandsbroen, København ApS		Cph DK	100.00	DKK	60
Strandvejen, Korsør ApS		Korsør DK	100.00	DKK	52
Sjællandsbroen Erhverv ApS		Søborg DK	100.00	DKK	51
Solrækkerne ApS		Søborg DK	100.00	DKK	50
Vestervænget, Høje Taastrup ApS		Søborg DK	100.00	DKK	50
Projekt 5 ApS		Søborg DK	100.00	DKK	50
Projekt 6 ApS		Søborg DK	100.00	DKK	50
Projekt 7 ApS		Søborg DK	100.00	DKK	50
Projekt 8 ApS		Søborg DK	100.00	DKK	50
Projekt 9 ApS		Søborg DK	100.00	DKK	50
Projekt 10 ApS		Søborg DK	100.00	DKK	50
Projekt 11 ApS		Søborg DK	100.00	DKK	50
Projekt 12 ApS		Søborg DK	100.00	DKK	50
Projekt 13 ApS		Søborg DK	100.00	DKK	50
Projekt 14 ApS		Søborg DK	100.00	DKK	50
Scandi Byg A/S		Løgstør DK	100.00	DKK	5,000

Notes

33 **Company overview (continued)**

Companies		Registered office	Owner-ship interest		Capital '000
OPP Vejle sygehus A/S	(J)	Fr.berg DK	50.00	DKK	500
OPP Hobro Tinglysningsret A/S	(J)	Fr.berg DK	33.33	DKK	700
OPP Randers P-hus A/S	(J)	Fr.berg DK	33.33	DKK	4,410
OPP Vildbjerg Skole A/S	(J)	Fr.berg DK	33.33	DKK	1,224
OPP Ørstedskolen A/S	(J)	Fr.berg DK	33.33	DKK	2,400
OPS Frederikshavn Byskole A/S	(J)	Fr.berg DK	50.00	DKK	2,000
OPS Skovbakkeskolen A/S	(J)	Fr.berg DK	50.00	DKK	500
Driftselskabet OPP Slagelse sygehus A/S	(J)	Fr.berg DK	50.00	DKK	500
Soc. De Empreitadas e Trabalhos Hidráulicos, S.A. (Seth)	(J)	Portugal PT	60.00	EUR	4,000
Skanska-MTH Marieholmsbron HB	(J)	Sweden SE	30.00	SEK	0
Skanska-MTH Hisingsbron HB	(J)	Sweden SE	30.00	SEK	0
Bravida MT Højgaard ApS	(J)	Brøndby DK	50.00	DKK	50

(J) Joint venture

(1) The company is fully consolidated on the basis of a shareholders' agreement that gives MT Højgaard A/S control of and the right to the financial return from the company's activities.

For joint ventures not in corporate form, reference is made to note 23

Consolidated financial highlights – EUR

Amounts in EUR million	2012	2013	2014	2015	2016
Income statement					
Revenue	1,305	1,004	939	879	914
Gross profit	24	66	83	104	68
Operating profit/(loss) before special items	-36	14	28	47	10
Special items	-23	17	-55	-	-
EBIT	-59	32	-27	47	10
Profit/(loss) before tax	-60	28	-25	50	10
Net profit/(loss) for the year	-60	14	-34	39	1
Cash flows					
Cash flows from operating activities	-9	15	59	-7	27
Purchase of property, plant and equipment	*-9*	*-17*	*-14*	*-19*	*-20*
Other investments, incl. investments in securities	*7*	*14*	*9*	*0*	*0*
Cash flows from investing activities	-2	-3	-5	-19	-20
Cash flows from operating and investing activities	-11	12	54	-26	7
Balance sheet					
Non-current assets	167	143	138	148	154
Current assets	429	397	352	336	339
Equity	111	159	111	134	130
Non-current liabilities	55	69	58	43	31
Current liabilities	429	312	322	306	332
Balance sheet total	595	540	490	483	493
Other information					
Order intake	940	1,190	793	1,014	1,065
Order book, year end	829	1,015	869	1,004	1,156
Working capital	-23	5	-62	-15	-21
Net interest-bearing deposit/debt (+/-)	-22	20	52	-7	-9
Average invested capital incl. goodwill	118	74	66	89	126
Average number of employees	4,753	4,057	3,846	3,965	4,207
Financial ratios					
Gross margin (%)	1.9	6.6	8.9	11.8	7.4
Operating margin before special items (%)	-2.8	1.4	3.0	5.4	1.1
EBIT margin (%)	-4.6	3.1	-2.9	5.4	1.1
Pre-tax margin (%)	-4.6	2.8	-2.7	5.7	1.1
Return on invested capital incl. goodwill (ROIC) (%)	-30.3	20.4	44.7	55.0	9.4
Return on invested capital incl. goodwill after tax (%)	-22.1	15.3	34.9	43.0	7.3
Return on equity (ROE) (%)	-53.5	9.0	-35.7	21.3	-1.3
Equity ratio (%)	18.7	29.4	20.9	26.7	25.7

Financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios 2015' published by the Danish Finance Society. Financial ratios are defined in the 2016 annual report. Working capital excludes properties held for resale.

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

The consolidated financial highlights in EUR are supplementary information to the financial statements. Items in the income statement, the balance sheet and the statement of cash flows for all the years have been translated from DKK into EUR using Danmarks Nationalbank's official exchange rate at 31 December 2016 of 7.434.

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