Højgaard Holding a|s

Copenhagen Stock Exchange A/S
Nikolaj Plads 6
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BLO/HVI

Annual Report 2006 - MT Højgaard a/s

Enclosed please find MT Højgaard a/s' Annual Report 2006, which is hereby published. Højgaard Holding a/s holds an ownership interest of 54 % in MT Højgaard a/s.

Yours faithfully
Højgaard Holding a|s

Berit Lovring
CEO

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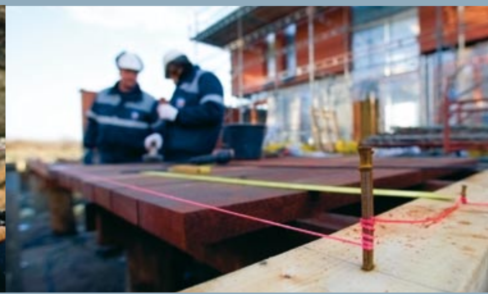
This statement has been translated from the Danish language, and in the event of any discrepancies between the Danish and English language versions, the Danish language version is the governing text.

ANNUAL REPORT 06



MTHøjgaard

WE KNOW HOW

Summary

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

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

Outlook for 2007

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

Denmark's leading building and construction company

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

We were founded at the beginning of the previous century by four enterprising entrepreneurs. Even back then, we were ahead of the field, both in what we built and where we built it.

Today, we are still developing some of the industry's most efficient construction techniques and methods. We are developing new working processes, forms of collaboration and better ways of creating value – for our customers and the many people that move in, above and below the structures that we build. Because we have a wealth of experience and boast almost every single skill in the industry, we can undertake any building and civil works project. That is why we are able to say: We know how. It is our ambition to do such a good job that we are recognised as Denmark's leading building and construction company. To be known for listening, adding value and creating individual solutions, so that we are consulted from the very start of a project in complete confidence that the final result will come up to everyone's expectations.

You can read more about our organisation and competencies on mth.dk.

Vision
Denmark's leading building and construction company

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

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

Contents

Consolidated financial highlights

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

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

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

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

Preface

2006 was an eventful year for MT Højgaard, in many ways.

We started out with a good result in the first quarter and expectations that 2006 could be the break-through year in relation to our financial targets.

Unfortunately, events turned out differently. Towards the middle of 2006 we seriously began to feel the effects of the overheated construction market, primarily on a few large residential and refurbishment projects in Copenhagen, with increasing prices for materials, supply problems, problems with trade contractors, etc. A very demanding and difficult situation for MT Højgaard, with the unfortunate consequence that, in the fourth quarter, we had to adjust our profit outlook for 2006 downwards to profit in the region of DKK 50 million before tax.

We have now met these expectations, with full-year pre-tax profit of DKK 51 million, which can only be described as disappointing based on the record revenue of DKK 11 billion.

We have, however, learnt from 2006, and we have put various measures in place that are intended to prevent the recurrence of a similar situation. For example, we have been critically analysing, area by area, the project opportunities and initiatives that will be required to ensure, first and foremost, that earnings reach the targeted level.

MT Højgaard is a company with significant potential. In 2006, we saw many positive signs that the development is also moving in the right direction. The earnings performance for both subsidiaries and business units has been significantly positive and in accordance with the strategy plans.

We opened four new offices in 2006, so that we now have offices in 17 locations in Denmark. This is in accordance with our strategy to be countrywide and local, and we have been incredibly well received in the locations in which we have opened new offices. That applies to both customers that would like to collaborate with us and potential employees.

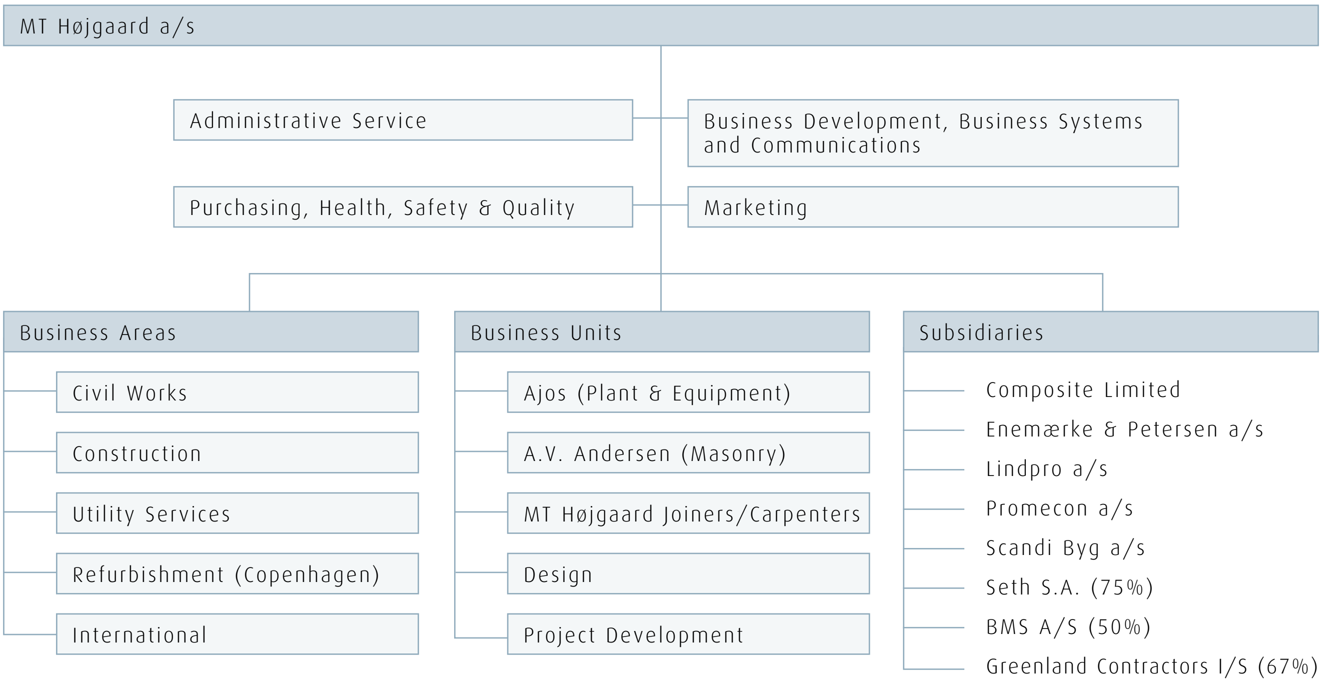
At the start of the year we introduced the Housing Concept, which was met with much approval. The Housing Concept represents innovative thinking, and we are delighted that both customers and employees can see the idea behind the concept. We are exploring the possibilities for developing other concepts as a means of meeting our customers' needs.

In 2006, we developed our organisation so that the structure is now completely unambiguous, with countrywide construction, civil works and utility services activities. We are convinced that we can develop MT Højgaard from this platform, delivering satisfactory financial results in the years ahead.

Most important of all, in MT Højgaard we have employees that display commitment and enthusiasm. On balance, I consequently believe that there are grounds for being optimistic in relation to achieving the strategic earnings targets we have set ourselves.

Kristian May
President and CEO

Group diagram



The MT Højgaard Group undertakes all forms of contracting work and operates in a number of specialist areas nationally and internationally.

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

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

The Group's development

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

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

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

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

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

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

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

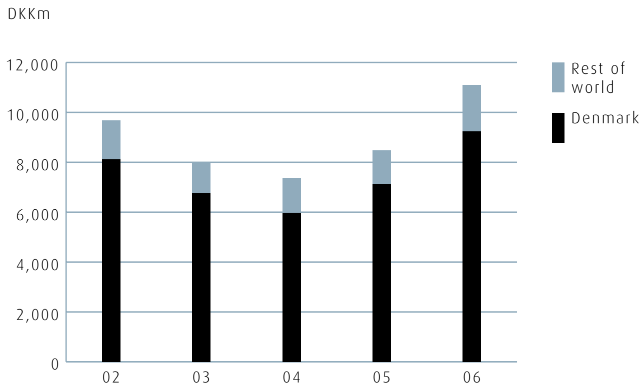
Income statement

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

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

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

REVENUE



from 1.6% in 2005, as a result of the revenue growth and the decline in profit.

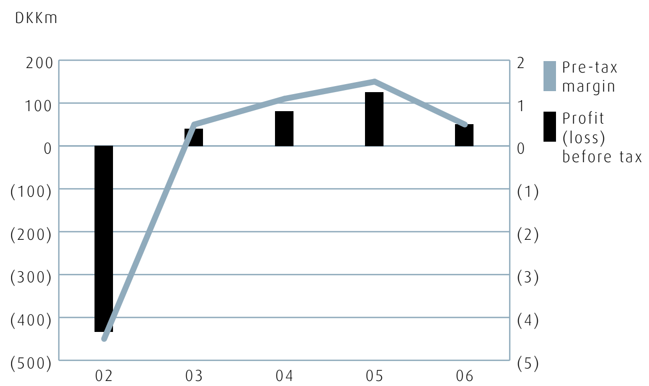
The share of the results of associates contributed DKK 0 million compared with DKK (3) million in 2005.

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

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

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

PROFIT (LOSS) BEFORE TAX AND PRE-TAX MARGIN



Group's deferred net tax asset amounted to DKK 215 million at the end of 2006 compared with DKK 130 million in 2005.

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

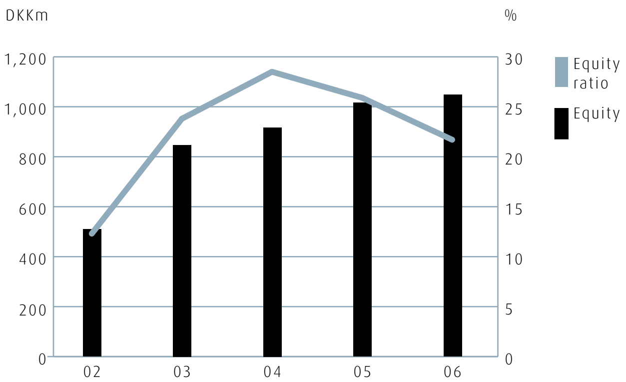
On the Buxton project, there are no changes to report in relation to what was stated in the 2005 annual report. The claims for extra payments advanced by MT Højgaard are the subject of arbitration. In accordance with the company's policy, no income has been recognised in the financial statements in this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

Balance sheet

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

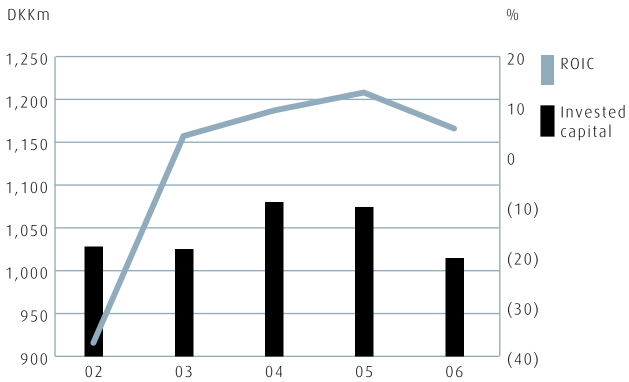
Equity including minority interests increased by DKK 32 million, standing at DKK 1,048 million at the end of 2006, corresponding to an equity ratio of 22% versus 26% in 2005. Besides profit for the year, equity was affected by a dividend of DKK 5 million to minority shareholders.

EQUITY AND EQUITY RATIO



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

INVESTED CAPITAL AND ROIC



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

Cash flows and financial resources

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

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

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

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

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

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

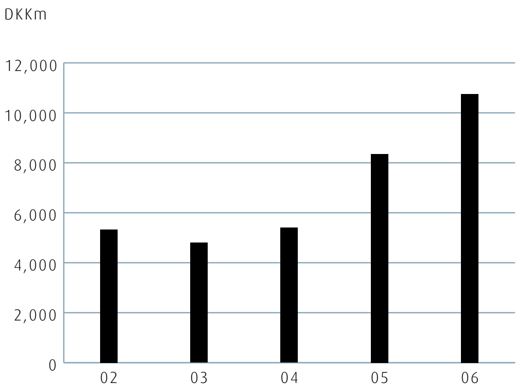
Order book

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

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

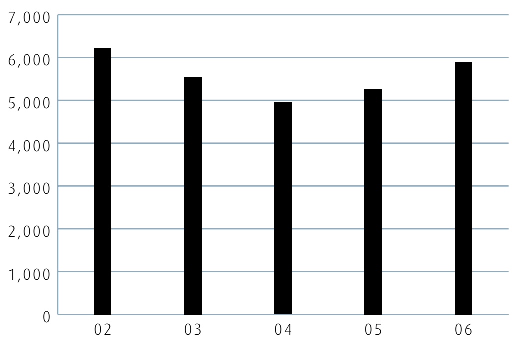
The order book corresponds to on average about 12 months' production based on the outlook concerning the level of activity in 2007. The order book includes a number of large orders extending over several years.

ORDER BOOK



Employees

AVERAGE NUMBER OF EMPLOYEES



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

Acquisition and disposal of enterprises

In March 2006, MT Højgaard strengthened its position in the concrete renovation market in East Denmark by acquiring the activities of Otto Christensen & Kaj Sørensen, including its staff of 47.

As part of the restructuring of the Group, the operations of the subsidiary Marius Hansen Facader a/s were sold to Facade Systemer A/S in Viborg in October 2006. Marius Hansen Facader's 60 employees were transferred to the buyer.

The acquisition and disposal of these operations were in line with MT Højgaard's strategy and did not have any significant effect on the Group's revenue and profit for 2006.

Knowledge resources

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

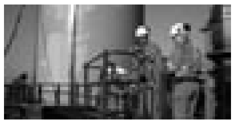
Skills development and knowledge sharing

MT Højgaard is a knowledge-intensive enterprise, and the key to the Group's continued development is therefore the employees with their skills and motivation.

Recruitment, skills development and initiatives to retain employees are consequently areas that are given high priority in MT Højgaard.

In 2006, the spotlight was on management development and training. This included the preparation of information material for existing and future managers on the conduct that is essential for managers in MT Højgaard, and leadership is a key element of the newly developed "Basic course for new managers".

A new employee appraisal system, featuring mutual evaluation of employees and managers, was also put in place in 2006. The employees are judged on their professional and personal skills, and the managers on their leadership abilities. MT Højgaard participates in a management development programme with seven other large Danish companies in collaboration with a professional course provider. The programme



centres on leadership and specific action plans, and the participating companies exchange leadership experience to mutual benefit.

MT Højgaard also has an in-house project manager programme for development of project managers and other project employees, along with various employee training courses that are also adapted to eLearning so that they can be completed as self-study courses. The programme includes the mandatory induction course for salaried employees, ”Welcome to MT Højgaard”. From 2007, an induction course for hourly paid staff will also be introduced.

Recruitment and retention of employees is a major challenge for the construction industry these days. MT Højgaard offers young engineers and construction designers a rotation scheme, giving them the opportunity to gain an insight into many different professional areas over a period of about 3.5 years. Newly qualified engineers and construction designers can choose between two schemes - the targeted rotation scheme and the exploratory rotation scheme. In both schemes, the young graduates move between several departments in MT Højgaard. The targeted rota scheme is for new graduates that are clear about their interests. The exploratory scheme gives young graduates an opportunity to find out which areas are of particular interest to them with a view to later specialisation.

In order to ensure sufficient manpower in future, MT Højgaard has established a knowledge centre for foreign labour. The purpose is to attract tradesmen, project managers and trade contractors from abroad. MT Højgaard has good experience of using tradesmen from Germany and Poland, in particular. The knowledge centre offers assistance with all practical aspects related to insourcing of foreign labour. MT Højgaard expects to increase its recruitment of foreign labour in the years ahead and to step up its collaboration with foreign trade contractors.

Work is continuously in progress on knowledge sharing, and all information has been gathered in MT Højgaard’s knowledge system. Here employees can obtain information about different aspects of the building process at any time – from the latest news about occupational health and safety regulations and quality assurance to information about collaboration with clients, authorities and colleagues.

Development of products and methods

MT Højgaard continuously strives to develop new processes and forms of collaboration, both those that are directly aimed at clients, consultants and end users, and those that relate to optimisation of our building processes.

Against the background of an extensive survey of the lifestyles and housing requirements and wishes of different types of Danes, MT Højgaard developed and marketed ”the Housing Concept” in 2006, which comprises three concept models within residential construction that are tailored to the needs of the various target groups.

The concept, which comprises the basic models BasisBo, NærBo and IdealBo, is based on experience from earlier building projects, and production has thus been optimised to ensure profitable and efficient execution. A more detailed description of the concept is given on the website ”boligkonceptet.dk”.

Partnering is a form of collaboration in which the partners: client, contractor and consultants, work together on a building project by adopting common objectives and common incentives. With this form of collaboration the best results are achieved if the partnering collaboration is initiated before start-up of the project. Partnering offers the advantage that all relevant competencies are present during the project definition phase. At this stage, the partners involved, including the contractor’s competencies, can be exploited to the full for the purpose of establishing clear-cut guidelines in all phases and optimising planning, constructability and the use of resources. The concept is conducive to countering and handling potential conflicts in the collaboration. Experience shows that building projects conducted as partnering are more effective, in terms of both time and money. MT Højgaard has set up the website ”partnerskab.dk”, which describes how it is possible to collaborate with MT Højgaard on a partnering basis.

Learning supply teams are a variation on the partnering concept, where the partnership is between MT Højgaard and the suppliers. Agreeing on regular collaboration over a lengthy period of time provides scope for developing and enhancing the procedures associated with supplies. For the learning supply teams the aim is to create a collective experience and thus achieve a more flexible process and greater efficiency.

The TrimBuild® production concept is a process management tool that creates a more efficient and seamless building process. In a joint rolling planning scheme, the system coordinates activities between the players on the building site, allowing for efficient responses to any deviations from a planned course of action. Experience shows that TrimBuild is instrumental in reducing the number of errors, increasing safety at the building site and creating a more efficient and flexible building process.

Public Private Partnership (PPP) is a collaboration model for handling public sector projects that require long-term investments. The gist of

the concept is, based on an overall financial assessment, to offer design, financing, building, operation, maintenance and services over a lengthy period as one project. MT Højgaard has completed the first PPP contract in Denmark in collaboration with Dan-Ejendomme and the Norwegian/German Bank DnB NORD. The joint venture completed the construction of Vildbjerg School in the Municipality of Trehøje in 2006. The contract includes operation and maintenance of the school for 30 years.

Environmental issues

MT Højgaard is aware of its responsibility in relation to the external environment, and takes environmental considerations into account in connection with all its activities.

Compliance with current legislation and other environmental requirements forms the basis for the environmental action that is designed to ensure that activities are carried out in such a way that the environmental impact is minimised as much as is technically and financially feasible.

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

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

On the health and safety front, MT Højgaard wishes to promote a corporate culture that focuses on employee health and safety and on avoiding occupational accidents. MT Højgaard has gained health and safety accreditation. This implies a duty to continuously focus on health and safety and on achieving improvements in this area. MT Højgaard strives to continually improve health and safety at the individual workplace by means of information, instruction, risk assessment and inspection visits to the individual workplaces, coupled with investigation of occupational accidents and assessment of near-misses. As a result of this action, the number of accidents resulting in long-term absence has fallen, although the target of reducing the accident frequency rate, i.e. the number of occupational accidents per one million hours worked, to 35 has yet to be met. In 2006, the accident frequency rate was 40.7 compared with 42.9 in 2005. Besides the overall target, the action plan for the current year features sub-targets relating to attitude-shaping as far as concerns the health and safety culture.

Organisation

In mid-2006, MT Højgaard restructured the Contracting business so that, overall, the business areas are based on competencies and are countrywide, although Refurbishment in Greater Copenhagen has been retained as a separate business area. The purpose is to underpin the strategy of profitable growth by strengthening the regional focus and optimising the exploitation of competencies and resources.

At the same time, the masonry and joinery/carpentry activities have been spun off from Refurbishment in Greater Copenhagen, so that they are now separate business units. The Housing Concept, which has so far been a business unit, is now part of business area Construction.

Strategic platform

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

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

The main elements of the strategy are as follows:

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

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

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

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

Corporate Governance

In 2005, the Copenhagen Stock Exchange Committee on Corporate Governance adopted revised recommendations, which listed companies must take a position on in their annual reports from and including 2006 based on the "comply-or-explain" principle, in accordance with Disclosure obligations for issuers of shares listed on the Copenhagen Stock Exchange (Section 36).

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

The future

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

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

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

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

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

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

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

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

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

The projections concerning future financial performance are subject to uncertainties and risks that may cause the performance to differ from the projections expressed in this report.

The segments

The MT Højgaard Group's primary format for reporting segment information, as can be seen from the financial statements, follows the overall internal business organisation of the activities on 1 July 2006, cf. the group diagram on page 3, and comprises the Contracting business, Other activities (subsidiaries) and Corporate functions, etc.

The Contracting business

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

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

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

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

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

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

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

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

Civil Works activities

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

Civil Works

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

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

The firm of Otto Christensen & Kaj Sørensen, which became part of Civil Works in 2006, won the Danish Concrete Association's Concrete Prize 2006 in recognition of its long-standing contribution in the field of concrete repairs at a high professional level.

Civil Works signed a contract with a foreign partner specialising in space-saving parking systems based on an automated lift system, where cars are parked without the driver's assistance.

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

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

Projects in Civil Works

Concert hall, Danish Broadcasting Corporation, Ørestaden – 26,000 m^2, seating 1,800. Large parts of the project were designed in parallel with construction, making extensive demands on applied engineering, engineering knowledge and collaboration

Road widening, Danish Road Directorate, Motorring 3 motorway ring road and Køge Bugt motorway – Widening of Motorring 3 by one lane in each direction on the section between Klausdalsbrovej and Jægersborg Allé. Widening of Køge Bugt motorway to eight and ten lanes and various bridge works. Both projects are being carried out in collaboration with MJ Eriksson

District heating tunnel, Copenhagen Energy, Copenhagen – 4 km long tunnel with a diameter of 4.2 m at a depth of 35 m from Amager Power Station via Ny Adelgade to Fredens Plads. In 2006, three shafts were sunk, and drilling from Amager under the Port of Copenhagen towards Ny Adelgade commenced. The project is being carried out in joint venture with the German contracting firm of Hochtief AG

Motorway, Danish Road Directorate, Århus – Phase involving a new 4-lane motorway from Søften to Skødstrup north-west of Århus

Quay facility, Port of Århus – Enlargement of Port of Århus with establishment of new quay facility. The marine works department is currently working on various contracts at Ensted Power Station and the Port of Esbjerg

Bridge work, Rail Net Denmark, Oslo Plads, Copenhagen – Insulation of bridge and establishment of new, broad pavements and platforms on either side of the bridge for use by buses

Refurbishment of Christiansborg Palace Tower, Palaces and Properties Agency – Extensive refurbishment of the palace tower, which is built in copper-clad concrete. The tower has 11 storeys. Lindpro is assisting in the rewiring and renewal of the electrical installations

Overflow basin, Copenhagen Energy, Skt. Annæ Plads – 8,000 m^3 overflow basin for safeguarding the water quality in the Port of Copenhagen

Utility Services

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

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

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

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

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

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

Projects in Utility Services

Copenhagen Energy's electricity activities (now DONG Energy) – Power supply work in connection with the new districts of Ørestaden, Sluseholmen and Havneholmen, and supply cable for the new playhouse in Copenhagen

Frederiksberg Forsyning (now DONG Energy) – A number of small projects within district heat, gas, water, drainage and electricity

SEAS-NVE – Underground installation of about 200 km of high-voltage, low-voltage and optical fibre networks in several small towns in South Zealand and various fibre links. The work has been completed in eight towns, and work is progressing in a similar number of towns

NESA (now DONG Energy) – Establishment of about 200 km of high-voltage, low-voltage and optical fibre networks in large towns in NESA's supply area and dismantling of the old supply network and refurbishment of transformer stations

International

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

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

Projects in International

Shopping centre, Tórshavn, Faroe Islands – This project comprised modification and refurbishment of a shopping centre, which remained in operation throughout the construction period

Mine, Fiskefjorden, Greenland – The establishment of a mine for extraction of the mineral olivine continued. A harbour facility and permanent crushing plant were established in 2006. In parallel with this work, just over 100,000 tonnes of olivine were extracted, crushed and shipped out. The establishment in Fiskefjorden will be completed in 2007, followed by operation of the mine for five years

Apartments, Jagtvej, Nuuk, Greenland – 60 apartments in a 12-storey block, built under the company's own auspices, were all sold and handed over. The housing block, which is Greenland's tallest tower block, is now a landmark building in the centre of Nuuk

Europort, Gibraltar – The conversion and fitting-out of apartments for Europort Five Limited in a hotel building continued

Clean drinking water, Sri Lanka – South of the town of Kandy a large project involving treatment and distribution of drinking water in a pipeline system commenced. Danida is funding this project, which will be completed in 2009, and is intended to ensure clean drinking water for about 20,000 households

Harbour construction projects, the Maldives – Construction of several small harbours for the Maldives Government

Offshore wind turbine foundations, UK – 25 offshore wind turbines were established and installed for the Burbo Bank offshore wind farm off Liverpool on the west coast of the UK for the DONG-owned company SeaScape Energy Ltd.

Offshore wind turbine foundations, UK. - A contract has been signed for 54 foundations for construction in 2007 for the Lynn & Inner Dowsing offshore wind farm that is under construction off the east coast of the UK

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

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

Construction activities

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

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

Construction

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

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

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

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

In December, Construction handed over Denmark's first OPP project, Vildbjerg School in the Municipality of Trehøje. As this form of project factors operation and maintenance into the building from the outset,

Projects in Construction

Multi-storey car park, Teglholmen – Sophisticated multi-storey car park in Copenhagen South Port, where the architecture respects the area's history by retaining three striking and characteristic brick-faced gables in the modern multi-storey car park

DONG Energy, Gentofte – New extension to DONG's existing office building in Gentofte. This building covers a total area of 6,900 m^2 incl. basement

Svendborg Gymnasium, Funen – Construction of upper-secondary school with classrooms, fitness rooms, changing facilities and club rooms. The sports hall is built on an incline so that one enters the building at the top, gaining a view of the sports hall, which has seating for 500

The Marina Houses, Vordingborg – Design-build contractor on the construction of 30 luxury apartments directly overlooking Vordingborg marina in a protected harbour area with a view of Masnedsund and the Faroe Bridges

Arresøparken, Frederiksværk – 60 sheltered housing units situated in Arresøparken near the town of Vinderød. The sheltered housing consists of six residential units each featuring ten sheltered dwellings, gathered round a central corridor with associated common areas, staff and service facilities. On the southern part of the site, 25 handicap-friendly dwellings for the elderly are also being built

Vildbjerg School, Municipality of Trehøje – Construction of a state-of-the-art school for 700 pupils, including electronic whiteboards and operation and maintenance for the next 30 years through the OPP company behind the school (Denmark's first OPP project)

Tranbjergparken, Århus – Refurbishment of deteriorating fibre cement roofs on 304 dwellings in Tranbjerg that were fitted with completely new, pitched roofs, giving more light. The project included new surfacing of the paths on the housing associations' grounds

Frederikshavn Handelsskole – Extension of commercial college, including new classrooms, facade refurbishment and new storage facilities. Conversion of existing library into new auditorium. Establishment of bay windows, giving additional light to basement classrooms. Extension and modification of kitchen facilities

The Royal School of Library and Information Science, Aalborg – 3-storey building with partial basement that is used as a school building. The building is being clad in natural stone to match the other buildings in the area, and areas with large glass facades are being added. The layout features offices, classrooms and common areas

Fyrholm – Residential development in Copenhagen's new canal village at Sluseholmen. A total of 196 dwellings distributed on 9 canal houses, 12 quay houses and 5 port houses, each with its own unique architectural idiom. This design-build project was designed by five different architectural practices

Horisonten I – Phase I of a 30,000 m^2 residential development on C.F. Møllers Allé in Ørestaden, with a magnificent view of Amager Fælled and the new golf course. The apartments were originally intended to be private rental apartments, but some were changed to owner-occupied apartments along the way. Hand-over in March 2007

Rødbo – Construction of secure, homely residential environment for residents suffering from aphasia. Besides a common house that includes training facilities and administration, Rødbo features four housing groups with each ten spacious, handicap-friendly dwellings with two rooms, a bathroom, a kitchenette and a terrace

Universitetshaven – Construction of two apartment blocks in Ørestaden for Kuben under a design-build contract. The 40 co-operative housing units and 134 owner-occupier apartments feature different layouts, ranging from 70 to 111 m^2, all with large, attractive balconies

The flexible dwelling – Construction of 126 unconventional dwellings in Ørestad City for Kuben under a design-build contract. Apartments in the "flex zones" have been designed with a basic layout that can be varied, adjusted or expanded according to individual wishes. All apartments will feature balconies the full width of the apartment

Construction was able to hand over a school of a very high quality. At the same time, Vildbjerg School is a good example of successful application of TrimBuild. Despite the hard winter, the school was handed over after only 12 months. Using TrimBuild ensures both a smooth workflow, a better working environment, fewer defects, optimised production and economy, and handing-over on time. This project proves that TrimBuild is an efficient tool for improving efficiency in the building process.

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

Refurbishment (Copenhagen)

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

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

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

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

Projects in Refurbishment

Urban renewal, Håndværkerforeningens Fond Alderstrøst, Nørre Allé, Copenhagen – Total conversion of 12,000 m² from corridor apartments into modern family dwellings. The project draws on all refurbishment competencies and makes heavy demands in terms of project management

Apartments, Projektudvikling 3XM ApS, Spaniensgade, Copenhagen – Total conversion of 4,400 m² student residences into owner-occupied apartments and addition of penthouse floor. The existing building will be demolished down to the load-bearing structures and then rebuilt from there

Head office, GN Store Nord, Ballerup – Fitting out and conversion of 12,000 m² existing office building into head office for GN Store Nord and covering of atrium in concrete, steel and glass

Shops and offices, Keops, Copenhagen – Total conversion of Gallery K (previously the City Arcade) into 12,000 m² offices and retail space. Extensive structural alterations and complex modification of one of the most heavily trafficked areas in Copenhagen

Office property, MP Pension, Teglholmen, Copenhagen – Conversion of existing 7,000 m² office building into offices and studios for TV2 Denmark

Factory building, Novo Nordisk/NNE, Gentofte – Conversion of 600 m² factory building into laboratories, including extensive installation work

Business units

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

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

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

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

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

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

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

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

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

Other activities – subsidiaries, etc.

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

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

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

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

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

Composite Limited

Composite Limited operates in the UK market, specialising in precast concrete frames. Its expertise lies within design and project management.

Revenue and earnings for 2006 were in line with 2005, as expected.

In view of the order book at the end of the year, a level of activity on a par with 2006 is expected for 2007.

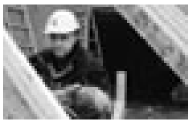
Enemærke & Petersen a/s

Enemærke & Petersen undertakes refurbishment and new building projects on Zealand and in Greater Copenhagen, specialising in roofs, facades and penthouses. Its activities span from partnering projects and design-build and main contracts to small specialised projects, and comprise mainly housing, schools, institutions and commercial buildings.

In 2006, the building maintenance activities were spun off into a separate division with a view to accommodating the growing market for building maintenance.

2006 was characterised by a high level of activity. Both revenue and earnings developed very satisfactorily, surpassing expectations.

The level of activity within the company's core areas is expected to continue to be high in the coming year. The order situation was satisfactory at the end of 2006, and revenue in line with 2006 is anticipated for 2007.



Lindpro a/s

In 2006, Lindpro cemented its position as the largest and leading company in the electrical installations market in Denmark and Greenland. The traditional electrical installations business is still the key core area, although composite supplies to the customer segments within, for example, the telecommunications sector, security and transport solutions are becoming increasingly important.

Lindpro thus markets a range of specialist competencies within the areas intelligent building installations, fire alarm systems, intruder alarm systems, access control systems, CCTV, patient call systems, industrial installations and instrumentation, parking systems and electromechanical work.

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

Lindpro delivered a particularly satisfactory financial performance in 2006. Revenue showed a significant increase, up approx. 40% on 2005, and earnings kept pace with revenue. The significant progress was due to many new projects from the entire geographical market and within all product areas. The progress primarily reflected the growth strategy that was put in motion a year ago and has thus proved sustainable. In 2006, Lindpro strengthened its sales and marketing organisation, taking on approx. 250 new employees to enable it to handle the many new customers and assignments.

Continued revenue growth is projected for 2007, when Lindpro will implement a new, simplified organisational structure, with larger regions that collaborate closely on the implementation of projects, with well-defined new skills centres within, for example, the telecommunications and security areas. Lindpro will continue focusing on simplifying and improving the efficiency of its work processes to optimise profitability.

Promecon a/s

Promecon is one of Denmark's leading companies within steel structures and industrial service, with departments in Fredericia, Esbjerg, Kalundborg, Aalborg and Valby. Its activities comprise solutions for buildings and bridges, tanks, piping and process plant, and solutions within industrial service and offshore.

The steel market was characterised by sharp fluctuations in steel prices again in 2006. The level of activity was in line with expectations.

Like 2005, profit was eroded by costs relating to an initiated strategy project the aim of which is to develop and expand the level of activity within the core areas, contracting and industrial service.

It is expected that the strategy project will be fully implemented in 2007 and that it will have a positive impact on earnings in the years ahead. Based on a satisfactory order book at the end of 2006, higher revenue is forecast for 2007.

Scandi Byg a/s

Scandi Byg is a market leader within the manufacture of prefabricated wooden modular buildings. Applications for the modules include housing, child care institutions, schools and offices across Denmark. Scandi Byg also manufactures and markets customised and standardised workmen's cabins for the construction industry.

Scandi Byg delivered revenue exceeding expectations within all segments in 2006. However, profit did not entirely match expectations, primarily reflecting insufficient earnings on a few residential projects. The production facilities were expanded during the year to enable the company to meet the growing demand for its product programme.

A continued high level of activity is anticipated for 2007 within the segments in which Scandi Byg has elected, via its Growth Plan 2010, to prioritise its action, i.e. within residential construction, office construction, construction of schools and institutions, and sale of workmen's cabins.

Scandi Byg entered 2007 with a reasonable order book, and a general increase in revenue is expected for 2007 compared with 2006.

Seth S.A. (75%)

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

Seth reported higher revenue in 2006 than in 2005, along with very satisfactory earnings.

In 2007, a slight increase is expected in the level of activity in the Portuguese building and civil works market, which continues to be characterised by a low level of public expenditure. Seth succeeded in making up

for the weak domestic market by increasing its level of activity in Africa, where Seth has signed several contracts within its core competencies.

A satisfactory order intake in the second half of 2006 will ensure Seth a stable level of activity in 2007.

Jointly controlled entities

BMS A/S (50%)

With more than 1,000 mobile units, BMS A/S is Scandinavia's largest company within hire of mobile, belt and lorry cranes and within lifts. BMS undertakes complex assignments at power stations, refineries and other industrial enterprises within erection/dismantling of plant and machinery. BMS also erects and services wind turbines.

BMS operates from ten depots located in Rødovre, Slagelse, Odense, Kolding, Esbjerg, Århus, Holstebro and Nørre Sundby, and in Malmö and Helsingborg in Sweden, the two latter cities through the wholly-owned subsidiary TP Kranar AB.

With a level of activity within the building and civil works sector in both Demark and Southern Sweden that exceeded expectations, BMS succeeded, through high utilisation of its equipment fleet, in generating revenue and earnings slightly ahead of expectations.

A continued high and unchanged level of activity is anticipated for 2007.

Greenland Contractors I/S (67%)

Greenland Contractors carries out operating, service and maintenance assignments and minor construction assignments at Thule Air Base in Greenland. For many years, the company's principal client has been the US Air Force, although the company also performs assignments for the Greenland authorities and for private companies and organisations.

Revenue for 2006 was on a par with 2005, while profit was up on 2005.

Revenue in line with 2006 is projected for 2007, but lower profit.

Corporate functions

The corporate staff functions in MT Højgaard, comprising Administrative Service; Purchasing, Health, Safety & Quality; Business Development, Business Systems and Communications; and Marketing, feature, together with other non-allocated corporate items, under Corporate functions, etc., in the segment information in the financial statements.

In 2006, the staff functions were strengthened within Administrative Service by the addition of a legal department that contributes legal expertise through all the phases of a building and civil works project, helping to prevent and contain conflicts on the projects being undertaken.

In 2006, MT Højgaard prepared for meeting the requirements for "Digital Construction". The requirements, which will be introduced at the start of 2007, apply to all construction projects for the State, and enable all parties in the construction process to gather and exchange construction documents digitally.

In the IT area, a platform for a cohesive corporate system for digitalising MT Højgaard's core processes was established in 2006. The digitalisation project is one of the key elements of the target to continuously improve efficiency.

As part of the focus on a stronger market orientation, a corporate brand project was initiated in 2006 that is to contribute to making MT Højgaard the preferred supplier for customers and the preferred workplace for employees. This action is based on the company's values.

In the purchasing area, MT Højgaard continued working on placing a growing proportion of its project purchases with strategic business partners and increasing the proportion of foreign purchases.

Risk factors

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

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

The overall framework for managing the risks that are judged to be critical for the company is laid down in the business concept and the associated policies. In view of the development in 2006, a number of internal processes were tightened, particularly the processes related to contracting. These measures are also intended to ensure that management at all levels follow guidelines by actively considering significant risks so that MT Højgaard does not assume atypical or unnecessary risks.

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

Market conditions

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

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

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

Projects

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

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

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

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

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

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

The Group provides standard performance and payment bonds in the form of bank guarantees, guarantee insurances and bond deposits as security for contracts and supplies. At the end of 2006, performance and payment bonds, etc., totalled DKK 2,969 million compared with DKK 2,576 million in 2005.

Project development

The project development activities in 2006 again centred on residential construction. The risk attaching to this activity relates primarily to the development in the market for residential construction and the extent to which dwellings sell prior to start-up of the project.

The start-up of self-generated housing projects is subject to the sale of at least 75-80% of the project having been secured. The development in the housing market is being monitored closely. Where several projects are started up at the same time, the focus is on balancing the overall risk.

Currency risks

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

Consolidated revenue denominated in foreign currency amounted to DKK 0.5 billion in 2006, with revenue in EUR accounting for DKK 0.3 billion.

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 are not normally hedged.

Interest rate risks

Interest rate risks relate primarily to interest-bearing debt items, as cash is mainly placed on short-term, fixed-term deposit and in bonds with a maturity of 2.0 years at the end of 2006. The Group's interest-bearing debt, which is mainly denominated in Danish kroner, amounted to DKK 301 million at the end of 2006, with short-term borrowings making up 42% of this figure. About 66% of the interest-bearing debt is fixed-interest.

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

Credit risks

Credit risks are generally managed by regular credit rating of major clients and business partners. No client accounted for more than 5% of revenue or 10% of trade receivables and contract work in progress at the end of 2006.

Risks relating to dealings with counterparties other than banks are minimised, to a great extent, by means of guarantees based on individual assessment of each counterparty.

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

Cash flow risks are managed through established, appropriate credit lines and committed facilities that match the need for financing planned operating activities and expected capital expenditure.

Management statement and Auditors' report

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today discussed and approved the annual report of MT Højgaard a/s for the financial year 2006.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2006 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 2006.

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

Søborg, 21 March 2007

Executive Board

Kristian May President and CEO	**Jens Bak-Nyhus**	**Allan H. Christensen**	**Peter Kofoed**

Supervisory Board

Per Møller Chairman	**Jørgen Nicolajsen** Deputy Chairman	**Irene Chabior** Employee representative	**Jette Grabow** Employee representative	**Stefan Hansen** Employee representative
Morten Iversen	**Erik D. Jensen**	**Poul Lind**	**Bent Pedersen**	

Independent auditors' report

To the shareholders of MT Højgaard a/s

We have audited the annual report of MT Højgaard a/s for the financial year 1 January - 31 December 2006, which comprises management's review, the statement by the Executive and Supervisory Boards, accounting policies, cash flow statement, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

Management's responsibility for the annual report

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

Auditors' responsibility and basis of opinion

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

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

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

Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2006 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 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

Copenhagen, 21 March 2007

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

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

Executive Board

Jens Bak-Nyhus	Kristian May President and CEO	Peter Kofoed	Allan H. Christensen

Supervisory Board

Per Møller
(Chairman)

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

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

Member of the Supervisory Board of
Dyrup A/S (DCB)

Irene Chabior*
Education and Training Consultant

Jette Grabow*
Financial Manager

Stefan Hansen*
Specialist Worker

Morten Iversen
State Authorised Public Accountant (licence deposited)

Member of the Supervisory Board of
Højgaard Holding a/s

Erik D. Jensen
CEO, Royal Scandinavia A/S

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

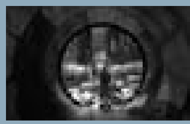
Poul Lind
CEO, PowerSense A/S

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

Bent Pedersen

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

*) Employee representative
(CB) Chairman of the Supervisory Board
(DCB) Deputy Chairman of the Supervisory Board



Financial statements

Accounting policies

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

The annual report is presented in Danish kroner.

The accounting policies are unchanged from those set out in the 2005 annual report.

The amendments to IAS 19 "Employee Benefits", IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments, Recognition and Measurement", all of which became operative on 1 January 2006, have no effect on the MT Højgaard Group's financial reporting.

BASIS OF PREPARATION

Basis of consolidation

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

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

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

On consolidation, identical items are aggregated and intragroup income and expenses, shareholdings, balances and dividends are eliminated. Unrealised gains and losses arising from intragroup transactions are also eliminated.

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

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

Presentation of discontinued operations

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

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

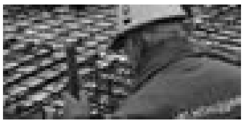
The cash flows attributable to the operating, investing and financing activities of discontinued operations are disclosed in a note.

Business combinations

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

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

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



assumed, goodwill is adjusted within twelve months of the acquisition date.

Minority interests

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

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

Joint ventures

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

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

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

Foreign currency translation

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

Transactions denominated in all currencies other than the individual business unit's functional currency are accounted for as transactions in foreign currencies that are translated into the functional currency using the exchange rates at the transaction date. Receivables and payables in foreign currencies are translated using the exchange rates at the balance sheet date. Foreign exchange differences arising between the exchange rate at the transaction date or the balance sheet date and the date of settlement are recognised in the income statement as financial income and expenses.

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

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

Derivative financial instruments

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

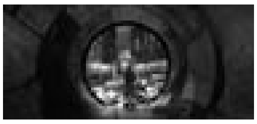
For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as financial income or financial expenses as they occur.

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

Leases

Leases relating to fixed assets in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet as assets. The assets are recognised initially at cost, equivalent to the lower of their fair value and the present value of the future lease payments.

The present value is measured using the interest rate implicit in the lease or an approximation thereof as the discount rate.



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

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

Government grants

Government grants include grants for projects, investments, etc.

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

INCOME STATEMENT

Revenue

Revenue comprises completed contract work and contract work in progress as well as services rendered.

Contract work in progress is recognised as revenue in step with completion so that revenue corresponds to the selling price of the work performed during the year (the percentage-of-completion method).

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

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

Production costs

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

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

Distribution costs

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

Administrative expenses

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

The Group's share of profit of associates

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

Financial income and expenses

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

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

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

Income tax

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

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

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

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

BALANCE SHEET

Intangible assets

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Investments in associates in the consolidated financial statements

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

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

Investments in the parent company's financial statements

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

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

Subsidiaries and associates with a negative carrying amount are recognised at nil. If the parent company has a legal or constructive obligation to cover a subsidiary's or associate's negative balance, the negative

balance is offset against the parent company's receivables from the subsidiary or associate. Any balance is recognised under provisions.

Other investments

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

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

Impairment of fixed assets

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

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

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

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

Inventories

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

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

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

Receivables

Receivables are measured at amortised cost less impairment losses.

Contract work in progress

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

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

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

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

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

Prepayments and deferred income

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

Securities

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

Equity

Dividends

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

Translation reserve

The translation reserve in the consolidated financial statements comprises foreign exchange differences after 1 January 2004 that have arisen from the translation of the financial statements of foreign enterprises from their functional currencies to Danish kroner.

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

Tax payable and deferred tax

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

Deferred tax liabilities and deferred tax assets are measured using the balance sheet liability method, providing for all temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The following temporary differences are not provided for: goodwill not deductible for tax purposes and office premises and other items – apart from business combinations – where temporary differences arise at the date of acquisition that affect neither profit/loss for the year nor taxable income. 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 in the event of the subsidiaries being disposed of or withdrawing from the international joint taxation scheme.

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

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

Pension obligations

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

Provisions

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

Financial liabilities

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

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

CASH FLOW STATEMENT

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

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

Cash flows from operating activities

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

Cash flows for investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

SEGMENT INFORMATION

Information is provided by business segment and geographical segment as primary and secondary segments, respectively. The segment information conforms to the Group's organisational and internal reporting structure. The segment information has been prepared in conformity with the Group's accounting policies.

Segment income and expenses include the items that either are directly attributable to the individual segment or can be allocated to it on a reasonable basis.

Segment assets comprise the fixed and current assets that are employed directly in the segment's operating activities.

Segment liabilities comprise the liabilities that result from the segment's operating activities.

FINANCIAL RATIOS

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

Cash flow statement

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
			Operating activities		
(18.1)	(171.0)		Operating profit (loss)	58.6	137.9
92.5	11.6	1	Non-cash operating items	179.7	169.8
74.4	**(159.4)**		**Cash generated from operating activities before working capital changes**	**238.3**	**307.7**
			Working capital changes:		
91.3	80.6		Inventories	76.7	86.5
(321.6)	(414.6)		Receivables excluding contract work in progress	(595.6)	(405.1)
(111.5)	305.4		Contract work in progress	371.9	(149.2)
467.5	247.1		Trade and other current payables	280.4	532.5
200.1	**59.1**		**Cash generated from operations (operating activities)**	**371.7**	**372.4**
12.9	9.8		Financial income	20.8	17.5
(18.9)	(15.3)		Financial expenses	(30.9)	(29.5)
194.1	**53.6**		**Cash generated from operations (ordinary activities)**	**361.6**	**360.4**
(21.1)	(43.8)		Income taxes paid, net	(44.5)	(19.7)
173.0	**9.8**		**Cash flows from operating activities**	**317.1**	**340.7**
			Investing activities		
(53.6)	(6.8)	2	Acquisition of enterprises and activities	(6.8)	(54.4)
-	-	2	Disposal of enterprises and activities	12.7	-
(88.6)	(106.9)		Purchase of property, plant and equipment	(287.5)	(211.9)
11.5	16.4		Sale of property, plant and equipment	68.5	45.3
42.3	139.5		Dividends from subsidiaries and associates	5.0	-
52.4	(29.6)		Purchase/sale of securities	(31.7)	52.5
(36.0)	**12.6**		**Cash flows for investing activities**	**(239.8)**	**(168.5)**
			Financing activities		
			Loan financing:		
-	-		Minority interests	(4.6)	(1.5)
-	22.0		Increase in non-current bank loans, etc.	-	-
(16.0)	-		Decrease in non-current bank loans, etc.	(2.9)	(45.4)
(16.0)	**22.0**		**Cash flows from financing activities**	**(7.5)**	**(46.9)**
121.0	**44.4**		**Net increase (decrease) in cash and cash equivalents**	**69.8**	**125.3**
(12.1)	108.9		Cash and cash equivalents at 01-01	147.7	22.4
108.9	**153.3**	3	**Cash and cash equivalents at 31-12**	**217.5**	**147.7**

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

Income statement

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
5,731.9	7,792.0	4	Revenue	11,082.5	8,462.9
(5,587.0)	(7,781.2)	5-6	Production costs	(10,640.8)	(7,977.0)
144.9	**10.8**		**Gross profit**	**441.7**	**485.9**
(91.0)	(96.9)		Distribution costs	(129.0)	(116.8)
(72.0)	(84.9)	5-7	Administrative expenses	(254.1)	(231.2)
(18.1)	**(171.0)**		**Operating profit (loss)**	**58.6**	**137.9**
-	-	14	Share of profit (loss) after tax of associates	0.0	(2.9)
45.2	135.0	8	Financial income	23.3	19.4
(18.4)	(63.6)	9	Financial expenses	(30.9)	(29.5)
8.7	**(99.6)**		**Profit (loss) before tax**	**51.0**	**124.9**
(23.7)	31.1	10	Income tax expense	(14.3)	(25.0)
(15.0)	**(68.5)**		**Profit (loss) for the year**	**36.7**	**99.9**
			Attributable to		
(15.0)	(68.5)		Equity holders of MT Højgaard a/s	28.2	93.7
-	-		Minority interests	8.5	6.2
(15.0)	**(68.5)**		**Total**	**36.7**	**99.9**
			Proposal for distribution of profit		
(15.0)	(68.5)		Retained earnings		
(15.0)	**(68.5)**		**Total**		
			Earnings per share		
		11	Earnings per share (EPS), DKK	2.6	8.5

Balance sheet

PARENT COMPANY			ASSETS	GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
			Fixed assets		
			Intangible assets		
24.0	28.0		Goodwill	73.6	69.2
24.0	**28.0**	**12**	**Total intangible assets**	**73.6**	**69.2**
			Property, plant and equipment		
170.6	185.0		Land and buildings	357.4	322.8
171.5	189.3		Plant and machinery	445.1	419.0
23.3	14.7		Fixtures and fittings, tools and equipment	78.3	71.2
5.9	6.2		Property, plant and equipment under construction	27.7	15.1
371.3	**395.2**	**13**	**Total property, plant and equipment**	**908.5**	**828.1**
			Investments		
321.1	332.0	14	Investments in subsidiaries	-	-
76.4	72.2	14	Investments in associates	0.7	5.7
5.5	16.2	14	Receivables from associates	5.6	5.5
0.3	0.3	14	Other equity investments	0.9	0.8
176.3	279.6	19	Deferred tax assets	238.9	153.3
579.6	**700.3**		**Total investments**	**246.1**	**165.3**
974.9	**1,123.5**		**Total fixed assets**	**1,228.2**	**1,062.6**
			Current assets		
			Inventories		
10.5	11.9		Raw materials and consumables	54.4	52.9
291.3	209.3		Properties for resale	222.9	302.3
301.8	**221.2**	**15**	**Total inventories**	**277.3**	**355.2**
			Receivables		
1,070.6	1,455.3		Trade receivables	2,192.1	1,647.5
345.0	447.9	21	Contract work in progress	603.7	471.4
101.5	128.7		Receivables from subsidiaries	-	-
10.3	1.0		Receivables from associates	6.3	5.9
0.0	0.0		Income tax	0.0	1.0
36.7	60.8		Other receivables	95.7	57.4
54.8	44.6		Prepayments	77.6	60.8
1,618.9	**2,138.3**	**16**	**Total receivables**	**2,975.4**	**2,244.0**
58.3	**87.9**	**17**	**Securities**	**87.9**	**58.3**
108.9	**153.3**		**Cash and cash equivalents**	**263.8**	**206.3**
2,087.9	**2,600.7**		**Total current assets**	**3,604.4**	**2,863.8**
3,062.8	**3,724.2**		**Total assets**	**4,832.6**	**3,926.4**

Balance sheet

PARENT COMPANY			EQUITY AND LIABILITIES	GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
			Equity		
220.0	220.0		Share capital	220.0	220.0
-	-		Translation reserve	(2.8)	(2.5)
628.1	559.6		Retained earnings	807.2	778.9
0.0	0.0		Proposed dividends	0.0	0.0
848.1	**779.6**		**Equity attributable to equity holders of the parent**	**1,024.4**	**996.4**
-	-		Minority interests	23.6	19.9
848.1	**779.6**		**Equity**	**1,048.0**	**1,016.3**
			Non-current liabilities		
103.7	78.4	18	Bank loans, etc.	174.3	210.3
0.0	0.0	19	Deferred tax liabilities	24.1	23.8
29.9	38.6	20	Provisions	62.3	57.3
133.6	**117.0**		**Total non-current liabilities**	**260.7**	**291.4**
			Current liabilities		
14.8	64.1	18	Current portion of non-current financial liabilities	80.8	34.0
0.0	0.0	18	Bank loans, etc.	46.3	58.6
541.0	970.0	21	Contract work in progress	1,216.8	688.2
86.2	119.7		Prepayments received from customers	138.1	102.3
743.4	954.5		Trade payables	1,282.6	1,053.1
215.8	203.3		Payables to subsidiaries	-	-
0.0	8.0		Payables to associates	0.4	4.1
10.7	31.6		Income tax	37.0	8.7
413.9	420.1		Other payables	659.8	602.5
53.6	56.0		Deferred income	59.4	64.9
1.7	0.3	20	Provisions	2.7	2.3
2,081.1	**2,827.6**		**Total current liabilities**	**3,529.9**	**2,618.7**
2,214.7	**2,944.6**		**Total liabilities**	**3,784.6**	**2,910.1**
3,062.8	**3,724.2**		**Total equity and liabilities**	**4,832.6**	**3,926.4**
			Notes without reference		
		22	Security		
		23	Lease commitment		
		24	Contingent liabilities		
		25	Related parties		
		26	Joint ventures		
		27	Financial instruments		
		28	Accounting estimates and judgements		
		29	New accounting standards		
		30	Events after the balance sheet date		
		31	Segment information		
		32	Subsidiaries and associates		

Statement of changes in equity

PARENT COMPANY

Amounts in DKKm	Share capital	Retained earnings	**Total**
2005			
Equity at 01-01	**220.0**	**643.1**	**863.1**
Profit for the year		(15.0)	**(15.0)**
Total income and expense for the year	**0.0**	**(15.0)**	**(15.0)**
Total changes in equity	**0.0**	**(15.0)**	**(15.0)**
Equity at 31-12	**220.0**	**628.1**	**848.1**
2006			
Equity at 01-01	**220.0**	**628.1**	**848.1**
Profit for the year		(68.5)	**(68.5)**
Total income and expense for the year	**0.0**	**(68.5)**	**(68.5)**
Total changes in equity	**0.0**	**(68.5)**	**(68.5)**
Equity at 31-12	**220.0**	**559.6**	**779.5**

At 31 December 2006, MT Højgaard a/s's share capital amounted to DKK 220 million divided into shares of DKK 1,000 each. No shares carry special rights.

Statement of changes in equity

GROUP

Amounts in DKKm	Share capital	Translation reserve	Retained earnings	**Total equity attributable to MT Højgaard**	Attributable to minority interests	**Total**
2005						
Equity at 01-01	**220.0**	**(3.3)**	**685.2**	**901.9**	**15.0**	**916.9**
Profit for the year			93.7	**93.7**	6.2	**99.9**
Foreign exchange adjustments, foreign enterprises		0.8		**0.8**	0.2	**1.0**
Total income and expense for the year	**0.0**	**0.8**	**93.7**	**94.5**	**6.4**	**100.9**
Dividends paid				**0.0**	(1.5)	**(1.5)**
Total changes in equity	**0.0**	**0.8**	**93.7**	**94.5**	**4.9**	**99.4**
Equity at 31-12	**220.0**	**(2.5)**	**778.9**	**996.4**	**19.9**	**1,016.3**
2006						
Equity at 01-01	**220.0**	**(2.5)**	**778.9**	**996.4**	**19.9**	**1,016.3**
Profit for the year			28.2	**28.2**	8.5	**36.7**
Foreign exchange adjustments, foreign enterprises		(0.3)		**(0.3)**	(0.2)	**(0.5)**
Other adjustments			0.1	**0.1**		**(0.1)**
Total income and expense for the year	**0.0**	**(0.3)**	**28.3**	**28.0**	**8.3**	**36.3**
Dividends paid				**0.0**	(4.6)	**(4.6)**
Total changes in equity	**0.0**	**(0.3)**	**28.3**	**28.0**	**3.7**	**31.7**
Equity at 31-12	**220.0**	**(2.8)**	**807.2**	**1,024.4**	**23.6**	**1,048.0**

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Notes

PARENT COMPANY				GROUP	
2005	2006		Amounts in DKKm	2006	2005
		1	**Non-cash operating items**		
69.8	68.4		Depreciation and impairment losses, property, plant and equipment	157.2	145.8
22.7	(56.8)		Other adjustments	22.5	24.0
92.5	**11.6**		**Total non-cash operating items**	**179.7**	**169.8**
		2	**Acquisition and disposal of enterprises and activities**		
			Acquisition of activities		
7.9	2.7		Property, plant and equipment	2.7	7.9
14.3	0.1		Inventories	0.1	14.3
7.4	0.0		Receivables	0.0	7.4
29.6	**2.8**		**Identifiable net assets acquired**	**2.8**	**29.6**
24.0	4.0		Goodwill	4.0	24.8
53.6	**6.8**		**Cash purchase price, net**	**6.8**	**54.4**
			Carrying amount of assets acquired and liabilities and contingent liabilities assumed before the acquisition date:		
7.9	2.7		Property, plant and equipment	2.7	7.9
14.3	0.1		Inventories	0.1	14.3
7.4	0.0		Receivables	0.0	7.4
29.6	**2.8**		**Total carrying amount before acquisition**	**2.8**	**29.6**
			The acquired activities feature with DKK 2.1 million in consolidated profit for 2006.		
			Consolidated revenue and profit for the year (unaudited), measured as if the acquired activities were taken over at 1 January 2006, amounted to DKK 11,082 million and DKK 37 million, respectively.		
			Disposal of activities		
-	-		Property, plant and equipment	14.2	-
-	-		Inventories	1.2	-
-	-		Non-current liabilities	(2.7)	-
-	**-**		**Net assets**	**12.7**	**-**
-	-		Accounting profit/loss	0.0	-
.	**-**		**Cash selling price, net**	**12.7**	**-**

For further details of the activities acquired and disposed of, reference is made to the separate section on this in the management's review on page 6.

Notes

PARENT COMPANY				GROUP	
2005	2006		Amounts in DKKm	2006	2005
		3	**Cash and cash equivalents**		
			Cash and cash equivalents at 31-12 can be broken down as follows:		
9.3	58.6		Free cash flow	78.7	117.3
99.6	94.7		Share of cash and cash equivalents in joint ventures	185.1	89.0
0.0	0.0		Current portion of bank loans, etc.	(46.3)	(58.6)
108.9	**153.3**		**Total cash and cash equivalents**	**217.5**	**147.7**
			Share of cash and cash equivalents in joint ventures is available exclusively to the joint ventures.		
		4	**Revenue**		
			Revenue can be broken down as follows:		
5,480.7	7,459.4		Selling price of the production for the year on completed contract work and contract work in progress	10,190.0	7,693.2
251.2	332.6		Rental activities and similar services	892.5	769.7
5,731.9	**7,792.0**		**Total**	**11,082.5**	**8,462.9**
		5	**Depreciation and impairment losses**		
69.8	68.4		Property, plant and equipment	157.2	145.8
69.8	**68.4**		**Total depreciation and impairment losses**	**157.2**	**145.8**
			Depreciation and impairment losses are included in the income statement as follows:		
63.1	63.2		Production costs	143.4	131.4
6.7	5.2		Administrative expenses	13.8	14.4
69.8	**68.4**		**Total depreciation and impairment losses**	**157.2**	**145.8**
		6	**Staff costs**		
			The total amount paid in wages and salaries, etc., can be broken down as follows:		
1,101.7	1,323.6		Wages and salaries, etc.	2,367.6	2,016.1
74.1	95.0		Pension contributions (defined contribution)	169.7	135.9
36.6	53.5		Other social security costs	88.9	71.6
1,212.4	**1,472.1**		**Total**	**2,626.2**	**2,223.6**
2,843	**3,257**		**Average number of employees**	**5,889**	**5,260**
3,127	**3,542**		**Number of employees, year end**	**6,245**	**5,592**
			Total remuneration to the Supervisory Board and the Executive Board:		
2.0	1.8		Supervisory Board	1.8	2.0
9.8	10.7		Executive Board	10.7	9.8
11.8	**12.5**		**Total**	**12.5**	**11.8**

Notes

PARENT COMPANY				GROUP	
2005	2006		Amounts in DKKm	2006	2005
		7	**Fees paid to auditor appointed at the Annual General Meeting**		
			Audit fees for the year under review:		
1.4	**1.5**		**KPMG**	**4.0**	**3.9**
			Non-audit fees:		
1.8	**2.1**		**KPMG**	**2.8**	**2.5**
		8	**Financial income**		
12.3	13.8		Interest income	19.8	15.7
0.0	1.7		Capital gains on securities	1.8	0.0
2.6	0.0		Foreign exchange gains	1.6	3.7
20.3	38.4		Dividends from subsidiaries	-	-
10.0	81.1		Dividends from associates	-	-
0.0	0.0		Value adjustments of other investments	0.1	0.0
45.2	**135.0**		**Total financial income**	**23.3**	**19.4**
-	1.1		Of which interest received from subsidiaries	-	-
		9	**Financial expenses**		
17.7	14.4		Interest expense	23.1	23.6
1.3	0.9		Capital losses on securities	0.9	1.3
0.0	3.7		Foreign exchange losses	6.9	1.5
0.0	0.0		Losses on derivative financial instruments	0.0	3.1
(0.6)	44.6		Impairment loss relating to investments in subsidiaries and associates	-	-
18.4	**63.6**		**Total financial expenses**	**30.9**	**29.5**
2.5	-		Of which interest paid to subsidiaries	-	-
		10	**Income tax expense**		
(41.0)	(72.2)		Current tax	(97.8)	(23.6)
17.3	103.3		Changes in deferred tax	83.5	(1.4)
(23.7)	**31.1**		**Total income tax expense**	**(14.3)**	**(25.0)**
			Income tax expense can be broken down as follows:		
(2.4)	27.9		Income tax expense before tax measured at Danish tax rate (28%)	(14.3)	(35.0)
(10.6)	-		Reduction of Danish corporate income tax rate from 30% to 28%	-	(8.7)
7.8	(2.4)		Deviations in foreign enterprises' tax rates	(1.0)	11.8
11.9	33.4		Non-taxable income	0.5	0.2
(3.7)	(13.4)		Non-deductible expenses	(1.5)	(0.8)
(26.7)	(14.4)		Other, including prior year adjustments	2.0	7.5
(23.7)	**31.1**		**Income tax expense**	**(14.3)**	**(25.0)**
272	31		Effective tax rate (%)	28	20

Notes

PARENT COMPANY				GROUP	
2005	2006		Amounts in DKKm	2006	2005
		11	**Earnings per share**		
-	**-**		**Earnings per share (EPS), DKK**	**2.6**	**8.5**

Earnings per share (EPS) in 2006 can be calculated as MT Højgaard's share of consolidated profit of DKK 28.2 million (2005: DKK 93.7 million), divided by 11 million shares (2005: 11 million shares).

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

PARENT COMPANY 2005	PARENT COMPANY 2006		Amounts in DKKm	GROUP 2006	GROUP 2005
		12	**Intangible assets**		
			Goodwill		
0.0	24.0		Cost at 01-01	69.2	44.4
24.0	4.0		Additions	4.4	24.8
24.0	28.0		Cost at 31-12	73.6	69.2
0.0	0.0		Impairment losses at 01-01/31-12	0.0	0.0
24.0	**28.0**		**Carrying amount at 31-12**	**73.6**	**69.2**

Goodwill

The carrying amounts of goodwill attributable to business area Civil Works (DKK 4.0 million) and Construction (DKK 24.0 million) in MT Højgaard a/s, BMS A/S (DKK 9.8 million), Enemærke & Petersen a/s (DKK 31.8 million) and Lindpro a/s (DKK 4.0 million) were tested for impairment at 31 December 2006. The recoverable amount has been determined as the value in use, which is calculated as the present value of the expected future net cash flows from the cash-generating units. In connection with the test at 31 December 2006 the net cash flows were determined on the basis of the approved budget for 2007 and estimates for the years 2008-2011. The growth in the terminal period was fixed at 2% (2005: 2%). A discount factor of 11-12% (2005:11-12%) before tax was used for calculating the present value.

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

Notes

PARENT COMPANY 2006

Amounts in DKKm

13 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 01-01	213.2	537.3	58.1	5.9	814.5
Addition on acquisition of activities	0.0	0.0	2.7	0.0	2.7
Additions	19.5	78.0	3.3	6.2	107.0
Disposals	0.0	(36.1)	(16.6)	(5.9)	(58.6)
Cost at 31-12	232.7	579.2	47.5	6.2	865.6
Depreciation and impairment losses at 01-01	42.6	365.8	34.8	0.0	443.2
Depreciation, disposals	0.0	(34.0)	(7.2)	0.0	(41.2)
Depreciation	5.1	58.1	5.2	0.0	68.4
Depreciation and impairment losses at 31-12	47.7	389.9	32.8	0.0	470.4
Carrying amount at 31-12	**185.0**	**189.3**	**14.7**	**6.2**	**395.2**
Mortgaged properties:					
Carrying amount	116.1				116.1
Year-end balance, loans	49.5				49.5
Danish properties subject to public land assessment:					
Carrying amount	182.7				182.7
Public land assessment value	169.8				169.8
Fixed assets held under finance leases:					
Carrying amount		55.7	6.1		61.8

Notes

PARENT COMPANY 2005

Amounts in DKKm

13 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	209.7	502.0	58.8	0.0	770.5
Addition on acquisition of activities	3.9	4.0	0.0	0.0	7.9
Reclassifications, etc.	0.0	1.2	(1.2)	0.0	0.0
Additions	2.5	70.8	1.5	5.9	80.7
Disposals	(2.9)	(40.7)	(1.0)	0.0	(44.6)
Cost at 31-12	213.2	537.3	58.1	5.9	814.5
Depreciation and impairment losses at 01-01	37.9	339.6	29.7	0.0	407.2
Reclassifications, etc.	0.0	1.2	(1.2)	0.0	0.0
Depreciation, disposals	(0.4)	(33.0)	(0.4)	0.0	(33.8)
Depreciation	5.1	58.0	6.7	0.0	69.8
Depreciation and impairment losses at 31-12	42.6	365.8	34.8	0.0	443.2
Carrying amount at 31-12	**170.6**	**171.5**	**23.3**	**5.9**	**371.3**
Mortgaged properties:					
Carrying amount	109.2				109.2
Year-end balance, loans	52.2				52.2
Danish properties subject to public land assessment:					
Carrying amount	168.5				168.5
Public land assessment value	151.2				151.2
Fixed assets held under finance leases:					
Carrying amount		26.3	6.5		32.8

Notes

GROUP 2006

Amounts in DKKm

13 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	441.5	1,105.3	157.7	15.1	1,719.6
Addition on acquisition of activities	0.0	0.0	2.7	0.0	2.7
Foreign exchange adjustments	0.0	0.4	0.1	0.0	0.5
Additions	57.5	155.3	43.7	31.1	287.6
Disposals	(44.2)	(68.5)	(27.5)	(18.5)	(158.7)
Cost at 31-12	454.8	1,192.5	176.7	27.7	1,851.7
Depreciation and impairment losses at 01-01	118.7	686.3	86.5	0.0	891.5
Foreign exchange adjustments	0.0	0.1	0.1	0.0	0.2
Depreciation, disposals	(31.6)	(58.5)	(15.6)	0.0	(105.7)
Depreciation	10.3	119.5	27.4	0.0	157.2
Depreciation and impairment losses at 31-12	97.4	747.4	98.4	0.0	943.2
Carrying amount at 31-12	**357.4**	**445.1**	**78.3**	**27.7**	**908.5**
Mortgaged properties:					
Carrying amount	194.8				194.8
Year-end balance, loans	95.2				95.2
Danish properties subject to public land assessment:					
Carrying amount	335.3				335.3
Public land assessment value	313.4				313.4
Fixed assets held under finance leases:					
Carrying amount		105.2	15.5		120.7

Notes

GROUP 2005

Amounts in DKKm

13 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	433.0	1,008.5	130.8	0.0	1,572.3
Addition on acquisition of activities	3.9	4.0	0.0	0.0	7.9
Foreign exchange adjustments	0.0	0.2	(0.1)	0.9	1.0
Additions	14.2	156.2	37.5	14.4	222.3
Disposals	(9.6)	(63.6)	(10.5)	(0.2)	(83.9)
Cost at 31-12	441.5	1,105.3	157.7	15.1	1,719.6
Depreciation and impairment losses at 01-01	109.1	622.5	76.5	0.0	808.1
Foreign exchange adjustments	0.0	0.1	0.0	0.0	0.1
Impairment losses	2.0	0.0	0.0	0.0	2.0
Depreciation, disposals	(1.5)	(47.2)	(13.9)	0.0	(62.6)
Depreciation	9.1	110.9	23.9	0.0	143.9
Depreciation and impairment losses at 31-12	118.7	686.3	86.5	0.0	891.5
Carrying amount at 31-12	**322.8**	**419.0**	**71.2**	**15.1**	**828.1**
Mortgaged properties:					
Carrying amount	201.3				201.3
Year-end balance, loans	104.0				104.0
Danish properties subject to public land assessment:					
Carrying amount	304.5				304.5
Public land assessment value	309.1				309.1
Fixed assets held under finance leases:					
Carrying amount		88.2	15.9		104.1

Notes

PARENT COMPANY

Amounts in DKKm

14 Investments

2006	Investments in subsidiaries	Investments in associates	Other investments	Receivables from associates	Deferred tax assets	Total
Cost at 01-01	508.1	80.8	0.2			
Additions	6.0	0.4	0.0			
Disposals	(54.1)	(9.0)	0.0			
Cost at 31-12	460.0	72.2	0.2			
Adjustments at 01-01	(187.0)	(4.4)	0.1			
Impairment losses	(10.9)	0.0	0.0			
Reversal of impairment losses	35.0	0.0	0.0			
Disposals	34.9	4.4	0.0			
Adjustments at 31-12	(128.0)	0.0	0.1			
Carrying amount at 31-12	**332.0**	**72.2**	**0.3**	**16.2**	**279.6**	**700.3**

2005	Investments in subsidiaries	Investments in associates	Other investments	Receivables from associates	Deferred tax assets	Total
Cost at 01-01	517.4	80.2	0.2			
Additions	2.7	0.6	0.0			
Disposals	(12.0)	0.0	0.0			
Cost at 31-12	508.1	80.8	0.2			
Adjustments at 01-01	(199.0)	(1.0)	0.1			
Impairment losses	0.0	(3.4)	0.0			
Reversal of impairment losses	12.0	0.0	0.0			
Adjustments at 31-12	(187.0)	(4.4)	0.1			
Carrying amount at 31-12	**321.1**	**76.4**	**0.3**	**5.5**	**176.3**	**579.6**

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

In 2006, investments in subsidiaries were written down by DKK 10.9 million to the recoverable amount. In addition, impairment losses of DKK 35.0 million were reversed in respect of prior years. The impairment charge for the year and impairment losses reversed have been recognised as financial expenses, cf. note 9.

Impairment losses relate to MHF 20061002 a/s (formerly Marius Hansen Facader a/s), which, at the end of 2006, was not engaged in any activities following the sale of the company's activities in October 2006. Against this background, the carrying amount of the investment was written down to the estimated recoverable amount on liquidation of the company.

Reversal of impairment losses during the year relates to MT Højgaard Grønland ApS. The company reported a profit in 2006, and expects to continue reporting profits in the years ahead. This has given rise to partial reversal of impairment losses charged in prior years, based on the estimated recoverable amount.

Notes

GROUP

Amounts in DKKm

14 **Investments (continued)**

2006	Investments in associates	Other investments	Receivables from associates	Deferred tax assets	Total
Cost at 01-01	10.7	2.5			
Disposals	(9.0)	0.0			
Cost at 31-12	1.7	2.5			
Adjustments at 01-01	(5.0)	(1.7)			
Share of profit (loss) for the year after tax	0.0	-			
Dividends paid	(5.0)	0.0			
Other adjustments	9.0	0.1			
Adjustments at 31-12	(1.0)	(1.6)			
Carrying amount at 31-12	**0.7**	**0.9**	**5.6**	**238.9**	**246.1**

2005	Investments in associates	Other investments	Receivables from associates	Deferred tax assets	Total
Cost at 01-01	10.1	2.5			
Additions	0.6	0.0			
Cost at 31-12	10.7	2.5			
Adjustments at 01-01	(2.0)	(1.8)			
Share of profit (loss) for the year after tax	(2.9)	-			
Other adjustments	(0.1)	0.1			
Adjustments at 31-12	(5.0)	(1.7)			
Carrying amount at 31-12	**5.7**	**0.8**	**5.5**	**153.3**	**165.3**

Associates (the figures represent 100% ownership interest)

2006	Revenue	Profit (loss) for the year	Total assets	Total
EA/S Matr. Nr. 33 eø Brøndbyvester (50%)	0.0	(0.1)	0.0	0.0
ApS KBIL 38 NR. 2286 (50%)	0.0	0.1	0.5	0.2
OPP Vildbjerg Skole A/S (50%)	0.0	0.0	125.6	124.7
Group total	**0.0**	**0.0**	**126.1**	**124.9**

2005				
EA/S Matr. Nr. 33 eø Brøndbyvester (50%)	14.0	(8.9)	14.3	5.1
ApS KBIL 38 NR. 2286 (50%)	0.0	0.9	1.6	0.5
OPP Vildbjerg Skole A/S (50%)	0.0	0.0	12.2	11.0
Group total	**14.0**	**(8.0)**	**28.1**	**16.6**

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

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
		15	**Inventories**		
			Raw materials and consumables		
11.3	10.5		Cost at 01-01	52.9	32.7
(0.8)	1.4		Additions and disposals, net	1.5	20.2
10.5	11.9		Cost at 31-12	54.4	52.9
0.0	0.0		Adjustments at 01-01	0.0	(0.5)
0.0	0.0		Reversal of impairment losses	0.0	0.5
0.0	0.0		Adjustments at 31-12	0.0	0.0
10.5	**11.9**		**Carrying amount at 31-12**	**54.4**	**52.9**
0.0	0.0		Value of inventories recognised at net realisable value	0.3	22.7
			Properties for resale		
393.4	298.1		Cost at 01-01	294.5	385.1
21.7	26.4		Additions	29.0	27.9
(117.0)	(109.5)		Disposals	(109.5)	(118.5)
298.1	215.0		Cost at 31-12	214.0	294.5
(8.4)	(6.8)		Adjustments at 01-01	7.8	6.2
1.6	1.6		Reversal of impairment losses	1.1	1.6
(6.8)	(5.7)		Adjustments at 31-12	8.9	7.8
291.3	**209.3**		**Carrying amount at 31-12**	**222.9**	**302.3**
7.5	3.2		Value of properties recognised at net realisable value	8.9	13.2
			Mortgaged properties:		
43.8	0.0		Carrying amount	5.7	49.5
35.0	0.0		Year-end balance, loans	2.0	37.3
			Properties for resale, consisting primarily of undeveloped sites, are held with a view to project development activities.		
		16	**Receivables**		
7.6	4.4		Receivables falling due more than one year after the balance sheet date	6.7	8.2
			Receivables falling due more than one year after the balance sheet date relate to rent deposits.		
8.0	0.0		Impairment losses included in receivables recognised in the income statement	2.1	2.5
			The fair value of receivables is deemed to correspond to the carrying amount.		

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
		17	**Securities**		
48.9	87.9		Bonds	87.9	48.9
9.4	-		Mortgages	-	9.4
58.3	**87.9**		**Total carrying amount**	**87.9**	**58.3**
48.9	88.0		Nominal holding	88.0	48.9
0.0	38.0		Bonds maturing more than one year after the balance sheet date	38.0	0.0
0.0	2.0		Maturity of bond portfolio (years)	2.0	0.0
4.0	4.1		Effective interest rate on bond portfolio (%)	4.1	4.0
0.0	1.7		Price sensitivity of bond portfolio in case of a one percentage point interest rate change	1.7	0.0
-	21.0		Bonds lodged as security (market value)	21.0	-

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

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
		18	**Interest-bearing liabilities**		
			Total interest-bearing liabilities can be broken down by commitment type as follows:		
88.0	84.4		Bank loans, etc.	184.0	204.7
30.5	58.1		Lease commitments (assets held under finance leases)	117.4	98.2
118.5	**142.5**		**Total**	**301.4**	**302.9**
			Total interest-bearing liabilities can be broken down by currency as follows:		
118.5	142.5		DKK	286.1	290.5
0.0	0.0		EUR	2.7	0.9
0.0	0.0		Others	12.6	11.5
118.5	**142.5**		**Total**	**301.4**	**302.9**
			Total interest-bearing liabilities can be broken down by fixed-rate and floating-rate debt as follows:		
112.5	140.0		Fixed-rate debt	198.7	186.7
6.0	2.5		Floating-rate debt	102.7	116.2
118.5	**142.5**		**Total**	**301.4**	**302.9**
			Total interest-bearing liabilities can be broken down by effective interest rate as follows:		
51.2	75.6		Less than 5%	226.9	212.8
67.3	66.9		Between 5% and 7%	74.5	90.0
0.0	0.0		More than 7%	0.0	0.1
118.5	**142.5**		**Total**	**301.4**	**302.9**
5.3	5.5		Weighted average effective interest rate (%)	4.6	4.3
10.2	9.2		Weighted average remaining term (years)	7.8	7.7
			Interest-bearing liabilities are recognised in the balance sheet as follows:		
103.7	78.4		Non-current liabilities	174.3	210.3
14.8	64.1		Current liabilities	127.1	92.6
118.5	**142.5**		**Total**	**301.4**	**302.9**
			The maturity profile can be broken down as follows:		
14.8	64.1		Less than one year	127.1	92.7
23.0	11.3		Between one and two years	16.0	38.8
12.1	33.9		Between two and five years	80.4	46.4
68.6	33.2		More than five years	77.9	125.0
118.5	**142.5**		**Total**	**301.4**	**302.9**
			A restatement of interest-bearing liabilities to fair value will not have any material effect on the balance sheet total at the balance sheet date.		

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	DKKm	2006	2005
		19	**Deferred tax assets and liabilities**		
(159.0)	(176.3)		Deferred tax (net) at 01-01	(129.5)	(131.0)
-	-		Disposal on disposal of activities	(0.9)	-
(17.3)	(103.3)		Changes via income statement	83.5	1.4
0.0	0.0		Other adjustments	(0.9)	0.1
(176.3)	**(279.6)**		**Deferred tax (net) at 31-12**	**(214.8)**	**(129.5)**
			Deferred tax can be broken down as follows:		
			Deferred tax assets		
0.0	0.0		Intangible assets	0.0	1.2
67.2	125.1		Property, plant and equipment	129.0	71.6
0.0	0.0		Investments	0.0	0.0
0.0	66.5		Current assets	67.8	1.7
6.9	10.4		Non-current liabilities	12.7	9.6
11.4	8.0		Current liabilities	10.9	16.4
115.0	73.0		Tax loss carryforwards	79.9	119.2
(15.0)	0.0		Non-capitalised tax losses	0.0	(15.0)
185.5	283.0		Deferred tax assets at 31-12 before set-off	300.3	204.7
(9.2)	(3.4)		Set-off within legal entities and jurisdictions (countries)	(61.4)	(51.4)
176.3	**279.6**		**Deferred tax assets at 31-12**	**238.9**	**153.3**
			Deferred tax liabilities		
0.0	3.4		Intangible assets	4.5	0.1
0.0	0.0		Property, plant and equipment	23.3	23.5
0.0	0.0		Investments	0.0	0.0
5.7	0.0		Current assets	42.9	38.8
3.5	0.0		Non-current liabilities	0.0	3.5
0.0	0.0		Current liabilities	14.8	9.3
9.2	3.4		Deferred tax liabilities at 31-12 before set-off	85.5	75.2
(9.2)	(3.4)		Set-off within legal entities and jurisdictions (countries)	(61.4)	(51.4)
0.0	**0.0**		**Deferred tax liabilities at 31-12**	**24.1**	**23.8**
(176.3)	**(279.6)**		**Deferred tax (net) at 31-12**	**(214.8)**	**(129.5)**

Deferred tax has been calculated using the current Danish tax rate of 28%.

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

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
		20	**Provisions**		
28.6	31.6		Carrying amount at 01-01	59.6	39.3
4.2	7.6		Provided in the year	9.6	24.6
(1.2)	(0.3)		Utilised in the year	(1.6)	(2.6)
0.0	0.0		Reversal of unutilised prior year provisions	(0.7)	(1.7)
0.0	0.0		Other adjustments	(1.9)	0.0
31.6	**38.9**		**Total at 31-12**	**65.0**	**59.6**
			Provisions are recognised in the balance sheet as follows:		
29.9	38.6		Non-current liabilities, provisions	62.3	57.3
1.7	0.3		Current liabilities, provisions	2.7	2.3
31.6	**38.9**		**Total**	**65.0**	**59.6**
			Expected maturity dates:		
1.7	0.3		Less than one year	2.7	2.3
5.9	7.7		Between one and two years	7.7	6.7
17.8	23.2		Between two and five years	28.1	25.1
6.2	7.7		More than five years	26.5	25.5
31.6	**38.9**		**Total**	**65.0**	**59.6**
			Provisions relate primarily to provisions for 1-year and 5-year guarantee works in respect of completed contracts.		
		21	**Contract work in progress**		
4,497.0	5,714.1		Progress billings	7,076.0	5,205.2
(4,301.0)	(5,192.0)		Contract work in progress at selling price	(6,462.9)	(4,988.4)
196.0	**522.1**		**Contract work in progress (net)**	**613.1**	**216.8**
			Work in progress is recognised in the balance sheet as follows:		
541.0	970.0		Current liabilities	1,216.8	688.2
(345.0)	(447.9)		Receivables	(603.7)	(471.4)
196.0	**522.1**		**Contract work in progress (net)**	**613.1**	**216.8**
			Prepayments received from customers are recognised separately in the balance sheet under current liabilities.		

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
		22	**Security**		
			Normal security in the form of bank guarantees, guarantee insurances and bond deposits has been provided for contracts and supplies.		
			The guarantees provided relate to:		
11.2	16.9		Bid bonds	21.8	11.2
1,016.5	1,272.3		Contracts and supplies in progress	1,717.2	1,361.6
986.1	1,057.3		Completed contracts and supplies	1,230.1	1,203.2
2,013.8	**2,346.5**		**Total**	**2,969.1**	**2,576.0**
			Guarantees in respect of completed contracts and supplies relate to normal one-year and five-year guarantee works.		
			Similar security has been provided for prepayments received, etc., recognised in the balance sheet as liabilities.		
			In addition, land, buildings and properties have been lodged as security for bank loans, etc., see notes 13 and 15.		
		23	**Lease commitments**		
			Finance leases		
			Total future minimum lease payments:		
12.3	28.3		Due within one year	42.8	27.9
19.8	33.7		Due between two and five years	77.5	63.0
0.0	0.0		Due after more than five years	15.7	21.2
32.1	**62.0**		**Total**	**136.0**	**112.1**
			Carrying amount (present value):		
11.2	0.0		Due within one year	12.8	24.5
19.3	26.2		Due between two and five years	62.5	55.7
0.0	31.9		Due after more than five years	42.1	19.8
30.5	**58.1**		**Total**	**117.4**	**100.0**
1.6	3.9		Financial expenses	18.6	12.1
			Financial expenses, calculated as the difference between the total future lease payments and the carrying amount (present value) of finance leases, are recognised in the income statement over the lease term.		
			Operating leases		
			Total future minimum lease payments:		
25.4	35.6		Due within one year	55.6	36.7
79.0	103.1		Due between two and five years	150.2	106.6
126.3	70.2		Due after more than five years	75.1	128.5
230.7	**208.9**		**Total**	**280.9**	**271.8**

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
26.0	18.5	**23**	Lease payments relating to operating leases recognised in the income statement	42.4	40.7
			The Group's finance and operating leases relate primarily to vehicles, operating equipment and mobile cranes.		
		24	**Contingent liabilities**		
0.0	0.0		Other contingent liabilities	0.0	6.0
			Indemnities In accordance with normal practice, the parent company has issued indemnities in respect of a few subsidiaries and contracts won by subsidiaries.		
			Litigation The MT Højgaard Group is involved in various legal and arbitration proceedings. In management's opinion the outcome of these proceedings is not expected to have any adverse impact on the Group's financial position.		
		25	**Related parties**		
			Control The Group has a controlling related party relationship with the principal shareholders in the parent company MT Højgaard a/s. The parent company is owned by Højgaard Holding a/s (54%) and Monberg & Thorsen A/S (46%), both of which are listed on the Copenhagen Stock Exchange.		
			Significant influence Related parties with significant influence comprise the members of the company's Supervisory Board and Executive Board.		
			The parent company's related parties also include subsidiaries and associates in which MT Højgaard a/s has control or significant influence. A list of the consolidated enterprises is given on page 64.		
			Intragroup transactions Apart from intragroup transactions that have been eliminated in the consolidated financial statements, and normal management remuneration, no transactions have been effected during the year with major shareholders, members of the Supervisory Board or Executive Board or other related parties. Management remuneration is disclosed in note 6. Transactions between MT Højgaard a/s and the other consolidated enterprises are based on arm's length terms.		
			Intragroup transactions between the parent company and the other consolidated enterprises can be broken down as follows:		
222.9	299.0		Purchases of goods and services from subsidiaries		
47.1	53.6		Sales of goods and services to subsidiaries		
52.9	62.0		Purchases of goods and services from associates		
15.3	112.2		Sales of goods and services to associates		
			Transactions between consolidated enterprises have been eliminated in the consolidated financial statements.		

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005

25 Related parties (continued)

The parent company's balances with subsidiaries, associates and jointly controlled entities at 31 December are disclosed in the balance sheet and relate primarily to ordinary business-related balances concerning purchases and sales of goods and services. The balances are non-interest bearing and are entered into on the same terms as apply to the parent company's other customers and suppliers.

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 and associates are disclosed in note 8.

26 Joint ventures

The MT Højgaard Group participates in two forms of joint ventures: jointly controlled operations and jointly controlled entities.

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

Investments in jointly controlled entities are accounted for in the consolidated financial statements applying proportionate consolidation. The parent company measures investments in jointly controlled entities at cost and recognises them as associates.

Jointly controlled entities
The Group's share of profit for the year and balance sheet items for jointly controlled entities is recognised in the financial statements with the following amounts:

Amounts in DKKm	Group 2006	Group 2005
Income statement		
Revenue	617.7	540.0
Profit for the year	108.7	48.9
Balance sheet		
Fixed assets	265.1	268.1
Current assets	156.1	150.9
Total assets	**421.6**	**419.0**
Non-current liabilities	97.6	96.4
Current liabilities	156.3	183.2
Total liabilities	**253.9**	**279.6**
Net assets	**167.7**	**139.4**

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005

26 Joint ventures (continued)

The Group participates in the following joint ventures:

Joint ventures		Ownership interest	Other joint venturers
Jointly controlled operations			
Amerikakaj	*	50.00%	TK Bygge-Holding A/S
Aircon JV	*	50.00%	Hoffmann A/S
EL – FTTH Nord **	*	50.00%	Lindpro a/s
GC/MTH J.V.	*	83.34%	Greenland Resources A/S
Joint Venture Pihl/Højgaard	*	50.00%	E. Pihl & Søn A/S
JV ElSyd **	*	50.00%	Lindpro a/s
Kalvebod Konsortiet	*	50.00%	NCC Construction Danmark A/S
LOKO JV	*	66.00%	M.J. Eriksson Aktieselskab
M3-Konsortiet	*	60.00%	M.J. Eriksson Aktieselskab
M10-Syd-Konsortiet	*	60.00%	M.J. Eriksson Aktieselskab
Monnet Konsortiet	*	50.00%	Novo Nordisk Engineering A/S
MP-Konsortiet	*	50.00%	E. Pihl & Søn A/S
MT Højgaard - Bravida JV/CTR	*	50.00%	Bravida Danmark A/S
KFT-JV	*	50.00%	Hochtief Construction AG
MT Højgaard - Pihl	*	50.00%	E. Pihl & Søn A/S
MT Pihl Intel konsortiet	*	50.00%	E. Pihl & Søn A/S
RHM-Konsortiet	*	66.66%	NCC Construction Danmark A/S
Vejcon Fyn	*	30.00%	Per Aarsleff A/S
			Ove Arkil A/S
			Jorton A/S
Vivaldis JV **	*	66.00%	Promecon a/s
Nuna Konsortiet	*	40.00%	Atcon Grønland A/S
			Arssarnerit A/S
Jointly controlled entities			
BMS A/S		50.00%	Aalborg Autokraner A/S
B.O.T. Management A/S		66.66%	E. Pihl & Søn A/S
Frederiksberg Centerbyg A/S		66.66%	NCC Danmark A/S
Greenland Contractors I/S	*	66.66%	Greenland Resources A/S
Precast Cellular Structures Ltd.		50.00%	Tarmac Precast Concrete Limited

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

**) Intragroup joint ventures.

Notes

PARENT COMPANY				GROUP	
2005	2006	Note	Amounts in DKKm	2006	2005
		27	**Financial instruments**		
			For a general description of financial risks, including foreign currency, interest rate and credit risks as well as the Group's policy in these areas, reference is made to 'Risk factors' in the management's review on pages 18-19.		
			Derivative financial instruments		
			The Group primarily uses forward exchange contracts to hedge contractual and budgeted cash flows. Changes in the value of derivative financial instruments are recognised in the income statement under financial income and expenses as they arise, as they do not qualify for hedge accounting.		
			The open foreign exchange contracts at 31 December 2006 have a remaining term of up to 0.1 year.		
			Open forward exchange contracts at 31 December		
			Fair value (DKK):		
0.0	0.0		GBP	32.8	85.2

28 Accounting estimates and judgements

Estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of future events on the carrying amounts of those assets and liabilities at the balance sheet date. Estimates that are material for the financial reporting relate primarily to measurement of the selling price of contract work in progress.

The estimates applied are based on assumptions which are sound, in management's opinion, but which by the nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the company is subject to risks and uncertainties that may cause the actual results to differ from these estimates. Special risks for the MT Højgaard Group are described in the management's review under the section on 'Risk factors' on pages 18-19.

Basis for management's judgements

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

The judgements that have the greatest impact on the amounts recognised in the financial statements relate to contract work in progress.

In management's opinion, no judgements have been made in connection with the accounting policies in the financial reporting for 2006 with comparative figures for 2005, apart from the accounting estimates referred to above, that have a material effect on the financial reporting.

Notes

Note

29 **New accounting standards**

The IASB and the EU have adopted the following interpretations that are not compulsory for MT Højgaard in connection with the preparation of the annual report for 2006:

No effect on the financial statements

* IFRIC 7 ″Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies″
* IFRIC 8 ″Scope of IFRS 2″
* IFRIC 9 ″Reassessment of Embedded Derivaties″
* IFRIC 10 ″Interim Financial Reporting and Impairment″ (yet to be adopted by the EU)
* IFRIC 11 ″Group and Treasury Share Transactions″ (yet to be adopted by the EU)
* IFRIC 12 ″Service Concession Arrangements″ (yet to be adopted by the EU)

None of the interpretations listed above is expected to have any effect on the financial reporting of the MT Højgaard Group in or after 2007.

Effect on the financial statements

* IFRS 7 ″Financial Instruments: Disclosures″. The implementation will not have any effect on the recognition and measurement of financial instruments in the MT Højgaard Group, but merely on the disclosures in the financial statements.
* IFRS 8 ″Operating Segments″ (yet to be adopted by the EU). The implementation will only affect the disclosures in the financial statements and not the business segmentation of the MT Højgaard Group. The existing segmentation thus complies with the new segmentation requirements in IFRS 8.

The new accounting standards and interpretations are expected to be implemented from the mandatory effective date, apart from IFRS 8, which is expected to be implemented in 2007.

30 **Events after the balance sheet date**

So far as management is aware, no events have occurred between 31 December 2006 and the date of signing of the annual report which will have a material effect on the MT Højgaard Group's financial position at 31 December 2006 other than the effects that are recognised and referred to in the annual report.

31 **Segment information**

Primary segment – business segments

MT Højgaard's primary format for reporting segment information, which follows the overall internal business organisation of the activities, comprises:

– Contracting business
– Other activities (subsidiaries)
– Corporate functions, etc.

The Contracting business is organised into five business areas and five business units.

Other activities comprise MT Højgaard's subsidiaries and jointly controlled entities with separately profiled expertise within areas such as electrical installations (Lindpro), steel structures (Promecon) and crane and lift hire (BMS).

Corporate functions, etc., comprises the joint staff functions in MT Højgaard and other non-allocated corporate items.

Secondary segment – geographical segments

The Group's secondary segment format comprises two geographical areas:

– Denmark
– Rest of world

The MT Højgaard Group operates primarily in Denmark. The international activities are predominantly operated within the EU. Revenue is allocated between the two geographical areas on the basis of the customer's geographical location, while the assets are allocated on the basis of the geographical location of the assets.

Trading between segments is based on arm's length terms.

Segment information for 2006

PRIMARY SEGMENT – BUSINESS SEGMENTS

Amounts in DKKm	Contracting business	Other activities – subsidiaries	Corporate functions, etc.	**MT Højgaard Group**
Income statement				
Gross revenue	9,013.3	3,312.4	-	**12,325.7**
Intragroup revenue	(1,243.2)	-	-	**(1,243.2)**
Revenue	7,770.1	3,312.4	-	**11,082.5**
Gross profit (loss)	(132.4)	444.3	129.8	**441.7**
Depreciation and impairment losses	66.8	76.4	14.0	**157.2**
Operating profit (loss)	(132.4)	243.1	(52.1)	**58.6**
Share of profit (loss) after tax of associates	0.0	0.0	0.0	**0.0**
Profit before tax (loss)	(134.0)	241.4	(56.4)	**51.0**
Profit (loss) for the year	(115.7)	205.1	(52.7)	**36.7**
Balance sheet				
Fixed assets	395.3	508.9	324.0	**1,228.2**
Current assets	2,431.3	1,138.1	35.0	**3,604.4**
Total segment assets	2,826.6	1,647.0	359.0	**4,832.6**
Fixed asset investments	100.4	173.2	16.7	**290.3**
Investments in associates	0.0	0.0	0.4	**0.4**
Non-current liabilities	5.4	201.9	53.4	**260.7**
Current liabilities	2,462.5	1,522.9	(461.5)	**3,523.9**
Total segment liabilities	2,467.9	1,724.8	(408.1)	**3,784.9**
Interest-bearing assets	14.8	241.9	97.0	**353.7**
Interest-bearing liabilities	0.3	169.6	131.5	**301.4**
Interest-bearing net balance (+/-)	14.5	72.3	(34.5)	**52.3**
Cash flows				
Cash flows from operating activities	30.2	288.6	(1.7)	**317.1**
Cash flows for investing activities	(100.4)	(132.1)	(7.3)	**(239.8)**
Cash flows from financing activities	0.0	(151.4)	143.9	**(7.5)**
Net increase (decrease) in cash and cash equivalents	(70.2)	5.1	134.9	**69.8**
Financial ratios (%)				
Gross margin	(1.7)	13.4		**4.0**
Operating margin	(1.7)	7.3		**0.5**
Other information				
Order book, year end	8,194.5	2,557.3	-	**10,751.8**
Average number of employees	3,223	2,525	131	**5,889**
Number of employees, year end	3,485	2,626	134	**6,245**

Secondary segment – geographical segments	Denmark	Rest of world	**MT Højgaard Group**
Income statement			
Revenue	9,239.8	1,842.7	**11,082.5**
Balance sheet			
Fixed assets	1,097.3	130.9	**1,228.2**
Current assets	3,192.7	411.7	**3,604.4**
Total segment assets	4,290.0	542.6	**4,832.6**
Fixed asset investments	229.0	61.3	**290.3**

Segment information for 2005

PRIMARY SEGMENT – BUSINESS SEGMENTS

Amounts in DKKm	Contracting business	Other activities – subsidiaries	Corporate functions, etc.	**MT Højgaard Group**
Income statement				
Gross revenue	6,509.0	2,758.2	-	**9,267.2**
Intragroup revenue	(804.3)	-	-	**(804.3)**
Revenue	5,704.7	2,758.2		**8,462.9**
Gross profit	77.6	334.9	73.4	**485.9**
Depreciation and impairment losses	65.2	71.0	9.6	**145.8**
Operating profit (loss)	77.6	128.1	(67.8)	**137.9**
Share of profit (loss) after tax of associates	(2.9)	0.0	0.0	**(2.9)**
Profit (loss) before tax	68.9	126.1	(70.1)	**124.9**
Profit (loss) for the year	40.0	124.2	(64.3)	**99.9**
Balance sheet				
Fixed assets	366.5	446.5	249.6	**1,062.6**
Current assets	1,832.9	948.2	82.7	**2,863.8**
Total segment assets	2,199.4	1,394.7	332.3	**3,926.4**
Fixed asset investments	97.3	113.6	19.0	**229.9**
Investments in associates	0.0	0.0	0.6	**0.6**
Non-current liabilities	2.1	191.4	97.9	**291.4**
Current liabilities	1,623.7	1,345.2	(350.2)	**2,618.7**
Total segment liabilities	1,625.8	1,536.6	(252.3)	**2,910.1**
Interest-bearing assets	85.0	249.0	(69.4)	**264.6**
Interest-bearing liabilities	2.1	184.3	116.5	**302.9**
Interest-bearing net balance (+/-)	82.9	64.7	(185.9)	**(38.3)**
Cash flows				
Cash flows from operating activities	142.4	179.2	19.1	**340.7**
Cash flows for investing activities	(102.2)	(63.2)	(3.1)	**(168.5)**
Cash flows from financing activities	2.1	(71.7)	22.7	**(46.9)**
Net increase (decrease) in cash and cash equivalents	42.3	44.3	38.7	**125.3**
Financial ratios (%)				
Gross margin	1.4	12.1		**5.7**
Operating margin	1.4	4.6		**1.6**
Other information				
Order book, year end	6,078.4	2,273.6	-	**8,352.0**
Average number of employees	2,764	2,371	125	**5,260**
Number of employees, year end	3,057	2,393	142	**5,592**

Secondary segment – geographical segments	Denmark	Rest of world	**MT Højgaard Group**
Income statement			
Revenue	7,133.8	1,329.1	**8,462.9**
Balance sheet			
Fixed assets	959.9	102.7	**1,062.6**
Current assets	2,537.6	326.2	**2,863.8**
Total segment assets	3,497.5	428.9	**3,926.4**
Fixed asset investments	157.1	72.8	**229.9**

Subsidiaries and associates

SUBSIDIARIES AND ASSOCIATES

32 **Subsidiaries and associates**

Companies		Registered office		Ownership interest %		Share capital ('000)
MT Højgaard a/s						
ApS KBIL 38 NR. 2286	(A)	Søborg	DK	50.00	DKK	125
BMS A/S	(J)	Rødovre	DK	50.00	DKK	25,000
TP Kranar AB	(J)	Sweden	SE	100.00	SEK	100
B.O.T. Management A/S	(J)	Lyngby	DK	66.66	DKK	501
Composite Limited		UK	GB	100.00	GBP	500
Precast Cellular Structures Ltd.	(J)	UK	GB	50.00	GBP	100
Danbond-Danish Structural Bonding Company A/S		Søborg	DK	100.00	DKK	500
Enemærke & Petersen a/s		Ringsted	DK	100.00	DKK	5,000
Ringsted Entreprenørforretning ApS		Ringsted	DK	100.00	DKK	200
Frederiksberg Centerbyg A/S	(J)	Hellerup	DK	66.66	DKK	500
Greenland Contractors I/S	(J)	Copenhagen	DK	66.66	DKK	-
Langeliniehuset Aarhus ApS		Søborg	DK	100.00	DKK	201
Lindpro a/s		Glostrup	DK	100.00	DKK	25,000
Arssarnerit A/S		Greenland	DK	100.00	DKK	2,000
LN Entreprise A/S		Søborg	DK	100.00	DKK	15,216
MHF 20061002 A/S		Søborg	DK	100.00	DKK	1,101
MT (UK) Ltd.		UK	GB	100.00	GBP	25
MT-Treschakt AB		Sweden	SE	100.00	SEK	850
MT Atlantic Inc.		USA	US	100.00	USD	10
MT Højgaard Føroyar P/F		Faroe Islands	DK	100.00	DKK	2,700
MT Hojgaard (GIB) Ltd.		Gibraltar	GB	100.00	GBP	2
MT Højgaard Grønland ApS		Greenland	DK	100.00	DKK	200
OPP Vildbjerg Skole A/S	(A)	Hellerup	DK	50.00	DKK	500
Promecon a/s		Fredericia	DK	100.00	DKK	5,000
Scandi Byg a/s		Løgstør	DK	100.00	DKK	3,000
Sociedade de Empreitadas e Trabalhos Hidráulicos, S.A., (Seth)		Portugal	PT	75.00	EUR	4,000

(A) associates.

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

Definitions of financial ratios

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

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

Ownership

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

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In the event of discrepancies between the English translation and the Danish text, the latter shall prevail.

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MT HØJGAARD

ANNUAL REPORT 06

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