MT HØJGAARD HOLDING

Annual report 2019

MT Højgaard Holding A/S
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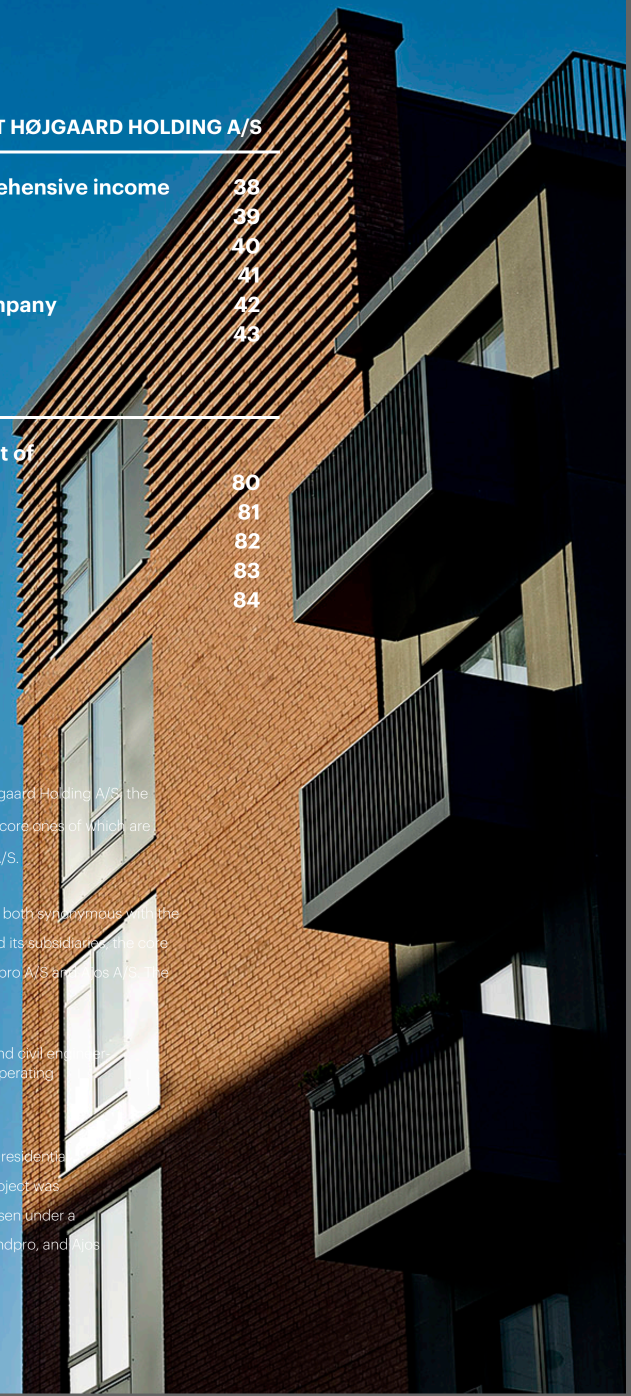
Contents

MANAGEMENT'S REVIEW

CONSOLIDATED FINANCIAL STATEMENTS:MT HØJGAARD HOLDING A/S

APPENDICES: MT HØJGAARD GROUP



TERMS IN THE REPORT

MT Højgaard Holding A/S comprises the parent company MT Højgaard Holding A/S, the wholly-owned subsidiary MT Højgaard A/S and its subsidiaries, the core ones of which are Enemærke & Petersen A/S, Scandi Byg A/S, Lindpro A/S and Ajos A/S.

The terms **the MT Højgaard Group** and **the operational entity** are both synonymous with the construction and civil engineering companies MT Højgaard A/S and its subsidiaries, the core ones of which are Enemærke & Petersen A/S, Scandi Byg A/S, Lindpro A/S and Ajos A/S. The MT Højgaard Group was previously known as MTH GROUP.

In this report, **MT Højgaard** is synonymous with the construction and civil engineering company of the legal entity MT Højgaard A/S with underlying operating companies.

The photos on the front cover and this contents page are from the residential project A.C. Meyers Vænge at Copenhagen South Harbour. The project was developed by MT Højgaard and constructed by Enemærke & Petersen under a design-build contract. The electrical contract was carried out by Lindpro, and Ajos was responsible for the organisation of the construction site.

This annual report covers MT Højgaard Holding A/S and has been published in both Danish and English. In case of discrepancies or in case of doubt, the Danish version shall prevail.

Date of publication: 20 February 2020

Group at a glance

The MT Højgaard Group is one of the leading players in the construction and civil engineering industry in Denmark. The key companies are MT Højgaard, Enemærke & Petersen, Lindpro (Danish activities disposed of on 6 February 2020*), Scandi Byg and Ajos.

The companies operate as independent units and brands, each enjoying a leading position in its respective sub-market, but they also work together to create synergies across the Group, for example by sharing knowledge and skills.

The vast majority of the activities are carried out in Denmark and the North Atlantic countries for private and public customers, primarily in the form of main contracts, design-build contracts and Public-Private Partnerships (PPPs).

Revenue by business area

Revenue by geography

ajos

Assisting with establishing temporary buildings in the form of pavilions, and establishment, organisation, operation and dismantling of construction sites; Equipment hire for construction, civil works and refurbishment projects.

Enemærke & Petersen a/s

Refurbishment of non-profit housing, schools, commercial buildings, day care centres and co-operative and owner-occupied housing; construction of new housing, schools, institutions, offices and other buildings.

Lindpro

Contracting and service solutions in the fields of electrical installations, plumbing and heating, fire and security alarm systems, and assistive technology such as call systems, dementia systems and personal alarm systems (Danish activities disposed of on 6 February 2010*).

MTHøjgaard

Construction and civil works and related service and consultancy assignments as well as development of property projects.

scandibyg
TÆNK I NYE RAMMER

Prefabricated modular residential buildings (Nordic Swan Ecolabel certification), offices, institutions and healthcare facilities; modular site huts; pavilions for accommodation, institutions and offices.

Construction
The Group develops, constructs and refurbishes buildings on a main, design-build or subcontract basis for private and public customers, organisations and housing associations, mainly in Denmark and the North Atlantic countries. Construction activities are carried out by MT Højgaard A/S, Enemærke & Petersen A/S, Lindpro A/S and Scandi Byg A/S.

Civil Works
The Group undertakes infrastructure projects, earthworks and piling, marine works and shell construction, mainly in Denmark and a few chosen geographies. Civil works activities are carried out by MT Højgaard A/S.

Services
The Group provides services to the construction and civil engineering industry in Denmark through Ajos A/S, Enemærke & Petersen A/S, Lindpro A/S and MT Højgaard A/S.

Core capabilities
The Group has extensive experience in areas such as Design & Engineering, Virtual Design & Construction (VDC), project development, strategic partnerships, occupational health and safety management, sustainability, technical installations and in-house production.

*The sale is subject to approval by the Danish competition authorities.

Letter from the President and CEO

2019 was a year of transition for the MT Højgaard Group, in which the paramount goal was to put MT Højgaard A/S's operations back on a healthy footing and ensure continuing momentum in our other business units.

At the end of the financial year, we can state that we are well on the way to turning things around and ensuring that – in line with the other business units in the Group – MT Højgaard A/S will be a profitable business. The MT Højgaard Group is now in better shape than a year ago.

First and foremost, the merger of Højgaard Holding A/S and Monberg & Thorsen A/S to form MT Højgaard Holding A/S in the spring created a simpler, more transparent and cost-effective structure in the Group. After that, a loan of DKK 400 million from Knud Højgaards Fond provided a robust financial basis for putting MT Højgaard A/S's operations back on a sound footing.

HEALTHY ORDER BOOK

Throughout 2019, we have had strategic focus on improving both bidding and execution at MT Højgaard A/S. Today we win and execute projects that are financially sounder than previously and the improvement in bidding means that we have entered 2020 with a healthy order book.

The improvement in execution also meant that in 2019 we delivered on our expectations for revenue, earnings and operating cash flows. However, we have not yet completed the task of optimising at MT Højgaard A/S, so we will continue to work on reducing costs and improving competitiveness even further.

In autumn 2019, we took the first step in a fundamental change to how we work, when we moved a number of employees out of the staff and support departments into production – thus bringing them closer to the projects – and cut 130-140 salaried employee jobs.

That gives us lower fixed costs in a more agile and flexible set-up, where we can more easily respond to changes in the market and our pipeline.

These changes are a part of our new Group strategy, in which the establishment of a portfolio model with a number of business units on an equal footing is an important element for ensuring profitability and fulfil the growth potential in all business units.

On 6 February 2020, the Group sold Lindpro (Danish activities)* as part of a process of reinforcing and expanding the MT Højgaard Group's positions of strength and competitive edge in the market. Our ownership of Lindpro was at a crossroads. We had to either develop Lindpro into a full-service supplier of technical installations or sell the company to a new owner. We opted for the latter in order to ensure the right ownership for Lindpro in the long term.

LONG-TERM, SUSTAINABLE DEVELOPMENT

In the future MT Højgaard A/S, the focus is on the projects. The projects, the market and the customers are what defines the size of our business – and consequently the capacity and the level of costs.

That is the essence of our new Group strategy, Sustainable ˃22, which we are launching together with this annual report.

The strategy creates the framework for the long-term sustainable development of the Group.

Here we are thinking of the sustainable financial development of the Group, in which all business units deliver profitable growth.

But we are also thinking of sustainability in relation to our projects and production. As one of the major players in the construction and civil engineering sector we play an important part in how the physical environment develops and we therefore take responsibility for increasing the proportion of sustainable solutions in society.

It is a matter of reducing the impact of building and infrastructure on the climate and environment throughout the life cycle of the project from design and choice of materials to the operation phase and final demolition.

So, in the coming strategy period we will pass the ball to the employees in the entire Group, so that, together with customers and business partners, we can create sustainable and innovative solutions through strong collaborative relationships and efficient processes.

Morten Hansen
President and CEO

*The sale is subject to approval by the Danish competition authorities.

Operating and financial review – MT Højgaard Holding A/S

Højgaard Holding A/S and Monberg & Thorsen A/S merged on 5 April 2019, with Højgaard Holding A/S as the continuing company. The continuing company changed its name to MT Højgaard Holding A/S and, on implementation of the merger, became the owner of 100% of the MT Højgaard Group comprising the company MT Højgaard A/S and a number of subsidiaries.

The accounting figures for MT Højgaard Holding A/S for 2019 differ significantly from those of the MT Højgaard Group (the operational entity) because of the acquisition date and the accounting effects of the merger.

This report consequently includes the accounting figures of both MT Højgaard Holding A/S and the MT Højgaard Group. The emphasis is on developments in the MT Højgaard Group, as they show the development in the operational entity (see pages 10-16).

Up to the date of implementation of the merger, the financial statements of MT Højgaard Holding A/S only include the operations of Højgaard Holding A/S, which owned 54% of the MT Højgaard Group until 5 April 2019.

The merger has been accounted for using the acquisition method, whereby assets and liabilities have been determined at fair value on 5 April 2019. The accounting effects in the form of purchase price allocation etc. have been determined after the implementation of the merger and had a significant effect on the financial statements for 2019, as expected. The financial statements were also affected by transaction costs and administrative expenses in MT Højgaard Holding A/S, as expected.

The comparative figures for 2018 have not been restated to reflect the merger and only comprise the consolidated financial statements of Højgaard Holding A/S for 2018.

REVENUE

Revenue in MT Højgaard Holding A/S for 2019 was DKK 5,169 million compared with DKK 58 million last year. Fourth-quarter revenue was DKK 1,812 million compared with DKK 16 million in the same period in 2018.

Revenue in 2018 related solely to the company Højgaard Industri A/S, which Højgaard Holding A/S disposed of in 2018 as part of the planning of the merger with Monberg & Thorsen A/S.

As already mentioned, the difference between the revenue of MT Højgaard Holding A/S and that of the operational entity reflects the fact that MT Højgaard Holding A/S did not consolidate the activities of the MT Højgaard Group until with effect from the merger date of 5 April 2019.

EARNINGS

MT Højgaard Holding A/S generated operating profit before special items of DKK 18 million in 2019 and DKK 22 million in the fourth quarter of 2019, compared with DKK 6 million in 2018 and DKK 2 million in the fourth quarter of 2018. Earnings exceeded the latest outlook for EBIT before special items of around nil on revenue of DKK 5.3 billion.

The disparity between operating profit before special items in MT Højgaard Holding A/S and in the operational entity is due to the merger date of 5 April 2019, the effect on profit of the purchase price allocation amounting to an expense of DKK 52 million in the second to fourth quarters of 2019 as well as transaction costs and administrative expenses of DKK 8 million in MT Højgaard Holding A/S.

MT Højgaard Holding A/S generated profit before tax of DKK 94 million in 2019 and a loss of DKK 24 million in the fourth quarter compared with a loss of DKK 300 million in 2018 and a profit of DKK 34 million in the fourth quarter of 2018.

The MT Højgaard Group reported profit before tax of DKK 24 million in 2019 and a loss of DKK 8 million in the fourth quarter of 2019.

REPORTING STRUCTURE

5 April – 31 December The listed company	MT Højgaard Holding A/S
1 January – 31 December The operational entities in the Group	MT Højgaard A/S Enemærke & Petersen A/S · Scandi Byg A/S · Lindpro A/S · Ajos A/S

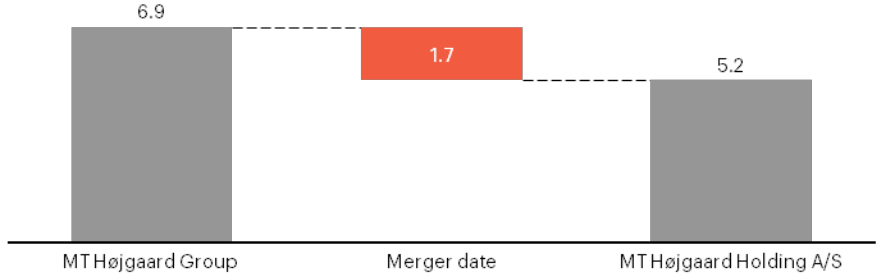
For further details of these companies, see page 43.

ACCOUNTING EFFECTS OF MERGER ON MT HØJGAARD HOLDING A/S FOR 2019

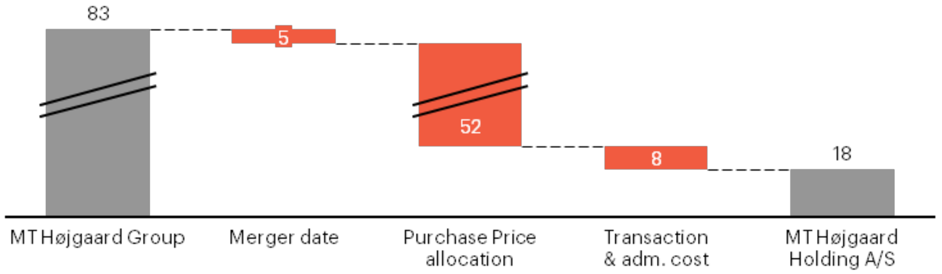
	MT Højgaard Group (1/1 - 31/12 2019)			MT Højgaard Holding A/S (5/4 - 31/12 2019)				
				Effects of merger				
Amounts in DKK million	Q1	Q2 - Q4	2019	Merger date	Adm. exp.*	Net finan-cials*	Effect of PPA**	2019
Revenue	1,694	5,169	6,864	-1,694				5,169
Operating profit/(loss) before special items	5	78	83	-5	-8	-	-52	18
Profit/(loss) before tax	-3	27	24	3	-8	127	-52	94
Cash flows from operating activities	-116	144	28	116	-6	-15		123

*Period from 1/1 - 31/12 2019, **PPA: Purchase Price Allocation

ACCOUNTING EFFECT OF MERGER ON REVENUE FOR 2019, DKK BILLION



ACCOUNTING EFFECT OF MERGER ON OPERATING PROFIT BEFORE SPECIAL ITEMS FOR 2019, DKK MILLION



The disparity between the pre-tax results of MT Højgaard Holding A/S and the operational entity primarily reflects a considerable positive effect on net financials of the write-up of the value of the shares in MT Højgaard A/S to estimated fair value in connection with the step acquisition of the company as part of the merger.

The Board of Directors does not propose the distribution of dividend for 2019.

CASH FLOWS

MT Højgaard Holding A/S's operating activities generated a cash inflow of DKK 113 million in 2019 and DKK 158 million in the fourth quarter, compared with an outflow of DKK 17 million in 2018 and an outflow of DKK 18 million in the fourth quarter of 2018. According to the latest outlook, operating cash flows for the year were expected to be an outflow of around DKK 20 million. The departure from the outlook mainly reflected increased focus on the Group's liquidity and earlier payment of purchase price and deposit relating to sale of properties.

On 10 April 2019, MT Højgaard Holding A/S entered into an agreement with Knud Højgaards Fond on a subordinated loan facility of DKK 400 million. On the same day, MT Højgaard Holding A/S drew down the entire facility and injected DKK 400 million in new equity into MT Højgaard A/S.

MT Højgaard Holding A/S's financial resources totalled DKK 344 million at the end of December 2019. Including a subordinated loan of DKK 250 million from Knud Højgaards Fond, financial resources totalled DKK 594 million at the end of the year, which is considered satisfactory based on the current level of activity.

EVENTS AFTER THE REPORTING PERIOD

Morten Hansen was appointed permanently as President and CEO of MT Højgaard Holding A/S and MT Højgaard Holding A/S on 5 February 2020.

On 6 February 2020, MT Højgaard Holding A/S sold the Danish activities of its wholly-owned subsidiary Lindpro A/S to Kemp & Lauritzen A/S. The sale is conditional upon approval by the Danish competition authorities.
The selling price has been agreed at DKK 265 million.

For 2019, the activities sold generated revenue of DKK 757 million. As part of the sale, Kemp & Lauritzen will take over approx. 835 employees in 17 locations in Denmark.

Lindpro's Greenland subsidiary, Arssarnerit A/S in Nuuk, is not part of the sale to Kemp & Lauritzen. Arssarnerit will continue as a separate company under MT Højgaard International.
The business unit MT Højgaard International was established at the end of 2019 to ensure management focus on MT Højgaard's activities in Greenland, the Faroe Islands, the Maldives and Portugal.

No material events have occurred between 31 December 2019 and the date of publication of this annual report that will have a material effect on the assessment of the Group's and the company's financial position, other than those that have already been incorporated in this annual report.

OUTLOOK 2020

EBIT in MT Højgaard Holding A/S and the MT Højgaard Group will be identical in 2020, with the exception of amortisation of intangible assets (DKK 38 million) as a result of the merger on 5 April 2019 and administrative expenses in the holding company (DKK 2 million).

The number one priority in 2020 is to improve the Group's earnings and create the basis for further improvements in profitability in the years ahead.

Of the DKK 7.2 billion order book (DKK 6.5 billion excl. Lindpro A/S) at the end of 2019, approximately DKK 5.0 billion (DKK 4.3 billion excl. Lindpro A/S) is expected to be executed in 2020, along with work on the awarded but not contracted projects referred to under order intake in the Management's review.

In view of the existing order book and expected order intake, the Group expects revenue of around DKK 6.5 billion (DKK 5.9 billion excl. Lindpro A/S) in 2020.

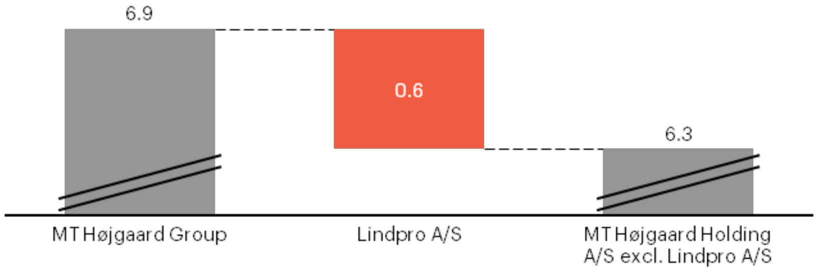
EBIT in the MT Højgaard Group in 2020 is expected to be around DKK 125 million before special items and excl. Lindpro A/S.

EBIT in MT Højgaard Holding is expected to be DKK 85 million before special items excl. Lindpro A/S.

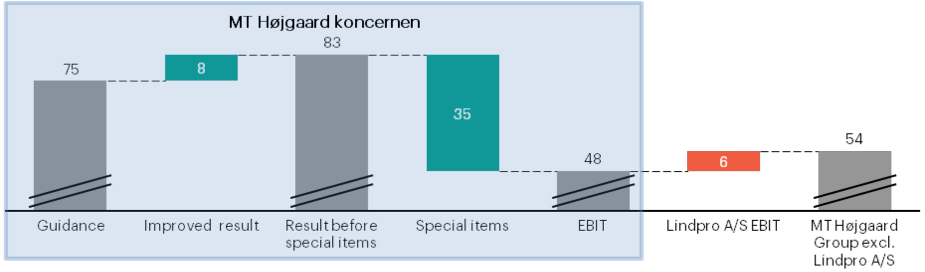
The Group remains focused on the importance of positive cash flows on all projects.

Comment
The annual report contains forward-looking statements, including projections of financial performance in 2020, which, by their nature, involve risks and uncertainties that may cause actual performance to differ materially from that contained in the forward-looking statements.

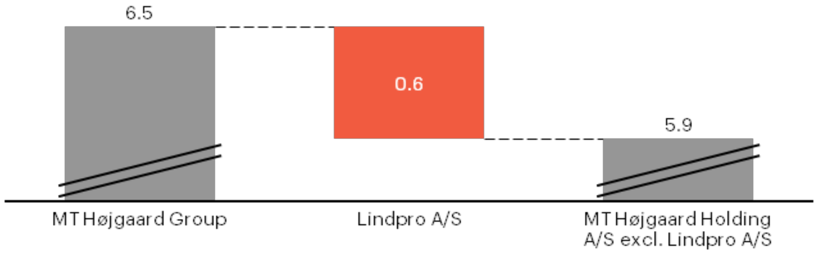
CONTINUING ACTIVITIES: ACCOUNTING EFFECT OF DISPOSAL OF LINDPRO A/S IN 2019 ON REVENUE, DKK BILLION



Continuing activities: accounting effect of disposal of Lindpro A/S in 2019 on EBIT, DKK million



CONTINUING ACTIVITIES: ACCOUNTING EFFECT OF DISPOSAL OF LINDPRO A/S IN 2020 ON REVENUE, DKK BILLION



Financial highlights – MT Højgaard Holding A/S

Amounts in DKK million	2019	2018	2017	2016	2015
Income statement					
Revenue	5,169	58	60	76	58
Gross profit/(loss)	293	12	15	16	12
Operating profit/(loss) before special items	18	6	9	10	7
Special items	-35	-	-	-	-
EBIT	-17	6	9	10	7
Net financials	112	13	-1	-2	-2
Profit/(loss) before tax	94	-300	-38	1	104
Net profit/(loss)	66	-300	-40	-1	103
Cash flows					
Cash flows from operating activities	123	-17	3	7	3
Purchase of property, plant and equipment	-134	-	-	-	-
Purchase of subsidiaries	8	-	-	-	-
Disposal of enterprise	-	28	-	-	-
Other investments, incl. investments in securities	-50	-	-	-	-
Cash flows for investing activities	-202	28	-	-	-
Cash flows from operating and investing activities	-78	11	3	7	3
Balance sheet					
Non-current assets	1,937	207	462	509	519
Current assets	2,471	12	20	14	11
Equity	521	190	427	468	472
Non-current liabilities	1,233	27	43	43	48
Current liabilities	2,653	1	12	12	10
Balance sheet total	4,408	219	482	523	530

Amounts in DKK million	2019	2018	2017	2016	2015
Other information					
Order intake	5,503	-	-	-	-
Order book, year end	7,194	-	-	-	-
Net interest-bearing deposit/debt (+/-)	-991	-16	-30	-40	-46
Average number of employees *	2,804	29	30	34	30
Financial ratios					
Gross margin (%)	5.7	20.7	25.0	21.1	20.7
EBIT margin (%)	-0.3	10.3	15.0	13.2	12.1
Pre-tax margin (%)	1.8	-521.6	-63.7	1.9	179.6
Return on equity (ROE) (%)	17.4	-97.2	-8.9	-0.2	24.7
Solvency ratio (%)	11.5	86.8	88.6	89.5	89.1
Share-related ratios					
Number of shares at end of year, million shares	7.8	4.2	4.2	4.2	4.2
Earnings and diluted earnings per share (EPS and EPS-D), DKK	8.8	-71.4	-9.5	-0.1	24.4
Net asset value per share, DKK	73.5	45.2	101.7	111.4	112.4
Total market capitalisation, DKK million	575	245	728	988	1,640

* Changed calculation of FTEs. The definition of FTEs was revised on 30 September 2019.

Financial highlights for MT Højgaard Holding for the years 2015-2018 are for Højgaard Holding A/S.
Financial highlights have not been restated to reflect IFRS 16 for 2015-2018 or IFRS 9 and IFRS 15 for 2015-2017.
Financial ratios have been calculated in accordance with CFA Society Denmark's "Recommendations and Financial highlights".
Financial ratios are defined in the notes under accounting policies, page 54.

Operating and financial review – MT Højgaard Group 2019

MT Højgaard has been carrying out earthworks, sewerage, concreting, bricklaying and carpentry work at the new Aalborg University Hospital since 2015. On 17 February 2020, the company handed over the final phase of the job. During the project, MT Højgaard used a total of 13,000 tonnes of reinforcement, 100,000 cubic metres of concrete, 1,900,000 bricks and 300,000 cubic metres of sand.

Summary 2019 – MT Højgaard Group

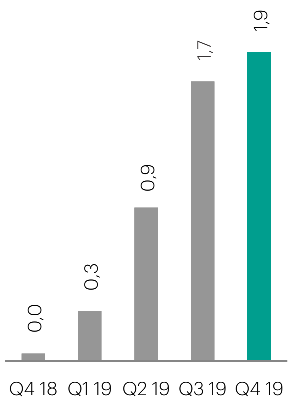
Revenue	Operating profit/(loss) before special items	Cash flows from operating activities	Order intake*	Order book*
6.9 DKKbn in 2019	**83** DKKm in 2019	**28** DKKm in 2019	**6.9** DKKbn in 2019	**7.2** DKKbn in 2019
6.8 DKKbn in 2018	**-547** DKKm in 2018	**-142** DKKm in 2018	**7.0** DKKbn in 2018 *	**7.2** DKKbn in 2018 *

Revenue

DKKm

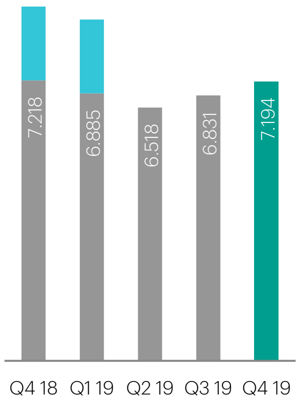
Margin before special items

%



Order book*

DKKm



Highlights 2019

- Revenue was DKK 6.9 billion in 2019 (2018: DKK 6.8 billion). Fourth-quarter revenue was DKK 1.8 billion (2018: DKK 1.9 billion).
- Operating profit before special items was DKK 83 million in 2019 (2018: DKK 547 million loss**). Fourth-quarter 2019 operating profit before special items was DKK 34 million (2018: DKK 1 million).
- Operating activities generated a cash inflow of DKK 28 million in 2019 (2018: DKK 142 million outflow). Fourth-quarter 2019 cash flow was an inflow of DKK 176 million (2018: DKK 216 million).
- Order intake totalled DKK 6.9 billion in 2019 (2018: DKK 7.0 billion). Fourth-quarter order intake was DKK 2.2 billion (2018: DKK 2.1 billion).
- The results were thus in line with the outlook, confirming that 2019 was a financial turning point for the Group.

Outlook 2020

- The number one priority in 2020 is to improve the Group's earnings and create the basis for further improvements in profitability in the years ahead. The initiatives implemented in 2019 and the new Group strategy "Sustainable >22" support these aims.
- Revenue is expected to be around DKK 6.5 billion (DKK 5.9 billion excl. Lindpro A/S) and EBIT around DKK 125 million excl. Lindpro A/S.
- The Group remains focused on the importance of positive cash flows on all projects.

*The order book and order intake in the table no longer include the order for the construction of a data centre outside Aabenraa, as the order was cancelled, see MT Højgaard Holding company announcement dated 12 June 2019. The cancelled order is illustrated in the order book graph, highlighted in "blue".
** 2018 was affected by major provisions for the obligations in the MgO board cases of DKK 362 million.

Financial highlights - MT Højgaard Group

Amounts in DKK million	2019	2018	2017	2016	2015
Income statement					
Revenue	6,864	6,758	7,648	6,797	6,531
Gross profit/(loss)	454	-126	631	505	772
Operating profit/(loss) before special items	83	-547	176	73	352
Special items*	-35	-	-125	-	-
EBIT	48	-547	51	73	352
Profit/(loss) before tax	24	-559	40	72	370
Net profit/(loss)	-16	-588	-58	10	290
Cash flows					
Cash flows from operating activities	28	-142	168	200	-52
Purchase of property, plant and equipment	-143	-40	-86	-148	-137
Other investments, incl. investments in securities	-95	-73	-12	-3	-3
Cash flows for investing activities	-238	-113	-98	-151	-140
Cash flows from operating and investing activities	-210	-255	70	49	-192
Balance sheet					
Non-current assets	1,664	1,299	1,153	1,147	1,099
Current assets	2,471	2,496	2,522	2,521	2,497
Equity	759	393	884	964	999
Non-current liabilities	761	559	256	232	323
Current liabilities	2,614	2,843	2,535	2,472	2,274
Balance sheet total	4,135	3,795	3,675	3,668	3,596

Amounts in DKK million	2019	2018	2017	2016	2015
Other information					
Order intake *	6,840	6,969	6,064	7,920	7,541
Order book, end of year *	7,194	7,218	7,007	8,591	7,468
Working capital **	-67	-367	-264	-158	-112
Net interest-bearing deposit/debt (+/-)	-550	-370	-73	-67	-50
Average invested capital incl. goodwill	668	788	934	940	662
Average number of employees ***	3,758	3,818	4,338	4,207	3,965
Financial ratios					
Gross margin (%)	6.6	-1.9	8.2	7.4	11.8
Operating margin before special items (%)	1.2	-8.1	2.3	1.1	5.4
EBIT margin (%)	0.7	-8.1	0.7	1.1	5.4
Pre-tax margin (%)	0.3	-8.3	0.5	1.1	5.7
Return on invested capital incl. goodwill (ROIC) (%)	16.7	-67.5	21.0	9.4	55.0
Return on invested capital incl. goodwill after tax (%)	13.0	-52.6	16.4	7.3	43.0
Return on equity (ROE) (%)	-3.7	-95.1	-9.4	-1.3	21.3
Solvency ratio (%)	18.0	10.1	23.3	25.7	26.7
Solvency ratio (%) incl. subordinated loan	18.0	16.7	23.3	25.7	26.7

* Order book and order intake no longer include the order for the construction of a data centre outside Aabenraa, as the order was cancelled, see MT Højgaard Holding company announcement dated 12 June 2019.

** Working capital excludes properties held for resale.

*** Changed calculation of FTEs. The FTE definition was revised at 30 September 2019 and the comparative figures have also been calculated using the new definition

Financial highlights have not been restated to reflect IFRS 16 for 2015-2018 or IFRS 9 and IFRS 15 for 2015-2017.

Financial ratios have been calculated in accordance with CFA Society Denmark's "Recommendations and Financial highlights". Financial ratios are defined in the notes, see page 54.

Operating and financial review – MT Højgaard Group

The MT Højgaard Group delivered the expected results in 2019, generating revenue of DKK 6.9 billion, operating profit before special items of DKK 83 million, and an operating cash inflow of DKK 28 million.

The most recent outlook, as reaffirmed in the interim financial report for the third quarter, was revenue of around DKK 7 billion and operating profit before special items of around DKK 75 million, while operating cash flows were expected to be on a par with 2018 (DKK 142 million outflow), but with an upside potential.

As previously mentioned, the efforts to put MT Højgaard A/S back on a healthy footing led to restructuring costs of approx. 35 million in the fourth quarter of 2019. EBIT was consequently DKK 48 million.

STABILISATION OF MT HØJGAARD A/S

The number one priority in 2019 was to improve earnings and create the basis for further improvements in profitability with particular focus on strengthening MT Højgaard A/S's operations. A new strategy and continued focus on profitability, efficiency and costs will create the preconditions for further improvements in 2020.

In MT Højgaard A/S both bidding and project execution were improved in 2019: the quality of bids was higher and the efficiency of execution was increased in order to ensure that projects were delivered on time, on budget and within the agreed framework. As a result, write-downs on projects were also brought under control.

However, as expected, earnings remained unsatisfactory in 2019 because of a small number of previously-mentioned legacy projects that contributed low or no revenue during completion. The majority of these projects were either completed in 2019 or will be completed in the course of 2020.

During the autumn of 2019 MT Højgaard A/S implemented a paradigm shift in order to increase focus on both customers and projects.

A number of employees from the staff and support departments were moved closer to the projects. At the same time, 130-140 salaried employee jobs were cut, which – besides reducing capacity and costs – also made the organisation more agile and flexible.

This change of paradigm is expected to reduce MT Højgaard A/S's costs by about DKK 130-150 million per year, approx. DKK 90-110 million of which will come from reductions in payroll costs, while the remaining approx. DKK 40 million will come from a number of other cost reductions. These initiatives are expected to show some effect in 2020 and full effect in 2021.

At the end of 2019, MT Højgaard A/S also brought its international activities in Greenland, Sweden, the Faroe Islands, the Maldives and Portugal (Seth) together in a new business area called MT Højgaard International. Bringing these activities together strengthens management focus on the area, which should ensure that the international business units can continue the positive development they have all been working on for the last year.

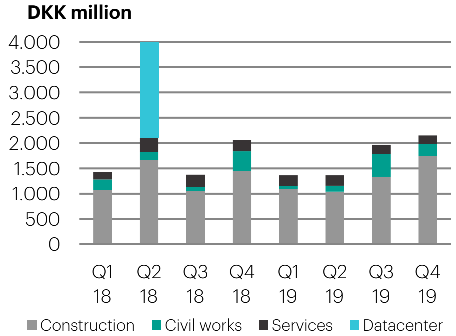
At the start of 2020, MT Højgaard A/S also combined its two primary production units, Construction & Civil Works East and Construction & Civil Works West, into a single unit under new management. Together with a new operational strategy, this amalgamation will ensure greater competitiveness through improved processes and result in higher earnings per employee.

The implementation of the new Group strategy during 2020 will ensure that the MT Højgaard Group will become even more competitive through increased Group collaboration, improved processes and innovative sustainable solutions.

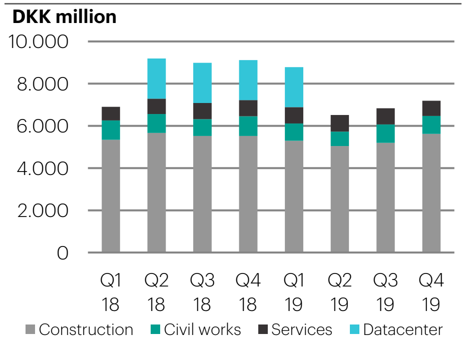
ORDER INTAKE AND ORDER BOOK

The Group's order intake totalled DKK 6.9 billion in 2019, compared with DKK 7.0 billion in 2018. Standing at DKK 7.2 billion at the end of 2019, the order book was thus on a par with 2018. Fourth-quarter revenue was DKK 2.2 billion compared with DKK 2.1 billion in the same period in 2018.

ORDER INTAKE



ORDER BOOK



Amounts in DKK million	Q4 19	Q4 18	2019	2018
Order book, beginning of year*	6,832	7,085	7,218	7,007
Order intake during year*	2,099	1,847	6,250	5,943
Other additions +/-	50	218	590	1,026
Production during year	1,787	1,932	6,864	6,758
Order book, end of year*	7,194	7,218	7,194	7,218

*The order book and order intake no longer include the order for the construction of a data centre outside Aabenraa, as the order was cancelled, see company announcement dated 12 June 2019.

The order book and order intake no longer include the order for the construction of a data centre outside Aabenraa. The order was concluded in the second quarter of 2018, but cancelled in the second quarter of 2019, see company announcement of 12 June 2019. In order to make the tables comparable, order intake and order book no longer include the cancelled order but the order still features in the graphs.

In the below order book tables, the item 'other intakes +/-' includes various extra work on existing projects, sale of development projects, minor operational projects etc.

The declining order intake was generally due to lower order intake in Services (-13%) for 2019 compared with 2018. Construction was largely level with 2018, while Civil Works showed a 3% increase in 2019.

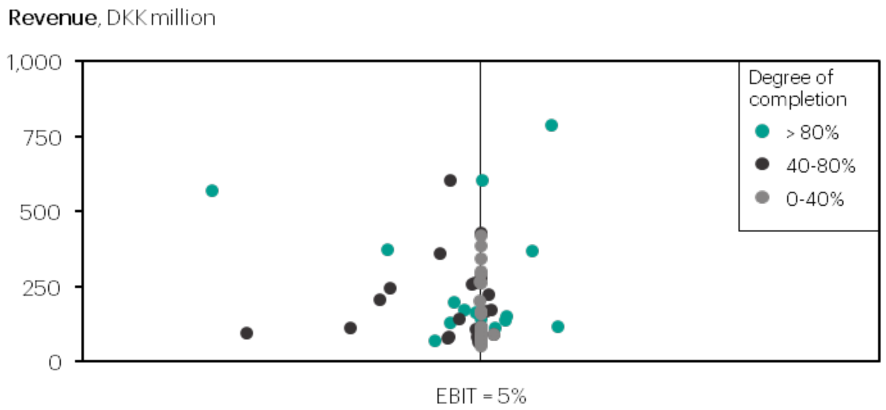
Awarded but not contracted work totalled around DKK 0.5 billion at the end of 2019, on a par with 2018. The Group is also working on the clarification phase of a number of collaboration agreements and projects, which it expects will result in the conclusion of final, unconditional agreements.

PROJECT PORTFOLIO AND EBIT REQUIREMENTS

The diagram "Contracts in progress" shows the extent to which the Group's largest projects in progress with revenue of over DKK 50 million meet management's EBIT requirements of 5%.

The position of the projects indicates the degree to which they meet management's requirements concerning profit margin and should in principle be close to the centre axis and preferably to the right of it. Nevertheless, minor, negative fluctuations may occur at any time and be acceptable, but the small number of major, seriously loss-making contracts must be eliminated. The colour scale illustrates the percentage of completion of each project. The quality of the order portfolio was strengthened in 2019 compared with previous years.

PROJECTS IN PROGRESS REVENUE > DKK 50 MILLION



Construction, DKK million	Q4 19	Q4 18	2019	2018
Revenue	1,314	1,448	5,103	5,122
Operating profit/(loss) before special items	14	23	85	-329
EBIT	-8	23	64	-329
Order book*	5,623	5,522	5,623	5,522
Order intake and other additions*	1,740	1,445	5,204	5,239

CONSTRUCTION

At DKK 5,103 million, revenue in Construction was in line with 2018, while fourth-quarter revenue was down 9% due to different project timings than in 2018. Activities mainly comprised construction of new housing, residential refurbishment, and construction of hospitals, commercial buildings, educational institutions etc.

Construction recorded operating profit before special items of DKK 85 million in 2019 compared with a loss of DKK 329 million in 2018, which was affected by major provisions in connection with the MgO board cases. Fourth-quarter 2019 operating profit before special items was DKK 14 million, compared with DKK 23 million in the same period in 2018.

Order intake in 2019 was in line with 2018, and the order book increased by 2% overall, to DKK 5.6 billion at the end of the year, providing a satisfactory basis for a good level of activity going forward.

Fourth-quarter 2019 order intake in Construction was DKK 1.7 billion compared with DKK 1.4 billion in the fourth quarter of 2018.

For information on the expected development in the Construction segment, see the section on "Market approach".

CIVIL WORKS

Revenue in Civil Works in 2019 was up 15% at DKK 954 million, while fourth-quarter revenue was up 3%. Activities included construction of shell structures and railway bridges and the establishment of ferry berths and terminals.

Civil Works, DKK million	Q4 19	Q4 18	2019	2018
Revenue	261	253	954	830
Operating profit/(loss) before special items	-12	-57	-58	-267
EBIT	-22	-57	-69	-267
Order book*	845	935	845	935
Order intake and other additions*	236	393	864	838

*The order book and order intake no longer include the order for the construction of a data centre outside Aabenraa, as the order was cancelled, see company announcement dated 12 June 2019.

Services, DKK million	Q4 19	Q4 18	2019	2018
Revenue	212	231	806	806
Operating profit/(loss) before special items	32	35	56	49
EBIT	29	35	53	49
Order book	727	761	727	761
Order intake and other additions	173	227	772	892

The operating result before special items in Civil Works was a loss of DKK 58 million in 2019, compared with a loss of DKK 267 million in 2018. The fourth-quarter 2019 operating result before special items was a loss of DKK 12 million, compared with a loss of DKK 57 million in the same period in 2018. As expected, earnings were still affected by the completion of legacy projects that contribute low or no earnings during their completion.

Order intake was up 3% in 2019, at DKK 864 million, while the total order book decreased by 10% to DKK 845 million at the end of the year. Fourth-quarter 2019 order intake in Civil Works was DKK 236 million compared with DKK 393 million in the fourth quarter of 2018.

For information on the expected development in the Civil Works segment, see the section on "Market approach".

SERVICES

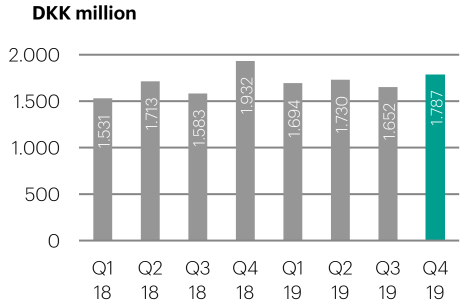
Revenue in Services in 2019 was in line with 2018, corresponding to DKK 806 million, while fourth-quarter revenue was down 8%. Activities included rental of pavilions and other equipment and fitting-out and operation of construction sites.

Operating profit before special items in Services was DKK 56 million in 2019, compared with DKK 49 million in 2018. Operating profit before special items was DKK 32 million in the fourth quarter of 2019, compared with DKK 35 million in the fourth quarter of 2018.

Order intake was down 13% in 2019, leading to a 4% decrease in the total order book, to DKK 727 million, at the end of the year. Fourth-quarter 2019 order intake in Services was DKK 173 million compared with DKK 227 million in the fourth quarter of 2018.

GROUP REVENUE

REVENUE



In 2019, Group revenue increased by 2% overall, to DKK 6,864 million, driven by the growth in the business area Civil Works.

Fourth-quarter revenue decreased by 8%, to DKK 1,787 million, mainly driven by lower growth in Construction (-9%) and Services (-8%), partly offset by positive growth in revenue from Civil Works (3%).

Construction accounted for 74% of total Group revenue in 2019, compared with 76% in 2018, while Civil Works accounted for 14% compared with 12% in 2018, and Services remained unchanged at 12% of Group revenue.

EARNINGS

Operating profit before special items was DKK 83 million in 2019, corresponding to an operating margin of 1.2%, compared with a loss of DKK 547 million and an operating margin of -8.1% in 2018.

Operating profit before special items was DKK 34 million in the fourth quarter of 2019, compared with DKK 1 million in the fourth quarter of 2018.

Special items amounted to an expense of DKK 35 million in the fourth quarter of 2019, comprising significant costs of a non-recurring nature in the form of restructuring costs for the revitalisation plan in MT Højgaard A/S that are not directly attributable to the Group's ordinary operating activities (see note 8 for a breakdown).

EBIT was DKK 48 million in 2019, corresponding to an EBIT margin of 0.7%, compared with a loss of DKK 547 million and -8.1% in 2018, which was affected by major provisions related to the MgO board cases. Remediation of these cases is proceeding according to plan. EBIT decreased to a loss of DKK 1 million in the fourth quarter of 2019, compared with profit of DKK 1 million in the fourth quarter of 2018, reflecting restructuring costs.

The improvement in full-year earnings reflected lower distribution costs and administrative expenses, higher quality of execution, a significantly lower write-downs on projects. Overall, the Group grew its gross margin to 6.6% in 2019 from -1.9% in 2018 and 7.1% in the fourth quarter of 2019, compared with 5.5% in the fourth quarter of 2018.

Net write-downs on projects amounted to DKK 90 million, depressing the result by a loss of DKK 50 million net in 2019. Net write-downs amounted to DKK 25 million in the fourth quarter, eroding profit by DKK 7 million. The effect on profit of these write-downs was relatively limited because several write-downs related to projects with a low degree of completion. By comparison, net write-downs amounted to DKK 345 million in 2018, which depressed profit by DKK 310 million net.

The implementation of IFRS 16 *Leases* increased EBIT by DKK 8 million and eroded profit before tax by DKK 6 million.

The net result in 2019 was a loss of DKK 16 million compared with a loss of DKK 588 million in 2018. The net result for the fourth quarter was a loss of DKK 37 million compared with a profit of DKK 36 million in the same period in 2018.

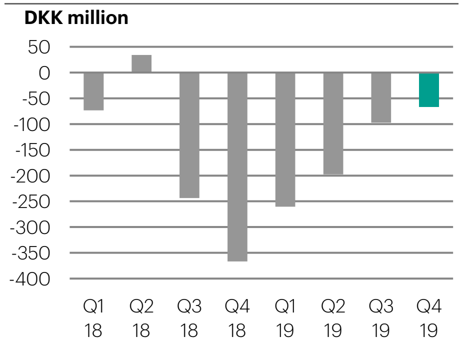
For information on the development in core units, see page 84.

BALANCE SHEET

Intangible assets and property, plant and equipment and lease assets amounted to DKK 1,345 million at the end of the year, compared with DKK 999 million at the end of 2018. The increase in fixed assets mainly reflected the fact that the Group implemented IFRS 16 *Leases* on 1 January 2019 and invested in rental equipment and the Group's new IT platform. Lease assets amounted to DKK 589 million at the end of 2019.

Inventories amounted to DKK 466 million at the end of 2019, compared with DKK 508 million at the beginning of the year. Inventories mainly relate to properties and construction projects developed in-house for resale, which totalled DKK 429 million compared with DKK 472 million in 2018.

WORKING CAPITAL (EXCL. PROPERTIES)



Trade receivables were DKK 1,288 million at the end of the year compared with DKK 1,330 million at the end of 2018.

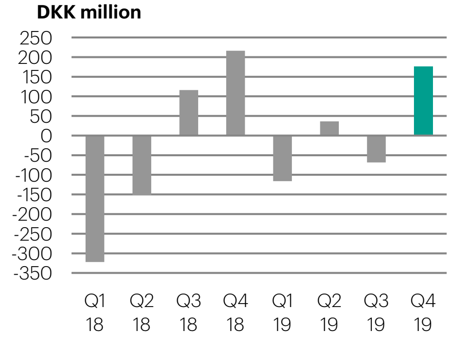
Construction contracts in progress amounted to a net liability item of DKK 345 million at the end of December 2019, compared with a net liability item of DKK 373 million at the end of 2018, reflecting project mix and activity level.

Trade payables amounted to DKK 859 million at 31 December 2019, compared with DKK 1,053 million at the end of 2018, mainly reflecting the timing of due dates at the end of 2018, making payables higher than normal.

Overall, at the end of 2019 the Group had a working capital outflow of DKK 67 million, excluding properties for resale, compared with an outflow of DKK 367 million at the end of 2018. The change in working capital was mainly driven by a reduction in trade payables.

Equity amounted to DKK 759 million at the end of December 2019, compared with DKK 393 million at the end of 2018, while the solvency ratio was 18.0% compared with 10.1% at the end of 2018, excl. subordinated loan.

CASH FLOWS FROM OPERATING ACTIVITIES



As previously announced, the parent company MT Højgaard Holding A/S injected new equity of DKK 400 million into MT Højgaard A/S on 10 April 2019.

CASH FLOWS AND FINANCIAL RESOURCES

Cash flows from operating activities were an inflow of DKK 28 million in 2019 against an outflow of DKK 142 million in 2018.

The improvement in 2019 mainly reflected improved operating profit and increased focus on the Group's liquidity

Fourth-quarter 2019 operating cash flow was an inflow of DKK 176 million compared with an inflow of DKK 216 million in the same period in 2018.

Investing activities were an outflow of DKK 238 million in 2019, mainly investments in property, plant and equipment and the Group's new IT platform, compared with an outflow of DKK 113 million in 2018. Fourth-quarter investing activities were an outflow of DKK 60 million compared with an outflow of DKK 15 million in the same period in 2018.

The MT Højgaard Group's financial resources totalled DKK 596 million at the end of December 2019, including a subordinated loan of DKK 250 million from Knud Højgaards Fond, compared with DKK 569 million at the beginning of the year. The financial resources are considered satisfactory based on the current level of activity.

In connection with the DKK 400 million capital injection by the parent company on 10 April 2019, MT Højgaard A/S repaid a subordinated loan of DKK 250 million from Knud Højgaards Fond, and the loan commitment ceased.

The agreement with Knud Højgaards Fond on DKK 400 million in subordinated loan capital to provide the liquidity required by the Group to meet its obligations in the MgO board cases was reduced in connection with the capital injection, to the above DKK 250 million loan. The Group has still not made any drawdowns under this agreement.

Major projects in 2019

New

22 total number *

3.8 DKKbn

Højstrupparken
Q4 2019
Contract sum DKK **410** million — E&P

Skoleparken
Q1 2019
Contract sum DKK **380** million — MTH

SUND Aalborg
Q4 2019
Contract sum DKK **345** million — MTH

SDU SUND
Q3 2019
Contract sum DKK **300** million — MTH

CPH baggage factory
Q2 2019
Contract sum DKK **290** million — MTH

Youth accommodation Lyngby
Q3 2019
Contract sum DKK **260** million — SB

In progress

15 total number *

1.9 DKKbn

New Aalborg University Hospital
Construction
Revenue in 2019 DKK **240** million — MTH

Lundevænget
Construction
Revenue in 2019 DKK **230** million — E&P

Hisingsbron Bridge
Civil Works
Revenue in 2019 DKK **155** million — MTH

Søndermarken
Construction
Revenue in 2019 DKK **145** million — E&P

Møllevangen
Construction
Revenue in 2019 DKK **130** million — MTH

Hummeltofteparken
Project development / Construction
Revenue in 2019 DKK **130** million — MTH

Completed

23 total number *

6.0 DKKbn

Stadionkvarteret
Q2 2019
Contract sum DKK **1,050** million — E&P

Data centre, Funen
Q4 2019
Contract sum DKK **600** million — MTH

Bassin 7
Q2 2019
Contract sum DKK **590** million — MTH

Hjortegården
Q3 2019
Contract sum DKK **355** million — E&P

Hummeltofteparken
Q4 2019
Contract sum DKK **380** million — MTH

Den Grønne Fatning
Q2 2019
Contract sum DKK **330** million — E&P

* Only projects with a contract sum of min. DKK 50 million are included in the sums on this page. For total order intake and order book, see page 11

Sustainable >22 – new Group strategy

In 2018, MT Højgaard completed the shell of the new National Hospital in Tórshavn. The following year, the company began work on the finishing, which is expected to be completed early in 2020. When the National Hospital is ready for opening in 2021, it will include medical wards, bed wards, a maternity ward and a psychiatric ward.

Sustainable >22 – new Group strategy

Sustainable >22 is the name of the MT Højgaard Group's new strategy, which sets the course towards long-term sustainable earnings. The aim is to achieve an EBIT margin of 4.0% in 2022 with largely unchanged revenue.

The strategy is intended to increase profitability in all business units and help to expand the Group's positions of strength in the areas of sustainable construction, refurbishment, project development, partnerships, projects in Greenland and the Faroe Islands as well as in the field of civil works.

In general, the strategy means increased focus on good business acumen and risk management at all levels of the organisation. Implementation of the new strategy has begun at Group level and is creating the framework for developing and implementing the strategy in the individual business units in the course of 2020.

ON THE WAY TO A PORTFOLIO MODEL

The strategy introduces a new business model and moves the MT Højgaard Group towards becoming a portfolio company. Going forward, the Group will consist of a number of strong, independent business units that will be responsible for every function from the actual operation to finance, purchasing, HR etc.

Clear roles, responsibilities and expectations for the individual business units will be the foundation stone for positive development in earnings. At the same time, the portfolio model will ensure the focused development of each individual business unit in close interaction with markets and customers.

The Group management will exercise active ownership in respect of the business units by demanding, developing and ensuring synergies across the companies in the portfolio. At the same time, the business units will independently take joint responsibility for the development of the Group as a whole and seek to collaborate in order to ensure maximum value creation.

Until now, responsibility for a number of staff functions has been placed at Group level. As a part of the implementation of the new business model, these jobs have been trimmed and largely moved out into the business units, so that the tasks are performed cost-effectively and close to the business. This change will continue, so that the organisation at Group level will be lean and efficient.

A NEW MT HØJGAARD DENMARK

Over the last two years, MT Højgaard Construction & Civil Works East and West have been working on improving profitability. During this process they have managed to complete a number of projects with unsatisfactory earnings and new, healthy projects have been added. However, profitability in the Danish construction and civil works business remains unsatisfactory.

In consequence a single organisation has been set up under the name MT Højgaard Danmark, which will carry out all construction and civil works activities for MT Højgaard A/S in the Danish market. The new business unit will be headed by Carsten Lund, who has 30 years' management experience in the construction industry.

The new business unit will already have visible effects in 2020, starting with a new strategy that will be defined and implemented this year. This will be carried out in the light of a thorough examination of the project portfolio, customers and segments, as well as the skills and processes within the business unit.

In connection with this, the international activities of MT Højgaard A/S have been combined in the business unit MT Højgaard International.

SUSTAINABLE CONSTRUCTION

Group management has increased the strategic focus on sustainability and sustainable construction, which have also become key parameters for many customers. Sustainability is one of the strongest trends in the construction sector and in the second half of 2019 sustainability was definitely to be seen as a key parameter in customers' choice of the MT Højgaard Group.

The aim is for the Group to continue to be known and recognised for sustainability during the whole life cycle of the building from design, choice of materials and construction to energy efficiency and environment-friendly solutions in the operating phase.

FIVE STRATEGIC FOCUS AREAS IN THE NEW GROUP STRATEGY

COLLABORATIONS AND PARTNERSHIPS

Sustainable >22 will strengthen focus on internal and external collaboration and partnerships.

The Group has a proactive approach to project opportunities and develops close and long-lasting relationships with investors and clients in order to create maximum value for all parties. The business unit MT Højgaard Project Development plays a key role in this work and will be strengthened in the years to come, when there will also be increased focus on exploiting the opportunities offered by PPP projects.

In addition, the Group will enter into and develop collaboration agreements similar to Enemærke & Petersen's current strategic TRUST and KAB collaborations with the City of Copenhagen and KAB respectively, which also involve other players in the construction industry.

Collaboration across the Group and professional networks in selected areas will ensure internal knowledge-sharing and support the potential for innovation in the Group.

EFFICIENT PROCESSES

The growing complexity in the construction industry requires constant development and optimisation of the company's processes in order to further improve quality and ensure competitiveness.

Sustainable >22 therefore focuses on simple, flexible processes with the individual project at the centre. Responsibility and initiative will move out to the construction site, with short decision paths and decision-making powers for the project managers, so that decisions are taken close to the project in close consultation with clients and business partners.

The work of improving the efficiency of processes will build on the many initiatives that have already been implemented. These include the improvements made to the bidding and execution processes in MT Højgaard A/S during the last year.

INNOVATION

Complex projects require the use of the best solutions, processes, collaboration models, methods and materials. An innovative approach is therefore needed in the project development phase, the design phase and during execution on the construction sites. Digitisation of processes will continue, with focus on the implementation of VDC solutions (Virtual Design & Construction) in day-to-day working.

Sustainable >22 will increase the capacity for innovation in order to future-proof projects. A great capacity for innovation will make the Group's business units attractive partners and increase competitiveness.

EMPLOYEES AND SKILLS

In Sustainable >22, employees and skills are an important strategic focus area in all business units.

The Group is known and recognised for its high level of professional skills and this position must be maintained and developed further. In this context, project managers and highly-skilled specialist employees play a major role in a flatter organisation with greater knowledge-sharing and decisions taken close to the customer and the project.

Attention to employees and their working conditions is an important focus area in the strategy, and health and safety will continue to be a key parameter throughout the Group. In 2019 the number of occupational injuries on the Group's construction sites that result in absence was 6.1 and significantly below the average for the industry of 25.4 (2018 numbers) and the work on improving safety will continue as a natural part of Sustainable >22.

Market approach

MT Højgaard is the main contractor for the Port of Aarhus, working on quays and piers for the new ferry terminal, which will be used by Molslinjen in future.
The siting of the terminal in the East Port will contribute to a significant reduction in traffic in the centre of Aarhus. MT Højgaard will hand over the project in summer 2020.

Market approach

The Group is active in the construction and civil engineering industry in Denmark and the North Atlantic countries as well as in chosen geographies through direct ownership, part ownership or joint ventures. The Group's primary focus is the Danish market, and activities outside Denmark accounted for just under 10% of consolidated revenue in 2019.

The Group's chosen markets

Construction	Civil works
Residential buildings	Infrastructure
Commercial buildings	Port facilities
Hospitals	Climate proofing and coastal protection
Schools	
Data centres	
Prefabricated modular buildings	
Technical installations	
Equipment hire	

DENMARK

The construction activities consist of residential construction, newbuilds and refurbishment, commercial premises, including newbuilds and refurbishment of head offices and office buildings, hospitals, schools, institutions and data centres. These activities are carried out by MT Højgaard, Enemærke & Petersen and Scandi Byg (prefabricated modular buildings).

In the civil works market in Denmark, activities centre on infrastructure (focus on construction and maintenance of bridges), marine works and climate proofing and coastal protection, including wastewater plants. The civil works activities are carried out by MT Højgaard.

The Group is also active in the areas of equipment hire and organisation of construction sites. These activities are carried out by Ajos.

MT Højgaard Project Development develops residential, commercial and retail property projects, comprising both relatively small, one-off projects and major urban development projects. Some projects are developed using the Group's own property portfolio as a starting point, with the Group either developing, constructing or selling in-house, or developing them in collaboration with property owners, clients and investors with a view to sale to third parties.

The Group is also one of the most experienced business partners in Denmark within the construction of projects such as hospitals and schools on a PPP basis.

INTERNATIONAL

MT Højgaard International carries out the Group's activities in the North Atlantic (Faroe Islands and Greenland), primarily construction of schools, hospitals, apartment blocks and single-family housing and carries out construction and civil works projects for the U.S. Air Force at Thule Air Base. In the Maldives, MT Højgaard International carries out resort construction and marine works. In Sweden, MT Højgaard International is participating in the construction of the Hisingsbron Bridge in a joint venture with Skanska.

MARKET DEVELOPMENT IN DENMARK

According to the Danish Construction Association's Trend Analysis, after a long period of great progress in the construction and civil engineering industry the next few years offer the prospect of more moderate growth. The Danish construction and civil engineering market is expected to total approx. DKK 245 billion in 2019 and approx. DKK 250 billion in 2020, expressed in current prices. In the period up to 2025, the market growth is expected to mirror the general trend in the Danish economy. The Danish Economic Council expects real growth averaging 1.8% from now until 2025, with real growth of around 1.5% in both 2020 and 2021.

The Group considers that the relevant part of the overall Danish market will have a total annual value of just over DKK 100 billion.

MARKET TRENDS

The construction and civil engineering industry is affected by a number of trends that may impact the Group's position in the market. Group management has analysed the trends that it considers could have the biggest impact on the Group's development and operations:

- Sustainable solutions are in greater demand from clients and investors, who are increasingly focusing on indoor climate, consumption of resources and energy, operation and maintenance, plus the choice of materials and reusability.
- Partnerships and new forms of collaboration focusing on early involvement are increasingly resulting in joint incentives among the parties in the construction industry.
- Digitisation can create considerable efficiency through the increased use of VDC (Virtual Design & Construction).
- Industrialisation and increased use of prefabricated building and standard designs improve efficiency and quality, while making it possible to reduce costs.

Corporate social responsibility

In autumn 2019, Scandi Byg won its largest stand-alone order to date, when the company was chosen by PensionDanmark and Boligfonden DTU to erect 478 student flats in Lyngby. These student flats will be the first construction project in Denmark to be awarded both DGNB Gold certification and the Nordic Swan Ecolabel. The complex will be completed in 2021. (Illustration: Vandkunsten)

Corporate social responsibility

As a major player in the fields of construction and infrastructure, the MT Højgaard Group plays a key role in the development of the physical environment and society in Denmark. It is the Group's ambition to help to promote healthy, long-term and sustainable solutions and to take responsibility for people, the climate and the environment. We have been working on integrating CSR in the Group for many years, in both our culture and our strategy, so responsibility has become an integral part of both projects and production. We have joined the UN Global Compact and have integrated Global Compact's ten principles in our CSR work.

Our CSR action centres on four areas that generate value for the Group, its stakeholders and society. These four areas are:

- Business conduct
- Human rights
- The workplace and industrial relations
- Environment

BUSINESS BEHAVIOUR

We are committed to acting professionally, fairly and with integrity in all business activities and relationships. Our business conduct is based on an internal and external Code of Conduct and we do not tolerate any form of corruption, bribery or extortion.

The entire organisation is subject to the Group's policies on:

- Anti-corruption
- Competition
- Whistleblowing
- Health and safety

HUMAN RIGHTS

The Group's internal and external Codes of Conduct ensure that the UN principles on business practices and human rights are respected across the value chain. We do not tolerate forced labour or child labour and we are working actively to combat social dumping.

We only work with individuals, companies and organisations that respect the UN principles on human rights and comply with local laws.

Each and every employee must have the freedom to create a good life for themselves, including a good working life. Proper pay and employment conditions, equality and anti-discrimination are a prerequisite for this. We comply with all relevant collective bargaining agreements in the countries in which we operate, and we demand of our business partners and subcontractors that they do the same. We respect the right of freedom of association of our employees and their right to collective bargaining.

We regularly screen pay and employment conditions at subcontractors to ensure proper conditions for employees in accordance with the above criteria.

THE WORKPLACE AND INDUSTRIAL RELATIONS

The Group wants to be an attractive, responsible workplace where employees thrive. With their technical skills and commitment, our employees are our most important resource. That is why we offer skills development at all levels and in all departments. We take responsibility for training young people and offer apprenticeships in skilled trades, traineeships in office work etc.

We offer everyone equal opportunities for employment, equal terms of employment, equal opportunities for training and education and progressing their careers. We are also striving to achieve an even gender balance at all levels of our organisation.

We are working hard to provide a safe working environment and prevent attrition in the workplace. Our vision is zero occupational injuries. A targeted safety effort has led to a substantial reduction in the number of occupational injuries in recent years, so that the Group's injury rate is now significantly below the industry average.

ENVIRONMENT

The Group is making concerted efforts to plan environment and climate-friendly solutions into the whole of the life cycle of projects, from design and choice of materials to operation and recycling. In 2019, the Group contributed to a number of certified construction projects, including buildings with the Nordic Swan Ecolabel and DGNB certification.

We strive to prevent or minimise the environmental and climate impacts of our various activities and projects, and we do not tolerate breaches of our environmental stewardship

The Group's statutory corporate governance report for the 2019 financial year in accordance with section 107(b) of the Danish Financial Statements Act is available at https://mthh.eu/Corporate-governance/Corporate-governance.
The Group's CSR action and achievements are described in the Group's CSR Report, which is available at https://mthh.eu/Responsibility/CSR in accordance with sections 99(a) and (b) of the Danish Financial Statements Act.

that can be harmful to the environment and the climate.

We contribute to the development and dissemination of environment-friendly technologies and solutions, and we minimise environmental risks. We are focused on reducing waste through prevention, reduction, reuse and recycling.

REPORTING

The Group reports on the above actions and achievements in its annual CSR report in connection with the presentation of the Group's financial statements. The CSR report is prepared in accordance with the GRI Standards: Core Option. The GRI index can be found at the back of the CSR report.

The CSR report constitutes the Group's report on social responsibility and the gender composition of governance bodies, in accordance with sections 99(a) and (b) of the Danish Financial Statements Act.

The Group applies the UN's 17 Global Goals in its reporting. The aim of the Global Goals is to promote sustainable development and help to provide the whole industry with a common framework for its work on promoting sustainable development.

Risk management

The Group works with risk management on an ongoing basis in relation to both industry risks and risk factors specifically related to the Group's activities.

Group management has the overall responsibility for risk management and manages company and project-specific risks on an ongoing basis in close collaboration with the Group's business units.
Material risks are documented and discussed in the Board of Directors on a regular basis based on quarterly reporting. The Executive Board reviews and categorises the overall risk assessment annually based on probability and potential financial impact.

The Group's new strategy generally involves increased focus on risk management at all levels of the organisation.

The following risk factors related to the Group's activities and operations are considered to have the greatest influence on the Group's ability to meet the stated expectations and generate the expected value.

PROJECTS

The Group is involved in long, complex projects that are normally contracted at a fixed price. Earnings from these projects are highly dependent on whether the projects have been correctly defined in terms of time and quantities, so that they can be priced correctly and can be carried out within the agreed time and of the right quality. Failure to estimate accurately may result in lower earnings than expected or actual losses on particular projects.

Despite careful planning and assessment there will always be risks connected with the execution of projects. Group management accepts a certain risk tolerance as essential for ensuring development and value creation, and minor negative fluctuations on individual projects may occur and be acceptable. However, the Group is focused on eliminating major loss-making cases.

For this reason, especially in the stabilisation of MT Højgaard A/S, the focus has been on improving the quality of bidding as well as ensuring efficient execution of projects.

All bids are assessed on the basis of the state of competition, conditions, risks and opportunities for efficient execution, and projects are rejected if they involve risks that are judged to be too difficult to cover. In addition, MT Højgaard A/S is aiming to win more relatively small orders to ensure a balanced portfolio and minimise the risk of fallouts from large single projects.

As far as concerns project execution, Group management is also focused on ensuring that the business units' projects are delivered on time, on budget and within the agreed framework. We focus on ensuring that processes and procedures are efficient and adequate and that the necessary leadership is in place. The majority of the Group's costs are made up of purchases of materials and subcontracts as well as labour. To mitigate execution risks and ensure the expected profitability, the Group works in close collaboration with subcontractors and enters into strategic collaboration agreements.
Efforts are generally made to mitigate risks by using standardised components, industrialisation and large procurement volumes.

In addition, the Group endeavours to have the majority of the project costs included in the contract at inception of the agreement with the client.

At the outset there is a requirement for projects developed in-house to be wholly or partly sold to customers or tenants before start-up, depending on the risk profile of the individual project.

The Group's Contract Board reviews and analyses tender documents before the final decision on submitting the bid is made by the Executive Board and, in special cases, by the chairmanship of the Board of Directors.

Digital tools help to ensure a better basis for assessing the risk profile of a project before start-up, in the event of changes to the project, and during execution. After having been a part of the staff and support departments at MT Højgaard for a number of years, in the spring of 2019 VDC was moved out into the production units with the aim of promoting the use of these digital tools on the individual projects.

Risks are being minimised on the projects where the client chooses to involve the contractor at an early stage in drawing up the project materials, as the framework and conditions of the project are agreed at an early stage and in closer collaboration with all parties in the project. The Group has positive experience from several current projects where clients, consultants, architects and contractors have worked closely together throughout the entire project and so the Group wants to work actively on a further expansion of this form of collaboration.

All in all, the above areas help to ensure a reduction in both the number and magnitude of fluctuations in the performance of projects.

DISPUTES

The Group may be involved in litigation, arbitration proceedings and possibly also governmental proceedings. For example, such cases may arise as a result of claims relating to delays or defects in connection with the handing over of projects, other warranty claims or breach of contract. Latent defects that only come to light several years later may mean that claims are made later than expected, and this may restrict the opportunity to seek redress from joint venture partners, subcontractors or other third parties who may have caused the defect. Occasionally, some of these cases may be of an unusual nature or size or they may have arisen long after the expiry of the guarantee period. Litigation may also arise in areas in which the Group is no longer active.

If the Group loses such cases, it may be necessary to change business methods or reassess financial items, and the Group may also be held responsible for financial losses.

The Group endeavours to minimise the volume of disputes by ensuring good, close cooperation between the construction partners and by maintaining focus on quality in bidding and project execution, which is one of the Group's main focus areas, both now and in the future.

SKILLED AND COMPETENT STAFF

Demand for employees in the industry remains high because of the continued high level of activity, and the industry is also characterised by a workforce that is very much task-driven and motivated by interesting projects.
This is a point to bear in mind in relation to recruiting and retaining a well-qualified workforce as, because of their experience, skilled employees are able to identify and handle potential risks in connection with the development and execution of construction projects.

Because of its size and breadth and its varied project portfolio, the Group has good opportunities to ensure flexibility and continuity in the manning of projects. We are constantly working on ensuring this, so that the Group will be able to attract and retain the skilled resources that are essential for the projects.

The aim is to have an efficient stand-by team in readiness in case of major changes of personnel, absence, unforeseen events etc.

The paradigm shift that MT Højgaard A/S went through in autumn 2019, means that a number of specialist skills, for example project purchasing, finance and health and safety were moved out of the staff and support departments and closer to the projects. This was done in order to strengthen focus on the projects and thereby increase efficiency and improve competitiveness.

It has created a more flexible organisation that can be scaled up or down as needed, depending on factors such as the order book and the demand for specialist skills. n order to ensure uniform management, a number of efficient, smaller skills centres will be maintained within the most important corporate staff functions.

The other business units in the Group have been undergoing similar organisational and strategic adjustments.

The Group is constantly working on providing good development opportunities, competitive employment conditions and a safe working environment. Investments are made in further training, a graduate programme has been set up, and Group talents are more closely involved in strategic initiatives.

IT SECURITY

Failing IT systems and cyber attacks against the Group's IT systems and IT infrastructure can disrupt operations or result in inadvertent disclosure of confidential information.

The Group's IT systems are organised in such a way that they underpin the Group's various activities. Decisions on major purchases or upgrading of the Group's IT systems are made by Group management.

The Group has a continuously updated IT security policy and has not suffered any major IT breakdowns.

REGULATORY RISK FACTORS

Group management is focused on ensuring that business units and staff and support departments respect applicable laws, rules, agreements and policies in all circumstances. The Group's vulnerability is continually being reduced by active collaboration with customers and other stakeholders with regard to joint value creation and uniform CSR requirements. This area also focuses on ensuring fair competition conditions and preventing fraud, theft and other irregularities through internal controls, campaigns and the Group's whistleblowing system.

Lastly, the Group may be affected by regulations from authorities. New laws and regulations and delays in approval can result in increased costs and delays, affecting the Group's earnings. The Group actively monitors laws and regulations in relevant areas.

The Group has increased the strategic focus on sustainability and sustainable construction, which have also become key parameters for many customers. See the section on the new Group strategy.

ORDER INTAKE

The Group's financial performance is highly dependent on construction and civil works activity in the areas of infrastructure and commercial and residential construction, and the level of public civil works projects. Construction activity and the level of public civil works projects vary in the Group' markets, but tend to be cyclical and often have opposing cycles.

The construction and civil engineering industry is sensitive to interest rate fluctuations, macroeconomic factors and other factors outside the Group's control. During periods of economic slowdown, the construction and civil engineering industry may experience recession, in individual markets or globally, and there have been cases of public works investments slowing down, even in growth economies.

FINANCIAL RISK FACTORS

The Group's financial risk factors, which comprise risks related to liquidity, granting of credit, financing, interest rates and exchange rates, are described in note 23 to the financial statements.

Corporate governance

CORPORATE GOVERNANCE

The statutory report on corporate governance can be found at mthh.eu/Corporate-governance/Corporate-governance. This report describes MT Højgaard Holding A/S's management structure and the key elements of the company's internal control and risk management systems related to financial reporting.

The report also describes MT Højgaard Holding A/S's position on Recommendations on Corporate Governance, which can be viewed at www.corporategovernance.dk/english and have been implemented in Nasdaq Copenhagen's Rules for Issuers of Shares. The Board of Directors of MT Højgaard Holding A/S has taken a position on the recommendations and adheres to them.

MANAGEMENT STRUCTURE

The shareholders in general meeting are the company's supreme authority and their responsibilities include electing the Board of Directors of MT Højgaard Holding A/S.

The Board of Directors is responsible for the overall and strategic management; supervises the Group's activities, management and organisation; and appoints and removes the Executive Board.

The Executive Board is responsible for the day-to-day management and for executing the strategy and decisions made by the Board of Directors.
Details of the management structure are provided in the statutory corporate governance report, which forms an integral part of the Management's review and can be found at mthh.eu/Corporate-governance/Corporate-governance along with the company's remuneration policy and equal opportunities policy.

SELF EVALUATION

The Board carries out an annual self evaluation of its work, performance, composition and skills. In order to enable the Board to take care of its managerial and strategic tasks and at the same time be a good sparring partner for the Executive Board, the following skills are particularly relevant: knowledge of the construction and civil engineering industry, strategic business development, management of complex projects, risk management, financial and accounting knowledge, and general management of listed companies. The Board is judged to possess these skills.

BOARD COMMITTEES

The Board of Directors has established an Audit Committee that assists the Board in overseeing the financial reporting process and reviewing the adequacy and effectiveness of internal control systems. The Committee also helps oversee that applicable laws are being complied with and helps regularly assess whether accounting policies are relevant and current, and the manner in which material and exceptional items are accounted for. The Committee also assesses and makes recommendations in relation to the appointment of auditors at the general meeting.
The Board of Directors has also established a Nomination Committee that is charged with preparing decisions to be made by the Board of Directors relating to skills and the compositions of the Board of Directors and the Executive Board.

Lastly, the Board of Directors has established a Remuneration Committee that is charged with preparing decisions to be made by the Board of Directors relating to remuneration policy, guidelines for incentive pay and pay and terms of employment for the Executive Board and the Board of Directors.

The Committees' terms of reference can be found at mthh.eu/Corporate-governance/Corporate-governance.

BOARD OF DIRECTORS AND EXECUTIVE BOARD IN 2019

The Board of Directors of MT Højgaard Holding A/S has six members, all elected by the shareholders in general meeting. These six members also constitute the Board of Directors of MT Højgaard A/S, together with three employee-elected members. In practice, the two Boards of Directors act as one Board. The members elected by the shareholders in general meeting are elected for a one-year term and can stand for re-election, while the members elected by the employees are elected for a four-year term. Carsten Dilling, who was elected to the Board in 2018, took over as Chairman of the Board in April 2019, when Søren Bjerre-Nielsen resigned as Chair at the company's Annual General Meeting, as planned. Morten Hansen was elected to the Board of Directors at the general meeting in April 2019.

Anders Lindberg was elected to the Board of Directors at an extraordinary general meeting in January 2019, replacing Anders Heine Jensen, who resigned from the Board of Directors in autumn 2018 on his appointment as President and CEO of the MT Højgaard Group. Anders Lindberg succeeded Anders Heine Jensen as Deputy Chairman of the Board of Directors.

Anders Heine Jensen stepped down as President and CEO in November 2019, and Morten Hansen, member of the Board, was appointed as Acting President and CEO. Martin Stig Solberg was appointed as CFO in June 2019 and makes up the company's Executive Board together with Morten Hansen.

The Board met eight times in 2019 (2018: seven meetings). Attendance is illustrated in the figure on this page. Attendance at Board Committee meetings was 100%.

ATTENDANCE – BOARD MEETINGS IN 2019

Board member	Attendance
Carsten Dilling	■ ■ ■ ■ ■ ■ ■ ■
Søren Bjerre-Nielsen *	■ ■ □ □ □ □ □ □
Anders Lindberg	■ ■ ■ ■ ■ ■ ■ ■
Morten Hansen **	□ □ ■ ■ ■ ■ ■ ■
Christine Thorsen	■ ■ ■ ■ ■ ■ ■ ■
Pernille Fabricius	■ ■ ■ ■ ■ ■ ■ ■
Ole Jess Bandholtz Røsdahl	■ ■ ■ ■ □ ■ ■ □
Hans-Henrik Hannibal Hansen	■ ■ ■ ■ ■ ■ ■ ■
Irene Elisa Chabior	■ ■ ■ □ ■ ■ ■ ■
Vinnie Sunke Heimann	■ ■ ■ ■ ■ ■ ■ ■

* Søren Bjerre-Nielsen resigned from the Board of Directors on 5/4-19. Morten Hansen joined on the same day. Carsten Dilling replaced Søren Bjerre-Nielsen as Chairman.
** Morten Hansen attended the meeting on 18/12-19 as member of the Executive Board.

Share-related information

INVESTOR RELATIONS POLICY
The management of MT Højgaard Holding A/S strives to maintain open, honest and trustworthy dialogue with all market participants to ensure that the Group's actual and expected value creation are reflected in the share price. The company's IR policy can be found at https://mthh.eu/Corporate-governance/Corporate-governance

IR ACTIVITIES IN 2019
In 2019, shareholders and other stakeholders could find updated information on MT Højgaard Holding's financial results at www.mthh.eu. Annual and interim financial reports and other company announcements can be found at www.mthh.eu/Investor/Announcements. MT Højgaard Holding issued ten company announcements between 5 April (merger date) and 31 December 2019. The company also publishes information about, for example, major orders in press releases and through other channels.

The Executive Board and the IR Department are in regular dialogue with investors, share analysts, media and other stakeholders. CFO Martin Stig Solberg is responsible for contact with investors and analysts.

ANALYST COVERAGE
Danske Bank covers the MT Højgaard Holding share. ABG Sundal Collier will initiate coverage of the share in 2020, based on a sponsored research agreement.

THE SHARE
At the Annual General Meetings of Højgaard Holding A/S and Monberg & Thorsen A/S, both of which were held on 5 April 2019, the merger of Højgaard Holding A/S and Monberg & Thorsen A/S was finally adopted, with Højgaard Holding A/S as the continuing company.

Højgaard Holding A/S changed its name to MT Højgaard Holding A/S in connection with the merger.

The merger has led to a simpler and more transparent and cost-effective Group structure.

At 31 December 2019, MT Højgaard Holding had a share capital of DKK 155,741,380 divided into 7,787,069 shares of DKK 20 each. There is only one class of share, and no shares carry special rights. All shares are listed on Nasdaq Copenhagen under ISIN DK0010255975.

A total of 1,514,782 shares were traded during the year, corresponding to 1% of the share capital and 6,108 shares on average per trading day. The total value of share turnover was approx. DKK 108 million. The liquidity of the share has increased after the end of the year.

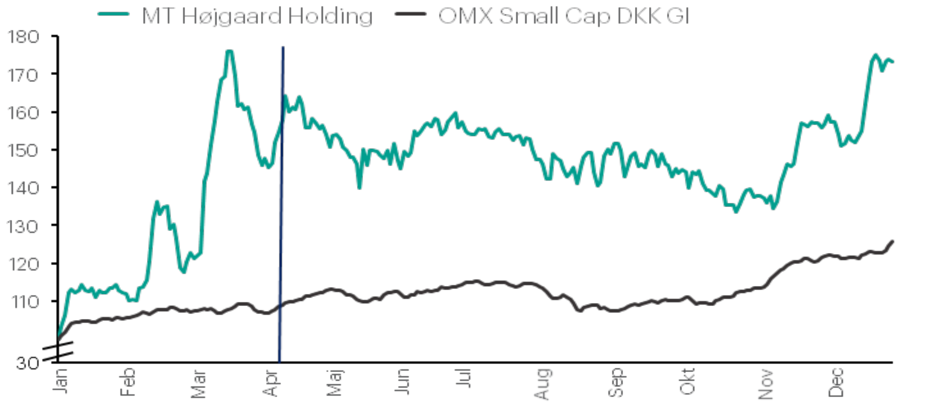
The share closed 2019 at 83.5, compared with a closing price of 47.8 for the then Højgaard Holding share at the end of 2018. The increase corresponds to a return of approx. 75%.

MT Højgaard Holding A/S's market capitalisation totalled DKK 650 million at the end of the year (2018: DKK 245 million).

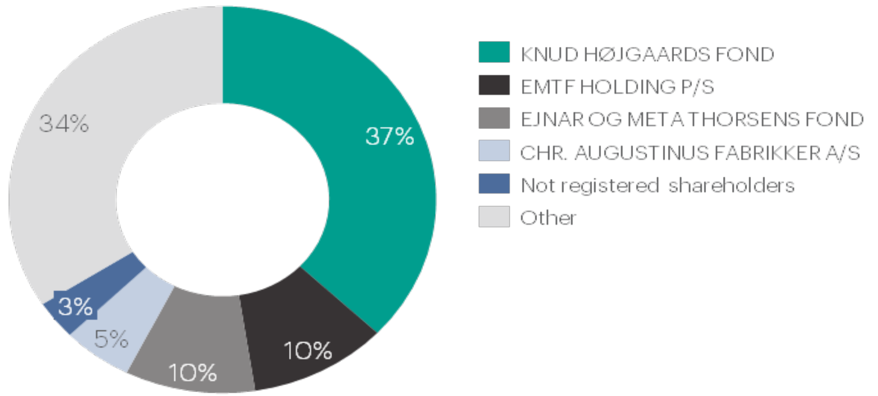
SHAREHOLDERS
MT Højgaard Holding had a total of 2,778 registered shareholders at 31 December 2019, who held altogether 96.75% of the shares.

The 20 largest shareholders held approx. 81% of the share capital at the end of the year. Top 20 is made up of foundations and individuals

SHARE PRICE PERFORMANCE COMPARED WITH OMX SMALL CAP DKK GI



SHARE COMPOSITION AT 31/12-2019



associated with the two original owner companies, companies associated with the families behind the original owner companies, and Danish institutional investors.

TREASURY SHARES

MT Højgaard Holding did not buy or sell any treasury shares in 2019. The company did not hold any treasury shares at the end of the year.

DIVIDEND POLICY

The company will endeavour to pay a dividend, taking into account the need for reducing debt as well as the Group's liquidity forecast and solvency.

Dividend payments related to the solvency ratio:

- If the Group's solvency is 20-30%, the company will endeavour to distribute 25-30% of net profit for the year.
- If the Group's solvency exceeds 30%, the company will endeavour to distribute at least 50% of net profit for the year.

Executive Board and Board of Directors

Morten Hansen (1963, M)
President & CEO since 2019

Danish citizen
Education: BSc in Civil and Structural Engineering

External appointments:
- Omnia Invest A/S (D)
- Tirsbæk Bakker A/S (D)
- Juulsbjerg Ejendomme A/S (D)
- Lindpro A/S (CB)
- Enemærke & Petersen (CB)
- Raunstrup Byggeri A/S (CB)

External appointments at 31 December 2019.
(CB) Chairman of the board of directors
(DCB) Deputy chairman of the board of directors
(B) Member of the board of directors
(D) = Executive position
(M) = Male
(F) = Female

Martin Stig Solberg (1974, M)
CFO since 2019

Danish citizen
Education: MSc in Business Administration and Auditing; Executive MBA

External appointments:
- Ajos Pavillon ApS (CB)
- Ajos A/S (B)
- Enemærke & Petersen (B)
- MT Højgaard Grønland ApS (B)
- Lindpro A/S (B)
- Scandi Byg A/S (B)
- Greenland Contractors (B)

Carsten Dilling (1962, M)
Chairman of the Board of Directors. Chairman of the Nomination and Remuneration Committees in MT Højgaard Holding A/S

Danish citizen
Position: Professional board member
Education: HA and HD in International Business

External appointments:
- Icotera A/S, DK (CB)
- NNIT A/S, DK (CB)
- SAS AB, Sweden (CB)
- Terma A/S, DK (B)
- BC Partners, UK, Senior Advisor Nordic
- Member of Nordic Eye & Maj Invest investment committees

Special skills:
Strategic and operational management experience across sales, commercial and operational departments, mergers and acquisitions, economic and financial management in project and technology enterprises, digital transformation, board experience from listed companies.

Anders Lindberg (1965, M)
Deputy Chairman of the Board of Directors. Member of the Audit, Nomination and Remuneration Committees in MT Højgaard Holding A/S and the Audit Committee in MT Højgaard A/S

Swedish citizen
Position: Executive Vice President, Ørsted, responsible for Offshore EPC
Education: MSc in Electrical Engineering, MBA

External appointments:
- IEC Holden Inc, Canada (B)

Special skills:
Complex projects, including risk management and understanding of the value chain and the necessity of transverse cooperation with many stakeholders, technical understanding, understanding of the market, broad management experience, including practical experience with change management processes.

Board of Directors, MT Højgaard Holding A/S and MT Højgaard A/S

Christine Thorsen (1958, F)

Danish citizen
Position: Member of the executive board, Dynamic Approach ApS (D)
Education: Master of Management of Technology (DTU), Consulting and Coaching for Change (INSEAD)

External appointments:

- ANT-Fonden, DK (CB)
- World Guide Foundation, DK (B)
- Plus Animation Film IVS (D)

Special skills:
Change management, cost optimisation and experience from the contracting industry, board experience from listed company.

Pernille Fabricius (1966, F)

Chairman of the Audit Committees in MT Højgaard Holding A/S and MT Højgaard A/S.

Danish citizen
Position: Group CFO, John Guest International Ltd. (England)
Education: MSc in Business Economics and Auditing, MSc in Finance, LLM (EU law), MBA

External appointments:

- Gabriel A/S, DK (B)
- Netcompany A/S, DK (B)
- Royal Greenland A/S, Greenland (B)

Special skills:
Financial reporting, auditing, financing, refinancing, mergers and acquisitions, board experience from listed companies.

Ole Jess Bandholtz Rødsdahl (1964, M)

Danish citizen
Position: Department Director, Water, Energy & Environment, Sweco Danmark A/S
Education: BSc in Engineering

External appointments:

- CapHold Guldager ApS, DK (B)
- Guldager A/S, DK (B)
- Finansrådgiverne - forsikringsmægler A/S, DK (B)
- Malmberg Borrning AB, Sweden (B)
- Malmberg Water AB, Sweden (B)

Special skills:
Management experience, experience in international contracting and project and risk management from the Krüger Group, Veolia W&T and other companies, special expertise in energy, environmental and water treatment solutions, board experience.

Morten Hansen (1964, M)

Resigned from the Board of Directors on 5 February 2020

Danish citizen
Education: BSc in Civil and Structural Engineering
Position: President and CEO, MT Højgaard Holding A/S

External appointments:

- Omnia Invest A/S (D)
- Tirsbæk Bakker A/S (D)
- Juulsbjerg Ejendomme A/S (D)
- Lindpro A/S (CB)
- Enemærke & Petersen (CB)
- Raunstrup Byggeri A/S (CB)

Special skills:
Experience in contracting and project development, board experience, management experience

Board of Directors, MT Højgaard A/S

Irene Elisa Chabior (1959, F) *

Danish citizen
Position: HR Development Consultant, HR
Education: Primary and lower secondary school teacher and HRD

Vinnie Sunke Heimann (1967, F) *

Member of the Audit Committee in MT Højgaard A/S

Danish citizen
Position: QHSE Manager, QHSE
Education: BSc in Engineering

Hans-Henrik Hannibal Hansen (1968, M) *

Danish citizen
Position: Manager, MT Højgaard A/S
Education: Construction Engineer, EBA

*Elected to the Board of Directors of MT Højgaard A/S by the employees in 2017. Members elected by the employees are elected for four-year terms, while members elected by the shareholders in general meeting are elected for one-year terms. External appointments and shareholdings as at 31 December 2019

Name	Independent	Elected first time in	Shareholding	Change in 2019
Carsten Dilling (CB)	Yes	2018		
Anders Lindberg (DCB)	Yes	2019	-	
Morten Hansen (B)	No	2019	-	
Pernille Fabricius (B)	Yes	2014	-	
Ole Røsdahl (B)	Yes	2015	-	
Christine Thorsen (B)	Yes	2016	4,371	+2,931
Irene Elisa Chabior*	No	2001	-	
Hans-Henrik H. Hansen*	No	2017	-	
Vinnie Sunke Heimann*	No	2013	-	

Morten Hansen is not considered to be independent, as he is President and CEO of the company and resigned from the Board of Directors on 5 February 2020. Christine Thorsen is considered to be independent as she represents a major shareholder but not a controlling shareholder of the company.

Remuneration

REMUNERATION – BOARD OF DIRECTORS

The members of the Board of Directors receive fixed annual remuneration, which is approved at the Company's Annual General Meeting every year for the current financial year. All Board members receive the same annual base remuneration, while the Chairman receives 3 times the fixed annual base remuneration and the Deputy Chairman 1.5 times the fixed annual base remuneration.

The operating company MT Højgaard A/S paid a base fee of DKK 250,000 for the full year in 2019. The company also paid a base fee of DKK 100,000 for the extra work by the Board in the parent company MT Højgaard Holding which was required on the establishment of the new parent company on 5 April 2019. For MT Højgaard Holding, fees have only been paid for the last three quarters of the year.

In addition, separate fees have been paid for Committee work: The Chairman of the Audit Committee of MT Højgaard A/S was paid DKK 166,667 and ordinary members DKK 83,333 each. All members of the Audit, Nomination and Remuneration Committees in MT Højgaard Holding were paid DKK 25,000 each.

BASE FEES RECOMMENDED FOR 2020:

DKK	MT Højgaard A/S, ordinary remuneration	MT Højgaard A/S, Committee work	MT Højgaard Holding A/S, ordinary remuneration*	MT Højgaard Holding A/S, Committee work*	**Total remuneration***
Carsten Dilling	750,000	-	300,000	50,000	1,100,000
Anders Lindberg	500,000	83,333	150,000	50,000	783,333
Pernille Fabricius	250,000	166,667	100,000	25,000	541,667
Ole Jess Bandholtz Røsdahl	250,000	-	100,000	-	350,000
Christine Thorsen	250,000	-	100,000	-	350,000
Irene Elisa Chabior	250,000	-	-	-	250,000
Vinnie Sunke Heimann	250,000	83,333	-	-	333,333
Hans-Henrik Hannibal Hansen	250,000	-	-	-	250,000

* In 2019, only 3/4 of the fees relating to MT Højgaard Holding A/S were paid.
The three employee-elected representatives on the Board of Directors of MT Højgaard A/S are not members of the Board of Directors of MT Højgaard Holding

Baggage factory
This is one of the biggest construction projects at Copenhagen Airport in recent years.

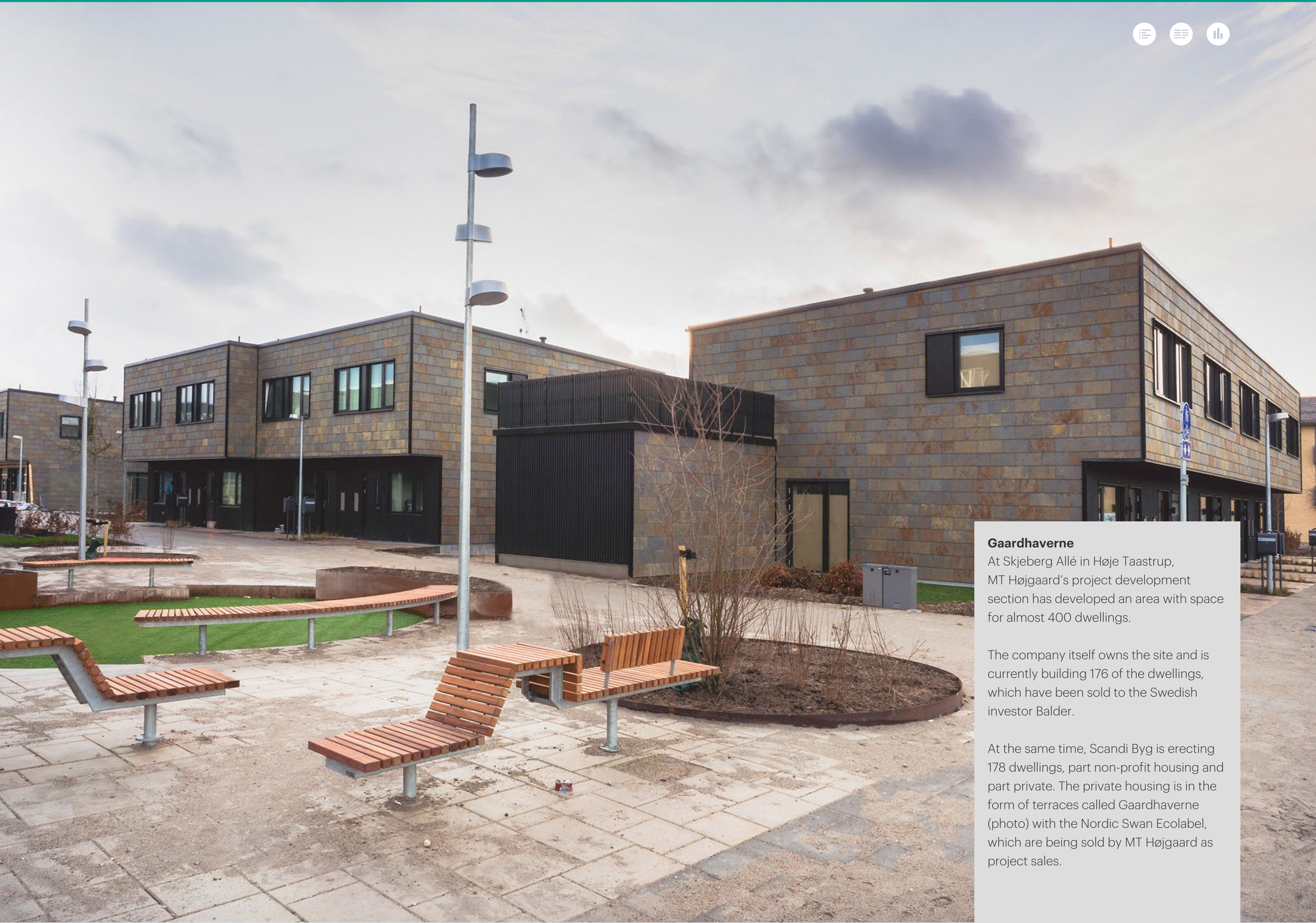
MT Højgaard is carrying out the work under a design-build contract with hand-over scheduled for mid-2021.

The facade has been created from recycled aluminium, which reduces the building's CO2 emissions.

Lundevænget
In the Østerbro district of Copenhagen, Enemærke & Petersen is refurbishing 475 flats in 14 blocks in Lundevænget, which were originally built in 1934.

In this project, Enemærke & Petersen combine their great specialist knowledge of refurbishment with their social and dialogue-based approach to the construction process.

Photograph: Jonathan Weimar



Gaardhaverne

At Skjeberg Allé in Høje Taastrup, MT Højgaard's project development section has developed an area with space for almost 400 dwellings.

The company itself owns the site and is currently building 176 of the dwellings, which have been sold to the Swedish investor Balder.

At the same time, Scandi Byg is erecting 178 dwellings, part non-profit housing and part private. The private housing is in the form of terraces called Gaardhaverne (photo) with the Nordic Swan Ecolabel, which are being sold by MT Højgaard as project sales.

Consolidated and parent company financial statements

CONTENTS

APPENDICES

NOTES

Income statement and statement of comprehensive income

PARENT COMPANY 2018	PARENT COMPANY 2019	Note	Amounts in DKK million	GROUP 2019	GROUP 2018
			INCOME STATEMENT		
-	-	4	Revenue	5,169.4	57.5
-	-	5-6	Production costs	-4,876.4	-45.4
0.0	**0.0**		**Gross profit/(loss)**	**293.0**	**12.1**
-	-	5	Distribution costs	-89.3	-
-3.7	-7.9	5-7	Administrative expenses	-204.3	-6.4
-3.7	**-7.9**		**Profit/(loss) before share of profit/(loss) of joint ventures**	**-0.6**	**5.7**
-	-	15	Share of profit/(loss) after tax of joint ventures	18.8	-
-3.7	**-7.9**		**Operating profit/(loss) before special items**	**18.2**	**5.7**
-	-	8	Special items	-35.0	-
-3.7	**-7.9**		**EBIT**	**-16.8**	**5.7**
-311.1	-59.5	15	Share of profit/(loss) of subsidiary and jointly controlled entity	-1.6	-318.3
13.8	142.7	9	Finance income	158.5	13.8
-1.0	-14.5	10	Finance costs	-46.4	-1.1
-302.0	**60.8**		**Profit/(loss) before tax**	**93.7**	**-299.9**
1.7	-	11	Income tax expense	-27.9	-0.4
-300.3	**60.8**		**Net profit/(loss) for the year**	**65.8**	**-300.3**
			Attributable to:		
-300.3	60.8		Shareholders of MT Højgaard Holding A/S	60.8	-300.3
-	-		Non-controlling interests	5.0	-
-300.3	**60.8**		**Total**	**65.8**	**-300.3**
			Earnings per share		
			Earnings and diluted earnings per share (EPS and EPS-D), DKK	8.8	-71.4

PARENT COMPANY 2018	PARENT COMPANY 2019	Note	Amounts in DKK million	GROUP 2019	GROUP 2018
			PROPOSAL FOR DISTRIBUTION OF PROFIT		
-300.3	60.8		Transfer to retained earnings	65.8	-300.3
-300.3	**60.8**		**Total**	**65.8**	**-300.3**
			STATEMENT OF COMPREHENSIVE INCOME		
-300.3	**60.8**		**Net profit/(loss) for the year**	**65.8**	**-300.3**
			Other comprehensive income		
			Items that may be reclassified to the income statement:		
-	-1.0		Foreign exchange adjustments, foreign enterprises	-1.0	-
-	-14.2		Value adjustment of hedging instruments, joint ventures	-14.2	-
-	**-15.2**		**Other comprehensive income after tax**	**-15.2**	**-0.0**
-300.3	**60.8**		**Total comprehensive income**	**50.6**	**-300.3**
			Attributable to:		
-300.3	45.6		Shareholders of MT Højgaard Holding A/S	45.6	-300.3
-	-		Non-controlling interests	5.0	-
-300.3	**45.6**		**Total**	**50.6**	**-300.3**

Balance sheet

PARENT COMPANY 2018	PARENT COMPANY 2019	Note	ASSETS Amounts in DKK million	GROUP 2019	GROUP 2018
			NON-CURRENT ASSETS		
-	-	12	Intangible assets	553.7	-
-	-	13	Property, plant and equipment	475.3	-
-	-	14	Lease assets	589.1	-
-	951.3	15	Investments in subsidiaries	-	-
206.9	-	15	Investments in joint ventures and jointly controlled entity	101.9	206.9
-	-		Receivables from joint ventures	63.0	-
-	-	11	Deferred tax assets	154.1	-
206.9	**951.3**		**Total non-current assets**	**1,937.1**	**206.9**
			CURRENT ASSETS		
			Inventories		
-	-		Raw materials and consumables	36.6	-
-	-		Properties held for resale	429.2	-
0.0	**0.0**		**Total inventories**	**465.8**	**0.0**
			Receivables		
-	-	23	Trade receivables	1,285.5	-
-	-	19	Construction contracts	394.5	-
9.7	-		Receivables from joint ventures	48.0	9.7
0.3	-		Income tax	3.7	0.3
0.3	-		Other receivables	84.5	0.3
-	-		Prepayments	47.0	-
10.3	**0.0**	16	**Total receivables**	**1,863.2**	**10.3**
1.4	**1.8**	29	**Cash and cash equivalents**	**141.5**	**1.4**
11.7	**1.8**		**Total current assets**	**2,470.5**	**11.7**
218.6	**953.1**		**Total assets**	**4,407.6**	**218.6**

PARENT COMPANY 2018	PARENT COMPANY 2019	Note	EQUITY AND LIABILITIES Amounts in DKK million	GROUP 2019	GROUP 2018
			EQUITY		
84.1	155.7		Share capital	155.7	84.1
-	-		Translation reserve	-1.0	0.9
106.3	351.0		Retained earnings	352.0	105.4
190.4	**506.7**		**Equity attributable to shareholders**	**506.7**	**190.4**
-	-		Non-controlling interests	14.4	-
190.4	**506.7**		**Total equity**	**521.1**	**190.4**
			NON-CURRENT LIABILITIES		
-	400.0	22	Subordinated loan	400.0	-
27.0	17.3	22	Payables to group enterprises	17.3	27.0
-	-	17	Bank loans etc.	27.6	-
-	-	14	Lease commitments	401.1	-
-	-	11	Deferred tax liabilities	100.7	-
-	-	18	Provisions	212.6	-
-	-		Other non-current liabilities	73.8	-
27.0	**417.3**		**Total non-current liabilities**	**1,233.1**	**27.0**
			CURRENT LIABILITIES		
-	24.8	17	Bank loans etc.	142.0	-
-	-	14	Lease commitments	144.0	-
-	-	19	Construction contracts	739.5	-
0.4	0.4		Trade payables	859.0	0.4
-	2.1		Payables to group enterprises	-	-
-	-		Income tax	17.4	-
0.8	1.8		Other payables	323.5	0.8
-	-		Deferred income	44.9	-
-	-	18	Provisions	383.1	-
1.2	**29.1**		**Total current liabilities**	**2,653.4**	**1.2**
28.2	**446.4**		**Total liabilities**	**3,886.5**	**28.2**
218.6	**953.1**		**Total equity and liabilities**	**4,407.6**	**218.6**

Statement of cash flows

PARENT COMPANY 2018	2019	Note	Amounts in DKK million	GROUP 2019	2018
			OPERATING ACTIVITIES		
-3.7	-7.9		EBIT	-16.8	5.7
-	-	28	Adjustments for items not included in cash flow etc.	362.0	-
-3.7	**-7.9**		**Cash flows from operating activities before working capital changes**	**345.2**	**5.7**
			Working capital changes:		
-	-		Inventories	51.8	0.1
-2.9	-		Receivables excl. construction contracts	12.4	-20.5
-	-		Construction contracts	47.6	-
-10.0	-5.1		Trade and other current payables	-297.2	1.5
-16.6	**-13.0**		**Cash flows from operations (operating activities)**	**159.8**	**-13.2**
-	-		Finance income	15.8	-
-1.0	-14.5		Finance costs	-46.4	-1.1
-17.6	**-27.5**		**Cash flows from operations (ordinary activities)**	**129.2**	**-14.3**
1.3	0.3		Income taxes paid, net	-6.0	-2.8
-16.3	**-27.2**		**Cash flows from operating activities**	**123.2**	**-17.1**
			INVESTING ACTIVITIES		
-	8.2	31	Acquisition of enterprises and activities	8.2	-
32.4	-	32	Disposal of enterprises and activities	-	28.4
-	-	12	Purchase of intangible assets	-25.9	-
-	-400.0	15	Capital changes in joint ventures and subsidiaries	-	-
-	-		Loans to joint ventures and subsidiaries	-50.3	-
-	-	13	Purchase of property, plant and equipment	-133.5	-
32.4	**-391.8**		**Cash flows from investing activities**	**-201.5**	**28.4**
			FINANCING ACTIVITIES		
			Loan financing:		
-15.5	-		Decrease in borrowing facilities	-61.7	-15.5
			Shareholders:		
-	-		Decrease in subordinated loan	-250.0	-
-	400.0	24	Increase in subordinated loan	400.0	-
-	-5.4		Warrants	-5.4	-
-15.5	**394.6**	30	**Cash flows from financing activities**	**82.9**	**-15.5**
0.6	**-24.4**		**Net increase (decrease) in cash and cash equivalents**	**4.6**	**-4.2**
0.8	1.4		Cash and cash equivalents at 01-01	1.4	5.6
1.4	**-23.0**	29	**Cash and cash equivalents at 31-12**	**6.0**	**1.4**

Statement of changes in equity, Group

Amounts in DKK million Equity, Group	Share capital	Translation reserve	Retained earnings	Equity attributable to share-holders	Attributa-ble to non-controlling interests	Total equity
2019						
Equity at 01-01	84.1	0.9	105.4	**190.4**	0.0	**190.4**
Merger with Monberg & Thorsen A/S	71.6	-0.9	205.4	**276.1**	9.4	**285.5**
Equity after merger	155.7	0.0	310.8	**466.5**	9.4	**475.9**
Net profit/(loss) for the year	0.0	0.0	60.8	**60.8**	5.0	**65.8**
Other comprehensive income:						
Foreign exchange adjustments, foreign enterprises	0.0	-1.0	0.0	**-1.0**	0.0	**-1.0**
Capital items, joint ventures	0.0	0.0	-14.2	**-14.2**	0.0	**-14.2**
Total other comprehensive income	**0.0**	**-1.0**	**-14.2**	**-15.2**	**0.0**	**-15.2**
Transactions with owners:						
Warrant programme	0.0	0.0	-5.4	**-5.4**	0.0	**-5.4**
Total transactions with owners	**0.0**	**0.0**	**-5.4**	**-5.4**	**0.0**	**-5.4**
Total changes in equity	**0.0**	**-1.0**	**41.2**	**40.2**	**5.0**	**45.2**
Equity at 31-12	**155.7**	**-1.0**	**352.0**	**506.7**	**14.4**	**521.1**

Amounts in DKK million Equity, Group	Share capital	Translation reserve	Retained earnings	Equity attributable to share-holders	Attributa-ble to non-controlling interests	Total equity
2018						
Equity at 01-01	84.1	0.8	342.7	**427.6**	0.0	**427.6**
Change in accounting policy, IFRS 15	0.0	0.0	-0.3	**-0.3**	0.0	**-0.3**
Adjusted equity at 01-01	84.1	0.8	342.4	**427.3**	0.0	**427.3**
Net profit/(loss) for the year	0.0	0.0	-300.3	**-300.3**	0.0	**-300.3**
Other comprehensive income:						
Share of other comprehensive income in jointly controlled entity	0.0	0.1	-0.1	**0.0**	-	**0.0**
Total other comprehensive income	**0.0**	**0.1**	**-0.1**	**0.0**	**0.0**	**0.0**
Changes in equity in jointly controlled entity:						
Debt remission	0.0	0.0	81.0	**81.0**	0.0	**81.0**
Calculated tax on taxable debt remission	0.0	0.0	-17.8	**-17.8**	0.0	**-17.8**
Total changes in equity in jointly controlled entity	**0.0**	**0.0**	**63.2**	**63.2**	**0.0**	**63.2**
Other			**0.2**	**0.2**	**0.0**	**0.2**
Total changes in equity	**0.0**	**0.1**	**-237.0**	**-236.9**	**0.0**	**-236.9**
Equity at 31-12	**84.1**	**0.9**	**105.4**	**190.4**	**0.0**	**190.4**

Statement of changes in equity, parent company

Amounts in DKK million Equity, parent company	Share capital	Retained earnings	Total equity
2019			
Equity at 01-01	84.1	106.3	190.4
Merger with Monberg & Thorsen A/S	71.6	204.5	**276.1**
Equity after merger	**155.7**	**310.8**	**466.5**
Net profit/(loss) for the year	-	**60.8**	**60.8**
Other comprehensive income:			
Foreign exchange adjustments, foreign enterprises	-	-1.0	**-1.0**
Capital items, joint ventures	-	-14.2	**-14.2**
Total other comprehensive income	**-**	-15.2	**-15.2**
Transactions with owners:			
Warrant programme	-	-5.4	**-5.4**
Total transactions with owners	**0.0**	**-5.4**	**-5.4**
Total changes in equity	**0.0**	**40.2**	**40.2**
Equity at 31-12	**155.7**	**351.0**	**506.7**
2018			
Equity at 01-01	84.1	343.5	**427.6**
Change in accounting policy, IFRS 15	-	-0.3	**-0.3**
Adjusted equity at 01-01	**84.1**	**343.2**	**427.3**
Net profit/(loss) for the year	**0.0**	**-300.3**	**-300.3**
Changes in equity in jointly controlled entity:			
Debt remission	-	81.0	**81.0**
Calculated tax on taxable debt remission	-	-17.8	**-17.8**
Total changes in equity in jointly controlled entity	**-**	**63.2**	**63.2**
Other	**-**	**0.2**	**0.2**
Total changes in equity	**-**	**-236.9**	**-237.0**
Equity at 31-12	**84.1**	**106.3**	**190.4**

Notes

BRIEF DESCRIPTION OF GROUP STRUCTURE

MT Højgaard Holding A/S's annual report comprises the parent company MT Højgaard Holding A/S, the wholly-owned subsidiary MT Højgaard A/S and its subsidiaries, the core ones of which are Enemærke & Petersen A/S, Scandi Byg A/S, Lindpro A/S and Ajos A/S.

The MT Højgaard Group's operating and financial review and key financial highlights comprise the construction and civil works company MT Højgaard A/S and its subsidiaries, the core ones of which are Enemærke & Petersen A/S, Scandi Byg A/S, Lindpro A/S and Ajos A/S. In the report, the MT Højgaard Group is also referred to as the operational entity. The MT Højgaard Group was previously known under the name of MTH GROUP.

The annual reports of MT Højgaard Holding A/S and the MT Højgaard Group differ on a number of points. This is mainly because:

- The MT Højgaard Group did not become wholly-owned by MT Højgaard Holding A/S until 5 April 2019, when it became consolidated. MT Højgaard Holding A/S previously owned 54% of the MT Højgaard Group, which was recognised as a jointly controlled entity.
- MT Højgaard Holding A/S has incurred transaction costs and administrative expenses.
- A purchase price allocation was performed in connection with the acquisition.
- The value of the shares in MT Højgaard A/S has been written up to estimated fair value.

1 ACCOUNTING POLICIES

The 2019 annual report of the MT Højgaard Holding A/S Group and the parent company has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act.

On 20 February 2020, the Board of Directors and the Executive Board discussed and approved the Annual Report 2019 of MT Højgaard Holding A/S for the financial year. The annual report will be presented to the shareholders of MT Højgaard Holding A/S for approval at the Annual General Meeting on 17 March 2020.

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

1 ACCOUNTING POLICIES (CONTINUED)

Apart from the below change in Group structure and the implementation of IFRS 16, the accounting policies applied in the financial statements are unchanged compared with the accounting policies applied in the consolidated financial statements and parent company financial statements for 2018.

Change in Group structure

The Group structure has changed as a result of the merger of Monberg & Thorsen A/S and Højgaard Holding A/S on 5 April 2019. Monberg og Thorsen A/S was dissolved in connection with the merger, and Højgaard Holding A/S was chosen as the continuing company. In connection with the merger, Højgaard Holding A/S changed its name to MT Højgaard Holding A/S, and the jointly controlled entity MT Højgaard A/S changed accounting category to become a subsidiary.

In connection with the merger, all existing shares in Højgaard Holding A/S were merged into a single class of share with equal rights, and new shares in the company were issued to the shareholders of Monberg & Thorsen A/S. On completion of the merger, the new shares were admitted to trading and official listing on Nasdaq Copenhagen (ISIN code DK0010255975) The new shares were distributed to the shareholders of Monberg & Thorsen A/S and existing shareholders. For each share held in Monberg & Thorsen A/S, shareholders were entitled to receive one share in the company. Existing shareholders in Højgaard Holding A/S were not entitled to receive any new shares in connection with the merger. As a result, the ownership of the Group remains unchanged after the merger, and MT Højgaard Holding A/S holds all shares in MT Højgaard A/S and is the Group's parent company.

The merger has been accounted for using the acquisition method, according to which the acquisition date for accounting purposes is 5 April 2019. The purchase consideration for Monberg & Thorsen A/S is primarily based on the company's shareholding in MT Højgaard A/S, as holding these shares was the company's core activity. MT Højgaard A/S has been determined at the fair value of the shares in MT Højgaard A/S, determined as the implied fair value based on the market price of the merged companies adjusted for other net assets in the company and Monberg & Thorsen A/S.

Before the merger, both Monberg & Thorsen A/S and the company classified the shares in MT Højgaard A/S as investments in jointly controlled entities, which are measured using the equity method. The company obtained control of MT Højgaard A/S in connection with the merger, and the company has consequently accounted for the acquisition as a step acquisition using the acquisition method. As a result, the Group's financial statements for 2019 include a value adjustment determined as the difference between the fair value of the existing 54% shareholding in MT Højgaard A/S at the acquisition date and the accounting value at the acquisition date determined using the equity method.

The total purchase consideration for MT Højgaard A/S at the acquisition date is consequently made up of the fair value of the shares acquired from Monberg & Thorsen A/S and the fair value of the existing shares held by the company.

Under the acquisition method, MT Højgaard A/S's identifiable assets, liabilities and contingent liabilities have been measured at fair value at the acquisition date. Identifiable intangible assets have been recognised if separable or arisen from a contractual right. Deferred tax has been recognised on the revaluations.

Any excess of total purchase consideration over the fair value of the identifiable assets acquired and identifiable liabilities and contingent liabilities assumed (goodwill) has been recognised in intangible assets as goodwill. Goodwill is not amortised but tested for any indications of impairment at least annually.

All costs incurred by MT Højgaard Holding A/S in connection with the merger have been recognised as administrative expenses.

For accounting purposes, the results of MT Højgaard A/S have been recognised in the company's financial statements for 2019 until the acquisition date of 5 April 2019 applying the equity method to the company's 54% share of MT Højgaard A/S before the merger. For accounting purposes, MT Højgaard A/S has been fully consolidated in the Group's financial statements for 2019 from the acquisition date, based on the determined values of assets, liabilities and contingent liabilities in MT Højgaard A/S using the acquisition method.

Changes to accounting policies
The Group and the parent company have implemented IFRS 16 *Leases* with effect from 1 January 2019. The new standard replaces IAS 17 and IFRIC 4, SIC 15 and SIC 27. On implementation of IFRS 16 *Leases*, the Group and the parent company apply the simplified transition method. In accordance with the transitional provisions in IFRS 16, the Group and the parent company have opted to apply the following transitional provisions in implementing the standard:

- setting the discount rate for a portfolio of leases with similar characteristics;
- maintaining the evaluation of whether a contract is or contains a lease in accordance with previous accounting policies and accounting standards on the transition to IFRS 16.

In the evaluation of future lease payments, the Group and the parent company have reviewed their operating leases and identified the lease payments that relate to a lease component and that are fixed or variable but are linked to an index or a rate.

The Group has elected not to recognise payments related to service components as a part of the lease obligation.

The Group has three types of leases: plant and machinery; cars; and properties. In the evaluation of the expected lease term for leases of plant and machinery and property leases, the Group has evaluated leases individually and taken into account non-cancellation periods and the expected use of the property. For car leasing, the expected lease term has been evaluated based on a portfolio approach. The expected remaining lease terms are 2-4 years for the Group's plant and machinery, 2-10 years for buildings, and 2-5 years for the portfolio of cars.

When discounting lease payments to present value, the Group has applied its alternative borrowing rate, based on the rate under the Group's existing loan agreements, which are made up of the Group's existing credit facilities and loans from Knud Højgaards Fond. The interest rate has been set on the basis of the lease term. No adjustments have been made for the effect of interest rate differences in currencies, as the Group's debt and all its leases are denominated in Danish kroner (DKK).

When measuring the lease obligation, the Group has applied a borrowing rate in the 3-6% range to discount future lease payments.

The standard will only affect MT Højgaard A/S, which is recognised in the Group at net asset value as a jointly controlled entity up to the merger of Monberg & Thorsen A/S and Højgaard Holding A/S on 5 April 2019. The recognised leases acquired in connection with the determination of the acquisition balance sheet for MT Højgaard A/S are recognised as part of the acquisition balance sheet for same and consequently will not be included in the determination of the effect of the implementation of IFRS 16, see note 31, *Business combinations*.

1 ACCOUNTING POLICIES (CONTINUED)

In view of the Group's portfolio of leases (excluding the leases acquired from MT Højgaard A/S), management assesses that the implementation of IFRS 16 has some effect on the balance sheet total, but that the effect on profit/(loss) and equity is insignificant. It is thus management's judgement that the effect of the implementation of IFRS 16 on profit/(loss) and the balance sheet in the annual reports for 2019 is insignificant.

Going concern statement
In connection with the financial reporting, the Board of Directors, the Audit Committee and the Executive Board have assessed whether it is appropriate to adopt the going concern basis of accounting. The Board of Directors, the Audit Committee and the Executive Board have concluded that there are no factors, at the time of publication of the financial statements, that cast any doubt on the Group's and the parent company's ability and willingness to continue as a going concern until at least the next reporting date. This conclusion has been reached on the basis of knowledge of the Group and the future outlook.

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

When assessing control, the Group takes into account de facto control and potential voting rights that are substantive at the reporting date. Subsidiaries' items are fully consolidated in the consolidated financial statements. Non-controlling interests' share of net profit/(loss) for the year and of equity in subsidiaries that are not wholly-owned is recognised as part of the Group's profit/(loss) or equity but is presented separately.

Newly acquired or newly formed enterprises are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated financial statements up to the date of disposal. Comparative figures are not restated for newly acquired enterprises.
The consolidated financial statements of MT Højgaard Holding are prepared on the basis of the parent company's and the individual enterprises' audited financial statements determined in accordance with the MT Højgaard Holding Group's accounting policies. On preparation of the consolidated financial statements, identical items are aggregated and intragroup income and expenses, shareholdings, balances and dividends are eliminated. Unrealised gains and losses arising from transactions between the consolidated enterprises are also eliminated.

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

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

All the Group's jointly owned companies are classified as joint ventures. Gains and losses on disposal of subsidiaries and joint ventures are determined by deducting from the proceeds on disposal the carrying amount of net assets including goodwill at the date of disposal and related selling expenses.

Foreign currency translation
For each of the reporting enterprises in the Group, the functional currency is determined as the primary currency in the market in which the enterprise operates. The parent company's functional currency is Danish kroner and the Group's presentation currency is Danish kroner.

Transactions denominated in all currencies other than the functional currencies are translated into the functional currency using the exchange rates at the transaction date. Receivables and payables in foreign currencies are translated using the exchange rates at the reporting date. Foreign exchange differences arising between the exchange rate at the transaction date or the reporting date and the date of settlement are recognised in the income statement as finance income and costs.

On recognition of foreign subsidiaries and joint arrangements, income statement items determined in the individual enterprises' functional currencies are translated into Danish kroner at average exchange rates, which do not differ significantly from the exchange rates at the transaction date, while balance sheet items are translated at the exchange rates at the reporting date. Foreign exchange differences arising on translation of the opening equity of foreign enterprises at the exchange rates at the reporting date and on translation of the income statement items from average exchange rates to the exchange rates at the reporting date are recognised in other comprehensive income and in a separate translation reserve in equity.

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.

Business combinations

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

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

Non-controlling interests

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

Derivative financial instruments

The Group uses derivative financial instruments such as forward exchange contracts and similar instruments to hedge financial risks arising from operating activities. For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as finance costs or finance income as they occur.
For derivative financial instruments that qualify for cash flow hedge accounting, changes in fair value are recognised in other comprehensive income and in a separate hedging reserve in equity.

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

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Gains and losses on remeasurement to fair value are recognised as other receivables and other payables, respectively. Fair value is measured on the basis of current market data and recognised valuation methods based on observable exchange rates (Level 2).

Income statement

Revenue

Revenue comprises completed goods supplied, construction contracts and construction contracts in progress, sale of development projects, sale of properties as well as services determined on a contract basis.

Where several contracts have been entered into with the same customer at the same time, the contracts are combined if they have a single commercial objective, the amount of consideration in one contract depends on the other contract, and the goods or services promised are a single performance obligation.

The Group's sales contracts are broken down into separately identifiable performance obligations, which are recognised and measured separately at fair value. Where a sales contract comprises several performance obligations, the total selling price is allocated to each separate performance obligation based on the selling price of each performance obligation.

Revenue is recognised when control of each separately identifiable performance obligation has transferred to the customer. The recognised revenue is measured at the fair value of the agreed consideration excluding VAT and taxes collected on behalf of third parties. All forms of discounts granted are recognised in revenue. Fair value corresponds to the agreed price discounted to present value if the payment terms are greater than 12 months.

The amount of variable consideration, for example in the form of performance bonuses, incentives, penalties etc., is only recognised in revenue if it is highly probable that a reversal of the amount of consideration will not occur in future periods, for example as a result of failure to meet targets.

Any contract modifications are recognised when they have been approved by all parties to the contract. Modifications and the associated revenue are accounted for based on an assessment of the standalone price of the modifications and an actual assessment of the elements of the contract compared with the other performance obligations under the sales contract.

Construction contracts
Revenue from construction contracts related to work performed on a customer's land can be categorised as improvements of the customer's property and is consequently recognised over time.

Revenue from construction contracts is also recognised over time if the subject matter of the contract is of such a specialised nature that there is no alternative use for it and the contract states that the Group is entitled to payment for work performed in the event of the contract being terminated for reasons that are not due to breach on the part of the Group.

The Group's construction contracts comprise the construction of major construction and civil engineering projects for private and public customers. The construction contracts basically comprise a single performance obligation as the customer only obtains benefits from the performance of the whole construction contract and the contract involves a high degree of integration of the various contract components.

The transfer of control and recognition of revenue are determined using input methods based on costs incurred relative to total estimated costs for the contract, as these methods are considered to best depict the continuous transfer of control.

If the outcome of a construction contract cannot be estimated reliably, revenue is only recognised corresponding to costs incurred and indirect production costs, insofar as it is probable that these will be recovered.

Facility management etc.
Services such as facility management are considered to be a series of homogenous services that have the same pattern of transfer to the customer. Service contracts are accounted for as a single performance obligation. As customers receive and obtain benefits from the work performed on an ongoing basis, revenue is recognised over time. Revenue is recognised using input methods based on costs incurred relative to total estimated costs.

Project development
Revenue from project development where the overall project has not been sold prior to project start-up is recognised over time during the construction period based on the number of apartments sold and the overall percentage of completion.

Recognition of revenue over time is based on an assessment that the apartments are so specialised that they cannot be used for any other purpose and that the Group is legally entitled to payment and that payment will be received.

Unsold apartments are recognised at cost under inventories.

Rental income
Rental income comprises equipment hire under operating leases. Rental is accrued and recognised as income on a straight-line basis over the lease period under the lease agreement.

Direct property sales
Direct property sales are recognised in revenue when control of the separately identifiable performance obligation in the sales contract transfers to the customer, ie at the acquisition date according to the terms of sale.

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

Production costs include the cost of raw materials and consumables, wages and salaries, depreciation and impairment losses on capital equipment, subcontractor supplies, leasing of capital equipment, design and technical assistance, remedial and guarantee works as well as subsupplier claims, for example relating to extra work, including any related interest payments etc.

1 ACCOUNTING POLICIES (CONTINUED)

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

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

Special items
Special items comprise material income and costs of a non-recurring nature not directly attributable to the company's ordinary operating activities. Income and costs of a non-recurring nature relate to considerable restructuring of processes and structural adjustments as well as the resulting gains or losses.

The item is presented separately to give a true and fair view of the company's EBIT.

These items are presented separately in the income statement to give a true and fair view of the company's EBIT

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

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

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

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

MT Højgaard Holding A/S has been taxed jointly with its Danish subsidiaries since the merger date. MT Højgaard Holding A/S is the management company for the Danish joint taxation and consequently settles all income tax payments to the Danish tax authorities. MT Højgaard A/S was taxed jointly with its Danish subsidiaries up to the merger date and is the management company for this joint taxation. Foreign subsidiaries are no longer part of the joint taxation as MT Højgaard A/S withdrew from international joint taxation in 2018.

Current tax is allocated among the jointly taxed Danish companies in proportion to their taxable income.

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

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

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

Deferred tax assets are reviewed annually and are only recognised to the extent that it is probable that they will be utilised within the foreseeable future.

1 ACCOUNTING POLICIES (CONTINUED)

Balance sheet
Intangible assets
Recognition and measurement of goodwill is described in the section on business combinations.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life. The basis of amortisation is reduced by any impairment losses. Other intangible assets comprise customer relationships, brands, order book and ERP and other IT systems.

Expected useful lives:	
Customer relationships	5 years
Brands	20 years
Order book	1-3 years
ERP and other IT systems	3-7 years

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

Cost comprises purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect cost of materials, components, subsuppliers and labour as well as borrowing costs attributable to the construction of the assets.

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

Expected useful lives:	
Buildings	10-50 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	2-10 years

Land is not depreciated. Nor is depreciation charged if the residual value of an asset exceeds its carrying amount. The residual value is determined at the acquisition date and reviewed annually. Gains and losses on disposal of property, plant and equipment are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal and are recognised in the income statement as production costs or administrative expenses.

Leases effective from 1 January 2019
A lease asset and a lease liability are recognised in the balance sheet when, under a lease entered into for a specific identifiable asset, the lease asset is made available to the Group for the lease term, and when the Group obtains the right to substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Lease liabilities are measured initially at the present value of future lease payments discounted using the Group's alternative borrowing rate.

The following lease payments are recognised as part of the lease liability:
- Fixed payments
- Variable payments that depend on an index or a rate, based on the index or interest rate in question.
- Payments due under residual value guarantees.
- The exercise price of a purchase option if management is reasonably certain to exercise that option.
- Payments comprised by an option to extend the lease if the Group is reasonably certain to exercise that option.
- Payments related to an option to terminate the lease unless the Group is reasonably certain not to exercise that option.

The lease liability is measured at amortised cost under the effective interest method. The lease liability is reassessed if the underlying contractual cash flows change as a result of

- changes in an index or a rate,
- if there are changes in a residual value guarantee or the amount the Group expects to be payable under a residual value guarantee,
- if the Group changes its assessment of whether it is reasonably certain to exercise a purchase option or an option to extend or terminate the lease.

1 ACCOUNTING POLICIES (CONTINUED)

The lease asset is measured initially at cost, corresponding to the value of the lease liability less any prepayments of lease payments and with the addition of any directly related costs and estimated costs for dismantling, restoration or similar and less any discounts or other types of incentive payments from the lessor.

The asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. The lease asset is depreciated over the shorter of the lease term and the useful life of the lease asset. Depreciation is recognised in the income statement on a straight-line basis.

The lease asset is adjusted for changes in the lease liability as a result of changes in the terms and conditions of the lease or changes in the contractual cash flows depending on changes in an index or a rate.

Lease assets are depreciated on a straight-line basis over the expected lease term, which is:

Vehicles	2-5 years
Properties	2-10 years
Plant and machinery	2-4 years

The Group presents the lease asset and the lease liability separately in the balance sheet.

The Group has elected not to recognise lease assets of low value and short-term leases in the balance sheet. Instead, lease payments relating to such leases are recognised in the income statement on a straight-line basis.

Assets that are leased out on operating lease terms are recognised, measured and presented in the balance sheet in the same way as the Group's other assets of a similar type. Lease income is recognised in the income statement over the lease term on a straight-line basis.

Leases effective before 1 January 2019

Leases are classified as either operating leases or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee. Other leases are classified as operating leases.

In the case of assets held under finance leases, cost is determined as the lower of the fair value of the assets and the present value of future minimum lease payments. The present value is determined using the rate implicit in the lease or the Group's alternative borrowing rate as the discount rate.

Lease payments under operating leases are recognised in the income statement over the term of the lease on a straight-line basis.

Investments in joint ventures in the consolidated financial statements

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

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

The Group is a party to several PPP and PPC companies, which are all recognised as joint ventures in accordance with IFRS 11. According to the contractual arrangements between the parties, decisions require the unanimous consent of all parties.

1 ACCOUNTING POLICIES (CONTINUED)

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

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

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

An impairment loss is recognised in the income statement if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are reversed to the extent that the assumptions and estimates that led to the recognition of the impairment loss have changed. Impairment losses relating to goodwill are not reversed.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than the cost, the carrying amount is written down to this lower value. The cost of raw materials and consumables comprises purchase price plus expenses incurred in bringing them to their existing location and condition.

Properties, project development in progress as yet unsold under IFRS 15 and undeveloped sites that are not classified as held for continued future ownership or use are measured at the lower of cost and net realisable value and are carried as properties held for resale. Properties held for resale include undeveloped sites held with a view to project development activities, and completed residential projects for resale.

Receivables
The simplified expected credit loss model, where the expected loss over the life of the financial asset is recognised immediately in the income statement, is applied to financial assets related to trade receivables and construction contract assets. The financial asset is recognised at the same time as the receivable is recognised in the balance sheet.

Risks related to losses on trade receivables are assessed prior to contract inception and continuously monitored until realisation in accordance with the Group's risk management policies. Write-downs are determined based on the expected percentage loss, which is determined on the basis of historical data, a default day of 90 days and adjusted for estimates of the effect of expected changes in relevant parameters, including market trends in the construction and civil engineering industry and cyclical fluctuations etc. that are expected to potentially affect the industry.

Construction contracts (assets/liabilities)
The selling price is measured by reference to the total expected income from each construction contract and the stage of completion at the reporting date. The stage of completion is determined on the basis of the costs incurred and the total expected costs.

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

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

The individual construction contract in progress is recognised in the balance sheet as a contract asset or a contract liability, depending on the selling price less progress billings and recognised losses.

1 ACCOUNTING POLICIES (CONTINUED)

Contract costs
Contract performance costs incurred as a direct consequence of the contract having been entered into and which are expected to be recovered, including soil investigations, manning plans etc., are capitalised and charged as expenses over the term of the contract.

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

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

Equity
Dividends
Dividends are recognised as a liability at the date of their adoption at the Annual General Meeting. Proposed dividends are disclosed as a separate item in equity.

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

The reserve is dissolved on realisation of the hedged transaction, if the hedged cash flows are no longer expected to be realised or the hedging relationship is no longer effective.

Translation reserve
The translation reserve in the consolidated financial statements comprises foreign exchange differences that have arisen from the translation of the financial statements of foreign entities from their functional currencies to Danish kroner.

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

If it is considered more probable that the arrangement will have to be settled in shares, the programme will be classified as an equity-settled arrangement. For equity-settled arrangements, the fair value is measured at the date of grant and recognised in the income statement as staff costs over the service period. The recognised expense is taken to equity. If the length of the service period is uncertain at the date of grant, it is estimated based on management's best estimate of the date on which the share-based payment will vest. Subsequent to initial recognition, the total programme costs are adjusted for changes to the estimate of the number of grants that will vest.

If the estimate of the length of the service period changes, the proportion of the programme costs that has not yet been expensed will be recognised proportionately over the revised service period.

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

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

Financial liabilities
Bank loans etc. are recognised at inception at fair value net of transaction costs incurred. Subsequent to initial recognition, the liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds (net) and the nominal value is recognised in the income statement over the term of the loan. The fair value of financial liabilities has been determined as the present value of expected future instalments and interest payments. The Group's current borrowing rate for similar maturities has been used as discount rate.

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

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

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

Cash flows to/from investing activities
Cash flows from investing activities comprise payments in connection with acquisition and disposal of enterprises and activities and purchase and sale of intangible assets, property, plant and equipment, financial and other non-current assets as well as purchase and sale of securities that are not recognised as cash and cash equivalents.

Cash flows to/from financing activities
Cash flows from financing activities comprise payments to and from shareholders, including payment of dividends, increases and decreases in loan facilities, and decreases in lease commitments.

Cash and cash equivalents
Cash and cash equivalents comprise cash and cash equivalents less payables related to on-call overdraft facilities that form part of the Group's day-to-day cash management.

Segment information
The Group's segment information is based on the Group's management control and internal control and reporting, which is broken down by activity.

Operating segments that have similar economic characteristics, and similar products/services, customers, manufacturing and delivery methods, are aggregated.

Segment income and segment expense are those items that can be directly attributed to the individual segment or allocated to the individual segment on a reliable basis.

1 ACCOUNTING POLICIES (CONTINUED)

Financial ratios

The financial ratios comply with the recommendations of the CFA Society Denmark. Earnings per share and diluted earnings per share have been determined in accordance with IAS 33.

The financial ratios in the annual report have been determined as follows:

Working capital (net) excl. properties for resale

Working capital (NWC) — Accounts receivable + Inventories + Work in progress + Accounts payable

Return on invested capital after tax incl.goodwill:

ROIC after tax $= \frac{\text{NOPLAT}}{\text{Average invested capital incl.goodwill}}$

Gross margin $= \frac{\text{Gross profit x 100}}{\text{Revenue}}$

Operating margin before special $= \frac{\text{Operating profit before special items x 100}}{\text{Revenue}}$

Return on equity (ROE) $= \frac{\text{Profit after tax excl.non-controlling interests x 100}}{\text{Average equity excl.non-controlling interests}}$

EBIT margin $= \frac{\text{EBIT x 100}}{\text{Revenue}}$

Average number of shares — Average number of outstanding shares in a given period

Net asset value per share $= \frac{\text{Equity excl. non-controlling interests}}{\text{Number of shares, end of year}}$

Invested capital: Capital invested in operating activities (that generates income and contributes to EBIT):

Invested capital — Intangible assets and property, plant and equipment used in operations + net working capital.

Price/book value (P/BV) $= \frac{\text{Price}}{\text{Book value}}$

Market capitalisation — Market price x number of outstanding shares at year end excl. the company's treasury shares

Net Interest Bearing Debt (NIBD) — Interest-bearing debt - (interest-bearing assets + cash and cash equivalents)

Pre-tax margin $= \frac{\text{Profit before tax x 100}}{\text{Revenue}}$

Earnings and diluted earnings per share (EPS and EPS-D) *:

EPS and EPS-D $= \frac{\text{Earnings excl. non-controlling interests}}{\text{Average number of shares*}}$

Solvency ratio $= \frac{\text{Equity excl. non-controlling interests, end of year}}{\text{Total assets}}$

*It has not been relevant to use either an adjustment factor or the average number of diluted shares.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The estimates applied are based on assumptions which are sound, in management's opinion, but which, by their nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur. Moreover, the company is subject to risks and uncertainties that may cause the actual results to differ from these estimates.

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

For all accounting estimates and judgments in their entirety relating to the acquisition of MT Højgaard A/S, see note 31, *Business combinations*.

Construction contracts, including estimated recognition and measurement of revenue and contribution margin
At contract inception, management assesses that the contracts involve a high degree of individual customisation and satisfy the criteria for recognition over time. This assessment is based on an analysis of, among other things, the contract provisions on:

- The degree of customisation, including the alternative use potential of buildings and civil works
- The time of transfer of legal title, including relating to the place of construction of building and civil works
- Payment terms, including early termination of contract.

For construction contracts, management considers that they essentially constitute a single performance obligation and that the recognition of the selling price of contracts over time is best depicted by using an input method based on costs incurred relative to budgeted project costs.

The amount of variable consideration is included in revenue only to the extent that it is highly probable that a reversal will not occur in subsequent periods. This assessment is made jointly by the Executive Board and the project management on an ongoing basis.

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

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

Actual results may therefore differ materially from expectations.

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

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

2 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

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

Impairment testing of equity investments and intangible assets
In connection with impairment testing of goodwill, estimates are made of how the relevant enterprises or parts of the enterprise to which the goodwill relates will be able to generate sufficient positive future net cash flows to support the value of the goodwill and other net assets in the relevant part of the enterprise. Such estimates are naturally subject to some uncertainty, which is reflected in the discount rate applied.

The carrying amounts of goodwill are tested annually for impairment. Goodwill is attributable to the acquisition of the shares in MT Højgaard A/S on the merger of Højgaard Holding A/S and Monberg & Thorsen A/S, Civil Works and Construction in MT Højgaard A/S, Enemærke & Petersen A/S, and Lindpro A/S.

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

For customer relationships, order book and brands recognised in connection with the acquisition of MT Højgaard A/S, an assessment is made based on expected future revenue, order book and earnings, and impairment testing is prepared in the event of any major changes. The value of customer relationships is assessed on the basis of whether there have been any changes in revenue and on key account revenue. The value of the order book is assessed on the basis of whether there have been any significant changes in earnings on expected revenue and any changes in the order book. The value of brands is assessed on the basis of the development in revenue.

Joint ventures and joint operations
IFRS 11 operates with the concept "joint arrangements", where the share of such arrangements is recognised in proportion to the financial interest in the project in the consolidated financial statements.

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

Joint ventures are recognised using the equity method in the consolidated financial statements. Joint operations are recognised at the proportionate share of income, expenses, assets and liabilities. The Group's joint ventures are primarily in the PPP and PPS companies and Soc. de Empreitadas e Trabalhos Hidráulicos, S.A., ("Seth").

2 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

The Group holds 60% of the voting rights in Seth. Under the contract between the parties, decisions about the company's relevant activities require the unanimous consent of the parties. The Group and Operatio SGPS, S.A. consequently have joint control over the arrangement. Because of this contractual arrangement, the parties have rights to net assets only, and Seth is consequently accounted for as a joint venture.

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

3 SEGMENT INFORMATION

GROUP

Amounts in DKK million	Construction	Civil Works	Services	Other	Total
Revenue to external customers	3,789	771	609	-	5,169
Inter-segment revenue	141	89	138	-	368
Total segment revenue	3,930	860	747	-	5,537
Depreciation and amortisation by segment	68	32	62	65	227
Profit/(loss) on joint venture by segment	4	15	-		19
Segment profit/(loss) before special items	66	-39	51	-60	18
Segment profit/(loss) before tax	37	-52	42	67	94

GROUP

Amounts in DKK million	2019	2018
Non-current assets excl. deferred tax assets can be broken down as follows:		
Denmark	1,676.9	206.9
Rest of world	106.1	-
Total	1,783.0	206.9

For further information on segments, see "Group at a glance" on page 3.

4 REVENUE

The Group is engaged in construction and civil works activities in Denmark and internationally. In 2019, the Group was engaged in international activities in the North Atlantic (Faroe Islands, Greenland and Iceland), Asia (Maldives and Vietnam), and in Europe and Africa through joint ventures in Sweden, and Seth.

GROUP

Amounts in DKK million					2019
	Construction	Civil Works	Services	Other	Total
Primary geographical segments:					
Denmark	3,498.3	647.1	541.1	-	**4,686.5**
Rest of world	290.7	124.3	67.9	-	**482.9**
Total revenue	3,789.0	771.4	609.0	-	**5,169.4**
Products:					
Construction contracts	3,567.7	771.4	-	-	**4,339.1**
Project development (incl. property sales of DKK 116 million)	221.3	-	-	-	**221.3**
Rental income, facility management & service etc.	-	-	609.0	-	**609.0**
Total revenue	3,789.0	771.4	609.0	-	**5,169.4**

GROUP

Amounts in DKK million					2018
	Construction	Civil Works	Services	Other	Total
Primary geographical segments:					
Denmark	-	-	-	57.5	**57.5**
Rest of world	-	-	-	-	**0.0**
Total revenue	-	-	-	57.5	**57.5**
Products:					
Construction contracts	-	-	-	57.5	**57.5**
Project development (including property sales of DKK 68.9 million)	-	-	-	-	**0.0**
Rental income, facility management & service etc.	-	-	-	-	**0.0**
Total revenue	-	-	-	57.5	**57.5**

4 REVENUE (CONTINUED)

Sale of properties is recognised on delivery of the property (point-in-time) (DKK 116 million in 2019). All other revenue is recognised over time. Reference is made to the accounting policies for further details on revenue recognition.

5 DEPRECIATION AND AMORTISATION

PARENT COMPANY			GROUP	
2018	2019	Amounts in DKK million	2019	2018
-	-	Intangible assets	87.3	-
-	-	Property, plant and equipment	51.9	-
-	-	Lease assets	87.1	-
0.0	**0.0**	**Total depreciation and amortisation**	**226.3**	**0.0**
		Depreciation and amortisation are recognised in the income statement as follows:		
-	-	Production costs	210.4	-
-	-	Distribution costs	0.3	-
-	-	Administrative expenses	4.8	-
-	-	Special items	10.8	-
0.0	**0.0**	**Total depreciation and amortisation**	**226.3**	**0.0**

6 STAFF COSTS

PARENT COMPANY			GROUP	
2018	2019	Amounts in DKK million	2019	2018
		The total amount paid in wages and salaries etc. can be broken down as follows:		
2.5	-	Wages and salaries etc.	1,379.9	12.7
0.2	-	Pension contributions (defined contribution)	101.8	1.0
-	-	Other social security costs	48.7	0.4
2.7	**0.0**	**Total**	**1,529.8**	**14.1**
3.0	**0.0**	**Average number of employees**	**2,804**	**29.0**
		Total remuneration (salaries and remuneration etc.) to the Board of Directors and the Executive Board:		
0.6	0.7	Board of Directors	4.2	0.6
0.8	-	Executive Board – salary and termination benefit	19.3	0.8
-	-	Executive Board – bonus	4.2	-
1.4	**0.7**	**Total**	**27.7**	**1.4**

For 2019, the Executive Board has a bonus scheme based on the achievement of financial targets. Other senior executives are also comprised by bonus schemes that depend, among other things, on net profit/(loss) for the year.

In April 2014, the Group set up a warrant programme for the Group's management team that ran for the period until 2019. The warrant programme was classified as a cash-settled arrangement at the end of 2016. The planned merger of the Group's owner companies, creating an indirect listing, has not given cause for adjustment of the classification. The combined fair value of the programme for 2014-2015 determined at the grant dates using an option valuation model was DKK 3.1 million.

In April 2018, the Group set up an additional warrant programme for the Group's management team that runs until 2020. This programme is also classified as a cash-settled arrangement. The fair value of the programme for 2018 determined at the grant date was DKK 0.3 million, also here using an option valuation model.

The fair value of both programmes was nil at the end of the year and was settled with DKK 5.4 million in 2019. At the end of 2019, outstanding warrants totalled nil with a nominal value of DKK 1,000 each.

7 FEES PAID TO AUDITOR APPOINTED AT THE ANNUAL GENERAL MEETING (EY)

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
0.1	0.5	Audit fees	3.1	0.2
-	1.7	Other assurance engagements	1.7	-
-	0.4	Tax and VAT advice	0.6	-
0.4	0.2	Non-audit services	0.8	0.4
0.5	**2.8**	**Total fees**	**6.2**	**0.6**

8 SPECIAL ITEMS

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
-	-	Redundancy costs and severance pay	-24.2	-
-	-	Write-down of lease asset	-10.8	-
0.0	**0.0**	**Total special items**	**-35.0**	**0.0**

Special items in 2019 related to restructuring costs for the revitalisation plan in MT Højgaard A/S.

9 FINANCE INCOME

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
-	-	Interest income (balance sheet items recognised at amortised cost)	5.3	-
-	133.0	Write-up of value of shares in MT Højgaard A/S to fair value	133.0	-
-	9.7	Debt remission	9.7	-
13.8	-	Gain on sale of investments	-	13.8
-	-	Foreign exchange gains	10.5	-
13.8	**142.7**	**Total finance income**	**158.5**	**13.8**

10 FINANCE COSTS

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
1.0	-	Interest expense (balance sheet items recognised at amortised cost)	32.2	0.1
-	13.9	Interest expense, group enterprises	13.9	1.0
-	0.6	Interest expense, subsidiaries	-	-
-	-	Foreign exchange losses	0.3	-
1.0	**14.5**	**Total finance costs**	**46.4**	**1.1**

11 INCOME TAX

PARENT COMPANY			GROUP	
2018	2019	Amounts in DKK million	2019	2018
		Tax on other comprehensive income was nil in the parent company and the Group. Current tax in the Group relates primarily to tax in some foreign entities in which tax payment is determined based on local rules.		
2.0	-	Current tax (incl. adjustment last year)	-24.8	-
-0.3	-	Changes in deferred tax	-3.1	-0.4
1.7	**0.0**	**Income tax expense**	**-27.9**	**-0.4**
		Income tax expense can be broken down as follows:		
-1.5	-26.5	Income tax expense before tax calculated at 22%	-21.0	-4.0
-	-	Deviations in foreign enterprises' tax rates	-0.1	-
3.0	-	Non-taxable income	4.1	3.0
	29.3	Write-up of value of shares in MT Højgaard A/S to fair value, non-taxable	29.3	
	-2.2	Impairment of current and previous years' deferred tax assets	-17.1	
-0.3	-0.6	Non-deductible expenses	-1.5	-0.3
0.5	-	Other, including prior year adjustments and joint taxation	-21.6	0.9
1.7	**0.0**	**Income tax expense**	**-27.9**	**-0.4**
0.6	-	Effective tax rate (%)	29.8	-0.1

Tax relating to distributable reserves in foreign subsidiaries that are subject to higher taxation if distributed amounted to DKK 4.4 million (2018: DKK 7.2 million). These liabilities have not been recognised, as the Group checks whether they will crystallise. It is probable that the liabilities will not crystallise in the foreseeable future.

PARENT COMPANY			GROUP	
2018	2019	Amounts in DKK million	2019	2018
		DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES		
0.3	-	Deferred tax (net) at 01-01	-	0.4
-	-	Addition on acquisition of subsidiary	56.5	-
-0.3	-	Changes through the income statement	-3.1	-0.4
0.0	**0.0**	**Deferred tax (net) at 31-12**	**53.4**	**0.0**
		Deferred tax can be broken down as follows:		
		Deferred tax assets		
-	-	Property, plant and equipment	19.1	-
-	-	Non-current liabilities	139.8	-
-	-	Current liabilities	42.4	-
-	2.2	Tax loss carryforwards	352.2	-
-	-2.2	Non-capitalised tax loss	-177.5	-
-	-	Deferred tax assets at 31-12 before set-off	376.0	-
-	-	Set-off within legal entities and jurisdictions (countries)	-221.9	-
0.0	**0.0**	**Deferred tax assets at 31-12**	**154.1**	**0.0**
		Deferred tax liabilities		
-	-	Intangible assets	102.4	-
-	-	Property, plant and equipment	93.1	-
-	-	Current assets	127.1	-
-	-	Current liabilities	-	-
-	-	Deferred tax liabilities at 31-12 before set-off	322.6	-
-	-	Set-off within legal entities and jurisdictions (countries)	-221.9	-
0.0	**0.0**	**Deferred tax liabilities at 31-12**	**100.7**	**0.0**

11 INCOME TAX (CONTINUED)

Recovery of deferred tax assets
The projections of future profits in the enterprises in which losses can be utilised have been updated. At 31 December 2019, the management of MT Højgaard Holding A/S assessed the extent to which, under current tax legislation, taxable profits can be realised in the foreseeable future, and the tax rates that will apply at the date of utilisation. Against this background, an impairment charge has been recognised on deferred tax assets.

Like last year, tax loss carryforwards have not been fully capitalised in the assessment of deferred tax assets. They have been capitalised based on expected positive earnings in the next three to five years. Non-capitalised tax assets amounted to approx. DKK 0.2 billion in the Group and DKK 2.2 million in the parent company and relate to tax losses that can be carried forward indefinitely. The amount decreased by DKK 0.3 billion, primarily due to the withdrawal from international joint taxation at 1/1-2018. The non-capitalised tax asset may be recognised as income when the Group reports the necessary positive results.

12 INTANGIBLE ASSETS

GROUP Amounts in DKK million						2019
	Goodwill	Brands	Order book	Customer relationships	Other intangible assets	Total
Cost at 01-01	-	-	-	-	-	**0.0**
Addition on acquisition of subsidiary	134.1	205.3	69.8	49.6	156.3	**615.1**
Additions	-	-	-	-	25.9	**25.9**
Cost at 31-12	134.1	205.3	69.8	49.6	182.2	**641.0**
Amortisation and impairment losses at 01-01	-	-	-	-	-	**0.0**
Amortisation	-	7.7	49.5	7.4	22.7	**87.3**
Amortisation and impairment losses at 31-12	-	7.7	49.5	7.4	22.7	**87.3**
Carrying amount at 31-12	**134.1**	**197.6**	**20.3**	**42.2**	**159.5**	**553.7**

12 INTANGIBLE ASSETS (CONTINUED)

Goodwill, brands, customer relations and order book
The carrying amounts of goodwill attributable to MT Højgaard A/S (DKK 50 million), Enemærke & Petersen A/S (DKK 40 million) and Group goodwill (DKK 44 million) were tested for impairment at 31 December 2019. The impairment test is based on the estimated value in use. In connection with the test at 31 December 2019, revenue was determined for each business unit on the basis of forecasts for 2020 and 2021 and estimates for the years 2022-2024 approved by management. Growth in the terminal period was set at 1%, which is considered to be conservative compared with an expected inflation rate of 1.5%.

The result is based on forecasts for 2020 and 2021, and the pre-tax margin has consequently been increased over time to the long-term target of 3.5-4%. Earnings are underpinned by the order book and initiated revitalisation strategies. The business units are reviewed individually and adjusted up or down based on management's expectations, knowledge and estimates. Net cash flows are determined on this basis. The present value has been determined using a discount rate set for each unit. The rate has been estimated to be the same for the business units due to uniform market/geography and amounts to 14.56% before tax.

The impairment test did not give rise to any write-downs of goodwill to recoverable amount. Management estimates that probable changes in the underlying assumptions will not result in the carrying amount of goodwill exceeding its recoverable amount.

Management has tested for impairment the carrying amounts at 31 December 2019 of the order book, customer relationships and brands recognised in connection with the acquisition of MT Højgaard A/S. The tests did not give rise to any write-downs.

Other intangible assets
Other intangible assets primarily comprise ERP and other IT systems. Additions for the year mainly related to the investment in the new IT platform with GoLive in mid-2019 in MTH A/S. The year-end carrying amounts were DKK 19 million for VDC and DKK 137 million for the new IT platform. The VDC asset is amortised over five years and the new IT platform over 3-7 years.

Management has not identified any factors indicating a need for impairment testing of other intangible assets.

13 PROPERTY, PLANT AND EQUIPMENT

GROUP

Amounts in DKK million					2019
	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 01-01	-	-	-	-	**0.0**
Addition on acquisition of subsidiary	173.6	162.4	53.1	11.5	**400.6**
Additions	7.4	94.2	7.7	24.2	**133.5**
Disposals	-0.1	-5.8	-2.6	-	**-8.5**
Cost at 31-12	180.9	250.8	58.2	35.7	**525.6**
Depreciation and impairment losses at 01-01	-	-	-	-	**0.0**
Depreciation	5.8	31.9	14.2	-	**51.9**
Disposals	-	-0.1	-1.5	-	**-1.6**
Depreciation and impairment losses at 31-12	5.8	31.8	12.7	-	**50.3**
Carrying amount at 31-12	**175.1**	**219.0**	**45.5**	**35.7**	**475.3**
Mortgaged properties:					
Carrying amount	121.2	-	-	-	**121.2**
Year-end balance, loans	34.1	-	-	-	**34.1**

14 LEASING

LEASE ASSETS

GROUP

Amounts in DKK million		Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
					2019
Carrying amount at 01-01		-	-	-	**-**
Addition on acquisition of subsidiary		208.2	326.3	83.7	**618.2**
Additions		25.2	6.1	29.4	**60.7**
Depreciation charge		-25.8	-22.5	-28.0	**-76.3**
Write-downs for the year		-10.8	-	-	**-10.8**
Disposals		-	-1.9	-0.8	**-2.7**
Carrying amount at 31-12		**196.8**	**308.0**	**84.3**	**589.1**

LEASE COMMITMENTS

PARENT COMPANY 2018	PARENT COMPANY 2019	Amounts in DKK million	GROUP 2019	GROUP 2018
		FUTURE LEASE EXPENDITURE COMMITMENTS		
-	-	Due within one year	149.2	-
-	-	Due between one and five years	359.7	-
-	-	Due after more than five years	112.1	-
-	**-**	**Total non-discounted lease commitment at 31 December**	**621.0**	**0.0**
		LEASE COMMITMENTS RECOGNISED IN BALANCE SHEET		
-	-	Current	144.0	-
-	-	Non-current	401.1	-
-	**-**	**Total**	**545.1**	**0.0**

The Group's leases primarily relate to vehicles, operating equipment and office buildings. The lease term for vehicles and operating equipment is typically between two and five years with an option to extend the lease. The lease term for office buildings is up to 10 years.

The Group has elected not to recognise short-term leases in the balance sheet. These had a value of DKK 45 million at 31 December 2019.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

PARENT COMPANY 2018	PARENT COMPANY 2019	Amounts in DKK million	GROUP 2019	GROUP 2018
-	-	Interest expenses related to lease commitments	14.1	-
-	-	Variable lease payments not recognised as part of the lease commitment	16.4	-
-	-	Costs related to short-term leases	0.7	-
-	-	Costs related to low-value leases	0.1	-

For information on decreases in lease debt, see note 30.

15 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
		Investments in subsidiaries		
31.8	-	Cost at 01-01	-	-
-	611.9	Addition on acquisition of subsidiary	-	-
-	400.0	Capital injection	-	-
-31.8	-	Disposals	-	-
-	1,011.9	Cost at 31-12	-	-
-20.4	-	Adjustments at 01-01		
7.4	-57.9	Net profit/(loss) for the year	-	-
-	-2.7	Other adjustments	-	-
13.0	-	Disposals	-	-
-	-60.6	Adjustments at 31-12	-	-
0.0	**951.3**	**Carrying amount at 31-12**	**-**	**-**
		Investments in joint ventures and jointly controlled entity		
786.0	786.0	Cost at 01-01	786.0	786.0
-	-	Addition on acquisition of subsidiary	88.2	-
-	-786.0	Disposals	-786.0	-
786.0	-	Cost at 31-12	88.2	786.0
-323.9	-579.3	Adjustments at 01-01	-579.1	-323.9
-	-	Foreign exchange adjustments	-0.2	-
-318.5	-1.6	Share of net profit/(loss) for the year after tax	17.2	-318.3
63.2	-	Share of debt remission after tax	-	63.2
-	-	Dividends paid	-17.9	-
-0.1	-	Other adjustments	13.0	-0.1
-	580.9	Disposals	580.7	-
-579.3	-	Adjustments at 31-12	13.7	-579.1
206.7	**0.0**	**Carrying amount at 31-12**	**101.9**	**206.9**

A list of consolidated enterprises is provided in note 34.

Soc. de Empreitadas e Trabalhos Hidráulicos (Seth) carries out contracting activities in Portugal and has activities in Africa through joint ventures etc. For further details on recognition for accounting purposes, see note 1.

	2019	2018
Material joint ventures and jointly controlled entity (the figures represent 100%)	Seth	MT Højgaard
Revenue	235.0	6,758.3
Net profit/(loss) for the year	8.4	-587.8
Dividends paid	29.9	-
Total assets	248.9	3,794.6
Total liabilities	167.7	3,402.1
Total contingent liabilities	-	-
Joint ventures - not individually material (the figures represent 100%)		
Net profit/(loss) for the year	40.0	-
Reconciliation of carrying amount at 31 December		
Carrying amount of material joint ventures	48.8	206.9
Carrying amount of investments in joint ventures that are not individually material	53.1	-
Carrying amount at 31-12	101.9	206.9

16 RECEIVABLES

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
-	-	Receivables falling due more than one year after the reporting date	30.1	-
		Receivables falling due more than one year after the reporting date relate primarily to rent deposits.		
-	-	The fair value of receivables is deemed to correspond to the carrying amount, apart from the above non-current receivables, the fair value of which represents approx. 80%.	24.1	-
10.3	-	Total receivables in balance sheet. These include amounts that are subject to normal contract disputes. See note 21.	1,863.2	10.3

17 BANK LOANS

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
		Bank loans are recognised in the balance sheet as follows:		
-	-	Non-current liabilities	27.6	-
-	24.8	Current liabilities	142.0	-
-	**24.8**	**Carrying amount at 31-12**	**169.6**	**0.0**
		Bank loans are only denominated in DKK		
		Bank loans can be broken down by fixed and floating-rate debt as follows:		
-	24.8	Fixed-rate debt	119.9	-
-	-	Floating-rate debt	49.7	-
0.0	**24.8**	**Carrying amount at 31-12**	**169.6**	**0.0**
		Bank loans can be broken down by effective interest rate as follows:		
-	24.8	Less than 3%	169.6	-
0.0	**24.8**	**Carrying amount at 31-12**	**169.6**	**0.0**
	1.9	Weighted average effective interest rate (%)	1.5	-
	2.0	Weighted average remaining term (years)	2.4	-

The change in bank loans, which total DKK 169.6 million, excludes lease debt and is made up of drawings on the facility account and decreases in mortgage debt (see note 14).

18 PROVISIONS

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
		Change in provisions:		
-	-	Provisions at 01-01	-	-
	-	Addition on acquisition of subsidiary	595.9	-
-	-	Provided in the year	193.7	-
-	-	Utilised during the year	-163.6	-
-	-	Reversal of unutilised prior year provisions	-30.3	-
0.0	**0.0**	**Carrying amount at 31-12**	**595.7**	**0.0**
		Provisions are recognised in the balance sheet as follows:		
-	-	Non-current provisions	212.6	-
-	-	Current provisions	383.1	-
0.0	**0.0**	**Carrying amount at 31-12**	**595.7**	**0.0**
		Expected maturity dates:		
-	-	Within one year	383.1	-
-	-	Between one and five years	212.6	-
-	-	More than five years	-	-
0.0	**0.0**	**Carrying amount at 31-12**	**595.7**	**0.0**

Provisions relate to claims in connection with concluded construction contracts and service contracts and cover guarantee obligations and disputes.

19 CONSTRUCTION CONTRACTS

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
-	-	Progress billings	11,419.2	-
-	-	Selling price of construction contracts	-11,074.2	-
0.0	**0.0**	Construction contracts (net)	**345.0**	**0.0**
		Construction contracts in progress are recognised in the balance sheet as follows:		
-	-	Current liabilities	739.5	-
-	-	Receivables	-394.5	-
0.0	**0.0**	Construction contracts (net)	**345.0**	**0.0**
-	-	Prepayments from customers included in progress billings	107.5	-
-	-	Payments withheld	51.9	-
		Outstanding performance obligations associated with construction contracts		
-	-	Within one year	4,960.0	-
-	-	More than one year	2,234.0	-
0.0	**0.0**	Total	**7,194.0**	**0.0**
-	-	Contract assets related to costs for the performance of construction contracts	4.4	-
-	-	Depreciation charge recognised under production costs	4.5	-

19 CONSTRUCTION CONTRACTS (CONTINUED)

Recognised revenue related to construction contracts

Efforts are made to ensure that progress billings on sales contracts for construction work reflect the underlying stage of completion based on the detailed project plan. Payment terms are typically net 30-45 days. For project sales, the Group does not receive payment until the finished project has been completed and handed over, and payment is consequently not received until after the work has been completed.

Construction contracts (assets) comprise the selling price of work performed where the Group does not yet have an unconditional right to payment.

Construction contracts (liabilities) comprise agreed payments received on account for work yet to be performed.

For guarantee obligations relating to projects or other sales, see note 20.

20 SECURITY ARRANGEMENTS

PARENT COMPANY			GROUP	
2018	2019	Amounts in DKK million	2019	2018
		Normal security in the form of bank guarantees and guarantee insurance has been provided for contracts and supplies.		
-	**-**	**Total**	**3,629.5**	**-**
		In addition, land and buildings have been lodged as security for bank loans etc., see note 13.		

21 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Indemnities

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

Pending disputes and litigation

Due to the nature of its business, the Group is naturally involved in various disputes and legal and arbitration proceedings, including MgO board litigation, but also litigation of an occasionally unusual nature or magnitude or litigation arising long after the expiry of the guarantee period. Litigation may also arise in areas in which the Group is no longer active.

Accordingly, the Group is a party to pending disputes and arbitration proceedings under which claims have been brought, including a case brought before an international arbitration tribunal, where the guarantee period expired several years ago. Against this background and on the basis of the legal opinions, management considers these claims to be unjustified and obsolete and has consequently not made any provisions in respect of these. However, the Group incurs legal and other fees in respect of these claims that have a limited negative impact on earnings as the Group does not always recover such litigation costs in full.

With regard to legacy offshore cases, final settlement of warranty claims received is still pending, as is the expiry of the guarantee periods on the individual contracts, which run until 2021.

The outcome of disputes can be difficult to assess and may deviate, both positively and negatively, from the Group's accounting estimates.

Joint taxation

MT Højgaard A/S is taxed jointly with its Danish subsidiaries until the merger date. The company is the management company until the merger date. From the merger date, MT Højgaard Holding A/S joins the joint taxation as management company. The management company has unlimited and joint and several liability with the other companies with respect to income taxes and withholding taxes on dividends, interest and royalties in the joint taxation group. At 31 December 2019, the total known net liability on payable income taxes and withholding taxes in the joint taxation group was nil (2018: nil). Any subsequent adjustments of joint taxation income and withholding taxes etc. may result in the company's liability being higher.

For further information, see note 11.

22 RELATED PARTIES

PARENT COMPANY			GROUP	
2018	2019	Amounts in DKK million	2019	2018
		RELATED PARTY TRANSACTIONS:		
0.3	-	Sales of goods and services to subsidiaries	-	-
0.2	-	Purchases of goods and services from joint ventures	-	-
-	-	Sales of goods and services to joint ventures	135.3	-
		Purchases and sales of goods and services;		
2.6	-	Knud Højgaards Fond	-	2.7
32.4	-	Sale of company to Knud Højgaards Fond	-	32.4
-	-14.5	Interest, subordinated loans; Knud Højgaards Fond	-14.5	-
-	-400.0	Subordinated loan; Knud Højgaards Fond	-400.0	-
-27.0	-17.3	Balance with Knud Højgaards Fond	-17.3	-27.0

Significant influence:
Related parties with significant influence comprise the members of the company's Board of Directors and Executive Board as well as Knud Højgaards Fond, which holds 37% of the shares.

Subsidiaries and joint ventures:
The parent company's related parties also include subsidiaries and jointly controlled entities in which MT Højgaard A/S has control or joint control. A list of consolidated enterprises is provided in note 34.

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

The parent company's interest income and interest expense relating to balances with subsidiaries are disclosed in notes 9 and 10.

The parent company's dividends from subsidiaries and joint ventures are disclosed in note 15.

The Danish companies in the MT Højgaard Holding Group are taxed jointly from 5 April 2019. In 2019, transfers of joint taxation contributions among the Danish companies were DKK 0.3 million (2018: DKK 1.2 million).

Balances with subsidiaries and joint ventures at 31 December 2019 are disclosed in the balance sheet and relate primarily to the Group's cash pool agreement, business-related balances concerning purchases and sales of goods and services and property sales to project companies, and intragroup loans. The business-related balances are non-interest-bearing and are entered into on the same terms as apply to the parent company's other customers and suppliers. Interest on intragroup loans is charged at the Group's internal interest rate. Balances with subsidiaries and joint ventures were not written down in 2019 or 2018.

As the Group did not incur any bad debts, an ECL loss is considered to be very limited.

For further information on subordinated loan of DKK 400 million from Knud Højgaards Fond, see note 24.

23 FINANCIAL RISKS

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

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

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

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

Currency risks

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

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

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

The Group primarily uses forward exchange contracts to hedge contractual and budgeted cash flows. The amount recognised in the consolidated income statement was income of DKK 2.6 million (2018: nil). The amount recognised in the parent company income statement was nil (2018: nil).

The open forward exchange contracts at 31 December 2019 had a remaining term of up to 9 months.

Consolidated revenue denominated in foreign currencies was DKK 0.2 billion in 2019 (2018: nil), primarily in MVR.

PARENT COMPANY			GROUP	
		Amounts in DKK million		
		The hypothetical effect on net profit/(loss) for the year and equity of reasonable, probable increases in exchange rates is shown below:		
Hypothetical effect on net profit/(loss) for the year and equity	Nominal position of cash and cash equivalents, receivables and financial liabilities		Nominal position of cash and cash equivalents, receivables and financial liabilities	Hypothetical effect on net profit/(loss) for the year and equity
-	-	EUR/DKK, probable increase in exchange rate 1%	-37.7	-0.3
-	-	USD/DKK, probable increase in exchange rate 10%	-8.2	-0.6
-	-	GBP/DKK, probable increase in exchange rate 10%	-0.9	-0.1
-	-	SEK/DKK, probable increase in exchange rate 10%	-89.2	-6.8
-	-	NOK/DKK, probable increase in exchange rate 10%	-1.5	-0.1

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

The sensitivity analysis was based on the financial instruments recognised at 31 December 2019 and an assumption of unchanged production/sales and price level.

23 FINANCIAL RISKS (CONTINUED)

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

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

At the end of 2019, cash amounted to DKK 141.5 million and was mainly placed on short-term, fixed-term deposit and escrow accounts.

The Group's interest-bearing liabilities, excluding the subordinated loan of DKK 400 million, were DKK 805.8 million at the end of 2019, with short-term borrowings accounting for 35%. The DKK 805.8 million was made up of: bank loans DKK 169.6 million, lease commitments DKK 545.1 million and other liabilities DKK 91.1 million. The average weighted remaining maturity of the Group's interest-bearing bank loans was 2.4 years, and the weighted average effective interest rate on bank loans was 1.5%. Fixed-rate debt accounted for 83% of the Group's interest-bearing debt.

Changes in fair value: All other conditions being equal, the hypothetical effect on consolidated net profit (/loss) for the year and equity at 31 December 2019 of a one percentage point increase in relation to the interest rate level at the reporting date would have been nil (2018: nil).

Changes in cash flows: All other conditions being equal, the hypothetical effect of a one percentage point increase in relation to the interest rate level realised for the year on the Group's floating-rate cash/securities and debt would have been a DKK 0.1 million increase in consolidated net profit/(loss) for the year and equity at 31 December 2019 (2018: DKK 0.2 million). A one percentage point decrease in the interest rate level would have had a corresponding opposite effect.

The above calculations exclude the subordinated loan of DKK 400 million, see note 24.

Credit risks
Credit risks are generally managed by regular credit rating of customers and business partners. The Group has no material risks relating to a single customer or business partner.

The vast majority of the Group's activities are carried out in Denmark for private and public customers, organisations and housing associations. The Group also carries out civil works projects in North Atlantic countries and a few chosen geographies. Private customers are normally major Danish and international companies with high credit ratings. Credit risk on public customers is considered to be very limited.

The credit risk exposure relating to dealings with private counterparties other than banks is estimated to be limited, as the Group requests security in the form of bank guarantees and guarantee insurance or similar to a considerable extent when entering into contracts with private clients. On construction and civil works projects, customers are billed as the work is performed, reducing the Group's credit risk. Political credit risks on international projects are hedged through export credit insurance based on individual assessment.

Write-downs for bad and doubtful debts are consequently negligible and are due to compulsory winding-up or expected compulsory winding-up of customers.

PARENT COMPANY			GROUP	
2018	2019	Amounts in DKK million	2019	2018
-	-	Carrying amount at 01-01	-	-
-	-	Provided in the year	4.9	-
-	-	Utilised during the year	-0.3	-
0.0	**0.0**	**Carrying amount at 31-12**	**4.6**	**0.0**
-	**-**	Nominal value of written-down receivables	**25.9**	-
-	**-**	Receivables that were past due by more than 90 days at 31 December but not impaired	**159.4**	-

23 FINANCIAL RISKS (CONTINUED)

Liquidity risks

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

At the end of 2019, the Group's financial resources stood at DKK 344 million, consisting of cash and cash equivalents of DKK 6 million net and undrawn credit facilities of DKK 338 million.

In addition, Knud Højgaards Fond has committed to providing a further up to DKK 250 million in the form of a subordinated loan related to the MgO board cases. MT Højgaard has not made any drawings on this facility.

The below calculations exclude the subordinated loan of DKK 400 million.

For further details on the subordinated loan from Knud Højgaards Fond, see note 24.

GROUP

Amounts in DKK million	Carrying amount	Contractual cash flows	Within one year	Between one and five years	More than five years
2019					
Non-derivative financial instruments					
Mortgage debt	34.1	36.0	7.4	19.2	9.4
Bank loans	135.5	138.0	138.0	-	-
Lease commitments	545.1	621.0	149.2	359.7	112.1
Payables to group enterprises	17.3	18.6	0.4	18.2	-
Trade payables	859.0	859.0	859.0	-	-
Non-derivative financial instruments at 31-12	**1,591.0**	**1,672.6**	**1,154.0**	**397.1**	**121.5**
2018					
Non-derivative financial instruments					
Payables to group enterprises	27.0	29.6	0.6	29.0	-
Trade payables	0.4	0.4	0.4	-	-
Non-derivative financial instruments at 31-12	**27.4**	**30.0**	**1.0**	**29.0**	**0.0**

PARENT COMPANY

Amounts in DKK million	Carrying amount	Contractual cash flows	Within one year	Between one and five years	More than five years
2019					
Non-derivative financial instruments					
Bank loans	24.8	25.3	25.3	-	-
Payables to group enterprises	17.3	18.6	0.4	18.2	-
Trade payables	0.4	0.4	0.4	-	-
Non-derivative financial instruments at 31-12	**42.5**	**44.3**	**26.1**	**18.2**	**0.0**
2018					
Non-derivative financial instruments					
Payables to group enterprises	27.0	29.6	0.6	29.0	-
Trade payables	0.4	0.4	0.4	-	-
Non-derivative financial instruments at 31-12	**27.4**	**30.0**	**1.0**	**29.0**	**0.0**

The Group's derivative financial instruments are valued on the basis of recognised valuation methods in the form of discount models and observable market data such as interest rate curves and exchange rates (Level 2).

It is the Group's policy to recognise transfers between the various categories from the date on which an event or a change in circumstances results in a change of classification. No transfers were made between levels in 2019.

PARENT COMPANY 2018	PARENT COMPANY 2019	Amounts in DKK million	GROUP 2019	GROUP 2018
		Categories of financial instruments		
		Carrying amount by category:		
-	-	Financial assets measured at fair value through profit or loss	-	-
11.4	1.8	Loans, receivables and cash and cash equivalents	1,601.2	11.4
-	-	Financial assets measured at fair value through profit or loss (Level 2)	5.3	-
28.2	446.4	Financial liabilities measured at amortised cost *	2,433.2	28.2

* Amortised cost corresponds largely to fair value

24 SUBORDINATED LOAN

On 10 April 2019, MT Højgaard Holding A/S entered into an agreement with Knud Højgaards Fond on a subordinated loan facility of DKK 400 million. MT Højgaard Holding A/S made a DKK 400 million drawdown on the loan facility on 10 April 2019. The purpose of the loan facility was to support MT Højgaard Holding A/S's financing of new shares in MT Højgaard A/S.

No instalments are payable on MT Højgaard Holding A/S's DKK 400 million loan facility from 10 April 2019 until 31 March 2023, from which date the loan is repayable with DKK 80 million annually, and the loan must be repaid in full by 31 March 2027. MT Højgaard Holding A/S will be charged interest (CIBOR plus a margin).

No security has been provided in respect of the loan, and drawdowns under the loan facility will be treated as subordinated loan capital, so that any outstanding amounts will rank after claims under sections 93-97 and 98(1) of the Danish Insolvency Act.

On 10 April 2019, MT Højgaard Holding A/S injected new equity of DKK 400 million into MT Højgaard A/S.

On 26 October 2018, MT Højgaard A/S entered into two agreements with Knud Højgaards Fond on subordinated loan facilities of DKK 250 million and DKK 400 million respectively.

The purpose of the DKK 250 million loan facility was to inject cash into MT Højgaard to support the company's operations and development. At the end of 2018, MT Højgaard A/S made a DKK 250 million drawdown on the loan facility. The drawn DKK 250 million subordinated loan was repaid in connection with the capital increase in MT Højgaard A/S on 10 April 2019, and the commitment ceased.

Against the background of the accounting provision to cover the Group's liabilities in the MgO board cases, in 2018 Knud Højgaards Fond had committed to providing an additional up to DKK 400 million in the form of subordinated loan capital. The loan commitment was reduced to DKK 250 million in connection with the capital increase in MT Højgaard A/S on 10 April 2019.

The loan commitment can be drawn down in DKK 25 million tranches or multiples thereof, as and when funds are required to resolve the MgO board cases. Drawdowns on the loan facility can be made until 31 December 2021.

No instalments are payable on the loan until 31 December 2021, from which date the loan is repayable with DKK 50 million annually, and the loan must be repaid in full by 30 October 2026. MT Højgaard A/S will be charged interest (CIBOR plus a margin).
No security has been provided in respect of the loan commitment, and drawdowns under the loan will be treated as subordinated loan capital, so that any outstanding amounts will rank after claims under sections 93-97 and 98(1) of the Danish Insolvency Act.

MT Højgaard A/S has not made any drawdowns on the DKK 250 million facility relating to the MgO board cases.

GROUP

Amounts in DKK million	Carrying amount	Contractual cash flows	Within one year	Between one and five years	More than five years
2019					
Subordinated loan recognised in the balance sheet as follows:					
Non-current portion	400	520	20	236	264
Carrying amount at 31-12	**400**	**520**	**20**	**236**	**264**
2018					
Subordinated loan recognised in the balance sheet as follows:					
Non-current portion	-	-	-	-	-
Carrying amount at 31-12	**-**	**-**	**-**	**-**	**-**

PARENT COMPANY

Amounts in DKK million	Carrying amount	Contractual cash flows	Within one year	Between one and five years	More than five years
2019					
Subordinated loan recognised in the balance sheet as follows:					
Non-current portion	400	520	20	236	264
Carrying amount at 31-12	**400**	**520**	**20**	**236**	**264**
2018					
Subordinated loan recognised in the balance sheet as follows:					
Non-current portion	-	-	-	-	-
Carrying amount at 31-12	**-**	**-**	**-**	**-**	**-**

25 CAPITAL MANAGEMENT

The need for alignment of the Group's and the individual subsidiaries' capital structure is reviewed on an ongoing basis to ensure that the capital position complies with current regulations and is aligned to the business concept and the activity level. The aim is for the Group to achieve and maintain a solvency ratio of around 30%.

The solvency ratio was 11.5% at the end of 2019, compared with 86.8% at the end of 2018. The significant decrease in the solvency ratio was mainly due to the increased Group balance sheet in 2019 in connection with the merger on 5 April 2019.

Dividends paid in 2019 amounted to nil per share.

26 NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND IFRIC INTERPRETATIONS

The IASB has issued a number of new and amended standards and interpretations at the time of the publication of this annual report that are not mandatory in connection with the preparation of the annual report 2019:

- IFRS 3 Business Combinations - Amendments to IFRS 3
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments to IAS 1 and IAS 8: Definition of Material
- Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Apart from Amendments to IFRS 3, all of the amendments listed above have been adopted by the EU.

The adopted but not yet effective standards and interpretations will be implemented as they become mandatory. None of the above standards and interpretations is expected to have any effect on recognition and measurement.

27 EVENTS AFTER THE REPORTING DATE

On 6 February 2020, MT Højgaard Holding A/S sold the Danish activities of its wholly-owned subsidiary Lindpro A/S to Kemp & Lauritzen A/S. The sale is conditional upon approval by the Danish competition authorities. The selling price has been agreed at DKK 265 million.

For 2019, the activities sold generated revenue of DKK 757 million. As part of the sale, Kemp & Lauritzen will take over approx. 835 employees in 17 locations in Denmark. Lindpro's Danish activities are included in the Construction and Services segments.

Lindpro's Greenland subsidiary, Arssarnerit A/S in Nuuk, is not part of the sale to Kemp & Lauritzen. Arssarnerit will continue as a separate company under MT Højgaard International. The business unit MT Højgaard International was established at the end of 2019 to ensure management focus on MT Højgaard's activities in Greenland, the Faroe Islands, the Maldives and Portugal.

So far as management is aware, no other events have occurred between 31 December 2019 and the date of signing of the annual report that will have a material effect on the assessment of the Group's financial position at 31 December 2019, other than the effects recognised and referred to in the annual report.

28 ADJUSTMENTS FOR OPERATING ITEMS NOT INCLUDED IN CASH FLOW ETC.

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
-	-	Depreciation and amortisation of intangible assets and property, plant and equipment	226.3	-
-	-	Adjustments for provisions	150.5	-
-	-	Other adjustments	-14.8	-
0.0	**0.0**	**Total**	**362.0**	**0.0**

29 CASH AND CASH EQUIVALENTS

PARENT COMPANY 2018	2019	Amounts in DKK million	GROUP 2019	2018
		Cash and cash equivalents at 31-12 can be broken down as follows:		
1.4	-	Distributable cash	40.2	1.4
-	1.8	Cash and cash equivalents that are not available to the whole Group	101.3	-
1.4	**1.8**	**Cash and cash equivalents**	**141.5**	**1.4**
-	-24.8	Current portion of bank loans etc.	-135.5	-
1.4	**-23.0**	**Total cash and cash equivalents**	**6.0**	**1.4**

Cash and cash equivalents that are not available to the whole Group, funds lodged in connection with property transactions etc.

30 LIABILITIES FROM FINANCING ACTIVITIES

GROUP

Amounts in DKK million					2019
	01-01	Cash flows	Acquisition	Other	31-12
Non-current liabilities	27.0	391.3	36.3	-9.7	**444.9**
Current liabilities	-	-250.5	257.0	-	**6.5**
Lease commitments	-	-52.5	554.2	43.4	**545.1**
Warrants	-	-5.4	-	5.4	**0.0**
Liabilities from financing activities	**27.0**	**82.9**	**847.5**	**39.1**	**996.5**

PARENT COMPANY

Amounts in DKK million					2019
	01-01	Cash flows	Acquisition	Other	31-12
Non-current liabilities	27.0	400.0	-	-9.7	**417.3**
Warrants	-	-5.4	-	5.4	**0.0**
Liabilities from financing activities	**27.0**	**394.6**	**0.0**	**-4.3**	**417.3**

31 BUSINESS COMBINATIONS

Højgaard Holding A/S and Monberg & Thorsen A/S merged with effect from 5 April 2019 through a legal merger, with Højgaard Holding A/S as the continuing company. The legal owners of Monberg & Thorsen A/S were compensated with shares in the continuing company in connection with the merger. The acquisition price for 100% of the share capital in MT Højgaard A/S was determined at DKK 611.9 million. The acquisition price was estimated based on the average listed share price from 1 April 2019 to 5 April 2019 for shares in Monberg & Thorsen A/S and Højgaard Holding A/S, the number of shares outstanding and other net assets.

Before the merger, Højgaard Holding A/S and Monberg & Thorsen A/S jointly controlled MT Højgaard A/S. At the date of the merger, the only activity in Højgaard Holding A/S and Monberg & Thorsen A/S was the ownership of shares in MT Højgaard A/S and managing the joint venture agreement between Højgaard Holding A/S and Monberg & Thorsen A/S.

In MT Højgaard Holding A/S, the write-up of the value of the shares in MT Højgaard A/S to estimated fair value in connection with the step acquisition of this company as part of the merger had a considerable positive effect on net financials..

The purpose of the merger was to achieve a simpler, more transparent ownership structure for MT Højgaard A/S, creating the basis for a stronger company culture and better communication internally and externally. In connection with the merger, Højgaard Holding A/S changed its name to MT Højgaard Holding A/S. From the date of the merger, MT Højgaard Holding A/S has held all shares in MT Højgaard A/S and been the parent company of the Group.

MT Højgaard A/S is recognised in revenue with DKK 5.2 billion and in profit before tax with DKK 21 million. The pro forma effect on revenue and profit before tax for the Group for 2019, determined as if MT Højgaard A/S was acquired on 1 January 2019, was DKK 6.9 billion and DKK 24 million respectively.

- Intangible assets consist of customer relationships (DKK 49.6 million), brands (DKK 205.3 million), order backlog (DKK 69.8 million) and IT software (DKK 156.3 million).
- The fair value of customer relationships of DKK 49.6 million is amortised over five years. The values relate to existing customers of MT Højgaard A/S, Enemærke & Petersen A/S and Scandi Byg A/S.
- The fair value of brands of DKK 205.3 million is amortised over 20 years. The values relate to MT Højgaard A/S, Lindpro A/S, Enemærke & Petersen A/S, Scandi Byg A/S and Ajos A/S.
- The fair value of the order book was DKK 69.8 million and is amortised over the expected delivery of the underlying performance obligations of the order backlog ranging from one to three years.

31 BUSINESS COMBINATIONS (CONTINUED)

Amounts in DKK million	Estimated fair value
Intangible assets	481.0
Property, plant and equipment	1,024.9
Other investments	152.7
Current assets	2,508.7
Cash and cash equivalents	8.2
Provisions	-608.8
Credit institutions and bank loans	-847.4
Other current liabilities	-2,232.1
Net assets	**487.2**
Goodwill	134.1
Equity incl. non-controlling interests	**621.3**
Non-controlling interests	9.4
Purchase price	**611.9**
Paid in shares	276.1
Current shares in MT Højgaard A/S	335.8
Cash consideration	**-**

In connection with the purchase price allocation, DKK 25.0 million has been recognised on guarantee provisions corresponding to the fair value of provisions previously accounted for as contingent liabilities. As at the purchase date, the Group had around 50 pending disputes and arbitration cases and the fair market value adjustment is based on an individual review of each pending case.

The expected loss on accounts receivable and other contract assets is immaterial and the market value of acquired receivables corresponds to the nominal value.

After recognition of identifiable assets and liabilities, goodwill (including deferred tax) related to the acquisition amounts to DKK 134.1 million. Goodwill mainly expresses the value of future customers and the workforce-in-place. The recognised goodwill is not deductible for tax purposes.

In relation to the merger, the Group has incurred transaction costs of approx. DKK 4.5 million, which are recognised as administrative expenses in the parent company income statement and the consolidated income statement for the financial year 2019.

32 DISPOSAL OF ENTERPRISES

Amounts in DKK million	GROUP 2019	2018
DISPOSAL OF HØJGAARD INDUSTRI		
Investments	-	0.2
Inventories	-	1.6
Receivables	-	22.9
Cash and cash equivalents	-	4.0
Current liabilities	-	-10.1
Net assets	**-**	**18.6**
Accounting gain	-	13.8
Selling price	**-**	**32.4**
Cash and cash equivalents in company disposed of	-	-4.0
Cash selling price, net	**-**	**28.4**

As part of the merger, Højgaard Holding transferred the shares in its wholly-owned subsidiary Højgaard Industri A/S to Knud Højgaards Fond by agreement dated 28 December 2018.

33 EARNINGS PER SHARE

Amounts in DKK million	GROUP 2019	2018
Net profit/(loss) for the year	65.8	-300.3
Non-controlling interests' share of Group profit(/loss)	5.0	-
Group share of net profit(/loss) for the year	**60.8**	**-300.3**
Average number of shares	6,891.6	4,205.0
Average number of treasury shares	-	-
Average number of shares outstanding	**6,891.6**	**4,205.0**
Average diluting effect of outstanding share options	-	-
Diluted average number of shares outstanding	**6,891.6**	**4,205.0**
Earnings per share (EPS Basic) of DKK 1,000	**8.8**	**-71.4**
Diluted earnings per share (EPS-D) of DKK 1,000	**8.8**	**-71.4**

Subsidiaries		Registered office	Ownership interest		Capital '000
MT Højgaard A/S		Søborg DK	100.00	DKK	225,000
Ajos A/S		Vejle DK	100.00	DKK	1,000
Ajos Pavillon ApS		Vejle DK	100.00	DKK	50
Enemærke & Petersen A/S		Ringsted DK	100.00	DKK	5,000
E&P Murerforretning ApS		Ringsted DK	100.00	DKK	200
Greenland Contractors I/S		Søborg DK	66.67	DKK	-
Lindpro A/S	(1)	Glostrup DK	100.00	DKK	25,000
Arssarnerit A/S		Greenland GR	100.00	DKK	2,000
MT (UK) Ltd.		England GB	100.00	GBP	25
MT Højgaard Føroyar P/F		Faroe Islands DK	100.00	DKK	2,800
MT Hojgaard (GIB) Ltd.		Gibraltar GB	100.00	GBP	12,187
MTH Qatar LCC	(2)	Qatar QA	49.00	QAR	200
MT Højgaard Grønland ApS		Greenland GR	100.00	DKK	200
MT Højgaard Norge AS		Norway NO	100.00	NOK	500
MTHI A/S		Søborg DK	100.00	DKK	5,000
MT Höjgaard Iceland ehf		Iceland IS	100.00	ISK	500
MTH Maldives Ltd		Maldiv. MV	100.00	MVR	2
MT Hojgaard Vietnam Company Limited		Vietnam VN	100.00	USD	400
Birkekær/Teglvænget, Roskilde ApS		Søborg DK	100.00	DKK	55
Horsensvej, Vejle ApS		Søborg DK	100.00	DKK	52
Gaardhaverne ApS		Søborg DK	100.00	DKK	55
Nivåvej, Nivå ApS		Søborg DK	100.00	DKK	60
Nordre Mellemvej, Roskilde ApS		Søborg DK	100.00	DKK	55
Sjællandsbroen, København ApS		Søborg DK	100.00	DKK	60
Strandvej, Korsør ApS		Søborg DK	100.00	DKK	52
Sjællandsbroen Erhverv ApS		Søborg DK	100.00	DKK	51
Solrækkerne ApS		Søborg DK	100.00	DKK	50
Vestervænget, Høje Taastrup ApS		Søborg DK	100.00	DKK	50
MTH Projekt 5 ApS		Søborg DK	100.00	DKK	50
Skjeberg Allé, del 3, Høje Taastrup ApS		Søborg DK	100.00	DKK	50
Halland Boulevard, Høje Taastrup ApS		Søborg DK	100.00	DKK	50
MT Højgaard Construction Management ApS		Søborg DK	100.00	DKK	50

Subsidiaries	Registered office	Ownership interest		Capital '000
Mosevej 15b, Risskov ApS	Søborg DK	100.00	DKK	50
Mosevej 17, Risskov ApS	Søborg DK	100.00	DKK	50
Nivåvej, Nivå - del 1 ApS	Søborg DK	100.00	DKK	50
Nivåvej, Nivå - del 2 ApS	Søborg DK	100.00	DKK	50
Nivåvej, Nivå - del 3 ApS	Søborg DK	100.00	DKK	50
Nivåvej, Nivå - del 4 ApS	Søborg DK	100.00	DKK	50
MTH Projekt 17 ApS	Søborg DK	100.00	DKK	50
MTH Projekt 18 ApS	Søborg DK	100.00	DKK	50
MTH Projekt 19 ApS	Søborg DK	100.00	DKK	50
MTH Projekt 20 ApS	Søborg DK	100.00	DKK	50
MTH Projekt 21 ApS	Søborg DK	100.00	DKK	50
MTH Projekt 22 ApS	Søborg DK	100.00	DKK	50
MTH Projekt 23 ApS	Søborg DK	100.00	DKK	50
MTH Projekt 24 ApS	Søborg DK	100.00	DKK	50
Scandi Byg A/S	Løgstør DK	100.00	DKK	5,000
Joint ventures				
OPP Vejle sygehus A/S	Fr.berg DK	50.00	DKK	500
OPP Hobro Tinglysningsret A/S	Fr.berg DK	33.33	DKK	700
OPP Randers P-hus A/S	Fr.berg DK	33.33	DKK	4,410
OPP Vildbjerg Skole A/S	Fr.berg DK	33.33	DKK	1,224
OPP Ørstedskolen A/S	Fr.berg DK	33.33	DKK	2,400
OPS Frederikshavn Byskole A/S	Fr.berg DK	50.00	DKK	2,000
OPS Skovbakkeskolen A/S	Fr.berg DK	50.00	DKK	500
Driftselskabet OPP Slagelse sygehus A/S	Fr.berg DK	50.00	DKK	500
Soc. de Empreitadas e Trabalhos Hidráulicos, S.A., (Seth)	Portugal PT	60.00	EUR	4,000
Skanska-MTH Marieholmsbron HB	Sweden SE	30.00	SEK	0
Skanska-MTH Hisingsbron HB	Sweden SE	30.00	SEK	0
Bravida MT Højgaard ApS	Brøndby DK	50.00	DKK	50

(1) Disposed of in February 2020, final sale is subject to approval by the Danish Competition Authority.
(2) The company is fully consolidated on the basis of a shareholders' agreement that gives the Group control of and the right to the financial return from the company's activities.

Appendices

Selected financial highlights for the MT Højgaard Group for 2019

Appendix: Income statement and statement of comprehensive income

Amounts in DKK million	2019	2018
INCOME STATEMENT		
Revenue	6,863.5	6,758.3
Production costs	-6,409.9	-6,884.0
Gross profit/(loss)	**453.6**	**-125.7**
Distribution costs	-126.1	-166.1
Administrative expenses	-264.4	-280.6
Profit/(loss) before share of profit/(loss) of joint ventures	**63.1**	**-572.4**
Share of profit/(loss) after tax of joint ventures	19.8	25.2
Operating profit/(loss) before special items	**82.9**	**-547.2**
Special items	-35.0	-
EBIT	**47.9**	**-547.2**
Finance income	3.3	4.5
Finance costs	-27.3	-16.1
Profit/(loss) before tax	**23.9**	**-558.8**
Income tax expense	-39.5	-29.0
Net profit/(loss) for the year	**-15.6**	**-587.8**
Attributable to:		
Shareholders of MT Højgaard A/S	-20.6	-589.4
Non-controlling interests	5.0	1.6
Total	**-15.6**	**-587.8**

Amounts in DKK million	2019	2018
PROPOSAL FOR DISTRIBUTION OF PROFIT		
Transfer to retained earnings	-15.6	-587.8
Total	**-15.6**	**-587.8**
STATEMENT OF COMPREHENSIVE INCOME		
Net profit/(loss) for the year	**-15.6**	**-587.8**
Other comprehensive income		
Items that may be reclassified to the income statement:		
Foreign exchange adjustments, foreign enterprises	-1.4	-0.3
Value adjustment of hedging instruments, joint ventures	-16.1	0.2
Other comprehensive income after tax	**-17.5**	**-0.1**
Total comprehensive income	**-33.1**	**-587.9**
Attributable to:		
Shareholders of MT Højgaard A/S	-38.1	-589.5
Non-controlling interests	5.0	1.6
Total	**-33.1**	**-587.9**

Appendix: Balance sheet

ASSETS

Amounts in DKK million	2019	2018
NON-CURRENT ASSETS		
Intangible assets	**280.8**	**269.2**
Property, plant and equipment	**475.3**	**729.9**
Lease assets	**589.1**	**-**
OTHER NON-CURRENT ASSETS		
Investments in joint ventures	101.9	116.4
Receivables from joint ventures	63.0	32.6
Deferred tax assets	154.1	150.4
Total other non-current assets	**319.0**	**299.4**
Total non-current assets	**1,664.2**	**1,298.5**
CURRENT ASSETS		
Inventories		
Raw materials and consumables	36.6	36.3
Properties held for resale	429.2	471.7
Total inventories	**465.8**	**508.0**
Receivables		
Trade receivables	1,287.6	1,330.0
Construction contracts	394.5	291.5
Receivables from joint ventures	48.0	-
Income tax	3.7	7.0
Other receivables	84.5	118.5
Prepayments	47.0	30.5
Total receivables	**1,865.3**	**1,777.5**
Cash and cash equivalents	**139.8**	**210.6**
Total current assets	**2,470.9**	**2,496.1**
Total assets	**4,135.1**	**3,794.6**

EQUITY AND LIABILITIES

Amounts in DKK million	2019	2018
EQUITY		
Share capital	225.0	200.0
Other reserves	-0.1	-32.9
Retained earnings	520.1	216.0
Equity attributable to shareholders	**745.0**	**383.1**
Non-controlling interests	14.4	9.4
Total equity	**759.4**	**392.5**
NON-CURRENT LIABILITIES		
Bank loans etc.	428.7	259.6
Deferred tax liabilities	46.2	29.0
Provisions	212.6	270.2
Other non-current liabilities	73.8	-
Total non-current liabilities	**761.3**	**558.8**
CURRENT LIABILITIES		
Subordinated loan	-	250.0
Bank loans etc.	261.2	71.2
Construction contracts	739.5	664.5
Trade payables	858.6	1,053.3
Income tax	17.4	1.5
Other payables	321.7	404.1
Deferred income	44.9	51.4
Provisions	371.1	347.3
Total current liabilities	**2,614.4**	**2,843.3**
Total liabilities	**3,375.7**	**3,402.1**
Total equity and liabilities	**4,135.1**	**3,794.6**

Appendix: Statement of cash flows

Amounts in DKK million	2019	2018
OPERATING ACTIVITIES		
EBIT	47.9	-547.2
Adjustments for items not included in cash flow etc.	359.1	529.4
Cash flows from operating activities before working capital changes	**407.0**	**-17.8**
Working capital changes:		
Inventories	42.2	60.9
Receivables excl. construction contracts	42.4	0.8
Construction contracts	-27.9	127.6
Trade and other current payables	-404.9	-286.8
Cash flows from operations (operating activities)	**58.8**	**-115.3**
Finance income	3.3	4.5
Finance costs	-27.3	-16.1
Cash flows from operations (ordinary activities)	**34.8**	**-126.9**
Income taxes paid, net	-6.8	-14.8
Cash flows from operating activities	**28.0**	**-141.7**
INVESTING ACTIVITIES		
Purchase of intangible assets	-39.9	-68.9
Capital changes in joint ventures and subsidiaries	-	1.8
Loans to joint ventures	-54.6	-29.2
Purchase of property, plant and equipment	-143.1	-40.3
Sale of property, plant and equipment	-	23.2
Cash flows from investing activities	**-237.6**	**-113.4**
FINANCING ACTIVITIES		
Loan financing:		
Decrease in borrowing facilities	-121.9	-50.0
Shareholders:		
Subordinated loan (debt remission)	-	150.0
Subordinated loan	-250.0	250.0
Capital increase	400.0	-
Dividends, non-controlling interests	-	-20.0
Issued warrants, employee contribution	-	0.3
Cash flows from financing activities	**28.1**	**330.3**
Net increase (decrease) in cash and cash equivalents	**-181.5**	**75.2**
Cash and cash equivalents at 01-01	210.6	135.4
Cash and cash equivalents at 31-12	**29.1**	**210.6**

Appendix: Statement of changes in equity

Amounts in DKK million

Equity, Group	Share capital	Translation reserve	Retained earnings	Equity attributable to share-holders	Attributa-ble to non-controlling interests	Total equity
2019						
Equity at 01-01	200.0	1.3	181.8	**383.1**	9.4	**392.5**
Net profit/(loss) for the year	-	-	-20.6	**-20.6**	5.0	**-15.6**
Other comprehensive income:						
Foreign exchange adjustments, foreign enterprises	-	-1.4		**-1.4**	-	**-1.4**
Value adjustment of hedging instruments, joint ventures	-		-16.1	**-16.1**	-	**-16.1**
Total other comprehensive income	**-**	**-1.4**	**-16.1**	**-17.5**	**-**	**-17.5**
Transactions with owners:						
Capital injection	25.0	-	375.0	**400.0**	-	**400.0**
Total transactions with owners	**25.0**	**-**	**375.0**	**400.0**	**-**	**400.0**
Total changes in equity	**25.0**	**-1.4**	**338.3**	**361.9**	**5.0**	**366.9**
Equity at 31-12	**225.0**	**-0.1**	**520.1**	**745.0**	**14.4**	**759.4**

Appendix: Notes

REVENUE – MT HØJGAARD GROUP

Amounts in DKK million				2019
	Construc-tion	Civil Works	Services	Total
Primary geographical segments:				
Denmark	4,754.6	805.3	722.9	**6,282.8**
Rest of world	348.6	148.9	83.3	**580.7**
Total revenue	5,103.2	954.1	806.2	**6,863.5**
Products:				
Construction contracts	4,869.3	954.1	-	**5,823.4**
Project development	234.0	-	-	**234.0**
Rental income, facility management and service etc.	-	-	806.2	**806.2**
Total revenue	5,103.2	954.1	806.2	**6,863.5**

Amounts in DKK million				2018
	Construc-tion	Civil Works	Services	Total
Primary geographical segments:				
Denmark	4,812.0	749.6	730.8	**6,292.4**
Rest of world	310.2	80.6	75.1	**465.8**
Total revenue	5,122.2	830.2	805.9	**6,758.3**
Products:				
Construction contracts	4,940.3	830.2	-	**5,770.5**
Project development	181.9	-	-	**181.9**
Rental income, facility management and service etc.	-	-	805.9	**805.9**
Total revenue	5,122.2	830.2	805.9	**6,758.3**

SEGMENT INFORMATION – MT HØJGAARD GROUP

ACTIVITIES IN 2019

DKK million	Construc-tion	Civil Works	Services	Total
Revenue to external customers	5,103	954	806	6,864
Inter-segment revenue	174	151	178	504
Total segment revenue	5,277	1,105	985	7,367
Segment profit/(loss) before tax	48	-70	45	24

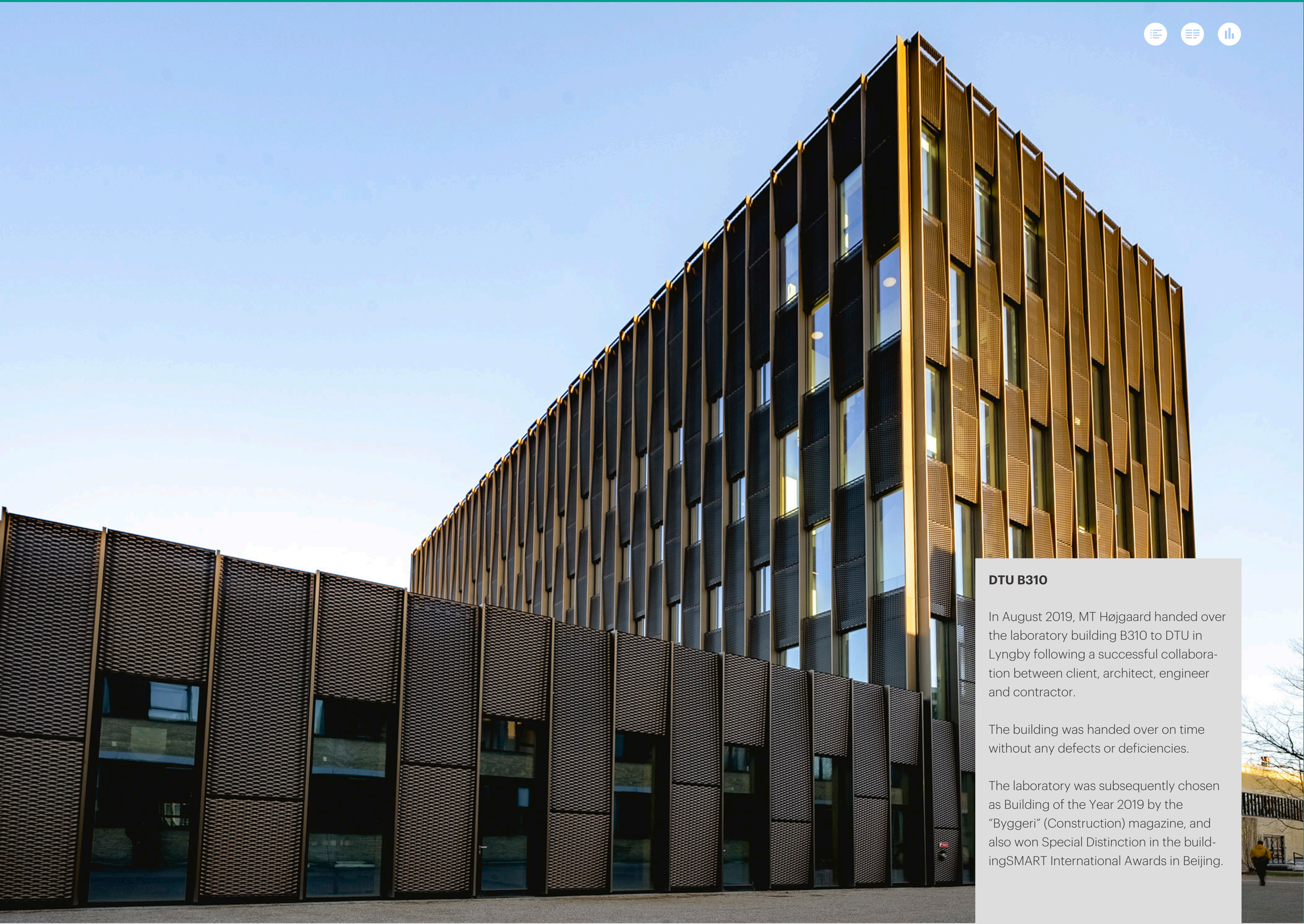
PERFORMANCE – CORE UNITS

PERFORMANCE IN CORE UNITS

Amounts in DKK million, 2019	MT Højgaard	Ene-mærke & Petersen	Lindpro	Scandi Byg	Ajos	MTH Group *
Revenue	3,583	2,266	831	315	282	6,864
EBIT **	-140	133	-1	12	23	48
Amounts in DKK million, 2018						
Revenue	3,393	2,262	878	501	286	6,758
EBIT **	-525	-8	-5	-46	-25	-547

* MT Højgaard Group includes eliminations etc.

** EBIT differs from the external financial statements due to the Danish Financial Statements Act



DTU B310

In August 2019, MT Højgaard handed over the laboratory building B310 to DTU in Lyngby following a successful collaboration between client, architect, engineer and contractor.

The building was handed over on time without any defects or deficiencies.

The laboratory was subsequently chosen as Building of the Year 2019 by the “Byggeri” (Construction) magazine, and also won Special Distinction in the buildingSMART International Awards in Beijing.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the annual report of MT Højgaard Holding A/S for the financial year 1 January – 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 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 2019.

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

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

Søborg, 20 February 2020

EXECUTIVE BOARD

Morten Hansen
President and CEO

Martin Solberg
CFO

BOARD OF DIRECTORS

Carsten Dilling
Chairman

Anders Lindberg
Deputy Chairman

Christine Thorsen

Ole Røsdahl

Pernille Fabricius

Independent auditor's report

TO THE SHAREHOLDERS OF MT HØJGAARD HOLDING A/S

Conclusion
We have audited the consolidated financial statements and the parent company financial statements of MT Højgaard Holding A/S for the financial year 1 January – 31 December 2019, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as the Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 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 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor
We were initially appointed as auditor of MT Højgaard Holding A/S on 5 April 2019 for the financial year 2019.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2019. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Recognition and measurement of construction contracts and related revenue recognition
Accounting policies and information regarding revenue recognition related to construction contracts are disclosed in notes 1, 2, 4 and 19 to the consolidated financial statements and the parent company financial statements. The MT Højgaard Group, Construction and Civil Works, erects major building and construction projects for private as well as public customers, where the delivery of the projects typically extends over more than one financial year. Due to the characteristics of the projects and in accordance with the accounting policies, MT Højgaard Holding recognises and measures revenue on these construction contracts over time based on input-based accounting methods.

Recognition and measurement of construction contracts involve considerable estimates and judgements by Management to assess claims raised by the contractor, costs of completion of the projects, including warranties and disputes as well as the period of completion. Changes to these accounting estimates during the project phase, can have a material negative impact on revenue, production costs and results.

Therefore, we consider recognition of construction contracts a key audit matter in respect of the consolidated financial statements and the parent company financial statements.

In connection with our audit, we assessed the Group's business procedures and tested designs, the implementation and efficiency of tested controls for revenue recognition in relation to construction contracts.

We analysed the project accounts prepared by Management and based on selected projects, we assessed and reconciled revenue recognised and production costs incurred to the cost estimate at the proposal date, the actual stage of completion and the latests projection. Our audit includes an evaluation of considerable estimates and assessments made by Management, whereby we have verified project documentation and discussed status of projects in progress with members of management, the finance function and project management.

We have obtained attorney's letters from the Group's external and internal attorneys and discussed with members of Management cases subject to disputes and/or legal proceedings to provide an assessment thereof.

During our audit, we focused on ensuring that policies and processes for performing management estimates have been applied consistently to uniform contracts and in accordance with previous years.

Acquisition of Monberg & Thorsen A/S and the MT Højgaard A/S Group
On 5 April 2019, MT Højgaard Holding A/S (former Højgaard Holding A/S) merged with Monberg & Thorsen A/S with MT Højgaard Holding A/S as the continuing company. The jointly controlled company, MT Højgaard A/S, changed accounting category to a subsidiary in connection with the merger.

The merger has been accounted for according to the acquisition method as disclosed in note 31 to the consolidated financial statements. The purchase method implies that the purchase price must be stated at the date of acquisition on 5 April 2019. Moreover, Monberg & Thorsen A/S and MT Højgaard A/S' identifiable assets, liabilities and contingent liabilities must be measured at fair value (purchase price allocation). Goodwill is stated as the residual of the purchase price which cannot be allocated to the acquired assets, liabilities and contingent liabilities as part of the purchase price allocation.

No observable fair values are available in respect of assets individually acquired, in particular the order book, customer relations and brand. Complex valuation methods are applied based on a number of significant assumptions to determine the corresponding fair values. This measurement is highly dependent on estimates of future cash flows and cost of capital and is therefore subject to considerable uncertainty. In this connection and due to the underlying complexity of valuation models, there is a risk that the fair value of net assets acquired, in particular intangible assets, is not determined appropriately in the consolidated financial statements.

Furthermore, there is a risk that note disclosures in the consolidated financial statements are not appropriate as required by IFRS 3. The accounting treatment of the acquisition is a key audit matter as the treatment is subject to assumptions and estimates determined by Management, including estimates of future earnings.

In assessing the reasonableness of the valuation models and the business plans on which the statement of net assets acquired is based, we consulted our specialists. This implies a valuation of the mathematical accuracy of the valuation models and an evaluation of expectations of future short-term and long-term development of income and expenses by comparing them to external market data and by interviewing Management.

During our audit, we focused on identifying the most significant assumptions and estimates that support the value of the identified intangible assets. In this connection we analyse whether assumptions and estimates made in relation to the volume of order (contractual revenue and EBITDA margin), customer relations (grouping of customers, duration, revenue EBITDA margin) and brand (duration and revenue) are appropriate and in accordance with the acquired entity's record, latest prognoses and observed market parameters.

We focused on the assumptions and parameters used to estimate the average discount rates, in particular whether the determination of the peer group for calculating return on equity is reasonable and evaluates the calculation procedure. Furthermore, we assess whether the information required under IFRS 3 in the notes to the consolidated financial statements is complete and reasonable.

Valuation of intangible assets
In connection with the acquisition of Monberg & Thorsen A/S and MT Højgaard A/S, the MT Højgaard Holding A/S Group acquired the order book, customer relations, brand and goodwill at a carrying amount of DKK 394.2 million at 31 December 2019.

The value of the intangible assets is calculated in connection with the purchase price allocation prepared in connection with the acquisition. Management prepares an impairment in the case of indication of impairment, and for goodwill on a yearly basis, based on expected futures cash flows calculated based on strategic plans, long-term growth and discount rate.

Due to the inherent uncertainty related to the determination of the present value of future cash flows, we considered these impairment tests a key audit matter.

Reference is made to note 12 to the consolidated financial statements.

Our audit procedures implied a test of the mathematical accuracy of the valuation model and a comparison of expected profitability to internally approved budgets.

We have assessed the assumptions and methods applied by Management for the valuation model, including in particular the level of the discount rate, expected margin and growth in the terminal period. The expected net cash flows are based on budgets for the years 2020-2021 and projections for the years 2022-2024 as well as a terminal value. We examined procedures for the budget preparation and compared budgets with the Group's business plans for the individual areas.

We also assessed sensibility of selected assumptions used in the valuation model prepared by Management.

We have assessed the completeness of the disclosures made in note 12 on the impairment test of intangible assets to the consolidated financial statements compared with the disclosure requirements in IAS 36.

Statement on the Management's review
Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 20 February 2020

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender State Authorised Public Accountant mne21332	Thomas Bruun Kofoed State Authorised Public Accountant mne28677

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