

17 September 2018
Announcement No 18, 2018

MT Højgaard – Downward adjustment of expectations for 2018 caused by “Arbitration case”

Enclosed please find an announcement from the board of directors of MT Højgaard A/S regarding a downward adjustment of its expectations for 2018 caused by the consequences of an “Arbitration case”

For the full 2018, the MTH GROUP previously expected revenue at the level of DKK 6.8 billion and an EBIT in the range of DKK 0 - 50 million.

This has now been adjusted to an EBIT in the range of DKK -400 million. Expected revenue is unchanged compared to earlier.

For 2018, in addition to Monberg & Thorsen’s 46% share of MTH GROUP’s result after tax and non-controlling interests, we still expect our operating expenses to be around DKK 4 million, to which should be added any further expenses in connection with the indemnities and guarantees provided in connection with the divestment of Dyrup A/S.

Monberg & Thorsen A/S holds an ownership interest of 46% in MT Højgaard A/S.

Questions relating to this announcement should be directed to Anders Heine Jensen, Chairman, on telephone +45 2048 8563.

The announcement is also available at www.monthor.com

This announcement is available in Danish and English. In case of doubt, the Danish version shall prevail.

MONBERG & THORSEN A/S

CVR 12 61 79 17
LEI 529900NA1V21KR5S7498

Ringager 4C, 2nd Floor, Right
DK - 2605 Brøndby

MTH GROUP lowers outlook following unexpected arbitration award in MgO board case. Knud Højgaards Fond commits to providing additional subordinated loan capital.

On 14 September 2018, an arbitration tribunal appointed by the Danish Building and Construction Arbitration Board issued an award under which MTH GROUP's subsidiary Enemærke & Petersen A/S is ordered to pay DKK 2.8 million excl. VAT plus legal costs for using MgO boards on a the terraced housing project. The choice of materials was made in spring 2013, and work commenced in August 2013 and was completed in April 2014.

In the Group's view, the award, which is final, makes legal practice in this area more stringent as, for the first time, the responsibility for the use of MgO boards is placed with the contractor and not the consulting engineer in cases where the consulting engineer approved the contractor's proposal and thus the use, but where the contractor did not specifically inform either the consulting engineer or the client that MgO boards were a new, unproven product. This despite the fact that the arbitration tribunal acknowledges that the use of MgO boards was increasing and, at the end of 2012, accounted for 75% of the sheathing board market.

In view of the award issued, MTH GROUP has made an accounting provision to cover the Group's potential liabilities on other residential construction projects and refurbishment projects on which MgO boards have been used. The amount of the provision is based on an estimated valuation and also includes a number of projects on which the basis of liability is still unresolved.

Accordingly, the Group has lowered its EBIT outlook to a loss of around DKK 400 million compared with the previous outlook of profit in the region of DKK 0-50 million. Revenue is expected to remain unchanged at around DKK 6.8 billion.

Following the unexpected arbitration award and the resulting lowering of the outlook, MTH GROUP's owner companies have expressed their willingness to strengthen the Group's liquid resources and capital base. Knud Højgaards Fond has consequently announced its commitment to cover the new demands by injecting further subordinated loan capital of up to DKK 400 million to MTH GROUP directly or via the merged and listed company that is expected to be formed following a merger of Højgaard Holding A/S and Monberg & Thorsen A/S.

Knud Højgaards Fond has thus expressed its willingness to strengthen the Group with up to DKK 650 million, having previously made a commitment to inject up to DKK 250 million. These cash injections will probably be subject to approval by the Department of Civil Affairs.

MT Højgaard A/S
Knud Højgaards Vej 7
2860 Søborg
Denmark

+45 7012 2400
mth.dk

CVR 12562233

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In addition, Knud Højgaards Fond and Monberg & Thorsen A/S made a subordinated loan totaling DKK 150 million in the form of a cash injection in May 2018.

Søren Bjerre-Nielsen, Chairman of the Board of Directors, says:

- We have to say that, in our opinion, the surprising arbitration award significantly changes existing practice with respect to the division of responsibility between contractors and consulting engineers when it comes to the choice of building materials. We are therefore taking the consequence of this now by making provision for any liabilities on other projects on which MgO boards have been used. I would like to stress that the accounting provision is based on an estimated valuation and that it also includes a number of projects on which the basis of liability is still unresolved. It thus still applies that we will consider each case individually because the premises differ from case to case. The provision means that we have to lower our full-year outlook, and we are pleased about Knud Højgaards Fond's commitment, which will secure our capital base and liquidity.

Contact: Any questions should be addressed to Ann-Louise Elkjær, Vice President Communications, on telephone +45 2033 8693.

MTH GROUP is one of the leading players in the construction and civil engineering industry in the Nordic countries. The Group undertakes projects in Denmark and focused activities in selected countries. The Group consists of the companies MT Højgaard, Enemærke & Petersen, Lindpro, Scandi Byg and Ajos as well as the partly-owned companies Greenland Contractors and Seth.