

COWI Group

Interim report, January-June 2007



- Net turnover up from DKK 1,411m to DKK 1,463m (up 4 per cent).
 - Operating profit up from DKK 85m to DKK 106m (up 24 per cent).
 - Operating margin up from 6.0 to 7.2 per cent.
 - Pre-tax profit up from DKK 88m to DKK 118m (up 34 per cent).
 - Profit for the period up from DKK 62m to DKK 109m (up 76 per cent).
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- In H1 2007, COWI has set up commercial regions in East EU, the Arabian Gulf and Africa as part of our strategic development.
 - As part of our strategic development, COWI acquired companies in Denmark, Norway, Turkey and the USA, acquired the remaining shares in a partly owned company in Bahrain and sold all shares in a partly owned company in Norway during H1 2007.
 - After the end of H1 2007, COWI has acquired two companies in Lithuania as well as the assets in a company in Mozambique as part of our strategic development, and also acquired all the shares in a partly owned company in India.

Klaus H. Ostfeld, President and CEO of COWI, states:

”H1 2007 performance is satisfactory. The activity levels on the Danish, Norwegian and international markets for consultancy services have been high and at the end of H1 2007 COWI’s order books are at a record level. During H1 2007, COWI made a number of strategically important acquisitions. For 2007, we aim to pursue our strategic development and achieve increased turnover and earnings compared with 2006.”

COWI

The COWI Group

Consolidated profit and loss account

Amounts in mDKK

	H1 2007 (unaudited)	H1 2006 (unaudited)	Fin. yr. 2006
Net turnover	1,463.3	1,411.0	2,808.9
Project expenses	(303.8)	(328.2)	(659.1)
Own production	1,159.5	1,082.9	2,149.8
External expenses	(188.6)	(166.0)	(329.5)
Staff expenses	(859.7)	(802.1)	(1,593.3)
Other operating expenses, net	38.5	1.6	(1.6)
Operating profit before depreciation and writedowns (EBITDA)	149.8	116.5	225.4
Amortisation, depreciation and impairment losses	(44.2)	(31.4)	(65.3)
Operating profit (EBIT)	105.6	85.0	160.2
Profit on ordinary activities before tax in associates	0.5	1.4	1.4
Financial income	18.6	11.7	36.8
Financial expenses	(6.8)	(10.2)	(21.6)
Profit before tax	117.9	87.9	176.8
Tax on profit	(8.2)	(24.1)	(52.9)
Profit after tax	109.6	63.8	123.9
Profit/loss from subsidiaries attributable to minority shareholders	(0.4)	(1.7)	(3.6)
COWI's share of profit for the period	109.3	62.1	120.4
EBITDA margin (Net turnover)	10.2%	8.3%	8.0%
EBIT margin (Net turnover)	7.2%	6.0%	5.7%
EBIT% margin (Own production)	9.1%	7.9%	7.5%
Number of employees, average	3,609	3,409	3,442
Number of employees, end of period	3,722	3,496	3,561

The COWI Group

Consolidated cash flow statement

Amounts in mDKK

	H1 2007 (unaudited)	H1 2006 (unaudited)	Fin. yr. 2006
Cash flow from operating activities	(25.2)	24.3	213.9
Investing activities	(57.6)	(26.3)	(64.5)
Free cash flow	(82.8)	(2.0)	149.4
Financing activities	14.9	(21.5)	(15.2)
Cash flow for the period	(67.9)	(23.5)	134.2
Cash and cash equivalents, end-of-period	488.9	399.1	556.8

The COWI Group

Consolidated balance sheet	at 30 June 2007 (unaudited)	at 31 Dec. 2006
Amounts in mDKK		
Group goodwill	240.1	216.0
Other fixed assets	149.4	160.1
Accounts receivable, services	600.9	563.7
Contract work in progress	406.7	292.5
Other current assets	164.1	156.0
Current asset investments	197.6	191.3
Cash at bank and in hand	304.7	365.5
Total assets	2,063.5	1,945.1
Equity	705.2	587.2
Minority interests	5.9	11.2
Provisions	314.5	350.3
Long-term debt	10.6	8.1
Short-term debt to credit institutions	69.9	45.0
Amounts invoiced in advance to clients	465.8	415.6
Other short-term debt	491.6	527.7
Total liabilities and equity	2,063.5	1,945.1
Equity ratio	34.2%	30.2%
Return on equity	33.8%	23.1%
Return on invested capital	19.5%	16.9%

The COWI Group

Statement of changes in equity	at 30 June 2007 (unaudited)	at 31 Dec. 2006
Amounts in mDKK		
Equity at 1 January	587.2	455.3
Net income for the period	109.3	120.4
Distributed dividend	(6.8)	(5.1)
Changes in estimates/pension plan	18.0	30.8
Deferred tax concerning pension plan changes	(5.0)	(8.6)
Exchange rate adjustments	2.5	(5.5)
Equity at 30 June / 31 Dec.	705.2	587.2

Comments on the interim results

Growth in turnover

COWI's net turnover increased by DKK 52m during H1 2007 to DKK 1,463m corresponding to growth of 4 per cent. By adjusting net turnover for loss of turnover as a result of the sale of a Norwegian partly owned company, the increase in turnover comes to DKK 127m corresponding to 9 per cent growth. The generally favourable economic trends have resulted in growth in turnover in all COWI's regions: Denmark, Norway, East EU, the Arabian Gulf and Africa.

Operating profit up

Operating profit (EBIT) has risen from DKK 85m to DKK 106m (up 24 per cent). By adjusting for higher non-recurring income and expenses in 2006 and 2007 in connection with the disposal of shares in Norway, reimbursement of insurance expenses and write-down of goodwill, earnings in 2007 are on the same level as in 2006. The earnings development should be seen in the light of the decisions made in 2007 as part of the Group's Strategy 2010 to invest funds in the development of commercial areas, human resources and business systems.

Increase in net financial income

The Group's net financial income has risen by DKK 10m to DKK 12m as a result of increased net interest income and increased realised and unrealised capital gains on the securities portfolio.

Improved profit before and after tax

Pre-tax profit has risen by DKK 30m to DKK 118m.

H1 2007 profit after tax and profit attributable to minority shareholders rose by DKK 47m to DKK 109m as a result of non-recurring income as a consequence of a reduction in the Danish corporation tax rate from 28 to 25 per cent and tax-exempt disposal of shares.

Increased equity

COWI's equity stood at DKK 705m at the end of the period as against DKK 587m at the end of 2006. Equity has changed as a result of H1 2007 profit, changes in estimates and pension plans, changes in foreign exchange rates and distributed dividend.

Negative cash flow

Cash flow from operating activities was negative at DKK 25m, primarily as a result of the deferral of the in-going payment of a major amount receivable from June to the beginning of July 2007. The free cash flow was negative at DKK 83m as a consequence of the above and investments of DKK 56m in connection with acquisitions of companies.

Increased staff numbers

At the end of H1 2007 the COWI Group had 3,722 employees compared with 3,496 employees at the end of H1 2006. During H1 2007 the COWI Group's number of staff rose by 161 employees.

Outlook

As mentioned in the Annual Report for 2006, we are expecting the year as a whole to bring growth in turnover compared with 2006. Turnover will increase as a result of the generally positive economic trends and demand for the Group's consultancy services on all focus markets. Earnings are expected to be higher than in 2006. Earnings will be positively influenced from disposal of shares in H1 2007, but will be negatively influenced by expenses in connection with the implementation of the Group's new regionalisation strategy.

Rising interest rates, heavy increases in wages and salaries and a drop in the exchange rate against the USD may well have a negative impact on the demand for COWI's services and competitiveness in the future. However, we do not anticipate a market knock-on effect on COWI's financial results for 2007.

Accounting policies

The COWI A/S 2007 interim report (unaudited) has been prepared in accordance with the provisions of the Danish Financial Statements Act for a large class C enterprise with the adoption of IFRS (IAS 19 "Employee Benefits") concerning defined benefit plans.

Applied accounting policies remain unchanged from the Annual Report for 2006.

Market and commercial development

COWI Denmark

COWI Denmark's operations consist of providing consultancy services for the Danish and international markets. The international market consists of the export of consultancy services to international clients from Denmark as well as consultancy services provided by international companies associated with COWI Denmark.

The Danish market

There has been a high level of activity for consultancy services in the Danish market in the first six months of 2007. The demand for COWI's consultancy services is high, and at the end of the period our order books for the Danish market are at a record level. Demand has been particularly high within buildings, civil engineering, industry and oil and gas, while the demand for environmental services has been less than anticipated. This is primarily due to the fact that the establishment of new public divisions and new areas of responsibility under the Structural Reform of the Danish municipal system has caused delays for many projects.

The growth in the leisure economy has resulted in high demand for our multi-disciplinary consultancy in connection with multi-use arenas, cultural centres, playhouses, concert halls, holiday parks, golf resorts and museums. We are currently participating in a large number of these projects that are at different stages of development from planning to realisation.

In connection with the renovation and expansion of the Danish railway system we have been granted work on the sections from Copenhagen to Solrød and Hvidovre to Tåstrup.

Our goal is to become the leading consultancy company in Denmark for urban, traffic and area planning as well as municipal planning. During the first six months of 2007 we have taken a step towards this goal by acquiring Sven Allan Jensen A/S, an urban planning company with 30 employees. In addition we have strengthened our expertise within health and safety consultancy with the acquisition of BST Østfyn.

In order to improve and secure our consultancy services in Zealand outside of the Greater Copenhagen area we have established a new regional office in Ringsted.

The international market

Our focus on building up and providing specialist services for the international market within tunnels, major bridges, marine structures, mapping and airports has resulted in a large number of major international projects in the first half of 2007. We will be responsible for the project management and design of a new immersed tunnel for the Greek port of Thessaloniki. We are providing marine engineering expertise for a major expansion of Monaco's land area out into the Mediterranean and we have also been granted a major mapping project for the Norwegian Defence Procurement Division on behalf of NATO.

In August 2007 we further strengthened our mapping division by acquiring the remaining 24 per cent of the Indian company Kampsax India Limited, which with around 270 staff is a significant part of our production process for digital and other maps.

Our goal is to become an international consultant within marine and coastal engineering. As a stage in the realisation of this goal, we acquired the American marine and coastal engineering company Ocean and Coastal Consultants based on the North American east coast during the first half of the year. COWI's other marine engineering specialists are located in Denmark, the Arabian Gulf as well as on the North American west coast.

Finally we expanded our presence in Turkey with the acquisition of SNS Consult during the first half of 2007. The company's activities are in the planning and design of water, wastewater and waste disposal systems. With this acquisition we now have 35 employees ready to develop the promising Turkish market.

COWI Norway

The high level of activity of consultancy services in Norway has continued and is still rising in most market areas. The Norwegian construction, civil engineering and property markets were characterised by a scarcity of resources in the first six months of 2007, both in terms of capacity among contractors and a lack of building and construction materials. This also affected COWI Norway – the availability of skilled employees was a restrictive factor in obtaining new projects. All the same COWI was successful in realising a growth in turnover and profit in Norway considerably above expectations.

The COWI Group's closer cooperation as a result of our new strategy has resulted in us winning several major projects in Norway. This includes the expansion and rebuilding of Haukeland University Hospital in Bergen, the feasibility studies for the Gullaug Hospital in Drammen and, not least, the preparatory work for Norway's longest suspension bridge, the Hålogalandbrua in Narvik. A further major project is Sydhavnen in Oslo, an important area for city development. We will participate from the conceptual stage to the final development and be responsible for all infrastructure and related disciplines. On behalf of the SFT, the Norwegian Pollution Control Authority, COWI is providing services for a national climate action plan for the use of bio energy.

COWI East EU

During the first half of 2007 COWI has established three new commercial regions, including COWI East EU under the management of Peter Hostrup Rasmussen, Vice President Region East EU. The region covers Lithuania, Latvia, Poland and Hungary. Our goal is to become a leading multi-disciplinary consultancy company in the region with a focus on construction, energy and transport as well as water and the environment. At the beginning of July COWI purchased the energy consultancy EKOstrategija

in Lithuania that employs 15 staff. This was followed in August by another acquisition in Lithuania: the consultancy company Miestprojektas that provides consultancy services within construction, traffic systems and physical planning and has 80 employees. Together with our existing company in the country, COWI Baltic, this means that COWI is now established as a significant multi-disciplinary consultant in Lithuania with 170 staff. Following the latest acquisitions we now have 215 employees in the companies belonging to COWI East EU.

COWI Gulf

COWI Gulf is another of our new commercial regions that was established during the first half of the year. The region is led by Ervin Nordahl Haukrogh, Vice President Region Gulf, and covers Bahrain, Oman, Qatar and the United Arab Emirates. Our goal here is to be a leading consultant within transport, airports, marine engineering, buildings and the environment as well as oil and gas. The demand for consultancy services is significant and our order books have grown considerably during the period.

COWI Africa

We have finally established COWI Africa as a commercial region led by Jan Mosbech Kieler, Vice President Region Africa. The region covers a division based in Denmark within international development planning, companies in Tanzania, Zambia, Uganda, Mozambique and Burkina Faso as well as project offices in Ghana, Benin and Egypt. During July we acquired the largest non-engineering consultant in Mozambique, the Austral company with over 70 employees.

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Cover:
COWI aims to become a leading consultancy company for areas including transport, airports and oil and gas in the Gulf region that covers Bahrain, Oman, Qatar and the United Arab Emirates.
Photo: Stig Stasig