

The COWI Group

Interim report, January-June 2008



Comments from Klaus H. Ostenfeld, President and CEO of COWI:

- H1 2008 performance is satisfactory. Our turnover is increasing and our earnings have also increased significantly compared with H1 2007 where major non-recurring income had an extraordinarily positive impact on the interim accounts.
 - The activity levels on the Danish, Norwegian and international markets for consultancy services are increasing, and our order books are at a high level.
 - We have had high demand for our consultancy services within all our business areas, and we can now also see significant progress within the areas of environment, climate and sustainability. As it is our ambition to be the top climate consultant both in Denmark and internationally, this is a much appreciated development.
 - As mentioned in the annual report for 2007, we expect increasing turnover and continued positive financial growth for 2008 as a whole.
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- **Net turnover up from DKK 1,487 million to DKK 1,704 million (up 15 per cent).**
 - **Operating profit excluding disposal of shares in H1 2007 up from DKK 79 million to DKK 89 million (up 13 per cent).**
 - **Operating profit down from DKK 106 million to DKK 89 million (down 16 per cent).**
 - **Operating margin down from 7.2 per cent to 5.2 per cent.**
 - **Pre-tax profit down from DKK 119 million to DKK 74 million (down 38 per cent).**
 - **In H1 2008, COWI has acquired companies in Denmark and Sweden as part of our strategic development.**

COWI

The COWI Group

Consolidated profit and loss account mDKK	H1 2008 (unaudited)	H1 2007 (unaudited)	Year 2007
Net turnover	1,703.5	1,486.5	3,031.4
Project expenses	(341.7)	(308.1)	(652.9)
Own production	1,361.8	1,178.4	2,378.5
External expenses	(211.0)	(191.3)	(395.6)
Staff expenses	(1,021.5)	(873.8)	(1,750.0)
Other operating expenses, net	3.6	37.6	42.8
Operating profit before amortisation, depreciation and impairment losses (EBITDA)	132.9	150.9	275.8
Amortisation, depreciation and impairment losses	(43.5)	(44.4)	(95.0)
Operating profit (EBIT)	89.4	106.4	180.8
Profit on ordinary activities before tax in associates	0.4	0.5	0.6
Financial income	16.5	18.7	33.5
Financial expenses	(32.1)	(6.8)	(22.6)
Profit before tax	74.2	118.8	192.3
Tax on profit for the period	(20.7)	(8.8)	(37.0)
Profit after tax	53.5	110.0	155.3
Profit/loss from subsidiaries attributable to minority shareholders	(0.3)	(0.8)	(0.5)
COWI's share of profit for the period	53.2	109.3	154.8
EBITDA margin (net turnover)	7.8%	10.2%	9.1%
EBIT margin (net turnover)	5.2%	7.2%	6.0%
EBIT margin (own production)	6.6%	9.0%	7.6%
Number of employees, average	4,273	3,609	3,820
Number of employees, end of period	4,468	3,722	4,078

The COWI Group

Consolidated cash flow statement mDKK	H1 2008 (unaudited)	H1 2007 (unaudited)	Year 2007
Cash flow from operating activities	(2.3)	(25.2)	168.9
Investing activities	(67.4)	(57.6)	(182.0)
Free cash flow	(69.7)	(82.8)	(13.2)
Financing activities	56.4	14.9	0.5
Cash flow for the period	(13.3)	(67.9)	(12.6)
Cash and cash equivalents, end-of-period	530.9	488.9	544.1

The COWI Group

Consolidated balance sheet mDKK	30 June 2008 (unaudited)	31 Dec. 2007
Group goodwill	269.9	246.1
Other fixed assets	235.0	243.2
Accounts receivable, customers	632.0	725.0
Contract work in progress	501.1	387.5
Other current assets	215.9	174.2
Current asset investments	192.7	198.9
Cash at bank and in hand	338.2	345.3
Total assets	2,384.7	2,320.2
Equity	749.7	716.4
Minority interests	2.6	2.8
Provisions	362.8	357.8
Long-term debt	23.1	28.1
Short-term debt to credit institutions	94.8	33.3
Amounts invoiced in advance to customers	520.9	563.1
Other short-term debt	630.9	618.6
Total liabilities and equity	2,384.7	2,320.2
Equity ratio	31.4%	30.9%
Return on equity	14.5%	23.8%
Return on invested capital	14.0%	15.7%

The COWI Group

Statement of changes in equity mDKK	30 June 2008 (unaudited)	31 Dec. 2007
Equity at 1 January	716.4	587.2
Profit for the period	53.2	154.8
Distributed dividend	(10.1)	(6.8)
Changes in estimates/change of pension plan	0.0	(23.0)
Deferred tax concerning pension plan changes	0.0	6.4
Exchange rate adjustments	(9.8)	(2.3)
Equity at 30 June/31 December	749.7	716.4

Comments on interim results

Growth in turnover

COWI's net turnover increased by DKK 217 million during the first half of 2008 to DKK 1,704 million corresponding to growth of 15 per cent. The impact of the capacity expansion for the period resulted in turnover growth in four out of five regions: Denmark, Norway, East EU and the Arabian Gulf.

Positive trend in operating profit

Operating profit fell from DKK 106 million to DKK 89 million. Adjusting for higher non-recurring income and expenses in the first half of 2007 and the first half of 2008 in connection with the disposal of assets in Norway in the first half of 2007, profit increased from DKK 79 million to DKK 89 million, corresponding to positive growth of 13 per cent.

Fall in net financials

The Group's net financials fell by DKK 28 million to a negative DKK 16 million in the first half of 2008. The trend is primarily attributable to unrealised capital losses on securities portfolios and foreign exchange holdings.

Reduction in pre-tax and post-tax profits

Pre-tax profit fell by DKK 45 million to DKK 74 million. Furthermore, post-tax profit for the period, after profit attributable to minority shareholders, was reduced by DKK 56 million to DKK 53 million. The negative trend in the post-tax profit for the period after profit attributable to minority shareholders is primarily due to the positive influence in the first half of 2007 by the above non-recurring income and a positive adjustment in the first half of 2007 as a consequence of the lowered Danish corporation tax rate.

Increasing equity

COWI's equity stood at DKK 750 million at the end of the period as against DKK 716 million at the end of 2007. Changes in equity for the period are attributable to the H1 profit, changes in foreign exchange rates and distributed dividend.

Negative cash flow

Cash flow from operating activities was negative at DKK 2 million, primarily attributable to increased funds being tied up in work in progress and a reduction in prepayments. The free cash flow was negative at DKK 13 million as a consequence of the above circumstances as well as investments of DKK 67 million in connection with acquisitions of enterprises.

Increased headcount

At the end of H1 2008, the COWI Group had 4,468 employees compared with 3,722 employees at the end of H1 2007. During H1 2008, the COWI Group's headcount rose by 390 employees.

Outlook

As mentioned in the annual report for 2007, we are expecting increasing turnover for 2008 as a whole compared with 2007, and we expect a continued positive financial development. Increase in turnover is expected to be around 15 per cent as a result of continued organic growth combined with acquisition of enterprises and activities in accordance with our strategic goals. In the annual report for 2007, growth in turnover of 7-9 per cent is forecast.

Accounting policies

The COWI Group 2008 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 IAS 19 "Employee Benefits".

Applied accounting policies remain unchanged from the annual report for 2007.

Market and business trends

COWI Denmark

COWI Denmark's business covers consultancy services to the Danish and international markets. The international market includes export of consultancy from Denmark to international customers and consultancy provided by international companies affiliated with COWI Denmark. COWI Denmark's delivery of services to COWI's other regions has increased. COWI Denmark's headcount has increased by 200 employees.

High growth on the Danish market

We have enjoyed a high level of activity on the Danish market for consultancy services during the first half of 2008, and the volume of work in hand at the close of the half-year is record high.

We have had high demand within all business areas, in particular within infrastructure assignments, i.e. roads, metro and railways, building, civil engineering, industry, energy, planning and in the fields of environment, climate and sustainability.

COWI will be handling area and rights issues for Metroselskabet as well as coordinating a large number of utility relocations in the Copenhagen city centre for the future Cityringen. We are already main consultants on all building and civil engineering works on the Cityringen together with ARUP and SYSTRA.

Sustainability

The demand for building consultancy and project design for manufacturing companies, due diligence, PPP and sustainability is rising markedly. We have won many exciting projects, most recently for Rockwool and Siemens Wind Power. Within sustainability we have won the ambitious project Green Lighthouse, which is a CO₂ neutral house. In Denmark, the business unit for building has grown by 40 employees. With the acquisition of the Swedish consultancy company PICON Teknikkonsult AB, which deals primarily with construction, civil engineering and installation, we have begun establishing a region in Sweden.

Demand is great on the part of the new municipal and regional authorities for environmental evaluations, waste, water resources and drainage systems, and for public and private customers alike the demand for environmental impact assessments, occupational health and safety is on the increase.

We also assist the municipalities with infrastructure planning tasks within the areas nature, environment, urban development and culture. We are developing a joint vision for the municipalities along the East Jutland Urban Corridor and evolving a holistic plan for Gellerupparken in Aarhus, Denmark's largest housing estate.

Climate on the agenda

Our customers are increasingly demanding that climate impacts be covered by their consultancy package, documenting their efforts in this area. Climate change and adjustments to future changes in temperature, precipitation and wind conditions are a topical agenda around the country's municipal tables. Among others, we are assisting Roskilde Municipality with scenarios for climate adaptation initiatives. We advise both corporate and municipal players on their carbon footprint and strategies for making cuts in these contributions. In association with Local Government Denmark, we are developing for the Danish Ministry of Climate and Energy a CO₂ computation model for the municipalities, thereby providing them with a level playing field on which to reduce their CO₂ emissions and prioritise efforts in the fight to reduce greenhouse gases.

Leading climate consultant

COWI's ambition is to be the top climate consultant both in Denmark and internationally. We have therefore drawn up a new climate strategy, which includes a large number of initiatives, right from streamlining existing business areas and developing new ones through sponsoring climate conferences to focusing on COWI's own environmental impact.

The international market

We are continuing to expand our international commitment to supply specialist services to the international market within e.g. tunnels, bridges, marine structures, mapping and airports. This commitment has resulted in a number of striking projects.

COWI has signed a contract with the contracting consortium QBCC – Qatar-Bahrain Causeway Consortium – to design the world's longest bridge connection between the island state of Bahrain and its neighbour Qatar in the Middle East. The 40 kilometre link will form a natural extension of the King Fahd Causeway linking Bahrain with Saudi Arabia.

In Sweden we have secured a contract for the detailed design of the Söderström Tunnel in Stockholm, which is an immersed tunnel for rail traffic. Within marine structures we have started work on two large waterfront development projects, Al Zorah and Al Dana, in the United Arab Emirates. In addition, we have been given a contract for 26 new offshore wind turbines off the coast of Belgium. Our subsidiary Ben C. Gerwick in the USA has won a big contract in New Orleans, which will form part of the city's future defences against flooding.

Airports

Within international airports, the level of activity remains high; thus COWI-Larsen Joint Venture, the main consultants to the international airports in Muscat and Salalah in Oman, delivered a detailed design for the civil engineering part of the project in June. The building work, COWI's largest airport project ever, is expected to begin in early 2009.

Energy and climate

Internationally, we are experiencing increased demand within energy and climate assignments. Wind energy is set to be instrumental in meeting China's growing energy consumption and reducing discharges of CO₂. COWI is helping to develop a standard for preparing large wind farms in China. The work involves three feasibility studies for large-scale wind farms in the provinces of Jilin, Heilongjiang and Liaoning. The contract, which is being funded by Danida, is being executed for the China Hydropower Engineering Consulting Group Corporation (CHECC). With the acquisition of Tripod Wind Energy, COWI will be one of the leading consultants within wind energy. Tripod's core competencies are within wind resources, and the company is one of few consulting companies certified to carry out wind turbine measurements. Tripod has extensive experience in wind measurements and studies. COWI is also experiencing general growth in demand for oil and gas consultancy services.

Public-private partnerships (PPP) are growing in Europe. We are assisting a number of motorway investment companies and authorities in devising toll road tariff analyses. We are undertaking a large number of evaluations for the EU Commission within both EU investment and support programmes, and the organisations and agencies through which the Commission operates. Most recently, we have won a contract involving the evaluation of the EU support programme for environmental and nature conservation, LIFE, which has currently invested more than EUR 1.3 billion in more than 2,700 environment and nature projects in the member states.

COWI Norway

The level of activity in the Norwegian economy peaked at end-2007. In the sphere of construction, civil engineering and property, those sectors relating particularly to residential buildings, which is a small segment in COWI, were affected by the development. Nevertheless, COWI Norway experienced a high level of activity during the first half of 2008, with both turnover and earnings exceeding expectations.

As a result of an acquisition in the southern part of Norway and the setting-up of a new office at Drammen, we have tapped into new market openings in a geographical area that has not enjoyed much attention to date. To this can be added the creation of a new transport department in Trondheim, forming a strategic link with the rest of the Group within this high-priority segment.

COWI's unique position on the market of health buildings has been confirmed yet again by the influx of major projects in Tromsø, Molde and Ålesund.

COWI East EU

The first half of 2008 went well for COWI East EU, which has now rounded the 250 employee mark. COWI Polska is off to a fine start with the opening of an office in Wroclaw. In Lithuania we have set up an office in Klaipeda, and we have won a number of large projects, including a contract to build a new passenger terminal for the airport at Vilnius. In Latvia we are now also providing financial consultancy services, and we are well prepared for the great demand for applications for EU subsidisation from the EU's Structural and Cohesion Funds.

In Hungary we have consolidated our position on the infrastructure market, having won new rail and motorway projects. We are also developing business in other countries in Eastern Europe. In Bulgaria we are designing a biomass production plant for the country's top power producer and provider.

COWI Gulf

There has been a high level of activity for consultancy services in COWI Gulf. Our strategy up to 2010, which focuses on development in Bahrain, Qatar, the Arab Emirates and Oman, has proved fruitful. The number of employees has grown to 400, and we have increased turnover and profits in all the countries we are operating in.

The COWI Group's packaged services are a good starting point both for ourselves and for our customers, whom we can thus offer a high degree of expertise and local knowledge at the same time. We have established ourselves as acknowledged consultants in high-rise design through our Bahrain office, where we are advising on a number of such projects, including Villamar, Crystal Tower, Aya Tower, Platinum Tower, Pearl Towers, Era Tower and Arabian Palace Suites.

COWI Africa

COWI Africa has not developed as anticipated. The development planning market is undergoing rigorous reorganisation, and that poses great challenges for us. We are therefore in the process of restructuring our business in development planning.

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Front cover photo:

COWI will be handling area and rights and other assignments for Metroselskabet for the future Cityringen, Copenhagen, Denmark. COWI are main consultants on all building and civil engineering contracts on the Cityringen together with ARUP and SYSTRA. Photo: Stig Stasig