

# The COWI Group

Interim report, January - June 2011



Lars-Peter Søbeye, President and CEO of COWI reviews:

“In H1 2011 the international consultancy group COWI increased its turnover and core earnings compared with the same period in 2010. The Group is currently intensifying its focus on boosting earnings and reducing costs in an increasingly challenging market. In H1 2011 COWI experienced increased demand, and consequently growth, in both turnover and core earnings – notably in Norway and Sweden. This performance was achieved in spite of challenging market conditions and the turbulent economy affecting the global markets. Once allowance has been made in operating profits for exchange rate fluctuations, H1 figures show improved earnings from operations by approximately DKK 20 million on the same period last year. This performance is satisfactory in the light of the global financial crisis and a challenging market,” says Lars-Peter Søbeye, COWI’s President and CEO.

- Net turnover up from DKK 2,270 million to DKK 2,376 million (up 5 per cent)
- Operating profit down from DKK 105 million to DKK 88 million (down 16 per cent)
- Operating profit was negatively affected by foreign exchange adjustments of DKK 14 million and extraordinary provisions of DKK 16 million
- Operating margin down from 4.6 per cent to 3.7 per cent
- Pre-tax profit down from DKK 117 million to DKK 80 million (down 32 per cent)
- COWI’s share of profit for the period down from DKK 79 million to DKK 53 million (down 33 per cent)

# COWI

## The COWI Group

### Profit and loss account

Amounts in mDKK

	H1 2011 (unaudited)	H1 2010 (unaudited)	Year 2010
<b>Net turnover</b>	<b>2,376.4</b>	<b>2,269.9</b>	<b>4,461.5</b>
Project expenses	(336.4)	(338.4)	(716.6)
<b>Own production</b>	<b>2,040.0</b>	<b>1,931.5</b>	<b>3,744.9</b>
External expenses	(303.1)	(295.6)	(587.8)
Staff expenses	(1,582.8)	(1,473.8)	(2,893.3)
Other operating income/expenses	(2.1)	1.0	2.9
<b>Operating profit before interest, tax, amortisation, depreciation and impairment losses (EBITDA)</b>	<b>152.0</b>	<b>163.1</b>	<b>266.7</b>
Amortisation, depreciation and impairment losses	(64.5)	(58.4)	(134.8)
<b>Operating profit (EBIT)</b>	<b>87.5</b>	<b>104.7</b>	<b>131.9</b>
Profit after tax in associates	1.2	0.3	(2.0)
Financial income	16.7	31.0	43.9
Financial expenses	(25.3)	(18.9)	(36.2)
<b>Profit before tax</b>	<b>80.1</b>	<b>117.1</b>	<b>137.6</b>
Tax on profit for the period	(27.2)	(37.7)	(59.5)
<b>Profit after tax</b>	<b>52.9</b>	<b>79.4</b>	<b>78.1</b>
Profit/loss from subsidiaries attributable to minority shareholders	(0.2)	(0.3)	(0.2)
<b>COWI's share of profit for the period</b>	<b>52.7</b>	<b>79.1</b>	<b>77.9</b>
EBITDA margin (net turnover)	6.4%	7.2%	6.0%
EBIT margin (net turnover)	3.7%	4.6%	3.0%
EBIT margin (own production)	4.3%	5.4%	3.5%
Number of employees, average	6,115	6,017	6,031
Number of employees, end of period	6,168	6,034	6,061

## The COWI Group

### Consolidated cash flow statement

Amounts in mDKK

	H1 2011 (unaudited)	H1 2010 (unaudited)	Year 2010
<b>Cash flow from operating activities</b>	<b>55.7</b>	<b>(105.2)</b>	<b>(21.0)</b>
Investing activities	(53.3)	(56.8)	(77.8)
<b>Free cash flow</b>	<b>2.4</b>	<b>(162.0)</b>	<b>(98.8)</b>
Financing activities	15.7	60.9	85.0
<b>Cash flow for the period</b>	<b>18.1</b>	<b>(101.2)</b>	<b>(13.8)</b>
<b>Cash and cash equivalents, end-of-period</b>	<b>597.6</b>	<b>492.1</b>	<b>579.5</b>

## The COWI Group

<b>Consolidated balance sheet</b>	at 30 June 2011 (unaudited)	at 31 Dec. 2010
Amounts in mDKK		
Group goodwill	547.2	565.6
Other fixed assets	220.3	218.4
Accounts receivables, services	838.8	994.2
Contract work in progress	617.4	446.1
Other current assets	182.5	142.2
Current asset investments	226.5	231.7
Cash at bank and in hand	371.1	347.8
<b>Total assets</b>	<b>3,003.8</b>	<b>2,946.0</b>
Equity	884.9	875.4
Minority interests	3.5	3.4
Provisions	437.2	428.3
Long-term debt	188.9	189.0
Short-term debt to credit institutions	222.4	173.0
Amounts invoiced in advance, services	343.8	395.8
Other short-term debt	923.1	881.1
<b>Total liabilities and equity</b>	<b>3,003.8</b>	<b>2,946.0</b>
Equity ratio	29.5%	29.7%
Return on equity	6.1%	10.8%
Return on invested capital	15.6%	14.5%

## The COWI Group

<b>Statement of changes in equity</b>	at 30 June 2011 (unaudited)	at 31 Dec. 2010
Amounts in mDKK		
<b>Opening balance</b>	<b>875.4</b>	<b>613.4</b>
Profit for the period	52.7	77.9
Distributed dividend	(9.4)	(9.0)
Change in reserve for own shares	(10.6)	(0.4)
Change in estimates/pension plan changes	0.0	3.2
Changes to employee share programme	7.5	(7.5)
Value adjustment of hedging instruments	(6.4)	5.6
Capital increase	0.0	116.7
Exchange adjustments	(24.3)	75.5
<b>Closing balance</b>	<b>884.9</b>	<b>875.4</b>

## Review of interim results

### Growth in turnover

COWI's net turnover increased by DKK 106 million during H1 2011 to DKK 2,376 million, corresponding to growth of 5 per cent on the same period in 2010. Adjusted for exchange rate movements, turnover rose by DKK 122 million. During H1 COWI experienced handsome growth in Norway and Sweden compared with the same period in 2010, while turnover in the other markets is on level with the 2010 figure.

### Drop in operating profit

Operating profit for H1 decreased from DKK 105 million to DKK 88 million, corresponding to a reduction of 16 per cent on the same period in 2010. Earnings have been adversely affected by foreign exchange adjustments of DKK 20 million. Earnings have risen particularly in Norway and Sweden. However, the turmoil in North Africa and in the Arabian Gulf has had a negative impact on earnings.

### Net financials far below H1 2010

The Group's net financials came to a negative DKK 8 million compared with income of DKK 12 million for H1 2010. The difference is attributable primarily to lower foreign exchange gains and lower yield on the Group's securities portfolio in H1 2011 compared with the same period in 2010.

### Drop in pre-tax profit

Profit before tax decreased by DKK 37 million to DKK 80 million, down 32 per cent. H1 2011 profit after tax and minority shareholders was reduced by DKK 26 million to DKK 53 million, down 33 per cent.

### Increase in equity

At the end of the period, COWI's equity stood at DKK 885 million as against DKK 875 million at the end of 2010. Changes in equity for the period are attributable primarily to the H1 profit and changes in foreign exchange rates.

### Improved cash flow

Cash flow from operating activities was at DKK 56 million, which is DKK 161 million up on the same period last year. Free cash flow was at DKK 2 million. The Group's cash and cash equivalents comprising cash and securities amounted to DKK 598 million. With the addition of committed but undrawn credit facilities, the Group's financial resources at 30 June 2011 amounted to DKK 1,137 million.

### Increased headcount

At the end of H1 2010 the COWI Group had a headcount of 6,168 compared with 6,034 at the end of H1 2010. This increase is due primarily to the acquisition of a small company in Norway and organic growth in Norway and Sweden. In addition, employee numbers have risen in the areas of roads, railways, bridges, tunnels and marine structures.

### Outlook

During H1 2011, COWI experienced increased demand for the Group's services. However, individual markets are still hampered by cautious decision-making processes in respect of new projects and by slower progress on projects which have already been launched. The deepening financial instability over the summer of 2011 is expected to aggravate uncertainty in H2 2011. Demand in the public sector will be negatively affected in those countries with problematic balance sheets as far as pub-

lic sector finances are concerned. Some parts of the private sector are also expected to postpone decisions on investment, which will reduce demand. Given these factors, there is uncertainty as to COWI's financial development for the rest of the year. In the field of infrastructure in global terms and given our healthy position in the Scandinavian countries with relatively strong economies, an increase on 2010 figures is, however, expected in turnover, earnings, earnings margin and cash flow in 2011.

### **Accounting policies**

The COWI Group 2011 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 2010.

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Photo:  
The first phase of the light rail in the Danish city Aarhus is due to be completed in 2015.  
Photo: C.F. Møller