

annual report 2019



Bladt Industries A/S - Nørredybet 1 - 9220 Aalborg Ø - Denmark
CVR Nr. 14818480

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Morten Steensen Jacobsen
Chairman



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Køge Nord Station, Denmark

Built to Last

Bladt Industries, we are a steel contractor focused on complex steel structures. Our main businesses are offshore wind and infrastructure projects. We have a proven record of accomplishment within monopiles, transition pieces, substations and other special foundation types as well as complicated steel structures within infrastructure projects.

The offshore wind is the largest business area delivering renewable energy. We fabricate offshore substations and offshore foundations for clients around the world. In total, our reference list now counts 22 substations and more than 2,000 foundations.

The infrastructure market is where the story of Bladt Industries began more than 50 years ago. Our infrastructure division delivers various steel related projects – from bridges, steel tanks and buildings to harbour and marine facilities. The key market for our infrastructure business is projects with a significant share of steel structures with complexity where we can utilize the knowledge of our team.

Our offshore adventure took off within offshore Oil and Gas more than 40 years ago. Our expertise and know-how covers steel structures such as modules, topsides, jackets and suction anchors.



CS we deliver

The employees of Bladt Industries are key to ensuring successful project execution. The experience, qualifications and dedication of our employees are the backbone of the continued development of Bladt Industries and the range of projects that we execute.

Safety first, always comes first at Bladt Industries. We believe that the health, safety and welfare of our employees and our partners must be an integral part of everything that we do and we continuously strive to create a 0-accident culture.

All of our facilities have direct access to the sea and with the infrastructure in place to handle largescale structures,

which enables us to play a leading role in the offshore business.

Quality is paramount for Bladt Industries and for our customers. It is part of the “Bladt DNA” to deliver high-quality steel structures to our clients.

Customers are the source of our success. We focus on developing strong relations with our customers as trusted partners by meeting and exceed their requirements and expectations.

Management Review

Financial Highlights

DKK m	2019	2018	2017	2016	2015
Key figures					
Revenue	2,167.9	1,455.3	3,086.3	3,484.0	2,949.5
Gross profit	0.7	91.0	35.0	162.0	138.3
Earnings before interest, tax, depreciation, and amortization (EBITDA)	-3.5	89.3	55.6	183.1	165.2
EBITDA excl. one-off items*	147.1	149.1	145.4	193.1	179.6
Earnings before interest and tax (EBIT)	-49.9	43.6	4.5	129.8	110.0
Profit/loss from financial income and expenses	-5.9	-7.7	25.7	-17.3	-25.8
Profit for the year	-41.6	29.5	31.3	86.1	62.1
Non-current assets	207.1	167.9	199.8	260.9	306.4
Current assets	999.3	778.3	923.3	1,346.9	1,056.4
Total assets	1,206.5	946.3	1,123.1	1,607.9	1,362.8
Equity	378.2	429.7	449.0	423.4	388.8
Non-current liabilities	84.4	90.9	95.6	108.5	132.3
Current liabilities	743.8	425.6	578.5	1,075.9	841.7
Net interest bearing debt/Net cash	-80.4	118.5	-85.8	-47.2	-66.2
Investment in property, plant, and equipment **	82.3	13.7	3.7	17.4	26.9
Investment in joint ventures (shares)	-6.6	0.0	0.0	0.0	-40.2
Divestment of joint venture company (shares)	0.0	0.0	49.7	0.0	0.0
Cash flows from operating activities (CFFO)	-123.9	281.6	-57.2	96.9	-75.1
Cash flows from investing activities (CFFI)	-87.4	-13.7	45.0	-17.5	-67.2
Free cash flows	-211.3	267.8	-12.3	79.5	-142.2
Financial ratios					
Operating margin (%)	-2.3	3.0	0.1	3.7	3.7
Solvency ratio (%)	31.4	45.4	40.0	26.3	28.5
Return on equity (%)	-12.4	9.9	1.0	32.0	28.7
ROIC (%)	-13.0	10.3	0.9	28.1	37.7
ROIC excl. one-off items (%)	26.2	24.5	18.7	30.2	35.8
Average number of employees	427	355	557	638	586

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". We refer to the definition of financial ratios on page 64, note 33.

* Reconciliation of one-off items effecting EBITDA to internal reporting

** Investment in lease assets included

Market going global

Bladt Industries continued to play an important role in servicing markets outside Europe. In 2019, two substation contracts were signed for the US market. The substations are to be fabricated in Denmark and shipped to the US. This is a true proof of our competitiveness in a growing industry. We are pleased that our long-term working relationship with Semco Maritime again in 2019 was meeting market and customer demands.

In Taiwan our joint venture, Century Bladt Foundation Co., Ltd., with our Taiwanese partner, has started execution of orders and establishing production facilities for our first jacket contract, Changfang and Xidao project. The joint venture will allow Bladt Industries to take part in the Taiwanese offshore wind market, and to create the base for a close collaboration with an Asian supply chain within components to the offshore wind industry.

Furthermore, Bladt Industries has also established an Asian supply chain to supply components to Century Bladt Foundation Co., Ltd.

At Bladt Industries, we are always open to pursue the opportunities when a new global offshore wind market arises.

We believe that the globalization of offshore wind market provides attractive commercial opportunities for Bladt Industries. In Denmark, we entered the XL monopile market by investing in a new production facility to produce XL monopiles and delivered the first order of XL monopiles in 2019.

Productions in 2019

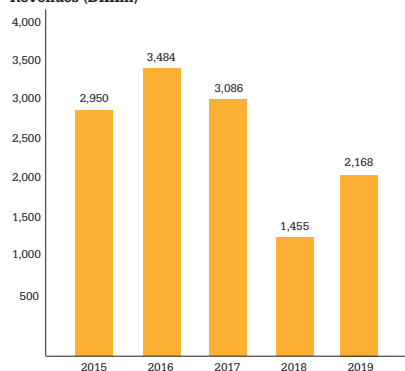
The activity level increased in 2019 increasing revenue from DKK 1,455 million in 2018 to DKK 2,167 million in 2019. In 2019 Bladt Industries worked on 156 foundations for four windfarms, one substation, and mutual infrastructure projects. In total approx. 77,500 tons.

For the Northwester 2 project we fabricated both the transition pieces and the XL-monopiles and one substation. For the Borssele project and Danish Kriegers Flak project we produced in total 131 transition pieces.

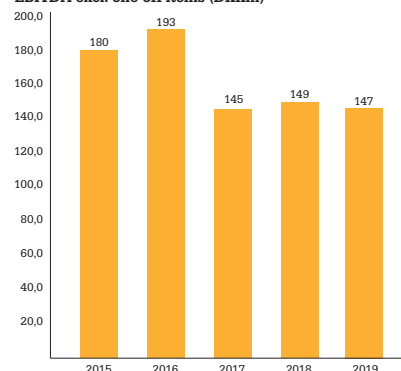
At our site at Lindø in Denmark we assisted in fabricating two mono buckets for the Deutsche Bucht Offshore project.

The infrastructure division delivered a variety of projects including the Køge Nord project for Banedanmark and the Kistefos Museum in Norway. Both projects with a unique design and with a significant complexity

Revenues (DKKm)



EBITDA excl. one-off items (DKKm)



Financial Review

In 2019, Bladt Industries recorded revenues of DKK 2,168 million (2018: DKK 1,455 million) which is an increase of 49% nominally and organically. As stated above, the increased revenue relates to the increase in the activity level in 2019. The turnover was significantly negatively impacted by the postponement of the Offshore Wind Farm Project Vesterhav Nord and Syd. A project which Bladt had planned for to add to the turnover and the contribution during 2019.

Gross profit amounted to DKK 1 million (2018: DKK 91 million), representing a decrease of 99% despite the higher revenue level. Gross profit were significantly affected by a single project previously completed where certain expected revenue and compensation for costs incurred could not yet be recognised in accordance with the accounting standards. Excluding this one-off item, gross profit amounts to DKK 86 million, thus expressing earnings in the underlying activity and business in 2019. During 2019 we have furthermore increased our workforce (hourly paid and fixed staff) and expanded our production facilities. Obtaining full utilization of the new

equipment has not been possible due to postponement of orders, and that combined with ramping up our workforce to accommodate the future workload, have had a negative impact on the earnings.

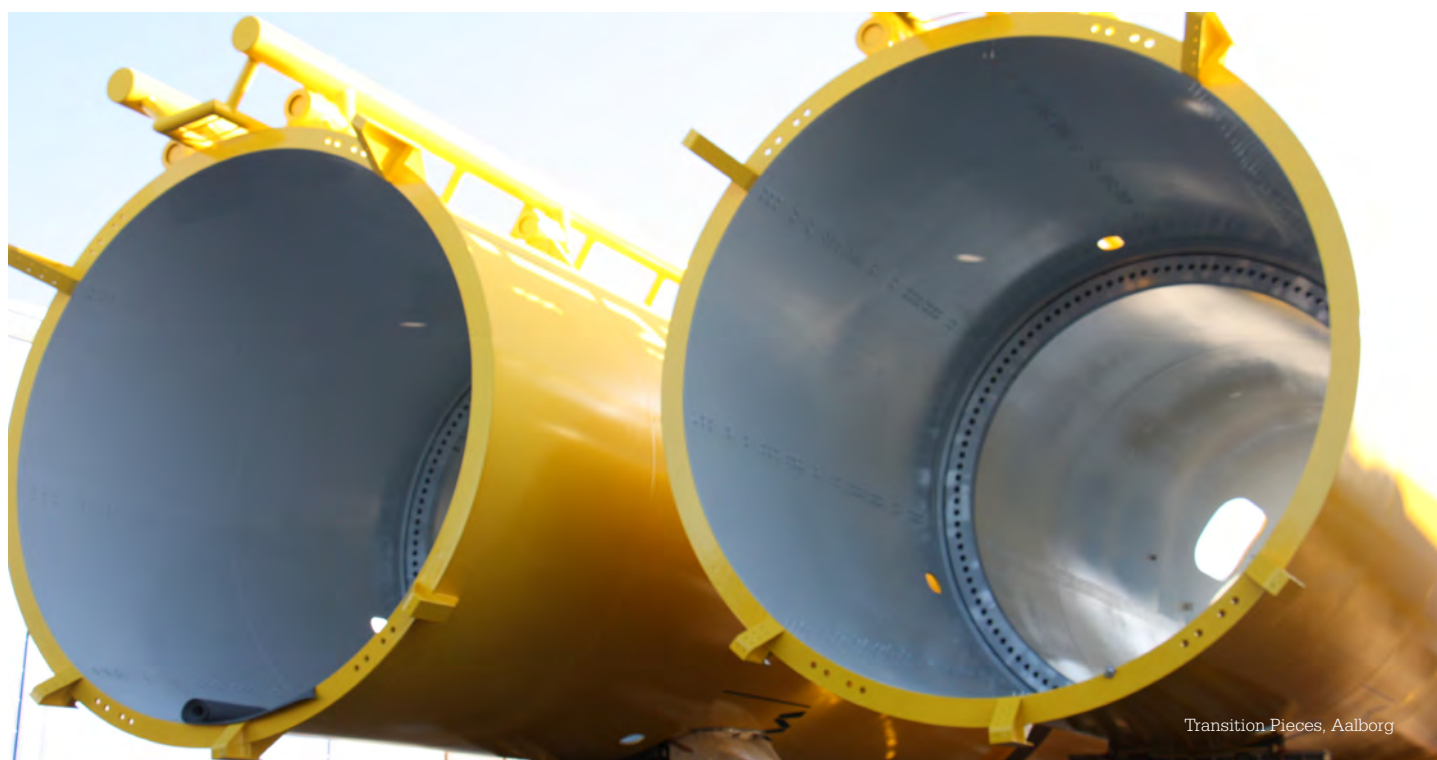
A project delivered in 2014 continues to involve disagreement regarding the settlement of variation orders and claims between Bladt Industries and the customer at this specific project. Bladt Industries has commenced arbitral proceedings which continue to be ongoing. Bladt Industries and its legal advisers are confident in its position and the merits of the case. As with all such disagreements, there are uncertainty as to the financial outcome of the dispute which can have a significant positive or negative effect.

Tax on profits for the year, consisting negative current tax of DKK 9 million and changes in deferred tax of DKK 24 million, amounted to DKK 14 million (2018: tax of DKK 6 million) corresponding to a tax rate of 25.4% (2018: 18.0%).

Profit for the year after tax amounted to DKK -42 million (2018: DKK 29 million) which is under the expectations for the year 2019. The deviation from

the expectation is mainly due to the aforementioned material one-off item and the postponement of the Offshore Wind Farm Project Vesterhav Nord and Syd.

At the end of 2019, total assets amounted DKK 1,206 million (2018: DKK 946 million) and total equity amounted to DKK 378 million (2018: DKK 430 million). During the year only group internal dividends were paid, no dividends were distributed to shareholders outside the Bladt Industries. The Board of Directors recommends to the annual general meeting that no dividends be declared in respect of the 2019 financial year. In 2019, Bladt Industries realized a negative cash flow from operations of DKK 124 million (2018: positive DKK 282 million). The free cash flow are impacted by increased project activity in the year and CAPEX investment. Such working capital fluctuations at different points in time are common for large-scale contracts where final settlement negotiations are a common way of closing contracts and releasing final payments. Net cash flow from investment activities amounted to DKK -87 million including the commencement of investments into expanding the XL monopole production capacity (2018: DKK



Transition Pieces, Aalborg

-13 million). Total cash flows from operations and investments amounted to DKK -211 million (2018: DKK 268 million). A number impacted by not finalized contractual negotiations. In the beginning of 2020 payments have been received (approx. DKK 40 million) and no further delays in payments have been observed.

No events of significant importance to the financial statements and annual report for 2019 have occurred after the end of the financial year. Concerning events after the balance sheet date, we refer to note 31.

Capital injection

To support Bladt Industries growth ambition the share capital is to be increased by DKK 150 million in May 2020, via a capital injection

Improvement

Bladt has during 2019 performed an improvement project to improve efficiencies across the operational areas. The impact on the financials during 2019 have had a positive impact on our contribution of approx. DKK 7 million and we expect to increase that number further in 2020 in combination with a possibility to increase overall output with a double digit number.

The new set-up is reported in Bladt Performance Review's monthly.

Procurement

Bladt Industries has established a procurement department as a profit center for Bladt Industries. The new department will together with the project organization ensure cost competitive quality goods and services delivered on time. Together with our trusted partners in the supply chain we expect significant benefits of this establishment.

Market developments

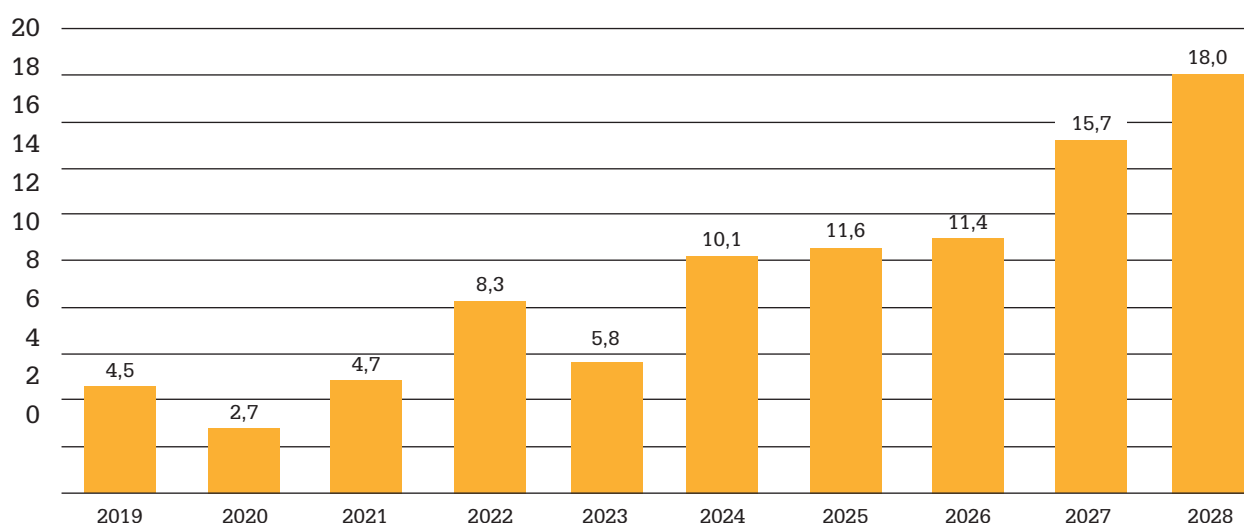
The markets of Bladt Industries are the global markets for offshore wind, and the steel related infrastructure markets in Nordic countries (e. g. bridges, tanks, harbour and marine installations etc.). As expected, the European offshore wind markets for foundations and substations under fabrication – which are driven by gigawatts to be installed in the coming years – were increased in 2019 compared to 2018. 2020 is expected to be a year of further increased activities. Looking forward, the offshore wind market both in terms of gigawatts and in terms of tonnage of foundations are expected to show double-digit annual growth rates in the years to follow.

Offshore wind – from Northern Europe to global growth

Offshore wind is expected to enter a phase of significant growth. For the first time in the history of offshore wind, we see a transition from a European market to a global market and with increased growth rates. With the expected growth from Wood Mackenzie, the demand of offshore wind structures is expected to double every 4-5 years, and 60% of the global growth is to take place in Europe. Overall, both the established European markets as well as emerging overseas markets is expected to contribute to the significant growth of offshore wind in terms of gigawatt installed. See the graph below, which shows the global market excluding China. China is not included because Bladt Industries does not target that market.

The expected +20% annual average market growth rates in the coming years for offshore wind are driven by the competitiveness of energy from clean offshore wind. The latest auctions on offshore wind have proven the industry long term competitive compared to other energy sources. Overall, these factors combined will make offshore wind an attractive energy source with a bright future.

Expected gigawatt installed (global ex China)



GW installed (Global ex China). Year = grid connection not fabrication.

Source: WOOD Mackenzie



Another driver of the expected offshore wind market growth is the expansion of offshore wind internationally. Traditionally, offshore wind has been solely a Northern Europe business (North Sea, Irish Sea, Baltic Sea). In recent years, this has been supplemented/expanded with the emerging Chinese offshore wind market. Below graph, shows the growth outside Northern Europe. By 2019, 99% of installed gigawatt is in Northern Europe. By 2028 it is expected that 55% is installed in Northern Europe, 17% in North America, 15% in East Asia and 7% in Southern Europe.

In the coming years further countries will join the ranks of offshore wind producing countries. In 2019 seven countries has approx. 99% of the installed capacity. By 2028 it is expected that new markets (13 countries except China) will account for 39% of the build-out from 2019 to 2028.

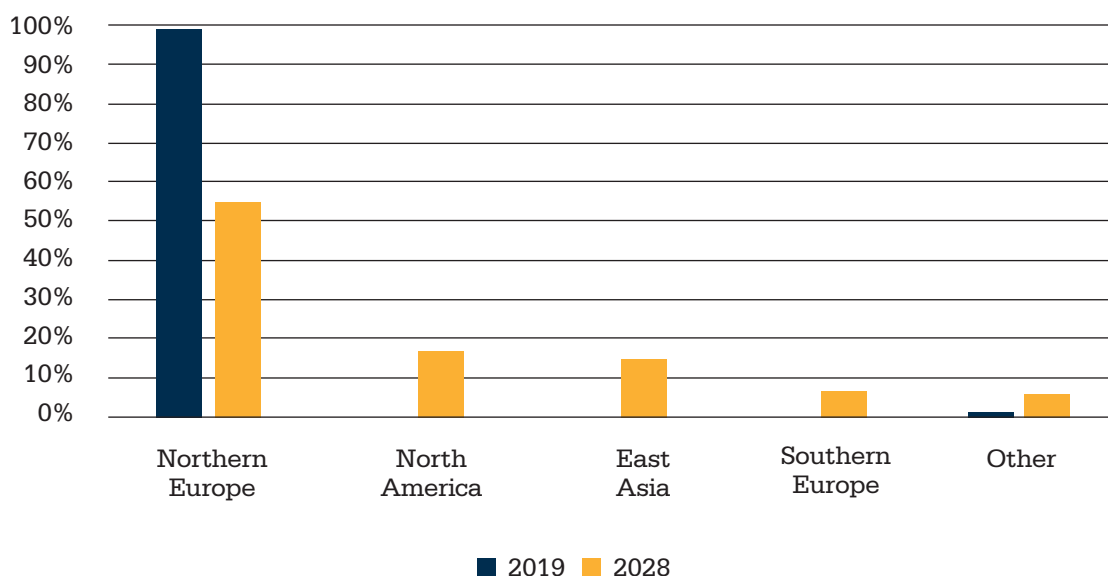
By 2028 the Taiwanese market will grow and add 9 gigawatt of offshore wind capacity. In addition, the US offshore wind market is expected to take off initially on the East Coast. The US is expected to add 19 gigawatt by 2028. During the coming decade, markets

such as France, Ireland, Poland, Japan, Australia, Vietnam and South Korea are also expected to build commercial scale offshore wind farms.

In terms of accumulated tonnage of foundations, this is projected to display a similar growth rate driven by heavier foundations, despite a lower number of foundations per gigawatt. The lower number of foundations per gigawatt is due to larger wind turbines in deep waters.

The monopile foundation types including transition pieces are

Share of accumulated gigawatt by region (ex China) 2019 and 2028



Source: WOOD Mackenzie



Kistefos Museum, Norway

expected to continue to be a cost efficient foundation solution for offshore wind turbines. Where, monopiles are expected to continue to grow in size to meet the increased turbine size and the deeper waters. Already now the market and some customers are pursuing opportunities to further developing of monopiles to include transition pieces equipment. However, jacket foundations are still projected to continue to play an important role where soil conditions or geographic locations requires more sophisticated solutions. In the UK with larger turbines and deeper waters and in Taiwan with seabed conditions and the risk of natural disasters jacket foundations are

for many future projects the obvious choice. Floating foundations are also expected to have a very high steel content.

Bladt Industries is focused to capitalize on this expected market growth. This position builds on our very strong track record within delivery of offshore wind foundations and substations to date. It is complemented by the international cooperation with strong local players in emerging markets.

In Taiwan, our joint venture and the preparatory investigations and due diligence work performed for entry into the US market. Further, the re-

entry into monopile production with the establishment of XL monopile fabrication facilities, underpin this position. To strengthen the focus area even further Bladt Industries has with the establishment of a procurement department secured a structured and volume based relationship with our dedicated partners within our supply chain. We strive to further develop long-term relationships with the benefit to all parties and maintaining our global competitiveness.







Outlook 2020

In 2019 the industry improved compared to 2018. Bladt Industries has experienced a higher activity level. This trend supports the outlook for 2020. The increased activities within the global offshore wind market has an improving impact on the outlook for 2020, and further as Bladt Industries has been rewarded orders in Taiwan and US. Thus, the revenues, the gross profit and the earnings before tax of Bladt Industries are all expected to be at a higher level in 2020 compared to 2019.

The outlook is based on a solid order book for 2020, which secures a large part of the 2020 outlook. 79% of estimated contribution is covered by current order book and projects where Bladt Industries is appointed preferred supplier. This order book includes wind turbine foundations for the Borssele 1+2, the Kriegers Flak and the Hornsea Two offshore wind farms,

offshore substations for the Vineyard and the Mayflower offshore wind farms, and within infrastructure projects the new bridge at Lepsøy and oil Terminal in Frederikshavn and a various other harbor and other infrastructure projects. In addition to these firm orders, Bladt Industries has already been appointed as preferred supplier for a number of additional projects for execution in 2020 and beyond.

Bladt Industries has so far only seen limited negative effect of the COVID-19 outbreak. See also events after the balance sheet date in note 31.

Many of Bladt Industries' customers have indicated that they will continue projects and orders in progress, but there is still a risk that revenue and earnings will decline in consequence of COVID-19. Management is monitoring

the development closely. However, it is too early to give an opinion on the COVID-19 impact on revenue and earnings in 2020. Management does, however, expect a limited negative impact on Bladt Industries outlook.



Northwester 2, Belgium

Foundations for Offshore Wind Turbines

Northwester 2, Belgium

In the second quarter of 2018, Bladt Industries was awarded the contract for 23 monopiles and transition pieces and one substation foundation for the Northwester 2 offshore wind farm. Each foundation consist of one monopile foundation with diameters between 6.5 to 8 metres and one transistion piece with diameter of 6.5 metres.

The project was executed from fourth quarter 2018 and finalized in the third quarter 2019.

The Northwester 2 offshore wind farm is located 48 kilometres off the Belgian coast. The wind farm have a

production capacity of maximum 224 megawatt produced by 23 turbines of 9.5 megawatt each.

Borssele 1 + 2, The Netherlands

Bladt was in September 2018 awarded the contract for delivery of 35 transition pieces for the Borssele 1+2 project, with an option for additional 24 transition pieces.

In December 2018 Ørsted decided to place the order of the additional 24 transition pieces at Bladt Industries – giving a total of 59 transition pieces for Bladt Industries to supply.

Each transition pieces is almost 26 meters high with a diameter of 6 meter. At load out the weight of each transition pieces is 390 tons including a 86 tons concrete external platform.

The Borssele Offshore Wind Farm is

designed, build and will be operated, by Ørsted.

The Borssele 1+2 Offshore Wind Farm Project will be placed 22 kilometres off the coast of the province of Zeeland in the Netherlands. The entire project consist of a total of 94 turbines. As each turbine is 8.0 megawatt, the combined accumulated output will be 752 megawatt.

Kriegers Flak, Denmark

Bladt Industries signed a contract with Vattenfall in December 2018 for the fabrication of 72 transition pieces and 144 anode cages for the Danish Kriegers Flak Offshore Wind Farm.

Fabrication began in the summer of 2019 and the first transition pieces for the project is expected to leave the site of Aalborg medio 2020.



Offshore foundation

The transition pieces have a diameter of up to 6.4 metres, a height of 16 metres, and a weight of approximately 180 tonnes. Kriegers Flak Offshore Wind Farm is owned and developed by Vattenfall AB. The wind farm will become the largest Danish Offshore Wind Farm, when it is up and running in 2021. The offshore wind farms will have a total of 605 megawatt.

Hornsea Two, UK

In June 2019 a contract between Ørsted and Bladt Industries was signed. The contract covers the delivery of 135 transition pieces for the UK-based offshore wind farm “Hornsea Two”

The fabrication of the project was initiated by the end of 2019 and the first delivery will take place mid-2020.

The project is located approximately

89 kilometres off the Yorkshire coast. When complete, it will be able to meet the electricity needs of over 1.4 million UK homes per year.

Changfang and Xidao

Copenhagen Infrastructure Partners entered early in 2019 a contract with Century Bladt Foundation Co. Ltd., a joint venture between Bladt Industries and Taiwanese Century Wind Power. The contract comprises 62 jacket foundations each with a weight of 1,300 tons. This is the first project for Century Bladt Foundation Co. Ltd to carry out in the joint venture.

The production will start up early 2020 and the final jacket foundations will be delivered by the end of 2022.

Changfang and Xidao Offshore Wind Farms is located 13-15 kilometres off the

western coast of Taiwan. With a total capacity of up to approximately 600 megawatt, the wind farm will supply CO2-free power corresponding to the annual power consumption of more than half million Taiwanese households.



Deutsche Bucht, Germany

Innovative Projects for Offshore Wind Turbines

Deutsche Bucht, Germany

November 2019 the first of two Mono Buckets for the Deutsche Bucht Offshore Wind Farm pilot project were shipped away from our Lindø facilities.

The pilot project is a contract signed with Van Oord Offshore Wind, which is the EPCI Contractor for the Project.

The Mono Buckets for Deutsche Bucht Offshore Wind Farm is owned by the Canadian independent power producer Northland Power Inc.

The offshore site is located in the south-east of the North Sea in the western part of the German Bight, approximately 95 kilometres North-West of the island Borkum and about 135 kilometres away from the island Helgoland.



Northwester 2, Belgium

Offshore Wind Substations

Northwester 2, Belgium

In May 2018, Bladt Industries was awarded a contract for the delivery of a complete and fully installed substation to the Belgian project Northwester 2 Offshore Wind Farm. The contract was a turnkey contract (EPCI contract), which includes everything from design to final installation.

In August 2019 the 1,000 tons topside left the site of Bladt Industries in Aalborg followed by the final

installation on site offshore from the Belgian coast.

Northwester 2 is controlled and developed by Parkwind NV. The park is installed about 46 kilometres off the Belgian coast. The park has a total installed capacity of 219 megawatt.



Kistefos Museum, Norway

Infrastructure

Kistefos, Art Gallery Bridge, Norway

In September 2019, Bladt Industries could deliver one of the company's most advanced constructions to date - a technically complex arts building, "The Twist", at the Kistefos Museum and Sculpture Park, which, in addition to being an architectural gem, also connects the north and south sides of the Randselva river in Jevnaker outside Oslo. The arts building is an extension of the sculpture park and forms part

of the Kistefos Museum, which is considered as one of the most important contributions to Norwegian and Scandinavian industrial history.

Køge Nord Station, Denmark

Bladt Industries delivered in May 2019 the unique pedestrian bridge for Køge Nord Station. As the general contractor on this project, Bladt Industries' scope covered all steel work, earth work, drainage, foundations, concrete work, bridge flooring, thermal envelope and smoke ventilation, elevator, escalators, electrical work as well as finalizing the outfitting of the bridge. The contract

was signed with the national Danish rail track operating company, Banedanmark.

Folehaven, Denmark

In the first quarter of 2019 Bladt Industries signed a contract with the Municipality of Copenhagen to build a bicycle and pedestrian bridge crossing a trafficable junction in the outskirts of Valby near Copenhagen. The bridge was delivered in seven sections during the winter 2019. The work consist of manufacturing, transportation and installation of the bridge but also foundation and earth works, groundwater lowering, concrete



Køge Nord Station, Denmark

and asphalt works. The total length of the unique bridge designed by Dissing & Weitling is 135 metres in total.

Oil Terminal, Denmark

Bladt Industries and Port of Frederikshavn signed in April 2019 a three-digit million DKK contract for the construction of a new oil terminal, which will be built on the new part of the port in Frederikshavn in Denmark. The establishment of the new oil terminal is a turnkey-project, which means that Bladt delivers everything from design and construction to commissioning. The oil terminal will consist of 11 storage tanks

and with a total capacity of 74,400 m³.

Prøvesten, Denmark

Early 2019 Bladt Industries signed contract with Oiltanking Copenhagen (OTC) for the delivery of steel and piping at Prøvestenen Oil terminal in Copenhagen, Denmark. The scope comprise steel supports, 6 kilometres piping and installation on site. The project will be completed in the spring of 2020.

Lepsøya Bridge, Norway

In the first quarter of 2019 Bladt Industries and Skanska Norway signed

a contract to build the Lepsøy Bridge in Møre and Romsdal country municipality in Norway. The bridge is part of a large infrastructural project launched by the Norwegian Highway Authority.

The Lepsøya Bridge will become an 805 meters long and 4,100 tons heavy steel bridge. The bridge is planned to be installed in the third quarter of 2020 where after Skanska will complete the concrete super structure.



Harbour & Marine

Halmstad, Sweden

In December 2018, Halmstad Kommune and Bladt Industries signed a contract for the delivery of a complete passenger facilities system, which covers passenger gangway system, new Ro-Ro ramp for upper car deck and new Ro-Ro system for lower deck.

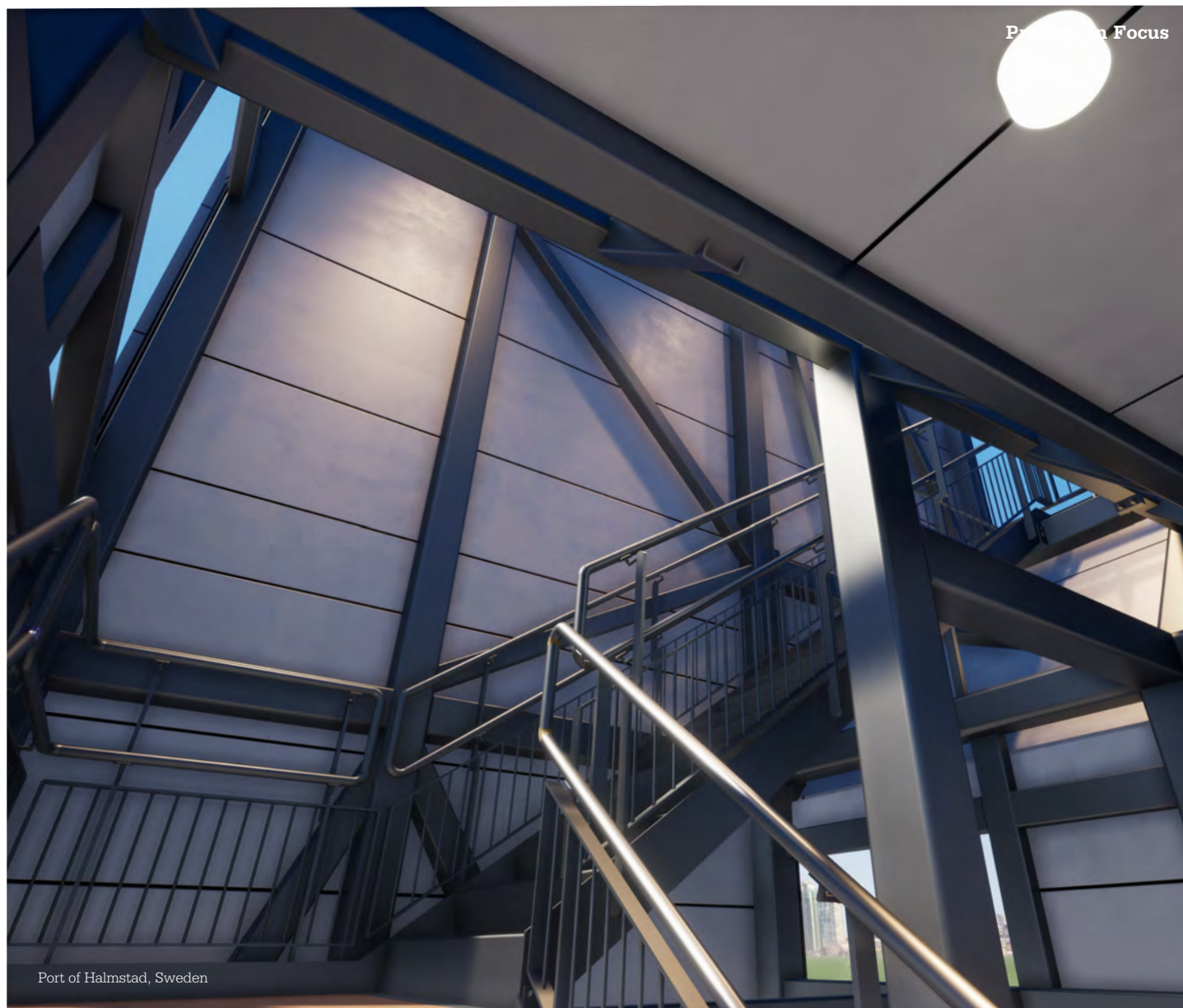
Bladt Industries is the turnkey contractor of the project, which consists of complete design and dimensioning, manufacturing, delivery and installation.

The delivery of the final passenger landing facilities will take place late 2019.

Hirtshals, Denmark

Port of Hirtshals and Fjord Line awarded in May 2019 Bladt Industries a turnkey contract for the delivery of complete passenger facilities systems, which includes a new Ro-Ro ramp, new ramp for upper car deck and new 14 metres long passenger gangway system. The Ro-Ro ramp with the dimensions 30 x 25 metres and a weight of 240 tons is the largest for Bladt Industries to deliver to date.

The contract is a turnkey contract, which covers complete design and dimensioning, manufacturing, delivery and installation with floating crane. The final hand over of the project is scheduled to take place March 2020.



Port of Halmstad, Sweden

Kristiansand, Norway

Fjord Line and Bladt Industries entered a turnkey contract in June 2019 for the delivery of a new passenger gangway system including new stair and lift tower.

The entire project will be in operation March 2020.

Corporate Governance

Governance, Board of Directors and Management

In 2012, Bladt Holding A/S acquired all shares in Bladt Industries Holding A/S and thereby in Bladt Industries A/S. Nordic Capital Fund VII is the ultimate majority shareholder in Bladt Holding A/S, and a number of executives and board members hold shares and warrants in Bladt Holding A/S.

By virtue of its ownership, the group is subject to the "Guidelines for responsible ownership and corporate governance" laid out by the Danish Venture Capital and Private Equity Association (DVCA). It is the intention of Bladt Industries to comply with the guidelines including substantiating any deviation. Further information regarding the guidelines is available at DVCA's website www.dvca.dk.

The organization of the tasks of the Board of Directors and the Executive Board is, among other things, based on the Danish Public Companies Act, the Danish Financial Statements Act, the articles of association of the company and the rules of procedures for the Board of Directors of the company. The Board of Directors and the Executive Board apply these requirements and procedures according to good practices in comparable companies. Additionally, Bladt Industries intends to comply with DVCA's "Guidelines for responsible ownership and corporate governance" as described above.

The Board of Directors consists of five members. One member is a representative of the ultimate majority shareholder (Lars Terney of NC Advisory A/S), two are elected at the annual general meeting and are independent of the ultimate majority shareholder (Bjarne Moltke Hansen and Jørgen Huno Rasmussen), and two are elected by the employees of Bladt Industries according to the Danish Public Companies Act.

The Board of Directors represents international business experience in the areas of industry, business development, large-scale contracting, offshore wind, M&A transactions, finance management and general management and are deemed to possess the necessary competences and seniority.

Rules of procedures have been adopted by the Board of Directors governing the board conduct. Additionally, the Board of Directors employs the following subcommittees: Executive (Chairman's) Committee, Audit Committee and Remuneration Committee. The following board members are represented in the individual committees:

- Executive (Chairman's) Committee: Bjarne Moltke Hansen (Chairman), Lars Terney
- Audit Committee: Bjarne Moltke Hansen (Chairman)
- Remuneration Committee: Lars Terney (Chairman), Jørgen Huno Rasmussen

Four ordinary board meetings are held per year. Among other things, the Board of Directors determines the strategy of the company, decides the composition of the Executive Board, monitors Executive Board compliance with the strategy and the procedures of the company, and is an active sparring partner to the management of the company. Additionally, six ordinary Executive (Chairman's) Committee meetings are held per year with the Executive Board to further follow-up on the direction and operations of the company between board meetings. The Executive Board and management of the company prepare a monthly report to the Board of Directors detailing the company's operational and financial performance as well as capital resources.

The Audit Committee operates according to its charter approved by the Board of Directors and refers to the Board of Directors. The tasks of the Audit

Committee as specified in its charter include, among other things:

- To monitor the financial reporting process and the company's presentation of financial statements
- To monitor the adequacy and application of accounting policies and of significant accounting estimates
- To monitor whether the company's systems of internal controls and risk management practices function efficiently
- To monitor the external statutory audit of the company's annual financial statements
- To monitor the independence of the external auditor
- To make recommendations to the Board of Directors concerning the appointment of external auditors

Four Audit Committee meetings are held per year.

The Audit Committee has organized and formalized its tasks in its annual plan approved by the Board of Directors.

Board of Directors and Diversity

Report on the gender composition in management, cf. section 99b of the Danish Financial Statements Act:

It is the objective of Bladt Industries to promote diversity, including obtaining a reasonable representation of the underrepresented gender in the Board of Directors, in order to strengthen the breadth of the Bladt Industries perspectives and competences and to further improve decision processes. It is also the objective of the Board of Directors to ensure that its members supplement each other in the best possible way with regard to e.g. competences, age, background, gender and nationality as relevant to the needs of Bladt Industries. The recommendation of candidates for the Board of Directors will thus always be based on an assessment of the competences and experience of the individual candidate, how they match the needs of Bladt Industries and of the

contribution to the overall efficiency and skill set of the Board of Directors.

At present, all members of the Board of Directors are male while the Executive Board consists of 2 males and 1 female. During 2019, the female representation within the Executive Board increased from 0 to 33 %. In group Management 10% of the members are female, while 90% are male. During 2019, the female representation within Group Management increased by 0 %.

Generally, diversity is seen as a strength to Bladt Industries, which can contribute positively to Bladt Industries development, robustness and fulfillment of established strategies and plans. Diversity in age, gender, experience and skills is given high priority.

The Board of Directors wants an open and open-minded culture, where the individual employee can utilize his or her competences in the best possible way regardless of gender. Bladt Industries employees, regardless of gender, must find that they have the same opportunities for career and management positions. Bladt Industries appoints managers under the premise that the best suited is always employed/appointed regardless of gender. Bladt Industries policy on the underrepresented gender, focuses on how Bladt Industries ensures a balanced composition of men and women in management positions. A balanced composition requires a focus on "Women in management".

Bladt Industries offers all employees the opportunity to develop professional and personal competencies through participation in internal and external opportunities for courses and education. It is Bladt Industries goal that women and men generally participate equally in these offers.

Bladt Industries wants to inspire all employees to become part of Bladt Industries management. Managers at all levels must be aware of employees with personal and professional competencies that could form the basis for development to a position at management level.

When reviewing the results from Bladt Industries people development interviews and follow-up interviews, the manager must form an impression of the employee's potential managerial potential. Any employee's wishes and aspirations for managerial careers must be part of any development interview with the individual employee.

In order to attract more women to apply for jobs at Bladt Industries, Bladt Industries has amongst other initiatives, had women to front Bladt Industries at different sales fairs.

The 2019 objective was:

- To ensure a representation of women in the Board of Directors corresponding to 20-25% of the board members elected at the Annual General Meeting (one board member) within a three-year period.
- To ensure that the employees view the company as having a modus operandi and culture in which individual employees have equal career opportunities regardless of gender, nationality, race religious beliefs etc.

In 2019 the objective for the period 2017-2020 was not yet met, as there were no additions to or replacements of board members.

Capital Structure

Bladt Holding has one share class. Group management, the Audit Committee and the full Board of Directors regularly evaluate the sufficiency of the company's capital structure and whether the capital structure is aligned with the interests of the company and its stakeholders. The overall objective is to ensure a capital structure that facilitates profitable long term growth and value creation.

Internal Controls and Presentation of Accounts and Annual Financial Statements

The group's internal controls and risk management regarding presentation of the accounts and the annual financial statements are organized with a view to substantially reduce the risk of significant errors, omissions and/or imperfections

in the presentation of the accounts. To ensure this, management establishes relevant policies, procedures and control mechanisms. The Board of Directors – both directly and via the Audit Committee – and management evaluate significant risks and internal controls in regard to the group's presentation of accounts on an ongoing basis.

On behalf of the Board of Directors, the Audit Committee monitors the presentation of accounts and annual financial statements as well as the sufficiency and efficiency of the internal controls, including financial reporting standards, accounting principles, and significant accounting estimates and judgments on an ongoing basis. These and other issues are being reported to the Board of Directors by the Audit Committee prior to the approval of the annual financial statements and throughout the year when relevant.

In 2019, the company has continued updating and formalizing its systems of internal control related to operations, accounting and financial reporting. This effort is already well progressed within a number of areas and is part of the continuous effort to reduce the risk of errors, omissions and/or imperfections in the company's accounts. The Audit Committee monitors this process.

In addition to the audited annual financial statements, Bladt Industries Executive Board and management prepare an unaudited monthly report to the Board of Directors detailing the company's performance including the financial position and development, performance against budget, capital resources, order backlog as well the health, safety and quality performance. These reports are reviewed at Board meetings, Audit Committee meetings and Executive (Chairman's) Committee meetings.



Organisation and Society

Corporate Social Responsibility and Human Resources

Corporate responsibility is a key enabler for Bladt Industries as a business, supporting sustainable long-term performance by managing non-financial risks that can impact our reputation and market position.

Bladt Industries consider it fundamental to maintain a culture focused on embedding responsible business behaviors. Therefore, all employees are expected to act in accordance with the requirements of the company's CSR policies at all times.

We work to build a culture where our people are empowered to make the right decisions and know where to go to seek help or guidance. Our CSR policies sets out clear expectations on ethical conduct and Bladt Industries offer training and support to help people understand the right thing to do.

CSR policies consist of statements on the following areas: human rights, social conditions, environmental and climate issues as well as Bladt Industries zero tolerance policy on corruption and how this is established in our business strategy and business activities.

In 2019 Bladt Industries launched CSR policy training as part of the induction program for all new employees and therefore they receive training in the main areas of the CSR policies.

Bladt Industries' activities with e.g. construction, production, surface treatment and assembly of steel structures means that it is natural for Bladt Industries to focus on social responsibility. Including, among other things, safety and health for employees and stakeholders. More on the business model of Bladt Industries is available in section "Built to Last", where Bladt Industries three business areas is described in more detail. At Bladt Industries, the social responsibility is utilized in policies, programs and activities which aim to ensure that Bladt Industries takes its share of social responsibility. Bladt Industries is constantly working to improve its efforts. This is done risk-based and in line with approved CSR principles.

During 2019, Bladt Industries has upgraded the CSR regime at Bladt Industries from having a Code of Conduct, quality policy, safety policy and environmental policy to having a more detailed CSR program, which will be two sided with focus on Bladt Industries internal CSR setup as well as Bladt Industries Responsible Partner

Program, which focus on Bladt Industries suppliers. The work has included creating a CSR Committee, which is approved by the Board. The Board delegates the detailed oversight of corporate responsibility matters to the CSR Committee, which is chaired by the CEO. The CSR Committee meets as a minimum twice a year and agrees the Bladt Industries responsible business priorities relating to our employees, trust and integrity, health and safety, and resource efficiency. The work is currently ongoing and includes, among other things, new and more detailed policies which aim to further clarify the internal and external demands towards staff and e.g. suppliers, a more formalised Compliance Program, 2019-KPIs and more systematic management reporting on CSR compliance.

Within the areas of quality, work environment, safety and environment Bladt Industries has certifications and meets the requirements of management system standards for - ISO 9001:2015, OHSAS 18001:2008, ISO 38342:2005, En1090-2:2008, En1090-1:2009. The fact that Bladt Industries has these certifications means that Bladt Industries continually has focus on evaluating its activities, as this is an implied demand to maintain the certifications. Bladt Industries



has policies and processes consistent with what is prescribed under the certifications. The certificates are available on the Bladt Industries website, where further information is also available.

In addition, Bladt Industries has implemented a new Code of Conduct, which is imposed on suppliers. The Bladt Industries Code of Conduct stipulates i.e. that Bladt Industries respects and supports human rights, labour rights, respect for the environment, anti-corruption, social responsibility, responsibility for the local environment, trade sanctions, personal data protection, responsible accounting methods and respect for tax legislation. Within the areas of quality, health & safety, environment and CSR, Bladt Industries has, in 2019 performed on-site audits of suppliers. Compliance of the Bladt Industries Code of Conduct is also included in these audits.

Furthermore, Bladt Industries has carried out employee training for new employees regarding the content of Bladt Industries Code of Conduct and the management of Bladt Industries has received training in rules and principles of social responsibility from external consultants.

In 2019, Bladt Industries has reduced its climate impact by replacing the light fixtures. By 2020, Bladt will purchase all electricity for its production by wind turbine-generated electricity. The power is purchased via RECS certified wind turbine power. Bladt Industries is considering further initiatives.

Suppliers

Bladt has identified an area which entails a particular risk that stakeholders' rights will be negatively affected by the activities of Bladt Industries. The risk concerns suppliers failing to comply with Bladt Industries' requirements in the Code of Conduct, particularly in relation to labor rights. The assessment hereof has been tightened as Bladt Industries has increased its international cooperation.

Due to this risk Bladt Industries has initiated a more comprehensive approach to its CSR work to ensure ongoing updates aiming to meet market requirements.

The upgraded corporate responsibility programme will focus on:

- developing an inclusive, diverse workplace to drive innovation and performance, and
- supporting our employees in making

the right decisions via speak up channels;

- continuously improving employee wellbeing and standards of safety for
- employees and those we work with; and
- continuously improving our suppliers compliance with our Responsible Partner Programme

The work is planned risk-based around two main initiatives:

(1) A Responsible Partner Programme where the aim is to intensify activities toward suppliers regarding certain requirements coming from Bladt Industries' Code of Conduct. Bladt Industries has in the process drawn upon expertise from large customers aiming to meet their demands but also to prepare for further similar situations. Updated and new policies will be introduced accordingly.

(2) Introducing, formalising and implementing stronger and clearer internal compliance procedures and processes in relation to a number of CSR-related topics aiming to structure and increase the overall compliance level to a more ambitious standard. An example is improving existing procedures (e.g. Code of Conduct and Staff Handbook) with a number of



more elaborate and specific policies and procedures. In that connection, a more formal and professional set-up for ensuring compliance is planned.

Bladt Industries work with suppliers and their supply chains to provide fully compliant, cost-effective equipment, goods, services and solutions. The Majority of our supplier relationships are often long term, so we aim to work with suppliers who share Bladt industries' values and who embrace standards of ethical behavior consistent with our own.

Bladt Industries' policy is to identify and select suppliers, who meet our standards, and support them by managing risks throughout the lifecycle of any commercial arrangement. Bladt Industries continue to engage with our suppliers for ongoing assurance at all stages of a project. If areas of non-compliance are identified, the supplier and Bladt Industries will collaborate and agree on an action plan of appropriate improvement measures. These shall mitigate and remedy the adverse impacts caused by the breaches or non-compliance and enable the supplier to identify and prevent similar occurrences in the future. Bladt Industries requires our suppliers to engage actively and without reservation in these activities.

Bladt Industries' Code of Conduct support our commitment to human rights. This results, for example, in due diligence being carried out during the supplier evaluation stage against non-financial risks, including human rights, working hours, harassment and unlawful discrimination, speak-up procedure, slavery, human trafficking and

child labour. Bladt Industries' Code of Conduct also include a strict zero tolerance policy on corruption.

Health and Safety

Bladt Industries has collective focus on employee wellbeing as well as the health and safety of employees and those who work on, or visit, our sites. Bladt Industries safety culture and our employees demand high standards for all aspects of health and safety.

This is supported both by Bladt Industries Health and Safety Policy and the principles contained within our Code of Conduct for employees.

Bladt Industries recognise that good mental and physical health contributes to better decision making, greater productivity and higher levels of employee satisfaction.

Bladt Industries' business is highly complex and our employees are exposed to many risks. These range from slips, trips

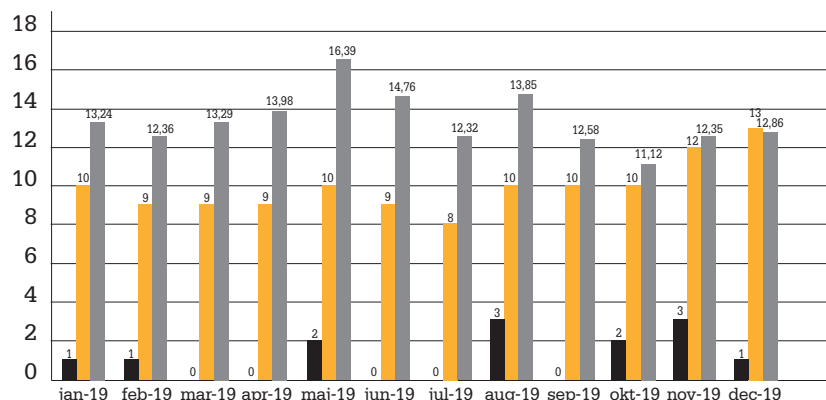
and falls in an office environment, confined space working and machinery hazards within manufacturing.

Many of our employees operate heavy equipment, work at height or do physically demanding work in high-risk environments.

In order to ensure consistency, all employees are required to comply with our Health and Safety Policy, which outlines and prescribes the responsibilities and arrangements in place for ensuring safety. It is the responsibility of Bladt Industries as well as the management and line managers to ensure that employees comply with the policy.

Bladt Industries aim to mitigate or manage safety risks by finding new ways to enhance safety standards, increase awareness and continually drive a strong safety culture e.g. all staff is required to make reverse parking to focus their mindset on safety from the minute they enter Bladt Industries' site.

TRIF (Total recordable incident frequency)



Bladt Industries aim to reduce exposure levels to hazardous substances and to seek alternatives, where possible. We provide our employees with health surveillance to understand and reduce the impact of workplace health risks.

We use the Total Recordable Incident Rate/Frequency as a key performance indicator to measure workplace injuries. In 2019, there was no reduction in the Recordable Incident Rate, no lost time injuries and no fatalities as Bladt Industries' continued to focus on reducing risk and embedding safety culture to drive improvement.

In 2019, a significant focus area was to reduce LTIF.

The Lost Time Injury Frequency (LTIF) – a key indicator for Bladt Industries' health and safety performance – improved during 2019. The overall goal is always to strive for a LTIF performance of 0 – this goal was achieved in 2019.

Environment

Bladt Industries aim to comply with all applicable environmental regulations and laws, which govern Bladt Industries activities. In order to show consideration for the next generation, Bladt Industries support initiatives towards a cleaner and more environmentally friendly production process in order to secure a minimization of negative consequences for the environment and Bladt Industries, as a company, are committed to limiting our impact on the environment. Bladt Industries will continuously work on climate and environmental management to limit our impact on the environment, for example, by way of reducing raw material and energy consumption, reducing and recycling waste and investing in environmental.

Human Resources

Bladt Industries conducts People Development Dialogues and Employee Satisfaction surveys on an annual basis supported by online tools. More than 84% of the salaried employees and 41% of the blue collars participated in the Employee Satisfaction survey in Q4 2019 providing a strong basis for the dialogue on the requirements for professional development. Moreover, the updated organizational structure

of Bladt Industries in 2019 is among other things aimed at further improving both project and people management.

The training and education of apprentices continues to be of significant importance to Bladt Industries. At the end of 2019, 10 apprentices were under training, all within welding. This is an investment ensuring both a qualified employee base for Bladt Industries' further growth as well as a contribution to the important task of educating skilled professionals for the local communities.

At the end of 2019, Bladt Industries employed 495 employees in Denmark which is 220 more than at the end of 2018. The number of employees is significantly higher at the end of 2019 compared to 2018 due to an increased order intake. International employees are comprised of the subsidiaries in Poland and Taiwan.

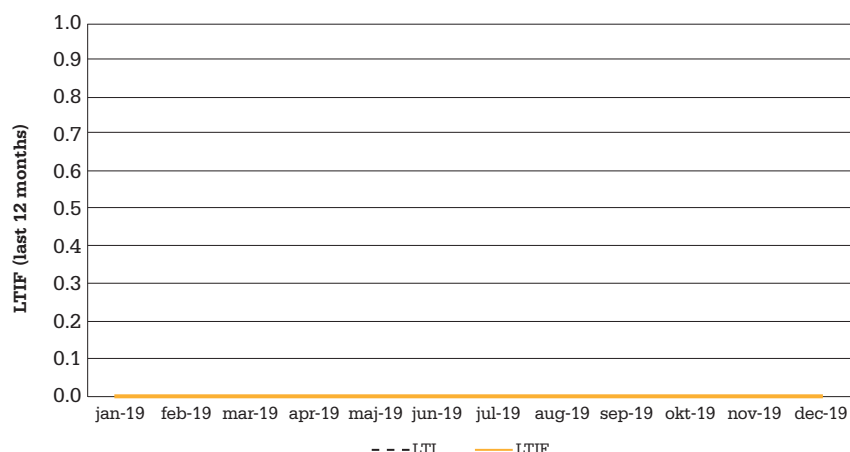
The ratio of absence due to illness showed a significant improvement in 2019 compared to 2018. In 2019, the focus on follow-up and dialogue in case of absence has continued in order to keep the ratio within the blue collar work force at a low level. The ratio of absence due to illness is above Bladt Industries' target.

Anti-corruption

Bladt Industries has a zero-tolerance policy on corruption and the principle is applied internally to employees as well as externally to our business partners. It is based on a promise to uphold a deep ethical integrity regardless of which country we operate in and combat any kind of corruption. The vision is deeply imbedded within Bladt Industries and has led to a reputation of high integrity which we are proud of and work to maintain.

Bladt Industries has a special focus on facilitation payments and bribery as these have been identified as the greatest risk in the industry and in the countries we operate. Our overall CSR risk assessment shows that anti-corruption has a low risk due to the very strict policies and rigorous screening of suppliers both before and during an engagement. The biggest risks regards new employees and their familiarity with the internal policies and suppliers. To mitigate the employee risk Bladt Industries keep communication high and new employees are included in a mandatory introductory program where anti-corruption is a topic. In 2019 Bladt Industries hired 220 employees in 2019 all of which were included in the program. To mitigate the supplier risk Bladt Industries has updated our supplier screening and made the Responsible Partner Program described above.

LTIF and Lost time incidents, 12 months running



Risk Management

At Bladt Industries, risk management is an essential and integrated element of the execution of the project portfolio, of the realization of the objectives of Bladt Industries, and of the further development of the company's business system and processes. The following section includes a non-exhaustive description of risks related to Bladt Industries' activities and the management of these risks.

Commercial Risks

The main commercial risks of the group are related to (a) the execution of current projects, (b) ensuring a pipeline of future projects, and (c) adapting the capabilities and scale of operations to the changing demands in the marketplace.

To execute projects, Bladt Industries relies both on the competences of employees as well as selected suppliers. Bladt Industries employs a highly skilled work force across a large range of disciplines such as project management, welding, production and material management, site logistics, planning, quality assurance and control, HSE, contract management, tender management, controlling, finance and administration. This qualified work force is the cornerstone of successful project execution. Bladt Industries' project managers master a variety of proven project management tools that are continuously developed and adapted to the specific project at hand. Project Managers are supported throughout the execution of projects by specialists within legal, contract and financial management, quality, health and safety, planning etc. Physical production of very large structures may be impacted by adverse weather conditions. To mitigate such impact, Bladt Industries calculates with standard periods of adverse

weather when planning projects as well as ensuring flexibility in production facilities to quickly adapt to the impact of weather changes and other non-controllable factors.

A strong cooperation with selected suppliers that Bladt Industries works closely with on the individual projects further ensures a successful project execution. Such cooperation improves competitiveness, enhances capacity and mitigates risks by having projects completed at independent sites thereby reducing reliance on any single site. Significant suppliers are evaluated and monitored closely before and during the project so that potential issues – e.g. within quality, capacity, capability, HSE or CSR – are dealt with prior to the project and any issues that may arise during the project are mitigated in a timely manner. Furthermore, major suppliers are incentivized to avoid inadequate performance on their part via targeted contractual milestones, bonuses, penalties and warranties. To this end, Bladt Industries' project and contract managers work with standard sub-supplier contracts. Such standard supplier contracts are continuously updated by Bladt Industries' legal team in cooperation with project management.

Prior to contracting a potential project, the contract and calculations are reviewed in accordance with defined procedures for tendering. During the project execution phase, projects are reviewed frequently by project management, division management and top management using standard project reporting templates. Such reviews focus on financial performance, project progress, execution issues as

well as actual and potential risks. These reviews are an integrated part of project execution and risk management.

Securing a pipeline of potential new projects, winning new projects and adapting capacity and capabilities to the future needs of the marketplace are of paramount importance to the longer term profitable growth of Bladt Industries. Therefore, management regularly tracks and reviews developments in the potential project pipeline within the various target segments and based on this adapts the in-house and sourced capacities and capabilities to the project pipeline. The level of demand is primarily dependent on the developments in the Northern European market for offshore wind and secondarily in the global offshore wind and Northern European offshore oil and gas markets as well as the Scandinavian markets for infrastructure projects with a certain steel content and complexity.

Execution of major projects and developments in the business pipeline are also regularly reviewed at all board meetings.

In order to further ensure the continued competitiveness and strong market position, Bladt Industries closely monitors ongoing and potential developments in relevant technologies regarding end products – for instance in innovative offshore wind foundation and substation designs – as well as regarding fabrication, assembly and transportation processes. As examples, Bladt Industries in 2019 continued to participate in the development and testing of various new automated robot welding techniques for large offshore steel structures and have

developed an innovative supply chain concept for jacket foundations for offshore wind turbines.

Financial Risks

Bladt Industries' financial risks are described in note 29 to the financial statements.

Insurance Risks

Bladt Industries takes out statutory insurances as well as the insurances which are deemed to be relevant in order to mitigate or eliminate unwanted risks. At regular intervals, Bladt Industries conducts a review of the insurances in cooperation with an external insurance specialist. Additionally, Bladt Industries may take out project specific insurance depending on the requirements of the individual projects



Board of Directors, Executive Board and Group Management

Board of Directors

Bjarne Moltke Hansen, Chairman

- Chairman Audit Committee and Chairman Executive Committee of Bladt Industries A/S
- Chairman of the Board of Aalborg Portland Holding A/S, RM Rich . Müller A/S and Pindstrup Mosebrug A/S
- Vice-Chairman of the Board of Per Aarsleff Holding A/S
- Member of the Board of Danish SGD Investment Fund, Investment Committee, LKAB

Lars Terney, Deputy Chairman

- Chairman Remuneration Committee and Member Executive Committee of Bladt Industries A/S
- Partner, NC Advisory A/S, adviser to Nordic Capital Funds
- Member of the Board of NC Advisory A/S

Jørgen Huno Rasmussen, Member

- Member Remuneration Committee of Bladt Industries A/S
- Professional board member in a number of companies. Previously CEO FLSmidth & Co. A/S, Veidekke ASA and Hoffmann A/S
- Chairman of the Board of Lundbeckfond, Lundbeckfond Invest A/S
- Deputy Chairman of the Board of Rambøll Gruppen A/S, Terma A/S, Thrige-Titan A/S
- Member of the Board of Haldor Topsøe A/S, Otto Mønsted Aktieselskab, Thomas B. Thriges Fond, Thrige Holding A/S

Kristian Kærsgaard, Member (elected by employees)

- Department Manager, Gratings

Claus Uhrenholt, Member (elected by employees)

- Blacksmith

Executive Board

Klaus Steen Mortensen, CEO

- Chairman of the Board of BGB A/S
- Member of the Board of Blue Power Partners A/S and W. Lynggård Petersen's familiefond.

Peter Rindebæk, Deputy CEO and COO

Anne Kaptain, CCO

(Legal, HR, Communications & Administration)

Managerial posts in group companies and subsidiaries of Bladt Industries A/S have not been included in the above lists.

Group Management

Thomas Møller Nielsen, Acting CFO

Nils Overgaard, CSO

Troels G. Jensen, SVP, Wind & Energy, Substations & Platforms

Kim Bringsjord, SVP, Infrastructure

Klaus Munck Rasmussen, VP, Wind & Energy, Foundations

Jan Marcussen, Head of Quality

Michael Saxtoft, VP, Head of Change Management

Kim Møller Sørensen, VP, Strategy, Controlling & IT

Anders Hecht-Pedersen, VP, Head of Procurement

Statements

Statement by the Board of Directors and the Executive Board

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Bladt Industries A/S for the financial year 1 January – 31 December 2019.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations and cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year

and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aalborg, 29 April 2020

Board of Directors

Bjarne Moltke Hansen
Chairman

Lars Terney
Deputy Chairman

Jørgen Huno Rasmussen

Claus Uhrenholt

Kristian Kærsgaard

Executive Board

Klaus Steen Mortensen
CEO

Peter Rindebæk
Deputy CEO and COO

Anne Kaptain
CCO (Legal, HR, Communications &
Administration)

Independent Auditors' Report

To the shareholders of Bladt Industries A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Bladt Industries A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies "financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on

Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and 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 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 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 about 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 the 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Aalborg, 29 April 2020

PricewaterhouseCoopers
CVR.nr. 33771231
Statsautoriseret
Revisionspartnerselskab

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Thyge Belter
State Authorised Public Accountant
mne30222

Financial Statements

for the period 1 January - 31 December 2019

Income Statement

DKK'000	Note	2019	2018
Revenue	3	2,167,940	1,455,280
Production costs	4, 5	-2,167,249	-1,364,278
Gross profit		691	91,002
Distribution costs	4	-14,991	-13,714
Administrative expenses	4, 5, 6	-35,581	-33,652
Earnings before interest and tax (EBIT)		-49,881	43,636
Profit/loss in joint ventures	16	-2,022	0
Financial income	7	3,179	765
Financial expenses	8	-7,073	-8,465
Profit before tax		-55,797	35,936
Tax on profit for the year	9	14,150	-6,453
Profit for the year		-41,647	29,483
Proposed appreciation of profits			
Extraordinary dividend paid		10,000	50,000
Suggested dividend		0	0
Retained earnings		-51,647	-20,517
		-41,647	29,483

Financial Statements

for the period 1 January - 31 December 2019

Statement of Comprehensive Income

DKK'000	Note	2019	2018
Profit for the year		-41,647	29,483
Other comprehensive income			
Hedging of future cash flows	10	0	1,600
Tax on hedging instruments	10	0	-352
Items that can be reclassified to profit or loss		0	1,248
Other comprehensive income after tax		0	1,248
Total Comprehensive income		-41,647	30,731

Balance Sheet

DKK'000	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets			
Other intangible assets	11	1,961	1,558
Total non-current assets		1,961	1,558
Property, plant and equipment			
Plant and machinery	12	101,682	79,521
Fixtures and fittings, other plant and equipment	12	1,554	1,752
Assets under construction	12	1,959	10,337
Lease assets	13	92,000	71,959
Total property, plant and equipment		197,195	163,569
Other non-current assets			
Investments in subsidiaries	14	2,197	1,797
Investments in associated companies	15	1,000	1,000
Investments in joint ventures	16	4,776	0
Total other non-current assets		7,973	2,797
Total non-current assets		207,129	167,924
Current assets			
Inventories	17	5,585	3,845
Construction contracts	18	237,996	30,143
Receivables	19	753,848	625,264
Prepaid costs	20	1,917	598
Cash at bank and in hand	27	0	118,486
Total current assets		999,346	778,336
TOTAL ASSETS		1,206,475	946,260

Balance Sheet

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity	21		
Share capital		44,000	44,000
Retained earnings		334,244	385,730
Total equity		378,244	429,730
Liabilities			
Non-current liabilities			
Deferred tax	22	2,738	26,275
Provisions	23	1,000	1,000
Lease liabilities	13	70,553	62,066
Other non-current liabilities		10,145	0
Total non-current liabilities		84,436	89,341
Current liabilities			
Lease liabilities	13	24,356	10,458
Construction contracts	18	200,273	141,816
Trade payables		343,730	161,299
Bank debt	27	80,418	0
Corporation tax payable	24	0	1,571
Other liabilities	25	95,018	112,045
Total current liabilities		743,795	427,189
Total liabilities		848,444	516,530
TOTAL EQUITY AND LIABILITIES		1,206,475	946,260

Cash Flow Statement

DKK'000	Note	2019	2018
Profit for the year before tax		-55,797	35,936
Adjustment for non-cash operating items etc.:			
Depreciation, amortization and impairment	5	49,097	45,717
Other non-cash operating items, net	5	-2,772	-101
Profit/loss in joint ventures		2,022	0
Financial income	7	-3,179	-765
Financial expenses	8	7,073	8,465
Cash generated from operations (operating activities) before changes in working capital		-3,556	89,252
Changes in working capital	28	-105,490	200,691
Cash generated from operations (operating activities)		-109,046	289,943
Interest received	7	3,179	765
Interest paid	8	-7,073	-8,465
Corporation tax paid	24	-10,958	-683
Cash flows from operating activities		-123,898	281,560
Acquisition of property, plant and equipment and other intangible assets	11, 12, 13	-83,223	-13,940
Disposal of property, plant and equipment	12, 13	2,869	192
Acquisition of associated companies (shares)	15	-400	0
Acquisition of joint venture company (shares)	16	-6,637	0
Net cash flows from investing activities		-87,391	-13,748
Free cash flows		-211,289	267,812
External financing:			
Entering of new leases		41,202	0
Repayment of lease liabilities		-18,817	-13,540
Shareholders:			
Dividends distributed		-10,000	-50,000
Cash flows from financing activities		12,385	-63,540
Net cash flows from operating, investing and financing activities		-198,904	204,272
Cash and cash equivalents at 1 January		118,486	-85,786
Cash and cash equivalents at 31 December		-80,418	118,486

Ample liquidity reserves, please refer to note 27, page 58.

Statement of Changes in Equity

DKK'000	Share capital	Retained earnings	Total equity
Equity 1 January 2019	44.000	385,730	429,730
Comprehensive income in 2019			
Profit for the year		-41,647	-41,647
Exchange rate adjustments		161	161
Total comprehensive income for the period		-41,486	-41,486
Transactions with shareholders			
Distributed interim dividends		-10,000	-10,000
Total transactions with shareholders		-10,000	-10,000
Equity 31 December 2019	44,000	334,244	378,244
 Equity 1 January 2018	 44,000	 404.999	 448.999
Comprehensive income in 2018			
Profit for the year		29,483	29,483
Other comprehensive income		1,248	1,248
Total comprehensive income for the period		30,731	30,731
Transactions with shareholders			
Distributed interim dividends		-50,000	-50,000
Total transactions with shareholders		-50,000	-50,000
Equity 31 December 2018	44,000	385,730	429,730

For more information, see note 21.

Notes to the Financial Statements

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1 Accounting policies

Bladt Industries A/S is a limited company domiciled in Denmark. The financial statements section of the annual report for the period 1 January – 31 December 2019 comprises the Company's financial statements. Under reference to Section 112 of the Danish Financial Statements Act, it has been decided not to prepare separate consolidated statements for Bladt Industries A/S, as the Company and its subsidiaries are incorporated in the consolidated financial statements of Bladt Holding A/S, CVR no. 34 07 34 30. The financial statements of Bladt Industries A/S for 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. On 29 April 2020, the Board of Directors and the Executive Board discussed and approved the annual report of Bladt Industries A/S for the financial year 2019. The annual report will be presented to the shareholders of Bladt Industries A/S for approval at the annual general meeting.

Basis of preparation

The company's financial statements have been presented in Danish kroner, rounded to the nearest thousand. The company's financial statements have been prepared on the historical cost basis.

Implementation of new standards

The group has applied new standards and interpretations for 2019. This comprises:

- IFRIC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements 2015-2017 Cycle
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures

None of these interpretations or

amendments have had any significant impact on the accounting policies applied.

Apart from the above, the accounting policies are unchanged.

The accounting policies set out below have been used consistently in respect of the financial year.

Description of accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the transaction date and the date of payment are recognized in profit or loss as finance income or finance costs. Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognized in the latest annual report is recognized in profit or loss as finance income or finance costs.

Derivative financial instruments

Derivative financial instruments are recognized at the date a derivative contract is entered into and measured in the statement of financial position at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognized assets and liabilities are recognized in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future cash flows are recognized in other comprehensive income and classified as a separate reserve within equity. For derivative financial instruments that do not qualify for hedge accounting, changes

in fair value are recognized in profit or loss as finance income or finance costs.

Income statement

Revenue

Contracts for delivery of constructions are recognized as revenue by reference to the stage of completion if both of the following criteria are met:

- there is no alternative use for the completed construction should the contract be cancelled
- the customer has an obligation to pay for the sales value of the work completed to date should the contract be cancelled by the customer.

The Group's contracts generally meet these criteria, and accordingly, revenue corresponds to the value of work performed during the year (the percentage of completion method).

Revenue is recognized by reference to the stage of completion when the total income and expenses on the construction contract and the stage of completion at the balance sheet date can be measured reliably and it is probable that future economic benefits, including payments, will flow to the company.

When the income from a construction contract cannot be determined reliably, revenue is recognized only corresponding to the costs incurred to the extent that it is probable that they will be recovered.

Revenue is measured at the consideration agreed ex. VAT and taxes charged on behalf of third parties and excluding a significant financing component, if any. All discounts granted are deducted from revenue.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and depreciation, amortization and impairment losses regarding production plant. Provision for bad debt from enterprise contracts is included.

Distribution costs

Costs relating to sales staff, advertising, exhibitions as well as depreciation and impairment losses are recognized as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation and impairment losses. Included in this item are write-downs for bad debt losses.

Share of profit/loss of joint ventures after tax

The proportionate share of the results after tax of the individual joint ventures is recognized in the consolidated income statement after full elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc..

Borrowing costs relating to general borrowing or loans directly relating to acquisition, construction or development of qualifying assets are allocated to the cost of such assets.

Tax on profit/loss for the year

Bladt Industries A/S is jointly taxed with the parent company Bladt Holding A/S and Danish group enterprises. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

This year's taxes, which comprise the current tax for the year and alterations in deferred tax, are included in the annual profit, in other comprehensive income or directly under equity capital.

Statement of financial position**Other Intangible assets**

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

Property, plant and equipment

Plant, machinery, fixtures, fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for

use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset. Further, the cost includes the present value of the initial estimate of the cost to dismantle and remove the asset and restore the site on which the asset is located.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognized in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognized in the statement of financial position and recognized as an expense in profit or loss. All costs incurred for ordinary repairs and maintenance are recognized in profit or loss as incurred. Where individual components of an item of property, plant and equipment have different useful lives, such components are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

Plant and machinery 3 - 20 years
Fixtures and fittings,
other plant and
equipment. 3 - 5 years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The useful life and residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on depreciation is recognized prospectively as a change in accounting estimates.

Depreciation is recognized in the income statement as cost of sales, distribution costs and administrative expenses.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less disposal costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement as depreciation.

Lease Assets

Lease assets are 'right-of-use assets' arising from a lease agreement. Lease assets are initially measured at cost consisting of the amount of the initial measurement of the leases liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received and the initial estimate of refurbishment costs and any initial direct costs incurred.

The lease assets are depreciated on a straight-line basis over the lease term. The lease asset can be adjusted due to modifications to the lease agreement or reassessment of lease term.

Payments associated with short-term leases and leases of low-value are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value assets comprise assets with a value below DKK 30 thousand.

Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries and associated companies are measured at cost in the financial statements. Investments in joint ventures are measured according to the equity method.

The Group has a controlling influence in a company if it is exposed to or has the right to a variable return on its involvement in the company and has the possibility to influence this return using its disposal rights to this company.

When establishing whether the Group has a controlling influence, de facto control and potential voting rights are taken into account, if they are real and substantial at the balance date.

Companies in which the Group exercises a significant, but not controlling influence on the operational and financial decisions are classified as associates. A significant influence exists when the Group directly or indirectly owns or disposes of more than 20%, but less than 50%, of the voting rights.

Joint arrangements are activities or companies in which the Group through collaboration agreements with one or more parties has a joint controlling influence. Joint controlling influence means that decisions about the relevant activities require unanimity among the parties who have the joint controlling influence.

Joint arrangements are classified as joint ventures or joint operations. Joint operations are defined as activities where the participants enjoy direct rights to assets and are directly liable for liabilities, whereas joint ventures are defined as activities where the participants have rights to the net assets only.

Dividend payments of earnings in subsidiaries and joint ventures are recognized as income in the income statement of the parent company in the financial year in which they are declared. If dividends exceed the comprehensive income of the subsidiary or joint venture, an impairment test is conducted.

Joint ventures with a negative net asset value are measured at DKK 0. If the Company has a legal or actual liability to cover the shortfall in the joint venture, this is included under liabilities.

Impairment testing of non-current assets

The carrying amount of non-current assets is tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present

value of the future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognized in the income statement.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realizable value. Finished goods, goods for resale, raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Construction contracts

Construction contracts are measured at the sales value of the work performed less progress billings, anticipated losses and for net assets, expected credit losses, cf. the description under "Receivables" below. Moreover, before the work is commenced, a binding agreement must have been entered into to the effect that penalties covering at least costs incurred will be enforced if the contract is subsequently terminated.

The sales value is measured by reference to the percentage of completion at the end of the reporting period and total expected income from the contract. Measuring progress is determined by the input method on the basis of an assessment of the work performed, which is usually measured as the proportion of specific cost drivers incurred for work performed to date relative to the total estimated contract costs.

Variation orders, claims etc. are included in the total consideration if the change has been approved by the customer or it is probable that Bladt Industries has

an enforceable right to payment for the work.

Variable consideration comprising of variation orders which have not yet been approved, claims not settled, performance bonuses etc. are included in the contract consideration if payment is probable, however, only up to an amount which makes it highly probable that revenue attributable to the respective contracts will not be reversed in a subsequent period.

Receivables

Receivables are measured at amortized cost less write down for expected credit losses. Write-down is made on a portfolio level for receivables with no indication for impairment and on an individual level for receivables with indications of impairment. The Group uses the simplified approach and measures all credit losses as the lifetime expected loss.

Write-downs are calculated as the difference between the carrying amount and the present value of the expected cash flows, including the realizable value of any received collateral.

Receivables for disputed claims on completed projects are measured including interest as of the balance sheet date.

Prepaid expenses

Prepaid expenses are measured at cost.

Equity

Dividends

Proposed dividends are recognized as a liability at the date when they are adopted at the annual general meeting (declaration date). Proposed dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognized in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all

temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognized on temporary differences regarding items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized under other non-current assets at the expected value of their utilization, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

If uncertainty over an income tax treatment exists, Management assesses whether it is probable that a tax position can be sustained, current and deferred tax is determined on this basis.

Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized.

Deferred tax assets and liabilities are offset if the enterprise has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realize the assets and settle the liabilities simultaneously.

Deferred tax is recognized related to elimination of unrealized intra-group profits and losses on consolidation.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period when the deferred tax is expected to crystallize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the comprehensive income for the year.

Provisions

Provisions are recognized when, as a result of past events, the Company has a legal or a constructive obligation and it

is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognized as a provision is Management's best estimate of the expenses required to settle the obligation.

Lease liabilities

Lease liabilities arise from a lease agreement. Lease liabilities are initially equal to the present value of the lease payments during the lease term that are not yet paid.

At initial recognition each contract is assessed individually to assess the likelihood of exercising a potential extension option in the contract. The option to extend the contract period will be included in the calculation of the lease liability if it is reasonably certain that the option will be exercised.

The net present value is calculated using a discount rate corresponding to the incremental borrowing rate.

The lease liability will be remeasured when changes occur due to modifications to the contract (extension, termination etc.) or indexation.

Financial liabilities

Amounts owed to mortgage credit institutions, etc., are recognized at the date of borrowing at fair value less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement as finance costs over the term of the loan. Other financial liabilities are measured at amortized cost.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are reported using the indirect method whereby the profit/loss after tax is adjusted for non-cash operating items, changes in working capital, interest, payments, dividends and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant and equipment and other non-current assets.

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders. Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Cash and cash equivalents comprises demand deposits. In prior years, cash and cash equivalents comprised bank overdrafts. Based on IFRIC's 2018 agenda rejection notice, Management has assessed that the Group's bank overdrafts cannot form part of cash and cash equivalents in the cash flow statements. The cash flow statement for 2017 has been restated accordingly.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

Definitions of financial ratios are shown on page 64.

2 Accounting estimates and judgements

Estimation uncertainty

Determination of the carrying amount of certain assets and liabilities requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions are based on historical experience and other factors which Management assesses to be reliable in the circumstances, but which by their nature are associated with uncertainty and unpredictability, as unexpected events or circumstances may occur. Furthermore, the Company is exposed to risks that may lead to actual results differing from these estimates. Specific risks for Bladt Industries A/S are discussed in note 29.

Estimates of particular importance to the financial reporting relate primarily to constructions contracts including recognition and measurement of contract variations. See description below.

Construction contracts

An important precondition for applying the percentage of completion method when recognizing revenue is, that income and expenses from the individual construction contracts can be measured reliably. Expected income and expenses on the construction contracts may, however, change during the project period. Similarly, changes may be made during the construction phase in the contractual basis, and assumptions etc. may not be fulfilled.

The selling price of construction contracts is measured by reference to the stage of completion at the balance sheet date and total expected income from the individual contract. Progress is determined by the input method on the basis of an assessment of the work performed and will normally be subject to accounting estimates made by management.

Variation orders related to instructions from customers on changes in scope, specifications, designs or duration of the contract are included in revenue, when qualified.

Significant amounts of variation orders are recognized in the annual accounts as of 31 December 2019 in accordance with applied accounting policies. Receivables concerning disputed variations constitute a substantial part of receivables due cf. note 29. Although key assumptions are supported by assessments of external expert advisers, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year which are different from the assumptions made, could require a positive or negative material adjustment to the carrying amount of the asset affected.

The business procedures, etc. of Bladt Industries A/S combined with the knowledge and experience of the project managers contribute to reliable accounting treatment of construction contracts in accordance with the accounting policies.

Going concern

As described in the Financial Review, Bladt Industries outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak.

Many of Bladt Industries customers have indicated that they will continue projects and orders in progress, but there is still a risk that revenue and earnings will decline in consequence of COVID-19 and thus a corresponding uncertainty about Bladt Industries future cash flows. However, based on the current order book, expected future projects, budgets and the latest forecasts, there is no significant uncertainty as to whether Bladt Industries financial facilities are sufficient.

3

Revenue**DKK'000**

	2019	2018
Wind	1,756,151	1,232,429
Other	411,789	222,851
Total	2,167,940	1,455,280
At a point time	7,411	6,920
Over time	2,160,529	1,448,360
Total	2,167,940	1,455,280

4

Staff costs**DKK'000**

	2019	2018
Wages and salaries	255,528	206,797
Defined contribution plans	18,452	14,350
Other social security costs	3,405	4,129
Total staff costs	277,385	225,276
Total average number of employees	427	355

Staff costs are recognized as follows in the income statement:

Production costs	243,122	185,027
Distribution costs	7,910	7,382
Administrative expenses	26,353	32,867
	277,385	225,276

Of this figure, consideration for:

Remuneration, Board of Directors	762	638
Remuneration, Executive Board	9,754	19,683
Remuneration, Executive Board, pension contributions	478	501
	10,994	20,822

5

Amortization of intangible assets and depreciation of property, plant and equipment

DKK'000	2019	2018
Depreciation of property, plant and equipment, see note 12	27,427	28,939
Depreciation of lease assets, see note 13	21,221	15,878
Amortization of other intangible assets, see note 11	509	900
Profit from sale of property, plant and equipment	-2,772	-101
	46,385	45,616
Depreciation is recognized as follows in the income statement:		
Production costs	43,840	45,401
Administrative expenses	2,545	215
	46,385	45,616

6

Fees paid to auditors appointed at the annual general meeting

DKK'000	2019	2018
Total fee for PwC is specified as follows:		
Statutory audit	381	381
Tax and VAT assistance	737	340
Other assistance	20,919	324
	22,037	1,045

7

Financial income

DKK'000	2019	2018
Dividend	997	765
Interest tax	2,182	0
	3,179	765
Interest on financial assets measured at amortized costs	3,179	765

8

Financial expenses

DKK'000	2019	2018
Interest, banks, etc.	863	3,021
Interest on lease	5,989	5,168
Interest, group enterprises	221	276
	7,073	8,465
Interest on financial liabilities measured at amortized costs	7,073	8,645

9

Tax on profit for the year

DKK'000	2019	2018
Tax on profit for the year is specified as follows:		
Current tax	9,386	1,571
Deferred tax	-23,536	4,882
	-14,150	6,453
Tax on profit/loss for the year is specified as follows:		
22,0% tax on profit for the year before tax	-12,275	7,906
The tax effect of:		
Non-taxable income	-259	-168
Non-deductible costs	0	588
Adjustment previous years	-1,616	-1,873
	-14,150	6,453
Effective tax rate	25,4%	18.0%

10

Other reserves

DKK'000	2019	2018
Cash flow hedges at 1 January	0	-1,248
Reclassification to profit or loss - gross	0	1,600
Deferred tax	0	-352
Cash flow hedges at 31 December	0	0

Cash flow hedges

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

11

Other intangible assets

DKK'000	Other Intangible assets
Cost at 1 January 2019	7,340
Additions	912
Cost at 31 December 2019	8,252
Depreciation and impairments at 1 January 2019	5,782
Depreciation	509
Depreciation and impairments at 31 December 2019	6,291
Carrying amount at 31 December 2019	1,961

DKK'000	Other Intangible assets
Cost at 1 January 2018	6,377
Additions	963
Cost at 31 December 2018	7,340
Depreciation and impairments at 1 January 2018	4,882
Depreciation	900
Depreciation and impairments at 31 December 2018	5,782
Carrying amount at 31 December 2018	1,558

12

Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2019	342,331	7,625	10,337	360,293
Additions	38,289	861	1,959	41,109
Transferred	10,337	0	-10,337	0
Disposals	0	-465	0	-465
Cost at 31 December 2019	390,957	8,021	1,959	400,937
Depreciation and impairment at 1 January 2019	262,810	5,873	0	268,683
Depreciation	26,465	962	0	27,427
Disposals	0	-368	0	-368
Depreciation and impairment at 31 December 2019	289,275	6,467	0	295,742
Carrying amount at 31 December 2019	101,682	1,554	1,959	105,195

DKK'000	Plant and machinery	Fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2018	342,888	9,223	452	352,563
Additions	1,674	486	10,337	12,497
Transferred	452	0	-452	0
Disposals	-2,683	-2,084	0	-4,767
Cost at 31 December 2018	342,331	7,625	10,337	360,293
Depreciation and impairment at 1 January 2018	237,678	6,742	0	244,420
Depreciation	27,815	1,124	0	28,939
Disposals	-2,683	-1,993	0	-4,676
Depreciation and impairment at 31 December 2018	262,810	5,873	0	268,683
Carrying amount at 31 December 2018	79,521	1,752	10,337	91,610

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Lease assets and liabilities

DKK'000	Rental of premises	Company cars	Equipment	Total
Cost at 1 January 2019	218,618	967	0	219,585
Additions	36,027	2,561	2,614	41,202
Disposals	-45,176	-474	0	-45,650
Cost at 31 December 2019	209,469	3,054	2,614	215,137
Depreciation and impairment at 1 January 2019	146,926	700	0	147,626
Depreciation	18,689	983	1,489	21,161
Disposals	-45,176	-474	0	-45,650
Depreciation and impairment at 31 December 2019	120,439	1,209	1,489	123,137
Carrying amount at 31 December 2019	89,030	1,845	1,125	92,000

DKK'000	Rental of premises	Company cars	Equipment	Total
Cost at 1 January 2018	218,138	1,753	0	219,891
Additions	480	0	0	480
Disposals	0	-786	0	-786
Cost at 31 December 2018	218,618	967	0	219,585
Depreciation and impairment at 1 January 2018	131,576	958	0	132,534
Depreciation	15,350	528	0	15,878
Disposals	0	-786	0	-786
Depreciation and impairment at 31 December 2018	146,926	700	0	147,626
Carrying amount at 31 December 2018	71,692	267	0	71,959

Lease liabilities expiring within the following periods from the balance sheet date:

DKK'000	2019	2018
0-1 year	29,705	17,533
1-5 years	79,063	69,106
> 5 years	46	17,205
Total lease liabilities, non-discounted	108,814	103,844

Lease assets and liabilities (continued)

Lease liabilities are recognized in the balance sheet as follows:	2019	2018
Non-current liabilities	70,553	62,066
Current liabilities	24,356	10,458
Total lease liabilities	94,909	72,524
Recognized in the profit and loss statement		
Interest expenses related to lease liabilities	5,989	5,168
Expense relating to short term leases, not capitalized	6,547	781
Expense relating to leases of low-value assets, not capitalized	0	0
	12,536	5,949

In 2019 Bladt Industries has paid DKK 24,806 thousand (2018: DKK 18,709 thousand) regarding lease agreements where of interest expenses related to lease liabilities amount to DKK 5,989 thousand (2018: DKK 5,168 thousand) and repayment of lease liability amount to DKK 18,817 thousand (2018: DKK 13,541 thousand).

Measurement of lease liabilities is based on the non-cancelled period and does not include extension options. Rented premises are non-cancellable for Bladt Industries as lessee up to 2024 with an option to extend for 15 years. Lease payments in this 15 year period amounts to DKK 213,935 thousand.

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Investments in subsidiaries

DKK'000	2019	2018
Cost at 1 January	1,797	1,797
Additions	400	0
Cost at 31 December	2,197	1,797
Carrying amount at 31 December	2,197	1,797

Investments in subsidiaries are measured at cost in connection with the Company's transition to financial reporting according to IFRS. The carrying amount of the investments is used as new cost price calculated according to the previous accounting policies at 1 January 2011.

DKK'000	Registered	Equity		Profit for the year		Ownership	
Name	office	2019	2018	2019	2018	2019	2018
Bladt Industries Offshore Wind Germany GmbH	Germany	-1,606	1,650	-2,300	-209	100%	100%
Bladt Industries Polska Sp. z o.o.	Poland	10,950	9,512	1,539	257	90%	90%
Bladt Industries Procurement A/S	Denmark	392	-	-8	-	100%	-

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Investments in associated companies

DKK'000	2019	2018
Cost at 1 January	1,000	1,000
Additions	0	0
Cost at 31 December	1,000	1,000
Carrying amount at 31 December	1,000	1,000

Investments in associated companies are measured at cost.

DKK'000 Name	Registered office	Equity		Profit for the year		Ownership	
		2019	2018	2019	2018	2019	2018
Blue Power Partners A/S	Denmark	-	8,833	-	4,440	20%	20%

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Investments in joint ventures

The company participates in Bladt/EEW Offshore Wind Foundation Group I/S and Bladt/EEW Offshore Wind Foundation Group, Gwynt y Môr I/S, Bladt/EEW Offshore Wind Foundation Group, Baltic 2 GbR, Bladt/EEW Offshore foundation Group Baltic 2 I/S, Bladt/EEW Offshore Wind Foundation Group Veja Mate GbR, Century Bladt Foundation Co, LTD.

All of the above enterprises are considered joint ventures as none of the parties exercise control over them. All material decisions of the enterprises require consensus. The contractual circumstances of the enterprises imply that the parties to the arrangements only have rights to the net assets and, consequently, they are to be treated as joint ventures.

Reference is made to the group chart on page 65 for a view of ownership shares and registered offices. All joint ventures are individually considered immaterial. The financial information for these joint ventures, that are accounted for using the equity method has been summarized below.

DKK'000	2019	2018
Cost at 1 January	0	0
Additions	6,350	0
Formation expenses	287	0
Disposals	0	0
Cost at 31 December	6,637	0
Adjustments 1 January	0	0
Profit and loss after tax	-2,022	0
Disposals	0	0
Exchange rate adjustment	161	0
Adjustments 31 December	-1,861	0
Carrying amount at 31 December	4,776	0

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Inventories

DKK'000	2019	2018
Raw materials and consumables	5,200	3,640
Finished goods and goods for resale	385	205
Carrying amount at 31 December	5,585	3,845

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Construction contracts

Invoicing is based on milestones in each contract.

DKK'000	2019	2018
Selling price of construction contracts	4,305,182	2,653,094
Total progress billing	-4,267,459	-2,764,767
Net value of construction contracts	37,723	-111,673
Specified as follows:		
Construction contracts (asset)	237,996	30,143
Prepayments received from customers (liability)	-200,273	-141,816
Carrying amount at 31 December	37,723	-111,673

Revenue recognized that were included in the construction contract liability balance at the beginning of the period amounts to DKK 141,816 thousand (2018: DKK 21,745 thousand).

Aggregate amount of construction contracts that are partially or fully unsatisfied at 31 December 2019 amounts to DKK 3,048,000 thousand (2018: DKK 1,575,000 thousand). Management expect that approximately 51% of the amount will be recognized by the end of the financial year 2020. The amount does not include variable consideration which is constrained.

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Receivables

DKK'000	2019	2018
Trade receivables	721,537	624,048
Other receivables	32,311	1,216
Carrying amount at 31 December	753,848	625,264

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Prepaid costs

DKK'000	2019	2018
Other adjustments	1,917	598
Carrying amount at 31 December	1,917	598

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Equity

Capital management

The Company assesses the need for adjusting its capital structure regularly to balance the required higher return on equity against the higher degree of uncertainty of external financing. The Company focuses on having a high equity ratio and ample cash resources to ensure as much scope for financial action as possible.

Share capital

The share capital comprises one share at a nominal value of DKK 20,000 thousand (2018: DKK 20,000 thousand) one share at a nominal value of DKK 9,160 thousand (2018: DKK 9,160 thousand) and one share at a nominal value of DKK 14,840 thousand (2018: DKK 14,840 thousand). There are no restrictions on voting rights.

Dividend

11 June 2019 Bladt Industries A/S paid DKK 10,000 thousand in dividend to Bladt Industries Holding A/S (dividend pr. share: DKK 3,333 thousand). On 31 May 2018 Bladt Industries A/S paid DKK 50,000 thousand in dividend to Bladt Industries Holding A/S (dividend pr. share: DKK 16,667 thousand). The paid dividends to the shareholders has no tax consequences to Bladt Industries A/S.

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Deferred tax

DKK'000	2019	2018
Deferred tax at 1 January	26,275	22,076
Adjustment to prior year	-11,003	-1,035
Other comprehensive income	0	352
Deferred tax for the year is recognized in profit for the year	-12,534	4,882
Deferred tax at 31 December	2,738	26,275

Deferred tax is recognized in the balance sheet as follows:

Deferred tax (liability)	2,738	26,275
Net deferred tax at 31 December	2,738	26,275

Deferred tax (continued)

Deferred tax relates to:

Property, plant and equipment	2,559	2,290
Construction contracts	28,743	26,224
Tax loss	-26,635	0
Other liabilities	-1,929	-2,239
Other comprehensive income	0	0
	2,738	26,275

There are unrecognized tax loss carry forwards of DKK 0 thousand at 31 December 2019 (2018: DKK 0 thousand) relating to depreciation for tax purposes of certain operating equipment. Of the deferred tax DKK 28,743 thousand (2018: DKK 26,224 thousand) are expected to be current tax within 1 year.

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Provisions

Other provisions comprise anticipated warranty costs.

Provisions are determined based on past experience with warranty work.

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Corporation tax payable

DKK'000	2019	2018
Corporation tax payable at 1 January	1,571	0
Adjustment to prior year	10,460	683
Current tax for the year	0	1,571
Corporation tax received/paid during the year	-12,031	-683
Corporation tax payable at 31 December	0	1,571

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Other liabilities

DKK'000	2019	2018
Amounts owed to group enterprises	18,464	14,832
Other payables	76,554	97,213
Carrying amount at 31 December	95,018	112,045

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Contingent liabilities and collateral

Contingent liabilities

DKK'000	2019	2018
Guarantees relating to performance, payment, advance payment and suppliers	1,311,931	1,186,121
Deposit guarantee	24,967	24,967

The Company participates in Bladt/EEW Offshore Wind Foundation Group I/S by 50% Bladt/EEW Offshore Wind Foundation Group Gwynt y Môr I/S by 50%, Bladt/EEW Offshore Wind Foundation Group Baltic 2 GbR by 50%, Bladt/EEW Offshore Wind Foundation Group Baltic 2 I/S by 50% and Bladt/EEW Offshore Wind Foundations Group Veja Mate GbR by 50%, Century Bladt Foundation Co, LTD by 33%.

Collateral

Subject to standard reservations for legal restrictions, the company is a guarantor of loan agreements in other group companies.

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Net debt reconciliation

DKK'000	Note	2019	2018
Cash and cash equivalents		0	118,486
Borrowings - repayable within one year		0	0
Borrowings - repayable after one year (including overdraft)		-80,418	0
		-80,418	118,486

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Changes in working capital

DKK'000	Note	2019	2018
Net change in construction contracts	18	-149,396	204,835
Change in inventories	17	-1,740	266
Changes in receivables	19, 20	-129,903	178,400
Changes in trade and other payables		175,549	-182,810
		-105,490	200,691

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Financial risks and financial instruments

The Company's risk management policy

Due to its operating, investment and financing activities Bladt Industries A/S is only subject to limited exposure to financial risks, including market risks (currency risks, interest risks and raw material risks), credit risks and liquidity risks.

The Company's financial risk management is centralized. Management monitors the company's risk concentration on monthly basis within areas such as customers, geographical areas, currencies, etc.

The Company's policy is not to engage in active speculation in financial risks. The Company's risk management aims solely at managing and reducing the financial risks arising directly from the Company's operations, investments and financing.

In 2019 and 2018 the Company has entered into contracts of hedging the currency exposure on fair value and future cash flows.

Market risks

Currency risks

The Company's sale abroad is primarily made in the currency of the customer, which is mainly EUR. The Company's suppliers are paid in EUR and DKK primarily, which means that fluctuations in other currencies will generally not affect the profit of the Company. The Company uses natural hedges for its currency exposure considering projected future cash flows and projected future exchange rate movements. Currency transactions are not made for speculation purposes.

The hypothetical effect on profit for the year and equity based on reasonably probable changes in foreign exchange rates:

2019							
DKK'000	Nominal position				Sensitivity		
	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments hedging fair value	Total	Probable changes in foreign exchange rates	The hypothetical effect on profit for the year	The hypothetical effect on equity
EUR/DKK	467,039	161,754	0	305,285	0%	0	0
GBP/DKK	34,778	-2,605	0	37,383	20%	5,832	5,832
PLN/DKK	2,370	18,654	0	-16,284	10%	-1,270	-1,270
NOK/DKK	8,145	140	0	8,005	10%	624	624
SEK/DKK	-2,001	1,035	0	-3,036	10%	-237	-237
TWD/DKK	0	139	0	-139	10%	-11	-11
USD/DKK	8,989	2,484	0	6,505	10%	507	507
	519,320	181,601	0	337,719			

Financial risks and financial instruments (continued)

2018

	Nominal position				Sensitivity		
	Cash and receivables	Financial liabilities (non- derivative)	Derivative financial instruments hedging fair value	Total	Probable changes in foreign exchange rates	The hypothetical effect on profit for the year	The hypothetical effect on equity
DKK'000							
EUR/DKK	347,402	108,265	0	239,137	0%	0	0
GBP/DKK	55,623	-2,431	0	58,054	20%	9,056	9,056
PLN/DKK	68	10,610	0	-10,542	10%	-822	-822
NOK/DKK	2,562	2,003	0	559	10%	44	44
SEK/DKK	4,031	295	0	3,736	10%	291	291
USD/DKK	521	310	0	211	10%	16	16
	410,207	119,052	0	291,155			

Sensitivity analysis assumptions

- The sensitivity stated is calculated based on the assumption of unchanged sales, price level and interest rate level.
- The sensitivity related to financial instruments is calculated based on the financial instruments recognized at 31 December.
- The calculated, expected fluctuations are based on the average annual volatility of the underlying risks.

A corresponding negative movement in exchange rates will have a corresponding opposing effect on the profit/loss for the year and equity.

Interest rate risks

Financing activities

The Company is not subject to any significant accounting exposure to interest level changes as the Company does not have any significant interest-bearing external debt.

Investing activities

The Company's cash funds are placed as demand deposits.

Financial risks and financial instruments (continued)

Raw material risks

The Company uses raw materials in the form of steel when producing the Company's products.

In relation to significant purchases, the price risk is hedged by making binding agreements covering purchases when entering into sales contracts.

Liquidity risks

For raising of loans it is company policy to ensure as much flexibility as possible. The Company's cash reserves consist of committed credit facilities of DKK 265 million of which DKK 105 million was drawn (DKK 80 million as bank debt and DKK 25 million drawdown as guarantees for real estate rental deposits). Cash reserves thus total DKK 160 million at 31 December 2019 (2018: DKK 358 million).

With the credit facilities available, in the management's opinion, liquidity is adequate according to the budget for 2019.

The Company has interest-bearing liabilities of DKK 80 million in 2019 (2018: DKK 0 million). Short-term liabilities appear from the balance sheet and fall due for payment within one year. Liabilities under operating leases are disclosed in note 13. Based on the Company's expectations for its future operations and the Company's current cash resources, no significant liquidity risks have been identified.

Credit risks

Efforts are made to minimize risks related to giving credit by effective credit management and by establishing alternative collateral in the event of large receivables.

Bank deposits

Credit risks on bank deposits arise when it is uncertain whether the counterparty will be able to meet its obligations when due. The company policy for credit risk management means that the Company's financial cooperation partners' credit ratings are monitored continuously. The Company only places bank deposits with large reputable banks.

Trade receivables

The Company's policy for undertaking credit risks means that all major customers are credit rated before contracts are entered and then on a regular basis. If satisfactory certainty is not achieved at the credit rating of the customer, separate collateral is required for the sale.

Bladt Industries A/S regularly receives milestones payments as the construction contracts are carried out, which reduces the credit risk.

The Company does not have any significant risks relating to individual customers or cooperation partners and historically the Company has not experienced any significant losses on trade receivables.

The maturity of trade receivables is specified as follows:

DKK'000	2019	2018
Receivables not due	310,053	181,494
Maturity period:		
Up to 30 days	81,054	77,359
Between 30 and 90 days	22,858	5,956
More than 90 days	307,572	359,239
	721,537	624,048

None of the trade receivables were impaired at 31 December 2019 or 31 December 2018. Losses have not been realized in 2019 or 2018 on trade receivables nor have they been written down. Please also refer to note 2.

Financial risks and financial instruments (continued)

Categories of financial instruments DKK'000

	Note	2019		2018	
		Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	19	721,537	721,537	624,048	624,048
Other receivables	19	32,311	32,311	1,216	1,216
Amount owed by group enterprises	19	0	0	0	0
Cash		0	0	118,486	118,486
Financial assets at amortized costs		753,848	753,848	743,750	743,750
Lease liabilities	13	94,909	94,909	72,524	72,524
Trade payables		343,730	343,730	161,299	161,299
Bank debt	27	80,418	80,418	0	0
Amounts owed to group enterprises	25	18,464	18,464	14,832	14,832
Other payables	25	76,554	76,554	97,213	97,213
Financial liabilities at amortized cost		614,075	614,075	345,868	345,868

Receivables and payables with short credit periods are assessed to have a fair value equivalent to the carrying amount. The fair value of the derivative financial instruments included in other receivables and other payables has been determined on observable market data. This is a level 2 fair value measurement. The inputs used for other fair value measurements, including derivative financial instruments are primarily level 2 inputs.

Input used is classified in accordance with the following hierarchy:

Level 1: quoted prices in active markets for identical liabilities.

Level 2: inputs other than quoted prices that are observable, either directly or indirectly

Level 3: Inputs that are not based on observable market data.

Derivative financial instruments

The company has no forward exchange contracts to hedge future cash flows on construction contracts.

Related parties

Bladt Industries A/S has registered the following shareholders holding 5% or more of the share capital:

- Bladt Industries Holding A/S, Aalborg

The parent company, Bladt Industries Holding A/S and the ultimate parent company Nordic Capital CUI Ltd., Jersey, has control.

Apart from distribution of dividends of DKK 10,000 thousand (2018: DKK 50,000 thousand), there have been no transactions with these related parties.

Senior executives

Key Management include the Group's Board of Directors, Executive Board and senior executives and their close family members. Companies over which such persons exercise control or joint control are also considered related parties.

Key Management's remuneration is disclosed in note 4. There have been no other transactions.

Subsidiaries

Transactions with subsidiaries, see note 14, have been as follows:

DKK'000	2019	2018
Purchase of services	10,546	8,877

Amounts owed by and to subsidiaries are shown in notes 19 and 25, and interest on these is disclosed in note 7 and 8.

Joint ventures

Moreover, related parties include joint ventures, see "Group Structure" on page 65 in which Bladt Industries A/S has a significant influence.

Transactions with joint ventures have been as follows:

DKK'000	2019	2018
Sale of services	7,566	0
Purchase of services	0	37,024
Receivables	0	0

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Events after the balance sheet date

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event for Bladt Industries.

Many of Bladt Industries' customers have indicated that they will continue projects and orders in progress, but there is still a risk that revenue and earnings will decline in consequence of COVID-19. Management is monitoring the development closely. However, it is too early to give an opinion on the COVID-19 impact on revenue and earnings in 2020. Management does, however, expect a limited negative impact on Bladt Industries' outlook.

To support Bladt Industries growth ambition the share capital is to be increased by DKK 150 million in May 2020, via a capital injection.

Apart from this, no significant event has occurred after 31 December 2019.

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New accounting regulations

IASB has issued a number of new standards and amendments to existing standards which are not yet effective.

Bladt Industries A/S has assessed that the new standards and amendments to standards effective for annual periods beginning after 1 January 2019, are neither not relevant or have no significant effect on the financial statement of the Bladt Industries A/S.

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Definitions of financial ratios

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

Operating margin

$$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

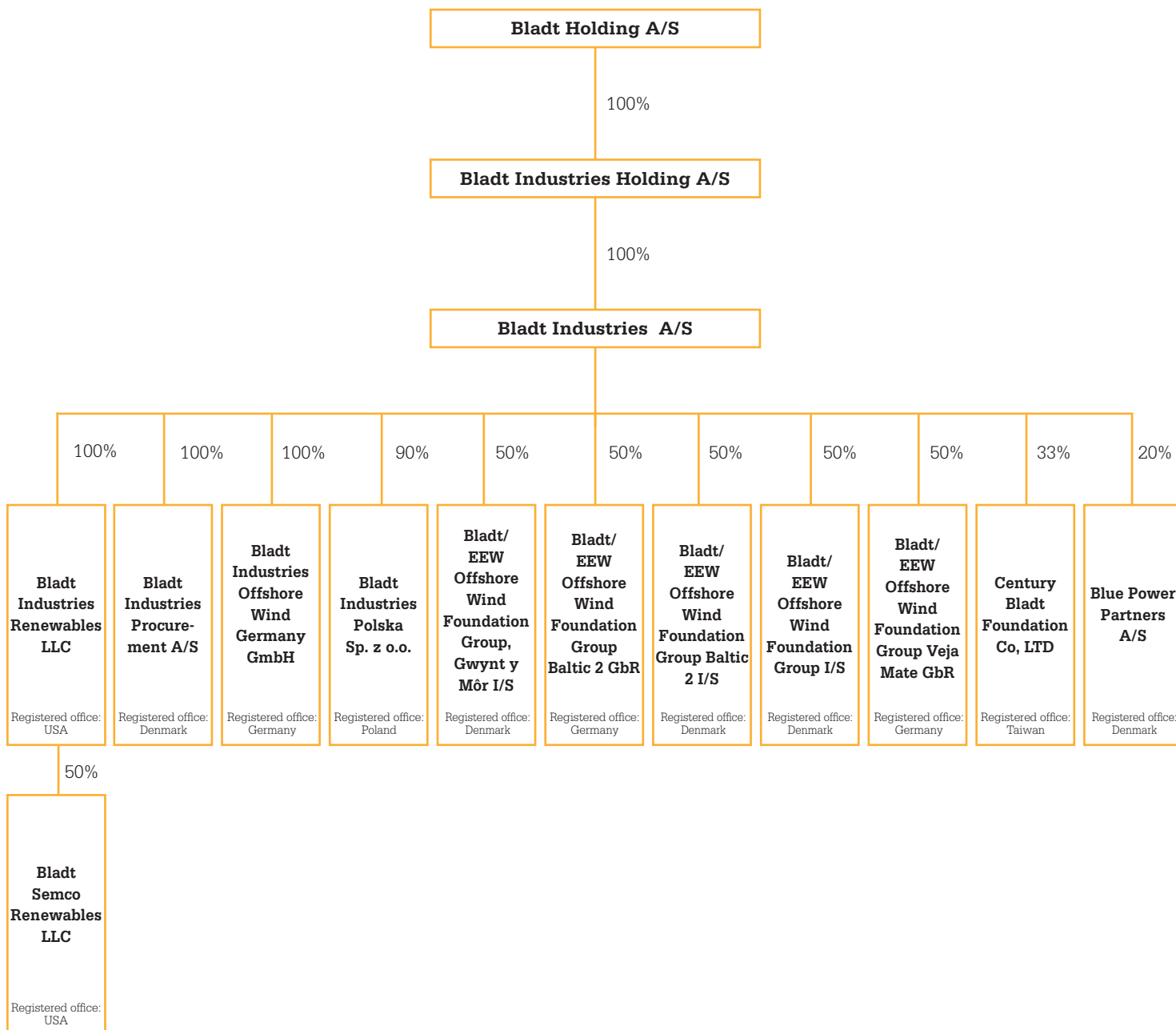
Return on equity

$$\frac{\text{Operating profit} \times 100}{\text{Average equity}}$$

ROIC

$$\frac{\text{EBITA}}{\text{Average invested capital}}$$

Group Structure





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www.bladt.dk



Bladt Industries, Lindoe Industrial Park, Denmark



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