

**ANNUAL REPORT  
FOR THE YEAR ENDED 31. DECEMBER 2016**

APPROVED AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

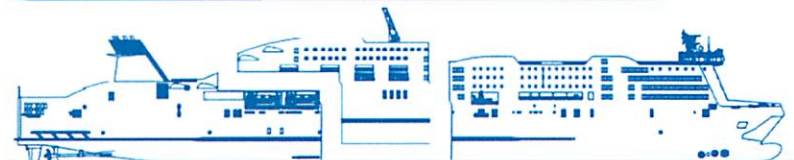
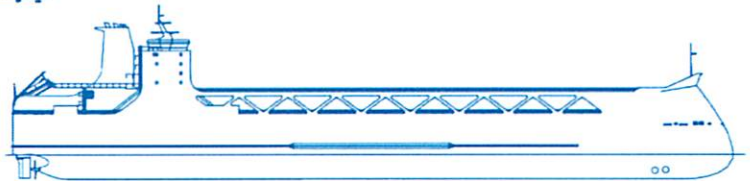
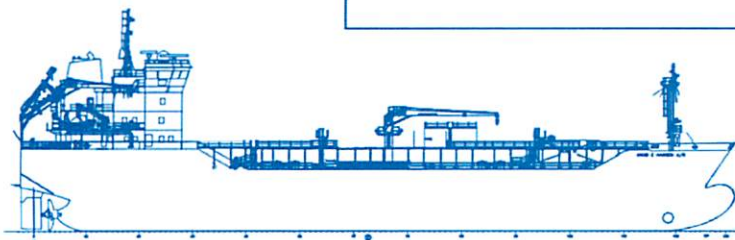
DATE: 16/5 2017

AS CHAIRMAN:

ARNOUT DAMEN

**KNUD E. HANSEN**

Claessensvej 1, 3000 Helsingør, Denmark  
CVR.: 21594873

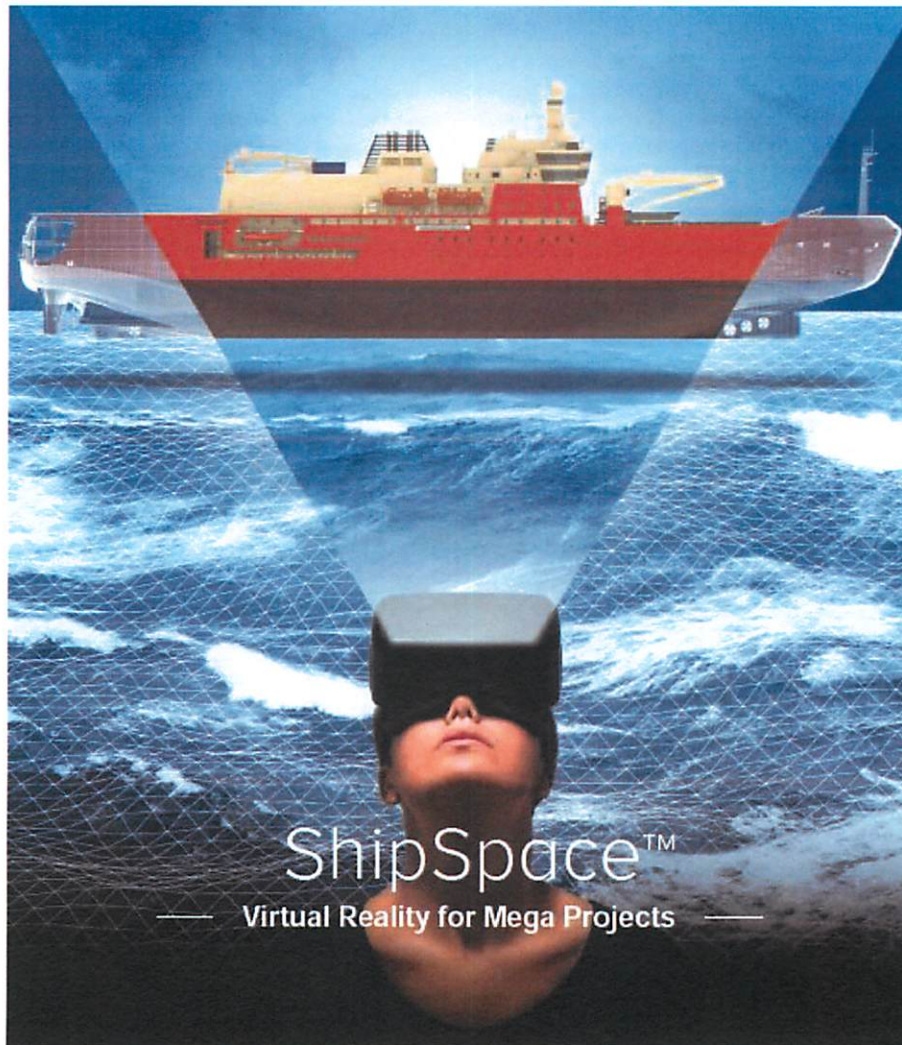


**KNUD E. HANSEN**

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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Knud E. Hansen A/S Naval Architects for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Helsingør, 16 May 2017  
Executive Board:



Finn Wollesen Petersen

Board of Directors:



Arnout Jan Damen  
Chairman



Christian Günckel  
Damsgaard



Nuno Duarte Pereira  
Martins



Hendrik Jelle Grunstra

## Independent auditor's report

To the shareholder of Knud E. Hansen A/S Naval Architects

### Opinion

We have audited the financial statements of Knud E. Hansen A/S Naval Architects for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement 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.

### Independent auditor's report

- ▶ 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 conclusion is 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 note 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.

### Statement on Management's review

Management is responsible for the Management's review.

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

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 16 May 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Lissen Fagerlin Hammer  
State Authorised Public Accountant

## Management's review

### Company details

Name	Knud E. Hansen A/S Naval Architects
Address, Postal code, City	Claessensvej 1, 3000 Helsingør, Denmark
CVR no.	21 59 48 73
Registered office	Helsingør
Financial year	1 January - 31 December
Board of Directors	Arnout Jan Damen, Chairman Christian Günckel Damsgaard Nuno Duarte Pereira Martins Hendrik Jelle Grunstra
Executive Board	Finn Wollesen Petersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	BNP Paribas



## Management's review

### Management commentary

#### Business review

The Company carries on Consulting, Engineering & Design activities within the Marine & Offshore segments.

#### Financial review

The income statement for 2016 shows a pre-tax loss of DKK 10,086,192 against a pre-tax profit of DKK 2,127,988 last year, and the balance sheet at 31 December 2016 shows equity of DKK 1,038,618.

Year 2016 was in general a bad year for the shipbuilding industry and with offshore, oil & gas suffering as well it became a tough year. At the end of year 2015, we were very sure that we would be overloaded, but things went completely the opposite way when our main targets were lost or postponed, which created a gap in occupation. Even though the market was suffering, the Company was again involved in several projects around the world and several vessels were delivered to our design with Spitsbergen for HURTIGRUTEN to be highlighted.

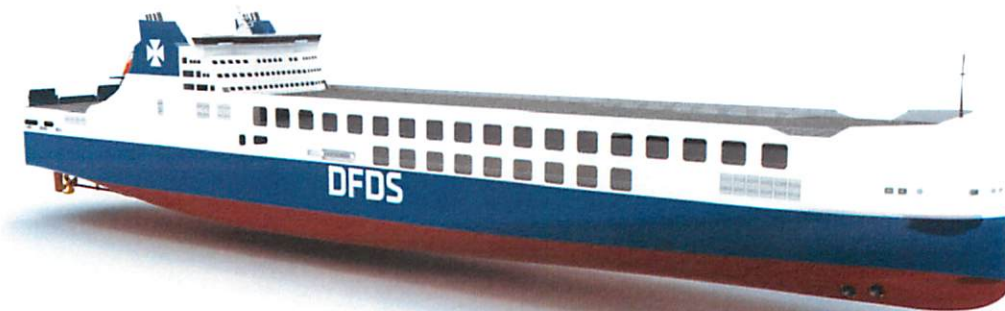
In 2016, the Company received a capital contribution of DKK 3,200 thousand from the parent company. Furthermore the group has issued a letter of subordination regarding the group cash pool accounts with a booked amount of DKK 18,808 thousand at 31 December 2016 until approval of the annual report for 2017. We refer to note 2.

#### Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

#### Outlook

Expectations for year 2017 are positive even though the market still is suffering in several segments.





## Financial statements for the period 1 January - 31 December

### Income statement

Note	DKK	2016	2015
	Gross margin	20,003,112	33,315,118
3	Staff costs	-31,404,348	-32,452,218
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-515,795	-508,813
	<b>Profit/loss before net financials</b>	<b>-11,917,031</b>	<b>354,087</b>
	Income from investments in group entities	2,145,750	2,104,550
5	Financial income	12,982	36,391
6	Financial expenses	-327,893	-367,040
	<b>Profit/loss before tax</b>	<b>-10,086,192</b>	<b>2,127,988</b>
7	Tax for the year	-30,598	-66,027
	<b>Profit/loss for the year</b>	<b>-10,116,790</b>	<b>2,061,961</b>
	<b>Recommended appropriation of profit/loss</b>		
	Net revaluation reserve according to the equity method	4,124,715	2,104,550
	Retained earnings/accumulated loss	-14,241,505	-42,589
		<b>-10,116,790</b>	<b>2,061,961</b>



## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
8	<b>Intangible assets</b>		
	Completed development projects	977,913	0
	Acquired intangible assets	348,036	161,301
	Goodwill	0	0
		<u>1,325,949</u>	<u>161,301</u>
9	<b>Property, plant and equipment</b>		
	Other fixtures and fittings, tools and equipment	708,846	640,822
		<u>708,846</u>	<u>640,822</u>
10	<b>Investments</b>		
	Investments in group entities	8,609,661	4,187,450
		<u>8,609,661</u>	<u>4,187,450</u>
	<b>Total fixed assets</b>	<u>10,644,456</u>	<u>4,989,573</u>
	<b>Non-fixed assets</b>		
	<b>Receivables</b>		
	Trade receivables	10,403,103	11,574,141
12	Work in progress for third parties	7,421,113	11,890,889
	Receivables from group entities	1,050,343	5,397,169
11	Deferred tax assets	923,950	923,950
	Other receivables	1,342,741	2,176,405
	Prepayments	1,023,434	1,190,243
		<u>22,164,684</u>	<u>33,152,797</u>
	<b>Cash</b>	51,395	3,282,646
	<b>Total non-fixed assets</b>	<u>22,216,079</u>	<u>36,435,443</u>
	<b>TOTAL ASSETS</b>	<u>32,860,535</u>	<u>41,425,016</u>



## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK	<u>2016</u>	<u>2015</u>
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
13	Share capital	601,600	601,600
	Net revaluation reserve according to the equity method	8,575,527	4,153,316
	Reserve for development costs	977,913	0
	Retained earnings	<u>-9,116,422</u>	<u>2,902,996</u>
	<b>Total equity</b>	<u>1,038,618</u>	<u>7,657,912</u>
	<b>Liabilities</b>		
	<b>Non-current liabilities other than provisions</b>		
	Payables to group entities	<u>0</u>	<u>13,000,000</u>
		<u>0</u>	<u>13,000,000</u>
	<b>Current liabilities</b>		
	Current portion of long-term liabilities	0	4,300,000
12	Work in progress for third parties	3,013,882	997,441
	Trade payables	1,604,337	5,512,002
	Payables to group entities	19,751,691	1,320,741
	Income taxes payable	15,228	15,372
	Other payables	<u>7,436,779</u>	<u>8,621,548</u>
		<u>31,821,917</u>	<u>20,767,104</u>
	<b>Total liabilities other than provisions</b>	<u>31,821,917</u>	<u>33,767,104</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>32,860,535</u>	<u>41,425,016</u>

- 1 Accounting policies
- 2 Going concern uncertainties
- 14 Contractual obligations and contingencies, etc.
- 15 Collateral
- 16 Related parties

## Financial statements for the period 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2016	601,600	4,153,316	0	2,902,996	7,657,912
Reserve for development costs	0	0	977,913	-977,913	0
Capital contribution	0	0	0	3,200,000	3,200,000
Transfer, see "Appropriation of loss"	0	4,124,715	0	-14,241,505	-10,116,790
Exchange adjustment	0	297,496	0	0	297,496
<b>Equity at 31 December 2016</b>	<b>601,600</b>	<b>8,575,527</b>	<b>977,913</b>	<b>-9,116,422</b>	<b>1,038,618</b>



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Knud E. Hansen A/S Naval Architects for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment
2. Reserve for development costs

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

Re 2: An amount corresponding to development costs recognised are in future tied up in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

None of the above changes affects the income statement or the balance sheet for 2015. The above changes regarding to reserve for development costs is the only change affecting the income statement and the balance sheet 2016.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

##### Income statement

###### Revenue

Revenue corresponds to the market value of the work performed in the year.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where the income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only to the extent that it is probable that such expenses will be recoverable from the counterparty.

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

###### Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross margin'.

###### Other operating income

Other operating income comprises items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

###### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

###### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, etc.

###### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	3 years
Acquired intangible assets	3 years
Other fixtures and fittings, tools and equipment	3-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Income from investments in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other subsidiaries. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed companies entitled to a tax refund are, at a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

###### Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3 years.

###### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

###### Investments in subsidiaries

Investments in subsidiaries are measured, using the equity method, at the parent's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment to the extent that the deficit is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' to the extent that the parent has a legal or constructive obligation to cover the deficit.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Impairment of fixed assets

Intangible assets and property, plant and equipment are reviewed for impairment on an annual basis. Where there is indication of impairment, each individual asset or group of assets generating independent cash flows is tested for impairment. The carrying amount of impaired assets is reduced to the higher of the value in use and the net selling price (recoverable amount). Where an impairment loss is recognised on a group of assets, a loss is first allocated to goodwill and then to the other assets on a pro rata basis.

##### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

##### Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected total expenses on each individual work in progress.

Where the outcome of contract work in progress cannot be made up reliably, the market value is measured at the costs incurred to the extent that they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Equity

###### *Reserve for net revaluation according to the equity method*

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### *Reserve for development costs*

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

##### **Income taxes**

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, 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 is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### **Liabilities**

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

#### 2 Going concern uncertainties

The group has issued a letter of subordination regarding the group cash pool accounts with a booked amount of DKK 18,808 thousand at 31 December 2016 until approval of the annual report of 2017. On this basis and the budget for 2017, Management considers the Company a going concern.

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK	2016	2015
<b>3 Staff costs</b>		
Wages/salaries	29,966,151	31,080,433
Pensions	1,004,660	940,998
Other social security costs	330,351	327,989
Other staff costs	103,186	102,798
	<u>31,404,348</u>	<u>32,452,218</u>
 Average number of full-time employees	 <u>50</u>	 <u>49</u>
 <b>4 Amortisation/depreciation of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	103,967	129,818
Depreciation of property, plant and equipment	411,828	378,995
	<u>515,795</u>	<u>508,813</u>
 <b>5 Financial income</b>		
Other financial income	12,982	36,391
	<u>12,982</u>	<u>36,391</u>
 <b>6 Financial expenses</b>		
Interest expenses, group entities	116,054	341,597
Other financial expenses	211,839	25,443
	<u>327,893</u>	<u>367,040</u>
 <b>7 Tax for the year</b>		
Estimated tax charge for the year	15,228	107,490
Deferred tax adjustments in the year	0	-40,385
Tax adjustments, prior years	15,370	-1,078
	<u>30,598</u>	<u>66,027</u>

### JINGLING SHIPYARD

6700 LM RORO VESSEL



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 8 Intangible assets

DKK	Completed development projects	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2016	0	439,935	7,938,569	8,378,504
Additions in the year	977,913	290,702	0	1,268,615
Cost at 31 December 2016	977,913	730,637	7,938,569	9,647,119
Impairment losses and amortisation at 1 January 2016	0	278,634	7,938,569	8,217,203
Amortisation in the year	0	103,967	0	103,967
Impairment losses and amortisation at 31 December 2016	0	382,601	7,938,569	8,321,170
Carrying amount at 31 December 2016	977,913	348,036	0	1,325,949

#### 9 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2016	3,835,178
Additions in the year	479,852
Disposals in the year	-390,000
Cost at 31 December 2016	3,925,030
Impairment losses and depreciation at 1 January 2016	3,194,356
Depreciation in the year	411,828
Reversal of depreciation and impairment of disposals	-390,000
Impairment losses and depreciation at 31 December 2016	3,216,184
Carrying amount at 31 December 2016	708,846



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 10 Investments

DKK	Investments in group entities
Cost at 1 January 2016	34,134
Cost at 31 December 2016	34,134
Value adjustments at 1 January 2016	4,153,316
Exchange adjustment	297,496
Share of the profit/loss for the year	2,145,750
Capital contribution	1,978,965
Value adjustments at 31 December 2016	8,575,527
Carrying amount at 31 December 2016	8,609,661

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
<b>Subsidiaries</b>				
Knud E. Hansen (UK) Ltd.	London, United Kingdom	100.00 %	972,154	110,025
Knud E. Hansen Australia PTY Ltd.	Perth, Australia	100.00 %	350,515	232,719
Knud E. Hansen USA, Inc.	Ft. Lauderdale, USA	100.00 %	7,089,473	1,762,580
Knud E. Hansen Greece Ltd.	Piraeus, Greece	100.00 %	197,519	40,426

#### 11 Deferred tax assets

The Company has recognised deferred tax assets amounting to DKK 924 thousand of the total deferred tax assets of DKK 3,610 thousand. The remaining part of the deferred tax assets has not been recognised in the balance sheet due to the uncertainty as to the timing of the utilisation of the tax losses.

DKK	2016	2015
<b>12 Work in progress for third parties</b>		
Selling price of work performed	60,447,009	74,842,586
Progress billings	-56,039,778	-63,949,138
	<u>4,407,231</u>	<u>10,893,448</u>
recognised as follows:		
Work in progress for third parties (assets)	7,421,113	11,890,889
Work in progress for third parties (liabilities)	-3,013,882	-997,441
	<u>4,407,231</u>	<u>10,893,448</u>

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK	2016	2015
<b>13 Share capital</b>		
Analysis of the share capital:		
6,016 shares of DKK 100.00 nominal value each	601,600	601,600
	601,600	601,600

The Company's share capital has remained DKK 601,600 over the past 5 years.

### 14 Contractual obligations and contingencies, etc.

#### Other contingent liabilities

The Company is taxed on a joint basis with its parent company, Keh Naval Architects Holding ApS, which acts as management company, and is jointly and severally liable, together with other jointly taxed group entities, for the payment of income taxes for income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

#### Other financial obligations

Other rent and lease liabilities:

DKK	2016	2015
Rent and lease liabilities	12,771,875	14,485,001
	12,771,875	14,485,001

Rent liabilities primarily relate to contracts which are non-cancellable until 2022-2024.

Furthermore, the Company acts as guarantor in regard to the agreement for a lease in London between Knud E. Hansen (UK) Ltd. and the landlord and is therefore liable for rent obligations at a total amount of DKK 1,269,918.

### 15 Collateral

The Company has not placed any assets or other as security for loans at 31 December 2016.

### 16 Related parties

#### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Damen Shipyard Group NV	Curacao, Curacao	The consolidated financial statements are available at the Chamber of Commerce in The Netherlands