ANNUAL REPORT
FOR THE YEAR ENDED 31. DECEMBER 2019

APPROVED AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

DATE: 10 July 2020

AS CHAIRMAN: ....
Hendrik Kornel van Prooijen

KNUD E. HANSEN
Claessensvej 1, 3000 Helsingør, Denmark
CVR.: 21594873

KNUD E. HANSEN
SHIP DESIGN SINCE 1937

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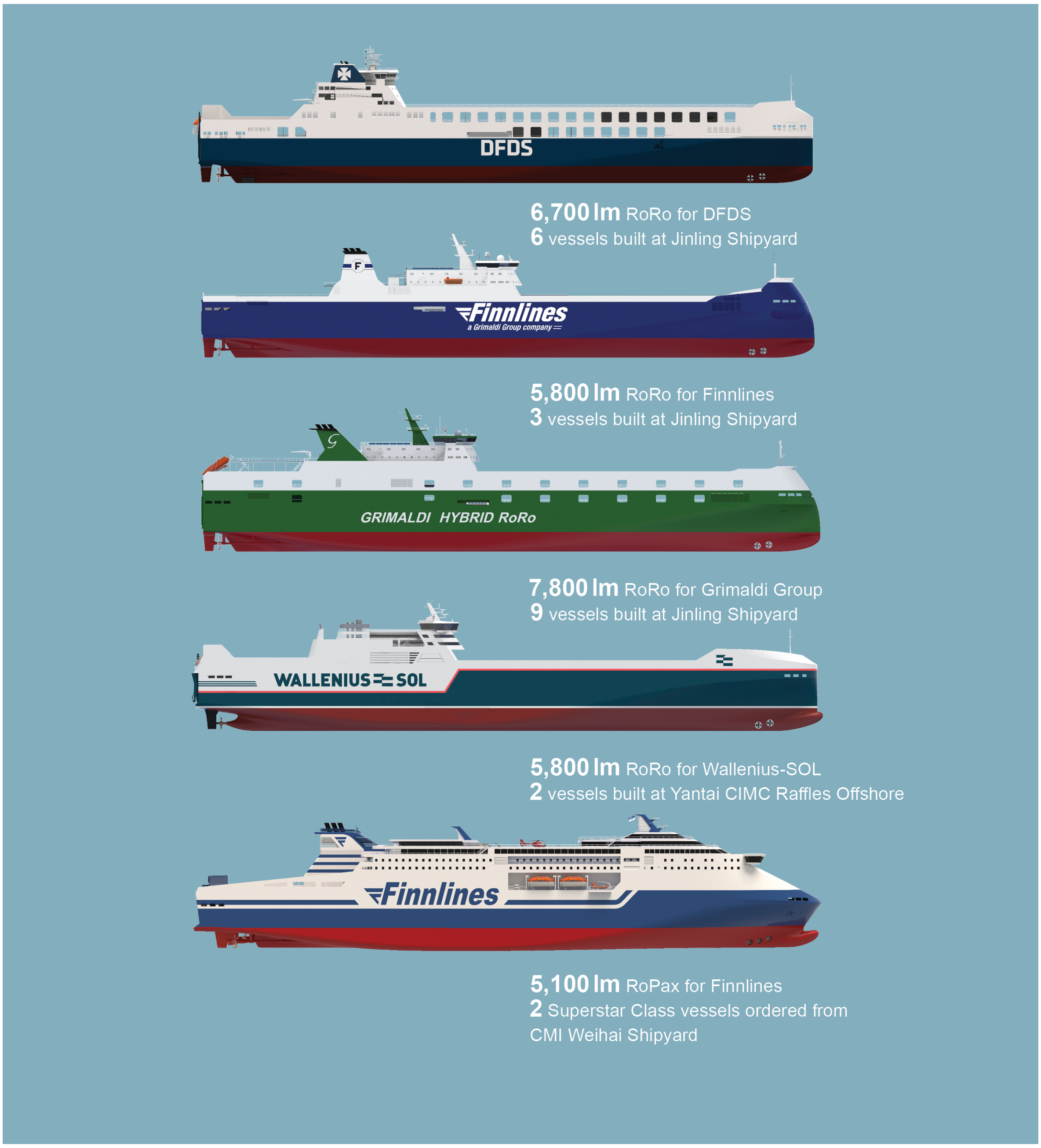
DFDS
6,700 lm RoRo for DFDS
6 vessels built at Jinling Shipyard
Finnlines
5,800 lm RoRo for Finnlines
3 vessels built at Jinling Shipyard
GRIMALDI HYBRID RoRo
7,800 lm RoRo for Grimaldi Group
9 vessels built at Jinling Shipyard
WALLENIUS SOL
5,800 lm RoRo for Wallenius-SOL
2 vessels built at Yantai CIMC Raffles Offshore
Finnlines
5,100 lm RoPax for Finnlines
2 Superstar Class vessels ordered from
CMI Weihai Shipyard

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 2019.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2019 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Helsingør, 10 July 2020
Executive Board:

Finn Wollesen Petersen

Finn Wollesen Petersen

Board of Directors:

Hendrik Kornel van Prooijen Chairman	Christian Günckel Damsgaard	Hendrik Jelle Grunstra
Emile Huibertus Poot		

Independent auditor's report

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

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Knud E. Hansen A/S Naval Architects for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2019 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 consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 as to 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 scepticism throughout the audit. We also:

Independent auditor's report

- 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the 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.

Independent auditor's report

Based on the work we have performed, 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 10 July 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lissen Fagerlin Hammer
State Authorised Public Accountant
mne27747

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	Hendrik Kornel van Prooijen, Chairman Christian Günckel Damsgaard Hendrik Jelle Grunstra Emile Huibertus Poot
Executive Board	Finn Wollesen Petersen
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	BNP Paribas



Management's review

Financial highlights for the Group

DKK	2019	2018
Key figures		
Gross profit	58,221,083	49,776,088
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	5,660,364	4,106,238
Operating profit/loss	3,913,790	2,689,468
Net financials	-442,164	-531,212
Profit before tax	3,471,626	2,158,256
Profit for the year	2,147,466	1,558,338
Fixed assets	3,031,994	3,070,233
Non-fixed assets	41,356,461	45,281,142
Total assets	44,388,455	48,351,375
Equity	4,464,061	2,047,509
Investment in property, plant and equipment	-573,492	-370,495
Financial ratios		
Return on assets	8.4%	6.7%
Current ratio	106.8%	97.8%
Equity ratio	10.1%	4.2%
Return on equity	66.0%	143.6%
Average number of employees	87	74

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

In accordance with section 78, subsection (7) of the Danish Financial Statement Act, the Company has not presented comparative key figures for financial years which was prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities.

Management's review

Business review

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

Financial review

The income statement for 2019 shows a pre-tax income of DKK 3,472 thousand against a pre-tax income of DKK 2,158 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 4,464 thousand. The result is considered satisfactory.

Year 2019 was a good year for Knud E. Hansen A/S, Naval Architects due to several order in the RoRo segment where the company has a leading world-wide position as designer. Other segments such as Research Vessels has as well contributed and the broad palet of knowledge and references has given the company a solid foundation.

Knud E. Hansen A/S, Naval Architects has grown to approx. 100 employees world-wide with nine offices serving our Clients around the clock. This set-up and flexibility has secured projects on all seven continents.

Accounting estimates

The Company has recognised a deferred tax asset amounting to DKK 1,630 thousand, which the Company expects to use within the next 3-5 years. The value of the asset is conditioned by future positive earnings. The total deferred tax assets amount to DKK 5,485 thousand.

Reference is made to note 3 for more details.

Financing

The company has after the balance sheet date received an extension of the subordinated loan of DKK 11,0 million, which will fall due 31 December 2021. The loan is subordinated in relation to all other creditors.

The Company’s parent company, Damen Shipyards Group N.V., has further made a significant credit facility available to support the Company’s planned operations in the coming year. The Company has drawn DKK 11,7 million on the credit facility at 31 December 2019. Based on the realized results in 2020 and the forecast for rest of 2020 management expects that the company will only to a limited level draw further on the group credit facility mainly due to timing of cash inflow and outflow. The management expects that the group credit facilities is maintained in line with the past, therefore management expects that the necessary financing and cash are available to the Company, thereby enabling the Company to realise the budgets for 2020

Reference is made to note 2 for more details.

Knowledge resources

Knud E. Hansen A/S, Naval Architects’s success is based on the competences and commitment of our employees. It is essential for us to offer a challenging and stimulating working environment, where investments are made on a continual basis to develop, maintain and attract the best talents in the business, by offering a flexible, informal, challenging and stimulating career path. Recruiting is international.

Events after the balance sheet date

The Covid19 pandemic impacted Q2 2020. The expectation is that the business will recover in Q3 and Q4 2020. No other material events affecting the Company's financial position have occured subsequent to the financial year end.

Outlook

With reference to the above section on events after the balance sheet date around COVID-19 pandemic, it is uncertain how the Company's profit will end for 2020. The company expects lower activity and profit due to this in 2020.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK	2019	2018	2019	2018
	Gross profit	58,221,083	49,776,088	47,284,565	39,092,931
5	Staff costs	-52,560,719	-45,669,850	-39,829,497	-36,023,245
6	Amortisation/depreciation of intangible assets and property, plant and equipment	-1,746,574	-1,416,770	-1,526,634	-1,248,957
	Profit before net financials	3,913,790	2,689,468	5,928,434	1,820,729
	Income from investments in group entities	0	0	-2,103,364	707,602
7	Financial income	367	2,567	367	2,567
8	Financial expenses	-442,531	-533,779	-458,365	-533,029
	Profit before tax	3,471,626	2,158,256	3,367,072	1,997,869
9	Tax for the year	-1,324,160	-599,918	-1,219,606	-439,531
	Profit for the year	2,147,466	1,558,338	2,147,466	1,558,338

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK	2019	2018	2019	2018
	ASSETS				
	Fixed assets				
10	Intangible assets				
	Completed development projects	525,376	679,689	525,376	679,689
	Acquired intangible assets	474,287	857,181	474,287	857,181
		999,663	1,536,870	999,663	1,536,870
11	Property, plant and equipment				
	Other fixtures and fittings, tools and equipment	2,032,331	1,533,363	992,168	565,221
		2,032,331	1,533,363	992,168	565,221
12	Investments				
	Investments in group entities	0	0	7,992,990	9,827,268
		0	0	7,992,990	9,827,268
	Total fixed assets	3,031,994	3,070,233	9,984,821	11,929,359
	Non-fixed assets				
15	Receivables				
	Trade receivables	20,320,615	16,244,868	19,043,268	15,693,176
13	Work in progress for third parties	7,727,589	9,674,330	7,727,589	9,674,330
	Receivables from group entities	4,206,866	4,104,525	4,525,769	4,453,348
17	Deferred tax assets	1,630,923	2,834,419	1,630,923	2,834,419
	Income taxes receivable	63,288	685,913	0	0
	Other receivables	3,557,518	3,348,199	2,525,317	1,769,854
14	Prepayments	1,796,278	1,372,795	1,796,278	1,372,795
		39,303,077	38,265,049	37,249,144	35,797,922
	Cash	2,053,384	7,016,093	56,356	58,722
	Total non-fixed assets	41,356,461	45,281,142	37,305,500	35,856,644
	TOTAL ASSETS	44,388,455	48,351,375	47,290,321	47,786,003

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	EQUITY AND LIABILITIES				
	Equity				
16	Share capital	601,600	601,600	601,600	601,600
	Net revaluation reserve according to the equity method	0	0	7,936,502	9,770,780
	Reserve for development costs	0	0	409,793	530,157
	Retained earnings	3,862,461	1,445,909	-4,483,834	-8,855,028
	Total equity	4,464,061	2,047,509	4,464,061	2,047,509
	Liabilities other than provisions				
18	Non-current liabilities other than provisions				
	Other payables	1,207,472	0	1,207,472	0
		1,207,472	0	1,207,472	0
	Current liabilities other than provisions				
13	Work in progress for third parties	3,891,827	1,154,967	3,891,827	1,154,967
	Trade payables	1,956,911	3,029,060	1,859,779	2,966,015
	Payables to group entities	22,741,795	31,955,759	26,525,531	32,857,904
	Other payables	10,126,389	10,164,080	9,341,651	8,759,608
		38,716,922	46,303,866	41,618,788	45,738,494
	Total liabilities other than provisions	39,924,394	46,303,866	42,826,260	45,738,494
	TOTAL EQUITY AND LIABILITIES	44,388,455	48,351,375	47,290,321	47,786,003

1 Accounting policies
2 Financing
3 Accounting estimates
4 Events after the balance sheet date
20 Contractual obligations and contingencies, etc.
21 Collateral
22 Related parties
23 Appropriation of profit

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

		Group		
Note	DKK	Share capital	Retained earnings	Total
	Equity at 1 January 2019	601,600	1,445,909	2,047,509
	Transfer through appropriation of profit	0	2,416,552	2,416,552
	Equity at 31 December 2019	601,600	3,862,461	4,464,061

		Parent company				
Note	DKK	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2019	601,600	9,770,780	530,157	-8,855,028	2,047,509
23	Transfer, see "Appropriation of profit"	0	-2,103,364	-120,364	4,371,194	2,147,466
	Exchange adjustment	0	269,086	0	0	269,086
	Equity at 31 December 2019	601,600	7,936,502	409,793	-4,483,834	4,464,061

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK	Group 2019	Group 2018
	Profit for the year	2,147,466	1,558,338
24	Adjustments	3,512,898	2,547,900
	Cash generated from operations (operating activities)	5,660,364	4,106,238
25	Changes in working capital	-1,237,129	-10,543,150
	Cash generated from operations (operating activities)	4,423,235	-6,436,912
	Interest received, etc.	367	2,567
	Interest paid, etc.	-395,838	-533,779
	Income taxes received	501,961	0
	Income taxes paid	0	-846,300
	Cash flows from operating activities	4,529,725	-7,814,424
	Additions of intangible assets	-1,094,558	-1,019,666
	Additions of property, plant and equipment	-573,492	-370,495
	Cash flows to investing activities	-1,668,050	-1,390,161
	Proceeds of debt, group enterprises	0	10,668,987
	Proceeds of debt, other debt	1,207,472	0
	Repayments, borrowings from group enterprises	-9,213,964	0
	Cash flows from financing activities	-8,006,492	10,668,987
	Net cash flow	-5,144,817	1,464,402
	Cash and cash equivalents at 1 January	7,016,093	5,337,294
	Foreign exchange adjustments	182,108	214,397
26	Cash and cash equivalents at 31 December	2,053,384	7,016,093

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Knud E. Hansen A/S Naval Architects for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The Company has prepared the annual report for 2018 in accordance with reporting class B entities. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

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

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

The group's activities in joint operations are recognised on a line-by-line basis.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 profit

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 and operating expenses

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Amortisation/depreciation

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

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated 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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the parent company's income statement.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 group entities. 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.

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.

Consolidated financial statements and parent company financial statements 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".

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.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

Intangible assets and property, plant and equipment and investments in subsidiaries 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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

2 Financing

The company has after the balance sheet date received an extension of the subordinated loan of DKK 11,0 million, which will fall due 31 December 2021. The loan is subordinated in relation to all other creditors.

The Company's parent company, Damen Shipyards Group N.V., has further made a significant credit facility available to support the Company's planned operations in the coming year. The Company has drawn DKK 11,7 million on the credit facility at 31 December 2019. Based on the realized results in 2020 and the forecast for rest of 2020 management expects that the company will only to a limited level draw further on the group credit facility mainly due to timing of cash inflow and outflow. The management expects that the group credit facilities is maintained in line with the past, therefore management expects that the necessary financing and cash are available to the Company, thereby enabling the Company to realise the budgets for 2020

3 Accounting estimates

The Company has recognised a deferred tax asset amounting to DKK 1,631 thousand, which the Company expects to use within the next 3-5 years. The value of the asset is conditioned by future positive earnings. The total deferred tax assets amounts to DKK 5,485 thousand. Accounting estimates are subject to uncertainty.

4 Events after the balance sheet date

The Covid19 pandemic impacted Q2 2020. The expectation is that the business will recover in Q3 and Q4 2020. No other material events affecting the Company's financial position have occured subsequent to the financial year end.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK	2019	2018	2019	2018
5	Staff costs				
	Wages/salaries	48,909,260	42,920,333	38,094,884	34,509,242
	Pensions	1,550,670	1,255,955	1,162,469	993,967
	Other social security costs	1,610,989	1,056,419	401,276	401,095
	Other staff costs	489,800	437,143	170,868	118,941
		52,560,719	45,669,850	39,829,497	36,023,245
	Average number of full-time employees	87	74	58	52

Group

Total remuneration to Management: DKK 1.595 thousand (2018: DKK 1.455 Thousand)

Parent company

Total remuneration to Management: DKK 1.595 thousand (2018: DKK 1.455 Thousand)

		Group 2019	Group 2018	Parent 2019	Parent 2018
6	Amortisation/depreciation of intangible assets and property, plant and equipment				
	Amortisation of intangible assets	1,110,699	887,036	1,110,699	873,221
	Depreciation of property, plant and equipment	635,875	529,734	415,935	375,736
		1,746,574	1,416,770	1,526,634	1,248,957
7	Financial income				
	Other financial income	367	2,567	367	2,567
		367	2,567	367	2,567
8	Financial expenses				
	Interest expenses, group entities	275,000	275,000	291,641	275,000
	Other financial expenses	167,531	258,779	166,724	258,029
		442,531	533,779	458,365	533,029
9	Tax for the year				
	Estimated tax charge for the year	104,554	160,387	0	0
	Deferred tax adjustments in the year	1,203,496	439,531	1,203,496	439,531
	Tax adjustments, prior years	16,110	0	16,110	0
		1,324,160	599,918	1,219,606	439,531

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

10 Intangible assets

DKK	Group Completed development projects	 Acquired intangible assets	 Total
Cost at 1 January 2019	1,809,046	1,681,049	3,490,095
Additions in the year	573,492	0	573,492
Cost at 31 December 2019	2,382,538	1,681,049	4,063,587
Impairment losses and amortisation at 1 January 2019	1,129,357	823,868	1,953,225
Amortisation in the year	727,805	382,894	1,110,699
Impairment losses and amortisation at 31 December 2019	1,857,162	1,206,762	3,063,924
Carrying amount at 31 December 2019	525,376	474,287	999,663

DKK	Parent company Completed development projects	 Acquired intangible assets	 Total
Cost at 1 January 2019	1,809,046	1,681,049	3,490,095
Additions in the year	573,492	0	573,492
Cost at 31 December 2019	2,382,538	1,681,049	4,063,587
Impairment losses and amortisation at 1 January 2019	1,129,357	823,868	1,953,225
Amortisation in the year	727,805	382,894	1,110,699
Impairment losses and amortisation at 31 December 2019	1,857,162	1,206,762	3,063,924
Carrying amount at 31 December 2019	525,376	474,287	999,663

11 Property, plant and equipment

DKK	Group Other fixtures and fittings, tools and equipment
Cost at 1 January 2019	4,233,441
Exchange adjustment	29,737
Additions in the year	1,094,558
Cost at 31 December 2019	5,357,736
Impairment losses and depreciation at 1 January 2019	2,700,078
Exchange adjustment	17,044
Depreciation in the year	608,283
Impairment losses and depreciation at 31 December 2019	3,325,405
Carrying amount at 31 December 2019	2,032,331

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK	Parent company Other fixtures and fittings, tools and equipment
Cost at 1 January 2019	2,625,330
Additions in the year	842,882
Cost at 31 December 2019	3,468,212
Impairment losses and depreciation at 1 January 2019	2,060,109
Depreciation in the year	415,935
Impairment losses and depreciation at 31 December 2019	2,476,044
Carrying amount at 31 December 2019	992,168

12 Investments

DKK	Parent company Investments in group entities
Cost at 1 January 2019	56,488
Cost at 31 December 2019	56,488
Value adjustments at 1 January 2019	9,770,780
Exchange adjustment	269,086
Share of the profit/loss for the year	-2,103,364
Value adjustments at 31 December 2019	7,936,502
Carrying amount at 31 December 2019	7,992,990

Parent company

Name	Domicile	Interest
Subsidiaries		
Knud E. Hansen (UK) Ltd.	London, United Kingdom	100.00%
Knud E. Hansen Australia PTY Ltd.	Perth, Australia	100.00%
Knud E. Hansen USA, Inc.	Ft. Lauderdale, USA	100.00%
Knud E. Hansen Greece Ltd.	Piraeus, Greece	100.00%
MARINE HVAC DESIGN SL	Cadiz, Spain	100.00%

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK	2019	2018	2019	2018
13	Work in progress for third parties				
	Selling price of work performed	85,698,392	91,199,245	85,698,392	91,199,245
	Progress billings	-81,862,630	-82,679,882	-81,862,630	-82,679,882
		3,835,762	8,519,363	3,835,762	8,519,363
	recognised as follows:				
	Work in progress for third parties(assets)	7,727,589	9,674,330	7,727,589	9,674,330
	Work in progress for third parties(liabilities)	-3,891,827	-1,154,967	-3,891,827	-1,154,967
		3,835,762	8,519,363	3,835,762	8,519,363

14 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies, service contracts, licenses and subscriptions.

15 Receivables

Out of the group's total receivables, trade receivables totalling tDKK 4.247 fall due for payment after more than one year after the balance sheet date.

		Parent company	
	DKK	2019	2018
16	Share capital		
	Analysis of the share capital:		
	6,016 shares of DKK 100.00 nominal value each	601,600	601,600
		601,600	601,600

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK	Group 2019	Group 2018	Parent company 2019	Parent company 2018
17 Deferred tax				
Deferred tax at 1 January	-2,834,419	-3,273,950	-2,834,419	-3,273,950
Other deferred tax	1,203,496	439,531	1,203,496	439,531
Deferred tax at 31 December	-1,630,923	-2,834,419	-1,630,923	-2,834,419

18 Non-current liabilities other than provisions

DKK	Group			
	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	1,207,472	0	1,207,472	0
	1,207,472	0	1,207,472	0

DKK	Parent company			
	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	1,207,472	0	1,207,472	0
	1,207,472	0	1,207,472	0

19 Subordinate loan capital

Loan of 11,000,000 DKK has been granted by a Parent Company and is subordinated in relation to all other creditors. The company has after the balance sheet date received an extension of the subordinated loan, which will fall due 31 December 2021.

20 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Rent and lease liabilities	28,290,254	30,001,280	26,506,545	27,125,973

Rent and lease liabilities primarily relate to contracts which are non-cancellable until 2021-2031.

Parent company

The Company is jointly taxed with its parent, KEH Naval Architects Holding ApS, which acts as management company. The Company is jointly and severally with other jointly taxed group entities for payment of withholding taxes.

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 176,321.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

21 Collateral

Group

The group has not provided any security or other collateral in assets at 31 December 2019.

Parent company

The parent Company has not placed any assets or other as security for loans at 31. december 2019.

22 Related parties

Group

Knud E. Hansen A/S Naval Architects' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Keh Naval Architects Holding ApS	Helsingør, Denmark	Participating interest
Damen Shipyard Group NV	Curacao, Curacao	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Keh Naval Architects Holding ApS	Helsingør, Denmark	The consolidated financial statements are available at the company address
Damen Shipyard Group NV	Curacao, Curacao	The consolidated financial statements are available at the Chamber of Commerce in The Netherlands

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

Related party transactions

DKK	2019	2018
Group		
Revenue	7,576,604	8,509,744
Interest	275,000	275,000
Receivables from group entities	4,206,866	4,104,525
Payables to group entities	22,741,795	31,955,759
Parent Company		
Revenue	7,576,604	8,509,744
Interest	275,000	275,000
Receivables from group entities	4,206,866	4,104,525
Payables to group entities	22,741,795	31,955,759

In accordance with section 98 C, subsection (3) of the Danish Financial Statement Act, Knud E. Hansen A/S, Naval Architects, has not presented the related party transactions with wholly-owned subsidiaries.

Information on the remuneration to management

Information on the remuneration to Management appears from note 5, "Staff costs".

23	Appropriation of profit		
	Recommended appropriation of profit		
	Net revaluation reserve according to the equity method	-2,103,364	707,602
	Other statutory reserves	-120,364	-414,834
	Retained earnings	4,371,194	1,265,570
		2,147,466	1,558,338

		Group	
	DKK	2019	2018
24	Adjustments		
	Amortisation/depreciation and impairment losses	1,746,574	1,416,770
	Financial income	-367	-2,567
	Financial expenses	442,531	533,779
	Tax for the year	1,324,160	599,918
		3,512,898	2,547,900
25	Changes in working capital		
	Change in receivables	-2,474,972	-14,441,064
	Change in trade and other payables	1,237,843	3,897,914
		-1,237,129	-10,543,150
26	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	2,053,384	7,016,093
		2,053,384	7,016,093